

▶ Report of the NASFAA Award Notification and Consumer Information Task Force

May 2012



NASFAA
ADVOCACY



NASFAA

NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

Executive Summary

The financial aid award notification process is a topic of great importance to the Obama Administration, Congress, and the U.S. Department of Education. The National Association of Student Financial Aid Administrators (NASFAA) also values the importance of clear, concise, accurate information for students and parents, and recognizes there are ways to improve award letters.

While some have called for the complete standardization of the award letter, NASFAA members have concerns that over-prescriptive standardization of award letters would interfere with an institution's ability to meet the specific needs of its unique student body, and would restrict innovation and delivery. However, NASFAA supports standardizing elements and terms on award letters.

Knowing that the process of improving award letters should be informed by the professionals who use them, the NASFAA Board of Directors commissioned the Award Notification and Consumer Information Task Force in November of 2011. The task force was charged with examining best practices in award notification and providing recommendations to the NASFAA Board of Directors to improve or standardize elements of award notifications. The task force was comprised of NASFAA members representing the public and private sector, including two-year, four-year and graduate/professional institutions. A few themes clearly emerged from the task force:

- **A well-presented, easy-to-understand financial aid award notice is critical and should be a top-priority for all financial aid offices.**
- **Standardization of the content, terminology and definitions contained in an award notice is critical.**
- **Flexibility in the format of the award notice is critical so that institutions can best leverage whatever delivery method (e.g. paper, web-self-service, email, mobile app, etc.) is available to them and best suits their particular student population.**

Based on their research, the task force developed the recommendations detailed in this report. The recommendations are organized into four topics:

- **Core Elements of an Award Notification**
- **Glossary of Standardized Award Letter Terminology**
- **Loan Aggregator and Calculator**
- **Student Consumer Information**

As Congress and the U.S. Department of Education explore ways to strengthen financial aid award letter notifications, we encourage them to consider the recommendations put forth by NASFAA's Award Notification Task Force, particularly those related to core elements and standardized terminology. Incorporating the recommendations of the professionals who assist

students on a daily basis and have the best working knowledge of the financial aid programs will help maximize the effectiveness of award letters and avoid unintended, negative consequences of over-prescriptive standardization.

Core Elements of an Award Notification

Recommendation #1: The following 10 elements should be specified as core elements to be included on every award letter/notification.

1. Cost of Attendance

The federally defined Cost of Attendance (COA) should be listed on every award letter or notification to students. At a minimum, this cost of attendance should include:

- Expected charges for one year for tuition and mandatory fees
- Room and board (for on-campus residents)
- Estimated living expenses (for off-campus residents)
- Estimated transportation costs
- Estimated books and supplies costs
- Estimated miscellaneous costs

2. Scholarship and Grant Awards (Gift Aid)

This element should include gift aid from all sources (federal, state, institutional, and private). Award notifications should transparently indicate awards that are gifts as opposed to self-help (work-study or loans) so that students can easily calculate their net costs after gift aid.

3. Net Costs After Gift Aid

It is essential that students understand what their financial responsibility will be after gift aid is subtracted.

Optionally, schools should consider displaying how much of the gift aid will cover direct costs in addition to the overall net cost after gift aid. For example, if total gift aid is \$5,000, direct costs are \$8,000 and indirect costs are \$7,000, the display of net costs would be:

Net Direct Costs after Gift Aid	\$3,000
Net Total Costs after Gift Aid	\$10,000

4. Self-Help Options

Self-help includes all student loan and work-study awards. Parent PLUS loans would be included in this section if the school chooses to include these in the award notification. The student should be advised that loans would be used to help pay the remaining net costs after gift aid.

5. **Assumptions**

The award notification should include (or contain links to) the assumptions used to determine aid awards as well as any conditions that must be met to continue to receive the awards, such as:

- Enrollment status, including effect on award amounts/levels
- Housing status
- General terms and conditions
- Award-specific terms and conditions

6. **Link to Resource of Total Loan Debt (Aggregator) and Calculator from ED or other Third Party**

See following section in this report on loan aggregators and calculators for details.

7. **Link to Consumer Information Disclosures**

See section in this report on Student Consumer Information disclosures for details.

8. **Link to a Public Glossary of Standard Terms and Definitions**

The U.S. Department of Education has a glossary that can be used for this purpose:
<http://studentaid.ed.gov/PORTALSWebApp/students/english/Glossary.jsp>.

(Note: this public glossary would differ from the glossary used to standardize terms on the award letter, described in Appendix A of this report.)

