



United States Government Accountability Office

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Report to the Republican Leader,  
Committee on Education and Labor,  
House of Representatives

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November 2022

# FINANCIAL AID OFFERS

## Action Needed to Improve Information on College Costs and Student Aid

Accessible Version

Highlights of [GAO-23-104708](#), a report to the Republican Leader, Committee on Education and Labor, House of Representatives

## Why GAO Did This Study

The Department of Education disbursed nearly \$112 billion in financial aid to students through various grant and loan programs in fiscal year 2021. Colleges generally provide students information about the aid for which they are eligible in financial aid offers. Students use these offers to make key decisions, including which college to attend and how to finance their education.

GAO was asked to review the information in college financial aid offers. This report examines the extent to which colleges are (1) following best practices to provide clear and standard information about college costs and student aid in their financial aid offers, and (2) required to provide this information to help students make educated financial decisions.

GAO collected financial aid offers from a nationally representative sample of 176 colleges and assessed them against 10 best practices from the Department of Education and a commission comprised of 22 federal agencies. GAO also reviewed relevant federal laws and regulations and interviewed knowledgeable federal officials, researchers, representatives of student advocacy groups, and college financial aid administrators.

## What GAO Recommends

GAO is recommending that Congress consider legislation requiring colleges to provide students financial aid offers that follow best practices for providing clear and standard information.

View [GAO-23-104708](#). For more information, contact: Melissa Emrey-Arras at (617) 788-0534 or [emreyarrasm@gao.gov](mailto:emreyarrasm@gao.gov).

# FINANCIAL AID OFFERS

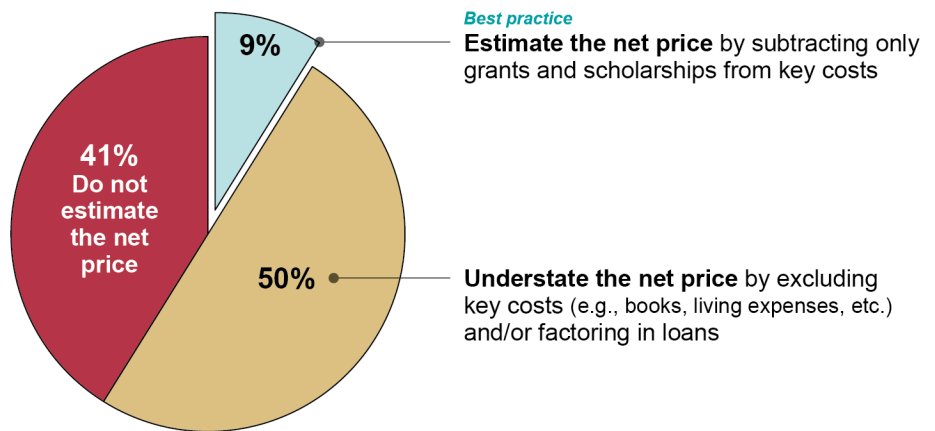
## Action Needed to Improve Information on College Costs and Student Aid

### What GAO Found

Most colleges are not following best practices for providing clear and standard information in their financial aid offers. According to GAO's review of financial aid offers from a nationally representative sample of colleges, nearly two-thirds of colleges follow half or fewer of the 10 best practices. No college in GAO's sample followed all 10. For example, according to best practices, a college should estimate the net price—how much a student will need to pay to attend that college—by deducting only grants and scholarships from all key costs (e.g., tuition, fees, housing and meals, books, and living expenses). However, GAO found that an estimated 91 percent of colleges do not include or understate the net price in their aid offers (see figure).

- **An estimated 41 percent of colleges do not include a net price.** This may leave students guessing how much they will need to pay.
- **An estimated 50 percent of colleges understate the net price.** Many colleges exclude key costs and factor in loans that must be repaid. Doing this makes a college appear less expensive than it is.

**Estimated Extent Colleges Follow Best Practice to Inform Students How Much They Will Need to Pay (the Net Price) in Financial Aid Offers**



Source: GAO analysis of school year 2021-22 aid offers from a nationally representative sample of colleges. | GAO-23-104708

**Accessible Data for Estimated Extent Colleges Follow Best Practice to Inform Students How Much They Will Need to Pay (the Net Price) in Financial Aid Offers**

Category	Percentage of colleges
Estimate the net price by subtracting only grants and scholarships from key costs (best practice)	9%
Understate the net price by excluding key costs (e.g., books, living expenses, etc.) and/or factoring in loans	50%
Do not estimate the net price	41%

Source: GAO analysis of school year 2021-22 aid offers from a nationally representative sample of colleges. | GAO-23-104708

Note: Estimates in this figure have margins of error of plus or minus 7 percentage points or fewer.

Federal law does not require colleges to include clear or standard information in the financial aid offers they provide all students. Education has instead encouraged colleges to follow best practices, but adoption has been limited. Colleges present cost and financial aid information differently, making it difficult for students and parents to compare offers and college affordability. Although a recent law requires colleges to provide standard financial aid information to certain student veterans, the lack of financial aid offer requirements could lead other students to make uninformed and costly decisions, such as enrolling in an unaffordable college. Further congressional action would be necessary to ensure that all students receive the information they need in their financial aid offers to make informed education and financial choices.

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November 1, 2022

The Honorable Virginia Foxx  
Republican Leader  
Committee on Education and Labor  
House of Representatives

Dear Dr. Foxx:

Paying for college is one of the biggest financial decisions students and families make. College is a large investment not only for students and families, but also for the federal government. The Department of Education delivered approximately \$112 billion in federal grants, loans, and other aid to more than 10 million students and their families in fiscal year 2021.<sup>1</sup>

Colleges typically send current and prospective students financial aid offers that can include both federal and institutional aid. Students and families rely on these offers to understand how much colleges cost and the types and amounts of financial aid for which they are eligible. Students use the information in these offers to make key education and financial decisions, including whether to pursue higher education, which college to attend, and how to finance their education. Limited research has raised questions about how much college financial aid offers vary in providing critical cost and financial aid information to students.<sup>2</sup> However, the extent to which colleges are providing students with clear and standard information in financial aid offers has been previously unknown due to the lack of nationally representative information.

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<sup>1</sup>For this report, we define federal student aid programs as financial aid programs authorized under Title IV of the Higher Education Act of 1965, as amended. See Pub. L. No. 89-329, tit. IV, 79 Stat. 1219, 1232-54 (codified as amended at 20 U.S.C. §§ 1070–1099d).

<sup>2</sup>Stephen Burd, Rachel Fishman, Julie Habbert, Laura Keane, Ben Barret, Kim Dancy, Sophie Nguyen, and Brendan Williams, “Decoding the Cost of College: The Case for Transparent Financial Aid Award Letters,” New America and uAspire, 2018, available at: <https://www.uaspire.org/BlankSite/media/uaspire/Decoding-the-Cost-of-College.pdf>; The Institute for College Access & Success, “Cost in Translation: How Financial Aid Award Letters Fall Short,” 2017, available at: [https://ticas.org/files/pub\\_files/cost\\_in\\_translation.pdf](https://ticas.org/files/pub_files/cost_in_translation.pdf).

You asked us to review the information in college financial aid offers. This report examines the extent to which colleges (1) are following best practices to provide clear and standard information about college costs and student aid in their financial aid offers, and (2) are required to provide this information in their financial aid offers to help students make educated financial decisions.

To assess the extent to which colleges are following best practices to provide clear and standard information in their financial aid offers, we analyzed aid offers from a nationally representative sample of colleges. We selected a generalizable stratified random sample of 204 public, nonprofit, and for-profit colleges in the 50 states and Washington, D.C. that participated in federal student aid programs and enrolled at least 100 undergraduate students.<sup>3</sup> We asked financial aid administrators from these colleges to send us three financial aid offers that they had sent to prospective undergraduate students for the 2021-2022 academic year.<sup>4</sup> To capture how colleges present information about the various types of federal financial aid, we asked that the offers include at least a:

- Pell Grant;
- Direct Subsidized or Direct Unsubsidized loan; and

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<sup>3</sup>We selected a stratified random sample of 204 colleges from the 4,134 that comprised this target population and included both 2-year and 4-year colleges. We stratified the target population into six mutually exclusive strata using undergraduate institution size (10,000 or more students and between 100 and 9,999 students) and sector (public, for-profit, and nonprofit). To define and stratify this target population of colleges, we used 2021 data, the most recent data available, on all colleges participating in federal student aid programs from Education's Postsecondary Education Participants System, a management information system of all organizations (e.g., colleges) that have a role in administering student financial aid and related programs. We used 2019 data from the Integrated Postsecondary Education Data System, a national survey of colleges that participate in federal student financial aid programs, to obtain information about the colleges in our sample, such as the number of undergraduate students they enroll. Undergraduates are defined as those enrolled in a bachelor's or associate's degree or vocational or technical program. This was the most recent data available at the time of our analysis. We assessed the reliability of these data by interviewing knowledgeable Education officials and reviewing documentation. We found these data to be sufficiently reliable for the purpose of drawing our sample.

<sup>4</sup>To ensure comparability across offers from different colleges, we asked colleges to identify offers that they sent to recently accepted, dependent, non-veteran, undergraduate students who were offered full-time enrollment for the 2021-2022 academic year. We instructed the colleges to send us three randomly selected offers that met our criteria and had the students' personally identifiable information redacted.



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- Parent PLUS loan (if the institution offered this type of loan in its financial aid offers).<sup>5</sup>

By requesting offers that included Pell Grants, we ensured that we collected offers colleges sent to students from low-income families.<sup>6</sup> These students may be the most dependent on financial aid to afford the cost of college. We also asked colleges in our sample to complete a short questionnaire about their financial aid offers.

We received a total of 522 financial aid offers from 176 colleges (an 86 percent response rate), and 185 colleges returned questionnaires (a 91 percent response rate).<sup>7</sup> We determined, based on the sample design, response rates, and our assessment of the data, that we are able to make generalizable estimates about all colleges in the United States that participate in the federal student aid program. Our sample was not designed in a way that would enable us to examine variations among different types of colleges. The national estimates in this report have a margin of error of no greater than plus or minus 7 percentage points, unless otherwise noted.

To assess whether these offers clearly communicated critical information on college costs and financial aid to students, we identified best practices colleges should follow in their financial aid offers from two federal government sources:<sup>8</sup>

- A guide published in 2019 by the Financial Literacy and Education Commission, a federal commission chaired by the Secretary of the Treasury and comprised of the White House Domestic Policy Council and 22 federal agencies. The guide defines the best practices

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<sup>5</sup>Parent PLUS loans are federal loans that are made to eligible parents of dependent undergraduate students to help pay for educational expenses not covered by other financial aid.

<sup>6</sup>Pell Grants are need-based aid awarded to eligible undergraduates who have exceptional financial need.

<sup>7</sup>The vast majority of colleges sent us three offers, as requested. However, some sent us fewer because they were not able to identify three students that met the characteristics we specified.

<sup>8</sup>These best practices are advisory, and colleges are not required to follow them. We assessed whether financial aid offers reflected the relevant best practices; we did not assess whether the college cost and financial aid information for any particular offer was accurate.

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colleges should follow for communicating critical information to students in financial aid offers.<sup>9</sup>

- Education’s 2019 publication describing best practices colleges should follow in their financial aid offers to avoid confusing students.<sup>10</sup>

From these two sources, we derived 10 best practices, which we detail in the background section of this report. We assessed the financial aid offers we received against each of these best practices.<sup>11</sup>

To assess the extent to which colleges are required to provide clear and standard information in their financial aid offers, we reviewed relevant federal laws and regulations and interviewed knowledgeable officials from the Departments of Education, the Treasury, and Veterans Affairs, as well as the Consumer Financial Protection Bureau.

We also interviewed a variety of stakeholders. These include two research organizations that have studied financial aid offers and three software providers that format these offers for colleges. Additionally, to learn about parent and student perspectives on the clarity of financial aid offers, we interviewed three student advocacy groups and four organizations that advise students.<sup>12</sup> Lastly, we interviewed a group that

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<sup>9</sup>U.S. Financial Literacy and Education Commission, *Best Practices for Financial Literacy and Education at Institutions of Higher Education* (June 14, 2019).

<sup>10</sup>U.S. Department of Education, *What Postsecondary Institutions Should Work to Avoid When Issuing Financial Aid Offers* (Apr. 15, 2019). Education updated their suggestions in October 2021 (U.S. Department of Education, *Issuing Financial Aid Offers—What Institutions Should Include and Avoid*, GENERAL-21-70 (Oct. 28, 2021)). However, the aid offers we received were for the 2021-2022 academic year, and they predate this update, so we used Education’s 2019 suggestions to comprise the best practices we used in our assessment. The 2021 updated suggestions made only one change that would affect the best practices we compiled. The 2021 suggestions specify that colleges should list certain types of loans, such as federal parent PLUS, institutional, and private loans, separately from federal student loans and should not include a dollar amount suggesting how much parents or students can borrow. The 2021 suggestions thus set a higher bar for how colleges should present parent PLUS loans, and fewer of the financial aid offers we collected from colleges would meet the 2021 version of this best practice when compared to the 2019 version. Although the analysis in this report is based, in part, on Education’s 2019 suggestions, we also include supplemental data based on analysis of financial aid offers using the 2021 suggestions in footnotes and table notes where appropriate.

<sup>11</sup>Two analysts independently assessed each financial aid offer. If the two analysts’ assessments differed on whether a college’s financial aid offer met a best practice, they either met to reach consensus or a third analyst made a final determination.

<sup>12</sup>This includes an association of high school guidance counselors that provides training to its members on helping students understand financial aid.

represents college financial aid administrators, as well as individual college financial aid administrators from two colleges.

We conducted this performance audit from January 2021 to November 2022 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## Background

### Types of Student Financial Aid

There are many ways students can finance their college education. Colleges typically send current and prospective students financial aid offers, either through the mail or electronically, to inform them of the aid for which they are eligible. This aid may come from a combination of federal, state, institutional, or private sources. It also generally comes in three different types: grants and scholarships (which do not need to be repaid), loans (borrowed money that generally must be repaid), and work-study (aid paid as a wage through an eligible job) (see table 1).

**Table 1: Types of Student Financial Aid**

Type of student financial aid	Examples
Grants and scholarships (do not need to be repaid)	Federal Pell Grant
Grants and scholarships (do not need to be repaid)	Federal Supplemental Educational Opportunity Grant (FSEOG)
Grants and scholarships (do not need to be repaid)	Institutional scholarships
Grants and scholarships (do not need to be repaid)	State grants
Loans (borrowed money that generally must be repaid)	Federal Direct Subsidized/Unsubsidized Loan (for students)
Loans (borrowed money that generally must be repaid)	Federal Direct PLUS Loan (for parents) <sup>a</sup>
Loans (borrowed money that generally must be repaid)	Private loans
Work-study (aid earned through a job)	Federal Work-Study
Work-study (aid earned through a job)	Institutional work-study

Source: GAO analysis of Department of Education documents. | GAO-23-104708

<sup>a</sup>These loans are commonly referred to as parent PLUS loans.

