NASFAA WORKING GROUP REPORT

EXAMINING SOFTWARE PROVIDERS' COMPLIANCE WITH NASFAA'S CODE OF CONDUCT

Introduction

As the higher education landscape continues to evolve, NASFAA and the financial aid profession remain committed to developing policies and practices that increase student access and success. In light of interest from Capitol Hill and the higher education community on the clarity of financial aid offers, NASFAA convened the *Examining Software Providers' Compliance with the NASFAA Code of Conduct Working Group* to research and analyze the role that student financial aid management software plays in institutions' ability to provide accurate and clear aid offers. The group was tasked with examining software providers' ability and willingness to adapt to changes in the landscape of aid offers initiated by institutions, associations, or Congress, as well as the ease with which institutions' software allows them to comply with NASFAA's Code of Conduct.

Background

Recently, policymakers have taken a closer look at financial aid offers and have introduced bills that aim to improve the clarity of these financial aid communications. Proposed legislation includes provisions ranging from requiring institutions to use the Department of Education's (ED) Financial Aid Shopping Sheet[1], to requiring certain standard items on every aid offer[2], to fully standardizing aid offers[3] — down to the font size. Stakeholders in the higher education policy community have also shown interest in aid offers. In an effort to help students better understand financial aid offers, non-partisan think tank New America and uAspire, a nonprofit organization focused on college affordability, published a report in June 2018 that examined financial aid offers and provided policy recommendations for Congress, states, and institutions to adopt when drafting their offers. The report, "Decoding the Cost of College: The Case for Transparent Financial Aid Award Letters[4]," analyzed more than 500 aid offers and found that many included confusing jargon, omitted the cost of attendance (COA), and did not differentiate between different types of aid, among other issues.

NASFAA has included requirements in its Code of Conduct pertaining to aid offers since 2014. In June 2018, NASFAA's Board of Directors voted to support federal policies that would require institutions to include certain items in their aid offers, which closely mirror elements of NASFAA's existing Code of Conduct, as listed below:

- A breakdown of individual components of the institution's cost of attendance, designating all potential billable charges.
- Clear identification of each aid being offered, indicating type of aid, i.e. gift aid (grants, scholarships), work, or loan.
- Standard terminology and definitions, using NASFAA's glossary of terms.
- Renewal requirements for each aid being offered.

In addition to revising its Code of Conduct, NASFAA endorsed the bipartisan Financial Aid Communication and Transparency (FACT) Act introduced by Reps. Lori Trahan (D-Mass.) and Lloyd Smucker (R-Pa.) in September 2019. The bill seeks to improve institutions' financial aid offers by requiring them to use consumer-tested standard terms and definitions, and include explanatory notes about each type of aid, among other information. Many of the elements that the bill would require institutions to adopt closely align with those included in NASFAA's revised Code of Conduct, such as requiring an institution to include an itemized list of its cost of attendance components, and that grants be listed separately from other types of aid, such as loans. Elements of the FACT Act were also included in the College Affordability Act, a proposal offering a comprehensive reauthorization of the Higher Education Act, introduced in October 2019.

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[1] AID Act. H.R.5550, 115th Cong. (2018)

[2] FACT Act 2019, H.R. 4343, 116th Cong. (2019)

[3] Understanding the True Cost of College Act of 2019, S.888. 116th Cong. (2019)

[4] "Decoding the Cost of College." New America, June 5, 2018. https://www.newamerica.org/education-policy/policy-papers/decoding-cost-college/.

Purpose

Following the revisions to its Code of Conduct, NASFAA has continued to work with members to ensure aid offers provide students and families with clear information on financial aid and college costs. In working to improve their aid offers, some members of the financial aid community reported not being able to comply with NASFAA's Code of Conduct due to constraints from their software systems. Given the financial aid community's eagerness to provide students with clear aid offers, this group during its initial conversations echoed the concerns raised by some NASFAA members around the challenges that financial aid administrators (FAAs) have encountered when using financial aid software to develop offers that meet NASFAA's Code of Conduct.

