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Response to Senate HELP Committee Request for Information on "Increasing College Cost and Value Transparency for Students and Families"

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Understanding the U.S. Financial Aid Landscape

Higher education has long been a key driver of economic mobility and workforce skill development. But alongside the recognition of the many individual and societal benefits from postsecondary education has been a growing focus on the individual and societal costs of financing higher education. Too often, those costs are opaque for prospective students.

Students frequently make the largest financial decision of their lives with incomplete information about the total costs they might incur while pursuing a credential. This is largely because colleges use complex strategies to award financial aid that is targeted to each student's unique situation. While this approach attempts to award scarce financial aid dollars in the most effective way to address students' financial constraints and maintain institutional stability, this customized approach to aid packaging makes it nearly impossible for students to understand how much a credential will cost at any given institution until after they have been accepted.

Below we outline several challenges and opportunities to improve cost and value transparency for students and families, as well as accountability for institutions.

A federal student unit record data system is critical to make progress on transparency and accountability. Efforts to improve transparency for students and accountability for institutions are severely limited by the prohibition in the Higher Education Act (HEA) on combining data the government already has to create a federal student unit record data system. The federal government, as well as states, already maintain and use individual-level databases with equally sensitive information. Legitimate concerns about privacy can be addressed. Student-level data would make it possible to solve several key problems:

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[1] The views expressed in this RFI response are submitted in our personal capacity and do not necessarily reflect the views of the Brookings Institution or its affiliates.
[2] *Ibid.*

- Net price and earnings information reported in the College Scorecard are based on individuals that received financial aid only. This is confusing and misleading for prospective students and makes comparisons across institutions and programs difficult.
- Community college students have a wide range of goals, everything from obtaining a short-term certificate to transferring to a four-year college to earn a bachelor's degree. Data currently available in the Scorecard is not very informative since it only includes students receiving federal financial aid and data are mostly not reported separately by program. Better measures could be developed using linked longitudinal data.
- Different post-secondary institutions serve different populations, making it difficult to determine whether better outcomes are because the students the institution enrolls are more likely to graduate or have higher wages regardless of institution quality (selection) or because the institution provides a better education (treatment). A longitudinal federal student unit data system would make it possible to estimate measures closer to "value added."
- Such a data system could also be used to develop a universal net price calculator and ultimately assess whether institutions with higher net costs deliver more value.

The Department of Education (or a federal department administering financial aid in the future) needs additional capacity to analyze data on student outcomes to implement and inform transparency and accountability policy. The data described above have the potential to provide critical insights to inform pricing and value transparency and accountability policy. To unlock that potential, the Department of Education (or its successor) will need significantly more data-analytic expertise. This expertise will be needed not only to develop new student-facing measures for the College Scorecard, but also to develop appropriate metrics for accountability and to understand whether the financial aid and student loan systems are supporting students to pursue high-value post-secondary education. Funding is needed to hire staff with economic and data-analytic skills at both NCES and the Office of the Chief Economist (OCE) (or the relevant successor offices).

Simpler, universal net price calculators are needed and possible. Requiring institutions to provide a net price calculator was an important first step towards pricing transparency. Unfortunately, the calculators vary across institutions, are difficult to use, and sometimes provide inaccurate estimates, which undermine their usefulness. Building on the experience of institutions, as well as non-profits such as MyinTuition, and using data the federal government already has (or could collect without much additional cost), a universal net price calculator could be developed. The most effective approaches would require institutions to report the net cost each student pays, in addition to the aggregate statistics currently available in IPEDS. This would be extremely valuable for students and their families.

Net price calculators and other net price reporting should account for differential tuition by program. Not all programs at a college cost the same. Some majors are more expensive to provide – for example, due to higher faculty salaries, the need for smaller class sizes, or more

expensive materials and building space needed for instruction.[3] Many colleges charge differential tuition that reflect these additional instructional costs. About a third of business programs, 43% of engineering programs, and 44% of nursing programs at state-funded, public, four-year institutions charge differential tuition.[4] Yet these additional costs are not readily apparent to prospective students, especially since students may not encounter differential tuition until they declare a major halfway through their degree. Federal policy can support greater transparency in how colleges report differential tuition and how they incorporate differential tuition into net price calculators.

