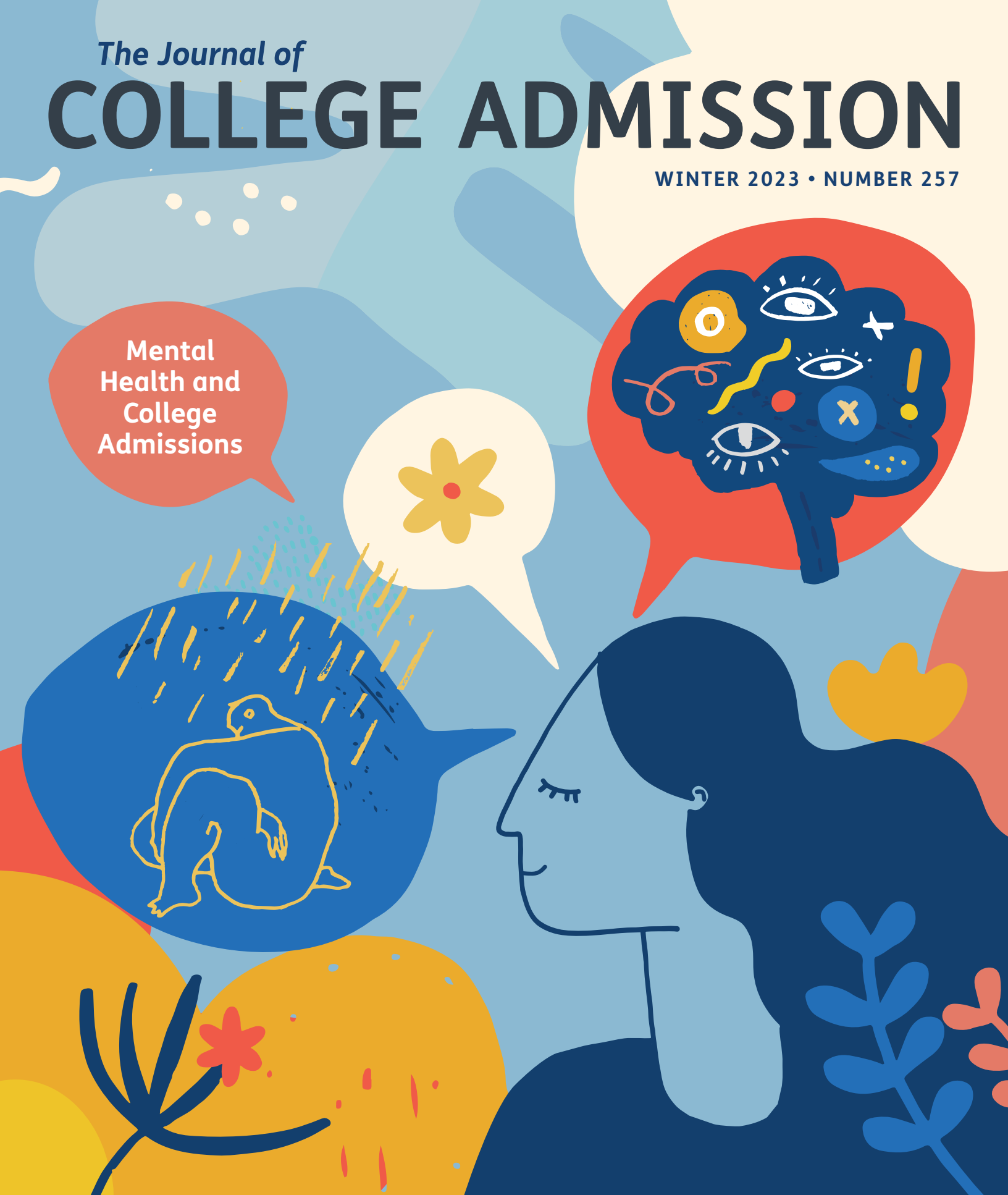


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Transparency Matters: Improving Financial Aid Offers

By Jamaal Abdul-Alim



Many families are confused about the cost of college, and unfortunately, financial aid offers are not always easy to understand. Colleges and universities can improve best practices in making financial aid offers. With several higher education associations leading the Paying for College Transparency Initiative and a bipartisan bill to pass legislation about college financial aid offers, efforts are being made to improve financial aid transparency.

As far as Eniola is concerned, no amount of clarity in a financial aid offer can provide a high school student with a true sense of the cost of college.

