



Buying College: What Consumers Need to Know

Julie Margetta Morgan | March 14, 2011

“If only I’d known then what I know now” seems to be a common lament from college graduates these days. We hear it from students who attended for-profit institutions only to find that their skills are not marketable but their debt will haunt them for the next 30 years. But we also hear it from law school graduates who feel their institutions sold them on the dream of a \$150,000 salary when all they got was \$150,000 in student loan debt and a temp job reviewing documents. Students’ lack of information when making college choices costs individuals the opportunity to create a better future for themselves and it costs taxpayers when students use federal grants and loans and state subsidies to pursue overpriced or underperforming educational programs.

Better and more timely information must be part of any strategy to get more students into and through college while also addressing the problems of increasing loan defaults and students with credentials but no jobs. CAP advocates for an expanded federal role in providing information resources to college-bound students. But the federal government’s approach to providing information must fundamentally change from dumping data onto websites to targeting information to individuals, taking into account the job that information should accomplish. In broad terms, that job is helping students make better choices, but there are several ways to improve choice making. For instance, we can protect students from poor-performing programs by disclosing key data, or we can help students compare across institutions to make the best choice among them. Also, we can encourage students to choose programs that are a best fit for their learning style, aptitudes, and educational goals, or to become more conscious of college options well before they make the choice of where to enroll.

So far, the federal government approaches all of these improvements to college choice by making data available in an indiscriminate way through postings on federal websites and limited disclosures on college marketing materials. And there is very little evidence that students and families even look at this information, let alone integrate it into their choices. To ensure that information is more effective, it must be organized around the ways it can improve choice.

The following brief shows how the federal government can be more effective at helping students make choices by targeting the information it presents—and the form in which it is presented—around the ways it can influence choice. We propose three approaches to making more information available to students and their families.

- The government should require that colleges put key pieces of data about student outcomes and cost on websites, enrollment forms, and other places where students are likely to see them to protect students by informing them of the risks inherent in their choices.
- Congress should require colleges to post financial aid packages using a common form, and it should revamp the College Navigator website to make it easier for students to comparison shop among institutions.
- The Department of Education should institute programs that give parents and students an early awareness of the options involved in applying to college to encourage them to begin learning about college early and choose a college that is the best fit for the student.

Buyer beware

Many were shocked by figures like the 9 percent graduation rate in University of Phoenix's bachelor's degree programs or the 40 percent student loan default rate at Corinthian Colleges as information about for-profit colleges seeped out over the last year in congressional testimony, reports, and news media. But they would be equally shocked by the fact that a community college in New Mexico could have a 16 percent graduation rate, or that graduates of New York University take on an average of \$28,000 in debt.

The troubling thing is we're not giving students and families this shocking information before they choose to enroll. When families are choosing a college, the federal government's position is this: Information is available on the Internet *if* you're inclined to look for it and *if* you can find it. This "buyer beware" approach does not work for students or the taxpayers who pay for the grants and subsidize the loans many students use to pay tuition. If a student doesn't happen across important information about the quality or cost of an educational program before enrollment, no one's going to discharge the student loans he or she incurred. There's no return policy on a college education, even a bad one. The federal government should compel colleges to provide information up front to protect consumers from institutions that hide their poor quality, low attainment, or high costs.

It is much easier to come to a consensus on the principle that colleges should provide information than on what that information should be. Economists are quick to point out there is an opportunity cost associated with using information in choice making, so it's essential to minimize that cost by making information easy to find, easy to understand,

and pared down to the fewest pieces that will have the maximum impact. For the purpose of disclosure, this means the information that would allow a student to understand the risks inherent in the college choice, found in places where students are likely to find it. The simple set of disclosures should be included on documents students and families already access—enrollment forms, financial aid documents, college homepages, and college guidebooks. The information provided should address the basic questions a student should ask before enrolling at an institution:

- Am I likely to finish this program?
- What will it cost me?
- Is that cost worth it given the likely outcomes of my degree?

Graduation rates are the most relevant piece of information to answer the first question, helping a student or parent gauge the likelihood that a student will finish a program. The current federal measure of graduation rates is often criticized because it does not measure the success of all students. But the American Association of Community Colleges' Voluntary Framework of Accountability is already piloting a few measures that would give students an idea of whether they will finish their program and how long it will take, and that accounts for both full-time and part-time students.

The second question, what will it cost, requires a bit more information. Though the way the government, colleges, and individuals currently fund higher education is complicated, that does not mean the information has to be. Families do not need an education in the difference between “tuition and fees” and “net price.” They need information about cost that is relevant to their lives. We propose three pieces of information. First, students need to know the out-of-pocket cost of attending a particular institution—what the average student pays, net of all grant aid. Next, they need to know the likely cumulative debt they will incur for a given educational program because students increasingly need to take on significant debt to pay for college. The third piece of cost information is related to debt as well. Students need to know the monthly payment they can expect to pay off that debt over a 10-year period. These pieces of information comprise the essentials of cost: What will be my responsibility to pay for this education, how much debt am I likely to incur for that, and what does that debt really mean for my future?

The final question a student should ask is whether the costs associated with a degree or credential are worth it. There are many ways to judge the value of a degree—personal satisfaction, a change in social status, the four-year vacation of a residential party college. But for the purposes of public policy, we stick to measures that are most closely related to the ability to recoup the investment in college—job placement, average salary at one year out from graduation, and where relevant, licensure examination pass rates.

