

**“Reauthorizing the Higher Education Act: Financial Aid Simplification and Transparency”
Testimony to U.S. Senate Committee on Health, Education, Labor and Pensions**

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Mr. Chairman, Ranking Member Murray, and members of the committee, thank you for this opportunity to testify on “Reauthorizing the Higher Education Act: Financial Aid Simplification and Transparency.” My organization, uAspire, is a national nonprofit hyper-focused on college affordability. In the last year, uAspire advised over 10,000 students in the states of Massachusetts and California and virtually advised another 15,000 students in seven states on how to find an affordable pathway to a college degree. In addition, we trained 2,100 counselors who served another 350,000 students in 27 states across the country. We serve all postsecondary students attending a variety of institution types.



We are a student-centered organization, working with one student at a time, and on a policy level, we utilize our learnings to make financial aid systems more equitable, efficient, and effective. We would love to put ourselves out of a job one day.

The topic of how to pay for college is one discussed at the kitchen table for many Americans - at least for the lucky ones. Others, including many of the students we serve, assume it's simply out of their reach - not because of their academic performance, but because of cost. This

problem is rooted in both perception and reality. Sometimes, the cost is out of reach. The price of college has skyrocketed faster than the rate of inflation for years now, while the purchasing power of the Pell Grant has dropped from covering nearly 80% of student need when created 40 years ago, to covering less than 30% of the cost of a 4-year, public degree today.¹ Sometimes, it's not the cost that is a barrier for our students, but the confusing terminology or complex processes required to access and understand financial aid, which can be akin to the old board game of Chutes and Ladders. Often times, it's both high costs and lack of clarity of those costs at play.

My testimony today will focus on the student experience with our current financial aid system. Lack of clear and consistent information combined with messy, complicated systems denies students and families the ability to be smart consumers and make financially-informed decisions in the higher ed marketplace. This leaves too many Americans at the doorstep of earning a higher education degree, but unable to do so, especially low-income Americans for whom the financial aid system was designed to reach. My goal today is two-fold: to share with you the common challenges our students face as they navigate financial aid and offer proposals from the front-line that we think can help improve the system. Given the focus of this hearing, we will do so looking at three phases of the student experience in the financial aid process: choosing an affordable college; transitioning to college; and during college.

¹ Protopsaltis, S. Parrott, S. 2017 "Pell Grants — a Key Tool for Expanding College Access and Economic Opportunity — Need Strengthening, Not Cuts" Center on Budget and Policy Priorities.

Student Experience: Choosing an Affordable College

Finding an affordable college is a confusing process for students and families. Students confront a detrimental lack of information and transparency when making one of the biggest financial decisions of their lives. Though the mysteries should end when they receive financial aid award letters, often they do not. Some students may be stuck in the verification process and therefore unable to receive a final award letter or any financial aid. Others may have received award letters from multiple colleges but are unsure how to determine and compare the bottom line costs because their letters are filled with inconsistent terminology and vary greatly in format. Appendix A: Award Letters: Three Examples contains a sample of letters that showcase the divergence of formats, terms, and math at the root of the confusion.

This section shares our insights based on two sources: our advising work where we have conducted thousands of award letter review sessions with students; and data analysis of our collection of over 50,000 financial aid offers sourced by students and advisors during award letter reviews. We are currently underway with an extensive research project with New America, a research and policy institute located here in Washington, DC. Together we are conducting both quantitative and qualitative analyses of our Class of 2016 data. This data set contains 11,334 award letters from 6,023 students at 936 colleges. Of those students, 76% are Pell Grant recipients, making our analysis particularly relevant for the issues low-income students are facing. We are unaware of any other analyses of this sort that have been conducted at such a large scale.

We conducted a deep qualitative review of 515 award letters provided to Pell-eligible students and have identified **seven key areas** as particularly problematic, illustrated by both our analysis and student and practitioner stories of how these issues have impacted their decisions. See Appendix B: Award Letter Format Cases for examples of the problems highlighted below.

