

Since the Faculty Committee on Admission and Financial Aid (FCAFA) was charged early this semester with examining how we might effect savings in the financial aid budget due to the current economic downturn, we have met regularly among ourselves, as well as with other faculty and students (open meeting of 20 April), in order to arrive at a proper response to the complicated matter at hand. Particularly because all of the faculty members on this year's committee were newly appointed, we early on--and with increasing frequency throughout the year--deliberated the broad educational values of Amherst College and their importance for, and impact upon, admissions policy, ever acknowledging the need to strive for an appropriate balance between principle, on the one hand, and tradition or institutional need, on the other. In its discussions, the committee has gone to great lengths to make recommendations which avoid endangering the College's commitments to a need-blind admissions policy for U.S. citizens and permanent residents and to meeting the full demonstrated need of all admitted first-year and transfer students at all stages of the admissions process--early admission, April admission and wait-list admission. We are convinced that the College must be need blind in order to increase the strength of the applicant pool--in terms of size and richness--both for fee payers and non-fee payers. And we feel it important to assert at the outset that on the basis of survey research and some of our own conversations with prospective applicants, the brightest students graduating from high school today are simply uninterested in colleges with homogeneous student bodies. In fact, a diverse student body--racially, socio-economically and internationally--is a genuine sine qua non for the creation of an

Amherst College that looks the way we all want it to.

On the basis, and as a result, of the above-stated considerations, FCAFA has identified five potential areas for savings that would neither threaten need-blind admission nor--with one notable exception--constitute a palpable change in the core values that have been central to our mission. With virtual consensus within our committee, we have ranked these five areas in order of desirability and we outline them below in order of the most acceptable to the least desirable. With the exception of the proposed change to the summer earnings expectation, we do not intend the changes we propose to be retroactive to currently admitted or enrolled students. **As you read over the changes listed below, we refer you to the accompanying chart which outlines the specific dollar amounts that would be saved by each option.**

### **1. ADJUST THE AWARD PACKAGING POLICY BY INCREASING THE SUMMER EARNINGS EXPECTATIONS FOR STUDENTS.**

This is a decision that has traditionally been made by the Dean of Financial Aid and has been a routine part of awarding financial aid. Amherst's standard earnings, which have not changed between 1997-98 and 2008-09, were \$1,600 for first-year students and \$1,800 for others. Lower amounts were expected of students from lower-income backgrounds, independent students and international students. The figures we are using in 2009-10 for sophomores and juniors and seniors increase the standard expectation from \$1,800 to \$2,000 (and from \$950 to \$1,100 for students from lower-income backgrounds). [NB: The average income of 922 students receiving aid from the College

in 2008-09 was \$2,061. Of these 245 reported no income. The average income of those reporting an amount greater than zero was \$2,808. The range was from \$1 to \$44,557.] No changes have been implemented for first-year students or for independent or international students. We should also note that once in an aid recipient's four years at the College, if the student engages in an internship or performs community service without compensation, it is the College's policy to replace the summer earnings expectation with scholarship aid. It is not intended that the current practice be affected by this option.

## **2. USE THE RESERVE FUND TO OFFSET THE COST OF "NATURAL GROWTH" IN THE FINANCIAL AID BUDGET.**

The reserve fund was set up first in 1994. At that time the College started to put any excess scholarship budget into a quasi-endowment fund. That fund was used only once, in FY 1996/97, when \$147,400 was withdrawn. In 2006 the College began to put all excess scholarship budgets and the income from the quasi-endowment in a reserve, co-mingled with the endowment for investment purposes, but not counted in the endowment balance. That reserve fund now has \$2,042,000. The quasi-endowment is valued at \$9,030,000.

Based on the increase of the comprehensive fee in 2009-2010 by 3.5%, we are likely to augment our financial aid by a similar amount; we recommend that the scholarship reserve fund be used to underwrite this 'natural growth' in the financial aid budget for the coming year and, as may be necessary, for subsequent years. The original intent for the

reserve fund was to dip into it if need be and not to spend out the entire fund. Our recommendation only dips into the fund.

**3. REDUCE THE FINANCIAL AID BUDGET FOR NON-U.S. CITIZENS BY ADMITTING FIVE FEWER STUDENTS WITH FINANCIAL NEED AND FIVE ADDITIONAL STUDENTS WITH NO NEED AT ALL.**

Amherst is one of only 4 or 5 colleges nationwide that is need blind for international students and we all agree that these students contribute substantially to the College's diversity. The Admissions Office has observed that the change to a need-blind policy this year has meant a substantial growth in the number and complexity of applications for financial aid from international students; it appears that this CAP-recommended alteration in policy for international students changed the pool not only for the Admissions Office, but for the Financial Aid Office as well. Because the current financial aid process for international students is entirely paper-based, there were significant delays in tracking and reviewing applications. Part of the process will become web-based for the Class of 2014, which should improve the situation. We believe that if Amherst were to return to its old policy of putting a cap on the numbers of international students on aid, rather than on the total amount expended on aid for international students, we would be--as the saying goes--shooting ourselves in the foot. As indicated in the chart, we have explored three different levels of adjustments to the amount expended on aid for foreign students. Implementing Level 1 seems achievable while still maintaining our need-blind policy. Resorting to Level 3, and to some extent the less draconian Level 2, would undermine the value we place on having an enhanced presence

among the Amherst student body of non-U.S. citizens by reducing the countries and regions (e.g., Africa, Latin America and the Indian sub-continent) represented at the College, and making the international student population more economically and regionally homogeneous. FCAFA generally believes that reverting to Level 2 and Level 3 would be less palatable than implementing the following (fourth) category. It also does not advocate a dollar cap on financial aid for international students, as the College had before the mid-1990s. We prefer a target for the number of aided students, and to let their awards be determined following the usual procedures. [The average grant figure permits a projection of expense from year to year. The average grant for non-Canadian international students in 2008-09 was \$44,832.]

