



**TO: Rachel Fishman & Sophie Nguyen, New America**  
**FROM: Ann Duffett & Steve Farkas, FDR Group**  
**DATE: May 24, 2019**  
**RE: FINANCIAL AID OFFERS | FOCUS GROUP FINDINGS**

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Please find attached the FDR Group's findings from a series of focus groups conducted in March 2019 about people's understanding of financial aid offers. A total of 32 people took part in three focus groups as follows:

- Traditional Students: n=11, 9 college students and 2 high school seniors (Philadelphia; March 6, 2019)
- Nontraditional Students: n=11 (Philadelphia; March 6, 2019)
- Parents of Traditional Students: n=10, 8 parents of college-age children and 2 parents of high school seniors (Baltimore; March 7, 2019)

The ultimate purpose of the focus groups is to help inform New America's upcoming design workshop scheduled for summer 2019, and the findings are written with that purpose in mind. In summary, after conducting the focus groups and analyzing the transcripts, we believe that **the most pressing challenge moving forward will be how to provide the precise amount of information in accessible language that neither overwhelms nor offends**. Through these conversations with people who rely on financial aid offers when making higher education decisions, we also garnered a better understanding about:

- What's clear and what's not in the terminology commonly used
- Which pieces of information are must-haves and which are not
- Ideas for improving the structure and flow of financial aid offers

This memo is organized as follows:

- A. Observations
  - B. What's most important to convey
  - C. Reactions to Specific Terms
  - D. Formatting suggestions
  - E. Methodology
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## A. OBSERVATIONS

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### **People want a Financial Aid Award Letter to answer three key questions:**

How much am I getting? How much do I have to pay? How big a student loan will I have to take?

### **Families with first-time college-goers know the least but need the most.**

But too much information can overwhelm folks even if it is information that will help them. As one parent said, *“It is very detailed, but it is not what I would like to read immediately....It is too busy for me.”* In contrast, families with a parent or older sibling who has been through the financial aid process may think it is *“insulting to my intelligence”* to be informed that a loan has to be repaid and a grant does not. The challenge will be not only how to provide the right amount of information in a financial aid offer, but also how to do so with user-friendly language that neither overwhelms nor offends.

### **Lack of consistency is a problem for people who apply to multiple schools.**

Both Parents and Traditional Students who had applied to more than one school described being surprised at how different the costs and awards were when comparing financial aid packages. In some cases the offers were simply confusing, in others they were perceived as purposely misleading. In one instance, a student described having to create her own spreadsheet in order to make sense of it all.

*“One [award letter] was extremely confusing, and actually [the school] followed up with another letter restating what they gave to try to help clear it up. In that process, we kind of eliminated that school because of that confusion.” (Parent)*

*“They were all different [six offers] so we had to really sit down and look at everything.” (Parent)*

*“They obviously put the loans in there to make it look like your award is even bigger.” (Parent)*

*“I made a spreadsheet with all the costs that each college would be.... There was a stack.” (Traditional Student)*

In contrast, Nontraditional Students tended to apply to a single school – typically because of its convenience or a specific course of study. For them, the Financial Aid Award Letter was a one-off, it was not being used as a comparison tool.

## What's the catch?

Small font, fine print, and asterisks imply hidden costs and raise suspicion.

*“I got a letter in the mail initially, after emails. Everything was in big font, ‘oh, Congrats’ and stuff like that, and then at the bottom in really small print, not even bold or anything, it was: ‘cost’.” (Traditional Student)*

## Are headlines about student loan debt causing some to be overly cautious?

Among Parents and Traditional Students we picked up an undercurrent of “let the buyer beware” – the pendulum seems to have swung from student loans as a tool to achieve a better future to student loans as a lifelong albatross. For sure, not all participants felt this way – the sentiment was less evident among Nontraditional Students, and some Traditional Students spoke self-assuredly about their capacity to repay – but there were enough to call attention to it.

*“In fact, three of mine went to community college for the first two years and then transferred.... My thing was I did not want them coming out with student loans.” (Parent)*

*“I wanted as little as possible, debt free as possible when they finish.” (Parent)*

*“I went with [my school] because...it was less money, and I knew it would have less loans taken out.” (Traditional Student)*

*“Don’t take loans lightly. It’s not given money that you take. Obviously, interest rates, you don’t really see that up front, but it can add up.” (Traditional Student)*

## You will not please everybody.

There is a fine line between too much information and leaving people feeling confused. Some care most about how much they will owe, others how much they will get. Some want to see details (e.g., interest, compounding, repayment terms), others will be intimidated by this information. Many liked Letter #1 for its simplicity but others pointed out that it was missing important information. Many thought Letter #2 was complicated yet appreciated the level of detail.

