

YOUR MONEY ADVISER

Tips for Decoding College Financial Aid Offers

Schools often use different jargon for the same types of aid or loans. Student advocates offer suggestions on how to figure out what you'll pay.

By Ann Carrns

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After the college acceptance letter comes the financial aid offer. But beware: The offers are not always easy to decipher, and different colleges often use different jargon for the same types of aid or loans.

Despite calls for colleges to adopt more uniform, user-friendly formats, institutions remain free to devise their own aid letters, and the information they include varies. Some don't clearly label student loans and often omit details about the total cost, making it a challenge to figure out how much you'll have to pay.

A study in 2018 by the New America think tank and uAspire, a nonprofit group that promotes college affordability, examined thousands of award letters and found that not only was the financial aid insufficient for most students, they often used confusing terms. Among the colleges that offered a common type of federal loan, for instance, researchers found more than 100 terms for the loan, including two dozen that didn't even mention the word "loan."

"As a result," the report said, "it is exceedingly difficult for students and families to make a financially informed college decision."

Legislation to create a standard aid template has stalled in Congress. It's possible, advocates say, that the bill will be included in a reauthorization of the Higher Education Act, the law that governs federal support for students, colleges and universities.

The Department of Education has suggested an aid template, but using it is mostly voluntary.

The Federal Student Aid office has recommended that colleges include the cost of attendance in aid letters and clearly distinguish between grants and scholarships, which don't need to be repaid, and loans, which do.

Rachel Fishman, deputy director for research at New America's higher-education program, said that it was unclear just how many colleges had updated their formats, but that "anecdotally," some had made improvements.

More colleges are recognizing the problem, but "we still have a ways to go," said Lindsay Ahlman, associate director of research with the Institute for College Access and Success, a nonprofit that advocates for low-income students.

For now, there's still room for confusion, so students should carefully review their award letters — and subsequent bills — to make sure they reflect costs and aid correctly, student advocates say.

Elie Kapengut, 18, a freshman at Rutgers University, said his first aid letter from the school had included student loans. He didn't want to borrow, though, so he didn't take the required steps to accept the loans. A revised aid letter showed that the loans had been removed, he said.

But a later statement included an apparent credit for more than \$2,700, mysteriously labeled "FINAID DUNSB OFFERED," Mr. Kapengut said. It was listed alongside other credits from scholarships, and the balance on the bill was calculated as if the funds had been applied.

The money turned out to be a loan, Mr. Kapengut said, so he visited the school's financial aid office and had it removed. It didn't end up costing him more than a bit of a "hassle," he said — but it did seem that some students might end up borrowing money unwittingly.

Rutgers said in an emailed statement that its student aid award letters follow the federal Education Department's recommended template. All students who file the FAFSA, the federal application for student aid, receive the same electronic award letter, which includes a section for loans. The loans section displays the amount borrowed and provides an option for the student to decline the loan.

"If a student does not complete the form to decline the loan from the award letter, the loan will appear on the student's term bill," Rutgers said.

To compare aid offers, student advocates recommend that you first determine the total cost of attending each college, including "direct" costs like tuition, fees, on-campus housing and meal plans, and "indirect" costs like books, supplies, transportation and other expenses. If your aid letter doesn't include a breakdown of these costs, call the financial aid office, visit the college's website or try tools on the Education Department's College Navigator.

Next, subtract any “gift aid,” which includes grants — including federal need-based Pell grants — and scholarships.

This will give the “net” cost to you of attending the school — the amount you will have to come up with from savings, income or borrowing. Calculate this amount for each college.

“Do the math, and make an apples-to-apples comparison,” said Laura Keane, chief policy officer for uAspire.

Doing so will help you avoid being dazzled by a big aid offer, which may not seem quite so large if it covers only a portion of the total cost. “If you get a \$40,000 aid package but the school costs \$60,000, you still need to come up with \$20,000,” Ms. Fishman said.

It’s especially important to make sure you understand what amounts are loans, Ms. Ahlman said. “Beware of aid offers that look too good to be true,” she said.

And make sure, Ms. Fishman said, to ask whether scholarships and grants are renewable for four years. Some colleges front-load scholarships for the freshman year to entice students to attend. But if the gift aid goes away and the cost of attending rises, you may find yourself strapped before finishing your degree.

The Department of Education offers comparison tips on its website, and the National Association of Student Financial Aid Administrators offers a worksheet, which you can print out, to help keep information about different colleges organized.

Here are some questions and answers about student aid.

When can I expect my financial aid offer?

That depends on the college, the application deadline the student chose and how early the student completed required student aid forms, including the federal form known as the FAFSA, for Free Application for Federal Student Aid.

“It absolutely varies,” Ms. Keane said.

In general, for students who apply under a traditional “regular decision” timeline, acceptance letters will arrive by the beginning of April and award letters around the same time or shortly afterward. Students who apply under early-decision programs or to schools with rolling admissions, however, may get award letters earlier.

How much can I borrow for college?

In general, an undergraduate can borrow up to \$5,500 in federal student loans as a freshman, \$6,500 as a sophomore and \$7,500 each during the junior and senior years, for a total of \$27,000 over four years. (Students can borrow more if they take more than four years to graduate; also, the limits are higher for independent students.)

If families need to borrow more, parents can borrow federal PLUS loans, which carry higher interest rates, up to the total cost of attending. Families can also seek private student loans from banks and other lenders, but those loans lack important consumer protections available with federal loans, like the option for payment plans based on the borrower's income.

Do any colleges guarantee tuition rates for four years?

Four-year tuition guarantees, sometimes called "fixed" tuition, can help families budget for college. They aren't widespread, but they're out there, so they are worth asking about. The University of Arizona and the University of Illinois system are among the institutions pledging that freshmen will pay the same tuition rate for their four-year undergraduate degree.