

College Cost Transparency and Student Protection Act

Bill Summary

Secretarial and Institutional Requirements

Based on the standards outlined in the legislation and no later than 18 months after enactment, the Secretary is required to publish requirements for financial aid offers. The requirements must establish standardized terms and definitions and formatting requirements for the required content described below. Colleges and universities will be prohibited from displaying loans in a manner that indicates a reduction in students' out-of-pocket costs and will be required to sequence aid offers in such a way that that students complete the direct cost component of the offer first before completing the indirect component.

The requirements also include a prohibition on the Secretary from establishing a single, uniform aid offer, as well as a prohibition on schools calling aid offers "award letters." Institutions must meet the requirements for their aid offers no later than one year after such requirements are published by the Secretary.

Required Content for Aid Offers

Financial aid offers will be provided in a sequenced format, such that a student is first presented information on direct costs and is then given options for paying for them. Then, if the student indicates that he or she would like to receive information about indirect costs, he or she will see the indirect cost component of the aid offer. This will allow students to distinguish better between costs that are required to attend school-- and the funds provided to cover such costs-- versus the additional expenses for which students may or may not want to borrow.

Direct Costs

The first component provides information on direct costs (i.e. tuition and fees and other expenses required by the school for a student to enroll), grants and scholarships that will reduce students' out-of-pocket costs as well as their options for paying any remaining out of pocket costs after those grants and scholarships are applied, such as personal financial resources (e.g. cash), federal loans (other than Parent and Grad PLUS), or work study. For students who indicate they plan to take out loans, they will be presented the loan amount offered by the school; however, the student will be required to manually enter the actual amount he or she wishes to borrow so that it is clear to the student he or she doesn't have to take out the maximum amount that was offered. Moreover, the aid offer will be supplemented with information on monthly earnings and loan payments of graduates from the program or institution they are enrolled in to help students make more informed decisions on borrowing.

The direct cost component must also include information on how the school awards its institutional aid as well as the terms and conditions of the institutional grants and scholarships provided, including whether this aid will be reduced if a student is awarded outside grant and scholarships (e.g. state, federal, private, etc.). Lastly, it will include disclosures regarding the student's ability to pay and/or receive aid for indirect costs; students who indicate they would like to do so would then see the indirect cost component of the aid offer.

Indirect Costs

Students will be presented an itemized list of indirect costs that would be grouped into major categories as well as any grants and scholarships or other financing options that remain available after financing direct costs. Students would actively select which indirect costs they would like

to pay for (or have their grants applied to) and, like above, they would actively select the financing options they would like to use to pay for them.

Upon selecting the indirect costs, the student would see both the total cost of attendance (i.e. direct costs plus the sum of the indirect costs the student selected) and the total out-of-pocket costs (i.e. total cost of attendance minus grants and scholarships).

College Scorecard

Requires the Secretary to update the College Scorecard to present information on costs, earnings, and loan payments in the same manner as financial aid offers, such that students would see the total cost of attendance and out-of-pocket costs the typical student pays for their program, as well as that information separated by direct costs and indirect costs.