




Financial Aid Trends in the Current Economy: Lessons for the Future

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SCANNELL & KURZ, INC.



“Nearly 30 percent of the 100 private colleges that responded to Moody’s survey project their net tuition and fee revenues to fall in the 2010 fiscal year.”

Inside Higher Ed, November 3, 2009



Schools that were most vulnerable:

- Rural
- High discount rates before 2009
- Sticker price and “prestige” misalignment
- Seen as a commodity
- Profoundly tuition driven



How Students and Parents Reacted

- Students applied to more schools
- More students selected two and four-year publics
- Students sought and expected more financial assistance
- Students were more wary of borrowing and parents had more difficulty borrowing
- Yields were stronger for majors with clear job prospects
- Parents became even more involved in the college-choice process



Mistakes Made by Some Colleges

- Increased tuition to make up for budget shortfalls despite the price sensitivity of their admit pool
- Introduced costly pricing or discounting “gimmicks” without sufficient analysis
- Expanded student search or invested in a new secondary market that generated soft applications
- Lowered academic quality to make the class



What should colleges do to prepare for fall 2010 and beyond?

- Identify the key metrics that really reveal how you are performing and track them to a similar date in the prior year
 - Inquiries by source
 - Applications, admits, and deposits
 - Aid applications
 - Average need
 - Financial aid expenditures/discount rate



What should colleges do to prepare for fall 2010 and beyond?

- Benchmark annually on sticker price, discount rate, and prestige indicators with private competitors to ensure that your tuition, aid, and quality indicators are in alignment.

Sample Benchmarking Chart

College/University	Tuition & Fees 2009-10	Discount Rate	Fall 2008 Accept Rate	Fall 2008 SAT 25-75%	U.S.News Ranking 2010 (America's Best Colleges)
A	\$25,376	24.4%	48.6%	1000-1160	Baccalaureate Colleges (North) Tier 1 - (17)
B	\$27,208	18.9%	81.9%	900-1110	Universities-Master's (North) Tier 1 - (54)
C	\$28,160	42.9%	73.7%	860-1050	Universities-Master's (North) Tier 1 - (62)
D	\$28,400	23.6%	65.0%	950-1160	Universities-Master's (North) Tier 3
E	\$29,365	36.7%	56.0%	970-1170	Universities-Master's (North) Tier 1 - (45)
F	\$31,210	37.6%	45.0%	1100-1290	Liberal Arts Colleges Tier 1 - (112)
G	\$31,450	38.8%	54.5%	1010-1190	Universities-Master's (North) Tier 1 - (13)
H	\$35,712	32.4%	35.2%	1190-1350	National Universities Tier 1 - (80)
I	\$38,440	29.9%	54.3%	1180-1360	National Universities Tier 1 - (56)

What should colleges do to prepare for fall 2010 and beyond?

- Make sure your admissions recruiters can make the case for
 - AFFORDABILITY
 - VALUE
 - ROI

...with proof statements



What should colleges do to prepare for fall 2010 and beyond?

- Make sure financial aid counselors can talk knowledgably and comfortably about financing and payment plan options as well as financial aid programs.
- The need for strong links between financial aid and student accounts has never been more pressing.



What should colleges do to prepare for fall 2010 and beyond?

- Keep admissions and financial aid staffs on the same page by using NTR goals as the common denominator.



What should colleges do to prepare for fall 2010 and beyond?

- Use an analytical approach to adjusting aid policies.
 - Examine yield rates by need and grant
 - Predictive modeling



Yield Tables by Need and Grant

- These Data Can Be Segmented By:
 - Freshman vs. transfer
 - Academic area
 - Gender
 - Quality of student
 - Ethnic group
 - Etc.

Sample Yield Table

Tuition = \$15,000

	>\$6000						
	\$4000-\$6000					25/100	25%
Gift Aid	\$2000-\$4000					16/80	20%
	\$1-\$2000					8/40	20%
	\$0						
		\$0	\$1-\$2k	\$2k-\$4k	\$4k-\$6k	\$6k-\$8k	> \$8k
					Need		

