



DECODING THE COST OF COLLEGE

**The Case for Transparent
Financial Aid Award Letters**

About New America

We are dedicated to renewing America by continuing the quest to realize our nation's highest ideals, honestly confronting the challenges caused by rapid technological and social change, and seizing the opportunities those changes create.

About uAspire

uAspire is a nonprofit organization ensuring that all young people have the financial information and resources necessary to find an affordable path to and through college.

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EXECUTIVE SUMMARY

Students and families confront a detrimental lack of information and transparency when making one of the biggest financial decisions of their lives: paying for college.

New America and uAspire, a nonprofit leader on college affordability, analyzed thousands of financial aid award letters and found not only that financial aid is insufficient to cover the cost of college for many students, but also that award letters lack consistency and transparency. As a result, it is exceedingly difficult for students and families to make a financially-informed college decision. While solutions for tackling the cost barrier may be complex, solutions to improve award letter terminology and formatting are well within reach.

Through a quantitative analysis of over 11,000 financial aid award letters, we found that students who receive a Pell Grant are still left to cover a significant gap—an average of nearly \$12,000. The gap persisted even when students made cost-saving decisions about where to attend (public versus private colleges and universities) or where to live (at home versus on campus). Given that financial aid falls short, clear and consistent communication on award letters is critical.

After a thorough qualitative review using a subset of 515 award letters from unique institutions, we emerged with seven key findings:

- *Confusing Jargon and Terminology:* Of the 455 colleges that offered an unsubsidized student loan, we found **136 unique terms for that loan**, including 24 that did not include the word “loan.”
- *Omission of the Complete Cost:* Of our 515 letters, **more than one-third did not include any cost information** with which to contextualize the financial aid offered.

- *Failure to Differentiate Types of Aid:* **Seventy percent of letters grouped all aid together** and provided no definitions to indicate to students how grants and scholarships, loans, and work-study all differ.
- *Misleading Packaging of Parent PLUS Loans:* **Nearly 15 percent of letters included a PLUS loan as an “award,”** making the financial aid package appear far more generous than it really was.
- *Vague Definitions and Poor Placement of Work-Study:* Of institutions that offered work-study, **70 percent provided no explanation of work-study** and how it differs from other types of aid.
- *Inconsistent Bottom Line Calculations:* In our sample, only 40 percent calculated what students would need to pay, and those **194 institutions had 23 different ways of calculating remaining costs.**
- *No Clear Next Steps:* Only **about half of letters provided information about what to do to accept or decline awards**, and those that did had inconsistent policies.

Based on these findings, we present seven policy recommendations, calling on federal, state, and institutional parties to create systems-level change. Federal policymakers should conduct consumer testing, and then set and require award letter standards via federal mandate. State governments should adopt common award letter terms, calculations, and formats across their systems of higher education. Colleges and universities should develop more student-centered financial aid offers and tools, as well as align their efforts with other key departments serving student financial needs.

INTRODUCTION

You return from school one afternoon, open the mailbox in your apartment building in western Massachusetts, and pull out a thick envelope. Heart quickening and hands shaking, you tear into the envelope of your first-choice school—Merrimack College—and you read the first line, “Congratulations and welcome...”

Last week, you were accepted to Pace University and your local public university, Fitchburg State. You immediately call your mom and celebrate on the phone. It is a thrilling moment and a testament to all your hard work, and to your mom’s hard work as a single parent.

Now a new waiting game begins. You need to figure out how much each option will cost. You know college is an investment in your future, but how much of an investment can you afford? Cost is the primary factor you and your mom will use to determine where you attend college next year.

A couple of weeks later, you receive your first financial aid package, from Fitchburg State.¹ You scan the information and confusion creeps in. You look for the bottom line: what is this going to cost? It does not seem to say anywhere. As you go through the list of financial aid “awards,” you notice there are two loans. A loan does not feel like an award at all.

The good news is that you received four grants, money your guidance counselor tells you will not need to be paid back. But there are a few terms you have never seen before. What exactly is “Federal SEOG,” “Tuition Waiver,” and “Federal Work Study”? Clearly, you will have to do more research to figure out exactly how much you would need to budget for Fitchburg. The first step will be trying to track down how much it costs. Then maybe your counselor can help you figure out what you would need to pay or borrow. Maybe she can explain all those other things listed.

**You look for the bottom line: what is this going to cost?
It does not seem to say anywhere.**



160 Pearl Street
 Fitchburg, MA 01420-2697
 Tel 978.345.2151
 www.fitchburgstate.edu

March 14, 2016

We are pleased to offer you the following financial assistance for the 16-17 AID YEAR.

Please sign and return one copy of this letter within 15 days of the date listed above. Returning students may log on to Web4 to accept aid. Unfortunately, failure to do so may result in the cancellation of your award. If you wish to decline any aid please do so by marking the line below.

DECLINE	TYPE OF AWARD	FALL	SPRING	TOTAL
_____	Federal Pell Grant	2,908.00	2,907.00	\$5,815.00
_____	Federal SEOG	100.00	100.00	\$200.00
_____	Estimated MA State Grant	550.00	550.00	\$1,100.00
_____	Tuition Waiver	485.00	485.00	\$970.00
_____	MA Cash Grant	500.00	500.00	\$1,000.00
_____	FSU Fee Grant	274.00	273.00	\$547.00
_____	Federal Work Study	1,000.00	1,000.00	\$2,000.00
_____	Subsidized Direct Loan	1,750.00	1,750.00	\$3,500.00
_____	Unsubsidized Direct Loan	1,000.00	1,000.00	\$2,000.00

Comments:

Your award is based upon the following budget – On Campus In State UG Day

Awards are based on full time enrollment unless otherwise indicated. Please notify us with any changes.

As a result of Stafford loan origination fees set by the Department of Education, only 99% of a federal student loan will be applied to the bill.

Your financial assistance may be modified or canceled at any time due to lack of satisfactory academic progress, verification, changes in enrollment, residency, eligibility, funding availability, or any other reason specified by federal, state or institutional regulations or policies.

By signing below I understand that I ACCEPT all aid unless otherwise indicated. I also agree to the terms and conditions of the awards, and the obligations and responsibilities incurred by utilization of these funds.

 Student Signature

 Date

Three days later, you receive the financial aid package from Merrimack. It looks totally different from the one you received from Fitchburg, making it difficult to compare the two. Your heart lifts as you see that you have received a large scholarship.

As you move through the letter, though, your heart sinks. Merrimack is very expensive. Tuition and fees and room and board alone are over \$53,000.

After subtracting all the aid, some of which are loans, it looks like there will still be \$19,955 left to cover. Merrimack lists different ways to pay that remainder, but the terms listed are unfamiliar. Merrimack mentions you could earn \$1,500 in “federal work study” or “Merrimack work.” This aid could help you cover a small fraction of your costs, but it is unclear if you qualify and if it is one job or two.



Merrimack
COLLEGE
NORTH ANDOVER, MASSACHUSETTS 01845
978-837-5000 • www.merrimack.edu

OFFICE OF FINANCIAL AID 978-837-5186
978-837-5067 fax

**2016-2017
FINANCIAL AID AWARD NOTIFICATION**

March 17, 2016 ID:

Dear _____,

Congratulations on being admitted to Merrimack! We are pleased to present you with your 2016-2017 financial aid award. Your award has been calculated based upon the information you provided on your Free Application for Federal Student Aid and on the expected cost of attendance and estimated family contribution for the upcoming academic year.

Source	Fall	Spring	Total
Merrimack Scholarship	\$7,500	\$7,500	\$15,000
Merrimack College Grant	\$2,600	\$2,600	\$5,200
Mass State Grant	\$850	\$850	\$1,700
Federal PELL Grant	\$2,908	\$2,907	\$5,815
Federal Direct Subsidized Loan	\$1,750	\$1,750	\$3,500
Federal Direct Unsubsidized Loan	\$1,000	\$1,000	\$2,000
	-----	-----	-----
Total	\$16,608	\$16,607	\$33,215

In addition, Merrimack administers both **federal work study** and the **Merrimack work** student employment programs. Average earnings are approximately \$1,500 per academic year. These have not been included in your award, but more information about them is available online at www.merrimack.edu/aid.

Expected 2016-2017 Direct Costs

Tuition and Comprehensive Fee	\$38,825
Room and Board	\$14,345

2016-2017 Direct Costs	\$53,170

Less Total Grants, Scholarships, and Loans	\$33,215

2016-2017 Net Direct Costs	\$19,955

Options to pay or finance the 2016-2017 net direct costs (eg: Expected Family Contribution and/or other family resources, payment plans, PLUS loans, and alternative loans), along with information about your above awards and our financial aid policies, can be found online in our Financial Aid Guide: at www.merrimack.edu/finaidguide.

Please note that scholarships and grants offered by Merrimack are funded in part by generous donations from alumni and friends of the College. If your Merrimack aid is funded by a donor, we will notify you of the source of this funding during the academic year.

