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WEBINAR

THE HIDDEN PRICE OF COLLEGE: THREE PERSPECTIVES ON HOW FAMILIES CAN NAVIGATE THEIR MOST IMPORTANT FINANCIAL DECISION

Tuesday, October 27, 2026

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REBER: Good morning and welcome. I'm Sarah Reber, Senior Fellow in Economic Studies at the Brookings Institution. Thanks for joining today for The Hidden Price of College: Three Perspectives on How Families Can Navigate Their Most Important Financial Decision. The high and rising sticker price of college gets a lot of attention and causes family a lot of, a lot of grief.

Most students don't pay that price though, but figuring out what you will pay and what's worth paying for is one of the most consequential financial decisions a family makes. I'm excited to have three panelists today who are helping families figure out how to afford college. Phil Levine is an economist at Wellesley College and a nonresident senior fellow here at Brookings in the Center for Economic Security and Opportunity.

His new book is Hidden Tuition. Ron Lieber writes the Your Money column for The New York Times and is the author of The Price You Pay for College. And Cristina Lopez was Dean of Enrollment Management at Barnard College and now works directly with families navigating the process as the founder of The Dean's Desk.

If you wanna submit a question for our panel during this event, you can send that to events with an S @brookings.edu. I couldn't imagine a better panel to dig into this topic, and I'm gonna start by asking each of our panelists to introduce themselves and tell us a little bit about how they came to work on this topic.

So Phil, let's start with you.

LEVINE: Sure. Thanks, Sarah. I'm glad to be here today. I should start out by saying I've been teaching economics at Wellesley College now for 35 years, which is a long time . I've been doing work on social policy questions really ever since I, since I started, since graduate school really.

But college pricing was never really much on my agenda for, for a very long part of my career. So how I got interested in all of this was a personal issue, was that, you know, I have children too, and there came a point in my life where my kids were approaching college age and, you know, as an economist, I was saving for college ever since the day that they were born.

And you know, I make a good living, but I don't make a fortune, and they reached a point when I just wanted to know as, when they were teenagers am I eligible for any financial aid at all? And that's when I- discovered how complicated and confusing and difficult the process really is. And that sort of set me off on a path to sort of spend, like, a lot of the last 10 or 15 years working on this particular topic.

So the first thing that I did was I developed a simplified financial aid calculator for Wellesley College. It's called MyInTuition. It started, I think it was 2013. 2017, it got- was converted into a nonprofit organization, and now 70 or so colleges and universities use it. It was recently acquired by the College Board.

Through all of that work, I've come to, you know, connect and work with many people in the admissions and financial aid world. So I've, you know, gotten a lot of insight, not just in terms of the economics, but also you know, how the process really works. I've also sort of converted a lot of my academic work now to, to focus on this topic.

So if you go to the Brookings website, you can see se- several of my research reports that are posted there. And most recently I wrote a book, as Sarah mentioned, called Hidden Tuition. It's available on Amazon, and the idea was to take sort of everything that I've learned which is generally written for sort of academics in the policy community, and think about ways to communicate that to, to people going through the process, to parents and counselors going through the process.

And that was the goal in writing that book, and that's why I'm here today.

REBER: Thank you. Ron.

LIEBER: Good morning. I am thrilled to be here with two, you know, insiders or quasi-insiders or former insiders. I'm just an ink-stained wretch here trying to make sense of it all, but I feel lucky to be among such a, a gust company.

Like Phil this too is personal for me. When I was in middle school in Chicago in the 1980s, my parents' marriage busted up. My dad lost his job. He didn't really earn much income to speak of for a couple of years. It was about 10 years until our family had sort of recovered financially and, and that overlapped with, with high school and college for me.

So we were thrown into the maws of the financial aid system, such as it was back then. System is a generous term. It remains a generous term. My mom and I were lucky. We found somebody local who for you know, a very small amount of money told us how the then FAF form works. I'm now aging myself, but many of you remember the old FAF before it was FAFSA.

And we got great advice. I got into Amherst College early decision praise be as ever to Dean or Saint, as we refer to him at our household, Joe Paul Case, the legendary financial aid director there, who's still a buddy of mine. I got a bunch of aid, didn't borrow very much, and you know, was lucky enough to kind of make it through there intact.

It should not be a surprise that I eventually grew up to be the person and the reporter whose beat is beating the system. All right? I'm trying to help people navigate really messy stuff that involves large amounts of money and a lot of feelings. College may be the biggest thing in that category.

So, you know, I spend 20 or 25% of my time at The New York Times writing the personal finance column, addressing the question of who pays what and why for college. I too am a parent. I've got a 20-year-old undergrad. I've got an 11-year-old. Who knows whether she's joining the Navy or, or, or what she'll do when she's done.

But you know, I think about this pretty much constantly right now in the tuition-paying years, and write a lot about the difference between the list price and the actual price in the newspaper. And I just gotta say you know, sitting here with a couple insiders today, I am thrilled that Phil has written a book with the word hidden- the title in front of tuition.

This is a prominent economist just saying out there in public that we have an enormous problem. Christina's so frustrated with all of it that she's, you know, ditched her status as, as insider to become an outsider to help other people. I love this. You know, my latest

contribution is that I teach an online course about merit aid and merit scholarships, which we'll probably talk about in some detail in the next hour at meritaidcourse.com.

So, you know, I got so much feedback from readers of my book and my column who, you know, wanted way more information about how merit aid and merit scholarships work. So that's my latest project, and I'm excited to be here.

