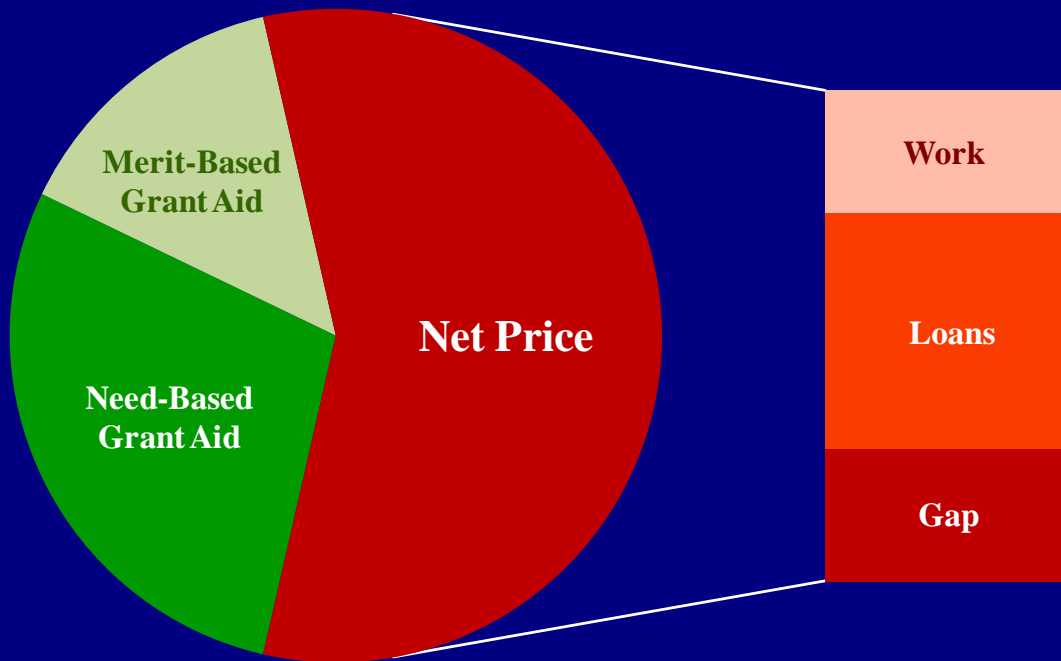


# THE BOTTOM LINE

ENSURING THAT STUDENTS AND PARENTS  
UNDERSTAND THE NET PRICE OF COLLEGE



A REPORT TO THE U.S. CONGRESS  
AND SECRETARY OF EDUCATION

ADVISORY COMMITTEE ON  
STUDENT FINANCIAL ASSISTANCE

WASHINGTON DC

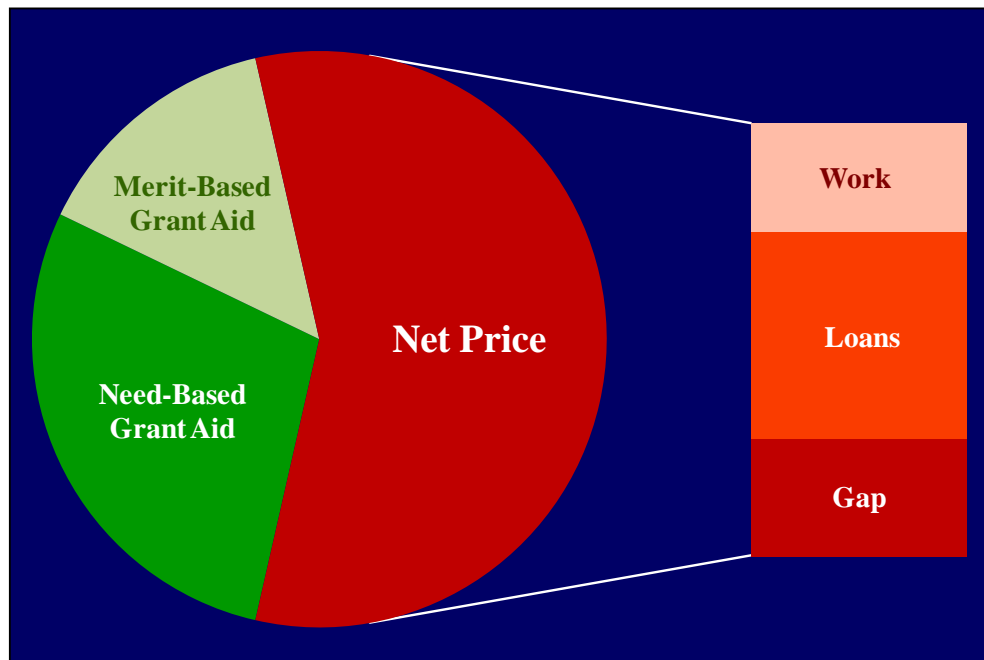
JUNE 2011



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JUNE 2011

**ADVISING CONGRESS AND THE  
SECRETARY OF EDUCATION**

**—Since 1988—**

**Advisory Committee on  
Student Financial Assistance**

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The Advisory Committee on Student Financial Assistance (Advisory Committee) is a Federal advisory committee chartered by Congress, operating under the Federal Advisory Committee Act (FACA); 5 U.S.C., App.2). The Advisory Committee provides advice to the Secretary of the U.S. Department of Education on student financial aid policy. The findings and recommendations of the Advisory Committee do not represent the views of the Agency, and this document does not represent information approved or disseminated by the Department of Education.

## EXECUTIVE SUMMARY

In making decisions about college, it is essential that students and parents focus on net price, which is the dollar amount that must be paid after subtracting financial assistance from cost of attendance. Throughout the decision making process — from considering whether college is a financial possibility, to choosing which college to attend, to assessing whether to continue once enrolled — net price, rather than list price, is of singular importance. For most families, particularly low- and moderate-income families, while work and loans are necessary, the most consequential type of assistance is grant aid — need-based and merit-based — and the central measure of net price is cost of attendance minus grant aid from all sources.

A net price calculator is one of two financial aid tools designed to provide students and parents with accurate and timely information about the net price of a particular college, or type of college. A well-designed calculator can provide an early estimate of cost of attendance and financial aid long before application for admission. A second tool — a financial aid award letter — provides a list of the financial aid an admitted student will likely receive, once enrolled. While used at different points in the decision making process, these tools are often closely related from a student and parent perspective. The closer a net price calculator approximates the dollar amounts that are likely to appear in the financial aid award letter, issued once the student has been admitted, the more useful it is in the decision making process.

In the *Higher Education Opportunity Act* of 2008, Congress included two new requirements aimed at ensuring students and parents are provided with the data they need to make sound decisions. To ensure broad availability of net price calculators, Congress directed the Department of Education to develop a template as guidance, and required each institution to make its own version available on its website by fall 2011. To encourage greater standardization of financial aid award letters, Congress also directed the Department to develop a model financial aid award letter as guidance for institutions.

On March 17, 2011, the Advisory Committee held its spring hearing in Washington DC, and devoted two panels to a discussion of issues associated with net price calculators and financial aid award letters. The first panel included researchers and analysts; the second panel included practitioners. After providing background, this report presents a transcript of those two panels, highlighting notable passages (see **Exhibit One** for examples). Overall, the following consensus emerged from the panel discussions:

- Students and parents need accurate and timely information about both college expenses and financial aid from middle school through college enrollment and persistence.
- The current status of financial aid award letters — in particular, the lack of comparability from institution to institution — provides a cautionary tale for the future of net price calculators.
- While net price calculators have the potential to be useful tools for students and parents, they are likely to suffer from several limitations that warrant further examination.

There was also broad consensus that it would be wise for the higher education community to explore these issues further and develop voluntary guidelines, for the benefit of students and parents.

While it is understandable that the design and use of net price calculators and financial aid award letters might vary somewhat across colleges, given significant differences in institutional mission and operations, closer alignment of components, definitions, and output appears possible. Given the near unanimous agreement among the hearing's panelists that neither further legislation nor regulation is the answer, a broad coalition of representatives from the higher education and policy making community should be formed to standardize and integrate these two financial aid tools to the extent possible.

The Advisory Committee plans to conduct a thorough evaluation of net price calculators later this fall, after their full implementation. This will also include an assessment of financial aid award letters.

## EXHIBIT ONE: HIGHLIGHTS OF PANEL DISCUSSIONS

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“The content and form of the results of a net price calculator should match and be predictive of the final financial aid award letter and the actual cost to the family as much as possible.”

**Mark Kantrowitz**, Publisher, FinAid.org and Fastweb.com

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“In principle, net price calculators can be helpful for many students, but they’re unlikely to solve the information problems of the most vulnerable students, and those most at risk of making poor decisions about postsecondary education.”

**Sandy Baum**, Independent Higher Education Policy Analyst

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“In order to serve the needs of prospective 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.”

**Diane Cheng**, Research Associate, The Institute for College Access & Success

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“The challenge with net price calculators is the trade-off between accuracy and simplicity.”

**Lucie Lapovsky**, Principal, Lapovsky Consulting

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“... the Department set out to develop a template ... with the understanding that it was in the best interests of institutions to develop the most precise calculators, and ... that the universe of institutions that are subject to this requirement is very diverse.”

**Elise Miller**, Program Director, Postsecondary Education, Institutional Studies and NCES, ED

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“Everyone’s talked about comparability, but it does no good to compare inaccurate data. So the important thing is that we as institutions make sure our calculators provide the best estimates possible.”

**Mary Sapp**, Assistant VP of Planning, Institutional Research & Assessment, University of Miami

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“I’m really hoping that some of our four-year colleagues eventually think about using this as a tool for transfer students ... Many of my transfer students never applied for financial aid at my institution ... Now they’re looking at the cost of a four-year school for the very first time. And that’s eye-opening.”

**Melissa Gregory**, Director of Student Financial Aid, Montgomery College (MD)

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“Cost is a part of value; what we need to have our students understand is value ... I don’t think net price calculators, or even award letters, help us stress value and what students are going to get from that value.”

**Dan Davenport**, Director of Student Financial Aid Services, University of Idaho

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“We do believe there should be some relationship ... but I see the net price calculator as a tool, whereas the financial aid award letter is what’s really happening to that student and family.”

**Dan Mann**, Director of Student Financial Aid, University of Illinois, Urbana-Champaign

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“I don’t think [net price calculators] can be improved through regulation. I think the community’s going to have to come together and continue to discuss this issue, come up with best practices.”

**Youlonda Copeland-Morgan**, Associate VP for Enrollment Management, Syracuse University

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“I think we’re headed down the wrong path. And I think that’s what you’ve heard ... how we present information often becomes the barrier and students withdraw from that.”

**Tom Babel**, Vice President of Regulatory Affairs, DeVry Inc.

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## **NET PRICE: THE BOTTOM LINE FOR STUDENTS AND PARENTS**

In the *Higher Education Opportunity Act* of 2008 (HEOA), Congress mandated that each institution enrolling full-time, first-time undergraduate students and receiving Title IV funds must post a net price calculator on its website by the end of October 2011. The required net price calculator is intended to provide students and parents, early on, with an initial estimate of their financial aid package and the net price they will face if they were to enroll at a particular institution. To ensure broad availability of net price calculators, Congress directed the Department of Education to develop a template as guidance and required each institution to make its own version of a net price calculator, posted by the above deadline. To minimize current confusion and complexity surrounding financial aid award letters, Congress also directed the Department to develop a model award letter for institutions to follow.

As part of its congressional charge to report annually on the adequacy of need-based grant aid for low- and moderate-income students, as well as their enrollment and persistence rates, the Advisory Committee held a one-day hearing on March 17, 2011, during which two panels were devoted to net price calculators. The purpose of this session was to assess the extent to which the intent of the legislative charges on net price calculators and financial aid award letters was likely to be met in practice. This report was developed from the information shared in that session.

The session consisted of a high-level discussion among a diverse group of higher education experts. The first panel included researchers and analysts; the second panel included practitioners in the fields of financial aid and enrollment management. The body of this report consists of a transcript of that conversation, and, therefore, this section serves to provide context and background for the conversation.

The Committee's inquiry took the form of four broad questions related to the needs of students and parents, the composition of financial aid award letters, the issues associated with net price calculators, and the possibility for standardization and integration of award letters and calculators. Context for the first three questions is below (see **Exhibit Two**). The questions pertaining to standardization and integration are discussed in the summary section of this report.

### **The Information Needs of Students and Parents**

Students and parents appear to need different types of information on expected college expenses at different points in time. The Committee asked panelists to describe what data students and parents need about college expenses and financial aid, and when. Panelists were asked to put their remarks in the context of various education stages, including during middle school, during the college search and application processes, and after admission to college.

Many factors affect these informational needs. For example, in American higher education most students do not pay the full cost of attendance, or list price. A majority of students receive some amount of financial assistance from federal, state, institutional, or private sources. Because the cost of attendance and financial aid package can vary greatly from institution to institution, students and parents can encounter significant difficulty in trying to assess and compare the net price they will face at any particular institution.

In addition, the needs of high school students appear to be significantly different than those of middle school students. Prior to making a final college enrollment decision, high school seniors and their parents need to know the exact net price that they will face. For other high school students, net price is a significant factor in determining to which institutions they will consider applying. However, middle school students may only need estimates of expected college costs. The Committee was interested in

understanding how these different informational needs might inform the development of net price calculators.

### **Financial Aid Award Letters**

The Advisory Committee was also interested in hearing from panelists about lessons to be drawn from the history and current status of financial aid award letters. Specifically, the Committee wanted to know whether, in practice, financial aid award letters meet the needs of students and parents, and, if not, a sense, from a student and parent perspective, of their major shortcomings. Finally, the Committee sought to gain a better understanding of improvements that can be made and whether those improvements are likely to be made.

The primary purpose of financial aid award letters is to inform students and parents of their financial obligation to the college. Thus, from a student and parent perspective, the award letter represents a contract between an individual institution and a family, which outlines the costs associated with tuition, fees, and other relevant charges. In addition to outlining costs, financial aid award letters also delineate the various types of aid associated with attending a particular institution. Although the purpose of award letters is the same at all colleges and universities, the content and style of financial aid award letters can vary dramatically from institution to institution. These differences can create problems with comparability and often create confusion.

The following paragraphs describe the major components of an ideal financial aid award letter; however, because award letters are not standardized, not all contain each component. Initial Committee research identified some preliminary areas of potential confusion for each component, as noted below.

The major components are:

- Cost of Attendance (COA)
- Estimated Family Contribution (EFC)
- Grant Aid
- Out-of-Pocket Cost (Net Price after Grant Aid)
- Self-Help Aid
- Net Cost (Net Price after All Financial Aid)
- Unmet Need

**Cost of Attendance (COA).** The COA is the total cost of attending a particular college for one year. An important figure, the COA allows the federal government, state governments, organizations, and colleges to determine a student's financial aid eligibility. It is also an essential part of the formula that determines how much parents can borrow from the federal PLUS program, which is calculated as the COA minus any other financial aid awarded. Although the *Higher Education Act* (HEA) defines the components of COA for purposes of defining Title IV eligibility, there are no requirements that an institution list all of these components in the financial aid award letter.

Thus, financial aid award letters make use of varying components of cost of attendance. Most schools traditionally display the COA as the total dollar amount for tuition, fees, room, and board. However, the COA can also include the following: allowances for transportation expenses, loan fees, dependent care, purchase or rental of a personal computer, cost of books, and other education-related miscellaneous expenses.

Some award letters display only a single total figure — leaving students and parents to guess which cost components — such as tuition and fees, room and board, books and supplies, and transportation and personal expenses — were included in the cost of attendance. Sometimes, COA figures are not shown at all on the award letter. A recent survey by Mark Kantrowitz concerning the standardization of financial aid award letters found that almost a third of the award letters received by survey respondents did not mention or cite a COA figure.

**Expected Family Contribution (EFC).** The EFC is the amount of money a family is expected to contribute each year to a student's education costs. It consists of both student and parent contributions, and is based upon the student's dependency status, family size, number of family members in school, taxable and nontaxable income, and assets. To determine the EFC figure, the Department of Education uses the federal methodology, a need analysis formula approved by Congress. The EFC plays an integral role in determining a student's financial need, which is generally calculated as the difference between the COA and the EFC.

However, only some institutions choose to list the EFC on the financial aid award letter, often leaving students and parents confused as to how the need-based financial aid package is determined. For example, when awarding institutional financial aid, colleges and universities have the option to use the federal methodology (FM) or their own, customized institutional methodology (IM) that might consider supplemental financial information in its calculations. Further complicating the situation for students and parents, many of the award letters fail to acknowledge what type of methodology (FM or IM) was used to calculate the EFC, on the occasions that the EFC is included on the letters.

**Grant Aid.** Grants and scholarships are considered non-repayable funding gifts that can be awarded by a variety of sources, including federal and state governments, and private and non-profit entities. Grants and scholarships can also vary by type: need-based and merit-based.

- **Need-Based Grant Aid.** Need-based grant aid is awarded to a student solely because of his/her financial situation, and not because of grades or other factors used to determine merit.
- **Merit-Based Grant Aid.** Merit-based grant aid includes scholarships awarded by the individual college or university as well as those awarded by outside organizations. Merit-based scholarships are typically awarded for outstanding academic achievements and maximum standardized test scores, although some merit scholarships can be awarded for special talents, leadership potential, and other personal abilities and/or characteristics.

Unlike self-help aid (loans and work-study) which must be repaid or earned through wages, the terms that govern gift aid seem relatively straightforward. Yet there remain significant sources of inaccuracy and non-comparability in the way grant aid is awarded and displayed on financial aid award letters. First, many award letters do not clearly differentiate and label which parts of the financial aid package constitute grant aid, as opposed to self-help aid. Preliminary findings from a 2009 study by The Institute for College Access & Success found that only one in ten financial aid award letters successfully differentiate types of aid, such as grants, work-study, and loans. Second, award letters often use acronyms for both grant aid and other sorts of aid, leading to confusion about which type of award is which.

**Out-of-Pocket Cost (Net Price after Grant Aid).** The out-of-pocket cost is defined as the difference between the COA and all grant aid, which is also the definition of net price, as defined by *The Higher Education Opportunity Act* of 2008. This is net price before the student has to commit to a student loan or work-study and, therefore, shows the amount the student and/or family will need to pay out of current and future resources, such as savings, income, and loans.

Out-of-pocket cost is an important figure to low- and moderate-income families because it shows the amount of money the family can expect to spend, earn, and/or borrow for the student to attend the institution. Unfortunately, many colleges and universities neglect to include this crucial figure on the financial aid award letter. For instance, the Kantrowitz survey found that only 36 percent of the award letters mentioned out-of-pocket cost.

**Self-Help Aid.** Self-help aid is generally understood as work-study and loans. It refers to financial aid that needs to be either earned through work, or borrowed and paid back over time.

- **Federal Work-Study (FWS).** The Federal Work-Study program is designed to enhance the availability of jobs for undergraduate and graduate students through the provision of wage subsidies. The FWS program provides funds earned through part-time employment to assist students in meeting the costs of their postsecondary education. Institutions administer the program and help students secure employment. However, some financial aid letters obscure the distinction between non-repayable grant aid and FWS funds. Note: Some states and institutions also have their own work-study programs.
- **Loans.** An educational loan is financial aid that must be repaid, often with interest. The three major types of student loans are: federal student loans, federal parent loans, and private student loans (also called alternative loans). Private, or alternative, loans are generally secured from private financial institutions with interest rates higher than those for federal education loans and with different repayment terms as well.

Loans can be a source of confusion on the part of students and parents. As with grant aid, many financial aid award letters use acronyms and abbreviations when awarding loans. Additionally, many fail to highlight terms and repayment information. According to the team of evaluators at FinancialAidLetter.com, institutions' failure to disclose loan terms can cause students, especially first-generation students, to believe that the loans are "free money" which does not need to be repaid.

This lack of information dissemination can become especially problematic when non-need-based loans are packaged as financial aid and unaccompanied by explanation. For example, some institutions choose to include the Federal PLUS parent loan in the award letter to compensate for unmet need. Not only can this cause award letters to be incomparable when some institutions engage in this practice and others do not, it can also be a source of inaccuracy, as parents with poor credit are not eligible for the PLUS loan.

**Net Cost (Net Price after All Financial Aid).** The net cost is defined as the difference between the COA and the financial aid package. The financial aid package is the collection of all forms of financial aid (grants, work-study, and loans) from multiple sources (federal, state, and institutional). The aid package is intended to help students fill the gap between their ability to pay (EFC) and the total cost associated with attending college (COA). However, many institutions list non-need-based loans on the award letter to make the net cost appear to be less than it actually is. Furthermore, some colleges and universities *only* list the net cost on the award letter, thereby neglecting to inform students and parents of the equally important out-of-pocket cost figure.

**Unmet Need.** In an ideal world, institutions would be able to meet the full demonstrated financial need of each admitted student. However, colleges and universities with limited student aid budgets are not always able to meet all students' demonstrated financial need and, therefore, are often forced to leave a "gap," which is also known as unmet need.

The practice of “gapping” can be misleading and confusing to students and parents because some colleges choose to hide the gap on the financial aid award letter by including non-need-based loans as part of the financial aid package. Some aid administrators defend gapping by arguing that listing non-need-based loans on the award letter lets students and parents know that there are options for paying the gap. However, when some institutions include non-need-based loans and others do not, it makes comparing award letters a more difficult task for students and parents.

### **Issues in Designing and Using Net Price Calculators**

The Advisory Committee also asked panelists to discuss whether net price calculators will be able to provide students and parents with the data needed to make informed decisions. The Committee was particularly interested in how net price calculators relate to financial aid award letters, whether the calculators would likely suffer from the same shortcomings as award letters, and whether net price calculators are likely to suffer from any unique shortcomings.

Higher education institutions can pursue one of three options in developing their net price calculator: use the Department of Education’s template, use a third-party calculator, or customize an alternative calculator internally. If a college decides to use a third-party calculator or develop its own, the net price calculator is only required to include, at a minimum, the set of data elements found in the Department’s net price calculator template.