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## Key Concepts in Financial Aid Offers

To understand college cost and student aid information in financial aid offers, students and their families need the following pieces of information.<sup>13</sup>

**Cost of attendance:** The “sticker price.” The cost of attendance is the total amount it costs to attend a particular college for an academic term (usually a year). This total is comprised of two types of key costs:

- *Direct costs:* Costs that are typically billed directly by the college. Examples include tuition, fees, and on-campus housing and meals.
- *Indirect costs:* Costs that students pay to other parties throughout the academic term. Examples include books, academic supplies, off-campus housing and meals, and other miscellaneous expenses, such as transportation.

**Gift aid:** Grants and scholarships that do not have to be repaid. Grants are often need-based, while scholarships are usually merit-based. Loans are not considered gift aid because they generally need to be paid back, typically with interest.

**Net price:** The actual amount a student will need to pay to attend a particular college. This should be estimated by subtracting gift aid (and not loans or work-study) from the full cost of attendance (key direct and indirect costs).<sup>14</sup> Students or their parents will need to pay this amount out-of-pocket, using savings, earnings from work or work-study, or funds from loans that they borrow. High school guidance counselors advise students and their families to focus on this net price when comparing how much they will need to pay for college.

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## Best Practices for Financial Aid Offers

We derived 10 best practices for providing clear and standard information in financial aid offers (see table 2).<sup>15</sup> These practices generally fall into two categories: (1) informing students about how much they will need to

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<sup>13</sup>These concepts are based on best practices outlined by Education and the Financial Literacy and Education and Commission (see table 2).

<sup>14</sup>Colleges may use different terms to refer to this concept, such as “net cost.”

<sup>15</sup>We derived these best practices from those issued by the Financial Literacy and Education Commission and the Department of Education.

pay for college, and (2) providing critical information about the aid that is available to help students pay for it. Each of these best practices, if implemented by colleges, would improve the clarity of financial aid offers. Colleges that follow all 10 best practices are considered to have provided their students all the key information they need to make informed financial aid decisions.

**Table 2: Best Practices for Providing Clear and Standard Information in Financial Aid Offers**

Best practice	Why this is important
1. <i>Informing students about how much they will need to pay for college:</i> Itemize key direct and indirect costs	Students need to budget for both direct costs (e.g., tuition and fees) and indirect costs (e.g., books, transportation, and personal expenses).
2. <i>Informing students about how much they will need to pay for college:</i> Provide a total cost of attendance (COA) that includes key costs	Students should know the total cost of the college. This information helps them determine the relative value of grants and scholarships and other types of student aid.
3. <i>Informing students about how much they will need to pay for college:</i> Estimate the net price (by subtracting only gift aid from key costs)	Estimating net price in this manner provides students the most complete information about the amount they will need to pay for college.
4. <i>Providing critical information about available student aid:</i> Separate gift aid, loans, and work-study	Students should be able to immediately recognize the different types of aid in their offer.
5. <i>Providing critical information about available student aid:</i> Do not include a parent PLUS Loan or, if included, separate and differentiate it from student loans <sup>a</sup>	Parent PLUS Loans differ from student loans in several important ways, so they should not be included together.
6. <i>Providing critical information about available student aid:</i> Label type of aid	Students should know the type of aid (grants, loans, and work-study) being offered.
7. <i>Providing critical information about available student aid:</i> Label source of aid	Student should know the source (federal, state, institutional, or private) of the aid because the protections and stipulations differ.
8. <i>Providing critical information about available student aid:</i> Include actionable next steps	Students should be informed of their next steps to accept, decline, or adjust the aid in the offer and the college’s point of contact for additional assistance.
9. <i>Providing critical information about available student aid:</i> Highlight key details and distinctions about loans, grants, and work-study	Students need to know key details about the aid so they can assess which aid options are best for them. For example, 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.
10. <i>Providing critical information about available student aid:</i> Do not refer to the offer as an “award”	Students should know that loans and work-study are not “awards” because they generally must be repaid or earned through employment, respectively.

Source: GAO analysis of federal documents. | GAO-23-104708

Note: GAO derived these best practices from two federal sources: Financial Literacy and Education Commission, Best Practices for Financial Literacy and Education at Institutions of Higher Education (June 14, 2019); and Department of Education, What Postsecondary Institutions Should Work to Avoid When Issuing Financial Aid Offers (Apr. 15, 2019).

<sup>a</sup>Parent PLUS loans are federal loans that are made to parents of dependent undergraduate students to help pay for educational expenses not covered by other financial aid. In 2021, after GAO collected financial aid offers from colleges, Education updated this best practice to say that colleges should not

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include a dollar amount suggesting how much parents should borrow in parent PLUS loans in their financial aid offers. U.S. Department of Education, Issuing Financial Aid Offers—What Institutions Should Include and Avoid, GENERAL-21-70 (Oct. 28, 2021). The 2021 suggestions thus set a higher bar for how colleges should present parent PLUS loans.

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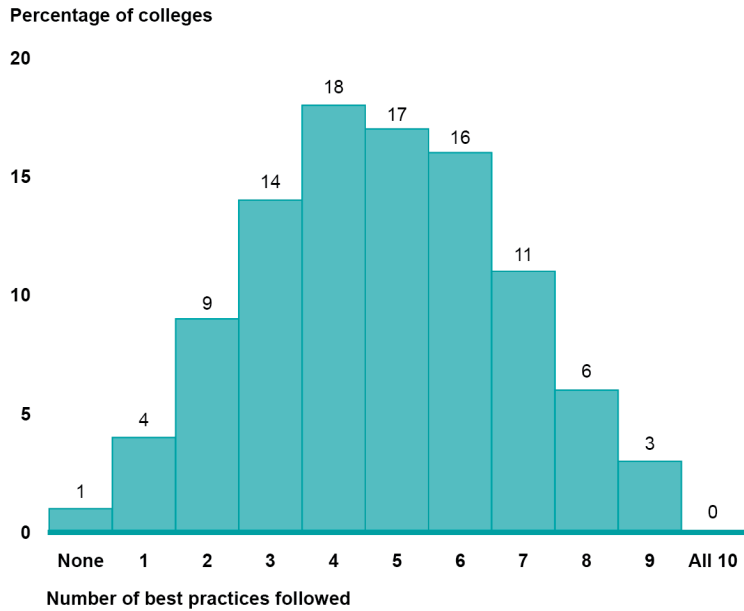
## Colleges Are Generally Not Following Best Practices for Providing Clear and Standard Information in Their Financial Aid Offers

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### Most Colleges Follow Five or Fewer of the 10 Best Practices

Based on our analysis of financial aid offers from a nationally representative sample of colleges, we estimate that 63 percent of colleges follow five or fewer of the 10 best practices for providing clear and standard information in their financial aid offers. No college in our sample followed all 10 best practices (see fig. 1).

**Figure 1: Colleges' Adherence to Best Practices for Financial Aid Offers**



Source: GAO analysis of school year 2021-22 aid offers from a nationally representative sample of colleges. | GAO-23-104708

**Accessible Data for Figure 1: Colleges' Adherence to Best Practices for Financial Aid Offers**

Number of best practices followed	Percentage of colleges
None	1
1	4
2	9
3	14
4	18
5	17
6	16
7	11
8	6
9	3
All 10	0

Source: GAO analysis of school year 2021-22 aid offers from a nationally representative sample of colleges. | GAO-23-104708

Notes: These estimates have margins of error of plus or minus 7 percentage points or fewer. The percentages in this figure do not add up to 100 due to rounding.

These results are based on colleges' adherence to the 10 best practices GAO derived from those issued by the Financial Literacy and Education Commission and the Department of Education in 2019.

## Most Colleges' Financial Aid Offers Do Not Fully Inform Students about How Much They Will Need to Pay for College

We estimate most colleges do not provide students all of the information necessary in their financial aid offers to know how much they will need to pay for college. Specifically, an estimated 55 percent do not itemize key direct and indirect costs, 55 percent do not provide a total cost of attendance that includes these key costs, and 91 percent do not estimate the net price by subtracting only gift aid from key direct and indirect costs (see table 3).<sup>16</sup> Students need this information to understand how much they will have to pay to go to college and to budget for expenses. Further, about a quarter (22 percent) of colleges do not provide any information about college costs in their financial aid offers.<sup>17</sup>

**Table 3: Estimated Percentage of Colleges That Do Not Follow Best Practices for Informing Students about How Much They Will Need to Pay for College**

Best practice	Estimated percentage of colleges whose offers do not meet best practice
Itemize key direct and indirect costs	55%
Provide a total cost of attendance (COA) that includes key costs	55%
Estimate the net price (by subtracting only gift aid from key costs)	91%

Source: GAO analysis of financial aid offers for school year 2021-2022 from a nationally representative sample of colleges. | GAO-23-104708

Note: These estimates have margins of error of plus or minus 7 percentage points or fewer. GAO derived these best practices from those issued by the Financial Literacy and Education Commission and the Department of Education.

Only a few of the colleges in our sample (9 percent) followed all of these three best practices for informing students about how much they will need

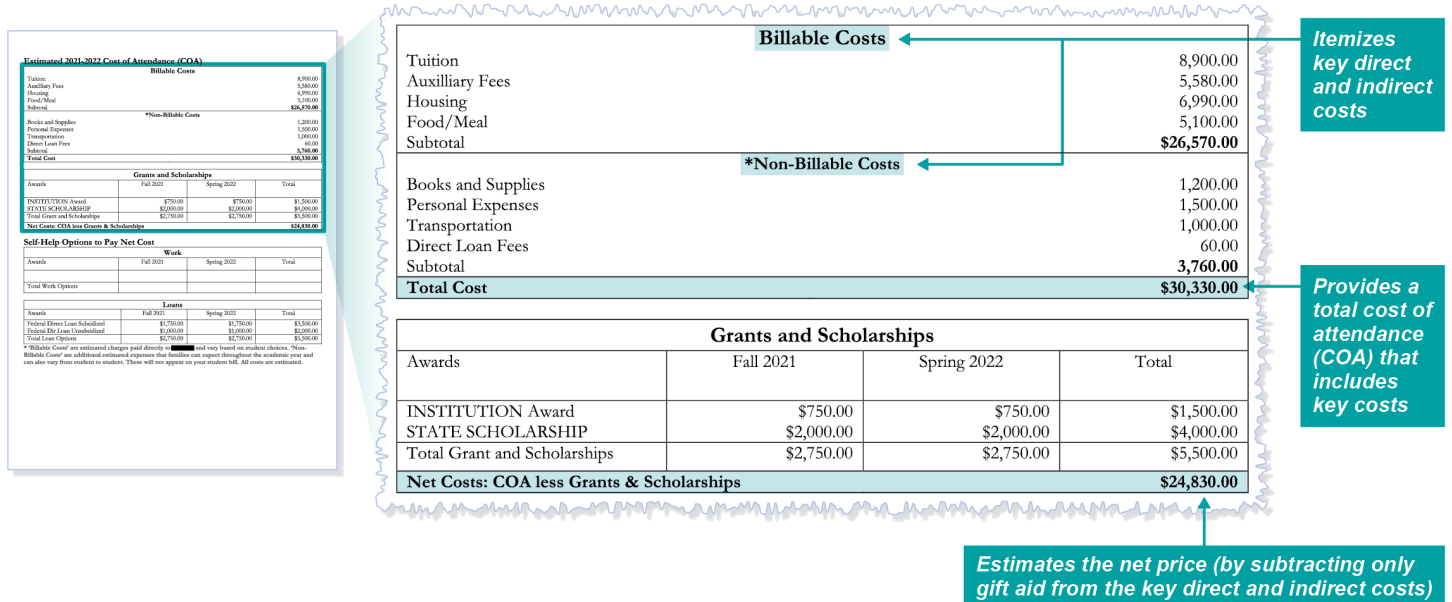
<sup>16</sup>While the same percentage of colleges (55 percent) do not meet the best practice for itemizing key direct and indirect costs and the best practice for providing a total cost of attendance that includes these key costs in their financial aid offers, these percentages do not represent the same colleges. Some colleges met the first best practice that did not meet the second best practice, and vice versa.

<sup>17</sup>Colleges receiving federal student financial aid funds are generally required to make cost of attendance information available to students, for example by providing it on a website, and to post a net price calculator on their websites to help students estimate the amount they would be expected to pay for a college based on their individual circumstances. 20 U.S.C. § 1092(a)(1)(E); 20 U.S.C. § 1015a(h). However, colleges are not required by federal law to provide this information to all students in their financial aid offers. We assessed whether financial aid offers followed best practices, not whether colleges were complying with legal requirements.



to pay for college. See figure 2 for an example from one college that provided this critical information.

**Figure 2: Example of a College Financial Aid Offer That Follows Best Practices for Informing Students about How Much They Will Need to Pay for College**



Source: GAO analysis of a financial aid offer for school year 2021-2022. | GAO-23-104708

**Accessible Data for Figure 2: Example of a College Financial Aid Offer That Follows Best Practices for Informing Students about How Much They Will Need to Pay for College**

Example college offer letter follows 3 best practices:

- Itemizes key direct and indirect costs
- Provides a total cost of attendance (COA) that includes key costs
- Estimates the net price (by subtracting only gift aid from the key direct and indirect costs)

Source: GAO analysis of a financial aid offer for school year 2021-2022. | GAO-23-104708

Notes: An estimated 9 percent of colleges, such as the one shown here, follow all three of the best practices for informing students about how much they will need to pay for college in their financial aid offers. This estimate has a margin of error of plus or minus 5 percentage points.

Some colleges, such as the one in this example, use a different term, such as “net cost”, to describe the net price. To assess colleges’ adherence to the best practice for estimating the net price, GAO assessed colleges on the method they used to produce this estimate, not the term they used to describe it. GAO derived these best practices from those issued by the Financial Literacy and Education Commission and the Department of Education.

In contrast to the example above, about half of colleges (an estimated 48 percent) do not follow *any* of the three best practices for informing students about how much they will need to pay for college. Instead, these colleges’ financial aid offers omit or underestimate critical cost

information, which can confuse students. We detail some of the shortcomings that we observed in financial aid offers below.

