Broadening the College Choice Set: How Net Price Calculators Can Help

Preparate

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Presenters

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Overview

- **Driving forces** behind push toward greater transparency & requirement to implement net price calculator
- **Institutional options** in meeting net price calculator requirement; hopes and fears
- **Outreach opportunities and critical role of counseling in helping** students and families use NPCs to make better decisions

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Evolution – From EFC to NPC

- What is a net price calculator (NPC) and how does it differ from “EFC” calculators?
  - NPC estimates out-of-pocket expenses instead of an Expected Family Contribution
- Why are we hearing about it now?
  - Federal emphasis on transparency, along with providing graduation, retention and transfer-out rates to filers upon FAFSA submission

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From EFC to NPC

- HEOA requires all undergraduate colleges receiving federal financial aid to provide a net price calculator on their website, by **10/29/11**.
- "… to help current and prospective students, families, and other consumers **estimate the individual net price of an institution of higher education for a student**. The calculator shall be developed in a manner that enables current and prospective students, families, and consumers to determine an estimate of a current or prospective student's individual net price at a particular institution."
- Legislated definition of net price
  - The cost of attendance for an average first-year full-time student less the average of all need and merit-based federal, state, and institutional grant aid awarded to first-year, full-time students

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Compliance or Opportunity?

- Colleges can choose implementation approach
  - Meet the minimum NPC requirements
  - Create opportunity to inform and engage prospective students
- Implementation considerations
  - Institutional mission and goals
  - Resources (types of aid available, staffing)
  - Competitive environment

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Considerations

- How might net price and award estimates differ from college to college?
  - Net price calculator used (student user may not be able to tell)
    - Federal or state template
    - Service of 3rd-party provider
    - Institutionally developed
  - Complexity of approach
    - Less data going in may mean less reliable answer coming out
  - Differences in award policies, especially related to PLUS and Unsubsidized loans

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Considerations

NPCs will likely work best for:

- Traditional wage earner families
- Families without unusual circumstances
- Schools that meet full need or schools that only give federal aid

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Considerations

NPCs may not work as well for:

- Divorced/separated families
- Self-employed families
- Families with special circumstances
- Schools that gap, or schools that give merit aid

  (especially if merit aid is based on measures that students cannot supply via NPC, e.g., recalculated GPA, portfolio)

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The Glass is Half Full

NPC "Big Picture" Hopes

- Students from low & middle-income families will aspire, prepare, apply and enroll in college
  - *Excelencia* → greater outreach and access to financial aid information increases college participation of Latinos
- Higher income families will have more reasonable expectations & plan accordingly
- Students from all financial backgrounds will apply to a wider variety of colleges

The Glass is Half Empty

NPC Fears

- Families will get ‘inaccurate’ results
- Families will not understand the results
- Students will apply to narrower group of colleges
- NPCs will encourage “Used Car Lot” approach to college choice, with families placing price above fit

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Transparency Trade-Offs

NPC puts “affordability” front and center

- Pros:
  - Useful tool for estimating, especially in conjunction with information about average aid, number of merit awards, etc.
- Cons
  - Families may eliminate schools based on estimates, even if they did not provide “good” data
  - If families have special circumstances, schools will not have opportunity to work with them

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Potential "Win-Win" Opportunities

NPCs could help prospective students achieve the "right fit"

- Students may explore wider choice set if they can envision affordability
- Colleges could begin relationships with prospects earlier, broadening access and enrollment
- Families may be better prepared for financial expectations, aiding retention

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Counselors Play Critical Role

- Find out what the colleges (where your students attend) are doing about their net price calculator
- Make use of NPCs a priority on high school campuses
  - Help students understand more about net price and the role of NPC's – *Excelencia* recommends "intrusive services" – don't assume students know
  - Help them make comparisons and open their thinking about choices

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What's On Your Mind?

- What could be the benefits or pitfalls related to the emergence of NPCs?
- What are your concerns?
  - How can those concerns be addressed?
- How might NPCs change how you help students and explore and plan for college?

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