



August 26, 2011

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

Dear Ms. Guthrie:

We appreciate the opportunity to provide recommendations on how to improve student financial aid offer forms, as outlined in the July 29, 2011 Federal Register (FR Docket ID: ED-2011-OPE-0009) under “Public Meeting on Recommendations for Improvement of Student Financial Aid Offer Forms, Development of Model Financial Aid Forms.”

The Center for Law and Social Policy (CLASP) develops and advocates for policies at the federal, state and local levels that improve the lives of low-income people. As part of CLASP’s Center for Postsecondary and Economic Success, we specifically focus on policies that help low-income students access and succeed in postsecondary education, including “nontraditional” students such as working adults and out-of-school youth. We therefore approach these proposed regulations through the lens of improving access to financial aid for and postsecondary outcomes for these specific populations.

We thank the Secretary of Education and the Office of Postsecondary Education for working with a broad array of stakeholders to develop model financial aid forms that can be used by colleges to improve and clarify their own processes and communications with students regarding the receipt of financial aid. We recognize that an award letter is often one of the first concrete communications that a student receives from a college. Therefore, the letter should provide direct and transparent information that will help the student make informed enrollment and financial decisions. It should also serve as an educational tool that helps students better understand the true costs of college and develop a plan for funding their education. In addition to our recommendations below, we have included a suggested template for a financial aid offer form that illustrates how some of our recommendations could be implemented (see accompanying spreadsheet).

We recommend that the model financial aid offer form be:

Direct, transparent, and easily comparable across institutions. The inconsistency found across current institutional financial aid award letters inhibits the ability of a student to easily compare college financial aid packages. The letters are often difficult to understand, frequently

including a significant amount of dense, legal information in a disorganized format. To improve these letters, the model financial aid offer form should:

- **Use consistent terminology across institutions for the same funding sources to help students compare their financial aid packages.** Institutions should be required to show each type of aid available and use the same terminology for each category. Students should be able to easily compare offers from different colleges across multiple variables, including the amount of unmet need, grant aid, and scholarships they are eligible to receive, as well as the varying amounts of loans for which they may need to apply. The high degree of variability across institutions in the award letters hinders the ability of students to make these cross-college comparisons. Ideally, a uniform table would be required for each letter that students could use to easily compare their financial aid packages.
- **Be written in easily-accessible terms that lend clarity to the financial aid process, rather than obscure it.** The financial aid process is extraordinarily complex, particularly for low-income students who may be eligible for multiple grants or loans and whose families often have little experience with complex financial forms similar to award letters, such as mortgage loan forms. Some colleges include lengthy disclaimers or legal requirements in the award letters that are inaccessible and confusing to many undergraduate students and their families. It is important for students to understand the legal and financial requirements for each type of loan or grant, but this language need not be incorporated into the main letter to the student—rather, it should be a supplement for the student to review when they have decided which financial package to accept.
- **Help the student distinguish between loans that must be paid back and grant funding, which is provided at no cost.** Upon review of the sample financial aid award letters, we find that some colleges do not provide sufficient clarity to students about the differences between various funding sources. We recommend that the model financial aid form make a distinction between grant funding and loan funding, either through the use of a “key”, footnote, or by listing the funding in three different types of categories: grants, loans, and scholarships.
- **Help the student understand the true costs of college and their potential out-of-pocket cost by explicitly listing the expenses that a student will likely accrue.** In recent years, the cost of college tuition has skyrocketed, but the costs associated with attending college—including books, housing, food, and transportation—have also seen increases.¹ The model financial aid offer form should be sure to include fixed costs such as tuition and fees, and variable costs such as books, supplies, housing, food, transportation, and other personal expenses. Furthermore, students should be made aware of which payments will be made to the institution and which, such as personal expenses, may be paid to a third-party.
- **Include a clear disclaimer that the financial aid award amounts may change if a student enrolls less than full-time.** Approximately 46 percent of undergraduate students attend college part-time, which may impact their eligibility to receive financial aid.² The financial aid award letter should include a clear disclaimer that notifies the student of this

¹*Trends in College Pricing*, College Board, 2011.

²*Yesterday's Nontraditional Student is Today's Traditional Student*, CLASP, 2011.

potential decrease in funding if they enroll less than full-time. Students should be able to request a modified financial aid award letter that reflects the financial assistance they would receive if they attend part-time or less than part-time.

Designed to aid student financial literacy. The need for students to be financial literate is higher now than ever, and institutions should be part of the solution to helping more students develop budgets and learn about credit and debt, starting with their student aid award letters.