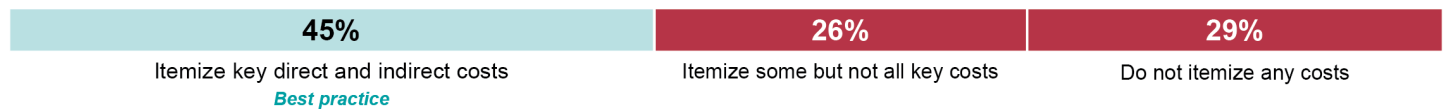
**Not Itemizing Key Direct and Indirect Costs**

We estimate that 55 percent of colleges do not itemize key direct and indirect costs in their financial aid offers, which makes it difficult for students to budget for expected expenses over the course of the academic year (see fig. 3). According to this best practice, colleges should at least include estimates for tuition, fees, housing and meals, books or supplies, and other miscellaneous expenses, such as transportation.

**Figure 3: Estimated Extent to Which Colleges Do Not Itemize Key Direct and Indirect Costs in Financial Aid Offers**

**Itemize key direct and indirect costs<sup>a</sup>**

Direct costs are typically billed directly by the college (e.g., tuition and fees). Indirect costs are paid to other parties during the academic term (e.g., books and transportation).



Source: GAO analysis of financial aid offers for school year 2021-2022 from a nationally representative sample of colleges. | GAO-23-104708

**Accessible Data for Figure 3: Estimated Extent to Which Colleges Do Not Itemize Key Direct and Indirect Costs in Financial Aid Offers**

**Itemize key direct and indirect costs<sup>a</sup>**

Direct costs are typically billed directly by the college (e.g., tuition and fees). Indirect costs are paid to other parties during the academic term (e.g., books and transportation).

College offer letters	Percentage of colleges
Itemize key direct and indirect costs (Best practice)	45%
Itemize some but not all key costs	26%
Do not itemize any costs	29%

Source: GAO analysis of financial aid offers for school year 2021-2022 from a nationally representative sample of colleges. | GAO-23-104708

Note: These estimates have margins of error of plus or minus 7 percentage points or fewer.

<sup>a</sup>To assess colleges' adherence to the best practice for itemizing key direct and indirect costs, GAO examined if colleges listed estimates for each of the following costs: tuition, fees, housing and meals, books or supplies, and at least one miscellaneous expense, such as transportation. GAO derived these best practices from those issued by the Financial Literacy and Education Commission and the Department of Education.

We estimate that 29 percent of colleges do not itemize any costs in their aid offers, leaving students without even basic information on tuition and fees in their aid offers. Other key costs are frequently left out of colleges' aid offers too. Overall, 46 percent of colleges do not provide information on the costs of housing and meals. Additionally, many colleges do not

itemize key indirect costs in their financial aid offers: 42 percent do not provide information on books and supplies and 53 percent do not provide information on other miscellaneous indirect expenses, such as transportation. Although students do not pay the college directly for these indirect costs, students need to know how much they can typically expect to pay for them. These expenses can surprise students who are not provided with the information they need to prepare for them.

Colleges that do not itemize key direct and indirect costs in their financial aid offers may leave students unaware of what costs they are expected to pay. For example, a student who receives an aid offer that only itemizes the direct costs, such as tuition and fees, may be surprised by the cost of books and supplies, which average almost \$1,500 over the course of an academic year at a 2-year institution.<sup>18</sup> Further, colleges that fully exclude indirect costs in their aid offers are leaving out a large share of the total cost of college. Education estimates that students who live off campus (not living with family) and attend 4-year institutions paid roughly \$17,000 in indirect costs on average for the 2020-2021 academic year. This includes approximately \$11,000 for housing and meals and about \$6,000 for books and supplies and other living expenses.<sup>19</sup> College administrators we spoke with said that even modest unexpected expenses for indirect costs, such as for medical expenses or transportation, can lead students to experience a financial crisis that negatively impacts their ability to succeed in and complete college.

Including itemized estimates of costs can also help students to better budget for their own unique situations so their financial aid funds last over the course of the academic term. For example, a student attending college out of state may need to budget for additional travel expenses. Students can also use itemized cost information to identify potential ways to save money, for example by living at home and cooking their own meals rather than living on campus. See figure 4 for examples from two colleges that do not itemize key direct and indirect costs in their financial aid offers, including one that does not itemize any costs and another that only itemizes tuition and fees.

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<sup>18</sup>U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS), Fall 2010 through Fall 2020, Institutional Characteristics component.

<sup>19</sup>For comparison, the average direct costs of tuition and fees at 4-year institutions totaled about \$19,000 for the 2020-2021 academic year. U.S. Department of Education, IPEDS, Fall 2010 through Fall 2020.

Figure 4: Examples of College Financial Aid Offers That Do Not Itemize Key Direct or Indirect Costs

Below is the 2021-2022 Estimated Cost of Attendance. It is an estimated budget which includes but is not limited to tuition, books, fees, room and board, and personal expenses. Your actual educational cost is determined by your decisions regarding the number of hours enrolled and personal living expenses.

<b>ESTIMATED FINANCIAL AID SUMMARY:</b>		<b>ACADEMIC LEVEL:</b>	FRESHMAN
TOTAL EST. COA	\$ 25,193.04	<b>EXPECTED ENROLLMENT:</b>	FULLTIME
TOTAL EST RESOURCES:	\$ 1,257.00	Fall 2021	FULLTIME
AID OFFERED:	\$ 13,245.00	Spring 2022	FULLTIME
EST REMAINING NEED:	\$ 10,691.04		

**Includes a total amount for key direct and indirect costs but does not itemize them**

(The "TOTAL EST. COA" listed in this offer refers to the total estimated cost of attendance)

DIRECT CHARGES:	FALL 2021	WINTER 2022	Total
Tuition	11,500.00	11,500.00	\$23,000.00
Registration fees	100.00	100.00	\$200.00
<b>TOTAL CHARGES:</b>	<b>\$11,600.00</b>	<b>\$11,600.00</b>	<b>\$23,200.00</b>

**Does not itemize key indirect cost such as off-campus housing and meals, books or supplies, and other miscellaneous expenses, such as transportation.**

Source: GAO analysis of financial aid offers for school year 2021-2022. | GAO-23-104708

**Accessible Data for Figure 4: Examples of College Financial Aid Offers That Do Not Itemize Key Direct or Indirect Costs**

Example college offer letters:

- Includes a total amount for key direct and indirect costs but does not itemize them
- Does not itemize key indirect cost such as off-campus housing and meals, books or supplies, and other miscellaneous expenses, such as transportation.

Source: GAO analysis of financial aid offers for school year 2021-2022. | GAO-23-104708

Note: To meet the best practice for itemizing key direct and indirect costs, colleges must list estimates for tuition, fees, housing and meals, books or supplies, and other miscellaneous expenses, such as transportation. An estimated 55 percent of colleges, such as the two shown here, do not follow this best practice. This estimate has a margin of error of plus or minus 7 percentage points. GAO derived these best practices from those issued by the Financial Literacy and Education Commission and the Department of Education.

Omitting or Underestimating the Total Cost of Attendance

We estimate that 55 percent of colleges do not provide a total cost of attendance that includes key direct and indirect costs in their financial aid offers. This includes 31 percent of colleges that omit some of these key costs from the total cost of attendance figures in their financial aid offers, thereby underestimating the total actual cost of attending the college. Additionally, 24 percent of colleges do not provide a cost of attendance in their financial aid offers (see fig. 5).

**Figure 5: Estimated Extent to Which Colleges Do Not Provide a Total Cost of Attendance That Includes Key Costs in Financial Aid Offers**

**Provide a total cost of attendance (COA) that includes key costs<sup>a</sup>**

The COA is the total amount it will cost a student to attend a particular college for an academic term (usually a year).



Source: GAO analysis of financial aid offers for school year 2021-2022 from a nationally representative sample of colleges. | GAO-23-104708

**Accessible Data for Figure 5: Estimated Extent to Which Colleges Do Not Provide a Total Cost of Attendance That Includes Key Costs in Financial Aid Offers**

**Provide a total cost of attendance (COA) that includes key costs<sup>a</sup>**

The COA is the total amount it will cost a student to attend a particular college for an academic term (usually a year).

College offer letters	Percentage of colleges
Provide a total COA that includes key costs (Best practice)	45%
Underestimate total COA by not including key costs	31%
Do not include a COA	24%

Source: GAO analysis of financial aid offers for school year 2021-2022 from a nationally representative sample of colleges. | GAO-23-104708

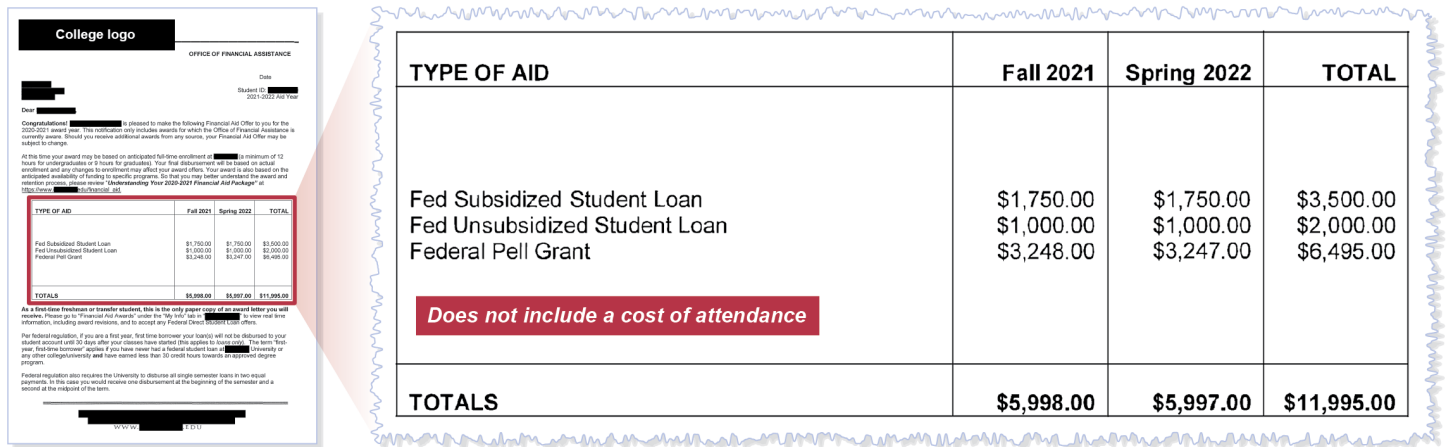
Note: These estimates have margins of error of plus or minus 7 percentage points or fewer.

<sup>a</sup>To assess colleges' adherence to the best practice for providing a total cost of attendance, GAO examined if colleges provided a total in their financial aid offers that includes key costs including: tuition, fees, housing and meals, books or supplies, and at least one miscellaneous expense, such as transportation. GAO derived these best practices from those issued by the Financial Literacy and Education Commission and the Department of Education. Colleges receiving federal student financial aid funds are generally required to make cost of attendance information available to students, for example by providing it on a website. 20 U.S.C. § 1092(a)(1)(E). However, colleges are not required by federal law to provide this information to all students in their financial aid offers. GAO assessed whether financial aid offers followed best practices, not whether colleges were complying with legal requirements.

The total cost of attendance—a college's "sticker price"—is essential for helping students and families determine whether a college is affordable. Students cannot use their financial aid offer to assess the value of any aid they are offered in relation to the cost of college if it does not include or

vastly underestimates a total cost of attendance. See figure 6 for an example of a college financial aid offer that does not include a cost of attendance. Offers that underestimate the cost of attendance by not including key direct and indirect costs can also confuse students by making a college seem less expensive than it actually is.<sup>20</sup>

**Figure 6: Example of a College Financial Aid Offer that Does Not Include a Cost of Attendance**



Source: GAO analysis of a financial aid offer for school year 2021-2022. | GAO-23-104708

**Accessible Data for Figure 6: Example of a College Financial Aid Offer that Does Not Include a Cost of Attendance**

Example college offer letter:

Does not include a cost of attendance

Source: GAO analysis of a financial aid offer for school year 2021-2022. | GAO-23-104708

Notes: An estimated 24 percent of colleges, such as the one shown here, do not include a cost of attendance in their financial aid offers. This estimate has a margin of error of plus or minus 6 percentage points. GAO derived these best practices from those issued by the Financial Literacy and Education Commission and the Department of Education.

Colleges receiving federal student financial aid funds are generally required to make cost of attendance information available to students, for example by providing it on a website. 20 U.S.C. § 1092(a)(1)(E). However, colleges are not required by federal law to provide this information to all students in their financial aid offers. GAO assessed whether the financial aid offer followed best practices, not whether colleges were complying with legal requirements.

<sup>20</sup>Colleges receiving federal student financial aid funds are required to include information on the total cost of attendance either on their website or through other means, but students would need to know to seek out this information if it is also not listed in their college financial aid offer.

Omitting or Underestimating the Net Price

We estimate that 91 percent of colleges fail to provide students with a complete estimate of the net price (the amount they can expect to pay for college) in their financial aid offers. According to the best practice, the net price should be estimated by subtracting only gift aid (i.e., grants and scholarships) from the sum of key direct and indirect costs (i.e., the total cost of attendance). Estimating the net price in this way helps students understand the full amount they will need to pay to go to college, including how much they may need to borrow in student loans. However, the vast majority of colleges fail to estimate the net price in this way in their financial aid offers. According to our analysis, half of colleges provide a net price, or something resembling a net price, in their financial aid offers that understates, sometimes drastically, how much students will have to pay to attend a college. Further, an estimated 41 percent of colleges do not include a net price in their offers, which could leave students uncertain of how much they would need to pay to attend a college (see fig. 7).

**Figure 7: Estimated Extent to Which Colleges Do Not Estimate a Net Price in Financial Aid Offers**

**Include estimated net price<sup>a</sup>**

The net price should be estimated by subtracting only gift aid from key direct and indirect costs.



Source: GAO analysis of financial aid offers for school year 2021-2022 from a nationally representative sample of colleges. | GAO-23-104708

**Accessible Data for Figure 7: Estimated Extent to Which Colleges Do Not Estimate a Net Price in Financial Aid Offers**

**Include estimated net price<sup>a</sup>**

The net price should be estimated by subtracting only gift aid from key direct and indirect costs.

College offer letters	Percentage of colleges
Estimate the net price by subtracting only gift aid from key costs (Best practice)	9%
Underestimate the net price	50%
Do not estimate the net price	41%

Source: GAO analysis of financial aid offers for school year 2021-2022 from a nationally representative sample of colleges. | GAO-23-104708

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Notes: These estimates have margins of error of plus or minus 7 percentage points or fewer.

Colleges receiving federal student financial aid funds are generally required to post a net price calculator on their websites to help students estimate the amount they would be expected to pay for a college based on their individual circumstances. 20 U.S.C. § 1015a(h). However, colleges are not required by federal law to provide this information to all students in their financial aid offers. GAO assessed whether financial aid offers followed best practices, not whether colleges were complying with legal requirements.