“There’s no way you’re going to be able to adequately understand how much college costs when you’re 16, 17, 18; that’s just not realistic,” says Eniola, a former admission counselor at a large, public university on the East Coast, using a pseudonym so she could speak freely about her experience.

“You can put 20,000 (dollars), 40,000 (dollars). You can put these numbers in people’s faces,” Eniola

explains. “But they’re not going to understand—in my professional opinion—how that computes in terms of loans, grants, and scholarships. That’s just something you’re not gonna get until you’re in the thick of it.”

Grasping the numbers can be even more challenging for first-generation students, who may not have access to financial aid information or be able to explain it to their parents or guardians, Eniola adds.

“When you have a barrier like that, it’s gonna make it astronomically harder,” Eniola says.

“And I do not think universities in general really do a good job of breaking that down. I think schools do try to make it clear, but they do not try hard enough.”

Eniola’s take is confirmed in a December 2022 report from the U.S. Government Accountability Office, or GAO, which concluded the same thing.

“Most colleges are not following best practices for providing clear and standard information in their financial aid offers,” the report states in reference to [a series of best practices listed in a 2019 report](#)

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produced by the U.S. Financial Literacy and Education Commission.

Those best practices include:

- Presenting an itemized and subtotaled cost of attendance.
- Clearly identifying loans, which must be repaid, as distinct from grants.
- Calculating the cost after grants and scholarships have been applied.

The new GAO report, titled *Action Needed to Improve Information on College Costs and Student Aid*, found that the vast

majority of colleges (91 percent) fail to provide students with a complete estimate of the net price—or the amount they can expect to pay for college—in their financial aid offer.

The GAO also found that:

- An estimated 41 percent of colleges do not even list a net price, which “may leave students guessing how much they will need to pay.”
- About half of all colleges understate the net price, often by omitting key costs and factoring in loans that must be repaid, which “makes a college appear less expensive than it is.”

In an effort to turn things around and provide more transparency, the leaders of 10 higher education associations—including NACAC—have created a task force called the [Paying for College Transparency Initiative](#). Its mission is to improve the “clarity, accuracy, and consistency of student financial aid offers,” according to the National Association of Student Financial Aid Administrators, or NASFAA. The organization says it hopes to do this by “producing a set of guiding principles and minimal standards to be used when developing aid offers.”

But the initiative is in its infancy, and its leaders are still working out the details.

Asked for three or four concrete steps being taken through the initiative that will make a practical difference in the lives of students and families, NASFAA president Justin Draeger told *The Journal of College Admission* it remains to be seen.

“This initiative is just getting off the ground, so I don’t want to presuppose any outcomes,” Draeger told the *Journal*. “But at a high level, we hope that we will create principles and standards, many of which mirror or are similar to the standards in the GAO report, on aid offers that disclose the cost of college (and) that will have full institutional buy-in, from the college president on down.”

Mark Kantrowitz, a longtime financial aid expert, said the initiative is “unlikely to lead to meaningful improvements in financial aid award letters.”

“When an industry faces the prospect of regulation, the first option in their playbook is to set up a commission to study the problem,” Kantrowitz says. “Until Congress adopts a mandatory standard, there will be no significant improvements in transparency concerning college costs and financial aid.”

From the NACAC perspective, a joint effort is necessary.

“We can appreciate the professional fatigue associated with the financial aid award notification, as NACAC has been involved in the discussion for more than three decades,” said David Hawkins, chief education and policy officer at NACAC. “Any federal regulation requires careful consideration to ensure that the policy that Congress or the Department of Education implements produces the desired results. The collaboration of NACAC, NASFAA, and ACE, as well as other higher education organizations, to contribute our expertise on this topic will be an important component of any future step, whether voluntary or mandated.”

In its report, the GAO recommends that Congress “consider legislation requiring colleges to provide students financial aid offers that follow best practices for providing clear and standard information.”

