

Students and Parents Making Judgments about College Costs without Complete Information

Publishers' note

The news media has widely reported on students' and parents' growing concerns about the affordability and financing of a college education.

But the findings from this issue of *Student Poll*, based on a national on-line survey administered to 1607 high school seniors in late November 2009 and early January 2010, suggest that parents and students are making decisions about college affordability without accurate or complete information about what their likely financial commitment for college will be.

Student Poll found that a majority of students and parents are ruling out colleges based solely on a school's published sticker price without taking into account what they might receive in financial aid. In fact, more than half of students surveyed ruled out schools on the basis of sticker price alone. In addition, only about one-third of students or their parents actually used one of the financial aid calculators available online. Such tools can vary widely in sophistication, and thus we assume that this response includes everything from the more old-fashioned calculators that predict only the amount of need-based financial aid for which a family would be eligible to newer ones that generate an expected annual net cost for a particular college after subtracting need and merit-based awards, work-study awards, the college's own contribution from the endowment, etc. Whichever kind of calculator students and parents may have used, these findings suggest that either these tools are not as widely available or easily accessible as they might be or that parents and students find them too complicated or time-consuming.

Students may be overestimating what they are likely to receive in financial aid, particularly merit aid awarded on the basis of academic credentials or special talents. Other *Student Poll* findings suggest that, to some degree, students and their families are engaged in a bit of wishful thinking when it comes to how they will finance a college education. For example, students' unrealistic expectations about paying for college are evident in the fact that across all SAT score ranges, a majority of students assume they will receive merit-based financial aid based on their academic abilities — even those with the lowest SAT scores. This wishful thinking also appears to be reflected in the fact students generously estimate that grants and scholarships are likely to cover more than one-third of their college education when the national average is only around 15 percent of total college costs covered by grants and scholarships.

Families and students need early and accurate information about the true cost of college. While colleges and universities devote considerable

resources and time to educate families about financial aid and the services and resources available to help families finance college, perhaps still more needs to be done to educate families early in the admissions process about how to accurately determine their likely financial commitment for any given college. Developing and making more accessible and powerful the kind of sophisticated financial aid calculators described above is one important step, and one which the Federal government requires all institutions to take by the fall of 2011. However, it appears that even with the best information readily available to them, many students and families will be less than perfectly rational about the financial aspects of the college search process, and other findings in this issue support that hypothesis as well.

Student Poll also explored related challenges these high school seniors face during the college search process. Among the most salient findings:

- Despite concerns about college affordability, nearly all students think their families will find a way to pay for college, even if it will be difficult for them to do so.
- Writing admissions essays, preparing and taking the ACT and SAT test, researching college scholarships, and filling out financial aid forms are considered the most difficult aspects of the college admissions process, regardless of a student's income, race, or SAT scores.

Late this spring, *Student Poll* will field a follow-up national survey of college-bound students. Our goal will be to explore students' final college matriculation decisions and understand how financial considerations informed and/or changed their plans. It will be interesting to learn, once all admissions decisions are in hand and families take a hard look at their options and finances, how students' college decisions and plans play out. We look forward to sharing the results of this survey with you this summer.

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Study Findings

1 A strong segment of families and students are ruling out schools on the basis of cost. Yet a majority of those are considering the sticker price only and not taking into account what they might receive in financial aid.

A majority of students (59%) reported looking only at the sticker price of an institution before taking financial aid into account. Only 28 percent of students had considered the net tuition price of a school after taking into account what they might receive in financial aid. Another 12 percent reported that they had not considered the costs of any school even though the survey was conducted in late December and early January and 85% had already applied to at least one college or university.

Student Poll also gave students a series of statements related to cost to consider such as had their parents insisted they attend a specific school that is the most affordable and other cost-related statements. A sizable segment of students indicated that their parents: insisted they attend a specific school that is the most affordable (26%); insisted they apply to a school that is more affordable (40%); ruled out a school they can attend because of cost (22%); and ruled out a school they can apply to because of cost (17%).