In a recent analysis, one researcher found that most colleges seem to ignore differential tuition when calculating average tuition for federal IPEDS data collection.[5] A 2019 report on *Updating and Aligning the IPEDS Institutional Characteristics Survey Component* recommended adding questions to IPEDS about whether the institution offers differential tuition and providing the option to report a tuition range or to clearly indicate whether their average tuition reported includes differential tuition or not.[6] An investigation into the extent to which colleges report differential tuition on their financial aid websites could improve understanding of the extent to which differential tuition is transparently communicated to students.

This focus on program-level costs would mirror recent efforts to hold institutions accountable for program-level outcomes (e.g., recently passed "do no harm" accountability provision in the One Big Beautiful Bill Act [OBBBA]).

Pricing and value transparency information need to account for time-to-degree so students can understand the total cost of a degree. We commonly refer to an associate's degree as a "two-year degree" and a bachelor's degree as a "four-year degree" (or primarily bachelor's granting institutions as "four-year schools"). However, many students take significantly longer to complete those credentials. NCES reports that 47% of first-time, full-time students starting a

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[3] Hemelt, S., Stange, K., Furquim, F., Simon, A., & Sawyer, J. (2018). Why is Math Cheaper than English? Understanding Cost Differences in Higher Education. *National Bureau of Economic Research*, (November 2018). https://doi.org/10.3386/w25314
Elaborating on the reasons for higher cost majors, in some programs faculty have higher salaries, typically to compete with non-academic careers faculty could be pursuing instead (e.g., engineering, economics, chemistry). In other programs, smaller class sizes are necessary to achieve learning objectives, such as small first-year writing seminars where a small class size enables extensive editing and feedback as students are building skills writing at a college level. In other majors, the university must invest in learning equipment, such as artificial arms for a phlebotomy course.

[4] Kelchen, R. (2025). Examining the effects of differential tuition policies on Bachelor's Degree Completions. *AERA Open*, *11*. https://doi.org/10.1177/23328584251338155

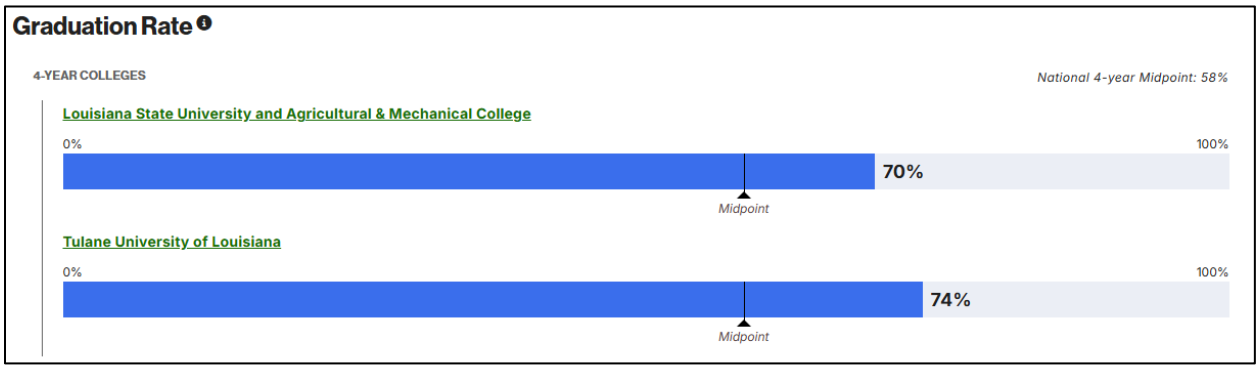
[5] *Ibid*.

[6] Miller, A., & Clery, S. (2019). Updating and Aligning the IPEDS Institutional Characteristics Survey Component. *National Postsecondary Education Cooperative*.
https://nces.ed.gov/ipeds/pdf/NPEC/data/NPEC_Paper_Updating_Aligning_IPEDS_Institutional_Characteristics_Survey_Component.pdf

bachelor's degree in 2014 had graduated from that college within four years; by six-years post entry, 64% of students had completed their degree.[7]

The College Scorecard reports graduation rates for all institutions within eight years of initial entry. That is four times the advertised time to complete an associate degree and double the advertised time to complete a bachelor's degree. However, this is not clear to prospective students. College graduation rate graphs report "National 4-year Midpoint" (58%) and "National 2-year Midpoint" (33%) graduation rates, and students would only know that represents the share of students graduating within eight years if they clicked on an information superscript on the "Graduation Rate" header. Students may see these graduation rates and mistakenly assume they can complete a credential in a shorter time than it typically takes students at an institution.