**Required Inputs.** For both the net price calculator template and alternative versions developed by organizations or institutions, the minimum input elements must include:

- Data elements to approximate the student’s Expected Family Contribution (EFC), such as income, number in family, and dependency status or factors that estimate dependency status.

**Required Outputs.** For both the net price calculator template and alternative versions developed by organizations or institutions, the minimum output elements must include:

- Estimated total cost of attendance
- Estimated tuition and fees
- Estimated room and board
- Estimated books and supplies
- Estimated other expenses, including transportation and personal
- Total estimated grant aid (includes both need- and merit-based grant aids)
- Estimated net price: cost of attendance minus grant aid (1 - 2)
- Percent of the cohort (full-time, first-time students that received grant aid)
- Caveats and disclaimers, as indicated in the HEOA.

The net price calculator template developed by the Department does not use Integrated Postsecondary Education System (IPEDS) data or data collected by NCES. An institution that chooses to use the Department’s template will need to populate the “look up” tables behind the calculator with its own data drawn from its own records/data systems.

Because the Department’s template is designed to produce a set of input and output elements common to all institutional sectors, much is left to institutions to determine. Some major areas of concern about design and use are described below, and these components may also affect accuracy and timeliness of information.

**Location & Display.** Currently, there are no requirements regarding the online location of net price calculators on colleges' websites or how the cost figures should be displayed. Part of the problem of locating the calculator on institutions' websites may be attributed, in part, to the fact that the net price calculator is not required to be titled as such. Although the Department has suggested that the term "net price" be kept in the title, many institutions have chosen alternative titles, such as "financial aid calculator" or "college cost calculator." Lack of consistent requirements on display and location of net price calculators may be confusing for students and parents trying to locate and use the tools.

**Timing.** An unavoidable reality of net price calculators is that students and parents can access them at any stage of the college decision making process. This is potentially problematic, as a high school senior applying to colleges has different informational needs than a freshman who is beginning the initial college search or a middle school student who is just thinking about college.

When students and parents access net price calculators at an early stage in the college decision making process, financial information, such as income or number of students in college, and student characteristics, such as GPA or residency status, are likely to change by the time the student applies to college. Furthermore, in their initial reviews of colleges, most students and parents do not possess all of the information that some net price calculators require, such as ACT/SAT scores or extensive financial data. This raises the possibility that, in their current form, net price calculators may not adequately address the issue of providing families with the information they need at different steps in the college decision making process.

**Input Issues.** There are several issues associated with the input information users enter into net price calculators. First, net price calculators cannot account for human error, so if a user incorrectly represents their characteristics and/or financial data while using the net price calculator, the totals generated could be different than what the student will receive in the financial aid award letter.

Although institutions are only required to include the minimum set of input elements, they are free to include as many other inputs as they desire, which means that net price calculators will exist in many different forms. For example, institutions that award merit-based grant aid might design their net price calculator to ask about particular student characteristics, such as high school GPA, community service, or musical talent in order to gauge whether or not the student may be eligible for a scholarship. However, two institutions that award merit scholarships in the same way might generate drastically different output elements, if one chooses to include detailed questions about the student's characteristics and the other chooses to stick to the minimum required inputs.

Institutions that offer merit-based aid might not choose to ask additional questions about student characteristics as that might reveal institutional values and priorities factored into their financial aid policy, despite the fact that additional questions could generate a more accurate net price estimate for students and parents. Another consideration for institutions is that designing a calculator that asks many complicated and detailed questions about student characteristics or financial data could ultimately discourage students and parents from using the tool.

**Output Issues.** A host of issues related to the output elements of net price calculators could make them inaccurate and incomparable for prospective students and parents. Ideally, a net price calculator would generate the complete set of components found on a model award letter: cost of attendance, estimated family contribution, grant aid, out-of-pocket cost (net price after grant aid), self-help aid, net cost (net price after all financial aid), and unmet need. While some institutions may choose to include all or some of these elements as outputs of their net price calculator, the legislation dictates that institutions are only required to include half of those components: COA (a breakdown and a total figure), grant aid, and out-of-pocket cost (net price after grant aid). There is even some flexibility in how an institution chooses to

display the out-of-pocket cost. Although the Department's template produces a single figure, institutions can design their calculators to produce a range, as long as it is accurate.

The law also gives institutions a fair amount of freedom when it comes to calculating grant aid. Although the template requires that median grant aid data and cost of attendance figures be pulled from the same year, institutions have a choice as to whether they will use data and figures from the prior year or upcoming year. Additionally, some net price calculators, including the template, do not take outside scholarships into consideration when generating the award — which can greatly skew net price estimates.

Although all institutions are required to include caveats and disclaimers as output elements, the flexibility that allows net price calculators to be customized and accurate could potentially make their comparison an extremely complex process for students and parents.

**Enrollment Management Strategy.** Colleges frequently use financial aid as a tool to achieve institutional goals such as increasing student body diversity or raising academic standards. Net price calculators can be an effective tool in meeting these objectives as well. However, the enrollment management strategies that institutions might employ in designing their net price calculators are not necessarily those that are most helpful to students and parents. Some believe that net price calculators will compel institutions to offer guaranteed scholarships in the form of merit aid to prospective students, which will lead to expanded merit-based scholarship programs and weakened need-based institutional aid.

### **March Hearing Discussion**

The material above provides the reader of this report with context for the following transcript of the net price calculator session at the Committee's March hearing. Panelists engaged with many of these areas of concern, describing them in greater detail and making a variety of comments and recommendations that served to structure the Committee's broad conclusions and next steps, found at the end of this report. The discussion was varied and lively, touching upon issues of concern with net price calculators as related to all sectors of higher education.

## **EXHIBIT TWO: POLICY QUESTIONS**

**1. Student and Parent Needs:** What data do students and parents need about college expenses and financial aid, and when?

- In middle school?
- During the college search process and before applying for admission?
- After admission to one or more colleges?

**2. Financial Aid Award Letters:** What lessons can be drawn from the history and current status of financial aid award letters?

- In practice, do financial aid award letters meet the needs of students and parents?
- If not, what are the major shortcomings — from a student and parent perspective?
- What improvements can be made and are these improvements likely to be made?

**3. Issues Associated with Net Price Calculators:** Will net price calculators provide students and parents the data needed to make informed decisions?

- How do net price calculators relate to financial aid award letters — in content and form?
- Will net price calculators likely suffer from the same shortcomings as do financial aid award letters?
- Are net price calculators likely to suffer from additional (unique) shortcomings?

**4. Integration and Standardization:** To what extent can financial aid award letters and net price calculators be standardized and integrated?

- In practice, how closely related are net price calculators and financial aid award letters likely to be?
- What steps might be taken to ensure that these two tools are standardized and integrated?
- Who should take the lead in doing so and how should that process proceed?



## MARCH 17 HEARING TRANSCRIPT

**Allison Jones (ACSFA Chair):** I would like to welcome all of you to the Advisory Committee's hearing this morning. At this point, I will turn the floor over to my colleague, Norm Bedford, who will introduce Session I.

**Norm Bedford (ACSFA Vice Chair):** Good morning everyone. Welcome to Session I, a discussion of the issues associated with the design and use of the congressionally mandated institutional net price calculators. In the *Higher Education Opportunity Act* of 2008, Congress included two new requirements aimed at providing students and parents with more accurate and useful information regarding the costs of higher education. First, the Department of Education must develop a standardized financial aid award letter. Second, the Secretary of Education must develop a calculator to help students and parents estimate the current or prospective net price at a particular institution. The net price is to be calculated in such a manner that the cost of attendance and the amount of need-based and merit-based aid available are calculated in terms of the individual student, as much as practicable. Institutions are required to make the calculator available on their website by fall 2011. Although Congress intended for net price calculators to be used by students and parents as a helpful tool in the financial aid process, in reality this intent may not be met if net price calculators continue to be developed in disparate and varied forms.

This spring, following the March hearing, the Advisory Committee will deliver a report to Congress and the Secretary of Education that explores the issues surrounding the design and use of net price calculators and provides potential steps that can be taken to ensure that congressional intent is met. A transcript of Session I will be used in the report. This morning's session will be broken into two parts. The first part, which will commence shortly, will consist of presentations from distinguished higher education research and policy analysts. After a short break at 10:30 am, we will begin part two: a structured roundtable discussion of net price calculators among knowledgeable practitioners in the fields of financial aid, enrollment management, institutional research, and regulatory affairs. Throughout the course of the morning, panelists will be asked to reflect on the following issue areas:

- the types of information students and parents need from colleges and when
- the lessons that can be drawn from the history and current status of financial aid award letters
- the likelihood that net price calculators will provide students and parents with the data they need
- the possibility of integration and standardization of these two interrelated tools.

I will now turn the session over to Committee member and moderator, Kathleen Hoyer.

### **Panel I Transcript: Analysts/Researchers**

**Kathleen Hoyer (ACSFA Member):** Thank you, Norm. I would now like to introduce our five distinguished analysts on Panel I:

- **Mark Kantrowitz**, Publisher of FinAid.org and Fastweb.com
- **Sandy Baum**, an independent higher education policy analyst
- **Diane Cheng**, Research Associate for The Institute for College Access & Success
- **Lucie Lapovsky**, Principal at Lapovsky Consulting
- **Elise Miller**, Postsecondary Institutional Studies & NCES Program Director.

These five experts will now provide testimony on the previously mentioned issue areas, beginning with Mr. Mark Kantrowitz. Mr. Kantrowitz, please begin.

**Students and their families need clear, accurate, and complete information about college costs, financial aid, and the bottom line cost of education to help them make informed decisions about affordability.**

**This information should be made available to families at key decision points, such as during the college search process and the initial selection of colleges before the student applies for admission and during the final choice of a college after the student has been accepted by the colleges.**

**Middle school students, on the other hand, do not need precise information about college costs ... they need general information about affordability and availability of need-based student aid, especially gift aid.**

**Mark Kantrowitz:** Students and their families need clear, accurate, and complete information about college costs, financial aid, and the bottom line cost of education to help them make informed decisions about affordability. The information should permit a meaningful and consistent apples-to-apples comparison of costs among different colleges. Such comparisons should be based on a true bottom line cost of education such as the out-of-pocket cost. The out-of-pocket cost is defined as the difference between total cost of attendance and total gift aid. Gift aid includes grants, scholarships, tuition waivers, and housing waivers, but not loans or student employment. The out-of-pocket cost measures the amount of money the family must pay or borrow to cover college costs.

Families also need information about policies that can affect the calculation of the out-of-pocket cost, such as the college's policies concerning the displacement of outside scholarships, and whether the college practices front-loading of grants. The information about college costs should be complete, including all direct and indirect costs. Allowances for various discretionary cost components such as textbooks, transportation, and housing should be realistic and be based on actual average costs for similarly situated students. The information about financial aid should provide clarity concerning the types, amounts, and sources of financial aid awards. The type of each award should be clearly identified, distinguishing between grants, scholarships, student employment, education loans, and tuition installment plans.

In addition to a snapshot of current one-year costs and financial aid, families need estimates of the entire costs of the educational program from start to finish. They need to understand the amount or percentage by which college cost components and financial aid awards will change with each subsequent year of enrollment. They need to know the total out-of-pocket cost from matriculation to graduation. They need projections of cumulative debt at graduation, including estimates of the monthly loan payments and the total payments over the life of the loan.

This information should be made available to families at key decision points, such as during the college search process and the initial selection of colleges before the student applies for admission and during the final choice of a college after the student has been accepted by the colleges. Providing families with this information may influence their behavior. Affordability is not the only reason to choose a college, but it is an important criterion that affects access, choice, retention, and completion. It also affects the amount of debt at graduation, and whether the student graduates with excessive debt, or whether they graduate at all. Confusion about affordability and the real cost of college leads to some students dropping out of college or graduating with unaffordable amounts of debt.

Middle school students, on the other hand, do not need precise information about college costs. Instead, they need general information about affordability and the availability of need-based student aid, especially gift aid. The goal of early awareness efforts should focus on demonstrating that college is a possibility, so that students will pursue

more challenging high school courses and obtain adequate preparation for a college education. This will improve the flow of qualified students from high school to college.

Current standards for financial aid award letters are implemented as recommended best practices. These voluntary standards have not adequately addressed the needs of students and their families despite existing for more than a decade. In a December 2010 survey conducted by Fastweb.com, 84 percent of college freshmen and their parents said that financial aid award letters should be standardized to make them easier to understand and to compare. More than half, 51 percent, said that it was difficult to compare financial aid award letters of different colleges. This survey demonstrated numerous flaws in current financial aid award letters from a student and parent perspective.

Cost information in the current financial aid award letters is often incomplete or absent. Even when a financial aid award letter includes some cost of attendance information, the cost information may be limited to just tuition or fail to provide a detailed breakdown. It is often unclear what costs are included and what costs are excluded. Variable costs that are under a family's discretionary control, such as textbook costs, travel and transportation costs, personal expenses, and off-campus housing costs are often significantly underestimated.

Families sometimes misinterpret the expected family contribution as a limit on their portion of college costs due to the nature of the name of the figure. Actual costs are often higher due to unmet need and the inclusion of loans in the need-based financial aid package.

Many financial aid award letters lack a clear distinction between loans, which must be repaid, and grants or other forms of gift aid that do not need to be repaid. The different types of aid are often mixed together, contributing to confusion over the differences.

Many financial aid award letters use an alphabet soup of cryptic acronyms and abbreviations for the loans and grants, making it, further, more difficult to distinguish loans from grants. Loans often mask the existence of unmet need. While practices such as packaging PLUS may have valid public policy justifications (e.g., to increase awareness of lower-cost federal education loans), a lack of clarity concerning the nature of the loan sometimes confuses families into believing that the PLUS loan is a grant and that they are getting a free ride.

The most important information about loans, such as interest rates, monthly payments, and total payments, is often omitted or buried in an appendix. Loans are often listed according to artificial distinctions, such as the source of the loan or whether eligibility is based on financial need, and not according to the cost per dollar borrowed.

Most financial aid award letters do not include information about the student's current cumulative education debt (including both principal and

**Eighty-four percent of college freshmen and their parents said that financial aid award letters should be standardized to make them easier to understand and to compare.**

**Cost information in the current financial aid award letters is often incomplete or absent ... It is often unclear what costs are included and what costs are excluded.**

**The most important information about loans, such as interest rates, monthly payments, and total payments, is often omitted or buried in an appendix.**

interest) and the corresponding monthly loan payments and total loan payments. Similarly, most financial aid award letters do not include a projection of cumulative debt at graduation and the corresponding monthly loan payments and total loan payments.

**There are no standards concerning the formatting, organization, and content of financial aid award letters ... This forces families to hunt for the information they need ... instead of being able to compare ... different colleges side-by-side and line-by-line.**

There are no standards concerning the formatting, organization, and content of financial aid award letters, such as what information should be prominently displayed on the first page of a financial aid award letter. This forces families to hunt for the information they need (and use calculations to derive some of the most important information) instead of being able to compare financial aid award letters from different colleges side-by-side and line-by-line.

Very few financial aid award letters report a true bottom-line cost, such as the out-of-pocket cost (which is defined as the difference between the total cost of attendance and total gift aid). Instead, some financial aid award letters report a net cost, which is defined as the difference between the cost of attendance and all need-based student aid. This treats loans as though they reduce the family's costs. Most financial aid award letters report neither a net cost nor an out-of-pocket cost figure.

**Very few financial aid award letters report a true bottom-line cost, such as the out-of-pocket cost, defined as the difference between the total cost of attendance and total gift aid.**

These problems persist unabated despite the existing voluntary standards and are likely to get worse as college budgets get squeezed. There are fundamental conflicts between a college's pecuniary interests and the best interests of students and their families, regardless of whether the college is public, non-profit, or for-profit. College financial aid policies are often driven by a need to minimize the discount rate.

These problems can be addressed by adopting a mandatory standard for financial aid award letters and net price calculators. The ability to compare financial aid award letters and net prices of different colleges depends on universal adoption of the same standard by all colleges. Otherwise such comparisons will not be made on an apples-to-apples basis and the cost differences will not be meaningful.

**Net price calculators are likely to suffer from the same problems as financial aid award letters because there are no mandatory standards, other than the definition of net price, and even that definition has problems.**

I have prepared a 37-page proposal for standardizing financial aid award letters and net price calculators. The proposal includes 39 optional and 59 mandatory standards that address all of the problems discussed in this testimony. I have shared a copy of the report and a four-page summary with the Advisory Committee on Student Financial Assistance. I will distribute copies to the financial aid community and the general public via the FinAid.org web site. It is my hope that the report will stimulate discussion about standardizing financial aid award letters and ultimately lead to a mandatory standard. In the meantime, colleges may use the report as a road map toward improving their financial aid award letters and net price calculators.

Net price calculators are likely to suffer from the same problems as financial aid award letters because there are no existing mandatory standards for net price calculators, other than the definition of net price, and even that definition has problems.

While the *Higher Education Opportunity Act* of 2008 defined cost of attendance as the average annual cost of tuition and fees, room and board, books, supplies, and transportation for first-time, full-time undergraduate students, it did not specify which year would apply. Net price calculators are often used in the fall, before colleges have set the tuition rates and student aid budget for the next year. It is unclear whether a college should use the previous year's costs, the current year's costs, or a projection of next year's costs, or when or how frequently the calculator should be updated. The lack of a standard for this aspect of net price calculators will limit their accuracy and usefulness in estimating the actual cost to the family and comparing costs among different colleges.

**It is unclear whether a college should use the previous year's costs, the current year's costs, or a projection of next year's costs, or when or how frequently the calculator should be updated.**

Families must currently search for net price calculators on each college's website, as there is no centralized repository of net price calculators. Families must reenter their financial information on each college's calculator. User interfaces and output formats are not standardized.

The accuracy and precision of the net price calculations may vary considerably from student to student and college to college. Some colleges may use net price calculators that are not sufficiently customized to the individual family circumstances, leading to a lack of comparability. The net price calculations might not correlate well with the college's packaging philosophy, resulting in net price figures that fail to correspond to the college's own financial aid award letters. There is no third party monitoring of the accuracy of the net price estimates.

**The content and form of the results of a net price calculator should match and be predictive of the final financial aid award letter and the actual cost to the family as much as possible.**

Net price calculators and financial aid award letters should use the same standards as much as possible. The content and form of the results of a net price calculator should match and be predictive of the final financial aid award letter and the actual cost to the family as much as possible to help families make informed decisions concerning college selection and choice. These standards must be mandatory to ensure a consistent universal basis for comparing financial aid award letters and net price calculations from different colleges.

My 37-page report demonstrates that financial aid award letters and net price calculators can be standardized by providing a detailed proposal for such a standard. The report also includes a mockup of the first page of a standardized financial aid award letter that incorporates many aspects of the proposal.

**The *Higher Education Opportunity Act* of 2008 requires the U.S. Department of Education to convene a group ... for the purpose of recommending improvements to "financial aid offer forms."**

Congress and the U.S. Department of Education should take the lead in standardizing financial aid award letters and net price calculators. Section 484 of the *Higher Education Opportunity Act* of 2008 (P.L. 110-315, August 14, 2008) requires the U.S. Department of Education to "convene a group of students, families of students, secondary school guidance counselors, representatives of institutions of higher education (including financial aid administrators, registrars and business officers), and nonprofit consumer groups" for the purpose of recommending improvements to "financial aid offer forms" within six months of

**The U.S. Department of Education should begin work on this congressional requirement as soon as possible. Hopefully today's hearing will help jump start this process.**

enactment. The legislation also requires the U.S. Department of Education to develop a standardized financial aid offer form and to provide recommendations to the House and Senate education committees within one year of enactment. The legislation also requires the U.S. Department of Education to make the recommendations and standardized financial aid offer form widely available.

This seems like a good process for standardizing financial aid award letters. Unfortunately, none of these requirements have been completed more than two years after enactment. The U.S. Department of Education should begin work on this congressional requirement as soon as possible. Hopefully today's hearing will help jump start this process. My only suggestion for improving this process would be to incorporate a public comment period into the process before the U.S. Department of Education reports to the House and Senate education committees.

**But I think that it's important to ... think about the problems that the net price calculators have the potential to solve if they are well executed, and whether we risk expecting too much of this innovation, important as it is.**

**Sandy Baum:** I knew that I wasn't going to be able to compete on a detail level with Mark, and I also know that you're going to hear from a lot of other people and what they think the details of these calculators and award letters should be like. I agree with most of these points and the points that others will make.

I am less optimistic than Mark about the idea that it would be possible to legislate the optimal standardized calculator and have that work. I think we could have debates about the details of this, and I think some of the information that emerges from even the best of the calculators is questionable.

So I'm less optimistic. But I think that it's important to step back a little bit from the details and think about the problems that the net price calculators have the potential to solve if they are well executed, and whether we risk expecting too much of this innovation, important as it is. Where else do we need to focus our attention if we want to assure that potential students, particularly those with limited knowledge and experience, have as much information as possible in a form that's usable to them about how much it will actually cost them to enroll in different colleges and universities?

**Some parents do need this specific information about college expenses, ... Part of the purpose of the net price calculator is to get them to consider institutions with high sticker prices.**

Some parents do need this specific information about college expenses, but the basic question is, how do they know which institutions to consider? Part of the purpose of the net price calculator is to get them to consider institutions with high sticker prices. A student whose parents have bachelor's degrees and make a combined \$100,000 a year is likely worried about paying for college and about the financial aid that he will get at different colleges. The net price calculators that allow him to compare the grant aid he'll get at SUNY to the grant aid he'll get at Skidmore will be very helpful. But the student from the inner city, who qualifies for free lunch and whose single parent has only a GED, probably believes that going to a community college is her only option.

Getting her to explore these websites and think about net price is a major hurdle that is not easily going to be solved by the calculators.

In principle, the net price calculators can be helpful for many students, but they're unlikely to solve the information problems of the most vulnerable students, and those most at risk of making poor decisions about postsecondary education. Both institutions and the government will have to make energetic, proactive efforts with counselors and others, if they're going to make these calculators useful to populations that are not already familiar with the college admissions game.

