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News from NASFAA

***First Signs of an Approaching Storm -
Looking Into the Future***

Washington, D.C. (January 2009) – NASFAA's 2008-09 National Chair and University of Wyoming Financial Aid Director Dave Gruen sparked an interesting online conversation when he predicted in a blog posting that the recent economic turmoil had sparked a tsunami that would soon crash on financial aid office shores.

In the Oct. 27, 2008 blog entry, Gruen pointed to some indicators he was witnessing on his campus that suggested an oncoming wave of students and families who would need financial assistance to compensate for lost wages, dwindling college savings, and lost or reduced home equity.

Financial aid administrators posted responses to the blog entry reporting a variety of experiences. Some corroborated Gruen's fears with stories of increasing need and aid eligibility among students and families while others reported no indications that the economy was affecting those they served.

Looking back, it seems that Gruen's somewhat dire predictions were well founded. As the economic downturn spreads it is having a negative impact on every sector of the U.S. economy, including families' ability to pay for college and institutions' and states' ability to provide financial aid.

Documenting Troubling Trends

A recent report by the *Chronicle of Higher Education's* new research service illustrates the challenges these trends are creating for students, families, and higher education institutions. The report, "Financial Uncertainty and the Admissions Class of Fall 2008," found that nearly 80 percent of institutions had more applicants in 2008, but 46 percent of institutions had fewer students actually attend after being accepted. Among the 46 percent, three-quarters said they did not expect any decrease in matriculation.

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“After being overwhelmed by piles of applications, many colleges had to dig deep into their waiting lists to fill their classes,” the report states.

The college admissions officers surveyed for the report cited the following factors for the reduced matriculation rate:

- 76 percent said that changes in the financial situations of parents and/or students was a factor
- 64 percent said that more students attending community colleges was a factor
- 58 percent said that a decline in home values was a factor
- Half said that the availability of student loans was a factor
- 76 percent said that more aggressive financial-aid offers from key competitors was a factor
- 60 percent said that “summer melt,” or students who put down deposits but did not matriculate was a factor

Four of the six reasons cited can be attributed directly to the floundering economy. The report details other impacts that the economy is having on students and families, including:

- Students increasingly reluctant to travel far from home to attend college
- Families less likely to want to take on student-loan debt
- Students applying to more colleges, hoping to leverage them against one another to get larger offers of financial aid
- Students trading down - looking more seriously at public universities instead of pricey private colleges.

These trends strain lower-cost colleges like state universities and community colleges, which are experiencing an enrollment boom. Enrollment in community colleges is up 8 percent this year by some estimates. The increased enrollment in lower-cost institutions is stretching their budgets at the same time that state budget cuts are hitting public universities and community colleges hard. This limits their ability to accommodate all applicants, and is creating fears that lower-income and minority students will be pushed out of the system as it is flooded with more qualified applicants and/or applicants with a greater ability to pay for tuition and fees.

At the same time, students are looking for more financial help. About 56 percent of the admissions officials surveyed said more students than usual have come to financial-aid offices this fall to work out new payment arrangements.

Unfortunately, institutions are having a tough time finding the money to help these students. Among the colleges that reported more financial aid requests, only 61 percent said they could meet students’ needs. More than 50 percent of those surveyed planned to raise funds for additional scholarships, 12 percent planned to use more funds from endowments for financial aid, and 9 percent planned to create new loan programs to make more credit available to families.

As Gruen predicted in his blog entry, survey respondents expected things to get worse before they get better.

A Silver Lining?

If the past is any indication, the U.S. traditionally responds positively to crisis and challenges. It tends to bring the best out of people and gives the nation an opportunity to rethink fundamental assumptions and practices that have led to the current crisis.

"Perhaps this will turn out to be a good thing in the end," wrote one colleague in response to Gruen's blog post. "College tuition was rising at an unreasonable rate and students continued to attend schools they could not afford and continued to borrow money they could not pay back. Much like the housing market, we all will be forced to make better decisions and find another way to pay for college besides borrowing out of control."

Beyond the short-term challenges facing higher education and financial aid, the U.S. faces larger challenges of educating the future workforce and leaders. Demographics dictate that tomorrow's leaders will come from low-income and minority backgrounds, the very population that is currently underserved by higher education. The current crisis offers an opportunity to retool the system to better meet these long-term goals.

NASFAA's National Conversation Initiative will provide important insight into how the financial aid system can be redesigned to meet America's future needs. NASFAA encourages you to get involved to ensure that we make the most of the current crisis/opportunity and that the initiative has a positive and long-lasting impact on the future direction of the financial aid programs.

Resources

- National Conversation Initiative Web site: http://nasfaa.org/redesign/nci/ncicenter.html
- NASFAA National Chair Blog: http://nasfaachair.org/blog/
- Chronicle Report: http://research.chronicle.com/reports.html?utm_source=at&utm_medium=en

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The National Association of Student Financial Aid Administrators (NASFAA) is a nonprofit membership organization that represents more than 15,000 financial aid professionals at nearly 3,000 colleges, universities, and career schools across the country. Each year, financial aid professionals help more than 16 million students receive funding for postsecondary education. Based in Washington, D.C., NASFAA is the only national association with a primary focus on student aid legislation, regulatory analysis, and training for financial aid administrators. In addition to its member Web site at www.NASFAA.org, the Association offers a Web site with financial aid information for parents and students at www.StudentAid.org.

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[Editor: A photograph of the author is available for download at Http://www.NASFAA.org/Subhomes/MediaCenter/HaleyChittyPhoto-HiRez.jpg.]