NASFAA Code of Conduct Requirement	Institutional Issue	Institutional Example
Standard terminology & definitions	Many existing software products impose character limits for listing aid types and descriptions.	An institution's aid offer has to abbreviate aid, like "Federal SEOG" (Federal Supplemental Educational Opportunity Grant), which does not clearly identify that the aid type is a grant, as well as federal loans being shortened to fit in character guidelines, such as "Fed Direct Sub Stafford F/S 1," which doesn't clearly identify the aid type is a loan, or that it is subsidized.
Clear identification of each aid being offered	Formatting limitations	A software provider only allows 29 characters for all fund types, regardless of actual space available on the physical aid offer.
		A software provider's fund codes have a 29 character limit, including spaces. For institutions with longer names or scholarships made in someone's name, it is particularly difficult to fit all necessary information within the limited character allotment.
		Inability to spell out the entire FSEOG aid name into an aid offer, which requires abbreviation.
Breakdown of individual components of the institution's cost of attendance (COA)	The formatting abilities provided by some existing software make it difficult to include a breakdown of individual components of cost of attendance and billable charges.	Institution was unable to easily break down costs and had to create its own workaround for this issue. While it may not have been impossible, it required significant work.
		Unable to subtotal direct and indirect charges separately.
		Able to list all individual components, but have no control over the order, i.e. direct and indirect charges not separated.
		In a software's base product there is little ability to customize. As an example, there is no method to explain what the COA components mean.
		Software does not allow for bubbles/hoverlinks to drill down on what the components mean.
Renewal requirements for each aid type being offered	Existing software makes it difficult for institutions to incorporate all types of aid on the aid offer because of formatting issues.	Limited formatting options make including renewal scholarships (including their terms), third party payments, military benefits, and/or work-study on aid offers challenging.
		A software provider that has many automated formatted pieces that does not allow for customization to meet NASFAA's Code.

NASFAA, its members, and this working group value the importance of clear, concise, and accurate information for students and parents, and recognize that being able to work within the constraints of software systems is essential to ensuring institutions have the ability to provide students with accurate information about financial aid and college costs.

Given the challenges experienced by FAAs in using their software to build aid offers that comply with NASFAA's Code of Conduct and provide students with clear information, this working group sought to publish recommendations or best practices to help inform the creation of, and the conversation around, financial aid offers. The working group divided its recommendations and best practices into four different sections: recommendations for Congress, recommendations for NASFAA, best practices for software providers, and best practices for institutions. By organizing its report in this way, the working group hoped to show that improving financial aid offers is a shared responsibility that involves multiple players.

During its discussions and the subsequent creation of its recommendations, the working group continued to emphasize that the challenges facing institutions around financial aid offers do not originate solely from issues with software providers. While the financial aid office is ultimately responsible for the aid offer, the institution, software provider, IT staff, and other campus departments all play a vital role in creating effective aid offers.

Also of importance to the group was to ensure that its conversations considered financial aid from all sources, rather than focusing solely on how aid from the federal student aid programs are displayed on financial aid offers. While federal student aid plays a crucial role in college affordability, many students receive significant aid from states, institutions, and external sources. Ensuring that schools display and communicate all types of financial aid in a manner that works for each institution or student population type is imperative.

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Recommendations for Congress

Introduction

Financial aid offers are a topic of growing importance as lawmakers come closer to reauthorizing the Higher Education Act (HEA). While some of the bills introduced over the past few sessions of Congress include improvement efforts that closely match NASFAA's Code of Conduct, others would mandate full standardization. This working group stands strongly opposed to any legislation that would fully standardize financial aid offers, but does support the idea that having certain standard items across all institutional aid offers is vital for easy comparison and comprehension by students and their families.

1. **Recommendation:** Congress should pass legislation that requires institutional aid offers to include standardized terminology, definitions, and core elements, including a breakdown of individual components of the institution's cost of attendance (COA), clear identification of aid type, and renewal requirements. Congress should maintain flexibility for institutions to design their aid offers in a way that best suits their particular student population to help maximize the effectiveness of aid offers and avoid unintended, negative consequences of overly prescriptive standardization. The adoption of these components would require software providers that wish to work with institutions to include the following items:

   a. A breakdown of individual components of the institution's COA, designating all potential billable charges.

   b. Clear identification of each aid being offered, indicating the type of aid, i.e. gift aid (grants and scholarships), work, or loan.

   c. Standard terminology and definitions, using NASFAA's glossary of terms.

   d. Renewal requirements for each aid being offered.

