Why an EFC is Important

My oldest friend asked me recently to help her bright daughter with her college search.

I said sure. And then I told Mary what I absolutely needed from her before we checked out a single college.

I needed to know what her household’s *Expected Family Contribution* was. A family’s EFC, which is expressed as a dollar figure, represents what a financial aid formula says a household should be able to pay for one year of college.

My friend is a registered nurse and her husband is a carpenter with bouts of unemployment. It would be easy to assume that their EFC is a modest one.

The EFC for the average American household that makes an adjusted gross income of roughly $51,000 is usually going to be in the $5,000+ range. These families would be expected to pay *at least* $5,000 for one year of school. With that kind of modest EFC, my friend would be looking for schools that are generous with financial aid.

I knew, however, that Mary inherited money from her father, who was a successful dentist.

I wasn’t privy to how much she inherited, but the money could make a difference in whether her daughter will qualify for financial aid or not.

**Your First Step**

I told Mary the same thing that I am telling you right now.

As you begin your search for colleges, obtaining your EFC should be the **FIRST STEP** you take.

If cost is a factor – and it is with most families – you need to match up what you will be expected to pay with the generosity of schools.
You will learn how to determine whether individual colleges and universities are generous later in this class!

**What If You Have a Lower EFC?**

If Mary’s EFC is low and there is not much inheritance left, I would tell her daughter to stay away from expensive schools such as New York University (see below), Drexel University and Santa Clara University that are stingy with financial aid.

As you’ll learn later in the course, a lot of schools with poor financial aid are universities in cities on the East and West Coasts because they are located in highly desirable areas. These schools can afford to be miserly because there is a huge demand for their freshmen slots.

**What If You Have a Higher EFC?**

On the other hand, if Mary is now a wealthy woman, but doesn’t want to pay full price, I would tell her to look for schools that give healthy merit scholarships to affluent students. Most schools in this country dispense merit scholarships to high-income students. In fact, the average merit scholarship at private schools will slash 53.5% off the tuition sticker price.

The University of Richmond (see below), for example, dispenses full and half-tuition to dozens of its top candidates regardless of wealth.

Some state universities do the same thing. For example, Miami University in Ohio (see below) awards fat scholarships to its brightest students who aren’t from the Buckeye state. In general, state universities have been increasingly awarding money to students who don’t require a helping hand. You’ll learn more about state school practices later in the class.

Regardless of her family’s EFC, Mary’s daughter should also consider public universities within her own state – in this case Missouri.
**Why Your Expected Family Contribution Is Important**

How wealthy is too wealthy to qualify for financial aid?

A mother, who is a judge from Southern California, asked me that question once during one of my college presentations.

You certainly don’t have to be wealthy to pose a question like this. It’s only natural to be confused about how much money you can earn before you become ineligible for financial aid.

Equally important is how assets will impact financial aid. Parents often overestimate how much their net worth will jeopardize need-based aid. You will learn more on this important topic this week by reading this lesson: Will Your Investments Hurt Your Financial Aid Chances?

If cost is an issue, we’d argue that families couldn’t possibly begin looking for schools without having some sense of whether financial aid is a possibility or not.

**What Your Expected Family Contribution Will Tell You**

An excellent way to judge your eligibility for financial aid is to determine your **Expected Family Contribution**, which will be expressed as a dollar figure.

Families with an adjusted gross income of less than $24,000 automatically have an EFC of $0. That means that the family doesn’t have the ability to cover any college costs. In reality, impoverished students will be expected to cover some of their college tab, which will probably include taking out college loans.

In contrast, there is no EFC ceiling for high-income families. I once talked to a wealthy corporate executive in San Diego who determined that his EFC was $108,000. That means that, according to the financial aid formula, he and his wife could afford to spend $108,000 for one year of college for their daughter. Of course, no school costs that much. At least not yet!

