



# NASFAA ISSUE BRIEF

## FINANCIAL AID OFFERS

JANUARY 2021

### KEY TAKEAWAYS

1. AID OFFERS SHOULD BE STUDENT-CENTRIC AND TRANSPARENT, USING CONSISTENT TERMINOLOGY AND CLEARLY COMMUNICATING ALL DIRECT AND INDIRECT COSTS.
2. LEGISLATIVE EFFORTS TO BRING GREATER CLARITY TO FINANCIAL AID OFFERS ARE WELL-PLACED, WHILE EFFORTS AIMED TOWARD RIGID STANDARDIZATION MAY MISS THE MARK.
3. ANY ATTEMPTS AT MODELING OR STANDARDIZING ELEMENTS AND DEFINITIONS OF FINANCIAL AID OFFERS SHOULD BE CONSUMER-TESTED TO ENSURE THEY ACHIEVE THE INTENDED RESULTS.

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### BACKGROUND

Financial aid offers are the primary tool colleges and universities use to communicate eligibility for federal, state, and institutional financial aid programs to their prospective and current students. Institutions of higher education develop their own financial aid offers, taking into account many factors, including the format of the educational programs they offer, and the population of students they serve.

In recent years, some aid offers have come under scrutiny for lack of clarity, potentially leading to misunderstanding of the financial aid package and confusion among students and families. In 2012, responding to White House and Congressional pressure to standardize financial aid offers, the U.S. Department of Education (ED) introduced its optional Financial Aid Shopping Sheet which, as of 2016, was being used by about 45% of Title IV-participating institutions<sup>1</sup>. Initially intended as a voluntary guide, ED instead opted to develop a standardized, prescriptive template, but offered institutions the choice of whether to use it.

### STANDARDIZED CONTENT VS. STANDARDIZED FORMATS

Standardized elements on financial aid offers makes sense, and NASFAA supports efforts to improve aid offers. To that end, NASFAA commissioned its own task force<sup>2</sup> in 2012 to examine aid offers in depth, and in 2014 added aid offer minimum requirements to its Code of Conduct<sup>3</sup>. Students should be able to understand the sources and types of financial aid they are being offered, and the terms used to describe the aid should be applied consistently across institutions to avoid confusion. Students should be presented with a clear summary of the institution's costs in the aid offer, breaking down both the costs they will see on their bill (direct costs, like tuition) and the estimated costs they should anticipate incurring (indirect costs, like transportation). Finally, students should be made aware of the eligibility requirements to renew their aid in future years.

However, mandating standardized financial aid offer formats is not a quick fix for the complex process of applying for and understanding financial aid. NASFAA engaged an independent third-party to consumer-test three aid offer templates, including ED's Shopping Sheet, in 2012<sup>4</sup> and found no clear winner among the three, demonstrating the challenge of effectively communicating complex financial aid information. Financial aid offices know their student populations best, and need flexibility to design aid offers that meet those students' needs.

Institutions have many reasons for displaying financial aid information in different formats in their aid offers. Institutional mission, the characteristics of its aid applicants, the structure of its educational programs, and its financial aid management system all may factor into the aid offer format.

The school should have the most knowledge about how information is best received by its students and families, and they need latitude in customizing their aid offers to meet the needs of their students. Compliance with a standardized aid offer format would be akin to fitting a square peg to a round hole for many institutions, with the unintended consequence of a less comprehensible aid offer for the student as data elements are forced to fit a rigid format.

*When considering what content should be included in that offer, it is important to remember that there is limited real estate, and only so much information that can be conveyed on one offer or screen.*

*An aid offer comparison worksheet such as the one developed by NASFAA in 2017, in combination with standardized terminology and content, would achieve the need for comparison without sacrificing flexibility for institutions.*

## KEEPING THE AID OFFER TRUE TO ITS PURPOSE

Aid offers are intended to communicate financial aid eligibility to students. When considering what content should be included in that offer, it is important to remember that there is limited real estate, and only so much information that can be conveyed on one offer or screen. Instead of attempting to squeeze many pieces of consumer information into a one-size-fits-all aid offer, institutions can, instead, provide links on the aid offer for more information, freeing up the visual layout of their aid offer to display the information that the student is more immediately concerned with, while providing easy access to other resources for the student to access when that information is most relevant to them.