<sup>a</sup>To assess colleges' adherence to the best practice for estimating the net price in their financial aid offers, GAO examined if colleges subtracted only gift aid (i.e., grants and scholarships) from the sum of key direct and indirect costs, including: tuition, fees, housing and meals, books or supplies, and at least one miscellaneous expense, such as transportation. GAO derived these best practices from those issued by the Financial Literacy and Education Commission and the Department of Education.

We found that there are two ways colleges underestimate the net price in their financial aid offers, and both can potentially confuse students about the true cost of college:<sup>21</sup>

1. **Not basing the estimate on key direct and indirect costs:** We estimate that 38 percent of colleges underestimate the net price by not considering all key direct and indirect costs. For example, some colleges' aid offers highlight the amount due to the college, which does not capture any indirect expenses. As a result, the college's net price estimate does not capture all of the expenses that students will have to cover.<sup>22</sup>
2. **Subtracting more than gift aid:** We estimate that 46 percent of colleges subtract more than just gift aid to estimate the net price. This includes subtracting the following types of aid from the cost of attendance:
  - a. **Student loans:** Colleges that estimate the net price by subtracting student loans from the cost of attendance do not present the full net price because students generally must repay their student loans eventually. Additionally, subtracting student loans in the net price estimate presents loans as the default method for paying for college, potentially encouraging students to borrow more than they otherwise would.
  - b. **Parent PLUS loans:** Some colleges further understate the net price in their financial aid offers by subtracting parent

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<sup>21</sup>We estimate that 34 percent of colleges underestimate the net price in their financial aid offers by doing both of these things and an additional 16 percent do one of them.

<sup>22</sup>Some colleges (an estimated 11 percent) identify all key costs in their financial aid offer yet do not use that total as the basis for estimating the student's net price.



PLUS loans from the cost of attendance. Parent PLUS loans are made to the students' parents, who may not qualify for the loan if they have an adverse credit history. Subtracting parent PLUS loans from the cost of attendance in these offers may confuse students because a parent ultimately may not qualify for a parent PLUS loan. Additionally, parent PLUS loans have higher interest rates than federal student loans and, unlike federal student loans, have no fixed annual or aggregate borrowing limits, which means parents can borrow up to the cost of attendance. This can sometimes lead parents to take on unmanageable debts.<sup>23</sup> Subtracting this type of loan from the cost of attendance can drastically underestimate the amount a student's family will need to pay for college.

- c. **Work-study:** Subtracting federal or institutional work-study from the cost of attendance in the financial aid offer can also be confusing because students must earn work-study funds from employment that is paid throughout the academic term. This means that these funds are not available to pay for direct costs like tuition and fees that may be due before the beginning of the semester. Additionally, work-study aid is not guaranteed; students must obtain a qualifying job and may earn less than the amount included in the aid offer.<sup>24</sup>

Figures 8 and 9 show different ways that colleges provide potentially confusing net price estimates in financial aid offers. Both of these offers do not include key indirect costs in their estimates, and they subtract more than just gift aid. For example, figure 8 shows one college's aid offer that subtracted over \$35,000 in parent PLUS loans in its net price estimate while suggesting that the student would receive a refund in the fall semester and would only need to pay about \$350 in the spring semester. Figure 9 shows a college's aid offer that subtracted \$2,000 in

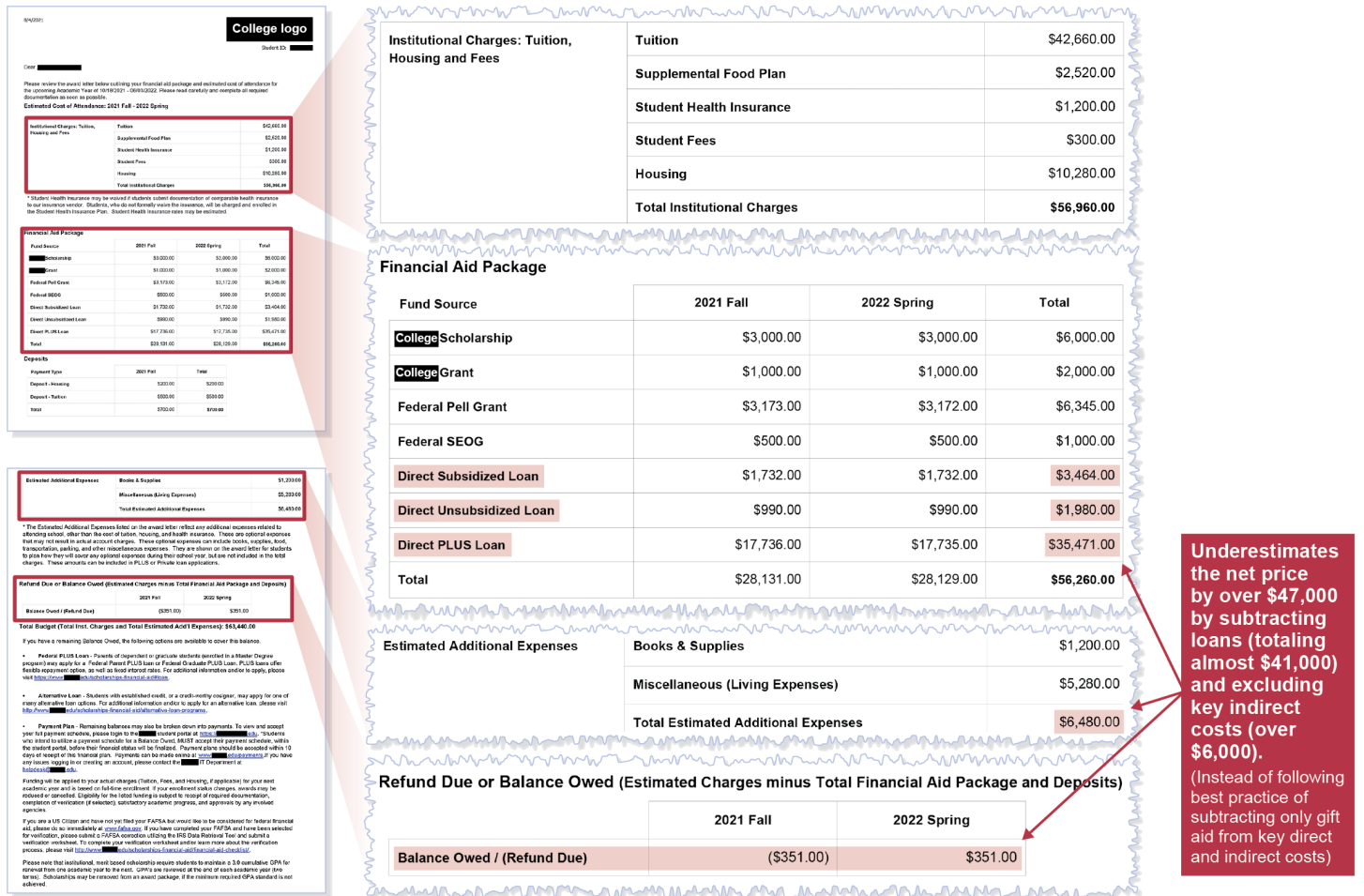
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<sup>23</sup>Direct Subsidized and Direct Unsubsidized Loans have a borrowing limit each academic year of between \$5,500 and \$12,500, depending on the student's year in school and dependency status.

<sup>24</sup>A student may earn less than the amount listed on their offer because pay for work-study jobs can vary and the amount students earn depends on the number of hours they work.

Federal Work-Study, but these funds would not be available to the student at the beginning of the semester when the tuition bill may be due.

**Figure 8: Example of a College Financial Aid Offer That Underestimates the Net Price by Subtracting Student Loans and Parent PLUS Loans and by Not Including Key Indirect Costs**



Source: GAO analysis of a financial aid offer for school year 2021-2022. | GAO-23-104708

**Accessible Data for Figure 8: Example of a College Financial Aid Offer That Underestimates the Net Price by Subtracting Student Loans and Parent PLUS Loans and by Not Including Key Indirect Costs**

Example college offer letter:

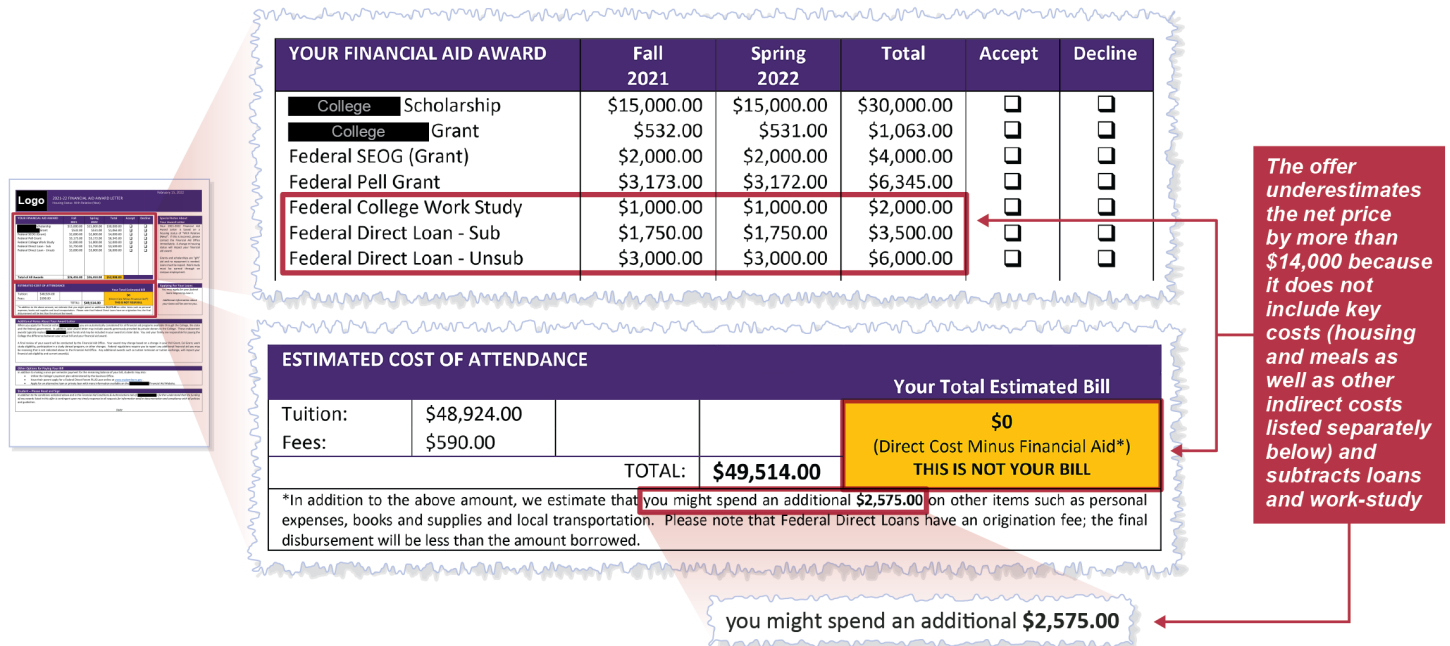
Underestimates the net price by over \$47,000 by subtracting loans (totaling almost \$41,000) and excluding key indirect costs (over \$6,000). This is Instead of following best practice of subtracting only gift aid from key direct and indirect costs)

Source: GAO analysis of a financial aid offer for school year 2021-2022. | GAO-23-104708

Notes: According to the best practice for estimating the net price (the amount a student will need to pay to attend a particular college), colleges should subtract only gift aid from the sum of key direct and indirect costs (including tuition, fees, housing and meals, books or supplies, and other miscellaneous expenses, such as transportation). An estimated 91 percent of colleges, such as the one shown here, do not follow this best practice in their financial aid offers. This estimate has a margin of error of plus or minus 5 percentage points. GAO derived these best practices from those issued by the Financial Literacy and Education Commission and the Department of Education. Colleges receiving federal student financial aid funds are generally required to post a net price calculator on their websites to help students estimate the amount they would be expected to pay for a college based on their individual circumstances. 20 U.S.C. § 1015a(h). However, colleges are not required by federal law to provide this information to all students in their financial aid offers. GAO assessed whether the financial aid offer followed best practices, not whether colleges were complying with legal requirements.

"Federal SEOG" listed on this offer refers to the Federal Supplemental Educational Opportunity Grant, a grant for undergraduate students with exceptional financial need.

**Figure 9: Example of a College Financial Aid Offer That Underestimates the Net Price by Subtracting Student Loans and Work-Study and by Not Including Key Indirect Costs**



Source: GAO analysis of a financial aid offer for school year 2021-2022. | GAO-23-104708

**Accessible Data for Figure 9: Example of a College Financial Aid Offer That Underestimates the Net Price by Subtracting Student Loans and Work-Study and by Not Including Key Indirect Costs**

Example college offer letter:

The offer underestimates the net price by more than \$14,000 because it does not include key costs (housing and meals as well as other indirect costs listed separately below) and subtracts loans and work-study.

The offer notes that the student might spend an additional \$2,575 on other items such as supplies and transportation.

Source: GAO analysis of a financial aid offer for school year 2021-2022. | GAO-23-104708

Notes: According to the best practice for estimating the net price (the amount a student will need to pay to attend a particular college), colleges should subtract only gift aid from the sum of key direct and indirect costs (including tuition, fees, housing and meals, books or supplies, and other miscellaneous expenses, such as transportation). An estimated 91 percent of colleges, such as the one shown here, do not follow this best practice in their financial aid offers. This estimate has a margin of error of plus or minus 5 percentage points. GAO derived these best practices from those issued by the Financial Literacy and Education Commission and the Department of Education. Colleges receiving federal student financial aid funds are generally required to post a net price calculator on their websites to help students estimate the amount they would be expected to pay for a college based on their individual circumstances. 20 U.S.C. § 1015a(h). However, colleges are not required by federal law to provide this information to all students in their financial aid offers. GAO assessed whether the financial aid offer followed best practices, not whether colleges were complying with legal requirements.

The "Federal SEOG (Grant)" listed on this offer refers to the Federal Supplemental Educational Opportunity Grant, a grant for undergraduate students with exceptional financial need.

College financial aid offers that do not follow best practices to estimate the net price could potentially lead students to choose a college that they ultimately cannot afford. According to student advocacy organizations, students cannot make informed education and financial decisions based on offers that lack critical information about the cost of college. For example, students receiving an offer that shows an artificially low net price that factors in student loans may mistakenly believe that they can attend the college at little or no cost.

### Most Colleges Do Not Provide Clear and Standard Information about Student Aid in Financial Aid Offers

We estimate that about half or more of colleges do not follow four of the seven best practices for clearly providing critical information about the student aid that is included in their financial aid offers (see table 4). Colleges that follow these practices provide students with the clear and standard information they need in their offers to make informed decisions about how to keep their grants and scholarships and how much they may need to borrow.