This wealthy family had no interest in paying full price for their daughter’s college years, so the teenager was going to look for schools that would provide her with a merit scholarship.
What Colleges Do With Your EFC Figures

You will generate your federal EFC automatically when you complete the Free Application for Federal Student Aid. After submitting the FAFSA, you will discover what your EFC is a few days later when you receive your Student Aid Report.

Students who complete the CSS/Financial Aid PROFILE will not receive notification of their EFC from the College Board, which oversees this financial aid form.

When a school looks at your EFC, it will build an aid package based on other sources of money first. A college’s financial aid office, for instance, will put the Pell Grant into the package if your child qualifies for this federal money. The Pell Grant is targeted at low and lower-middle income families.

The school will also determine if your child qualifies for any state grants. This aid can vary significantly by state.

After this outside money is plugged into an award, the school itself will decide how much it will kick in to meet the cost beyond the family’s EFC.

**EFC Example**

Let’s see how a package might be built at a school that costs $50,000 and the middle-class family’s EFC is $5,000. The first thing the school would do is subtract the family’s EFC to determine how much aid is needed.

<table>
<thead>
<tr>
<th>Cost of attendance:</th>
<th>$50,000</th>
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</thead>
<tbody>
<tr>
<td>Minus</td>
<td>$5,000 (EFC)</td>
</tr>
<tr>
<td></td>
<td>$45,000 Actual need</td>
</tr>
</tbody>
</table>

Next the school would subtract any applicable state and federal money:

<table>
<thead>
<tr>
<th>Minus</th>
<th>$45,000 Actual need</th>
</tr>
</thead>
<tbody>
<tr>
<td>$3,000 (Partial Pell Grant)</td>
<td>$6,000 (State aid)</td>
</tr>
<tr>
<td>$34,000 Worth of Need</td>
<td></td>
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</tbody>
</table>

In this example, the college would have to decide whether it will provide $34,000
of its own money to cover the remaining cost of this child’s first year in college.

If the school meets 100% of a student’s financial need, the school would put $34,000 worth of assistance in the package. Ideally, the help would strictly be grants (free money that doesn’t have to be repaid.)

Unfortunately, there are only a few dozen (nearly all elite) schools in the entire country that routinely provide 100% of need to all or nearly all of its students. Even the most generous schools will often insert a Federal Direct Loan ($5,500 for freshmen) into their packages except for students with the lowest incomes. Students whose families make $60,000 or less are more likely to exclusively receive grants from these elite schools that offer great aid packages.

If your child is admitted into one of these generous schools and has financial need, he or she has essentially won the educational lottery.

In Week 3, I will be provide you with a list of roughly seven dozen colleges and universities that meet 100% of financial need or close to it.

**Your Expected Family Contribution and Gapping**

In reality, most colleges and universities will require that families cover more than their EFC for one year of a child’s college.

These schools will not meet 100% of need. Instead these institutions will gap your child. A school might meet 88% of need or 59% of need or 72% of need. Some of these aid packages can be outrageously stingy. If your child is a more valued applicant, the award he or she receives will often be greater than a school’s typical award.

It will be up to families to scramble to pay more than their EFC figure to compensate for the gap or to walk away.

When you need help with college costs, it makes sense to look for schools that will be as generous as possible that your child has a good chance of getting into. You won’t know what you will need and what you might expect, however, until you obtain your EFC.
2nd EFC Example

Let’s take a look at the package that a hypothetical wealthy student with a high EFC received from an expensive private school:

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<tr>
<th>Cost of attendance:</th>
<th>$50,000</th>
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</thead>
<tbody>
<tr>
<td>Minus</td>
<td>$45,000 (EFC)</td>
</tr>
<tr>
<td></td>
<td>$5,000 Actual need</td>
</tr>
</tbody>
</table>

This student didn’t qualify for state and federal money, but she did capture a $15,000 merit award from the school. In this case, the award would cover the family’s actual need of $5,000 and the excess would allow the family to pay less than their $45,000 EFC. Their total outlay would be $35,000 for the year. **An Important Point About Aid**

If your child doesn’t qualify for need-based aid, you will pay the sticker price minus any institutional or private scholarships that your teenager receives.

