



## Understanding Financial Aid Award Letters

So you—or your child—got accepted to college. Congratulations! But now the financial aid award letter arrives. What does it mean? How much aid are you really receiving? What if it's not enough? Will you have to pay it all back? This discussion aims to clear up some of the many mysteries about financial aid letters. In this episode NACAC's Mary Stegmeir welcomes three experienced and knowledgeable guests to break down what the financial aid letters say and how to apply that information in real life. Tristen Black,

associate director of admissions at the University of Oklahoma, Ja'Niah Downing, associate director of admission at Purdue University, and Rachel Fishman from New America in Washington, D.C.

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Mary Stegmeir:

Hello, and welcome to the College Admissions Decoded Podcast, an occasional series from the National Association for College Admission Counseling, or NACAC. NACAC is an association of more than 15,000 professionals who support and advise students and families through the college admission process. I'm Mary Stegmeir, assistant director for editorial content and outreach in NACAC's communications department. I'm joined today by three experts in the field of college admission. They are Tristen Black, associate director of admissions at the University of Oklahoma.

Tristen Black: Happy to be here.

Stegmeir: Ja'Niah Downing, associate director of admission at Purdue University in West Lafayette, Indiana.

Ja'Niah Downing:

Thank you for having me.

Stegmeir: And Rachel Fishman, deputy director for research with the education policy program at New America in Washington, D.C.

Rachel Fishman:

Thank you for having me.

- Stegmeir: Thank you all for joining me today. Let's get started. Your student has been accepted to college, or maybe even more than one college. Congratulations, but now the financial aid award letters arrive. What do they mean? How much aid are you really receiving? And what if it's not enough? Will you have to pay it all back? Our goal today is to clear up some of the many mysteries about financial aid letters, so let's start out by just defining what exactly is a financial aid award letter?
- Downing: It's a document that you receive either via paper or electronically that will provide information about the various financial aid support systems that exist at that university or college for a student. Usually, they include things like grants, loans, scholarships, and other funding sources.
- Stegmeir: Got it. And so, you listed some terms. Rachel, can you kind of walk us through what some of the words are that families may see on there, or students may see, that they should be looking for when they scan that document?
- Fishman: Sure. So, we've done some research looking at lots of financial aid offers, and what they tend to show is that there is lots of terminology for the same thing, but the major things that you should be looking out for that are on most financial aid packages are grants and scholarships, so any grants and scholarships are usually things that don't need to be paid back. Think of them as free money. They might have certain terms and conditions tied to them, like GPA requirements from the institution or something like that, but this is just money that you should receive from the institution and will help reduce your total cost.
- Then you should be on the lookout for loans. These are gonna be federal student loans, and they are gonna have different terms and conditions. There might be some words like Stafford, or unsubsidized, or direct, or subsidized, and so there's like little differences between these loans that you're gonna have to research. And then, usually the last pot of money will often be federal work study, and so federal work study, it's not gonna appear on every single financial aid offer, but basically that is money that you can earn over the course of your time at the institution, and use to help defray some of your indirect costs. So, not necessarily tuition and fees, but things like your books, maybe some spending money, transportation money to go back home during winter break, stuff like that.
- Stegmeir: So, this sounds like all good information for students to have, but in reality, a lot of times these letters come across as pretty confusing. Where does the mystery come in with these letters? Where does the confusion crop up?
- Fishman: So, these communications come directly from the institution to the student, and as a result, each institution is kind of doing their own thing when they communicate aid, and so what we've discovered is that because there's a lack of consistency, or no requirements or policies surrounding these financial aid offers, or financial aid award letters, it has led to confusing jargon and terminology, because institution A might call a federal student loan the federal direct subsidized loan, and institution B might just call it a Stafford subsidized loan. They might not even call it a loan.

There might have been a weird truncation on the line, and so maybe it doesn't even have the word loan.

And so, it makes it really hard for students to be able to even compare consistently within the aid packages, dollar for dollar, like what loans am I getting from one institution? What grants am I getting from another institution?

