

The 7 Little Known Secrets of the College Admissions & Financial Aid Processes ©

Every year millions of parents send their kids to colleges all around the country and **most do it wrong**. For many, the consequence is they end up paying full price at a public university, oblivious to the fact that they could have received large scholarships to get a superior private education. For others they end up paying way more than they should to attend private schools and are saddled with tens of thousands of dollars of student loans at high interest rates.

There is a better way.

We live in a world that is flooded with information. **When it comes to planning for college the problem for families isn't due to the lack of information; it is the prevalence of bad information and the absence of wisdom.**

This report covers the top seven secrets for the college planning process. By the end of it, you won't know everything about the process—that would take an entire book, however, a new world will be opening up to you and you will start seeing the entire process in a whole new way.

It begins by opening your eyes to what is really going on inside the admissions departments and financial aid offices at colleges.

The first thing you must understand is that **college is Big Business** in the same way that Big Oil, Big Pharmaceuticals, Big Banks, and Big Tobacco are Big Business. The college industry has revenues in the **hundreds of billions of dollars every year**. Many of the top state colleges are more focused on their research grants, their graduate students and programs, their football teams, their rankings and their endowments than on undergraduate education. This is no secret and the statistics bear it out.

Big College continues to invest hundreds of millions of dollars into attracting the students they desire into their institutions. Profiling is the name of this game, but in college circles they call it *strategic enrollment management*. **The goal of strategic enrollment management is to attract the best freshman class the college can afford, which will raise them in the rankings, increase prestige of the brand, thereby raising alumni donations, and ultimately increasing the power, influence and wealth of the institution.** Reread that sentence again, it underscores everything you need to know.

Admission departments and financial aid offices know what the total revenue from tuition needs to be for the institution to run, and what this figure averages out to per student. In the case of public universities, the in-state tuition is below the actual cost per student, and the out-of-state tuition is above the cost per student (thus out-of-state students help subsidize in-state students). State schools will change the ratio of out-of-state students to in-state students to meet their budget; Evident in University of Oregon, Oregon State University and Southern Oregon University no longer participating in the Western Undergraduate Exchange and headlines across the country of state schools increasing out-of-state and international student enrollments.

In the case of private schools, the official tuition is well above the net revenue per student that is needed to actually run the school. There is the sticker price, which might be \$50,000 and then there is what the school actually needs to collect on average per student, which might only be \$25,000.

It is true that college costs have gone up dramatically, but part of the huge increase in college costs is the artificial raising of the top line sticker price by private schools. This gives a school the flexibility to charge the full price of \$50,000 to some students (usually these are students who will hurt not help the profile of the freshman class) and give large scholarships to those highly desirable students who will improve the profile of the freshman class.

Secret #1: The line between need-based scholarships and merit-based scholarships is gone.

The notion of giving need-based scholarships to students who get into college but can't afford it, and merit-based scholarships to highly capable students is largely a myth. Instead, according to noted higher education expert Kati Haycock, colleges are “[using] their resources to compete with each other for high-end, high-scoring students instead of providing a chance for college-qualified students from low-income families who cannot attend college without adequate financial support” (Haycock 2006).¹

Colleges have invented new advanced uses of calculus to determine how much in tuition discounts to give to each student to simultaneously maximize the academic profile of the freshman class while delivering the net tuition revenue needed to run the institution. Who NEEDS the money is often irrelevant in this calculation.

Many students who qualify for need-based aid and get accepted into a school where they are towards the bottom of the applicant pool will receive no financial aid. This is called “admit-deny”. If that same needy student was higher in the rankings of the college