   Rationale: Financial aid offers are critical tools for students and families to make educated financial decisions about the cost of college, which includes the duration of their program. Using standard terms and definitions, clearly identifying aid type, and including aid renewal requirements ensures that students have important information needed to make enrollment and financial decisions. To include the COA as part of the financial aid offer ensures transparency of the true cost to attend an institution, which would also allow students to compare potential billable charges across institutions. While it is important to mandate the inclusion of certain items and use of standard terms and definitions for transparency purposes, it is also vital to maintain flexibility for institutions to be able to provide all the required information that may be part of their specific programs with varying calendars, financial aid types, etc.

2. **Recommendation:** We recommend Congress develop funding streams, similar to the Fund for the Improvement of Postsecondary Education (FIPSE) grants, for under-resourced institutions to use to partner with their Financial Aid Management (FAM) system or other software providers to enhance their financial aid offers. Safeguards should be established to prevent FAM providers that work with institutions and receive the FIPSE grant from increasing the price of their products after learning that a partner institution has received the funds or applied for the funds. Information on how to apply for the grant should be broadly publicized and the application process should not be burdensome.

   Rationale: Until changes are made that require software providers to provide the base services for aid offers as outlined in Recommendation 1, immediate access to FIPSE grants would support institutions that are unable to afford much-needed add-ons to their FAM systems — which may put their student population at a disadvantage if their current offer is unclear. We believe that a school's funding should not be a barrier to clear information, and that the cost of enhancing software or aid offers should not be placed upon students. Additionally, under-resourced institutions shouldn't be penalized for being unable to meet requirements around financial aid offers due to financial stress.

Recommendations for NASFAA

Introduction

NASFAA can play an important role as a facilitator between financial aid administrators and software providers to encourage conversation. NASFAA can also build a bridge between software providers, which are generally more focused on the technical requirements of delivering federal financial aid, and financial aid administrators, who are interested in improving the student interaction with the software and the physical aid offer.

1. **Recommendation:** We recommend NASFAA hold a convening of representatives from major software providers used by member institutions, NASFAA staff, and members of the financial aid community who represent a wide demographic of students with diverse needs.

   Rationale: Working together, NASFAA, software providers, and schools can join forces to improve financial aid offers for students. We recommend NASFAA convene a group of stakeholders to focus on product enhancements or advancements for student communications. This group's conversation would focus on forward-thinking ideas to allow software providers more lead time to necessitate product enhancements. By convening all involved stakeholders, NASFAA can help build bridges for software providers to involve front-line financial aid staff in prioritizing their needs to serve students more effectively.

2. **Recommendation:** We recommend, as part of its membership application, that NASFAA collect information on which software provider each member institution uses.

   Rationale: NASFAA currently collects basic demographic information from member schools. It will be helpful to expand this information collection to include each school's financial aid operating system. NASFAA could then use this data to put together statistics that would be beneficial for conversations with software providers, especially for the purposes of the NASFAA-organized convening recommended by this working group. This information will also allow NASFAA to connect institutions using "home-grown" systems to have their own conversations about designing aid offers without the restrictions imposed by some software providers.

3. **Recommendation:** We recommend NASFAA provide trainings and/or conference sessions led by a financial aid professional to provide NASFAA members with a platform to discuss effective approaches to developing aid offers. These venues should be topic-specific, and focus on best practices, strategies, and skills for designing aid offers.

   Rationale: Adherence to NASFAA's Code of Conduct for effective communication of financial aid offers will require understanding of policy considerations, an exchange of ideas between financial aid administrators, and awareness of available tools and resources. NASFAA is positioned to serve as a forum for best practices on the effective delivery of financial aid offers. Potential topics to be covered could include how to use mail merge and other features of Microsoft, what role state associations can play in providing additional training, and tips/tricks for working with specific software providers.