While a student's ability to compare aid offers—the main argument behind requiring a standardized format—may be beneficial, it is not the primary purpose of the aid offer. In fact, the matter of comparison is irrelevant for the vast majority of FAFSA filers. In 2015-16, three of four overall FAFSA filers, and more than half of freshman FAFSA filers, listed only one institution on the form<sup>5</sup>, meaning that they will consider just one financial aid offer. A clear aid offer in any user-friendly format will help students understand their eligibility for financial aid, but a rigid format with comparison as its primary purpose may not add value for most FAFSA filers. For those students wishing to compare multiple financial aid offers, an aid offer comparison worksheet such as the one developed by NASFAA in 2017, in combination with standardized terminology and content, would achieve the need for comparison without sacrificing flexibility for institutions.

## WHAT CONGRESS CAN DO

**1. Pass legislation that requires standardized terms and elements of the financial aid offer, similar to those included in NASFAA's Code of Conduct, but which does not restrict institutions' ability to communicate financial aid eligibility to their students in the way that is most meaningful and relevant to them.** For those students who wish to compare financial aid offers, the use of consumer-tested, standard terminology and common data elements on the aid offer will ease comparison.

NASFAA has identified four elements that belong in an aid offer because they foster informed decisions about accepting aid, assist families in financial planning, and facilitate apples-to-apples comparisons between schools:

- Breakdown of estimated individual Cost of Attendance components, including which are direct (billed by the institution) costs vs. indirect (not billed by the institution) costs;
- Clear identification and proper grouping of each type of aid offered indicating whether the aid is a grant/scholarship, loan, or work program;
- Estimated net price;
- Standard terminology and definitions;
- Renewal requirements for each aid type being offered as well as next steps and financial aid office contact information.

**2. Avoid requiring a standardized financial aid offer to preserve the ability of colleges and universities to properly and clearly communicate the varying student aid options available at that institution.** 

<sup>1</sup> NASFAA internal calculation: "more than 3,000" institutions using Shopping Sheet, from: <https://ifap.ed.gov/eannouncements/111416FinancialAidShoppingSheet20172018.html> and 6,962 TITIV participating institutions from 2016-17 Federal School Code list from <https://ifap.ed.gov/fedschcodelist/attachments/1617FedSchoolCodeList.xlsx>

<sup>2</sup> Report of the NASFAA Aid offer and Consumer Information Task Force. <https://www.nasfaa.org/uploads/documents/ektron/040d7b5f-6655-4a8b-9bb8-89f19dfa973b/53f08a4aad94f6baf6e5d908509bd6d4.pdf>. 2012.

<sup>3</sup> NASFAA Code of Conduct. [https://www.nasfaa.org/Code\\_of\\_Conduct](https://www.nasfaa.org/Code_of_Conduct)

<sup>4</sup> No Clear Winner: Consumer Testing of Financial Aid Award Letters. <https://www.nasfaa.org/uploads/documents/ektron/1bb3383b-54a1-40ee-b697-d1caee60d8f7/ca8b5d1a01794622b1aa3cb7220a98312.pdf>. 2012.

<sup>5</sup> <https://studentaid.ed.gov/sa/about/data-center/student/application-volume/fafsa-school-state>

<sup>6</sup> Award Letter Comparison Worksheet. Award letter comparison worksheet [https://www.nasfaa.org/uploads/documents/AwardLetterComparisonWorksheet2017\\_2.pdf](https://www.nasfaa.org/uploads/documents/AwardLetterComparisonWorksheet2017_2.pdf). 2017



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