

August 25, 2011

Ms. Marty Guthrie
U.S. Department of Education
1990 K Street NW, Room 8042
Washington, DC 20006

Dear Ms. Guthrie:

These comments are in response to the July 29, 2011 *Federal Register* notice inviting public input regarding how to improve the information included in financial aid offer forms, or award letters, as required by Section 484 of the Higher Education Opportunity Act (HEOA) (Docket ID ED-2011-OPE-0009). Our comments draw on our review of other proposals for improving award letters as well as our analysis of over 100 actual award letters.¹

The Institute for College Access & Success (TICAS) is a national nonprofit, nonpartisan research and policy organization working to make higher education more available and affordable for people of all backgrounds. Our work focuses on financial aid issues, including how communication at every stage – from early awareness through loan repayment – can better support enrollment, affordability, and completion.

For the millions of students who receive financial aid each year, award letters represent a crucial point in the long and often confusing financial aid process. For students entering college, this is the first point at which they and their families find out their actual cost of attending specific colleges, as well as each college's recommendations for how to cover that cost. Unfortunately, many award letters fail to provide basic information necessary for students and families to make informed decisions about whether to go to college, which college to attend, and how to pay college costs – including whether, how, and how much to borrow.

For financial aid letters to fulfill their intended role, they need to be easy for students and families to understand and compare. This means that they should be **clear**, **comparable**, and **consumer-friendly**. On each of these fronts, there is room for improvement. Many award letters do not state the full cost of attendance (COA), giving either no information about costs, or only partial information, such as tuition and fees only. Gift aid, including grants and scholarships, is

¹ Other proposals include: National Association of Student Financial Aid Administrators, "NASFAA Award Letter Evaluation Tool," January 2001/January 2008, <http://www.nasfaa.org/WorkArea/DownloadAsset.aspx?id=482>; Consumers Union, "Helping Families Finance College: Improved Student Loan Disclosures and Counseling," July 2007, <http://www.consumersunion.org/pdf/CU-College.pdf>; Kantrowitz, Mark, "Standardize Financial Aid Award Letters," *Inside Higher Ed*, June 22, 2007, <http://www.insidehighered.com/views/2007/06/22/kantrowitz>; Clark, Kim, "Financial Aid Letter.com," 2007, <http://financialaidletter.com>; Kantrowitz, Mark, "Proposal for Standardization of Financial Aid Award Letters and Net Price Calculators," *FinAid.org*, March 17, 2011, <http://www.finaid.org/educators/20110317awardletters.pdf>; Morgan, Julie Margetta, "Comparison Shopping for College: Giving Students the Tools They Need to Make Better Choices," *Center for American Progress*, October 15, 2011, http://www.americanprogress.org/issues/2010/10/college_comparison_shopping.html.

often mixed in with work-study (which must be earned by the student) and loans (which must be repaid with interest). Some award letters highlight the sum of all aid offered, which can be misleading because large aid packages can reflect a high COA but still leave a large gap. Other award letters highlight the cost after subtracting all aid, including loans. This can be misleading because two aid packages of the same size may contain very different amounts of gift aid versus loans or work. These differences can make the letters difficult to understand and compare, requiring students and families to search through college websites or elsewhere for crucial information such as the full cost of attendance and make guesses about the impact of different types of aid on the amount the student and family will actually have to cover. Students may end up choosing a school that looks more affordable but ends up costing more in the long run because most of the financial aid package consists of loans.

Key Principles and Elements

As we have previously recommended,² we encourage the Department to publish a model format and recommendations that emphasize key principles and elements rather than a single layout, and that highlight key elements, such as net price, in addition to addressing the elements required by the legislation.³ Because our country has many different types of colleges serving many different types of students, an emphasis on the consistency and clarity of core content, rather than a single formal structure or layout, will raise the odds of adoption in the field and has real potential to inform and improve institutional practice.