Best Practice Recommendations for Software Providers

Introduction

This working group understands the difficulty of asking private, third-party service providers to make changes to their software. That said, the group provides best practices for software providers in an effort to invite conversation among financial aid administrators and their providers. The group understands some providers may already be implementing these practices, which aim to ensure financial aid administrators have the software capability to provide students with clear aid offers.

1. **Best Practice:** We recommend software providers create financial aid management systems that can be used to develop custom aid offers that comply with NASFAA's Code of Conduct and meet the needs of diverse institutions and unique student populations, such as graduate, undergraduate, nontraditional, first-generation, professional, and distance education students. Financial aid management systems should, at a baseline, provide financial aid administrators with a menu of options to choose from when designing their institution's aid offers. Financial aid administrators should be able to use their software to:

   • Include aid on their aid offers from various sources.

   • Clearly identify the aid being offered, including aid type, using standardized terms and definitions from NASFAA's glossary of terms.

   • Include a breakdown of individual components of the institution's cost of attendance (COA), designating all potential billable charges.

   • Include pertinent explanatory information about cost, financial aid, and renewal requirements.

   • Make changes for certain students based on factors such as program length or level.

   Rationale: A primary challenge facing financial aid administrators is the inability to customize the content and structure of their aid offers when using existing software options. Ensuring that institutions can include aid from all sources, input the full names of aid types instead of having to use confusing abbreviations to accommodate character limits, and easily include a breakdown of the COA are simple but effective changes that could be made to the financial aid offer software tools. Schools also need the ability to add new fields and explanatory notes to their offers based on the nuances of their aid packages and student populations. For example:

   • Institutions have varying academic calendars that require individualized offers dependent upon program length (e.g. quarters, trimester, modules, clock-hours, borrower-based aid periods, non-standard terms).

   • Existing software puts a strong focus on communicating aid from federal sources, financial aid administrators have encountered challenges when using their software to create financial aid offers for students that receive aid from state/institutional sources and those that receive aid/scholarships but do not complete a FAFSA.

   By allowing institutions the ability to modify their offers based on program, student, or aid type, they can be as transparent as possible about how financial aid is offered and applied in each session/term. Developing a common data set, built in as an extract file, that includes any item or field a school might want to include on their aid offer is a possible solution to this challenge. Given the customization necessary to serve every school's diverse student population, an extract file including all data elements that a school might want to include on their aid offer would be a step forward in helping institutions deliver personalized information to students.

2. **Best Practice:** Software providers should ensure financial aid management systems are consumer-tested and include tools that can be easily used by non-technical financial aid staff end-users without IT expertise to customize, modify, and update aid offers. In addition to developing products that allow for customization they should also be easy to implement. Providers should also offer and publicize the availability of cost-sensitive, consumer-tested training and conference opportunities that equip financial aid administrators with the knowledge to understand and efficiently use the software.

   Rationale: By creating user-friendly options to modify aid offers, institutions with reduced technical support will still be able to provide students with transparent aid offers. Given the limited IT expertise of most financial aid administrators, providers should also ensure they continue to make timely changes to their products in response to legislative or regulatory changes that impact student aid and aid delivery. Understanding that financial aid management systems can be complex, providers should deliver ongoing, regular training and communication about existing tools and software options to ensure financial aid administrators know how to use the various features within their systems.

3. **Best Practice:** We recommend software providers conduct consumer testing of the self-service portals in their financial aid management systems. Easy to use and clear self-service portals are imperative as they provide students a snapshot of all items related to their education, including financial aid, billing, grades and scheduling. The testing should be conducted with input from both experienced financial aid administrators from various sectors, as well as a diverse population of students and families and student advocates who interact with financial aid offers on the student-facing portal side. Consumer testing of self-service portals should also evaluate features that provide financial aid administrators, student advocates, and family members with proxy access to view what students see in their portal as they answer questions and counsel students on their financial aid offers.

