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## *Disclaimer*

The contents of this publication are accurate at the time of printing. Due to the highly regulated nature of financial aid, federal law and regulatory guidance are subject to change.

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## Foreword

by Tom Green

AACRAO Consulting

The field of enrollment management is still a relatively young one, although it has matured significantly since its origins in the 1970s and 1980s. In those early stages, there was a focus on recruitment and marketing. Strategic communications and the very thought of marketing an institution of higher education was groundbreaking, if not heretical. The idea that financial aid could be a strategic tool to meet enrollment targets was equally groundbreaking. However, figuring out how much aid to give to whom was a difficult job for enrollment managers who were also tasked with competing for students in an increasingly competitive field. While enrollment managers looked for a magic formula to connect offers to student, the broader picture of financial aid resources was lost. Instead, it became narrowly focused on scholarships and especially merit aid.

When Jack Maguire of Boston College (1979) included financial aid strategy as a component of his approach to enrollment management, he was clear that he was doing so to identify a mix of students that included those from low-income and underrepresented backgrounds and to encourage enrollment from a highly qualified group of students. He sug-

gested that breaking away from need as the sole criterion for any aid could help Boston College achieve its overall enrollment goals. It was this latter suggestion, that aid not be solely based upon demonstrated financial need, that was absorbed by many as the new silver bullet for enrollment management. While many wise people (Kalsbeek and Whiteside, among others) talked about the need to use institutional aid as a lever to generate net revenue that could be used to increase need-based aid resources and support low-income students, the arms race of merit aid proceeded at a rapid pace.

Why did this happen? The case can be made that it was easier to create and manage merit scholarships than it was to understand the inter-relationships of these awards with financial need, especially the complex web of federal and state programs in the United States. Enrollment managers could move quickly to start or increase offers independent of aid awards, allowing financial aid packaging to *react* to the merit offer, rather than incorporate it from the start. When traditional aid was not available for packaging until the start of the calendar year, far into the decision-making process for students, merit aid offered

a path to early signaling that the institution wanted these students and that it had resources to help them offset their costs, even if they may not have demonstrated financial need.

While these efforts rewarded many enrollment managers with higher average test scores, larger incoming classes and corresponding pats on the back, it also created some deep holes. Discount rates have continued to climb and institutions have to keep increasing their institutional aid budgets as tuition and fee costs rise, leaving institutions short of the net revenue such increases might otherwise produce and struggling to maintain institutional investments in academic programs and facilities that attract and keep students. Student debt has climbed to over \$1.7 trillion in the United States, too much of it shouldered by low-income students of color. Adopting only parts of Maguires' plan had clearly mixed results.

It is now time for a new approach to institutional aid. Enrollment managers can no longer tinker with merit aid as their sole approach to affordability, nor can they expect applicants and their families to take on the widening gaps between costs and aid through loans.

As Steven McDowell points out in his introduction, the enrollment management field is largely populated

with those who have risen through the admissions/recruitment ranks. Their knowledge of financial aid is often tangential to that role. While they now are charged with supervising the financial aid office, this may take the form of détente rather than strategic integration of all aid sources to drive enrollment health and student success. This book, and the need to have a deeper understanding of what aid is and how it works, is not intended to usurp the expertise and authority of the financial aid director but to offer deeper knowledge and insights into how aid can be used to achieve the multiple, complex goals for overall enrollment (initial and continuing). It should be used as a means to foster a stronger relationship with the financial aid office as a critical partner in recruitment, persistence, and completion.

As higher education emerges from the pandemic, the challenges that faced higher education before 2020 will be even greater. Millions of students were left on the sidelines of post-secondary pursuits. Tens of millions of adults have some college but no degree. Enrollment managers must understand the critical role of need-based aid in helping these students find a path toward an affordable, high-quality credential. Their enrollment outcomes depend upon it.