1. **Inconsistent/inaccurate terminology:** Financial aid award letters are filled with jargon that leave students and families scratching their heads. In our sample, we had 454 letters that offered the federal direct unsubsidized loan. After accounting for differences of punctuation and minor formatting, we identified 143 unique titles for the direct unsubsidized loan. Of those, 26 letters do not even identify it as a loan (e.g., “Fed Direct Unsub,” “Unsubsidized DL”). Additionally, colleges sometimes misuse important financial aid terminology, such as “net costs.” This lack of standardization and improper usage of terms makes it very hard for students and families to compare offers.
2. **Missing cost information:** More than one-third of the letters in our sample did not include any notation of cost on the page that listed the awards. This lack of information puts the consumer in the dark. Students cannot contextualize their financial aid offers without knowing the cost, as \$20,000 of aid means something very different from a college that costs \$25,000 than at one that costs \$65,000. Further, of those colleges that included cost, nearly half only included direct costs (i.e., tuition/fees, room/board) and did not mention any indirect expenses (e.g., books, supplies, transportation). Failing to communicate full cost of attendance (COA) - direct costs and indirect expenses - can later put students at risk of insufficient funds to persist through college, or even to meet basic food and housing needs. Lastly, assumptions made to determine the cost, such as residency (in-state/out-of-state) and housing (on/off campus) are often unstated, which limits students’ ability to confirm whether the cost of attendance is accurate.

As an example of how this can affect students, a Pennsylvania senior² received a \$10,000 scholarship at his top choice school. Beaming with pride, he shared the news with family and friends. Since COA was missing on the letter, the student didn’t realize it was only 20% of the cost and he still owed \$40,000, even after the Pell Grant is applied. In the rush of excitement, the student already accepted

² Student examples are actual stories from uAspire advising. Names have been withheld to protect student privacy.

the offer and deposited at that school - money he lost when he had to switch to a more affordable college option.

3. **Combined and undefined aid types:** Less than one-third of the letters in our sample split out different types of aid (i.e., grants/scholarships from loans, work-study). The majority of letters group all aid together and most do not include definitions of different types of aid, making it hard for student - particularly those not familiar with financial aid - to understand the long-term implications of their offer. And in cases where letters do include definitions, some of those definitions provided may actually cause more confusion for the student, as illustrated by the example from an actual award letter below:

Work Study Earnings are normally used to defray personal expenses during the school year. However, by participating in the Work Credit Plan, you may contract to apply **up to 90%** of your work authorization to your statement of account (example, \$2,200 x 90% = \$1,980).

4. **Missing and varied calculation of remaining costs:** Many award letters fail to calculate for students what it will cost to enroll after taking into account their financial aid. Based on our initial analysis, only about two in five letters provided some calculation of remaining costs, yet there were no clear trends of *how* that calculation was made. That is, were they subtracting aid from the full COA or just from direct costs? Were they calculating costs before loans, after loans, or both? Were they subtracting out the EFC? Different calculations across letters make it difficult for students and families to compare and make financially-informed decisions. We believe that displaying “net costs” (i.e., COA minus grants and scholarships) is critical to show what a student’s all-in cost will be to complete the year. In addition, based on our advising experience, students and families want to know what the bill will be - namely, what they have to pay now. As a result, we help them calculate “estimated bill” (i.e., direct costs minus grants and scholarships and loans) to show what they would need to pay the college to start school.
5. **Direct PLUS Loan listed under awards:** Nearly 15% of letters we analyzed included the PLUS loan in the list of awards and calculations. The PLUS loan is particularly troubling given how high the dollar amounts are that parents could be “offered.” Our data analysis showed an average PLUS loan amount offered for a single academic year as nearly \$10,000 for students who receive the full Pell Grant amount and over \$18,000 for students who are not Pell-eligible.

In our advising, we frequently encounter situations where students see their stated remaining costs are \$0 and do not realize a PLUS loan has been included in the calculation. As an example of such a letter, see example #3 in Appendix A: Award Letters: Three Examples. When faced with these situations, our advisors explain the PLUS loan to students, who then realize they cannot afford to go to these colleges. In some cases, a student knows their parent would be denied the PLUS loan. For other families, even if a parent is approved, they know they will be unable to repay such large loans. Regardless of financial situation, however, including the PLUS loan as though it is an award is confusing to students and families.

6. **Work-study listed under awards:** Many award letters include work-study as an award, as though it is available at the beginning of the semester to help pay the first bill. Our data analysis showed a median work-study amount of \$2,349 is offered on the award letter, meaning if misinterpreted as aid available immediately, it could leave a student with a larger-than-expected bill. Further, work-study is not guaranteed at all. Students need to apply for and receive a job, and then they can earn *up to* the amount offered on the award letter, depending on working the requisite amount of hours to reach that number.

