

# **SLC 2019 @ Pepperdine**

## **Money Matters - Understanding and Navigating Need-based and Merit-based awards at Private Institutions**

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# Objectives

*Curious to learn how merit and scholarship aid is being used as a recruitment tool for admissions office? This session, intended for beginners, will explore all things fiduciary in the admissions process. Come refresh your understanding of the terminology- need aware vs. need blind, meeting demonstrated need vs. gapping, net tuition revenue, discount rates, and the biggest conundrum currently facing the profession- the ability to pay vs. the willingness to pay for families.*

# Welcome!

- Scholarship Lingo
- Institutional Awards
- Tips and Tricks
- Questions

# Talking the Talk

- Need Aware
- Need Blind
- Meeting full demonstrated need
- Gapping
- Net tuition revenue
- Discount rate
- Ability to Pay vs. Willingness to Pay

# Need Blind vs. Need Aware

## There are two types of institutions:

- ▶ Need-blind admission: applicants' financial resources are NOT taken into consideration when deciding whether to offer them a place
  - ▶ Need-aware admission: applicants' financial resources are taken into consideration when deciding whether to offer them a place.
- 



# Need Blind

- **The Good:** No financial information is used to determine a student's eligibility
- **The Bad:** Many of these institutions can't meet full need
- **The Fine Print:** Need Blind processes *seldom* apply to students admitted from the wait list or transfer students
- **International:** Only 5 schools offer need-blind programs that are inclusive of international students- Amherst, Harvard, MIT, Princeton, & Yale

# Need Aware

- **The Good:** Students typically receive very competitive aid packages that meet the entirety of their need
- **The Bad:** Preferential treatment may be given to students who don't require funding; admission for students requiring significant aid may be especially competitive
- **International:** Need-based aid for international students is extremely, extremely competitive

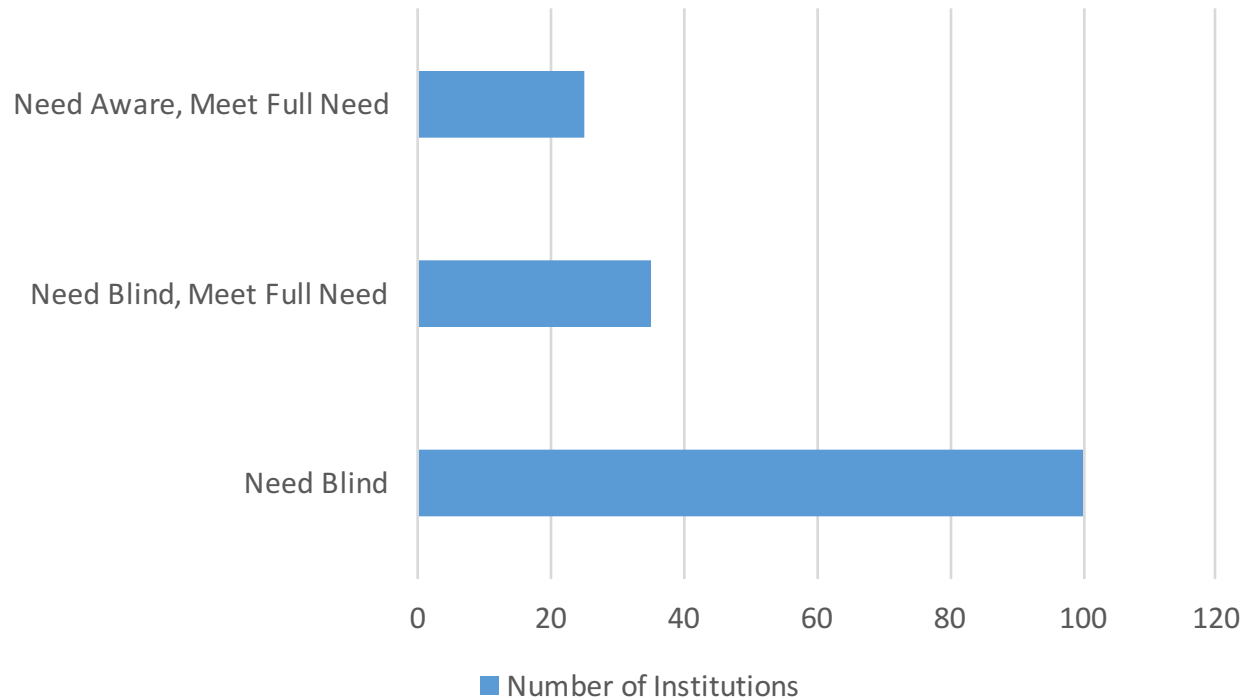
# Meeting Full Need

- **The Good:** Institutions commit to funding students to offset whatever isn't covered by the family's Estimated Family Contribution (EFC)
- **The Bad:** Sometimes families don't agree with their assessed EFC.
- **The Fine Print:** State institutions- a la the University of Michigan- may only do this for in-state students