*by* **Justin Draeger**

President and CEO, National Association of Student Financial Aid Administrators

Being an effective institutional leader requires a broad set of skills and understanding, including a working knowledge of student financial aid. Financial aid administration is the nexus of policy ideals and real-world implementation. Student financial aid sits at the crossroads of external markets, consumer choice, and an institution's internal workings and goals. Financial aid rests squarely at the intersection of student dreams and academic and economic real-

ities. Living at these intersections means that financial aid administrators are constantly assessing and balancing competing priorities, all with one overarching principle: that no qualified student be denied access to a quality postsecondary education for lack of resources.

Living up to this ideal is no easy task. At first glance, the most obvious way to ensure access is more money. But we do not live in a world of unlimited resources.

Both states and institutions must eventually balance their budgets. In such a world, the concept of access to a postsecondary education becomes more complicated than just providing ever increasing amounts of money. Given all of the public funds spent on federal and state aid programs, it's no wonder that policymakers have become increasingly more interested in the purposes and effectiveness of student aid. Today, financial aid funding is debated endlessly from the halls of the U.S. Capitol, down through state governments, and into the administration buildings on college campuses.

Ensuring that all students have access to a quality institution is further complicated by essential questions on which there are many opinions:

- ◆ What is a qualified student?
- ◆ To what types of institutions and programs are we providing access?
- ◆ What constitutes a quality education?
- ◆ In a world of limited resources, how do we equitably divide scarce federal, state, and institutional dollars?

Be wary of anyone who claims to have all of the answers to these questions. Approaching financial aid requires humility, an open mind, understanding the basics, and diving into the natural complexities of its nuances. Before creating an effective enrollment management plan, one has to understand the tensions that come to a head in the financial aid office.

For example, is a qualified student someone who has already demonstrated their ability to do college-level work? Or should we allow students to take alternative pathways through developmental coursework or other means to prove that they can benefit from a postsecondary degree or credential?

Should federal student aid dollars be reserved for traditional universities, proprietary institutions, or

trade schools? Should federal student aid be expanded to include unaccredited workforce development or retraining programs? And, how does one assess the quality of each of these different types of programs?

The most challenging question of all is how we divide up limited resources to students. For decades we've relied on an assessment of a student or family's ability to pay, or the other side of the same coin, the family's financial need. But assessing financial need without the dollars to fill that need often means we're comparing families against one another to determine who is the neediest. Other times—sometimes with good reason—we create hierarchies that prioritize certain students ahead of others, like those with military service, or students who have experienced homelessness or are receiving other federal means-tested benefits.

Effective policy implementation is an entirely different complexity that needs to be considered. If not implementable in a simple and straightforward way, even the best ideas are likely destined to fail. Unfortunately, we have several examples that attract major headlines today.

Let's consider the Public Service Loan Forgiveness (PSLF) program. Created in 2007, the program was meant to provide widespread loan forgiveness to those who needed to rely on student loans for their education and went on to work in a public sector job. The simple idea was to reward students who forewent lucrative careers in the private sector to take jobs with lower salaries that were vital to the public. While the concepts of this program received nearly universal support, the implementation has been disastrous, resulting in denial rates that consistently exceed 95 percent. As it turns out, collecting proof of 10 years of back payments, ensuring that borrowers have been in the exact right repayment plans, and verifying they worked for a qualified employer was too much for the program to handle.

PSLF is just one example of a good idea that could not be implemented effectively. Wise enrollment managers and college leaders would be smart to rely on their aid administrators to determine whether and how programs can be implemented effectively.

Working in financial aid means much more than simply understanding the regulatory dos and don'ts for all of these reasons. Financial aid is often reduced to its lowest common denominator: compliance. Complying with the growing number of federal and state regulations is of the utmost importance, but truly understanding the workings of financial aid on campus means understanding the economics, philosophy, college access and success strategies, institutional goals, opportunity costs, succession planning, and yes, compliance.

Before we can dive into these complexities, we must have a solid foundation of the basics. As the idiom goes, we must learn to walk before we can run. This book builds a foundational understanding of the student financial aid programs and their requirements, delivery processes, and some of the inner workings of an institution's financial aid office. This book highlights the vital importance of training, exploration, and how to constantly examine and test how to better help students.