9. **Contact Information for the Financial Aid Office**

10. **Deadlines and Next Steps**

This includes all action that the student must take, and by what date, to receive the financial aid (all or part) contained on the award notice.

Optionally, institutions should provide links to financial planning tools and “financing your education” websites so that families can explore different scenarios regarding how much of their resources to use vs. how much to borrow.

Recommendation #2: Components of the cost of attendance should be broken down into two, clearly labeled classifications:

1. Direct Costs

- Expected charges for one year for tuition and mandatory fees
- Room and board (for on-campus residents)

2. Indirect Costs

- Estimated living expenses (for off-campus residents)
- Estimated transportation costs
- Estimated books and supplies costs
- Estimated miscellaneous costs

The task force recognizes that sometimes optional on-campus housing can be classified as either direct or indirect when displaying the Cost of Attendance using the direct and indirect classifications. In this case, the more likely scenario (e.g., student’s housing preference on the FAFSA, the housing amount used in the budget on the system for the student, etc.) should be the basis for whether living expenses are classified as direct. If indirect is chosen in this case, the option for on-campus housing should be indicated in the description.

Example 1: On-campus housing is either mandatory or is listed on the FAFSA:

Direct costs billed by the institution:

Tuition and Fees	5,000
Room and Board	<u>6,000</u>
Total Direct Costs	11,000

Estimated indirect costs (actual amounts vary based on individual circumstances)

Books and Supplies	600
Transportation	500
Miscellaneous	<u>400</u>
Total Estimated Indirect Costs	900

Total Estimated Costs of Attendance 11,900

Example 2: On-campus housing is optional and not listed on the FAFSA:

Direct costs billed by the institution:

Tuition and Fees	<u>5,000</u>
Total Direct Costs	5,000

Estimated indirect costs (actual amounts vary based on individual circumstances)

Living Expenses – either on-campus room and board or off-campus housing expenses	6,000
Books and Supplies	600
Transportation	500
Miscellaneous	<u>400</u>
Total Estimated Indirect Costs	6,900

Total Estimated Costs of Attendance 11,900

Example 3: On-campus housing is not an option:

Direct costs billed by the institution:

Tuition and Fees	<u>5,000</u>
Total Direct Costs	5,000

Estimated indirect costs (actual amounts vary based on individual circumstances)

Off-Campus Living Expenses	6,000
Books and Supplies	600
Transportation	500
Miscellaneous	<u>400</u>
Total Estimated Indirect Costs	6,900

Total Estimated Costs of Attendance 11,900

Loan Aggregator and Calculator

Recommendation #3: Students should be informed of the potential debt they may incur at a college before paying the enrollment deposit.

Recommendation #4: Award notifications should provide enrolled students with their cumulative loan history (federal and private) and the ability to calculate repayment estimates before they borrow additional loans to pay their college costs.

The task force recognizes that there is a need to standardize the delivery of this information from schools. For schools to provide their respective students with this type of loan history, there needs to be one comprehensive database where all educational loans (federal and private) are reported.

Recommendation #5: The U.S. Department of Education should mandate that all educational loans from private lenders as well as from colleges and universities be reported to one, central database.

This may mean an expansion of the data collected by the National Student Loan Data System (NSLDS) or the creation of another database or loan aggregator. The task force proposes that the model award notification would provide a link for students to this database as the single point of contact for all of their educational loans. Then all students would have access to their entire debt portfolio in real time so they can calculate a more accurate amount of monthly repayments they will or could have.

Regarding loan repayment calculation (both potential and cumulative debt), the task force strongly recommends that this capability be provided through a common tool, rather than each institution developing the tool themselves. All college students who borrow student loans must have access to a national standardized loan repayment calculator that is created by/and or sponsored by the U.S. Department of Education. This standardized calculator should be similar to the one that existed in Direct Loan Servicing that was eliminated when the servicing of Federal Direct Loans moved to multiple servicers who have contracts with the Department. This calculator also should be located in the educational loan database site that would be the single point of all education loans so all students would have a standardized calculator to determine their repayment options. In addition, there should be a version of the calculator for students to use who do not have any loan history but would like to determine how much they may need to borrow for their first student loan.

Student Consumer Information

Recommendation #6: Each award notification sent to students, both prospective and returning, should include a link to a school-created web resource that contains links to student consumer information, loan counseling, cumulative indebtedness, student loan default rate, repayment information, glossary of financial aid terms, federal student loan history, the College Navigator, and the school's net price calculator. This web resource should also link to non-federal student loan history (once this resource is available) and the College Scorecard.

