

HOW TO

MEASURE

the

GENEROSITY OF COLLEGES

What You Need
to Know About
Net Price Calculators

By Lynn O'Shaughnessy

 THE COLLEGE
SOLUTION

An excellent way to cut the cost of college is for your child to apply to colleges that will give him or her the most scholarships and grants.

The big challenge, however, is to know in advance which schools will be the most generous.

Traditionally, you couldn't predict what any college was going to cost until your child received his or her financial aid or merit award package. Even worse, you might not have gotten the offer until the spring, which would give you little time to select a school by the deposit deadline, which is often May 1.

Learn What You'll Pay Before Applying

Applying to schools, however, doesn't have to be a financial crapshoot if you use federally mandated net price calculators before your child applies to any colleges.

The purpose of a net price calculator is to provide you with a personalized estimate of what a particular school will really cost you. When using a calculator, some families will discover that the cost of a \$45,000 university will be \$20,000 or \$10,000 or even lower. For other families, the cost really will be \$45,000.

If you want to avoid budget-busting schools, it's critical to know what the actual prices of particular schools will be before your child falls in love with them. In fact, turning to net price calculators could ultimately save you tens of thousands of dollars by focusing your efforts on schools that will be more generous to your family.

Every college and university that participates in the federal financial aid system, and that's almost all of them, must post a net price calculator on its website for freshman applicants. Some schools also provide a calculator for transfer students.

The Inside Scoop on Net Price Calculators

To squeeze the most value out of these calculators, here are 10 things that you need to know about using them:

1

THESE CALCULATORS PROVIDE A FAMILY'S NET PRICE.

The net price represents what a student will have to pay after scholarships and grants from the federal and state governments and the school itself are subtracted. Here's an example:

Cost of college	\$50,000
Institutional award	\$30,000
State grant	\$5,000
Net price	\$15,000

The net price equals the true price of the college because it only considers free money and disregards loans when calculating the cost.

You can see just how many different prices you can generate when using net price calculators by reading about the experience of a mother in Washington State:

Case Study: What 66 Schools Would Cost This Family

2

USE NET PRICE CALCULATORS TO TEST ACADEMIC SCENARIOS.

You can turn to these calculators to get a handle on what sort of applicants capture the best awards at an institution. What kind of grade point averages or test scores does it take for a student to win a greater award from a specific school?

To illustrate what I'm talking about, let's look at the experience of a father whose son is now a sophomore at Northeastern University in Boston. When the dad initially used the net price calculator and plugged in his son's SAT score of 1300 (out of 1600), the calculator estimated his grant at \$20,000 for the first year.

After his son earned a 1340 score on the SAT, the dad retried the calculator and discovered that the teenager's award had jumped to \$34,200.

With this tool, you can manipulate the figures to see whether it would be worth it for

your child, for instance, to take the SAT or ACT again. Would a higher test score boost your child's potential package? Would a slightly higher GPA matter? With so much money at stake, it's worth taking the time to use these calculators strategically.

3

USE NET PRICE CALCULATORS TO WEIGH IMPACT OF ASSETS.

These calculators can also be handy when you want to figure out how a school treats assets, such as a small business, rental property, investments accounts, and home equity for financial aid purposes.

I wrote an eye-opening blog post (see link below) that illustrates how differently schools treat home equity. Private schools that use the [CSS/Financial Aid PROFILE](#) can assess home equity in significantly different ways. In contrast, schools that only use the FAFSA don't ask about primary home ownership.

[Will Your Home Equity Hurt Your Financial Aid Chances? A Case Study](#)

In the blog post, I wrote about an unemployed New Jersey dad/engineer, who inadvertently discovered how two dozen institutions including Boston College, Dartmouth, Villanova, University of Rochester, Dickinson College and Georgetown treated his home equity that resulted in estimated awards that would have had the family pay anywhere from \$0 to more than \$40,000 for one year of college.

4

CALCULATORS WILL VARY IN WHAT INFORMATION THEY REQUIRE.

To use many calculators, and particularly those of selective private schools, you will need your latest tax return and bank/investment statements. If your child has income and a bank account, you should gather that information too. If the school provides merit scholarships, in addition to providing need-based aid, a good calculator will ask for additional information such as a teenager's GPA, test scores, class rank and possibly activities.

A thorough calculator could take you 10 to 15 minutes or longer to complete.

5

SOME NET PRICE CALCULATORS ARE INACCURATE.

The weakest calculators rely on the federal-calculator template. Using a calculator that relies on the federal template could take less than a minute to complete! The questions are minimal, which leads to dubious cost estimates.