Figure 1. Screenshot of College Scorecard comparing graduation rates at LSU and Tulane, illustrating how the tool frames graduation rates



Taking longer to complete a credential costs more. Students incur additional costs from each term of enrollment – both direct tuition and fee costs to the institution and costs of living. Spending more time to get a credential also means students forego wages and the returns to experience in their new career. Students who borrowed also incur additional interest costs. Students should have a clear understanding of how long a credential will take to accurately estimate the total cost of college.

Four-year graduation rates can often differ significantly between two colleges that have similar longer-term graduation rates. For example, in Virginia the University of Richmond and Virginia Tech have nearly identical six-year graduation rates (about 85%). However, nearly 78% of UR students graduate within four years compared to about 68% of Virginia Tech students.[8] Providing information on four-year graduation rates would provide students with new, distinct data relative to the eight-year graduation rates already reported.

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[7] National Center for Education Statistics. (2022). *Undergraduate retention and graduation rates*. *Condition of Education*. U.S. Department of Education, Institute of Education Sciences. https://nces.ed.gov/programs/coe/indicator/ctr

[8] State Council of Higher Education for Virginia. (n.d.). *GRS10: Graduation rates of Virginia traditional four-year institutions*. https://research.schev.edu/gradrates/grs10.asp (research.schev.edu)

Providing more nuanced datapoints about graduation rates can help students better understand their likely outcomes at a college or university. However, there is a balance to strike between transparency and simplicity. Without clear labeling and definitions, presenting multiple numbers for a "graduation rate" can be misleading and difficult to interpret. The fact that graduation rates can be calculated in many ways leads to widely varying estimates of college completion. For example, NCES reports that 64% of bachelor's degree-seeking students complete their degree within six years, while the College Scorecard cites a median graduation rate of 58% for four-year institutions within eight years. Both figures are accurate—but the lack of standardization complicates policy discussions and can obscure the true picture for students and families.

The College Scorecard should share (a) the 100% completion rate of a college (which it already collects and shares in the downloadable database of College Scorecard data) and (b) be clearer when sharing a graduation rate estimated at a longer time horizon, such as changing the header from "Graduation Rate" to "Graduation Rate: Within Eight Years."

Communications about federal student loans could be improved, but institutional accountability and choice architecture are also important. Student loans can be a sensible and useful component of a student aid package. Many students will make significantly higher wages after completing a credential, even after accounting for student loan payments.[9]

Borrowing against that higher future income makes sense to facilitate investments in education that pay off in the long run. Further, borrowing responsibly instead of working can help students get the most out of their time in school and graduate sooner. On the other hand, some students borrow more than they could reasonably expect to repay. Students should be provided with accurate information about the total costs of borrowing and be encouraged to think carefully about how much they need to borrow to cover education costs without overborrowing.[10]

Colleges have significant discretion in how they present loans to students, and evidence shows that those decisions impact borrowing. This means it is important for the federal government and institutions alike to pay attention to "choice architecture" – what options are possible and how they are presented – in addition to providing financial education.

- For example, colleges can choose whether to include loans at all in an aid offer. One study found that community college students who were randomly offered a loan were 40% more likely to take out a student loan than classmates who were not offered loans.[11]
- Conversely, sending community college students text messages about making deliberate borrowing decisions (e.g., *"Did u know that how much to borrow is YOUR choice?*

[9] Zhang, G., Jabbari, J., Despard, M., Mei, X., Chun, Y., & Roll, S. (2025). Beyond earnings premia: Debt-adjusted returns to Postsecondary Education. *Social Science Research Network*. https://doi.org/10.2139/ssrn.5375794
[10] Akers, B., & Chingos, M. M. (2014, December). *Are college students borrowing blindly?*. https://www.brookings.edu/wp-content/uploads/2016/06/Are-College-Students-Borrowing-Blindly_Dec-2014.pdf
[11] Marx, B., & Turner, L. (2017). *Student Loan Nudges: Experimental Evidence on Borrowing and Educational Attainment*. https://doi.org/10.3386/w24060