**Table 4: Estimated Percentage of Colleges That Do Not Follow Best Practices for Clearly Providing Critical Information about Student Aid in Their Financial Aid Offers**

Best practice	Estimated percentage of colleges whose offers do not meet best practice
Separate gift aid, loans, and work-study	15%
Do not include a parent PLUS Loan or, if included, separate and differentiate it from student loans <sup>a</sup>	21%
Label type of aid	24%
Label source of aid	58%
Include actionable next steps	53%

Best practice	Estimated percentage of colleges whose offers do not meet best practice
Highlight key details and distinctions about loans, grants, and work-study	65%
Do not refer to the offer as an “award”	76%

Source: GAO analysis of financial aid offers for school year 2021-2022 from a nationally representative sample of colleges. | GAO-23-104708

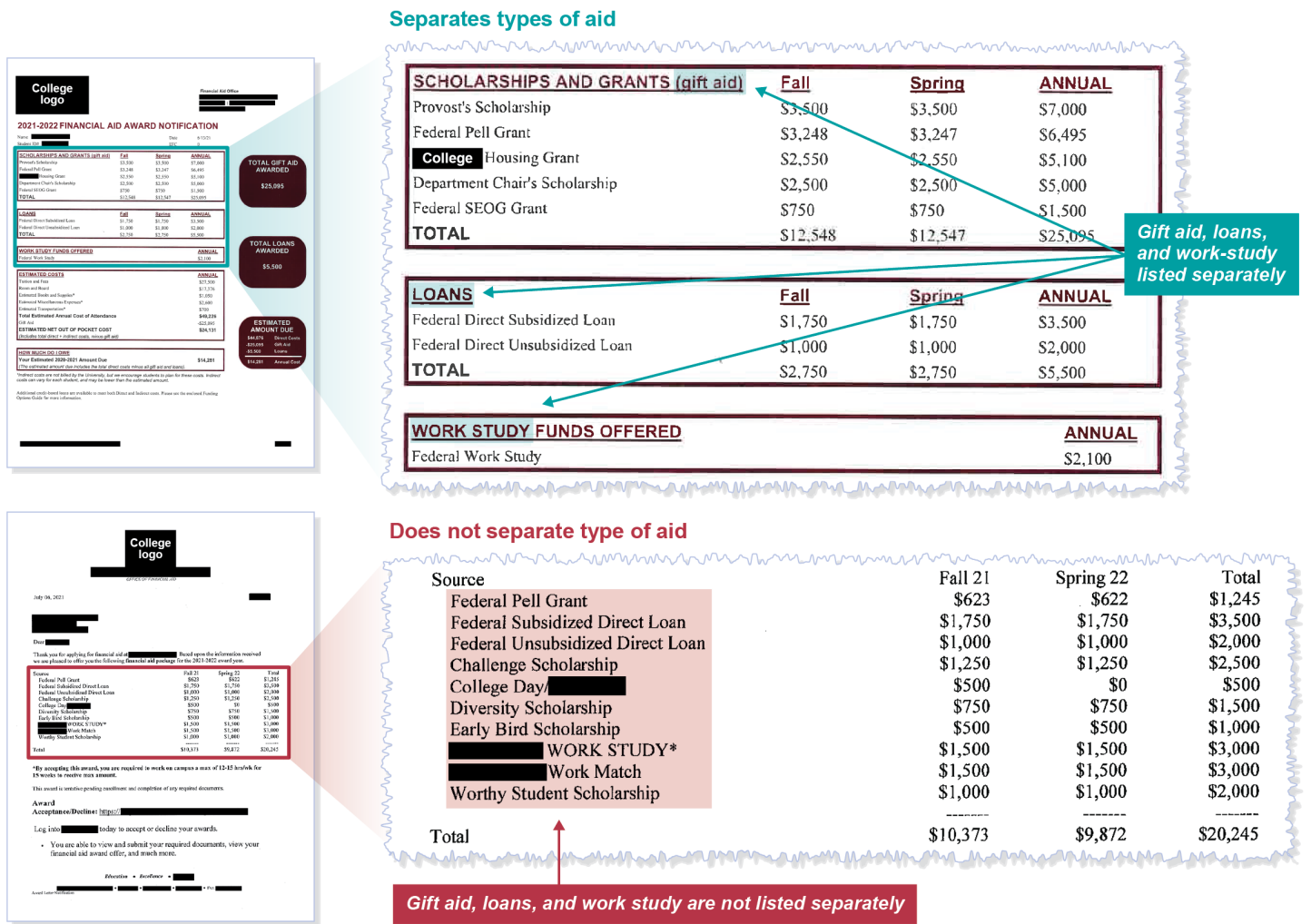
Note: These estimates have margins of error of plus or minus 7 percentage points or fewer. GAO derived these best practices from those issued by the Financial Literacy and Education Commission and the Department of Education.

<sup>a</sup>Parent PLUS loans are federal loans that are made to parents of dependent undergraduate students to help pay for educational expenses not covered by other financial aid. In 2021, after GAO collected financial aid offers from colleges, Education updated this best practice to say that colleges should not include a dollar amount suggesting how much parents should borrow in parent PLUS loans in their financial aid offers. U.S. Department of Education, Issuing Financial Aid Offers—What Institutions Should Include and Avoid, GENERAL-21-70 (Oct. 28, 2021). The 2021 suggestions thus set a higher bar for how colleges should present parent PLUS loans, and fewer of the financial aid offers we collected from colleges would meet the 2021 version of this best practice when compared to the 2019 version.

### Not Separating Gift Aid, Loans, and Work-Study

Colleges can help students easily recognize different aid types—gift aid (grants and scholarships), loans, or work-study—by listing them separately in the financial aid offer. Most colleges, 85 percent, provide students this important visual clue by separating different types of aid in their financial aid offers. When aid offers do not clearly distinguish between a loan, which generally needs to be paid back, or a grant, which does not, students may make suboptimal financial choices. See figure 10 for examples of financial aid offers that do and do not separate the different types of student aid.

Figure 10: Examples of College Financial Aid Offers that Do and Do Not Separate Types of Student Aid



Source: GAO analysis of financial aid offers for school year 2021-2022. | GAO-23-104708

**Accessible Data for Figure 10: Examples of College Financial Aid Offers that Do and Do Not Separate Types of Student Aid**

Figure shows two example college offer letters:

- Letter A Separates types of aid
  - Gift aid, loans, and work-study listed separately
- Letter B Does not separate types of aid
  - Gift aid, loans, and work study are not listed separately

Source: GAO analysis of a financial aid offer for school year 2021-2022. | GAO-23-104708

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Notes: An estimated 85 percent of colleges, such as the one shown at the top of this figure, separate types of student aid on their financial aid offers, and an estimated 15 percent of colleges, such as the one shown at the bottom of this figure, do not. These estimates have margins of error of plus or minus 7 percentage points. GAO derived these best practices from those issued by the Financial Literacy and Education Commission and the Department of Education.

The "Federal SEOG Grant" listed on the top offer refers to the Federal Supplemental Educational Opportunity Grant, a grant for undergraduate students with exceptional financial need.

### Not Separating and Differentiating Parent PLUS Loans from Student Loans

We estimate that 31 percent of colleges include parent PLUS loans in their financial aid offers, and 21 percent of colleges do not list key details about how they differ from student loans, as suggested by Education's 2019 best practices.<sup>25</sup> Some of the aid offers we reviewed included large parent PLUS loans for students from low-income families, in some cases over \$30,000 for a single academic year.<sup>26</sup> As mentioned earlier, parent PLUS loans differ from student loans in several ways. For example, they have higher interest rates than student loans and parents may not be able to qualify for a PLUS loan if they have an adverse credit history. Education's 2019 best practices state that, if included in a financial aid offer, parent PLUS loans should be listed separately from student loans as just another option that parents may pursue to fund their child's college education and their key differences from student loans should be detailed. See figure 11 for an example of a financial aid offer that does not clearly differentiate parent PLUS loans from student loans.

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<sup>25</sup>Education's 2021 best practices state that colleges should separate parent PLUS loans from federal student loans as an option for additional funding in their financial aid offers, but should not include a dollar amount suggesting how much parents should borrow. An estimated 31 percent of colleges would not have met the 2021 best practices for presenting information on these types of loans in their financial aid offers.

<sup>26</sup>The financial aid offers we reviewed included PLUS loans ranging from \$677 to \$47,313, with a median of \$10,893. Unlike the estimates presented in the rest of our analysis, these estimates are not generalizable.

**Figure 11: Example of a College Financial Aid Offer That Does Not Clearly Differentiate Parent PLUS Loans from Student Loans**

Financial 1003  
FINANCIAL AID NOTIFICATION FORM

STUDENT NAME: [REDACTED] ID# [REDACTED]

WE are pleased to inform you that you have been awarded a financial aid package to help you meet your education expenses. This financial aid package includes the following aid types and amounts for the 2021-2022 academic year. Please note that certain aid amounts are contingent upon the student meeting the financial aid requirements and certain aid amounts are contingent upon the student meeting the financial aid requirements.

TYPE OF AID	AMOUNT CREDITED TO YOUR SCHOOL ACCOUNT	TOTAL
PELL GRANT	\$ 3,173.00 (20/21) \$ 3,248.00 (21/22)	\$ 6,421.00
FSEOG	100	\$ 200.00
SUBSIDIZED DIRECT LOAN	Lender: U. S Department of Education Total: \$ 3,500.00	\$ 3,500.00
UNSUBSIDIZED DIRECT LOAN	Lender: U. S Department of Education Total: \$ 2,000.00	\$ 2,000.00
PLUS DIRECT LOAN	Lender: U. S Department of Education Total: \$ 7,607.00	\$ 7,607.00
PERKINS LOAN		\$ -
<b>TOTAL:</b>		<b>\$ 19,352.00</b>

YOUR COSTS AND ESTIMATED FUNDING FOR THE PERIOD 08/17/21 to 01/05/22 ARE AS FOLLOWS:

COSTS:	ESTIMATED FUNDING:
Tuition & Reg.: \$ 18,763.00	Reg. Fees & Down: \$ -
Books & Supplies: \$ 572.00	FA Est. (1st Ac Yr): \$ 19,352.00
STRF: \$ -	
Parking Fee: \$ -	
<b>Total: \$ 19,335.00</b>	<b>Total Funding: \$ 19,352.00</b>

TYPE OF AID	AMOUNT CREDITED TO YOUR SCHOOL ACCOUNT	TOTAL
1st Academic Year	05/17/21 to 01/05/22	
PELL GRANT	\$ 3,173.00 (20/21) \$ 3,248.00 (21/22)	\$ 6,421.00
FSEOG	100	\$ 200.00
SUBSIDIZED DIRECT LOAN	Lender: U. S Department of Education Total: \$ 3,500.00	\$ 3,500.00
UNSUBSIDIZED DIRECT LOAN	Lender: U. S Department of Education Total: \$ 2,000.00	\$ 2,000.00
PLUS DIRECT LOAN	Lender: U. S Department of Education Total: \$ 7,607.00	\$ 7,607.00
PERKINS LOAN		\$ -
<b>TOTAL:</b>		<b>\$ 19,352.00</b>

**Includes parent PLUS loan with student loans**

**Does not indicate that this loan:**

- Is for parents (not students)
- Parents may not be able to qualify if they have an adverse credit history

**Includes parent PLUS loan in total aid amount**

Source: GAO analysis of a financial aid offer for school year 2021-2022. | GAO-23-104708

**Accessible Data for Figure 11: Example of a College Financial Aid Offer That Does Not Clearly Differentiate Parent PLUS Loans from Student Loans**

Example college offer letter:

Includes parent PLUS loan with student loans

- Does not indicate that this loan is for parents (not students); or that parents may not be able to qualify if they have an adverse credit history
- Includes parent PLUS loan in total aid amount

Source: GAO analysis of a financial aid offer for school year 2021-2022. | GAO-23-104708

Notes: An estimated 21 percent of colleges, such as the one shown here, do not follow Education's 2019 best practices to either exclude parent PLUS loans from the financial aid offer or, if including them, to separate and differentiate parent PLUS loans from student loans. This estimate has a margin of error of plus or minus 7 percentage points. GAO derived these best practices from those issued by the Financial Literacy and Education Commission and the Department of Education.

The "FSEOG" listed on this offer refers to the Federal Supplemental Educational Opportunity Grant, a grant for undergraduate students with exceptional financial need.

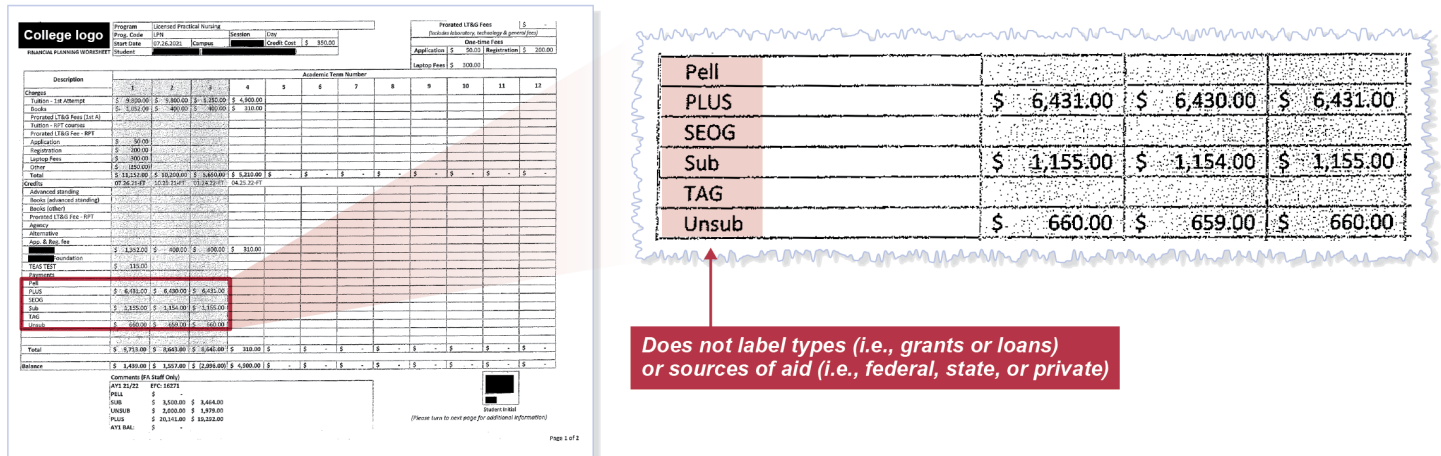
Not Labeling Type and Source of Aid

Including basic labels informing students of the type and source of the aid in their financial aid offer is also a best practice. However, we estimate that 24 percent of colleges do not label the type and 58 percent do not



label the source (federal, state, institutional, or private) of the aid in their offers. This information helps students determine what aid is being offered and by whom and is particularly valuable for students in identifying federal grants and loans, which come with important protections for students and families. See figure 12 for an example of a financial aid offer that does not label the type or source of the financial aid.