# The Landscape

Number of Private Institutions



# Gapping

- **The Good:** Not applicable, except *perhaps* students can rest their laurels on knowing they were ‘admitted’ even though they can’t afford to matriculate.
- **The Bad:** Students are admitted but aren’t given financial aid awards to help off-set cost of attendance. For many, it becomes a financial impossibility to enroll. For others, they enroll anyway, taking on excessive loans.



# FAFSA vs. CSS Profile Form

- **CSS Profile Form** typically requires more information than the FAFSA from the family and weights income and assets differently.

For example:

- Non-custodial parent financial information
- Small business value
- Home equity
- Gifts are treated as income rather than as assets

About 200 schools will require both.

# Prior-Prior Year

- **The Good:** Tax data is already complete when it's time to apply for aid, and often can be instantly downloaded using the IRS Data Retrieval Tool.
- **The Bad:** Aid deadlines are now often much earlier; no time for procrastination!
- **The Fine Print:** Families whose financial status has changed significantly are impacted and often need to submit an appeal.

**2017-2018 Federal EFC Quick Reference Table**

AGI	Number of Dependent children			
	1	2	3	4
\$30,000	\$998	\$0	\$0	\$0
\$32,500	\$1,435	\$582	\$0	\$0
\$35,000	\$1,871	\$1,018	\$0	\$0
\$37,500	\$2,307	\$1,455	\$666	\$0
\$40,000	\$2,733	\$1,891	\$1,103	\$0
\$42,500	\$3,142	\$2,328	\$1,539	\$625
\$45,000	\$3,074	\$2,739	\$1,975	\$1,061
\$47,500	\$3,539	\$3,148	\$2,399	\$1,498
\$50,000	\$4,004	\$3,081	\$2,808	\$1,934
\$52,500	\$4,412	\$3,545	\$3,217	\$2,343
\$55,000	\$4,951	\$4,010	\$3,159	\$2,752
\$57,500	\$5,383	\$4,419	\$3,624	\$3,161
\$60,000	\$6,015	\$4,958	\$3,972	\$3,096
\$62,500	\$6,500	\$5,391	\$4,511	\$3,560
\$65,000	\$7,244	\$6,023	\$5,050	\$4,025
\$67,500	\$7,834	\$6,510	\$5,499	\$4,437
\$70,000	\$8,708	\$7,253	\$6,131	\$4,976
\$72,500	\$9,581	\$7,846	\$6,636	\$5,412
\$75,000	\$10,455	\$8,719	\$7,380	\$6,044
\$80,000	\$12,202	\$10,466	\$8,867	\$7,277
\$85,000	\$13,949	\$12,214	\$10,615	\$8,747
\$90,000	\$15,697	\$13,961	\$12,362	\$10,495
\$95,000	\$17,219	\$15,655	\$14,109	\$12,242
\$100,000	\$18,731	\$17,168	\$15,740	\$13,989
\$105,000	\$20,244	\$18,680	\$17,252	\$15,557
\$110,000	\$21,756	\$20,192	\$18,764	\$17,069
\$115,000	\$23,268	\$21,587	\$20,159	\$18,464
\$120,000	\$24,016	\$22,218	\$20,790	\$19,095