REBER: Great. Thank you, and Christina

LOPEZ: Hi everyone, I'm Christina Lopez. I'm thrilled to be here.

So I have been in college admissions and financial aid for 20 years. I am originally from Detroit and I attended NYU, as you can see. I put them proudly 'cause I earned them. And in the year 2000 when I started Tisch School of the Arts where I attended, was $40,000 at total cost of attendance, and I thought that was an enormous amount of money, even from a middle class family.

And but it was a stretch, but we made it work. Now it is $107,000, and it is grown astronomically. I recently became a mother, and in the hospital, the... in the folder they give you, it's like, "Hey- ... breastfeeding, it's great. Don't shake the baby. And oh, start your 529." So you're already thinking about how to finance college before you even take the baby home.

And I thought about that in contradiction to the work that I had done m- most of my professional life in enrollment. I... Usually families folks who come up through admissions, they don't really learn financial aid in, in a really deep understanding until they reach a leadership level, and then they'll s- they stay there.

And so, a l- there's a lack of financial aid education that goes out towards families, particularly when folks go to the other side of the desk in college counseling. And from my perspective in enrollment taking over the financial aid office right after coming back from COVID and navigating a very small office that served many families, that was understaffed and under-resourced, but also navigating all of these major changes in financial aid that haven't occurred in the last 50 years with the changes to FAFSA simplification and different policies with PLUS loans.

You think about enrollment policy, and packaging, and pricing from an institutional perspective, and obviously we care about how families are receiving it, but it's different when you're working with families and how they're actually experiencing it. And so, I started The Dean's Desk after leaving Barnard primarily because I felt like families are making one of the biggest financial decisions of their lives with the least amount of information available.

And when they have more information, they make better decisions That's how I-

REBER: Great. Thank you again for being here. And just quickly before we dig in, I wanna say a quick word about who this conversation is for. We'll be mostly focused on those who want to attend a residential four-year college shortly after high school.

This is who many of us think of when we talk about college students. But many college students don't fall into this so-called traditional student category, and they're older, or they attend community colleges, or they live with their parents. And how those students finance college will often be different from what we're going to be talking about here, though if you know, we may touch on some of these some of these issues throughout.

And one of the big themes of this discussion is going to be how different it is for everybody at an individual level, and that there's not one price for college. Different students are paying different prices. What a student is asked to pay might depend on their family's finan- financial situation, their academic record, where they live and different colleges may charge different prices.

So, Christina, can, can you start us off by talking about what factors influence how paying for college is going to look for a for a family when you, you know, when you work with families? What do you need to know to start developing a strategy for them? And, you know, of course, you're in the business of offering individualized support, but if there are, you know, sort of broad categories that we could think y- be thinking about to keep in mind for this discussion, that would, that would be really helpful.

LOPEZ: Yeah. So first and foremost, the process of college affordability is different for everyone, right? We're not going to assume that everyone has aspirations to go to a school with $90,000, $100,000 price tag, right? You may be thinking about going to your local community college, a regional college, or highly selective, and all of those carry different implications to families.

But I think one universal thing that I've noticed with families is that there is an assumption that if my student gets in, then they will, the s- college will figure out a way for us to afford to get there, right? And some of that I think is on the college side. I think a lot of messaging is very much of, you know, we don't want finances to get in the way of you attending our college, which is very true.

However, I think how that actually ends up in practice tends to be very different for different families. And so when I start working with families, the first question I ask them is, "What is your number? What can you contribute to the cost of your child's education for the next four years?" Because college is a four-year investment and not a one-year cost, and college in- cost of attendance will increase every year for the next four years, 3 to 4%.

You know, sometimes other costs increase that price. Oh, I was in a double in housing this year. And now I want to be in this fancy single. The prices are going to change. And so what is it that you can contribute from your savings, from your monthly income before we even get to loans? And I think that question throws a lot of people off because it isn't one that's asked first.

It's where can my child get in? Where do they have the, the best chance? Where is their best fit? And then the question of affordability is at the end when students get in, and that's when h- parents are hair on fire. We get this award letter and what are we gonna do about this? And so I try to move all of that forward, and I think we're at a point where it has to be that way for many families.

Even if, you know, you are thinking about an in-state school, you know, Berkeley is $50,000 as an in-state tuition, right? And there are many schools that have these great tuition promises, but c- the room and board is still 20, $30,000. So affordability has to be at the front of this conversation now and helping families figure out what is their number first, and then figuring out what is the bridge and how far that bridge needs to go to get to that number, whether that's need or merit or what have you.

And so I, I think there's a lot of education in helping families start there first, and that's where we need to go in terms of educating families.

REBER: So you, you mentioned already several factors that can, you know, make it more clear or change what it costs over time or whatever. So, so Phil, c- let's talk about why it's so hard to...

So f- even if the f- if families, you know, follow Christina's good advice and, and and, you know, start with what they can contribute, like why is it so hard to figure out how much it will be?

LEVINE: I, I mean, I don't think I'm you know, revealing any secrets here that the financial aid process is incredibly complicated.

And so, you know, the underlying question that you wanna ask is, is why? Is, is this just, you know, are schools just purely trying to punish students and families? And you know, I think historically the reason why the system is set up as it is, is because there has been a, an incredibly strong focus in the system on, on providing equity.