**Figure 12: Example of a College Financial Aid Offer That Does Not Label the Type or Source of Student Aid**



Source: GAO analysis of a financial aid offer for school year 2021-2022. | GAO-23-104708

**Accessible Data for Figure 12: Example of a College Financial Aid Offer That Does Not Label the Type or Source of Student Aid**

Example college offer letter:

Does not label types (i.e., grants or loans) or sources of aid (i.e., federal, state, or private)

Source: GAO analysis of a financial aid offer for school year 2021-2022. | GAO-23-104708

Notes: An estimated 24 percent of colleges, such as the one shown here, do not label the type of student aid (grant or scholarship, loan, or work-study) in their financial aid offers and 58 percent do not label the source of student aid (federal, state, institutional, or private). These estimates have margins of error of plus or minus 7 percentage points. GAO derived these best practices from those issued by the Financial Literacy and Education Commission and the Department of Education.

This offer lists three grants (federal Pell Grant (Pell), federal Supplemental Educational Opportunity Grant (SEOG), and a state Tuition Aid Grant (TAG)); and three federal loans (parent PLUS (PLUS), Direct Subsidized (Sub), and Direct Unsubsidized (Unsub)).

Not Including Actionable Next Steps

According to best practices, colleges should inform students about which steps to take upon receiving their aid offer. Details should include how to accept, adjust, or decline the aid they have been offered. Colleges should also provide students with a point of contact in the college's financial aid

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office that students can reach out to with questions. We estimate that 53 percent of colleges did not include these actionable next steps in their financial aid offers, which can leave students uncertain about what they need to do next.

### Not Highlighting Key Details about Aid

It is a best practice that students should have key details about the types of aid (grants or scholarships, loans, or work-study) in their offers and how these types differ so they can make informed education and financial decisions. However, we estimate that 65 percent of colleges do not provide key details and distinctions for at least one type of student aid in their financial aid offers. Such key details and distinctions might include minimum academic requirements to maintain a scholarship or explaining details about work-study (e.g., that it is not guaranteed and students need to apply for these jobs on campus).

The student advising organizations we interviewed found that students do not fully understand key details about the different types of student aid, and this lack of understanding can lead to financial decisions that may ultimately affect their ability to enroll and continue in college. Further, officials from these groups said that students often have to seek additional guidance from counselors and online tools, and that low-income students have less access to these counselors.<sup>27</sup> Offers that include key details and distinctions about the different types of aid provide information that can enable all students to make better informed education and financial decisions.

### Referring to Offer as an “Award”

We estimate that 76 percent of colleges refer to the aid in their offers as “awards.” According to the best practices, referring to any aid package that includes loans as an “award” may confuse students since these loans will generally need to be repaid.

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<sup>27</sup>The Consumer Financial Protection Bureau offers a free, interactive web tool that counselors and students can use to evaluate financial aid offers called “Your financial path to graduation” (Grad Path). Grad Path is based on the best practices outlined in the 2019 Financial Literacy and Education Commission guide, according to Bureau officials.

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## Approximately One-Third of Colleges Supplement Their Aid Offers by Also Sending Education’s Financial Aid Offer Template to All Students

About one-third of colleges compensate for the limitations we identified in their aid offers by also sending students the *College Financing Plan*, a financial aid offer template developed by Education to provide students clear and standard information on college costs and financial aid. The latest version of the *College Financing Plan*, updated in 2021, adheres to all 10 of the best practices (see appendix I).<sup>28</sup> We estimate that 35 percent of colleges send the *College Financing Plan* to all students, according to our questionnaire results.<sup>29</sup> Almost all colleges that provide students the *College Financing Plan* do so as a supplement to their own customized offers. Colleges can also use the *College Financing Plan* as their official financial aid offer, but we estimate that only 3 percent of colleges do so.

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## Colleges Are Not Required by Federal Law to Provide Clear and Standard Information to All Students in Their Financial Aid Offers

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### Federal Law Requires Colleges to Disclose Certain Cost Information, but Not in All Students’ Financial Aid Offers

The Higher Education Act of 1965, as amended (the act), recognizes the importance of providing students with clear and standard information about college costs. For example, colleges are required under the act to disclose certain information about costs on their websites or once students enroll. However, federal law does not require financial aid offers

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<sup>28</sup>The previous version of the *College Financing Plan*, released in 2020 was the one available to colleges at the time we collected financial aid offers. It followed nine of the 10 best practices (it did not separate parent PLUS loans from student loans).

<sup>29</sup>An estimated 52 percent of colleges send the *College Financing Plan* to at least some students and 8 percent send it only to those eligible to receive federal military and veterans’ educational benefits. We assessed the number of best practices that colleges adhered to in their own customized financial aid offers, not on their use of the *College Financing Plan*. We used colleges’ questionnaire responses to track whether colleges also reported that they included the *College Financing Plan* in the materials they send to students.

to provide specific information to all students or use standard terms.<sup>30</sup> Further, colleges are not required to send students financial aid offers under federal law.<sup>31</sup> Recently enacted legislation created requirements for the provision of standardized financial aid offer information to certain veterans, service members, and their eligible family members. However, federal law does not require the same information to be provided to all students in financial aid offers. These offers are the primary method that colleges use to communicate information to students about the specific aid they are being offered, which determines how much they can be expected to pay. Federal law generally requires standardized consumer disclosures for certain other complex financial products.

### Higher Education Act of 1965, as Amended

The act includes a number of provisions focused on increasing the clarity of college costs.

- **Cost of attendance:** Colleges receiving federal student financial aid funds are generally required to make certain cost information, including cost of attendance, available to students and prospective students either on a website or through other means.<sup>32</sup> However, colleges are not required to provide this information in their financial aid offers, and in some cases include conflicting or less comprehensive information instead.
- **Net price calculator:** Colleges that participate in federal student aid are required to post a net price calculator on their websites to help students estimate the amount they would be expected to pay for a

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<sup>30</sup>The *Understanding the True Cost of College Act of 2021*, which was introduced in the U.S. Senate in April 2021 and in the U.S. House of Representatives in November 2021, would require, among other things, colleges receiving federal financial assistance under the HEA to use a standard form developed by Education when offering financial aid to students and use standard terminology and definitions developed by Education for all communications related to financial aid offers. S. 1452, 117th Cong. (2021) and H.R. 6002, 117th Cong. (2021). A few states, including New York and Virginia, require colleges in their state to include specific or standard information in their financial aid offers. These state requirements only apply to students who apply to colleges in the respective states.

<sup>31</sup>Before disbursing federal student aid funds, colleges are required to notify students about the amount that the student or their parents can expect to receive. 34 C.F.R. § 668.165(a)(1). Colleges can meet this requirement by including this information in their financial aid offers or providing it at a later point.

<sup>32</sup>20 U.S.C. § 1092(a).

college based on their individual circumstances.<sup>33</sup> To derive this estimate, the statute requires that colleges' net price calculators must subtract only grants and scholarships from the cost of attendance, which includes both direct and indirect costs. However, this net price calculator provides only an estimate of students' potential costs, which might differ from the actual aid amounts included in their financial aid offer.

- **Entrance counseling:** The act also requires colleges that participate in federal student aid to ensure federal student loan borrowers receive entrance counseling, which should include, among other things, an explanation of the promissory note that includes key financial details before their loans are disbursed. However, these disclosures generally arrive after students have already relied on information in their college financial aid offer to make decisions about where to enroll and how much to borrow.

Similarly, in the most recent reauthorization of the act in 2008 the authorizing committee noted that students and parents must be able to access information and make comparisons between colleges in order to make informed choices about which school to attend.<sup>34</sup>

### Requirements for Veterans and Service Members

In January 2021, a law was enacted which required colleges to provide certain veterans, service members, and eligible family members with estimates for tuition, fees, books, supplies, and living expenses, as well as other information to facilitate comparison of financial aid packages offered by different colleges.<sup>35</sup> Colleges can meet this requirement by providing the *College Financing Plan* to these students, according to officials from the Department of Veterans Affairs. Colleges generally had until August 2022 to comply.

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<sup>33</sup>20 U.S.C. § 1015a(h).

<sup>34</sup>H. Rept. 110-500, at 236 (2007).

<sup>35</sup>This law codified many of the same provisions first established in an Executive Order. Establishing Principles of Excellence for Educational Institutions Serving Service Members, Veterans, Spouses, and Other Family Members, Exec. Order No. 13,607, 77 Fed. Reg. 25,861 (Apr. 27, 2012). Pub. L. No. 116-315, § 1018, 134 Stat. 4932, 4946-49 (2021) (codified as amended at 38 U.S.C. § 3679(f)(1)).

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### Standard Consumer Disclosures for Other Complex Financial Products

Federal law generally requires standardized consumer disclosures for certain other complex financial products, such as mortgages, private education loans, and credit cards.<sup>36</sup> Mandated consumer disclosures, like the ones for mortgages, give consumers more information about the costs and terms before they take on a new obligation and can help them shop for the best terms because key information is disclosed in the same way.<sup>37</sup> Next to mortgages, student loans are the second-largest type of household debt. Additionally, private education loans are subject to certain disclosure and consumer protection requirements. However, the lack of similar requirements for clear and standard information in colleges' financial aid offers makes it difficult for students and parents to compare affordability and make informed financial decisions about how much they will need to borrow.

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### Education Encourages, but Does Not Require, Colleges to Provide Clear and Standard Information to All Students in Their Financial Aid Offers

In the absence of any statutory requirements regarding financial aid offers, Education has encouraged but not required colleges to follow best practices for providing clear and standard information. Education officials said the department cannot prescribe the content of financial aid offers because it does not have authority under current law to regulate how colleges present information in financial aid offers about non-federal sources of aid, such as institutional scholarships and state grants. Therefore, the department has not developed any regulations related to financial aid offers, required that colleges follow best practices, or required they use the *College Financing Plan*. Although Education encourages colleges to follow best practices and use the *College Financing Plan*, adoption has been limited according to our analysis of college financial aid offers and questionnaire results.

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<sup>36</sup>For example, the Truth in Lending Act and the Truth in Savings Act require standardized disclosures for certain consumer credit products and certain bank accounts, respectively. Pub. L. No. 90-321, 82 Stat. 146 (1968); Pub. L. No. 102-242, 105 Stat. 2236 (1991).

<sup>37</sup>Congressional Research Service, *An Overview of Consumer Finance and Policy Issues*, R45813 (Washington, D.C.: Jan. 14, 2021).

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## Encouraging the Use of Best Practices

Education developed and released best practices in 2019, and promoted these best practices to financial aid professionals through its website, at conferences, and through national associations.<sup>38</sup> For example, the national organization that represents college financial aid administrators encourages colleges to adopt these best practices for aid offers.<sup>39</sup>

Despite these efforts, few colleges have revised their financial aid offers since the release of Education's best practices. Based on our questionnaire results, we estimate that 15 percent of colleges made significant changes to their financial aid offers since the release of Education's best practices in 2019. Even with these changes, which are reflected in the financial aid offers we analyzed, we estimate that nearly two-thirds of colleges adhere to half or fewer of these best practices.

Stakeholders we interviewed identified several reasons why colleges may not be following best practices in their financial aid offers:

- **Competition:** Colleges can benefit by making themselves appear more affordable than their peers, according to stakeholders we interviewed. For example, some stakeholders said that colleges that follow the best practices by including information on the full cost of attendance in a financial aid offer may be placing themselves at a competitive disadvantage to colleges that do not include this information. Specifically, prospective students may suffer "sticker shock" from receiving a financial aid offer with an all-inclusive but larger cost of attendance and choose to enroll in a college whose offer presents a seemingly smaller, but less-inclusive cost of attendance.
- **Technological constraints:** Officials from a national organization of financial aid administrators said that the software some colleges use to create financial aid offers may limit colleges' ability to meet best

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<sup>38</sup>Education released a set of best practices in April 2019. The Financial Literacy and Education Commission, a commission comprised of 22 federal government agencies, including Education, published a similar set of best practices in June 2019. We used these two sources to derive the 10 best practices and assess the clarity of financial aid offers. In October 2021, Education updated the original best practices to align more closely with those it developed as part of the 22-agency commission.

<sup>39</sup>Specifically, the National Association of Student Financial Aid Administrators encourages its members to follow a code of conduct that emphasizes these best practices. For example, this organization encourages its members to itemize components in the cost of attendance, clearly label loans, grants, and work-study, and estimate the net price students are expected to pay by subtracting gift aid from direct and indirect costs.

practices. However, officials from the financial aid software companies we spoke with said that they have updated or were in the process of updating their products to follow Education's best practices. One company noted that some colleges modify the template the company provides so they no longer follow the best practices.

- **Resource limitations:** A few stakeholders said that some colleges may not have the staff, or financial resources to revise their financial aid offers to meet best practices. In particular, small colleges may not have the on-site capability to update their financial aid offers or the finances to hire outside companies to do so for them. However, colleges that lack the resources to revise their financial aid offers can use the *College Financing Plan*, the free financial aid offer template developed by Education, to meet best practices.

### Development of a Financial Aid Offer Template

Education has also tried to encourage colleges to provide students with clear and standard information in their financial aid offers by developing and promoting its financial aid offer template, the *College Financing Plan*. In 2012, Education collaborated with the Consumer Financial Protection Bureau to develop the *College Financing Plan*, known then as the *Financial Aid Shopping Sheet*. The *College Financing Plan* was created in response to an Executive Order, which required the Departments of Defense, Veterans Affairs, and Education to establish Principles of Excellence. This standardized financial aid offer template was meant to, among other things, prevent abusive and deceptive recruiting practices targeted towards service members, veterans, and their families and provide service members and veterans more meaningful information on their federal education benefits prior to enrollment.<sup>40</sup> Upon release of the template, Education asked colleges to voluntarily commit to using it for all

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<sup>40</sup>The Principles, implemented pursuant to the Executive Order, should require educational institutions receiving funding pursuant to federal military and veterans' educational benefits to, prior to enrollment, provide these prospective students a personalized and standardized form that includes such provisions as the total cost of the educational program, including tuition and fees; the amount of that cost that will be covered by federal educational benefits; the type and amount of financial aid they may qualify for; their estimated student loan debt upon graduation; information about student outcomes; and other information to facilitate comparison of aid packages offered by different colleges.