Letter #1.

*“I actually found letter 1 to be easier, more simplistic, because basically this is telling me this is what you have been approved to get,*

*and it says if you don't want to do this you can choose to decline it.”*  
(Parent)

*“When I saw letter 1 the first thing I wanted to know was what the total cost was because I feel like there's only a little space for the total where they could add everything up, but they just didn't do it for some reason.”* (Traditional Student)

#### Letter #2.

*“At first glance, it looks cumbersome. It looks like too much information, but when you start going through it, it actually is very good, I think. So my opinion of it changed as I read through it.”*  
(Parent)

*“For me, I just don't like when I got [sic] to look at something and start searching....This [Letter #2], I got to take my time and really, I don't like it. Although I probably should with something so serious as your education.”* (Nontraditional Student)

*“Yes, it is a lot more, but it is explaining everything. I felt like I was kind of clueless with this stuff. This one would have been more, for me, helpful.”* (Traditional Student)

## **B. WHAT'S MOST IMPORTANT TO CONVEY**

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- To reiterate, there are three key pieces of information people most want to see: how much “free money” they will get, how much they will owe, and how much they will need to take out in student loans to make up the difference. This order is important.
- Including loans under “Awards” is problematic. A financial aid offer should separate and make crystal clear what has to be paid back and what doesn't; there should be no room for confusion.

*“I'll tell you what I remember...the loans were a part of the financial aid, and I just kind of thought that was deceiving, making it sound like, 'oh, you're going to have this covered, but by the way...'. That's not financial aid. The grant money that my kids got was financial aid, that's what I consider financial aid.”* (Parent)

- Things that are optional – e.g., student loans, work study – should be labeled as such. The word “(Offered)” in parentheses does not suffice.
- Don't leave people with too many unknowns, e.g., What do the acronyms stand for? How much does the school charge for tuition specifically?

*“When you look at the award, the type of award, you don’t understand what a lot of it is. They should give you a breakdown or some type of meaning what each one is so you have more of an understanding.... You are only looking at an amount, but you say to yourself, ‘What does that include?’” (Parent)*

## **C. REACTIONS TO SPECIFIC TERMS (Letter #2 was used as an example.)**

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### **1. “Award Letter”**

- People were generally familiar with the term – it is sufficient.
- Although it did not come up spontaneously as problematic, after some conversation the title “Award Letter” seemed less accurate – too positive a connotation. Grants were perceived as awards, loans were not.
- It seemed to be more a “cost” letter.

*“Well, it’s not really an award letter because the first thing they put in your face is how much it is going to literally cost. The award is down a little bit more. I find that kind of ironic.” (Traditional Student)*

- Technically, for it to be a letter it should be personalized (i.e., have personal greeting and signature, from one person to another).
- Suggested alternatives: total cost letter, financial summary, costs & awards, cost breakdown, cost of attendance, loan determination letter.

### **2. “Cost of Attendance”**

- On the whole, this seemed clear, self-explanatory. This is a number that people want to see.

*“When I saw Letter 1 the first thing I wanted to know was what the total cost was because I feel like there’s only a little space for the total where they could add everything up, but they just didn’t do it for some reason.” (Traditional Student)*

### **3. “Direct Cost”**

- The following language seemed to get lost: “Tuition and fees are calculated with the assumption of full-time enrollment (12 credits). Your actual expenses may vary.”
- The fact that these are estimates caused confusion.
- “Fees” is vague – would prefer line items so you can see precisely what you are paying for.

- Putting “direct cost” next to “indirect cost” was perceived as somewhat misleading.

*“That [indirect] is just right next to direct, and it is the same size. I think direct is so much more important that maybe it should be placed somewhere else.” (Traditional Student)*

- A potential point of confusion: one person said seeing the word “direct” in “direct cost” made her think of her National Direct Student Loan.

