



Planning for College: A Consumer Approach to the Higher Education Marketplace

The College-Bound Decision Tree: A Consumer Approach

by

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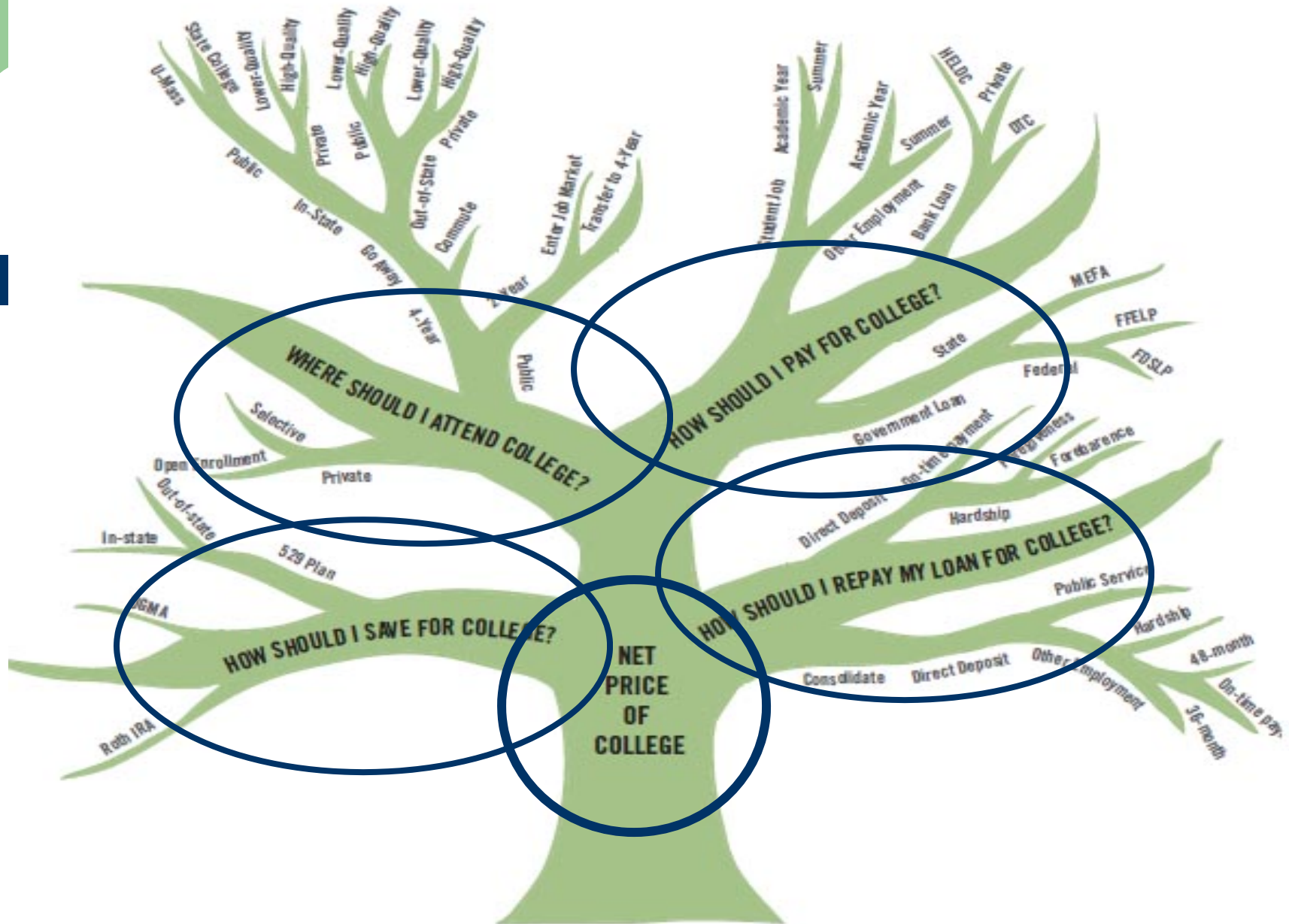
Consumer Approach

What is the price?

What is the risk?

How does it compare to others?