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students.<sup>41</sup> However, as noted above, most colleges do not send it to all students.

Additionally, the *College Financing Plan's* use of standard terminology means that wider adoption could help students compare financial aid offers from different colleges and make better informed decisions about where to enroll. In a national survey of college freshmen in fall 2019, about 70 percent of respondents reported that they applied to at least three colleges.<sup>42</sup> Students who apply to multiple colleges will likely receive the *College Financing Plan* from some colleges but not others, limiting its effectiveness as a comparison tool. Officials from one organization that helps students understand their financial aid offers told us that if all colleges provided students with the *College Financing Plan*, it would be a useful tool in providing standard information across colleges.

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### The Lack of Universal Federal Requirements for Clear and Standard Information in College Financial Aid Offers Can Create Confusion for Students

The lack of universal federal requirements for clear and standard information in financial aid offers has resulted in colleges using a variety of approaches to provide students critical information or to not provide such information at all. For example, we identified differences in which costs colleges include in the cost of attendance (e.g., all key direct and indirect costs or only some costs) and which type of aid they deduct to estimate the net price (e.g., only gift aid, or loans and work-study too). Not having comparable information across financial aid offers can make it difficult for students to determine which college is more affordable. For instance, three colleges could have the same costs and offer a student the same amount in loans and grants, but could present vastly different estimates for the net price (see fig. 13). As a result, students may have difficulty comparing the offers and making an informed decision on which college to attend.

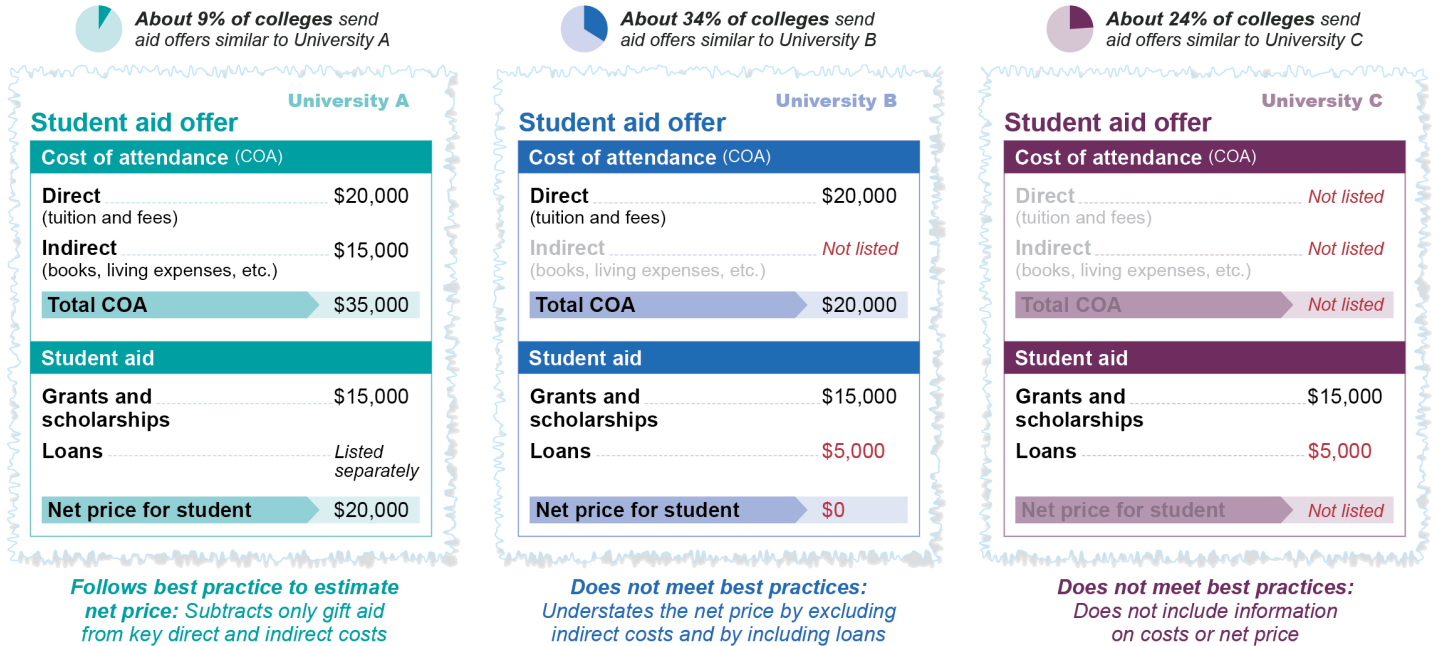
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<sup>41</sup>Education tested this template with focus groups of college financial aid administrators, students, and parents.

<sup>42</sup>E.B. Stolzenberg, M.C. Aragon, E. Romo, V. Couch, D. McLennan, M.K. Eagan, and N. Kang, *The American Freshman: National Norms Fall 2019* (Los Angeles: Higher Education Research Institute, UCLA, 2020).

**Figure 13: Example of Different Ways Colleges Present the Same Cost Information to Students**

Here is how the same cost of attendance (\$35,000) and aid package (\$15,000 in grants and scholarships) could appear on three styles of commonly used aid offers. Without standardized information, it is difficult for students to compare affordability.



Source: GAO analysis. | GAO-23-104708

**Accessible Data for Figure 13: Example of Different Ways Colleges Present the Same Cost Information to Students**

Here is how the same cost of attendance (\$35,000) and aid package (\$15,000 in grants and scholarships) could appear on three styles of commonly used aid offers. Without standardized information, it is difficult for students to compare affordability.

About 9% of colleges send aid offers that follow best practice to estimate net price by subtracting only gift aid from key direct and indirect costs

**Student Aid Offer**

- Cost of attendance (COA)
  - Direct (tuition and fees): \$20,000
  - Indirect (books, living expenses, etc.): \$15,000
  - Total COA: \$35,000
- Student aid
  - Grants and scholarships: \$15,000
  - Loans: Listed separately
- Net price for student: \$20,000

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About 34% of colleges send aid offers that do not meet best practices because they understate the net price by excluding indirect costs and by including loans

**Student Aid Offer**

- Cost of attendance (COA)
  - Direct (tuition and fees): \$20,000
  - Indirect (books, living expenses, etc.): Not listed, but should be
  - Total COA: \$20,000
- Student aid
  - Grants and scholarships: \$15,000
  - Loans: \$5,000 (listed, but should not be)
- Net price for student: \$0

About 24% of colleges send aid offers that do not meet best practices because they do not include information on costs or net price

**Student Aid Offer**

- Cost of attendance (COA)
  - Direct (tuition and fees): Not listed, but should be
  - Indirect (books, living expenses, etc.): Not listed, but should be
  - Total COA: Not listed, but should be
- Student aid
  - Grants and scholarships: \$15,000
  - Loans: \$5,000 (listed, but should not be)
- Net price for student: Not listed, but should be

Source: GAO analysis. | GAO-23-104708

Note: Estimates for the percentage of colleges that use each of these three approaches are based on GAO's analysis of financial aid offers for school year 2021-2022 from a nationally representative sample of colleges. These estimates have margins of error of plus or minus 7 percentage points or fewer. GAO derived these best practices from those issued by the Financial Literacy and Education Commission and the Department of Education. Colleges receiving federal student financial aid funds are generally required to provide students with cost of attendance information and post a net price calculator on their websites to help students estimate the amount they would be expected to pay for a college based on their individual circumstances. 20 U.S.C. § 1092(a)(1)(E); 20 U.S.C. § 1015a(h). However, colleges are not required by federal law to provide this information to all students in their financial aid offers. GAO assessed whether the financial aid offer followed best practices, not whether colleges were complying with legal requirements.

The different approaches colleges use to present information make it difficult for students and parents to accurately compare different colleges' costs, determine how much they will need to pay, how much they would need to borrow, and whether a college is affordable. The net price

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reported on a financial aid offer would ideally help students understand their financial obligations, but the wide variation in how colleges present this information can create confusion.

Students and parents generally consider information on college costs to be key to their decision-making process, but often have difficulty understanding critical information in financial aid offers about the cost of college. In a national survey of high school students, Education estimated that about two-thirds of high school students consider the cost of attendance to be “very important” when choosing a college, and that low-income students place greater emphasis on costs than their higher-income peers.<sup>43</sup> Similarly, students and parents have indicated in focus groups that the amount they will have to pay for college is the most important piece of information that they are looking to understand, but they often have difficulty deciphering this in their financial aid offers.<sup>44</sup>

Officials from several organizations that counsel students also told us that students can struggle to decipher financial aid offers because they are complex and use varying approaches to estimate the net price. Officials from student advising and advocacy organizations said that first-generation, low-income, and minority students often face the greatest challenges deciphering aid offers.

Many stakeholders have urged colleges to provide students with standard information in their financial aid offers. For example, officials from the national organization that represents college financial aid administrators said that while they have not endorsed a specific format for college financial aid offers, they encourage colleges to provide standard information such as those that Education has identified as best practices. Additionally, officials from research organizations and student advising and advocacy organizations also told us colleges should provide students information about college costs and the net price in a standard way in order to minimize confusion.

Students who do not receive clear and standard information in their aid offers may make uninformed decisions that can have long-term

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<sup>43</sup>U.S. Department of Education, *Factors that Influence Student College Choice* (Washington, D.C.: November 2018).

<sup>44</sup>National Association of Student Financial Aid Administrators, *No Clear Winner: Consumer-Testing of Financial Aid Award Letters* (Washington, D.C.: March 2013) and New America, *Financial Aid Offers Focus Group Findings from FDR Group* (Washington, D.C.: May 24, 2019).

consequences. Most of the student advising and advocacy organizations we spoke to found that students who do not understand the full cost of college and the financial aid they have been offered may face consequences from unexpected education-related bills. These consequences could include cutting back on essentials like food, taking on even greater financial obligations to pay for college, or even dropping out.<sup>45</sup> Students who do not understand their borrowing obligations may rely more heavily on student loans to fund their education, which can have lifelong financial consequences for students and impacts on the broader economy. The Board of Governors of the Federal Reserve System, for example, reported that people with higher levels of student loan debt may be less likely to become homeowners.<sup>46</sup> Additionally, carrying college loan debt later in life, for either oneself or one's children, can limit one's ability to adequately save for retirement.<sup>47</sup>

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## Conclusions

One of the most critical decision-making moments for individuals and families occurs when a student is admitted to college and receives a financial aid offer. To make educated financial decisions about attending college, students need to know how much it costs, how much they will need to pay, and details about their options for paying for it. Receiving this information is particularly critical for low-income students, who often have the fewest resources to help decipher financial aid offers and may suffer severe consequences if they do not have access to clear information on which to base financial aid decisions. Standardized information in college financial aid offers, perhaps through broader use of the *College Financing Plan*, would improve clarity and allow students to

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<sup>45</sup>For measures that colleges have enacted to counter student food insecurity and its link to student success and completion, see GAO, *Food Insecurity: Better Information Could Help Eligible College Students Access Federal Food Assistance Benefits*, [GAO-19-95](#) (Washington, D.C.: Dec. 21, 2018).

<sup>46</sup>Rajashri Chakrabarti, Nicole Gorton, and Wilbert van der Klaauw, "Diplomas to Doorsteps: Education, Student Debt, and Homeownership," *Liberty Street Economics* (Federal Reserve Bank of New York, April 2017), <https://libertystreeteconomics.newyorkfed.org/2017/04/diplomas-to-doorsteps-education-student-debt-and-homeownership/>; Alvaro Mezza, Daniel Ringo, and Kamila Sommer, "Can Student Loan Debt Explain Low Homeownership Rates for Young Adults?," *Consumer & Community Context* (Board of Governors of the Federal Reserve System, 2019).

<sup>47</sup>GAO, *Retirement Security: Debt Increased for Older Americans over Time, but the Implications Vary by Debt Type*, [GAO-21-170](#) (Washington, D.C.: Apr. 16, 2021).

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accurately compare costs and available aid across different colleges. Federal law already requires colleges to provide standard information to veterans, but it would take further congressional action to expand this requirement to all students. Without such action, Congress will not be able ensure students and parents receive the clear and standard information they need to make more informed decisions about college.

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## Matter for Congressional Consideration

Congress should consider legislation requiring colleges to provide all students offered federal student aid with financial aid offers containing clear and standard information that follow best practices. This could include requiring colleges to provide the *College Financing Plan* to all such students. (Matter for Consideration 1)

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## Agency Comments

We provided a draft of this report for review and comment to the Department of Education, the Department of the Treasury, the Consumer Financial Protection Bureau, and the Department of Veterans Affairs. In its comments, reproduced in appendix II, Education noted that the department has long recognized the harm that the lack of transparency in financial aid offers can cause students. Education also stated that the department supports the need for clear, standardized information in financial aid offers. Treasury concurred via email with the report's call for legislation to require colleges to provide all students with clear and standard information in financial aid offers. The Consumer Financial Protection Bureau provided technical comments, which we incorporated as appropriate. The Department of Veterans Affairs did not have comments on the draft.

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As agreed with your office, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies to the appropriate congressional committees and the Secretaries of Education, the Treasury, and Veterans Affairs, and to the Director of the Consumer Financial Protection Bureau. In addition, the report will be available at no charge on the GAO website at <https://www.gao.gov>.

If you or your staff have any questions concerning this report, please contact me at (617) 788-0534 or [emreyarrasm@gao.gov](mailto:emreyarrasm@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs can be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix III.

Sincerely yours,

A handwritten signature in black ink that reads "Melissa Emrey-Arras". The signature is written in a cursive, flowing style.

