

the institute for
college
access & success

Financial Aid Awards: Pledges, Packaging, and Letters

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The Institute for College Access & Success

An independent, nonprofit organization, the Institute for College Access & Success works to make higher education more available and affordable for people of all backgrounds. By conducting and supporting nonpartisan research, analysis, and advocacy, the Institute aims to improve the processes and public policies that can pave the way to successful educational outcomes for students and for society.

Our Work

Project on Student Debt

– www.ProjectOnStudentDebt.org

Income-Based Repayment (IBR) and Public Service
Loan Forgiveness (PSLF)

– www.IBRinfo.org

College InSight

– www.College-InSight.org

Presentation Overview

- Discuss common pitfalls of financial aid award letters and recommendations for improving them
- Explore how institutional financial aid policies and practices impact the goal of access and affordability
- Learn about efforts to improve transparency of the aid process and in calculating college costs

Award Letters

Problems with Award Letters

- Fail to clearly answer basic questions about aid and cost
- No standard exists for what should be included on a letter or how it is presented
- Comparing aid offers from different schools is very difficult
- Bad information can lead to poor decision-making

Award Letters

Typical Components

- Cost of Attendance
- Grant Aid
- Work-study
- Federal loans

Other Common Terms

- Unmet need
- Gap
- Expected Family Contribution (EFC)

What's the Bottom Line?

Bottom-line cost is what a student and their family must pay from income, savings, work-study earnings, student loans, or other resources.

$$\begin{array}{r} \text{Cost of Attendance} \\ - \text{Grants or Gift Aid} \\ \hline = \text{Bottom-line Cost} \end{array}$$

Award Letters

Bottom-Line Cost

GRANTS/SCHOLARSHIPS				
Talent Award		\$2,500.00	\$2,500.00	\$5,000.00
MD Educational Asst. Grant		\$1,500.00	\$1,500.00	\$3,000.00
Maryland Senatorial Scholarshi		\$350.00	\$350.00	\$700.00
Federal Pell Grant	\$1,774.00	\$2,366.00	\$591.00	\$4,731.00
STUDENT LOANS				
Subsidized Stafford Loan	\$1,834.00	\$1,833.00	\$1,833.00	\$5,500.00
Unsubsidized Stafford Loan	\$1,667.00	\$1,667.00	\$1,666.00	\$5,000.00
OTHER RESOURCES				
Federal work study		\$500.00	\$500.00	\$1,000.00

Bottom-Line Cost	
Cost of Attendance.....	\$51,611
Grants.....	<u>-\$13,431</u>
	\$38,180

Resources to pay Bottom-line Cost	
Loans.....	\$10,500
Work-Study.....	\$1,000
Student Income/Savings.....	\$2,000
Parents Income/Savings...	<u>+\$24,680</u>
	\$38,180

Award Letters

Identifying Aid

Simply listing aid makes it difficult to identify awards and may mislead students.

Federal Pell Grant	250.00	250.00	\$500.00
Federal SEOG	650.00	650.00	\$1,300.00
Federal Work-Study	900.00	900.00	\$1,800.00
FFELP SUBSIDIZED LOAN	1,313.00	1,312.00	\$2,625.00
FFELP PLUS LOAN	6,217.00	6,216.00	\$12,433.00
SCHOLAR/FRESHMAN	3,000.00	3,000.00	\$6,000.00
TOTAL	\$12,330.00	\$12,328.00	\$24,658.00

Preliminary Findings

One in ten letters separate different types of aid (grants, loans, and work-study).

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OTHER RESOURCES				
Federal Work Study		\$500.00	\$500.00	\$1,000.00

Award Letters

Confusing Content

Jargon and acronyms can lead to confusion and guesswork.

TYPE OF AID	SU06	FL06	WI07
PELL Federal Grant	366.00 AA	367.00 AA	367.00 AA
Federal Stafford Loan	0.00	0.00	1540.00 AA
GSLP - 0506	1313.00 AA	1312.00 AA	0.00
NONS - 0506	1333.00 AA	1333.00 AA	0.00

Vague or misleading terms can cost students and families.

Name of Award	FA/07	Status	SP/08	Status	Total	Accept	Decline
Academic Excellence Scholarship	5,500.00	Actual	5,500.00	Actual	11,000.00	<input type="checkbox"/>	<input type="checkbox"/>
Subsidized Stafford Loan	1,750.00	Suggested	1,750.00	Suggested	3,500.00	<input type="checkbox"/>	<input type="checkbox"/>
Alternative Financing	8,865.00	Suggested	8,865.00	Suggested	17,730.00	<input type="checkbox"/>	<input type="checkbox"/>
TOTAL	\$16,115.00		\$16,115.00		\$32,230.00		

Award Letters

Preliminary Findings

Only twenty percent of the letters with unclear terms, acronyms, or jargon explain or provide a reference for these terms.

Offered Financial Aid

Pell Grant	\$3,760.00
Federal Work Study	\$1,500.00
Federal SEOG Grant	\$1,880.00
Federal Stafford Loan	\$3,000.00
A. J. Drexel Scholarship	\$17,000.00
DU Endowed Grant	\$12,200.00
Early FAFSA Award	\$1,000.00
Total Offered Financial Aid	\$40,340.00

Award Description

Estimated federal grant-subject to change
Federal need based fund
Grant for Pell recipients- Subject to Change
Federal loan-requires half-time enrollment
Renewable if full time with 3.0 GPA
Grant awarded for need
One-time award toward tuition

Award Letters

Incomplete Information

Incomplete cost-of-attendance figures underestimate expenses and may make an aid package appear more generous.