These federal calculators are only meant to provide personalized cost estimates—faulty or not—to families seeking need-based aid. And even then, the need-based aid awards are simply averages.

The schools using the federal template ask only two questions if the family isn't seeking need-based aid. Here are the two questions that I answered when I tried out Carnegie Mellon University's [net price calculator](#):

Net Price Calculator

Step 1: Please provide the requested information. Your responses will be used to calculate an estimated amount that students like you paid - after grant aid and scholarships but before student loans - to attend this institution in a given year.

Financial aid: Do you plan to apply for financial aid?
 Yes No

Age: How old are you?

PREVIOUS **CONTINUE**

How could this university possibly provide an accurate net price when all it knows about this student is his/her age and the decision not to apply for need-based aid!

Based on the answers to these two questions, I received this net price estimate from Carnegie Mellon:

Academic Year: 2012-13

Estimated tuition and fees	\$45,760
+ Estimated room and board charges <small>(Includes rooming accommodations and meals)</small>	\$11,550
+ Estimated cost of books and supplies	\$1,000
+ Estimated other expenses <small>(Personal expenses, transportation, etc.)</small>	\$1,400
<hr/>	
Estimated total cost of attendance:	\$59,710
- Estimated total grant aid: <small>(Includes both merit and need based grant and scholarship aid from Federal, State, or Local Governments, or the Institution)</small>	\$10,813
<hr/>	
Estimated Net Price After Grants and Scholarships:	\$48,897

This institution requires that full-time, first-time students live on-campus or in institutionally controlled housing.

Grants and scholarships do not have to be repaid. Some students also qualify for student loans to assist in paying this net price; however, student loans do have to be repaid.

The federally based calculators that Carnegie Mellon and others schools use will be absolutely worthless for wealthier families strictly seeking merit scholarships. These calculators will also often be inaccurate for students of households of any income because they do not ask questions that would determine if a child qualifies for a school's merit scholarships.

Slightly more than 50% of schools use the federal-calculator model. Many of the schools using the federal template are state universities, but some private schools have embraced this inferior calculator too. Private institutions that rely on the federal inspired calculators include:

- American University
- Boston Conservatory
- Carnegie Mellon University
- Gonzaga University
- New York University

You can't expect to get a reliable financial-aid verdict from any school using the federal template. So why would schools use a **mediocre calculator**? Here are two potential reasons:

1. Creating an accurate calculator isn't a priority for some schools, which may also believe that applicants aren't interested in them.
2. Private schools can favor mediocre calculators because the tools can mask the true cost of their schools. Admission officers may advise applicants to ignore worrisome calculator results and apply anyway because the calculator results are unreliable.

6

OBSERVE HOW MANY QUESTIONS A CALCULATOR ASKS.


Calculators that depend on the federal-template calculator pose few questions and don't require the actual income that parents report on their tax returns.

These federal-template calculators only provide income ranges and the highest income level the tool offers is "above \$99,000." (See below.) In addition, these calculators do not inquire about family assets!

Household Income: **What is your annual household income after taxes?**

- Include income earned by yourself and your parent(s).
- Include income from work, child support, and other sources.
- If your parent is single, separated, or divorced, include the income for the parent with whom you live.
- If the parent with whom you live is remarried, include both your parent's income and his/her spouse's income.

Less than \$30,000
 Between \$30,000 - \$39,999
 Between \$40,000 - \$49,999
 Between \$50,000 - \$59,999
 Between \$60,000 - \$69,999
 Between \$70,000 - \$79,999
 Between \$80,000 - \$89,999
 Between \$90,000 - \$99,999
 Above \$99,999



7

LOOK TO SEE THAT THE COSTS ARE UP-TO-DATE.

When using calculators, check to see if the prices are recent. When the Institute for College Success & Access did a [survey of net price calculators](#) in 2012, they discovered that 40% of schools were relying on old cost figures for their calculators with some going back as far as the 2008–2009 school year. Unfortunately, schools that use the federal template will be using cost-of-attendance figures that are at least two years old. I’ve found schools sharing even older cost data. As you can see in the Carnegie Mellon example above, the cost estimate is based on 2012–2013.

8

NET PRICE ESTIMATES ARE NOT GUARANTEES.

The price that a net price calculator spits out is not necessarily what you will pay. While the goal of these calculators is to provide families with solid cost estimates, the figures aren’t binding. For instance, we previously mentioned the case of the dad using the Northeastern University calculator. The initial award the son received was lower than what the calculator suggested and the dad aggressively appealed the lower amount and eventually received more money. Not all families would do this or be successful if they push the issue.

