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(opinion)

## Colleges have an obligation to make financial aid information understandable (opinion)

Submitted by Jim Jump on July 23, 2018 - 3:00am

What information should a financial aid award letter provide? Is an award letter more like a college catalog, providing nothing but the facts, or more like a viewbook, serving both an informative function and a marketing function? Which things in college admission should be standardized and which should reflect an institution's unique personality and culture?

Those are among the questions raised by [a report](#) <sup>[1]</sup> released jointly last month by the New America Foundation and uAspire. The report, "Decoding the Cost of College: The Case for Transparent Financial Aid Award Letters," analyzed thousands of financial aid award letters and found an alarming lack of consistency and transparency in how colleges communicate to applicants and parents about what financial aid they are receiving and the net price of attending a given college or university.

The report arises from quantitative analysis of 11,000 award letters sent to 6,000 students who graduated from high school in 2016. The financial aid awards come from 900 different colleges and universities in 47 states, 96 percent of them four-year. The data set comes from uAspire's work with primarily lower-income students, and as a result the sample is not representative of the overall population, with the percentage of Pell Grant recipients nearly double.

"Decoding the Cost of College" states that "award letters are anything but clear." The report argues that low-income students are particularly harmed by the inconsistency and lack of transparency in financial aid award letters, given that they come from families lacking experience and knowledge of how higher

education works and may not have access to adequate college counseling. On a separate and particularly alarming note, the analysis concludes that Pell Grant recipients face major funding gaps that require them to find outside resources to pay for up to a third of the cost of attending college.

I would argue that the obligation to provide clear, accurate information about finances holds true for all admission and financial aid professionals in dealing with all students. Higher education is about the search for knowledge and truth, and one of the ethical pillars for admission professionals is a commitment to truth and transparency.

We recognize that the decision about where to go to college can be transformative in an individual's life, and as a result the decision should be made thoughtfully, based on knowledge and values. Whether we like it or not, college choice is at least partly an economic decision, and the cost of higher education requires a careful comparison of finances for many families.

So what are the issues identified in "Decoding the Cost of College" that make financial aid award letters confusing?

One is the use of jargon and confusing terminology. As an example, the report cites the Federal Direct Unsubsidized Loan, more commonly known as the Stafford Loan. Four-hundred fifty-five of the 515 colleges in a subset of colleges analyzed more closely as part of the study included unsubsidized loans as part of their aid packages, but the loan is listed 136 different ways, including 24 phrases that do not include the word "loan." One of the 136, "Federal Direct Unsub," sounds like jargon one might encounter in an episode of *Criminal Minds*.

In addition, many aid letters include acronyms like SEOG (Supplemental Educational Opportunity Grant) that confuse many of us in the profession, much less the general public. Colleges define terms like "net costs" in very different ways and substitute "sticker price" for cost of attendance.

A major issue is the failure to differentiate the various types of aid that are part of a financial aid package. The New America/uAspire study indicated that 70 percent of colleges lump all forms of aid together rather than breaking out

the package into discrete categories such as scholarships/grants, loans and work-study. Only one in 10 colleges clearly broke out and explained what each type of aid means.

Why is that important? Because lumping the various types of aid together can mislead an unsophisticated consumer to believe that their financial need is covered when it may not be, depending on the amount of aid tied to loans and federal work-study.

“Decoding the Cost of College” identifies the labeling of Parent PLUS loans as particularly problematic. PLUS loans require an application, eligibility is based on credit history alone and both the interest rate and origination fees are higher than those for federal student loans. The PLUS loan allows parents to borrow up to the total cost of attendance, but are riskier than other loans due to the federal government’s ability to garnish wages, tax refunds and Social Security benefits from those who default on the loan.

The report concludes that presenting PLUS loans as part of a financial aid “award,” something that 15 percent of the colleges in the study did, is misleading and perhaps even predatory. It makes the financial aid appear more generous than it may actually be. So why include the PLUS loan as part of the award? It may be a thoughtless oversight, designed to let families know that it is an option. But it may also be a yield strategy some colleges use to make it appear that they are more affordable at first glance than is actually the case. In either case, “Decoding the Cost of College” calls the inclusion of PLUS loans a questionable practice, pointing out that “a Parent PLUS loan is merely an option with trade-offs, not a solidified offer.”

The final issue identified by the report is that too many financial aid award letters do not make any reference to total cost or a student’s net cost, making comparisons challenging. One-third of the colleges in the study did not mention cost at all, and 25 percent of those that mentioned cost listed only direct costs -- tuition, room and board, and fees (the report questions whether “board” is an outdated term and should be replaced with “meal plan”). In addition, only 40 percent of the aid letters reviewed as part of the analysis gave students the amount they were responsible for paying.

So where do we go from here? At the end of “Decoding the Cost of College: The Case for Transparent Financial Aid Awards,” New America renews its call for Congress to pass a law creating a standardized financial aid offer.

Bipartisan legislation along those lines has been introduced as recently as last year, and in July 2012 the U.S. Department of Education partnered with the Consumer Financial Protection Bureau to release a standardized financial aid award letter template called the “Shopping Sheet.” Institutional use is voluntary, except in cases of aid awards to veterans, but less than half of the colleges and universities receiving federal financial aid have adopted it.

I hope we won’t wait for the federal government to insert itself into this issue. With the Trump administration neutering the CFPB and backing away from holding predatory for-profit institutions accountable, we can’t count on a governmental solution. And the truth is we shouldn’t have to. Both the National Association for College Admission Counseling and the National Association of Student Financial Aid Administrators have held discussions on a standardized financial aid award letter template before, and as admissions and financial aid professionals, we should be able to forgo our institutional interests for the public interest. “Decoding the Cost of College” offers a start -- standardizing terminology, clearly differentiating types of aid within the award letter and making sure that families applying for aid know what they are actually paying.

A student applying for financial aid shouldn’t need a financial aid decoder ring.

[Admissions](#) <sup>[2]</sup>

[Student Aid and Loans](#) <sup>[3]</sup>

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#### **Links**

[1] <https://www.insidehighered.com/admissions/article/2018/06/11/report-outlines-flaws-aid-award-letters>

[2] <https://www.insidehighered.com/news/focus/admissions>

[3] <https://www.insidehighered.com/news/focus/student-aid-and-loans>