Attendance Despite Income

A History of Scholarships and Financial Aid at MIT

Founding to 1970

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From the very beginning, MIT set aside money to allow students to attend the Institute for free. In 1867, two years after the school opened, several plans for scholarships were drawn up. The Massachusetts legislator funded MIT on the condition that twenty scholarships would be maintained.[[1]](#footnote-1)The Co-operative Society voted to establish a scholarship from the profits of store sales.[[2]](#footnote-2) Separately, the Government, the former name of the Corporation which is called the Board of Trustees at other schools, saw scholarships as a way to attract donors.[[3]](#footnote-3)The Government framed the plan “in the belief that many friends of the Institute would be willing to aid its finances in this way who would not be disposed to give that amount outright to the Institute.” The Government wanted to raise $150,000 in endowment.[[4]](#footnote-4) In order to reach this goal, the Institute allowed donors of more than $5,000 to nominate a pupil to attend the Institute at no charge. The donor was allowed to personally select the student who would receive the scholarship. However, it is unclear who these scholarships were for. The Government stated that the scholarships were to “secure to the school the attendance of a superior class of pupils.” This could be interpreted as allowing students to attend who otherwise could not afford to attend. However, it could also be interpreted, as offering top students a financial incentive to attend. If the donor selected a pupil, they had wide latitude in the selection of a student. They were allowed to consider both “merit” and “need” in what was presumably a very inexact and subjective process. However, if the donor assigned the scholarship to a public school, the scholarship would be a prize for the best scholar. This removed objectivity from the selection process, so that the scholarships were only on merit. However, the Committee intended that the donor:

“offer the honor of the scholarship as a prize to the best scholar to whom the free tuition shall be deemed a positive benefit; but if, as may sometimes be the case, [he is] by [the] reason of sufficient means is not considered by his parent or guardian to be fully entitled to tuition without charge, such pupil may nominate another pupil who, being approved by the master or masters and by the School Committee, shall become entitled to the benefit of the scholarship.”

The first recorded example of such a scholarship was in 1871.[[5]](#footnote-5) Thomas Sherwin, a Government and Committee on Instruction member, died in 1869 and a scholarship was set up in his honor. It would be awarded to a “worthy graduate of the English High School,” where Mr. Sherwin had been the headmaster at. The student would be selected both by the trustees and by the current headmaster of the school. Again, the qualifications for selection were not specified. The $5,000 would be set aside in a separate fund. The tuition would not be deducted from the fund; instead the general rise of value of the investments would be worth more to the Institute than the foregone tuition. The money was also to be turned over to the English High School, should the Institute ever close. Throughout the early years of the Institute, Harvard was always looking to merge it with Boston Tech. Many alumni opposed the merger and restricted their investments from being used if such a merger occurred.

At this time, Boston Tech was what many would think of today as a trade school. Attendance was granted to anyone who passed the criteria. In fact, the criteria were often watered down by granting admission with preconditions that had to be fulfilled within the first year.[[6]](#footnote-6) MIT was never for the rich or for the ones with family connections; however attendance was limited to those who were able to afford its fairly modest fee.

In the 1930s, MIT started awarding scholarships in a centralized process.[[7]](#footnote-7) Students who had completed one year were allowed to apply in the Dean’s Office. Awards would generally be for less than full tuition and would be based primarily on scholastic record. 360 undergraduates were given a total of $84,000 and nearly $68,000 went to 500 graduate students.[[8]](#footnote-8) Financial need, good character, general worthiness, and professional promise were also considered. Again, an ill-defined mix of merit and need factors were used to award the aid.

In the 1930s, the stock market crash made it hard for many MIT students to continue attending.[[9]](#footnote-9)Mr. Charles Hayden felt that MIT had a duty to comply with President Hoover’s request that unemployment be kept as low as possible by allowing students to continue their studies by any means necessary. Mr. Gerard Swope, president of the General Electric Company, started the “Technology Loan Fund” (TLF) to provide low-interest long-term loans. Mr. Swope realized that money would go a lot further if it was loaned out instead of being given out. Students would postpone their payments from periods of low income to periods of higher income. When students would pay back the money, it could be used for future students. The loan would have 2% interest while the applicant was at MIT and up to two years after he left. After that, the interest rate would be 5% and the applicant would have to promise to update the Board on his ability to pay by supplying his salary and the nature of his work. The loan was considered an award and only given to certain students. An applicant had to complete at least one year with a 3.5 GPA in order to be eligible. No further academic criteria would be considered. Applicants had to fill out a form giving a “statement of his financial needs.” They also had to get an endorsement of character from a former alumnus from their community or the headmaster of the school that they formally attended, pass a physical examination, and get parent approval. Sixty seven percent of the applications were approved, with the average loan being $400.[[10]](#footnote-10) $4,200,000 was raised for the fund at the start of the Great Depression by “prominent alumni and friends of Technology.”