Melissa Emrey-Arras, Director  
Education, Workforce, and Income Security Issues

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# Appendix I: The College Financing Plan for 2022-2023, Education's Financial Aid Offer Template



**Appendix I: The College Financing Plan for 2022-2023, Education's Financial Aid Offer Template**

**Figure 14: Page 1 of 2 of the 2022-2023 College Financing Plan**

<b>University of the United States (UUS)</b> <span style="float: right; font-weight: normal; font-size: small;">MM / DD / YYYY</span>	
Undergraduate College Financing Plan Student Name, Identifier	
<b>Total Cost of Attendance 2022-2023</b>	
	On Campus Residence                      Off Campus Residence
Tuition and fees	\$X,XXXX
Housing and meals	\$X,XXXX
Books and supplies	\$X,XXXX
Transportation	\$X,XXXX
Other education costs	\$X,XXXX
<b>Estimated Cost of Attendance</b>	<b>\$X,XXXX / yr</b>
<b>Expected Family Contribution</b>	
Based on FAFSA	X,XXXX / yr
As calculated by the institution using information reported on the FAFSA or to your institution.	
Based on Institutional Methodology	X,XXXX / yr
Used by most private institutions in addition to FAFSA.	
<b>Scholarship and Grant Options</b>	
Scholarships and Grants are considered "Gift" aid - no repayment is needed.	
<b>Scholarships</b>	<b>Grants</b>
Merit-Based Scholarships	Need-Based Grant Aid
Scholarships from your school	Federal Pell Grants
\$X,XXXX	\$X,XXXX
Scholarships from your state	Institutional Grants
\$X,XXXX	\$X,XXXX
Other scholarships	State Grants
\$X,XXXX	\$X,XXXX
Employer Paid Tuition Benefits	Other forms of grant aid
\$X,XXXX	\$X,XXXX
Total Scholarships	Total Grants
\$X,XXXX / yr	\$X,XXXX / yr
<b>VA Education Benefits</b>	
VA Education Benefits	\$X,XXXX / yr
<b>College Costs You Will Be Required to Pay</b>	
Net Price To You	\$X,XXXX / yr
(Total cost of attendance minus total grants and total scholarships)	
<b>Loan and Work Options to Pay the Net Price to You</b>	
You must repay loans, plus interest and fees.	
<b>Loan Options*</b>	<b>Work Options</b>
Federal Direct Subsidized Loan	Work-study
\$X,XXXX / yr	\$X,XXXX / yr
(x.xx% interest rate) (x.xx% origination fee)	Hours Per Week (estimated)
	XX / wk
Federal Direct Unsubsidized Loan	Other Campus Job
\$X,XXXX / yr	\$X,XXXX / yr
(x.xx% interest rate) (x.xx% origination fee)	Total Work
Total Loan Options	\$X,XXXX / yr
\$X,XXXX / yr	
* For federal student loans, origination fees are deducted from loan proceeds.	
<b>Other Options</b>	<b>For More Information</b>
You may have other options to repay the remaining costs. These include:	University of the United States (UUS)
<ul style="list-style-type: none"> <li>Tuition payment plan offered by the institution</li> <li>Parent PLUS loans, which your parent can apply for</li> <li>Non-Federal Private education loan, which you or your parent can apply for after passing a credit check</li> <li>Other Military or National Service Benefits</li> </ul>	Financial Aid Office
	123 Main Street
	Anytown, ST 12345
	Telephone: (123) 456-7890
	E-mail: financialaid@uus.edu
<b>Customized Information from UUS</b>	<b>* Loan Amounts</b>
	Note that the amounts listed are the maximum available to you. To learn about loan repayment choices and calculate your Federal Loan monthly payment, go to: <a href="https://studentaid.gov/h/manage-loans">https://studentaid.gov/h/manage-loans</a> .
<b>Next steps</b>	

Source: U.S. Department of Education. | GAO-23-104708

**Accessible Data for Figure 14: Page 1 of 2 of the 2022-2023 College Financing Plan  
University of the United States (UUS)  
Undergraduate College Financing Plan  
Student Name, Identifier  
Total Cost of Attendance 2022-2023**

Category	On Campus Residence	On Campus Resident and Off Campus Residence	Off Campus Residence
Tuition and fees		\$X,XXXX	
Housing and meals	\$X,XXXX		\$X,XXXX
Books and supplies		\$X,XXXX	
Transportation		\$X,XXXX	
Other education costs		\$X,XXXX	
Estimated Cost of Attendance	\$X,XXXX / yr		\$X,XXXX / yr

**Expected Family Contribution**

Category	Category dollar amount
Based on FAFSA (As calculated by the institution using information reported on the FAFSA or to your institution)	\$X,XXXX / yr
Based on Institutional Methodology (Used by most private institutions in addition to FAFSA)	\$X,XXXX / yr

**Scholarship and Grant Options** (Scholarships and Grants are considered "Gift" aid - no repayment is needed)

**Scholarships**

Category	Dollar amount
Merit-Based Scholarships: Scholarships from your school	\$X,XXXX
Merit-Based Scholarships: Scholarships from your state	\$X,XXXX
Merit-Based Scholarships: Other scholarships	\$X,XXXX
Employer Paid Tuition Benefits	\$X,XXXX
Total Scholarships	\$X,XXXX / yr

**Grants**

Category	Dollar amount
Need-Based Grant Aid: Federal Pell Grants	\$X,XXXX
Need-Based Grant Aid: Institutional Grants	\$X,XXXX
Need-Based Grant Aid: State Grants	\$X,XXXX
Other forms of grant aid	\$X,XXXX
<b>Total Grants</b>	<b>\$X,XXXX / yr</b>

**VA Education benefits**

Category	Dollar amount
VA Education Benefits	\$X,XXXX / yr

**College Costs You Will Be Required to Pay**

Category	Dollar amount
Net Price To You (Total cost of attendance minus total grants and total scholarships)	\$X,XXXX / yr

**Loan and Work Options to Pay the Net Price to You** (You must repay loans, plus interest and fees)

**Loan Options** (For federal student loans, origination fees are deducted from loan proceeds)

Category	Dollar amount
Need-Based Grant Aid: Federal Direct Subsidized Loan (x.xx% interest rate) (x.xx% origination fee)	\$X,XXXX / yr
Need-Based Grant Aid: Federal Direct Unsubsidized Loan (x.xx% interest rate) (x.xx% origination fee)	\$X,XXXX / yr
<b>Need-Based Grant Aid: Total Loan Options</b>	<b>\$X,XXXX / yr</b>

**Work Options**

Category	Dollar amount
Need-Based Grant Aid: Work-study Hours Per Week (estimated)	\$X,XXXX / yr XX / wk
Need-Based Grant Aid: Other Campus Job	\$X,XXXX / yr
<b>Need-Based Grant Aid: Total Work</b>	<b>\$X,XXXX / yr</b>

**Other Options**

You may have other options to repay the remaining costs. These include:

- Tuition payment plan offered by the institution
- Parent PLUS loans, which your parent can apply for

- Non-Federal Private education loan, which you or your parent can apply for after passing a credit check
- Other Military or National Service Benefits

**For More Information**

University of the United States (UUS)  
Financial Aid Office  
123 Main Street  
Anytown, ST 12345  
Telephone: (123) 456-7890  
E-mail: financialaid@uus.edu

\* **Loan Amounts:** Note that the amounts listed are the maximum available to you. To learn about loan repayment choices and calculate your Federal Loan monthly payment, go to:  
<https://studentaid.gov/h/manage-loans>.

**Customized Information from UUS**

**Next steps**

Figure 15: Page 2 of 2 of the 2022-2023 College Financing Plan

## Glossary

**Cost of Attendance (COA):** The total amount (not including grants and scholarships) that it will cost you to go to school during the 2022–23 school year. COA includes tuition and fees; housing and meals; and allowances for books, supplies, transportation, loan fees, and dependent care. It also includes miscellaneous and personal expenses, such as an allowance for the rental or purchase of a personal computer; costs related to a disability; and reasonable costs for eligible study-abroad programs. For students attending less than half-time, the COA includes tuition and fees; an allowance for books, supplies, and transportation; and dependent care expenses.

**Direct Subsidized Loan:** Loans that the U.S. Department of Education pays the interest on while you're in school at least half-time, for the first six months after you leave school (referred to as a grace period\*), and during a period of deferment (a postponement of loan payments).

**Direct Unsubsidized Loan:** Loans that the borrower is responsible for paying the interest on during all periods. If you choose not to pay the interest while you are in school and during grace periods and deferment or forbearance periods, your interest will accrue (accumulate) and be capitalized (that is, your interest will be added to the principal amount of your loan).

**Expected Family Contribution:** A number used by your school to calculate the amount of federal student aid you are eligible to receive. It is based on the financial information provided in your Free Application for Federal Student Aid (FAFSA). This is not the amount of money your family will have to pay for college, nor is it the amount of federal student aid you will receive.

**Federal Work-Study:** A federal student aid program that provides part-time employment while the student is enrolled in school to help pay his or her education expenses. The student must seek out and apply for work-study jobs at his or her school. The student will be paid directly for the hours he or she works may not automatically be credited to pay for institutional tuition or fees. The amount you earn cannot exceed the total amount awarded by the school for the award year. The availability of work-study jobs varies by school. Please note that Federal Work-Study earnings may be taxed in certain scenarios; however the income you earn will not be counted against you when calculating your Expected Family Contribution on the FAFSA.

**Grants and Scholarships:** Student aid funds that do not have to be repaid. Grants are often need-based, while scholarships are usually merit-based. Occasionally you might have to pay back part or all of a grant if, for example, you withdraw from school before finishing a semester. If you use a grant or scholarship to cover your living expenses, the amount of your scholarship may be counted as taxable income on your tax return.

**Loans:** Borrowed money that must be repaid with interest. Loans from the federal government typically have a lower interest rate than loans from private lenders. Federal loans, listed from most advantageous to least advantageous, are called Direct Subsidized Loans, Direct Unsubsidized Loans, and Parent PLUS Loans. You can find more information about federal loans at [StudentAid.gov](https://studentaid.gov).

**Net Price:** An estimate of the actual cost that a student and his or her family need to pay in a given year to cover education expenses for the student to attend a particular school. Net price is determined by taking the institution's cost of attendance and subtracting any grants and scholarships for which the student may be eligible.

**Non-Federal Private Education Loan:** A private education loan is a loan issued expressly for postsecondary education expenses to a borrower (either through the educational institution or directly to the borrower) from a private educational lender, rather than as a Title IV, HEA loan offered by the Department of Education.

**Origination Fees:** An upfront fee charged by a lender for processing a new loan application. It is compensation for putting the loan in place. Origination fees are quoted as a percentage of the total loan.

**Parent Plus Loan:** A loan available to the parents of dependent undergraduate students for which the borrower is fully responsible for paying the interest regardless of the loan status.

**Teach Grant Program:** Provides grants of up to \$4,000 a year to students who are completing or plan to complete course work needed to begin a career in teaching. If you do not meet the requirements of your service obligation, all TEACH Grants you received will be converted to Direct Unsubsidized Loans. You must repay these loans in full, with interest charged from the date of each TEACH Grant disbursement. Service obligation information can be found at <https://studentaid.gov/understand-aid/types/grants/teach>.

**Tuition Payment Plan:** A tuition payment plan offered by an institution may allow students to spread out their payments. It includes an extension of credit of 90 days or less in which the educational institution is the lender, or of one year or less where an interest rate will not be applied to the credit payment.

**VA Education Benefits:** Benefits that help Veterans, service members, and their qualified family members with needs like paying college tuition, finding the right school or training program, and getting career counseling. You can find more information here: <https://www.va.gov/education/>.

For more information visit <https://studentaid.gov>.

Source: U.S. Department of Education. | GAO-23-104708

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Accessible Data for Figure 15: Page 2 of 2 of the 2022-2023 College Financing Plan

**Glossary**

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- **Expected Family Contribution:** A number used by your school to calculate the amount of federal student aid you are eligible to receive. It is based on the financial information provided in your Free Application for Federal student Aid (FAFSA). This is not the amount of money your family will have to pay for college, nor is it the amount of federal student aid you will receive.
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# Appendix II: Comments from the Department of Education



**Appendix II: Comments from the Department  
of Education**



October 14, 2022

Melissa Emrey-Arras  
Director, Education, Workforce, and Income Security  
Government Accountability Office  
441 G Street, NW  
Washington, DC 20548

Dear Ms. Emrey-Arras:

I write on behalf of the U.S. Department of Education (Department) in response to the Government Accountability Office (GAO) draft report, *Financial Aid Offers: Action Needed to Improve Information about College Costs and Student Aid* (GAO-23-104708). We appreciate the opportunity to respond.

GAO's draft report reviews the information in college financial aid offers and the extent to which colleges are following best practices. It also reviews the best practices for college financial aid offers. GAO's findings prompt serious concerns – 55 percent of colleges do not itemize all key direct and indirect costs, and 91 percent underestimate or do not provide net price information. These disclosures are important for students to understand their financial aid offers and make informed decisions about how to finance the costs of their education. These findings could be particularly concerning where the college also offers other loans or financial products to its students once they are enrolled and learn more about the net cost of attendance.

We appreciate GAO's attention to this issue and support the need for clear, standardized information for students in their college financial aid offers. The Department has long recognized the harm that lack of transparency, comparability, and information in financial aid offers can do to students as they make their choice about which institution to attend. As GAO notes, federal law does not require institutions to provide specific information in any financial aid offers they make to students. Despite this limitation, the Department has acted to encourage institutions to improve their financial aid offers, as evidenced by its "Recommendations: What Postsecondary Institutions Should Work to Avoid When Issuing Financial Aid Offers" issued on April 15, 2019, and its revisions issued on October 28, 2021, as acknowledged by GAO in the draft report.

We appreciate the information highlighted by GAO in the draft report and thank GAO for its work on this important issue affecting students as they start their academic careers.

Sincerely,

A handwritten signature in blue ink that reads "Richard Cordray".

Richard Cordray  
Chief Operating Officer  
Federal Student Aid

# Accessible Text for Appendix II: Comments from the Department of Education

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Director, Education, Workforce, and Income Security  
Government Accountability Office  
441 G Street, NW  
Washington, DC 20548

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Sincerely,

Richard Cordray  
Chief Operating Officer  
Federal Student Aid

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## Appendix III: GAO Contact and Staff Acknowledgments

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### GAO Contact

Melissa Emrey-Arras, (617) 788-0534 or [emreyarrasm@gao.gov](mailto:emreyarrasm@gao.gov)

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### Staff Acknowledgments

In addition to the contact named above, Will Colvin (Assistant Director), Hedieh Fusfield (Analyst in Charge), and Stephen Yoder made key contributions to this report. Additional assistance was provided by Hannah Acheson-Field, James Ashley, James Bennett, Jason Bromberg, Alicia Cackley, Elizabeth Calderon, Sarah Garcia, Sharon Hermes, Grant Holyoak, Caitlyn Leiter-Mason, Jean McSween, Tom Moscovitch, Michael Naretta, Mimi Nguyen, Jessica Orr, Brian Schwartz, Almeta Spencer, Rachel Stoiko, and Adam Wendel.

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A. Nicole Clowers, Managing Director, [ClowersA@gao.gov](mailto:ClowersA@gao.gov), (202) 512-4400, U.S. Government Accountability Office, 441 G Street NW, Room 7125, Washington, DC 20548

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Chuck Young, Managing Director, [youngc1@gao.gov](mailto:youngc1@gao.gov), (202) 512-4800  
U.S. Government Accountability Office, 441 G Street NW, Room 7149  
Washington, DC 20548

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## Strategic Planning and External Liaison

Stephen J. Sanford, Managing Director, [spel@gao.gov](mailto:spel@gao.gov), (202) 512-4707  
U.S. Government Accountability Office, 441 G Street NW, Room 7814,  
Washington, DC 20548



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