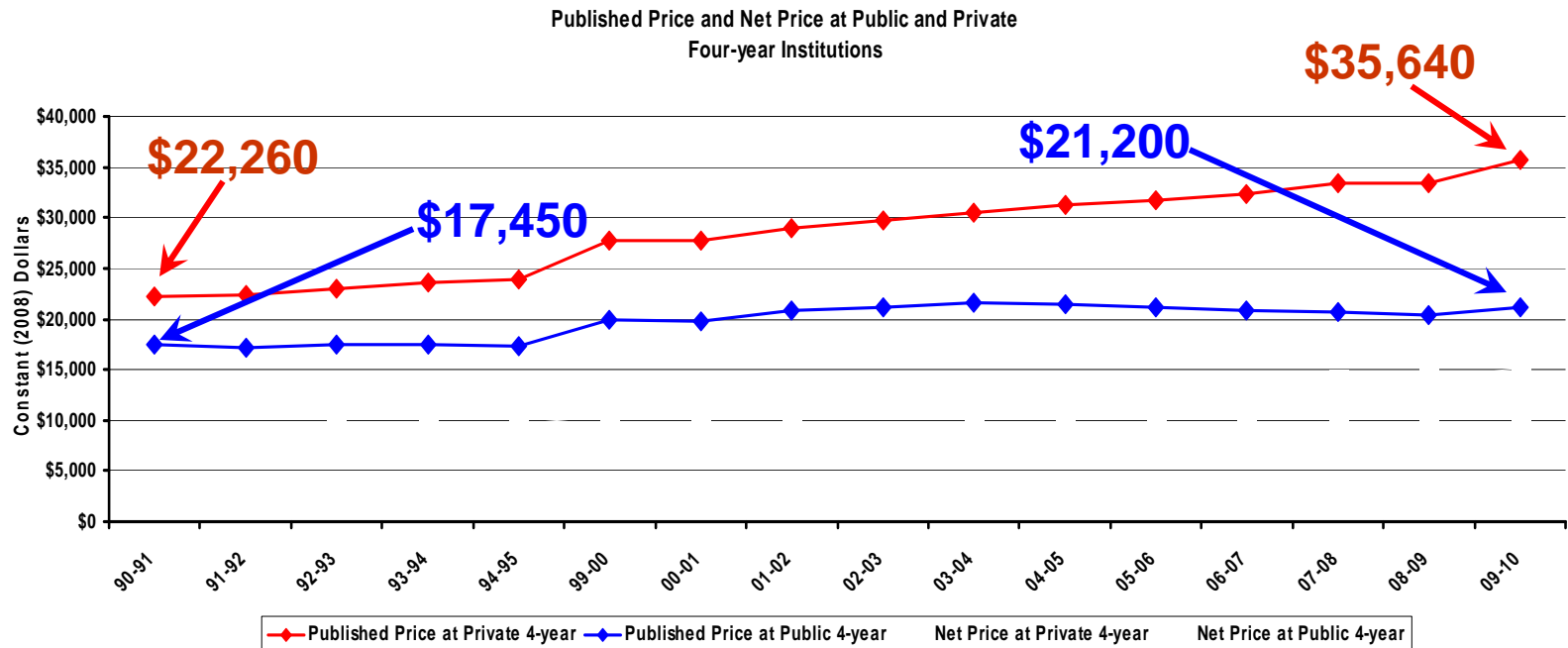


The College-Bound Decision Tree

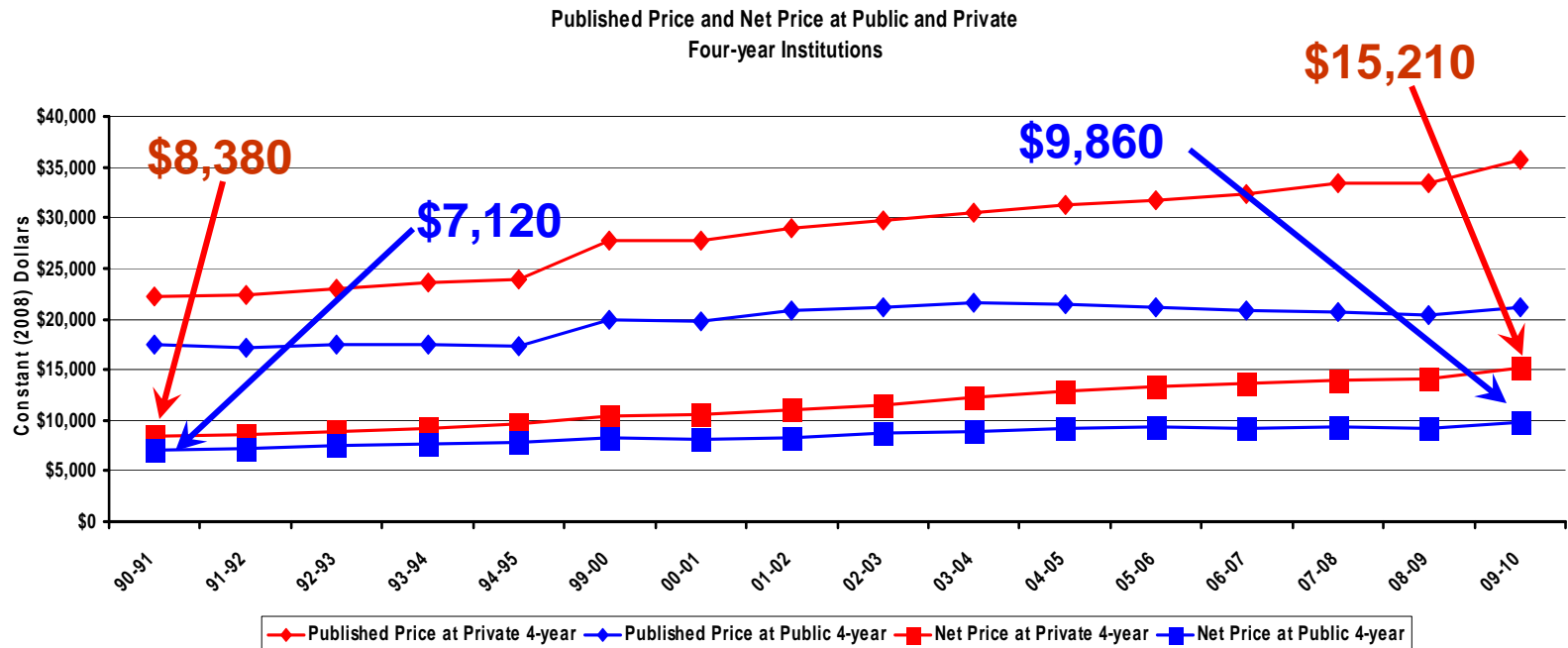
Consumer Approach

What is the price?

