



★ FROM THE OFFICE OF THE PRESIDENT ★

August 25, 2011

RE: Federal Register of July 29, 2011
Docket ID ED-2011-OPE-0009

We appreciate the opportunity to submit comments on ways to improve financial aid award letters. Award letters are an anomaly in the student aid world: they are almost universally utilized to fulfill a basic financial aid function, and yet they are completely unregulated. Regulation in this case would be undesirable given the vast array of institutional prerogatives and variety of student body characteristics that exist. However, modeling and a certain degree of standardization would serve students well. Please accept the following comments that expand on how students would be better served through a financial aid award letter model and best practices.

Sincerely,

Justin Draeger
NASFAA President

Standards vs. Models

We believe that standardization should apply primarily to definitions and terminology rather than format or, for the most part, organization of content. For example, there are several different names that are used to designate subsidized student loans under the Direct Loan Program. Students would have an easier time comparing loan packages if the same designation were used.

Cost of attendance is defined in the law, yet different schools have differing philosophies and differing experiences about what results in clarity versus confusion among their students about costs relative to offered aid. We believe that the standardization already inherent in “cost of attendance” should generally be observed in award letters by giving a complete picture. Showing all reasonable costs associated with attending school, as defined in law, does not preclude schools from organizing costs in a way that conveys necessary information about direct costs vs. indirect expenses.

We believe a model or models of award letters would be very useful, but the implementation of an exact, standardized award letter would be detrimental.

Institutional Variations

As we explored this topic with a targeted group of our members that represents different sectors of higher education, we realized that some of the givens we had at first assumed were not as obviously conclusive as we originally thought. For example, some schools list EFC and unmet need separately on their letters. Others find that such a separation of what is essentially the bottom line confuses their population. Instead, those schools provide a single cost figure that represents the remaining responsibility of the student and family. That decision is legitimately the purview of the school, based on what it knows about its student population.

Different packaging strategies impact the award letter format and the information it contains, as do the mission of the school, the characteristics of its aid applicants, the degree of automation it employs, and the extent to which its application and aid processes are electronic as opposed to paper.

We must also remember that while some students may use award letters to compare schools, that comparison is not necessarily the primary function of the award letter, or even relevant to other students. The Department notes on its website that award letters are “sent to prospective students” to inform them about their financial aid. In fact, award letters are also sent to continuing students, whose needs may differ from incoming students. For incoming students, award letters are generally sent only to students who have been accepted for admission, but some schools might provide *likely* financial aid information independent of the admission process. Some schools might send award letters to all accepted aid applicants, but in

highly selective programs a school might offer aid only after the student has accepted the school's offer of admission. As these situations illustrate, the award letter serves as information to help the student decide which school to attend only in some cases. The format of an award letter needs to reflect the school's unique information to a student who is continuing to attend, going to attend, or likely to attend.

Program format also affects how information could be presented: for nonstandard terms, it might be important to show a term-by-term breakdown of costs and resources. For a program that charges up front, information about distribution of aid over the course of the program takes on a different significance. For standard terms where costs and resources are almost always evenly distributed, a breakdown by term might make the award letter unnecessarily confusing; information about the distribution over the academic year might be better placed in accompanying materials. On the other hand, the characteristics of the aid applicant pool might be such that presenting just the total figures for the academic year might be intimidating. The school has the most knowledge about how information is received by its students and families.

Schools thus need latitude in customizing their award letters to meet the needs of their students and support various institutional procedures. Just like the FAFSA, there is limited real estate on an award letter and schools need control over content and format. Schools need the ability to decide what information belongs on the prime real estate of the award letter, what information can be included in accompanying materials, and what information can be relegated to other locations for which links or cross-references are sufficient.

With the foregoing points in mind, we believe that the concept of an "award letter" should encompass more than a single sheet of paper and should be viewed as encompassing accompanying materials so that the most important information can be presented as cleanly as possible. We constructed a sample chart to aid the discussion of how information might be organized along those lines, which we are including with these comments. We stress, however, that the chart represents one approach of many possible approaches. It must be noted that the information could be organized and presented very differently for electronic award letters as opposed to paper.

Highly Recommended Elements

We believe there are four elements that belong in an award letter because they foster informed decisions about accepting aid, assist families in financial planning, and facilitate apples to apples comparisons between schools by students still trying to decide where to attend. We regard inclusion of these elements as a best practice that should serve as a community agreed upon standard for the presentation of information in a complete, consistent, and transparent manner and location. This would be one of the benefits of a model, which formalizes and clearly illustrates a best practice, therefore increasing the likelihood of widespread adoption.

