

# *Financial Need and Admissions: Impact, Influence and Issues*

by Thomas S. Anthony and Robert J. Massa

Financial aid, as critical as it is, has been written about from most perspectives. There is a sizeable literature of helpful and useful information about the varieties and availability of aid. There has been reluctance however, except in the commercial press, to address the dynamics and problems of the decision making required by institutions which are faced with the problem of shrinking student aid resources.

For our purposes, aid is defined as including all customary state, federal and institutional sources. There are as well, a growing number of loan programs providing attractive and imaginative financial alternatives. In spite of all these efforts, financial aid is not keeping pace with the monumental growth in need.

## *The Problem*

An effective aid program in a high-cost college setting must grow out of a firm institutional commitment to student aid. This commitment is the *sine qua non*, the fulcrum for creating an effective aid program. Because many institutions do not have their student aid programs totally funded with actual resources, i. e. annual contributions from benefactors and/or earnings from endowments, the concept of unfunded student aid is often employed. This means simply that a student's costs are *reduced* by a scholarship or grant, thus reducing the revenue to the institution. This practice, in turn, becomes an *expense* on the operating side of the institution's budget. Thus, unfunded student aid is often an institution's single largest source of financial assistance, and, as such, most commonly is also one of its more costly expenditures. What happens then when an institution's student aid capabilities run short? How does a college wrestle with the choices and what are they? What are the implications for admissions recruitment and selection strategy?

Certainly the choices include a preferable option: increase funds. As this is the most ideal, it is usually the most difficult and seldom the answer. This would, however, allow for the complete separation of the admission and aid processes. The Admissions Office would admit the student without ever seeing a financial aid application, and the aid officer would package (preferentially or not) every needy student. "Preferential packaging" suggests that the more highly sought students would receive larger gift components than less attractive applicants.

The next most likely choice is to "admit and deny" funds. The admissions officer in this scenario would admit a student with or without seeing the financial aid application. The aid officer would "package" the best students first and, when funds are depleted, would deny institutional aid to the remainder of the admitted population. Perhaps tied with this is an institutional choice of "gapping" packages — the practice of meeting only part of the need, albeit including some gift aid.

The third option is to consider denying admission because of an inability to meet the need. In fact, separate standards are developed, stated or not, for needy and "free" applicants. When resources are allocated, the most needy students who are otherwise competitive, are waitlisted or rejected. This approach is often taken to

Thomas S. Anthony, Acting Dean of Admissions, Colgate University, Hamilton, NY 13346. Robert J. Massa, Associate Dean of Students, Union College, Schenectady, NY 12308

maximize overall yield, (i.e. students who need aid and have not received it are less likely to enroll).

The practices of "gapping" and denying admission based on need are both attended by problems. In the first case, a family stretched beyond its resources will probably end up making life choices dictated by aid rather than educational considerations. In the second, significant moral issues emerge.

#### *The "Aid Mix"*

There are three principal forms of direct aid to students:

1. Gift aid, which typically includes scholarships and grants;
2. Loans, usually over a long term after graduation or withdrawal from school;
3. Employment, typically part time during school periods.

Normally these three forms of assistance are combined in some manner in financial aid "packages." In some cases where student aid resources may be inadequate to meet the full need of all needy applicants, institutions may leave some students with un-met need or "gaps" in their resources.

There are numerous ways of packaging aid. Few colleges subscribe to all of them, but they do provide a formidable arsenal for creative admissions and aid staffs. In all cases, we assume that eligible entitlement grants have been included.

1. Grant-in-aid: cash awards up to the full budget costs.
2. Grant to meet need.
3. Grant with modest self-help.
4. Grant with single loan and job.
5. Grant with gap, loan and job.
6. Grant with multiple loans and job.
7. Grant with gap, multiple loans and job.
8. All sources except grant.
9. Multiple loans only.
10. Deny admission because of need extending beyond the range of all possible aid.

We do not argue the propriety of any of these options, but it is well to consider the special problems of some of them and to identify where they are most likely to appear. There are very few high cost colleges with an applicant pool sufficiently large to afford the luxury of even considering admission denial solely because of an applicant's inability to pay. Quite literally, there are not more than a couple of dozen institutions with high costs who can afford to turn down an otherwise qualified applicant because of aid circumstances. In most cases, these schools have substantial aid resources and the aid question, while present, is not a determining concern. Finally, there are other institutions which would make their admissions decisions without any regard to a student's ability to pay. However, for a variety of reasons, some of these schools would deny aid to some of those admitted who have financial need. This practice is often referred to as "admit/deny."