CHART 1

Students' Consideration of College Cost

The total cost per year, before taking financial aid into account

The cost after subtracting what you might get in financial aid

Have not looked at any school costs

Don't know / Don't want to respond

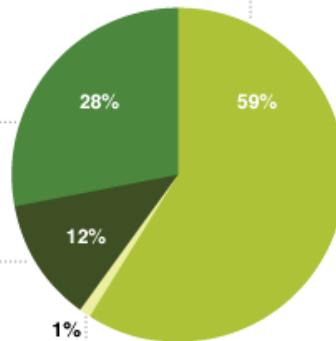


CHART 2

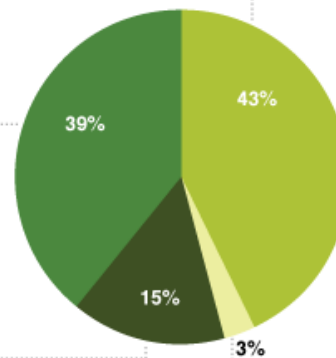
Importance of Cost in College Consideration

Cost not that much of a consideration

Ruled out colleges due to cost

Don't want to respond

Don't know



2 There is relatively low use of financial aid calculators among students and parents. And among students who use them, approximately one-third are not confident in the reliability and accuracy of these college-cost estimators.

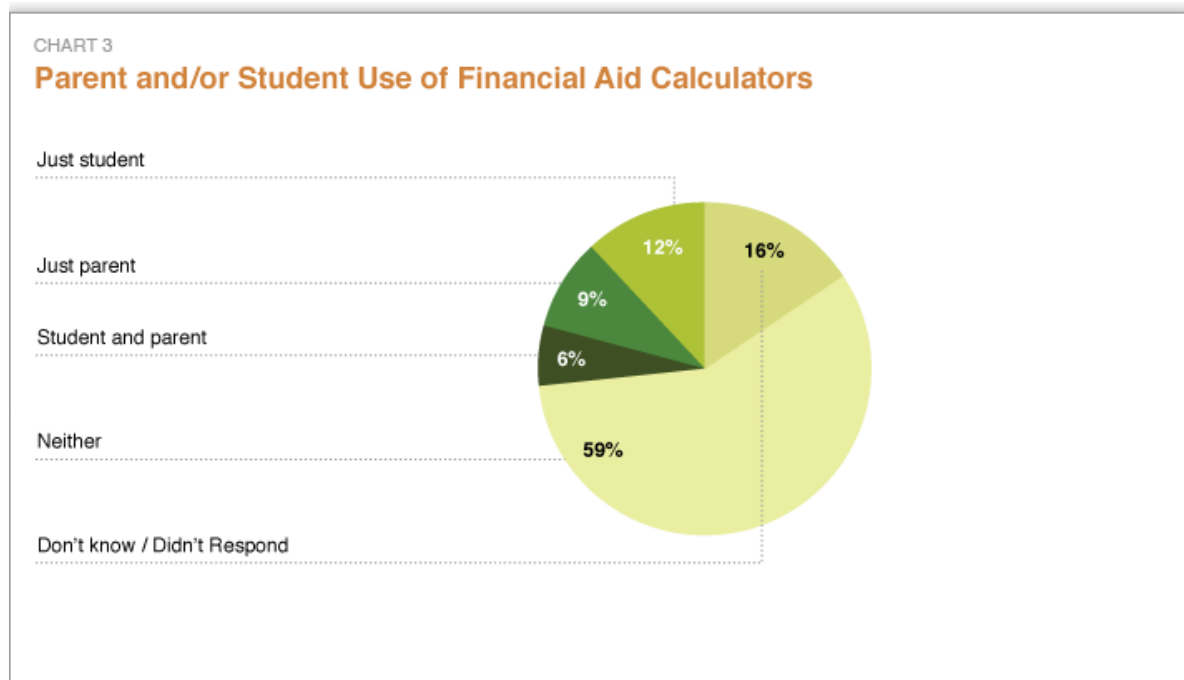
A new federal requirement will be in effect around the Fall of 2011. It requires all colleges and universities to make available to prospective students and parents a net-tuition calculator. This more sophisticated variation on the traditional financial aid calculator allows a family to see what they are likely to pay in net tuition, subtracting the average scholarship or need-based grant the student is likely to receive from that institution. So *Student Poll* wanted to explore the extent to which students and their parents already use current financial aid calculators and to gauge their perceptions about the reliability and accuracy of these tools.

While a wide-range of financial aid calculators are available to students and parents, *Student Poll* discovered that use of these tools is relatively low across all income groups, and especially low among lower-income parents (interestingly enough, lower income students are more likely to use the calculators than their parents). Moreover, despite the growing availability of financial aid calculators on many college web sites and at recruitment events, only 26 percent of respondents reported that they or their parents had used a financial aid calculator while 58 percent indicated that they had not used one. These findings clearly suggest that even more needs to be done to make price and aid calculators more readily available and accessible to students and parents (some are now buried on college web sites) to augment the personal counseling, workshops, and other financial programs and materials colleges already provide prospective students and parents to help them determine how and what they will pay for college.