1. *Cost of attendance.* As noted above, the law defines cost of attendance and regulations specify student consumer information requirements concerning costs. Student budgets are essential to successful financial planning by families, and should be as reliable an estimate as possible to true costs. We recognize, however, that some student populations, such as part-time nontraditional students who are employed, may know more than the school about the indirect costs of college. While we acknowledge there are situations where even the basic elements of cost of attendance might be somewhat variable in presentation, having a commonly defined figure would allow common comparisons between schools. Breakdowns in direct versus indirect costs can be provided as needed by the school.
2. *Estimated costs that remain after gift aid is subtracted.* This information conveys the amount that the student and/or family will be responsible for in the form of self-help. Standard terminology to identify this amount would be helpful for students who are comparing costs for multiple schools.
3. *The self-help aid offered and/or recommended by the school and the amount of estimated costs remaining for the student and family to fund.* This unmet need (again, standard terminology and definitions would be helpful) may vary significantly even among schools with similar costs, depending on the packaging policy of the school. For example, some schools present unsubsidized and/or parent loans as part of the package, while others simply present information about those loans as possible ways to cover unmet need. As students and parents compare award letters, the amount of self help aid, or out-of-pocket costs, is one of the key figures that may determine which institution students attend. This is another reason standardization of the names of loans becomes even more important.
4. *The cost of borrowing.* Clear presentation of current and projected costs of borrowing helps a student understand that loans must be repaid and that loans only defer payment of educational expenses. Comparison of the cost of borrowing tells only part of the loan story, but all of the terms and conditions of loans cannot be fit onto an award letter; accompanying materials are important in this regard.

Finally, we offer a caution that the purposes and roles of award letters should not be confused with those of net price calculators. An NPC is an early informational tool for students and families, and should have a standardized format. NPCs convey the “what if” about possible attendance at different colleges. Award letters convey the “what is” about actual attendance at a given college.

While we would like to see an enhanced ability for students to compare offers of aid from different schools, the award letter is not the only focus for improvements. Students and their families need knowledgeable counseling and financial planning instruction all along the education continuum.

Sample Organization of Recommended Award Letter Information

ON AWARD LETTER	WITH AWARD LETTER	BY CROSS-REFERENCE
Period covered by award offer		
COA Category (in/out of state, enrollment status, on/off campus, meal plan, etc.); direct (set) vs. indirect (variable) costs	Book disbursement information for Pell eligible students and opt-out Explanation of COA elements; institutional vs. non-institutional charges	General information re. COA, such as institutional method for determining allowances (e.g., books by annually surveying bookstore; off-campus room by biennially surveying students)
EFC Dependency status (i.e., whether EFC includes a parent contribution)	Allowable replacements for EFC or portion of unmet need represented by EFC if EFC is not presented separately on the award letter	Information about derivation of EF
Gift aid (grants & scholarships)	Any relevant terms and conditions (renewability; major, GPA, etc.)	Student consumer information about availability of non-federal grants & scholarships
Self-help aid: Work	Wage rate; hours per week; how to obtain job placement	Rights & responsibilities; policy regarding hiring/firing; off-campus and community service opportunities; other student consumer information
Self-help aid: Loans Standard terminology Present as deferred cost rather than met cost (total cost of loan in repayment)	Procedures for applying or accepting; prom note info; counseling requirements Right to cancel How to determine cumulative amounts using NSLDS	Repayment terms and conditions Rights & responsibilities Student consumer information
Unmet need (family responsibility for financing)	Allowable replacements; cautions re. fee-based scholarship searches Requirement to inform school of additional outside aid	School services regarding non-need employment, other loans, scholarship searches, etc.
Contingencies (factors that may affect award) Enrollment status	Contingencies Verification Availability of anticipated aid Final acceptance as regular student	General student eligibility criteria General conditions for continued receipt of aid (e.g., SAP)

National Association of Student Financial Aid Administrators
Comments on Federal Register 7/29/11

ON AWARD LETTER	WITH AWARD LETTER	BY CROSS-REFERENCE
Contact for further info		
Reply date if acceptance required		
	Consequences of additional outside aid and effect on package	Institution's packaging policies and procedures (e.g., deadlines, packaging philosophy or model)
	Consequences of enrollment status changes and effect on package	
	Statement authorizing release of financial info to parents	
	Specific disbursement info for awarded aid	General disbursement info, including student consumer information and required cash management notices
	Institutional account information; due dates for institutional charges not covered by aid	
	Authorizations for offered cash management services	
	Correction or update process Appeal procedures Requests for professional judgment adjustments of COA and/or EFC	
	Revised award letter procedures Reasons for revision and consequences	
		General bill payment information, payment plans
		Institutional selection criteria for aid under institutional control and other general student consumer information re. available aid programs

