

EDUCATION

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EFP Takeaways

Effects of Simplifying Financial Aid Offers

Background

Amid growing concerns over college affordability and rising student loan debt, federal policymakers have focused on simplifying the college-going process and improving information for students as they consider their college options. In 2012, the US Department of Education and Obama administration released the shopping sheet (recently renamed the college financing plan), a standardized financial aid award letter that provides students with simplified information about college costs, loan options, and college outcomes. Over 3,000 postsecondary institutions now use the shopping sheet.

A new study by Kelly Rosinger at Pennsylvania State University in vol. 14, issue 4 examines the effects of simplifying financial aid offers.

The Study

This study looks at student-level data from an experiment at a public university and college-level data from a research study among initial adopters of the shopping sheet to examine its effects on enrollment and borrowing. In the experimental analysis, the author compares enrollment and borrowing decisions of students randomly assigned to receive the shopping sheet in addition to the university's traditional award letter to those of students who received only the traditional award letter. In the analysis, the author compares enrollment and borrowing at colleges before and after the implementation of the shopping sheet at adopting institutions relative to enrollment and borrowing at non-adopting institutions over the same period.

Findings

The shopping sheet led to a decrease in the percent of students borrowing at college with worse graduation rates and loan default outcomes. Further, the average amount of borrowing decreased at colleges with large shares of low-income and underrepresented minority students.

Growing emphasis on college degrees continue to drive more people to pursue a postsecondary education, contributing to a growing reliance on student loans. Policy efforts have focused on creating greater transparency, following college accountability efforts under the Obama administration., to help students make active and informed college decisions These efforts have continued with the [Understanding the True Cost of College Act](#) introduced in March 2019. The results from this study indicate that such efforts could reduce borrowing at colleges with low graduation rates or high default rates or those serving populations of students who frequently face informational barriers in the college-going process. However, informational campaigns alone may not drastically alter borrowing decisions and future policy efforts should also consider the long-term implications of reduced borrowing, such as degree completion and student debt repayment.

For more details:

- View the [full issue](#).
- See the [full article in Education Finance and Policy](#).
- [Sign up here to receive future EFP Takeaways](#).
- Summary of:
Rosinger, Kelly. O. (2019). Can simplifying financial aid offers impact college enrollment and borrowing? Experimental and quasi-experimental evidence. *Education Finance and Policy*, 14(4), 601 - 626.