



# **Adding It All Up:** **An Early Look at Net Price Calculators**

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## Executive summary

For students and their families, deciding whether and where to go to college is one of the most important financial decisions they will ever make. However, unlike buying a computer, house, or car, most prospective students do not know how much it will cost them to attend a particular school until many of their choices about college have already been made. While the “sticker price” for most colleges is relatively easy to find, students only receive individualized information about financial aid after they apply and are accepted. Having an early estimate of “net price”—the cost of attendance minus grants and scholarships—can help students and their families make more informed decisions at key points in this high-stakes process. Without clear and timely information about likely college costs and the availability of financial aid, students may inadvertently choose colleges that they cannot afford or price themselves out of higher education when it is actually within their reach.

Net price calculators, which all colleges are required to post on their websites by October 2011, present a valuable opportunity for students and their families to receive early and individualized estimates of how much it will cost them to attend schools they are interested in. After entering information about finances, academics, or other factors, students and their families will be able to view the full cost of attendance, the amount of grants and scholarships they are likely to receive, and the “net price”—the remaining amount that they would be expected to cover with savings, work, and loans.

To explore how net price calculators can best serve the needs of prospective college students and their families, we took an early look at 16 colleges that had already posted calculators on their websites by January 2011. **We found a great deal of variation in how easy these calculators would be for prospective college students and their families to find, use, and understand.** Some calculators were prominently placed on their colleges’ websites, made it simple for students and parents to get results, and clearly communicated likely costs, available financial aid, and net price. Meanwhile, many other calculators were difficult to locate, required detailed financial information that students and parents would have to look up, and presented results in ways that could lead users to believe that a particular college is more affordable than it likely would be for them. Our investigation also raised questions about the privacy and security of students’ personal information.

Based on our findings, we offer the following recommendations for colleges:

- **Make net price calculators easy for prospective students and their families to find.** Otherwise, only those students and families who already know to look for a calculator and are very comfortable on the Web will benefit from the important information these calculators can provide.
  - Link to their net price calculators from multiple places on their websites, especially pages that prospective students and their families are likely to visit (e.g., Prospective Students or Admissions).
  - Make links to their net price calculators visually prominent.
- **Create net price calculators that allow prospective students and their families to easily get and view results.** Asking dozens of detailed questions may increase the precision of the net price estimate, but it will also discourage students and families from completing the process, undermining the goal of providing early awareness of affordability.
  - Limit the number of questions—particularly those that are required.
  - Make clear *which* questions are required, so users know they have choices about how much information to provide.

- Allow students and families to answer certain questions by selecting numerical ranges. Locating family income or home value within discrete categories would be less daunting and labor intensive than providing exact numbers.
- **Make the results from net price calculators easy for prospective students and their families to understand and compare.**
  - First and foremost, emphasize the “net price” figure as defined by Congress (cost of attendance minus grants), not a figure that also subtracts “self-help” in the form of loans and/or student earnings. Obscuring the crucial distinction between aid that does not have to be paid back and funds that must be earned or repaid does students and families a real disservice. Highlighting the required net price figure will also make it easier for students and families to compare costs across schools.
  - If colleges choose to include estimates of student loans and earnings in their net price calculators, they should make sure that these amounts of self-help are reasonable.
  - Colleges should help prospective students and their families understand their options for financing higher education, particularly if their net price calculator subtracts self-help. Grants, student work, and loans have very different implications for students and their families, and there are also very important distinctions between types of student loans. If net price calculators fail to make those differences clear, students and families may be led to believe that they can safely take on the debt listed without fully understanding how and whether they will be able to pay it back.
- **Protect prospective students’ information and clearly communicate how that information will be used.** Net price calculators can ask for detailed personal and financial information, and users deserve to have their privacy protected. Colleges should carefully consider issues of data ownership and security when deciding how to develop their net price calculators.
  - Ensure that information entered into net price calculators is not shared with third parties, other than their net price calculator vendors (if applicable).
  - Clearly inform prospective students and their families about who owns and has access to the information they submit.
  - Make it clear that submitting contact information is optional.

We also recommend that the Department of Education strongly encourage colleges to create net price calculators that meet the criteria above. Although early adopters of net price calculators are not representative of all colleges, we hope that insights from this early look will inform discussions and decisions while colleges still have time to modify their plans.