Cost Benefit Analysis

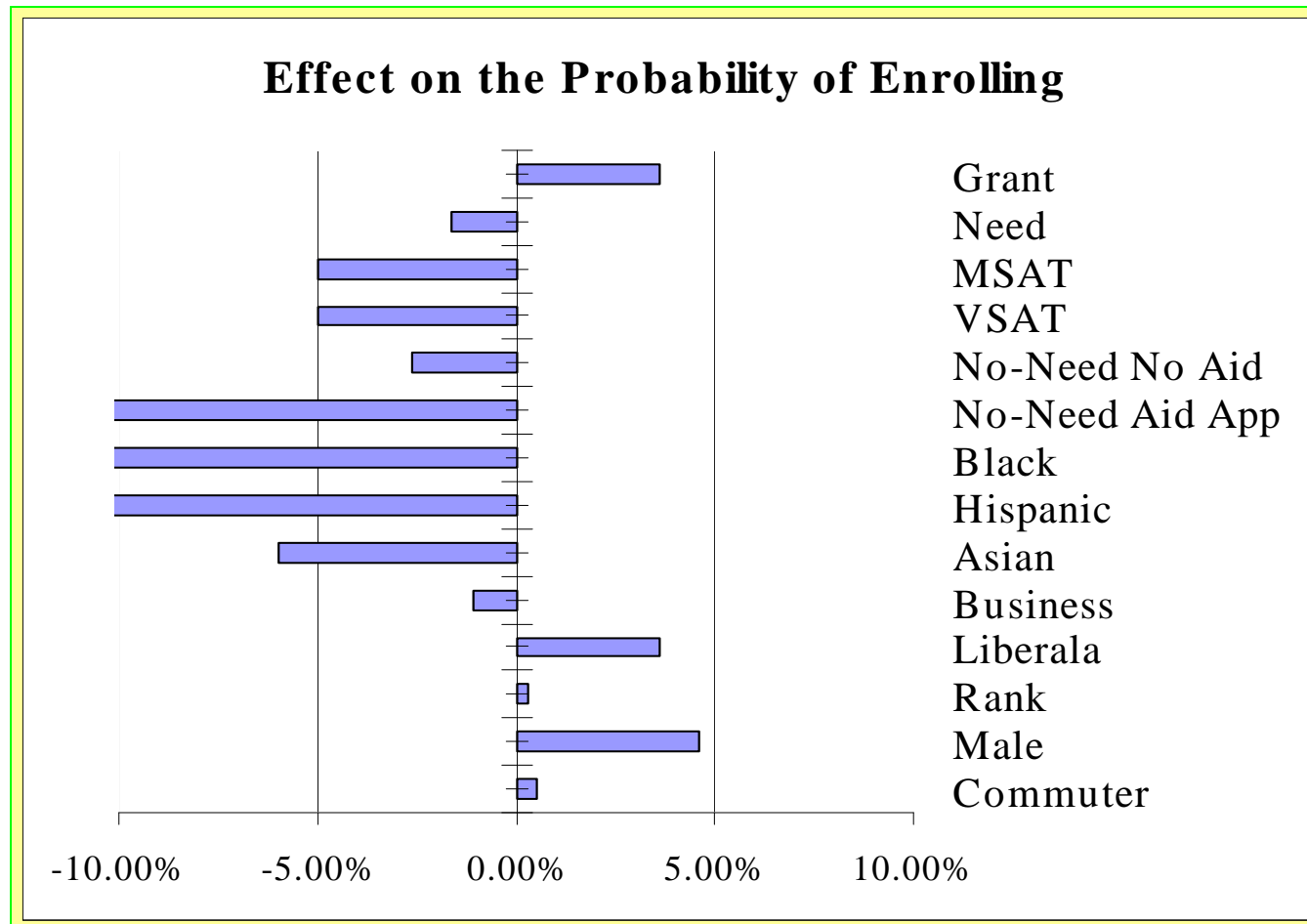
- Current NTR:
 - $8 * \$14,000$
 - $16 * \$12,000$
 - $25 * \$10,000 = 49$ enrolled - $\$554,000$
- Projected NTR
 - $20\% * 220 = 44$
 - $44 * \$14,000 = \$616,000$
- Projected Gain in NTR = $\$62,000$



Predictive Modeling

- Ability to consider many more variables in the analysis (solves the small numbers problem)
- Detailed simulations of potential policy and strategic changes – “what if” scenarios
- More powerful tradeoff analysis

Sample Enrollment Probability Model





Econometric Modeling Step IV: Estimating the Net Tuition Revenue Maximizing Level of Grant

- Given the estimated coefficients from the model, it is possible to estimate for each admit the relationship between total grants and expected revenue,
- and then to estimate the amount of grant that would maximize expected net tuition revenue for this admit.

Estimate the Net Tuition Revenue Maximizing Level of Grant

Sample New Student NTR Optimizing Scenario Fall 2008 Freshman Class - Baseline versus Optimal

	Baseline	Optimal
Enrollment	307	277
NTR	\$3,221,690	\$3,756,730
Discount Rate	46.0%	30.2%
Avg. ACT	23.0	22.8
% Minority	12%	14%
% Applied for Aid	94%	83%



Econometric Modeling Step V: Simulation of New Financial Aid Strategies

- Once a potential change in policy has been identified the model can then be used to simulate the impact of that change on net tuition revenue and, perhaps more importantly, on other characteristics of the entering class.



