

Calculating Costs and Benefits

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New federal requirements have lately been likely to draw groans and complaints from college and university officials who [feel deluged by ever-changing rules and regulations](#). But one change taking effect later this year has found many colleges ready, even eager, to comply.

The [requirement that colleges display "net price calculators,"](#) which prospective students can use to estimate how much they will have to pay after federal or institutional grants, has become the rare mandate that many colleges have embraced -- and that a small private industry has sprung up to help fulfill.

The calculators are seen as a boon for admissions officers, who want to use them to reach prospective students, and for financial aid advisers, who see them as a starting point; they are even seen as a way to reshape institutional aid and pricing policies by making practices more transparent. (Some admissions experts are more skeptical. See [this Views essay](#) from *Inside Higher Ed* that ran last year.)

Whether they will accomplish any of that, or just become another tool for students already savvy about the admissions and financial aid process, is not yet clear. "We are very much in the early stages here in terms of really understanding how best to use this," said Peter S. Bryant, a senior vice president with Noel-Levitz, a consulting firm offering [its own version of the net price calculator](#).

Still, with more than a month left before the Oct. 29 deadline, the calculators -- often relabeled "financial aid estimators" -- are already prominently displayed on websites for [many colleges and universities](#), whose officials say they want to have them ready when this year's high school juniors and seniors begin their college search as they return to school.

"Generally, colleges are not very enthused when new federal mandates come down," said David Hawkins, director of public policy and research at the National Association for College Admission Counseling. "I can't think of another that has had the kind of uptake that this one has."

The net price calculator requirement, which came about as part of the [Higher Education Act reauthorization in 2008](#), is intended to give students and parents a better idea of how much college costs. On average, college tuition was [discounted 42 percent in 2010](#), meaning that most students actually paid well over half of the sticker price.

But students often don't learn how much they will pay until they've already applied, been admitted and had an aid application evaluated. While some colleges provided financial aid estimates in the past, the federal regulations will standardize the terms and costs included for easier comparison shopping.

The calculators' proponents hope they can help prevent sticker shock by showing students what they're likely to actually pay. Skeptics argue that the results are too vague to be truly helpful, and that students who experience the worst sticker shock are unlikely to look closely enough at institutions they believe to be out of reach to get to the calculators at all.

For colleges, creating the calculators has entailed a balancing act. Should they estimate only need-based aid, which is relatively straightforward, or include aid based on factors other than need, which in some cases is more subjective? Should they go for the most accurate estimate possible, which requires collecting more data, with the risk that students will be overwhelmed and quit before they get to the end?

"Depending on how they implemented their net price calculator, it might be very accurate for students or it might be very general for students," said Justin Draeger, president of the National Association of Student Financial Aid Administrators. "There's sort of a tradeoff."

As colleges roll out the calculators, a few patterns have emerged: Many institutions have purchased calculators from an outside company. Most ask relatively detailed questions about parents' income and assets. Some, but not all, ask for grade-point averages, SAT or ACT scores and other factors in awarding non-need-based scholarships. Beyond that, most of the calculators are "relatively generic," not incorporating institution-specific practices in awarding aid, said Lucie Lapovsky, a consultant who specializes in higher education economics.

Still, how colleges use the calculators varies widely, even within sectors. Some public flagships, including the [University of Florida](#), ask for SAT and ACT scores and G.P.A.s; others, including the [University of Minnesota-Twin Cities](#), provide information only on need-based aid, although Minnesota does note prominently that non-need-based scholarships are available.

Private liberal arts colleges are split on whether to ask about academic information, and some estimates, including [Grinnell College](#)'s, say they include grants not based on need, even if the college didn't request information on other qualifications. More selective institutions usually do not include questions about grade point averages or SAT scores in their calculators, even if there are some merit scholarships available. [Rice University](#) and [Duke University](#), which both offer grants based on academic ability, research aptitude or other factors, only offer information on need-based aid in their calculators, perhaps because admission alone at those universities is extremely competitive.

Some universities have chosen to note scholarship opportunities in other ways. [Syracuse University](#), which launched its calculator in August with information on need-based aid, added information boxes around the calendar's edge with notes about merit scholarships, financial aid for local residents and other programs that the calculator does not take into account.

Whether to include merit aid can be a thorny question: Including aid that isn't based on need might make college seem more affordable and provide a better means of reaching out to low-income students who are highly academically qualified -- a coveted group. But at many institutions, merit aid isn't awarded based on a formula alone, and several analysts said colleges should be wary of overpromising.

