

Decoding the Cost of College: The Case for Transparent Financial Aid Letters

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9:00am-10:15am



Presenters

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Learning objectives

1

- Decoding the Cost of College Report

2

- Overview of current policy initiatives

3

- Advocacy to affect change

Decoding the Cost of College: The Case for Transparent Aid Letters

New America & uAspire, 2018

Why it matters

- No federal policy exists that requires standardization on financial aid offers
- Poor communication/understanding of financial aid offers can impact long-term financial health for students & families
- Obscuring costs puts students at risk of dropping out—a major predictor of loan default

Decoding the Cost: The Data Set

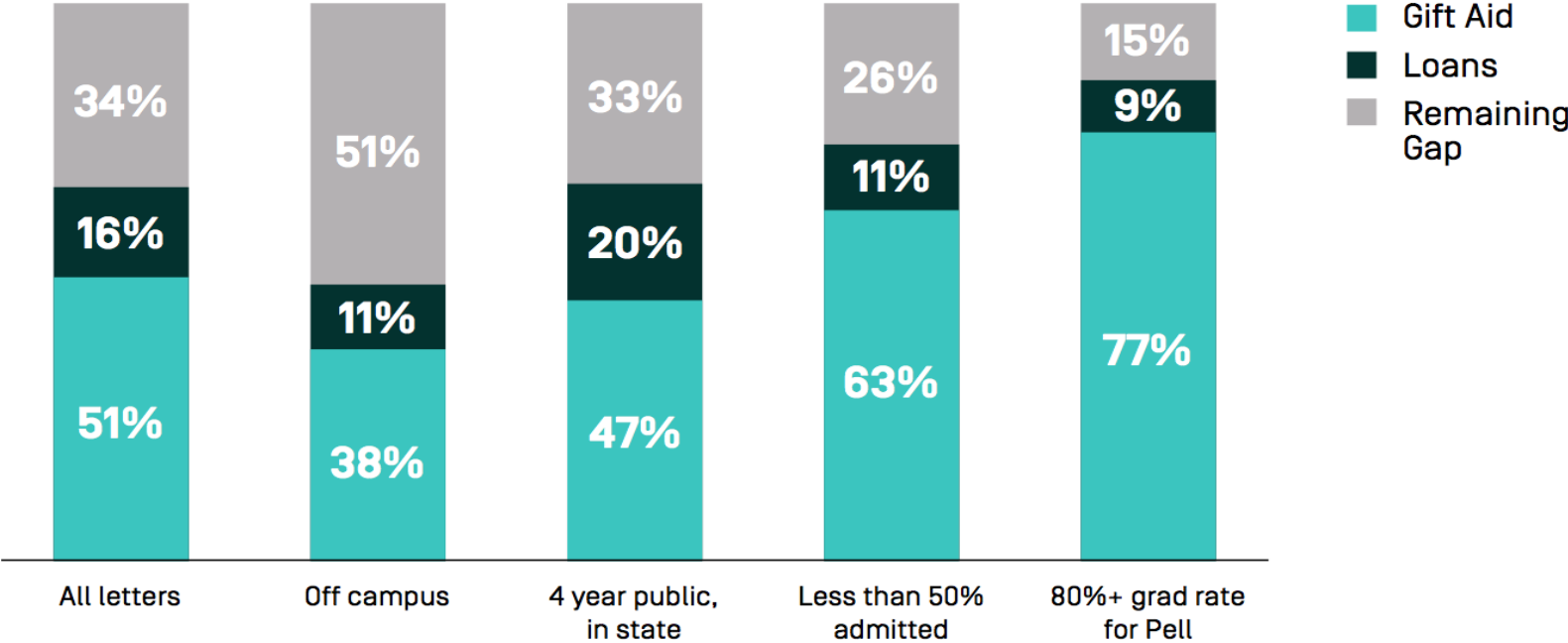
Quantitative Data Point	
# of Award Letters	11,257
# of Unique Colleges	910
# of States Represented by College or University Location	47
# of Unique Students	5,980
% Pell Students	74%
# of States Represented by Students' Home Locations	19

