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EFP Takeaways

Do College Applicants Respond to Changes in Sticker Prices Even When They Don't Matter?

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The Study

For students eligible for financial aid, there may be a great difference between the sticker price and actual price of college attendance. However, the perceived high cost may discourage students from applying to colleges with relatively high sticker prices.

Using data on where students sent SAT scores as a proxy for where they applied for college, the authors investigate how prospective students respond to changes in college sticker prices at public flagship universities.

For more details:

- View the full issue.
- See the full article in *Education Finance and Policy*.
- Sign up here to receive future *EFP Takeaways*.
- Summary of:
  Levine, P. B., Ma, J., & Russell, L. C. (2023). Do College Applicants Respond to Changes in Sticker Prices Even When They Don't Matter? *Education Finance and Policy, 18 (3): 365–394.*

Findings

The authors find that low-income students exhibit “sticker price shock” in that they are less likely to apply when the university increases its tuition and fees; this is despite the fact that financial aid would fully compensate for the increase, which would make the actual price unchanged for these students.

Implications and Recommendations

This study highlights the importance of simple, transparent college pricing. If low- and moderate-income students did not exhibit sticker price shock and did not change their application behavior, they would have constituted a larger share of the applicant pool and possibly also a larger share of admitted students.

Although other related policy proposals, like simplifying the FAFSA, might increase financial aid applications and college enrollment more generally, it may not go far enough to eliminate sticker price shock. In order to overcome sticker shock, students need to be able to better forecast what their college costs will actually be at an early stage of the admission process to make more informed decisions about where they apply. As such, there is potential to greatly increase the socioeconomic diversity at public institutions that meet full financial need.