"I think the most desirable way is looking at a students' total accomplishments, not just reducing students to a number and saying, 'If you have this, then you get this,'" said Youlanda Copeland-Morgan, associate vice president for enrollment management at Syracuse. "You want to allow for merit to be defined more broadly."

Syracuse is pleased with its result -- Copeland-Morgan said the calculator was surprisingly fun for college officials to develop. "We're focused on telling the Syracuse story, but clearly in our language we make it clear that anybody can benefit" from financial aid, she said. "We see it as a service to students and communities."

Most federal mandates are handled within the confines of the financial aid office. The net price calculator has had crossover appeal, with broad interest from admissions officers who say it has promise as a recruiting tool. The upcoming NACAC conference includes three sessions on how to use the calculators in admissions, Hawkins said.

The calculators will lead to more applicants if they fulfill their intended purpose: showing students that a college could be within reach, even if its sticker price is high. But admissions experts see other possibilities, including gathering information on prospective applicants.

Admissions offices are seeing an increase in "secret shoppers," students who apply to colleges without any previous contact with the admissions office. Many calculators begin with a request for students' personal and contact information, although providing those details is frequently optional.

"It really represents a new opportunity for institutions to be able to identify students and families early in the process that are interested in the institution, and to be able to qualify affordability for those students who really have some concern about the ability to pay," Bryant said.

At colleges where calculators are already in use, marketing officials believe they're having some effect. In a Noel-Levitz [survey on marketing and recruiting practices](#) released earlier this year, officials at 51 percent of private four-year institutions surveyed that were using the calculator said net price calculators were "very or somewhat effective" at recruiting students. (At the time, just under half of respondents from those colleges had a calculator on their respective websites.) At four-year public colleges and universities, 55 percent were using calculators and 53 percent of those respondents said they were "very or somewhat effective."

Still, there were plenty of skeptics: 47 percent of four-year public institutions, and 49 percent of four-year private institutions, said the calculators were "minimally effective." At public two-year colleges, they were rated among the least effective practices, with 75 percent saying they were minimally effective. And some consultants cautioned against requiring students to give out any information, saying it could discourage them from playing with the calculator and getting the biggest benefit.

The calculators will also lay bare some institutions' methods for distributing financial aid and could lead to conversations about how those methods reflect colleges' values. Students -- and parents, faculty members, board members or anyone else -- can experiment with the calculator to see whether an improvement in test scores or grades, or a change in a family's financial status, would make a significant difference.

And prospective students can do the same at other colleges where they might apply, leading to an increase in comparison shopping and making a competitive financial aid policy important earlier in the process than it might otherwise have been.

"This is a win for the consumer, and I think long-term it's a win for institutions that actually do provide competitive financial aid," said Daniel Lugo, dean of admission and financial aid at Franklin & Marshall College, which recently launched its calculator for need-based aid. "There's going to be a shaking out. There are a lot of places that maybe on paper, from their sticker price, look like an affordable choice. Once people see what their package looks like, they're going to get the truth about their institution."

In the past, the details of financial aid awards -- or even their broad outlines -- were available to only the admissions and financial aid offices. With the calculator, and some curiosity and persistence, anyone could put together a chart of how aid is awarded, generally speaking: the difference between the award for a wealthy but high-achieving student versus an average student with more financial need, or the monetary value of a tenth of a grade point or 100 points on the SAT.

The results can sometimes be surprising.

"You often find very little difference in the award, whether you're rich or poor, very academically talented or somewhat less academically talented," Lapovsky said.

In an ideal scenario, the calculators would call more attention to whether financial aid awards are aligned with the institution's goals, she said. And perhaps they would even force a slowdown in the ever-increasing cost of college: If the general public becomes aware that sticker price is frequently meaningless, maybe colleges will "jump off this merry-go-round together," Lapovsky said.

Still, some doubt whether the calculators will have that much influence, even on prospective students. The Education Department is working on standardized guidelines for financial aid award letters, which Draeger said are likely to have a bigger effect. "What helps a student to decide is what they get in their award letter," he said.

Some of the biggest boosters of the calculators' possibilities agree that, in the end, price is only one part of the picture.

"I think the great majority will use this as a way to narrow down their choices early in the process," Bryant said. "If the institution is perceived to be one the student and the family would really hope that they could attend, then value and other issues are certainly going to enter into the final decision."