It’s a different story if your child will qualify for financial aid.

Schools will use merit awards; outside private scholarships and government aid to first reduce a family’s demonstrated financial need and not the family’s out-of-pocket costs or EFC.

To see how this plays out, let’s take a look at an example of a family with an EFC of $15,000 whose child will attend a $40,000 school. Before any aid, this family would be seeking $25,000 in financial assistance. ($40,000 Cost – $15,000 EFC = $25,000 of demonstrated financial need).

The student, in this example, receives a $12,000 merit award. The parents would like this award to reduce their out-of-pocket costs (EFC), so their contribution would drop to only $3,000. But schools will use any type of aid — merit or need-based – to first reduce the student’s demonstrated financial need.

So after the merit award is applied in this case, the $12,000 award would whittle the family’s demonstrated need down to $13,000 and the family would also be responsible for their EFC of $15,000.
Bottom Line:

You need your EFC before you can start identifying schools with policies most favorable to your financial situation.

For further reading try...

2014 Guide to FAFSA, CSS Profile, College Aid and Expected Family Contribution

Troy Onink, a *Forbes* college contributor and the CEO of *Stratagee.com*, a college-planning firm in Pennsylvania, wrote an excellent article in *Forbes* Magazine that you can access in the above link, which provides an in-depth explanation of EFCs and financial aid formulas.

In the lengthy article, you can find Onink’s color-coded chart that will give you a quick view about what your EFC could be based strictly on your adjusted gross income.
How to Use an Expected Family Contribution Calculator

Use the Right EFC Calculator

The easiest way to obtain an advance look at your Expected Family Contribution is to use the EFC calculator at the College Board’s website. I strongly advise that you not rely on FinAid.org’s popular EFC calculator because the figures haven’t been updated since 2008!

One of the first questions that you will encounter when using the College Board’s EFC calculator is which methodology you want to use – the federal or institutional methodology or both. You should designate both methodologies since at this point you don’t want to limit your school choices.

Who Uses Which Methodology

The vast majority of colleges and universities in this country only use the federal methodology, which is what the Free Application for Federal Student Aid depends upon. The first time you file the FAFSA would be during the second half of your child’s senior year in high school.

In addition to the FAFSA, about 260 mostly private colleges and universities also require an applicant to complete the CSS/Financial Aid PROFILE, which uses the institutional formula. The handful of public universities using the PROFILE including: University of Michigan, University of Virginia, College of William and Mary and the University of North Carolina, Chapel Hill.

Here is the list of the institutions that use the PROFILE.
What’s the Difference

All schools use the federal formula, via the FAFSA, to determine if a student qualifies for federal or state financial aid. Most schools also rely on the federal FAFSA results to determine if students will qualify for need-based aid from their own institutional need-based grants.

PROFILE schools use the institutional formula results to determine if a student qualifies for their in-house pots of money. The EFC generated by the institutional formula is often different from the federal EFC because it drills deeper into a family’s finances.

You’ll learn more about the differences between these formulas in other lessons this week.

EFC Questions

To use the EFC calculator, which should only take a few minutes, you need to have your latest income tax return and investment statements ready.

Here are the main questions that the calculator will ask:

- Number of people in household
- Marital status of parents
- Age of parents
- Age of children
- Number of children in college
- Parents’ Adjusted gross income from the most recent calendar year
- Parent’s income taxes paid for most recent calendar year
- Student’s adjusted gross income
- Student’s income taxes paid
- Any claimed education tax credit
- Medical expenses
- Cash, savings, checking for parent(s) and child
- Non-retirement investments for parent(s) and child
- Business equity
The federal formula doesn’t ask about retirement account assets, but the PROFILE does. It’s extremely rare, however, for a PROFILE school to take retirement wealth into consideration for financial-aid purposes.

