

A man in a pinstriped suit and tie is shown from the chest up, holding a measuring tape against his chest. The tape is blue and white, with numbers from 8 to 23 visible. The background is white.

NET PRICE CALCULATORS:

With one year remaining, most post-secondary institutions are still working to meet the net price calculator (NPC) implementation deadline. The buzz from eight packed NPC sessions at NASFAA's annual conference in July is triggering new debates: Does accuracy matter? Who will own the collected data? How much work does an institution's staff need to do to implement an NPC? Will the NPC mandate create a move toward earlier aid awards?

FINDING THE RIGHT FIT

NET PRICE CALCULATOR MANDATE, ONE YEAR TO DEADLINE

BY MARY A. C. FALLON

Some aid administrators have expressed concern that the federal government's free calculator template, while accurate to the letter of the law, may not fully meet their needs. With the federal option plus at least 10 NPC providers in the market, institutions must evaluate the offerings and compare how different calculation methods will best communicate affordability and education value. Some administrators fear students and families will misunderstand aid estimates. Many are also wary that peer institutions will offer more appealing calculators, or that implementing an NPC will burden an already overworked staff.

"Everyone is wringing their hands over the NPC," said Mary Benda, financial aid director of Salem State College in Massachusetts. "It is just another thing we have to do. The amount of changes in the last two years both at the state and federal level have been overwhelming enough."



Federal legislation passed by Congress in 2008 defines estimated net price as the difference between an institution's average, total price of attendance (the sum of direct and indirect fees including tuition and fees, room and board, books and supplies, and other expenses including personal expenses and transportation for a first-time, full-time undergraduate student) and need- and merit-based grant aid awards. The legislation does not allow inclusion of private grants and scholarships in the calculation.

NPC ADVOCATES AND DETRACTORS

Advocates and detractors of the unfunded mandate believe broad implementation of net price calculators on nearly 7,000 post-secondary institutions' websites will have a deep impact on higher education.

Among those concerned about changes NPC's may bring is Kent Barnds, vice president of enrollment, communication, and planning at Augustana College in Illinois. Writing an opinion earlier this year for *Inside Higher Ed* titled Net Price vs. Net Worth, he worried that price, not value, will drive college choice.

"I fear the NPC will not allow students to reach the point where they can fall in love with their dream school and make a well-informed decision, but rather force them to just settle on a college," Barnds stated. "It also could perpetuate the phenomenon of qualified students 'under-matching' — the latest term used to describe when students choose not to enroll at the college that is their best match, academically and co-curricularly, and choose a college based on the lowest cost. Furthermore, focusing on price foremost clouds the idea that a 'value gap' exists between colleges."

Although Barnds is not alone in his skepticism, some universities saw great value in offering prospective students and their families sophisticated online calculators years before the mandate. Institutions such as Princeton University, Bradley University, Purdue University, and The University of Texas System relied on their financial aid administrators and information technology experts to craft algorithms that determined aid estimates. Other early implementers, such

as Amherst College, the Massachusetts Institute of Technology, Williams College, and Yale University, chose to buy from an NPC provider. Early aid estimators, created with no federal minimum requirements for student cost and aid information, varied widely, yet heralded the trend toward cost transparency.

"We wanted to counteract the overriding impression that colleges like Princeton are not affordable," explains Robin Moscato, Princeton University's financial aid director. Moscato said Princeton University's primary motivation for building its Financial Aid Estimator (available at www.princeton.edu/admission/financialaid/estimator/) in 1998 was to improve the economic diversity of its student body by communicating changes in aid policies that offered more generous awards. "Colleges like Princeton can be the most affordable for low-income students. Even students from families earning \$100,000 can receive generous aid packages. You want to get reality out there."

Moscato credits Princeton's NPC for playing a significant role in increasing the university's applicant pool from 10,000 a decade ago to 27,000 economically diverse prospects today.

Aid-estimator innovator Matt Orem, director of college access initiatives for The University of Texas System (UT), shares Moscato's view about the positive impact of providing net price estimates. The first basic financial aid estimator for UT's nine institutions "was extremely effective with low-income students and parents in overcoming perceptual obstacles about the affordability of college," Orem said.

Today the majority of students applying to Princeton use its estimator and receive aid that is "at least as good as what the Estimator showed they would receive," Moscato said. "We were concerned about carefully crafting disclaimers, but in 12 years it has taken almost none of our staff energy to mop up the damage an incorrect estimate might incur."