Major subgroup findings by race and income:

- Asians (12%) are more likely than African Americans (2%) and Hispanics (2%) to indicate that they and their parents had used financial aid calculators.
- Students in the highest income group (\$100K and up) were nearly three times as likely (25% vs. 8%) to report that their parents used a net-tuition (or need) estimator than students in the lowest income group (less than 40K).
- In the lowest income group, students were much more likely to report that they themselves had used a net-tuition/financial aid calculator rather than their parents. In the highest income group (\$100K and higher), parents were the ones most likely to be using the calculators, according to students.

Among the quarter of respondents who reported that they, their parents, or both had used financial aid calculators, one-third said they were *easy* to understand, one-fifth said they were *not easy* to understand, and 45 percent indicated that some calculators were easier to understand than others. When asked how confident they were that the on-line financial aid calculator accurately reflected how much they will receive in financial aid, only 6 percent said they were very confident, 63 percent were somewhat confident, and 32 percent were not very or not at all confident about the reliability of the college-cost estimate. But again, this is only among the quarter of respondents who indicated either they or their parents had used a net-price tuition calculator.



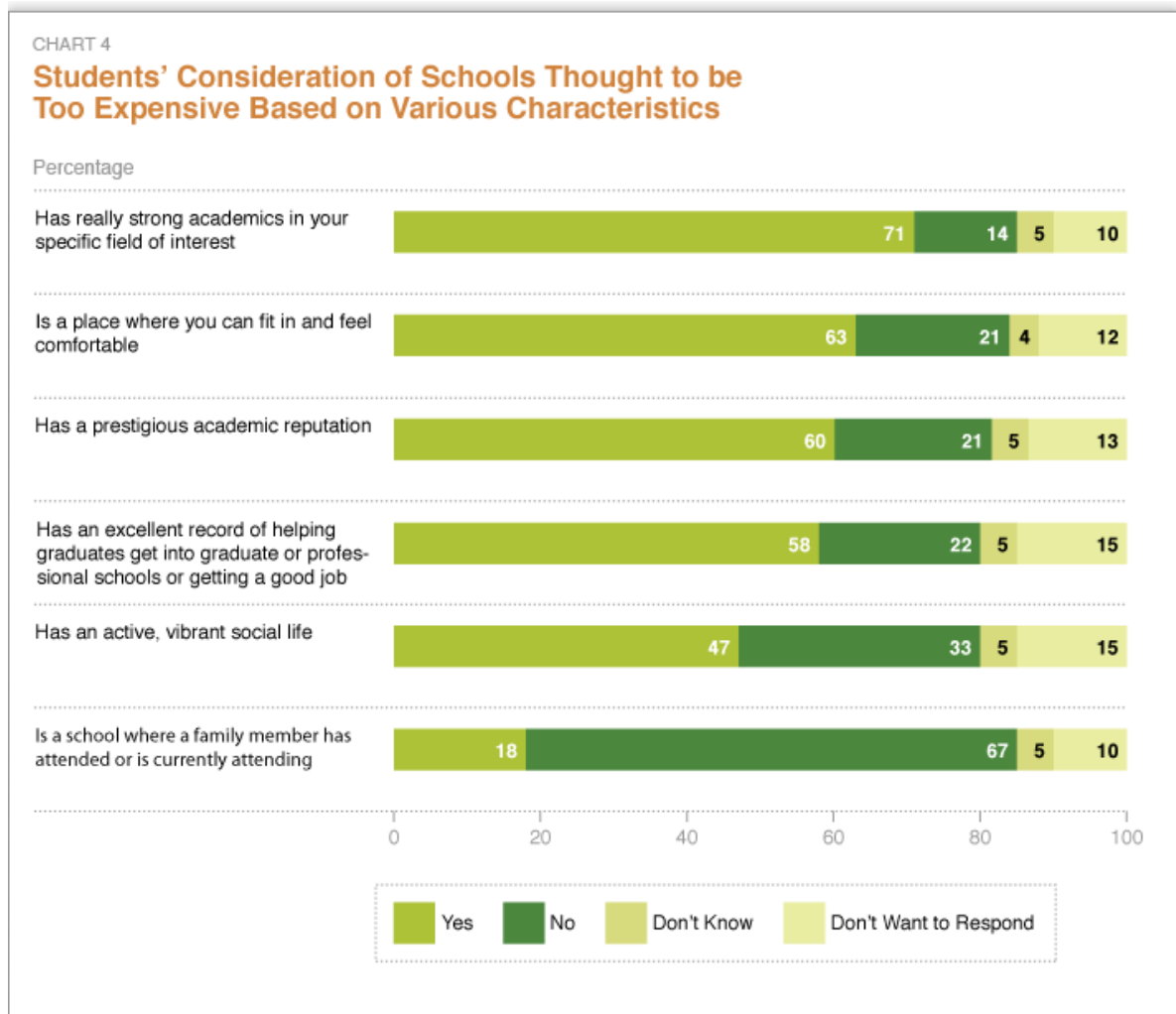
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Despite ruling out schools on the basis of price, many students are still considering schools they view as too expensive due to their strong academics, prestigious reputation, and other characteristics.