## Students and families need more timely and useful information about college costs and financial aid

For students and their families, deciding whether and where to go to college is one of the most important financial decisions they will ever make. However, unlike buying a computer, house, or car, most prospective students do not know how much it will cost them to attend a particular school until many of their choices about college have already been made. While it is relatively easy to find the “sticker price” for most colleges, students only receive individualized information about financial aid after they apply and are accepted. The “sticker price” for cost of attendance (tuition and fees, housing and food, books and supplies, transportation and other expenses) is at least partially offset for many students by financial aid. The “net price” (cost of attendance minus grants or scholarships) is the part that students and their families will have to cover from work, savings, and/or loans. The “net price” and “sticker price” can be quite different. For example, although the “sticker price” of attending Stanford University in 2011-12 is \$57,198, a low-income student may end up paying less than \$5,000.<sup>1</sup>

Having an early estimate of net price can help students and their families make more informed decisions about college. Without clear and timely information about likely college costs and the availability of financial aid, students may inadvertently choose colleges that they cannot afford or price themselves out of higher education when it is actually within their reach. Research has shown that many students and parents overestimate the costs of attending college.<sup>2</sup> In fact, the majority (59%) of students in a recent survey ruled out colleges on the basis of “sticker price” without considering financial aid.<sup>3</sup> At the same time, students were found to overestimate what they are likely to receive in financial aid.<sup>4</sup> Better information about net price would help students and families choose colleges that are good matches financially as well as academically. Using net price calculators, students may discover that although their dream school has a higher “sticker price,” it may be more affordable than their second choice school due to larger financial aid awards. Without early information about the availability of financial aid, students may end up “under-matching” – choosing to attend a less selective college than they are qualified to attend. For example, despite having a competitive academic record, a working-class youth in a recent study decided not to apply to a selective private college based on perceived costs:

Although she wanted to attend Carnegie Mellon, Jessica’s parents vetoed this choice once they learned the tuition. They were unaware that the financial aid packages of private schools can be large enough to wholly or almost wholly offset the high tuition rates.<sup>5</sup>

Under-matching can affect students’ likelihood of completing a degree. Research has found that students who attended more selective four-year college are much more likely to graduate within six years than similarly qualified students who attended less selective colleges.<sup>6</sup>

Early information about costs and financial aid can shape college-going attitudes and plans well before students decide whether or where to apply. In a recent survey, nine out of 10 parents agreed that “having information about paying for college would help me encourage my children to think about going to

<sup>1</sup> Information about the student budget at Stanford University is taken from the college’s website, <http://www.stanford.edu/dept/finaid/undergrad/budget/index.html>. Accessed March 7, 2011. Information about no-loan and reduced-loan financial aid policies at Stanford University and other colleges can be found on our website, <http://www.projectonstudentdebt.org/pledges>.

<sup>2</sup> See Grodsky, Eric and Melanie T. Jones. 2007. “Real and Imagined Barriers to College Entry: Perceptions of Cost.” *Social Science Research* 36:745-766. See also Horn, Laura, Xianglei Chen, and Chris Chapman. 2003. *Getting Ready to Pay for College: What Students and Their Parents Know About the Cost of College Tuition and What They Are Doing to Find Out*. Washington, DC: National Center for Education Statistics, Institution of Education Sciences, U.S. Department of Education.

<sup>3</sup> The College Board and Art & Science Group, LLC. 2010. *Students and Parents Making Judgments about College Costs Without Complete Information*. Student Poll Vol. 8, Issue 1. <http://www.artsci.com/studentpoll/v8n1/>. Accessed December 22, 2010.

<sup>4</sup> Ibid.

<sup>5</sup> Lareau, Annette and Elliot B. Weininger. 2008. “Class and the Transition to Adulthood.” pp. 118-151 in *Social Class: How Does it Work?* Eds. Annette Lareau and Dalton Conley. New York: Russell Sage Foundation. 138.

<sup>6</sup> Bowen, William G., Matthew M. Chingos, and Michael S. McPherson. 2009. *Crossing the Finish Line: Completing College at America’s Public Universities*. Princeton, NJ: Princeton University Press.

college.<sup>7</sup> Another study found that three-fourths of Latino young adults in California who do not attend college would have been more likely to enroll if they had known more about financial aid when making college-going decisions.<sup>8</sup> Showing that college can be affordable can lead more students to start down the path to higher education.