Our advisors report students are frequently confused by award letters that include “federal work-study” under awards. They often interpret this aid to be available immediately, as opposed to a potential job that could slowly earn money on a bi-weekly basis.

7. **Lack of clear next steps:** Only about half of the letters included any indication of what, if any, aid would be accepted on the student’s behalf and what the student needed to do in order to either accept or decline their awards. Given the differences in policies across colleges, the path to unlock aid is neither consistent nor clear. Therefore, it is important to require each institution to identify next steps on award letters so that students do not inadvertently miss out on aid. Due to such disparity of next steps and the lack of consistent communication, uAspire developed a summer program to fill this gap and offer clarity on next steps as well as support to successfully complete them.

Americans are hungry for clear information to help them navigate the maze that is our current financial aid system. Beyond award letter terminology and format, we can better educate students and families on the key takeaways of award letters so they are better equipped to make a financially-informed decision. FAFSA completion media campaigns are a strong example, yet the FAFSA itself is *only the beginning* of the financial aid process. In the Spring of 2017, uAspire partnered with the Office of the Massachusetts Attorney General to launch an online and social media campaign to help families better understand financial aid packages and college costs. Over 4,600 people have accessed the online tools to make an informed college choice, and our educational videos have reached an audience of over 20,000. Social media campaigns on making a financially-informed college choice can promote improved student decision-making.

Proposals to Improve Choosing an Affordable College:

Based on our experience and learnings from the field, we suggest the following proposals to improve the current system for students and families when choosing a college:

- Conduct consumer testing with a multi-stakeholder group to identify a required set of defined terms and formatting practices for all financial aid award letters.
- Require standard terms with federally-defined, student-friendly definitions on the award letter: *Cost of Attendance; Direct Cost; Indirect Expenses; Gift Aid; Loans; Net Costs; Estimated Bill; and Work-study.*
- Require 5 formatting practices:
 - COA broken down to include line items for direct costs and indirect expenses
 - Residency and housing assumption stated on financial aid offer
 - Aid broken down by grants/scholarships and loans
 - Estimated bill and net cost calculations
 - PLUS Loan and work-study offers listed outside of aid calculations as potential options to cover remaining costs

Student Experience: Matriculating to College

As students move from high school to college, they cross the “no-man’s land” between the systems of K-12 and higher education. High schools are funded per student up to graduation day, and school counselors are typically 10-month employees creating a significant gap in support services during a critical time for financial aid requirements. It is rare for students to have access to college & financial aid counseling during the summer months as they prepare to head off to college.³

³ Castleman, B., Page, L. and Schooley, K. 2013 “The Forgotten Summer: Does the Offer of College Counseling After High School Mitigate Summer Melt Among College-Intending, Low-Income High School Graduates?” EdPolicyWorks Working Paper.

There are many financial aid steps students must currently take in order to successfully matriculate to postsecondary education. The list includes: accessing and navigating college portals; reviewing and approving aid; selecting housing and meal plans; securing loans; taking placement tests and registering for classes; enrolling or waiving health insurance; and paying their college bill. Often this is the first time our students confront *any* of these type of tasks, and they are doing so without guidance given momentary lull between K-12 and higher ed systems. We'll focus here on two key moments: *securing student loans and covering the college bill*.

Securing a student loan by signing the "MPN" or Master Promissory Note and by completing Entrance Loan Counseling are entirely new and intimidating tasks for recent high school graduates. Most students do not understand what an MPN is, or what exactly they are signing. It's often their first time reviewing a financial contract and the language is unfamiliar and overwhelming. While the current requirements for receiving a federal student loan include Entrance Loan Counseling, its effectiveness as a counseling resource is questionable and the bar to determine proficiency is low, as demonstrated by a student study that indicated 40% of federal loan borrowers had no memory of completing loan counseling⁴. Many of our students are easily able to complete entrance counseling without understanding the responsibilities and obligations of the loans they are assuming.

Additionally, the bill that students receive from their college looks totally different than the award letter, and the numbers don't often add up in the same way. Before joining uAspire, one of my stellar students in Pennsylvania received a \$20,000 institutional scholarship in May and excitedly committed him to the college. Then a few months later in August, he received an unexpected \$17,000 bill. The full terms and implications of the financial aid award resulted in \$17,000 of unmet need that was not made clear until the bill arrived. Because of this enormous and unexpected out-of-pocket expense, this student didn't go to college that year.