A few days later, you receive your last award letter, from Pace University in New York. You feel like you know what to expect now with these letters, but Pace's looks completely different than the other two and includes even more information.

At least Pace separates "gift" aid from loans and work-study so you can see this is your biggest gift aid offer yet, with nearly \$35,000 in grants and scholarships. But Pace also costs more, at \$61,666. Unlike Merrimack, though, Pace lists more costs than tuition and fees and room and board. Pace includes other expenses like transportation, books, and supplies,

expenses you had not really thought about until now.

You see that a new loan is mentioned in this award letter, the "Direct PLUS (Parent) loan," for over \$20,000. Would Mom have to borrow the money since it says *parent*? Mom only makes \$35,000 as a paralegal, so a loan that high is not an option, especially given that your younger brother wants to go to college, too.

The excitement of choosing your college fades as confusion about what each school costs and how your family will afford it sets in. Maybe college is not for you after all.



PACE UNIVERSITY FINANCIAL AID AWARD LETTER

Prepared for _____ for the 2016-2017 Award Year

March 22, 2016

ID: _____

ACCEPT BY: May 1, 2016

The Financial Aid Office is pleased to provide this official offer of financial assistance for the 2016-2017 academic year. Our entire staff looks forward to assisting you during your enrollment at Pace University. To accept or decline these awards, please log into your Pace Portal. A step by step guide entitled "How to Accept Financial Aid on MyPace Portal" is enclosed.

Gift Aid (Scholarships and Grants).

Award Description	Fall 2016	Spring 2017	Total
Pace Incentive Award	11,000.00	11,000.00	\$22,000.00
Pace Grant - New	3,500.00	3,500.00	\$7,000.00
Federal Pell Grant	2,908.00	2,907.00	\$5,815.00
Total Gift Aid	\$17,408.00	\$17,407.00	\$34,815.00

You are eligible for these Other Aid Programs (Loans and Work Study) to assist in covering your Out of Pocket Costs:

Award Description	Fall 2016	Spring 2017	Total
Direct Sub Stafford Loan	1,750.00	1,750.00	\$3,500.00
Direct Unsub Stafford Loan	1,000.00	1,000.00	\$2,000.00
Direct PLUS (Parent) Loan	10,675.00	10,675.00	\$21,350.00
Total Loans and Work Assistance	\$13,425.00	\$13,425.00	\$26,850.00

To help you understand how these awards will assist you in paying for your education, please consider the following information. Your Cost of Attendance (COA) consists of the following Direct and Indirect expenses and is based on your status as a Resident student. (Note that costs may be estimated or averaged.)

Direct Expenses (paid directly to Pace):	Indirect Expenses (estimated personal expenses):
Tuition: 41,120.00	Books and Supplies: 800.00
Fees: 1,902.00	Transportation: 600.00
Room: 12,016.00	Personal Expenses: 1,628.00
Board (Meal Plan): 3,600.00	Living Allowance:
Total Direct Expenses: \$58,638.00	Total Indirect Expenses: \$3,028.00
	Total Cost of Attendance: \$61,666.00

Your Out of Pocket Cost (Cost of Attendance minus (-) total Gift Aid) is \$26,851.00 for the 2016-2017 Academic year. This offer is based on your Expected Family Contribution (EFC) of 0. Your expected enrollment is 12 or more credits per semester. Additional information, including Estimated Cost of Attendance for additional years can be found at: <http://www.pace.edu/financial-aid/sites/pace.edu/financial-aid/files/Interim-NY-State-PA-Award-Info-Sheet.pdf>

Please note: This offer supersedes any offer previously made for this academic year.

Millions of prospective students nationwide face scenarios just like this one. Why are financial aid award letters so difficult for students and families to decipher?

No federal policy exists that requires standardized terminology, consistent formatting, or critical information on every financial aid award letter. Without guidelines, like federally-required nutrition labels or the window sticker for car sales, the consumer is left without an apples-to-apples comparison for a major financial decision. The lack of required elements leaves thousands of institutions communicating about billions of dollars of federally-funded aid in hundreds of different ways. Many use the same term in different ways, some with costs missing, and others lumping all grant and loan aid together. This current hodgepodge approach does not work. It puts both today's students and our nation's investment in higher education at risk.

Poor communication of financial aid options can threaten the student's (and sometimes her parent's) long-term financial health by obscuring the basic

terms and conditions of aid. Financial decisions based on incomplete and incoherent information place students at risk of facing unanticipated costs. Worse yet, obscuring costs puts students at risk of dropping out if their bill is bigger than anticipated—and dropping out is one of the major predictors of federal student loan default.

Award letter components must be standardized to give students and families the critical consumer information they need. For this reason, New America partnered with uAspire, a nonprofit leader on college affordability, to analyze data from thousands of financial aid award letters.

In this paper, we provide background and context for this work. Then, we show how infrequently need is met for low-income students. Next, we explore a data set of hundreds of unique award letters to illustrate the many different ways colleges and universities communicate college costs and aid. We conclude with recommendations for policymakers and practitioners to improve financial aid award letters so that they are student-focused and drive better-informed decision-making.

BACKGROUND AND CONTEXT

College costs have been skyrocketing, and most financial aid packages do not offer enough to cover the bill. This reality leaves many Americans, especially low- and middle-income students, struggling to cover college costs. Less is known about the often-confusing process that students must navigate to compare financial aid offers provided by the colleges that accepted them.

Recent studies shed some light on the issue of award letter communication and comparison. The Institute for College Access and Success (TICAS), for example, evaluated 150 financial aid award letters and found serious issues with the ways that colleges communicate their costs and how they calculate the amount of money that students are expected to contribute.² In 2013, the National Association of Student Financial Aid Administrators (NASFAA) conducted interviews with students and families about the optimal way to design award letters, yet their comparison of three award letter formats, including the Department of Education’s voluntary award letter template known as the Shopping Sheet, was inconclusive.³ (See Box 1, next page, for more on the Shopping Sheet and other recent efforts to standardize award letters.)

Our Data Set

We used a large data set, sourced through uAspire’s work with students. Our quantitative research analysis includes over 11,000 award letters, sent by over 900 institutions to nearly 6,000 different students who graduated high school in 2016 (see Table 1).

Because uAspire primarily serves lower-income students, the population in our sample diverges from the average college student. To understand the limits of our data set more fully, we compared the student demographics and quantitative financial aid findings of our sample to the National Postsecondary Aid Study (NPSAS:16), a nationally-representative survey of undergraduate students that was most recently conducted for the 2015–16 school year.⁴ We also compared the colleges and universities these letters came from to institutions nationally using the U.S. Department of Education’s Integrated Postsecondary Education Data System (IPEDS).⁵

Table 1 | Data Set for Quantitative Analysis

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

Several distinctions are worth noting. First, our sample includes only letters received by high school students and does not include letters for older college students and transfer students. Second, students in our sample are markedly less economically advantaged. While 74 percent of students in our sample received an award letter with a Pell Grant, the federal government’s grant to low-income students, only 40 percent of recent high school graduates received Pell nationally.⁶ Third, nearly all of our letters—96 percent—come from public and private four-year colleges and universities.⁷ Geographically speaking, our

award letters are most likely to come from either New England or the Southwest, driven by the geographical location of uAspire partners.⁸ Finally, our sample skews towards selective universities.⁹

For a closer look at terminology and formatting of award letters, we did an in-depth analysis of a subset of our sample. This subset included letters from 515 unique institutions across 43 states.¹⁰ For consistency, all of the letters in this subset included a Pell Grant. Our findings also draw from six student focus group conversations. We include student quotes throughout the report from these groups.¹¹

Box 1: The Shopping Sheet and Other Recent Efforts to Standardize Financial Aid Letters

In July 2012, the U.S. Department of Education, in partnership with the Consumer Financial Protection Bureau, released the financial aid “Shopping Sheet,” a standardized financial aid award letter template.

The Department designed the Shopping Sheet as a means to provide clear, concise, and comparable information about college costs and financial aid to students and their families. The development of the Shopping Sheet used more than 1,000 comments from a wide group of stakeholders. But institutional use of the Shopping Sheet is voluntary, as requiring its use would take legislative change. Hence, it only goes so far in helping clarify costs for students and families. In the six years since its introduction, less than half of the colleges and universities receiving federal financial aid have adopted the Shopping Sheet. Almost half of those only provide it to veterans as is required by the U.S. Department of Veterans Affairs.

Many colleges and universities want flexibility since it is their belief that every institution is unique, and thus should have control in how they

present financial aid packages. For this reason most institutions do not agree with the Shopping Sheet approach. Instead, NASFAA, the membership organization of financial aid administrators, convened a task force that in 2012 provided its members with recommendations of key elements to include in an award letter. Additionally, NASFAA members must adhere to a code of conduct that stipulates all aid notifications must meet basic guidelines (e.g., standard terms, breakdown of cost of attendance, clear identification of each type of aid—loan, grant, work). Yet, even with the taskforce report and code of conduct in place, our analysis shows a majority of institutions are not following these guidelines.

