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Sooner, Simpler, Smarter:
Policy Change For Better College Choice

Although the federal government has taken steps to simplify the financial aid process and increase the transparency of institutional outcomes for students in recent years, many barriers remain that hinder college attainment. The availability of financial aid represents a bare opportunity for students—an opportunity in name only—if students do not apply for it. And yet, research demonstrates that low-income, underserved populations lack information about financial aid, and as a result, do not attend college or attend college but work significant numbers of hours, reducing their eligibility for aid as well as their chances for success.

A more simple and transparent aid system could:

- Increase access to college for disadvantaged populations by increasing knowledge about and uptake of available financial aid.
- Improve college choice by providing students with comparable information about institutions that offer them a quality education at an affordable price, thereby reducing stratification into institutions with low completion rates, poor earnings/employment outcomes, and/or high costs.
- Improve outcomes by providing students with timely, predictable information about and access to financial aid throughout their educational experience so they can shorten time-to-degree while reducing debt levels.

College Is More Important Than Ever

In the 21st century, adults who earn a postsecondary degree have higher average earnings and are less likely to face unemployment. More importantly, the only families with rising incomes during the past two decades has been households with bachelor’s degrees or higher. Beyond the economic effects, adults with college degrees live healthier life styles, are more likely to have health insurance, spend more time with their children, and are more civically engaged. The economic and personal impact makes it clear why students should go to college.

However, Getting to College Isn’t Easy

Students work hard to be prepared academically. But the logistics of applying to college make getting there even more complicated. For starters, college is increasingly expensive. The total cost of attendance (tuition, fees, room and board) at public four-year schools has risen 45 percent in the past decade and 87 percent in the past two decades adjusting for inflation. Moreover, college tuition and fees have risen four times as fast as median family income over the past three decades. To make this situation worse, students do not know how much they will have to pay, or how much aid they will qualify for, until after they have applied to college. Students must decide where to apply without knowing how much financial aid they will receive.

Every student applies for college with the intention of graduating. But unfortunately, the likelihood of graduating varies greatly depending on where a student attends. Graduation rates at individual institutions range from the single digits to more than 90 percent. Further, institutions with similar student profiles vary greatly in their graduation rates and whether they have achievement gaps among subgroups of their student body.

In 2012-13, several national organizations examined the financial aid system and made recommendations to reimagine aid design and delivery. This project, funded by the Bill & Melinda Gates Foundation, yielded several common themes and a plethora of proposed solutions to remove barriers in the aid system and increase results for low-income students. Subsequently, seven organizations joined together to further explore the problems of simplification and transparency in the financial aid system. This paper is NCAN’s effort, based on the work of research partners below, to highlight the barriers students face and to explore possible strategies to address those barriers.

The partners in this project include: Center for Law and Social Policy, College Board* (simplifying student aid), Institute for Higher Education Policy* (data and metrics), National College Access Network, New America Education Policy* (data collection), the U.S. Chamber Foundation, and Young Invincibles. Look for final proposed solutions from research partners (*) in early 2014.

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Our Country Needs More Transparent College Information

There are Four Key Audiences for This Information, As Described Below.

Students and Families: Because of the importance of a degree, the increasing costs, and the variation in student success across institutions, students’ college and education program choices are incredibly important. Students need information on how well an institution will serve them, whether there will be jobs available in a specified field once they graduate, and whether they can afford that institution. The current system tells them too late in the game how much financial aid they will receive and does not offer them accurate information about the outcomes they can anticipate once they arrive on campus or after they graduate. They are not able to make a well-informed choice about where to apply or which postsecondary institution to attend.

Policymakers: Decision-makers also need information about college costs and outcomes. Currently, the federal government invests almost $170 billion in financial aid annually without knowing which institutions help aid recipients succeed at high rates and which struggle to graduate them. Additional institutional data incorporating success rates for students by educational program, enrollment intensity, transfer status, and financial aid status, aggregated to protect students’ privacy, would help policymakers to evaluate their public dollar investment in higher education.

Higher Education Institutions: Colleges and universities themselves need better information about their own outcomes so they can target scarce resources to help retain and graduate students, set realistic benchmarks for improvement, and identify successful strategies from peer institutions.

Business: U.S. businesses have a vested interest in the higher education system. They need employees who are prepared for the workforce, and they need to know where those workers are located. Currently, the U.S. economy is experiencing a skills gap with more than 12 million unemployed workers, yet more than 3 million jobs remain unfilled. Information on accurate college graduation and job placement rates, by education program and degree, would help businesses find prepared workers.

Will I Be Able to Pay for College?