Stegmeir: And Tristen has been nodding over here. Have you seen a lot of confusion among students when they try to decipher these letters?

Black: Yes, that's a common complaint that we get from students on the college side is, you know, "Why do I see this on your award letter, but I don't see it on another college's, and how do I know what the difference is," with all of these terms that Rachel was mentioning. Another thing that we get some confusion about is typically colleges will list cost in some form or fashion, cost of attendance on that letter. Some will include estimates for indirect costs, which are costs that the students control, and families aren't always familiar with that terminology, either.

Stegmeir: So, Rachel, I know that you have spent a lot of time looking at different financial aid award letters from institutions from across the country. Can you talk a little bit about your report, Decoding the Cost of College, and what you found?

Fishman: Yeah, sure. So, a couple years ago, we worked with this organization, uAspire, who was counseling students and who actually had made this fantastic repository of over 11,000 financial aid offers from I believe at this point, the 2016-17 academic year, and so, what we were able to do was take all the data from these letters, and these were from predominantly low income students, and we were able to look at financial aid awarding policies. And we discovered a lot among all these 11,000 packages that for a lot of these students, and I think for most students in America, they're gonna face a gap that they're gonna have to fill somehow, even after you take all the loans into account.

So, there's gonna be a gulf between what they have to pay, what they're getting in their financial aid package, and what they have left to pay, and so, because of that, it's really important how that gap is adequately communicated, and the resources that students and parents can recognize and apply towards that gap or make the decision maybe this institution isn't for me. Maybe this institution is too much of a financial reach for my family.

Stegmeir: But that is an important part of the process of finding a college fit.

Downing: Absolutely.

Stegmeir: Ja'Niah and Tristen, can you talk a little bit about why it's so important that families and students understand what these letters say, and maybe offer any tips you might have for students who will be looking at those letters this spring?

Downing: Just adding to what Rachel said, when calls start coming in about financial aid, very often many admissions professionals, we send the call to the financial aid

office, and if we can just have a little bit of an understanding of what our letter looks like, and look at are our schools kind of doing some of the things that are looked at as challenging? I think it can be really helpful as we try to help students and do a better job with that. Just knowing what my letter says and knowing that it's very different from the private school right down the road, or the public school across the state, or even the community college that's in our neighborhood, is really helpful as I try to work with a student through this process.

**Black:** I'm gonna second that, and we found to add on to that hardship of the handoff is students tend to work with their admission counselor a lot, and share their hardships, and the things that they're thinking and weighing in the college decision process, and then when it comes to sometimes sensitive or uncomfortable family financial data, we have to hand them off to someone they don't know, that's not the one that's been helping them, and when it comes to first generation or underrepresented students, that's not a smooth handoff, and it's often something that makes the family feel uncomfortable and makes the student feel uncomfortable, when suddenly they're being handed off to someone they don't know and they haven't really built that trust relationship with.

**Stegmeir:** Yeah, that's a great point, and when students do get to that point where they have received a letter back, what's some advice that you would have for them as they look through it with their parents, with maybe a school counselor?

**Black:** I would say be sure that you're comparing apples to apples when you look at aid letters next to each other, because like we've already mentioned, and like the research that Rachel was talking about, many aid letters are so different in how they break down cost, some of them don't separate the free things, like grants and scholarships, from the loans that you have to pay back, and so if you're comparing a college that combines all of that with a college that doesn't, the college that doesn't is gonna seem more expensive, even though they're just not factoring in that you want to take out loans automatically.

So, be sure that maybe you could even make for yourself a spreadsheet, or a worksheet, where you fill in the free aid and the loans separately from each of the colleges you're looking at, to help really make sure that you're comparing the same thing on each of those letters.

