

The Award Letter: A Model Concept



How students can be better served through a financial aid award letter model and best practices

National Association of Student Financial Aid Administrators

Introduction

Students and families expect to receive timely, clear, and comprehensive information regarding their financial aid award and their expected educational costs. This information plays a key role in families' understanding of how they will finance a college education. Award letters are almost universally utilized to fulfill this basic financial aid function, and yet no consistent standards or models exist.

The *Higher Education Opportunity Act* (HEOA) of 2008 provided an impetus for improvement of award letters by mandating that the U.S. Department of Education “convene a group of students, families of students, secondary school guidance counselors, representatives of institutions of higher education (including financial aid administrators, registrars, and business officers), and nonprofit consumer groups” to develop and make recommendations for improvement of award letters, along with a model award letter. These recommendations would then be widely publicized and shared with the House and Senate education committees.

NASFAA has been invited to be a part of this group and universally supports the delivery of clear and forthright information pertaining to student award letters. Overall, 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. We also 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.

The following document expands on how students would be better served through a financial aid award letter model and best practices. It also offers—from both the consumer and institutional perspectives—examples of self-assessment tools that can be used to evaluate the clarity and effectiveness of financial aid award letters.

Standards vs. Models

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. Student aid award letters are not regulated. 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 some standardization would serve students well.

We believe that standardization should apply primarily to definitions and terminology rather than format or, for the most part, organization of content. Students would have an easier time comparing packages if standard terminology were used.

Institutional Variations

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. Due to these variables, the school should have some discretion on award letter format and content.

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. 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 those who have been accepted for admission, but some schools might provide likely financial aid information independent of the admission process. As these situations illustrate, only in some cases award letters serve as information to help the student decide which school to attend. 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. Nonstandard term programs may have a different distribution of costs and resources than a standard term program and therefore, the school may wish to display the information in a different format. 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 missions. Just like the FAFSA, there is limited real estate on an award letter and schools need control of content and format. Schools also 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.

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 requirement and the presentation of them in a fairly consistent location as one of the benefits of a model.

1. *Cost of attendance.* 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 policies 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.

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.

NASFAA Tools

We have developed several tools related to award letters. The first, called *Sample Organization of Recommended Award Letter Information*, is designed to illustrate the concept of the award letter as encompassing more than a single sheet of paper. Instead, the award letter should be viewed as encompassing accompanying materials so that the most important information can be presented as cleanly as possible. 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.

Related to the chart illustrating our suggested framework for organization of the award letter is *Elements Encompassed by Award Letter Materials*. This blank worksheet assists schools in assessing where information is included on their financial aid award materials. We've also included a completed sample worksheet. The completed worksheet provides a concrete example of an institution and how they disclose information on their award letters, with their award letters, and where additional information may be cross referenced. It is important to emphasize that the example represents one school's award letter framework. It does not represent the only acceptable framework; it is provided as an example to assist institutions when completing the blank *Elements Encompassed by Award Letter Materials* worksheet.

Finally, the *Award Package Comparison Worksheet* is designed to assist students and families in comparing aid offers from different institutions.

Conclusion

This document provides recommendations for how students and families can be better served through the award letter process. While overall standardization is not optimal, the inclusion of the four highly recommended elements would strengthen the clarity and comprehensiveness of the letters. Agreement on common terminology would also reduce confusion and reinforce financial literacy efforts. A strong community commitment to use of model forms wherever feasible would enhance informed decision-making by our nation's students.

Sample Organization of Recommended Award Letter Information

This chart represents an organizational framework for the concept that the award letter should not be viewed as only a single piece of paper, but instead a document that contains the award letter itself, accompanying materials, and cross references to other institutional information. Shading designates highly recommended elements.

