



How to Communicate the True Cost of College to Prospective Students of Modest Means

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List prices for attending elite, private colleges and universities fall in the tens of thousands, clearly unaffordable for most American students and families. These apparent costs dissuade many people from even applying, despite the fact that elite institutions often have extensive financial aid programs to make enrolling more affordable for well-qualified students. Unfortunately, many of those who stand to benefit from such aid never learn that it is available. In an effort to address this problem, federal legislation mandates that every college and university post a “net price calculator” on its website, designed to provide students and families with estimates of their expected costs given their own financial situation. But these online tools are often difficult to use – and much more needs to be done.

List Prices versus Real Costs

For America’s leading private colleges and universities, publicly listed costs including room and board approach \$70,000 or more annually. This price is clearly unaffordable for most families with college-age children, whose median annual income is \$75,000 and median net worth is \$65,000 (with half of that tied up in home equity). Families at that level cannot afford to pay full prices at elite institutions, and the shortfall is more obvious for those with lesser means.

However, at many leading institutions, enough extensive financial aid is available to substantially reduce the cost of attendance. At a typical elite institution, lower-income students, whose parents earn, say, \$40,000 or less, are often expected to pay about \$2,000 out of pocket – frequently with an expectation that the student can earn that amount in a summer job. Those students are often typically expected to take a work-study job during the school year to help pay another \$2,500 or so – and, at some of these institutions, they are expected to take out loans of no more than \$5,500 per year (at a handful of wealthy institutions, such loan requirements even fall to zero). For families with modest incomes, even these annual costs are not trivial, but it may be manageable. And it represents a great investment in their child’s future because a college education produces substantially higher future earnings.

Despite the very good, affordable possibilities, many would-be students and their families do not know the true costs of college. This is especially the case for those from low-income households, who often do not have access to good information about the availability of financial aid. Survey evidence indicates that the majority of students of college-going age only know the stated sticker prices charged by colleges – and their lack of accurate information reduces the likelihood that well-qualified students will apply to and end up attending leading institutions that offer excellent educations at a steep discount to young people from lower-income and lower-middle-income families. One study found that almost half of high-achieving, low-income students end up attending non-selective institutions.

Increased Awareness of Financial Aid Improves Student Outcomes

Research suggests that providing prospective students with more information on what it would actually cost to attend college has a substantive impact on their decision-making. In one experiment, students who were offered estimates of the true cost of attending nearby colleges – after receiving assistance in completing the federal financial aid form – were 29 percent more likely to complete two years of college. In another experiment, low-income, high-achieving high school seniors who received information on actual college costs, along with application assistance and fee waivers, applied to schools that better matched their abilities. Those institutions, in turn, have higher four-year graduation rates, instructional spending, and median student achievement scores. Participants surveyed following that experiment reported that better information

regarding financial aid was an important factor influencing their decisions.

How to Better Communicate True Costs

In principle, federal legislation has already mandated the introduction of tools that address the need for information and transparency about college costs. As of 2011, every college and university was required to post a “net price calculator” on its website, designed to provide students and families with estimates of their expected cost after factoring in financial aid based on their own finances. The “net price” includes direct payments from the student and her family plus expected loans and the proceeds from a work-study job. These net price calculators are now in place, yet they are often difficult to navigate because they frequently require users to provide information from tax forms that they may not have at hand or may not understand.

On their own, some colleges have taken steps to introduce easy-to-use cost calculators. The new online tool is called MyinTuition, which I created. It simply requires users to enter the most common types of financial resources (income, home equity, cash in the bank, and savings in investment accounts). Demand for the tool has been strong. Between April 2017 and January 2018, 15 schools used MyinTuition. In January 2018 another 16 schools joined, bring the total to 31 schools. Over that period, over 200,000 students have obtained around 250,000 estimates. It takes an average of three minutes to complete and 91 percent of those who start the tool finish it. Applications at Wellesley, Williams, and the University of Virginia, all of which have been using MyinTuition at least since the fall of 2015, jumped 13 to 23 percent in 2017. In each case, about 90 percent of the increase in applications came from students requesting financial aid.

Better Communication Can Level the Playing Field

Better information about costs is clearly one critical component of any attempt to increase access to college. Policies that reduce the price are only beneficial if students know about them. Students from low-income households would benefit from mentors who could advise them about college choice and available financial help. And greater transparency about each institution’s costs and aid will help students and their parents and mentors make better-informed choices. Federal proposals to improve already-mandated net price calculators are one promising step, and private market solutions like further expansion of MyinTuition can help as well. Efforts to enroll and graduate more students from modest economic backgrounds will only work if accurate information about true costs and benefits reaches all prospective students and their families.

Read more at [MyinTuition.org](https://myintuition.org).