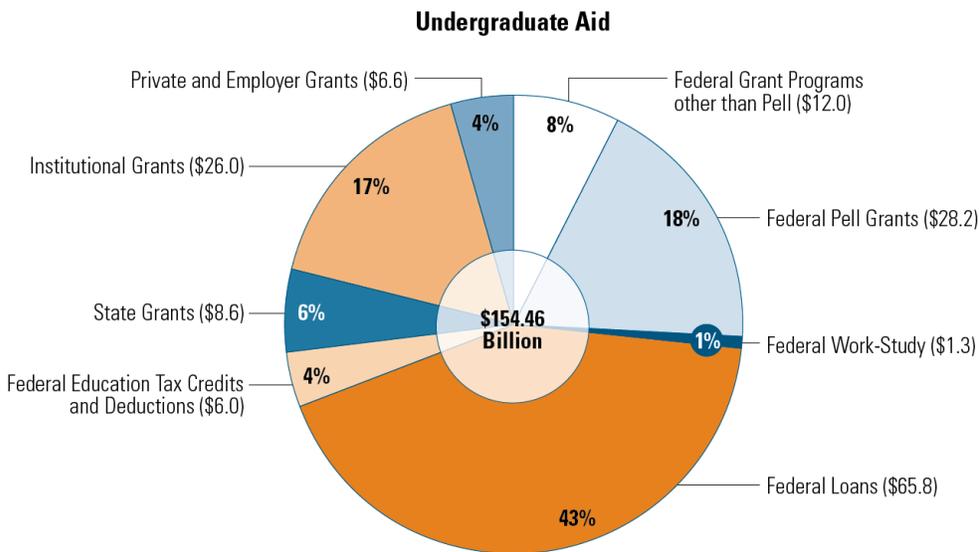
¹ Haycock, Kati. 2006. *Promise Abandoned: How Policy Choices and Institutional Practices Restrict College Opportunities*. Washington, D.C.: The Education Trust.

freshman class, he or she would have received “need-based” scholarships. **Thus merit absolutely plays a role in supposedly “need-based” scholarships.**

The opposite is true too. Most merit based scholarships take into account financial need at some level. This is because a wealthy and an impoverished student who are both highly meritorious will require different scholarship amounts to be persuaded to attend a certain institution. The less affluent student will receive more “merit” aid than the wealthy student.

Giving scholarships/financial aid based on need or on merit alone is history. Aid or scholarships are given based on what will increase the profile of the freshman class and thus the rankings, the prestige, the alumni donations, and the power/wealth/influence of the institution. The scholarship money given is thus given in a self-serving way.

Secret #2: Institutional aid is where the money is at.



SOURCE: The College Board, *Trends in Student Aid 2010*, Figure 2A

There are four comments about the chart above:

1. The first is that the largest amount of money given is loans. Loans are not the aid you want to go after. Too many students are ending up with huge debts that will take years to repay. Loans for college only make sense in small amounts.
2. Federal grants and most state grants truly are need-based, but the vast majority of students don't qualify for them. If you do, then great, but most do not.
3. The item NOT on the chart that many students spend hundreds of hours pursuing is private scholarships. These are the \$500 Exchange Club scholarships, the \$250 PTA Scholarship, the \$750 Boeing Scholarships. **In total private scholarships**

account for less than 1% of the money out there to pay for college. Way too much effort and attention is paid to this insignificant piece of the pie.

4. **Institutional Grants account for \$26 BILLION/year!** This is the money you want to go after. This is free money (not a loan). This is schools taking the sticker price of college and slashing it to some lower number, calling it a “Presidential” or “Regent” Scholarship and using the tuition discount to convince the student to choose their college over the competition.

So which schools are most likely to give out institutional aid?

There are a number of ways to answer this question, and not any one way will fully address it. However, one statistic to consider is enrollment yield.

Secret #3: Paying attention to enrollment yield can pay big dividends

What is enrollment yield? It is the ratio of the number of students who enroll at a college to the number of students who were accepted at a school.

Take the example of Hiram University in Ohio. Most have never heard of it, but it is an excellent school. If you are interested in pre-med, they are one of the most successful colleges in the nation at getting their graduates into medical school. They were also featured in the book “Colleges That Change Lives.”

But Hiram has a problem. If you live in Ohio, you know about them; if you live in the mid-west you might know about them. But like the thousands of excellent small to mid-sized private colleges throughout the mid-west and east coast, there are simply too many of them to be known/remembered. They have a brand recognition problem. This is why their enrollment yield is under 30%, which means that they have to accept 10 students to get 3 students to enroll. Does this have anything to do with the quality of Hiram? No. Hiram is a great college. So why does this matter?

How does Hiram persuade a student to come to Hiram instead of one of the other schools on the student’s list? You got it, money. **Schools with low enrollment yields are more likely to give scholarships because they have to in order to convince students to come!** The opposite is also true too. Schools like University of Oregon never have to discount tuition to convince a student to choose them; University of Oregon has over 20,000 applicants per year and there are families outside the state of Oregon that are offering to pay *out-of-state tuition* to attend there! The same is true at top level schools like Harvard or Yale where the enrollment yield is 80% and higher. Schools like Harvard and Yale, whose endowments are in the tens of billions of dollars, could afford to charge nothing for undergraduate tuition and do so indefinitely. They charge because they can.