The only way to ensure all colleges and universities standardize terms and formatting is through federal or state legislation. Since 2012, legislation to standardize award letters has been repeatedly introduced by Sen. Chuck Grassley (R-IA), former Sen. Al Franken (D-MN), and now Sen. Tina Smith (D-MN). The bipartisan “Understanding the True Cost of College Act,” was introduced again most recently in April 2017.

LOOKING AT THE NUMBERS: THE GAPS PERSIST

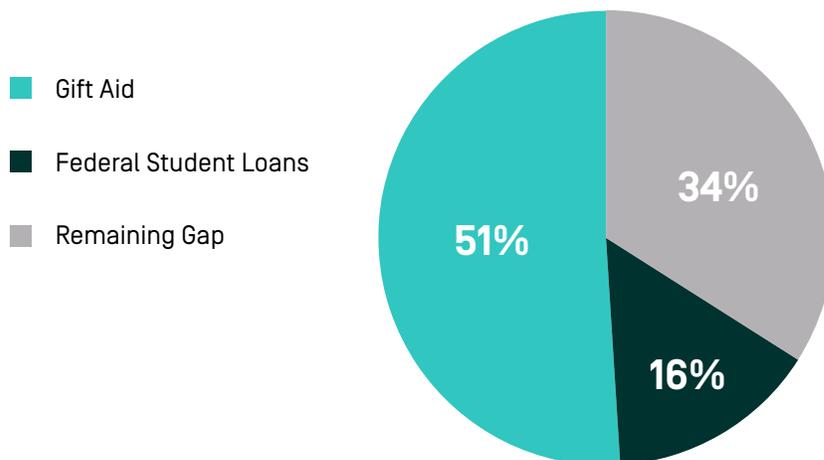
Quantitative data from our full set of over 11,000 letters show what most high school counselors and financial aid administrators know: after financial aid is applied and federal student loans are borrowed, students are left with large gaps they still need to pay.

We analyzed how the aid offered to our Pell students compared to the total cost they need to cover. Since costs are not consistently listed on award letters, our data were combined with cost information from IPEDS.¹² We focused on Pell students, since they comprise the majority of our data set, and also because the receipt of a Pell Grant means the federal government has determined the student has significant financial need.¹³

Across all award letters for Pell students, about half of the total cost of attendance (COA), which includes tuition, books, supplies, and associated living expenses, was covered by gift aid (see Figure 1). Loans from federal or state governments, or the institution covered another 16 percent.¹⁴ A third of the total cost—an average of nearly \$12,000 for the first year—the student and family had to pay through work earnings, private or federal parent loans, savings, or other sources.

The gap persisted even when students made cost-saving decisions about where to attend (public versus private colleges and universities) or where to live (at home versus on campus). For example, students considered in-state, at four-year public

Figure 1 | After Loans & Aid, Pell Students Face Gap of One-Third of Cost of Attendance



institutions, were still left with \$8,400 to cover each year (a 33 percent gap) (see Figure 2). Students living off campus still had to cover about \$15,000 (a 51 percent gap) for a single year of school. Further, research from Sara Goldrick-Rab and Nancy Kendall has shown that colleges' estimates of student living expenses are often inaccurately low, meaning students may actually need to pay more than these estimates in order to be successful.¹⁵

And the gap remained even if a student worked hard to gain admission to more competitive schools, often thought of as places where students receive more institutional scholarships and grants. Students at colleges that admit less than half of applicants were left with over \$10,000 to cover (26 percent of costs), and students at colleges that graduate more than 80 percent of their Pell students were left with about \$8,000 per year to cover (15 percent of costs).¹⁶

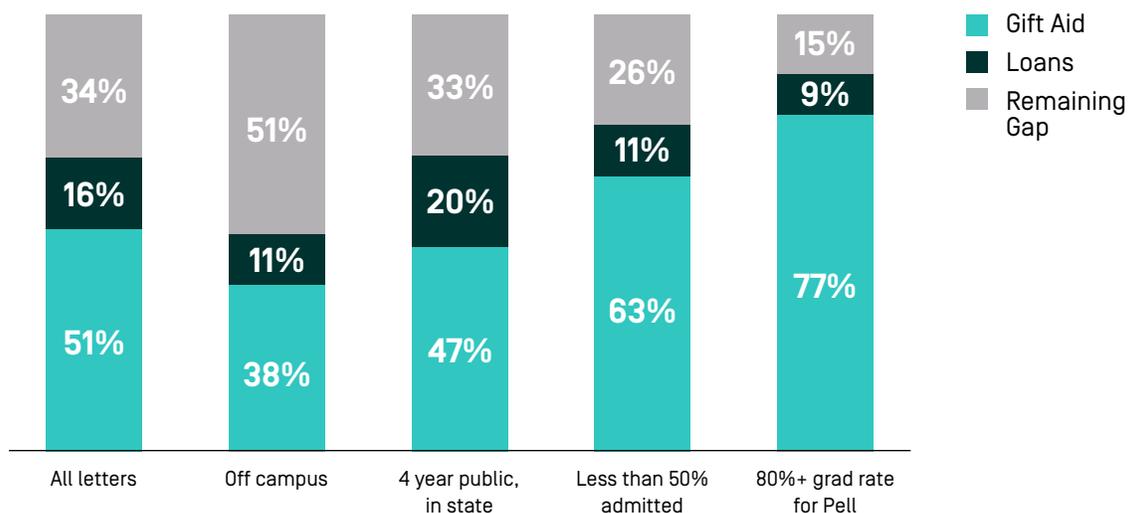
One way to defray these costs can be work-study, but it is far from a complete solution. Less than half of our letters offered work-study, and those that did averaged under \$2,400. Consequently, even if students are able to secure a work-study job, they and their families will still have significant costs to cover, often on the front end, given the mistiming of the work-study benefit.¹⁷

These data are alarming. Students that the government determined to have significant financial need had an average leftover cost (on top of maximum federal student loans) of \$12,000 for one year. Even at institutions considered “affordable,” such as public four-year colleges and universities, the remaining cost was still \$8,400.

There are many reasons these gaps occur, but primarily it is the result of significant growth of college costs during a time of stagnating wages and state disinvestment. Research by Spiros Protopsaltis and Sharon Parrott from the Center on Budget and Policy Priorities documents that the price of college has climbed faster than the rate of inflation, while the purchasing power of the Pell Grant has dropped, from originally covering nearly 80 percent of student need to covering less than 30 percent of the cost of a four-year degree from a public university.¹⁸

Meanwhile, institutions face budget constraints at the state level. According to data from the State Higher Education Executive Officers Association, state support of higher education is \$1,000 lower on a per-student basis than it was before the Great Recession.¹⁹ Additionally, 22 states reduced the amount of money they spent per student in 2017.²⁰ This decreased funding results in tuition increases that push more of the cost burden onto students' shoulders.

Figure 2 | The Gap Persists Regardless of Student Scenario



LOOKING AT THE LETTERS: A HODGEPODGE OF PRACTICES

Given that the gaps students face are significant, how well colleges communicate cost and financial aid matters. A decision can only be as good as the information used to make it. Unfortunately, award letters are anything but clear.

Unclear, inconsistent financial aid offers are especially harmful to low-income students, who generally cannot go to college without financial aid. “For me, I’m the first one to go to college, so no one in my family had any idea of what it was supposed to look like,” a low-income student said at a student group conversation uAspire recently held in Philadelphia. “They were all as confused as I was.”

This section of the paper highlights how award letters create confusion for students and families. Specific examples are presented of helpful and harmful practices. We dig deeper on seven key findings:

- Confusing Jargon and Terminology
- Omission of the Complete Costs
- Failure to Differentiate Types of Aid
- Misleading Packaging of Parent PLUS Loans
- Vague Definitions and Poor Placement of Work-Study
- Inconsistent Bottom Line Calculations
- No Clear Next Steps

Confusing Jargon and Terminology

Financial aid award letters are filled with jargon that can easily puzzle students and families. Our data set had remarkable variance in financial aid terms used, let alone how those terms were defined.

Loan terminology is one area where shorthand titles cause major confusion. The way in which loans are presented to students is critical, since they must be repaid. We found that the 455 colleges that included unsubsidized student loans in their aid packages listed them in 136 unique ways. (See Box 2 on the next page for full listing.) Only 18 percent of colleges listed the full and official name of the loan, “Federal Direct Unsubsidized Loan.”²¹

Most troublesome are letters that do not use the word “loan” in full or at all. Of our sample, 24 terms did not include the word “loan.” This omission requires students and families to discover on their own that the aid would require repayment with interest, potentially after they have already made an enrollment decision and paid a deposit, but before they have gone through loan entrance counseling and signed their promissory note making it clear they are borrowing a loan.