#### *The Yield Factor*

Although aid may not be an overriding concern of the institutions described above, there is, however, a major reason for colleges in this group to deny admission to an otherwise qualified applicant rather than to admit and deny aid: YIELD. "Yield" can be defined as the actual rate of enrolled students compared to the number of students admitted. All other factors being equal (admittedly a rare occurrence,) institutions practicing an admit/deny policy when aid is expended will invariably experience a lower overall yield on admitted students than will those who deny admission when funds are gone.

A small survey was conducted among three institutions each employing a different

policy in dealing with needy admissions applicants. One admitted applicants without regard to financial need and provided adequate aid to all needy applicants. The second admitted all applicants without regard to financial need but denied institutional aid to a percentage of these students whom the institution did not view as attractive as others to whom its limited student aid resources were to be targeted. The third school used as a factor in the admissions process a student's ability to pay and actually denied admission to a percentage of needy students whose need could not be met through any direct institutional aid. Actual statistics, averaged over a four year period from these similarly selective private institutions in New York State, illustrate this point:

	<u>Aid to All</u>	<u>Admit/Deny</u>	<u>Deny Admission</u>
Total Yield	36%	33.5%	40.5%

The "admit/deny" institution clearly has the lowest applicant yield. The "deny admission" college has the highest yield for two related reasons: 1) It does not have to contend with the mass exodus of those who need aid but did not receive it; and 2) When compared with "Aid to All," it is likely accepting less qualified "payees" who, because they are less qualified, are more likely to enroll at that institution than are well qualified students who have a choice among several competitive colleges.

Those less selective colleges obliged to admit more than half of their applicants are usually — there are exceptions — unable to deny admission to anyone for an aid-related reason. There is always the chance, through some combination of the aid possibilities listed above, that the student will be able to enroll. In these institutions, enrolling a class by September is a paramount concern and if aid resources are not sufficient to meet the full needs of everyone, "gapping" will be practiced.

The "gapped" student may well be faced both with a constant financial battle while enrolled and the daunting (and dampening) impact of accumulated loan debt far beyond the student's immediate capacity to repay — possibly so large as to discourage further study, or to raise the spectre of default.

#### *When is Need a Factor in Admissions?*

A careful look at a college's admissions profile might suggest its practices with respect to the influence of need on the admission decision. In the statistics cited below, all three colleges are independent "selective" institutions, none of them "gap" in a major way, and all target their aid to specific populations, e.g. the best students, the top athletes or musicians, minority students.

Aside from the effect of aid practices on yield, there are two major groups of statistics to examine in order to gain an understanding of the impact of aid/admissions policy on the institution and its profile: *total pools* (applicant, accepted, enrolled) and *rate of acceptance* (aid, non-aid, total).

If the need for aid were not a factor in the admissions decision, one would assume that the proportion of needy aid applicants in the total applicant pool would be relatively the same as their percentage in the accepted group. Conversely, if the need for aid were irrelevant in a college's admission decision, the rate of acceptance for needy aid applicants would be similar to the acceptance rate for non-applicants and/or everyone.

The figures profiled below represent actual four-year averages at 3 four-year independent liberal arts colleges in New York State.

Need as a Factor in the Admissions Process

	<u>Aid to All</u>	<u>Admit/Deny</u>	<u>Deny Admission</u>
% of aid apps. in total applicant pool	44%	47%	60%
% of accepted aid apps. in total accept pool	45%	45%	48%
% of enrolled aid recipients in total enrolled pool	43%	29%	39%
total rate of acceptance	48%	40%	41.5%
aid app. rate of acceptance	49%	38%	33%

*Implications of each practice as implied by data*

*Aid to All:* Note that the percentage of aid applicants is similar to both the total applicant pool and the accepted pool. Note also that the percentage of recipients in the enrolled pool is similar. Thus, this institution seems to be aiding just about everyone whom they admit who has financial need. In addition, the total rate of acceptance compared to the aid rate of acceptance are similar. Note however, that the "Aid to All" college appears to be less selective than the other two (i.e. must admit more students to enroll their class than do others). Although this institution is still selective, in general, it would appear that the less selective a college is, the less it can afford to make financial need a factor in its admissions decisions.

