GAO Highlights

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

November 2022

FINANCIAL AID OFFERS

Action Needed to Improve Information on College Costs and Student Aid

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.

What GAO Found

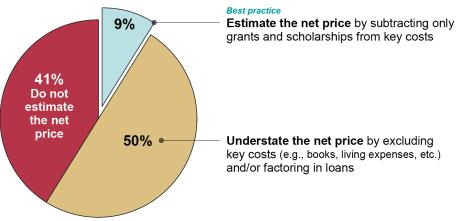Most colleges are not following best practices for providing clear and standard information in their financial aid offers. According to GAO's review of financial aid offers from a nationally representative sample of colleges, nearly two-thirds of colleges follow half or fewer of the 10 best practices. 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

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

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.

United States Government Accountability Office