

How Financial Aid Award Letters Fall Short

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College affordability is a concern for most students and families, and financial aid award letters are crucial tools for determining which colleges are within reach. For students entering college, the award letter is the first point at which they find out their actual cost of attending the schools they've been accepted to, as well as each college's recommendation for how to cover that cost. To help students make informed decisions about where to go to college and how to pay for it, financial aid award letters should be clear, comparable, and consumer-friendly. Yet many letters are confusing or misleading, which makes understanding and comparing their information challenging if not impossible.

We examined almost 200 award letters from public and private nonprofit colleges and found that the vast majority fell far short of effectively communicating critical information to prospective students. Our findings underscore the urgent need to improve financial aid award letters for students and families. As discussed in more detail on page 4, we urge colleges to adopt the standardized Financial Aid Shopping Sheet for all students, and urge Congress to adopt existing bipartisan legislation that would require the standardization of award letter elements.

Our analysis examined whether award letters complied with three basic criteria:¹

1. **Provide the full cost of attendance**, including tuition and fees, room and board, books and supplies, and transportation/personal expenses.
2. **Separate aid that needs to be earned or repaid from aid that doesn't.** Grants and scholarships don't have to be paid back, while work-study funds need to be earned and loans need to be repaid with interest.
3. **Calculate the net price**, which is the remaining amount that a student would have to save, earn, or borrow to attend the school. It is calculated as the difference between the full cost of attendance and grant/scholarship aid. Comparing net prices is the only way to get an apples-to-apples comparison of how much money students and their families will have to come up with.

About one-quarter (45 letters, or 23%) of the letters we examined were Financial Aid Shopping Sheets, a voluntary standardized format for award letters that meets the criteria above.²

Of the remaining 150 letters, **only seven percent (10 letters) met all three criteria for being consumer-friendly award letters.** No more than half of these remaining letters met any one of the criteria, broken out as follows:

- 50 percent (75 award letters) provided the full cost of attendance, broken down by category. Of the remaining letters, some did not provide cost figures at all, while others provided only tuition and fees or other costs paid directly to the college (direct costs). Yet students' understanding of total costs – and ability to pay for them – is critical. Basic needs such as housing and food are part of the cost of attending college, and students also need to pay for transportation as well as textbooks and supplies to be able to attend class and study.
- 23 percent (35 award letters) separated grant aid from loans and work-study. While 16 letters only awarded one type of aid and had nothing to separate, the other 99 letters (66%) grouped all the sources of aid together and presented the total aid offered without distinction. Yet understanding the difference between grants, loans, and work study is crucial for students and families who need to know the cost implications of attending a particular school or are comparing costs across schools. The college offering the largest total aid package may not be the most affordable if it has a high cost of attendance, if the aid package includes loans, or both.

¹ See page 4 for more information about our analysis.

² For more information about Financial Aid Shopping Sheets, see U.S. Department of Education. Financial Aid Shopping Sheet. <http://bit.ly/1gVaqdS>.

- Only 13 percent (19 award letters) calculated the net price, or the difference between the full cost of attendance and grant/scholarship aid. Worse, a larger share (22%, or 33 letters) highlighted a “remaining cost” figure that was calculated in a problematic way: *understating* college costs by using direct costs rather than the total cost of attendance, or *overstating* aid availability by adding loans and/or work-study together with grants and scholarships. These tactics can mislead students about the affordability of that college and make it more difficult to compare award letters.

Below, three award letter examples illustrate some of the most helpful and most problematic elements we found prevalent in our analysis. Examples 2 and 3 are award letters received by the same student and especially highlight the difficulty of comparing awards across schools.

Example 1: Misleading “remaining cost” figure that is not the net price

In the example below, the \$0 remaining cost figure that is highlighted suggests to a student that their costs would be fully covered. However, were the student to calculate net price on their own, it would be over \$23,000 – that’s how much the student would actually have to save, earn, or borrow to attend this college for just one year. The remaining cost is presented on the award letter as \$0 because the financial aid total includes more than \$23,000 in borrowing, including an \$18,000 Parent PLUS loan, which requires an additional credit check and is not guaranteed. By not separating grant aid from loans or calculating the net price, this award letter provides an illusion of affordability.

Cost of Attendance						\$71,572
	Fall Budget	Winter Budget	Spring Budget	Summer Budget	Annual Budget	
Tuition and Fees	\$17,045	\$17,010	\$17,010	N/A	\$51,065	
Textbooks	\$400	\$400	\$400	N/A	\$1,200	
Supplies	\$500	N/A	N/A	N/A	\$500	
Room and Board	\$4,789	\$4,789	\$4,789	N/A	\$14,367	
Transportation	\$588	\$588	\$588	N/A	\$1,764	
Personal Expenses	\$838	\$838	\$838	N/A	\$2,514	
Loan Fees	\$54	\$54	\$54	N/A	\$162	
Total	\$24,214	\$23,679	\$23,679	N/A	\$71,572	

Financial Aid Awards						\$71,572
	Fall Award	Winter Award	Spring Award	Summer Award	Annual Award	
Scholarship	\$6,540	\$6,540	\$6,540	N/A	\$19,620	
Grant	\$7,320	\$7,320	\$7,320	N/A	\$21,960	
Scholarship	\$1,667	\$1,667	\$1,666	N/A	\$5,000	
Pell Grant	\$455	\$455	\$455	N/A	\$1,365	
Subsidized Direct Loan	\$1,167	\$1,167	\$1,166	N/A	\$3,500	
Unsubsidized Direct Loan	\$667	\$667	\$666	N/A	\$2,000	
Potential Parent PLUS Loan	\$6,042	\$6,042	\$6,043	N/A	\$18,127	
Total	\$23,858	\$23,858	\$23,856	N/A	\$71,572	

Remaining Cost		\$0

To put ourselves in the shoes of a prospective college student deciding between schools, we specifically analyzed cases where multiple award letters were received by the same student.