An overwhelming majority of students seem willing to stretch financially for schools that offer something that they value and perceive is worth the higher cost. Specifically, *Student Poll* asked all students surveyed if there were any schools they would normally consider too expensive, but were still considering because they had strong academics in a student’s field of interest; an active, vibrant social life; a prestigious academic reputation; or other characteristics. Approximately three-quarters or more of respondents reported that they were still considering schools that were too expensive because the school was characterized by having or being:

- Really strong academics in the student’s field of interest (83%)
- A place where they could fit in and feel comfortable (75%)
- A prestigious academic reputation (74%)
- An excellent record of helping graduates get into graduate or professional schools or get good jobs (72%)
- An active, vibrant social life (59%)

These findings reinforce the notion of the value proposition — that students and parents are willing to stretch financially if they believe the value of the education they will receive is worth the higher cost. While the drawing power of every institution is different in its respective markets, these data suggest the importance of colleges and universities exploring and pursuing initiatives that strengthen their drawing power and student perceptions of the value of the education versus the cost.



4 A majority of students expects to receive need-based aid and an even higher proportion expects to receive merit-based aid across all income, race, and academic groups.

Some general misperceptions about financing college seem evident in the fact a majority of students expect to receive need- or merit-based aid to help underwrite their college education. Of the students surveyed, 93 percent reported that they plan to apply for financial aid. Of the students who plan to apply for aid, 51 percent expect to receive aid based on family income or need and 56 percent expect to receive merit aid based on their academic achievements. Moreover, 30 percent expect to receive aid based on some other personal achievements. It appears that the widespread availability of merit aid has created — for better or for worse — a sense of aid entitlement for students, regardless of their academic qualifications.

Among the interesting subgroup findings:

- Two-thirds to three-quarters of students across all income groups expects to receive merit aid.
- White students (64%) are more likely to expect merit aid compared to their Hispanic (50%) and African Americans(45%) counterparts.
- Among students scoring 1250 or higher on the SAT (math and verbal sections only), about 60 percent expect to receive merit aid. The figure is similar among students in the 1000-1240 range, and remarkably, drops only to about 45 percent in the under 1000 range.