Our Qualitative Look:

- Started with 910 letters.
- Removed those that did not include Pell for consistency.
- Omitted the Shopping Sheet and portal communications.
- Result: **515 unique letters.**

Looking at the Numbers: The Gap Persists

Figure 2 | The Gap Persists Regardless of Student Scenario



Confusing Jargon & Terminology

- Insider lingo/acronyms
 - Federal SEOG
- Of the 455 colleges that listed Federal Direct Unsubsidized Loans:
 - 136 unique listings
 - 24 did not include “loan” Misuse of aid terminology
- Misuse of aid terminology
 - Net Cost

Unfriendly Terms that Cause Confusion

Board	Students are unfamiliar with outdated term used to describe meal plan costs. <i>Suggested replacement: meal plan</i>
Out-of-Pocket	Students are unclear if this means actual cash required or can include loans. Used inconsistently by institutions: can mean indirect expenses, COA minus gift aid, or COA minus gift aid minus loans. <i>Suggested replacement: more precise terminology</i>
Self-Help	Used inconsistently to describe a combination of distinct types of financial aid such as student loans, parent loans, and work-study, yet does not include other individual or family contributions [e.g., savings, other employment] which students also consider "self-help." <i>Suggested replacement: more precise terminology</i>
Sticker Price	Used as a synonym for cost of attendance (COA), making students learn two terms for a single concept. Many students and families do not realize that the sticker price is sometimes not the real cost you need to pay to attend. <i>Suggested replacement: cost of attendance (COA)</i>
Unmet Need	The federal definition subtracts expected family contribution (EFC) from COA, which the family will still need to cover. <i>Suggested replacement: do not subtract EFC; do calculations based only on costs, gift aid, and loans</i>

Box 2: The 136 Unique Ways Institutions Listed Federal Direct Unsubsidized Loans

Federal Direct Unsubsidized Loan	Federal Direct Unsubsidized	Estimated Unsub Direct Loan	Federal Direct Unsubsidized Ln
Direct Unsubsidized Loan	Federal Direct Unsubsidized Student Loan	Estimated Unsubsidized Loan	Federal Direct Unsub
Fed Direct Unsubsidized Loan	UNSUB Federal Direct Loan	F-Direct Stafford Unsub Loan	Federal Direct UnSub Staff Loan
Federal Direct Unsub Loan	Unsub Stafford Loan	Fdri Direct Unsub Stafford Ln	Federal Direct Unsub Stafford Loan #2
Unsubsidized Direct Loan	Dir Unsub Stu Loan	Fed Dir Unsub Loan 2016-2017	Federal Direct Unsub Stafford1
Federal Unsubsidized Loan	Direct - Unsubsidized Loan	Fed Dir Unsubsidized Staf Loan	Federal Direct Unsub1 Loan
Direct Unsubsidized Stafford Loan	Direct Federal Unsubsidized Lo	Fed Direct Stafford Unsub Loan	Federal Direct Unsubsidiz Loan
Fed Direct Unsub Stafford Loan	Direct Loan - Unsubsidzd Stfrd	Fed Direct Student Unsub Loan	Federal Direct Unsubsidized Loan_1
Federal Direct Loan – Unsub	Direct Loan (Base) Unsubsidized	Fed Direct Unsub L	Federal Direct Unsubsidized St
Direct Unsub Stafford Loan	Direct Loan Unsub	Fed Direct Unsub Loan (PENDING)	Federal Direct Unsubsidized Stafford
FED. DIRECT UNSUB LOAN	Direct Loan Unsub Stafford Loan	Fed Direct Unsub Loan 1	Federal Stafford Loan Unsubsidized
Direct Loan Unsubsidized	Direct Loan Unsub Stafford Loan	Fed Direct Unsub Stafford Loan-HR	Federal Stafford Unsubsidized Loan
Direct Unsub Loan	Direct Loan-Unsubsidi	Fed Direct Unsub Stu Loan	Federal Unsub Loan
Federal Direct Loan Unsubsidized	Direct Stafford Loan: Unsubsidized 1	Fed Direct Unsubsidized Ln 1	Federal UnSub-Direct Stafford
Federal Direct Unsubsidized Stafford Loan	Direct Stafford Unsubsidized Loan	Fed Direct Unsubsidized Loan 1	Federal Unsubsidized Stafford Loan-Addtl
Unsubsidized Stafford Loan	Direct Unsub	Fed Direct Unsubsidized Stu Loan	Ford Unsubsidized Loan
Federal Direct Unsub. Stafford Loan	Direct Unsub Stafford	Fed Direct USub Stafford S/S 1	Loan Direct Unsubsidized
Federal Unsub Stafford Loan	Direct Unsub. Stafford Loan 1	Fed Ford Unsub Stafford Loan	Loan-Direct Unsub Loan
Direct Unsubsidized Loan 1	Direct Unsubsidize	Fed Unsubsidized Loan	Loan-Fed Direct Unsubsidized
Fed Direct Loan – Unsubsidized	Direct Unsubsidized L	Fed. Direct Unsub Staff. Loan	LOAN-Federal Unsub Direct
Fed Direct Unsubsidized Stafford Loan	Direct Unsubsidized Ln 1	Fed. Direct Unsub	Stafford Loan - Unsub
	Direct Unsubsid Loan	Fed. Direct Unsub. Staf. Loan	