Published Price

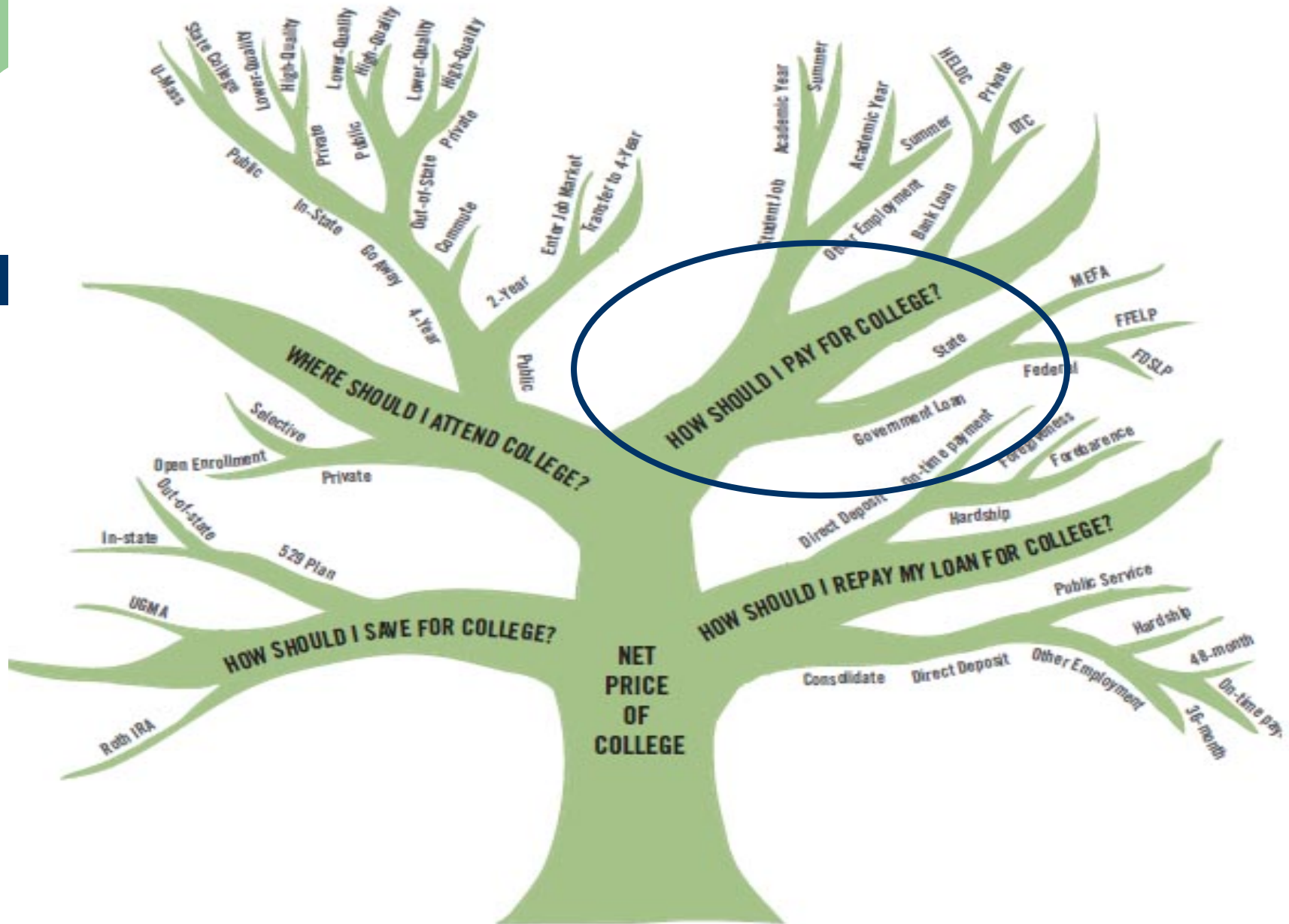


Net Price



Consumer Approach

What is the risk?



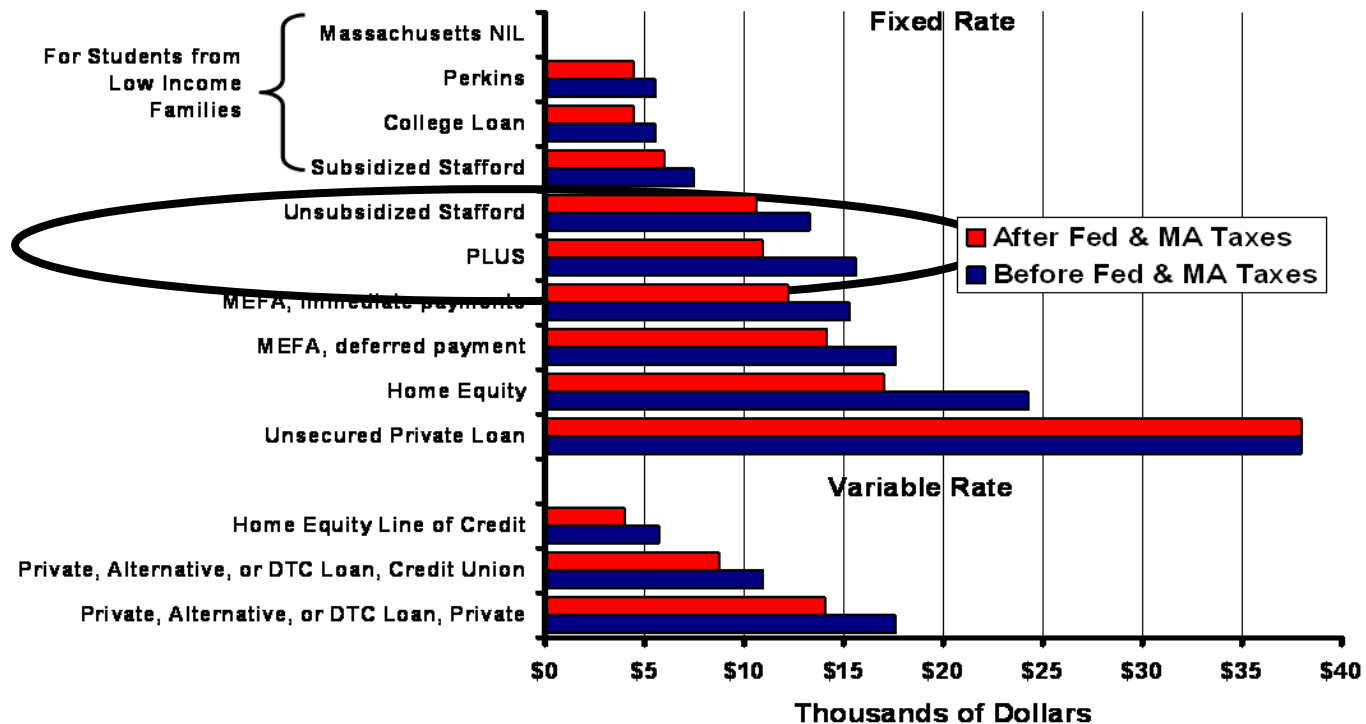
The College-Bound Decision Tree

Paying for College

		Family		
		Child	Parent	Other
Resources	Past	Savings and Assets	Assets, Savings and 529 Other Investments	Grandparent 529
	Present	Summer wages and job earnings Federal Work Study Program State Work Study Program Institutional Work Study Program Outside Scholarships	Taxed & Untaxed Parent Income Employer Benefit Program	Grandparent 401(k) minimum distribution
	Future	Unsubsidized Stafford Loan State Unsubsidized Loan Program Institutional Student Loan Private Student Loans Credit Card Debt <i>Subsidized Stafford Loan</i> <i>Perkins Loan</i> <i>Subsidized State Loan</i> <i>Institutional Loan Program</i>	PLUS Loan Home Equity Loan Other Private Loans	

