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### **Colleges Weigh How to Estimate Cost to Families**

**Campuses struggle to balance simplicity and accuracy in net-price calculators**

*By Beckie Supiano*

A college degree is a big purchase. It is also a mysterious one. In many cases, families don't know the bottom-line price they will pay at a particular college until the financial-aid award letter arrives, often mere weeks before their son or daughter must make a decision about where to enroll. Even then, deciphering the letter to determine out-of-pocket costs can be tricky.

A new federal rule is supposed to change that. It will require colleges to post net-price calculators on their Web sites, showing the cost of attendance and an estimate of what a family would actually pay after all grants. It's difficult to find anyone who dislikes the rule's basic intent, and just as difficult to find someone who thinks compliance will be straightforward.

As colleges prepare for the new rule, which goes into effect next October, they must determine whether to use a template from the federal government, work with a vendor, or create a calculator in-house and make a host of technical decisions about how it will work. But the biggest decision they face may be a philosophical one: Should they create a simple tool or one that is more accurate but also more complicated?

The answer to that question will determine not only how a college designs its calculator, but also what kind of experience prospective students and parents will have when they use it. Officials at many colleges have come to see the net-price calculator as something that could make a big difference in their admissions outcomes, rather than a routine matter of compliance. That shift has been widely discussed, including at the College Board conference this fall.

A calculator "does provide us with an opportunity to talk to families in a way that's meaningful to them," Diane Stemper, director of student financial aid at Ohio State University, told attendees of the conference, in Washington. "Which is: What do I write that check for?"

So the experience of families using the calculator is paramount.

Should colleges keep the calculators simple and focus on providing students, especially low-income and first-generation ones, assurances that they won't have to pay full freight? Or strive to give the best possible estimate, to compare favorably with competitors and avoid the ire of families who end up with a larger bill than they had expected?

#### **Not-So Simple Math**

As defined by the government, net price is a straightforward concept. You add up the published price of tuition and fees, room and board, toss in the estimated cost of indirect expenses like books, and arrive at a figure for cost of attendance. Then you subtract the median amount of grant aid given to a group of similar students and there it is, your estimated net price.

The data and decisions behind that figure, however, are complex. The federal template, the simplest option colleges can choose, captures only some of the personal information that goes into what a student pays. Basically, the template uses a simplified estimate of the expected family contribution, or EFC, which is the amount of money a family is deemed able to pay based on its federal financial-aid paperwork.

Even the actual, more complicated EFC is only the beginning of how many colleges award aid—they may also consider supplemental financial information. Colleges that award merit aid may distribute it based on clear-cut criteria, where a certain test score and GPA translate to a certain level of award, or they may consider more factors. The more complicated a college's method for allocating need and merit aid, the more questions it must ask on a calculator to approximate its process.

The University of Pennsylvania has a complicated process. It is need-blind, which means it does not consider an applicant's financial need in admissions decisions. And Penn is part of a small group of institutions that meet financial need without the use of loans. Penn has a highly personalized method for determining students' need, one that cannot be replicated by a formula, says Bill Schilling, university director of student financial aid.

For that reason, Mr. Schilling was not a fan of the idea that colleges would have to post net-price calculators. "At one point, when this first became law, I kind of said, 'We can't be precise or accurate in a lot of cases. Maybe what we should do is just put up the federal calculator, comply with the law, and put up all the caveats,'"

But over time, Mr. Schilling changed his mind. Penn has made a big

push to publicize its affordability, and posting a calculator whose results might clash with that message could confuse families. "At this point," he says, "it seems to me, however imperfect the results are, we have to integrate the net-price calculator into that broader message of affordability."

That means the university will try to come up with a tool that, while it can't capture everything Penn considers when it awards aid, will at least give families a better idea of what to expect.

#### **Will Consumers Care?**

Colleges still have nearly a year to get their calculators up and running, though some started using them years ago and others have already responded to the new rule. The early adopters have been able to give other colleges some comfort. For instance, some officials worry that families will take their estimated net price as a promise, despite the disclaimers and caveats that colleges include. But representatives of Purdue University and Williams College told their peers at a student-aid conference in 2009 that, in their experience, very few families complained about discrepancies between aid estimates from their calculators and their actual awards.

It is harder to predict what the calculators will mean for colleges once consumers begin to expect them. Maguire Associates, an enrollment-management consulting firm, released a paper suggesting that someone will develop an aggregator like the travel site Kayak.com, which families can use to compare their net prices at various institutions. Already, Texas has a calculator that shows families what they would pay at any public college in the state as well as at some of the private colleges. It allows families to compare three colleges at a time.

Colleges wonder how many families will use the calculators, what income groups they'll represent, and at what point in the selection process they will begin looking at costs. If the University of Michigan is any indicator, the numbers could be small. Between January and July of this year, the university's calculator was accessed 4,421 times and finished only 1,491 estimates. The university gets about 30,000 applications each year.

Some consultants and enrollment managers, however, argue that the number of users will swell as more colleges come on board, raising awareness of the calculators.