## How net price calculators can help

Net price calculators can help prospective students and their families make more informed decisions about college at all stages of the process, armed with a better understanding of how much they will be expected to pay and their options for covering the costs that remain after grants and scholarships. Instead of having to wait for their financial aid award letters to try to compare “bottom line” college costs, students can find out which schools are likely within reach long before they touch a college application.<sup>9</sup>

In the Higher Education Opportunity Act of 2008, Congress required that colleges receiving federal financial aid dollars post a net price calculator on their websites.<sup>10</sup> The Department of Education has issued additional guidance for colleges as they work to meet the October 29, 2011 deadline to comply with this requirement.<sup>11</sup> By providing estimates for cost of attendance, grant aid, and net price (defined as cost of attendance minus grant aid), those calculators are intended to “help current and prospective students, families, and other consumers estimate the individual net price of an institution of higher education for a student.”<sup>12</sup> Net price calculators will provide individualized results, based on the student’s family, financial, and other circumstances. The results are intended to be estimates, and colleges are required to include a disclaimer that “[t]he estimate does not represent a final determination, or actual award, of financial assistance; shall not be binding on the Secretary, the institution of higher education, or the State; and may change.”<sup>13</sup>

Colleges have been granted a great deal of flexibility in deciding how to construct and present their net price calculators, and the choices they make will affect how useful the calculators will be to students, families, and colleges. Should the calculator focus on ease of use or precision of estimates? Where on the website should the calculator be posted? How will the calculator fit within the college’s marketing and recruitment goals? Should the college develop its own calculator, use the Department of Education’s free federal template, or purchase services from a third-party vendor? In marketing their services, some net price calculator vendors have touted their ability to closely replicate a college’s entire financial aid process. Although that approach may lead to a more precise estimate, asking a large number of detailed questions would make it harder for prospective students and their families to get through the calculator and receive results. While weighing their options, colleges should carefully consider the intention of the net price calculator requirement: to help prospective students and their families make decisions about college by providing early estimates of college costs and financial aid.

## What we looked at

Net price calculators have the potential to be important tools for students and their families, but only if they are easy to find, easy to use, present results that are easy to understand and compare, and protect students’ personal information. To find out whether the calculators are headed in that direction, we took

<sup>7</sup> The College Board Advocacy & Policy Center. 2010. *Cracking the Student Aid Code: Parent and Student Perspectives on Paying for College*. [http://advocacy.collegeboard.org/sites/default/files/11b\\_3172\\_Cracking\\_Code\\_Update\\_WEB\\_110112.pdf](http://advocacy.collegeboard.org/sites/default/files/11b_3172_Cracking_Code_Update_WEB_110112.pdf). Accessed January 19, 2011.

<sup>8</sup> Zarate, Maria Estela and Harry P. Pachon. 2006. *Perceptions of College Financial Aid Among California Latino Youth*. Los Angeles, CA: Tomas Rivera Policy Institute (TRPI).

<sup>9</sup> In another investigation, we found that many financial aid award letters do not clearly communicate how much students and their families will have to cover of college costs, after subtracting grants and scholarships. Our recommendations for financial aid award letters can be found in our recent blog post, [http://views.ticas.org/2010/10/recommendations\\_for\\_award\\_letter.html](http://views.ticas.org/2010/10/recommendations_for_award_letter.html).

<sup>10</sup> *Higher Education Act of 1965*, Section 132(h) as amended by the *Higher Education Opportunity Act*, Public Law 110-315, Section 111.

<sup>11</sup> For more detailed information about the net price calculator requirements, please visit the Department of Education’s website, *Net Price Calculator Requirement*. [http://nces.ed.gov/ipeds/resource/net\\_price\\_calculator.asp](http://nces.ed.gov/ipeds/resource/net_price_calculator.asp). Accessed March 11, 2011.

<sup>12</sup> *Higher Education Act of 1965*, Section 132(h) as amended by the *Higher Education Opportunity Act*, Public Law 110-315, Section 111.

<sup>13</sup> *Ibid.*

an early look at 16 colleges that had already posted net price calculators or similar financial aid calculators on their websites by January 2011.<sup>14</sup> Nonprofit four-year colleges were disproportionately represented among the early adopters of net price calculators that we identified. To explore how third-party vendors are influencing the conversation, we read through their marketing materials, attended webinars, and tried out their calculators.<sup>15</sup> We ran four student scenarios through each college’s calculator, varying the income levels and including both dependent and independent students.<sup>16</sup> Although early adopters are not representative of all colleges, we hope that insights from this first look at net price calculators will inform discussions and decisions while colleges still have time to modify their plans.

### What we found

#### Are the net price calculators easy to find?

Of the calculators we examined, some would be much easier for prospective students and their families to find than others. Net price calculators were generally posted in the “Admissions” or “Financial Aid” sections of the college’s website, but the path to get to the calculator from the college’s homepage could be quite convoluted. Finding many of the net price calculators required navigating through a maze of menus and webpages, a process that could be more or less intuitive.

The net price calculators that were easiest to find were in sections of the website targeted toward prospective students, highlighted on the college’s financial aid homepage, and linked in multiple places on the website. In the example below, the net price calculator can be found only two clicks away from the college’s homepage: through “Prospective Students,” then “Afford.” The link to the net price calculator (called a “financial aid estimator”) is in the middle of the page, as well as in the left-hand menu.