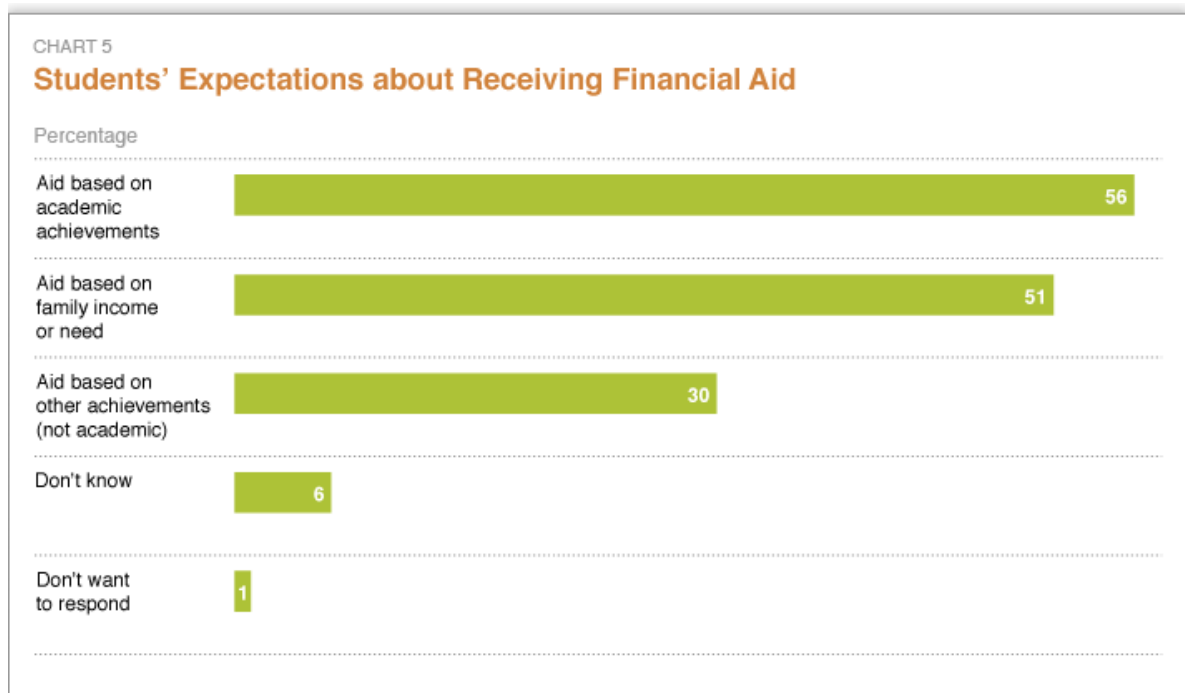
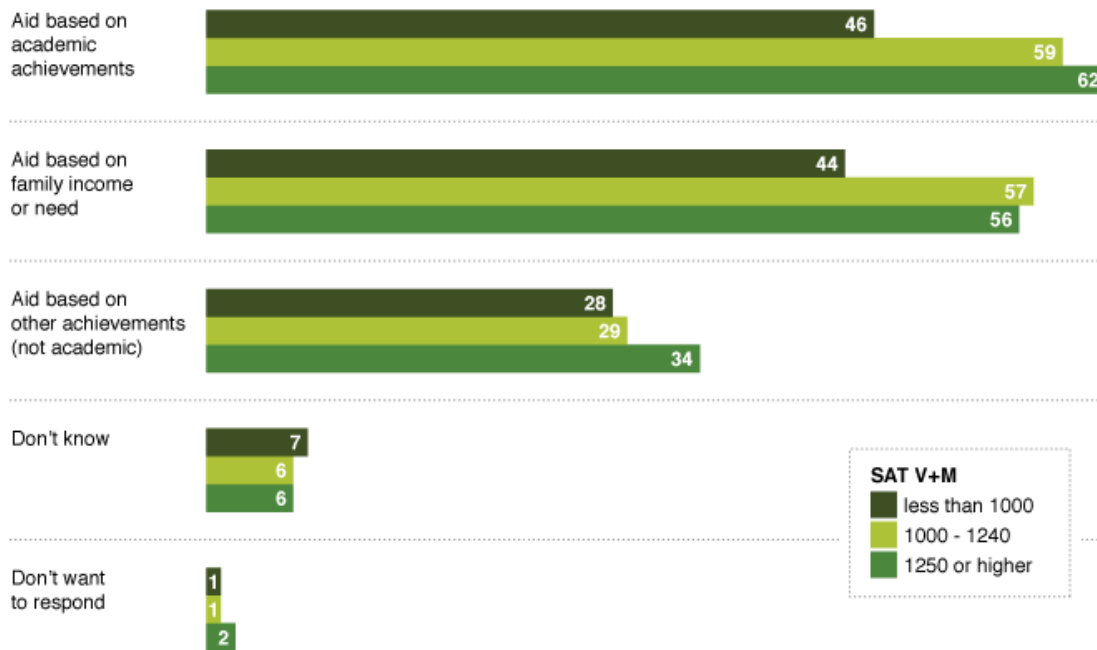


CHART 6

Students' Expectations about Receiving Financial Aid (by academic ability)

Percentage



5 Students estimate that grants and scholarships are likely to cover more than one-third and loans one-fifth of their college education.

To understand how students expect to pay for college, *Student Poll* asked students to provide their best estimate of the percentage of costs they expect to pay from various sources of funding ranging from family or personal savings to earnings in college and scholarships and grants that do not have to be repaid. Once again, students are very optimistic about the percentage of college costs they expect to pay with grants and scholarships they receive. Specifically, students expect grants and scholarships to cover 35 percent of their college education costs, loans to cover 21 percent of the costs, family or personal savings to cover 17 percent of the costs and another 24 percent to come from their own or their parents' earnings during college.

Students who indicated that loans would cover a portion of their college costs, were asked to roughly estimate how much they expected to pay each month on their loan debt after graduation. Forty percent responded that they did not know how much that amount might be. Of those who answered the question, 44 percent guessed the monthly payment to be under \$200, another 28 percent said it would be in the \$200 to \$399 range, and 15 percent said it would be roughly \$400 to \$599 each month to repay their loan. The median monthly payment students expected to pay was \$260 per month, slightly higher than the national average of \$206 a month based on the median student debt after college of just over \$19,000.