In terms of the information that people need, it's very clear that, while money is a barrier, if people had better, simpler, clearer information, even with the money that's out there, they would have more options than they now do. The idea of net price calculators on the websites of all colleges and universities is a reasonable component of efforts to address the problem, but they're not going to solve the problem.

Young students need to know that paying for college is possible. They need to know that, even if their parents can't support their education, there are federal, state, and institutional funds that will open doors for them. As they approach the college search process, it is particularly important that students understand that there's a wide range of sticker prices and that these sticker prices are not what they are likely to pay. And they have to know that they are likely to pay less at some of the institutions with higher sticker prices.

Net price calculators are a step in the direction of providing this information to students before they apply or are accepted and receive financial aid award letters, but it is overly optimistic to think that many parents of young children not already on the fast track to college will go to the websites of individual colleges to take advantage of these calculators. The danger is that government, institutions, and other responsible parties will see the calculators as solving a problem they simply cannot address. It's important to think about making these calculators as good as possible, but to understand that that's not enough and that we need context for them. Students who are admitted to multiple institutions are, of course, going to rely more on their award letters than on the hypothetical results of the online calculators. For these students, it's the details of the award letters that will become very, very important. Guidelines for those award letters are as important as guidelines for the net price calculators. Families that are trying to navigate the complex world of paying for college are still going to face a lot of barriers. We need to try to minimize the barriers that they face in that context.

Actually, the tables that are on the College Navigator website provide a lot of information, and provide a tool that's going to be much more helpful to many students than the net price calculators. A table that shows the average net price paid by students, broken down by income, can easily be compared to the tables provided for other institutions. There are some obvious problems with the tables that are now on that

**In principle, the net price calculators can be helpful for many students, but they're unlikely to solve the information problems of the most vulnerable students, and those most at risk of making poor decisions about postsecondary education.**

**As they approach the college search process, it is particularly important that students understand that there's a wide range of sticker prices and that these sticker prices are not what they are likely to pay.**

**Students who are admitted to multiple institutions are, of course, going to rely more on their award letters than on the hypothetical results of the online calculators ... Guidelines for those award letters are as important as guidelines for the net price calculators.**

**Maybe there could be a table next to the net price calculator on each website. Net price calculators are a supplement to the information in a [College Navigator] table, they're not a replacement.**

**Potential students need to know not only the approximate anticipated net price, with tuition and fees clearly separated from living costs, but the source of the grant aid they are likely to get ... this makes a huge difference in comparing the aid offers from different institutions.**

**There's every reason to believe that they will improve over time; I don't think we should look at what's out there in the first year and conclude that that's all institutions can do.**

website: they show average net price only for students in the income bracket who receive Title IV aid without any information about how many students from the group actually receive that aid. Moreover, what makes the gap between sticker price and net price different from one school to another is, primarily, institutional grant aid. And the tables don't provide data on students who receive just institutional grant aid. They don't break down the sources of grant aid for different students. Of course, if you wanted to put in multiple dimensions, like SAT scores, that would make for a more complicated table.

That said, viewing a lot of tables next to each other is going to be easier for students than going to a lot of different websites to use the net price calculator. Maybe there could be a table next to the net price calculator on each website. Net price calculators are a supplement to the information in a table, they're not a replacement.

Some of the net price calculators will provide the best information students could reasonably expect. These calculators will ask for more data from the students than the simpler calculators. There's an obvious trade-off between accuracy and simplicity. But even with the data, many will not give the best information that they could. It might be helpful to ask institutions to include these tables on their websites, in addition to the calculators. Potential students need to know not only the approximate anticipated net price, with tuition and fees clearly separated from living costs, but the source of the grant aid they are likely to get: Pell Grants go with the student to other institutions, institutional grants don't, and this makes a huge difference in comparing the aid offers from different institutions. Students need to know about all of the grant aid they can expect, not just the need-based grants. They need to know about all of it, they don't care what the motivation for it was, and all of this information is not currently available on many of the calculators.

Another very real issue is getting students to use the calculators for any schools other than the one or two they think they're most likely to attend. Will a first-generation student from an inner city high school really go to the calculator of a selective private college to learn that there is a lot of institutional aid available to students like her? These calculators simply cannot stand on their own; they have to be accompanied by continuing efforts to provide clear and reliable information to the students who need it most.

In sum, the details of how the calculators and the award letters are designed are very important. It's not clear that specific federal requirements will lead to the best possible calculators. It is, however, encouraging to see the effort so many institutions are putting into trying to construct strong calculators. There's every reason to believe that they will improve over time; I don't think we should look at what's out there in the first year and conclude that that's all institutions can do. But these calculators simply do not have the potential to provide the information, particularly the early information, that students most at risk in the college decision process need. Their greatest potential lies in easing the



deliberations of students applying to multiple colleges that have significant institutional resources. That's certainly a good thing, but we need to think harder about how to provide, in an accessible and easy to understand form, the information necessary for the more fundamental decisions that so many students are making. We should all work to make the new net price calculators an integral part of an improved information system.

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**Diane Cheng:** As Mark and Sandy have already mentioned, students and families need more timely and useful information about college costs and financial aid. For prospective college 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, a house, or a 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.

As Mark mentioned, there are some misunderstandings about college costs. Many students and families overestimate four-year college costs by focusing on the full sticker price, which is more than most of them will actually pay. On the other hand, some students, especially those considering community college and other commuter schools, can underestimate total costs by looking only at tuition and fees and not considering other necessary expenses, such as books, housing, and transportation. Either way, the lack of early, individualized, and comparable estimates of college has real costs for students and their families. They can either price themselves out of schools that may very well be within their reach, or they can end up having to pay a lot more than they expected for what they thought was an affordable choice. Both financial aid award letters and net price calculators can serve a valuable role in helping inform prospective students and their families about college affordability, though they're necessarily different in timing and format.

My comments today will focus on net price calculators and how they can best help students and families make more informed decisions about college. Sandy does bring up a good point, that it's not enough for colleges to just create and post the net price calculators. Just having them stand alone will not, as she mentions, solve the information problems of the most vulnerable students. There needs to be outreach on the part of high school counselors, college admissions counselors, college access groups, and others, to help ensure that net price calculators are on students' and parents' radar screens. However, at TICAS, we believe that net price calculators have the potential to be useful tools, and it's premature to say that they will not necessarily be helpful for students and families. We, in this room, have the opportunity and responsibility to make sure that they become useful tools, and I hope that my comments and the later discussions will help steer the calculators in that direction.

**Unlike buying a computer, a house, or a 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.**

**Many students and families overestimate four-year college costs ... On the other hand, some students, especially those considering community college and other commuter schools, can underestimate total costs.**

**There needs to be outreach on the part of high school counselors, college admissions counselors, college access groups, and others, to help ensure that net price calculators are on students' and parents' radar screens.**

**Colleges are required to include a series of disclaimers on these calculators, including one that says, “The estimate does not represent a final determination, or actual award, of financial assistance ... and can change.”**

**In order to serve the needs of prospective 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.**

**Prospective students and families can only benefit from early estimates of costs and financial aid if they can find them. It seems obvious, but we actually saw a great deal of variation in this.**

Norm provided some background about the net price calculators, but I’d like to make a couple of other points about their requirements. The colleges will be required to post the net price calculators by the end of October this year. I think that was based on when the Education Department released its federal templates. The results are intended to be estimates. Colleges are required to include a series of disclaimers on these calculators, including one that says, “The 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 can change.”

Going back to something that Norm said, in order to make sure that net price calculators meet the intent of Congress, there are a couple of things we have to keep in mind. In order to serve the needs of prospective 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 find out whether the calculators are headed in that direction, we took an early look at 16 colleges that had already posted net price calculators or similar financial aid calculators on their websites by January of this year. As a caveat, we acknowledge that the calculators we looked at may not already be intended to meet the federal requirements. Colleges still have several months before the deadline, so they may very well be planning to make changes to their calculators, or even replace them entirely.

Our goal was to look at the calculators that currently provide early estimates of cost and financial aid to see how helpful they would be to students and families. Although early adopters of these calculators may not be representative of colleges as a whole, we hope that insights from our first look at net price calculators will both inform discussions and decisions while colleges still have time to modify their plans. We were also interested in exploring how third party vendors are influencing the conversation, so we read through some of their marketing materials and tried out their calculators, which are intended to meet the federal requirements.

Our findings and recommendations are detailed in a new report, which has been passed out to the Advisory Committee members, as well as available at the front of the room. The report is entitled, *Adding It All Up: An Early Look at Net Price Calculators*. In that report, we looked at net price calculators from a student’s point of view and encouraged colleges to do the same as they’re developing these tools.

The first issue we looked at was whether the net price calculators are easy to find. Although the law did not specify where colleges must place their net price calculators, prospective students and families can only benefit from early estimates of costs and financial aid if they can find them. It seems obvious, but we actually saw a great deal of variation in this. The net price calculators that are easiest to find were placed in sections of the website targeted toward prospective students, highlighted on the web page, and linked in multiple places on the website. However,

to find other calculators, we had to dig through a somewhat confusing maze of menus and web pages. One college didn't put a link to its net price calculator in the future students section of its website; instead, we had to look under student services, click financial aid and scholarships, and then click financial aid resources, to find the "financial aid eligibility calculator." That placement may seem logical from a website or sitemap point of view, but that calculator would not be easy for prospective students to find, particularly if they're not looking for it like we were, or are less familiar with the college application process, or are less comfortable on the web.

The second issue we examined was whether the calculators allow prospective students and their families to easily get and view results. Again, we saw a great deal of variation, with some net price calculators asking as few as ten questions, and others requiring answers to 48. 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 a parents' most recent tax form. Additionally, only four net price calculators we examined clearly marked which questions were required, and which were optional. We're concerned that prospective students who encounter a large number of detailed questions will be discouraged from completing the calculator and viewing an estimate, ultimately undermining the goal of providing early awareness of affordability. Although some vendors and colleges have expressed concern about precision, colleges that have had financial aid calculators for several years generally report few problems with students comparing net price calculator estimates with actual financial aid awards they receive later. For example, at a conference last year, Virginia Tech representatives reported receiving only six complaints about their simple calculator over the past six years, and consider that concern a "non-issue."

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. The FAFSA and CSS profile forms are daunting enough for high school seniors and others already deep in the college application process. In contrast, net price calculators are intended to serve students earlier in that process who may not be as familiar with college admissions or able to dig up the detailed financial records necessary to answer all the questions in a net price calculator.

The third issue we examined has the greatest overlap with financial aid award letters. How clearly do the net price calculators communicate affordability and are their results easy to understand and compare? Again, there was a great deal of variation, and I encourage you to look over the screen shots of real calculators in our report, which illustrate practices that we found more or less helpful to students. They're a little bit harder to describe in words. One of the most important takeaways was that net price calculators, along with financial aid award letters, need

**We're concerned that prospective students who encounter a large number of detailed questions will be discouraged from completing the calculator ... ultimately 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.**

**Net price calculators, along with financial aid award letters, need to prominently display the net price as defined by Congress: the full cost of attendance minus grants and scholarships.**

to prominently display the net price as defined by Congress: the full cost of attendance minus grants and scholarships. This is the same as the out-of-pocket cost that Mark was talking about.

**Emphasizing an upfront cost that assumes a certain level of earnings and borrowing can promote an illusion of affordability, especially so early in the college search process.**

Net price calculators should emphasize the net price figure, not a figure that subtracts self-help in the form of loans or student earnings. There's a critical distinction between aid that doesn't need to be repaid and funds that must be earned or repaid. Emphasizing an upfront cost that assumes a certain level of earnings and borrowing can promote an illusion of affordability, especially so early in the college search process. Colleges highlighting the same net price figure will also prevent students from accidentally comparing one school's net price with another school's net price minus loans and work study. That would not be an apples to apples comparison. Additionally, net price calculators and award letters should avoid including estimates of unrealistic amounts of self-help.

**One net price calculator we found subtracted ... loans and/or work study from net price and displayed an upfront cost of zero ... leading students and their parents to believe that they will have no out-of-pocket costs when the costs are merely delayed.**

One net price calculator we found subtracted \$33,170 in loans and/or work study from net price and displayed an "upfront cost" of zero. This tactic can easily lead students and their parents to believe that they will have no out-of-pocket costs when the costs are merely delayed.

Net price calculators and award letters should also help students understand the different ways they can finance their education. Net price calculators are required to separate grant aid from self-help, which is a step in the right direction. However, it may not be clear to students that grant aid does not need to be repaid, while work expectations must be earned and loans repaid with interest. It would also be helpful to make distinctions between types of student loans, which vary in their terms and consumer protections.

**The calculators collect a wide range of information in order to generate individualized estimates of cost and financial aid... it is important that colleges not only take steps to protect student privacy, but clearly communicate that information will be protected.**

Finally, we examined whether net price calculators protect students' personal information. The calculators collect a wide range of information in order to generate individualized estimates of cost and financial aid. This information can include the student's date of birth, their zip code, and tax information. However, only two of the calculators we examined included any mention of who owns that information or how it will be used. And the explanations provided were neither complete nor helpful. Some net price calculators also asked for contact information, but did not specify that submitting that information was optional. Prospective students faced with those types of questions may even be deterred from completing the calculator based on privacy concerns. Therefore, it is important that colleges not only take steps to protect student privacy, but clearly communicate that their information will be protected.

Our report includes several specific recommendations for how colleges can make their net price calculators easy to find and use, and their results easy to understand and compare. In addition to recommendations to colleges, we also urge the Department of Education to strongly encourage colleges to make their calculators as useful as possible for

consumers. It is our hope that the guidelines and recommendations in our report will encourage colleges to design net price calculators around the needs of prospective students and their families. Early estimates of cost and financial aid can show that college can be affordable, potentially putting more students on the path to higher education.

**Lucie Lapovsky:** It's always a challenge to be the fourth one to speak after such esteemed colleagues, so my remarks are going to be less organized than my colleagues because I don't want to repeat so many of the good things they said.

I think we have to get back to realizing that most of us are very concerned with increasing access and choice in higher education. And the question is how the net price calculator can be used as a tool to help do this. I'm quite optimistic; I don't share some of the pessimism of some of my colleagues about its usefulness as a tool. Clearly, when you're talking about middle school students, there may be some very simple net price calculators out there that can let them know that there is a college they can afford, no matter what their circumstances. We want to make sure that students as young as fifth grade are preparing themselves appropriately for college so that they are not choosing the wrong courses in middle and high school and are consequently ineligible to go to the college of their choice. In the junior and senior years, it's important for the net price calculators be as accurate as possible, so that students know what their choice range is if they have a budget.

The challenge with net price calculators is the trade-off between accuracy and simplicity. I actually think the net price calculators may lead some schools to reconsider the complexity of awarding financial aid. We now have an industry where our tactics override our value system at many institutions. When schools try to make an accurate net price calculator, they're going to realize that the way they award aid runs very much against the value structure of their institutions. I'm optimistic that this will lead to some re-evaluation. I'm hoping that there will be high-level conversations among institutional senior staff and boards about how aid is being awarded. For example, how much aid will be need-based, and how much will be merit- or characteristic-based? More than that, what academic and student characteristics are schools rewarding? Are they awarding differently based on gender? Are they awarding differently based on a variety of characteristics: where you come from, where you live, etc.? Is this how the school wants to do it?

On the other hand, there is a value to being able to play what-if scenarios with these calculators. For example, a student may discover that if they increase their SAT score, they will get a better grant from school X

**Most of us are very concerned with increasing access and choice in higher education. And the question is how the net price calculator can be used as a tool to help do this.**

**The challenge with net price calculators is the trade-off between accuracy and simplicity. ... the net price calculators may lead some schools to reconsider the complexity of awarding financial aid.**

**I'm hoping that there will be high-level conversations among institutional senior staff and boards about how aid is being awarded. ... how much aid will be need-based, and how much will be merit-based?**

versus school Y. When you look at these calculators from the characteristic-based side (my colleagues have tended to focus on the need-based side), they tell a lot about the school and what it values. I, like Diane, played with a lot of the calculators. Personally, I prefer it when the calculator allows anonymity, and I think the response rate will be much greater in those cases. But I did find that the ones that wanted you to identify yourself worked just fine.

Some schools' net price calculators asked me if I were a cheerleader or a Girl Scout, and what major I wanted. I played the calculator three and four times to see if I would get different awards based on my characteristics. In some ways, a student can plan a portfolio if he or she starts playing those calculators sophomore year; for example, he or she could become a Girl Scout or start cheerleading, perhaps. While this is important information, it also tells a student whether or not the institution has the value structure a student might want. Is the school willing to discount based on certain characteristics, or are those characteristics not important to that school in terms of forming the class? In addition, how often are institutions going to change the calculator, because that is a challenge. If a student alters a college portfolio, and the college changes its values and what it wants to reward, that student could get caught in between.

Also, there were some comments on loans and the bottom line on net costs. It's very important that students have available across all schools a bottom line that's clear as to the net cost, a net cost that has subtracted grants, be they state, private, federal, or institutional. I appreciated Mark's comment on the nuances of how schools deal with the different types of grants. I think that's going to be challenging for some schools to incorporate.

On the other hand, it's important to show what loan funds are available, so that students, especially low-income students, know that they have choices in attending a school and they can get cash through loans to pay for it. I don't think we should take a paternalistic view and say low-income students shouldn't be able to take out loans. I have no problem with showing what the repayments may be like, long term. I think I looked at the same school Diane did, which packaged \$33,000 in loans so it looked like you had nothing to pay. That's not a good way to show what the bottom line will be, but, on the other hand, students should know about subsidized Stafford loans and access to them.

Finally, there were some schools that discussed the investment in human capital and emphasized the reasons that college is valuable, the nature of the investment, and the positive returns, both pecuniary and non-pecuniary, from that investment.

**A student can plan a portfolio if he or she starts playing those calculators sophomore year ... Is the school willing to discount based on certain characteristics, or are those characteristics not important in terms of forming the class?**

**It's very important that students have available across all schools a bottom line that's clear as to the net cost, a net cost that has subtracted grants, be they state, private, federal, or institutional.**

**It's important to show what loan funds are available, so that students, especially low-income students, know that they have choices in attending a school and they can get cash through loans to pay for it.**

Net price calculators are becoming an important tool to let students know what they're going to pay. We also need to remind people that investing in human capital is good. As Sandy said, there's not necessarily anything wrong in taking out a loan, just the way we take out mortgages for our house. Finally, the service that I would love to see is the kayak.com of tuition net price calculators. It was very labor intensive to have to input information over and over. Kayak.com allows me to put my information in, then runs through 50 airlines and tells me what the best deals are, giving me prices on the non-stop, the one-stop, etc. That would be the kind of service that would allow a student to be able to compare a community college, a state university, and a private college. As a result, students would see that the high-priced private college can be less than the community college.

Thank you very much. I'm optimistic that net price calculators will help people plan better for college and will widen the choice of schools that they're interested in.

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**Elise Miller:** I've really enjoyed hearing from all my colleagues today. I'm going to talk specifically about the template that the Department of Education developed to help institutions in meeting the net price calculator requirements. But, going back to the *Higher Education Opportunity Act*, the net price calculator is just one piece of the consumer information that was laid out in the law that would, hopefully, help students make decisions about college. A number of these are reporting requirements, and a number are disclosure requirements. An easy way to tell the difference, going through the law, is to look for the words College Navigator. If it says, this must appear on College Navigator, that means we have to collect that data in order to make it appear on College Navigator. Some of the things we've heard referenced today, the average net price, the overall average for the institution, and net price by different income categories, are set out in the law.

There was also a requirement for a multi-year tuition calculator to be made available on College Navigator—that is there. There's also detailed information about student financial aid, such as breaking out federal loans from other loans and breaking out Pell Grants from other types of grants, as well as some information that extends beyond the typical first-time, full-time student cohort on Pell Grants. So there's a great deal more information on College Navigator for all institutions than there was prior to the law. The one thing that's still outstanding is college affordability and transparency lists, and those are due to be made available by July first of this year. We are on schedule to release those by then.

**Finally, the service that I would love to see is the kayak.com of tuition net price calculators ... that would allow a student to be able to compare a community college, a state university, and a private college.**

**But, going back to the *Higher Education Opportunity Act*, the net price calculator is just one piece of the consumer information that was laid out in the law that would, hopefully, help students make decisions about college.**

**So there's a great deal more information on College Navigator for all institutions than there was prior to the law. ... college affordability and transparency lists are due to be made available by July first of this year.**

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On the other side of things are disclosures, and the primary one under consumer information is the net price calculator. In not tacking it onto College Navigator, and, instead, saying that these must appear on the institution's website, was an acknowledgement by Congress that the only way the Department would be able to do this would be to have student-level information. As we know, the HEOA does not allow us to build a student unit record database, so, instead, the Department set out to develop a template that institutions could use to assist them in meeting this requirement. It was with the understanding that it was in the best interests of institutions to develop the most precise calculators they could, and, also with the understanding that the universe of institutions that are subject to this requirement is very diverse. If you look at the over 6,800 Title IV institutions, over 50 percent of them offer a highest level award that is less than a bachelor's degree. One in five only offer a one-year certificate, and another one in five only offer associate's degrees as their highest level. So you have to step outside of the traditional-institution thinking, because this calculator applies to all institutions, not just your typical institution.

**We brought together folks from the higher education community ... to come up with something that would work for institutions, or that they could build upon, and that would provide flexibility.**

We brought together folks from the higher education community, including financial aid administrators, institutional researchers, representatives from different associations that represent higher education groups, and Diane's colleague Matt Reed from TICAS, and one of your other panelists, Mary Sapp. We spent some time trying to come up with something that would work for institutions, or that they could build upon, and that would provide flexibility for institutions. Anything we put in that template, by law, would then have to be included in the institution's calculator. So, for instance, if we inserted some criteria for students to submit that might be related to merit aid, say SAT scores, well, there might be a beauty college that doesn't require SAT scores. If we put it in the template, it would have to be in the beauty school's net price calculator in the end.

