

SCANNELL & KURZ, INC.

Appeals: To respond, or not to respond? That is the question.

As we enter the financial aid appeal season this year, answering this question is more fraught with angst than ever. At most private institutions, deposits are lagging, even if applications are up. Students are demonstrating more need, which is straining financial aid budgets already. Yet admissions offices are worried about making the class if responses to financial aid appeals are not favorable. So how should institutions respond?

The responses to legitimate changes in family financial circumstances are the easiest. Most institutions have always been willing to recalculate need in the face of a lost job, unexpectedly high medical expenses, or other financial emergencies. This year there may be more such appeals, and institutions will continue to adjust packages in response.

The more difficult decisions center on appeals that are not due to a change in circumstances, but the family's inability to cover the "gap" (unmet need) in the package (real or perceived); the family's unwillingness to borrow; or the family's desire to negotiate using a better offer from another institution. In the past, econometric analysis we have conducted for our clients has demonstrated that responding to this sort of appeal typically reduces net tuition revenue, because the students who appealed already had a higher propensity to enroll. Consequently, responding positively across the board to such appeals has only a small impact on yield, but reduces the revenue generated by each student who enrolls.

Past history, however, may not hold true for this recruitment cycle, and institutions should be thinking about responding strategically to appeals. So how can institutions approach this effort strategically?

First: buy yourself some time. Although you should respond to changes in family circumstances immediately, you may want to give students submitting other appeals a date by which you will respond. This will give you more time to see how the class is coming together.

Second: know your data. Look at past yield rates among students with high levels of unmet need. Did yield rates fall off dramatically at a certain level of unmet need? Have yields been trending down among students at a specific quality, need or unmet need level? If so, an appeal from a student in this category should receive more attention than one from a need or unmet need category that has historically yielded well.

Third: have good enrollment and aid tracking and projection mechanisms in place. Before you spend more money, be sure you have made good projections of what freshman aid expenditures will ultimately be. These projections should be based on date-to-date comparisons with the prior year on the number of admits awarded and the average institutional grant offered, as well as information on how much the average institutional award grew from this point in time until the final class last year. You may find that your aid expenditures are already elevated because students are demonstrating more need than last year. Also, for many institutions, non-FAFSA filer admits have very low probability of enrollment. Tracking the percent of admits for whom you have received an ISIR will help shed light on the “softness” of the admit pool.

Fourth: Don’t panic. Before throwing money at the problem of lagging deposits, ask yourself what other strategies could have an impact. Talk to students who haven’t deposited to understand more about what they are thinking. You may find that the barriers could be addressed in other ways—by a call from a faculty member in the student’s major; by sending more information about residential life; etc. This will be the longest “yield” season ever!

Finally: Prepare for a thorough year end evaluation. Many clients have already asked us for help with recalibrating their financial aid models based on fall 2009 results. We believe that the fall 2010 recruitment cycle may be even more challenging than this year. Consequently, you need to learn as much as you can about what worked and what didn’t work this year, viewing it as a new base year on which to prepare for the next cycle.

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