

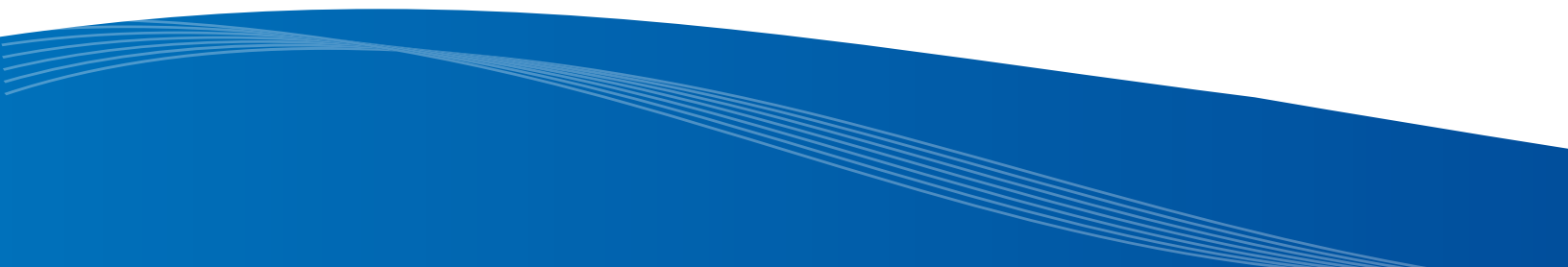
How Financial Aid Can Help Overcome Enrollment and Retention Challenges



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The Role of Financial Aid in Higher Education

Higher education plays an important role in today's increasingly sophisticated world. A college education can open new professional opportunities and allow people to develop the skills that employers are looking for. Despite the benefits of higher education, many institutions around the world have found it challenging in recent years to meet their enrollment and retention goals. One of the leading contributors to this phenomenon has to do with financial concerns.

72%

of students
received financial
aid in 2018

An individual's decision to pursue higher education largely depends on his or her ability to pay for a college degree—and the unpredictable economy is not necessarily encouraging the pursuit of an expensive postsecondary education. But institutions have an opportunity to overcome these concerns through financial aid initiatives, which can tilt the scales by granting students monetary support.

Financial aid can include any combination of grants, scholarships, work-study jobs, and loans that can provide funds for an individual's college tuition and expenses. In 2018, the National Center for Education Statistics reported its most recent data on college aid, revealing that 72 percent of all undergraduates surveyed received some form of financial aid.¹ This highlights the importance of financial aid in the college decision process. The challenge for institutions lies in their ability to deliver accurate and enticing financial aid offers quickly and efficiently, as every college and university is competing for an increasingly smaller pool of students. Institutions also need to ensure their financial aid offerings align with the overall enrollment and retention goals of the college.

Challenging Enrollment Stagnation

For institutions, enrolling students is more competitive than ever due to several factors, including the decreasing overall number of high school graduates and a declining number of high school graduates who then choose to pursue higher education. The traditional education journey meant continuing onto a postsecondary education via a college or university after graduating high school or attaining a GED. In recent years, however, there has been a stagnation in the number of high school graduates. According to the Bureau of Labor Statistics, roughly two-thirds of high school graduates in 2019 were enrolled in colleges or universities.² This represents a slight decrease from 2018 and mirrors a decade-long trend of fewer high school graduates attending college.

2/3

of high school graduates in 2019 enrolled in college

Rising college tuition costs are not matched by higher wages

Meanwhile, tuition costs continue to increase. The College Board found that the average tuition and fees for a public four-year institution have tripled between 1989 and 2019,³ while more than doubling at private, nonprofit four-year institutions (after adjusting for inflation). Unfortunately, these rising costs are not matched by higher wages in the job market, which makes it harder for individuals to pay for and attend college full time.

One way for an institution to increase enrollment numbers is to deliver financial aid offers that apply to incoming students and enable them to attend college at a lower cost.

How Financial Aid Can Drive Enrollment

Although the number of high school graduates who pursue higher education is stagnating or decreasing, institutions can improve their appeal to this cohort by offering more affordable and accurate financial aid. This will allow them to be more attractive to the increasingly smaller pool of prospective students, thereby increasing the likeliness of enrollment.

One of the leading factors in the enrollment decision process comes down to the sheer costs associated with selecting an institution. Putting together a compelling and competitive financial aid offer in a timely manner can sway an enrollment decision.

Institutions should be strategic about the types of financial aid they offer. There are many different types of financial aid, such as aid offered directly from the institution or the federal government, as well as different types of loans. Loans can be tricky, however, because they are not guaranteed and can have a dramatic impact on a student's finances during the first year or have an impact on retention in subsequent years. Institutions can also offer work-study programs as part of the financial aid package, although staff should be mindful of offering more work-study options than the actual number of jobs available.