   Rationale: The self-service tool is a basic resource for communicating financial aid eligibility to students; consumer testing is needed to ensure that the self-service portal meets the needs of all users. By considering the financial aid administrators' experiences with the tool on the back end, providers can ensure that administrators can easily create transparent aid offers. By looking into the student experience, providers can ensure that those pursuing higher education receive all the information they need in a clear format.

4. **Best Practice:** We recommend software providers, as a base service, develop systems that ensure that initial, revised, and renewal aid offers are able to display the same information in a consistent format in all modalities (i.e. online, portal, printed, mobile, and PDF).

   Rationale: Students and families will receive aid offers through various delivery methods. By ensuring that all the information is consistent and presented in the same format, students and families can more easily digest the information across the different mediums. Base package aid offer software should be able to work with the different modalities and should be clear and easy for students to decipher. This is also imperative for compliance with the Americans with Disabilities Act and the World Wide Web Consortium to ensure that all students, regardless of disability, are able to receive the same information and in the same format as their peers.

5. **Best Practice:** We recommend all software providers create or improve upon existing user advisory groups focusing on financial aid offers by including financial aid administrators, students, and other stakeholders. We recommend providers use these groups to troubleshoot existing issues compromising the effectiveness of their aid offer software and to inform the development of new products and tools. User advisory groups could also be used as a venue to discuss the costs of new products and the financial constraints of both providers and institutions.

   Rationale: While many software providers have user advisory groups, or user-comprised message boards that contain information and/or requests for product development, how to troubleshoot issues, and the sharing of best practices for financial aid administrators, expanding these groups to include students and other stakeholders diversifies the feedback for software providers to produce student-first communication tools.

6. **Best Practice:** We recommend that software providers ensure that their "base package" of financial aid offer software includes all the tools needed to comply with NASFAA's Code of Conduct as well as is an affordable and financially reasonable option for institutions.

   Rationale: Communicating financial aid eligibility is a fundamental part of the financial aid process; institutions should be able to reasonably afford financial aid software to provide this basic and crucial student service. This working group understands that software providers must operate within a sustainable financial model. That being said, NASFAA has heard, through extensive conversations with members, that institutions want financial aid offer software that is both affordable and provides schools with the tools they need to easily customize their aid offers. NASFAA believes that growth and improvement of this nature in the aid offer software market would not only assist institutions in providing students with clearer aid offers but could also bring providers who fill this current market gap an increased share of the consumer market. Put simply, schools want affordable, effective software, and providers who develop products that meet this need may benefit financially from doing so.

7. **Best Practice:** We recommend that software providers ensure that language throughout the software program used to create aid offers uses the terminology "financial aid offer," and avoids the use of the terms "award," "awards," and "letter," if applicable.

   Rationale: In April 2019, the Department of Education (ED) published recommendations on what postsecondary institutions should avoid when issuing financial aid offers. One recommendation was for institutions to discontinue using the terms "award" and "letters." ED's rationale was that many forms of federal student aid, such as loans and work-study, should not be considered "awards," and that many institutions deliver aid offers via electronic communication rather than a physical "letter." For these reasons, ED suggested that the term "financial aid offer" is clearer and should be used by institutions in financial aid communications. NASFAA has since adopted the "financial aid offer" terminology, and this group recommends that software providers and institutions follow suit.

Best Practice Recommendations for Institutions

Introduction

There are many issues related to financial aid offers that can't be corrected with improvements to software or through legislation, such as weak communication between different offices on college campuses. For those issues, this working group has compiled best practices institutions can use when working with their software providers and other departments on campus to develop aid offers that effectively meet their and their students' needs.

1. **Best Practice:** We recommend financial aid administrators continue to educate themselves and stay current on best practices related to their system's financial aid offer software through trainings, distributed materials, and conferences.

   Rationale: Continued professional development and education is crucial to ensuring financial aid administrators stay current in trends in the financial aid sector, including recent recommendations and best practices related to financial aid offers. Reviewing distributed materials and recent studies will allow financial aid administrators the opportunity to advocate for and make changes to their current aid offers, within the current parameters of their software.

