

What Counselors Need to Know About Net Price Calculators Helping Students Make Good Decisions

Introduction

For many years, families have been confounded by how much it will really cost to send their children to college. If they look just at the "sticker price" — the published rate for billable costs — many families will rule out private colleges or even rule out college altogether. On the other hand, if they look at the expenses — after financial aid has been subtracted — they may underestimate the real cost because disproportionately high self-help amounts can create the appearance of affordability but result in serious debt. Low-income and first-generation college students in particular are affected by confusing and contradictory information because they often have to navigate the tricky waters of financial aid alone.

Beginning in October 2011 it should be easier to determine how much a family will really have to pay. Prospective students can enter financial and academic data into a net price calculator (NPC), which will be available on every college and university website, and get a customized estimate of what they will have to pay. It is possible that a student's net cost could be lower at a college with a high sticker price or higher at a college with a low sticker price. One of the goals of the net price calculator is to allow students to find that some colleges they thought were unaffordable are within their financial reach.

But the NPC, as good a tool as it is, will not substitute for good guidance and mentoring by professional counselors. Particularly for those students and families with limited experience with the college planning process, accessible information and connections to important resources are necessary to help them plan for college financially and academically. The role of counselors is critical.

The Higher Education Act of 2008

It is important to put the net price calculator "movement" in a context, beginning with the legislation that created it, in order to understand what the NPC is and what it isn't. The NPC provision reads:

In accordance with the Higher Education Act of 2008, each postsecondary institution in the United States that participates in Title IV student aid programs must post a net price calculator on its website that uses institutional data to provide estimated net price information to current and prospective students and their families based on a student's individual circumstances.

This provision came about in order to provide families with accurate, transparent consumer information on what a student will actually pay versus the sticker price. Although there are reliable sources of information available on college costs and financial aid, such as the College Navigator site (link to www.nces.ed.gov/collegenavigator), that data is typically expressed as aggregated amounts or as average institutional tuition discount rates but is not customized by student. Net price calculators take the next step in providing information to families by looking at the financial and academic characteristics of the student and estimating a financial aid package based on the awarding policies and practices of the institution. However, the NPC results are not a final or guaranteed financial aid award. NPCs are not meant to take the place of the FAFSA or CSS/Financial Aid PROFILE. NPCs estimate out-of-pocket expenses instead of an expected family contribution. The calculator's results are intended to help families make sound, informed education choices.

How NPCs Can Help

A recent report from The Institute for College Access and Success (TICAS) stated, “The majority (59%) of students in a recent survey ruled out college on the basis of sticker price without considering financial aid support.” The report continues to emphasize that without early information about the availability of financial aid, students may end up “under-matching” — choosing a less competitive college than others where they would be admissible. This unfortunate outcome can also affect students’ chances of completing a degree.

NPCs can be particularly effective in early awareness and early outreach programs. These programs are designed to increase the number of low-income and at-risk students pursuing a college education by encouraging them to consider the option of college when they are young. They identify the barriers that prevent these students from attending college and try to remove them. The biggest barrier cited is always financial. The NPC can be used with younger students and families to show them that college can be affordable. With the financial barrier removed or minimized, such students can concentrate on succeeding in school and preparing for college.

Another way the NPC can be helpful is by imposing some level of standardization on how the results of NPC calculations are expressed. Although critics would argue that the legislation does not go far enough in requiring more consistent calculations and cost-of-education estimates, there is — for the first time — a standard definition of net price (cost of attendance minus grant aid), which allows for apple-to-apple comparisons between institutions. This is an important first step in encouraging institutions to be more transparent in their communications with prospective students.

Lastly, depending on how the college or university configures its tools, the NPC can be used effectively to develop relationships with prospective students, allowing them to get to know the institution well in advance of applying for admission. By embedding links to other parts of the institution’s website, colleges can direct students to explore potential majors, learn about housing options or discover campus activities and clubs — all of which are factors in a potentially good “fit.”

Ten Things Counselors Need to Know about NPCs

- 1) Institutions can choose between using a federal template, which asks only six questions (one financial question and no merit aid questions), developing their own NPC or subscribing to a service provided by a third party. Depending on the number and type of questions asked, the results will vary in accuracy. Typically, the simpler the calculator, the less accurate. Students should be made aware that there are differences between NPCs and that they should not expect uniform results.
- 2) Timing is a factor. Institutions will often change their financial aid packaging assignments in the spring depending on their applicant pool and the enrollment targets they need to achieve in order to meet tuition revenue goals. Students should be made aware that if they completed an NPC in the fall of their senior year, the financial aid award they receive in the spring may be different, even if their family’s financial data is the same. NPC results and aid awards may differ in the time between completing an NPC and completing the necessary forms to apply for financial aid, usually because of changes in family financial circumstances but also because of changes in the way the institutions package financial aid and how much money they have available to award.