The first three secrets should have opened your eyes to how college admissions and financial aid actually works. However it is just scratching the surface—there is much more to it than that!

With the next four secrets let's focus on what you can do differently to maximize your chances of getting scholarships.

Secret #4: Focus on the SAT or ACT. (Yes, it really is that important)

OK, so perhaps it isn't a secret that the SAT and/or the ACT are important. However, most don't understand why it is so important to focus on them. There are two main reasons.

First of all, as a junior or senior in high school, your academic body of work is largely completed. **It is very difficult to improve your GPA or your class rank in your final year of high school, the numbers just don't pencil.** If you have a 3.2GPA through your first 3 years of high school, even if you get a perfect 4.0 in your senior year, your total GPA will only go up to 3.4. Improving your class rank means you're counting on people ahead of you to stumble and at the same time counting on you doing remarkably better.

Your SAT and ACT scores however are a blank slate. It is the only thing that is still completely in your control. Huge amounts of effort should be put into studying for these exams. **As a high school student trying to help pay for college you could spend hours on scholarship applications, but the best way to make money for college is by improving your SAT/ACT scores. This can generate thousands, even tens of thousands of dollars in savings.**

Why?

This is the second reason why these tests are so important. It all goes back to the rankings, such as those done by US News and World Report or the Princeton Review. A large part of the rankings is the academic profile of the incoming freshman classes. The logic is simple, if a lot of smart kids are attending a certain school, it must be a good school! And though there are a lot of problems with standardized tests, it is still the one thing that is a level playing field across the nation. A GPA of 4.0 might be the equivalent of a 3.8 at a school across town, but a 2100 on the SAT is the same from Hawaii to Maine. As a result colleges are continually trying to get kids with better SAT/ACT scores in order to move up the rankings.

Increasing your SAT/ACT scores doesn't only increase your chances of getting scholarships at the schools on your list, it increases the number of schools where you would be a good fit. Applying to schools where you are a good fit is absolutely critical. A score of 1900 might get you huge scholarships at some schools and absolutely nothing at other schools. So how do you know?

Secret #5: Make sure your SAT/ACT scores are in the top 25% of the incoming freshman class.

Schools like Hiram don't give out money to everyone in order to get students to attend. They are in the business of trying to improve their rankings, their status and their profile. As a result, most scholarships, and certainly the largest scholarships, are given to students who are in the top 25% of the incoming freshman class. These are the most desirable students to the college, this is where you need to be positioned in order to get aid. **If you are in the middle of the pack at the colleges you're applying to, don't expect to get a lot of money. If you are in the bottom of the pack, expect to pay full price.**

Some people automatically stop reading right here. "My student IS in the middle of the pack," you say. "He will never be a genius, he is just a normal student. If he has to pay full price at a private school, then wouldn't he be better off going to a state college?" The answer is; not necessarily. First of all, there are thousands of private colleges in the US, and there are absolutely colleges where an average high school student ranks in the top 25% of an incoming freshman class and can get great scholarship offers. And are these sub-par schools? No!

At many colleges less than 50% of freshman will graduate after 6 years, and only 6 in 10 are graduating from our state schools, where the class sizes are high, the faculty to student ratio is high, where some entry level courses are weed-out courses designed not to teach and educate but to literally fail or give low grades to the majority of the participants, and where students are largely on their own and do not have the support from counselors and professors to make sure they're attending class and putting the time in for studying.

The average student or below average student will be more successful at a private school where graduation rates are higher, where class sizes are small, where professors actually know and meet with students, and where the primary goal of the institution is to teach undergraduates, not to do research or focus on graduate level programs. The goal for the average student should be to get into private schools where he or she can pay around the same price as what a public school would have cost and where he or she has a higher likelihood for success.

If you are an extremely capable student with high grades and high test scores, you have a much higher chance for success at state schools, but even 30% of University of Oregon and Oregon State University freshman will not have a degree after 6 years. For students with high grades/test scores, you simply have a bigger list of private schools where you will be a great fit that you can choose from.

This brings us to our next secret.

Secret #6: Apply to 6-10 schools that are within your wheelhouse

The old adage of applying to safety schools and reach schools and then a couple in the middle isn't the best approach. In today's world, a reach school is a reach school for a reason. It means if you do get in, you will barely get in. It means that if you do get in, you will be in the bottom of the incoming freshman class and your chances of getting aid are very low. You will be a full-pay candidate. Congratulations, you're the last person we accepted into (Insert Prestigious Ivy League School Here), if you want to attend we'll let you but it will cost you \$50,000 per year. (You've just been admit-denied.)