High calculator usage at Princeton is consistent with the experience at Purdue University, whose three-year-old online Financial Aid Estimator (available at www.purdue.edu/apps/onepurdue/finaid/) is used by about 10,000 students a month from August through April.

"Maybe more than anything, transparency helps us to reduce unrealistic expectations families may have about the net cost of attending Purdue," said Joyce J. Hall, Purdue's financial aid director.

After 25 years of doing individual aid projections by hand, three years ago 5,000-student Bradley University of Peoria, Illinois tapped a talented campus IT expert to build an algorithmic-based calculator that became the centerpiece of its enrollment management strategy. Each season the university runs about 900 simulations and shoots for 95% accuracy.

"The lack of transparency in the industry was a great opportunity to make our university distinctive," said David Pardieck, Bradley University's director of financial assistance and associate director of enrollment management. "The better information families have, the better decision they'll make. Now we are concerned with the NPC mandate because we lose a competitive advantage."



Forty percent of Bradley's freshman class last year used its calculator to get an estimate before applying. Bradley University uses an approach Pardieck describes as "layered simplicity." Its Early Estimator asks for a student's academic profile and provides merit aid information. At that point, a student can log-off the estimator and return later, or move on to providing financial information to get a need-based grant estimate. The next step provides a breakdown of payment options. Bradley's strategy is to move families from a discussion about price to one of value and from affordability to "manageability," or what Pardieck calls "bite-size monthly payments."

NPC OPTIONS

Today, a plethora of technology options leave institutions evaluating the merits and tradeoffs of:

- building an NPC in-house;
- using the free federal calculator template;
- buying a self-service shell and adding data to pre-defined tables;
- using a free NPC provided by a state or professional organization; or
- purchasing customized NPC technology.

After the federal mandate passed, the flagship University of Arkansas at Fayetteville was among the first to buy, not build, a custom NPC.

"We did not want to reinvent the wheel and build one, which we thought would take us a year," said. Financial Aid Director Kattie Wing. "I didn't want to take our technical people away from other responsibilities in the office and we didn't want to have to do the updates every year."

Wing uses a customized NPC service that includes all nine federal and 605 state aid formulas along with an institution's own aid logic and policies and uses dynamic help, skip logic, and automated error checking (See universityofarkansas.studentaidcalculator.com).

She admits being nervous early last spring when prospective students of the University of Arkansas asked how much aid to expect. Wing wasn't sure how students and their families would react to being directed to a new, online calculator, instead of a staff member, for an estimate. Although she took the precaution of basing the university's custom calculator on conservative aid-packaging logic, it was the first time that potential applicants typed their information

NPC: THE DECISION PROCESS

The Princeton Review received 378 responses to its poll of 1,000 university presidents, deans of enrollment, and heads of financial aid offices in August 2010 about NPCs. Highlights of the results appear below:

- 83% of respondents consider themselves lead decision makers (38%) or active participants (43%) in the NPC decision process.
- 94% said that they feel either well informed (56.6%) or somewhat familiar (37.2%) with the requirement.
- 94% said that they are aware of the NPC requirement.
- 85% said that they understand the difference between a financial aid estimator and the net price calculator as it is defined in the HEOA.
- 83% have either chosen how they will meet the NPC mandate (42%) or are in the process of reviewing their options (41%). An additional 12% said they have discussed but have not started a process for reviewing the school's options. Only about 5% said they have either not begun discussions (2.7%) or are not aware of how the school will respond to the requirements (2.4%).
- 50% reported that ED's NPC template is not accurate enough for their students and 26% reported that they would have preferred that the federal template allow for more customization. Only 4% (16 respondents) reported that the federal template is an easy and efficient way to comply with the mandate.
- 50% (183 respondents) felt that an external vendor is the correct approach to the NPC, while 25% felt that an outside company would be unable to handle their highly complex awards process, and 21% felt an outside provider is probably too expensive. About 12% felt that getting a calculator in a "package deal" would make it harder for them to change vendors or consultants in the future.
- 39% plan to implement their NPC this year, and 43% plan to implement by mid 2011. An additional 18% plan to implement the NPC in October, 2011, the deadline mandated in the HEOA.
- Of those planning to implement in 2010 or mid-2011, 46% say that they have chosen how they will approach the mandate, 53% feel that an outside vendor is the correct way to approach this, and 3.7% feel that the federal template is an easy and efficient way to comply.

Additional information about *The Princeton Review* is available at www.princetonreview.com.