Financial aid offers can also be attractive for first-generation college students. However, these plans need to be presented well. In many cases, the difficulty lies in conveying the availability of financial aid options to first-generation students, who may not be aware of the opportunity, as opposed to students who may have parents or relatives who have already attended college, have gone through the financial aid process, and can act as guides. This awareness gap is something that institutions can address to increase first-generation student enrollment.

Institutions can provide additional support for first-generation students to navigate the inherent complexities of financial aid, including how

to complete the Free Application for Federal Student Aid (FAFSA) form or how to apply for grants and loans.

If an institution can simplify the process and deliver financial aid packages faster to first-generation students, they will likely be more appealing.

The FAFSA and admissions applications provide institutions with a wealth of information that can be used to segment student populations (e.g., adult learners, athletes, first-generation students, legacy students, etc.) and provide specific support or communications throughout the enrollment process, including how to secure financial aid offers and the different components within them.

Communicating and engaging with students is critical for institutions to ensure that students understand the elements of their financial aid offers. Counselors should be transparent and reach out to students applying for or receiving aid on their desired channels. Students need to understand the process, the next steps, and how they can maximize their awards.

**Communication
and engagement**
during the
financial aid
process is vital

Retaining Students to Combat Attrition

Another challenge facing higher education today is keeping students enrolled through to completion. Institutions need to set aside the assumption that all sophomores will return to campus after their first year at college. According to the National Student Clearinghouse, the average retention rate (the percentage of students who return to the same institution for their second year) was just shy of 62 percent in 2018.⁴ The report also revealed that for nine years leading up to 2017, roughly one in every eight students who started college in any fall term transferred to a different institution by the following fall.

Retaining students is critical for a higher education institution's survival. In fact, it is generally more cost-effective to retain a student than it is to enroll a new student. This is due to the marketing and recruitment costs associated with attracting and bringing in prospective students, as opposed to maintaining and nurturing relationships with existing students.

Unfortunately, the top reason why many students do not remain at an institution beyond their first year is due to finances and the increasing costs associated with higher education. To overcome this issue, institutions must ensure financial aid offerings help returning students to address monetary concerns. Financial aid packages should also incentivize individuals to continue their education.

Fewer than 2/3 of students returned to the same institution for their second year in 2018

How Financial Aid Can Boost Retention

Simple and relevant financial aid can help institutions increase yields and ensure students persist. Institutions that can streamline and simplify the financial aid process may have a better chance at retaining existing students. It is also important that institutions remind students to complete the financial aid process every year before returning to college.

One way that institutions can see better retention results is to target students who have the highest unmet need, or the amount of money that a student is responsible to pay after receiving financial aid. In many cases, students with high unmet needs are the ones that do not return to campus. By identifying which students have the highest unmet needs, institutions can identify financially at-risk students and launch intervention strategies, such as financial aid counseling or incentives, to encourage students to return.

Another method that can help institutions reduce student attrition is to incentivize returning students with rewarding and relevant financial aid packages. For example, an institution can offer more substantial financial aid to students with high GPAs or those who participate in campus activities, which can encourage individuals to return to campus and remain active in the community. Likewise, institutions can offer financial aid to students who work hard to succeed by meeting with advisors and faculty. The association between financial aid and academic performance can net additional benefits for the institution, such as higher average GPAs, as students know they can be financially compensated for doing well academically.

Using Data to Resolve Financial Aid Strife

Institutions have vast amounts of data at their fingertips that can be used to improve financial aid offers and achieve their goals. Because receiving financial aid is one of the core factors that contribute to the decision to pursue higher education or not, institutions must be sure they use their information at hand to make financial aid offers that align with the overall strategy to best support enrollment and retention.

Using information that is captured from the application and FAFSA process can be instrumental in guiding institutions in how they offer financial aid. Financial aid offers should align with both institutional goals and student needs. Financial aid software that can capture data and help design relevant communications around personas and outcomes will equip institutions with the means to achieve enrollment and retention goals.

Most people can only answer 1/3 of basic financial literacy questions correctly

Institutions must also do their best to improve financial literacy among students, which is a significant problem for many individuals. According to a 2018 EverFi survey of more than 104,000 respondents from more than 410 institutions in 44 states, most individuals were only able to answer two of six basic financial literacy questions correctly on average.⁵ Institutions can view this as an opportunity to help students better understand their financial aid options and their long-term impact.

Enrollment and retention challenges are sure to continue for higher education institutions, especially as economic pressures encourage prospective and existing students to justify the expense of a degree or certification. Financial aid staff should use data to make informed decisions that will allow them to deliver targeted, accurate offers to students who are most likely to attend or return to their institution. This will help the institution achieve its immediate and long-term enrollment and retention goals.



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- ▶ Segment students to deliver accurate financial aid offers
- ▶ Send personalized communications to improve student engagement



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