The research is clear that while paying big bucks for a graduate degree to get a prestigious name on your diploma does make some sense, for an undergraduate degree the payoff simply isn't there.

It is a good idea to have a safety school, usually a state college on the list. However most of your list should be made up of colleges that are right in your wheelhouse, where you are positioned well, where the colleges will be thrilled to have you, where you will improve the rankings of the college, and thus where you have a high chance of getting scholarships. There are other considerations and strategies to consider as well in making up your list, but they are beyond the scope of this report.

There are thousands of colleges in the US. You must apply to 6-10. The college search is a daunting task and if done wrong, it can cost thousands of dollars in lost opportunities. You will likely pay \$100,000 for an undergraduate degree. Make sure you do your homework to ensure this investment is done wisely.

This brings us to our final secret. If you do everything perfectly, if you study for the SAT's, if you apply to a list of colleges where you are in the top 25%, if you look at schools that have low enrollment yields, if you get solid letters of recommendation, write great essays, **in short, if you play all your cards perfectly but you miss this final thing, it could all be for naught.**

What is the secret that is almost always ignored, underestimated, and that comes back to bite students and their families, costing them tens of thousands of dollars in lost opportunities?

Secret #7: Fill out the financial aid forms correctly

This is easier said than done and notice the word above is correctly, not accurately. To be sure you must be accurate, but doing it correctly involves so much more.

First of all, even if you don't expect to get need-based aid, you will be filling out the FAFSA and any institutional forms, business forms, the CSS Profile, and any other required forms to be qualified to get institutional scholarships. And don't be late.

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However, the mistakes on these forms that resemble tax returns cost families big every year. For example, on the FAFSA families regularly put down things under “investments” that are not required to be listed, such as IRA’s, 401(k)’s, life insurance, and others. **You would never know unless you read the fine print**, but people make mistakes all the time that increase the “Expected Family Contribution” (EFC) and decrease their chance for scholarships.

On the CSS profile, it asks for the value of your house. People fail to understand that there are multiple accepted ways to value the home, and market value is only one of them. Which valuation is most advantageous? The same can be said if you own a business...what is the most advantageous way to value it, while staying within the rules of the game?

People fail to understand that assets and income in the student’s name are effectively taxed differently than those of the parent. In whose name are the assets in now and what are the things that can be done to improve the outcome?

People don’t realize which assets are assessable and which are non-assessable in the calculations done by the financial aid forms, and what the legal and approved strategies are to make assets that were once assessable no longer be assessable.

People don’t take into account the tax ramifications of making changes in the base year of the student (the year the student begins her senior year of high school and applies to college). For students that are juniors there are often things that should be considered before the base year to maximize your chance for aid. (Note that this means that planning well in advance is critical.)

Leaving this to the last minute is a recipe for failure. Remember secret #1? “The line between need based scholarships and merit based scholarships is gone.” **No matter what your income or asset level, you need to pay attention to these forms and have a strategy in place to maximize your chances of getting great aid awards.**

There are two questions you must find the answers to:

- **What is my EFC right now based on my current picture? and**
- **How low could my EFC become if I had a solid strategy in place?**

The college planning process is not for the lazy or faint of heart. Families that do it well can save tens of thousands of dollars off the cost of college and students can be in schools where they have a higher degree of success, (sometimes at institutions they never had even considered before). Families that put it off can miss opportunities in terms of aid and students can be at institutions that don’t fit them as well and where they have a lower statistical opportunity for success.

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This report barely scratches the surface of everything you need to know and consider. It is only the big picture. **It truly takes a full time job to be up to date on all the changes, rules, strategies, and trends.**

Some families can do it alone; but for many the help of a professional to guide them through the process not only takes some of the load off the shoulders of the families, but it greatly increases the likelihood of success.

I meet with parents and students all year long, walking them through the entire process from beginning to end. I'm always open to having a conversation to discuss your situation and goals.

It doesn't make sense for everyone to hire us, and when we don't think we can help someone, we let them know. After all, there are far more families out there that really need our services than we have time for!

In order to offer the highest levels of service to our students and parents, we're only able to take on a limited number of clients each year, so it is in your interest to pick up the phone and make an appointment as soon as possible to ensure your spot.

We look forward to talking with you soon!

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