

Financial aid letters don't reveal the real cost of college

A newly released GAO report criticizes colleges for sending letters that don't help students pick the school they can afford, leaving them to rack up debt



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Columnist

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When you buy a home, lenders must provide you with a standardized form that includes the loan terms, the projected monthly payment and details about fees and other mortgage costs.

If you use a credit card, the monthly statement must disclose how long it would take to pay off your balance if you make only the minimum payment each month.

Buying a car from a dealership? By federal law, the manufacturer's suggested retail price must be placed on the window of the vehicle. Of course, you might pay more or less, but at least there's a baseline for reference.

But woe to the many students and families trying to figure out the net cost of a college education.

[\[The most-regretted \(and lowest-paying\) college majors\]](#)

The financial aid letters colleges issue are supposed to help students determine how much they can afford. But they aren't as helpful as they should be and, in many cases, can be misleading, according to a [report](#) by the Government Accountability Office.

The GAO, the nonpartisan congressional agency that serves as the government's primary watchdog, reviewed financial aid offers from 176 colleges sent to undergraduate students who were offered full-time enrollment for the 2021-2022 academic year. The sample included two-year and four-year public, nonprofit and for-profit colleges. The schools were assessed against 10 best practices from the Education Department and a commission representing 22 federal agencies.

Schools that followed the best practices would itemize direct and indirect costs in their price estimates and wouldn't downplay that much of that aid is actually in the form of loans. The letters wouldn't call work study an "award" when students aren't guaranteed campus jobs.

"Most colleges are not following best practices for providing clear and standard information in their financial aid offers," the GAO report said.

The watchdog found that an estimated 91 percent of colleges — a staggering percentage — underestimate or don't bother to include the net price in their offers, making it hard for families to calculate how much they will need to pay for school.

While millions of debtors await a [Supreme Court decision](#) on the fate of the Biden administration's [student loan forgiveness program](#), the GAO report exposes the absurdity of financial aid letters.

[\[Supreme Court to review legality of Biden's student loan forgiveness program\]](#)

Students and families rely on these letters to compare college offers and the types and amounts of financial aid for which they're eligible. However, the information they need to keep them out of crushing debt can't be found in these letters.

"The main problem is these award letters are clear as mud," said Mark Kantrowitz, a financial aid expert and author of "[How to Appeal for More College Financial Aid](#)." "They lack clarity on what's a loan and what's a grant."

What should the letters include? Here's the GAO's list of 10 best practices.

1. Direct and indirect costs are itemized. Yes, tuition, room and board make up most college costs. But families ought to understand that other expenses can result in additional borrowing. Books, transportation and personal expenses can be daunting for many students.

2. Provide a total cost of attendance that includes key expenses. Partial or incomplete information may result in students underestimating affordability.

[\[Student loan-payment freeze extended as courts weigh debt relief\]](#)

3. Estimate the real net price. Offers should provide the actual bottom-line amount families are expected to pay out of pocket, which for many includes heavy borrowing. About a quarter of the schools didn't provide any information about college costs in their financial aid offers, according to the GAO report.

4. Separate the free money, loans and work study. Schools often underplay how much students may need to borrow. "You hardly ever see them mentioning an interest rate or a loan payment," Kantrowitz said. "They often refer to loans with cryptic acronyms. This makes it difficult for families to know what they're getting into."

One school may offer most aid in the form of a grant. Another might require more work study to bring down the cost of attendance. But working too much can affect a student's academic performance. And many students got into financial trouble during the pandemic when their work-study jobs were cut because of the [coronavirus](#).

[\[Students who counted on work-study jobs now struggle to pay their bills\]](#)

5. Don't include a PLUS loan. If a parent loan (for Parent Loan for Undergraduate Students) is listed, make sure students differentiate this type of borrowing from their own, the GAO recommended.

[\[How we sent our children to college debt-free\]](#)

6. Label the type of aid being offered. A good letter should provide a clear breakdown of grants and scholarships vs. loans vs. student employment.

"When it comes to financial aid, some letters will mix the loans in with the grants without separating them out," Kantrowitz said. "They treat loans as though it's reducing college costs, and they don't."

[\[Students, don't count on loan debt forgiveness ever happening again\]](#)

7. Label the source of aid. Federal loans come with better borrower protections than private loans, which are often more expensive.

8. Include actionable next steps. Schools should be clear about opportunities for families to negotiate a better financial offer.

9. Emphasize the key details and distinctions in the different aid. Such details "might include information about minimum academic requirements to maintain a scholarship or explaining that work-study is not guaranteed since students need to apply for these jobs on campus," the GAO report said.

Schools often front-load aid for freshmen as a recruiting tactic, Kantrowitz pointed out. But in subsequent years, the free money may be greatly reduced. Or loans may make up more of the financial aid package after the first year.

Work study might limit a student's ability to participate in [extracurricular activities](#).

[\[The 50-year path that left millions drowning in student loan debt\]](#)

10. Don't refer to the financial aid offer as an "award." Work study isn't guaranteed. And a loan is not an award. It's a debt.

Federal law does not require colleges to provide clear or standardized information in their financial aid offers. The GAO recommends that Congress change that and compel colleges to do so. Because borrowers can spend decades carrying debt for college, better financial aid disclosure is long overdue.

Michelle Singletary on inflation and personal finance

If you have a personal finance question for Washington Post columnist Michelle Singletary, please call 1-855-ASK-POST (1-855-275-7678).