#### **4. RE-INTRODUCE A MODEST LOAN EXPECTATION FOR MIDDLE- AND UPPER-MIDDLE-INCOME STUDENTS RECEIVING FINANCIAL AID.**

Painful as a return to loan expectations might be--after all, the College eliminated loans because it did not want people to assume an unreasonable burden of debt or to feel restricted in considering their post-Amherst professional plans--there have been some voices, especially from those who were educated a generation or two ago, which have ranked modifications to loan policy as a defensible and, overall, a modest policy change, especially given other economic announcements from academia as of late. The proposed change would return to the status quo ante, i.e., omitting loans from aid awards for students from lower-income backgrounds, packaging "standard" loans for students from upper-middle-income backgrounds, and packaging modest loans in step-wise increments of \$500 for students from middle-income backgrounds. In this context lower-income

would generally be defined as less than \$40,000 in annual income; middle-income as \$40,000 to \$80,000; and upper-middle income as more than \$80,000. [Note that the Office of Financial Aid currently makes voluntary loans to students, totaling approximately \$500,000. Although loans are no longer provided as part of the financial aid package, parents sometimes want their children to have them. Alternatively, some students can sign for subsidized loans to substitute for summer savings, purchase a computer, or replace work-study. Students who obtain loans for the purposes cited above can obtain subsidized loans (federal or Amherst). In addition, students may borrow unsubsidized federal or private loans to help underwrite the expected parental contribution.] The proposed loans would be relatively low, compared to financial aid packages from many peer institutions since Amherst falls within the lowest few colleges in the COFHE consortium regarding debt expectations.

**5. ELIMINATE ADMISSION PREFERENCE FOR LOW INCOME STUDENTS AT THE ACADEMIC READER RATING 2 LEVEL.**

Adopting this policy change would substantially increase the correlation between financial means and racial background within the student body. Creating these kinds of racial/economic relationships within the student body would undermine the College's attempt to create a single academic/social community on campus. Despite the large potential financial savings, we do not endorse this scenario.

In the recently adopted mission statement which symbolically opens our official Catalog, we proudly and unequivocally state that "Amherst brings together the most

promising students, whatever their financial need, in order to promote diversity of experience and ideas within a purposefully small residential community." Though the current global financial crisis threatens to curtail many goals and programs of even the most richly endowed educational institutions of higher learning and to force them to make choices which were unimaginable only half a year ago, we believe it crucial to maintain such core values as academic excellence, diversity, and a commitment to meeting the full financial need of our students, and in the above-outlined recommendations we have striven to keep this foremost in our minds.

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Sandra Burkett (Associate Professor of Chemistry)

Matthew Schulkind (Associate Professor of Psychology)

Daniel Velleman (Professor of Mathematics)

Joe Case (Director of Financial Aid)

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Tom Parker (Dean of Admission and Financial Aid)

Charlotte Davis '09

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Rachel Tuchman '11

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# FINANCIAL AID BUDGET WORK SHEET

POSSIBLE FINANCIAL AID POLICY ALTERATION	YEAR ONE SAVINGS <i>2009-2010</i>	SAVINGS IN THE 4TH YEAR OF IMPLEMENTATION
<b>1. ADJUSTMENT OF NEEDS ANALYSIS AND AWARD PACKAGING POLICY</b>		
INCREASE SUMMER EARNINGS EXPECTATION	\$112,000	\$130,000
<b>2. USE RESERVE FUND TO OFFSET COST OF "NATURAL GROWTH" IN AID BUDGET</b>		
* COMPREHENSIVE FEE INCREASE #2.- 3.5%	\$1,527,000	XXX
* COMPREHENSIVE FEE INCREASE #3- 3.9%	\$1,702,000	XXX
<b>3. FA BUDGET FOR NON U.S. CITIZENS</b>		
* LEVEL 1. - FIVE FEWER AIDED STUDENTS, FIVE MORE FULL PAY STUDENTS	\$237,000	\$1,055,000
* LEVEL 2. - TEN FEWER AIDED STUDENTS, TEN MORE FULL PAY STUDENTS	\$474,000	\$2,109,000
* LEVEL 3.- FIFTEEN FEWER AIDED STUDENTS, FIFTEEN MORE FULL PAY STUDENTS	\$702,000	\$3,164,000
<b>4. INCREASE LOAN EXPECTATION</b>		
* LEVEL 1. -\$1,000	\$103,000	\$414,000
* LEVEL 2.- \$2,000	\$207,000	\$828,000
* LEVEL 3.- \$3,000	\$310,000	\$1,242,000
* LEVEL 4.- \$3,500	\$362,250	\$1,448,000
<b>5. ADMISSION PREFERENCE FOR LOW INCOME STUDENTS AT READER RATING ACADEMIC 2 LEVEL</b>		
THIRTY FEWER LOW INCOME STUDENTS PER CLASS	\$815,000	\$3,410,000