

EDITOR'S NOTE: Financial Uncertainty and the Admissions Class of Fall 2008 is the first report from Chronicle Research Services, a new division of The Chronicle of Higher Education Inc. This report provides insight into how the declining economy, falling housing values, and shortage of student loans is affecting colleges, and how increasing numbers of students are asking for more financial aid.

Chronicle Research Services will be releasing six to eight broad studies annually on subjects of general interest in higher education. They will be sold on the Chronicle Research Services Web site, <http://research.chronicle.com>. In addition, the division will conduct custom research projects for colleges and other clients.

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EXECUTIVE SUMMARY

This year started out as a record-breaking one for college admissions officers, with the highest number ever of high-school graduates. About 78 percent of colleges reported that the number of applications increased in 2008. But it ended as one of the most challenging and puzzling. Forty-six percent of colleges surveyed by Chronicle Research Services said the yield of admitted students, or the percentage of accepted students who matriculated, decreased this year. Of those, three-quarters said the decrease was unexpected. After being overwhelmed by piles of applications, many colleges had to dig deep into their waiting lists to fill their classes.

The college admissions officers cited the following factors most often as having had a negative influence on their yields:

- Changes in the financial situations of parents and/or students (76 percent)
- More aggressive financial-aid offers from key competitors (76 percent)
- More students attending community colleges (64 percent)
- "Summer melt," or students who put down deposits but did not matriculate (60 percent)
- Decline in the value of homes (58 percent)
- Availability of student loans (50 percent)

This Chronicle Research Services report, "Financial Uncertainty and the Admissions Class of Fall 2008," gives new insight into how financial concerns hurt college admissions this fall and how they might affect student choices in the coming year. The report is based primarily on responses from 323 admissions and enrollment directors



across the country. The response rate gives a 95-percent certainty of being representative of all colleges.

The first wave of foreclosures from the subprime lending crisis began rippling through the economy in early 2007. Still, in early 2008, most families were not feeling the effects, and colleges were seeing their record numbers of applications as a sign of strength. By the time the fall semester began, families were feeling much less wealthy as their college savings and home values dropped dramatically.

Admissions directors who responded to the survey reported that the financial uncertainty is having other impacts: Admissions officers said that students are increasingly reluctant to travel far from home to attend college, families are less likely to want to take on student-loan debt, and students are applying to more colleges, hoping to leverage them against one another to get larger offers of financial aid.

Students who hope to continue pursuing their degrees are looking for more financial help. About 56 percent of the admissions officials surveyed said a greater number of students than usual have come to financial-aid offices this fall because they needed to work out new arrangements to pay their bills. Of the colleges that reported more requests for financial aid, only 61 percent said they were able to meet the needs of the students.

More than half of the respondents said their colleges were planning drives to raise more money for scholarships. But increased assistance will stop there at most institutions. Only 12 percent of colleges said they were planning to use more money from their endowments for financial aid, and only 9 percent were planning to create new loan programs to make more credit available to students and their parents.

Mirroring trends in retail sales, students are trading down. Those who might have attended pricey private colleges are looking more seriously at public universities. Those who might have attended state universities or regional public universities are now going to community colleges. Some smaller private colleges, especially those with only regional followings, are getting caught in ferocious wars over sought-after students. That competition is “a disaster for us,” said one admissions director at a small private Christian college in the West. “We know we cannot have another year with a high discount rate.”

Community colleges, meanwhile, are experiencing an enrollment boom. Nationwide enrollment is up 8 percent this year by some estimates. But state budget cuts are hitting public universities and community colleges hard, limiting their ability to accommodate all applicants.

With the trend toward attending lower-cost alternatives, the business model of private colleges—higher prices for “premium” products—is being tested. “Affordability” is the largest challenge going forward, said the admissions director of a very selective small private college in Pennsylvania. “The average cost for the high-end private institutions is about to pass the average family income in the U.S.,” he noted. Another admissions

director, from a small private college in New England, called the situation “the perfect storm of economic and demographic changes and the college’s lack of preparation for this paradigm shift.”

Many admissions officers worry that the full effects of the economic meltdown have not yet been felt. About 40 percent of admissions officers at colleges with fewer than 2,500 students said they were concerned or pessimistic about applications, enrollment, and yield in 2009.

“We are deeply concerned,” said the admissions director at a small private college in the Southeast. “Projecting enrollment and financial-aid needs for the fall 2009 cycle is a daunting assignment. How can we begin to predict where the economy will be six to eight months from now?”

This report, in four parts, looks at all the factors causing the drop-off in yield this fall. And it does more: Each chapter ends by framing the issues and strategies colleges should be thinking about in planning their futures.

To order the full report, go here: <https://chronicle.com/subscribe/singlecopies/2008analysis>.