Once you’ve plugged in the information, the calculator will produce an estimated EFC for the federal methodology and another EFC for the institutional methodology.

Actually, a student who is applying to PROFILE schools would end up with multiple EFCs. Each school can modify the basic PROFILE application by including supplemental questions.

After submitting their FAFSA online, a family will learn what their EFC is by receiving their Student Aid Report (SAR) by email. The PROFILE won’t notify parents about what their institutional EFC is.

**EFC Example**

To illustrate how the EFC calculator works, I used the following stats for a hypothetical family:

- Marital status: Married
- Oldest parent: 55
- One child heading to college
- Siblings: 16-year-old sister
- Parents adjusted gross income: $150,000
- Home equity: $100,000
- Nonretirement assets (including 529 accounts): $50,000
- Student’s adjusted gross income: $2,000
- Student’s assets: $500
- Parents income taxes: $20,000

**Interpreting Your EFC**

Okay so what do these figures mean?

In this example, the family’s share of the costs would range from $29,365 to
$30,697 for one year of their child’s college education.

If the school’s sticker price is less than the EFC, the student would be ineligible for need-based financial aid. In this circumstance, however, a student may qualify for a merit scholarship, which is not tied to need.

If this student is applying to an expensive private school with a generous aid policy, he could be in line for significant need-based aid.

As a practical matter, when a family’s EFC is this high, a merit scholarship will come close to filling the gap between the EFC and the school’s cost of attendance.

Let’s say, for instance, that the student in the above example got into a school with a $46,000 sticker price and received a merit award of $11,000 a year.

<table>
<thead>
<tr>
<th>Cost of attendance:</th>
<th>$46,000</th>
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<tbody>
<tr>
<td>Minus</td>
<td>$11,000 merit scholarship</td>
</tr>
<tr>
<td>Minus</td>
<td>$29,365 (EFC)</td>
</tr>
</tbody>
</table>

$\text{Demonstrated need}$ $5,635

The remaining need would be $5,635. It’s unlikely that most schools would cover this additional cost.

**Inside the EFC Formula**

While a lot is riding on a family’s EFC, the EFC formulas are hardly scientific. The EFC can be a fairly harsh assessment of a family’s ability to pay, but that is the figure that the schools will be working with.

The federal EFC formula is a creation of Congress, which goes a long way towards explaining why it is flawed.

It’s likely that your EFC(s) won’t pinpoint what your family can truly afford to pay for college. Many families are shocked when they generate their EFC’s.

The federal and PROFILE formulas, for instance, don’t consider household debt. The formulas don’t care if a family is in bankruptcy. In what’s a plus for some households, however, the federal formula doesn’t count a family’s assets if the
parents’ adjusted gross income is less than $49,999.

Parents won’t get a break from the federal formula if they live in an expensive area like San Francisco where the median-priced house costs more than $1 million compared to houses in an inexpensive area like Pierre, SD, where plenty of houses are priced in the $150,000 range. The PROFILE formula does take into account where a family resides.

If you’d like to see exactly what factors that the federal EFC includes in its calculations, you can check out the federal government’s latest EFC formula which is updated every year:

**EFC Formula, 2014-2015**

Unfortunately, much of the PROFILE formula, which belongs to the College Board, is proprietary.

**Bottom Line:**

Knowing your EFC(s), no matter how depressing, allows you to start targeting the best sources for the type of money that your child will qualify for.

As I’ve mentioned earlier, if you have a low EFC, you’ll be looking for generous sources of need-based aid. If you have a high EFC, you’ll be looking to maximize your chances at merit money, which isn’t tied to financial need.
EFC Cheat Sheet: Summing Up

Here’s a summary of what you need to know about Expected Family Contributions:

1. An Expected Family Contribution is a dollar figure that represents what financial aid formulas believe you should be able to pay for one year of a child’s college education.

