

From Application to Affordability: Why the FAFSA Must Become the Core Document of Enrollment Strategy

White Paper for Presidents of Tuition-Dependent Colleges

Prepared for the 2026 CIC Presidents Institute January 4–7, Orlando, Florida

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Executive Summary

For decades, presidents and enrollment leaders have treated the admissions application as the central artifact of undergraduate recruitment. GPA, rigor, essays, and activities still matter. But for the vast majority of students considering moderately selective, tuition-dependent institutions, another document now has more influence over whether they enroll and whether they persist. That document is the Free Application for Federal Student Aid (FAFSA).

At tuition-dependent colleges and universities, the FAFSA has quietly become the primary determinant of:

- Whether a student can afford to accept an offer of admission.
- Whether a student can remain enrolled beyond the first semester or year.
- Whether the institution can forecast, stabilize, and grow net tuition revenue.

The application may open the door but it is the FAFSA that determines whether students can walk through it and stay inside. This white paper argues that presidents of tuition-dependent institutions must reposition the FAFSA from a bureaucratic requirement to a strategic centerpiece of enrollment management, retention, and financial sustainability.

Our paper outlines the following:

- How rising prices and shifting aid structures have made affordability (not admission) the primary gatekeeper.
- Why the FAFSA is now the most important document for both students and institutions, especially when linked to Direct Cost and the Student Aid Index (SAI).
- How early and strategic use of FAFSA data can improve yield, reduce melt, and significantly reduce first-year attrition.
- **Practical steps presidents can take organizationally, operationally, and ethically to center affordability, transparency, and FAFSA completion in their institutional strategy.**

The core conclusion is stark but hopeful; colleges that use the FAFSA to illuminate affordability, close Direct Cost gaps, and communicate clearly will not only better serve students, they will be the institutions most likely to remain financially viable in an era of demographic and economic pressure.

1. From Access to Affordability: How We Got Here - Policy and Price: The Long Arc

For much of the late 20th century, federal policy focused on access to higher education. Expanded aid programs, Cold War investments, and Vietnam-era draft deferments all pushed more students toward college. Colleges responded by growing capacity and broadening recruitment. But as access expanded, the sticker price of college grew even faster, especially at private institutions and non-flagship regional publics. Well-endowed, highly selective institutions created “full need” aid models using substantial institutional resources. Many tuition-dependent colleges without those comparable endowments faced a different reality:

- They relied heavily on net tuition revenue to fund operations.
- They expanded discounting and institutional aid, often without a transparent, sustainable model.
- They streamlined applications and widened geographic and demographic recruitment pools.

Over time, a quiet but profound shift occurred and affordability became the true gatekeeper, superseding admission as the primary determinant of enrollment and persistence. This reality is reflected in recent institutional data. According to the National Association of College and University Business Officers' 2024 Tuition Discounting Study, private colleges now discount an average of 56.3% of tuition for first-time undergraduates which means that institutions are forgoing more than half their potential tuition revenue just to fill seats (NACUBO, 2024). Yet even with these unprecedented discount rates, many institutions continue to see declining enrollment and yield suggesting that aggressive discounting alone cannot solve the affordability crisis.

Research on liberal arts colleges between 2003 and 2012 found that once unrestricted discount rates exceeded 28.7%, net tuition revenue per student actually began to decrease and this is a troubling inflection point that many tuition-dependent institutions have now surpassed (Hillman, 2012).

The FAFSA’s Shift in Role

The FAFSA, originally designed as a mechanism to allocate federal aid, now sits at the intersection of all need-based funding:

- Federal grants, loans, and work-study
- State grants and scholarships
- Institutional need-based aid

For tuition-dependent institutions, the FAFSA is now:

- The first and often only comprehensive indicator of a family’s capacity to pay.
- The essential input for calculating discounts, assessing yield, and planning revenue.

- The earliest and most reliable tool for understanding which admitted students are financially positioned to enroll and persist.

In short, for most prospective students, the FAFSA matters more than their application essay. The data bears this out. National research shows that among students admitted to college, 84% who completed the FAFSA enrolled in four-year institutions, compared to only 55% who did not complete it. This is a 29 percentage point enrollment gap (Education-to-Workforce Indicator Framework, 2024). To put it simply, FAFSA completion is a stronger predictor of actual enrollment than most traditional admissions metrics. The National College Attainment Network found similar dramatic results including the fact that 91% of high school seniors who completed the FAFSA in 2012-13 enrolled in college by November 2013, versus only 51% who did not file (NCAN, 2015).

2. The FAFSA as Financial Foundation - A Structural, Not Peripheral, Document

At many tuition-driven colleges, more than 90% of first-year students file the FAFSA. This is not a marginal statistic, it is a structural one. Which means that virtually every enrolling student's financial reality is filtered through a single federal form. It also means that institutional forecasting of net revenue, discount rates, and retention is fundamentally linked to FAFSA completion and interpretation.