#### 4. “Indirect Cost”

- On the whole, this section caused confusion. For some, the reasoning was if it is not being paid to the school, then why include it? Still, many did appreciate that the intent was to help parents and students with planning for the full array of costs that “going to college” entails – that there are expenses beyond tuition. As one person said, *“to show you that you need things.”*
- The dollar amounts were seen as too variable – because the indirect cost line item estimates are not personalized, they don’t make sense, they are not meaningful, *“a made-up number.”* Imputing arbitrary dollar amounts leads to confusion.

*“They are just throwing in numbers. Transportation – who knows what that transportation is? If it’s a local kid, you can eliminate that...I don’t even need that estimate because that’s my own thing to figure out.” (Parent)*

*“...You’re telling me this is what the indirect costs are, but I mean, there could be variables...” (Parent)*

*“If you could explain indirect cost in a little parentheses so people know what that is or move it to another side or something...” (Parent)*

- Suggested alternatives: miscellaneous cost, additional cost, variable cost, other educational expenses, student costs, cost of tuition.

#### 5. “Awards”

- People generally understood that “awards” do not need to be repaid.
- There was a sense that this section should include language for what is needed to maintain the award, e.g., contingent upon full time status or GPA.
- Good that it is clear where the scholarships are from (e.g., federal, school).
- Good that it says “do not need to be repaid” – this should be stated as clearly as possible (one person said she ‘didn’t see it’ even though it is there).
- Loans should be a separate box or section, not in “Awards” section.

## 6. “Net Cost” (\$9,104)

- This was buried, it was not highlighted enough.
- For some, this is an especially useful number because it tells how much money you will be responsible for altogether:

*“That’s the most important number for me, to see how much I am going to have to pay without taking a loan out.” (Parent)*

*“I like to differentiate my loans versus my school.” (Traditional Student)*

*“It’s important – no sugarcoating.” (Parent)*

- But, since it includes the estimated indirect cost, it was perceived as at best confusing, at worst misleading.
- Concern that the word “net” may be confusing for young people.

*“I wish this said something different than net. If I was a freshman, I would be like, ‘What does this mean?’” (Traditional Student)*
- Emphasize that this amount is an estimate.

## 7. “Loans”

- Make it clearer that the loans don’t have to be taken, that they are optional.
- It “*can’t hurt*” to know interest rates and repayment information (how long do you have to repay, when does interest start accruing, what is interest rate, can you repay early without penalty?), but generally this information was perceived as not necessarily a school’s responsibility to provide.
- The difference between subsidized and unsubsidized loans is unclear and without an explanation triggers the “What’s the catch?” sentiment.
- Adults (i.e., parents, nontraditional) are likely to know that grants don’t have to be repaid and loans do, but teen-agers may not.

*“The kids don’t know that a lot of times. [They think] ‘Oh, I got this money.’ No, you just qualified for it.” (Parent)*

## 8. “So what will you see on your bill?”

- Clarification is needed – there are two “Your Estimated Bill” amounts and the reader has to put in considerable effort to understand what each one consists of; both numbers were perceived as useful in their own way.
- One participant suggested moving this section to be at the top – to start with the total and follow with the details.

- A negative amount like \$-208 should be explained, make it explicit that: 1) you have the option to take out a smaller amount in student loans or 2) a “refund” from the school will be provided to you now, but that it will have to be paid back by you later when the loan becomes due. One Parent cautioned:  
*“Showing it like this, it really does lead to more students taking more loans out than they have to. They really shouldn’t show it on there.”*
- Many people do not read what’s inside parentheses, so be careful with their use: “Your Estimated Bill If You Do Not Choose to Take a Student Loan” and “Your Estimated Bill If You Do Choose to Take a Student Loan.”

### 9. “Other Resources”

- Some people thought this column made the page too busy, but others liked it.

### 10. “Work Study”

- On the whole, people were unfamiliar with this term (one Traditional Student accidentally waived his work study because he didn’t know what it was).
- “Other Resources” is the right place for this since it is not a guaranteed amount. But there should be more emphasis in the description that it is not a guarantee.
- The way it is presented here was seen as misleading – you might “get” work study but find that no position is available at your school.

### 11. “Payment Plan”

- Discussed with Parents only; if the school offers a payment plan, they would like to know about it.

*“I found it very helpful. It is actually a nice option that not all schools offer.”*

*“I didn’t notice it because there were no numbers underneath it describing what that was.”*

### 12. “Parent Plus Loan”

- Confusion: one Nontraditional Student who was also the parent of a college student described her experience with this loan, but her experience did not match how the actual program works.
- Few were familiar; the general feeling was it should be included but with the same caveats as student loans. *“It needs to explain the interest and stuff behind it.” (Parent)*

- The words “may be eligible” were lost – the explanation is clearly worded, but participants did not seem to pay attention to it.
- “Other Resources” is the proper place for this because it is only an option, not a guarantee.

