

PAYING FOR COLLEGE

# The Long Story of the Movement Toward College Cost Clarity

Your Money

By RON LIEBER    OCT. 20, 2017

Once upon a time, paying for college was a relatively simple task.

Parents who could often did. Teenagers with parents who lacked either the ability or the willingness to pay worked their way through school, which was easy enough to do at many schools before 1985 or so.

But then came rising costs and student loans, of which there are countless iterations, from the federal government and state agencies and private entities. Repayment plans proliferated, too, depending on your income and profession and the type of loan you had. And many colleges split their own grants and discounts into those based on financial need (where the aid offer is sometimes predictable) and ones based on academic merit (where the offers are often unpredictable).

Most of the professionals who added these features to the system did so for reasons that made perfect sense at the time, but their collective effort has left us with a process of inordinate complexity. It is so bad, in fact, that it has inspired a little-noticed burst of bipartisanship in Washington designed to fix some of the mess.

This unlikely buddy act stars Senators Al Franken, Democrat of Minnesota, and Charles E. Grassley, Republican of Iowa. They are co-sponsors of three pieces of

legislation designed to make the cost of college clearer before applying to a school, before picking one and on a continuing basis while trying to complete a degree.

Each law would impose new rules on colleges and universities. Attempting to add regulation is not a standard Republican reflex. But given that federal loans and financial aid formulas sit at the center of much of the confusion, Senator Grassley believes this is a market that the government created, at least in part. So legislators owe it to their constituents to improve the way it functions.

“A student is a consumer of the product of education,” he said in an interview this week. “Greater transparency is going to empower the consumer.”

The pair’s efforts could also provide a road map for people who do not want to be tripped up by the complexity, and it starts with the **Net Price Calculator Improvement Act**. These calculators, which allow college shoppers to input data and get a rough sense of how much financial aid a school might offer them, have not been warmly embraced by many colleges. As I’ve reported in the past, some have even blocked third-party efforts to make it easier for families to compare the results that the calculators spit out.

To the senators, these calculators are vital, given that too many families dismiss colleges with high sticker prices out of hand, without realizing that few people pay the sticker price at many private colleges anymore. So their bill would force schools to put the calculator on the same webpage where families look for cost and admission information. Plus, it would encourage the Department of Education to develop a universal calculator containing the data of every college, which would make comparisons easier.

Bill No. 2 is the **Understanding the True Cost of College Act**, but a better name for it might be the **Colleges Don’t Write Very Clear Financial Aid Award Letters Act**. When a college offers you aid before you’ve decided whether to attend, it sends you a letter with a bunch of numbers that purport to explain it all. These letters, however, are often so badly crafted that some of Senator Franken’s constituents complained that they could not tell whether they were being offered grants (which they did not have to pay back) or loans (which they generally did).

Part of the problem comes from industry jargon. There are descriptive terms or loan names that financial aid administrators believe they must use to comply with

regulations, and others, like “Fed Direct Unsub Loan,” that simply exist nowhere else in the English language. Yet they stuff the letters full of them and send them off to teenagers.

“Most financial aid administrators mean well,” said Brendan Williams, director of knowledge for uAspire, which helps students and others decode the financial aid system. “But sometimes they lose sight of where students are when getting these letters. It’s a foreign language almost.”

The True Cost bill would mandate the use of a standard template for award letters, so that recipients would have a clear sense of what college would cost, how much money they might have to borrow and how much grant money was being offered, free and clear.

“Let people compare apples to apples instead of apples to oranges,” Senator Grassley said.

This could — and should — have happened a long time ago, for it’s not a new issue. In 2007, Kim Clark, who was a colleague of mine at Fortune Magazine 20 years ago, used a fellowship to set up a website explaining just how confusing many award letters were. Her “decoder” feature translated a handful of actual letters so that people could cut through the muddle.

Several years after that, a clear-as-day sample letter appeared on the Department of Education’s website, but schools were not forced to use it. Many refuse to do so to this day. Why is this?

“They don’t want to make it easy to understand the true costs and to compare them,” said Ms. Clark, who now works for the Education Writers Association. Tweedy traditionalists, after all, don’t want a price war to get in the way of the gauzy appeal of reputation, tradition and other things that are hard to put a value on.

Mr. Williams, whose organization would not exist but for the absurd complexity of the system, has some sympathy for the writers of said letters.

“It’s their job to communicate with students, and, let’s be honest really, to try to get students to enroll at their college,” he said.

Still, he has no patience for common practices like formatting letters to count loans as “awards,” as if the school were doing families some kind of a favor. “It drives me bonkers,” he said.

The third bill, the **Know Before You Owe Act**, co-sponsored with Senator Joni Ernst, Republican of Iowa, is aimed at giving students a running total of their debt and its ramifications during each year at school. Currently, students get some loan counseling on the way in and some more on the way out, but that’s it, and it’s often not very good.

If this bill passes, the annual check-in will include an explanation of students’ projected debt-to-income ratio based on the average salary for people in their major. Borrowers would also have to manually enter the amount of federal loans they wished to use, so that they’d be making a conscious decision about debt and not simply checking a box to grab everything they were eligible to borrow.

These bills will probably not get much of a hearing on their own, so they’re more likely to be included in the reauthorization of the Higher Education Act. Whether that will happen (as it is supposed to) in the next year or so is anyone’s guess.

In the meantime, there is nothing stopping you from doing all of the things that these bills would make the schools do for you. Use a search engine to find the net price calculator for the schools that interest you, as some schools hide them on their sites. You can also go to College Abacus’s website to compare the results from different schools, if the schools haven’t blocked College Abacus’s tool, that is.

Once the award letters start arriving, consult Ms. Clark’s **letter-reading** advice that ran in Money Magazine. You should also look at the Institute for College Access and Success’ tips for interpreting the documents and the National Association of Student Financial Aid Administrators’ glossary.

As for do-it-yourself counseling, consult the **column** I wrote two years ago in which I asked young adults with debt to discuss the things about the system that they wished someone had told them when they were 18 years old.

Meanwhile, any bipartisanship is cause for encouragement and celebration.

“We’re kind of an odd couple, Franken and I,” Senator Grassley said. “But I hope it also holds a lesson.”

He wants us to know that we can all get along, really. So noted. But the lesson for me is that this blasted system has grown so complex that even people who normally disagree have concluded that it is an enormous problem. So there is little doubt, bills or not, that it will take a very long time before the process of fixing it comes to the end.

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