To be *clear*, *comparable*, and *consumer-friendly*, we recommend that all award letters:

- **Prominently display the three most important and useful pieces of information:** (1) total cost of attendance, (2) total gift aid, and (3) net price (the difference between 1 and 2), with net price being the most prominent figure in the award letter.
 - **Cost of attendance** (COA) represents a more comprehensive picture of the expenses involved in attending college than the “sticker price” of tuition and fees alone. Award letters that include COA, broken down by category, help student and families understand and plan for the full range of costs. When packaging financial aid, colleges calculate a COA that includes the following categories of expenses:
 - Tuition and fees
 - Room and board
 - Books and supplies
 - Transportation and miscellaneous personal expenses

Section 484 of HEOA requires that the COA listing in the model award letter format include all of these categories, except miscellaneous personal expenses. However, Section 472 of the Higher Education Act allows colleges to include miscellaneous

² The Institute for College Access & Success, “Recommendations for Award Letters,” October 18, 2010, <http://views.ticas.org/?p=665>; The Institute for College Access & Success, Letter to U.S. Department of Education, Office of Postsecondary Education, May 26, 2010, http://ticas.org/files/pub//Award_Letters_TICAS_to_OPE_May2010.pdf.

³ HEOA Sec. 484(b)(6).states that in addition to the specified elements, the model format may include “Any other information the Secretary of Education determines necessary so that students and parents can make informed student loan borrowing decisions.”

personal expenses and sometimes other items such as computer costs or childcare when calculating COA for the purpose of packaging aid. Communicating the full cost of attendance and distinguishing costs billed by the college from estimates of other educational and living expenses on award letters gives students and families a clearer and more comprehensive picture of what they will have to pay to attend a particular school.

- **Gift aid** includes grants, scholarships, and other aid that does not have to be earned or repaid. This “free money” reduces the amount the student and family have to cover from work, savings, and loans. Section 484 of HEOA lists work-study assistance with gift aid. However, work-study is a form of self-help that must be earned, and the amount listed is only an estimate. Therefore, it is important to separate gift aid and work-study and to highlight the sub-total for gift aid.
- **Net price**, defined as COA minus gift aid, should be the most prominent figure on an award letter. This figure represents the amount the student and family will have to cover through work, savings, and/or loans. This definition is the one mandated by HEOA for net price calculators, soon to be required on all college web sites, and for net price data, currently available on the Department’s College Navigator web site.⁴ Highlighting “net price” allows students to make apples-to-apples comparisons of financial aid offers from multiple colleges and distinguish colleges requiring students to take out large loans and work many hours from those that do not. Section 484 of HEOA uses the term “net amount,” defined as COA minus gift aid, work-study and federal loans. This figure should not be highlighted because it makes it more difficult to compare the “bottom line” cost at different colleges; some colleges may appear more affordable by packaging large amounts of loans, but actually have a higher “net price” than colleges that do not package much in loans. Below, the two excerpts from actual award letters illustrate the need to highlight “net price” in order to make apples-to-apples comparisons between colleges. Despite having a higher cost of attendance, the first college has a lower “net price” – only \$4,500. The second college has a lower cost of attendance but a higher net price - \$14,844.45 – because it includes smaller grants and substantial loans in its financial aid offer. The difference between these two financial aid packages would be clearer if the award letters listed and highlighted net price.⁵

⁴ See The Institute for College Access & Success, *Adding It All Up: An Early Look at Net Price Calculators*, March 2011, http://www.ticas.org/pub_view.php?id=731; Advisory Committee on Student Financial Assistance (ACSFA), “The Bottom Line: Ensuring That Students and Parents Understand the Net Price Of College,” June 2011, <http://www2.ed.gov/about/bdscomm/list/acsf/aa/bottomline6june2011.pdf>; U.S. Department of Education, National Center for Education Statistics, “College Navigator,” <http://collegenavigator.gov>.

⁵ U.S. Department of Education, Office of Postsecondary Education, “Sample 5” and “Sample 2”, <http://www2.ed.gov/policy/highered/guid/aid-offer/index.html>. These award letters are not necessarily for the same year or the same student, but are presented as illustrating how listing net price makes it easier to compare letters.

ANTICIPATED EXPENSES		FAMILY RESPONSIBILITY		
Tuition	\$38,700	Parent Contribution		\$0
Room and Board	11,876	*Student Contribution		2,000
Books	1,485			
Personal Expenses	2,385			
Travel	300			
Orientation Fees	438			
		Total Responsibility		\$2,000
Total Expenses	\$55,184	Financial Need		\$53,184
FINANCIAL AID RESOURCES				
	Autumn	Winter	Spring	Total
Scholarship/Grant:				
University Fund Scholarship	10,542	10,542	10,542	31,626
Federal Pell Grant	1,784	1,783	1,783	5,350
Federal SEOG	1,334	1,333	1,333	4,000
State Grant	3,236	3,236	3,236	9,708
*Job/Loan:				
Federal Work-Study Eligibility	834	833	833	2,500
Total Financial Aid				\$53,184