   Families with adjusted gross incomes of $24,000 have an automatic EFC of $0. The EFC for the average American household with an AGI of $50,000 will usually range from $5,000 to $6,000. There is no cap on EFCs so some very wealthy families will have EFCs that exceed the cost of an expensive private university.

2. It’s best to get a ballpark idea of what your Expected Family Contribution will be as early as your child’s freshman year in high school. Obtaining a preliminary EFC will give you a rough idea of the minimum amount that you will be expected to pay for college.

3. Before you assume that you won’t qualify for financial aid, obtain your EFC. Families with household incomes of $60,000 to $80,000 and above typically find that they do not qualify for need-based aid at state universities, but they may qualify for need-based aid at private schools.

4. If you discover that you have a high EFC and aren’t eligible for need-based financial aid, you should look for schools that provide merit scholarships that are given regardless of need.
5. If your EFC is modest, you should search for schools that provide excellent need-based assistance.

6. Families will often have to pay more for college than their EFC indicates they can afford because most schools do not meet 100% of a student’s demonstrated financial need. Consequently, it’s important to identify the most generous schools that would consider your child an attractive candidate. You’ll learn how to use online tools to evaluate the generosity of schools in Week 3.

7. You can obtain your Expected Family Contribution by using the College Board’s EFC calculator. With this calculator, you’ll want to obtain your EFC using the federal and institutional formulas. Do not use the EFC calculator at FinAid.org because it hasn’t been updated since 2008.

8. The EFC you obtain from the federal methodology (it’s generated by the FAFSA) will often be different than the one you obtain using the institutional methodology (it’s generated by the CSS/Financial Aid PROFILE) because the underlying formulas are different. The vast majority of private and public colleges and universities only use the FAFSA while 260 mostly private, selective schools use the PROFILE.

9. When you complete the FAFSA, you will receive your official federal EFC via an electronic document called the Student Aid Report (SAR). Here is a sample SAR.

10. If you need to file the PROFILE, you will not receive your EFC from the College Board, which owns and operates this financial aid application. Institutions that use the PROFILE customize their aid applications by choosing from hundreds of different questions so you will end up with a different EFC for each school. You should ask each PROFILE school for your EFC if the institutions do not include this important dollar figure on your financial aid awards.

11. Many schools do not include a family’s EFC on their financial aid awards. Some institutions make the dubious excuse that including the EFC on their aid letters will confuse families. More likely, schools don’t want to share EFC figures with families because they can then determine if the aid package is stingy.

12. Once you have your EFC and the financial aid package, compare your EFC with what a school is offering. Let’s say that the cost of a school after deducting
institutional grants is $39,000 and your EFC is $28,000. That means there is an $11,000 gap between what your EFC suggests that you can pay and what the school wants to charge you. You will learn more about evaluating financial aid offers in Week 4.

13. Your EFC probably won’t be a true indicator of what you can afford to pay for college. The FAFSA formula, in particular, is a flawed creature of Congress.

14. Plug new numbers into the EFC calculator if your financial situation changes due to such things as a divorce, separation, death, disability, job loss or the care of an elderly parent.
Net Price Calculators

One of the most infuriating aspects of the college admission process is this:

Traditionally, you couldn’t know what any college was going to cost until your child received his or her financial aid or merit award package. Even worse, you might not have gotten the offer until the spring, which would give you little time to select a school by the deposit deadline, which is often May 1.

Learn What You’ll Pay Before Applying

Applying to schools, however, doesn’t have to be a financial crapshoot if you use federally mandated net price calculators before your child applies to any colleges.

A net price calculator is supposed to provide you with a personalized estimate of what a particular school will really cost you. When using a calculator, some families will discover that the cost of a $45,000 university will be $20,000 or $10,000 or even lower. For other families, the cost really will be $45,000.

If you want to avoid budget-busting schools, it’s critical to know what the actual prices of particular schools will be before your child falls in love with them. In fact, turning to net price calculators could ultimately save you tens of thousands of dollars by focusing your efforts on schools that will be more generous to your family.

