

SECTOR IN-DEPTH

7 October 2024



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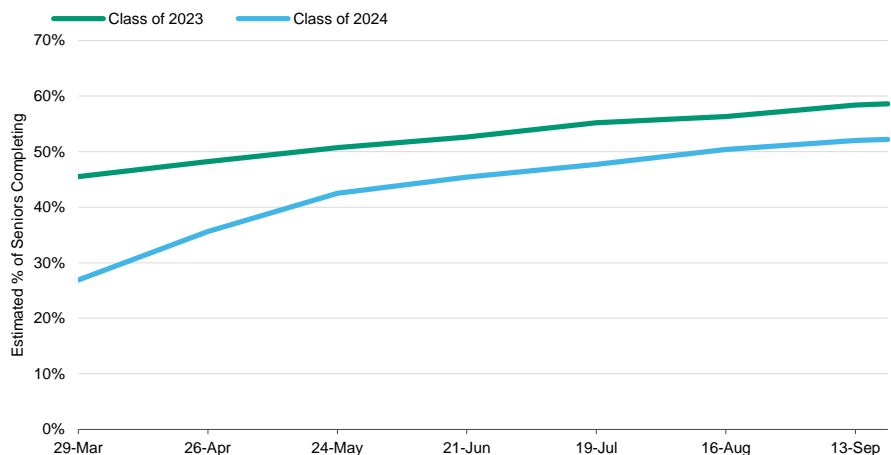
Higher Education– US

High tuition and low FAFSA completion states see greatest enrollment impacts

The US Department of Education's new student aid application rollout difficulties have caused uncertainties in fall 2024 enrollment. As of mid-September, completion rates of the Free Application for Federal Student Aid (FAFSA) lagged [nearly 10%](#) behind previous years. Reductions in applications will have the largest effects on schools with a disproportionately high number of students receiving financial aid. This reduction will particularly hamper public institutions in states like Pennsylvania and Michigan, which have high public college tuition prices and low FAFSA completion rates, and smaller and less selective private schools that have limited flexibility to adjust expenses to meet revenue declines.

Filling out the FAFSA is crucial for federal financial aid, which many students depend on for college. Delays and disruptions due to the flawed rollout of a new form caused a major lag in FAFSA completions. Technical glitches that made it difficult or impossible to fill out the form, coupled with delays in updates to fix the glitches, were the main drivers of delays and disruptions. According to a [Sallie Mae survey](#), nearly half of the families who filled out the FAFSA reported delays in receiving a financial aid offer from their college or university. Moreover, 79% of families surveyed by Sallie Mae and Ipsos said they stretch themselves financially to make college attainable. As a result of the FAFSA delay, 14% of students said they considered less expensive options, with 9% leaving higher education altogether or taking a break.