**2017-2018 Federal EFC Quick Reference Table**

AGI	Number of Dependent Children			
	1	2	3	4
\$125,000	\$25,677	\$24,165	\$22,330	\$20,635
\$130,000	\$27,335	\$25,301	\$23,874	\$22,175
\$135,000	\$28,993	\$26,959	\$25,414	\$23,719
\$140,000	\$30,651	\$28,617	\$26,954	\$25,259
\$145,000	\$32,309	\$30,275	\$28,495	\$26,800
\$150,000	\$33,967	\$31,933	\$30,035	\$28,340
\$155,000	\$35,578	\$33,544	\$31,646	\$29,833
\$160,000	\$37,180	\$35,155	\$33,257	\$31,327
\$165,000	\$38,721	\$36,738	\$34,868	\$32,760
\$170,000	\$40,261	\$38,279	\$36,432	\$34,077
\$175,000	\$41,802	\$39,819	\$37,973	\$35,512
\$180,000	\$43,342	\$41,359	\$39,513	\$36,947
\$185,000	\$44,882	\$42,900	\$40,976	\$38,381
\$190,000	\$46,423	\$44,440	\$42,410	\$39,816
\$195,000	\$48,010	\$46,028	\$43,892	\$41,298
\$200,000	\$49,598	\$47,615	\$45,374	\$42,779
\$205,000	\$51,185	\$49,182	\$46,855	\$44,261
\$210,000	\$52,772	\$50,664	\$48,337	\$45,743
\$215,000	\$54,360	\$52,145	\$49,819	\$47,224
\$220,000	\$55,947	\$53,627	\$51,300	\$48,706
\$225,000	\$57,535	\$55,109	\$52,782	\$50,188
\$230,000	\$59,015	\$56,552	\$54,226	\$51,631
\$235,000	\$60,438	\$57,975	\$55,649	\$53,054
\$240,000	\$61,861	\$59,398	\$57,072	\$54,477
\$245,000	\$63,284	\$60,821	\$58,494	\$55,900
\$250,000	\$64,707	\$62,244	\$59,917	\$57,323
\$275,000	\$71,821	\$69,359	\$67,032	\$64,438

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**NEED-BASED AID ELIGIBILITY at 2 yr public, 4 yr public, 4 yr private, elite 4 yr colleges**