The screenshot shows a website interface with a dark blue navigation bar at the top containing tabs for 'Explore', 'Ask', 'Visit', 'Interview', 'Apply', and 'Afford'. Below this is a light yellow section with a left-hand menu containing links for 'How We Calculate Need', 'Types of Aid', 'Applying for Aid', 'Aid for International Students', 'Tips for National Merit Scholars', and 'Financial Aid Estimator'. The main content area features a statement: 'is committed to being affordable to all admitted students' and 'welcomes talented students from all economic backgrounds. We are committed to meeting the full demonstrated financial need of all admitted students for all four years.' Below this is a blue link: 'Try our financial aid estimator'. At the bottom, there is a section titled 'Breakdown of Average Financial Aid Award by Income: Class of 2014' with a legend for 'Grant Avg.', 'Loan Avg.', and 'Work Avg.'.

Unfortunately, many colleges did not make it so easy. Some did not provide a link to their net price calculator in the section of their website targeted toward prospective students. Rather than placing a link in the “Future Students” section of its website, one college posted its net price calculator under “Student Services,” where users would have to click “Financial Aid and Scholarships,” then “Financial Aid Resources” to find the “financial aid eligibility calculator.” Another college had its own net price calculator, yet it provided more prominent links to an external and out-of-date calculator. To find that

<sup>14</sup> We tested calculators from the following colleges: Carleton College (MN), Contra Costa College (CA), Cornell University (NY), DeVry University-North Carolina (NC), Lake Erie College (OH), Michigan State University (MI), Pomona College (CA), Richland College (TX), Salem State College (MA), Saint Catharine College (KY), the University of Georgia (GA), the University of New Orleans (LA), the University of Portland (OR), the University of Utah (UT), Wake Forest University (NC), and Westminster College (UT). For colleges that appear to have developed their own calculators (rather than using the federal template or a third-party vendor), it is difficult to tell whether the net price calculators currently posted are already intended to meet the federal requirements. To clarify specific questions, we checked some colleges’ net price calculators again in March 2011.

<sup>15</sup> We researched the following net price calculator vendors: the College Board, EDspertise, EducationDynamics, Hardwick-Day, the National Center for College Costs, Noel-Levitz, SimpleApply, Student Aid Services, the Voluntary System of Accountability (VSA), and the Whelan Group.

<sup>16</sup> The parent income levels for dependent students were \$20,000, \$60,000, and \$120,000. The independent student had a family income of \$20,000.

school's net price calculator, we had to select "Admission – Financial Aid" (not "Admission – Prospective Students"), find the link to "Office of Financial Aid," find the link to "Calculators," and then select "Financial Aid Estimator."

Additionally, several colleges buried the link to their net price calculators in long menus, where prospective students and their families would likely have trouble finding them. In the example below, "Net Price Calculator" is listed at the bottom of the college's financial aid webpage, under "Other."

<b>FINANCIAL AID</b>	<b>SCHOLARSHIPS</b>
<b>Summer Financial Aid Process</b>	<b>Applications and Deadlines</b>
<b>Application Process 2010/2011</b>	<b>Applying for Scholarships</b>
<b>Application Process 2011/2012</b>	<b>Eligibility</b>
<b>Basic Financial Aid Information</b>	<b>Policy:</b>
<b>Cost of Attendance</b>	<b>Scholarship Deferments</b>
<b>Enrollment Status/Minimum Hours</b>	<b>Scholarships:</b>
<b>Eligibility to Receive Federal Aid</b>	<b>Colleges and Departments</b>
<b>Financial Aid Checklist</b>	<b>Freshman</b>
<b>Financial Aid Status</b>	<b>NEW Non-Resident Awards:</b>
<b>Financial Aid Award:</b>	<b>Alumni</b> [redacted]
<b>Campus Information System</b>	<b>Award</b>
<b>Award Information</b>	<b>Western Undergraduate Exchange</b>
<b>Award and Missing Information Letters</b>	<b>(WUE)</b>
<b>Cancellation of Awards</b>	<b>Need &amp; Other</b>
<b>Financial Aid Status Instructions</b>	<b>(Alumni, [redacted],</b>
<b>Notification (Award Letter)</b>	<b>etc.)</b>
<b>Online Student Loan Entrance Counseling:</b>	<b>Private</b>
<b>2010/2011</b>	<b>Transfer</b>
<b>Stafford Loan eMPN</b>	<b>Tuition Waivers</b>
<b>Online Student Loan Exit Counseling:</b>	<b>WORKING THROUGH COLLEGE</b>
<b>Stafford Exit Counseling</b>	<b>Federal Work Study</b>
<b>Perkins Exit Counseling</b>	<b>Student Employment</b>
<b>Policy:</b>	<b>[redacted] Employment</b>
<b>Appeal Process</b>	<b>OTHER</b>
<b>FERPA</b>	<b>UHEAA</b>
<b>Satisfactory Academic Progress</b>	<b>Fast Web</b>
<b>Withdrawal And Refunds</b>	<b>Email Policy</b>
<b>Study Abroad</b>	<b>Net Price Calculator</b>
<b>Tuition:</b>	<b>Code of Conduct</b>
<b>Income Accounting</b>	
<b>Payment Options</b>	
<b>Tuition Rate Schedule</b>	

