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# The Effect of Enrollment Planning on Financial Aid Awards

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*Due to rising tuition costs at postsecondary institutions, financial aid has become more important to students and parents as they make their college choice decisions. There is wide discussion about how available aid resources might best be used to attract prospective students. Emerging trends suggest that success in attracting the desired freshman class may depend on allocating resources in a nontraditional manner. The traditional approach to awarding aid has been based on strict need analysis and seeks to fully subsidize college costs.*

*This study sought to determine the appropriateness of awarding aid based on recruitment objectives as opposed to traditional need analysis. Results show that traditional aid policies are effective in attracting the desired freshman class.*

“Traditional funding sources for students in higher education have either reached maximum capacity or are dangerously close to it. There will likely be a need for a new system of funding.” *Scannell, 1992*

Alternatives to strict need analysis and full-need aid policies do exist. These options defy conventional wisdom and run counter to egalitarian principles, particularly as they apply to public university missions. This article seeks to examine the appropriateness of using alternative financial aid policies to distribute aid to prospective students at public institutions.

Financial aid is an important element of the college choice process. The effective, efficient packaging and awarding of financial aid are likewise important to administrators charged with enrollment planning. Private institutions, with tuition-driven budgets, have historically been more attentive to the use of financial aid awards in deliberately building the new freshman class. Nationally, tuition and fees generate 40.7% of institutional budgets at private institutions (Chronicle, 1994). “Sales and Service” revenues, which include auxiliary enterprises such as residential and food services and other student-generated revenues, make up another 12.9%.

Enrollment management is organizationally more prevalent in private institutions. . .” (Scannell, 1992). Administrators at these institutions have been more willing to discuss packaging aid to suit the individual preferences of students and their families. More recently, as public college and university tuition costs have risen, and the number of graduating high school seniors has remained well below mid-1980s levels, enrollment administrators at public institutions have begun to recognize the importance of how available financial aid resources are distributed to prospective students.

Average cost of attendance at 4-year public institutions rose 28.6% from

## Enrollment Management and Financial Aid

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*“Conventional awarding policies based solely on need will be increasingly difficult to sustain.”*

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the academic year 1990-91 to the academic year 1993-94 (Chronicle, 1992, 1995). During this same period, federal financial aid resources declined relative to total tuition costs. Increasingly, middle-class families find themselves caught in a financial squeeze (Tien, 1992). For the 1991-92 academic year, the College Board reported the federal government provided 74% of all financial aid and that the largest single source of aid was the Guaranteed Student Loan Program (Knapp, et al. 1992). Loans are not perceived as an acceptable funding solution for all student families, particularly for low-income families (Kramer, 1982). Students at a certain need level may refuse offers of admission if the loan component is too large.

The financial aid process is quite complex. The amount and types of aid awarded are important. Although cost remains relatively low, public institutions are no longer considered a low cost educational alternative. Enrollment managers at public colleges and universities are beginning to develop strategies that allow their institutions to meet enrollment goals within the framework of available resources (Scannell, 1992).

Noel and Levitz (1993) discuss ways to distribute finite financial aid resources more effectively. They write, “In the face of relentless competition, U.S. colleges and universities are finding new ways to draw strong entering classes with the desired academic and demographic balance.” Using financial aid strategically allows institutions to deploy available financial aid resources. A significant number of prestigious institutions are moving from a need-blind admission policy (Cage, 1993). Intense competition and fiscal responsibility demand that institutions reexamine “egalitarian principles.”

Conventional awarding policies based solely on need (without regard for desired class characteristics or expected success) will be increasingly difficult to sustain. Hesel and Strauss (1993) report commitment of funds to financial aid has far outstripped the rate of growth of tuition revenue. More limited financial aid resources relative to higher costs demand that limited resources be used in the most efficient manner. An institution can no longer plan enrollment without determining how financial aid can best be used to its strategic advantage.

Hesel and Strauss (1993) find that “many institutions are using their aid resources in pursuit of idealized recruitment objectives that have not been adequately scrutinized for short term costs and long term implications.”

Institutions must examine how financial aid models may be used to help reach enrollment goals. Hesel and Strauss suggest sophisticated approaches such as assigning admitted applicants a probability of matriculation and an index indicating their ability and willingness to pay. Financial aid awards would then be made with knowledge of these characteristics.

But enrollment managers at public institutions are confronted with a dilemma. Administrators at state-supported institutions are expected to maintain policies that provide access to academically qualified students. Yet those same administrators are being asked to manage institutional funds more efficiently. Awarding aid based on the desired characteristics of freshman classes, projected student success, etc., runs counter to historical principles.

Aid is normally awarded based on application and simple projected need.

Without question, public institutions must serve a greater range of constituencies than private institutions. Public college and university officials may not make admission/financial aid decisions without weighing a wide range of public issues. However, intense competition requires public institutions to consider how financial aid packaging may be used to build new student enrollment.