ON AWARD LETTER	WITH AWARD LETTER	BY CROSS-REFERENCE
Period covered by award offer		
COA <ul style="list-style-type: none"> 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 <ul style="list-style-type: none"> 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 EFC
Gift aid (grants & scholarships)	Any relevant terms and conditions (renewability; major, GPA, etc.)	Student consumer info about availability of non-federal grants and scholarships
Remaining need after gift aid		
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 <ul style="list-style-type: none"> Standard terminology Present as deferred cost rather than met cost (total cost of loan in repayment) 	Procedures for applying or accepting; prom note information; 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.
Reply date if acceptance required		
Contact for further information		

ON AWARD LETTER	WITH AWARD LETTER	BY CROSS-REFERENCE
Contingencies (factors that may affect the award offer) <ul style="list-style-type: none"> • Enrollment status 	Contingencies <ul style="list-style-type: none"> • Verification • Availability of anticipated aid • Final acceptance as regular student 	General student eligibility criteria General conditions for continued receipt of aid (e.g., SAP)
	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 information for awarded aid	General disbursement information, including student consumer info 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 info re. available aid programs

Elements Encompassed by Award Letter Materials

The chart below is designed to assist schools in assessing where information is included on their financial aid award materials. The format and content of financial aid award letters vary widely among institutions. Although schools structure the award letter to best meet the needs of students, certain information should be included in or referenced in any award letter. This tool is meant to be an example, but not a standard of how and where information may be presented on a financial aid award letter or in supplemental materials. Use the following table to track how your school provides information to applicants.

Shading designates highly recommended elements.

ELEMENT	ON AWARD LETTER	AWARD LETTER MATERIALS	BY CROSS-REFERENCE
Period covered by award offer			
Cost of Attendance (COA) <ul style="list-style-type: none"> • Categories • Direct v. indirect costs • Books and supplies funds for Pell-eligible students 			
Expected Family Contribution (EFC) <ul style="list-style-type: none"> • Use of institutional methodology • Allowable replacement 			
Grants and Scholarships <ul style="list-style-type: none"> • Conditions • Selection criteria 			
Remaining Need <ul style="list-style-type: none"> • Calculation 			
Loans <ul style="list-style-type: none"> • Clear identification • Present as deferred cost • Processing • Rights and responsibilities • Total cost of borrowing 			
Work <ul style="list-style-type: none"> • Program • Wages and hours • Placement 			
Unmet Need (or Family Responsibility) <ul style="list-style-type: none"> • Calculation • Allowable replacements 			

ELEMENT	ON AWARD LETTER	AWARD LETTER MATERIALS	BY CROSS-REFERENCE
Contingencies <ul style="list-style-type: none"> • Enrollment Status • Additional Aid • Withdrawals 			
Logistics <ul style="list-style-type: none"> • Contact for additional information • Response date 			
Releases and authorizations <ul style="list-style-type: none"> • Sharing information with other parties • Authorizations for offered services 			
Packaging and selection criteria <ul style="list-style-type: none"> • Campus-based aid • Institutional aid • Application procedures and deadlines • Packaging philosophy 			
Student account information <ul style="list-style-type: none"> • General disbursement information • Aid-specific disbursement information • Refunds 			

Elements Encompassed by Award Letter Materials, Example

The chart below is designed to assist schools in assessing where information is included on their financial aid award materials. The format and content of financial aid award letters vary widely among institutions. Although schools structure the award letter to best meet the needs of students, certain information should be included in or referenced in any award letter. This tool is meant to be an example, but not a standard of how and where information may be presented on a financial aid award letter or in supplemental materials. Use the following table to track how your school provides information to applicants.

The following is how one school, Friendly Community College, shares information with its students. Shading illustrates use of highly recommended elements.

ELEMENT	ON AWARD LETTER	AWARD LETTER MATERIALS	BY CROSS-REFERENCE
Period covered by award offer	Academic year		
Cost of Attendance (COA) <ul style="list-style-type: none"> • Categories • Direct v. indirect costs • Books and supplies funds for Pell-eligible students 	Separate direct and indirect costs	Additional costs (e.g., dependent care, disability-related costs) Books and supplies funds for Pell-eligible students Categories	On-line consumer information
Expected Family Contribution (EFC) <ul style="list-style-type: none"> • Use of institutional methodology • Allowable replacement 	Aid that can replace EFC noted with asterisk	Calculation of financial need	On-line consumer information
Grants and Scholarships <ul style="list-style-type: none"> • Conditions • Selection criteria 		Conditions and selection criteria for institutional grants	Conditions and selection criteria for departmental awards on department websites
Remaining Need <ul style="list-style-type: none"> • Calculation 	Costs minus EFC and gift aid	Calculation and explanation of remaining need Allowable replacements	On-line consumer information
Loans <ul style="list-style-type: none"> • Clear identification • Present as deferred cost • Processing • Rights and responsibilities • Total cost of borrowing 	Full program names MPN requirement Link to repayment calculators	Loan process with flowchart Borrower rights and responsibilities	Information on costs of loans over repayment period