Many families are unaware that the “sticker” price for college (i.e., an institution’s published total cost of attendance including tuition and living expenses) is often much higher than they would pay after government aid and institutional scholarships are factored in (the “net” price). Students see a sticker price and are told—only after a complicated aid application process AND admission to the college—how much that price will be discounted. As such, sticker prices can drive students away from applying to certain colleges, or to college altogether. A 2009-10 survey found that nearly 6 in 10 students considered sticker price alone when deciding where to apply to college, indicating that the concept of “net price” has yet to catch on in the college decision-making process.8

Unfortunately, low-income parents are least likely to recognize that students pay a lower price upon receiving financial aid, and are more likely to overestimate the net price for their child.9 Furthermore, students who are academically qualified for college but do not enroll show very low awareness that aid is available. A 2008 survey of such individuals found that only 12 percent had actually completed the FAFSA—the Free Application for Federal Student Aid.10 If low-income students are unaware that they will likely qualify for aid, and never apply for it, they are quite unlikely to continue their education beyond high school.
What else should I consider when choosing a college?

When choosing a college, students need to know more than just whether they can afford it. In addition, they need to know where they will have the best chance of graduating based on outcomes for students like them. Research shows that parents with less education, lower incomes, and less understanding of the college application and financial aid processes respond positively to information about college graduation rates. However, neither students nor parents can access the information they need to decide whether a school will provide value for the student.

Students and families want to know, “How does a student like me do at this school?” A “student like me” could include characteristics such as gender, race/ethnicity, income level, first-generation status, and military/veteran status. Many institutions, even those with similar student profiles, graduate students at varying rates. Students should be able to consider how many students transfer out of the institution, what the graduation rate is for different student groups, and how long it takes most students to earn a degree or credential. Currently, much of this information is unavailable.

Students also need to know if their intended program of study will have value in the job market. Employment outcomes are among the primary concerns today’s students express to high school counselors. However, institutions are required to disclose job placement rates only for specified programs, and this information is not collected or reported consistently. Furthermore, earnings information is not yet available in most states.

Because college often requires students to take on debt, it is also important for them to know if they will be able to repay their loans. Institutional repayment rates are an important measure of whether students earn enough to afford their loan payments after they leave school. These rates, however, are not released on a regular basis, and they lump together all students who attended an institution—whether students dropped out of the institution, transferred, or completed a credential of any kind. Because rates are not disaggregated for completers and non-completers, the institutional repayment data can be misleading to students seeking to understand how well an institution’s graduates are able to afford their loan payments.

In sum, students should have clear information about how much financial aid they could receive, what they must do to receive aid, and what outcomes they can expect once they arrive on campus and after they graduate. Choosing whether and how to continue education after high school, or to go back to school as an adult, will always be one of the most important life decisions a person makes. It will never be simple. But it should not be as complicated as it currently is. The lack of information about true cost and likely outcomes makes a critical decision more difficult.

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12 IHEP staff attended the NCAN conference in September 2013, and participated in a session with college advisors and guidance counselors. They highlighted earnings and employment information as primary concerns for students during their college decision making process and in determining how much debt to incur for school.
Better Information for Students and Families

Improving Student Access to Information about Aid Eligibility

From the time their children are in elementary school, families should know whether they are likely to qualify for federal student aid. Evidence suggests that low-income students would benefit from providing clear information about college prices, financial aid eligibility and applications process provided to their parent early in the college preparation years. Additionally, students should know long before they actually complete college applications how much aid they could receive.

A process for notifying families about financial aid eligibility could be automated, taking advantage of the existing IRS/U.S. Department of Education partnership, to provide information annually to all families with young children, customized for the family’s financial circumstances. Additional outreach should target families not required to file tax returns, such as those participating in federally means-tested programs such as SNAP and TANF.

Changing the timing of and process for federal aid applications would also yield significant benefits. If students know whether they qualify for a Pell Grant before they apply to college, rather than after they are accepted, this knowledge will change whether and where they apply to college. This early awareness addresses both the misperceptions about sticker price versus net price and the impact of financial aid. The Department of Education could achieve this goal by using tax data from two years prior (in financial aid jargon, from the “prior-prior year”), rather than the current process of using one year prior. The National Association of Student Financial Aid Administrators has endorsed this change, based on a recent studying finding that most students would see no change in their aid awards. Additionally, the application process could be greatly simplified or even eliminated by determining eligibility based on the information reported on federal tax returns. By moving to a simple Pell eligibility test based on income and family size information as reported to the IRS, award look-up tables would also allow students and parents to predict their Pell Grant awards well in advance of applying for aid. Furthermore, students who remain enrolled in postsecondary education should maintain their Pell Grant eligibility without having to reapply. An appeals process would allow awards to be adjusted for students not originally eligible who face a change in family circumstances—for example, the death of a parent.

A simplified application process would also require changes to the federal loan program. One option is to eliminate the subsidized Stafford and Perkins loans and award these funds through other federal student aid programs—increasing the maximum Pell award, for example. Or the loan program could be simplified by making eligibility for subsidized Stafford loans the same as for the Pell Grant, allowing for the straightforward eligibility methodology described above. These are just two options to achieve the goal of simplifying the application process so that students know much earlier in the process how much aid for which they will qualify.