For these institutions:

- The admissions application signals *academic fit* and *interest*.
- The FAFSA establishes the family's and the institution's financial viability.

Without FAFSA data, colleges are effectively guessing about need, price sensitivity, and the likelihood of attrition driven by financial distress. With FAFSA data, they have a starting point for constructing aid packages and modeling multi-year revenue.

Retention Begins with the First Aid Offer

Many campuses still view retention as beginning at orientation, with advising, first-year seminars, and student success programming. In reality, retention risk spikes the moment a student reads their first financial aid offer. At institutions that truly meet full demonstrated need, the aid offer often closes the loop. At tuition-dependent institutions, the aid offer frequently opens a challenging conversation:

- Aid letters include significant, unexplained “gaps” between aid and the actual Direct Cost (tuition, mandatory fees, housing, and meal plan).
- Families are left to puzzle out whether the college is realistically affordable, often without clear or honest guidance.

These gaps drive three expensive outcomes:

1. Withdrawn deposits when families realize, sometimes late in the cycle, that the numbers do not work.
2. Summer melt occurs as families choose lower-cost options or step away from college entirely.
3. Early attrition occurs when the first bill or second-semester balance proves unmanageable.

Evidence across the sector suggests that a significant portion of early attrition is rooted in this initial misalignment between cost and aid. This is a failure not of the FAFSA itself, but of how institutions use (or ignore) the information it provides. The empirical evidence for this claim is substantial. Research from the Education Advisory Board analyzing unmet need data found a clear relationship between unmet need levels and retention rates, with average unmet need more than doubling since 1990 to over \$8,000 (EAB, 2023).

Washington State studies confirmed that students with higher unmet need are significantly less likely to continue and graduate, even at community colleges where costs are lower (Washington Student Achievement Council, 2019). Financial stress is not merely correlated with attrition, data suggests that it directly causes it. An Ellucian national survey of 1,500 students found that 59% had considered dropping out due to financial stress and 61% reported that financial stress negatively impacted their academic performance (Ellucian, 2023). Perhaps most starkly, 41% of students who drop out cite financial reasons as the primary cause thus making affordability issues the single largest driver of attrition (EducationData.org, 2025).

3. Using the Student Aid Index as a Strategic Signal -SAI: More Than a Pell Trigger

The redesigned FAFSA replaced Expected Family Contribution (EFC) with the Student Aid Index (SAI). On many campuses, the SAI is still treated as little more than a trigger for Pell and federal loan eligibility. For tuition-dependent institutions, this is a missed opportunity. When paired with institutional pricing, the SAI can serve as a highly actionable signal:

- Segmenting students into discount bands based on realistic ability to pay.
- Forecasting net tuition revenue at the individual and cohort level.
- Guiding recruitment and aid resources toward students who are both likely to enroll and positioned to persist financially.

Used this way, FAFSA data becomes an enrollment management dashboard, not just eligibility paperwork.

The “Bill-Paying Award Test.”

One practical framework for using FAFSA data strategically is the “bill-paying award test”. Before releasing an aid package, an admissions team should ask “can this family plausibly pay the first bill without financial catastrophe?”

If the answer is “no” or “probably not,” the institution still has options:

- Reallocate institutional aid to close the Direct Cost gap.
- Offer structured, non-predatory payment plans or campus-based employment that make the bill realistically manageable.
- Have an honest conversation with the family about affordability before enrollment, not after a crisis.

This is not merely an ethical imperative. It is a retention strategy and a revenue-protection strategy. Every student who leaves for financial reasons represents lost tuition, lost auxiliary revenue, and often a damaged reputation in their home community.

4. Timing and Sequence: Early Awards, Pre-Awards, and Direct Admit- The Cost of Late-Cycle Awarding

At too many institutions, meaningful awarding does not occur until late spring or even mid-summer. The results are predictable:

- Aid offices spend their most intense months in reactive mode, responding to appeals and exceptions.
- Students compare incomplete or late offers and delay commitments.
- Presidents and CFOs operate with limited clarity about fall enrollment and net revenue.

This is not a timing problem; it is a strategy problem and the FAFSA is at the center of the solution. The consequences of delayed financial aid information extend well beyond yield. Summer melt happens when admitted students who intended to enroll fail to show up in the fall which affects 10-20% of college-intending students nationally, with rates as high as 40% among low-income students (Harvard Strategic Data Project, 2024).

Research in a large urban school district found that students who completed the FAFSA before high school graduation were 14 percentage points less likely to experience summer melt than similar peers (Miller, Phillips & Ahearn, 2024). This proves that timing matters. The troubled 2024-25 FAFSA rollout, which gave students nearly 100 fewer days to complete the form, resulted in completion rates dropping by 11.6 to 24.3 percentage points compared to the previous year, with nearly 300,000 fewer completed applications (Century Foundation, 2024). Late financial aid offers compound this problem: students flagged for FAFSA verification are 5 percentage points more likely to delay enrollment, and verification disproportionately affects students of color (Brookings Institution, 2022).