CHART 7

Students' Average Estimate of Financial Resources to Pay for College

Grants or scholarships that do not have to be repaid

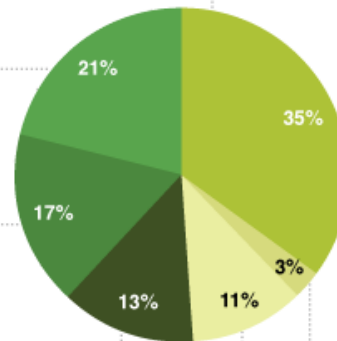
Loans that will have to be repaid after graduation

Money you or your immediate family have saved

Money your parents or immediate family will earn during college

Money you will earn during college

Money from church, community groups, or extended family



6 A high proportion of students are very concerned about receiving enough loans to pay for college as well as repaying those loans once they graduate.

We asked students a series of questions to gauge their level of concern about their ability to obtain student loans to pay for college and pay back those loans once they graduate. Forty-one percent of students indicated they were very concerned about whether they'll be able to get enough student loans to pay for college and another 30 percent are somewhat concerned. About one quarter reported that were not very or not at all concerned about getting enough student loans to pay for college.

Similarly, two-thirds of those students who plan to take out loans were very or somewhat concerned about their ability to repay them after they graduate.

7 Despite concerns about college affordability, nearly all students think their families will find a way to pay for college, even if it will be difficult for them to do so.

To explore students' perceptions about their ability to pay for college, *Student Poll* asked them to select one statement from a list that best described their own or their family's ability to pay for college. Almost universally, students believe their families can pay for college or will find a way to pay for college despite the financial challenge.

Only 7 percent of students indicated that their family "can afford to send me to almost any college." Another quarter indicated "My family can afford to send me to most colleges, if we stretch a bit" while 28 percent reported "My family and I will have to stretch a lot to afford to send me to college, but I think we'll make it." Even those students indicating that they are unsure or think it would be difficult for their parents or for them to pay for college, believed they would "work something out when the time comes" (24%) or "would try anyway" (15%).

On the one hand, students' optimism and desire to attend college, whatever the financial challenges, is heartening. On the other hand, the findings in this issue of *Student Poll* seem to suggest that families are somewhat unrealistic or uninformed about financial aid policies and practices, the extent to which they are likely to qualify for need or merit-based aid at different colleges, and other options available

to them to finance a college education. Some of this may simply be a reflection of expectations versus reality since many admissions decisions and financial aid offers likely were not on the table at the time this survey was administered.

8 Researching scholarships and filling out the FAFSA and other financial aid forms are viewed as two of the most difficult aspects of the college admissions process, topped only by writing college essays.

Student Poll asked high school seniors to rate on a scale of 1-10, with 1 being ‘very easy’ and 10 being ‘very difficult,’ various aspects of the college admissions process. While writing college essays topped the list with a mean rating of 7.0, researching scholarships was a close second with a mean rating of 6.8. Filling out financial aid forms received a mean rating of 6.2, slightly higher than taking or preparing for the SAT or ACT college entrance exams (6.0 and 5.9 respectively). This only reinforces other findings in the study which seem to suggest that still more needs to be done to demystify the financial aid process for prospective students and their families.

Surprisingly, these findings remained largely consistent across race, household income and academic ability.