- **Facilitate financial literacy by including tools to develop a student budget for the years that they will be in school.** With increasing tuition, fees, and other direct and indirect costs of college, enrolling in postsecondary education is becoming an expensive endeavor, even at public institutions. Unfortunately, if the student is unable to complete a program of study, he or she may be left with significant debt and no credential to show for it. The model aid award letter should be designed as a partial worksheet that students can use to fill in expenses or funding sources that are not outlined by the institution, (i.e. if the student has higher than average medical costs or qualifies for food stamps or other public benefits that help meet unmet need). These previously unlisted expenses and financial resources should be built in to student budgets. Colleges may want to build on this partial tool by providing a more comprehensive budget template that students can use to develop their “plan” to fund college. This template could be online and used in conjunction with federally-mandated student financial aid calculators or provided in hard-copy form along with the financial aid award letter package.
- **Provide a supplementary glossary that explains key technical terms and processes.** Financial aid award letters are replete with technical terms and jargon that is inaccessible to students. Commonly-used terms, such as “unmet need”, “expected family contribution (EFC)”, “master promissory note”, “subsidized loans”, and “self-help aid”, among others, should be explicitly defined in a federally-provided glossary of terms that accompanies each financial aid award letter.
- **Provide supplementary materials that show students how to read their award letter.** Award letters can be complex, yet students receive little guidance about how to interpret them. The Department should require that institutions include a brief tutorial or FAQ document that shows students how to read and understand their financial aid package. For best practice examples, the Department should examine the instructions and publications published by the Internal Revenue Service (IRS) for tax preparation.³

Developed as an interactive tool to engage students in their financial choices and help them find new sources of funding to finance their education. Currently, financial aid award letters are simply a one-way communication vehicle from institutions to students. These letters only include the most basic information about the cost of attendance and funding sources that are controlled administratively by the individual institution. However, student decisions about how to fund their education are complex and may include funding sources outside of those offered by the institution. The model financial aid offer form should:

³ For user-friendly models, see any of the instructions on the IRS web site: <http://www.irs.gov/formspubs/index.html?portlet=3>.

- Reflect a proactive approach from the colleges by helping students find funding for their education by notifying students of other benefits for which they may be eligible.** A growing proportion of undergraduate students are either independent students (47 percent), parents (23 percent), or low-income (40 percent) and may be eligible for other benefits to help them meet their unmet need.⁴ Studies show that some public benefits programs are not being used by all of those who are eligible to receive them, and colleges could play a role by helping students learn about and apply for these benefits. In 2007, only slightly more than half of those who were eligible for Food Stamps (now SNAP) used the benefit and less than 25 percent of workers eligible for housing and child care actually received the benefit.⁵ This is partially due to poor education about eligibility and a cumbersome application process. Aid notification letters could include a sentence that encourages students to apply for any public benefits for which they may be eligible.⁶ They should also provide or refer students to sites that offer free tax preparation and ensure they receive the Earned Income Tax Credit (EITC), the Child Tax Credit, and appropriate education tax credits including the American Opportunity Tax Credit or Lifetime Learning Credit if eligible.
- Explicitly indicate the level of unmet need.** One of the most significant deficits of many of the sample award letters provided in the Federal Register announcement is the lack of a clear indication of the unmet need that a student has to make up using assets, additional family resources beyond the EFC, or wages from non-work study employment. The amount of unmet need for undergraduate students has grown over time – exponentially for some, including independent students and those at public two-year colleges.⁷ It is now one of the most important factors that a student must consider when evaluating financial aid options. Unmet need translates into low-income students being unable to afford to stay in college, causing many to drop out. The amount of unmet need should be prominently featured (preferably in red, per the attached sample template) in the award letter. The letter should also encourage students to explore their eligibility for other public benefits.
- Include an “online” option that would be emailed to students in addition to being provided in hard-copy form.** All types of students, including low-income working adults, are savvy online consumers and well-versed in navigating and comparing prices and offers online. An online option for the award letter would ideally include all of the elements recommended above in addition to a “compare” feature that students could use to seamlessly compare the packages of various colleges and add their own variables, such as factoring in the lost wages due to attending college full- or part-time.

We also encourage the Department of Education to consider ways to reduce the burden on institutions of having to create significantly more aid award letters than the number of students

⁴ *Yesterday's Nontraditional Student is Today's Traditional Student*, CLASP, 2011.

⁵ Albelda, Randy and Heather Boushey, *Bridging the Gaps: A Picture of How Work Supports Work in Ten States*, Center for Economic and Policy Research, 2007.

⁶ These benefits could include the Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF), Medicaid or the Children's Health Insurance Program, Individual Training Accounts through the Workforce Investment Act, Unemployment Insurance, and Trade Adjustment Assistance.

⁷ *Trends in Student Financing of Undergraduate Education: Selected Years 1995-96 to 2007-08*, National Center for Education Statistics, January 2011.

who enroll in the institution. We support current policy that requires institutions to provide financial aid information to all prospective students who list the institution on their FAFSA. However, we understand from colleges in our network that generating the additional letters is a burden, especially for community colleges that are often listed as “safe” schools for students but are unlikely choices for students. Perhaps students completing the FAFSA could be encouraged to only list the institutions that they are truly considering. Alternatively, perhaps there could be two tiers of aid award letters: one for early prospective students and one for students seriously considering the institution.

Finally, perhaps the Department could provide leadership on helping schools within a state, regional, or institutional category centralize the “back office” processes of generating aid award letters; thereby, increasing efficiencies and decreasing the costs of this function. Connecticut community colleges have done this to great success.

We thank the Department of Education for engaging in a dialogue with students, nonprofit groups, and institutions on how to aid student choice by providing model financial aid offers to institutions. We respectfully submit these comments for further consideration.

Sincerely,

The Center for Law and Social Policy (CLASP)

Enc: Suggested template for the *Model Financial Aid Offer Form*