Accepting the maximum loan might not be right for everyone. Want to chat about the loan amount best for you?") reduced unsubsidized loan borrowing.[12]

- However, both of these studies also found that borrowing was positively correlated with academic performance. In the text message intervention, students who received cautions about taking on debt earned fewer credits, were more likely to fail their classes, and ultimately had higher default rates. In the study of loan offers, students who received a loan offer completed more credits and earned higher course GPAs.
- Targeting messages at students on track to take on unsustainable debt is a more effective strategy than blanket advice. A study at Montana State University found that sending letters to students accruing high student loan debt (e.g., a sophomore with more than $12,000 in debt in 2012) resulted in students being more likely to switch to higher-paying majors (business or STEM).[13]

Colleges should be active partners with the federal government to guide students through complex loan decision-making. This includes establishing and enforcing rules around the format and timing of how colleges present financial aid awards and improving federal data about student costs and outcomes. The College Cost Transparency Initiative offers guiding principles for communicating aid packages, including that offers should be "described and explained using standardized, plain language."[14]

At minimum, federal regulations could require colleges to clearly label aid sources as a grant or a loan, and to note the interest rate in a clear spot on the aid package. The presentation of information matters, and it is important to implement regulations that all colleges share information about financial aid in a clear manner that enables easy comparison across institutions. Not all colleges will voluntarily adopt these best practices, necessitating not only Congressional action to establish a requirement, but follow-up investigations (such as the recent GAO investigation into net price calculator adherence) to understand compliance and identify actors in violation of federal law.

Standardization and "plain language" presentation of aid offers will only go so far. The financial aid system is notoriously complex, and new college students have little direct experience with loans—and for many, this will also be true of their parents. Many will take the government's willingness to lend them money for higher education as a signal that doing so is reasonable. In an environment where extensive financial aid and loans are being offered for consistently poor performing programs, consumer-facing interventions will only go so far. Restricting borrowing for institutions or programs that do not pay off is necessary—alongside financial education—to

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[12] Barr, A., Bird, K. A., & Castleman, B. L. (2021). The effect of reduced student loan borrowing on academic performance and default: Evidence from a loan counseling experiment. *Journal of Public Economics*, *202*, 104493. https://doi.org/10.1016/j.jpubeco.2021.104493

[13] Schmeiser, M., Stoddard, C., & Urban, C. (2016). Student Loan Information Provision and academic choices. *American Economic Review*, *106*(5), 324–328. https://doi.org/10.1257/aer.p20161122

[14] *Principles & Standards*. Paying for College Transparency Initiative. (n.d.). https://www.collegeprice.org/standards

protect borrowers and taxpayers alike. The "do no harm" provisions in OBBBA take an important step in this direction but may still allow many low-quality programs to operate and participate in the student loan and federal grant aid systems, leaving students in challenging financial positions.

Students and their families are not the only important users of new data on pricing and financial value transparency. Students and their families are key audiences for improved information about college pricing and financial value, and improvements to the College Scorecard should prioritize information that prospective students and their families can understand and use to make decisions. However, this should not be the sole focus of transparency efforts. Information for students is often not enough.[15] Deciding what post-secondary education to pursue and how to finance it will continue to be a complex and challenging task, especially for first-generation students. Many students rely on a range of intermediaries to guide them on their journey to and through college. Transparency efforts may ultimately benefit students through those intermediaries, whether those are high school counselors guiding students to their next step, university financial aid administrators discussing loan trade-offs, or researchers developing and testing different outreach strategies to students. Any efforts to enhance cost and value transparency should also consider those who advise students and how best to equip these advisors to support students to and through college.

[15] Barker, D. J., Cellini, S. R., Scott-Clayton, J., & Turner, L. J. (2021, December 14). *Why information alone is not enough to improve higher education outcomes*. Brookings Institution. https://www.brookings.edu/articles/why-information-alone-is-not-enough-to-improve-higher-education-outcomes/