So, you know, I'm a college professor. I sit in front of a room full of students. I have two students sitting right next to each other. You know, at my institution, one of them is paying $100,000 a year, and the one right next to them is paying $5,000 a year. 20 times more. And they're getting exactly the same thing from me.

I don't really care how much they're paying. So the issue then becomes, well, there has to be some equity in the system that can justify why one student's paying 20 times more than the other. That's even true at a public institution where maybe it's not 20 times more, but still three or four or five times more.

And so the financial aid system was developed in a way that sort of, you know, we wanna know every single potential fact about your finan- your family's finances that can determine how much you can, quote-unquote, "afford to pay," and there's an, a fancy formula that generates that number, and that's great.

I believe in equity too. But at some point these issues of equity sort of override the question of like, well, how does that kid get to college in the first place if they don't know what the price is going to be? And so as there's this trade-off between the equity in the system and, you know, in economic terms, the efficiency of the system and the simplicity of the system, and in a perfect world, we would do a much better job balancing those things, trying to figure out, like, you know, how can we maintain that equity, but also allow the kids to get the information that they need so they can make de- better decisions about what, what's best for them?

I, I, I think there's like a little bit of an underlying movement in the industry in that direction, but there's still a long way to go.

REBER: So, Ron or Christina, do you have anything to add there?

LIEBER: I, I would just say that the phraseology, the construction that that Phil just created here was, was revelatory to me.

I, I don't recall it being in the book, but this idea that equity, fairness trying to give everyone what they deserve and, and help the people who need the most help, and all the data that's required to preserve and maintain equity and create it, right? Equity is overriding efficiency. Efficiency being transparency and the ability for everybody to get some decent sense of what it might cost in the first place.

I, I really like that. And you know, just to riff a little bit off of what Christina said I could not agree with her more, and I would also take it further. First of all, and I know, you know, she didn't mean to discount this and, and will agree with it, but y- you gotta bring the kid in on that conversation almost immediately, right?

It's no fair for the kid to be, you know, kinda chugging along through high school without the faintest idea of, of their parent or parents or their family's ability to pay. But then there's a more nuanced version of the conversation too, which, you know, the parent needs to have with themselves if they're flying solo, or married parents or divorced parents you know, need to have on their own, which is that you know, before they talk to the kid, which it, it...

There's... It's one thing to be able to pay X, it's another thing to be willing to pay X, right? And often where families get tripped up and, you know, there's an explosion of tears and sadness in, in March and April of the senior year is when the parents are on different places in the ability-willingness continuum, and they haven't articulated it to themselves, let alone to the kid, and all of a sudden, you know, the grown-ups are showing up in the room in March or April and saying, "Great or state," right?

And nobody's bothered to define what great is, right? Or "We're only paying $100,000 for an Ivy," which, you know, as a graduate of, of Amherst is problematic for me. I imagine Phil has some strong feelings on the topic as well or Christina, who, you know, did her time at a smaller arts college in her last gig.

And so more conversation not less. More

LEVINE: Absolutely. Totally agree with that.

REBER: So can we... Let's, let's talk about the sticker price and the, and the discounting and, you know, w- y- we've mentioned already several times $100,000 and $50,000 for Berkeley and and but that, you know, part of what's confusing here is that that isn't necessarily the price.

And so Phil, I know you've written a lot and people can go to the Brookings website to see you know, to see more on this. But can you just explain, like, what the sticker price is and what it's good for and what it's not good for?

LEVINE: Yeah. The sticker price is a number that the federal government requires all institutions to post on their website.

It lists the equivalent of the maximum amount you can conceivably pay to attend an institution. Unfortunately, it's also the easiest number, and perhaps in some instances, the only number to easily find on a college's website, and which is why when you see media reports and, and data collection efforts that sort of compare colleges, it's the easiest thing to compare.

And so the $100,000 number, which you know, many private schools are now either at or approaching rapidly is a very easy number to find, and it's a big, scary number. Let's face it, it's a lot. That's a technical term. The issue is that most people don't pay that amount, right? So, the, the people who are paying that amount are families who are earning three, $400,000 or more per year attending an elite institution that offers little in the way of merit awards.

Those students pay that much. At a public institution, if you're paying more than maybe $150,000 a year you pay the sticker price at those institutions, which actually at UC Berkeley where it's $50,000, more than $150,000 of income. But, and even at those institutions, a lot of them are now also providing merit-based aid for high income students with no financial need who in theory can afford that price.

We're talking about like, you know, six out of seven students in the country pay the pay less than the sticker price, and it's often a, a lot less than the sticker price. So focusing, a focus on the sticker price is like the biggest mistake I think you can make because it immediately closes doors that should not be closed.

And in Christina's conversation about figuring out what families can afford and what they can't afford, what you should be comparing is how much your family feels like they can afford to how much they actually have to pay, not some con- some, you know, legislated maxim- you know, legislated post that the highest income families have to pay, but you don't.

That's not the relevant comparison. And it's, it's, it's, you know, it's problematic for society because basically people make, you know, quote unquote, "wrong decisions."

REBER: But so how, how can you f- how can you figure it out? And I know, Phil, I know you've developed my tu- intuition in the net- the net price calculator.

So but maybe like how from everybody's perspective, like just how can, how can people figure out do what Phil is saying and like try to make their decisions based on what they'll actually pay and not what the posted price is? Like how, how can they, how can people do that, and how, how well does that work?

Go ahead, Christina.

