

EDUCATION

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EFP Takeaways

How Big is the Ballpark? Assessing Variation in Grant Aid Awards Within Net Price Calculator Student Profiles

Background

College net prices—the out-of-pocket prices students and families pay for college after accounting for grant aid—are the best indicators of a postsecondary institution’s affordability. However, net prices are stubbornly opaque and often remain so until after students have made important college choices. Net Price Calculators (NPCs) are online tools designed to increase transparency in college pricing by presenting students with an individualized estimate of net pricing to attend a given postsecondary institution. The federal template, provided free of charge by the U.S. Department of Education, is among the most common NPC types and requires limited information that most student users can provide without additional assistance. Aaron M. Anthony & Lindsay C. Page explore the variation in actual awards as compared to students’ predicted awards given by NPCs. Their work is published in vol. 16 issue 4 of *EFP*.

The Study

Anthony and Page assess variation in actual aid awards among students predicted by the federal template NPC to receive identical awards. The authors suggest relatively simple modifications to the federal template NPC to decrease variation in awards for similar students. Minimizing complexity in user-provided data is a key motivator in their recommendations. These recommendations include allowing for an additional household income reporting category and introducing two questions about high school GPA and expected financial aid application filing times.

Findings

Characteristics that students report using the federal template NPC account for 70 percent of the variation in actual aid awards for students attending the same university. The authors’ proposed modifications explain an additional 16 percentage points, or more than half of the remaining variation across all institutions.

Even with these modifications, however, the gap between NPC-predicted and actual awards can remain quite large and varies substantially by types of postsecondary institutions. Across all institutions, a typical student received an aid package that was nearly \$5,700 more (or less) than the NPC estimate. Within private, four-year institutions, this amount was nearly \$11,000. By contrast, a typical community college student received an award that was only \$2,400 different from the NPC estimate.

A modified federal template NPC may use these figures to help prospective students estimate high and low ends of their expected aid awards. These findings are especially timely as the U.S. Congress considers legislation to improve the form and function of NPCs.

For more details:

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- Summary of:
Anthony, A. & Page, L. (2021). How Big is the Ballpark? Assessing Variation in Grant Aid Awards Within Net Price Calculator Student Profiles. *Education Finance and Policy*, 16 (4): 716-726.