**That template was developed and released to assist institutions. ... so if they want to use the calculator not as a starting point but build upon it, they have the code. The data tables behind it are also available.**

We took all that into consideration when we were moving forward. By setting a minimum set of elements, we wanted to allow institutions flexibility because we know that a lot of institutions award aid in different ways. That template was developed and released to assist institutions. We have also made the code available, so if they want to use the calculator not as a starting point but build upon it, they have the code. The data tables behind it are also available. To assist institutions, we did put data available on the EFC ranges, based on FAFSA data that the Department has. If institutions want to customize that, they could also use their own EFC data and still use our template.

That was the approach we took. One of the other things I'd like to say: we've had a couple of the panelists note that it would be nice if these were all in one place, and, currently, in front of OMB in the IPEDS submission on 'changes to IPEDS in the future data collections,' we are asking that the URL for net price calculators be collected as part of



IPEDS next year. So there's the possibility that we will have those all in one place in the future.

The other thing I'd like to note is, while it is not official Department guidance, there is a group called the National Postsecondary Education Cooperative that represents people from the higher education community: states, institutions, and national associations. They took a look at disclosure requirements in general, without specific regard to the net price calculator disclosure, and came up with a set of recommendations. Like others have said, the net price calculator might be hard to find—there's a bunch of other disclosures out there that institutions must meet that might also be hard to find. So they came up with a set of recommendations that might be applicable to the net price calculator as well. Those include a focus both on compliance and communication. In other words, don't just put something on the website and say, 'federal requirement to put net price calculator on our website,' check. Students will be more likely to find these disclosures if headings and titles reflect the content, rather than the federal mandate.

We've also encouraged institutions in terms of that report to develop a single web page on the institution's website that provides links to all the different consumer information, not just the net price calculator. That was another recommendation by the NPEC group. They suggested a three-click approach, that these disclosures and consumer information should be within three clicks of the homepage of the institution. Also, they recommend to use consumer-friendly labels and language wherever possible and to avoid institutional or technical jargon. Finally, use a common set of content titles. For instance, use 'refund policy,' rather than 'business office.' Be specific and informative in how you are labeling the pages.

Together with these best practice recommendations from the community itself, and the collection of URLs through IPEDS for potential use on College Navigator, net price calculators will be made more acceptable.

## ACCSFA Member Q & A

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**Kathleen Hoyer (ACCSFA Member):** Ms. Miller, you just talked a lot about flexibility for institutions. We heard from all of our panelists about the importance of accuracy in these calculators so that students and families can get really usable information about the cost of attending colleges. My question is, given the variety of institutions that are out there, their purposes and their missions and the types of students that they seek to serve, and given a variety of financial aid award practices, to what extent do you think it's possible and practical to have some kind of standardization across these tools?

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**Use consumer-friendly labels and language wherever possible and to avoid institutional or technical jargon. ... use a common set of content titles. For instance, use 'refund policy,' rather than 'business office.'**

**With regard to net price calculators and financial aid award letters, we need to be careful to make sure that any proposed standard, especially a mandatory standard, carefully addresses the needs of all colleges.**

**This is a perfect example of where we're not quite sure what the answer is about net price ... [Students] could live ... with their parents or wherever, and not add to their living costs ... on the other hand, it's obviously true that if you're going off to a residential college, you'd better think about all of the expenses that you're going to incur.**

**Mark Kantrowitz:** I'd like to address that question. There can be unintended consequences when a requirement is not specific to an institution. An example of this is in the issue of direct versus indirect costs. A school that is entirely commuter students doesn't have on-campus housing costs, and so there's some debate as to whether that should be included in direct versus indirect costs. In my report, I included it in the direct costs because most institutions aren't commuter only and in order to have an apples-to-apples comparison, you need to have a consistent definition of the cost of attendance. And one should be careful with regard to this—an example where unintended consequences can stem from a well-meaning requirement: the *Children's Online Privacy Protection Act* requires verifiable parental consent when a child under age 13 completes an online web form. With the Fastweb scholarship data base, in fact, all free scholarship databases, we do not allow children under age 13 to complete our scholarship search because the only way to verify that the parent has given consent is to ask for credit card information, and we're a free service. So that would be anathema to what we're all about and cause a lot of families to not use the service because they'd think they'd be paying for it. That's an example where a well-meaning regulation to protect children actually led to potential harm for the student. So with regard to net price calculators and financial aid award letters, we need to be careful to make sure that any proposed standard, especially a mandatory standard, carefully addresses the needs of all colleges. Which is why I think it's very important that the Department of Education, as mandated by Congress, solicit information and opinions from a very broad spectrum of institutions, so that all these concerns are raised and addressed.

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**Sandy Baum:** I wanted to pick up on this idea of living costs and the question of standardization. This is a perfect example of where we're not quite sure what the answer is about net price. One of the very important things to communicate to students is that they could live wherever they're currently living, with their parents or wherever, and not add to their living costs while going to college. Because if you include only as net price the thought of cost of attendance, then you're really going to discourage a lot of people. They are going to eat, even if they're not in school; on the other hand, it's obviously true that if you're going off to a residential college, you'd better think about all of the expenses that you're going to incur. Simplification is great, standardization is great, but if we oversimplify and over-standardize, we really risk limiting the way—I mean, we all know this in this room, it's very simple for us to think about that. It's not a simple concept for people to consider.

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**Allison Jones (ACSFA Chair):** Sandy, let me do a follow-up question to you and the rest of this group: you're talking about living expenses and the rest. I would be curious if any of you have given thought to the issue of student loan indebtedness in the net price calculator? One of my concerns over the years has been that students are limiting the majors and the professions into which they're going. Or, they go into professions where the debt service to the student loan is not going to be covered with their income. But I think what quite a lot of higher education educators

and others are concerned about in the labor force is that students are limiting their choice professionally because of the student loan indebtedness. I just wondered if any of you have given any thought to that?

Let me leave you with a second question as a follow-up to Elise: in terms of the recommendation of three clicks, why not on the home page of an institution? Why should a student have to go beyond the homepage?

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**Sandy Baum:** On the debt question, I hate to say everything is complicated, but our whole discussion of student debt is problematic because we either focus on the average or we focus on the extreme at one end of the distribution. The reality is, we have to provide students with better information and a better means of making decisions, and not encourage them to borrow \$33,000 to make it look as though college is free. That said, knowing what the average student who graduates from this college looks like, or the average student who borrows, is not really going to help provide the warning for the student who's thinking of borrowing the whole thing, or is it something that's necessary? In other words, in terms of the kinds of information that Mark suggested, 'these are the loans,' or 'these are the differences in the loans'—I mean, we need to provide more information about the dangers of over-borrowing and the options. Some schools should have on their website a warning that says, 'if you figure out based on the net price that you're only going to be able to do this by borrowing \$50,000 a year, think again, go to a different website, check out a different school.' I don't know how we're going to get schools to do that. We're going to have to think long and hard about a simple message to students.

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**Diane Cheng:** Can I answer the loans question? Following up on what Sandy said, we do think that loans and earning and other types of financing for education are important for students to know about. Particularly, they should know that loans and work-study programs are available to help them cover the parts of the cost of attendance that are not currently covered by grants and scholarships. However, it is important for them to know the differences among types of loans. I'm not sure exactly what figure they would need to see, an average debt of borrowers from that institution, or a type of warning, as Sandy mentioned, but at the very least, the net price calculators, and, especially, the award letters, need to make clear the important distinctions among types of loans. Students need to make sure they maximize their federal loan eligibility first, because those are the safest options with the most consumer protections and repayment plans, including income-based repayment and public service loan forgiveness. Beyond having that information in the calculators and award letters, they need to have counselors, either on the high school or college levels, make sure that students are taking out the maximum they can in federal loans before they consider alternative loans, such as private and institutional loans. And, of course, we should try to limit the amount of loans included in estimates and in packaging to a reasonable amount that students would be able to repay.

**The reality is, we have to provide students with better information and a better means of making decisions, and not encourage them to borrow \$33,000 to make it look as though college is free.**

**[Students] should know that loans and work-study programs are available ... net price calculators, and, especially, the award letters, need to make clear the important distinctions among types of loans.**

**Beyond having that information in the calculators and award letters, [students need] to have counselors, either on the high school or college levels, make sure that students are taking out the maximum they can in federal loans before they consider alternative loans.**

**Your debt at graduation should not exceed your expected starting salary ... someone who's pursuing a degree in art, history, or sociology is less capable of repaying debt than someone in STEM fields, nursing, or in similar high-paying professions.**

**Over the next year ... the out-of-pocket cost for low-income students is going to skyrocket because of state cut-backs and ... decreases in funding for state grants, and because of the very real prospect that the Pell Grant may get cut.**

**Mark Kantrowitz:** I think that students are already limiting their majors and their career choices based on the actual debt and the prospect of debt. There was a study out of Princeton University a few years ago that showed for every \$10,000 of additional debt, students were five to six percent less likely to pursue a public service career. This was one of the motivations for the public service loan forgiveness, to remove debt as a disincentive to pursuing a career in public service. There've been, over the last year or so, about a dozen stories about individual students who graduated from particular well-known institutions who had six-figure debt and were in trouble. They were majoring in fields such as religious studies or theater or similar low-paying professions. I, myself, routinely say that your debt at graduation should not exceed your expected starting salary, which means that someone who's pursuing a degree in art, history, or sociology is less capable of repaying debt than someone in STEM fields, nursing, or in similar high-paying professions. So it already has an impact; unfortunately, in many cases, it doesn't have enough of an impact. We have students who are pursuing their dreams, but are not thinking about how they're going to pay the rent, let alone repay their student loans. And what I typically tell a student who's going into art is, pick up an additional skill like webpage design, which you can use to pay the rent while you pursue your dream. I think that this is a question that's going to become increasingly important over the next few years. In fact, over the next year, when we have need-based grants not keeping pace with increases in college costs to a much greater extent than before, the out-of-pocket cost for low-income students is going to skyrocket because of state cut-backs in support of higher education, because of decreases in funding for state grants, and because of the very real prospect that the Pell Grant may get cut.

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**Anthony Guida (ACSFA Member):** This is actually a good time for my question because it's a follow-up on what you had talked about, Mark. And that is, how students will use the information because, ultimately, there's going to be a balancing between the kinds of information that we need to make available to the students and the ability to get to a template-type document so that students can do some comparisons. I'll start with Ms. Cheng: thank you very much for the report that you put together. I thought it was very helpful; I was reading it as we were going along. One of the statements that you recommend is that colleges should make the results from the net price calculators easy for prospective students and their families to understand and compare. Those are both kind of relative terms. From a comparison perspective, and this is for the whole panel, based on the way students are determining which colleges to go to, and even how they go about searching for colleges, what are the most important elements that need to be apples-to-apples for a student to do a comparison across public/private, community colleges—what kind of information is necessary, if it's possible to narrow the list of information that we think is most critical for students, to be able to do comparison shopping?

**Diane Cheng:** As I mentioned earlier, the most important information that they need to have is the net price. The net price calculators and their results should clearly communicate that that is the most important figure students need to see. If all colleges highlight a figure that only subtracts grants and scholarships from the cost of attendance, then it will be easier for students to be able to compare. A lot of colleges are including estimates of self-help aid in the form of loans and student earnings, which is not inherently a bad thing, it's good for students to know those options are available. However, if a final figure at the bottom of the page that subtracts self-help is highlighted in a brighter color as it is in one of the examples in our report—it does lead to challenges with comparability, as students may think that is the net price, when it's only the costs that they will have to pay upfront after subtracting some estimate of loans they'll have to take out. There are some inherent challenges to comparability. As Kathleen mentioned, there's a great variation in the types of colleges out there, the ways that they package financial aid, whether they have institutional aid, whether they do merit aid. Those challenges to comparability—I don't know if we have a standard way that we can address them, if there's a way we can have a standard net price calculator that uses the same, exact inputs for every college in the United States? But given that limitation, at least having colleges highlight the net price figure and clearly delineate grant aid from self-help funds, that is a step in the right direction and will make a big difference in helping students both understand college affordability and compare their net price across different schools.

**Having colleges highlight the net price figure and clearly delineate grant aid from self-help funds is a step in the right direction in helping students both understand college affordability and compare their net price across different schools.**

**Lucie Lapovsky:** Let me just add one thing to that. As Sandy mentioned, the question of what is your starting price and whether living costs are in there or not—in much of the data we show on tuition discounting, we just use the tuition price. So, the most comparable data would be the net price, attaching to the tuition and mandatory charges a big note saying, 'to this you need to add whatever your living costs are, whether they're room and board or costs from living at home or your own apartment.'

**The most comparable data would be the tuition and mandatory charges ... [and] a big note saying, 'to this you need to add whatever your living costs are, whether they're room and board or costs from living at home or your own apartment.'**

**Elise Miller:** There are a minimum set of elements that all the net price calculators are required to have on the output screen, based on the template. That does include the total cost of attendance, tuition and fees, and each of these things broken out separately: room and board, books and supplies, other personal expenses, and transportation, total grant aid, and the estimated net price. Net price is specifically defined as the cost of attendance minus grant aid, and loans are not even part of that definition. Those are the minimum set of things that they must have.

**What we're headed toward is that the net price calculator is a step in the direction of an affordability index: a single number that tells the family whether they can afford this school on an out-of-pocket cost basis. The families seem to be ripe for this.**

**We have to be concerned that these calculators, in some cases, may be used more as marketing tools than to provide families realistic information about whether or not they can afford college costs.**

**Mark Kantrowitz:** Getting at the heart of what I think you were asking, which is 'what is the impact going to be?', we can look at the inclusion of graduation rates on the FAFSA and College Navigator websites as an example of how this can potentially affect families. Fastweb conducts an annual tracking survey called the college decision impact survey, which asks criteria that people use to decide which college they're going to apply to and which college they actually accept. What we've seen is that when the Department of Education put the graduation rates on the FAFSA and also on the College Navigator websites, graduation moved from somewhere below 15 in terms of criteria to number five. It raised it in prominence, so it does have an impact on not just what the parents say that they consider and what the students say they consider, but on their actual decision practices.

I've been an advocate for the Department to take the loan repayment rates that they've been generating and put that also on the two websites. The Associated Press even pointed to the spreadsheet, suggesting that families take a look at this information in addition to graduation rates. What we're headed toward is that the net price calculator is a step in the direction of an affordability index: a single number that tells the family whether they can afford this school on an out-of-pocket cost basis. The families seem to be ripe for this.

Our most recent survey (we're still analyzing the data) shows a trend toward increasing focus by families on 'what is the return on investment' from their education and 'what is the out-of-pocket cost,' not the sticker price. They seem to be focusing more and more on that each year.

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**Anthony Guida (ACSFA Member):** Just to rephrase my question, and I think it's been answered in part: I was trying to figure out, based on the way the net calculator has been proposed, what changes—because ultimately I think that's what we're going to want to do here—what changes do we recommend to get it to a point where, as TICAS has said, prospective students and their families will be able to understand the results and then be able to compare it?

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**Mark Kantrowitz:** It needs to add some information about the prominence of that net price figure. As several of the panelists have said, there can be confusing information, distracting information, because the standard is for a minimum set of information and there are not any standards on how that information should be displayed. The intent of the law is that the net price be displayed prominently. As TICAS and Diane demonstrated, it isn't always the most prominent information on the output. And we have to be concerned that these calculators, in some cases, may be used more as marketing tools than to provide families realistic information about whether or not they can afford college costs.

**Sandy Baum:** I think they really need to have the sources of grant aid broken down. Because, for example, you could be in a certain income category—not everybody in an income category gets a Pell Grant. It's going to be really hard to sort out. The knowledge that a Pell Grant goes with you, and the knowledge that some schools give you money that you wouldn't get if you went to another school is really important. And even that statement, 'this is aid, this is yours, you can take it wherever you want,' or 'this is what this institution is doing to make its own net price lower' is really important.

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**David Gruen (ACSFA Member):** As you can see, we have a concern about standardization, and I'm really concerned that we don't go off the deep end and have standardization set by the federal government that lock-steps us into certain things. We've tossed this around, you've all made suggestions, but how do we get to that point where we all can agree that these are the elements that we need, be they ten, twenty, or thirty? The more elements you have, the better accuracy you're going to have. But where does that point end?

And then to add to the complication, we were talking last night about this afternoon's session on nontraditional students, and Dr. Benjamin said, 'well the nontraditional appears to be the traditional these days.' The costs of our nontraditional students, in many cases, are different than our traditional students. The net price calculator's looking mostly at the traditional students, unless you can fine tune it enough to look at different criteria to separate out the nontraditional students.

My third statement, with my old counseling hat on, is I know we're concentrating in this economic climate on the costs, but let's not forget the fit of the student to the school. I know that our discussion today is costs only, but we sometimes are eclipsing the fact that the student has to fit well into the school and the program they're looking at. And so I just toss those out there; I don't know if there's a question in there, but I thank you for your comments.

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**John McNamara (ACSFA Member):** I'm the oldest on the Advisory Committee, but the one with the least amount of experience in education. I think the net price calculator will be, ultimately, an extremely important part of the issue in helping students get access. I'm particularly concerned about access. I live in an inner city neighborhood that is 80 percent rental. There is no optimism there that those students can go to college. I take your points, Sandy, that's one part of it. While we're looking at this, we really need to—somehow, through the Department of Education or all of us, I suppose in any way we can, whether it's our neighborhood association or community center—we have to go much earlier in the process, or we'll never address the issue of access. Many of our students are without hope, and they need early encouragement and early awareness. If not, then we need to change a lot of things because the traditional students today—I agree with Helen completely and with what David is saying—is that they're more likely to—I don't know

**The knowledge that a Pell Grant goes with you, and the knowledge that some schools give you money that you wouldn't get if you went to another school is really important.**

**Let's not forget the fit of the student to the school. I know that our discussion today is costs only, but we sometimes are eclipsing the fact that the student has to fit well into the school and the program they're looking at.**

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of any students at Rockford College who don't work. And they've been working all through high school, as a matter of fact, and in pretty significant amounts.

I'm a veteran, but I get a little sick and tired of seeing, 'be all you can be,' from the Department of Defense and the three major armed forces. I think the Department of Education ought to use, 'be all you can be,' and start publicizing at every sporting event and everywhere else the fact that you can go to college and how important an investment that is in time, energy, and dollars to your country and to you as a person. This is terrific, but, as you said, Sandy, it's later on in the process for most of the students, because by the time they reach that sophomore, junior, senior year in high school—if they do—this is a non-issue. If we're going to increase the percentage of all of us as Americans with four-year degrees, it's not going to happen with the net price calculator. We're going to need to make it more simple, more accurate, more honest for those who are already going to go to college.

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**Kathleen Hoyer (ACSFA Member):** Thank you so much, both to the panelists and the Committee members, for some wonderful comments and insights. That will end this part of session one.

## **Panel II Transcript: Practitioners**

**Kathleen Hoyer (ACSFA Member):** Welcome back. We will now continue our discussion of net price calculators by hearing from six knowledgeable higher education practitioners:

- **Thomas Babel**, Vice President of Regulatory Affairs at DeVry, Incorporated
- **Youlonda Copeland-Morgan**, Associate Vice President for Enrollment Management at Syracuse University
- **Dan Davenport**, Director of Student Financial Aid Services at the University of Idaho
- **Melissa Gregory**, Director of Student Financial Aid at Montgomery College
- **Dan Mann**, Director of Student Financial Aid at University of Illinois at Urbana-Champaign
- **Mary Sapp**, Assistant Vice President of Planning, Institutional Research & Assessment at the University of Miami.

Before the break, we heard the perspectives of four distinguished researchers and policy analysts. We heard a lot of areas of agreement and a few areas of disagreement about the issues associated with the design and use of net price calculators. Now, our knowledgeable practitioners, who come from all sectors of higher education, will explore these issues in further detail. So let's think about the first question. And the first question deals with the types of data that students and parents need about college expenses and financial aid, and the times at which they need these data. We heard a lot of discussion earlier in the morning about this question, about what types of information students need and when they need it. We heard a lot of agreement on the fact that the data needs for these students differ based on where they are in the process. But I'd like to open it up: is there any additional information that anyone on this particular panel would like to share about when students and parents need information about college expenses, the types of data that they need, and when they need these data?



**Melissa Gregory:** Montgomery College is a community college; about 37,000 credit students are in the Washington metropolitan area. In community colleges, we're really on the forefront in outreach, and outreach to younger and younger students. It's not unusual for us to go out to both elementary and middle schools beyond our traditional high school outreach. We talk a lot to parents of younger students about college planning, but we're very basic when we discuss it with them. So something like the net price calculator may have a use, to give them a general idea, but when you're dealing with families who might not be sending their child to college for five, six, seven years, we tend to keep it very, very simple with discussions of processes and the deadlines. Cost is going to be very difficult to predict and talk about, even what's going to be available in terms of financial aid, when you're speaking with the parents of seventh graders. There's good information we can give to those families, but trying to be a little more specific about costs is difficult. Of course, it's one of their number one questions: what's this going to cost? How am I going to pay for this? How is my 529 plan going to come into play with whatever school I'm going to go to? We have to keep it very general. You don't want to discourage people, but you don't want to overpromise, especially with parents of younger kids.

**Cost is going to be very difficult to predict and talk about ... when you're speaking with the parents of seventh graders ... You don't want to discourage people, but you don't want to overpromise, especially with parents of younger kids.**

**Mary Sapp:** I'd like to second something that Sandy Baum said about the fact that some students, when they get into college, can barely afford that first year. Part of the reason I mention this is because of the retention and persistence issue. Sometimes there's a tendency to focus on access and choice, and less so on retention, but if a student can barely afford the first year, the second year will be even harder because it's customary for us to raise our tuition and other fees associated with attending college. And that means it's going to be more difficult for them to be able to meet that increase. Even if financial aid goes up at the same percentage, unless it covers all the costs, there will be a gap that increases from one year to the other.

**Sometimes there's a tendency to focus on access and choice, and less so on retention ... I think one of the pieces of information that should be pointed out early on is the fact that costs tend to escalate faster than aid, over time, at the institution.**

I'm Mary Sapp, by the way, at the University of Miami, and I deal with institutional research, including surveying and interviewing students who drop out at the institution. It's a real shame to hear students who drop out who wanted to get a degree from my institution, and, yet, did not anticipate that over the four years, those extra costs would really add up and not allow them to attend. So one of the things institutions may wish to consider is awarding less aid the first year so that there's more aid available to offset increases in tuition in later years. I think one of the pieces of information that should be pointed out early on is the fact that costs tend to escalate faster than aid, over time, at the institution.