**Fishman:** You also need to, I'll just jump in, really unpack cost. So, there's all the different... separating the aid, but to your point earlier, so a lot of institutions don't list costs, or when we conducted this research, weren't listing cost on their offer. But for those that did, they were doing it in like a myriad ways. If you're missing indirect expenses, that's things like books and supply, transportation to and from school, especially during breaks if you're a residential student attending far from home, stuff like that can really add up to be like \$5,000 to \$10,000, depending on what those indirect expenses are. And so, you need to try to accurately account for them and the institution needs to and is required to at least have some estimates of what those are and must be able to provide them to the student.

And so, I think before taking any cost information for granted from the institution, you should probably either call the financial aid office or see if you can go online and make sure you get the full itemized cost of attendance, and understand which of the costs are direct, which if you're a residential student, that's usually tuition and fees, room and board. The indirect expenses are transportation, books and supplies, and miscellaneous personal expenses.

Stegmeir: And Rachel mentioned earlier the gap. Anyone, chime in and tell me a little bit more about what the gap is and why it's so important that students be able to identify that in their letters.

Downing: Yeah. I think, so the gap is essentially what's not met, so you have your grant, and your "free money," and then you have your loans and such, and then you have this area of like, "Okay, who's gonna pay for that?" And usually that can come from savings, maybe working while you're in college. It can fill that in, but usually those gaps are tremendous. It's not like \$400 or \$500 here or there. It's usually in the tens of thousands of dollars, and that brings students to a realization sometimes like, "Oh my gosh. I applied to this school and never really took the time to really realize what that gap would look like for me." This is nothing negative towards a student, or a counselor, or a parent, but there's no other area in life where we do this.

We never look at a house that's in the \$10 million neighborhood when we know our budget is like \$100,000. But with college, for some reason, we find ourselves doing that sometimes, and I talk to far too many students this time of year who I don't know their financial situation, we don't ask that when they come for a campus visit, but they go through that visit, they apply, they get admitted, we offer them scholarships, and then we get a call like at this time of year, and it's like, "Oh, I have unmet need of like \$15,000." And I'm thinking to myself like, "Man, I wish I could have sat down with you as a financial counselor almost when you were a junior in high school and talked to you about a few more of these pieces." Because no college counselor or financial aid advisor wants to have that really challenging conversation, because many of us have very limited resources to help that student, and we've also grown to like you a lot, too. We want you to be there. We think you would be a rock star on our campuses, but we're just... both of our hands are tied collectively.

So, I think it's very, very important, going back to Rachel's point about those miscellaneous expenses. That can be so important to kind of understand about your financial aid picture and understanding what that gap looks like. Your miscellaneous expenses could be very, very different. I actually grew up in Florida and went to a school in the Midwest, so I had never owned a coat before, like a legitimate coat. And then I went to college in Illinois, and that was \$200 that was on no application. It was nowhere, but I had to pay that \$200 to get a coat, and then boots, and all these other things that the student who grew up in Illinois

never had to think about, because they had them in their closet. So, knowing your story and knowing how big that gap can be for you I think is very important.

Fishman: There's two calculations you have to make. You have to understand how much money you need to set foot on campus, because that is where all the money needs to be going immediately. If you don't have enough money to set foot on campus, to pay your direct costs, you need to rethink probably everything. Or if it's gonna be like cobbling together lots of money just to set foot on campus for that first semester, to pay whatever tuition comes due in July and August, and it's like a major, like you're hyperventilating because you can't make it work, that is gonna require a call to the financial aid office maybe to see what they can do, and then if they can't do anything, maybe a rethinking of your strategy, unfortunately. You're almost too far down the pike at that point.

The other thing that I also want to point out, that is going towards this growing gulf, we saw not a ton of institutions, but quite a few institutions, 15% of the institutions in our 500 that we looked at, were putting a Parent PLUS loan in their financial aid offer, and zeroing out their financial aid package. Zeroing out meaning because they were combining all the aid together, not differentiating what was a loan, what was a grant, what was work study, it made it seem like the student got a full ride with this Parent PLUS loan. And the important thing to remember about a Parent PLUS loan is it is a loan from the federal government, but it operates very differently than a student loan. It is a loan that is made directly to the parent, the parent has to undergo a credit check in order to qualify. It is a minimal credit check. It does not look at your ability to repay, and it is not open for a lot of... It doesn't have really the same... It's almost like a quasi-private loan. It doesn't have a lot of the same consumer protections that federal student loans have.