In general, the net prices generated by schools that have developed their own calculators should be much more accurate. Ask schools about the accuracy of their calculators.

9

DOUBLE-CHECK YOUR FIGURES.

Be careful when inputting your information into a net price calculator. If the outcome seems wrong, try again. Ask a school’s financial aid office if you aren’t sure what information is needed.

10

WHERE YOU CAN FIND NET PRICE CALCULATORS.

Schools are federally obligated to post their net price calculator for freshmen on their website. It can be hard, however, finding these calculators. Some schools don’t want you to use them because you could discover how stingy they are.

An easy way to look for a school’s calculator is to Google the name of the institution and net price calculator.

11

CHECK OUTSIDE CALCULATOR PROVIDERS.

Beyond school website, there are at least three outside sources for net prices:

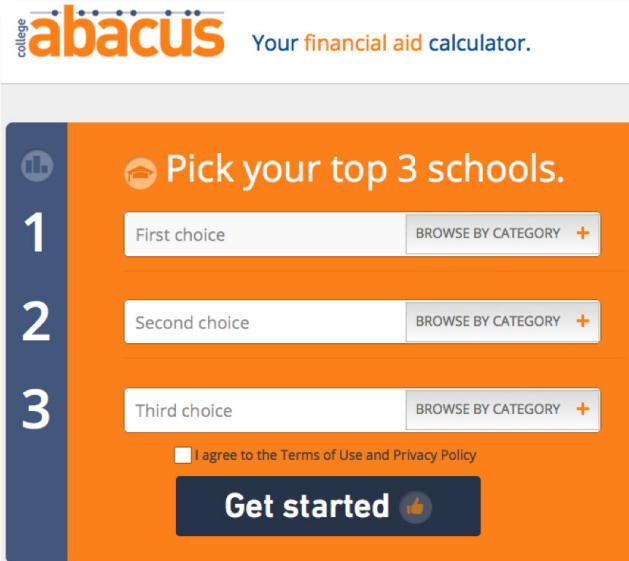
[College Reality Check](#)

[College Abacus](#)

[Cost of Learning](#)

Each has its strength and weaknesses. Let's take a look at each one:

College Abacus



[College Abacus](#), which a young Rhode Scholar launched with financial assistance from the Bill and Melinda Gates Foundation, is a one-stop shop for accessing many net price calculators. The site allows a visitor to compare the net prices of up to three schools at once. The aim of the site is to become the college-pricing equivalent of Kayak, Expedia, Zillow or other cost-comparison sites.

College Abacus asks for a tremendous amount of your financial information because it needs this data to answer all the anticipated questions that any school's net price calculator would ask. Once you've inputted your financial data, you can obtain the results from a school's net price calculator without leaving College Abacus.

Unfortunately, some schools are blocking College Abacus from accessing their net price calculators because some college administrators do not want price comparisons to be so easy. So you may not be able to access all the calculators that you'd like at this site.

College Reality Check



College Reality Check is a site, courtesy of *The Chronicle of Higher Education*, which allows families an easy way to compare net prices of up to five schools at once. You can also compare other factors such as graduation rates, student loan default rate and estimated average monthly loan repayment amounts.

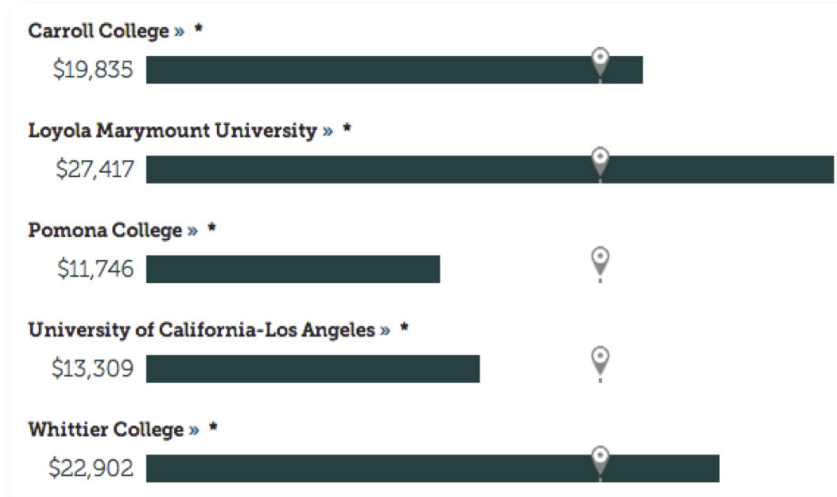
Keep in mind that the average net prices on this site, which come from the federal government, are for income ranges. Unfortunately, the highest income range is only \$110,001 and above, which is not helpful because what a family with a household income of \$110,000 can afford will be quite different than what a millionaire can cover.

