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YOUR MONEY

Why It's So Hard to Calculate What You'll Pay for College

Your Money

By RON LIEBER JAN. 19, 2018

ALONG THE MASSACHUSETTS TURNPIKE — It's high season for the people with some of the toughest jobs in higher education.

No, not the admissions officers and their piles of applications. I'm talking about the people who run what's come to be known as enrollment management. When they're not talking to the families writing the tuition checks, they speak in business terms — of overall discount rates and net tuition revenue.

Make no mistake, their field is competitive. "It's a zero-sum game," said John Dolan, who works in this area at Simmons College in Boston. "Every student I gain I took from some other institution."

Their tool for attracting students is the scissors they wield to cut the list price of their school, and the discount isn't just based on what your family can afford anymore. There is also a shadow financial aid system known as "merit aid," which is a form of discounting that has little to do with your finances.

Most parents planning for college in the first 16 or so years of a child's life have no idea that this two-track system exists, since it mostly did not when they attended college. And there isn't much data on how to qualify for these discounts. The schools may not explain the qualifications, or they'll hide the formula inside complex calculators. Moreover, the raw numbers of students who do get discounts are often listed in reports that are hard to find.

It's frustrating bordering on maddening. Shouldn't we have as much data about merit aid and discounts as we do when buying a home or a car?

To try to decode some of this, I paid a visit to enrollment practitioners from Mount Holyoke, Simmons, Smith and Wellesley Colleges. The schools have a few important things in common besides Bay State geography: They're relatively small, and their undergraduate divisions are women's colleges.

When it comes to how they give away and talk about merit aid, however, they are very different.

But first, a bit of history. For years, most financial aid was based on need. You disclosed your income and assets, and colleges would make their best offer with a package consisting of grants, loans and perhaps a campus job.

That system still exists, but starting in the 1980s another one emerged alongside it. It came be known as merit aid because many of the early discounters started giving out grants to top students. Their hope was that drawing enough of those applicants might improve their colleges' rankings.

Once a few private colleges started doing it, however, most of the rest fell in line (including an increasing number of public schools) in order to remain competitive. And by the 2016-17 school year, the 411 private nonprofit schools that the National Association of College and University Business Officers surveyed were reporting an average discount rate of 49 percent for first-time, full-time students. So almost half of every dollar in gross tuition revenue from first-year students was used for grants to reduce the cost.

Stephen Burd's 2013 mini-history of merit aid in The Washington Monthly is essential reading for any family trying to understand the system, and it highlights one fundamental problem with merit aid: By giving discounts to families that might otherwise pay more, there may be less money for lower-income students who truly cannot afford the school.

Colleges and universities give away merit aid because they believe they must. But there are holdouts; they mostly include schools like Wellesley, which is prestigious enough that a large minority — 42 percent — of families are willing to pay full price. Its big endowment also helps, since it can be especially generous with financial aid that is based solely on its definition of need.

"If we found ourselves having difficulty finding the best academic students, we would reassess," said Joy St. John, dean of admission and financial aid, who admitted 22 percent of the applicants for the class of 2021. “But once you start offering it at a place that is so selective, then everyone begins to expect it.”

A few years ago, Smith College started offering more merit aid in the form of $10,000-per-year Presidential Scholarships. To the vice president for enrollment, Audrey Smith, this was a way of acknowledging what untold numbers of upper-middle-class families confront each year: While a financial-need formula may say that you can afford to pay $70,000 per year with your $225,000 annual income, that may not be your reality.

“I think there are people who don’t quite demonstrate financial need that truly need the help,” she said.

Smith does not, however, provide much explanation about who may qualify for these discounts or how. I pressed the college for some average SAT scores or grade point averages, but it would not hand any over. “We don’t admit statistics, we admit individuals, and individuals are infinitely more complex than the sum of their numerical parts,” said Stacey Schmeidel, a college spokeswoman.

Just across the Pioneer Valley, Mount Holyoke does indeed provide overall merit aid qualification data for named merit scholarships on its website. After I visited, however, I asked for a breakdown by merit scholarship type and did not receive one.

In an interview there, Gail Berson, the vice president for enrollment and dean of admission, described her growing comfort with merit aid. “We’re trying to discount not just for need but for others who are most deserving in other ways,” she said. She also acknowledged the realities of the marketplace, noting the need to “fend off” competition like the selective honors college with the lower sticker price at the flagship state university just up the road, the University of Massachusetts in Amherst.

Which brings us back to Dr. Dolan at Simmons, he of the zero-sum game. He told me that his staff uses matrices created by outside consultants at the Human Capital Research Corporation to try to make the right merit aid offer to the right student at the right time. He doesn’t mince words in describing how he changed his approach to financial aid, once it became clear that Simmons, a small liberal arts school in Boston, was going to need to offer a discount to everyone to attract the right number and type of students.

“Do we leverage this and say, ‘This is who we are, and everyone is going to get something based on academic performance’?” he said. “At some point, it’s just kind of icky not to admit it.”

Simmons does not disclose the average credentials for merit aid recipients on its merit aid website page in the same way that Mount Holyoke does, but Dr. Dolan said he was considering adding them.

I believe I speak for most families and applicants when I say this: It should not be this hard to get basic information about what kind of discounts you might get from a school. They release some data on the percentage of people who get merit discounts, if you do a careful read of federal data from a website called Ipeds or in another collection of numbers that many schools release called the Common Data Set. Every school also has a net price calculator that spits out estimates of what you might pay there. Some of the calculators (though not the ones at Smith and Mount Holyoke) may ask for academic data and try to predict merit aid eligibility.

Debbie Schwartz, who runs the Paying for College 101 Facebook group, has a suggestion for how the schools could make merit-aid forecasting much simpler: Release a graphic that explains how much merit aid students might get, on average, if they are in particular bands of SAT scores or grade point averages.

It would not be perfectly predictive, but it would offer a lot more information than many schools currently release. And given how far into the six figures many families will go to pay for college, it doesn't seem like too much to ask. "It's a sad statement that this is like it is," she said.

Twitter: @ronlieber

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