**The net price calculator is more valuable to middle-income and upper income families than it will be to lower income families ... [who] don't have the social capital and ... financial knowledge, that's needed to really understand all that we're trying to do.**

**First and foremost, [students] need reliable, accurate information. Estimates are good, but they have to reflect reality.**

**The net price calculator can't be the one tool that solves every problem ... Early, reliable, accurate data is important, and financial literacy training as early as middle school is extremely important.**

**Youlonda Copeland-Morgan:** I sit in the role of enrollment management. I'll just jump right into this: I think that the net price calculator is going to be more valuable to middle-income and upper income families than it will be to lower income families. That's because lower income families, first-generation students, and under-represented students don't have the social capital and the knowledge, the financial knowledge, that's needed to really understand all that we're trying to do. That said, I think the idea of a net price calculator can be a positive tool in these students' arsenal of goods, if you will. There're a lot of difficulties and current complexities in trying to get it right.

And that leads me to the question of what do students need? First and foremost, they need reliable, accurate information. Estimates are good, but they have to reflect reality. I think a lot of the feedback you're going to get about the net price calculators is, 'how do we strike that balance between getting an estimate, but having that reflect reality'? I just went through the process of buying a home in the state of New York. I had an estimate that I thought was a good estimate. When the reality hit about all the different taxes in New York that I'd never heard about, it was quite disappointing, and, at times, I was very angry that no one told me about the uniqueness of buying property in New York. I think our students will feel the same way, and that's based upon experience, not based on what we think might happen. We experience this when we go through the verification process with students, where we receive slightly inaccurate information and it has an enormous impact on their Pell Grant eligibility, their federal work-study, institutional grant, and so on and so forth.

The idea of a net price calculator is a good one, and, in fact, it's been around in our minds for a long time, right? Many of us would give workshops, would stand before students and demonstrate how increasing costs or different costs at different institutions don't necessarily prevent you from affording that institution. We talked about the stable EFC, and how your financial aid eligibility increases, and, as a result of that, the amount of financial aid you're offered, hopefully, will increase as well. So that's not a new concept to us. But this information needs to be accurate, it needs to be reliable, it needs to be consistent, and parents and students need to be able to depend upon what it is that we put on our website.

Secondly, like Sandy mentioned, I think that the net price calculator can't be the one tool that solves every problem. Because one of the biggest barriers that students face—it's not only that they don't get enough information—they need financial literacy training. To take sixteen, seventeen, and eighteen year olds and expect them to understand—they know what a loan is, but they don't know what promissory notes are, capitalization, deferment, forbearances, and these sorts of things. We know there have been a number of national surveys that have been done that said over 64 percent of high school students and

a similar number of college students don't feel that they have the financial knowledge to accurately or effectively manage their financial futures. Early outreach, we've got to continue pouring into this.

I have to share this with you and end my comments: one of the programs that I began when I started at Syracuse University is called I Otto Know This (Otto is our dear mascot), which is a financial literacy program. What we did was send letters, with the approval of my chancellor, to many of our low-income students, and said to them, we think you've made some decisions that are going to impair your ability to graduate from Syracuse University. So we've got a deal for you: we're going to buy back the expensive private loans you've taken out to the tune of \$1.8 million, and we're going to give you an equivalent amount of grant to replace that. In exchange, you have to agree to come to a financial literacy workshop once each semester for two hours. We knew that if we got them into the workshop—and nobody turned down that deal—what we were really after was building a relationship, so that they could engage in ongoing educational training. We knew that once they had a knowledgeable person in front of them that could help mentor them through the process, that they would build a relationship that was necessary to make sure that they not only had access to the institution, but that they would graduate from the institution. I think early, reliable, accurate data is important, and financial literacy training as early as middle school is extremely important.

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**Dan Mann:** I generally agree with almost everything that Youlonda just said. We have had a financial aid estimator on our financial aid website for three years now. It's a totally anonymous tool, so we don't really capture any information about who's actually using it, but based on phone calls and conversations we've had with students and parents, we tend to believe it is upper-middle-income and higher income students and families who are using it. We tend to believe that our neediest students and their families, especially first-generation students, are not using it.

One of the questions we were asked was, 'what do we think is the value for sixth graders,' and I really think that sixth graders do not have the financial competence to understand the complexities of the financial aid programs and processes. We need to be doing our early awareness, but the message needs to be very simple: college is affordable. And we need to focus on academic preparation. I think that is the message we need to go over and over again, especially trying to emphasize what coursework you need to be taking to go to college. Obviously, the closer the student and family get to actually enrolling at a university, the more important this cost information becomes as they try to make this investment in their future.

My office is, hopefully, generating financial aid award letters to our new freshman students today as I'm sitting here. But we are doing so without actually knowing what the costs are going to be for this fall. So we're five months away from classes starting and can't tell our prospective

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students and families exactly what it's going to cost to go to school. That's where the rub lies in trying to do all these things. We agree with the spirit of what we're trying to do, we want to make sure our students and families are well informed, that they're good consumers, and that we're trying to be good stewards by providing good information to them, but we don't always have that information available. We do believe there should be some relationship between the information that they're getting on the net price calculator and their award letters, but I see the net price calculator as a tool, whereas the financial aid award letter is what's really happening to that student and family.

**We do believe there should be some relationship ... but I see the net price calculator as a tool, whereas the financial aid award letter is what's really happening to that student and family.**

**But as we get into a student's decision to enroll ... There are a number of other factors that will come into play ... Then, cost, itself, becomes that final go/no go decision.**

**Cost is a part of value; what we need to have our students understand is value ... I don't think net price calculators, or even award letters, help us stress value and what students are going to get from that value.**

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**Thomas Babel:** I would certainly agree with the need for early awareness about college availability—being able to go to a website and map some sort of path—and I would also agree that getting into financing is probably a little too detailed at that point in time. But as we get into a student's decision to enroll at DeVry University, it is much less about the cost or even the price of DeVry University which affects that decision. There are a number of other factors that will come into play: the programs, the convenience of the programs, the employment rate upon graduating, the earnings you're going to make, and, ultimately, licensure and success rates with any programs leading to such. And then, cost, itself, becomes that final go/no go decision. Our students are looking specifically at DeVry; they don't typically shop DeVry against other schools—a few do, but generally not that many. So they're looking at costs, and, again, they're not looking necessarily at the price—the tuition price, the sticker price, or even an adjusted tuition price—but how will I pay what I have to pay. So they're looking at the components of that cost. As we look at the net price calculator for our students, the question of value really drives to the specificity of the information we give them, and then, ultimately, the reconciliation of that information to what is either in their financial aid award letter or what shows on their first billing statement.

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**Dan Davenport:** Idaho's a state where we have a very high high school graduation rate, and a very low going to college rate, one of the lowest in the nation. So it's a struggle that we have. But one thing I think is important, and we need to stress that before costs, and that's value. Cost is a part of value; what we need to have our students understand is value. I think that has to come before cost. Cost has to be part of the net price calculator. But I don't think the net price calculator, or even award letters, help us stress value and what students are going to get from that value. So if they find value, can we find ways to show them what costs are? Can we find ways to show them ways to pay for college? But we can't forget the piece on value.

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**Kathleen Hoyer (ACSEFA Member):** Thank you very much. And, Dr. Davenport, you just mentioned award letters, which brings us to our second question. We talked a little bit about this in the first panel, about financial aid award letters, and we spoke about their variability and some of the challenges and positive aspects associated with them. But I'd like

for you all, please, to speak with us about what lessons can be drawn from the history and current status of financial aid award letters? Also please pay specific attention to, in practice, do financial aid award letters meet the needs of students and parents? If not, what are their major shortcomings from a student and parent perspective? And also, what improvements can be made to award letters, and are these improvements likely to be made?

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**Thomas Babel:** I'll be glad to jump on this. I'm a little confused about the award letter process and the reference to 'award letter' in this question. I say that because in our research and analysis of our first year students, we found that we issued, over the years, somewhere between seven and eight award letters. We continually repackage that student based on new information coming in or registration changes. So there is never a static award letter that a student could put their hand on and rely on, 'this is what I'm going to have to pay for that year,' or 'this is the financial aid that I'm going to get for that year.' Like most colleges, we've evolved to a portal concept that essentially provides a status of the financing at a particular point in time.

We replaced the initial financial aid award letter, at least in terms of utility for prospective students, with an advising workshop. The student is scheduled for a workshop before they enroll—this is our process for all students; although not all follow-through. In the workshop, the prospective student and supporting family members meet with a financial aid advisor and review potential transfer credits, the number of hours that they plan to enroll, and the resources they have to pay for their education. From that, we establish a budget tailored to the individual student. That budget starts with the expected direct costs (tuition and books). If there are additional indirect costs that the student needs help with, those will be added in as a cost that needs to be covered with financial assistance. Then, any outside resources, such as state grants that the student knows they will receive, outside scholarships, institutional scholarships (some of which they can apply for and become eligible for during this process), and then federal financial aid are added to the budget. So, we have for that student a financing plan to which, ultimately, we reconcile to the financial aid awards and the student's actual charges which they incur.

We have found that the financing plans established in these sessions are actually what the student is most reliant on. The financial aid award letter process then becomes a reconciliation with that financing plan; for example, if the student changes their enrollment status, then an explanation is provided about why costs might differ and why financial aid might differ from the plan. When we look at the potential of using a net price calculator, we have found from some of our early student feedback is the advising worksheet that we built is the thing of most value to the students. If we put something else on top of that, if it's inconsistent with the advising, it has no value and effect. It probably has potential to create some issues for us in servicing our students.

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**We need to find a way for students to plan on a different room and board cost that meets their needs. We need to find ways to identify costs by major or different academic areas. And then we need to talk about what the financing options are because that's really what students are asking.**

**Dan Davenport:** I would agree with Tom. I would ask the question with the award letters, are we putting band aids on a current process, when we really should be developing a new process? Which, I would also say, is really a financing plan. If you think about the way colleges are structured now, costs—they vary by major, they vary by class, you don't know what class fees are there. As Dan said, we sometimes don't even know what our cost is. So to me, it's like having a baseball game and we get the baseball team out there and, say we're going to start at two o'clock. We want you to go ahead and start the baseball game, but we're not going to deliver the bats until four o'clock. But go ahead and start at two o'clock. And then we come in later because we don't know what some of the funding will be, and we say we're going to deliver the balls at five o'clock. And, by the way, we're going to evaluate you based on how many runs you've scored by four o'clock.

It's totally confusing to students as far as costs are concerned. We need to find a way for students to plan on a different room and board cost that meets their needs. We need to find ways to identify costs by major or different academic areas. And then we need to talk about what the financing options are because that's really what students are asking. I don't know how many times I've done an orientation workshop, and I've given the cost of attendance to a parent and the parent says, 'ok, your cost is \$18,000, so I need to write a check for \$18,000, right?' As you know, that includes room and board, that includes personal expenses, transportation—they don't write a check for \$18,000. But they don't understand that part.

**Then we need to move it from a one-year plan to a degree-completion plan. ... We have to move away from the award letter process to a finance plan process, and away from the one-year process to a financing plan for the degree goal a student has in mind.**

Then we need to help them identify options in that financing plan that include resources from different areas: federal, state, institutional, personal resources, summer earnings, help from grandmother, help from parents. With technology today, they can play with this type of financing plan and look at different options: 'if my parents gave me \$2,000 does that fill in the gaps of what my costs are going to be?'

Then we need to move it from a one-year plan to a degree-completion plan. Youlonda just said she went to buy a house. I say that financial aid is like going to buy a house: you go in and talk to your banker, you say, 'I'd like to buy a house with a 30-year mortgage.' The banker says, 'yes, you can have a 30-year mortgage, you can have the money to buy your house, but you have to come back one year later and I'll tell you whether I'm going to give you the money for the next year.' You wouldn't buy a house that way, but that's how we fund students going to college. We say, 'we're going to give you a four-year degree; you're coming for a four-year degree. We're going to give you resources to help you the first year, but you've got to come back the second year and ask whether we'll give you enough to complete the second year.' Or the third year. Or the fourth year. We have to move away from the award letter process to a finance plan process, and away from the one-year process to a financing plan for whatever degree goal a student has in mind.

**Youlonda Copeland-Morgan:** I'm going to offer a different perspective from my colleagues. The financial aid award letter is a very important tool, regardless of what you call it. We know it to be a financial aid award letter. Because it comes at a point in time when students are making real decisions about their lives, it comes at a point in time when we have more control over our processes. I agree with my colleagues that it's just the nature of the way institutions work that most boards don't approve cost until the spring board meeting. For state institutions, that might be even later because costs get tied up in budget discussions and deliberations. But some of our institutions can depend every spring on those costs being finalized, although the costs vary, as Dan said, based upon what your program of study is. There could be additional fees, if you're a visual performing arts major versus another major.

I think it's important that students have, again, clear and accurate data about what they're eligible for. The problem that a lot of institutions face is they have very heavy workloads and lack the resources necessary to get through the increasing volumes of financial aid applications they're receiving from students. It's tough, but we make it. On average, we don't have eight financial aid award letters, we have two financial aid award letters that our students receive. However, we put very strict controls on the front end of the process, and a very aggressive follow-up campaign to students to say, 'we've got your FAFSA, we've got your institutional application. We see some inaccurate information, and we cannot provide you an award letter other than an estimate of your federal and state aid without having these other documents that would meet our institutional requirements for determining eligibility.'

We sit in a different place, so I think it's important that you have these different perspectives. From a \$400 million financial aid budget, nearly 200 million of my dollars, all grant dollars, come from Syracuse University. We have a huge investment in our financial aid programs. We have the fourth largest number of Pell Grant recipients among our AAU colleagues. That's because our chancellor and board of trustees have a stated goal of increasing the number of Pell Grant recipients that we enroll and we graduate. It's important for special populations, such as Pell Grant students, to know that they're going to graduate with 25 percent fewer loans than their peers who are not Pell Grant recipients. It's important for students in the Syracuse city schools to know that we commit a full scholarship to cover their tuition, their fees, their books, and their supplies if they spent three years in a Syracuse city school and graduate from that school. It's important for the students from the Haudenosaunee nation to know that we cover 100 percent of their costs with grants and scholarships from the institution: \$52,000.

One of my concerns, in fact, with the net price calculator is that the commitment to these populations skews tremendously the average and the median of our scholarships, and whether publishing any data including these populations will serve the average student well if they fall under our normal financial aid policies. I think that I would agree with Dan that the concept of finding out what you're eligible for in

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**While I think it's hard to standardize them because of limitations that institutions have ... I think that there is a set of information that we could agree upon that needs to be on a financial aid award letter. ... today's financial aid award letters for those that demonstrate best practices in financial aid probably look more like a net price calculator outcome.**

financial aid to pay for college costs for one year at a time is problematic, particularly when we know that there's an intergenerational transfer of poverty. Students and families don't get rich overnight. For the most part, if we weren't prohibited by regulation, we could predict accurately for many of our families that their financial aid would be stable and make those kinds of commitments outside of things we can't control, such as budget debates.

I do want to say this about financial aid award letters: while I think it's hard to standardize them because of limitations that institutions have, such as what their systems will do (whether those are home-grown systems or dependent upon an external vendor), I think that there is a set of information that we could agree upon that needs to be on a financial aid award letter. I would say today's financial aid award letters for those that demonstrate best practices in financial aid probably look more like a net price calculator outcome, in that they do demonstrate the cost that the student will pay, maybe estimated costs because they've not been approved. They do demonstrate grants and scholarships that students will receive. They do clearly demonstrate loan and work-study opportunities that are available to the students.

But I would echo again what Sandy said, I believe, earlier, and that is, it's important for students to know from where their financial aid funds derive: what's coming from the state, what's coming from the federal government, and what's coming from the institution, so they understand which funds are portable as they're looking to compare their financial aid award to others. I think it is an important tool, and you can call it a financial plan, whatever you call it, but I think we do have a responsibility to make sure that students have clear and accurate data when they're applying to our institution as transfer students or in the senior year of high school. I'm more confident about our ability to do that than I am about giving them a realistic picture of costs through the net price calculator.

**Many of us are not sending out paper letters with information, but doing it online. It's important to encourage institutions to leverage the ability of the web to do things that a piece of paper just can't do.**

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**Mary Sapp:** Just a couple of quick points. One is to echo what Tom said about the fact that, nowadays, many of us are not sending out paper letters with information, but doing it online. It's important to encourage institutions to leverage the ability of the web to do things that a piece of paper just can't do. You can have links to other information, and, better yet, you can have mouse-overs (where the mouse hovers over a term and a pop-up of the definition comes up). The kinds of things Youlonda was talking about with the types of aid, that could be made clearer. It's easier to do in an online system where you can manipulate it a little bit more conditionally.

The other thing relates to the comments that Elise made about the NPEC proposals. If anyone is interested, I have the NPEC document here. But that proposal also dealt with the web environment and the issue of where consumer information is placed, including the net price calculator. Most of the rest of us, for financial aid awards, have a portal where a student



has to sign in. So instead of thinking paper-oriented, try to encourage people to think more web-oriented.

**Melissa Gregory:** One of the challenges for a community college—and we’ve learned this through award letters with cost of attendance and now by looking at the net price calculator—many are just awarding Pell, some award loans, some still do not award loans. There are some who don’t participate in the loan programs. And you may have state aid, but state aid is going down so quickly. We just found out, in Maryland, that for new students receiving our state grants next year, they’re estimating they can get up to an EFC of \$2,500 or below. Two years ago, it was \$10,000. So that makes it very difficult to estimate aid. And looking at other community colleges, pretty much we’re talking about Pell Grant. We may have some institutional money, but that changes. I don’t know what my institutional money will be for next year exactly; the County just told us they’re cutting our budget by \$7 million. So how much is that going to impact what I have to give out next year? Not the same as last year.

We don’t want to scare students away because they look at that cost of attendance, and I know and I can tell you, there are direct costs in there and indirect costs. So there’s room and board, but, no, I’m not charging you for room and board. So, Dan, when you talk about parents saying, ‘I’ve got to write you a check for \$18,000,’ well, have the parent come in and look at you and say, ‘it costs \$13,000 to go to community college, that’s ridiculous!’ Well, no, it doesn’t. That’s not what it costs for tuition, fees, books, your direct costs. But that’s a component of a cost of attendance budget, and that’s what you have to explain very carefully with the award letter.

Same thing with the net price calculator. So our enrollment manager looked at it and immediately assumed, ‘we’re just going to put tuition, fees, and books on there.’ ‘Well, no, we’re going to have more than that, we have to.’ ‘Well, how are we going to explain to people that it doesn’t cost that much to go to our school—they’re going to be scared away.’ We’re going to have to make sure we put information out there.

And the other challenge of course, is that students don’t read the award letters. I’m lucky that some of the parents read the award letters. I’ve been chastised twice in just the last couple of months by parents telling me, ‘you can’t expect kids to read all this fine print.’ And we do go online and we do use the mouse so that they can highlight terms and have their online award letter and they can see everything. We don’t send an award letter out until they’re verified. So they’re done when we send it out. We can’t run the risk of doing it otherwise because they will come in and say, ‘you told me I was going to get this amount of money, and now you took it away.’ ‘Well, no, ma’am, you forgot to report \$90,000 of your income.’ ‘Well, it’s not my fault you didn’t catch that faster.’

We have to be very careful what we put out and when we put it out. We’re dealing with a population that tends to apply very late. They find

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**Everyone's talked about comparability, but it does no good to compare inaccurate data. So the important thing is that we as institutions make sure our calculators provide the best estimates possible.**

**We've talked about how these calculators could provide a lot of really great information to students and families. And they could suffer from a lot of the same challenges that you've highlighted in the financial aid award letters.**

**You don't want to restrict the inputs. You want to allow us to modify the inputs to reflect information that we use when we're calculating grants.**

out May 1 they can't afford the four-year school they want to go to. And then eventually, maybe June, July, or August, they come our way. So it's a much later process, and we have limited funds to cover them. I love the idea of a financial plan and doing more one-on-one counseling. That's difficult with community colleges these days. You've heard what's happening. For 2010-11, we've already hit 24,000 financial aid applications, and I have ten financial aid counselors spread out over three campuses. So one-on-one probably isn't going to happen for a lot of students. Lots of workshops, lots of groups, lots of information on the web, but we do have challenges. And what we've learned from the award letter process will carry over into what we do with the net price calculator.

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**Kathleen Hoyer (ACSFA Member):** If you don't mind, I think it's a really great time to move on to speaking a little more in depth about the net price calculators. We've talked a little bit about them in passing, but I think it's good to focus in on them. We've talked about how these calculators could provide a lot of really great information to students and families. And they could suffer from a lot of the same challenges that you've highlighted in the financial aid award letters. So I'd like to have a discussion about whether or not net price calculators can provide students and parents the data they need to make informed decisions? How will the net price calculators relate to these financial aid award letters or these financial plans, in terms of both content and form? Will net price calculators likely suffer from the same shortcomings that the financial aid award letters suffer from? And are there any other unique shortcomings that net price calculators are likely to suffer from?

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**Mary Sapp:** The biggest challenge for the net price calculators is to make them as accurate as possible. Everyone's talked about comparability, but it does no good to compare inaccurate data. So the important thing is that we as institutions make sure our calculators provide the best estimates possible. Let me just observe that the key to that is to have the output comparable. In fact, there will be a problem if there are restrictions on the inputs. Price of attendance is the more straightforward part. There are variations in price, but the real challenge is in the grants. What you want to do is compare the grants the student will receive at college A with the grants that student will receive at college B, and subtract them from the price of attendance to get the net price. The problem is that the way that institution A determines grants can be very different from the way institution B determines grants. You don't want to restrict the inputs. You want to allow us to modify the inputs to reflect information that we use when we're calculating grants.