LOPEZ: It, it doesn't work out well. The government has required every school to have a net price calculator on their website. They have not done any sort of regulation or requirement to make sure that it is accurate or maintained. And so many calculators are hard to find. They are designed for two household, two parent households with W-2 income.

So if you are a business owner or you are divorced, that already complicates things and kind of breaks the calculator. And there are other factors that schools will consider in institutional methodology that aren't really as publicized that can completely change that number, particularly for business owners.

And so with net price calculators, this is the tool that we've put forth, and it right now is the best tool that families have in order to figure out what they will pay. However, it is not a perfect tool, and shout out to great schools that maintain it every year in their cycle prep, where it reflects last year's tuition as it's supposed to, it reflects their methodology.

That is a small group of schools So I think there needs to be a move towards having families be able to get a financially pre-read in a sense, particularly when it comes to early decision.

LIEBER: I have

LOPEZ: many, many families that I've worked with who are going into an early decision plan for their student because they know that it provides them an academic advantage, an admissions advantage, with absolutely no clue what it will cost them in the end, and yet it is binding.

And so if colleges expect families to enter into a binding agreement and honor that, then they should be able to have more accurate pricing than just, "Well, we'll see what you get when you apply," right? It needs to be a solid, accurate number more than just a general estimate. So this is what makes it really difficult for families to figure out what they will pay in any sense.

And even with the MyinTuition and other calculators, it's great because it allows them to get to that number faster, but it's also a range, and sometimes that range for many families could be great or financially devastating, and they don't know where they're gonna fall, and that makes it really difficult to plan ahead.

So then, you know, a lot of families that I've worked with have said, "I did one, the number looked crazy, so I just said we'll figure it out later." Which is also crazy to think about as well. And so, you know, I, I think there is... there's some magical thinking that happens. There's some avoidance. There is hope beyond hope that, that there's working here.

But I think this is why we are entering into an era where families need good information to make informed decisions.

LEVINE: The, the one thing I would, I would add to that is that, you know, net price calculators didn't come out of nowhere. They, they, they weren't... They were, they were generated for a reason. It's because everybody knew that this problem existed.

You know, it's just that the conversion from like a re- you know, what was well-intentioned legislation into into what the world actually looks like, you know, may not be as perfect as we might like it to be. The intention, I think, is still correct, and we still need to do a better job. It's just that we have not anywhere s- come close to accomplishing that goal.

LIEBER: Yeah. I'll, I'll just jump in with a couple of things here because, you know, Phil and I are in, like, 80% heated disage- he- heated agreement here, and then there's 20% where, you know, we come to loggerheads a little bit. So I, I'm just gonna try and die on a hill here that I've been unsuccessfully trying to die on for a while now which is just to say that as, as the person who put the $100,000, you know, one-year list price for Vanderbilt, you know, on the front page of the paper when they went over the top a few years ago, and put the $50,000 price on the front page of the Sunday paper this weekend when some of the UC schools went over the top this year, I will just say that half of Vanderbilt families, roughly, very roughly, are paying the full price.

25, 30, 35, 40%, roughly, of families at UC Santa Barbara and UC Berkeley and UC Irvine are paying the full price. And so, you know, as a, as a journalist, right, you have to ask yourself, "Who, who am I servicing here," right? And it turns out that, for better or for worse, I got a lot of upper middle class readers who have high aspirations for themselves and their kids.

They are going to be paying that price, right? And so I, I, I'm not gonna, I'm not gonna shy away from it. And here's the thing, right? If you put that number on the front page and the schools don't like it, well, they have an opportunity to make it crystal clear what people will actually pay. No bogus net price calculator that may or may not be right or may or may not be outdated.

No, you know, very good but not perfect Phil Levine i tu- my intuition calculator. Just give the price away upfront. And, you know, I love that Christina's is, you know, trying to you know, give her clients the kind of nerve to ask for things. But we should be asking for these things collectively, because College of Wooster and Whitman College and Brandeis and Macalester in early decision, these are very good schools, right?

They are giving guaranteed prices upfront. If they can do it, other small schools certainly can do it, and then the bigger ones are gonna have to follow along, and then we can find something else to talk about at 10:00 AM on a random Tuesday morning.

LOPEZ: Yes. I will also add that University of Pennsylvania has a new calculator that just rolled out last month that I think is very good because it is doing something that no other calculator is doing.

It is explaining why they got the result that they got. You have this home equity is considered at this amount, this amount goes into your SAI. It is helpful for families to understand why they're being priced the way they're being priced, particularly because they don't understand that a FAFSA school is gonna price them different from a CSS Profile school, and a CSS Profile school that uses full home equity and this one doesn't.

Those factors make a big difference in the numbers that they get, and if they can just understand why they're getting what they're getting, it makes a tremendous difference. I will also say I work with a lot of families that I like to call doughnut hole families. So on one side of this circle, you have families that are full pay, can comfortably pay this price with no problem.

The other side are families that are low income that will receive meaningful aid. In the middle, there are a lot of middle income, upper middle income families that won't receive

meaningful need-based aid because they're high income, high asset, but also can't comfortably pay full price without it being a tremendous hit financially.

And these are the families that attended great schools, highly selective schools, that have benefited from the social mobility that it gave them. And now are devastated that they can't even afford to give their child the same experience even as well as they've done, right? Because the idea of paying $100,000 when you have another one coming behind or you have elder care that you're taking care of or having to like, you know, small retirement that you're close to that you need to contribute to is really difficult.