Every college and university that participates in the federal financial aid system, and that’s almost all of them, must post a net price calculator on its website for freshman applicants. Some schools also provide a calculator for transfer students.
The Inside Scoop on Net Price Calculators

To squeeze the most value out of these calculators, here are 10 things you need to know about using them:

1. These calculators provide a family’s net price.

The net price represents what a student will have to pay after scholarships and grants from the federal and state governments and the school itself are subtracted.

Let’s say, for example, that a college costs $50,000 and the student will receive a $30,000 award from the school and a state grant of $5,000. The net price for this student would be $15,000.

The net price equals the true price of the college because it only considers free money and disregards loans when calculating the cost of a school.

You can see just how many different prices you can generate when using net price calculators by reading about the experience of a mother in Washington State:

**Case Study: What 66 Schools Would Cost This Family**

2. Use net price calculators to test academic scenarios.

You should turn to these calculators to get a handle on what sort of applicants capture the best awards at an institution. What kind of grade point averages or test
scores does it take for a student to win a greater award from a specific school?

To illustrate what we’re talking about, let’s look at the experience of a father whose son is now a sophomore at Northeastern University in Boston. When the dad initially used the net price calculator and plugged in his son’s SAT score of 1300 (out of 1600), the calculator estimated his grant at $20,000 for the first year.

After his son earned a 1340 score on the SAT, the dad retried the calculator and discovered that the teenager’s award had jumped to $34,200.

With this tool, you can manipulate the figures to see whether it would be worth it for your child, for instance, to take the SAT or ACT again. Would a higher test score boost your child’s potential package? Would a slightly higher GPA matter?

With so much money at stake, it’s worth taking the time to use these calculators strategically.

3. Use net price calculators to weigh impact of assets.

These calculators can also be handy when you want to figure out how a school treats assets, such as a small business, rental property, investments accounts, and home equity for financial aid purposes.

I wrote an eye-opening blog post (see link below) that illustrates how differently schools treat home equity. You learned earlier that private schools that use the PROFILE financial aid application can develop their own aid formulas to assess home equity. Schools that only use the FAFSA don’t ask about primary home ownership.

**Will Your Home Equity Hurt Your Financial Aid Chances? A Case Study**

In the blog post, I wrote about an unemployed New Jersey dad/engineer, who inadvertently discovered how two dozen institutions including Boston College, Dartmouth, Villanova, University of Rochester, Dickinson College, and Georgetown treated his home equity in significantly different ways that resulted in estimated awards that would have had the family pay anywhere from $0 to more
than $40,000 for one year of college.

4. Calculators will vary in what information they require.

To use many calculators, and particularly those of selective private schools, you will need your latest tax return and bank/investment statements. If your child has income and a bank account, you should gather that information too.

If the school provides merit scholarships, in addition to providing need-based aid, a good calculator will ask for additional information such as a teenager’s GPA, test scores, class rank, and activities.

A thorough calculator could take you 10 to 15 minutes to complete.

5. Some net price calculators are inaccurate.

The weakest calculators rely on the federal-calculator template. Using a calculator that uses the federal template could take less than a minute to complete! The questions are minimal, which leads to dubious cost estimates.

These federal calculators are only meant to provide personalized cost estimates — faulty or not — to families seeking need-based aid. And even then, the need-based aid answers are simply averages.

The schools using the federal template ask only two questions if the family isn’t seeking need-based aid. Here are the two questions that I answered when I tried out Carnegie Mellon’s net price calculator:

How could this university provide an accurate net price when all it knows about some of students is his/her age and the decision not to apply for need-based aid!

Based on the answers to these two questions, I received this net price estimate from
Carnegie Mellon:

These federally-based calculators that Carnegie Mellon and others schools use will be absolutely worthless for wealthier families strictly seeking merit scholarships. These calculators will also often be inaccurate for students of households of any income because they do not ask questions that would determine if a child qualifies for a school’s merit scholarships.