There needs to be awareness that it exists, but in terms of like if you're making a comparative spreadsheet or something like that, this is a source of money that should be sort of considered at the end, and any consideration towards it should be made by the parent, because it's in the parent's name, it's not cosigned by the student, there's no way to require a student to pay it, it will ruin your credit as the parent if... even if you come up with some agreement for your student to pay it, it comes with a higher interest rate. There's all these things. They can garnish your Social Security. It's not guaranteed money, just like student loans are, like when it says you get \$5,500 as a freshman in your financial aid offer, you get \$5,500. If it says you get \$20,000 of Parent PLUS loans in your financial aid package, you could fail that credit check and you could, like in August, when it comes time to get that money and pay for your tuition, and you're out of luck, because your parent failed the credit check. It's not an entitled dollar amount.

That is a big one that I would flag that I think institutions are really struggling with how to show how to afford the institution, and so they've started putting this loan in more and more, relying on this loan more and more without thinking about

perhaps the ethical implications and what that maybe means for the families in the decision-making process.

**Stegmeir:** So, Tristen, we want to make sure that our students are looking out for the Parents PLUS portion of their letter, and really understanding what that means, and understanding sort of the implications for that. Are there other pieces that you would sort of flag as things that every family should look at or consider when they're reviewing those letters?

**Black:** I think the biggest things are ones that we've touched on a little bit. The separating direct and indirect costs is a big point of confusion, because that can really skew how expensive or not expensive an institution appears on those letters. And the other point that Rachel mentioned earlier is separating the free aid from the aid that's in the form of loans. When those loans get included as a given, it can skew how affordable a college appears to a student.

**Stegmeir:** Why is it so important that we really pay attention to this?

**Black:** I think for those who work in college admissions and financial aid on the front end, helping high school students navigate this, financial aid award letters have become such an important part of the conversation because in our interest as a college, it helps us with retention. If we can make students as aware as we can on the front end of what the financial implications are of the decision they're making, we can ensure that they're set up for success, and making the college decision that's right for them, even if that means that the gap is too big at our college, and that means attending somewhere else first.

**Downing:** And I would just add to that, and I know this is at the heart of many people who work in admissions and financial aid, that this affects deeply the most vulnerable and underserved populations, so when you send a letter that maybe has a lot of information, and you feel like as a college, like, "Oh, we shared everything, so they should get it." Or you are really working in a kind of predatory space, where you're targeting certain populations, you're going to have a tremendous negative impact on students. Students who may be first generation, and that first financial aid letter is the first one that's ever come into that home. Or if you're at a high school where you have an incredibly high student-to-counselor ratio, and you don't have enough counselors to sit there and go through the hundreds of terms for a Stafford loan, they're gonna be the ones who get a letter, see that it's zero cost to them, when there's a Parent Plus loan hidden in there, or there's a lot of loans hidden in there. They're gonna accept the offer, get there in August, and everything's gonna fall apart.

So, it's incredibly important that this stuff is clear and concise, because it's gonna affect a lot of individuals, most importantly those who are very vulnerable and in underserved communities.

**Fishman:** What the research shows, to Tristen's point on retention, is that if you drop out, you are much more likely to struggle to repay your loans. This makes a lot of

sense. So, it's actually the people who have the least amount of loans who struggle the most to repay, which I think to the general population probably sounds counterintuitive, but if you unpack it a little bit, makes sense, because if you drop out before you have any credential in the labor market, you don't have anything to fall back on. And so, you don't have a way to really effectively repay your loans. You should absolutely borrow if you need to. If it's gonna help you be successful, absolutely borrow. If it means you're not gonna work 40 hours a week, definitely borrow. If it means you're gonna be full-time, borrow. And then just know the different methods that you can repay those loans back, but importantly, make sure you finish. Make sure you get that credential so that you have something to fall back on in the labor market, and you'll be much more likely to repay those loans, even though you might have like \$30,000 of debt, which is what the average is sort of at for bachelor's degree graduates.