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	Fdrl 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-Unsubsi	Fed Direct Unsub Stafford Loan-HR	Federal Stafford Unsubsidized Loan
Direct Unsub Loan	Direct Stafford Loan: Unsubsidized 1	Fed Direct Unsub Stu Loan	Federal Unsub Loan
Federal Direct Loan Unsubsidized	Direct Stafford Unsubsidized Loan	Fed Direct Unsubsidized Ln 1	Federal UnSub-Direct Stafford
Federal Direct Unsubsidized Stafford Loan	Direct Unsub	Fed Direct Unsubsidized Loan 1	Federal Unsubsidized Stafford Loan-Addtl
Unsubsidized Stafford Loan	Direct Unsub Stafford	Fed Direct Unsubsidized Stu Loan	Ford Unsubsidized Loan
Federal Direct Unsub. Stafford Loan	Direct Unsub. Stafford Loan 1	Fed Direct USub Stafford S/S 1	Loan Direct Unsubsidized
Federal Unsub Stafford Loan	Direct Unsubsidize	Fed Ford Unsub Stafford Loan	Loan-Direct Unsub Loan
Direct Unsubsidized Loan 1	Direct Unsubsidized L	Fed Unsubsidized Loan	Loan-Fed Direct Unsubsidized
Fed Direct Loan - Unsubsidized	Direct Unsubsidized Ln 1	Fed. Direct Unsub Staff. Loan	LOAN-Federal Unsub Direct
Fed Direct Unsubsidized Stafford Loan	Direct Unsubsid Loan	Fed. Direct Unsub	Stafford Loan - Unsub
Federal Unsubsidized Direct Loan	Direct Unsubsidized Stafford	Fed. Direct Unsub. Staf. Loan	Stafford Unsubsidized Loan
Federal Unsubsidized Stafford Loan	DL Stafford Unsub Loan	Fed. Direct Unsubsidized Add.	UG Direct Unsubsidized Stafford Loan
Unsubsidized Federal Direct Loan	DL Unsub Stafford Loan	Fed. Staff. Dir. Unsub Loan	Un-Subsidized Loans
Fed Dir Unsub Loan	DL Unsubsidized Loan	Fed. Unsub. Loan	Uns Stafford Loan
Federal UnSubsidized Loan 01	DL Unsubsidized Loan Staffrd	Fed. Unsub. Stafford Loan	UNSUB DIRECT LOAN
Unsubsidized Loan	DUnsub Loan	Fed. Unsubsidized Stafford Loan	Unsub Loan Eligibility
Direct Federal Unsubsidized Loan	EST Fed Direct Unsub Loan	Fed. Unsubsidized Student Loan	Unsubsidized
Direct Stafford Unsub Loan	Est Fed Unsub Stafford Loan	Feder Direct Unsubsidized Loan	Unsubsidized DL
Direct Unsub. Student Loan	Est Fed Unsubsidized Stafford Loan	Federal Direct Add. Unsubsidized Loan	Unsubsidized Fed Direct Stafford Loan
DL Unsubsidized Stafford Loan	Est. Direct Unsubsidized Loan	Federal Direct Ford Unsub Loan	Unsubsidized Federal Direct Stafford Loan
Estimated Direct Loan - Unsubsidized	Est. Federal Direct Unsubsidized Loan	Federal Direct Ford Unsubsidized Loan	Unsubsidized Federal Direct Stafford Loan
Federal Dir Loan - Unsubsidized	Estimated Federal Unsubsidized Direct Loan	Federal Direct Stafford Student Loan, unsubsidized	Unsubsidized Stafford Loan (Award Only)
Federal Direct Unsub Stafford		Federal Direct Uns	Unsubsidized Stafford Loan DL
		Federal Direct Uns Stafford Loan	Unsubsidized Student Loan

For example, Texas Southern University referred to loans as “Direct Unsubsidized L” and “Direct Subsidized Loa” in its letter (see Image 1).

Beyond loans, award letters are filled with insider lingo and acronyms with which few people outside the financial aid community are familiar. For example, the Supplemental Educational Opportunity Grant program, often listed as the acronym SEOG, provides students little information to guide decisions.

Furthermore, colleges sometimes misuse important financial aid terminology, such as “net costs.” The federal government defines net cost as COA minus gift aid. Institutions, however, use the term on financial aid award letters in various and inaccurate ways, making award letter comparison exceedingly difficult for students. For example, the letter below from University of La Verne defines “net cost” as direct cost minus gift aid, whereas William Paterson University calculates it as direct cost minus gift aid and student loans (Image 2).

Image 1 | Letter That Does Not Use the Word "Loan," Texas Southern University

AWARDS: 2016-2017 Aid Year	FALL 2016	SPRING 2017
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	

Image 2 | Variance in Net Cost Listing, University of La Verne and William Paterson University

Your Net Cost after Scholarships and Grants

Net Cost is Direct Cost minus Scholarships and Grants. Net Cost \$28,275

Estimated Remaining Net Cost \$3,553.00
 The Net Cost or out of pocket expense is determined by the Direct Cost minus the Total Awards.

Table 3 | Unfriendly Financial Aid 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>

It is critical to remember that the audience for award letters is not financial aid experts, but students and their families. Therefore, colleges should use student-centered terms and explanations to build understanding, abandoning unfriendly jargon and the misuse of federally-defined terms (see Table 3).

Students want more straightforward terms and definitions wherever possible. “When I first got my award letter I was kind of confused about some of the language. No one had ever explained that kind of language to me,” a Colorado student said at a focus group with uAspire. “If there was more definition about where each thing is coming from, what it meant for when you’re repaying it, it would help me weigh my options.”

Omission of the Complete Costs

Judging by the financial aid award letters we

have examined, many students are operating in the dark in terms of how much the colleges they are considering will cost and what is included in that assessment. Our student focus groups confirmed this conclusion. One student said, “when I received award letters, they would tell me what I was awarded, but then I would be confused....It never said how much their college would cost. So they gave me this award, but I don’t know how much I would have to pay after the award is applied.”

Colleges’ COA as defined by the federal government in most circumstances includes: tuition and fees; room and board, or an estimate of living expenses; and an allowance for books/supplies, transportation, and miscellaneous personal expenses. COA is a critical component to help students make an informed decision about which school to attend and then be able to budget appropriately for living and other academic expenses.

Of the 515 letters we examined in our subset, more than one-third did not mention anything about cost. When financial aid award letters fail to list colleges' COA, students cannot contextualize their awards. A high school student that a uAspire partner worked with in Pennsylvania received a \$20,000 scholarship from his top choice school. Beaming with pride, he shared the news with family and friends. Since COA was missing on the letter, the student did not realize that he still owed over \$17,000. In the rush of excitement, the student accepted the offer and put down a deposit at the school, money he lost when he got his bill in August and realized he would not be able to attend college at all that year.

Of the two-thirds of letters that included cost, over one quarter provided only a partial picture

of what the students' total costs would be (see Figure 3). These institutions listed only the direct costs that the institution would charge students and their families—tuition and fees and room and board. They left off the indirect expenses that students face, such as books, supplies, and transportation. Failing to communicate the full COA can put students at risk of having insufficient funds.

Only presenting direct costs can make aid appear more generous than it will actually be, especially when compared to a college which has listed the full COA on its award letter. Students may not immediately realize, however, that colleges do not all list the same type of costs, which can lead them to misinterpret how far their aid offers go when trying to compare.

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

- COA provided with direct costs and indirect costs itemized and listed separately
- COA provided with direct costs and indirect costs itemized but listed together
- COA provided as one lump sum
- Only direct costs provided
- No costs provided

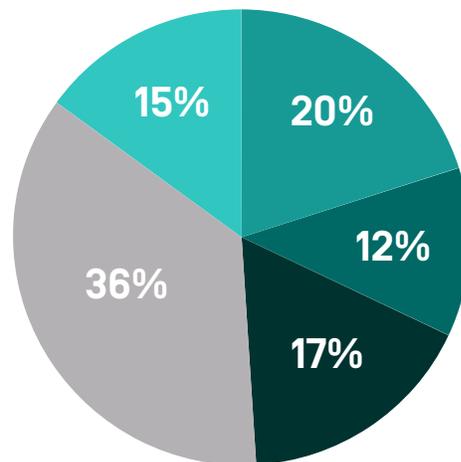


Image 3 | Letter Listing Only Direct Costs, Adelphi University

<u>Estimated Budget</u>		<u>Financial Plan Summary</u>
Fall Enrollment Assumption: Full-time (12+ credits)*		Total Estimated Budget \$49,412
Spring Enrollment Assumption: Full-time (12+ credits)*		Financial Assistance 33,338
Tuition & Fees	\$35,360	
Room & Board	14,052	

Total	\$49,412	
	=====	
Your customized Financial Assistance Plan for 2016/2017 is detailed below:		

Image 4 | Letter with COA Listed with Breakdown of Direct and Indirect Costs, Savannah College of Art and Design

Estimated Cost of Attendance (US\$)			
Direct Costs for the 2016-17 academic year for full-time enrollment			
Tuition and Fees	\$35190		
Housing and Meal Plan*	\$13905		
*student housing and meal plan are optional; actual cost varies			
Indirect Costs (estimate for other educational expenses that vary by student)			
Books and Supplies	\$2025	Transportation	\$1734
Direct Loan fees	\$72		
Personal and Miscellaneous	\$1992		
Total Cost of Attendance			\$54918

Adelphi University, for example, listed its “Total” cost as \$49,412 for tuition and fees, room and board (see Image 3). It also lists “Total Estimated Budget” in the right-hand corner as the same as total cost, which leads the student to think this amount is all-inclusive, when it is not.