Simulation of New Financial Aid Strategies

- Does the new policy really increase net tuition revenue?
- What is the impact on total class size?
- What is its impact on diversity?
- On test scores?
- On specific academic programs?
- On retention?

Sample Simulation Summary Table: New Student Enrollment

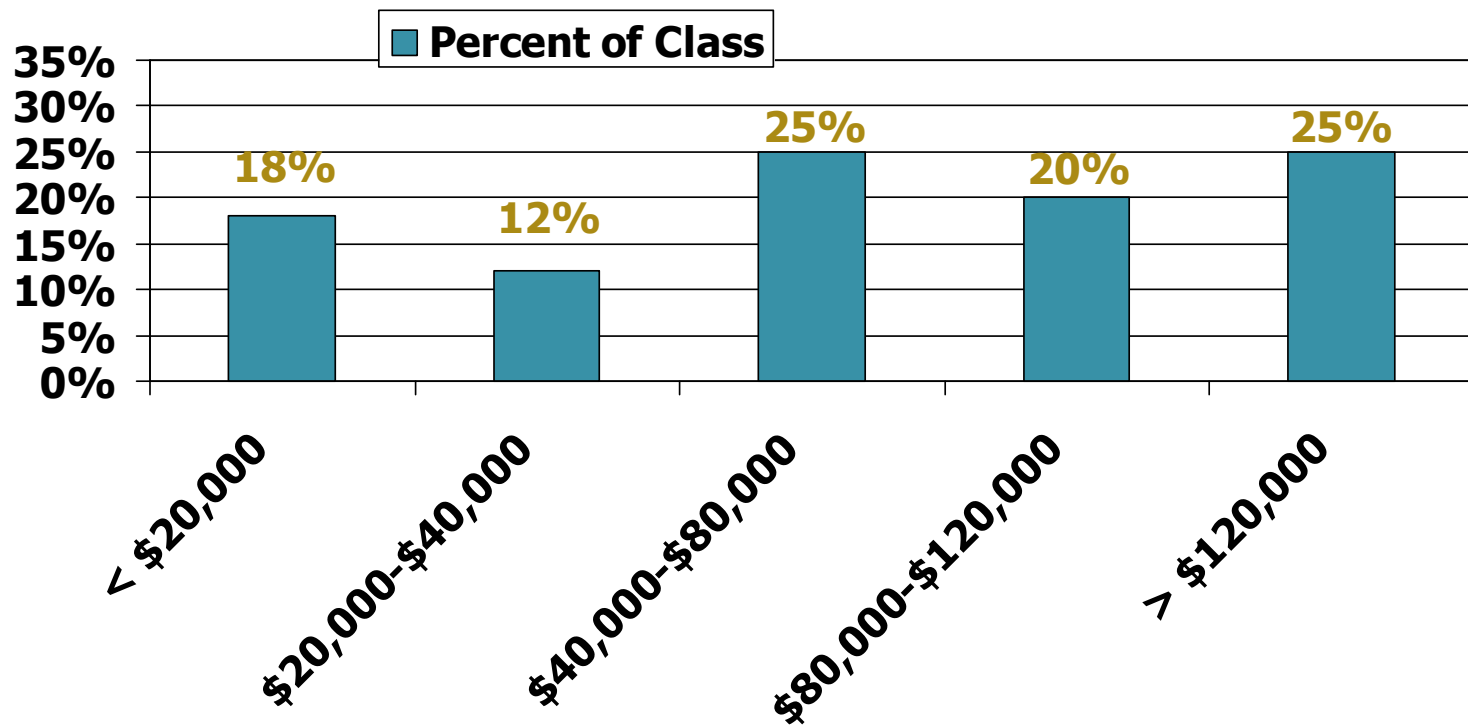
	Predicted Class (Baseline)	Simulation #1: Actual Policies	Simulation #2: New Quality Groups	Simulation #3: Travel Grant	Simulation #4: Eliminate Entitlements	Simulation #5: Raise Merit Levels
Enrollment	330	323	341	344	334	362
Institutional Grant	\$2,869,624	\$2,661,515	\$3,080,130	\$3,139,831	\$2,847,832	\$3,668,974
NTR	\$5,161,292	\$5,206,244	\$5,221,124	\$5,229,794	\$5,277,633	\$5,136,919
Discount Rate	35.7%	33.8%	37.1%	37.5%	35.0%	41.7%
Avg. SAT	972	971	971	971	973	974
% Male	41%	41%	41%	41%	41%	41%
% Minority	16%	16%	16%	16%	15%	15%
% In-State	74%	74%	74%	74%	74%	74%
% Aid Applicant	95%	94%	93%	93%	94%	93%



What should colleges do to prepare for fall 2010 and beyond?