And so I think there needs to be an understanding of what... who we think the full pay family is.

LIEBER: Hmm.

LOPEZ: Because I think that that 3 to 400K family, they're still really struggling with trying to figure out how to pay $100,000 times four. That's... It's buying a house without knowing what you're gonna pay beforehand.

And so really trying to help families understand that this is a much bigger chasm than we think, and particularly because of the plus loan changes that are happening now, which I don't think a lot of families are aware of yet, but will be a major strain for enrollment and for families

LEVINE: Yeah. We'll come back to some of the other things that Ron said later 'cause we are, we're, I think we're 90% in, in heated agreement.

REBER: Well, I mean, so I d- I wanna leave leave people with a sense of, you know, so I, I guess the, we all agree the net price calculators are, it's very complicated, and the net price calc- calculators may be better than nothing, which was the situation before you know, before that legislation and, and maybe Phil's my intuition you know, if, if maybe that's gonna be better than some of them and if some institutions are better than others.

But just, just sorta like, you know, so how can you should, should you use them? Like what can... Are there strategies that families can, can, can take to try to... 'Cause you do need to, we can talk about policy and hopefully we'll have a little time of, of that at the end, but right now this is the situation.

So I don't know, like what, in the end, w- Phil you hadn't, you didn't,

LEVINE: All right, so I'll jump in.

REBER: Yeah.

LEVINE: You know, so the, the question is like, you know, what should we be doing, what should a family be doing today versus what should a family be doing hopefully, you know, five years from now or something when we can change the world based on this conversation?

So, you know, step one is for today is like at this point, for all practical purpose you don't re-purposes, you don't really have a lot of options right now. I mean, basically there's these net price calculators. They're better than nothing. It's not that they're not, that, that they don't provide any value.

Hopefully one, one of the things that they can provide is to give you a sense that like the sticker price may not be the price that you have to pay. You know, and they're hard to use and they're difficult to find, and in terms of doing your homework in terms for price shopping, which families definitely need to be doing the net, you know, you have no choice at the moment other than to invest a lot of resources- Gathering data from net price calculators, taking the results with a grain of salt.

That's at the moment, I think, the best that you can do today. So the question then becomes like, so, you know, where do we go from this going forward? And, you know, I think that, like, really the way that we wanna think about this problem is like, is, is in reality this is a process, right? This is not about let's take a kid in the fall of their senior year and do all the calculations necessary to determine how much their college is gonna cost and then they can make a decision based on that.

That's just too late, right? So the problem is that, you know, you've got kids, I don't know, eighth, ninth grade, whatever, who are making academic decisions and, and parents who are making life decisions in terms of, you know, finances that incorporate these college costs that they don't understand. So, you know, step number one of this process is we need to just, like, throw them a bone.

Like, give them a little inkling, like just the, the broadest simple sense that, like, there's this $100,000 or $50,000 number out there. You are extremely unlikely to be paying that amount, right? Set the, the, turn the light bulb on. Maybe college isn't, is gonna be within reach for me. And then there's still this equity issue out there, which I do still believe in but you have to make it, you know, the student follow a path.

And here's the general rule of thumb that I like to think about is, like, you give me more information, I'll give you a better estimate. But if you don't open the door in the first place to let people start playing the game, they're not in. So, an incredibly simplified, like even in, in, you know, these free tuition policies that are very popular these days are accomplish exactly that.

You know, free tuition under $150,000. It's a loaded statement because basically there's truth in that and not a truth in that. But it- As a marketing message, it's incredibly effective. Open the door, then play the game a little bit farther. At, at some point you're gonna have to give me more than just your income, because, like, in the end, there's gonna be more stuff than income that, that...

To maintain my system of access and efficiency and equity requires a little bit of both. You're gonna have to contribute more information at some point. Christina's thing with the, with the pen calculator, that pen calculator, which I also do like, is at the very end of the process. It is very compli- Like, you have to give them a lot of detail to get that calculation correct.

So let's play the game. Start off with, I, you know, I'd like to think about as a funnel. I'm gonna give... You give me just your income, I'm gonna give you a really basic ballpark

estimate, which could be off by a lot that's less than the sticker price. That's in eighth or ninth grade, that's fine. Play the game longer, give me more information, I will narrow that range of estimates.

At some point you will get to the fall of your senior year. You should still be in the game at that point, hopefully, because you've been brought along. And then, you know, we can do a better job then. So in, in my view of the world, there's, you know, still issues like can we simplify the, the actual financial aid form so it doesn't ha- it isn't so complicated?

Can we simplify the financial aid award letters that students get so that they actually can understand that? Absolutely. But- Bringing students along from step one of the process by opening the door for them is critical to accomplish what I think are our society's goals.

LIEBER: Yeah. I, I'm gonna be pushier here and, and slightly more optimistic and say that everyone should do everything that Phil suggests, and then they should screenshot, you know, whatever results they've come up with, email the financial aid department if it's about need-based aid or the admissions office if it's a merit aid estimate, and say, "Hello, individual person.

I've heard a lot about how these calculators are not always as good as they could be. Moreover, I'm not very good at this 'cause this is complicated, and I know it's not your fault, but it's not my fault either, and I'm not a PhD economist, and I think I might have done it wrong, and we don't really wanna, you know, waste our shot here and our household with an application if this thing is wrong.

