

Government Attempts at College Cost Transparency Ineffective, May Make Decision-Making Worse, New Brookings Research Finds

Information deficit impacts social mobility; Simplified price calculator increases prospective applicants

As college application deadlines approach, thousands of high school seniors will make decisions about where to apply to college - if they apply at all - incorrectly based on the perceived "sticker price" of attendance and recent federal efforts may generate even more confusion, according to a new Brookings Economic Studies working paper released today. An alternative, simplified cost calculator increased prospective applicants at one elite institution by 20 percent, the research finds.

In "[Transparency in College Costs](#)," Wellesley College Professor of Economics and Research Associate at the National Bureau of Economic Research Phillip B. Levine finds that recent federal efforts have failed to help students and their families better understand what college costs. "Net price calculators," which are now required of all colleges under law, are too difficult to use to have much impact and the U.S. Department of Education's [College Navigator](#) and the White House's [College Scorecard](#) websites may actually present misleading information, Levine finds. Tools designed to improve the transparency of college costs need to be simple, accurate, and individualized, yet the recent federal approaches fail those tests, he says.

Levine notes that the majority of applicants are only aware of a college's stated tuition (or "sticker price"), despite the fact that many would be expected to pay considerably less depending on their financial circumstances. For example, he finds that while the average sticker price has increased around 25 percent, from around \$33,000 to \$41,000 (in inflation adjusted dollars) at private, non-profit 4-year institutions over the last 10 years, the average net price (tuition actually paid) has remained constant at \$23,000. For students from lower- and even middle-income families, the cost may be considerably less than that.

"For many young Americans, this information deficit reduces the likelihood that they will attend college—and it reduces the quality of the institutions for those that do attend." Almost 60 percent of students from low- and middle-income families only know the sticker price, not the net price, even after the introduction of net-price calculators and government websites, according to a recent College Board survey - a key finding given research showing the important role college attendance (and completion) can play in increasing social mobility. One simple step the government can take, Levine argues, is to report median net prices by income category rather than average net prices on the [College Navigator](#) site to reduce the influence of families with unusual financial circumstances on the information provided.

In an experiment started last fall, Wellesley College introduced a new tool, called [My inTuition](#), which provides applicants estimates of what it would cost them to attend Wellesley based on their answers to six basic financial questions (total family income, home value and mortgage balance, cash holdings, and retirement and non-retirement investments). Most users who start the tool complete it, taking an average of 3 minutes to obtain an estimate, whereas most users who start traditional net price calculators don't even bother finishing them, according to the data. Levine found that demand for estimates from [My inTuition](#) has been high and that users report that the tool is helpful and easy to use. Wellesley experienced a 20 percent increase in the number of prospective applicants following implementation. He believes the results would hold true across selective, private institutions.

Given the pending reauthorization of the Higher Education Act, Levine's research could help inform the legislative process. "The broader policy discussion can benefit from the lessons learned through Wellesley's experience with a simplified college cost calculator," he concludes. "Making simplified calculators more widely available would be an important advance in the financial aid world, and if they are adopted more broadly, these tools have the potential to provide substantial benefits to any student considering college."