The task force concludes that students and families should be provided with the most complete information possible to assist in making decisions about where to attend college and how to pay for it. Providing the same or similar information in the same or similar format will enable students and families to more easily compare the information provided by each school while giving schools the flexibility to provide information unique to their institution and sector.

The table in Appendix B shows the recommended name for each link and its destination. The question posed beneath each link will inform the user as to the specific information available at the linked site.

While schools would have the flexibility to include links to other resources, the task force recommends that the web resource contain only the most essential information. By limiting the amount of information provided via this resource, the student and the student's family are more likely to review all of the information provided and use those tools that are most important to their unique family situations.

Appendix A

Glossary of Terms for Award Notifications

The Glossary of Terms for Award Notifications contains universally accepted definitions of language typically contained on award notifications. The goals of the glossary are:

- a. to provide colleges community-defined and accepted definitions of common terms used on institutional award notifications;
- b. to provide greater clarity and understanding by students through consistency in the use and meaning of terms on award notifications across all colleges and universities; and
- c. to allow prospective students to more easily compare information from multiple schools because terms used have common definitions.

Cost of Attendance: The estimated cost of attending this institution for one academic year. This amount includes:

- Expected charges for one year of tuition and fees
 - a. Tuition – Charges assessed for classes
 - b. Fees – Charges assessed for other college services
- Room and board for resident students
- Estimated living expense -- allowance for rent, utilities, and food for off-campus living
- Estimated transportation costs
- Estimated books and supplies
- Miscellaneous costs

Direct Costs: Expenses the student/family pays to the college.

Indirect Costs: Expenses the student/family may pay to a third party (merchant, landlord, etc.) other than the college

Net Cost: Amount of direct and indirect costs remaining after all gift aid (scholarship and grant) is subtracted.

Out-of-Pocket Cost: Difference between the cost of attendance and all gift aid. Out-of-pocket cost can be covered through a variety of sources, including savings, income and educational loans.

Family Financial Responsibility: Many schools award institutional scholarships and grants based on a more comprehensive calculation of family financial circumstances using information provided on the CSS PROFILE or the College's own financial aid form. This can result in a higher (or lower) financial responsibility for the student (and his/her family) than the Free Application for Federal Student Aid (FAFSA) might indicate with its Expected Family Contribution (EFC) estimate.

Expected Family Contribution (EFC): A measure of how much the student/family can be expected to contribute to the cost of the student's education for the year. The EFC is calculated according to a formula specified in the law and is based upon the information provided by the student and his or her family during the FASFA filing process.

Gift Aid: funds awarded to the student that do not have to be repaid, unless the student fails to meet certain terms, such as a service requirement, specified as a condition of the grant. Gift aid includes awards with titles such as grants, scholarships, remissions, waivers, etc. Gift aid can be awarded based on many factors, including (but not limited to) financial need, academic excellence, athletic, musical, and theatrical talent, affiliation with various groups, or career aspirations.

Grant: Gift aid awarded to the student that does not need to be repaid. Grants are typically based on financial need.

Scholarship: Gift aid awarded to the student that does not need to be repaid. Scholarship awards are typically based on merit or a combination of merit and need, such as academic excellence, talent, affiliation with various groups, or career aspirations.

Self Help: Financial aid in the form of loans or student employment. Loans are used to help pay the remaining net costs after gift aid is deducted. Student employment earnings (including work study awards) are not deducted from billed costs but can be used to help cover indirect costs and are paid in the form of wages to the student.

Educational Loan: A form of financial aid that must be repaid with interest. Educational loans have varying interest rates and repayment terms. Students and/or parents are required to sign a promissory note when accepting an educational loan.

1. **Student Loan:** Funds awarded to the student that must eventually be paid back to the lender by the student.
 - a. **Federal Direct Student Loan:** Loan funds provided *to the student* by the U.S. Department of Education, through the school. Repayment of principal begins six months after the borrower ceases to be a student on at least a half-time basis. The FAFSA is the annual application. There are two types of Federal Direct Student Loans: subsidized and unsubsidized. Students with financial need can qualify for a subsidized loan, and the government pays the interest on the loan while the student remains enrolled at least half time. Students that don't demonstrate financial need qualify for an unsubsidized loan and interest accrues while the student is in school.
 - b. **Federal Perkins Loan:** A low interest loan for educational expenses provided by the federal government for qualified individuals with exceptional financial

need. The Federal Perkins Loan needs to be repaid with interest once the student is no longer enrolled at least half-time (6 credit hours).

