

TIPS FOR INTERPRETING AWARD LETTERS

Affordability is a key issue for many students and families when choosing which college to attend, and financial aid award letters are crucial tools for determining which colleges are within reach and how to cover their costs. It can be daunting to review award letters, which come in different formats and present information in myriad ways – some clear and helpful, and others confusing or misleading. The tips below will help counselors and the students they work with avoid common mistakes when trying to understand and compare award letters.

Compare “net prices”, not aid packages

- **What is the net price?** The “net price” is the full cost of attendance *minus* grants and scholarships. The full cost of attendance includes tuition and fees, room and board, books and supplies, and transportation and personal expenses. The net price is what students and families will have to save, earn, and/or borrow to attend the school for one year.
- **Is the “remaining cost”, “out-of-pocket cost”, or “unmet estimated cost” the net price?** Probably not. Some award letters calculate a figure that subtracts loans and/or work expectations – that is not the net price!
- **Why focus on net price?** Comparing net prices is the only way to get an apples-to-apples comparison of how much money the student and his/her family will have to come up with. While grants and scholarships actually reduce the net price, loans are just one way to cover net price, and they have to be paid back.
- **Why not compare total aid packages?** The school offering the largest total aid package may not be the most affordable if the school has a high cost of attendance, if the aid package includes loans, or both.
- **What if I can’t find the net price?** Many award letters won’t calculate the net price for you, or they may calculate a figure that is not the net price. If you don’t see the net price, try to calculate it yourself. You’ll need the full cost of attendance and the total amount of grants and scholarships offered.

Look for cost information and make sure it’s complete

- Some award letters only include tuition and fees or other “direct costs” paid to the school, and some don’t include any cost information at all! Look for the cost of attendance and make sure it’s complete, which means it includes room and board, books and supplies, and transportation and personal expenses along with tuition.
- If the full cost of attendance is not included on the award letter, check the college’s website or the Department of Education’s College Navigator website (<https://nces.ed.gov/collegenavigator/>).

Know what’s in the aid package

- **What’s the difference between grants, loans, and work-study?** Grants and scholarships don’t have to be repaid, which is why they’re sometimes called “gift aid.” Loans have to be repaid, with interest. Work-study means you’ll get paid for doing a job – you have to earn it. These types of aid may or may not be clearly labeled on the award letter.
- **Are all loans the same?** No! Federal student loans (subsidized and unsubsidized Direct loans, sometimes called Stafford loans) are the safest way to borrow. Federal Parent PLUS loans require a limited credit check and have fewer repayment options than federal student loans. Private student loans are the riskiest option: they usually require co-signers and they lack the consumer protections and repayment options that come with federal loans.
- **Are private loans a type of aid?** No. Private loans aren’t financial aid – even if they’re included in an award letter – just like credit cards aren’t financial aid. While federal loans might not feel like financial aid, they come with

many protections and benefits that commercial loans don't offer. If you need to borrow, use federal loans first and try to avoid private loans.

- **What about loans from the college or state?** The terms of these kinds of loans vary widely, and they can be just as risky and costly as a private loan. Be sure to read the fine print.

Be wary of award letters that look too good to be true

- Some award letters include large amounts of federal Parent PLUS loans or nonfederal (private, state, or institutional) loans, and some colleges subtract those amounts from the net price to display a deceptively low out-of-pocket cost – as low as \$0! It may look like there are no costs, but loans must be repaid, with interest.
- Here are some more tactics that can make colleges appear more affordable than they really are, and make it harder to determine the net price:
 - Listing grants, scholarships, loans, and work-study together and adding them all together, instead of breaking out the “self help” elements of loans and work.
 - Showing only certain costs, not the full cost of attendance, on the same page as the aid offer.
 - Using terms that could be confused with net price, like “remaining cost” or “out-of-pocket cost.”

Watch out for jargon

- Be prepared to explain financial aid terms to students. For information on federal financial aid, see the Department of Education's StudentAid.gov website.
- If terms or acronyms are not clear, reach out to the college's financial aid office or look on their website.

Keep an eye out for next steps and deadlines

- Make sure students know whether, when, and how they need to respond to the award letter in order to receive their financial aid.
- Some students are asked by their college to provide additional documentation (a process called “verification”). This doesn't necessarily mean that they did anything wrong! It's important to respond to those requests as soon as possible, or students may experience delays in receiving their financial aid or not receive certain aid at all. For more information about verification, see TICAS' report, *On the Sidelines of Simplification* (<http://bit.ly/2sZl67l>).

Other tips

- **If students qualify for grants or scholarships besides the Pell Grant, find out whether they are offered every year and whether there are special requirements (e.g., a minimum GPA).** Contact the college's financial aid office or try searching its website for answers.
- **Students can accept less loan money than the school offers.** They should borrow what they need and don't have to accept the entire amount. If they need to take out more loans later in the same school year, they can ask the financial aid office for an increase up to the maximum amount they're eligible for.
- **Check if the award letter materials include a “Financial Aid Shopping Sheet”**, a standardized award letter format that clearly presents the full cost of attendance, different types of aid, and the net price. Not all schools offer this, and it may just be a link in the award letter materials. For more information about the Shopping Sheet, see the Department of Education's webpage: <http://bit.ly/2szgns1>.
- **Use the Consumer Financial Protection Bureau's Paying for College tool** (<http://bit.ly/2o6DxVi>) to help compare award packages for up to three schools at a time. This tool is free and available online. You can manually enter information from award letters or upload data from the Financial Aid Shopping Sheet (if the school provides it) into the tool.