Often critics claim these are not good measures of a student's success due to a college degree because the earnings associated with a bachelor's degree accrue over time, or because a student's failure to get a job should not be wholly the institution's responsi-

bility. But regardless of fault or what the years after graduation hold, a student should know going into college what the likely job market outcomes will be. This information can have a significant effect on the decision of whether to go to college or to delay and also whether to mitigate the amount of debt he or she takes on. Anyone who is skeptical about whether this information is important should watch the short documentary “[A Generation Lost in Space](#),” created by two college graduates who never realized how difficult the job market would be upon graduation.

All in all, the disclosures that give students an idea of the risks associated with their education might look like the table on the right.

It is almost certain that colleges and other stakeholders will push back on even just these simple disclosures. If the past is any indication, they will argue that the data aren’t accurate or aren’t fair. That’s nonsense. Just like nutrition labels on food or the Schumer box that highlights important information on credit card statements, the information does not need to present the whole story of a college’s value to serve as a good indication of the risks inherent in consumption. Whether I know what a calorie really is, whether it’s a fair measure of the nutritional value of my food, I’ll still think twice about ordering at the Dunkin Donuts counter when I see a muffin has 600 calories in it. And that’s a good thing—even if I choose to order it anyway.

College X	
Graduation rate for bachelor's degree programs	46 percent
Average out-of-pocket cost for families	\$6,800 per year
Average debt upon graduation	\$12,000
Monthly debt payment over 10 years	\$138 per month
Percent of students employed after one year	72 percent
Average salary of graduates after one year	\$37,000

Comparison shopping

Disclosing the risks related to enrollment is a very basic and very necessary way to stop students from wasting time and money on bad decisions. But beyond simply helping students make the choice of whether or not to enroll at a particular institution, the federal government should be encouraging students to make better choices among the educational options available to them. And the first step toward this is ensuring the information they receive about college options is comparable.

Right now, colleges format much of the information they provide to students in any way they please. This means financial aid letters vary so much in the way they present aid that it is very difficult to lay them side by side and understand which package provides more aid. It also means that on some measures like job placement, there is no standard formula, leaving students unable to compare across institutions—or unaware that the job placement rates on which they rely are not comparable.

Fortunately, there are some easy ways to standardize information for comparability. For example, we [propose](#) a financial aid comparison table to be included in aid letters. The table would give students and families an easy way to look across the financial aid offers made by institutions and gauge which provide the most grants or scholarships, loans, or other options for payment.

The disclosures proposed here would also help students with comparability because the disclosure tables will be the same for all colleges. Students and families would be able to compare, for instance, the graduation rate at a four-year public university to that of a more expensive private college and then gauge that against the net price of attending either of those institutions.

The Department of Education already took a huge step toward comparability when it created the College Navigator website, which allows students to do side-by-side comparisons of institutions on a variety of different factors including tuition, average financial aid, and student loan default rates. Unfortunately, many parents and students are unaware of the site's existence. Further, the College Navigator site is crowded with extraneous data and technical jargon, making it difficult for users to find the information they seek.

The College Navigator site needs to be revamped and it needs more exposure to become a useful resource for a wide segment of college goers. The National Center for Education Statistics, the Department of Education's data collection and analysis center, has the primary responsibility for College Navigator. NCES should partner with the administrators at the Department of Education who understand best what students want and need in terms of information about college, including the Chief Customer Experience Office at Federal Student Aid and the administrators of College.gov. NCES should also take advantage of its capacity to survey college-bound students to gain a better understanding of what kind of information students and parents seek and how College Navigator can be improved.

The Department of Education should also work to introduce students and families to College Navigator at the various junctures where they come in contact with public resources. This might include their high schools, employment and training centers, tax returns, community colleges, and state higher education websites.

To further encourage comparability, Congress should direct the Department of Education to develop a common definition of "job placement rate" and "average salary" on which students can rely. Frequent auditing of how colleges and universities are tracking their student outcomes can bolster these definitions.

College consciousness

The two previous suggestions focus on repackaging information we already collect about colleges to make it more convenient and useful for college-bound students. These are solutions that can have an almost immediate impact on how college-bound students make their decisions. In addition to these changes, we should consider longer-term investments in information that will help families make better decisions down the road by laying the groundwork for good college choice making.

Bridget Terry Long's [report](#) for CAP and the Hamilton Project argues that the first stage of information provided to prospective students should be basic information to “grab the attention of families who did not think college was possible and broaden the perspective of potential students who may have been approaching higher education with a limited or incorrect view.” Similarly, we propose that the federal government should provide early information to students and their families that would get them thinking about the college choice process and the costs associated with it. The information would also provide the benefit of introducing students and their families early to the college application process and the variety of college options so they would have some familiarity when making their decisions.

Congress should require as part of the Elementary and Secondary Education Act that elementary and secondary schools begin to provide students and parents with information about college as early as possible. The type and complexity of information would change depending upon the age of the child but it should cover:

- What college is
- The different kinds of degrees or credentials a student can pursue and how this relates to career options
- A general idea of how much college costs at a community college, public four-year, and private college
- Information about local college options
- The application process
- The resources available to help pay for college
- Links to other resources to help parents and students learn more about college, including federal sites like College Navigator and College.gov

As students and families become more college conscious, they will build a working knowledge of the college options available to them and the issues that surround the college choice. And when the time comes, they will be better able to use resources like College Navigator to guide their decision making.

Each of the ways of looking at how the federal government can help students make better decisions—creating buyer beware notices, encouraging comparison shopping, and increasing college consciousness—represents a step in making sure students rely on information in their college choice, not just reputation or chance. These programs have the added benefit of encouraging colleges to compete for students based upon real factors like student outcomes and affordability rather than *U.S. News* rankings.