The “Price” Includes Interest Payments

Amount of Interest Paid for 15-Year \$20,000 Loan with Fees and Interest Rates from College Loan Programs

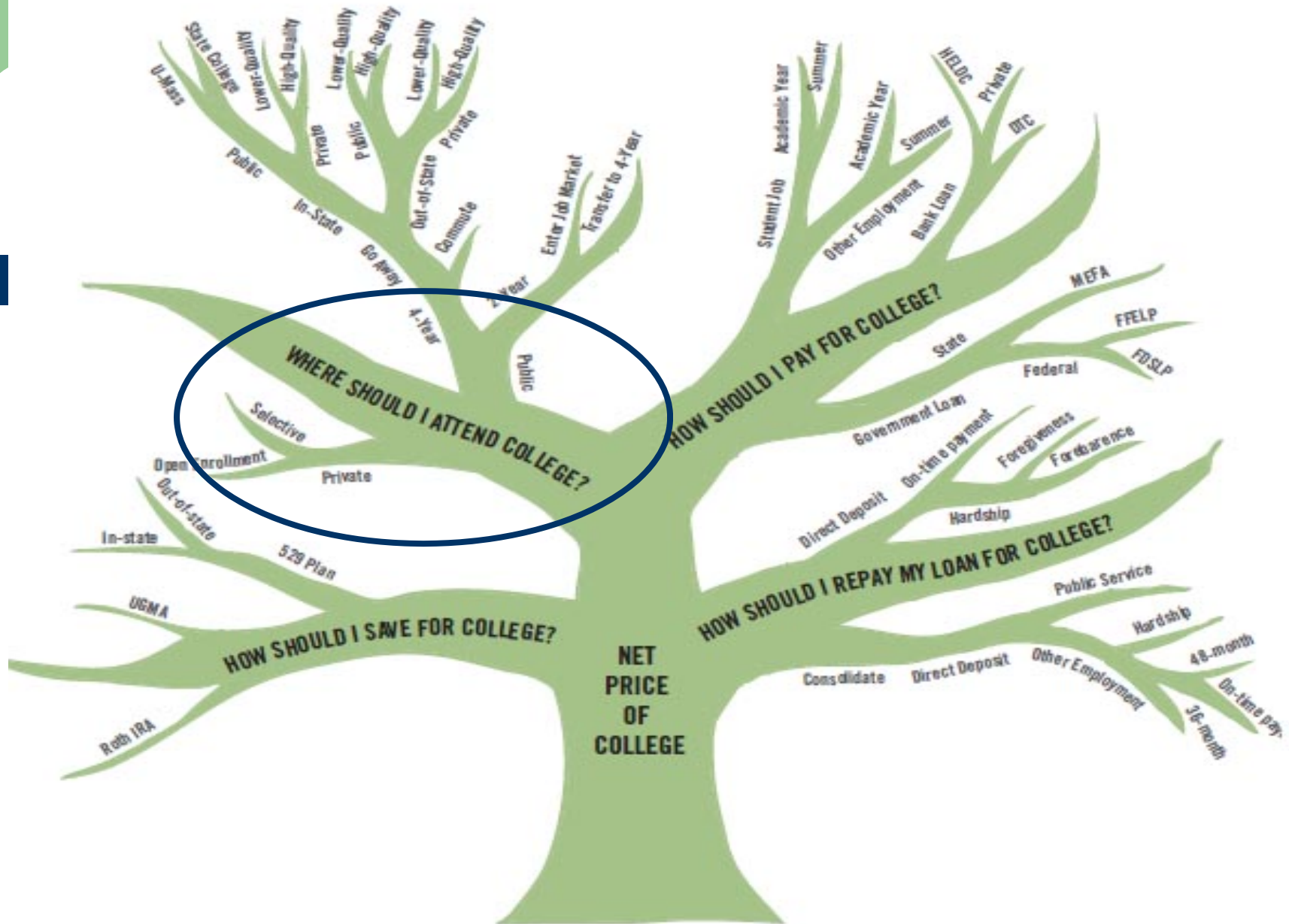


Policy Implications

- Use “Net Price” as central concept of financial aid.
- Describe Parent Loans, Student Loans, and Private Loans together with consumer information: APR, Total Interest, Monthly Payments.
- College Financial Aid offices to take pro-active role in family financial planning.

Consumer Approach

How does it Compare to Others?