<u>Cost of Attendance</u>					
Tuition and Fees*	\$13,443.45				
Room and Board**	\$1,890.00				
Transportation**	\$2,527.00				
Personal Expenses**	\$2,534.00				
Total Cost of Attendance	\$20,394.45				
*Based on your anticipated course load.					
**Cost of Attendance components are estimated and your actual costs may vary.					
Your estimated financial aid award appears below.					
	Net Amount Term 1 08/24/2011 to 11/01/2011	Net Amount Term 2 11/09/2011 to 01/24/2012	Net Amount Term 3 02/01/2012 to 04/10/2012	Total Academic Year Net Amount	Gross Amount
Pell Grant	\$1,850.00	\$1,850.00	\$1,850.00	\$5,550.00	\$5,550.00
Direct Subsidized Loan	\$1,824.00	\$1,824.00	\$1,825.00	\$5,473.00	\$5,500.00
Direct Unsubsidized Loan	\$663.00	\$663.00	\$665.00	\$1,991.00	\$2,000.00
Student Cash Payment	\$0.00	\$0.00	\$0.00	\$429.45	\$429.45
Grand Total	\$4,337.00	\$4,337.00	\$4,340.00	\$13,443.45	\$13,479.45

- **Group aid by type and clearly distinguish different types.** In addition to gift aid, award letters should also provide information about available options for covering the net price, such as work-study, loans, summer work expectations, and payment plans. We offer the following recommendations on how to do this:
 - The college should list the amounts and types of loans and work-study offered or suggested as part of the financial aid package. As these forms of aid need to be repaid or earned, students should give them more careful consideration before accepting them.
 - If the school is suggesting or packaging less than the maximum federal loan amount for which the student is eligible, the list of types and amounts of federal loans for which the student is eligible that is required by Section 484 of HEOA could be included in an attachment (or linked web page on an electronic award letter). Federal

PLUS loans should be listed among the loan options for eligible students, and the increased student loan eligibility if a parent is turned down for a PLUS loan should be noted as well.

- The total amount of self-help (loans and work-study) included in a financial aid package must be reasonable. Including a large amount of self-help and subtracting it from the net price in order to display a “net amount” of zero obscures the actual cost and may discourage students and families from seeking other ways of reducing expenses or increasing gift aid before turning to borrowing. Rather than include a large amount of self-help aid or private student loans in an attempt to create an illusion of affordability, colleges should provide information about other resources – including the financial aid office – to help students make informed decisions about covering remaining costs after all aid.
- Award letters and all related materials should clearly distinguish federal loans from private loans. Colleges should avoid packaging private loans at all, as private loans are not a form of financial aid.⁶ Packaging them gives the school’s tacit approval of this risky form of financing and may increase confusion about the differences between federal and private loans. However, since some students and families decide to pursue private loans, it may be helpful to provide additional resources to help them make informed decisions in the information accompanying (or linked from) the award letter.

- **Present information in a consumer-friendly way, avoiding jargon and acronyms.**

Students often do not fully understand the differences between different types and sources of aid (e.g. grants vs. loans or federal vs. private loans). Award letters should avoid using unfamiliar terminology and abbreviations. For example, in this excerpt of an actual letter, it is difficult to decipher what “GSLP - 0506” and “NONS - 0506” stand for, as the acronyms that are not explained elsewhere on the letter:⁷

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

- **Finally, award letters should explain upcoming deadlines, the steps students must take to complete the process, and provide contact information for additional assistance.**

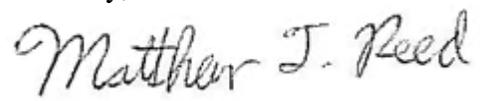
Thank you again for the opportunity to provide input regarding improving financial aid award letters through these comments and by participating in the public meeting scheduled for

⁶ Private student loans are non-federal loans made by banks and others. Some states and colleges also make non-federal loans. While some of these loan programs may have certain features that are similar to federal student loans, the fact that the loan comes from a state agency or directly from the college does not guarantee its affordability or consumer friendliness.

⁷ This example was provided to TICAS in personal correspondence.

September 13, 2011. Please feel free to contact me at mreed@ticas.org or 510-318-7900 at any time with further questions.

Sincerely,

A handwritten signature in cursive script that reads "Matthew J. Reed". The signature is written in black ink and is positioned above the typed name.

Matthew Reed
Program Director