Though it may seem obvious, it is important for colleges to remember that prospective students and their families will only be able to reap the benefits of early information about college costs and financial aid if they are aware of and able to find the net price calculators.

### Are the net price calculators easy to use?

Some of the calculators we examined were much easier to use than others. Most of the calculators provided "help" text that made it easier to answer questions and interpret results, and all avoided confusing jargon and undefined acronyms. The calculators that were easiest to complete were based on the federal template and asked only 10 questions. At the other end of the spectrum, two colleges using a third-party vendor required users to answer 48 questions before providing any results. Although closely replicating a college's financial aid process may lead to a more precise estimate, the sheer number and detail of those questions could discourage prospective students and their families from completing the calculator. Ten of the 16 calculators we tested required information that students and parents would not be able to provide without digging up detailed financial records, such as the current market value of their home and itemized deductions on the parents' most recent tax form.

Additionally, only four of the net price calculators we examined clearly marked which questions were required and which were optional. Notably, two of those four were the calculators that required answers to all of the 48 questions they asked. If users cannot answer one or more of these questions, they get an error message and are unable to continue using the calculator until they submit answers.

### Are the results easy to understand and compare?

To serve the needs of prospective college students and their families, net price calculators must clearly communicate estimates of likely college costs and available financial aid. Most of the calculators we examined broke down the different components of the cost of attendance in a way that students and families could easily understand. However, the calculators varied considerably in how clearly they presented net price and financial aid options and ultimately communicated affordability.

The screenshot below provides an example of a results screen that is easy to read and relatively easy to understand. Per the federal requirements that go into effect in October 2011, this net price calculator presents all of the components of cost of attendance and an estimate of “net price” – what students and their families would be expected to pay after subtracting grants and scholarships. Among all the figures on the page, the net price is most prominently highlighted.

Estimated Cost of Attendance <sup>?</sup>	
Tuition & Fees <sup>?</sup>	\$ 39,995
Room & Board <sup>?</sup>	\$ 11,010
Books & Supplies <sup>?</sup>	\$ 930
Transportation <sup>?</sup>	\$ 775
Personal Expenses <sup>?</sup>	\$ 1,450
<b>Estimated Total Cost of Attendance</b>	<b>\$ 54,160</b>
Estimated Grant Aid <sup>?</sup>	
Pell Grant	\$ 5,550
Grant or Scholarship	\$ 34,610
<b>Estimated Total Grant Aid</b>	<b>\$ 40,160</b>
<b>ESTIMATED NET PRICE <sup>?</sup></b>	<b>\$ 14,000</b>
Estimated Self Help <sup>?</sup>	
Student Loan	\$ 12,000
Student Work	\$ 2,000
<b>Estimated Total Self Help</b>	<b>\$ 14,000</b>
<b>ESTIMATED REMAINING COST <sup>?</sup></b>	<b>\$ 0</b>

In addition to grants and scholarships, this calculator (along with 11 others we examined) provides estimates of “self-help” in the form of student work and loans.<sup>17</sup> As described in the sidebar, work-study and loans differ greatly from grants and scholarships, which do not have to be earned or repaid. Ten calculators subtracted “self-help” dollars from the net price to get another figure, which was given various names, such as “remaining cost” or “out-of-pocket cost.” In this paper, we will refer to the net price minus self-help as “upfront cost.”

<sup>17</sup> Many net price calculators we examined were unclear about whether estimates of student work referred to work-study, a financial aid program offered by the federal and some state governments, or expectations of student earnings from summer work.



### Ways to pay for college:

Some net price calculators were clearer than others about the various ways students and families could pay for college. Here are the four main categories:

- **Grants and scholarships** do not have to be earned or repaid. They can be based on financial need, academic merit, or other characteristics and come from federal, state, college, and private sources.
- **Work-study** dollars must be earned and are available only to students with financial need.
- **Loans** must be repaid, with interest. Federal student loans come with fixed interest rates, affordable payment options, forgiveness programs, and important consumer protections that are not required for other types of student loans.\*
- Students and families can also cover college costs with their own savings, earnings, and other types of financing.