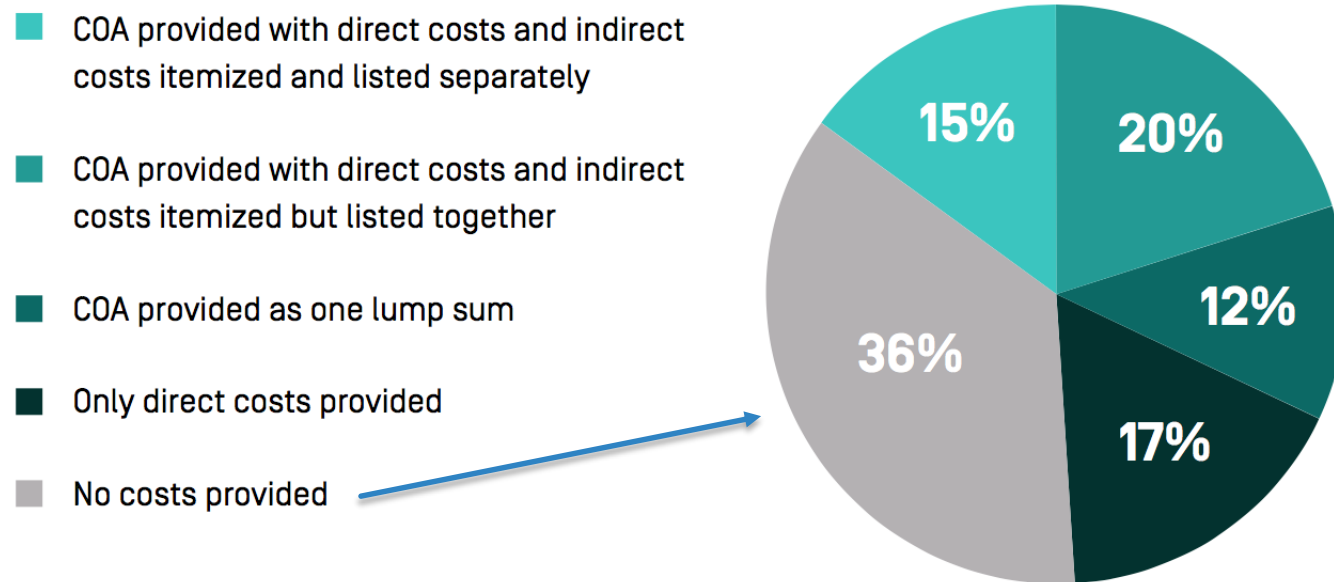
Letter that Does Not Use the Word “Loan”

