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Financial Aid Transparency Issue Summary

Protect consumers of higher education, increase access to higher education, and reverse the trend of staggering student debt by supporting the Understanding the True Cost of College Act (H.R. 1198) introduced by Young Kim (R-CA), Raja Krishnamoorthi (D-IL), and Josh Gottheimer (D-NJ) and in the Senate by Chuck Grassley (R-IA) and Tina Smith (D-MN).

IECA supports legislation that provides financial aid clarity. In our work with students and their families, we witness firsthand the difficulty in interpreting financial aid offers. Standardizing financial aid offers is a step towards making informed decisions about the true cost of college and reversing the trend of staggering student debt.

Understanding the True Cost of College Act (H.R. 1198) introduced in the House by Young Kim (R-CA), Raja Krishnamoorthi (D-IL) and Josh Gottheimer (D-NJ) and in the Senate by Chuck Grassley (R-IA) and Tina Smith (D-MN) offers a solution that includes requiring standard terminology and a universal format to aid students and their families in the financial decision-making process.

Background

A call to standardize financial aid offers is not new. In 2012 and 2013, a group of bipartisan senators introduced legislation to standardize student-aid offers. Those senators included Tom Harkin (IA), Al Franken (MN), Marco Rubio (R-FL), and Charles Grassley (R-IA). Senator Grassley again introduced the "Understanding the True Cost of College" in 2019 with Tina Smith (D-MN) and Joni Ernst (R-IA). Young Kim (R-CA) and Raja Krishnamoorthi (D-IL) introduced the Understanding the True Cost of College Act in 2021. After the GAO's report in December 2022, they again called for Congress to address the issue. Virginia Foxx (R-NC) and Lisa McClain (R-MI) also presented legislation in 2022.

In December of 2022, the U.S. Government Accountability Office released a study that showed most colleges are not "following best practices for providing clear and standard information in their financial aid offers." The GOA recommends that Congress pass legislation that would include best practices for colleges regarding financial aid letters. Because of this report, the topic has received much more visibility.

There have been many efforts to standardize the financial aid letters received by students and families from colleges and universities. The Department of Education developed a template that can be used so students can compare offers. There are other bills and a recently created task force to study the issue. IECA would like all higher education institutions to use the same template so students can easily compare offers. The Government Accountability Office reported in early December 2022 that after studying a sample of offers from 176 colleges and universities, most were not using the recommended template (<https://www.gao.gov/products/gao-23-104708>) IECA believes it is time to require standardization.