So can you tell me whether we got it right, and will you guarantee this price or at least, you know, check our work here?" And just do that with every school. Now, it's ridiculous that you should have to do that, but that's the system that we live in. The people that you are interacting with on the other side did not create it.

It's not their fault. Remember I said earlier on that my financial aid director was and is a saint. Most of these people are. But use them. Because they're saints and they wanna be helpful, ask them questions and see whether you've got it right, you know, before you apply. Christina, is that totally unreasonable, and will the inundation of questions lead the whole system to implode?

Am I asking too much?

LOPEZ: You're not. The fact that schools will put very long disclaimers on their calculators to say, "This may not be accurate for this financial situation or this financial aid situation," but not always provide the solution on how to get a good answer leads us to have to do your suggestion.

The problem is, from putting on my institutional hat, is that financial aid offices are very often, as well as admissions offices, understaffed and under-resourced. And so The, w- I think a lot of folks think about financial aid offices as just working with prospective students. They're working with all of the current students, four years of students on financial aid.

Their caseload is very large, and usually there's not enough counselors to do this work. And so part of this, I think, from an institutional perspective, is giving your financial aid directors and financial aid leadership a seat at the table, because they need to be involved in how these decisions will trickle down to their staff and how they will communicate.

And I think in, in many ways, there hasn't been a large investment in the financial aid office for the work that they do. They keep this college running. If without students and without the financial aid that they offer, it's... and the compliance that they keep up with, it's difficult. And so having the investment in the financial aid staff will allow families to email and say, "Hey, is this right?"

And be able to get strong answers in that way, or to even have a team that's designated just for that. Hmm. But that requires an investment from leadership and saying that this is a priority, that we are going to provide this customer service, this good consumer information, and allow our families to feel confident in the results that we're providing them in these estimates.

LEVINE: And, and all of those... I, so I agree with all of those statements except for the fact that, like, you know, Wellesley College or Barnard could conceivably do the things that you're describing, but UC Berkeley definitely cannot. Right. That's, you know, and m- m- that's where most of the students are- Right ... you know, at, at public- Mm-hmm

very large institutions that couldn't conceivably handle it's implausible to imagine that sort of, you know, connection. Right.

REBER: Th- so let's- Which it- Let's, let's talk about, So I think we're, we're in agreement. It's, like, hard to know what the, what the discount is gonna be from the sticker price, but many people will get a discount from the sticker price in one form or another.

Although much less so at the types of institutions, the very selective institutions that enroll a lot of high income students. So let's talk about who gets discounts and how those work. So, maybe, Phil, why don't you start us off with a little bit of a, just like what's need-based aid, what's merit-based aid, what...

Like, what are the forms of, of discounts or, and what names do they go by that people, students might get?

LEVINE: Yeah, yeah. So there's, there's two basic forms of aid. One is need-based and one is merit-based. It turns out to be the case that for some reason, well, which I'll explain, they kind of overlap to some extent.

So, need-based aid is the more straightforward. It's the one that we think of as financial aid. In theory, there's this calculation that says, you know, this... The reason why you fill out the FAFSA or the CSS Profile is it spits out a number which, you know, in a perfect world would tell you how much you can afford to pay.

You know, we don't obviously live in that perfect world, but, like, that's the number that gets used in the financial aid system. And if the sticker price is above what you can afford to pay, then you have financial need, and then the college can decide through either federal,

through governmental resources, or through own i- through its own institutional resources to reduce that cost for you.

That's need-based aid. You get aid because you have need. And that, I think, is probably better understood than, than merit-based awards. Merit-based awards in theory, are for students who are meritorious. And so if you have greater grades and test scores and are, in general, a wonderful person the college has an ability to provide you with additional funding to reduce the cost of, of, of your education.

That's the principle. I think in practice it operates a little bit like that, but a lot of it is just a, a pricing mechanism. So first of all, if you're a student that has financial need the first thing that's gonna happen if you receive merit-based aid is they're going to reduce your need-based aid because they don't need to give you that much money.

And so, you know, then why do they do that? They do it 'cause it... They could call... They could give you the same amount of aid and label it need-based or merit-based, but people like getting merit-based aid better. So there's marketing in that. For higher income students who would otherwise, you know, have quote-unquote "no financial need," the formula says they can afford the full price.

The discussion, I think, well, I think both of you, Ron and Christina, sort of raised this issue before, that like, you know, what the formula says you can afford to pay and what the family feels like they're willing to pay might not match. And so there are schools in the country who don't have to worry about that.

People will pay essentially an infinite amount to attend those institutions, and there's, you know, scandals about these sorts of things. But beyond that, most even highly selective institutions that are not quite at the top have to compete with lower cost options, including publics. And so those institutions find that like as a pri- this is just a pricing strategy.

They need to lower the price to get you to come. They could just lower their price. That doesn't sound as good as maintaining a high price, which signals high quality and giving you a merit-based aid which merit-based award, which signals the strength of the student. There are differences a- across students in terms of the merit awa- awards that they get at particular institutions, but those differences tend to be small relative to the merit award that all of those students are getting.

And it's just a pricing, it- it's just a pricing system. It's the same thing as going to the department store and there's a sign that says 30% off on the rack, and, you know, you feel like you're getting a good deal, and so you like that even if nobody's paying it. And so that's the... So merit-based aid is meaningful in terms of reducing price largely for high income students, and need-based aid is relevant for reducing the price for, you know, lower and middle income students.