AWARDS:	FALL 2016	SPRING 2017
2016-2017 Aid Year		
Pell Grant	\$2,908.00	\$2,907.00
Sup. Ed. Op. Grant	\$250.00	\$250.00
Tex Pub Edu Grant (In	\$500.00	\$500.00
Direct Subsidized Loa	\$1,750.00	\$1,750.00
Direct Unsubsidized L	\$1,000.00	\$1,000.00
Direct Parent Plus Lo	\$258.00	\$257.00
Texas Grant Initial	\$2,500.00	\$2,500.00
Term Total	\$9,166.00	\$9,164.00
Grand Total	\$18,330.00	



Omission of Complete Cost of Attendance(COA)

Figure 3 | More Than One-Third of Colleges Included No Cost Information



Incomplete Cost Information: Letter Only Listing Direct Costs

Estimated Budget

Fall Enrollment Assumption: Full-time (12+ credits)*

Spring Enrollment Assumption: Full-time (12+ credits)*

Tuition & Fees \$35,360

Room & Board 14,052

Total \$49,412

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Financial Plan Summary

Total Estimated Budget \$49,412

Financial Assistance 33,338

Your customized Financial Assistance Plan for 2016/2017 is detailed below:

Failure to Differentiate Aid Types

- ▶ 70% presented all aid types lumped together
- ▶ 10% partially separated aid categories
- ▶ 20% separated aid under appropriate headings:
 - ▶ Grants/Scholarships
 - ▶ Loans
 - ▶ Work

Only half of those explained differences



Type of Aid	Fall	Spring
BSU Fee Grant	1,300.00	1,300.00
BSU Tuition Grant	900.00	900.00
BSU Tuition Waiver	450.00	450.00
Expected MassGrant	550.00	550.00
Fed. Subsidized Loan	1,750.00	1,750.00
Fed. Unsub. Loan	1,000.00	1,000.00
Federal Pell Grant	2,908.00	2,907.00
Federal SEOG Grant	100.00	100.00
Federal Work Study	900.00	900.00
MA No Interest Loan	500.00	500.00
Total	\$10,358.00	\$10,357.00

STRONG Differentiation of Aid Types

GRANTS AND SCHOLARSHIPS

Grants and Scholarships are gift aid and do not have to be repaid. For maximum federal, state and institutional financial aid eligibility, a student must maintain full-time enrollment.

SMU Opportunity Scholarship	\$24,916
Miller Diversity Scholarship	\$10,000
Federal Pell Grant	\$5,265
Federal SEOG	\$2,000
Tuition Equalization Grant	\$5,046
Total Grants and Scholarships	\$47,227

REMAINING DIRECT COST

Your remaining direct cost is the amount for which you are responsible. This is determined by subtracting all of your grant and scholarship awards from your direct cost of attendance.

Remaining Direct Cost	\$19,257
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YOUR ELIGIBILITY FOR STUDENT LOANS

Any remaining direct cost can be funded through federal, state or private loan programs. You may also visit the SMU Financial Aid webpage to explore other options at smu.edu/financialaid/loans.

Direct Subsidized Loan	\$3,500
Direct Unsubsidized Loan	\$2,000
Total Student Loans	\$5,500

STUDENT EMPLOYMENT

Federal Work Study is a need-based work opportunity. Students who are *eligible* can apply for an on- or off-campus position earning their Federal Work Study award through a bi-weekly paycheck. Learn more about student employment at smu.edu/studentemployment.