In contrast, Savannah College of Art and Design lists comparable direct costs but also includes a list of estimated indirect expenses, for a total of \$54,918 (see Image 4).

Missing and inconsistent cost details eliminate a student’s ability to accurately calculate and

compare options. Students that uAspire advises are often drawn to the lower cost without realizing that what is and is not included might not be the same in each award letter.

Failure to Differentiate Types of Aid

When reviewing aid award letters, it is vital for students and their families to understand the different types of financial aid they are being offered. Just as costs are presented in myriad ways that confuse students, financial aid is also presented in jumbled formats that leave students seeking more clarity.

Colleges that clearly present aid options adhere to two core formatting practices: 1) listing separate types of aid under their own heading—grants and scholarships, student loans, and work-study; and 2) explaining how they differ in simple, student-friendly language.

In our data set, 70 percent of the letters presented all aid types lumped together, while only twenty percent separated under appropriate headings (such as “grants/scholarships,” “loans,” and “work-study”). In total, only 10 percent clearly presented aid separated by type and explained the differences among the aid types.²²

For example, The Robert Morris University award

letter demonstrates both categorization and simple definitions (see Image 5). It labels each section according to whether or not aid needs to be repaid. In the letter, the school places grants under the label “Grants and Scholarships—Free Money!” and “Student Loan(s)—Repayment Necessary.” Further details are provided on subsequent pages, yet this format makes it clear from the beginning which aid options need to be repaid.

By contrast, the Bridgewater State University example below grouped all aid together and provided no definitions (see Image 6). Lumping grants, loans, and work-study awards together misinforms students since the sources of aid have very different terms that

Image 5 | Effective Categorization and Definition of Aid, The Robert Morris University

Grants and Scholarships - Free Money!					
	FALL	SPRING	TOTAL		
Institution Grant(s)				Your overall financial aid package, including grants, scholarships and loans, cannot exceed \$46,096 for the 2015-16 academic year.	
JUSTICE SCHOLARSHIP	\$5,000	\$5,000	\$10,000		
RMU GRANT	\$1,800	\$1,800	\$3,600		
Federal Grant(s)					
PELL GRANT	\$2,883	\$2,882	\$5,765		
State Grant(s)					
ESTIMATED PHEAA GRANT	\$2,050	\$2,050	\$4,100		
Total Grant(s)	\$11,733	\$11,732	\$23,465		
Student Loan(s) - Repayment Necessary					Don't forget to complete Entrance Counseling and sign a Master Promissory Note at www.studentloans.gov
	FALL	SPRING	TOTAL		
SUBSIDIZED DIRECT LOAN	\$1,750	\$1,750	\$3,500		
UNSUB DIRECT LOAN	\$1,000	\$1,000	\$2,000		
Total	\$2,750	\$2,750	\$5,500		

Image 6 | Mixed Aid Types without Categorization, Bridgewater State University

Type of Aid	Fall	Spring	Summer
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	

Image 7 | Partial Separation of Aid Types, Catawba College

Self-Help Financial Aid**	
Direct Subsidized Loan	\$3,500.00
Direct Unsubsidized Loan	\$2,000.00
Federal Work Study	\$2,000.00
<hr/>	
Total Self-Help Financial Aid	\$7,500.00

go unstated: loans have to be repaid with interest, for example, and work-study has to be earned.

A small portion of the award letters we analyzed (10 percent) partially separated aid types, typically along “self-help” lines. Of those colleges, most combined work-study and loans without fully distinguishing between the two, as was the case with Catawba College (see Image 7). Earned income and borrowed money should not be bundled, given their distinct requirements and disbursement details.

Organizing aid by type and including a short description is a reasonable format expectation for every award letter, as one-tenth of our sample successfully did.

Misleading Packaging of Parent PLUS Loans

Parent PLUS loans are the most potentially risky of all of the federal loan programs. Unlike federal *student* loans, which come with strict borrowing caps, Parent PLUS loans are capped at the total COA (minus other aid), allowing some parents to borrow up to tens of thousands of dollars year after year. Unlike federal student loans, parents must apply for PLUS. But eligibility is based only on credit history and not on an ability to repay the loan. Parent PLUS

loans also come with a higher origination fee and interest rate than federal student loans and are not eligible for most income-driven repayment plans.

Given the potential for the accumulation of debt beyond a parent’s ability to repay, and the federal government’s ability to garnish wages, Social Security, and tax refunds to pay it back if the parent defaults, it is vital that families receive accurate and complete information about Parent PLUS loans when choosing a college.

In our survey, 128 institutions included Parent PLUS loans on their award letters. There were 67 unique terms for the loan and 12 that failed to use “loan” in the description.

Nearly 15 percent of institutions presented the Parent PLUS loan in a misleading way for students and families. They listed the Parent PLUS loan as a line item of aid—as part of the “award.” Parent PLUS loans should never be included as a line item in an award letter since a parent must apply and be approved for the loan, the terms and conditions are different than those for federal student loans, and the money is for the parent, not the student. Additionally, including a Parent PLUS loan in the “award total” makes it appear that the financial aid package is more generous than it actually is.

This example from Northern Arizona includes a \$19,575 Parent PLUS loan for a low-income student (see Image 8). They note it is “offered,” but that terminology does not go far enough to clearly indicate that an additional application and approval process is required. They also fail to mention it is a “parent” loan. Most egregious, the institution calculated “unmet need” as zero, insinuating that the school has met this low-income student’s “full need” with a financial aid package that includes \$25,075 in loans, the majority of which would be a loan made to the parent.

Why do colleges engage in these questionable practices? The answer likely varies by college. Some may be using the PLUS loan as an enrollment management tool to entice students to come to the school by making it appear as if all the costs are covered. Others may be

trying to let students and families know the PLUS loan is an option without thinking through how they are presenting it and how misleading and harmful it could be for students and families. Regardless of the intent, colleges should not include a Parent PLUS loan as an award or factor it into calculations.

About 12 percent of the financial aid award letters provide clear and transparent communication on this issue: mentioning Parent PLUS loans as an option for parents to fill the gap, not including them in the actual calculation, and stating that application and approval is required. For example, Bryn Athyn College lists the Parent PLUS loan at the end of the package by providing additional options to cover remaining costs after applying gift aid and student loan aid. This letter encourages families to consider all their options and notes that an application for the Parent PLUS loan is required (see Image 9 on next page).

Image 8 | Misleading Packaging of Parent PLUS Loan, Northern Arizona University

	Fall 2016	Spring 2017	Total
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

Estimated Fall/Spring Costs			
Direct Costs		Indirect Costs	
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			

Summary of Financial Aid and Costs	
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

Image 9 | Parent PLUS Loan Explained and Listed as Other Option, Bryn Athyn College

Options for paying your remaining amount due:

Payment Plan: Bryn Athyn College offers interest-free monthly payment plans to spread bill payments over the course of the academic year. Visit <http://www.brynathyn.edu/admissions/finance/tuition-and-fees/payment> for details.

Federal Parent (PLUS) Loan: Credit-worthy parents are able to borrow PLUS Loan funds up to the cost of attendance of their child minus any other financial aid. Students whose parents are unable to obtain PLUS Loans are eligible for additional unsubsidized student loan funds, up to \$4,000 or \$5,000, depending on grade level. Visit <http://studentaid.ed.gov/types/loans/plus> for more information.

Private Education Loans: Parents (or students with a co-signer) may be eligible for education loans from private lenders. Be sure to compare interest rates and repayment terms among lenders.

Maximum remaining aid eligibility
\$8,648

A Parent PLUS loan is merely an option with trade-offs, not a solidified offer. One student from a Philadelphia focus group suggested Parent PLUS loans be listed, “at the bottom, because it’s not a guarantee—it’s just additional. Additional resources are not guaranteed, but it gives people hope.” Once informed about Parent PLUS loans, students and their parents sometimes realize they cannot afford to go to that school and look elsewhere. The fine print with Parent PLUS loans matters and needs to be accurately represented.