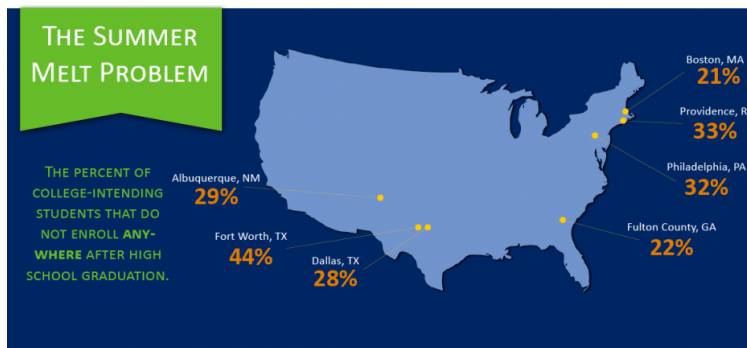
Besides differing numbers, the bill often comes from an unfamiliar and separate office from financial aid. The silos in higher education - in particular for *where and how* to access help for a financial issue -- create additional barriers for students to troubleshoot problems. Below is a text message a uAspire advisor received from a student in California, for whom a clerical error resulted in her financial aid being withheld. This became apparent when she compared her college bill to what her award letter listed:

"The due date is today and there's no way I can get it there on time. I could have sent what they needed together. Also I KNOW I sent the correct paperwork in. My mother keeps all important documents in folders at home and the contents of the packet were labeled. I scanned and copied everything myself...I'm just so tired and frustrated with all this stuff before school even starts!"

In order to meet this deadline, the student had to drive 70 miles to hand deliver the form. It was a narrow miss, as a single missing link in the chain of requirements and documentations, can erase years of work that the student has put into their college goals.

Collectively each of these challenges contribute to the phenomenon known as "summer melt", by which college-*ready*, college-*intending* students fail to successfully enroll in college in the fall following high school graduation. Despite having gained admission into a college, and completed many of the requirements to enroll, they are ensnared in the labyrinth of summertime pre-matriculations steps with little or no support at their disposal. Their individual missed opportunities for college and career are a tragedy for our country; a systemic failure that constrains our labor market and limits our tax base.

⁴ Whitsett, H. ,and O'Sullivan, R. 2010 *Lost Without a Map: A Survey about Students' Experiences Navigating the Financial Aid Process* NERA Economic Consulting & Young Invincibles.



uAspire partnered with researchers Drs. Ben Castleman and Lindsay Page to test and then prove that summer melt can be effectively decreased with scalable, inexpensive text reminders -- behavioral economic nudges that provide the right information at the right time to students ripe for a reminder.

Overall, students who received texts during summer months were 7.1 percentage points more likely to complete enrollment steps to matriculate

into a postsecondary institution than those who did not receive texts. The impact was even greater for students who *did not* have specific college plans at the end of high school, showing 11.3 percentage points greater matriculation than those without text prompts.

Matriculating to College Proposals:

Based on our experience and learnings from the field, we suggest the following proposals to improve the current system for students and families when matriculating to college:

- Simplify FAFSA and verification to yield much needed college-level counseling capacity in the summer to deliver increased student advising of financial steps for enrollment.
- Conduct research to identify ways that Master Promissory Note requirement could also educate students about borrowing terms, concepts and responsibilities.
- Require estimated bill to be on award letter notifications so students and families can financially plan
- Assign Federal Student Aid responsibility to systematically communicate with all students on the key financial steps to matriculation.
- Task Federal Student Aid to deliver financial aid information and supports via mobile app or text and improve customer service for supports therein.

Student Experience: During College

College affordability is often misconstrued as the money it takes to start college, not how much it costs to finish. We have become deeply concerned that while college enrollment is up, college completion is not. We see students leave college without a degree, simply because they cannot afford to stay. For our students, it is a consistent story of “not enough.” Not enough financial aid to cover the reality of their indirect expenses. Not enough time to navigate loopholes and potholes to access aid they qualify for. Not enough opportunities via Federal Work-Study. And, not enough loan counseling to make informed financial decisions each year.