What's more, the net prices are only calculated for families who applied for and received financial aid, which includes federal college loans. It's more likely that the net prices for lower income ranges are going to be more reliable because people in the upper income brackets are less likely to apply for aid.

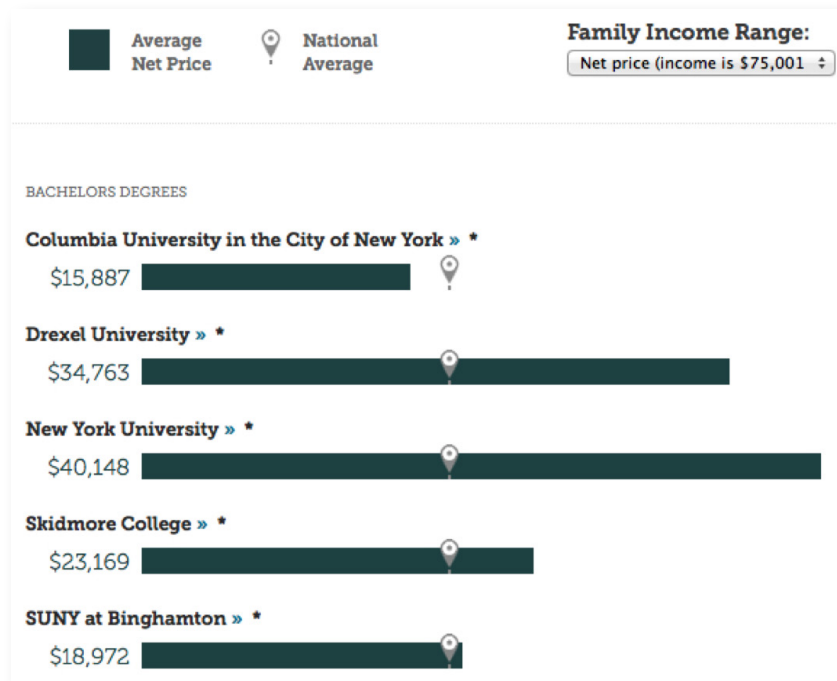
In the example below, I obtained the average net price for families whose income ranges between \$75,001 and \$110,000. As you'll see, the prices for students applying to these schools differ significantly.

I included **Carroll College** in Helena, MT, to illustrate this critical reality: lesser-known schools located in areas off the coasts are often less expensive. One of this school's many selling points is its nursing school where students can graduate in four years unlike impacted nursing programs in state schools across the country.

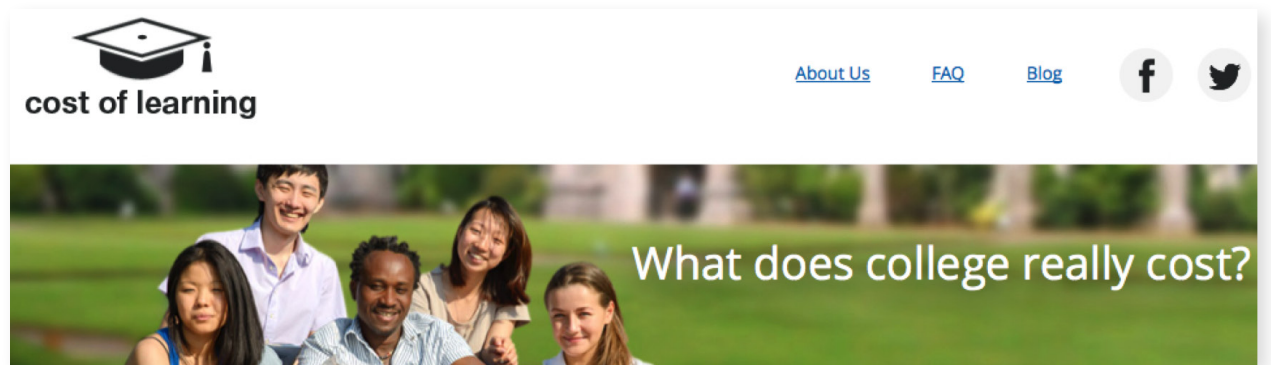
The example below also shows that expensive schools with excellent financial aid (Pomona) can be cheaper than state universities. It also illustrates how expensive some schools in cities on the West Coast are.