- Be as transparent as possible about your awarding policies

Sample Income Profile



Sample Case Study

Cost Scenarios

Each financial situation is different. We have prepared a few scenarios to help you understand the types of financial aid you might expect and how all the aid resources tie together in one package.



Student	Daniel	Jacob	Lindsey	Sarah
Parents' Finances				
State:	TN	KY	VA	TN
Parental Earnings:	\$106,710	\$16,595	\$50,629	\$246,250
Investments:	\$18,200	\$200	\$0	\$171,000
Family Members:	5	4	4	6
Number in College:	1	1	1	1
Student's SAT/ACT:	29	23	1050	1050
Student's GPA:	3.85	3.5	2.45	3.61
Financial Aid Package:				
Academic Scholarship:	\$9,000	\$8,000	-	\$8,000
Athletic Scholarship:	\$5,000	-	-	-
Tennessee Hope Scholarship:	\$4,000	-	-	\$4,000
Tennessee Merit Scholarship:	\$1,000	-	-	-
Pell Grant:	-	\$4,700	-	-
Federal Supplemental Grant:	-	\$1,500	-	-
Institutional Grant	-	\$2,000	\$10,200	-
Stafford Loan:	\$3,500	\$3,500	\$3,500	\$3,500
Parent Plus Loan	-	-	\$12,500	\$9,550
Total Aid:	\$22,500	\$20,700	\$26,200	\$25,050

Sample Guarantee

The screenshot shows the King College website with a navigation menu and a 'Scholarships' section. The navigation menu includes: Home, Admissions, About KING, Academics, Athletics, Experience King, Graduate & Professional Studies, King News, and Costs. The 'Scholarships' section contains two tables. The first table lists 'King College Academic Merit Scholarships' with three rows of criteria and amounts. The second table lists 'King College Transfer Student Scholarships' with two rows of criteria and amounts.

Quick Links

- ▶ APPLY NOW
- ▶ REQUEST INFO
- ▶ FAST FACTS

ADMISSIONS

ACCEPTED STUDENTS

MEET OUR STUDENTS

MEET OUR FACULTY

COSTS

Costs

Scholarships

	Amount	ACT or SAT Criteria	GPA Criteria
King College Academic Merit Scholarships	\$9,000	28 or 1260	Greater than or equal to 3.0
	\$8,000	24-27 or 1110-1250	Greater than or equal to 3.0
		20-23 or 950-1110	Greater than or equal to 3.5

	Amount	Criteria
King College Transfer Student Scholarships	\$9,000	Cumulative GPA of 3.5 or greater or Phi Theta Kappa Member
	\$8,000	Cumulative GPA of 3.0 - 3.49

Sample Calculator

Southwestern University Affordability Estimator

Sticker price of college getting you down? Don't worry, 85 percent of our students receive some sort of financial assistance. To get an estimate of how much Southwestern will cost you, just fill out the form below and watch the graph shrink!

The SU Affordability Estimator gives an early approximation of what a new first-year student can expect to pay to attend SU. It is not an application for financial aid. The results are only estimates and not guarantees of the actual amounts you will receive. Follow this link for more information regarding the estimator

Total Annual Cost of a Southwestern Education: \$38,540**

Class Ranking

Select one of the following exams and enter your score.

ACT Composite SAT (CR + M) Score:

Total Household Income:

Parent Assets
What should I include?

How many people live in your household?

Of the number in the household above, how many will be in college next year? Include yourself.
Exclude parents and any household member in graduate school.



**** Annual cost includes tuition, room & board, fees, books, transportation, and personal expenses.**



What should colleges do to prepare for fall 2010 and beyond?

- Watch out for policies that stack
 - Merit
 - On
 - Entitlement
 - On
 - Need-based
 - On
 - Talent
 - ETC.



What should colleges do to prepare for fall 2010 and beyond?

- Make sure your renewal policies are not negatively impacting retention.
- Monitor patterns of re-enrollment by unmet need annually.
- Continue to be open to appeals based on changes in family circumstances.



What should colleges do to prepare for fall 2010 and beyond?

- Be sure you are transfer friendly
 - Develop comprehensive articulation agreements
 - Develop separate communication streams
 - Transfers are typically less price sensitive than freshmen, but you still must be able to communicate affordability effectively.



What should colleges do to prepare for fall 2010 and beyond?

- Identify ways to truly reduce the cost of attendance for students
 - New partnerships
 - More efficient delivery systems
 - Shorter time to degree
- Some schools are using the tough economy to justify decisions that in the past were politically unpalatable.



Questions and Conversation

Scannell & Kurz, Inc. is an enrollment management consulting firm. We are best known for our work in developing data driven financial aid and retention strategies. For more information, please see our web site at www.scannellkurz.com