Let me tell you how this translated at my institution. You have a graph in your materials that shows what happens when the University of Miami tried to use the template that is provided by NCES. As Elise explained, this was developed for the least common denominator with a minimum number of inputs so that you weren't tying the hands of institutions that

didn't use some kinds of inputs. Basically, the grants are determined on the basis of the ability of families to pay. At my institution, what we found was that when we compared the median grants that we would enter into the calculator, with the actual grants that were given to the students used to compute the medians, you get the graph at the top. And what that shows is that if we had just used the template as it is, over half of the students would have had estimates that were off by more than \$5,000.

Now, I should put this in context. The University of Miami is private. Like Syracuse, our total cost of attendance is over \$50,000. But we also had a third that were off by over \$10,000. We just didn't think that that was acceptable. What we decided to do was to use the same approach that NCES does—table-driven, look-up tables to estimate grants—because it's cheaper, easier to maintain, and less apt to make errors. But we added a couple of questions at the beginning to ask about scholarships, and also to ask about state aid. When we added those in and then broke up our grants into a scholarship look-up table, a state aid look-up table, and a slightly more complicated need-based look-up table and added them together, what we ended up with was only 12 percent who were outside the \$5,000 range. A definite improvement. I should also mention that the EFC tables that are embedded in the NCES calculator don't work for us especially at the high end of the income range.

The problem is, I don't think there are very many universities and colleges around the country who are doing the kind of analysis that I'm talking about. I would really encourage those institutions to do that kind of analysis and, regardless of what kind of calculator they're using, to figure out just how accurate it is. The biggest challenge for the use of net price calculators is that it's just so easy to say, 'well, if I use the NCES template, I'm in compliance.' But compliance doesn't always mean doing the right thing with respect to providing good estimates.

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**Dan Mann:** I agree. That's where the rub really is: between the accuracy and the ease of use and the simplicity. We have tried to follow what we think is the spirit of the law, which is to try to make a simple process for students and families to use, so that they can put in a minimal number of things and come out with a result. We looked very seriously at the Department's template, but we don't think that works for us because we have a very complex tuition and fee structure with over 200 different tuition/fee budgets for our students. Trying to come up with an average doesn't really work for our students. We really believe it's important to give them somewhat accurate information. Our students are able to indicate their program of study and whether they're in-state or out-of-state, and then we try to calculate an exact cost of attendance for them that's better than an average cost of attendance.

It actually works very well for us because we use an equity model in our packaging, so we use percentages. We're able to come up with a realistic expectation of what amount of grant aid that student is going to get. We have found that the net price calculator gives fairly good information to

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our students and families. Where we have had a little bit of an issue—like I said we’ve had this up for three years now and we have had less than ten complaints from students and families over this time—we have an awarding cut-off of a \$10,000 EFC. It’s those students and families who hover right around that \$10,000 EFC who maybe used our calculator and thought they were going to be eligible, and then when they did their actual FAFSA were just a little bit over. When they got their actual award letter and didn’t get a grant, they questioned us about that.

**We think that the net price calculators helped us with our counseling efforts; we believe that many of our upper income and higher income students ... have gotten the message that they’re probably not getting grant aid from us, that their package is going to be loans. So when the actual award letter comes out, they’re not surprised.**

We think that the net price calculators helped us with our counseling efforts; we believe that many of our upper income and higher income students have actually gone out there. They have gotten the message that they’re probably not getting grant aid from us, that their package is going to be loans. So when the actual award letter comes out, they’re not surprised. We still get phone calls about that, so it’s not like it was before we had an estimator and students had some sense of what they might or might not be getting from us. We make ours a totally anonymous tool, so we’re not trying to capture any information. One of the things we want to make sure is that the net price calculator doesn’t deter a student from filling out the FAFSA.

I have been to several sessions at different conferences over the last year, where people are beginning to demonstrate their net price calculators. Some of them are very complex: they ask a lot of questions. It’s almost as complex as filling out a FAFSA. We don’t think that was the spirit of the law—it was really just to try to get some basic information and give a general sense about your eligibility. It was to send a different message, that you’re not necessarily paying the sticker price and that there is grant aid out there for students and families.

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**Dan Davenport:** One of the things we also need to remember on net price calculators is how our students think today: simple and immediate. They text, rather than phone. They use Facebook, rather than email.

**Thinking about students, simple and immediate, my concern with the net price calculator is that not only will students make a decision to attend, but seeing that cost without what resources are available, might also make a decision not to attend.**

My concern—and I share David’s concern earlier about dictating standards—but my concern is with the cost of education used in the net price calculator: how it can vary so much. I had a high-level administrator at my institution come to me within the last couple of weeks and say, ‘this other school is listed on the net price calculator at less than we are? How can that be? Our tuition and fees are less, there is no way, you must have goofed up the net price calculator.’ Well, you look and see that their transportation is totally different, their room and board is totally different, depending on whether they live on-campus or off-campus, so it’s different than the consumer price index (CPI). If you look at the CPI, it really defines exact things that are included when they calculate the CPI. It’s something we need to take a look at.

Thinking about students, simple and immediate, my concern with the net price calculator is that not only will students make a decision to attend, but seeing that cost without what resources are available, might also make a decision not to attend. That can happen just as easily.

If I'm a low-income student and I see the net price to attend the University of Idaho is only \$9,000, well, I don't have \$9,000. So I make the decision now that I can't attend. So the net price calculator by itself can be somewhat dangerous. I think we're going to see the manipulation, recruitment and manipulation, with some schools suggesting, 'look our net price calculator shows a cost less than so-and-so's school's net price calculator; therefore, we're a better institution to attend.' I think we're going to see governing bodies look at net price calculators to see whether they should increase tuition and fees or not. And I think college rankings are another fear of how net price calculators can be used. Eventually, it is going to be something no one trusts because it's manipulated so much.

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**Melissa Gregory:** On maybe the positive side—I'm really hoping that some of our four-year colleagues eventually think about using this as a tool for transfer students. Right now, we focus on first-year full-time. Of course, the money that's available for transfer students is very different than the money that's available for a freshman coming into your institution that you've recruited.

Many of my transfer students never applied for financial aid at my institution. They're working; they paid their tuition. Our students are very loan averse; they've stayed away from loans. Now they're looking at the cost of a four-year school for the very first time. And that's eye-opening. Instead of \$3,500 a year in tuition, it's maybe three or four times that amount. And if the net price calculator could eventually be used as a tool for transfer students, we could use that information in our workshops and say, 'ok, let's look at some four-year schools that our students typically transfer to: University of Maryland, College Park; Towson; lots of others, and see what those schools cost and start to think about your financial plan.'

I'm trying to get them to do the FAFSA, maybe for the first time, because they never did it to attend Montgomery College, but they really need to do it for these other schools. And they need to do it before August because that's not going to cut it with a four-year school. You're not going to walk in the week before school begins and, yes, everything is fine and lovely and here's your financial aid. I think that, eventually, if we can get past all of the other challenges, if we can start to tailor some things for transfer students, it could be a very useful tool.

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**Thomas Babel:** Let me take a position somewhere in the middle, between a positive and a negative perspective, I guess. As part of the preceding panel, Elise mentioned that part of their struggles or part of their objectives in their workshop were recognizing the diversity of institutions. You've heard that struggle a little bit here, that is, that we serve different student populations and those students have different needs as it relates to their need for information about costs. For example, some of us primarily serve residential students, while others of us serve non-residential students. When we include indirect costs in the calculator as part of a price, for some students, it immediately becomes a barrier — even though it will not be a realizable incremental cost. But for other

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students it is a realistic cost and its inclusion is very informative to their decision-making.

I'd start this conversation with the understanding that, having some sort of tool to provide to people who need to do comparisons is very useful. And certainly, I think, providing such is a worthy endeavor. But to restrict schools' adaptation of such, such that the information itself becomes a barrier in the enrollment process, then, I think we're headed down the wrong path. And I think that's what you've heard, that, truly, how we present information often becomes the barrier and students withdraw from that. To the extent that we're doing that, then I think we're headed down the wrong path. From DeVry University's perspective, we've gone a lot farther in the detail of information presented to students, because our customers told us that they want information specific to their situation. If we don't meet this standard, this is not a useful tool. In fact, again, as I've said earlier, it's a disservice and leads to mistrust from the students.

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**Youlonda Copeland-Morgan:** For this tool to really work for students, we have to find a balance between the simplicity that's needed to ensure that we encourage students to continue to pursue their college dreams, that college is affordable, but that, at the same time, reflects the complexity and the diversity of the student populations that we serve. On my staff, one member said, 'I almost wish we had two net price calculators: one for low-income students and one for middle- and upper income students.' The one for low-income students would be very simplistic. You could ask a very short set of questions and probably improve the accuracy of their award, more so than you can for middle-income families and upper income families, who have very complex financial situations. So it requires a level of detail that makes the net price calculator more complex out of necessity. People who file tax forms with schedule AA through ZZ don't have a problem answering 30 questions.

Students who file 1040EZ have a problem with that. So having one calculator serve the diverse needs of both the institution and the expectations of the family—and their expectations vary also—I don't get complaints from someone who's filing schedules C, D, and E when I ask them to answer 52 questions. They're more sophisticated; they understand that. But I'm concerned about the Pell student and the first generation college student. I think that a part of our conversation will need to evolve to best reflect that diversity.

The federal calculator, the template, as it is right now doesn't work for many institutions because of that complexity, despite their best efforts. The tools that we're seeing that are out there today are limited because this is all new to us. A couple of things we have struggled with on our campus: one is, we don't see the net price calculator as a way of recruiting students—we do that very well and a lot of my colleagues at

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**For this tool to really work for students, we have to find a balance between the simplicity that's needed to ensure that we encourage students to continue to pursue their college dreams ... [and] the complexity and the diversity of the student populations we serve.**

**We see it as a tool to help communicate to low-income students that SU is an affordable place ... We're not necessarily trying to give that message to other families, and it's not that they don't need help. It's that we're recognizing that they have a different set of resources to help them understand that process.**

other institutions don't need a net price calculator to help recruit students to their institutions. We see it as a tool to help communicate to low-income students that SU is an affordable place. But that's a message specifically for that group of students. Again, we're not necessarily trying to give that message to other families, and it's not that they don't need help. It's that we're recognizing that they have a different set of resources to help them understand that process.

One thing I will say specifically about the minimum requirements is in the area of merit scholarships, and it's fine that the net price calculator is not sufficient for them. Many universities have merit scholarship programs that are dependent upon data that go beyond quantitative information that can be put into a look-up table or into a formula. We're looking at issues of persistence, issues of creativity, leadership, community engagement, intellectual curiosity. Those kinds of things drive the determination of merit scholarships in a holistic admissions process. So we're struggling with that issue of how do we, as an institution that offers merit scholarships, convey eligibility through a calculator? We've not found a way yet. Because it's not simply plugging in your SAT scores and your GPA. It's not that every 4.0 student is the same. We measure students based upon how well they've taken advantage of the opportunities available to them in their high school environment. So that you're not comparing large urban institutions that may be under-resourced to private high schools where students have every opportunity that they need and all the resources they need. That's a specific concern.

I think the issue of costs and the net price calculator does merit the same attention in the financial aid award letter. The challenge to us in the regulations already is that we have accurate costs. We give prospective students the most accurate information that we have that reflects costs. That said, our institutions are diverse: we have commuter students, we have residential students, we have students who become both in one year—they move on-campus, they move off-campus. And it's hard to capture those kinds of things, but I don't think we should be preoccupied with, do we have the costs exactly right? We should be preoccupied with making sure that we can give the best costs that we can.

The other thing that I would mention is the answer to whether or not the net price calculator will be a valuable tool—I don't think it can be improved through regulation. I think the community's going to have to come together and continue to discuss this issue, come up with best practices as we have with so much of the policies and practices that govern the way that we operate. As Dan says, there will always be manipulation in this business, unfortunately. But I think we have to be careful that we don't police the 90 percent or the 80 percent who are doing a good job and trying to adhere to the spirit of the law by trying to get to the 10 percent who, under any set of regulations, are going to try to do things that are in their favor, rather than the student's favor. Those are issues of integrity and leadership, institutional leadership.

**Many universities have merit scholarship programs that are ... looking at issues of persistence, creativity, leadership, community engagement, intellectual curiosity ... How do we, as an institution that offers merit scholarships, convey eligibility through a calculator?**

**I don't think [net price calculators] can be improved through regulation. I think the community's going to have to come together and continue to discuss this issue, come up with best practices.**

**It is not a stretch to see students coming in with a print-out from the net price calculator with estimated financial aid and challenging our staff for “undelivered” amounts of aid.**

**Each of our students [is] assigned to an advisor... Part of that advisor’s responsibility is to reconcile the plan that was presented to the student with the actual financial aid award that’s there... To the extent that the net price calculator feeds that process, I think you can achieve some integration with it.**

**I think we need to let it [the net price calculator] get up, see how it works for a year or two, and then evaluate the effectiveness.**

**Kathleen Hoyer (ACSFA Member):** Thank you very much. Actually, that leads us very well into our fourth question. We have just a few more minutes before I’m going to open it up to Committee members for questions. At this point, we have a pretty good understanding of some of the challenges that are associated with standardizing and integrating financial aid award letters and net price calculators, both within an institution and across institutions. Can you speak just briefly about to what extent you think financial aid award letters and net price calculators can be standardized and integrated? In practice, how closely related are these two tools likely to be? What steps might be taken to ensure that the two tools are standardized and integrated? And, as Ms. Copeland-Morgan just highlighted, there are different types of people, types of bodies that might take the lead in doing some of this standardization, integration. Do you agree with her that it should be the community, or are there other entities that might take up this role?

**Thomas Babel:** Again, I’ll go back to our process and the financial plan that is developed for each prospective student. Each student is assigned to an advisor who will serve that student throughout the life of the student’s enrollment. Part of that advisor’s responsibility is to reconcile the plan that was presented to the student with the actual financial aid award. If there is a difference in either the costs or the financing, then one of the advisor’s assignments is to reach out to the student, explain the difference and make sure that the difference doesn’t result in an unaffordable gap that can’t be met by the student. To the extent that the net price calculator feeds that process, I think you can achieve some integration.

I am sensitive to Melissa’s comment that she can’t afford to do that level of individual counseling. I will tell you that that process today, that reconciliation process, I wish it happened as well as I just explained it. It is a manually intensive and challenging process trying to reach students, or to get ahead of students who might catch a discrepancy before we can reach them. I see the same challenge, getting ahead of perceived differences in the information provided with the net price calculator and the information provided with the financial aid awards or the tuition statements. It is not a stretch to see students coming in with a print-out from the net price calculator with estimated financial aid and challenging our staff for “undelivered” amounts of aid.

**Dan Mann:** A couple things: this is all new. I think we need to let it get up, see how it works for a year or two, and then evaluate the effectiveness. I also believe that a lot of this needs to come from the community, as opposed to being put into regulations. I think that there is a big disconnect, though, between the net price calculator and award letters because the net price calculator, by definition, is only focusing on grant aid. Loans and employment are obviously an important piece of the financial aid package. In fact, at our school, over a third of the dollars are student loan dollars. To not recognize that, when you’re talking about financing with students and families, is wrong.



**Mary Sapp:** A couple other things as far as differences: the award letters or online systems are obviously for the current year. The NCES template is actually based on prior year data, so one of the other discontinuities or differences in comparability is that some institutions are developing their own calculators that are attempting to predict future year. If you think about it, the future year is going to be off of inflated prices and the advice from NCES is not to take prior year data and inflate it. It's too complicated to do that. So you'll have some comparability issues there. That's just something to keep in mind, and one of the things that probably should be done is to require that prior year data not be more than X number of years old—basically the age of the NCES template data.

The other thing is to think about the fact that it's a lot easier to report past data than it is to predict future data. Especially right now with the volatility of federal and state aid that is going to be available. That's just really very difficult to do. You don't want to put something out there that people are going to rely on, and then have funding cut so they don't end up getting it.

One of the issues Youlonda was talking about, the scholarships, is also a challenge at UM. Our scholarships are not a function merely of SATs and high school performance. They have intangibles in there as well, but we have taken the approach of encouraging in our caveat comments that students try multiple runs of the net price calculator. Basically, our solution is to ask them to decide which scholarship they think they're going to get because there's no way that we can ask all admission questions—for example, to write an essay. That's not possible.

Encouraging scenarios may be a more reasonable approach to the calculator. Because it's just going to be impossible for anybody to predict exactly what people are going to get in the future if there are major cuts in Pell and other federal grants. So that should be part of what we put in our caveat and the way we approach the calculator. That this is, for those of us who use prior year, this is as accurate as we can get for prior year. Future year data are dependent on a variety of things, and you should try several different scenarios. Student circumstances also change. Just something to keep in mind.

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**Melissa Gregory:** Someone said earlier they were surprised by this question because we see the net price calculator as a predictor, trying to guess what the future may hold. But the award letter is designed to inform you, right now, this is what you're going to get. For four-year schools, when you have students dealing with that May 1 decision deadline, they're comparing the information on those award letters, and it's real money, it's real time. So, almost two different perspectives for the two different tools.

Once it's up and running, though, I would want to make sure that the language I use and what we're saying about cost of attendance, for

**It's a lot easier to report past data than it is to predict future data. Especially right now with the volatility of federal and state aid that is going to be available ... You don't want to put something out there that people are going to rely on, and then have funding cut so they don't end up getting it.**

**I would want to make sure that the language I use ... about cost of attendance, for example, is the same on both [net price calculators and financial aid award letters].**

**There are explanations ... that may not be part of the net price calculator because it can't be as specific as the award letter. But we will want the information and the explanations to be consistent. And I think we can do that.**

example, is the same on both. Now that I'm going beyond what we tell students for cost of attendance and what a direct cost and what an indirect cost is—with the award letter material, the net price calculator needs to say the same thing. There is that opportunity to give a student some early information, which we're doing in workshops, but now here's something else where we can say, 'this is what we're talking about with these different items.' Of course, the award letter's getting into more detail because you're getting a Pell Grant, maybe you are getting institutional grant, you have your state grant. There are explanations that come with that that may not be part of the net price calculator because it can't be as specific as the award letter. But we will want the information and the explanations to be consistent. And I think we can do that, even though we're dealing with prior year data on the net price calculator.

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**Youlonda Copeland-Morgan:** I'm not as optimistic as Mark was this morning about those two tools living together for the very reasons that Melissa stated. They serve two different purposes. One of the things that I want to share with you, too—the reality is that students and parents hold us accountable for what we tell them. We have to be careful with how we convey to parents and students the role of this net price calculator. Right now, I can give a financial aid workshop, and the reality is I say to an audience of 1,000 individuals, 'don't let costs deter you from applying to the school of your choice; fit is important; look at that institution.' The same things we said. We want the student to go to the school that best develops their potential and meets their needs.

Every year, this time of the year, I'm going to get 25 letters that say, 'but you said, don't let costs be a deterrent, and I got my financial aid award letter and you didn't give me,' and so on and so forth. They hold us accountable, no matter how specific we try to be—or general in this case—we try to be about things. That's why I think it's important that the formulas that drive the net price calculator reflect the policies that we're using, as best we can, the policies that we're going to use to make those awards. Because somebody's going to show up from the sixth grade and say, 'but I put this on'—now they're in the twelfth grade and they don't look anything alike. I think fundamentally they are different tools for different purposes.

## ACSFA Member Q & A

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**Kathleen Hoyer (ACSFA Member):** Thank you very much for your insights. Now we have a couple of minutes for Committee members. Helen, would you like to begin? And anyone else?

**Helen Benjamin (ACSFA Member):** Just quickly—I really want to thank you for your comments and your presentations today. You're obviously experts and you are really committed to students. I want to thank you for all you do for students and for being here with us to share today. It's most enlightening for me.

I'm worried, though. We're on the frontend of the net price calculator, and you have given us some really good information about the challenges that net price calculators pose and the wonderful, although seemingly, limited opportunities, although I think there are some pretty good opportunities with it. And here we are on the front end of it. We heard Mr. Kantrowitz say that Congress should take the lead in standardization and Ms. Copeland-Morgan indicated that the community should take the lead. And Mr. Mann, you said, 'let's use it a year or so and see how it works out.' So obviously, we have to do that. My fear is that we'll be five years down the road and all these things will have happened that you talked about that are negative kinds of things.

Since you're the practitioners, I'm curious about the how: how do we evaluate this? How do we not let it get so far down that we can't control it? I think about the FAFSA and all the time it took to make changes. We're in a bureaucratic society. What do we do, how do we know on the front end—not much of a front end, I must admit—what do we do? How do we get this thing right? I don't like to compete for students. I want all students to go to college. I want them all to go. And it's great if they go to one of the colleges in the district where I work, but I don't really care. I just want them to go. So I want you to give me an answer that says you want them to go anyway—you just want them to become educated. What do we do as a community? And then, if the community is to ensure that these changes be made, how do we get that community in power to have an impact, so that this can work for our students?

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**Dan Mann:** I think it's a great question, and I don't know that I've really got an answer. When this becomes mandatory in October of this year, I think it will be very interesting to find out what schools have actually done, and see how many are actually using the Department's template. How many have created their own? As I've gone to conferences this year, it's very apparent that there's a cottage industry that's developing, trying to help schools develop their net price calculators. A lot of companies are out there doing this right now. It's going to be really interesting to see how this breaks out, and who's using what and doing what.

I don't think I'm exactly answering your question, but I think we're going to see how many people are just trying to put out a calculator to be in compliance and how many are using this to try to do other things with it. I just don't even know how to predict that at this point in time.

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**Thomas Babel:** I'm pretty sure that there are only a handful of DeVry University students who know what College Navigator is. Although it's one of my favorite tools, I use it all the time, I don't think it's of much use to our students. So, I'm skeptical of the utility of a calculator that might be similarly ambiguous or general in the information it provides. We have provided a financial aid calculator on our website for 13 years, and it's pretty much the same as it was 13 years ago. We keep it there because we think there's some limited utility to it, but, generally our students don't use it either. As long as there's no mandate to make sure

**When this becomes mandatory in October of this year [2011], I think it will be very interesting to find out what schools have actually done, and see how many are actually using the Department's template ... there's a cottage industry that's developing.**

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students use a calculator, it's probably better to let the community evolve it to determine what form works best.