Example 2: Aid types combined and added together, no net price

For this student, the first award letter provides limited information in a way that makes comparisons across colleges difficult. It only includes a total aid amount, combining a grant, loan, and work-study. After separating out the amount of aid that is gift aid, the student would have to calculate the net price on their own. Additionally, it’s not clear what is included in the cost of attendance figure because it is not broken down into specific elements.

Congratulations on your admission to [REDACTED] and welcome to the Class of 2020! We are pleased to offer you assistance for the 2016-2017 academic year based on a total cost of attendance of \$67,116.00.

Your total parental contribution is: \$10,523.00

Your total student contribution is: \$2,450.00

	FALL	SPRING	TOTAL
[REDACTED] Grant	\$25,122	\$25,121	\$50,243
Fed Dir Subsidized Loan	\$900	\$900	\$1,800
Federal Work Study	\$1,050	\$1,050	\$2,100
TOTAL AID OFFER	\$27,072	\$27,071	\$54,143

Example 3: Financial Aid Shopping Sheet format

In contrast, the other college uses the Financial Aid Shopping Sheet and clearly displays the full cost of attendance, grant aid, and net price. Grants and scholarships are separated from work-study and loans. This award letter is much easier to understand and compare.

Costs in the 2016 - 2017 year	
Estimated Cost of Attendance	\$34,062 /yr
Tuition and fees	\$12,816
Housing and meals	\$15,069
Books and supplies	\$1,635
Transportation	\$600
Other education costs	\$3,942
Grants and scholarships to pay for college	
Total Grants and Scholarships ("Gift" Aid; no repayment needed)	\$19,721 /yr
UNIVERSITY GRANT	\$17,456
[REDACTED] GRANT TO PURCHASE USHIP	\$2,265
What will you pay for college	
Net Costs	\$14,341 /yr
<small>(Cost of attendance minus total grants and scholarships)</small>	
Options to pay net costs	
Work options	
Work-Study (Federal, state, or institutional)	\$1,500
Loan options*	
Federal Perkins Loans	\$1,400
Federal Direct Subsidized Loans	\$3,500
Federal Direct Unsubsidized Loans	\$2,000
<small>*Recommended amounts shown here. You may be eligible for a different amount. Contact your financial aid office.</small>	
Other options	
<ul style="list-style-type: none"> • Family Contribution • Payment plan offered by the institution • Military and/or National Service benefits • Parent PLUS Loan ----- \$5,941 	

Conclusion

Students need to be able to understand college costs and the real value of financial aid offers before deciding whether or where to enroll. With fewer than one-quarter (23%) of the award letters in our analysis using the standardized Financial Aid Shopping Sheet format, and just seven percent of the remaining letters meeting basic criteria for clarity and comparability, the need for urgent improvement is clear.

The only way to ensure that students have the information they need to understand and compare financial aid award letters is to standardize their key elements, whether through legislation requiring it or through voluntary adoption by colleges. The Financial Aid Shopping Sheet is a voluntary standard format for college financial aid offers, explicitly designed to make it easy for students to understand and compare the real cost of attending the colleges where they have been accepted. While more than 3,000 colleges have voluntarily adopted the Shopping Sheet, many schools still do not use it at all or use it only for some students.³ Bipartisan legislation has been introduced to require all colleges receiving federal aid to use a similar standardized award letter format.⁴

Students should be able to count on clear and comparable financial aid offers no matter where they apply. With clear, comparable information, students and families will be able to better identify colleges that provide the best value and fit their specific needs, and educational and career goals. Increased transparency and awareness may also create pressure for colleges to keep their costs to students affordable and find ways to better support student access and success.

Notes about our Methodology

Our analysis included 195 award letters, which we define as an initial communication to a student about their eligibility for specific aid programs and amounts, whether transmitted by mail, email, or web portal. Because we wanted to examine colleges' initial award offers, we did not include any files that were incomplete excerpts of the financial aid award, communications that were clearly a follow-up to an initial award letter (e.g., a screen showing how much of the award had already been accepted by the student), and files that we could not identify as initial financial aid offers based on their language.

The award letters used in our analysis were provided by America Achieves. America Achieves' College Access and Success team is dedicated to increasing the number of high-achieving, low- and moderate-income students enrolling in top-performing colleges. As such, the award letters in our sample are generally from selective public and private nonprofit four-year colleges with high graduation rates, and may not be representative of the award offers received by students applying to all types of colleges in the United States. Additionally, some colleges' award letters were represented in our data at higher rates than other colleges.

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For tips on how counselors and the students they work with can avoid common mistakes when trying to understand and compare award letters, see TICAS's [Tips for Interpreting Award Letters](#).

³ For more information, see U.S. Department of Education. Financial Aid Shopping Sheet. <http://bit.ly/1gVaqdS>. As of July 20, 2017, 3,247 schools were using the Shopping Sheet, 43% of which used it only for students who are veterans. See "Institutions that have adopted the Shopping Sheet." Accessed August 30, 2017.

⁴ Sen. Grassley and Sen. Franken. Press Release. April 11, 2017. "Grassley, Franken Re-introduce Bipartisan Bills to Help Students Understand Cost of College, Make Cost Comparisons Easier." <http://bit.ly/2xBmJbA>.