

Despite the Economy, Discount Rates Help Most Students Attend Their Preferred School Type

Therese Kattner

Despite concerns that economic difficulties would restrict many high-school seniors' college options, it appears that institutions' use of flexible financial aid and strategic pricing have helped many students enroll in the kinds of institutions they prefer, according to recent surveys by Maguire Associates.

The findings are based on the second wave of a study conducted with parents and students on the effect of the economy on their ultimate college choices. In May and June, Maguire Associates, in association with the New School and FastWeb, surveyed more than 3,000 seniors and nearly 1,000 parents of seniors. This survey followed up a February and March survey of nearly 23,000 seniors and nearly 5,000 seniors' parents. (Respondents to the later survey were a subset of respondents to the earlier one.)

Eighty-six percent of seniors who in February and March expressed a preference for public education are indeed enrolling in public institutions. Seventy-three percent of seniors who in February and March expressed interest in a private education are enrolling in private institutions.

But the economy did impact the enrollment decisions of "switchers," those students who expressed an interest in one type of institution and later enrolled in another.

Among the 225 students who initially preferred a private education but enrolled in a public institution, 55 per-

cent said that economic conditions made their decision of where to enroll more difficult. Twenty-one percent appealed their aid offers from their enrollment schools, prevailing 35 percent of the time.

Among the 226 students who said they preferred a public education but enrolled in private schools, 61 percent received need-based financial aid and 49 percent received merit aid. Twenty-nine percent appealed their initial aid offers, and they prevailed 29 percent of the time.

Although there is no "absolute explanation" for why some students switched, and although individual variables come into play, the findings above suggest that "private institutions that ended up with students who originally had planned to go to publics were the ones who were attentive to increasing the discount rate," says John (Jack) Maguire, founder and chairman of Maguire Associates. "In other words, they were giving back good chunks of the tuition increase of the previous year in the form of financial aid."

This effect was particularly apparent among institutions with sticker prices of more than \$20,000, he said. Increases in sticker prices—even increases up to 6 percent—didn't make much of a difference in students' interest in enrolling, Maguire says.

"What did make a difference is net price," he says. "Most of the schools that got their classes and, for that matter, increased the health of their revenue did so as a result of increasing the dis-

count rate."

On the other hand, some institutions with tuitions of more than \$20,000 that "were holding the line on [the] discount rate saw some of their students who originally had wanted to go to a private institution going public."

The next class

But will increasing discount rates have the same positive impact next year as it did this year? Possibly—if institutions are able to educate families early about the difference between sticker and net prices.

A survey Maguire Associates conducted in February and March of 8,000 high school juniors and approximately 900 juniors' parents found that this group is "more circumspect" about their enrollment preferences than the seniors and their parents were, Maguire says. The

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juniors have less of a defined preference for a private or public education at this point.

The survey indicates that juniors and their parents also are more likely than seniors and their parents to believe that a private education is out of their price

range, Maguire says. As a result, private institutions will need to work harder to demonstrate affordability to this cohort of prospective students, he says.

Maguire Associates will continue to track a panel of juniors and their parents as they navigate the college choice process. What the study has indicated so far is that “the correlation between the economy and [the juniors’] preferences is still unfolding,” Maguire says.

“Right now it’s very clear that juniors and their families are much more iffy about whether or not they can afford an expensive education, whether it be at a public flagship inside or outside the state, or at a private institution from the Ivies on down to schools that charge tuition that’s just about \$20,000,” Maguire says.

“The data suggest that juniors will need to be shown that affordability is a hallmark of a particular college or university.... You can’t assume that parents and students understand the concept of net price and that they really and truly understand financial aid, whether it be institutional financial aid or whether it be state, federal, or private funds.

“And as a result, if [affordability] isn’t communicated forthrightly and clearly, early—and I mean when students and families are just beginning to think about it—they’ll often shut down their thinking and not consider an institution.”

Another important question is whether increasing discounting rates will be a sustainable enrollment strategy. Much of the answer to that question depends upon the institution, Maguire says.

“For an institution at full capacity, every point on the discount rate is lost revenue,” he says. “For institutions that aren’t at full capacity, management of strategic financial aid can lead to having your cake and eating it too. You increase your discount rate and you increase your revenue because you fill excess capacity.”

For more information

In June, a panel met to discuss Maguire Associates’ survey results. The

slide show from the discussion, “How Is the Economy Affecting College Decisions?”, can be accessed by visiting www.maguireassoc.com/resource/index.html and scrolling to the bottom of the page. ✓

NAICU Fall 2009 Economic Impact Survey

While Maguire Associates surveyed high-school seniors and their parents about how the economy was affecting their college choices (see article above), the National Association of Independent Colleges and Universities conducted a survey of member institutions on their expectations for fall 2009 enrollment and financial aid.

Results indicate that as a group, private, nonprofit institutions have not been hit as hard this year by the economy as may have been feared.

Undergraduate enrollment at private, nonprofit colleges is projected to increase slightly over fall 2008. Among the 284 private, nonprofit respondents, 56 percent said they experienced an increase or no change in paid deposits by May 15 for fall enrollment compared to last year at that time.

When institutions were asked what steps they had taken to meet fall enrollment goals in light of the economic recession,

- 58 percent said they responded more positively to more student aid appeals
- 55 percent said they increased the sizes of their institutional aid awards
- 43 percent increased the number of students receiving institutional aid.

Respondents also reported extending their recruiting cycles, accepting a higher number of regular applicants, and accepting more students on their waiting lists.

More survey results are available at www.naicu.edu/news_room/full-results-naicu-fall-2009-economic-impact-survey. ✓

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