Note: For more information about financial aid options, see the following websites: <http://studentaid.ed.gov/PORTALSWebApp/students/english/index.jsp>, <http://going2college.org/StateResources/index.cfm?pageID=37>, and [http://www.knowhow2go.org/seniors\\_costs\\_financialaid.php](http://www.knowhow2go.org/seniors_costs_financialaid.php).

\*For more information about federal loans, see the "Loans" section of U.S. Department of Education, "Funding Education Beyond High School: The Guide to Federal Student Aid 2010-11," [http://studentaid.ed.gov/students/publications/student\\_guide/2010-2011/english/typesofFSA\\_loans.htm](http://studentaid.ed.gov/students/publications/student_guide/2010-2011/english/typesofFSA_loans.htm). For more about the income-based repayment and public service loan forgiveness programs for federal loans, visit <http://www.ibrinfo.org>. To learn more about non-federal student loans, see our Project on Student Debt's resource page at <http://projectonstudentdebt.org/privateloans.vp.html>.

Although it may be helpful to inform students that they can work or borrow to cover their net price, colleges do a disservice to students and families when they subtract a large amount of self-help to make their "upfront cost" as low as possible or emphasize that "upfront cost" over the federally required "net price" figure. In the example below, the college subtracted \$33,170 in "loans or work study" to get an upfront cost of zero.

This tactic promotes an illusion of affordability and can easily lead students and their families to believe that they will have no out-of-pocket costs, when in fact work-study wages must be earned and loans must be repaid with interest. Loans and work-study are also combined into one figure, so students and their families may not realize that most of the \$33,170

expectation is composed of loans, which could add up to more than \$120,000 in debt over four years.<sup>18</sup> The calculator also does not list or describe the types of loans that may be included in this figure, which can have very different risks and costs for borrowers. Without clearer information, students and their families may be misled into believing this college is more affordable than it actually is.

Estimated Cost of Attendance	
Tuition & Fees	\$27,182
Room & Board	\$7,584
Books & Supplies	\$1,000
Other (personal, transportation...)	\$3,404
<b>Total Estimated Cost</b>	<b>\$39,170</b>
Estimated Scholarship & Gift Aid	
<b>Total Estimated Gift Aid</b>	<b>\$6,000</b>
<b>Estimated Net Price:</b>	<b>\$33,170</b>
Estimated Other Aid	
<b>Total Estimated Loans &amp;/or Work Study</b>	<b>\$33,170</b>
<b>Estimated Net Price after Loans &amp;/or Work Study:</b>	<b>\$0</b>

The next example subtracts a more reasonable amount of loans and displays an "upfront cost" that is greater than zero. However, the upfront cost is highlighted in a different color from all other figures, giving the impression that it is the most important number on the page, not the "net price" figure required by Congress.

<sup>18</sup> The size of Federal Work-Study awards can vary based on the student's financial need, when he or she applies, and how much funding the school has available for the program. According to the U.S. Department of Education, the average new Work-Study award in 2010 was \$1,524. <http://www2.ed.gov/programs/fws/funding.html>. Accessed March 8, 2011.

<b>Your published cost of attendance:</b>	
Tuition & Fees	+ \$26,550
Room & Board	+ \$8,192
<b>College Direct Cost</b>	<b>\$34,742</b> ⓘ
Books & Supplies	+ \$1,100
Other Expenses	+ \$3,307
<b>Total Student Budget</b>	<b>\$39,149</b> ⓘ
<b>Your estimated need:</b>	
Total Cost	\$34,742
Expected Family Contribution (EFC)	- \$0
<b>Total Need</b>	<b>\$34,742</b>
<b>Your estimated grants and scholarships:</b>	
<b>Federal Aid</b>	
Pell Grant	- \$5,550
Federal Supplemental Educational Opportunity Grant (FSEOG)	- \$2,000
<b>College Grants and Scholarships</b>	
Need-based Grant	- \$11,500
<b>Your Estimated Net Price</b>	<b>\$20,099</b>
<b>Your estimated eligibility for other aid programs:</b>	
<b>Loans</b>	
Stafford Subsidized Loan	- \$3,500
Stafford Unsubsidized Loan	- \$2,000
<b>Estimated Billable Cost After Aid</b>	<b>\$10,192</b> ⓘ
<b>Other Resources</b>	
Campus Work-Study	- \$2,000 ⓘ

Also, it is not easy to decipher which numbers in this calculator were added or subtracted from each other. For example, the “net price” is based on the “total student budget,” but this calculator provides another figure for “total need.” It is particularly unclear that “estimated billable cost after aid” means the net price minus loans, since the calculator also provides an estimate for work-study. Net price calculators like this can easily confuse students and families who are trying to compare college costs, and undermine the intention of the net price calculator requirement.