Improving Student Access to Information about Outcomes

Existing data sources, such as IPEDS and the National Student Loan Data System (NSLDS), provide some information on access, success, and affordability in higher education, but not enough to answer many of the critical questions outlined in the adjacent text box. These databases were not created for the purpose of informing consumers. Rather, IPEDS provides summary statistics on institutions of higher education for compliance purposes, and NSLDS is designed to manage financial aid transactions. Several federal initiatives, including the College Scorecard, the Financial Aid Shopping Sheet, and the Net Price Calculator, have attempted to provide standardized, clear information.

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information to students to help them compare institutions using data from NSLDS, IPEDS, and Federal Student Aid. They are a promising first step that also brings to light the important information that students need but is not yet available. To improve these information tools and to provide data for all interested groups, we need a new approach to capturing education data.

**Students should have clear, understandable answers to crucial questions:**
- How much will I pay (and borrow)?
- How likely are students like me to graduate?
- What are my chances of getting a job, and how much will I earn?
- Will I be able to pay back my loans?

**Policymakers should also have clear information available to craft effective policies so they can answer questions like:**
- How well are different institutions serving financial aid recipients? Which institutions are doing better than others?
- Which institutions are leveraging the federal Pell investment, and which institutions are undermining this investment by spending institutional aid dollars on students who do not need the support?
- Which institutions are preparing students well for today’s job market?
- Which institutions are saddling students with high levels of debt, but not providing the education they need to succeed in the workforce and repay that debt?

Outcome information is important not only for students, but also for policy makers who need to identify institutions that are not effectively using the federal investment of student aid dollars. This information matters for business leaders as they make critical decisions to link workforce talent to supply chains. With almost $170 billion invested in federal student grants, loans, and tax credits annually and more than $500 million already invested in state longitudinal databases, policymakers and tax payers want to know where the investment is worthwhile, and where it is not, based on student outcomes.

The federal government has invested in both state longitudinal database systems (SLDS) and runs IPEDS. Despite these investments, students and policymakers do not know completion outcomes for part-time students, transfer students, or Pell Grant recipients; debt accumulation and loan repayment for completers and noncompleters; and employment outcomes. Although some of this information is available in some states, not all states have included higher education data in their longitudinal data systems. Even in Virginia, which has one of the best data systems in the country, students and policymakers cannot see what happens to Virginia students who transfer to a Maryland school or get jobs in Washington, D.C.

Collecting student-level data could provide more meaningful information for everyone and also be less burdensome for institutions, compared to the level of effort required to aggregate institutional data to respond to IPEDS surveys. The U.S. Department of Education would be responsible for aggregating the data and protecting the personally identifiable information of students. These data would be the basis for reporting institutional outcomes that students could use to understand results for different groups of students (“students like me”)—who enrolls, which students transfer and to where, whether they complete, how long it takes to graduate, if they get a job, and whether they can pay back their loans.
One idea for collecting student-level data developed in 2004-05 when the National Center for Education Statistics suggested it is as way to improve data collection. Under the Bush administration, the Department of Education supported the concept and recommended it in the 2006 Spellings Commission report. Opposition to the idea grew, however, because of privacy concerns, culminating in an amendment to the Higher Education Act in 2008 making it illegal for the Department of Education to create a student unit record (SUR) database.

Recently, however, there has been a shift in perception about a SUR system. New recommendations for how to address privacy concerns are developing, such as having a second agency provide oversight or imposing severe punishment for errors. Additionally, there has been growing bipartisan support for increased institutional transparency and accountability, including from Senators Marco Rubio (R-FL) and Ron Wyden (D-OR) though their bill the Student Right to Know before You Go Act.

Collecting student-level data could be accomplished in several ways. It could be a:

- Federated state system, which would more fully develop the state longitudinal databases and connect them with one another, requiring common use data terms, but could lead to complications in aggregating the data for students and in protecting students’ privacy;
- Partnership with a not-for-profit, such as the National Student Clearinghouse, or public organization, to collect the data the Department of Education desires and report back to the federal government; or
- A student unit record database housed at the Department of Education that could be built as a new system or as an expansion of the National Student Loan Data System, which already exists to track federal student aid recipients.

This system would also integrate workforce data from the Social Security Administration. Recommended variables include employment, employment in field of study, earnings, and earnings growth with the following types of disaggregation as the most critical: by institution, programs of study, Pell recipients, and underrepresented students.


It is important for students to make informed enrollment decisions about colleges that will give them the best chance to graduate, are affordable for their family, and allow students to find employment. Policymakers need to know how well individual institutions serve students of all types and if the public investment is put to good use. Businesses should know which institutions are graduating students with the skills needed to succeed in their fields. To reach these goals, we suggest consideration of policy changes that would:

– Provide information to families on financial aid eligibility and availability beginning in elementary school.
– Inform students about their aid eligibility definitively before they apply for college by changing the financial aid application timeline, making use of prior-prior year tax information.
– Streamline the federal grant and loan application process so that more students will apply, including elimination of the FAFSA for families required to file income tax returns.
– Develop a data system based on student-level information so that disaggregated student outcomes by institutions are available for students, policymakers, and business leaders.