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FEDERAL NPC TEMPLATE

LIMITATIONS:

When determining Expected Family Contribution (EFC) to make need-based awards, the federal calculator template:

1. Does not consider some of the key components in the Federal Methodology EFC calculation, including assets, household size, a student's and parents' state of residency, parents' age, and income exclusions (child support paid, education credits, etc).
2. Calculates EFC using fixed, pre-determined parent and student contribution amounts hard-coded within it.
3. Does not ask merit-aid criteria questions. Its need and merit grant aid estimates are made using only need-based information so merit aid estimates are largely inaccurate.
4. Provides limited guidance about what is "income," especially items classified as untaxed income for FAFSA purposes and for items in the adjusted gross income that are excluded from the EFC.
5. Does not include an accommodation to display loans and work-study as ways to pay.
6. Displays in English only.
7. Customized output to students limited to adding a few lines of text to footnotes.
8. Offers no way for institutions to gain prospective students' contact information.
9. Requires a normalization of data to remove outliers that skew aid results.

ADVANTAGES:

1. Meets HEOA requirements.
2. It is free.
3. If peer institutions use it, net price results (which are based on prior-year data) will be comparable.

into the calculator and later were able to compare aid estimates generated by the NPC against actual awards.

"I was surprised," Wing said. "We haven't had one complaint. It is fabulous."

The University of Arkansas NPC offers optional registration to gain data that could provide new insights and improve its ability to compete with other state universities. Many institutions are considering the most basic NPC option: the federal template. Described by the Association for Institutional Research as a "one size fits all" solution, the federal template features a look-up table design that asks no merit aid questions. While it meets all federal requirements, the federal template does not address several key components that the Federal Methodology (FM) uses to determine Expected Family Contribution (EFC).

Defining accuracy as offering students estimates based on assigning them to their correct FM EFC range, research by Student Aid Services presented at the July NASFAA conference shows the federal calculator template produces the most accurate net price estimates when three conditions are met simultaneously:

- a student is from a low-income household,
- the institution awards need-based aid strictly according to FM need analysis, and
- the institution does not discount tuition and offers little or no merit aid.

Testing by Student Aid Services of the federal template's EFC methodology using 145,490 actual dependent and independent students' financial profiles found 70% fell outside their correct FM EFC range. Even when the federal template assigns a student to the correct EFC range, aid results can be inaccurate because need-based criteria are used to determine merit aid estimates. Regardless of whether an institution offers little or no merit aid, In its April 2010 Alert (#38), AIR recommends a careful analysis and "normalization" of need-based aid data by removing outliers.

"The federal template is imperfect in how it estimates expected family contribution to determine aid. If you normalize aid data distribution, you'll be approximately right, but if you don't you'll be precisely wrong," said Leter Daku, Ph.D., associate director of research and planning for Virginia Polytechnic Institute & State University and

member of the Technical Review Panel that made recommendations for the design of the template. "By normalizing grant aid data, the template can be more effective at providing better estimates."

Normalizing grant aid data requires addressing special circumstances and understanding grant aid patterns. According to Daku, it also requires a technical expertise that many schools lack.

A specific concern about the federal template is that the EFC can be exaggerated, often making a college appear more expensive than it actually is. The template can also greatly overestimate the amount of financial aid a student will receive. That possibility concerns Salem State College in Massachusetts, one of the first institutions to post an NPC based on the federal template.

"The reason we put the federal template up last February had nothing to do with the NPC calculation," said Mary Benda, Salem State College's Director of Financial Aid. "Title X alternative loan disclosures require a self-certification form for students and parents showing aid and COA and the template shows that information, saving us two staff members' time doing that work."

Benda, from a major commuter college offering 40% of its students Federal Pell Grants, worries that many schools lack funds to buy a custom NPC or the IT resources to normalize data, so "comparisons aren't going to be fair. One will be accurate and others, like us, will not be true estimates. Students are not going to get the comparisons that I think were the intent of the law."

Differing NPC accuracy capabilities were not the only topic causing a buzz at NASFAA's annual meeting last July. Institutions using The College Board's self-service template (expected to be available in October) will have their NPC's accessed via www.collegeboard.com pages as well as their own, according to Anne Sturtevant, the organization's director of enrollment services and access initiatives. The College Board plans to allow students to see all the NPC's of colleges using its tool so they can compare institutions at its website, in addition to visiting colleges' websites.

Another self-service NPC shell is the Voluntary System of Accountability's (VSA) new version of its College Cost Calculator, offered free to its 330 public land-grant college members as part of its College

Portrait service. It is available at www.collegeportraits.org/files/CalculatorConfigGuide.pdf.