### Are students’ and parents’ personal information protected?

To provide individualized estimates of costs and financial aid, the net price calculators we examined collected a wide range of information about prospective college students and their families. Four asked for contact information, an option for colleges interested in using their net price calculators to build relationships with potential students. To meet the federal criteria for net price calculators, colleges are

allowed to ask users to provide contact information, but they cannot require it.<sup>19</sup> However, some of the calculators we tried out did not make clear that submitting contact information was optional. Prospective college students and their families may decide not to complete such calculators due to privacy concerns, while others may provide their contact information without realizing that they had a choice.

Besides contact information, net price calculators can ask for, and even require, detailed personal information such as the student's first name, full date of birth, zip code, and tax information. In deciding how to design their calculators and whether to use a third-party vendor, colleges should carefully consider who will have access to the data gathered by the calculator. Colleges may have an interest in tracking who uses their calculators, but third-party vendors vary in the degree to which they allow colleges to access that data – from offering complete and direct access to only offering aggregate statistics. To protect users' privacy, it is also very important to make sure that vendors do not share that information with other third parties.

Given these privacy concerns, it is startling that only two of the calculators we examined included any mention of who owns the information submitted or how it will be used, and the explanations were neither complete nor helpful. One stated, “Your information will not be retained or transmitted to [college name] in any way,” but it did not mention that the vendor of this net price calculator would have access to the data. The other provided a link to a “terms of use” page, which opens up in a pop-up window. Buried amidst other legal language is the following sentence: “You acknowledge and agree that any and all information submitted by you in connection with your use of the Net Price Calculator (“Data”) shall be treated in accordance with Institution’s privacy policy [link to institution’s homepage].” That statement does not clearly or easily communicate what users’ privacy rights are. Prospective students and their families deserve to have their information protected and to get clear and accessible information about how it will be used.

## Discussion and recommendations

In order to best serve the needs of prospective college students and their families, net price calculators must be easy to find, easy to use, present results that are easy to understand and compare, and protect students’ personal information. To achieve those goals, we have several recommendations for colleges and the Department of Education.

**Colleges should make their net price calculators easy for prospective students and their families to find.** Although the law does not specify where colleges must place their net price calculators, prospective students and their families can only benefit from early estimates of college costs and financial aid if they can find the calculators. A few colleges made their calculators easy to find, but many others required that users navigate through a sometimes confusing maze of menus and webpages. To help students and their families locate and benefit from net price calculators, colleges should:

- Link to their net price calculators from multiple places on their websites, especially pages that prospective students and their families are likely to visit (e.g., Prospective Students or Admissions).
- Make links to their net price calculators visually prominent.

**Colleges should create net price calculators that allow prospective students and their families to easily get and view results.** Asking dozens of detailed questions may increase the precision of the net price estimate, but the simpler the calculator, the more easily students and families can complete the process and see an estimate. In marketing their net price calculator services, many vendors emphasize the importance of precision and the limitations of the free federal template, asserting that “inaccurate” results can “create a disparity between estimates and actual aid awards that disappoints – or worse, angers –

<sup>19</sup> U.S. Department of Education. 2011. *Net Price Calculator Requirement*. [http://nces.ed.gov/ipeds/resource/net\\_price\\_calculator.asp](http://nces.ed.gov/ipeds/resource/net_price_calculator.asp). Accessed March 9, 2011.

students and their families.”<sup>20</sup> However, colleges that have had financial aid calculators for several years generally report few problems of that sort. For example, Virginia Tech representatives reported receiving only about six complaints about their simple calculator over the past six years and consider that concern a “nonissue.”<sup>21</sup>

There are serious drawbacks to creating an overly complicated calculator that intimidates students with its sheer quantity of questions or requires them to dig up detailed financial records. Research into human behavior has shown that adding additional steps makes it less likely that people will successfully complete an action.<sup>22</sup> Asking a large number of difficult questions may discourage students and families from completing the net price calculator, undermining the goal of providing early awareness of affordability. Net price calculators are intended to provide early estimates to guide students’ and parents’ decision-making and should not sacrifice usability to replicate the college’s entire financial aid process.