Vague Definition and Poor Placement of Work-Study

The Federal Work-Study Program allows students to earn money by working part-time at eligible

employers. Similar to the Parent PLUS loan, work-study in a financial aid package offers eligibility, not the actual funds. This nuance is often lost on students. A college student in Boston stated, “Personally, work-study always confused me. Is it money you’re getting or does the school get it?” Therefore, where work-study is listed on the award letter and how it is described is critically important. Because of the nature of work-study as earned money after securing a job, it should be separated from available grants and loans. Yet more than 60 percent of institutions included work-study as an award (see Image 10). Our data analysis shows an average work-study amount of \$2,350. This means that if students and their families misinterpret work-study as immediately available aid, the student would face a significantly larger-than-expected bill.

Image 10 | Listing Work-Study with Other Aid and No Explanation, Juniata College

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
Total	\$23,833	\$23,832	\$47,665

Image 11 | Detailed Explanation of Work-Study, University of California at Merced

Gift Aid	
Federal Pell Grant	\$5,815
ESTIMATE-Cal Grant A	\$12,294
Bobcat Grant	\$7,215
	\$25,324

Self Help Aid	
Fed Direct Student Sub Loan	\$3,500
Fed Direct Student Unsub Loan	\$2,000
Federal Work Study Eligibility	\$4,760
Total Self Help Aid	\$10,260

To accept or decline these awards, you must log-in to MyFinancialAid (<http://My.UCMerced.edu>).

Your awards were determined in part based on the following:
Undergraduate California Resident Living On Campus
Expected Family Contribution: \$ 0

*Estimated Fees and Tuition	\$13,262
Average Books and Supplies	\$1,446
Average Personal Expenses	\$1,893
Average Room and Board	\$15,933
Average Transportation	\$598
Average UG Health Insurance	\$2,452

Grants and Scholarships

These are awards that do not have to be repaid or earned through work.

Federal Direct Student Loans

Loans are always optional and are only offered to you to assist in meeting your costs. If you wish to borrow a loan, you must accept it and complete a Master Promissory Note and loan Entrance Counseling. All this can be completed at MyFinancialAid.

The State of California requires that you be told the following: Federal student loans are available to most students regardless of income and provide a range of repayment options including income-based repayment plans and loan forgiveness benefits, which other education loans are not required to provide.

Federal Work-Study Opportunity

A Federal Work-Study Opportunity award allows you the opportunity to work in a student employment position. The award is NOT a guarantee of employment. You will need to obtain a student employment position and the money you earn from that position will be paid directly to you through payroll. The Career Services Center is available to assist you in obtaining a student employment position.

In addition to listing work-study separately, colleges can help students by making it clear that work-study funds are not guaranteed, nor immediately available. Students also need additional information on how to access work-study funds. Despite the need for clarity, seven out of 10 institutions failed to provide any explanation of work-study on the award letter. Of the 29 percent of institutions that did provide explanations, some were more helpful than others.

The University of California at Merced provides a strong example (see Image 11). It includes “eligibility” in the line item and also explains work-study thoroughly in the sidebar. This student-centered example emphasizes work-study is not a guarantee of employment, outlines next steps and where to get help, and details when and how funds are disbursed, which can help students plan and budget accordingly.

Inconsistent Bottom Line Calculations

Perhaps the most important thing that students and their families want to know when they examine award letters is the bottom line: how much money they owe after financial aid is applied. Given inconsistent terms and the frequency of missing

and incomplete costs, it is no surprise that a college student from Colorado, frustrated, said, “I’m always confused where the numbers come from.”

Only about 40 percent of the letters we reviewed provided students with the amount they were responsible for paying. The rest provided no calculation of remaining costs, making it difficult for students to determine what they owe.

Furthermore, among letters that did calculate remaining costs, we found a lack of consistency in how these calculations were made, which makes comparing letters extremely challenging. Out of 194 institutions that did the math for students, there were 23 different ways of calculating costs.

In fairness, deciding on which calculation to make and how to make it can be very difficult. There are two key decisions that colleges must make with respect to how to construct such a calculation: first, where to start the calculation, and second, what to subtract. Some colleges will subtract the financial aid they are offering from the school’s total COA. Other institutions start the calculation from the direct costs owed to the school—tuition and fees, and room and board for residential students.

Next, colleges must determine what forms of financial aid to subtract from the costs. Some schools include only grant and scholarship aid while others also subtract loans and/or work-study.

Some of the 23 different ways that institutions did the calculation were blatantly misleading. One example from the University of Arizona represents net costs and adds the phrase “after all aid,” which causes further confusion (see Image 12). Clearly, the net costs are not zero to attend the University of Arizona, especially when a large part of the “aid” includes “self-help” options and loans.

No one benefits when students are unclear about the bottom line costs. One student said, “when I received [the award letter], I liked the number that I got, but I didn’t understand how they got there.” Inconsistent calculations are at the root of the transparency problem of college costs, for financial aid experts and students alike. Given variation across different aid packages and different institutions, set standards are needed to allow more transparent comparison across institutions.

It helps students and families when institutions present two calculations on the financial aid letter. First, it is important to present students and families with the “net cost,” a federally defined

term that captures the all-in costs for one year. Net cost is calculated as COA minus scholarship/ grant aid. The net cost is the most comprehensive calculation since it includes all costs and subtracts only gift aid.

Second, students and their families also need to know what their “estimated bill” is going to be, namely, what they will have to pay directly to the school in order to enroll, leaving aside their indirect expenses. uAspire has seen time and again students choose their school based on their financial aid packages, only to receive a bill a few months later that is much higher than what they anticipated. While “estimated bill” is not federally defined, it provides a key calculation for students and families by accurately identifying the gap between school costs and aid offered. This is what the student must pay to begin studies at that institution.

“Estimated bill” starts with direct costs and subtracts all *available* aid. This calculation mirrors how most colleges will apply scholarships/grants and student loans to direct costs first and send a bill for the remainder. Just like with net cost, the calculation should subtract neither work-study nor Parent PLUS loans.²³

Image 12 | Misleading Calculation of Net Costs, University of Arizona

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	\$0.00

Lack of Clear Next Steps

A financial aid offer is exactly that, an offer. Institutions require students to complete specific tasks to accept aid and enroll. Too often, award letters lack clear next steps stating exactly how to do so, or next steps are buried in other resources online. This omission can lead students to inadvertently miss key deadlines, cause them to not have enough money to enroll, or take on more debt than anticipated. Wentworth Institute of Technology is one strong example that tells students explicitly what to do next, providing important portal logon information (see Image 13).

Only about half of the letters we reviewed provided any indication of what aid, if any, colleges would accept on the student's behalf and what the student needed to do to either accept or decline their awards. Of the 255 schools that stated a clear policy in their award letters:

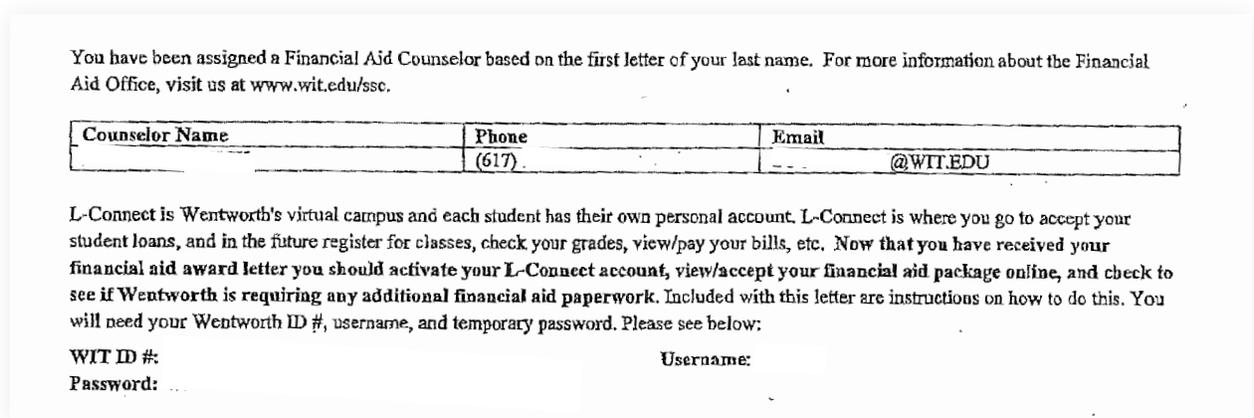
- more than half required students to accept the aid they wanted;
- another third accepted all the aid on the students' behalf; and
- just over a tenth accepted all grant and scholarship aid offered but required students to sign off before accepting any loans.

These differences in award letters show that the mechanism to unlock aid is neither consistent nor clear for students. Clear next steps ensure successful outcomes for both the student and the institution. One college student in Colorado told uAspire, "the information with the loans could've been more helpful. I've never taken loans before, so I wasn't really sure what they were telling me I was responsible for....I didn't really understand the process of what happens."

One good policy, as seen in one-tenth of our letters, is for colleges to automatically accept grant and scholarship aid since this prevents financially-needy students from losing out on this aid. But colleges should never automatically accept loans for students. It should always be up to students and their families to decide how much money they need and how much debt they feel comfortable taking on.