Early-Cycle Awarding as a Strategic Advantage

An early-cycle awarding strategy, built around timely FAFSA completion, allows institutions to:

- Admit and award in the first half of the recruitment cycle, not the last quarter.
- Provide families with meaningful affordability information while they are still building and narrowing their short lists.
- Use early awards to lock in deposits, reduce melt, and stabilize internal revenue projections.

In this model, FAFSA completion is not an afterthought; it is the trigger that moves a prospect from interest to a fully informed decision.

Pre-Awards, Direct Admit, and Affordability-First Models

Over the past decade, the sector has experimented with:

- Pre-award scholarships, using merit or estimated need to generate interest and signal affordability early.
- Direct Admit models, in which students are admitted (or conditionally admitted) without a traditional application, are often based on existing academic records.

The logical next step is an affordability-first model powered by the FAFSA:

- Students receive conditional admission plus a no-gap guarantee, communicated clearly.
- The guarantee is contingent on the timely filing of the FAFSA.
- Once FAFSA data is available, the institution constructs an award that closes the gap on Direct Cost, not the more abstract Cost of Attendance.

For price-sensitive families, this approach is far more compelling than another brochure or branded email campaign. For institutions, it transforms FAFSA filing from a compliance checkpoint into a central strategic lever.

Direct Cost vs. Cost of Attendance: Where Reality Hits

Families do not make decisions based on Cost of Attendance charts in policy documents. They make decisions around the kitchen table, looking at a much simpler question “What is the actual bill we have to pay this semester or this year and can we pay it?” That bill covers Direct Costs: tuition, mandatory fees, housing, and meal plan. The FAFSA, SAI, and all forms of aid ultimately converge on this single number.

If the combination of federal, state, and institutional aid plus reasonable borrowing still leaves a large, unexplained Direct Cost gap, three outcomes become likely:

1. The student never deposits.
2. The student deposits but does not arrive.
3. The student arrives but leaves within a year under financial strain.

Institutions that explicitly design their aid strategy around closing the Direct Cost gap, using FAFSA data as the starting point, see:

- More confident deposits.
- Lower summer melt.
- More predictable and stable net tuition revenue.

Those that do not, in effect, select for families who can absorb financial shocks while pushing out those who cannot, regardless of academic talent or institutional fit.

6. Ethics, Transparency, and Competitive Advantage - The Limits of Opaque Pricing

Private-equity-influenced aid strategies have often rewarded opacity:

- Net Price Calculators that are difficult to find or hard to interpret.
- “Merit” grids and institutional formulas are designed more to manage discount rates than to inform families.
- Aid letters that blend loans and grants without clear differentiation.

In such models, the FAFSA becomes simply another input into a mysterious institutional algorithm. Families are left to guess what is truly affordable—and to absorb the consequences when they guess wrong.

Transparency as Strategy

The next competitive advantage in a crowded, skeptical market will not be in controlling information. It will be in sharing it clearly and early. FAFSA data can and should be the backbone of that transparency:

- Side-by-side comparisons of Direct Cost after aid, including clear separation of grants, scholarships, loans, and work.
- Plain-language explanations of how the FAFSA and SAI affected the award.
- Explicit options for closing remaining gaps that do not rely on high-cost or predatory borrowing.

Institutions that position themselves as trustworthy guides through affordability—rather than as opaque pricing engines—will win the confidence of families who increasingly question whether college is worth the cost. There is growing momentum nationally toward financial aid transparency. The College Cost Transparency Initiative, launched in 2022 by ten major higher education associations, has enrolled over 730 institutions serving 7 million students in efforts to provide clear, accurate, and consistent financial aid information (College Cost Transparency Initiative, 2022). Students respond to this transparency in enrollment decisions.

Ellucian's national survey found that 76% of students said the amount of financial aid impacted their college choice, and remarkably, 44% would switch their top-choice school for just \$5,000 more in aid (Ellucian, 2023). Strada Education Foundation research revealed that 73% of students consider college being 'worth the price' more important than being 'fairly priced,' and nearly half would be swayed by a promise to keep debt low (Strada, 2023). These findings suggest that transparency about true costs and aid packages is not merely ethical, it is strategically essential in an increasingly price-conscious market.

7. Communication: Leading with Affordability and the FAFSA - Cutting Through the Noise

In an environment where prospective students are inundated with digital marketing, the challenge is not message creation but message attention. Most recruitment content sounds the same.