The College-Bound Decision Tree

Mental Calculation

Educational Attribute of Value

Net Price

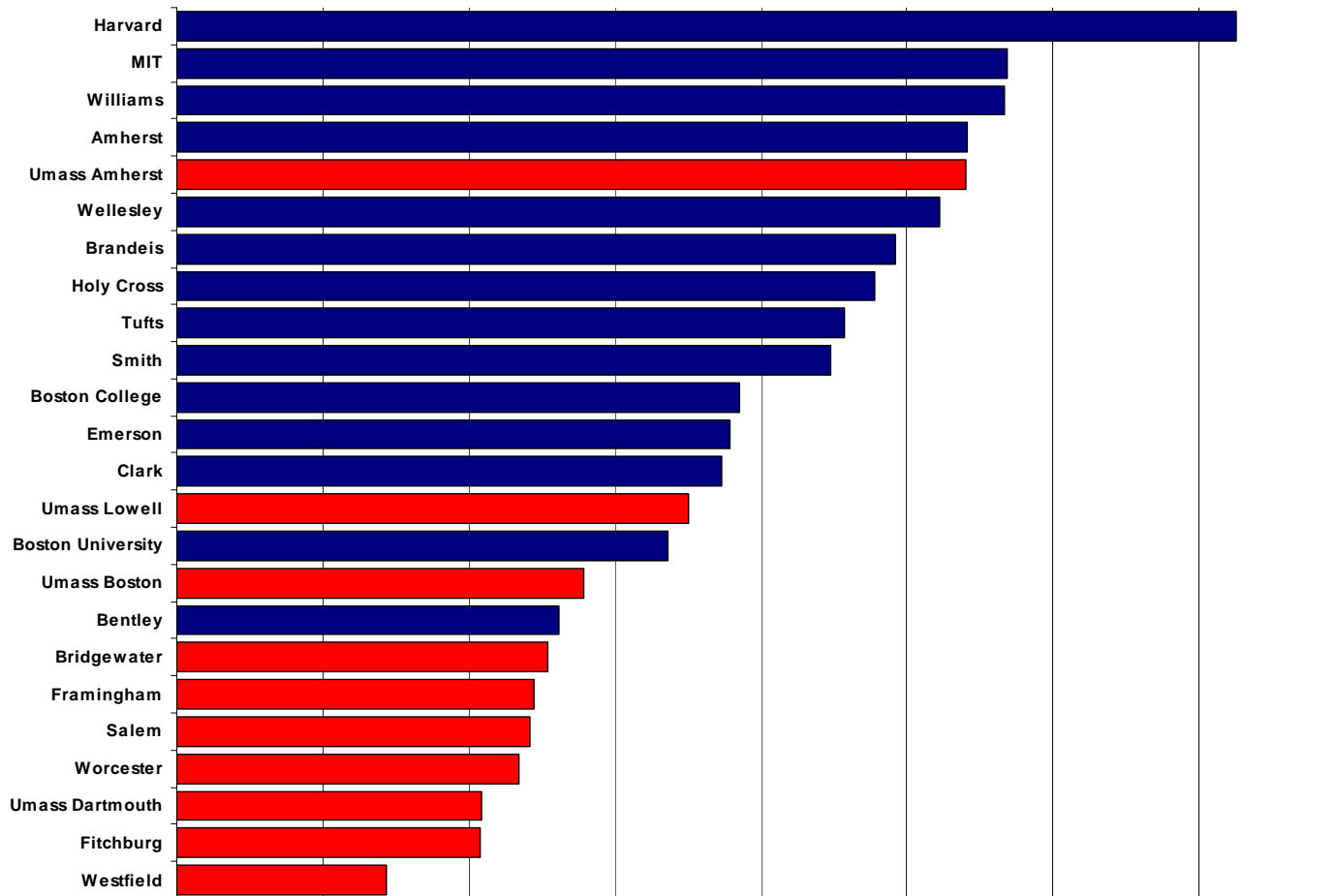
Selected Quantifiable Attributes

- Students with SAT-Reading of 600 or higher
- Students with SAT-Math of 600 or higher
- Budgeted dollars on Instruction
- Probability of Graduating in four years
- Faculty-student ratio

(Only data from public sources)

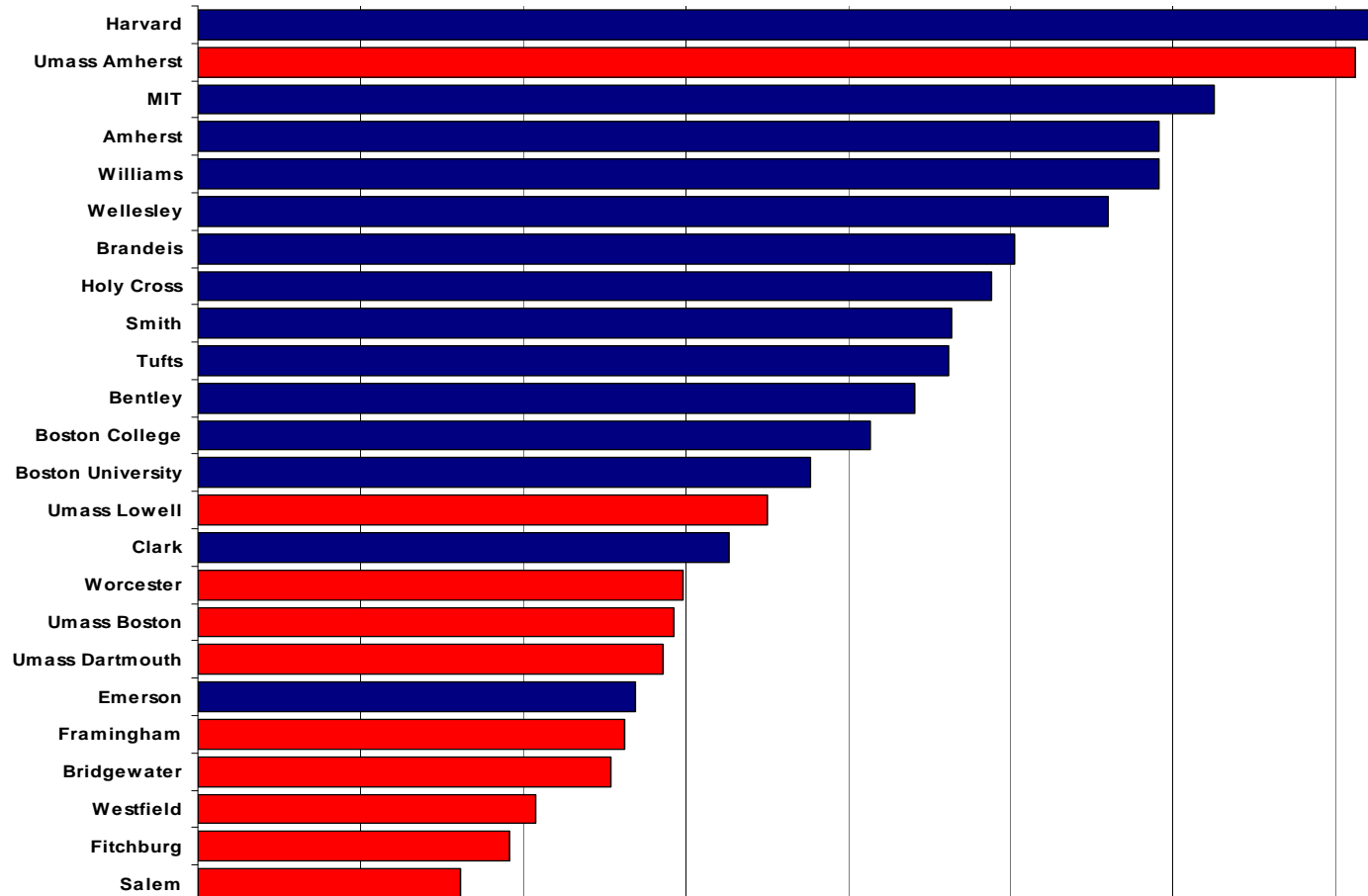
SAT-Reading 600+ per Dollar of Net Price