Mr. Hayden described the TLF as “an experiment in financing the education of worthy students.” Later MIT reports also indicated that MIT invented the college loan. Although MIT is not widely credited with inventing the college loan, no research could be found which disproved this assertion or gave another example of schools making long-term loans before this. Most of the research on the history of college loans starts with the National Defense Student Loan (NDSL) program without exploring how Congress came up with the idea. More research should be done to see if other schools had similar programs before MIT, because if they did, Mr. Swope and Mr. Hayden must not have been aware of them.

In 1936, MIT implemented a limited enrollment policy in order to stabilize fluctuations in class size.[[11]](#footnote-11) Instead of admitting all of the students who qualified, the applications would be ranked according to desirability and the number of students admitted according to how many spaces were available. Also around this time, most students only applied to one school. Thus, more than 90% of the students who were accepted chose to enroll.

During World War II, the Institute saw a large enrollment of military personals as special students. The admission of normal students actually continued at close to the normal rate, but many students deferred their enrollment because they were drafted.[[12]](#footnote-12)

As the war drew to a close, Congress debated how to best reward veterans for their service and prevent the large scale unemployment seen during the Great Depression.[[13]](#footnote-13) Congress built the middle class in American by making college and home-ownership available to many Americans. Nationally, college was increasingly seen as important, and the nation worked to increase college access to more people. During 1947, veterans made up 49% of students at colleges in the United States. Even after the benefits ran out, some in Congress continued to fight to provide a college education to whoever who could benefit from one.

Also after the war, the Institute became more residential.[[14]](#footnote-14) This allowed more students to work on campus. In 1952, 765 students were employed in the dining services, as switchboard operators, and as guides. Many of the students made enough to cover their housing, while some students were also able to cover their board bill with the $300 that they earned in a year. However, even at this point in time, MIT students were concerned about how much time they could dedicate to work. They complained that students in liberal arts programs had more time than they did.

In 1952, the College Scholarship Service created the first analytic method for determining a student’s financial need.[[15]](#footnote-15) MIT and several other schools adopted it. This was the first national attempt to bring order to the financial aid system. The form created by the College Board is still used today by students to submit their families’ financial information to multiple schools at one.

The TFL continued to help students after World War II.[[16]](#footnote-16) In a survey conducted by the Alumni Association in 1952, the loan fund was described as “a bulwark in assisting many veterans who found themselves in need of funds on expiration of their government benefits.” Many alumni expressed thanks when asked about the program.[[17]](#footnote-17) According to the survey, 46.7% of the recipients were considered to be in a management position. The TFL program was also successful for the Institute. 98% of loans made since 1930 were repaid with less than one-half of a percent written off. The program was able to expand its operating capital so well, that it was able to give students a break on interest.

The TFL program was needed in some regards because MIT was frequently one of the most expensive technology schools. In 1937, tuition was $600 while CalTech and Worchester Polytechnic charged only $300 and Stevens Institute of Technology charged $360.[[18]](#footnote-18) The Institute claimed that it spent $1,000 per student, 70% of that on direct costs. In 1952, Dr. Killian claimed that MIT’s expenses had gone up 80%, while income only went up 50%.[[19]](#footnote-19) Dr. Killian said, “Even with the increase in tuition the student will be paying less than half the cost of his education, the rest being met by income from endowment and other sources. A careful analysis reveals that the tuition payment now covers a smaller proportion of the cost of education than at any time in recent years.” At the same time, MIT raised scholarships 25% and the TFL had enough money to fit all of the need. In 1959, MIT was the most expensive large undergraduate school in the country.[[20]](#footnote-20)

While announcing the 1959 tuition hikes, MIT also announced an installment plan.[[21]](#footnote-21) Dr. Stratton noted that installments plans were “a basic part of American procedure and attitudes.” MIT was the first school to create such a plan. Dr. Stratton said the plan was to allow students to invest in their own academic futures. No qualifications as to academic standing or financial means were made, and the program was administered by an outside bank at 5% interest.