- c. **Federal Grad PLUS Loan:** Loan funds provided to graduate students by the U.S. Department of Education, through the school. This federal loan program allows graduate students with no adverse credit history to apply for up to their Cost of Attendance each year, less any financial aid. To be eligible, the student must be enrolled at least half time in an eligible program of study and first borrow the maximum allowable through the Federal Direct Student Loan program. Repayment of principal and interest begins 30 to 60 days after the loan is fully disbursed with deferment and forbearance options available.
 - d. **Private (Alternative) Loan:** A loan from a commercial, state-affiliated or institutional lender used to pay for up to the annual cost of education, less any financial aid received. Private loans usually require the applicant to be creditworthy, or have a co-signer and have varying interest rates, fees and repayment options. Repayment of interest (and often principal) generally begins immediately, with some lenders offering deferment options for in-school periods.
2. **Federal Parent Loan (PLUS):** A federal loan program that allows parents who have no adverse credit history to apply for up to the Cost of Attendance each year, less any financial aid. PLUS loans must be repaid with interest.

Federal Work-Study (FWS): A program that provides part-time employment to students attending institutions of higher education who need the earnings to help meet their costs of postsecondary education and encourages students receiving FWS assistance to participate in community service activities.

Federal Supplemental Educational Opportunity Grant (FSEOG): A grant provided by the federal government to qualified undergraduate students who demonstrate exceptional financial need.

Federal Pell Grant: A grant provided by the federal government to qualified undergraduate students who demonstrate exceptional financial need and have an Expected Family Contribution below a threshold designated annually by the U.S. Department of Education.

Enrollment Status: Academic workload (or course load), as defined by the institution, that a student is carrying for a defined academic period. This normally relates to the number of credit hours or clock hours taken by a student during a given academic period. For most traditional based, semester schools full-time status = at least 12 credit hours, three-quarter time status = 9-11 credit hours, and half-time status = 6-8 credit hours. For most clock hour schools full-time enrollment equates to at least 24 clock hours per week.

Enrollment Level: Level of the degree-granting program in which a student is enrolled. There are three basic levels of enrollment: undergraduate (students seeking an associate’s degree, certificate or a baccalaureate degree); graduate (students working on a master’s degree or professional degree); and post-graduate, students enrolled in a doctoral program. The amounts and types of financial aid a student is eligible for is determined, in part, by their enrollment level.

Verification: Process to confirm the accuracy of data provided by the applicant on the Free Application for Federal Student Aid (FAFSA). In order to complete the verification process, students are required to provide certain documents to the school for review.

Appendix B

Student Consumer Information

Title	Question	Destination
Student Consumer Information	What information do I need before deciding where to attend college?	Schools' consumer information disclosures webpage
Loan Counseling	What does it mean to borrow to finance my education?	U.S. Department of Education's Office of Federal Student Aid https://studentloans.gov/myDirectLoan/whatYouNeed.action?page=entrance
Cumulative Indebtedness	How much could I owe when I graduate?	School's gainful employment website or College Navigator http://nces.ed.gov/collegenavigator/
Student Loan Default Rate	What is the school's default rate?	College Navigator http://nces.ed.gov/collegenavigator/
School Graduation and Retention Rates	How many of the school's students continue and graduate from their chosen program?	College Navigator http://nces.ed.gov/collegenavigator/
Repayment Information	How much will my payments be when I go into repayment?	U.S. Department of Education's Office of Federal Student Aid http://studentaid.ed.gov/PORTALSWebApp/students/english/repaying.jsp
Federal Student Aid History	How much federal student aid have I received in loans and grants?	National Direct Student Loan Data System www.nsls.ed.gov
College Comparison Tool	Where can I compare information about the schools I am considering?	College Navigator http://nces.ed.gov/collegenavigator/
Net Price Calculator	What should I expect my out-of-pocket costs to be for one year?	School's net price calculator
Non-Federal Student Loan History	How much have I borrowed in non-federal education loans?	Not currently available
College Scorecard	Coming soon	Not currently available

Appendix C

NASFAA Award Notification and Task Force

Chair: Doug Levy – Macomb Community College

Members:

- Anthony Sozzo – New York Medical College, Member of the NASFAA Graduate & Professional Issues Committee
- Ben Burton – Ivy Tech Community College of Indiana
- Brenda Brown – University of Miami School of Law
- Dan Davenport - University of Idaho, Chair of the NASFAA Federal Issues Committee
- Diane Stemper – The Ohio State University
- Eileen O’Leary - Stonehill College, NASFAA Board Member
- Michelle Stipp – DeVry University
- Myrna Perkins – Barton Community College
- Nancy Hoover – Denison University
- Paula Luff – DePaul University, NASFAA Board Member
- Terri LeGrand – Wake Forest University