REBER: But what you wanna try to figure out, which we've discussed can be difficult i- early in the process, is what will be what you actually pay once all that's subtracted out. So

LEVINE: first there's the fill out all those forms because that's gonna provide some insight into whether you're gonna get need-based aid.

The merit-based aid is even more difficult to untangle. I mean, there's basically very little that can provide guidance to the amount of ner merit-based aid that the higher income students are going to get. So the hu- And this is why the $100,000 number is, is a number that most institutions a very small number or potentially no students are actually paying

REBER: So Ron, I know that you do a whole course on, on this, but can you give us a, a little bit of that insight into how merit aid in particular works and how families should approach that question?

LIEBER: Yeah. So the challenge that Phil outlined is, is the literal challenge that families came to me with after my book came out saying, "I need to know more." You know, there, there's clearly gonna be a six-figure swing over four years, not just at private institutions, but also at some public out-of-states and even some public in-states you know, revolving around both you know, these merit awards that are in many instances entirely unpredictable.

So one of the things I would just suggest right off the bat, and, and then I'll make an observation just about how things have gotten even more wild and complicated just in the last few years. Something I would suggest is that every family for every school that they are applying to should try to track down something called the Common Data Set.

Just about every school, with a few notable exceptions publishes it, but it's not on the admissions office website. It's not on the financial aid website. What the Common Data Set tells you is, you know, for families like many of the ones that Christina services, the so-called doughnut hole families if you are not going to qualify for much or any need-based aid, but you can't really afford, you know, the sticker price either, you wanna get some sense of what kind of merit aid might be in the offing for you.

Now, some net price calculators will try to predict this. How do you know which ones are doing it? Well, it's not like the instructions are any good, so you won't be able to see just by going to the landing page. But if it's asking you for GPA and test scores, that's the signal that it's gonna try to predict some minimum amount of merit aid that you might get.

But again, you gotta go to every page for every school you're even remotely interested in. You know, there's no school-based or school organized universal net price calculator, so it's a giant pain, right? But the Common Data Set will tell you, okay, here's the number of people who did not qualify for need-based aid in the first year class and at the school, and then here are, are the subset number of those people who got non need-based aid, which is the code for merit aid or merit scholarships.

But of course, they don't call it that on the form because w- why be clear, right? Let's, let's just be difficult. So that number is there. It's, it's section H2A of the Common Data Set for those keeping score at home, and that'll give you a sense of, okay, what percentage of people actually got a discount, how much was it, you know, a year or two ago.

And then you can actually, actually look elsewhere on that form to find out, okay, you know, the top quartile of, you know, GPA and SAT or ACT in the incoming class, what did that look like? And if you or your kid is, you know, kind of- In that band, then your odds are pretty good of getting some merit aid.

So this is a totally, you know, back-asswards way of trying to predict it and figure it out. It's not fair but that's kind of the best that we have right now. So the wild card now is that because more people are applying to more schools because there is ever less certainty about what the financial offers might look like, let alone the admissions odds colleges are having more problems than they used to predicting exactly how many people are gonna say yes by April 30th.

And what the algorithms and the consulting firms that, you know, they rent that rent them the algorithms are saying to them is they're getting like a daily dashboard update saying, "Okay, you're like ahead of last year, but your net tuition revenue per student so far is low. We project, you know, a, a looming crisis for you financially, whether it's the number of heads in beds or the net tuition revenue per student that we need to, you know, balance the budget and keep the lights on.

You need to take more aggressive action." And so what starts to happen is that you know, as early as early April and as late as in the middle of the summer after people have supposedly made their decisions these colleges are teasing teenagers with six figures of additional discount options. This is what went on with Syracuse a couple years ago.

And so if colleges are feeling like they're about to not make their number, they're just gonna keep throwing thousands of dollars at once at children you know, without their parents' knowledge in many instances, trying to sway their decision. So that doesn't make this any easier, but my advice to people is that unless you know, scarce housing is at stake you should wait out your decision until 11:59 PM on May 1st in case, you know, more unsolicited money shows up.

Because the Syracuse families that did that a couple years ago were six figures, six, like the number six, six figures ahead over four years of the families that didn't, especially the early decision families. And the early decision families were mad, and they are still mad, and Syracuse is still paying for it reputationally.

So wait

LEVINE: I'll just say and Sara knows this well, but I I... The Common Data Set data that you've referenced I, you know, I have a Brookings paper that documents, like, the extent of the merit awards that are, are provided. They're, you know, extremely common and substantively large.

REBER: Yes. I'll make a quick addendum to Ron's point about looking at the where you are in the score distribution.

Make sure to also look at the share of students who are submitting scores. Mm-hmm. Because it can be a little discouraging. At some, some schools the scores are, are very high, but only, you know, only a third are submitting scores. So don't get too discouraged by that. Christina, you wanna add something quick?

And then I wanna talk a little bit about how how families kind of close the gap between how they meet the net price, how do you actually pay for that. Go ahead, Christina.

LOPEZ: Yeah. Well, it, it... My, my comment was gonna speak to that a little bit. Oh, perfect. So, you know, I think a lot of families, and I thank you for going very deep on the Common Data Set, I love Common Data Set, they need more data, it's great.

When you are thinking about a merit award, I think there's a, as Phil was saying, there is a lot of marketing in it. Because to say, "Oh my gosh, you're giving me a $25,000 scholarship," that feels amazing. "Yay," you know, "I'm so great." However, 25,000 off of a $100,000 price tag is still $75,000. If your budget is closer to 30 or 40, you still have quite a gap to fill, right?