In 1958, Congress passed the National Defense Education Act in partial response to Sputnik.[[22]](#footnote-22) Although the purpose of the bill was to address the acute national “manpower shortages” of science, mathematics, engineering, and modern foreign languages, loans could be extended to all students. Large blocks of money were given to colleges for them to loan out. This started loan programs in many schools and the NDEA made students loans widely accepted nationally. Roughly half of the 1,400 institutions participating in the NDSL Program had never offered long-term loans. The goal of the act was that “no student of ability will be denied an opportunity for higher education because of financial need.”

There was some debate whether the money should go to disadvantaged students or to top students. Dr. George R. Harrison the Dean of Science thought that the government should send “outstanding students to school, with all expenses paid so long as they could meet educational standards about twice as high as those most of our public schools now require."[[23]](#footnote-23) Such requirements would be "stiff, but well within the abilities of the top two percent of the age group." Harrison issued such statements shortly after Sputnik because he felt that the country needed more scientists and engineers. Others debated where scholarship money should reward students for previous excellence or attempt to level the playing field for future work.[[24]](#footnote-24)

The Higher Education Act of 1965 established the permanent support of the federal government by providing loans and scholarships. It was a key component of President Lyndon B. Johnson’s Great Society program to eliminate poverty in America and provide everyone an opportunity to attend college. The programs established back then remain to this day. The program established scholarships, loans, and work opportunities to allow 1 million more people to attend college.[[25]](#footnote-25) The money was awarded only on the basis of need. In fact, the bill actually overturned using grades in making loans because “there could be no true excellence … with the encouragement of the academically gifted and neglect of the majority.”[[26]](#footnote-26) In his speech, President Johnson cited that only half of the people who graduated high school attended college. Johnson intended the program to close much of that gap. In additional to personal benefits, the large increase in students going to college had large effects on national productivity.

MIT did not start accepting NDLF money until 1964.[[27]](#footnote-27)The federal program replaced TLF as a prominent source of loans, allowing the fund to grow considerably. The TLF continued as a backup for the federal program in 1966, putting MIT in a comfortable position to insulate its reliance on federal money and expand the aid it could offer.

In 1967, MIT announced that it would meet the full financial need of every student.[[28]](#footnote-28) In the two decades prior, MIT incrementally built up its financial aid resources. In the 1960s MIT, “switched from supplying aid only so far as it was available to [be actively trying to make such] funds available.” In 1967, MIT started using unrestricted money from the operating fund for financial aid, so that it was able to bump the financial aid budget 27% that year. This allowed MIT to meet the full financial need of every student. This matched what other top schools were doing. Up to 50% of that need was filled with loans.

No definitive date could be found for when MIT made need-blind admission their official policy. A 1992 press release places the date around 1957, however extensive searching found no mentions of adopting a need-blind admission policy anywhere in history. There are mentions of having such a policy in the mid-1960s.[[29]](#footnote-29) A need-blind admissions policy does little if an institution does not meet full financial need. Before MIT met full financial need, they admitted whoever was qualified. If the applicant could not find the financing to attend, they simply did not attend. It is only when an institution promises to meet full financial need, that an institution must be careful not to promise too much aid. After MIT changed its policy to try and meet the full financial need of every student, it never altered its admissions standards to prevent too many students from using aid.

Up until 1969, MIT awarded financial aid on the basis of merit.[[30]](#footnote-30) In 1969, MIT met the full financial need of all of the students who were accepted. In addition, no student’s need was filled with more than 50% loans. However,

*“the loan as a percentage of need was progressively reduced below 50% for regular students whose total personal and academic qualifications were increasingly high. There were until this year ~150 applicants per year whom we identified with the presumptuous title of “MIT National Scholars” and for whom 100% of need was meet by scholarship alone. There was of course financial competition with other school schools for all such students. Although there was substantial general feeling among schools that the financial competition was not a good thing, no one seemed willing to break the loop.”*

In addition, a professor studied if the students that were given money showed better performance on campus.[[31]](#footnote-31) He found that the correlation was “almost pure noise.” MIT planned to unilaterally stop awarding aid based on student merit, while at the same time talking to other schools to get them to stop. MIT saw “the basic goal of financial aid policy should be the preventing the current inability to pay from being an obstacle to obtaining a MIT education”, not a competition for students to maximize financial gain. MIT wanted to award the same amount of loans up to an equity level and scholarships after that.

