

**IS COLLEGE AFFORDABLE? ARE LOANS MANAGEABLE?
WHAT DO COLLEGES' NET PRICE CALCULATORS SHOW?**

A review of net price calculators – a financial aid tool mandated by the *Higher Education Opportunity Act* of 2008 – reveals that students from low-, moderate-, and middle-income families face record-level net prices at 4-year public colleges today. These net prices will translate into levels of average total loan burden far in excess of **\$27,000** – the level often cited in current policy discussions as total borrowing by students who have completed college. While this level is useful in assessing whether loan burden is reasonable and manageable for those who have completed college, it cannot be used to assess whether the total level of borrowing that families must undertake to finance completion of a bachelor's degree today is manageable.

Table 1 presents net price and loan burden estimates for three hypothetical but typical low-, moderate-, and middle-income families at a 4-year public college with an annual cost of attendance of **\$21,000** – the average level found in the ACSFA review. This level is consistent with data in the Integrated Postsecondary Education Data System (IPEDS).

- **Low-Income Family.** A four-person, two-parent family with an annual income of **\$25,000** and one dependent in college faces an annual net price (cost of attendance minus total need-based grant aid) of **\$13,000**, an annual family loan burden of **\$10,000**, and a total family loan burden of **\$40,000** for four years at a 4-year public college and **\$50,000** for five years. These loan levels could be 20 percent higher at some 4-year public universities.
- **Moderate-Income Family.** A four-person, two-parent family with an annual income of **\$50,000** and one dependent in college faces an annual net price (cost of attendance minus total need-based grant aid) of **\$19,000**, an annual family loan burden of **\$11,000**, and a total family loan burden of **\$44,000** for four years at a 4-year public college and **\$55,000** for five years. These loan levels could be 20 percent higher at some 4-year public universities.
 - If the family must borrow the annual Expected Family Contribution of **\$5,000**, as many moderate-income families must do, total family loan burden increases to **\$64,000** for four years at a 4-year public college and **\$80,000** for five years. These loan levels could be 20 percent higher at some 4-year public universities.
- **Middle-Income Family.** A four-person, two-parent family with an annual income of **\$75,000** and one dependent in college faces an annual net price (cost of attendance minus total need-based grant aid) of **\$21,000**, an annual family loan burden of **\$8,000**, and a total family loan burden of **\$32,000** for four years at a 4-year public college and **\$40,000** for five years. These loan levels could be 20 percent higher at some 4-year public universities.
 - If the family must borrow the annual Expected Family Contribution of **\$10,000**, as many middle-income families must do, total family loan burden increases to **\$72,000** for four years at a 4-year public college and **\$90,000** for five years. These loan levels could be 20 percent higher at some 4-year public universities.

The net price and loan burden levels above exclude merit-based grant aid – which the vast majority of students at public colleges do not receive. The levels also assume, conservatively, that increases in cost of attendance are offset by increases in need-based grant aid – that is, that net price remains constant over the years necessary to complete a bachelor's degree. Finally, these levels are *typical* and *illustrative*; actual loan burden will, of course, vary by student and institution.

Today's net prices at 4-year public colleges and universities will take an enormous toll on the enrollment, persistence, and completion rates of students from low-, moderate-, and middle-income families, even if income-contingent loan repayment is improved and expanded. Failing to increase total need-based grant aid, which data from net price calculators show is clearly inadequate, will greatly exacerbate these losses and undermine student success. To be useful to policymakers, the higher education community's conversation about college completion, need-based grant aid, and student loan policy must be based on a frank and accurate assessment of the loan levels required to complete a bachelor's degree today and in the future.

**Please send questions and comments to:
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**TABLE 1: NET PRICE AND LOAN BURDEN
AT A 4-YEAR PUBLIC COLLEGE TODAY**

Cost of Attendance = \$21,000*

FULL-TIME DEPENDENT RESIDENT STUDENT		Family Income		
		\$25,000	\$50,000	\$75,000
1st Year Levels ¹	A. Need-Based Grant Aid*	\$8,000	\$2,000	\$0
	B. Net Price*	\$13,000	\$19,000	\$21,000
	C. Expected Family Contribution (EFC)	\$0	\$5,000	\$10,000
	D. Work Study	\$3,000	\$3,000	\$3,000
	E. Student Loan Burden	\$5,500	\$5,500	\$5,500
	F. Parent(s) Loan Burden	\$4,500	\$5,500	\$2,500
	G. Family Loan Burden	\$10,000	\$11,000	\$8,000
H. Student Loan Burden ²	4 Years of Study	\$27,000	\$27,000	\$27,000
	5 Years of Study	\$31,000	\$31,000	\$31,000
I. Family Loan Burden ²	4 Years of Study	\$40,000	\$44,000	\$32,000
	5 Years of Study	\$50,000	\$55,000	\$40,000
J. Family Loan Burden If EFC Must Be Borrowed ²	4 Years of Study	\$40,000	\$64,000	\$72,000
	5 Years of Study	\$50,000	\$80,000	\$90,000

*Average dollar amounts from ACSFA's review of 2012 institutional net price calculators (and consistent with NCES IPEDS data)

1. Dollar amounts A through G are first-year levels

- A. Total federal, state, and institutional need-based grant aid
- B. Cost of attendance (\$21,000) minus total need-based grant aid (A)
- C. Derived from federal need analysis methodology and rounded to the nearest thousand
- D. Assumed level based on analysis of NPSAS:08 and IPEDS data for 2011-12
- E. Maximum Federal Direct Loan for the first year
- F. Maximum Parent PLUS Loan to cover unmet need (B – C – D – E); decreases as student annual maximum increases
- G. Student Loan Burden (E) + Parent(s) Loan Burden (F)

2. Dollar amounts H through J reflect the maximum Federal Direct Loan increasing over the years from \$5,500 to \$7,500

- H. Aggregate Federal Direct Loans borrowed (limit for undergraduate students is \$27,000 for four years, \$31,000 for five years)
- I. Aggregate Federal Direct and Parent PLUS loans borrowed; maximum eligibility allowed based on calculations from (G)
- J. Total of Family Loan Burden (I) plus additional student and/or parent borrowing to replace EFC (C) each year