And so the award is one thing, but does it actually get you to where you need to be in affordability? And that's the question that sometimes gets missed, because it feels good to be wanted in that sense, and receive that merit award, but when the bill comes, then you see the reality of that. And families can't borrow their way out of it the way that they used to.

So we'll talk about loans in a second, but just kind of keeping that in mind.

REBER: Yeah, so, so let's, let's talk we, we have only a short time, but so let's do just a quick bit on on like what ... Should families consider using loans to bridge that gap between you know- Yes ... what the aid they're getting and the sticker price?

How, you know, what are options that families have to, to-

LOPEZ: Financing ... cover the

REBER: bills?

LOPEZ: Yes. Financing your education is normal, it is typical, it is absolutely encouraged. However, I think there needs to be a larger conversation about the use of it as a tool and not the entire solution. For example, in the past, for PLUS loans, families could borrow up to the total cost of attendance every year as long as they had, didn't have adverse credit, you could take out large amounts.

As of July 1st of this year, that has changed, and so now families have an annual cap of $20,000 with a lifetime annual cap of 65,000. And that 65,000 is a number that's getting buried because families will think, "Oh, I've got $20,000 every year," and hit senior year and only have $5,000 left. And so there are about, I think there's a study that says about 40% of the US population will only qualify for PLUS loans.

That means that you are very limited in what you will receive. And for lower income families, it jumps up to about 60%. So I think for many schools, they might have used these PLUS loans as kind of an unlimited credit card and, you know, and being like, "Oh, you can always just take out a PLUS loan and, and figure it out."

Those days are gone. And so families need to understand how much of a gap they need to fill and how much is available to them in loans, and what the cost of carrying that loan will be for the next 25 years. And the reason why I say this is because our economy is very different than what it was even 20 years ago.

Students are getting out of college having difficulty finding jobs, difficulty starting their lives, and parents want to be able to support students through graduate school, through, you know, getting their first job, et cetera. If the family is so burdened with loans, that creates an, an inability to do that long term.

So thinking about what that loan cost will be for the next 25 years is critical. For private lenders, underwriting has gotten a lot stricter. I have seen families that are approved for large amounts in the first year and second year and denied in the third year because now their debt-to-income ratio is too high, and now they're stuck.

And so families need to think about how they're using loans, what is the strategy, what's available to them in the beginning because the worst thing that could happen in the past was, "Oh, my student gets in, and now I can't afford it, and I have to tell them no." Now the worst thing is they're in, they found a home, they're comfortable there, and then junior, senior year w- we have to pull them out because we don't have enough financing to make it through.

So-

REBER: That's... And we're, we're coming up on time, so I just wanna quickly- Mm-hmm ... the, the you know, that's, I think that's good advice about making sure, you know, with the changes in the law you're looking ahead. I don't wanna lose the loans that students can take- Yes ... which it is much you know, it is a much smaller amount, but, Yes

you know, but students do have access to and I don't know,

LOPEZ: Phil- $27,000.

REBER: Yeah, Phil, if you wanna just briefly speak to, like, is it a good idea for students to take out loans in their own name, federal loans?

LEVINE: Yeah, I mean, you know, I think that there's a tremendous amount of apprehension that people have about student loans because, you know, it's in the paper all the time about how students...

$200,000 of student debt and whatever, and these are, you know, obviously numbers that are disturbing. But you know, s- a standard federal student loan which starts out at $5,500 a year for freshmen and sophomores you know, borrowing ballpark $20,000 a year for a four-year college degree relative to the rate of return on that investment, and not everyone gets huge rates of returns on, on college, but on average it's very large.

You know, modest loans- That can help the student overcome sh- you know, minor shortages in, in, in financing, you know, are the sorts of things that they should consider seriously and not, not be completely afraid to go down that path.

REBER: So we, there were some things we didn't get to, but I think we covered a lot in this conversation, and I'm just gonna ask you in the same order as before to just do 30 seconds on one piece of advice that you want families to take away from this.

So, Phil, then Ron, then Christina.

LEVINE: Yeah, I think maybe even less than that. I think in the current world your best option is to devote a tremendous amount of time trying to get more information, which includes net price calculators. I think Rod's advice about, Ron's advice about the common data set has value.

Although, again that will not be an easy task. You know, there's a lot of legwork that's involved in getting information that colleges should be providing much more freely than they currently do.

LIEBER: I wish for everyone involved in the question of who pays what and why for college and what any individual person or family should pay, I wish for them better conversations, more of them with real experts, where uncomfortable and inconvenient questions are asked, not just from family to institution, but also from institution to family and within the family, right?

What is your ability to pay? What is your willingness to pay? What is actually worth it? And how are we as a family unit going to achieve some kind of consensus here and maintain that and our sanity through what will be five or six or seven years of trying to figure this out and make it work? More talking.

LOPEZ: Mm-hmm. I would say educate yourself earlier in this process. This is not something that can wait until after your student gets in to figure out. It honestly shouldn't be something that you start to figure out even in September of the senior year. Understanding how FAFSA and CSS Profile and how your income and assets are reviewed and understanding merit aid and getting the information you need to make informed decisions starts much earlier ins- including your student in that process so that everybody's traveling on the same path together, and no one is getting the rug pulled out from under them at the end.

REBER: Well, thank you all so much and thanks everyone for watching.