No college leader will find success without a solid understanding of student financial aid administration and its many nexuses. This book provides a solid first step.

## *Introduction*

The ability for a postsecondary institution to provide federal financial aid to students is governed by a contract between the institution and the U.S. Department of Education (ED). This contract is commonly known as the Program Participation Agreement, or PPA, and requires institutions to adhere to the regulations and standards within the Higher Education Act of 1965 (HEA), as amended. An institution's chief executive officer, president, or chancellor (herein referred to as CEO) and a designate of the U.S. Secretary of Education sign this agreement, which attests that the institution is both financially responsible and administratively capable of participating in the Title IV student aid programs. While thousands of CEOs sign this document as the chief administrative official of their institution, the onus is often left solely on the financial aid office to demonstrate Title IV compliance and responsible program participation. In fact, Title IV administration is an institution-wide effort where compliance is not managed solely in the financial aid office. While this may seem like a skewed understanding coming from a financial aid administrator, this shared ownership is very much communicated by ED to its participating institutions, both verbally and in print.

Professional development and other learning activities often dictate a career path within higher education. For example, a director of admissions may have started their career as a recruiter, or a director of financial aid may have started their career as a work-study student. Rising to a chief administrator role in higher education often requires an individual to rise through the ranks professionally, not always at the same institution, but gaining valuable knowledge with each new endeavor. Related to enrollment management, an area that typically oversees a volume of student service departments, leadership generally rises from within one of the supervised departments to oversee the team. This begs the question of preparedness. Can a leader be effectively responsible for departments in which they have never worked? With financial aid being one of the more complex areas of higher education to manage due to its highly regulated nature and ever-changing guise, it becomes a rarity for anyone who has never worked in a financial aid office in a leadership capacity to understand the intricacies of the profession.

Every three years since 2014, AACRAO has provided a Chief Enrollment Management Officer (CEMO) Career Profile Report for the benefit of the association

and its members. The initial report sought to identify an original career profile and set of position responsibilities for CEMOs in the United States. Subsequent iterations of this report (in 2017 and 2020) added an additional primary purpose to the fold by incorporating characteristics of the position that would provide those professionals seeking a CEMO position an understanding of a typical career path to the role.<sup>1</sup>

As a financial aid administrator, it was interesting to note that of the respondents to each of the surveys that helped to shape these three reports, a consistently low five percent of CEMOs came directly from financial aid in their prior role. Since enrollment management professionals typically come from admissions and/or recruitment backgrounds (37 percent in 2014, 37 percent in 2017, and 34 percent in 2020), this statistic was not surprising. However, the fascinating detail behind these data points is that a high percentage of these same enrollment management professionals had an increasing supervisory responsibility over financial aid (56 percent in 2014, 62 percent in 2017, and 76 percent in 2020), where supervisory is defined as having the ability to delegate and supervise duties. Yet, the percentage of those with a direct financial aid background held constant.

Therein is the basis for this publication. Do the enrollment professionals with supervisory standing over a financial aid office truly understand the fundamentals of financial aid? The responses to the CEMO Career Profile surveys indicate that there may be a lack of understanding of financial aid on the part of some enrollment officers. With a better understanding of aid policies and procedures, not only could that make the role of the enrollment manager clearer, but it could relieve the burden on the lead financial aid administrator and their staff to educate enrollment

professionals about financial aid administration and strengthen the overall enrollment management shop at any given institution.

This is not to say that a CEMO should have the level of knowledge and practitioner background of a financial aid professional, but they should have enough knowledge to understand the “why” behind the operations of the office. To assist in helping enrollment professionals in meeting this goal, this publication provides a “field guide” to understanding the basic lifecycle of student financial aid and an institution’s responsibilities that determine participation in the federal aid programs. It is designed to assist enrollment leaders who require an operational scope and context of financial aid to understand how to oversee the department, without necessarily performing aid delivery functions. Other parties that may find this text helpful include institutional staff that may have overlapping responsibilities or may perform tasks related to aid delivery, but do not have a baseline understanding of how those tasks fit into the overall picture of institutional responsibility. New financial aid professionals or student workers who wish to grasp the basic, high-level concepts of financial aid and how they fit into the enrollment management persona will also find this guide beneficial. As any financial aid administrator will tell you, the administration of the Title IV financial aid programs is the responsibility of the institution, not just the financial aid office.