Strong award letters not only outline what aid is available to cover college costs, but they can also guide students' behavior by delineating clear next steps needed to accept aid, put down a deposit, make housing decisions, and log in to their campus portal.

Image 13 | Strong Example of Next Steps, Wentworth Institute of Technology



POLICY RECOMMENDATIONS AND CONCLUSION

This report demonstrates how students and families confront a detrimental lack of information and transparency when making one of the biggest financial decisions of their lives: paying for college. This is a systems-level problem and requires a systems-level solution.

We believe many actors can have a hand in the solution. Colleges and universities should develop more student-centered financial aid offers and tools, as well as align with other key departments serving student financial needs. State governments should adopt common award letter terms, calculations, and formats across their systems of higher education. Federal policymakers should conduct consumer testing, and then set and require award letter standards via federal mandate akin to other consumer standardization such as the HUD-1 settlement sheet and credit card statements.

Whether you are an institution or a state or federal policymaker, substantive changes to how college costs and aid are communicated should follow the recommendations below.

Require a written financial aid offer to all qualified students.

There is currently no requirement for institutions to provide financial aid offers via paper or digital letter to students.²⁴ Congress should mandate that all institutions participating in the federal financial

aid program provide accepted students (who have completed the FAFSA) with financial aid offers, written and/or digital, stating the COA and their eligibility for grants, loans, and work-study. Instead of calling these “financial aid award letters” which is a misnomer, the field should shift and call them “financial aid offers.”

Employ standardized terms and student-friendly definitions.

Congress and/or state government should require that common terms and all financial aid elements have precise titles and definitions across the board. These definitions must be consumer-tested to ensure they are student-friendly. These terms should include at a minimum: cost of attendance, direct costs, indirect expenses, gift aid, loans, net costs, estimated bill, work-study, and PLUS loan (see Box 3 on page 27 for suggested definitions). In the interim, institutions should adopt this same terminology to ensure their offers are clear.

Include cost of attendance with breakdown of direct costs and indirect expenses.

Every award letter should calculate COA with line items and subtotals for both direct costs and indirect expenses. Each aid offer must list the residency, enrollment level, and housing assumptions used to calculate the aid package (for example, in-state, full-time, on campus).

List gift aid and loans separately.

Gift aid such as Pell Grants and institutional grants and scholarships should be listed separately under its own heading and subtotaled. Any student loan should be listed separately under its own heading, again with its own subtotal.

Do not include Parent PLUS loans and work-study as line items in aid offers.

Since work-study and Parent PLUS loans are not definitive dollars, they should not be included as a line item under gift aid or loans, nor should they be used in calculations of total aid offered. Instead, they should be listed as additional options to cover costs along with tuition payment plans, savings, etc.

Calculate the student's net cost and estimated bill.

Financial aid offers should calculate both net costs (COA minus gift aid), which inform the student of the all-in costs for one year; and the estimated bill (direct costs minus gift aid minus loans), which informs the student how much they have to cover to enroll in the institution for one year.

Identify critical next steps.

It is vital to lay out how students can unlock their financial aid, including: how to accept, decline, or reduce aid; important deadlines and/or deposit amounts; portal login details; and any additional documentation that may be required from the institution. Institutions should never automatically accept loans on behalf of the student.

New America Calls on Congress to Require Standardized Award Offer

New America has called on Congress before to create a standardized financial aid offer, and New America believes it must move in this direction.²⁵ Along with requiring the recommendations listed above, the Education Department must be tasked with developing, over a period of not more than three years, a standardized financial offer template or templates, depending on institutional sector. This template must be developed in concert with students, families, industry experts, and institutional stakeholders from every sector (public, private, and for-profit). It must be consumer-tested to ensure that it is clear and works for students and their families. It must also include a digital format that is mobile-optimized, as students increasingly receive their aid notifications online.

Conclusion

Sixty-seven ways to title a Parent PLUS Loan, 136 different ways to list the Federal Direct Unsubsidized Loan, 23 different calculations of net costs, thirty-six percent of letters excluded costs—these practices need to end. Doing so will help students and families enter college with eyes wide open about costs and financial aid. Doing so will make the system more efficient. School counselors and financial aid administrators will win back needed time to counsel students, instead of decoding award letters. Clear, consistent communication of college costs and financial aid packages is a student-centered and pro-consumer strategy.

Box 3: Key Terms and uAspire's Suggested Definitions

Cost of attendance (COA): Total estimated price for one year of college before financial aid is applied: tuition and fees, housing, food, and other additional personal and educational expenses.

Direct costs: Billable expenses; money paid directly to college: tuition/fees and housing/meal plan, when applicable.

Indirect expenses: Estimated additional personal and educational expenses needed throughout the academic year: books; transportation; living expenses, such as rent and food, if living off campus.

Gift aid: Grants and scholarships that you do not need to pay back. Each grant and scholarship may have specific requirements to maintain eligibility/renew.

Loans: Borrowed money that must be paid back, with interest. You can choose to reduce or decline the amount offered.

Net costs: COA minus gift aid. Remaining costs for one year of college, after grants and scholarships are applied. Includes any loans you borrow; money you pay directly to the college; and estimated funds needed to cover personal and educational expenses throughout the year.

Estimated bill: Direct costs minus gift aid minus loans. The anticipated amount you will need to pay directly to the college to enroll after gift aid and student loans are applied; additional personal and educational expenses are not included.

Work-study: You are eligible to earn up to the amount listed after securing a work-study job through your college. The money earned is not typically available to pay your college bill; you will be paid directly via a paycheck for the hours worked.

PLUS Loan: A federal loan your parent may apply for that requires credit approval; if approved, your parent could be eligible to borrow the amount of your remaining costs.

APPENDIX A

NPSAS 16 DATA AND METHODOLOGY

To situate several key characteristics of the student population served by uAspire within a national context, we relied on data from the U.S. Department of Education’s National Postsecondary Student Aid Study (NPSAS), which was last administered in the 2015–16 school year. NPSAS is a survey of undergraduate students that is representative of students attending colleges and universities that participate in the federal financial aid program. Since students in the uAspire data are predominantly high school

seniors, we filtered the NPSAS data accordingly by counting only those students with a high school graduation year of 2015 or later. Next, we evaluated the percentage of federal Pell Grant recipients by categorizing students as having received zero Pell dollars or any amount greater than one. Race and gender variables were similarly examined, although some differences in categorization between the two data sets prevented reporting for “other” and “unknown” students.

	uAspire Data		NPSAS
	Share of Letters	Share of Students	Share of Students
No Pell	24%	26%	60%
Any Pell	76%	74%	40%
Black	37%	34%	14%
Asian	9%	10%	7%
Hispanic	36%	35%	23%
White	12%	16%	52%
Other	3%	3%	
Unknown	5%	2%	

	uAspire Data [cont.]		NPSAS
	Share of Letters	Share of Students	Share of Students
Female	58%	58%	54%
Male	35%	38%	46%
Unknown	8%	4%	

APPENDIX B

IPEDES DATA AND METHODOLOGY

We paired uAspire’s award letter data with each school’s information on graduation rates, selectivity, and tuition and fees and other indirect costs using the U.S. Department of Education’s Integrated Postsecondary Education Data System (IPEDS), which houses institutional-level data. We then classified uAspire schools and the total IPEDS universe according to various characteristics.

uAspire’s award letter data contains information on the financial aid offered to prospective students. In some cases, award letters also include cost estimates for either direct expenses or the total cost of attendance (COA); however, for consistency we do not use this information in our analysis. Instead, using IPEDS data, we calculate the COA for each student based on whether the student had in-state status and whether the award letter was for on- or off-campus housing. These estimates reflect listed

tuition and fees plus institutional estimates of all living expenses. In cases where institutions underestimate student need, the figures presented here would underestimate the gap between total costs and student aid.

Using COA as a starting point, we factor in any gift aid the student receives, including grants from federal or state government, institutional grants, and scholarships. We divide gift aid by the total sticker price reported to IPEDS to assess the percentage of total costs covered by scholarships, grants, or institutional aid. Next, we combine loans to students and divide by the COA. The remaining percentage represents the gaps students face: costs that must either be covered by parent or private loans, payments from work or savings, or other sources of financial support not listed here. For this analysis, we focus on students who receive Pell awards.