\$4,000

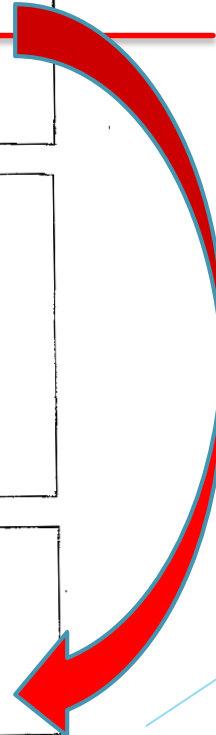
Misleading Packaging of PLUS Loans

- ▶ Parent PLUS loans are NOT the same as student loans
- ▶ 15% included PLUS loans as a line-item “award” totaled with aid package
- ▶ 12% provided clear communication: did not include in calculation, but mentioned it as another option

	<u>Fall 2016</u>	<u>Spring 2017</u>	<u>Total</u>
Federal Pell Grant	\$2,908.00	\$2,907.00	\$5,815.00
Federal Direct Subsidized Loan	\$1,750.00	\$1,750.00	\$3,500.00
Federal Direct Unsubsidized Loan	\$1,000.00	\$1,000.00	\$2,000.00
Federal Direct PLUS Loan - Offered	\$9,788.00	\$9,787.00	\$19,575.00
Total Financial Aid Offer	\$15,446.00	\$15,444.00	\$30,890.00

<u>Estimated Fall/Spring Costs</u>			
<u>Direct Costs</u>		<u>Indirect Costs</u>	
Tuition	\$14,690.00	Transportation	\$2,800.00
Fees	\$ 944.00	Miscellaneous	\$2,050.00
Books and Supplies	\$1,000.00	Total	\$4,850.00
Housing	\$5,140.00		
Meals	\$4,266.00		
Total	\$26,040.00		
Total Direct & Indirect Costs: \$30,890.00			

<u>Summary of Financial Aid and Costs</u>	
Total Cost of Attendance	\$30,890.00
Estimated Family Contribution	\$ 0.00
Total Need	\$30,890.00
Total Aid Offered	\$30,890.00
Total Unmet Need	\$ 0.00



Vague Definitions and Poor Placement of Work-Study

- ▶ Work-study is very different from grants and loans in that it must be earned, is not available upfront nor in a lump sum
- ▶ 60% of institutions listed it as an award, like all other types of aid

Your financial aid award for the 2016-2017 consists of the following:

Please circle any financial aid resource which appears below that you do not wish to accept.

Federal Direct Student Loan Program funds will be disbursed by Electronic Funds Transfer (EFT).

Source	Fall	Spring	Total
Phoebe Norris Scholarship	\$8,500	\$8,500	\$17,000
Juniata Scholarship Fund	\$8,000	\$8,000	\$16,000
Plexus Fellowship Award	\$2,000	\$2,000	\$4,000
Federal Pell Grant (Est)	\$1,833	\$1,832	\$3,665
Federal Direct Subsidized Loan	\$1,750	\$1,750	\$3,500
Federal Direct Unsub Loan	\$1,000	\$1,000	\$2,000
Federal Work Study Limit	\$750	\$750	\$1,500
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Total	\$23,833	\$23,832	\$47,665

Inconsistent Bottom-Line Calculations

- ▶ 60% of aid offers are NOT doing the math to show students what they need to pay
- ▶ Of the 40% that DO present students with the amount they need to pay, they do so inconsistently
 - ▶ 23 different calculations
 - ▶ Incomparable and hard to know that is the case

Summary of Costs and Financial Aid

Total Cost of Attendance	\$48,200.00
Gift Aid Offered	\$5,815.00
Self-help Options excluding Credit Based Loans	\$5,500.00
Credit Based Aid Offered	\$36,885.00
Net Costs After All Aid	<u>\$0.00</u>