As stated in uAspire's *Affording to Finish* report, meeting the financial need of students is a challenge for increasing numbers of both two and four-year public institutions. Nationally, four-year public colleges are able to meet full need for only 12% of their aid applicants.⁵ Significant decreases in state higher education funding since the 2009 recession have negatively impacted the affordability of public colleges and universities. Forty-six states are spending less per student than they did just prior to the recession. Cuts in state funding have resulted in increases in tuition and fees at public colleges by as much as 33 percent at four-year publics since 2007-08.⁶ Students from families in the lowest income quartile feel the effects deeply, it is estimated that over 90 percent have unmet need.⁷

⁵ CollegeInsight. 2013-14. Financial Aid – Undergraduates. April 25, 2017. <http://college-insight.org/#topics/go&h=9c7b6be0256bf370a9ea749afedcf7fb>. Oakland, CA: The Institute for College Access and Success.

⁶ Mitchell, M., Leachman, M., & Masterson, K. 2016. State Cuts to Higher Education Threaten Quality and Affordability at Public Colleges. Washington, DC: Center on Budget and Policy Priorities.

⁷ Walizer, L. 2015. Barriers to Success: High Unmet Financial Need Continues to Endanger Higher Education Opportunities for Low-Income Students. Washington, DC: CLASP, Center for Postsecondary and Economic Success.

When funding isn't enough, it's not the institution that gets short-changed, but the student. In order to enroll, direct costs are paid first, whereas indirect expenses go unmet. Today, the majority of US college students live off-campus, attend 2-year schools and 47% are financially independent.⁸ When advising students we consistently see that indirect expenses are not adequately estimated nor accounted for in financial aid determinations. This puts students at risk for meeting educational expenses and even sometimes basic needs. Our students share stories of being increasingly forced to make choices between books and food. This mirrors recent research that documents trend of food & housing insecurity across community colleges citing one-third of students regularly go hungry and 14% are homeless.⁹ When students struggle to afford basic needs while in college, information and access to public benefits can make a big difference -- to get by and get through. Advisors share the relief they feel when students are at colleges with dedicated offices to support benefits access such as SNAP and transportation passes. Given the complexities of applying, more innovative government partnerships are needed to support coordination & administration of benefits to our most vulnerable, and increasingly most common college students.

For today's typical college student, working while in school is a must. Our advising experience, as well as numerous research shows that students with work-study do better in school by GPA and rates of degree completion. Federal Work-Study provides a strong return on investment on both the individual and federal levels. Specifically, community college students' who participate in Federal Work-Study demonstrate a 12-15% increase in persistence to their second year.¹⁰ Due to the antiquated formula of FWS allocation biasing historical participation versus a needs-based analysis, students at community colleges face a dearth of available work-study positions. As a result, the need to work draws them to off campus employment - decreasing flexibility and increasing potential disconnectedness. As a result they spend even more time with employers disconnected from their college pursuits and needs.

Financial implications of academic decisions present as another hurdle for postsecondary students; credit and GPA requirements tied to financial aid are incredibly complex & hard to grasp. Within our advising program, students often run into financial barriers via academic decisions, from using time-bound Pell for development courses to losing aid eligibility if not meeting Satisfactory Academic Progress (SAP) standards. Research from Judith Scott-Clayton and Lauren Schudde of Teacher's College at Columbia University demonstrates this point. According to Schudde, "Meeting SAP is a non-trivial hurdle for many students: a quarter of first year Pell recipients at public institutions have GPAs low enough to place them at risk of ineligibility, representing hundreds of thousands to over a million college entrants each year."¹¹ Students receiving need-based aid who do not meet SAP after the first year lose their access to the dollars that level the playing field for them. Their full-pay student counterparts usually have until graduation to meet the same GPA requirements. The concept of SAP is not articulated to students clearly, yet even when students grasp the concept, most institutions' SAP policies tend to be obscure and complex even for college academic advisors, making it easy for students to miscalculate (credits accumulated/credits attempted) and lose track. Last year, over one-third of our advising sessions with students centered around SAP, often spent educating and calculating so students would be aware of their status in the future.

Trellis (formerly TG) conducted extensive user-research on loan counseling that uAspire used to redesign how we counsel our college attendees. Core tenets of effective loan counseling were identified to be timely, personal, and

⁸ "Today's Student Statistics" 2018 Retrieved from <https://www.luminafoundation.org/todays-student-statistics>.

⁹ Goldrick-Rab, S., Richardson, J., & Hernandez, A. *Hungry and Homeless in College: Results from a National Study of Basic Needs Insecurity in Higher Education*. Wisconsin HOPE Lab. (2017).

¹⁰ Poison, C., and Weisburst, E., 2014. Work-Study Financial Aid and Student Outcomes: Evidence from Community Colleges in Texas. Austin, TX: Department of Economics, University of Texas Austin.