ELEMENT	ON AWARD LETTER	AWARD LETTER MATERIALS	BY CROSS-REFERENCE
Work <ul style="list-style-type: none"> • Program • Wages and hours • Placement 	Full program names	Discussion of general work conditions Contact information for student employment office	
Unmet Need (or Family Responsibility) <ul style="list-style-type: none"> • Calculation • Allowable replacements 	Costs minus all expected and offered resources (including EFC)	Calculation and explanation of unmet need Allowable replacements	On-line consumer information
Contingencies <ul style="list-style-type: none"> • Enrollment Status • Additional Aid • Withdrawals 	Reminder to report outside aid	Minimum enrollment requirements for aid programs Impact of additional aid Impact of withdrawal	On-line consumer information
Logistics <ul style="list-style-type: none"> • Contact for additional information • Response date 	Contact information and response date	List of deadlines Appeal and adjustment policy and procedures	
Releases and authorizations <ul style="list-style-type: none"> • Sharing information with other parties • Authorizations for offered services 		Sharing information and authorization options Link to use of funds authorization	Business office
Packaging and selection criteria <ul style="list-style-type: none"> • Campus-based aid • Institutional aid • Application procedures and deadlines • Packaging philosophy 		Discussion of selection criteria for various programs Application procedures and deadlines	FASFA on the Web
Student account information <ul style="list-style-type: none"> • General disbursement information • Aid-specific disbursement information • Refunds 		Discussion of general and aid specific disbursement information	Business office On-line consumer information

Award Package Comparison Worksheet

Different schools have different resources, so financial aid offers can vary greatly from school to school. Gift aid such as grants and scholarships are ideal, but more limited. Use this worksheet to compare aid offers. When doing so, consider the amount of your federally-calculated expected family contribution (EFC) and the amount offered in “self-help” aid such as work programs and student loans. There may also be unmet need—your need for aid the school may be unable to fund—meaning that you or your parents may have to borrow additional funds through student, parent, or private loan programs.

You will also need to know and consider each school’s approach to awarding aid to find out if a similar package will be offered in future years. Will the percentage of costs covered by loans, for example, remain constant from year to year? Will you need to meet more of your costs through work as you progress? If an institutional grant is offered, is it restricted to the first year or can it be renewed? If the school’s web site or publications don’t provide this information, call or visit the school’s financial aid office.

Award Package from School:	1.	2.	3.
Gift Aid (sources):			
1.	\$ Renewable?	\$ Renewable?	\$ Renewable?
2.	\$ Renewable?	\$ Renewable?	\$ Renewable?
3.	\$ Renewable?	\$ Renewable?	\$ Renewable?
4.	\$ Renewable?	\$ Renewable?	\$ Renewable?
Total Gift Aid:	\$	\$	\$
Self-Help Work (sources):			
1.	\$	\$	\$
2.	\$	\$	\$
Total Work:	\$	\$	\$
Loans (sources and interest rates):			
1. (%)	\$	\$	\$
2. (%)	\$	\$	\$
3. (%)	\$	\$	\$
Total Loans:	\$	\$	\$
TOTAL All Aid:	\$	\$	\$
Cost of Attendance (COA or Budget):	\$	\$	\$
– Expected Family Contribution (EFC):	– \$	– \$	– \$
– Total All Aid:	– \$	– \$	– \$
= Unmet Need (COA - EFC - Aid):	= \$	= \$	= \$
Your Estimated COA/budget (if different from school’s estimate):	\$	\$	\$
Revised Unmet Need (based on your estimated COA/budget):	\$	\$	\$