SAT-Verbal above 600 per Dollar of Expected Net Price



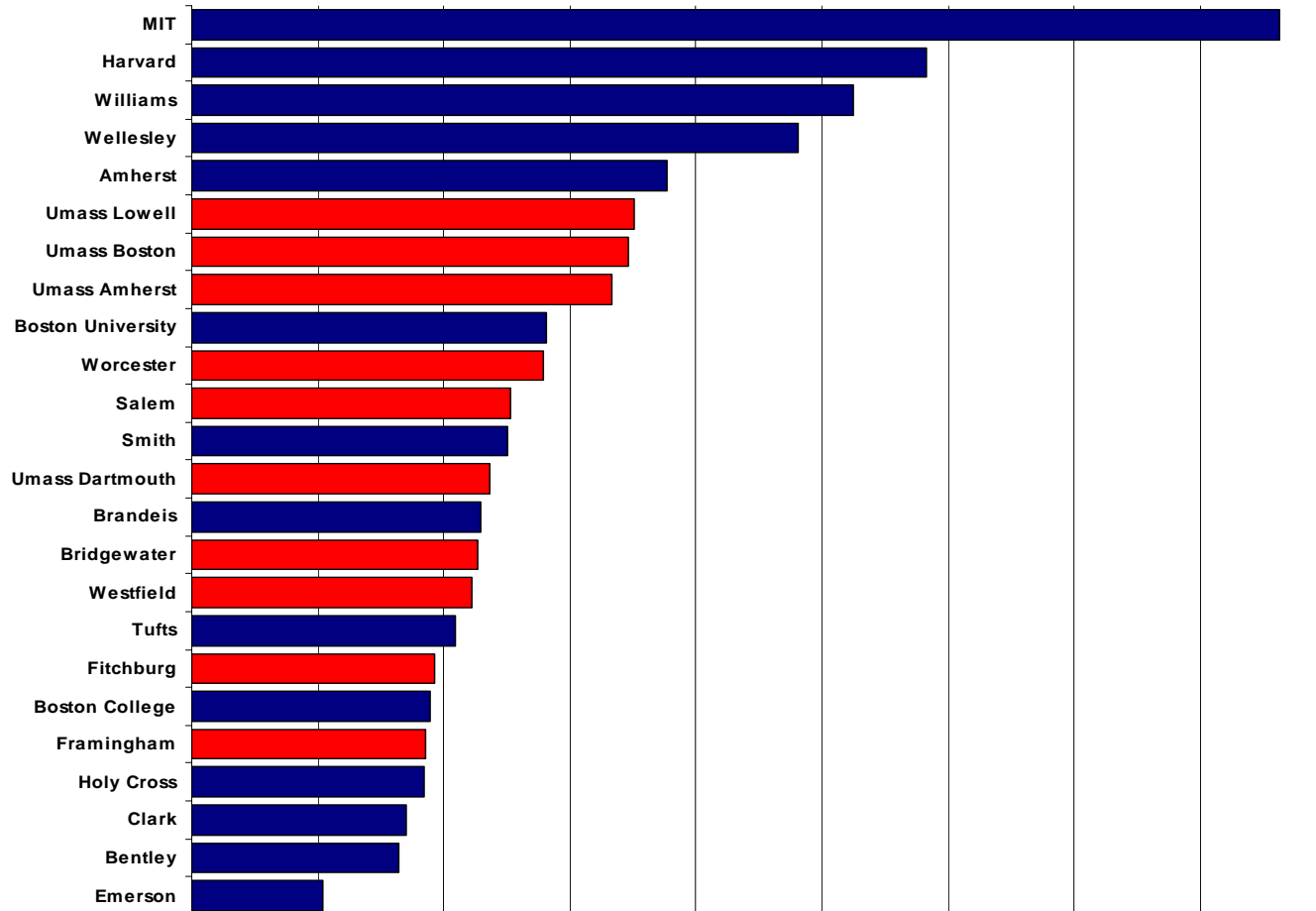
SAT-Quant. 600+ per Dollar of Net Price

SAT-Math above 600 per Dollar of Expected Net Price



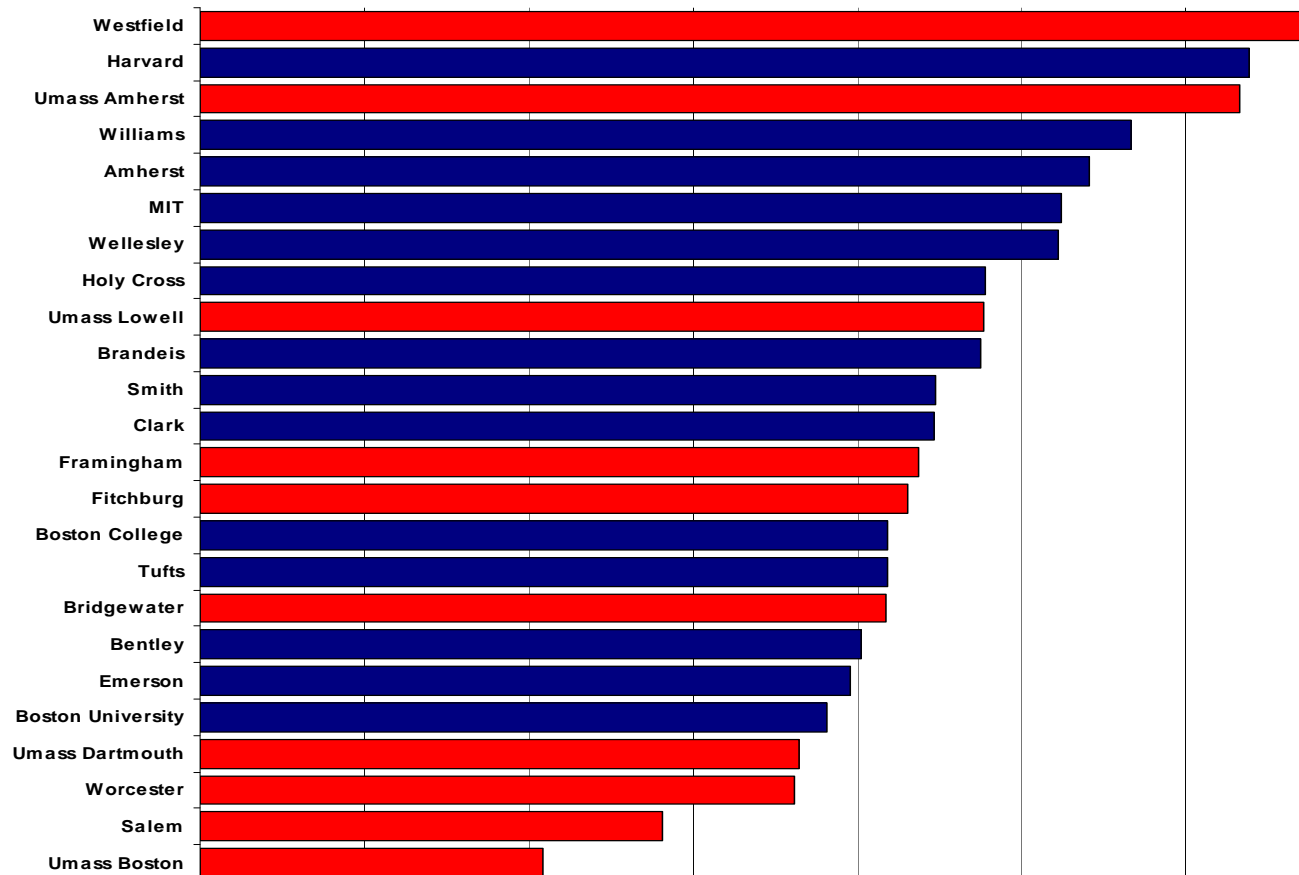
Instructional Expenditures per Dollar of Net Price