**NEED-BASED AID ELIGIBILITY at 4 yr public, 4 yr private and elite 4 yr colleges**

**NEED-BASED AID ELIGIBILITY at 4 yr private and elite 4 yr colleges**

**NEED-BASED AID ELIGIBILITY at elite 4 yr colleges**

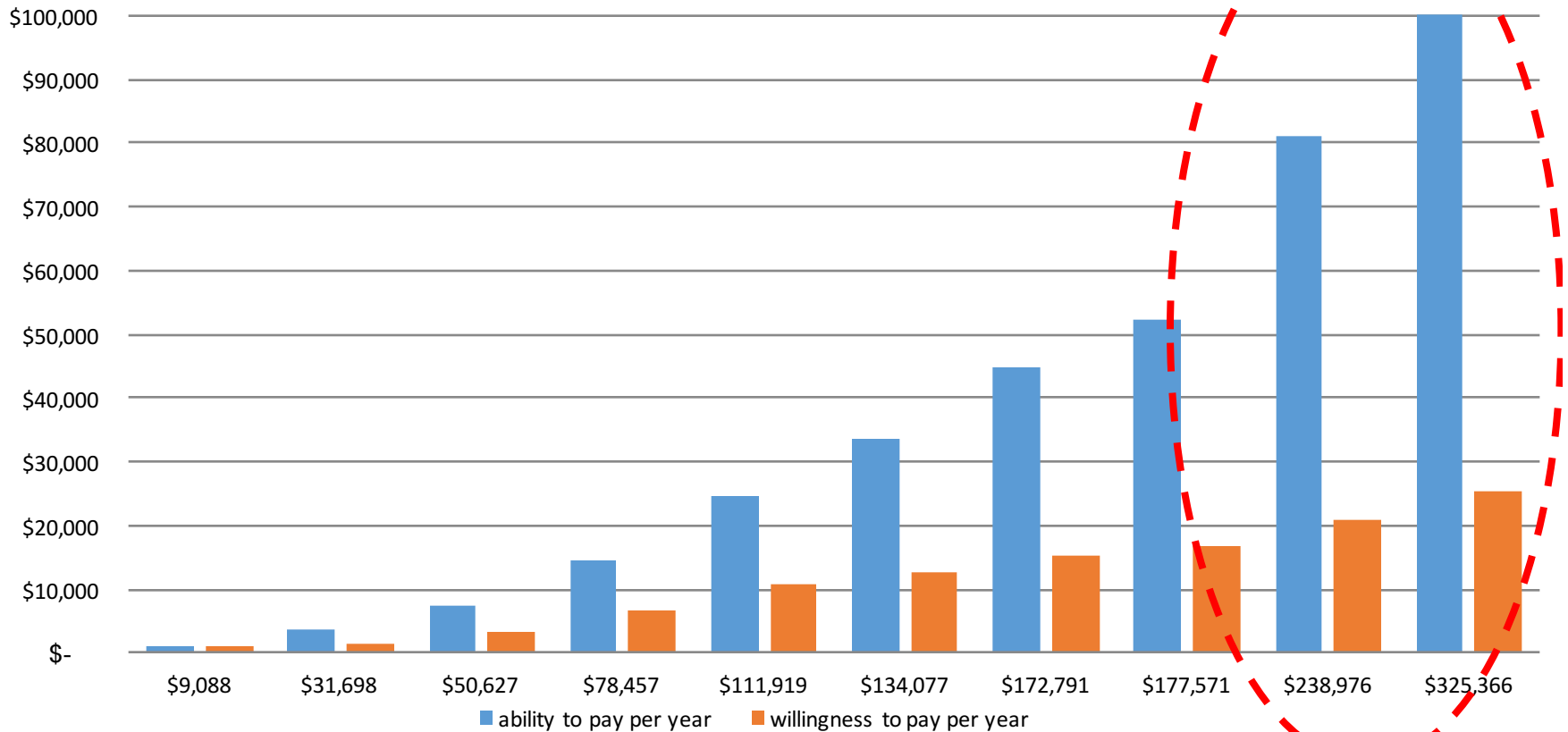
**NO NEED-BASED AID ELIGIBILITY**

# So Much Fine Print

- EFCs do not take into consideration any parent or student assets that may be reportable on the financial aid forms, and counted in the aid formulas.
- Assets counted are non-retirement assets, and the aid formulas weigh assets in students' names more heavily (20-25%) than they do parents' assets (5-5.64%)
- Small business assets do not count under the Federal Methodology, but they do under the Institutional Methodology.
- Home equity counts under the Institutional Methodology, and not at all under the Federal Methodology, depending upon the state.
- Therefore, when your assets are added into the overall aid calculation your actual EFC may be higher.
- Furthermore, the average cost of college in your home state may vary from the national average costs that this table uses to estimate aid eligibility, and the EFCs shown are based solely on the Federal Methodology of calculating EFC.

# Ability & Willingness to Pay for Private College, by AGI, 2016

(4727 cases reviewed)