**The truth of the matter is, it really doesn't matter whether they're talking about, say, Syracuse or the University of Miami. The point is that some private, more expensive-looking schools may be a lot more affordable than people think.**

Currently, there are some definitional requirements for the calculator. But there are no requirements for forms or limitations on putting additional information on the calculator. I guess I'd say, let it be, let it ride. Then come back in a year, come back in two years. If we can do some good analysis on individual schools' use—so have schools monitor and report out on the use and utility of the calculator—I think you're going to get information that will help form what it should look like in the future.

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**Mary Sapp:** I think that the institution has the responsibility for ensuring that our calculator is accurate. And, as I said, I worry that not everybody is doing it. I do analysis for a living, so, for me, it was a natural thing to do. That should be encouraged. Ensuring accuracy is an institutional role.

**I think the whole goal is about options ... and that they may find something that really works for them that they never would have dreamed of before.**

But as far as educating—I don't know—it seems to me that the big message is that college is more affordable than a lot of students think it is. Frankly, it's difficult for an individual institution to get out to middle school students. It would be the organizations that deal with those age groups. The truth of the matter is, it really doesn't matter whether they're talking about, say, Syracuse or the University of Miami. The point is that some private, more expensive-looking schools may be a lot more affordable than people think. That if you live at home, your community college may be a lot more affordable and may be the best option for you. The idea is to get a generic message out there that these are the advantages and disadvantages, cost-wise, with the different kinds of institutions, but the student should overlay the fit for them: what they want out of their education, what will make them a better person.

**I would just add that I think it's important that we not go forward thinking the net price calculator is going to solve the issue you're talking about. We really need to understand that we need to move forward with ideas of value of a college education.**

So my sense is that at the earlier ages, the accuracy is not as important because their circumstances are going to change by the time they get around to college. Sixth graders should not be saving a piece of paper they printed out because everything is going to be different. But if they get the idea that they could look at a lot of different kinds of colleges in their area, across the country—public, private, expensive, not expensive—and just realize, 'oh, I have more options,' then we will have succeeded. I think the whole goal is about options, that we let them know there are more options and that they may find something that really works for them that they never would have dreamed of before. I'm not sure who the best group is to get that message out, but that, I think, is the main message.

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**Dan Davenport:** I would just add that I think it's important that we not go forward thinking the net price calculator is going to solve the issue you're talking about. We really need to understand that we need to move forward with ideas of value of a college education. And we also need to learn more and more about why students aren't taking up the opportunity to go to college.

**Allison Jones (ACSFA Chair):** I think I'd like to bring us back to our timeframe and thank both Norm and Kathleen for their leadership roles this morning. And especially thank the panelists for highlighting the issues that are associated with the net price calculator, as well as award letters.

I'm struck with the discussion. Things haven't changed in forty-some years. And Youlonda, I see, agreeing with me. It's a concern. It's frustrating. I think, personally, the net price calculator is going a long way in trying to communicate information to students. I am sensitive to the fact that I think several of the panelists have highlighted, as well as Committee members: we may not yet be reaching the students who need the information, the low-income students. How do we bring them to that? How do we ensure, as Helen and others have said, that students don't select themselves out, or limit their options and choices, because of the perceived cost. I think we need to continue to move forward looking at that.

I think some of the comments that we've been making this morning about cost escalating faster than financial aid, make it difficult to calculate the affordability, the out-of-pocket, and the comparability issues. Youlonda made, and some of the rest of you, a very important comment, and that is, we have to have estimates with some reflection of reality. I think there are ways of doing that; in fact, one of the things I was trying to do at the request of the California Community College Chancellor's Office—they had been after me for years—was couldn't we do a four-year award letter? I believe we can; I tried. The financial aid community and my system and others told me a hundred reasons why we couldn't. Were I still there, I still would be trying to do it. I think it is possible. And, yes, it is based on estimates, but I think it is entirely possible. Maybe the net price calculator is a way to start to set the stage and help us think creatively to the point where we can communicate more information to students. I'm using this as a platform; I shouldn't. But that's my prerogative as chair.

So, with that, I think there are a lot of issues that have been raised this morning. I think Dan's ultimate comment is probably a good one to close on: we have to bring it up, we have to see how it works. We have to evaluate, we have to assess, to re-assess, and then we have to fine-tune it. You've all raised a lot of issues about some of the complexities in and around this. That should not be a reason to stop us. And certainly that should not in any way restrict our creativity. The challenge to all of us here, and to the audience and the community at large, is to continue to think creatively. Let's stay ahead of the curve; let's try to stay ahead of what Congress tells us to do by coming up with suggestions ourselves, and ask them to help support us so that we can communicate information.

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**I think Dan's ultimate comment is probably a good one to close on: we have to bring it up, we have to see how it works. We have to evaluate, we have to assess, to re-assess, and then we have to fine-tune it. ... The challenge to all of us is to continue to think creatively.**



## SUMMARY

A net price calculator is one of two financial aid tools designed to provide students and parents with accurate and timely information about the net price of a particular college, or type of college. The first, a well designed calculator, can provide an early estimate of cost of attendance and financial aid long before application for admission. The second, a financial aid award letter, provides a list of the aid an admitted student will receive, once enrolled. While used at different points in the decision making process, these tools are often closely related from a student and parent perspective: the closer a net price calculator approximates dollar amounts that will appear in the financial aid award letter — once a student has applied and been admitted — the more useful it is in the decision making process.

### Conclusions

The Advisory Committee's inquiry at its March 17, 2011 hearing was designed to elicit from the higher education community comments, suggestions, and recommendations for making both the net price calculator and the financial aid award letter as useful as possible to student decision making. From the discussion structured by the Committee's original four questions—on the information needs of students and parents, the composition of financial aid award letters, the issues associated with net price calculators, and the standardization and integration of award letters and calculators—three broad areas of consensus appear to emerge:

- **What Students and Parents Need**—Students and parents need accurate and timely information about both college expenses and financial aid from middle school through college enrollment and persistence.
- **Lessons from Financial Aid Award Letters**—Their lack of comparability from institution to institution provides a cautionary tale for the future of net price calculators.
- **Limitations of Net Price Calculators**—While net price calculators have the potential to serve as useful tools for students and parents, they are likely to suffer from several limitations that warrant further examination.

**What Students and Parents Need.** Prior to making the final college enrollment decision, students and parents need to know the precise net price they will face. However, well before students might receive financial aid award letters from institutions to which they have been accepted, net price is a significant factor in determining to which institutions they will consider applying. In order for prospective students and parents to make informed and fair decisions about the college enrollment process, they require accurate and timely information about college expenses and financial aid. To these ends, the net price calculator has the potential to be a valuable tool.

**Lessons from Financial Aid Award Letters.** Both award letters and net price calculators inform students and parents about the affordability of a particular institution, although they are introduced at different times in the college search and application processes. Currently, award letters exist in many varieties and styles, which make it difficult for families to compare the price they will actually pay to attend one particular institution versus another. Despite several calls for standardization over the last two decades, there exist no official guidelines regarding their format, content, or organization. Financial aid award letters may prove a cautionary tale for net price calculators, unless a consensus about uniformity can be built within the community to avoid confusion and complexity for families.

**Limitations of Net Price Calculators.** Net price calculators have the potential to serve as important and useful tools for students and parents for multiple reasons. For example, they have the potential to show

younger students that college is possible. In addition, they have the ability to show low-income students of all ages that the traditionally “expensive colleges” can be affordable, putting more students on the path to higher education. Finally, net price calculators can also serve as an important tool for transfer students who often do not apply for financial aid upon entering community college.

Considering the potential significance of net price calculators to students and parents, it is of paramount importance that their outputs be both accurate and comparable. When the Department of Education developed a template that could be used by all institutions of higher education, it did so in recognition of the diversity of colleges and universities that are subject to the net price calculator requirement. However, the template’s outputs do not always produce accurate estimates for all institutions, especially those that have multiple costs of attendance or award merit-based grant aid. Unfortunately, the freedom that institutions are granted to ensure that their estimates reflect reality is the very factor that causes one net price calculator to be incomparable to another.

In addition to challenges of incomparability, the panels found that net price calculators suffer from several drawbacks that warrant further examination. First, net price calculators cannot assess a student’s intangible qualities, such as creativity, leadership, intellectual curiosity, qualities that are often considered in awarding merit scholarships. They also do not stress the value of a college education or the fit of particular institutions to the needs of particular students. Finally, many panelists expressed concerns that net price calculators may not be used by the most vulnerable and/or neediest students who are most at risk of making uninformed decisions about postsecondary education.

### **Next Steps**

The Advisory Committee asked panelists at the March hearing to discuss the extent to which financial aid award letters and net price calculators can be standardized and integrated. Integration is a measure of how closely the design and outputs of an institution’s net price calculator approximate the financial aid award letter. Standardization is part of congressional intent: that the structure and outputs of the two tools be comparable across institutions. The Committee had particular interest in what steps might be taken to ensure that these tools are integrated and standardized and who should take the lead in doing so.

The panelists, representing a broad array of institutional sectors, representatives from the higher education community, and researchers, outlined numerous issues and problems and offered a variety of experiential approaches as encountered in the course of their work and research. In analyzing the common threads of these responses, the Advisory Committee saw a consensus emerge among panelists that the standards for net price calculators be the same as those for financial aid award letters, as much as practicable. Award letters must include accurate information about the COA and financial aid, as well as a true portrayal of the out-of-pocket cost. Accordingly, net price calculators should be designed to yield figures that provide a reasonable approximation of the dollar amounts listed on award letters.

As the October 29 deadline draws near, the higher education community has much to gain from net price calculators. However, without additional guidance, these tools designed to help students and parents make informed decisions about college costs and financial aid may, in fact, hamper families’ ability to accurately compare one institution’s financial aid package to another. The question remains as to what group or authority might establish necessary standards for integration.

The Department of Education has been and will continue to be integral to the improvement of both financial aid award letters and net price calculators. For example, as Elise Miller testified at the March hearing, the Department has recently issued a request to have all net price calculator URLs collected, in order to provide students and parents with much easier access to net price calculators.



Given the consensus among the hearing's panelists that neither further legislation nor regulation is required, the best approach appears to be an effort by a broad coalition of representatives from the higher education community to voluntarily integrate and standardize these two financial aid tools, to the extent practicable, as soon as possible. While the two tools might be expected to vary somewhat across colleges, given significant differences in institutional mission and operations, some standardization and integration for the benefit of students and parents is both possible and desirable.

Before the coalition comes together to begin this task, they must begin by reviewing the current literature on the lack of uniformity that exists among financial aid award letters and net price calculators. Once the coalition understands the breadth and diversity of these tools as they exist in current practice, they will be informed and prepared to tackle the issues of integration and standardization.

**Exhibit Three** details the Advisory Committee's suggested agenda for the coalition. The Committee has identified seven actionable areas in which there is potential for integration and standardization. It is our recommendation that the coalition address each of these areas and attempt to develop guidelines for financial aid award letters and net price calculators with which there is widespread agreement.

### **EXHIBIT THREE: A PROPOSED AGENDA FOR THE COALITION ON NET PRICE CALCULATORS AND FINANCIAL AID AWARD LETTERS**

1. **Clarity & Transparency:** What improvements can be made to ensure that both tools are clear, intuitive, and user-friendly for the benefit of students and parents? Can acronyms, jargon, and unexplained terms be avoided?
2. **Location & Display:** Should all net price calculators appear in a standard location on institutions' websites? To what extent can both tools appear similar in style and content, so as to maximize comparability across institutions?
3. **Age of Data:** Is it possible to require that all net price calculators use data from the same year? Should institutions be required to disclose whether the financial aid data and cost figures are from the prior year, current year, or estimates from the upcoming year?
4. **Caveats & Explanations:** To what extent should disclosures, caveats, and explanations be made with the student and parent in mind? What disclosures should be required on either or both tools, if any?
5. **Common Definitions:** Are there common definitions for key terms that should be universally adopted by all institutions? Should all cost figures on the award letter be calculated in accordance with these definitions? For example:
  - **Cost of Attendance (COA)**
    - Tuition & Fees
    - Room & Board
    - Books & Supplies
    - Transportation
    - Personal Expenses
  - **Financial Need** =  $COA - EFC$
  - **Out-of-Pocket Cost** =  $COA - \text{Grant Aid}$
  - **Unmet Need** =  $\text{Financial Need} - \text{Grant Aid}$
  - **Net Cost** =  $COA - \text{Financial Aid}$
6. **Order of Components:** Should the order of the components be the same among all award letters and net price calculators, so that students and parents can make comparisons one line item at a time? What should that order be?
7. **Guidelines for Components:** In order for award letters and net price calculators to be useful for students and parents, must the components be comparable? If so, what guidelines should be provided for each component (COA, grant aid, out-of-pocket cost, etc.)?

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## APPENDIX A: MARCH 17 HEARING PANELISTS



**Mr. Thomas Babel**  
**Vice President, Regulatory Affairs**  
**DeVry Inc.**

As Vice President of Regulatory Affairs for DeVry, Mr. Babel is responsible for assuring that DeVry's institutions operate in compliance with all federal, state, and provincial regulations affecting school operations and student financial assistance programs. His responsibilities include interacting with federal and state lawmakers as well as the agencies that regulate school operations. Prior to his appointment as Vice President of Regulatory Affairs, Tom was Vice President of Student Finance for DeVry University, and was responsible for compliance with U.S. and Canadian federal, state, and provincial financial assistance regulations, delivery of federal and state financial aid, policy development, student finance systems development and maintenance and staff training and quality assurance for DeVry University.

Mr. Babel has worked extensively with the U.S. Department of Education on a number of program and modernization initiatives, including chairing Project EASI - a national program to reengineer the student aid delivery process. He was a nonfederal negotiator in the 2007 and 2009 negotiated rulemaking sessions. Mr. Babel has served as a presenter at numerous financial aid and higher education conferences. He has held several elected and appointed positions with state, regional, and national associations. Mr. Babel received a master of business administration from Keller Graduate School of Management of DeVry University and a bachelor of arts in mathematics from Wabash College.



**Dr. Sandy Baum**  
**Independent Higher Education Policy Analyst**

Dr. Baum is an independent higher education policy analyst and consultant. In that capacity, she is a Senior Fellow at the George Washington University School of Education and Human Development, a Senior Associate at the Institute for Higher Education Policy, an Affiliated Consultant for HCM Strategists, and a consultant to the College Board. Dr. Baum has managed and co-authored the annual publications, *Trends in Student Aid* and *Trends in College Pricing* for the College Board since 2002. She also developed and co-authors *Education Pays: The Benefits of Higher Education for Individuals and Society* for the College Board. She co-chaired the Rethinking Student Aid study group, which issued comprehensive proposals for reform of the federal student aid system and is managing a study of the impact of student aid simplification on states, funded by the Lumina Foundation, as well as a Brookings Institution project on improving the equity and efficiency of state grant policies. Other recent work includes studies of concepts of college affordability, the non-financial barriers to college access, and tuition discounting in public and private colleges and universities.

A Professor Emerita of Economics at Skidmore College, Dr. Baum earned a BA in sociology at Bryn Mawr College and a PhD in economics at Columbia University. She has written and spoken extensively on issues relating to college access, college pricing, student aid policy, student debt, affordability, and other aspects of higher education finance.



**Ms. Diane Cheng**  
**Research Associate**  
**The Institute for College Access & Success**

Ms. Cheng is a Research Associate at The Institute for College Access & Success (TICAS), an independent nonprofit organization that works to make higher education more available and affordable for people of all backgrounds. At TICAS, Ms. Cheng works to increase the quality and accessibility of higher education data for policymakers, researchers, and the public. One of her primary projects is the College InSight website (<http://www.college-insight.org>), which allows users to easily find and dynamically compare data on economic diversity, affordability, and student success. Ms. Cheng also applies her expertise in federal, state, institutional, and other sources of higher education data to explore a range of policy issues from the student perspective - how much do students borrow for their education and how has that changed over time? How do federal, state, and institutional policies (such as net price calculators and no-loan financial aid pledges for low-and middle-income students) influence both the perception and reality of college affordability?

Ms. Cheng graduated from Stanford University with an MA and BA in Sociology, specializing in social stratification and inequality. Using surveys and interviews, her thesis explored parent opinions on the importance of diversity in K-12 public schooling in San Francisco, particularly surrounding the issues of re-segregation and race-conscious student assignment.



**Ms. Youlonda Copeland-Morgan**  
**Associate Vice President for Enrollment Management and**  
**Director of Scholarships and Student Aid**  
**Syracuse University**

Ms. Copeland-Morgan has been a recognized leader in higher education for more than 30 years. Ms. Copeland-Morgan has served as Associate Vice President for Enrollment Management and Director of Scholarships and Student Aid at Syracuse University since 2008. Previously, she held several positions, including Vice President and Dean of Admission and Financial Aid at Harvey Mudd College in Claremont, California.

Ms. Copeland-Morgan is past chair of the board of trustees of The College Board and was recently appointed vice chair of the College Board's Advocacy and Policy Center, established with support from the Bill and Melinda Gates Foundation. She is also serving a three-year term on the Advisory Council for the UNCF/Gates Millennium Scholars. Ms. Copeland-Morgan has been recognized by regional and national organizations, including distinguished service awards from the National Association of Student Financial Aid Administrators (NASFAA), the California Association of Student Financial Aid Administrators (CASFAA), the Western Association of Student Financial Aid Administrators (WASFAA) and the College Board's Western Region. In 2006, NASFAA presented her with its Leadership Award, and CASFAA with the Lifetime Membership Award. In addition, she is a member of the College Board's distinguished College Scholarship Service Hall of Fame.

Ms. Copeland-Morgan holds a bachelor's degree from Loyola Marymount University and an MBA from the University of La Verne in California.





**Dr. Dan Davenport**  
**Director of Student Financial Aid Services**  
**University of Idaho**

Dr. Davenport is currently the Director of Student Financial Aid Services at the University of Idaho. During his career at the University of Idaho he has also served as the Director of Admissions and Financial Aid. He has served in leadership roles for several national, regional, and state professional organizations. Dr. Davenport is the current chair of the Coalition of Student University Aid Administrators (COSUAA), serving on the Board of the National Direct Student Loan Coalition, and the incoming chair of the National Association of Student Financial Aid Administrators (NASFAA) Federal Relations Committee.



**Ms. Melissa F. Gregory**  
**College Director of Student Financial Aid**  
**Montgomery College**

Ms. Gregory is the College Director of Student Financial Aid for Montgomery College, a multi-campus community college in Maryland enrolling approximately 37,000 credit students. Ms. Gregory has worked as a financial aid administrator in the Washington D.C. metropolitan region for 31 years at schools including the George Washington University, the University of Maryland College Park, Frederick Community College, and Montgomery College. She is active in financial aid legislative issues and testified on both the federal and state levels supporting financial aid application simplification and increased access to college for all students. She conducts financial aid training with local, state, and national associations and speaks frequently to community groups, high schools, and middle schools concerning the financial aid application process and aid programs.

Ms. Gregory is a graduate of Montgomery College, with bachelor's and master's degrees from the George Washington University. She is currently pursuing a doctorate in education with a concentration in community college leadership at Morgan State University.



**Mr. Mark Kantrowitz**  
**Publisher of FinAid.org and Fastweb.com**

Mr. Kantrowitz is a nationally recognized expert on student financial aid and paying for college. He is the founder and publisher of FinAid.org, the leading source for unbiased and clear financial aid information, advice, and tools. He is also publisher of Fastweb.com, the most popular and complete free scholarship matching site. He is the author of *Fastweb College Gold: The Step by Step Guide to Paying for College* (Collins, September 2006).

As a recognized financial aid expert for more than two decades, Mr. Kantrowitz has been called to testify before Congress about financial aid on several occasions and is interviewed regularly by such news outlets as the *Wall Street Journal*, *New York Times*, *Washington Post*, CNN, CNBC, *USA Today*, Associated Press, Bloomberg, *Money Magazine*, *SmartMoney*, *Fortune*, *BusinessWeek*, *Kiplinger's*, *US News & World Report*, *MarketWatch*, *Inside Higher Ed* and the *Chronicle of Higher Education*. Additionally, he is consulted by financial aid administrators, professional associations, and federal agencies nationwide and is on the editorial board of the Council on Law in Higher Education and a member of the board of directors of the National Scholarship Providers Association. He is also a member

of the board of trustees of the Center for Excellence in Education and the curator of the Student Loans Topic Page for the *New York Times*.

Mr. Kantrowitz is ABD for his PhD in computer science from Carnegie Mellon University, has a master's degree in computer science from CMU, and bachelor of science degrees in mathematics and philosophy from the Massachusetts Institute of Technology.



**Dr. Lucie Lapovsky**  
**Principal**  
**Lapovsky Consulting**

Dr. Lapovsky is an economist who consults, writes, teaches and speaks widely on issues related to higher education finance, strategy, leadership, governance and enrollment management. Recently, much of her work has been with boards of trustees on issues of governance, planning and effectiveness. Her clients include public and private colleges and universities throughout the United States and various companies and organizations throughout the world. Most recently, she met with more than 100 Japanese colleges and universities to discuss issues relating to enrollment and endowment management. She is actively engaged in research on endowment spending, tuition discounting and cost containment in higher education. She also specializes in search work for Chief Financial Officers.

Dr. Lapovsky served as President of Mercy College from 1999 to 2004. She has almost 30 years of experience in Higher Education Finance in both the public and private sectors. Prior to coming to Mercy College, she served as Vice President for Finance at Goucher College, as Special Assistant to the President of the University of Maryland at College Park, as Director of Finance and Facilities for the Maryland Higher Education Commission, and as a Fiscal Planner for the Maryland State Department of Budget and Fiscal Planning. Dr. Lapovsky chairs the board of the National Council for Research on Women and serves on a number of other boards and advisory committees. She is the editor of three books and numerous other publications. Her most recent work and speaker presentations have been on cost containment in higher education, enrollment management and tuition discounting, and women's leadership.