However, as soon as MIT implemented a full-need policy, it had trouble meeting it.[[32]](#footnote-32) Educational costs were rising 16%, while budgets from Washington presented mixed news. The students felt the squeeze on all fronts: students were awarded job awards but were unable to find work, scholarship funds were flat, and even loans were harder to get. The funds from the TLP were limited, because of its loss in value, and Congress considered curtailing the NDLP. The TLP was withering since 80% of the loans were from the NDLF.[[33]](#footnote-33) Because the program operated on a revolving basis, the capitol in the program lost value. Students were asked to take out loans at 7% interest. However, some students had trouble getting that amount since banks were not willing to make the loans at that amount.

MIT did discuss giving up its need-blind policy in the 1980s.[[34]](#footnote-34) Financial pressures did put the option on the table, but the option was labeled as a last resort and it was evidently never implemented. MIT did manipulate the definition of self-help to claim that they meet full financial need throughout history. In 1985, MIT had the highest self-help of any of the top schools, in some cases double what other schools required students to pay. Both schools maintained that they met a student’s “full financial need.” MIT continues to manipulate self-help levels while still claiming to meet student’s full need; most recently it revised self-help levels upward on May 4, 2010.[[35]](#footnote-35)

Due to space limitations, discussion of the later years of MIT admissions and financial aid policy, including the overlap group lawsuit, Congressional endowment pressures, and the shift to a no-loan policy, deserve their own paper. In addition, history 1970s and 1980s was not explored closely.

Financial aid was part of MIT from the beginning. At the start, financial aid was a gift to the best students when the money was available. Those who won the scholarship but were able to afford college were expected to assign the scholarship to someone who needed the assistance. As MIT grew, so did the scholarship program. However, during the depression, MIT needed a way to maintain enrollment. Gerard Swope pioneered education financing by providing low-interest long-term loans. These allowed students to pass off the cost until their earnings were higher. In some respects, MIT had to pioneer education financing because it had one of the most expensive tuitions in the country, due to its use of lab education. As tuition grew quickly in the 1960s, financial aid resources grew as well. When the federal government came onto the scene, with the goal that everyone should be able to go to college, MIT was able to boost its aid to be able to make the claim of meeting the full financial need of every student. However, the pledge has always been difficult to achieve, and MIT took advantage of the self-help loophole. Today as Student Financial Services Executive Director, Elizabeth Hicks says, financial aid is now seen by many students as a right.[[36]](#footnote-36) As costs have risen much faster than inflation, fewer students than ever before can afford to pay the sticker price. It is only because of the aid which many students received that they were able to attend MIT and benefit from the education.