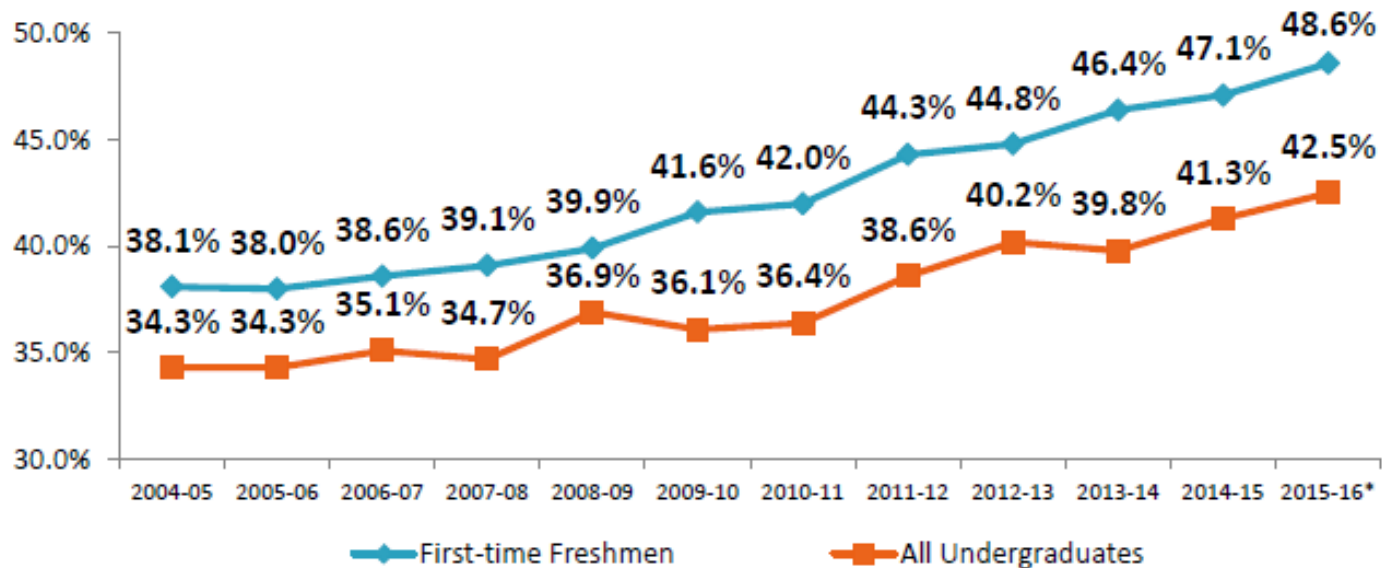
# Net Tuition Revenue & Discount Rate

- **Net Tuition Revenue (NTR):** The amount of revenue an institution takes in from tuition and fees, net of all institutional grant aid provided to students.
- **Discount Rate:** The ratio of total institutional grant aid relative to gross tuition revenues at an institution



# Discount Rate Trends

Figure 1. Average Institutional Tuition Discount Rate, by Student Category<sup>3</sup>



Source: 2015 NACUBO Tuition Discounting Study, various years. Data as of the fall of each academic year.

\*Preliminary estimate.

*Private institutions piped nearly half of every dollar charged in tuition and fees back into scholarships and grants for freshmen.*

# Institution-Specific Scholarships

- Why universities give scholarships, or why they don't
- What does it mean to be meritorious?
  - *Merit is in the eye of the beholder.* 😊
- Application-based programs
  - *Honors Programs, Fellowships, etc.*
- Merit aid vs. financial aid

# Institution-Specific Scholarships

- Guaranteed scholarships with publicized criteria
- General scholarship pools

*“automatically considered by applying to the school”*

## Temple University – Philadelphia, PA

Name of Scholarship: President's Scholarship

Value: Full tuition + three \$4,000 educational enhancement stipends (for study abroad, research, and internships)

Requirements: 3.75 GPA; 1400 SAT (CR+M) or 32 ACT

Name of Scholarship: Provost's Scholarship

Value: \$10,000 per year (Pennsylvania residents) or \$18,000 per year (non-residents) + one \$4,000 educational enhancement stipend (for study abroad, research, or internships)

Requirements: 3.4 GPA; 1350 SAT (CR+M) or 31 ACT

Name of Scholarship: Dean's Scholarship

Value: \$8,000 per year (Pennsylvania residents) or \$14,000 per year (non-residents)

Requirements: 3.4 GPA; 1300 SAT (CR+M) or 29 ACT

Name of Scholarship: Founder's Scholarship

Value: \$5,000 per year (Pennsylvania residents) or \$9,000 per year (non-residents)

Requirements: 3.0 GPA; 1250 SAT (CR+M) or 28 ACT

Name of Scholarship: University Scholarship

Value: \$3,000 per year (Pennsylvania residents) or \$5,000 per year (non-residents)

Requirements: 3.0 GPA; 1150 SAT (CR+M) or 25 SAT

# Any Old University

\$50,000	Tuition
\$15,000	Housing & Fees
\$5,000	Travel, Books, Etc.

**\$70,000**      **Cost of Attendance**

# Awards May Vary

## **Meeting Full Need**

\$70K COA

\$30K EFC

\$40K in institutional aid/grants,  
federal loans, and self-help

## **Gapping**

\$70K COA

\$30K EFC

\$20K in institutional aid/grants,  
federal loans

\$20K gap

# Merit Rarely Impacts Those With Need

## Non-Meritorious

\$70K COA

\$30K EFC

\$40K in institutional aid/grants,  
federal loans, and self-help

## Meritorious

\$70K COA

\$30K EFC

\$20K in a 'Scholarship'  
\$20K in institutional aid/grants,  
federal loans, and self-help

**Bottom line:** Family pays \$30K either way  
unless scholarship is in excess of the family's  
Need level

## Merit Aid: The Fine Print

Families with little/no 'need' who still are shopping for merit aid should be cautious of the following:

- Early Decision programs
- Test Optional programs
- *Admissible* does not equate to *meritorious*
- Negotiating/Bartering for awards

# Telling Questions to Ask

- What's your total financial aid budget?
- What percent of your aid budget is used for merit-based aid?
- What were your average aid packages for last year's incoming class?
- If I receive an outside scholarship after I receive my initial award, what happens?



# Stay in Touch!

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