One underused way to stand out is substantive, personal communication about affordability:

- Hand-signed letters in physical envelopes from presidents, deans, alumni, or trustees.
- Notes from current students that speak honestly about value, support, and financial fit.
- Communications that do not just say “We want you,” but show how the college can be made affordable *if* the student completes the FAFSA.

Making FAFSA Completion the Headline

Across all channels of outreach including email, mail, text, social, school counselors, institutions can reposition the FAFSA from background paperwork to headline message:

- “We can only build your personalized affordability plan if you file your FAFSA.”
- “Your FAFSA unlocks your scholarship, grant, and work opportunities at our institution.”
- “File early; it’s how you keep all your options open.”

When presidents reinforce this message publicly and internally, FAFSA completion ceases to be a financial aid office problem and becomes an institutional priority.

8. Recommendations for Presidents of Tuition-Dependent Colleges - Strategic and Organizational Steps

Declare the FAFSA a core institutional priority.

- Incorporate FAFSA completion rates and timelines into strategic dashboards.
- Charge enrollment and student success leaders with shared responsibility for improving those metrics.

Align enrollment, financial aid, and finance around Direct Cost and SAI.

- Require regular reporting that links SAI distributions to discounting, yield, and retention.
- Use this data to refine discount strategies and protect net revenue.

Invest in early-cycle awarding capacity.

- o Rework processes and staffing so meaningful awarding occurs during the first half of the recruitment cycle.
- o Build automated and manual systems that depend on early FAFSA filing.

Implement a “bill-paying award test” as standard practice.

- o Make it an expectation that aid offers are evaluated against realistic bill-paying capacity.
- o Empower financial aid leadership to adjust awards when misalignment threatens retention.

These recommendations are grounded in evidence of what works. Research shows that one-on-one FAFSA assistance increases submission rates by 16 percentage points and improves college attendance and persistence (Bettinger et al., 2012). States that implemented FAFSA completion mandates saw dramatic increases: Texas jumped from 50% to 63% completion, and Louisiana increased completion by 19 percentage points to 72% (NCAN, 2023).

Institutional investment in FAFSA support yields measurable enrollment and retention returns. Multiple intervention studies demonstrate that timely, personalized financial aid communication increases enrollment among price-sensitive students (Castleman & Page, 2014). The question for presidents is not whether these strategies work, the evidence is clear that they do, but whether your institution will implement them before competitors do.

Policy and Practice Changes

Center Direct Cost in all pricing communication.

- o Rewrite award letters and websites to foreground “What you will actually owe.”
- o Explicitly connect FAFSA data to how the Direct Cost was calculated.

Integrate affordability into Direct Admit and pre-award initiatives.

- o Tie early admission offers to clear, conditional affordability promises contingent on FAFSA filing.
- o Ensure these promises are focused on Direct Cost, not abstract figures.

Partner proactively with high schools and counselors.

- o Offer professional development, tools, and simple messaging that help counselors support FAFSA completion.
- o Position your institution as an affordability ally, not just another recruiter.

Culture and Ethics

Adopt transparency as a core value in aid and pricing.

- o Review institutional practices against a simple standard: Would a reasonable family feel clearly informed and fairly treated?
- o Eliminate confusing aid packaging and opaque merit formulas that undermine trust.

Tell the truth about affordability, even when it costs you a student.

- o Where realistic pathways do not exist, direct families toward more affordable options rather than stretching them beyond their means.
- o In the long term, this honesty strengthens reputation and recruitment.

Reinforce the message at every level: “We can only help if you file.”

- o Train frontline staff, faculty, trustees, and alumni ambassadors to emphasize FAFSA filing as the gateway to affordability.

9. Implications for Students and Institutions

For high school seniors and families, the message is direct.

- If you are considering a moderately selective, tuition-dependent college, your FAFSA may matter more than your application essay.
- Filing early, accurately, and every year is the best way to secure affordable, sustainable enrollment and to keep real choices on the table.

For colleges and universities, the message is sharper:

- Treat the FAFSA as the central document of your enrollment and retention strategy—not as a compliance nuisance.
- Build early awarding, Direct Cost transparency, and SAI-based financial planning around it.
- Use FAFSA data to drive multi-year retention and revenue stability, not just first-year enrollment.
- Communicate relentlessly, internally and externally, that “We can only help students afford us if they file.”

Conclusion

We have spent generations telling students that college applications change lives. In the current affordability landscape, that is only half true. The admissions application may result in a student receiving an acceptance letter. The FAFSA is what gives that letter any chance of becoming a degree.

For presidents of tuition-dependent institutions, the strategic imperative is clear: place the FAFSA at the center of your enrollment, pricing, and student success strategy or allow affordability, unmanaged and opaque, to determine your institution’s future for you. At

MyCollegeCosts our focus is on putting *affordability first*. Give us 20 minutes to show you how to use our proven tool to increase enrollment at your institution.

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