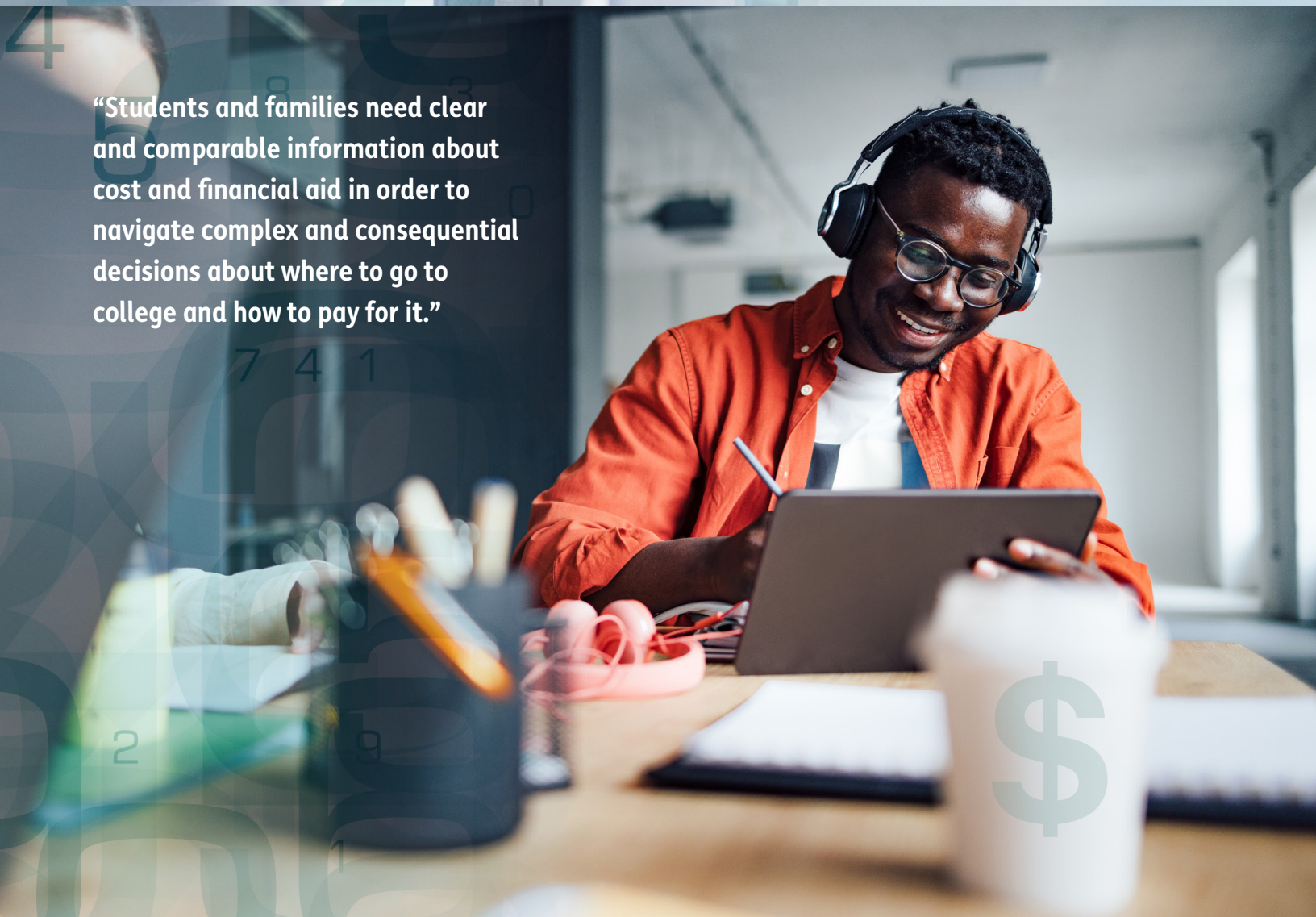
That may sound simple. But part of the challenge is having enough people and staff to do the work necessary to produce clearer financial aid offer letters.

“We’ve known for a while that financial aid offices and student affairs offices all over campuses are struggling with retention, creating limitations on what staff can physically get to each day, as well as financial limitations, which limits some schools from investing in better software or third-party companies to help with aid offer creation,” Draeger says. “These challenges create an environment of



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competing priorities, forcing offices to pick and choose what areas are of most importance.”

Some colleges aren’t waiting to be told what to do and have taken the initiative to shuffle staff and resources to provide students and families with a clearer picture of the cost of college.

For instance, Whitman College, a small, private liberal arts college in Walla Walla, Washington, has implemented a program called Early Financial Aid Guarantee, which basically flips the admission process so that financial aid is made clear at the beginning of the process instead of the end.

Adam Miller, interim vice president for admission and financial aid at Whitman, says the program grew out of a discussion that the school’s

administrators had been having over the past decade about how to help families understand that the sticker price isn’t always what they’ll pay.