Unlike institutions in other states, Texas' public institutions are required by a new state law to link to the free, FM-based Texas Aid for College NPC (available at collegeforalltexans.com/apps/CollegeMoney) that compares three Texas colleges at a time. Hosted by the state, this NPC is not designed to provide institutions with students' contact information. Texas public colleges can choose to host an NPC on their websites. Texas also offers its NPC free to private, in-state colleges. So far, other states have not announced similar efforts.

After using the VSA's original NPC while UT schools used their own aid estimator, Texas A&M's Pettibone appreciates the consistency of NPC comparisons Texas Aid for College will bring.

"If you can show that not all students pay sticker price, it's an advantage, not a disadvantage," Pettibone said. "The true concern is having an NPC that is vastly different than another college you're competing with."

Despite the appeal of the concept, a centralized, state-sponsored NPC could be problematic for institutions with widely different aid policies. Without consensus among member institutions on the methodology needed for accurate estimations, users would have to settle for the lowest common denominators in terms of inputs, customization options, and messaging.

LOOKING AHEAD

Joe Russo, The University of Notre Dame's director of student financial strategies, and enrollment management expert Jack Maguire, envision both reward and risk from the NPC mandate.

A self-described NPC fan, Maguire, president of Maguire Associates of Concord, Massachusetts, cautions that it is also a risk for consumers. "I believe NPCs will be a positive. However, there is a risk for students in racing to the bottom, to the lowest price, rather than choosing a college that offers the maximum educational value for them. Going with solely lowest price can lead to more student dissatisfaction and lower retention."




Institutions are particularly concerned with timing, Maguire said. He cites the example of a high school senior getting an aid and net price estimate from an NPC in October that won't reflect the changes in aid awards an institution will make in the spring after reviewing its applicant pool and determining how to meet its revenue and enrollment goals.

"There is a level of cynicism about the mandate in higher education, which is notoriously conservative," Maguire said, "NPC's are challenging for institutions, especially for institutions that don't have billions in endowments to support a cost transparency message."

With 46 years financial aid experience, Russo reflects that while NPC's will cause significant disruption among institutions, the cost-transparency mandate affords "a much bigger opportunity for institutions not to simply compare themselves on price, but also to talk with students and their families about outcomes like retention and on-time graduation rates, the satisfaction rate of alumni, loan-default rates, acceptance to graduate schools, average need-based indebtedness, and salary levels of alumni 10 years out. Should not the typical consumer be looking at these types of outcomes?"

Russo's "bigger opportunity" perspective is supported by the level of personalized information and content flexibility possible in the most advanced NPC technology offered today.

UT's Orem sounds hopeful that net price calculators can have positive impact on one of the nation most fundamental higher education objectives: access. He speculates that "the more accurate NPC's that institutions are investing in now may have a policy outcome that could increase access over time. The more comfortable institutions, states, and the federal government get with offering early estimates, the more comfortable they may be with making actual early awards. On balance, this may be the larger policy point of the whole movement behind NPC's." 

Mary A. C. Fallon is a communications consultant, freelance journalist specializing in technology and education, and documentary filmmaker. Her clients include Student Aid Services, Inc. She may be reached at mary@critcom.com or 408-499-4063.

Disclosure: Please note that Student Aid Services is an advertiser and supporter of *Student Aid Transcript* magazine.

NPC SHOPPING CHECKLIST

- Ability to Replicate Needs Analysis
- Features and Functions
- Customizable Features
- Accuracy
- Student's Use Experience
- Option to Show Self-Help Aid Options
- English, Spanish, Other Languages
- Compliance with Disabilities' Law
- Student Data Ownership
- Hosting and Maintenance Requirements
- Enrollment Management Options
- Internet Browser Capability
- Mobile Devices Capability
- Current Clients' NPC URLs
- Use of Subcontractors
- Future Product Features
- Set-Up Time and Process
- Testing Time and Process

A SAMPLING OF NPC PROVIDERS (as of September 30, 2010)

1. AidCalc by EDspertise, LLC
2. The College Board, Inc.
3. Education Dynamics
4. Hardwick Day, Inc.
5. National Center for College Costs, LLC
6. Noel-Levitz, Inc.
7. Simply Apply
8. Student Aid Services, Inc.
9. The Whelan Group, Inc.
10. Texas Aid For College by Texas Higher Education Coordinating Board
11. Voluntary System of Accountability, a copyrighted program of the Association of Public and Land-grant Universities
12. U.S. Department of Education