The Financial Aid Office is pleased to send you an *estimated* financial aid award for the 2007-2008 academic year. Your total expenses to attend ██████ University are not expected to exceed \$32,670.00. (Individual course fees or meal plans may change this amount.) These expenses include the following:

Tuition & Fees	\$24,770.00
Room & Board	\$ 7,900.00
Total	\$32,670.00

Preliminary Findings

Only a third of the letters we examined state the total cost of attendance with a breakdown by type of expense (room and board, books and supplies, transportation, etc.).

Award Letters

Guiding principles for improving award letters

- Include and explain the total cost of attendance
- Use consumer-friendly language
- Provide the ‘bottom-line cost’ and information about the resources to pay for it
- Separate aid by type (i.e., grants, work-study, and loans)
- Cater the letter to the student’s situation
- Provide accessible information about student loan options and terms

Award Letters

What Can You Do to Help?

We are particularly interested in letters that:

- package private loans
- are from for-profit schools or community colleges

Advocate on behalf of your students

- The Higher Education Opportunity Act (HEOA) directs the Secretary of Education to create recommendations to improve award letters and to develop models.
- NCAN members can participate in this process
- Provide feedback to schools to suggest improvements

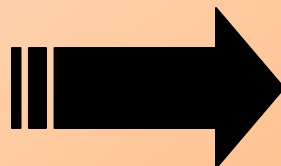
Financial Aid Pledges

What is a pledge?

Harvard University
2008 – 2009 Pledge

Pledge

If your family earns less than \$60,000 per year, Harvard pledges an award package like this...



Aid Award

Cost of Attendance.....	\$50,250
Grants.....	\$46,550
<hr/>	
Bottom-line Cost....	\$3,700
<hr/>	
Resources to pay Bottom-line Cost	
<hr/>	
Work-Study.....	\$2,500
Summer Work.....	\$1,200
<hr/>	
Total.....	\$3,700

Financial Aid Pledges

What is a pledge?

- Provides clear qualification guidelines and an early indication of cost
- Over 50 schools, both public and private, had pledges at the end of the last academic year.
- Covers most or all of the estimated student budget with no loans or a limited amount of loans
- Available to students based on income or educational background

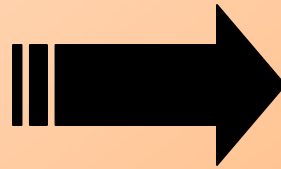
Financial Aid Pledges

North Carolina State University

Pack Promise Pledge 2008-09

Pledge

For students with parental incomes below 150% of the poverty level and "limited assets". . . After the family covers EFC, the college assures enough work-study, grant aid, and no more than \$2,500 in loans to cover expenses



Aid Award

Cost	\$16,028
Grants.....	\$11,028
<hr/>	
Bottom-line Cost.....	\$5,000
<i>Resources to pay Bottom-line Cost</i>	
<hr/>	
Work-Study.....	\$1,500
Federal Loans.....	\$2,500
Family Contribution....	\$1,000
<hr/>	
Total.....	\$5,000

Future of Financial Aid...Uncertainty

Endowment Losses Threaten No-Loan Policies as Guarantees Vanish

Aug. 25 (Bloomberg)

States cut aid to college students as demand booms

Aug. 12 (Business Week)

To Keep Students, Colleges Cut Anything but Aid

Feb. 28 (Herald-Tribune)

UMass may widen financial assistance

Funding is tied to a fee increase; Needy students would benefit

Feb. 10 (Boston Globe)

Net Price Calculators

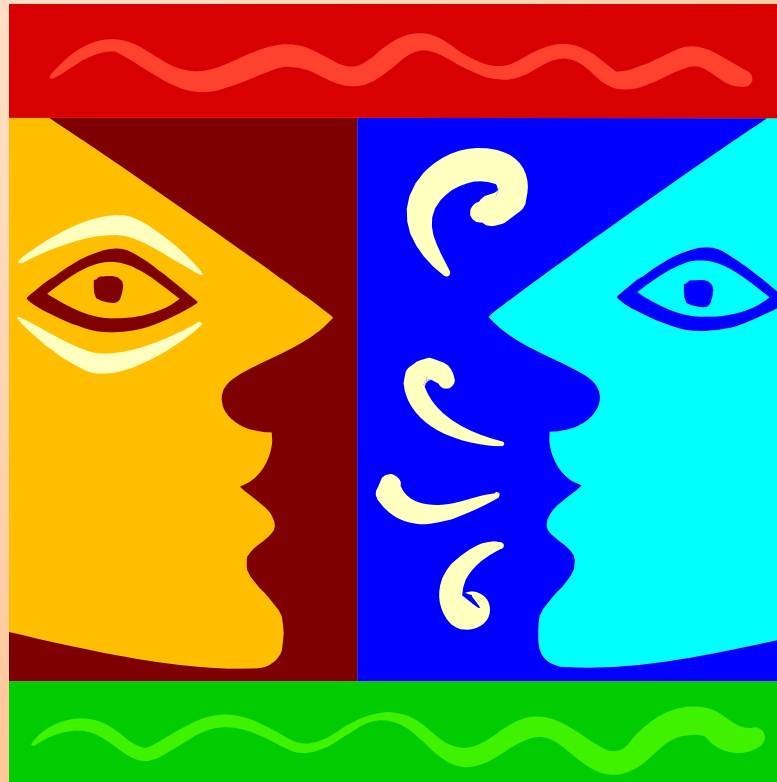
Net price calculators provide individualized estimates, based on income and other factors, of cost after federal, state, and institutional aid.

- HEOA requires colleges to provide online net price calculators by next summer

Net price by income will be available on College Navigator by 2011

- Will provide average net price for an institution by family income range

Discussion and Q&A



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