1. *The Tech*, v. 6 n. 16, 26 May, 1887, p. 25. [↑](#footnote-ref-1)
2. *The Tech*, v. 6 n. 12, 31 March, 1887, p. 18. [↑](#footnote-ref-2)
3. Stratton, Julius A., and Mannix, Loretta H., *Mind and Hand*: *The Birth of MIT*, MIT Press, p. 458. [↑](#footnote-ref-3)
4. Report on the Committee on Free Scholarship and Indenture of Trust for the Establishment of a Fund for that purpose, 1867. Institute Archives. [↑](#footnote-ref-4)
5. Stratton, Julius A., and Mannix, Loretta H., *Mind and Hand*: *The Birth of MIT*, MIT Press, p. 458. [↑](#footnote-ref-5)
6. 1961 Report to the President, Admissions Department. Institute Archives. [↑](#footnote-ref-6)
7. “Technology Fund Will Supplement Scholarship Aid,” *The Tech*, v. 50, 16 Jan, 1931, p. 4, http://tech.mit.edu/archives/VOL\_050/TECH\_V050\_S0377\_P004.pdf [↑](#footnote-ref-7)
8. “Hayden Praises Appropriations for Student Aid,” *The Tech*, v. 51 n. 50, 16 Oct, 1931, p. 3 [↑](#footnote-ref-8)
9. “Technology Fund Will Supplement Scholarship Aid,” *The Tech*, v. 50, 16 Jan, 1931, p. 4, http://tech.mit.edu/archives/VOL\_050/TECH\_V050\_S0377\_P004.pdf [↑](#footnote-ref-9)
10. “Hayden Praises Appropriations for Student Aid,” *The Tech*, v. 51 n. 50, 16 Oct, 1931, p. 3 [↑](#footnote-ref-10)
11. “Institute Enrollment To Be Limited Beginning With Next Freshman Class,” *The Tech*, v. 55 n. 56, 10 Jan, 1936, p. 1 [↑](#footnote-ref-11)
12. Data from the MIT admissions Office, 1957. Institute Archives. [↑](#footnote-ref-12)
13. “Born of Controversy: The GI Bill of Rights,” GI Bill History, U.S. Department of Veterans Affairs, 6 Nov 2009, http://www.gibill.va.gov/gi\_bill\_info/history.htm [↑](#footnote-ref-13)
14. “TFL Loans, Scholarships, Work Ease Student Financial Burdens,” *The Tech*, v. 72 n. 26, 6 June 1952, p. 1. [↑](#footnote-ref-14)
15. Report to the Academic Council by the Task Force on Undergraduate Financial Aid and Policy May 1985. [↑](#footnote-ref-15)
16. “TFL Loans, Scholarships, Work Ease Student Financial Burdens,” *The Tech*, v. 72 n. 26, 6 June 1952, p. 1. [↑](#footnote-ref-16)
17. Lobdell, H. E., “TFL Survey,” *Technology Review*, Feb 1952. [↑](#footnote-ref-17)
18. “Compton Announces Corporation’s Move,” *The Tech*, v. 57 n. 11, 19 March 1937, p. 1. [↑](#footnote-ref-18)
19. “Tuition Raised $100; Increase Effective Sept. 1953; Scholarship Fund Up 50 percent,” *The Tech*, v. 72 n. 25, 13 May 1952, p. 1. [↑](#footnote-ref-19)
20. “Tuition Up in ‘60s as Cost Rise,” *The Tech*, v. 79 n. 21, 15 May 1959, p. 1. [↑](#footnote-ref-20)
21. “Tuition Up in ‘60s as Cost Rise,” *The Tech*, v. 79 n. 21, 15 May 1959, p. 1. [↑](#footnote-ref-21)
22. Flattau, Pamela Ebert, Jerome Bracken, Richard Van Atta et al., “The National Defense Education Act of 1958: Selected Outcomes”, Institute for Defense Analysis Science & Technology Policy Institute, March 2006, https://www.ida.org/stpi/pages/D3306-FINAL.pdf [↑](#footnote-ref-22)
23. “Harrison Sees Apathy As “Real Problem”; Current Attitudes May Prove Disastrous,” *The Tech*, 10 Dec 1957, p. 1. [↑](#footnote-ref-23)
24. Valley, George. E., “Planning Professor” Report, 5 June 1967. Institute Archives. [↑](#footnote-ref-24)
25. “President's Talk in Texas on Higher Education Act,” *New York Times*, 9 Nov 1965, http://proquest.umi.com.libproxy.mit.edu/pqdweb?did=95000380&sid=2&Fmt=10&clientId=5482&RQT=309&VName=HNP [↑](#footnote-ref-25)
26. Flattau, Pamela Ebert, Jerome Bracken, Richard Van Atta et al., “The National Defense Education

Act of 1958: Selected Outcomes”, Institute for Defense Analysis Science & Technology Policy Institute, March 2006, https://www.ida.org/stpi/pages/D3306-FINAL.pdf [↑](#footnote-ref-26)
27. Banner, Gerry, “MIT funds could offset NDEA cut,” *The Tech*, v. 86 n. 9, 8 March 1966, p. 1. [↑](#footnote-ref-27)
28. 1967 Annual Report to the President. Institute Archives. [↑](#footnote-ref-28)
29. Entering Class of 1965 Class Profile, Admissions Office. Institute Archives. [↑](#footnote-ref-29)
30. Committee on Undergraduate Admissions and Student Aid. 1969. “Adler report.” Institute Archives. [↑](#footnote-ref-30)
31. Valley, George. E., “Planning Professor” Report, 5 June 1967. Institute Archives. [↑](#footnote-ref-31)
32. Richardson, Kyle, “Financial difficulties hit private education,” *The Tech*, v. 91 n. 8, 2 March 1971, p. 1. [↑](#footnote-ref-32)
33. Richardson, Kyle, “Financial difficulties hit private education,” *The Tech*, v. 91 n. 8, 2 March 1971, p. 1. [↑](#footnote-ref-33)
34. Report to the Academic Council by the Task Force on Undergraduate Financial Aid and Policy May 1985. [↑](#footnote-ref-34)
35. Email sent to Undergraduates by Dean Hastings. [↑](#footnote-ref-35)
36. Personal interview conducted on 11 May 2010. [↑](#footnote-ref-36)