Exhibit 1
FAFSA completion rates improved over the summer months

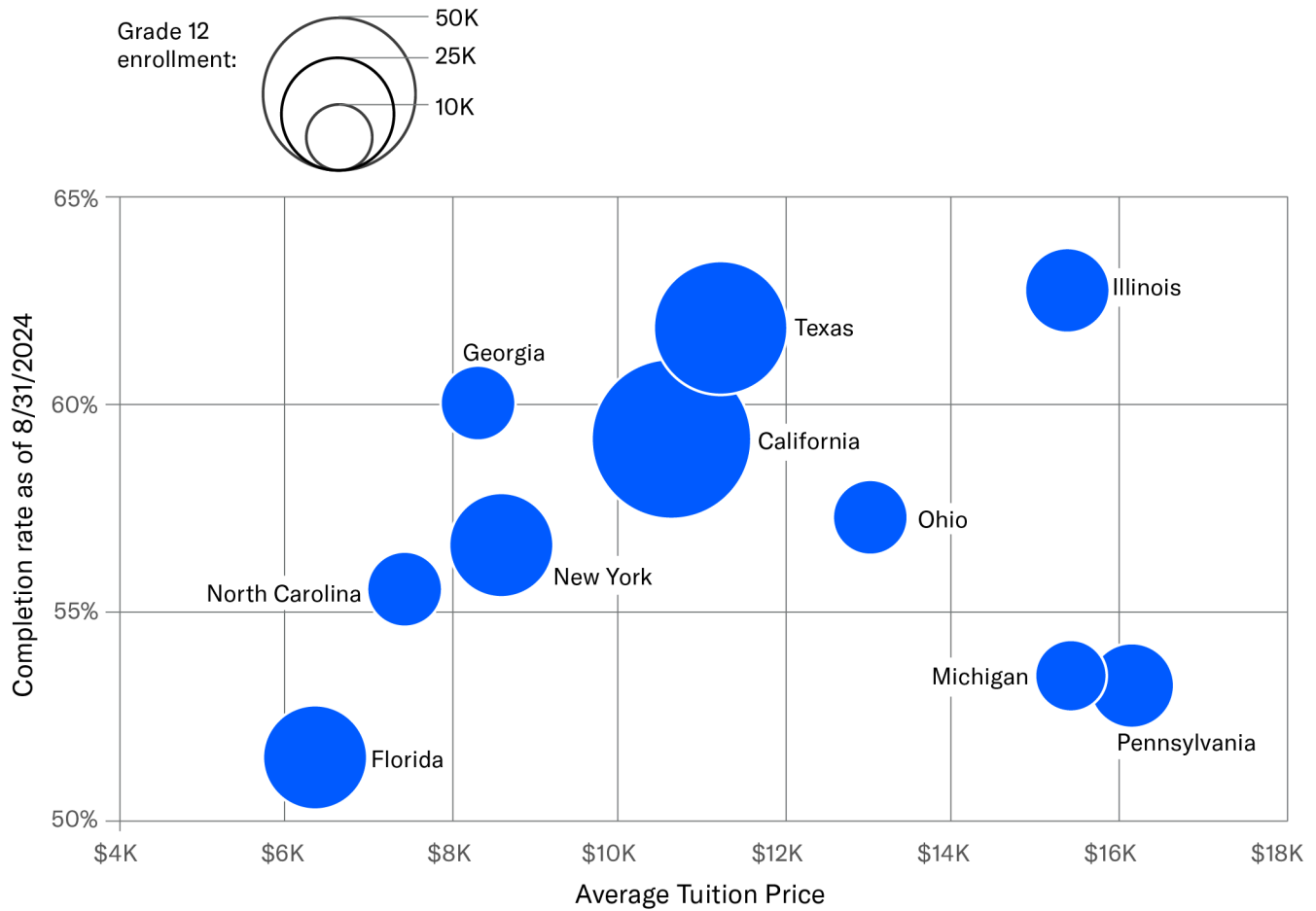


Source: National College Attainment Network

Throughout the admissions cycle, FAFSA submissions remained lower than usual. As of mid-September, submissions among the high school graduating class of 2024 were down nearly 10% nationwide, with the largest declines in West Virginia, Alabama, Maine and Tennessee. While effects of the FAFSA delays are mixed, it is likely that states that have the highest public college tuition and the lowest FAFSA completion rates may feel the biggest effects. Approximately 70% of students enrolled in higher education in any given state attend a public institution. As a result, tuition pricing is partially tied to average public tuition prices for less selective private universities due to limited pricing power. Of the largest states in the nation, schools in both Pennsylvania and Michigan are poised for the most disruption from these factors. Larger, more prominent schools within those states are likely to feel little financial disruption given their flexibility to manage minor reductions in enrollment. Smaller institutions with a larger share of students with need-based financial aid could see greater financial impacts as a result of declines in enrollment.

Exhibit 2

States with high public college tuition prices and low FAFSA completion risk largest enrollment declines



Largest states, as measured by high school graduation class sizes
 Sources: College Board, The office of Federal Student Aid

Schools implemented various strategies to help students who were struggling with FAFSA completion. Strategies included internal financial aid calculators, guarantees for aid, and phone telethons to help answer questions and complete FAFSA forms quickly. As of the end of March, FAFSA completions lagged prior years by nearly 40%, but a concerted effort led to material gains in completion rates. As of Sept. 20, completions only lagged previous years by approximately 9%. States including Florida, Georgia and Michigan saw

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significant improvement (above 20% during May through August) in FAFSA completion. As challenges related to the FAFSA disruptions continued, families looked for alternative means to pay for college, with 26% seeking other scholarship opportunities and 21% pursuing other financial aid options.

Institutions that have already published their Fall 2024 enrollment numbers are experiencing various enrollment results. Initial reports have cited FAFSA delays as partial reasons for declines, while some schools have credited early strategic planning and initiatives for enrollment improvements. While it is still too early to tell final results, the largest populations impacted by the FAFSA delays are those with the weakest family contributions.

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