- 3) There is no uniform way that institutions are required to display NPC results, so it will be very important to help students interpret their results and understand what they mean. For example, even though the definition of net price is standard, some institutions may choose to deduct student or parent loans and work-study earnings from the net price figure, calling that resulting number “net, net price,” “out-of-pocket expenses” or “remaining costs.” This figure can be as low as zero, depending on how much loan or work is subtracted, giving families the impression they will not have any additional expenses. With clear definitions of self-help and the role it plays in financial aid, these second calculations can be helpful to families because they show the full financing picture. However, this practice can also mislead families into thinking that an institution is more affordable than it is, when, in fact, loans must be repaid and work-study income must be earned. It is especially important for counselors to help students understand the difference between gift aid (grants and scholarships) and self-help (loans and work) so they can compare NPC results institution-to-institution.
- 4) If loans are subtracted from net price, institutions should limit the packaging of loans or provide information on the various forms of credit since loans can have very different risks, costs, terms and conditions. There are several very helpful repayment calculators at <http://www.collegeboard.com/student/pay/loan-center/> to help counsel students about borrowing.
- 5) Most calculators developed and managed by third parties will ask questions in addition to those required by the legislation or for Federal Methodology (FM) or Institutional Methodology (IM) calculations. The supplemental questions allow institutions to determine if a student is eligible for certain financial aid or scholarship funds. Students should understand that if NPC results at one institution include a scholarship amount, it does not mean that NPC results from other institutions will include a scholarship amount. Institutions address different goals in how they award scholarships. For example, some institutions may use scholarships to bolster certain academic programs while others may use scholarships to increase the diversity of their class.
- 6) Depending on which NPC an institution is using, the amount of time needed to complete the NPC will differ. Students should be advised to have their parents’ most recent income tax returns, W-2s, or pay stubs to help them complete the calculator — and allow 15–20 minutes. If a student is completing the NPC for an institution using the College Board’s service, they can sign in to their College Board account and save their data to use another time when completing other College Board Net Price Calculators. (If a student does not have a College Board account, it is free and easy to create one.) All institutions using the College Board’s Net Price Calculator service are listed on the College Board’s website at www.collegeboard.com/html/netpricecalculator/
- 7) A concern that institutions have about net price calculators is that students will “race to the bottom,” and focus exclusively on the institution with the lowest net price instead of the institution that offers the best educational value and seems to be the best fit for them. It is important that students understand they should look holistically at institutions and not just at the bottom line. Besides looking at institutions’ academic programs, social environment, culture and other aspects of the institution that influence fit, students should also ask about other statistics that institutions are now required to maintain, such as their retention rates, on-time graduation rates and average indebtedness.
- 8) After completing the NPC, students should be advised to print a copy or e-mail the results to themselves. This way they can compare NPC results from school to school and retain the information for future reference.
- 9) Students should be advised that their NPC results are only as good as the accuracy of the data they entered.

10) Some institutions may prompt students to enter personally identifiable information (PII) into the NPC, including name, address, date of birth, etc. Students should be aware that institutions may use that information for recruiting purposes and if they do not wish to provide PII, they cannot be required by the institution to do so.

Conclusion

Net price calculators are not a silver bullet but they represent a significant step toward helping students and their families make informed decisions about college by providing early estimates of financial aid. It is hoped that students from lower- and middle-income families will aspire to, prepare for, apply to and enroll in college and that higher-income families will gain realistic expectations and plan accordingly. As Sandy Baum points out in a recent *Chronicle of Higher Education* article, “We should continue to focus our attention on other methods of assuring that potential students — particularly those with limited knowledge and experience — have as much information as possible about how much it will really cost them to enroll in different colleges and universities. That information must be made readily accessible and easy for all students to understand.”

With the advent of the net price calculator, there is a new tool available for the school counseling community to use to help students and families make good education choices, but it will not replace ongoing efforts to ensure that potential students have as much information as possible about college costs and financing. Working together — guidance, college admission and financial aid staff — we must continue to educate students about planning for college and how to evaluate the best options.