Slightly more than 50% of schools use the federal-calculator model. Many of the schools using the federal template are state universities, but some private schools have embraced this inferior calculator too. Private institutions that rely on the federal inspired calculators include:

- American University
- Babson College
- Boston Conservatory
- Carnegie Mellon University
- Gonzaga University
- New York University
- Pepperdine University

You can’t expect to get a reliable financial-aid verdict from any school using the federal template.

Why would schools use a mediocre calculator? Here are two potential reasons:

Creating an accurate calculator isn’t a priority for some schools, which may also believe that applicants aren’t interested in them.

Private schools can favor mediocre calculators because the tools can mask the true cost of their schools. Admission officers may advise applicants to ignore worrisome calculator results and apply anyway because the calculator results are unreliable.

**6. Observe how many questions a calculator asks.**
Calculators that depend on the federal-template calculator ask few questions and don’t require the actual income that parents report on their income tax returns.

These federal-template calculators only provide income ranges and the highest income level the tool offers is “above $99,000.” (See below.) In addition, these calculators do not inquire about family assets!

7. Look to see that the costs are up-to-date.

When using calculators check to see if the prices are current.

When the Institute for College Success & Access did a survey of net price calculators in 2012, they discovered that 40% of schools were relying on old cost figures for their calculators with some going back as far as the 2008-2009 school year.

Unfortunately, schools that use the federal template will be using cost-of-attendance figures that are at least two years old. We’ve found schools sharing much older cost data.

As you can see below, Pepperdine University, a Christian institution in Malibu, CA, was still using 2011-2012 figures when I checked in July 2014! The Carnegie Mellon calculator was also sharing cost data from three years ago.

8. Net price estimates are not guarantees.

The price that a net price calculator spits out is not necessarily what you will pay. While the goal of these calculators is to provide families with solid cost estimates, the figures aren’t binding. For instance, we previously mentioned the case of the dad using the Northeastern University calculator. The initial award the son received was lower than what the calculator suggested and the dad aggressively appealed the lower amount and eventually received more money. Not all families would do this or be successful if they push the issue.

In general, the net prices generated by schools that have developed their own
calculators should be much more accurate and these institutions should be more willing to stand behind their estimates. It makes sense to ask schools about the accuracy of their calculators.

9. Double-check your figures.

Be careful when inputting your information into a net price calculator. If the outcome seems wrong, try again. Ask a school’s financial aid office if you aren’t sure what information is needed.

10. Where you can find net price calculators.

Schools are federally obligated to post their net price calculator for freshmen on their website. It can be hard, however, finding these calculators. Some schools don’t want you to use them because you could discover how stingy they are.

An easy way to look for a school’s calculator is to Google the name of the institution and net price calculator. There is also a website that provides the link to many of these calculators – NetPriceCalculator.com.

11. Check outside calculator providers.

There are at least three outside sources for net prices:

College Reality Check

College Abacus

Cost of Learning

Each has its strength and weaknesses. Let’s take a look at each one:
College Abacus

College Abacus, which is a start-up created by a young Rhode Scholar with financial assistance from the Bill and Melinda Gates Foundation, is a one-stop shop for accessing many net price calculators. The site allows a visitor to compare up to three different net prices at once. The founder would like the site to become the college-pricing equivalent of Kayak, Expedia, Zillow or other cost-comparison sites.

The site asks for a tremendous amount of your financial information because it needs this data to answer all the anticipated questions that any school’s net price calculator would ask. Once you’ve inputted your financial data, you can obtain the results from a school’s net price calculator without leaving College Abacus.

Unfortunately, some schools are blocking College Abacus from accessing their net price calculators because many college administrators do not want price comparisons to be so easy. So you may not be able to access all the calculators that you’d like at this site. You might also experience wait times when trying to access net prices.