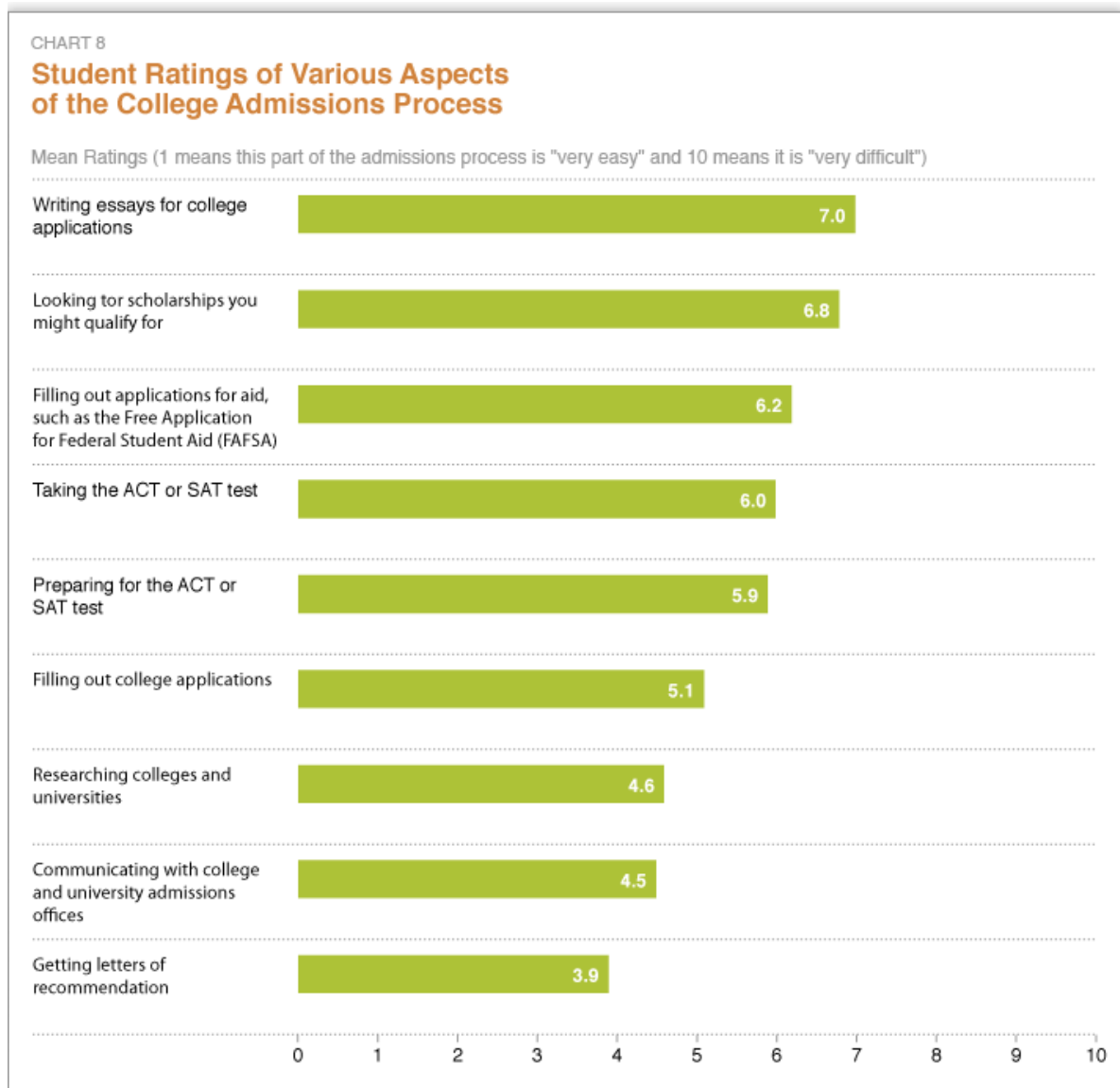
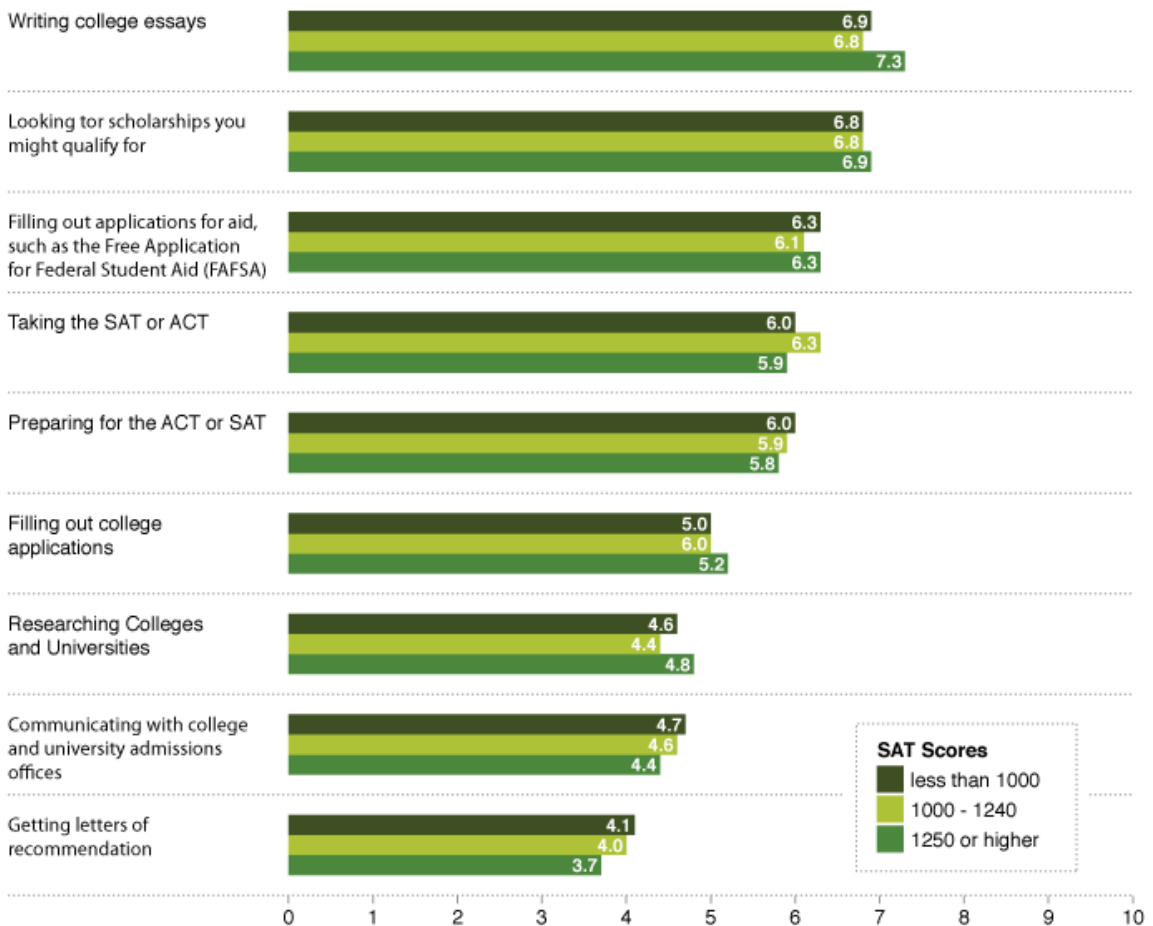