2. **Best Practice:** We recommend that financial aid offices collaborate with all relevant departments across their institutions (e.g. admissions, financial aid, business office, registrar, scholarship, academic departments) to create campus-wide awareness about the following items:

   - The obligation as aid administrators to coordinate all aid on campus.

   - The importance of scholarship information being communicated to the financial aid office consistently within the same timeframe.

   - The importance of avoiding sending multiple, disjointed financial aid communications as students become eligible for new aid sources.

   - The importance of ensuring that information regarding aid or scholarship offers, and their deadlines or renewal requirements, are consistent among all offices involved.

   - The importance of ensuring cost transparency for students by agreeing on a uniform approach across campus that aid amounts are presented in the same time frame, i.e. amount by semester, year, or in four-year increments.

   - A financial aid office-focused calendar that ensures all applicable departments are aware of deadlines if they want to guarantee all aid available to prospective students is in the initial offer of financial aid.

   Rationale: A unified institutional approach to initial, renewal, and revised aid offers is critical for student success. Many institutions have varying levels of organization, from centralized to decentralized, and unified initiatives for creating aid offers across the institution is key to establishing a relationship built on trust between the financial aid office and students beginning with the initial aid offer. It is important for the entire institution to work together, with the aid office leading the effort, to develop a plan for allocating aid that leverages the limited resources available to students.

3. **Best Practice:** We recommend financial aid offices perform consumer testing of their financial aid offer with students, families, and student advocates, such as high school and college access counselors.

   Rationale: Student needs can vary widely based on institution type, academic programs, and demographics. Institutions should fully understand the unique needs of their student populations and ensure that their financial aid offers are effective for each population. Financial aid offers should be created with a mission-centric context and consumer testing ensures that the institution understands who their student population is, and the financial aid offer is written and designed in such a way to meet those students where they are.

4. **Best Practice:** We recommend financial aid offices work with their institutions to ensure institutional-wide communications regarding financial aid use the terminology "financial aid offer" and avoid the use of the terms "award," "awards," and "letter," if applicable.

   Rationale: In April 2019, the Department of Education (ED) published recommendations on what postsecondary institutions should avoid when issuing financial aid offers. One recommendation was for institutions to discontinue using the terms "award" and "letters." ED's rationale was that many forms of federal student aid, such as loans and work-study, should not be considered "awards," and that many institutions deliver aid offers via electronic communication rather than a physical "letter." For these reasons, ED suggested that the term "financial aid offer" is clearer and should be used by institutions in financial aid communications. NASFAA has since adopted the "financial aid offer" terminology, and this group recommends that software providers and institutions follow suit.

Areas for Future Work

Many of this group's recommendations around financial aid offers and software providers sparked important conversations about other topics that would require additional research, discussions with professionals outside of the financial aid office, or were not entirely within the scope of the working group's charter. This group believes these are topics that should be explored in the future with the proper experts included in the discussion:

Develop a concrete list of items that the financial aid community would like providers to incorporate in their aid offer software. This conversation could be facilitated at a NASFAA-hosted workshop.

Encourage NASFAA to provide resources on how to most effectively conduct consumer testing for financial aid offers.

Develop resources to explain how to set up agreements and contracts with software providers to ensure campus needs are being met, including how the bid process works and how to ensure that the financial aid office is brought into the discussion.

Explore the relationship between financial aid offices and business offices, and that relationship's combined effect on the student experience with aid.

Revise the NASFAA Code of Conduct, taking ED's recommendations into consideration, to include additional information that should be provided on aid offers, such as clear grouping of aid types, net price, and next steps.

Conclusion

As higher education evolves into an increasingly dynamic environment, institutions are eager to work in collaboration with their software providers to continue to serve their unique and changing student populations. By overcoming some of the challenges institutions face with their current financial aid offers, they will be able to provide clearer information, enabling their students and families to make better financial decisions.

The National Association of Student Financial Aid Administrators (NASFAA) provides professional development and services for financial aid administrators; advocates for public policies that increase student access and success; serves as a forum on student financial aid issues, and is committed to diversity throughout all activities.

NASFAA