

# Using Net Price Calculators for College Choice

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Cynthia Bailey

Director of Net Price Calculator Sales and Outreach

College Board

[cbailey@collegeboard.org](mailto:cbailey@collegeboard.org)

# 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

# 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, including graduation, retention and transfer-out rates provided to FAFSA filers upon submission

# From EFC to NPC

- All undergraduate institutions receiving federal financial aid must have a net price calculator on their website as of **10/29/11**.
  - “... to help prospective students, families, and other consumers **estimate the individual net price** of an institution of higher education.”
- Legislated **definition of net price – apples to apples**
  - 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

# 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

# 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 (averages, ranges; no merit aid)
    - Service of 3<sup>rd</sup>-party provider (College Board)
    - 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

# Keep in Mind the Goals of the NPC

- Create more transparency
- More choice and greater access
- Provide better financial information about higher education
- Expand students' range of institutional choices beyond a set of institutions they think they can afford
- Develop deeper admissions/financial aid relationships with prospective students

# The Glass is Half Full

## NPC 'Big Picture' Hopes

- Students from low & middle-income families will aspire, prepare, apply and enroll in college
- 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 other factors for determining ‘best fit’

# Trade-Offs

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



Good  
Advice  
Makes the  
Difference

# The College Board's 8 Components of College and Career Readiness

The Eight Components of College and Career Readiness Counseling should be applied in elementary, middle and high schools.

| Component  | Elementary | Middle | High |
|--|------------|--------|------|
| College Aspirations                                    | •          | •      | •    |
| Academic Planning for College and Career Readiness     | •          | •      | •    |
| Enrichment and Extracurricular Engagement              | •          | •      | •    |
| College and Career Exploration and Selection Processes | •          | •      | •    |
| College and Career Assessments                         | •          | •      | •    |
| College Affordability Planning                         | •          | •      | •    |
| ★ College and Career Admission Processes               |            |        | •    |
| ★ Transition from High School to College Enrollment    |            |        | •    |

# Counselors Play Critical Roles

- How might NPCs change how you help students explore and plan for college?
  - Young students, families, and community
    - Financial literacy / financial aid information sessions
    - Family college savings plan discussion / development

# Counselors Play Critical Role

- Middle School

Middle school is vital time in career and college planning, regardless of type of postsecondary education that students intend to pursue. (Hossler, Schmit, & Vesper, 1999)

# Counselors Play Critical Role

- High School

Large majorities of students have discussed with their parents financial matters related to paying for college and the anxieties about paying for college run high. (*studentPOLL*)

- One-on-one college choice / college cost information sessions
- College cost comparison lesson (*2-year vs. 4-year, In-state vs. Out-of-state/ etc.*)
- Financial aid application workshops

# What Students and Parents Need to Know about NPCs

1. Not all NPCs are the same. Typically the simpler the NPC, the less accurate.
2. Timing is a factor.
3. There is no uniform way that institutions are required to display results so it is important to help students interpret their results, paying particular attention to the “appearance of affordability.”
4. If loans are subtracted from “net price,” students need to know that loans differ in cost and terms and conditions.



# What Students and Parents Need to Know about NPCs – continued

5. Supplemental questions are important for scholarship and grant eligibility purposes
6. Depending on which NPC an institution is using, the amount of time to complete the NPC will differ.
7. Advise students and parents not to “face to the bottom.”
8. Students should keep a copy of their NPC results for comparison purposes.
9. Make students aware that their NPC results are only as good as the accuracy of the data they enter.

# What Students and Parents Need to Know about NPCs - continued

10. Personal identifying information is not required;  
Student can complete NPCs anonymously
11. NPCs will likely work best for:
  - Traditional wage earner families
  - Families without unusual circumstances
12. NPCs will not work as well for:
  - Divorced/separated families
  - Self-employed families
  - Families with special circumstances

# For More Information

- Program site:
- <http://www.collegeboard.org/npc>
  - “What Counselors Need to Know About Net Price Calculators” – by College Board staff
  - “Net Price Calculator: Challenges and Opportunities” by Joseph A. Russo, Director, Student Financial Strategies, University of Notre Dame
- Student site:
  - <http://netpricecalculator.collegeboard.org>