CHART 9

Student Ratings of Various Aspects of the College Admissions Process (by SAT score)

Mean Ratings (1 means this part of the admissions process is "very easy" and 10 means it is "very difficult")



Advisory

- Since federal law will soon require all institutions to offer the more sophisticated net-tuition calculators, this effort should be a top priority. Calculators should be web accessible and easy for parents and families to use and colleges and universities should promote and encourage its use early and often.
- While cost and aid are important considerations in college choice, most students will put them aside and be willing to stretch financially if they believe a school offers significant value proposition in the form of strong academics, fit, and prestige, among other qualities.

Study Methodology

The findings reported in this *Student Poll* are based on 1067 responses from a random national sample of 42,000 high school seniors who registered for the SAT and who completed an optional Web survey between November 19 and January 5, 2010. The margin of error for this survey is plus or minus 3 percent. The findings

are weighted to represent this population of students' gender, race, and the region of the United States where they reside.

About *Student Poll*

A collaboration between the College Board and Art & Science Group LLC, *Student Poll* presents the results from a series of national surveys that measure the opinions, perceptions, and behavior of college-bound high school students and their parents. Published for the benefit of college and university senior leaders and enrollment officers as well as secondary school college counselors, *Student Poll* seeks to provide insights and understandings that will result in better communication and service to college-bound students across the nation.

First published in 1995 by Art & Science Group, a leading national source of market intelligence for higher education, *Student Poll* has become a trusted and widely-cited source of reliable data and insights on many critical questions concerning college choice. The College Board and Art & Science Group have now joined forces to expand the depth and range of the issues that will be explored in *Student Poll*.

Student Poll findings and analysis are provided free on both the [College Board](http://collegeboard.org) (<http://tinyurl.com/6xxfzs>) and [Art & Science Group](http://www.artsci.com) (<http://www.artsci.com/student.htm>) web sites.

About the College Board and Art & Science Group

The College Board is a not-for-profit membership association whose mission is to connect students to college success and opportunity. Founded in 1900, the association is composed of more than 5,200 schools, colleges, universities, and other educational organizations. Each year, the College Board serves seven million students and their parents, 23,000 high schools, and 3,500 colleges through major programs and services in college admissions, guidance, assessment, financial aid, enrollment, and teaching and learning. Among its best-known programs are the SAT[®], the PSAT/NMSQT[®], and the Advanced Placement Program[®] (AP[®]). The College Board is committed to the principles of excellence and equity, and that commitment is embodied in all of its programs, services, activities, and concerns.

[Art & Science Group](http://www.artsci.com) (www.artsci.com) is one of the nation's most influential consulting firms specializing in market-related issues facing higher education and the nonprofit sector. The firm's work synthesizes imagination and empirical rigor — art and science. Its research is considered the most rigorous and innovative in higher education today. The firm assists clients in every major arena of marketing and communications: market-informed strategic planning; enrollment management and student recruitment; development and alumni relations; tuition pricing and financial aid. The firm has extensive experience working with a large variety of public and private institutions of higher learning, ranging from comprehensive private and public research universities to small liberal arts colleges.

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