Table 1 | Higher Education Institutional Characteristics per Data Set

	% of uAspire Letters	% of All IPEDS Institutions
Sector		
2-year public	4%	17%
4-year private	42%	21%
4-year public	54%	10%

Table 1 (cont.) | Higher Education Institutional Characteristics per Data Set

	% of uAspire Letters	% of All IPEDS Institutions
School Location (as defined by Bureau of Labor Statistics)		
Mid-Atlantic	16%	11%
Midwest/Mountain Plains	5%	26%
New England	23%	6%
New York-New Jersey	12%	9%
Southeast	13%	19%
Southwest	20%	12%
West	12%	17%
Percent Admitted		
Less than 50%	22%	5%
Between 51-75%	46%	11%
More than 75%	27%	9%
Open admission/not reported	5%	74%
School Graduation Rate, Total		
Grad rate less than 20%	5%	8%
Grad rate 20-39%	10%	17%
Grad rate 40-59%	37%	19%
Grad rate 60-79%	29%	22%
Grad rate above 80%	19%	11%
Unknown/not reported	0%	22%

Table 1 (cont.) | Higher Education Institutional Characteristics per Data Set

	% of uAspire Letters	% of All IPEDS Institutions
School Graduation Rate, Pell		
Grad rate less than 20%	6%	10%
Grad rate 20-39%	14%	17%
Grad rate 40-59%	37%	18%
Grad rate 60-79%	29%	16%
Grad rate above 80%	13%	8%
Unknown/not reported	1%	29%

Table 2 | Financial Aid Data for Pell Students Per Institutional Characteristics

	Gift Aid		Loans		Other Sources: Parent Loans, Savings, Work Earnings, etc.	
	Average	% of Total Costs	Average	% of Total Costs	Average	% of Total Costs
All Letters	\$20,291	51%	\$5,772	16%	\$11,996	34%

Sector						
2-year public	\$6,800	35%	\$4,681	7%	\$12,777	58%
4-year private	\$32,351	59%	\$5,687	11%	\$15,350	30%
4-year public; in state	\$12,250	47%	\$5,673	20%	\$8,399	33%
4-year public; out of state	\$13,868	33%	\$6,164	15%	\$21,753	52%

School Location [as defined by Bureau of Labor Statistics]						
Mid-Atlantic	\$22,687	51%	\$5,873	15%	\$12,457	34%
Midwest/Mountain Plains	\$29,847	60%	\$6,314	14%	\$11,321	26%
New England	\$24,241	52%	\$5,902	15%	\$14,080	33%
New York-New Jersey	\$17,725	44%	\$6,073	10%	\$15,386	47%
Southeast	\$17,394	52%	\$5,600	19%	\$10,102	30%
Southwest	\$13,987	47%	\$5,506	19%	\$9,569	34%
West	\$22,444	59%	\$5,598	15%	\$9,575	25%

On/Off Campus						
On	\$22,113	54%	\$5,832	17%	\$11,300	30%
Off	\$12,136	38%	\$5,359	11%	\$15,110	51%

Table 2 (cont.) | Financial Aid Data for Pell Students Per Institutional Characteristics

	Gift Aid		Loans		Other Sources: Parent Loans, Savings, Work Earnings, etc.	
	Average	% of Total Costs	Average	% of Total Costs	Average	% of Total Costs
Percent Admitted						
Less than 50%	\$31,690	63%	\$5,496	11%	\$10,409	26%
Between 51-75%	\$18,522	51%	\$5,828	18%	\$11,236	32%
More than 75%	\$17,395	45%	\$5,906	17%	\$14,333	39%
Unknown/not reported	\$8,272	36%	\$4,927	8%	\$12,232	56%
School Graduation Rate, All						
Grad rate less than 20%	\$7,662	36%	\$5,081	12%	\$11,840	52%
Grad rate 20-39%	\$14,048	45%	\$5,529	15%	\$12,226	40%
Grad rate 40-59%	\$15,257	45%	\$5,814	18%	\$12,135	37%
Grad rate 60-79%	\$23,100	53%	\$5,955	15%	\$13,704	32%
Grad rate above 80%	\$36,325	69%	\$5,614	11%	\$8,868	20%
Unknown/not reported	\$13,311	32%	\$5,194	27%	\$2,567	41%
School Graduation Rate, Pell						
Grad rate less than 20%	\$8,631	38%	\$5,208	12%	\$11,647	50%
Grad rate 20-39%	\$15,679	46%	\$5,583	16%	\$12,705	38%
Grad rate 40-59%	\$15,063	45%	\$5,823	18%	\$12,147	37%
Grad rate 60-79%	\$23,185	54%	\$6,001	15%	\$13,263	31%
Grad rate above 80%	\$42,975	77%	\$5,415	9%	\$8,001	15%
Unknown	\$29,848	66%	\$5,144	11%	\$5,637	24%

Notes

¹ These three letters are real ones from Fitchburg State University, Merrimack College, and Pace University that low-income prospective students received. The scenario is a composite of uAspire advising experiences.

² Diane Cheng and Veronica Gonzalez, *Cost in Translation: How Financial Aid Award Letters Fall Short* (Washington, DC: The Institute for College Access and Success, 2017), https://ticas.org/sites/default/files/pub_files/cost_in_translation.pdf.

³ *No Clear Winner: Consumer Testing of Financial Aid Award Letters* (Washington, DC: the National Association of Student Financial Aid Administrators, 2013), <https://www.nasfaa.org/uploads/documents/ektron/1bb3383b-54a1-40ee-b697-d1caee60d8f7/ca8b5d1a01794622b1aa3cb7220a98312.pdf>.

⁴ See Appendix A for full methodology, tables, and additional data characteristics of the uAspire and NPSAS data sets.

⁵ See Appendix B, Table 1.

⁶ For appropriate comparison with our sample, we limited our analysis of the 2016 NPSAS data to include only those students who graduated high school the year prior (in 2015 or later).

⁷ See Appendix B, Table 1.

⁸ As defined by Bureau of Labor Statistics regions.

⁹ See Appendix B, Table 1.

¹⁰ From the original 913 unique institutions, we omitted aid packages that did not include Pell Grant, those that used the federal Shopping Sheet, and those communicated via online portal. We made note if additional pages were referenced and not submitted to uAspire to account for “unknown” in certain analyses.

¹¹ Six groups of high school or college students, a total of 45 students, were gathered and engaged in conversation by uAspire and uAspire partners in Colorado, Massachusetts, and Pennsylvania in March of 2018.

¹² See Appendix B, Table 2.

¹³ Given the range of students who do not receive a Pell Grant (e.g., those with family need just above the eligibility line, those from very affluent families,

undocumented students, those who did not file the FAFSA, etc.), it is very hard to make affordability claims about that population.

¹⁴ Our data set shows that a small number of institutions offer university-based loans to help students cover financial gaps. These loans are usually based on financial need and require a minimum of half-time enrollment.

¹⁵ Sara Goldrick-Rab and Nancy Kendall, *The Real Price of College* (Washington, DC: The Century Foundation, 2016), <https://tcf.org/content/report/the-real-price-of-college/>.

¹⁶ See Appendix B, Table 2.

¹⁷ Work-study dollars must be earned after a student arrives on campus. These dollars are not a guarantee meaning students must find an eligible job to earn the money.

¹⁸ Spiros Protosaltis and Sharon Parrott, *Pell Grants—A Key Tool for Expanding College Access and Economic Opportunity—Needs Strengthening, Not Cuts* (Washington, DC: Center on Budget and Policy Priorities, 2017), <https://www.cbpp.org/research/federal-budget/pell-grants-a-key-tool-for-expanding-college-access-and-economic-opportunity>.

¹⁹ Sophia Laderman, *SHEF: FY 2017: State Higher Education Finance* (Boulder, CO: State Higher Education Executive Officers Association, 2018), http://www.sheeo.org/sites/default/files/SHEF_FY2017.pdf.

²⁰ Ibid.

²¹ There are two different types of federal student loans: subsidized, which defer interest accrual while the student is in school and go to students with demonstrated financial need; and unsubsidized, which generally go to any student, regardless of need. Not all award letters included subsidized and unsubsidized loans. Of the 515 letters we reviewed, 455 contained unsubsidized loans and 484 contained subsidized loans.

²² In our data set, 359 of the letters presented all aid types together, 53 partially separated aid categories (for example, they separated grants but mixed loans and work-study), and 103 separated aid under appropriate headings (such as “grants/scholarships,” “loans,” and “work-study”). Of those 103, 49 explained the differences among the aid types.

²³ It is worth noting that in student focus groups conversations, students offered divergent responses as to which calculation was most valuable on an award letter. Many found the estimated bill calculation more relevant and compelling, alongside indirect expenses itemized under costs. One question that surfaced multiple times was whether loans should be subtracted before or after the estimated bill is provided. A majority of students expressed concerns about the accuracy of estimated indirect expenses and hence the accuracy of net costs. Further investigation is required on the value of each calculation as well as deeper exploration into the calculation of indirect expenses.

²⁴ “Written” refers to a documented financial aid offer versus a verbal offer; it can be provided in actual paper letter form or via digital delivery. Students in our focus groups said they prefer receiving financial aid offers via both delivery methods rather than one or the other. Digital methods should also be printer-friendly.

²⁵ Rachel Fishman, “New Financial Aid Shopping Sheet Standardizes Award Letters, But Will Anyone Use It?” *EdCentral* [blog], July 23, 2012, <https://www.newamerica.org/education-policy/higher-education/higher-ed-watch/new-financial-aid-shopping-sheet-standardizes-award-lettersbut-will-anyone-use-it/>.

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