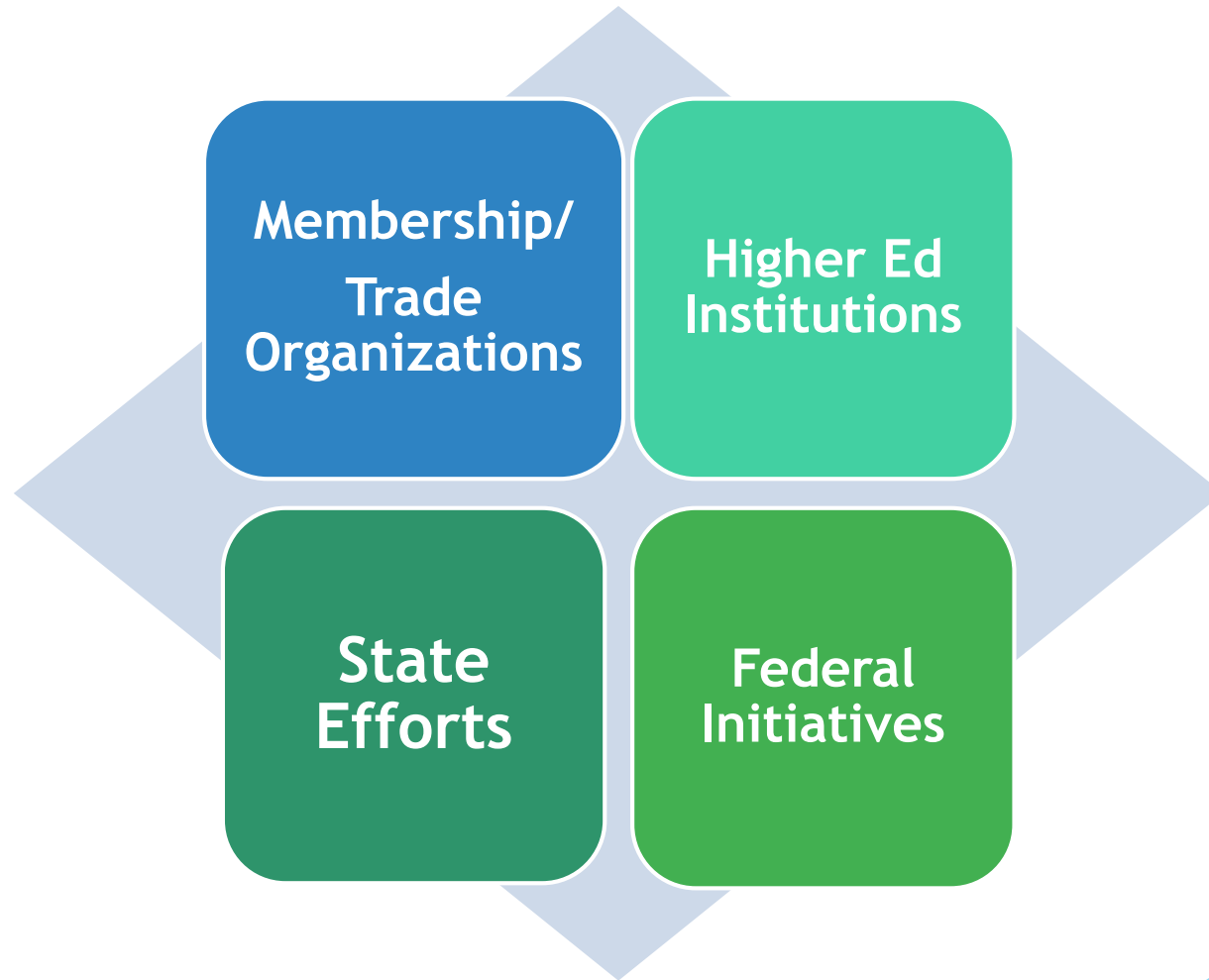
No Clear Next Steps for Students in Letters

- Aid is offered - but not applied to student's account until critical next steps are completed
- Only half of aid offers clearly provided any next steps
- Policies and next steps differ greatly:
 - Over half required students to accept the aid themselves
 - One third accepted all aid for the student
 - One tenth accepted scholarship aid but not loans