## Study Goals

This study sought to determine the effect of large loan components on the matriculation decision. If enrollment planners at public institutions were able to determine that large loan components (or any specific financial aid award—institutional scholarships, federal grants, etc.) are linked to non-enrollment, they could begin to search more aggressively for alternative methods of strategically packaging aid. Enrollment administrators could be more confident about pursuing strategic financial aid leveraging if some specific distribution of aid programming were statistically related to enrollment. If loan (or other award) components have no relationship to enrollment, the question of how financial aid should be distributed becomes more confusing.

## Methodology

This study examined 1,658 prospective students (enrolled = 936; non-enrolled = 722) who applied for financial aid at a southern comprehensive university of 11,500 students. Each student file listed gender, race, types of financial aid awarded, the dollar amount received by financial type, ACT composite score, in-state/out-of-state residency, an expected family contribution index number (showing relative level of the family income), and enrollment status (i.e., enrolled versus non-enrolled). All first-time freshmen (without regard to enrollment status) applying for financial aid were included in this study.

Total dollar amounts were calculated for the total financial aid award (from all sources), total scholarships awarded, total loans awarded (from all categories), and a total of other aid awarded. Percentages for each category of aid relative to the total aid award were also calculated.

These data were examined by using multiple regression procedures to learn if loan percentages (as a portion of total aid awarded) or other aid elements were related to enrollment status. Review of the literature showed that certain financial aid programs (i.e., scholarships and loans) would be related to a student's final enrollment decision (Kramer, 1982; Moore, 1991). The literature consistently agreed that students from lower-income families would be less willing borrowers (Kramer, 1982).

## Results

Examining each student variable, we found that variables normally associated with college choice (ACT, family income, and state residence) had a significant relationship to enrollment status. However, even those components collectively showed only a weak relationship, accounting for only about 8% of the total variability in enrollment status ( $R = .07878$ ). (See Table 1.) Loan components or other aid elements were not related. Relative financial aid awarded and financial aid type appeared to have no impact on whether or not students decided to enroll. Data showed that a larger loan component (represented as a

**Student Aid Not Found to be Key to Enrollment Decisions**

higher percentage of loans in relation to the total aid package awarded) showed no significant relationship to enrollment status. (See Table 1.)

In comparing the loan amount among student groups, those students who did enroll were likely to have a higher mean loan award than those who did not enroll. (See Table 2.)

Students were more tolerant of larger loan awards (as a percentage of the total aid package) than was expected. In this regard it appears that students would enroll if an acceptable aid amount was offered, regardless of the specific aid components. The receipt of larger loan components did not deter enrollment, even among lower-income students. (See Table 2.)

Students receiving larger portions of their financial aid in the form of loans were just as likely to enroll as those students with smaller loan components. Surprisingly, those individuals receiving a larger portion of their aid as scholarship offers were less likely to enroll. Variables such as ACT, expected family contribution index (relating to family ability to pay), and geographic residence were most likely to predict enrollment. Those students from families with greater ability to contribute toward education and those with higher test scores were most likely to enroll.

This study seems to show that factors other than those examined are important to the college choice process. Factors mentioned in other studies

**TABLE 1  
Summary Table for Regression Analysis**

Dependent Variable	Enrollment Status		(Enrolled/Non-enrolled)	
	df	F	R <sup>2</sup>	Probability
Full Model	10	7.73933	.07878	.0000
Selected Variables In the Equation	Beta Weights	t	Significant t	
ACT	0.86777	4.855	0.0000	
In/Out State Residence	0.37945	-3.760	0.0002	
Gender	0.07527	0.537	0.59515	
EFC Index	0.99228	2.597	0.0095	
Race/Caucasian	-0.11714	-1.287	0.1983	
Race/African-American	-0.03360	-0.365	0.7150	
% of Loan	-0.00898	-0.189	0.8501	
% of Scholarship	-0.00480	-0.099	0.9210	

Variables included in equation ACT, Expected Family Contribution (EFC) Index, % Faculty Dependent Scholarships, % Athletic Scholarships, % Loan Awards, % other scholarships, in/out state residence.

**TABLE 2  
Financial Aid by Enrollment**

	Enrolled (n=936)	Not Enrolled (n=722)
Loan Total	\$936.59	\$727.10
Percentage Loan Total	38%	33%
Scholarship Total	\$1,026.13	\$893.31
Percentage Scholarship Total	44%	55%

such as location, academic reputation, availability of specific study programs, and predisposition toward the institution, along with cost and overall aid availability (Paulsen, 1990) may be more important to college choice than individual aid. This conclusion is supported by the higher scholarship percentage for students who did not enroll, a group that would presumably have scholarship offers from other institutions. This study suggests that abler students had a wider range of college choice options and reflects the importance of image and predisposition toward the institution in the college choice process.

The students examined in this study—even those from lower-income families—were more tolerant of loans than was expected. Because no particular aid component was related to enrollment, it would suggest that more sophisticated award policies involving financial aid leveraging may not enhance an institution's ability to build enrollment. Traditional aid policies seem to be an effective means of allocating available resources as long as an acceptable total amount of aid is available. At least until more is understood about the success of new financial aid award models in predicting enrollment, institutional enrollment managers might use caution in adopting radically different financial aid award systems.

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