*“I feel that it’s good to have there just so parents know because parents might not know anything. They didn’t go to college. They’re learning as the students learn too, so to know that they have that option. Instead of saying you are eligible, I feel like it should say you have to go and apply for it so parents know that you don’t automatically get it.” (Traditional Student)*

### 13. “EFC” (not on Letter #2 but was asked about specifically)

- Some were familiar with this term; it was perceived as “*not a true representation of the family contribution*” and there was no push to include it in financial aid offers. One Parent described it as “*a joke.*”

*“Right, you’re making \$60 grand and they say, ‘OK, you can contribute \$40K.’ How?” (Nontraditional Student)*

*“If you get zero you’re going to get full financial aid.” (Nontraditional Student)*

*“The whole financial aid thing, who is the government to tell my mom and dad how much they are going to contribute? They don’t actually know. They are just estimating. It is kind of offensive.” (Traditional Student)*

## D. FORMATTING SUGGESTIONS

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- “Grants & Scholarships” should stand out. People want to know “How much am I getting?” – the amount they don’t have to pay back – and they don’t want to have to search for it.
- Use the largest size font that can fit; if a person has to struggle to read it, they will miss things, not to mention that small font triggers anxiety.
- Explanations are helpful, especially for families with first-time college-goers. But words in parentheses may imply that the information is less important.
- Do not rely on acronyms; people want the complete name of the grant or loan or fee, etc.
- Include information on where to find more information.
- Utilize color, shading, boxes, variety of fonts, etc., to draw one’s eye.

## E. METHODOLOGY

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The FDR Group convened three focus groups with people who have applied for financial aid (or will apply in the near future) and who will use financial aid offers (also referred to as financial aid award letters) to help them decide which school to attend. The 2-hour long groups took place on March 6 and 7, 2019, two in Philadelphia, and one in Baltimore. Participants were carefully screened to ensure they had experience with, or at least familiarity with, applying for financial aid; all but a handful had already received financial aid offers. Specifically, a total of 32 people took part in three focus groups as follows:

- *Traditional Students (n=11)*. Current college students who entered college immediately after high school, or high school seniors who have applied for college and plan to attend in fall 2019. All attend (or plan to attend) 4-year colleges and all had applied for financial aid (or plan to apply). The group was demographically mixed by race and ethnicity (1 African American, 1 Asian, 3 Hispanic, 6 white); household incomes (from less than \$35K to more than \$115K); and gender. All participants were between 17 and 23 years old.
- *Non-Traditional Students (n=11)*. Adults who did not enter college immediately after high school but currently attend either a 4-year or 2-year college. All but one were part-time students. The group was demographically mixed by race and ethnicity (5 African American, 1 Asian, 2 Hispanic, 3 white); household incomes (from less than \$35K to more than \$115K); age (24 to 43 years old), and gender.
- *Parents of Traditional Students (n=10)*. The group was demographically mixed by race and ethnicity (4 African American, 1 Asian, 5 white); household incomes (from \$35K to more than \$115K); age (42 to 70 years old), and gender.

The focus groups were held in and recruited by professional facilities. In general, the facilities recruited potential participants using their own opt-in databases that include thousands of people who have signed up to participate in focus groups. The databases grow by word of mouth, community outreach, and advertising. All groups were moderated by Ann Duffett, PhD, of the FDR Group.

A few words of caution about the nature of qualitative research: Focus groups are a valuable tool for exploring people's levels of knowledge and spontaneous views on a given topic, and for uncovering underlying values that help explain why people feel the way they do. From a policy or communications strategy standpoint, they

provide information on how to frame information in such a way as to appeal to the values and mind-sets that underlie beliefs. But, although focus groups are tremendously helpful for listening to people talk about issues, for uncovering the sources of their opinions and motivations for action, and for generating hypotheses for further research, they cannot determine how many people hold a particular view, and their findings cannot be generalized to the population as a whole.

The focus groups were audio-recorded and transcribed; the recordings and written transcripts have been provided separately. Throughout the memo there are references to Letter #1 and Letter #2; copies of these letters have also been provided separately.