I also generated a net-price example with East Coast schools. In this example, I assumed that the family's income was between \$75,001 and \$110,000. Once again you'll see that the prices differ significantly.



Cost of Learning



You can find a universal net price calculator at the website of the [Cost of Learning](#), which aims to make it easy for families to retrieve net price estimates.

The Cost of Learning generated hypothetical net prices at 250 of the most popular schools by trying out many household scenarios of income and assets on the institution's net price calculator.

To make calculator results comparable, the creators created the hypothetical net prices by excluding merit aid. As I mentioned earlier, about half of all college net price calculators do not calculate merit aid.

To make these schools comparable to those that do dispense merit aid, the site did not answer any of the calculator's merit aid questions that asked about such things as class rank, GPA and test scores.

For each school, Cost of Learning displays the net prices for various EFC ranges. Consequently, to use the Cost of Learning's calculator, you must already know what your EFC is. You can obtain this figure by using the [EFC calculator](#) at the College Board. To learn more about EFC's, read this blog post:

[What Is Your Expected Family Contribution?](#)

In the chart below, for instance, you can see the net prices for each dot on the graph for Claremont McKenna College. When you click on one of the price points on Cost of Learning's website, a box will pop up that includes the EFC and the corresponding estimated net price. The arrow in the graph is pointing to the price for an EFC of \$8,175.

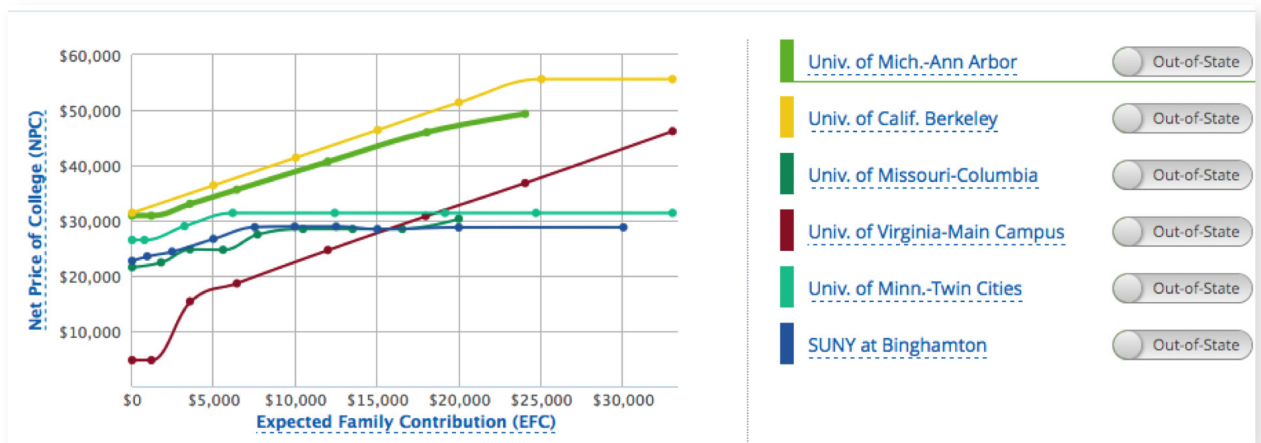


COMPARING SCHOOLS

A handy feature of this tool is that you can compare up to six schools at once. In the graph below, I compared the out-of-state costs for nonresidents at five flagship universities along with SUNY Binghamton, which is one of the premiere state research universities in New York. New York doesn't have one flagship university.

Looking at the chart below, you can see that the public universities with the highest college rankings are charging more than other state universities. I would argue that paying the high prices that schools like University of California, Berkeley, Michigan and Virginia can command is nuts! Here is a previous blog post that I wrote on this topic:

Are Flagships Worth the Price for Outsiders?



One of the advantages of using the Cost of Learning's universal calculator is that you don't need to plug in all your financial information into the site. You just need that EFC.

Checking net prices at CostofLearning.com will be different from using a net price calculator at a specific school, but you can quickly generate some ballpark estimates based on your Expected Family Contribution.

BOTTOM LINE

3. Use net price calculators before your child finalizes his/her college list. There is no point in letting your child get excited about particular schools if their costs will be exorbitant.
4. Use these calculators strategically. See how assets and a child's test scores/ GPA could change awards.
5. Remember that the net price calculators of schools using the federal template will be flawed.
6. Ask each school how accurate its calculator is.
7. Check how old each school's cost figures are.
8. Use the results of net price calculators to develop a list of schools that will be financially doable.