**Stegmeir:** Are there things that families can do in this environment to make sure that when they arrive, when they have their financial aid award letters, they are able to find a good college fit from their choices? Or things they can do from the beginning of the process?

**Downing:** Yeah, I would say before you even get to the point of getting a financial aid letter, before you apply, or before you get admitted, before you apply, your junior year of high school, it shouldn't just be about walking around a campus, seeing a residence hall, going to a game. It should be kind of like figuring out that bottom line cost of going to that institution before you even apply and spend the time and energy of doing the common app, and sending the transcripts, and waiting for a decision. Knowing on the other end that financially this is a good fit for you, that is incredibly helpful.

**Stegmeir:** Tristen, you're shaking your head. Are there tools that can help students figure that out?

**Black:** For sure. You can find a lot of really good, like budgeting for college worksheets online, and things like that, but I think to your point about using junior year as a time to do research is paramount, and even senior year, after you've applied, but before you've had those decisions and financial aid letters, start doing that research. And if you attend a high school where you do have, there is a really high student-to-counselor ratio, make those appointments early, or use your admission counselors at the colleges that you're looking at. Every college has an admissions office full of people whose job it is to help, to help parents, and to help students, and to make sure that they have the answers that they need in this decision process.

So, even if that's not available at a high school, lean on the colleges you're applying to to help you with that. We are always happy to meet one-on-one with students, whether it's a phone or video conference, virtual meeting, if it's not feasible with distance, or in person if you happen to be in the same vicinity as your

admission counselor at the school you're applying to. But use those professionals that are there to help you.

Fishman: Make sure that you utilize... They're not perfect, but every institution is required by federal law to have a net price calculator, which is supposed to provide a front-end estimate after you enter some information about your family's income, and every institution should have this on their website. It can be pretty tricky to find. If you're having trouble finding it, talk to... I don't know, probably the financial aid office, or the admissions office, they should hopefully be able to get you where you need to go on that one.

Stegmeir: What is-

Downing: And just-

Stegmeir: Oh, go ahead.

Downing: Sorry. And just one other thing I just kind of thought about. Often, counselors and students, and even admissions counselors, we talk about getting a gimme school, a kind of challenging school, and then a reach school, and we only think about that from the academic lens of like ACT, GPA, and test scores, but it would be really great if we started looking at it from the financial lens, of like a guarantee, like we can afford this no matter what.

Fishman: Financial safety school.

Downing: Yes, and then you do have a reach school, where like we need some scholarships to come in, but this is still a possibility. It would be great if we start talking about going to school like that.

Black: It helps keep expectations realistic in the process, too.

Downing: Absolutely:

Black: So that students aren't so heartbroken when the financial gap piece comes in, and they didn't realize that their dream school that they actually got into, that was an academic reach, is now suddenly a financial reach also.

Stegmeir: I think that is our time for today. Thank you, Tristen, Ja'Niah, and Rachel, for a terrific conversation, and thank you all for listening. Please leave us a review and rate us on iTunes, as your feedback helps shape the show.

Jayne Caflin Fonash:

Thanks for joining us for this episode. I'm Jayne Caflin Fonash, president of NACAC. College Admissions Decoded is a podcast from NACAC, the National Association for College Admission Counseling. It is produced by Lantigua Williams and Co. Cedric Wilson is our mixer. Emma Forbes is the show's assistant producer. If you would like to learn more about NACAC's guests, our organization, and the college admission process, visit our website at [www.nacacnet.org](http://www.nacacnet.org).

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