Dr. Lapovsky received her BA degree from Goucher College, and her MA and PhD degrees in economics from the University of Maryland at College Park.



**Mr. Dan Mann**  
**Director of Student Financial Aid**  
**University of Illinois at Urbana-Champaign**

Mr. Mann is the Director of Student Financial Aid at the University of Illinois at Urbana-Champaign, where he leads an operation that administered over \$737 million in financial aid awards last year. Prior to joining the University of Illinois in November 2004, Mr. Mann served as Director of Financial Aid at Southern Illinois University Carbondale. He is an active member and has served in leadership roles in the national, regional, and state financial aid associations and will be the incoming national chair for the Coalition of Student University Aid Administrators (COSUAA).



**Ms. Elise Miller**  
**Postsecondary Institutional Studies & NCES Program Director**  
**U.S. Department of Education**

Ms. Miller joined the National Center for Education Statistics (NCES) in January 2006 as Program Director for Postsecondary Institutional Studies. In this role, she oversees the Integrated Postsecondary Education Data System (IPEDS), the primary source for data on colleges, universities, and technical and vocational postsecondary institutions in the United States. In that role, she has overseen the launch of College Navigator, the Department of Education’s online college search tool for students and parents; the IPEDS Data Center, a “one-stop-shop” for retrieving and analyzing IPEDS data online; and the Net Price Calculator template. In 2007, Ms. Miller also took leadership of the National Postsecondary Education Cooperative, an organization of national, state, and institutional representatives from higher education institutions and agencies that promotes the quality, comparability, and utility of postsecondary data and information. Before joining NCES, Ms. Miller was Director of Research and Policy Analysis at the National Association of Independent Colleges and Universities (NAICU). There she performed research and analysis on issues concerning student financial aid, enrollment trends, the impact of government regulation, and other issues important to independent colleges and universities.

Ms. Miller earned her MEd in Higher Education Management at the University of Pennsylvania, where she was research assistant at the Institute for Research on Higher Education (IRHE), and her BA degree in political theory from The Catholic University of America.



**Dr. Mary M. Sapp**  
**Assistant Vice President for Planning,**  
**Institutional Research, and Assessment**  
**University of Miami**

Mary Sapp is Assistant Vice President for Planning, Institutional Research, and Assessment at the University of Miami in Coral Gables, Florida, where she has been involved with institutional research and planning since 1983. Dr. Sapp has chaired and served on a number of Technical Review Panels (TRPs) for the National Center for Education Statistics, including serving as the chair of the two TRPs that addressed topics relating to Net Price and the TRP relating to race/ethnicity.

While president of the Association for Institutional Research (AIR), she initiated the AIR Alert series, which keeps members informed about emerging issues in higher education. She has also served as president of the Southern Association for Institutional Research (SAIR) and as chair of the Board of Directors of the Higher Education Data Sharing Consortium (HEDS), and she has received Outstanding Service Awards from both AIR and SAIR. In September 2010, SAIR honored her with the Distinguished Member Award for her contributions to institutional research. In addition, she has chaired and served on Working Groups for the National Postsecondary Education Cooperative (under the auspices of the U.S. Department of Education) and on various committees of AIR, SAIR, HEDS, SCUP, NACUBO, and CAUSE. She has a number of publications and has made over a hundred presentations at conferences.

Dr. Sapp holds a PhD in quantitative psychology from the L.L. Thurstone Psychometric Laboratory at the University of North Carolina, Chapel Hill.



## APPENDIX B: ACSFA MEMBERS

### **Mr. Allison G. Jones, Chair**

Senior Fellow for Postsecondary Engagement  
Achieve  
1400 16th Street NW, Suite 510  
Washington DC 20036  
Appointed: 06/04/2007  
Reappointed: 07/28/2008  
U.S. Secretary of Education appointee

### **Mr. Norm Bedford, Vice Chair**

Director, Financial Aid and Scholarships  
University of Nevada, Las Vegas  
Box 452016  
4505 S. Maryland Parkway  
Las Vegas, Nevada 89154-2016  
Appointed: 10/01/2008  
U.S. Senate appointee

### **Dr. Helen Benjamin**

Chancellor  
Contra Costa Community College District  
500 Court Street  
Martinez, California 94553  
Appointed: 10/02/2008  
U.S. House of Representatives appointee

### **Mr. David L. Gruen**

Past National Chair  
National Association of Student Financial Aid  
Administrators  
Retired  
41519 N. Tangle Ridge Court  
Phoenix, Arizona 85086  
Appointed: 10/02/2009  
U.S. Senate appointee

### **Mr. Anthony J. Guida, Jr.**

Senior Vice President of Strategic Development  
and Regulatory Affairs  
Education Management Corporation  
210 Sixth Avenue, Suite 3300  
Pittsburgh, Pennsylvania 15222  
Appointed: 10/02/2008  
U.S. House of Representatives appointee

### **Ms. Kathleen Hoyer**

Student Member  
The University of Maryland--College Park  
2110 Benjamin Building  
College Park, Maryland 20742-1165  
Appointed: 04/16/2010  
U.S. Secretary of Education appointee

### **Dr. William T. Luckey**

President  
Lindsey Wilson College  
L.R. McDonald Administration Building,  
President's Office  
210 Lindsey Wilson Blvd.  
Columbia, Kentucky 42728  
Appointed: 10/02/2009  
U.S. Senate appointee

### **Mr. John F. McNamara**

Vice President for College Development  
Rockford College  
5050 E. State Street  
Rockford, Illinois 61108  
Appointed: 08/07/2009  
U.S. Secretary of Education appointee

### **Ms. Deborah Stanley**

Director of Financial Aid  
Bowie State University  
14000 Jericho Park Road  
Bowie, Maryland 20715  
Appointed: 12/22/2010  
U.S. House of Representatives appointee

### **Ms. Sharon Wurm**

Director of Financial Aid, Scholarships, Student  
Employment and Veterans Services  
Truckee Meadows Community College  
7000 Dandini Blvd, RDMT 315C  
Reno, Nevada 89512  
Appointed: 10/05/2010  
U.S. Senate appointee



## **APPENDIX C: ACSFA STAFF**

**Dr. William J. Goggin**

Executive Director

**Ms. Alison Bane**

Associate Director of Government Relations

**Ms. Janet L. Chen**

Associate Director of Special Analyses

**Mr. Anthony Jones**

Senior Policy Analyst

Director of the Higher Education Regulation Study

**Ms. Tracy D. Jones**

Senior Administrative Officer

**Ms. Ronda Logan**

Program Associate

**Dr. Jeneva E. Stone**

Senior Writer





## **APPENDIX D: ACSFA AUTHORIZING LEGISLATION**

The Advisory Committee was established by an act of Congress in 1986. Section 491 of the Higher Education Act as amended contains the Committee's Congressional mandate. A copy of this section as it appears in the law follows:

### **SEC. 491. ADVISORY COMMITTEE ON STUDENT FINANCIAL ASSISTANCE.**

**(a) ESTABLISHMENT AND PURPOSE.**--(1) There is established in the Department an independent Advisory Committee on Student Financial Assistance (hereafter in this section referred to as the "Advisory Committee") which shall provide advice and counsel to the authorizing committees and to the Secretary on student financial aid matters. (2) The purpose of the Advisory Committee is-- (A) to provide extensive knowledge and understanding of the Federal, State, and institutional programs of postsecondary student assistance; (B) to provide technical expertise with regard to systems of needs analysis and application forms; (C) to make recommendations that will result in the maintenance of access to postsecondary education for low- and middle-income students; (D) to provide knowledge and understanding of early intervention programs and to make recommendations that will result in early awareness by low- and moderate-income students and families— (i) of their eligibility for assistance under this title (ii) to the extent practicable, of their eligibility for other forms of State and institutional need-based student assistance; (E) to make recommendations that will expand and improve partnerships among the Federal Government, States, institutions of higher education, and private entities to increase the awareness and the total amount of need-based student assistance available to low- and moderate-income students; and (F) to collect information on Federal regulations, and on the impact of Federal regulations on student financial assistance and on the cost of receiving a postsecondary education, and to make recommendations to help streamline the regulations of higher education from all sectors.

**(b) INDEPENDENCE OF ADVISORY COMMITTEE.**--In the exercise of its functions, powers, and duties, the Advisory Committee shall be independent of the Secretary and the other offices and officers of the Department. Notwithstanding Department of Education policies and regulations, the Advisory Committee shall exert independent control of its budget allocations, expenditures and staffing levels, personnel decisions and processes, procurements, and other administrative and management functions. The Advisory Committee's administration and management shall be subject to the usual and customary Federal audit procedures. Reports, publications, and other documents of the Advisory Committee, including such reports, publications, and documents in electronic form, shall not be subject to review by the Secretary. Notwithstanding Department of Education policies and regulations, the Advisory Committee shall exert independent control of its budget allocations and expenditures, personnel decisions and processes, procurements, and other administrative and management functions. The Advisory Committee's administration and management shall be subject to the usual and customary Federal audit procedures. The recommendations of the Committee shall not be subject to review or approval by any officer in the executive branch, but may be submitted to the Secretary for comment prior to submission to the authorizing committees in accordance with subsection (f). The Secretary's authority to terminate advisory committees of the Department pursuant to section 448(b) of the General Education Provisions Act ceased to be effective on June 23, 1983.

**(c) MEMBERSHIP.**--(1) The Advisory Committee shall consist of 11 members appointed as follows: (A) Four members shall be appointed by the President pro tempore of the Senate, of whom two members shall be appointed from recommendations by the Majority Leader of the Senate, and two members shall be appointed from recommendations by the Minority Leader of the Senate. (B) Four members shall be appointed by the Speaker of the House of Representatives, of whom two members shall be appointed from recommendations by the Majority Leader of the House of Representatives, and two members shall be appointed from recommendations by the Minority Leader of the House of Representatives. (C) Three

members shall be appointed by the Secretary, of whom at least one member shall be a student. (2) Each member of the Advisory Committee, with the exception of the student member, shall be appointed on the basis of technical qualifications, professional experience, and demonstrated knowledge in the fields of higher education, student financial aid, financing post-secondary education, and the operations and financing of student loan guarantee agencies. (3) The appointment of a member under subparagraph (A) or (B) of paragraph (1) shall be effective upon publication of such appointment in the Congressional Record.

**(d) FUNCTIONS OF THE COMMITTEE.**--The Advisory Committee shall--(1) develop, review, and comment annually upon the system of needs analysis established under part F of this title; (2) monitor, apprise, and evaluate the effectiveness of student aid delivery and recommend improvements; (3) recommend data collection needs and student information requirements which would improve access and choice for eligible students under this title and assist the Department of Education in improving the delivery of student aid; (4) assess the impact of legislative and administrative policy proposals; (5) review and comment upon, prior to promulgation, all regulations affecting programs under this title, including proposed regulations; (6) recommend to the authorizing committees and to the Secretary such studies, surveys, and analyses of student financial assistance programs, policies, and practices, including the special needs of low-income, disadvantaged, and nontraditional students, and the means by which the needs may be met; (7) review and comment upon standards by which financial need is measured in determining eligibility for Federal student assistance programs; (8) appraise the adequacies and deficiencies of current student financial aid information resources and services and evaluate the effectiveness of current student aid information programs; (9) provide an annual report to the authorizing committees that provides analyses and policy recommendations regarding— (A) the adequacy of need-based grant aid for low- and moderate-income students; and (B) the postsecondary enrollment and graduation rates of low- and moderate-income students; (10) develop and maintain an information clearinghouse to help students of higher education understand the regulatory impact of the Federal Government on institutions of higher education from all sectors, in order to raise awareness of institutional legal obligations and provide information to improve compliance with, and to reduce the duplication and inefficiency of, Federal regulations; and (11) make special efforts to advise Members of Congress and such Members' staff of the findings and recommendations made pursuant to this paragraph.

**(e) OPERATIONS OF THE COMMITTEE.**--(1) Each member of the Advisory Committee shall be appointed for a term of 4 years, except that, of the members first appointed-- (A) 4 shall be appointed for a term of 1 year; (B) 4 shall be appointed for a term of 2 years; and (C) 3 shall be appointed for a term of 3 years, as designated at the time of appointment by the Secretary. (2) Any member appointed to fill a vacancy occurring prior to the expiration of the term of a predecessor shall be appointed only for the remainder of such term. A member of the Advisory Committee serving on the date of enactment of the Higher Education Amendments and College Opportunity Act of 2008 shall be permitted to serve the duration of the member's term, regardless of whether that member was previously appointed to more than one term. (3) No officers or full-time employees of the Federal Government shall serve as members of the Advisory Committee. (4) The Advisory Committee shall elect a Chairman and a Vice Chairman from among its members. (5) Six members of the Advisory Committee shall constitute a quorum. (6) The Advisory Committee shall meet at the call of the Chairman or a majority of its members.

**(f) SUBMISSION TO DEPARTMENT FOR COMMENT.**--The Advisory Committee may submit its proposed recommendations to the Department of Education for comment for a period not to exceed 30 days in each instance.

**(g) COMPENSATION AND EXPENSES.**-- Members of the Advisory Committee may each receive reimbursement for travel expenses incident to attending Advisory Committee meetings, including per

diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code, for persons in the Government service employed intermittently.

**(h) PERSONNEL AND RESOURCES.**--(1) The Advisory Committee may appoint such personnel as may be necessary by the Chairman without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, and may be paid without regard to the provisions of chapter 51 and subchapter III of chapter 53 of such title relating to classification and General Schedule pay rates, but no individual so appointed shall be paid in excess of the rate authorized for GS-18 of the General Schedule. The Advisory Committee may appoint not more than 1 full-time equivalent, nonpermanent, consultant without regard to the provisions of title 5, United States Code. The Advisory Committee shall not be required by the Secretary to reduce personnel to meet agency personnel reduction goals. (2) In carrying out its duties under the Act, the Advisory Committee shall consult with other Federal agencies, representatives of State and local governments, and private organizations to the extent feasible. (3)(A) The Advisory Committee is authorized to secure directly from any executive department, bureau, agency, board, commission, office, independent establishment, or instrumentality information, suggestions, estimates, and statistics for the purpose of this section and each such department, bureau, agency, board, commission, office, independent establishment, or instrumentality is authorized and directed, to the extent permitted by law, to furnish such information, suggestions, estimates, and statistics directly to the Advisory Committee, upon request made by the Chairman. (B) The Advisory Committee may enter into contracts for the acquisition of information, suggestions, estimates, and statistics for the purpose of this section. (4) The Advisory Committee is authorized to obtain the services of experts and consultants without regard to section 3109 of title 5, United States Code and to set pay in accordance with such section. (5) The head of each Federal agency shall, to the extent not prohibited by law, cooperate with the Advisory Committee in carrying out this section. (6) The Advisory Committee is authorized to utilize, with their consent, the services, personnel, information, and facilities of other Federal, State, local, and private agencies with or without reimbursement.

**(i) AVAILABILITY OF FUNDS.**--In each fiscal year not less than \$800,000, shall be available from the amount appropriated for each such fiscal year from salaries and expenses of the Department for the costs of carrying out the provisions of this section.

**(j) SPECIAL ANALYSES AND ACTIVITIES.**--The Advisory Committee shall-- (1) monitor and evaluate the modernization of student financial aid systems and delivery processes and simplifications, including recommendations for improvement; (2) assess the adequacy of current methods for disseminating information about programs under this title and recommend improvements, as appropriate, regarding early needs assessment and information for first-year secondary school students; (3) assess and make recommendations concerning the feasibility and degree of use of appropriate technology in the application for, and delivery and management of, financial assistance under this title, as well as policies that promote use of such technology to reduce cost and enhance service and program integrity, including electronic application and reapplication, just-in-time delivery of funds, reporting of disbursements and reconciliation; (4) conduct a review and analysis of regulations in accordance with subsection (l); and (5) conduct a study in accordance with subsection (m).

**(k) TERM OF THE COMMITTEE.**--Notwithstanding the sunset and charter provisions of the Federal Advisory Committee Act (5 U.S.C. App. I) or any other statute or regulation, the Advisory Committee shall be authorized until October 1, 2014.

**(l) REVIEW AND ANALYSIS OF REGULATIONS.** --(1) RECOMMENDATIONS.—The Advisory Committee shall make recommendations to the Secretary and the authorizing committees for consideration of future legislative action regarding redundant or outdated regulations consistent with the Secretary's requirements under section 498B. (2) REVIEW AND ANALYSIS OF REGULATIONS.—

(A) REVIEW OF CURRENT REGULATIONS.—To meet the requirements of subsection (d)(10), the Advisory Committee shall conduct a review and analysis of the regulations issued by Federal agencies that are in effect at the time of the review and that apply to the operations or activities of institutions of higher education from all sectors. The review and analysis may include a determination of whether the regulation is duplicative, is no longer necessary, is inconsistent with other Federal requirements, or is overly burdensome. In conducting the review, the Advisory Committee shall pay specific attention to evaluating ways in which regulations under this title affecting institutions of higher education (other than institutions described in section 102(a)(1)(C)), that have received in each of the two most recent award years prior to the date of enactment of Higher Education Amendments and College Opportunity Act of 2008 less than \$200,000 in funds through this title, may be improved, streamlined, or eliminated. (B) REVIEW AND COLLECTION OF FUTURE REGULATIONS.—The Advisory Committee shall— (i) monitor all Federal regulations, including notices of proposed rulemaking, for their impact or potential impact on higher education; and (ii) provide a succinct description of each regulation or proposed regulation that is generally relevant to institutions of higher education from all sectors. (C) MAINTENANCE OF PUBLIC WEBSITE.—The Advisory Committee shall develop and maintain an easy to use, searchable, and regularly updated website that—(i) provides information collected in subparagraph (B); (ii) provides an area for the experts and members of the public to provide recommendations for ways in which the regulations may be streamlined; and (iii) publishes the study conducted by the National Research Council of the National Academy of Sciences under section 1106 of the Higher Education Amendments and College Opportunity Act of 2008. (3) CONSULTATION.— (A) IN GENERAL.—In carrying out the review, analysis, and development of the website required under paragraph (2), the Advisory Committee shall consult with the Secretary, other Federal agencies, relevant representatives of institutions of higher education, individuals who have expertise and experience with Federal regulations, and the review panels described in subparagraph (B). (B) REVIEW PANELS.—The Advisory Committee shall convene not less than two review panels of representatives of the groups involved in higher education, including individuals involved in student financial assistance programs under this title, who have experience and expertise in the regulations issued by the Federal Government that affect all sectors of higher education, in order to review the regulations and to provide recommendations to the Advisory Committee with respect to the review and analysis under paragraph (2). The panels shall be made up of experts in areas such as the operations of the financial assistance programs, the institutional eligibility requirements for the financial assistance programs, regulations not directly related to the operations or the institutional eligibility requirements of the financial assistance programs, and regulations for dissemination of information to students about the financial assistance programs. (4) PERIODIC UPDATES TO THE AUTHORIZING COMMITTEES.—The Advisory Committee shall— (A) submit, not later than two years after the completion of the negotiated rulemaking process required under section 492 resulting from the amendments to this Act made by the Higher Education Amendments and College Opportunity Act of 2008, a report to the authorizing committees and the Secretary detailing the review panels’ findings and recommendations with respect to the review of regulations; and (B) provide periodic updates to the authorizing committees regarding— (i) the impact of all Federal regulations on all sectors of higher education; and (ii) suggestions provided through the website for streamlining or eliminating duplicative regulations. (5) ADDITIONAL SUPPORT.—The Secretary and the Inspector General of the Department shall provide such assistance and resources to the Advisory Committee as the Secretary and Inspector General determine are necessary to conduct the review and analysis required by this subsection.

**(m) STUDY OF INNOVATIVE PATHWAYS TO BACCALAUREATE DEGREE ATTAINMENT.**  
--(1) STUDY REQUIRED.—The Advisory Committee shall conduct a study of the feasibility of increasing baccalaureate degree attainment rates by reducing the costs and financial barriers to attaining a baccalaureate degree through innovative programs. (2) SCOPE OF STUDY.—The Advisory Committee shall examine new and existing programs that promote baccalaureate degree attainment through innovative ways, such as dual or concurrent enrollment programs, changes made to the Federal Pell Grant

program, simplification of the needs analysis process, compressed or modular scheduling, articulation agreements, and programs that allow two-year institutions of higher education to offer baccalaureate degrees. (3) **REQUIRED ASPECTS OF THE STUDY.**—In performing the study described in this subsection, the Advisory Committee shall examine the following aspects of such innovative programs: (A) The impact of such programs on baccalaureate attainment rates. (B) The degree to which a student’s total cost of attaining a baccalaureate degree can be reduced by such programs. (C) The ways in which low- and moderate-income students can be specifically targeted by such programs. (D) The ways in which nontraditional students can be specifically targeted by such programs. (E) The cost-effectiveness for the Federal Government, States, and institutions of higher education to implement such programs. (4) **CONSULTATION.**— (A) **IN GENERAL.**—In performing the study described in this subsection, the Advisory Committee shall consult with a broad range of interested parties in higher education, including parents, students, appropriate representatives of secondary schools and institutions of higher education, appropriate State administrators, administrators of dual or concurrent enrollment programs, and appropriate Department officials. (B) **CONSULTATION WITH THE AUTHORIZING COMMITTEES.**—The Advisory Committee shall consult on a regular basis with the authorizing committees in carrying out the study required by this subsection. (5) **REPORTS TO AUTHORIZING COMMITTEES.**— (A) **INTERIM REPORT.**—The Advisory Committee shall prepare and submit to the authorizing committees and the Secretary an interim report, not later than one year after the date of enactment of the Higher Education Amendments and College Opportunity Act of 2008, describing the progress made in conducting the study required by this subsection and any preliminary findings on the topics identified under paragraph (2). (B) **FINAL REPORT.**—The Advisory Committee shall, not later than three years after the date of enactment of the Higher Education Amendments and College Opportunity Act of 2008, prepare and submit to the authorizing committees and the Secretary a final report on the study, including recommendations for legislative, regulatory, and administrative changes based on findings related to the topics identified under paragraph (2).