

Center for American Progress



Comparison Shopping for College

Giving Students the Tools They Need to Make Better Choices



SOURCE: AP/Robert F. Bukaty

Prospective students and their parents tour the campus of Bowdoin College in Brunswick, Maine. The federal government can encourage students to pursue high-quality, lower-cost education by giving them the tools to make good consumer choices.

By Julie Margetta Morgan | October 15, 2010

When was the last time you bought a plane ticket by calling one airline without checking the others? What about buying a car—did you just walk into a dealership and choose one at random, or did you shop around? Most people engage in comparison shopping before making a major purchase. Websites like Kayak.com, Priceline.com, and Bankrate.com all owe their success to the fact that consumers compare quality and prices to get the most for their money, especially when money is tight.

A college education should be no different. It's one of the largest purchases a family will ever make. And since the federal government subsidizes many of those purchases through grants and loans everyone has an interest in making sure that students get a good deal. That's why Congress should require that financial aid offers are comparable across colleges so that families are equipped with full information about the cost of college options when choosing among them.

Right now, the Senate Health Education Labor and Pensions Committee is targeting regulation of for-profit institutions as a way to increase the quality and lower the cost of higher education. Sen. Al Franken (D-MN) justified this approach by calling these colleges the “low-hanging fruit” due to their reliance on federal student aid and high loan-default rates.

But there's other low-hanging fruit in higher education, and we should be targeting that, too. The federal government can encourage students to pursue high-quality, lower-cost education by giving them the tools to make good consumer choices in addition to regulating quality and cost on the institution side. College-bound students and families need to comparison shop—just like they do for cars, houses, credit cards, and hotel rooms.

College-bound students lack the most basic necessities to make comparisons across colleges because they do not have reliable, comparable information about the net cost of college. Colleges typically provide information about cost and financing in financial aid award letters. The trouble is that each college's notification looks different.

Research shows that the amount of financial aid awarded can significantly affect a student's decision to attend one
americanprogress.org/.../print.html

college over others. But the way financial aid is presented can often mask the net price. Here are a few examples of common financial aid notification discrepancies:

- College A lists only grants as part of the financial aid award, but College B lists both grants and loans. College B's aid package therefore looks more generous when in fact the same federal loans are available at College A.
- College A gives a modest scholarship that's renewable each year. College B gives a more substantial scholarship, but it fails to note that the scholarship is not renewable.
- College A clearly labels each item on the award letter as scholarship, loan, or work-study, while College B uses internal acronyms for each item, making it difficult to distinguish grants from loans.
- Both College A and B offer work-study, but College B appears to offer more because it assumes that the student will work more hours per week.

A simple Google search for "financial aid award letters" reveals that this is a significant issue for college-bound students and their families. The top hits are an array of websites devoted to helping students decipher and compare financial aid awards. [Finaid.org](#), for example, provides warnings about common pitfalls in aid letters and resources for families to help decipher financial aid notifications. Both [FinancialAidLetter.com](#) and [U.S. News and World Report](#) offer examples of real financial aid award letters and tips for decoding them.

Students and families shouldn't have to decode financial aid awards. The differences in out-of-pocket cost and student loan burden should be in bold print, not fine print. Congress should bring clarity, reliability, and uniformity to financial aid award letters just as it stepped in to bring more clarity to credit card offer letters and billing statements. After all, Americans now owe more in student loans than they owe to credit card companies.

The federal government could easily mandate a uniform financial aid comparison table that must be included in an acceptance and financial aid notification as a condition for receipt of financial aid funding under Title IV of the Higher Education Act. The table would make consumer choices more efficient and more informed at little or no cost to the government, the college, or the individual.

A financial aid comparison table might look something like this:

A sample financial aid comparison table

Includes costs of attendance, gift aid, and how much the student and family would need to contribute

Cost of attendance

Tuition and fees	\$33,076
Room and board	\$11,150
Estimated books and supplies	\$1,000
Estimated transportation	\$900
Health insurance/fees	\$1,000
Miscellaneous fees	\$464
Total cost of attendance	\$47,590

Gift aid

Institutional grants	\$15,000
Outside scholarships	\$1,000
Federal grants (Pell grant, etc.)	\$4,000
Total gift aid	\$20,000
Family's share of costs	\$27,590

Optional self-help funding

Federal subsidized Stafford loans	\$3,500
Federal unsubsidized Stafford loans	\$2,000
Federal Perkins loan	\$5,500
Work-study employment	\$1,500
Remaining costs after full self-help funding	\$15,090
Monthly payment for student loan, based on 10-year repayment period	Stafford: \$63.29 Perkins: \$58.34 Total: \$121.63
Total amount to be repaid, including interest, over 10 years.	Stafford: \$7,595.52 Perkins: \$7,000.18 Total: \$14,595.70

Contact information for financial aid office

Contact information for federal student financial aid

Statement that all self-help aid is optional, and students need not take the full amount offered.

With a table like this a student could lay her college options side by side to determine which provides the best education for the lowest cost. She would also be able to see clearly the net price both before and after incorporating work-study and loans, so that she can compare true gift money and money that has to be either repaid or earned.

The table could also give the student or family enough information to consider the possibility of choosing to pay more for an increase in quality in addition to being used to choose the lowest-cost option. The addition of a monthly loan payment estimate gives a family another way to think about cost: Are you willing to pay \$1 extra each month for a better education? What about \$20 extra?

The uniform financial aid comparison table is such a simple, low-cost way to give consumers the tools they need to

make better choices than one has to ask why it isn't already part of the law. Well, it could be. The Higher Education Opportunity Act of 2008 required the Department of Education to develop a model financial aid offer form that would be available to the public and presented to Congress. So far, this document is not public, and a model is not the same as a mandate. But the act lays the foundation for creating a table that could significantly change the way students think about paying for college.

When Mark Kantrowitz introduced the idea of a standard financial aid offer form in a 2007 article in *Inside Higher Ed*, college administrators responded that it was a nice idea. But they argued that colleges are too different to offer a standard financial aid letter.

Yes, they are different, but they're all charging students a lot of money, too, and students and their families should be able to find out how much money before they attend the institution. It's time to stop letting colleges wiggle out of providing transparent, comparable information.

Julie Margetta Morgan is a Policy Analyst with the Postsecondary Education Program at the Center for American Progress.

To speak with our experts on this topic, please contact:

Print: Megan Smith (health care, education, economic policy)
202.741.6346 or msmith@americanprogress.org

Print: Anna Soellner (foreign policy and security, energy)
asoellner@americanprogress.org

Print: Raúl Arce-Contreras (ethnic media, immigration)
202.478.5318 or rarcecontreras@americanprogress.org

Radio: Nicole Murphy
202.478.6345 or nmurphy@americanprogress.org

TV: Andrea Purse
202.741.6250 or apurse@americanprogress.org

Web: Erin Lindsay
202.741.6397 or elindsay@americanprogress.org