Instructional Expenditures per Dollar of Expected Net Price



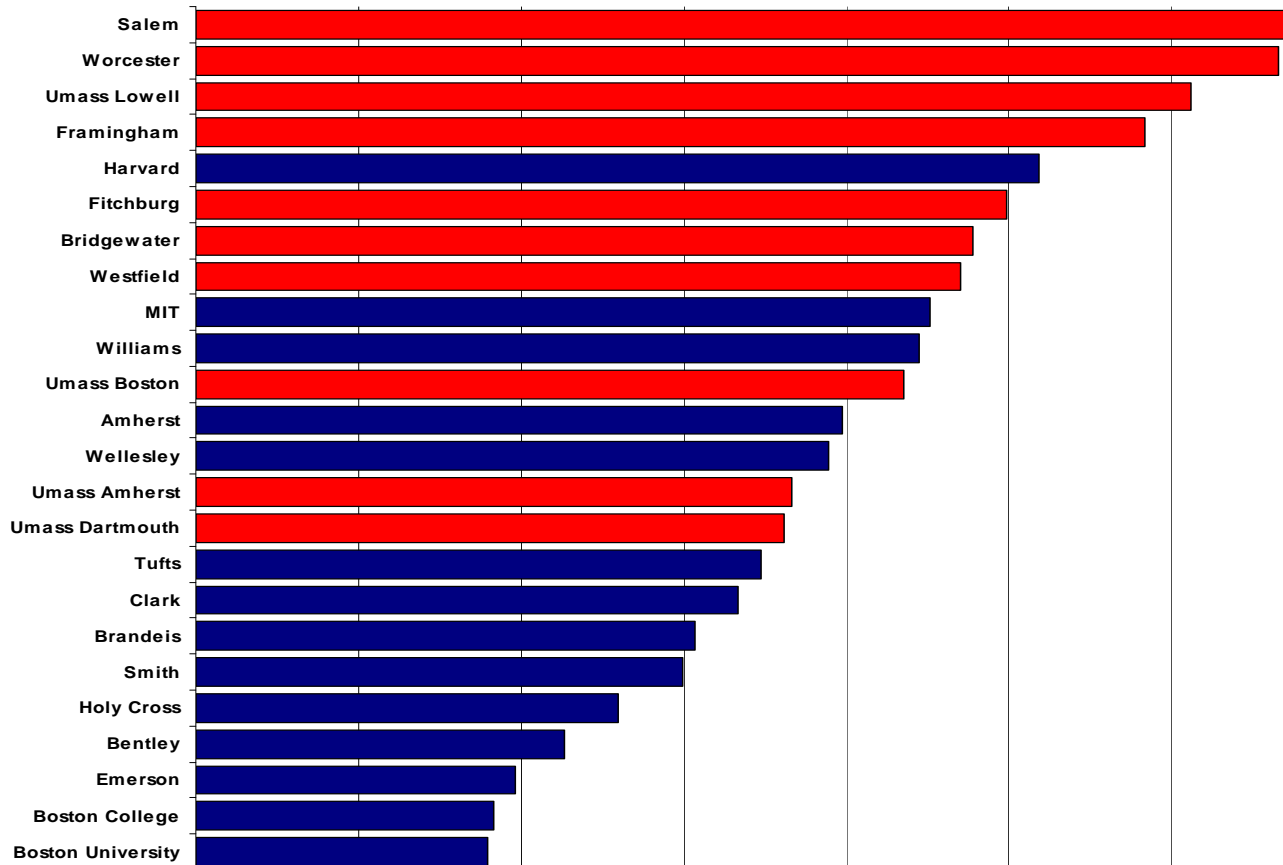
Graduation Rate per Dollar of Net Price

Graduation Rate per Dollar of Expected Net Price



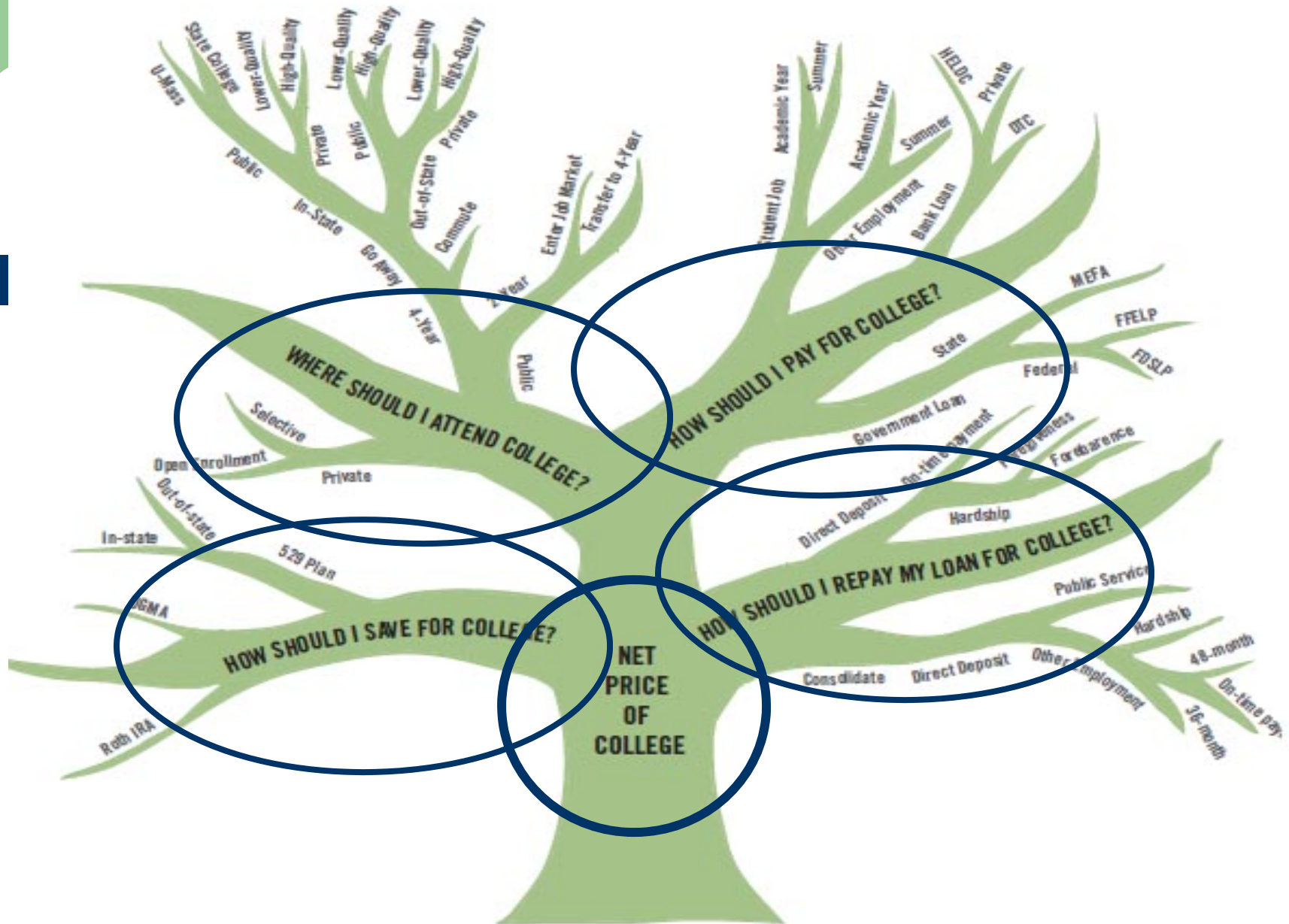
Faculty-student Ratio per Dollar of Net Price

Faculty-Student Ratio per Dollar of Expected Net Price



Policy Implications

- Use “Educational Attribute” as central concept of college choice.
