



# NASFAA ISSUE BRIEF

## FINANCIAL AID AWARD NOTIFICATIONS

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### KEY TAKEAWAYS

1. AWARD NOTIFICATIONS 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 AWARD NOTIFICATIONS 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 AWARD NOTIFICATIONS SHOULD BE CONSUMER-TESTED TO ENSURE THEY ACHIEVE THE INTENDED RESULTS.

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*Compliance with a standardized award notification format would be akin to fitting a square peg to a round hole for many institutions*

### BACKGROUND

Financial aid award notifications 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 award notifications, 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 award notifications 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 award notifications, 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 award notifications makes sense, and NASFAA supports efforts to improve award notifications. To that end, NASFAA commissioned its own task force<sup>2</sup> in 2012 to examine award notifications in depth, and in 2014 added award notification 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 those awards should be applied consistently across institutions to avoid confusion. Students should be presented with a clear summary of the institution's costs in the award notification, 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 awards in future years.

However, mandating standardized financial aid award notification 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 award notification 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 award information. Financial aid offices know their student populations best, and need flexibility to design award notifications that meet those students' needs.

Institutions have many reasons for displaying financial aid award information in different formats in their award notifications. 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 award notification 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 award notifications to meet the needs of their students. Compliance with a standardized award notification format would be akin to fitting a square peg to a round hole for many institutions, with the unintended consequence of a less comprehensible award notification for the student as data elements are forced to fit a rigid format.

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

An award notification 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 AWARD NOTIFICATION TRUE TO ITS PURPOSE

Award notifications are intended to communicate financial aid eligibility to students. When considering what content should be included in that notification, it is important to remember that there is limited real estate, and only so much information that can be conveyed on one notification or screen. Instead of attempting to squeeze many pieces of consumer information into a one-size-fits-all award notification, institutions can, instead, provide links on the award notification for more information, freeing up the visual layout of their award notification 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 award notifications—the main argument behind requiring a standardized format—may be beneficial, it is not the primary purpose of the award notification. 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 award notification. A clear award notification 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 award notification 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 award notification, 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 award notifications, the use of consumer-tested, standard terminology and common data elements on the award notification will ease comparison.

NASFAA has identified four elements that belong in an award notification 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 COA components, including which are direct (billed) costs vs. indirect (non-billed) costs;
- Clear identification and proper grouping of each type of award, indicating whether the aid is a grant/scholarship, loan, or work program;
- Estimated net cost; and
- Standard terminology, including for example, common definitions for net price/cost.

2. **Avoid requiring a standardized financial aid award notification 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 Award Notification and Consumer Information Task Force. <https://www.nasfaa.org/uploads/documents/ektron/040d7b5f-6655-4a8b-9bb8-89f19dfa973b/53f08a4aadb94f6baf6e5d908509bd6d4.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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