College Reality Check

College Reality Check is a site, courtesy of The Chronicle of Higher Education, which allows families an easy way to compare net prices of up to five schools at once. You can also compare other factors such as graduation rates, student loan default rate and estimated average monthly loan repayment amounts.

Keep in mind that the average net prices on this site, which come from the federal government, are for income ranges. Unfortunately, the highest income range is only $110,001 and above, which is not helpful because what a family with a household income of $110,000 can afford will be quite different than what a millionaire can cover.

What’s more, the net prices are only calculated for families who applied for and received financial aid, which includes federal college loans. It’s more likely that the net prices for lower income ranges are going to be more reliable because
people in the upper income brackets are less likely to apply for aid.

In the example below, I obtained the average net price for families whose income ranges between $75,001 and $110,000. As you’ll see, the prices for students applying to these schools differ significantly.

I included Carroll College in Helena, MT, to illustrate what I’ve been saying in this class. Lesser-known schools in areas off the coasts are often less expensive. One of this school’s many selling points is its nursing school where students can graduate in four years unlike impacted nursing programs in state schools in California.

The example below also shows that expensive schools with excellent financial aid (Pomona) can be cheaper than state universities. It also shows how expensive some schools in cities on the West Coast are.

I also generated a net-price example with East Coast schools. In this example, I assumed that the family’s income was between $75,001 and $110,000. Once again you’ll see that the prices differ significantly.

**Cost of Learning**

You can find a universal net price calculator at the website of the Cost of Learning, which aims to make it easy for families to retrieve net price estimates.

The Cost of Learning generated hypothetical net prices at 250 of the most popular schools by trying out many household scenarios of income and assets on the institution’s net price calculator.

To make calculator results comparable, the creators created the hypothetical net prices by excluding merit aid. About half of all college net price calculators do not calculate merit aid. These are most notably the schools that use the inferior federal template that ask very few questions and only uses income ranges and therefore can generate questionable results.

To make these schools comparable to those that do dispense merit aid, Becker did
not answer any calculator’s merit aid questions such as – what is the class rank of the applicant, what is his/her GPA and test scores.

For each school, Cost of Learning displays the net prices for various EFC ranges. Consequently, to use the Cost of Learning’s calculator, you must already know what your EFC is. You can obtain this figure by using the EFC calculator at the College Board. To learn more about EFC’s, read this blog post: What Is Your Expected Family Contribution?

In the chart below, for instance, you can see the net prices for each dot on the graph for Claremont McKenna College. When you click on one of the price points, a box will pop up that includes the EFC and the corresponding estimated net price. The arrow in the graph is pointing to the price for an EFC of $8,175.

Comparing schools

A handy feature of this tool is that you can compare up to six schools at once. In the graph below, I compared the out-of-state costs for nonresidents at five flagship universities along with SUNY Binghamton, which is one of the premiere state research universities in New York. New York doesn’t have one flagship university.

Looking at the chart below, you can see that the public universities with the highest college rankings are charging more than other state universities. I would argue that paying the high prices that schools like University of California, Berkeley, Michigan and Virginia can command is nuts! I wrote a blog post on this topic last month: Are Flagships Worth the Price for Outsiders?

One of the advantages of using the Cost of Living’s universal calculator is that you don’t need to plug in all your financial information into the site. You just need that EFC. Checking net prices at Cost of Learning.com will be different from using a net price calculator at a specific school, but you can quickly generate some ballpark estimates based on your Expected Family Contribution.

Bottom Line:
Use net price calculators before your child finalizes his/her college list. There is no point in letting your child get excited about particular schools if their costs will be exorbitant.

Use these calculators strategically. See how assets and a child’s test scores/GPA could change awards.

Ask a school how accurate its calculator is.

Check how old each school’s cost figures are.

Use the results of net price calculators to develop a list of schools that will be financially doable

**Discussion/Questions**

What has been your experience, if any, using a net price calculator or any of the tools described above?