Some admissions offices may even want to use the calculator as a way to build their inquiry pool, but it's unclear how well that will work. Colleges are allowed to ask users to submit contact

information when they use a calculator but cannot require them to do so. The University of Toledo, which has had a calculator up for years, used to let families submit contact information, but it removed that feature because it brought in so few new leads.

There are early signs that at least some consumers will be swayed by what they learn from a college's calculator. Take Dave Hjalmsquist, a computer-programming instructor at Minnesota State Community and Technical College at Moorhead and the father of a high-school senior. When his son, Tyler, a tennis player, was first contacted by Carleton College, the father was skeptical. Carleton is expensive. He raised his concern with the college's representatives, and they pointed him to its calculator.

College officials always talk about how the sticker price isn't the whole story, Mr. Hjalmsquist says. But having already been through the process with his daughter, Mr. Hjalmsquist knew what federal aid his family qualified for: student loans. His attitude toward all the messages of "trust us, we have grants," became: "Prove it."

The family was ready to rule out Carleton. "If you just have the sticker price, 52 grand, that's an enormous amount to pay for college," says Tyler Hjalmsquist.

His father estimates he's spent two hours running the numbers in the calculator a dozen times, with various inputs. And Mr. Hjalmsquist now thinks Carleton would work out to cost them about the same amount as the University of Minnesota. Tyler is planning to apply early decision.

"I would have never looked at Carleton without them telling me about this calculator," the senior Mr. Hjalmsquist says.

He would expect an actual aid award from Carleton to be within \$1,000 of the estimate he has received, he says. He knows that the estimate isn't perfect. But if it were off by, say, \$5,000, he says, he'd be upset.

Not all parents will spend two hours looking at the cost of each college their child is interested in, and not every expensive-looking private college offers the aid Carleton does. (The college considers financial need in admissions for about 15 percent of the class, but meets the full need of every admitted student.) But Mr. Hjalmsquist's experience does show that calculators can hit home with the message that colleges with high sticker prices are always trying to make: We offer financial aid, maybe more than you'd think.

**Access Vs. Accuracy**

Earlier this decade, well before the federal rule passed, Matt Orem helped design a calculator for the University of Texas System. Mr. Orem, director of college access at the Institute for Public School Initiatives, on the Austin campus, favors simplicity. The Texas System's original calculator was all about access, he says. "At the end of the day, all we wanted people to do was fill out a Fafsa and talk to an aid counselor," he says, referring to the Free Application for Federal Student Aid, the basic form that assesses eligibility for grants and loans from the government.

The tool Mr. Orem helped create has since been replaced by the one used by all of the state's public colleges and some of its private ones. That calculator, too, is designed for ease of use.

Richard A. Hesel, a principal of the Art & Science Group, a strategic planning and marketing firm, also thinks colleges should keep the calculators simple. "If they're obsessed with making it accurate, they'll make it so complicated no one will use it," says Mr. Hesel, whose firm doesn't make a calculator product but has guided colleges in their creation. "Parents have a lot of difficulty completing the Fafsa."

The debate over whether calculators should be simple or accurate mirrors the longstanding debate surrounding the Fafsa itself. Advocates of access complain the form is too complex, turning away the very students who most need federal support to go to college. Others argue that a too-simple form would mask the true financial circumstances of families, making some look much less wealthy than they are and wasting taxpayer and perhaps institutional money to support them.

But the debate over the calculator ups the ante. Every student applying for aid fills out the same Fafsa, while each college offers a different calculator—providing a different experience for families, one that could hurt or help their perceptions of the college.

Ms. Stemper, at Ohio State, knows that a complex form can turn off a needy student. But as her university considers its approach to the calculator, she is leaning toward a focus on accuracy. That's because low-income families aren't the only ones the university has to consider. There are also middle-income families worried about making what is still for them a hefty financial commitment. "Families get sticker shock," Ms. Stemper says. "We do them a disservice if we don't try to make it robust enough."

The question, she says, is "What's the minimum amount of data we can ask for that will get us in the ballpark for a student?" Finding

that point might be the best way to balance the two goals of simplicity and accuracy.

To Mr. Hesel, the real benefit colleges can gain from having a good calculator is found not in a particularly accurate estimate but in the messaging that surrounds it. That's a place, he says, where colleges can convey their value.

Joe Russo, director of student financial strategies at the University of Notre Dame, can imagine colleges including all kinds of information about what they offer, from retention and graduation rates to average student debt, right on the calculator page.

The University of Toledo's calculator already includes an unusual feature: a return-on-investment calculation. Prospective students select a career they are considering, and the tool compares their expected earnings with the cost of a Toledo education. University officials wanted not only to show families that an education could pay off, but also to jump-start conversations about a reasonable amount of debt and the importance of persisting to graduation.

Creating a calculator may bring all kinds of challenges, but it's also an opportunity for colleges to communicate with families.

The point, after all, wasn't to just create another rule.

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