¹¹ Schudde, L. and Scott-Clayton, J. (2014) *Pell Grants as Performance-Based Aid? An Examination of Satisfactory Academic Progress Requirements in the Nation's Largest Need-Based Aid Program*. CAPSEE <http://ccrc.tc.columbia.edu/media/k2/attachments/pell-grants-as-performance-based-aid.pdf>.

interactive.¹² Instead of offering all students the same advising, we offer annual loan counseling with personal real-time data from their award letter and National Student Loan Data System (NSLDS) account. We coach students to map out anticipated expenses and plan the best way to apply their aid, earnings and family support, to meet their needs. Students resist these sessions, they don't want to talk about it and face an accumulating debt that they don't know how they will repay. We have found annual loan review normalizes the relationship with borrowing and standardizes loan review behavior that is critical for the long-term. Given federal government only requires entrance and exit loan counseling, we provide the support in between. We believe *all* student loan borrowers, not just ours, need personalized and interactive loan counseling - looking at their debt total -- on an annual basis timed to inform decisions about borrowing each year. Technology and data integration can lead the way so that scale can be reached.

Addressing insufficient loan counseling is also critical given the steady rise of delinquency and default. And the ultimate price for overcoming these obstacles is often more daunting for students of color. Although default rates are on the rise overall, recent research by Dr. Judith Scott-Clayton shows that "Black BA graduates default at five times the rate of white BA graduates (21% to 4%)," and this disparity almost doubles for attendees of for-profit institutions (23% to 43% for the 1996 cohort compared to the 2004 cohort).¹³

Postsecondary Proposals:

Based on our experience and learnings from the field, we suggest the following proposals to improve the current system for students and families while attending college:

- Maintain aid levels for Pell-grant students tied to inflation to cover growing costs.
- Increase Pell Grant dollars as students progress to incentivize completion and help meet increased costs per year.
- Align interagency data and services to offer postsecondary students access to SNAP food stamps and other public benefits for which they qualify.
- Adjust Federal Work-Study formula to ensure it is going to students who need it most and increase investment to reach more students.
- Simplify and increase clarity of Satisfactory Academic Progress (SAP) requirements. Ensure requirements are equitable and not more stringent than those for full-pay students.
- Change federal loan counseling requirement from entrance and exit-only, to annual.

CONCLUSION

Mr. Chairman, Ranking Member Murray and members of the committee, we appreciate the opportunity to contribute to this important dialogue on financial aid simplification and transparency. We greatly value this series of hearings and urge the committee to address these issues in a holistic manner and focusing across the full lifecycle of a postsecondary student, from making an affordable college choice, eliminating barriers during the transition to college and ensuring that students have access to clear information to ensure they maintain aid and stay on a path toward their degree while enrolled in school.

We believe that financial aid simplification matters, but know it won't solve the college affordability issue alone. While these efforts do not directly address the much-discussed cost barrier, they will make a real and measurable impact on the lives of students across this country. Streamlining systems to reduce bureaucratic inefficiencies and removing additional barriers for students to navigate will make the pathway to a college degree easier for many Americans. Our students can focus their efforts on making financially-informed decisions rather wasting time and frustration navigating

¹² Fernandez, C., Fletcher, C., Klepfer, K., & Webster, J. (2015). A Time to Every Purpose: Understanding and improving the borrower experience with online student loan entrance counseling. TG Research. Retrieved from: <http://www.tgslc.org/research/>.

¹³ Scott-Clayton, J. (January 11, 2018). The looming student loan default crisis is worse than we thought. Retrieved from <https://www.brookings.edu/research/the-looming-student-loan-default-crisis-is-worse-than-we-thought/>.

confusing terms, unnecessary processes. Our counselors and financial aid administrators can spend more time advising students on key decisions related to their postsecondary education, instead of having to devote valuable time bogged down navigating bureaucratic inefficiencies.

Our goal as an organization is to help more Americans earn a college degree with less debt. uAspire believes that the proposals we have shared to simplify financial aid practices and increase transparency for students, families and practitioners will contribute greatly toward reaching that goal. We look forward to working collaboratively with government, K-12 and higher education systems and others in our field toward pursuing these cost-effective changes which will bring a college degree within greater reach for all Americans who wish to pursue one.

Thank you.

APPENDIX

Appendix A: Award Letters: Three Examples

Appendix B: Award Letter Format Cases