- Provide information about educational attributes so families can make mental calculation of institutional strength and weakness.
- College Admissions and Financial Aid offices take pro-active role in helping families decide what they want from college.

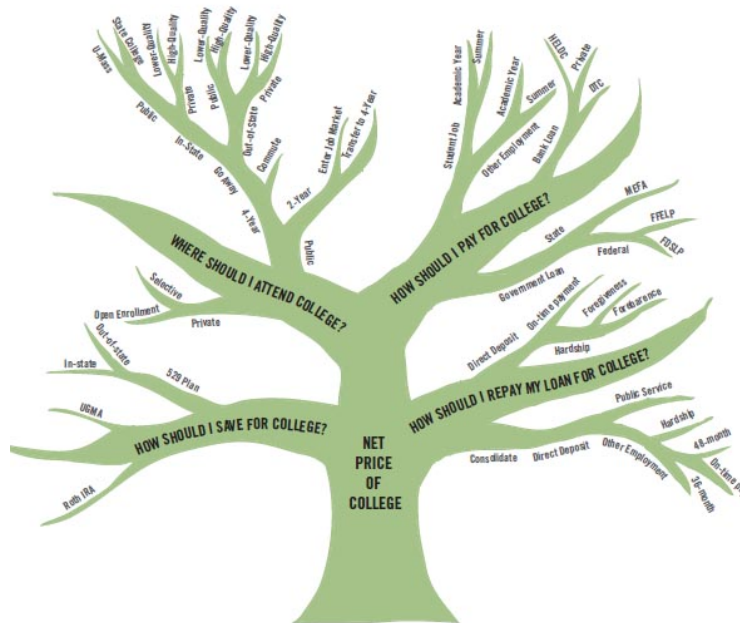


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Thank You!



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