*Admit/Deny:* Again, the percentage of aid applicants is similar in both the total pool and the accepted pool, suggesting that need or perceived need is not a factor in admissions. But note the proportion of aid recipients in the enrolled pool! This clearly reflects the practice of admit/deny. The total rate of acceptance and the aid rate are similar, although it may be apparent (if one infers from the statistics that the non-aid applicant acceptance rate is roughly 40% vs. 38% for the aid applicant rate), that some "deny admission based on need" practice occurs here. In other words, it is likely at the end of the competition, that financial need does become a small factor in rendering an admissions decision.

*Deny Admission:* Clearly, the aid applicant ratio in the accepted group is significantly lower than the ratio in the total applicant pool. This demonstrates, at least in part, that whether or not an individual applies for aid could influence whether or not he/she is admitted. The further skew downward to 39% enrolled with aid is caused primarily by the "no-need" portion of the accepted pool as op-

posed to any significant admit/deny population. The data might also suggest that aid applicants have been accepted at a much lower rate than non-aid applicants. The difference is certainly more than coincidental.

*Cost of Implementing an "Aid Blind" Admissions Policy at a Small Liberal Arts College*

To go from "Deny Admission" to "Aid Everyone" does cost money. For example, the cost of one class at such a school for one year might be:

	Average		Total	
	<u>College Aid*</u>	<u>% on Aid</u>	<u>College Aid</u>	<u>Add'l Needed</u>
Actual	\$4,100	38%	\$ 820,000	
Aid Blind	\$4,100	55%	\$1,170,000	\$350,000

(\* College Aid = college controlled scholarships, loans and jobs.)

Therefore, if this particular institution has an aid blind policy, it would have cost \$350,000 more in aid from the college to enroll the class. Over a four year phase-in, after the inclusion of an inflation factor, the additional cost would be as follows:

	<u>Cost</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Total</u>
C E	Year 1	\$350,000	\$410,000	\$435,000	\$460,000	
L N	Year 2		\$410,000	\$435,000	\$460,000	
A T	Year 3			\$435,000	\$460,000	
S E	Year 4				\$460,000	
S R						\$4,315,000
I						(over 4 years)
N						
G						

The \$4,315,000 represents the *additional* cost over four years of converting to a purely aid blind admissions policy.

*Enrollment Management*

With costs as they are (and will be) in both the public and private sectors, an enrollment management program for all colleges must consider three factors: competitive pricing, student/family willingness, and the aid "mix" in their enrollment. With respect to the latter, increasingly, high percentages of institutional budgets are being financed through student loan programs. This raises an especially crucial issue for those institutions where budgets are entirely tuition driven. It is critical for these colleges to have a percentage of students for whom the question of loans or major aid financing is not likely to come up. There is both fiscal and enrollment stability in these considerations and on such issues rest the future of many underendowed, high-cost institutions.

There are less concrete reasons for seeking this population as well. Because they are less preoccupied with where the money comes from, they are presumably more able to focus on the academic task at hand, to graduate with greater regularity and to look back on the undergraduate experience with affection and appreciation. All of the debt management concerns come into play, including excessive loan burdens,

restricted graduate and professional school opportunities, the emphasis on higher paying careers, marriage and family delays, and even alumni contributions. These concerns raise a whole range of issues which colleges must consider, including the temptation to take advantage of a large applicant pool and select only those who are in a more secure financial position. Although few colleges make such a deliberate decision, there are both professional admissions practices and societal pressures which relate directly to this question.

It is likely that an affluent selective college will center its recruiting efforts on secondary schools with similarly affluent students. This is not to exclude other identified target populations, but the latter are not the central concern of such colleges. There is also much that has been written on the question of community affluence and the quality of a secondary school. High achieving upwardly mobile families will seek out and can afford such schools and communities with the expectation of successful college admission somewhere in the future. These same families, besides being more affluent, will likely be more willing and able to provide continued financial and emotional support through the undergraduate years.

All of these factors have brought us to a high degree of awareness of the key role of financial aid (especially discretionary grant/gift aid). It has become a high priority for budget committees and a top fund raising target. Few colleges resort to tying admission directly to ability to pay. As noted above, there are few who have an adequate applicant pool to do it and there is a moral reluctance to do so as well. This is not to say, though, that aid is not a part of the consideration. It is integral to admissions recruitment (acknowledged or not.) The mix of award, (i.e. the percentage of gift vs. loan vs. work vs. gap in the financial aid package,) in these competitive times has made aid both a tool for access to higher education and as well as a tool to leverage the applicant pool in satisfaction of institutional objectives.