To make their calculators user-friendly, colleges should:

- Limit the number of questions in their calculator, particularly those that are required.
- Make clear *which* questions are required, so users know they have choices about how much information to provide.
- Allow students and families to answer certain questions by selecting numerical ranges. Locating family income or home value within discrete categories would be less daunting and labor intensive than providing exact numbers.

### **College should make the results from their net price calculators easy for prospective students and their families to understand and compare.**

- First and foremost, colleges should emphasize the “net price” figure as defined by Congress (cost of attendance minus grants), not a figure that also subtracts “self-help” in the form of loans and/or student earnings. Wages must be earned, and loans must be repaid with interest. Highlighting a low “upfront cost” and obscuring the crucial distinction between aid that does not have to be paid back and funds that must be earned or repaid does students and families a real disservice.

Additionally, highlighting the net price figure will make it easier for students and families to compare costs across schools. Due to the flexibility granted to colleges in determining how to build their net price calculators, the results from different schools’ net price calculators may not be directly comparable. Some colleges may develop simple calculators that are based on past data from real students, while other colleges may design complicated calculators with many questions that incorporate current and future financial aid packaging policies. Given those limitations, it is imperative to at least make sure that colleges emphasize the same *type* of cost figure. Otherwise, students and families may inadvertently compare one school’s net price with another school’s “upfront cost” that subtracts loans and work-study. As a result, those students may set their sights on a college that will likely cost them far more than they realize.

- Colleges that choose to include estimates of self-help (student work and loans) in their net price calculator should make sure that the amounts of self-help are reasonable. Subtracting tens of thousands of dollars in student loans to achieve an “upfront cost” of zero promotes an illusion of

<sup>20</sup> Smith, Bill, Carri Frechette, David Childress, and Marc Alexander. 2010. *Meeting the Federal Net Price Calculator Mandate*. Student Aid Services.

<sup>21</sup> Cochran, Teri, Lefter Daku, Barry Simmons, and Meihua Zhai. 2010. *Will the Real “Net Price Calculator” Please Stand Up? – Data Requirements and Implementation Issues*. Presentation at the National Association of Student Financial Aid Administrators (NASFAA) conference.

<sup>22</sup> See Dynarski, Susan M. and Judith E. Scott-Clayton. 2006. *The Cost of Complexity in Federal Student Aid: Lessons from Optimal Tax Theory and Behavioral Economics*. Faculty Research Working Paper Series, Harvard University, John F. Kennedy School of Government. See also Benartzi, Shlomo and Richard H. Thaler. 2007. “Heuristics and Biases in Retirement Savings Behavior.” *Journal of Economic Perspectives* 21: 81-104.

affordability. Students may be led to believe that they will have no out-of-pocket costs, when the costs are merely delayed.

- Colleges should help prospective students and their families understand their options for financing higher education, particularly if their net price calculator subtracts self-help in the form of student work and/or loans. Grants, student work, and loans have very different implications for students and their families. As noted above, students do not have to pay back the amount they receive in grant aid, but they must earn their work expectation and repay their loans with interest. There are also important distinctions between types of student loans, and federal loans are the safest option. If net price calculators fail to make those differences clear, students and families may be led to believe that they can safely take on a certain amount of debt without fully understanding how and whether they will be able to pay it back.

**College should protect prospective students' information and clearly communicate how that information will be used.** Net price calculators can ask detailed personal and financial questions about prospective students and their families, who deserve to have their privacy safeguarded. Colleges should carefully consider issues of data ownership and security when developing their net price calculators.

- Colleges should ensure that information entered into their net price calculator is not shared with third parties, other than their net price calculator vendors (if applicable).
- Colleges should clearly inform prospective students and their families about who owns and has access to the information they submit.
- Colleges should make it clear that submitting contact information is optional.

To ensure that net price calculators fulfill their potential to help students and families understand college costs and financing options, **the U.S. Department of Education should actively encourage colleges to:**

- Post their net price calculator prominently on their website, in locations where prospective students and their families are likely to visit.
- Limit the number of mandatory questions and make clear which questions are required.
- Place the greatest visual emphasis on the required “net price” figure.
- If the calculator’s results reference student earnings or loans, describe how these forms of “self-help” differ from grants and scholarships, and make clear distinctions between different types of loans.
- Clearly inform prospective students and their parents about who will have access to their information and take steps to safeguard that information.

By focusing attention on the needs of prospective college students and their families, we hope that insights from this early look at net price calculators will inform discussions and decisions while colleges still have time to modify their plans. We plan to continue monitoring the issues surrounding net price calculators and hope that others interested in college access and success will as well.

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The Institute for College Access & Success (TICAS) is an independent, nonprofit organization working to make higher education more available and affordable for people of all backgrounds. For more about TICAS, see <http://www.ticas.org>.

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