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NASFAA Comments on Consumer Financial Protection Bureau (CFPB) *College Cost Comparison Worksheet*

The National Association of Student Financial Aid Administrators (NASFAA) appreciates the opportunity to provide comment on the CFPB College Cost Comparison Worksheet. NASFAA represents more than 18,000 financial aid professionals who serve 16 million students each year at nearly 3,000 colleges and universities throughout the county. Financial aid administrators work one-on-one with students and families on a daily basis.

NASFAA believes strongly in clear, accurate, and pertinent consumer information for students and families when selecting a postsecondary institution, and we thank the CFPB for making this a priority through the *Know Before You Owe* initiative. Overall, we support the concept of students and families being able to compare postsecondary institutions accurately so that they can be empowered to make informed and responsible decisions about postsecondary education. However, there are several areas of improvement that would make this a more relevant, universal, and stronger tool.

Based on feedback from financial aid administrators representing all sectors of higher education, NASFAA offers comments, suggestions, and questions in the following three areas:

Overly Broad Assumptions. While we understand that the tool must be general enough to be applicable to a wide variety of students and families, we find that some of the inherent assumptions within the tool are far too broad and, as a result, can lead to misleading or inaccurate information. In particular, we find the following assumptions particularly problematic:

- The graphic illustrating sticker price, the average grants and scholarships, and the “if you borrowed” amount all assume that loans are the only means for filling the gap between grant aid and sticker price. This assumption is far too broad, and does not recognize any type of family or student savings, earnings, or private scholarships that could go toward at least partially funding this gap. Although the student can enter offered financial aid, family savings, etc., if known, the tool should recognize upfront the different ways in which families can meet remaining need, instead of focusing solely on loans. If the student were asked, for example, how much of the gap he or she plans to borrow, the repayment information would be more meaningful, and the amount of loans could be adjusted to reflect different financing options.

  Related, we have concerns about the data used, as it draws from several sources, each with a different unit analysis. Thus, comparing apples to apples is severely compromised. IPEDS data focus on the institution as a unit analysis, while the Baccalaureate and Beyond (B&B) survey data focus on undergraduate students who have received bachelor’s degrees. The worksheet also does not indicate that the data are based on full-time students. Yet, the student data from IPEDS are primarily based on full-time, first-time students, so this worksheet would not be helpful for students who want to go part-time. Part-time undergraduate students comprise a large and growing share of postsecondary enrollment; in 2010, 6.6 million undergraduate students (or 37%) were enrolled part-time. Furthermore, what is the debt burden for students who received an associate degree or certificate, which is not captured from the B&B data? The technical notes state that the federal student loan default rate is collected from IPEDS, but in actuality, the data are collected by Federal Student Aid (FSA). While the cost comparison worksheet aims to be seamless information, it is really mixing up unaligned, specialized data, which is not helpful to prospective students and could actually be doing harm by discouraging students from pursuing postsecondary education.

- Using average grant and scholarships is not meaningful, since most students will not, in fact, receive that amount. This could discourage students who would receive higher aid awards or create false hope for those who would receive substantially less. If a student has not yet been awarded financial aid it is difficult to estimate the level of grant aid, particularly without knowing a student's state of residence, family income, and academic credentials. The qualifications for grant aid vary greatly between the federal government, state governments, and institutions. Furthermore grant aid could easily change from year to year, based on government and institutional budgets and student performance. We suggest that you add explanations of the different factors that affect grant and scholarship awards.

- The tool assumes that a student would seek the same credential from all schools attended. A student may be undecided about a two-year versus four-year degree and want to compare outcomes. As a cost-saving measure, another student might be trying to compare attendance for the first two years at a community college (pursuing an associate's degree) versus attending all four years at public or private institution. The student should be able to specify a credential type for each school individually.

Display of Debt and Repayment Has the Potential to be Misleading. We find that the portion of the comparison tool that focuses on repayment and debt burden has the potential to be misleading to families in several ways:

- While the 10 year repayment plan is standard, there are several different repayment plan options. At minimum, the tool should contain information about Income-Based and Income-Contingent Repayment plans. While the average undergraduate borrower will likely pay off their federal student loan within 10 years, some students – particularly in the medical field – will likely utilize these repayment assistance programs. We are concerned that without these repayment options, students and families might be unnecessarily intimidated by the repayment figure. We encourage the CFPB to examine what other tools – particularly at the U.S. Department of Education – may be available. Recently NASFAA viewed a demo of a soon-to-be

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released ED counseling tool that would easily incorporate many different repayment scenarios into a borrower's repayment methodology.

- We also have concerns with the "This equals…" section. Using repayment in textbooks is an improper measurement of debt, given that students will likely no longer be purchasing textbooks in repayment. A measurement more relevant to the cost of living, such as groceries or a car payment would be more realistic. That being said, the concept of measuring repayment in terms of another good seems to suggest that any debt is bad and/or prohibitive—and this is not the case.

- The "Debt Burden" section is too nebulous. Measuring the debt burden based on overall average national salary of bachelor degree recipients is too broad. It does not take into account many important factors, such as differences in major, type of institution, and geographic location. Debt burden appears to be based on average salaries of bachelor degree recipients even when comparing community colleges and indicating interest in an associate's degree. It is too broad to be even mildly accurate. In order to be meaningful, the debt burden section needs to be more individualized to the student's circumstances.

- In performing a sample cost comparison among three different types of institutions, debt burden at a community college was shown as high, as it was for a public four-year college, while based on average grant assumptions, debt burden at a private nonprofit was shown as low. Most students at community colleges do not borrow; not all students at a private nonprofit will get the "average" amount of gift aid. To show debt burden as high at a community college flies in the face of common knowledge.

Consumer Usability Needs Improvement. For this tool to be most effective, it must be used by consumers of diverse backgrounds and levels of financial literacy. We have three suggestions for how you might make the tool more consumer-friendly:

- *Add a Glossary of Terminology:* Portions of the tool contain language that assumes familiarity with the college environment. Those who can be helped the most from this tool, e.g., low-income and/or first generation students and families, may not have that familiarity. For example, do they know the difference between a bachelor's Degree and a certificate, or what the abbreviation AA stands for? Do they know what the significance is between on-campus and off-campus? Do they understand the term sticker price and what it represents? We believe that all of these could be clarified with some additional information, perhaps even a glossary of terminology.

- *Do Not Assume Averages, Instead Confine Tool to Use with Actual Award Data:* If the goal is to have students and families access this tool early in their postsecondary search, it will not be most useful at this point. This tool is most useful when students have their financial aid information (which is typically not earlier than the spring before the student enrolls in school) so they can include it and get a more accurate picture of what they can expect. Without this information, the tool loses a significant level of accuracy, and as such, it's not particularly helpful as an "early" tool. Data regarding averages and other comparative information is available on the College Navigator; encouraging use of the Navigator tool would better serve students at the early planning stage.

- *Examine All Consumer Disclosure Information:* The College Cost Comparison Worksheet provides a good discussion point about what information students need when comparing colleges and making decisions. However, we believe it is a mistake to examine the Worksheet without considering the litany of other consumer disclosures and information that schools are required to provide students and parents throughout the admissions and financial aid process. No matter how good the concept of the College Cost Comparison Worksheet may be, the fact remains that students and parents are overloaded with so many disclosures that anything useful is generally lost in a well-intentioned conglomeration of text. It is our firm belief that to truly develop a consumer disclosure that is useful to students and parents, a comprehensive review of all disclosures must be undertaken with an eye towards streamlining institutional reporting and focusing on the timing and the precise information students and parents require.

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