“For a while we put a lot of effort into trying to make our Net Price Calculator as helpful and accurate as possible, and while that helped a little, the reality was that the Net Price Calculator still had plenty of room for error,” Miller says of the tool that universities are supposed to put on their websites to help students and parents estimate how much it will cost to attend the school. “For many families, a few thousand dollars is a big deal,” Miller says, “so we knew we had to do better.”

In 2019, Miller recounts, Whitman officials asked: “What if we moved financial aid from the end of the admission process to the beginning?”

“While there were plenty of logistical challenges to providing financial aid offers before students had even applied for admission, we felt like we had a team in place that could solve those challenges,” Miller says.

Recognizing the challenges associated with implementing a new approach, Whitman officials decided to phase the program in gradually. They began by providing need-based aid guarantees in the fall of 2019.

“Our experience with that and the positive feedback we received led us to expand the program in the second year,” Miller says.

So how exactly does the program work?

According to Miller: Starting July 1 of the year a student plans to apply to Whitman, they can go

to [Whitman's Early Financial Aid Guarantee site](#) and fill out a quick request form. They are prompted to upload an unofficial transcript and enter the courses they plan to take in the fall. They can also share an SAT or ACT score if they'd like.

For requests submitted before Oct. 1, once the request comes through, a member of the admission staff reviews the file, and the student is assigned a merit scholarship level. The level is determined using a simplified version of the same process used when reviewing applications for admission. This information is fed into a secure portal where the student can log in to see their scholarship.

"Our goal is to provide the merit scholarship amount within two weeks of receiving the request," Miller says.

For students who also plan to apply for need-based aid, they receive communication letting them know that once Oct. 1 arrives, they simply need to submit their financial aid forms to Whitman. Once those forms come through, the financial aid office determines their eligibility for Whitman's need-based scholarships as well as for federal and state aid. When the need-based package is ready, the student is notified that their need-based guarantee is available.

"This does make an already busy October in our financial aid office even busier," Miller says. "But for the 80-90 percent of students who go through the early financial aid guarantee process and then apply for admission to Whitman, their financial aid package is already calculated.

"So really all that happens is that we move some of the work our financial aid team would have done in January and February up to October and November."

Could Whitman's program work for large, public institutions? Miller says he is hesitant to speculate on what is possible for other colleges.

"It is true that larger volume would create challenges, but it can also create efficiencies," Miller says. "Our experience at Whitman has been that each year has gotten progressively easier to administer, even as volume has increased."

But Miller says any school that wants to duplicate the effort should not expect the process to be easy.

"This has been a complicated program to build out and has

required collaboration across many departments at

Whitman," Miller says.

"But the benefit we're seeing in terms of helping families understand the real cost of attending Whitman has made it well worth the effort.

"Families experience a lot of confusion and stress around how to pay for college," Miller continues.

"We think Whitman's approach of

providing a comprehensive financial aid award early in the process—as students are deciding where to apply—is a helpful way to alleviate some of that stress and confusion."

But most of America's high schoolers won't be going to college in Walla Walla. Those students need a broader policy change to be assured greater transparency in college costs, advocates say.

Angelique Palomar, a spokesperson for The Institute for College Access & Success, or TICAS, an Oakland, California-based nonprofit that pushes for affordability and accountability in higher education, says the current lack of transparency in financial aid offer letters creates "unnecessary confusion

for prospective students today, many of whom are already struggling to pull together limited resources and a patchwork of financial aid in order to cover the cost of attending college."

"Students and families need clear and comparable information about cost and financial aid in order to navigate complex and consequential decisions about where to go to college and how to pay for it," Palomar says.

To that end, TICAS is one of more than 50 organizations pushing Congress to pass the bipartisan [Understanding the True Cost of College Act](#).

In short, the bill would require the U.S. Department of Education to develop a consumer-friendly financial aid offer form that includes certain details. Those details include the estimated cost of attendance, the net price that a student or family is estimated to pay, and the terms and conditions of financial aid. Colleges that receive federal student aid would be required to use the forms, as well as standard terminology and definitions the department would develop for all communications related to financial aid offers.

Draeger, the NASFAA president, said it would also be a mistake to think that federal legislation alone is going to solve this issue.

He noted that the Department of Education has developed a [College Financing Plan](#), a consumer tool that participating schools use to notify students about their financial aid package. Use of the tool is voluntary, and full use of the tool has varied.

"Legislation rarely keeps up with a changing environment, and it's worth noting that even the schools that used a prior version of the federal College Financing Plan were still found noncompliant with all 10 best practices," Draeger says. "Federal rules are needed, but they will not be the panacea some people hope." 🌈

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