Decoding the Cost Report-Policy Recommendations

- Require a written financial aid offer to all qualified students
- Employ standardized terms and student-friendly definitions
- Include cost of attendance with breakdown of direct costs and indirect expenses
- List gift aid and loans separately
- Do not include Parent PLUS loans and work-study as line items in aid offers
- Calculate the student's net cost and estimated bill
- Identify critical next steps

Change by Many Underway



NASFAA Work on Award Notifications

- NASFAA Award Notification Task Force (2012)
 - Identified core elements that should be included on every award letter
 - Developed a glossary of standardized terms
- NASFAA Code of Conduct (2014)
 - Institutional award notifications and/or other institutionally provided materials shall include the following:
 - A breakdown of individual components of the institution's Cost of Attendance, designating all potential billable charges.
 - Clear identification of each award, indicating type of aid, i.e. gift aid (grant, scholarship), work, or loan.
 - Standard terminology and definitions, using NASFAA's glossary of award letter terms.
 - Renewal requirements for each award.
- NASFAA Official Policy Position (2018)
 - Codify NASFAA code into federal legislation (standardized terms, definitions, and elements v. full standardization)

NASFAA Work on Award Notifications

- NASFAA award notification examples (2018)
- Updating of award notification glossary (2019)
- NASFAA consumer testing on award notifications
 - No Clear Winner (2013): Consumer tested three notifications, including the Shopping Sheet
 - Consumer testing of new College Financing Sheet and existing Shopping Sheet (2019)

Institutions and Systems of Higher Ed

- ▶ Many Individual colleges are leading reforms at their own campuses
 - ▶ Colorado State University
 - ▶ Dartmouth College
 - ▶ University of Iowa
 - ▶ University of Notre Dame
 - ▶ Amarillo Community College
- ▶ Systems of Higher Ed
 - ▶ Instances of top-down from President's Office:
 - ▶ University of Missouri and University of Georgia systems
 - ▶ Example of bottom-up initiative by a single campus:
 - ▶ UMass Boston

This is beyond a financial aid office solo endeavor - systems change across institution with the need to create buy-in and engage various stakeholders.

State Efforts



- ▶ CA: Legislature

Gov. signed AB 1858 requiring use of the Federal Shopping Sheet for all CA public colleges



- ▶ TX: Regulatory Agency

Texas Higher Education Coordinating Board & EducateTX both exploring the issue for state-wide reform



- ▶ NY: Grassroots Coalition

#DegreesNYC and New York Postsecondary Policy Council considering state-wide standardized award letter delivery as part of their agenda

Making Change—Federal Initiatives

▶ Understanding the True Cost of College Act

- ▶ First introduced in 2012 by Senator Franken + annually re-introduced
- ▶ March 2019: Sen. Grassley (R-IA), Sen. Smith (D-MN), Sen. Ernst (R-IA)
- ▶ Core components of the bill

▶ Other Federal Legislative Activity

- ▶ HEA reauthorization in Senate and House

▶ Other Federal Activity

- ▶ Guidance from Federal Student Aid (FSA) on 8 practices to avoid in aid offers
- ▶ Congressional Research Study: GAO Report underway
- ▶ Ed Department is updating Federal Shopping Sheet - “College Finance Plan”
 - ▶ Beta version out now
 - ▶ New version for 2020-21, to include feedback from community

Policy to Practice: FIVE Ways to Affect Change

1. Stop calling it an “award letter” and shift to “financial aid offer” or “financial aid notification. Help others do the same.
2. Promote a habit for students to *celebrate* acceptances, yet *decide where to attend* after reviewing their aid offers.
3. Make aid offer review a key part of your college process similar to FAFSA submission. Help students make apples-apples comparisons of aid offers.
4. Connect with financial aid offices/officers you know to support them to look at and improve their aid offer
 - Is it student-centered? Provide what students need?
 - Does it meet NASFAA and/or Decoding report standards?
5. Support policy changes locally and federally such as the need for standardized terms and student-friendly definitions and more standardized formatting.
 - Engage with PCACAC Government Relations or Current Trends Committees

Questions?

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for attending this session!

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