The information contained within this publication is widely available from sources that are free to the public, namely the Federal Student Aid Handbook (updated annually), the annual Federal Student Aid Training Conference, the federal regulations themselves, and the sub-regulatory guidance that supports them. The Federal Student Aid Handbook alone provides approximately 1,500 pages of information related to the aid programs under Title IV, which

<sup>1</sup> For the full text of the Chief Enrollment Management Officer Career Profile Reports visit <[aacrao.org/research-publications/research#career-profiles](http://aacrao.org/research-publications/research#career-profiles)>.



can be intimidating to college officials who are either outside of or new to a financial aid office. In all practicality, a CEMO is not going to read the regulations, sub-regulatory guidance, or Handbook. As such, this publication provides a roadmap for a CEMO is to realize the massive scope of all that comes with Title IV administration and aids in synthesizing the copious amount of information into one digestible format.

This guide is divided into five parts: Eligibility, Student Aid Programs, the Aid Delivery Process, Reporting and Common Requirements, and Training and Other Resources. In Part I, a discussion of eligibility is further optioned into three segments: institutional, program, and student eligibility. Part II reviews the student aid programs at the federal level and provides a brief acknowledgement of the various state financial aid programs that exist throughout the U.S. The aid delivery process in Part III provides the drivers of aid delivery to students, including items such as verification, Return of Title IV Funds, and fund reconciliation. Of further importance to enrollment leaders around campus is the contents of Part IV, where a discussion of Title IV requirements exists despite the responsibility held outside the scope of the financial aid office. To close, Part V provides a glimpse into training and organizational resources for higher education officials to rely on to provide the most current information.

Each of the sections and chapters within this text are intertwined and are deliberate in the order in which they are presented. It is highly recommended that the information herein is read in succession as presented, rather than reviewing a chapter as needed. It should also be noted that this publication is limited to the basics surrounding federal financial aid. It does not include any relation to, or use of, The College Board's CSS Profile™ application to award non-federal financial aid, nor does it incorporate any strategies for leveraging financial aid.

## About the United States Department of Education

ED was created in 1980 by combining offices from several federal agencies. Their mission is to promote student achievement and preparation for global competitiveness by fostering educational excellence and ensuring equal access. According to ED's website, their 4,400 employees and \$68 billion budget are dedicated to:

- \* *Establishing policies on federal financial aid for education, and distributing as well as monitoring those funds.*
- \* *Collecting data on America's schools and disseminating research.*
- \* *Focusing national attention on key educational issues.*
- \* *Prohibiting discrimination and ensuring equal access to education. (n.d.)*

At the time of this publication, the Secretary of Education is Dr. Miguel Cardona. He is the 12th individual to hold this position, sworn in on March 2, 2021. On September 14, 2021, James Kvaal was confirmed as the Under Secretary of Education, whose primary responsibility is oversight of postsecondary education, vocational and adult education, and federal student aid.

ED awards more than \$120 billion in federal student aid annually to approximately 13 million students (ED 2021c). This is accomplished through the Federal Student Aid (FSA) office, which is a performance-based organization within ED. As of May 3, 2021, the Chief Operating Officer of FSA is Richard Cordray.

FSA is responsible for managing the student financial assistance programs authorized under Title IV of the Higher Education Act of 1965, as amended. This includes but is not limited to informing students and families about the availability of the federal aid pro-

grams, developing the Free Application for Federal Student Aid (FAFSA), and providing oversight of all program participants (schools, financial entities, and students) to ensure compliance with all laws, regulations, and policies governing these programs.

In addition to the Handbook, FSA communicates important information related to Title IV admin-

istration as needed. These communications come in the form of letters (Dear Colleague Letters) or announcements (Electronic Announcements). It is the responsibility of your institution to be aware of any communications from FSA and react accordingly.