

MEMORANDUM

TO: *Know Before You Owe: Student Loans* project participants

FROM: Rohit Chopra, Student Loan Ombudsman
Consumer Financial Protection Bureau

CC: Department of Education

DATE: January 2012

SUBJECT: Summary of your feedback

Thank you for providing comments on the [*Know Before You Owe: Student Loans*](#) project.

The purpose of the “financial aid shopping sheet” was to engage students, parents, educators, and thought leaders in a conversation about improving the way schools provide financial aid information to prospective students – you helped us do just that.

In only a few short days over twenty-thousand of you checked out our “thought starter.” We’re now sharing all of your comments with the Department of Education, so they can use this feedback to publish a format for schools to use.

We wanted to tell all of you what we’ve heard so far about what you liked or thought we could improve.

When asked to rank the features you thought were most important, here were your top choices:

1. Estimated debt at graduation
2. Estimated monthly payment after graduation
3. My likely ability to repay my loans
4. A complete breakdown of cost at school by category
5. Whether students at this school have been able to repay loans

We also reviewed your written comments with an eye for themes, points to clarify, and suggestions for improving the shopping sheet. Here is what you told us:

What information did you think was critical?

There was a great deal of excitement for the idea of a standard financial aid shopping sheet. It is clear from many of the comments that you saw a need for standardized information.

One respondent said, *“As a college adviser, I work daily with many first generation students. I believe that the default rate part and the graduation and retention rates will be very useful...so they can avoid the schools that will not help them graduate.”*

When asked what information was critical you said, **“just about everything!”**

A number of you who are recent graduates or parents with children paying back loans said that this form would have been very helpful for you when deciding how to finance a college education and you liked the design and readability of the shopping sheet.

You said:

- The form needs to clearly show **“which aid requires repayment.”**
- Critical information includes cost per year, loans and work-study options, and amount owed upon graduation.
- Graduation rates, length of repayment plan, monthly loan payment, and total debt upon graduation are also important.

We heard the message that you want a way to understand how certain numbers were calculated. An overwhelming number of you also requested **a section to review key terms**, either on the backside of shopping sheet or in a “rove and click” tool.

What did you tell us about federal work-study information?

Almost all of you thought it was helpful to include federal work-study in the shopping sheet. However, you told us that because work-study does not need to be repaid it **should not be included in the loans section.**

One student put it this way, *“As a 23-year-old finishing her grad degree in May, I have so many comments...First, ‘federal work-study’ means you need to work...I think it is very misleading to present it as part of [loan] aid.”*

Other respondents expressed concern that:

- Schools may have a limited number of federal work-study employment options and eligibility does not guarantee that you will get a work-study job or earn the full amount.
- Students need more information about how federal work-study works and clarification that work study is not grant aid.

The biggest take away from your comments is that loans and federal work-study should be separated. There should also be an **easy way to find out more information** on the federal work-study programs.

What did you tell us about showing school default rates?

While many of you liked seeing whether students who attended a program were able to repay their loans, others were unclear about how it might be interpreted.

You said it best, *“The school’s default rate will probably mean little to students and families without an explanation as to what it means to ‘default’ on a student loan. Many students and their parents (especially those who are the first in their families to attend college) do not understand terms like ‘default’.”*

One of the reasons we included this rate in the “thought starter” was to see whether you wanted some measures of school quality, and default rates are commonly used. Overall, you wanted this statistic to be meaningful to a prospective student.

You said:

- You want the other drivers of default rates: **job placement and salary statistics**.
- The shopping sheet should warn students about the dangers of student loan default and **make sure students do not see default as an option**.

Your comments were clear. If metrics like default rate are included, it must be clear that it does not imply default is an acceptable option. The metric can be further enhanced by including information on repayment drivers, such as employment data.

What did you want to see in a web-based form?

You agreed that a web-based, interactive version of the shopping sheet was essential and suggested several web features to improve the sheet.

Someone added, *“As a parent I need to know the terms and conditions and payment information for PLUS loans. I need to know how long it will take to pay back all the loans.”*

You said:

- We should **use videos to help explain** different components of the form.

- The average cost at comparable institutions, as it appeared in the top right corner, is helpful.
- The interactive version should **compare other variables such as family savings, Parent PLUS loans, additional living costs, and interest rates.**

Many of you felt that the interactive sheet should allow students to insert information unique to their personal situation. The web-based version could allow for additional information about Parent PLUS loans, federal work-study, and repayment options.

What type of repayment information did you want?

The majority of comments related to repayment were extremely positive. You said that information on repaying loans is critical for students to know before they sign on the dotted line.

One commenter said, *“What a great form. One other piece of information that would be really eye opening would be to show what percentage those payments would be out of the monthly paycheck of an average recent graduate or some sort of estimated income.”*

The ability to make comparisons was mentioned by many of you. You especially wanted the ability to **compare different repayment options for federal and private loans.**

You said:

- Including the total expected debt and monthly payment estimates is important.
- Different repayment and forgiveness options based on average starting salary should be included.

The ability to find out common repayment terms is a critical feature. You want to see how average interest rates impact borrowing, **how interest rates for federal loans compare to private loans, and when interest begins to accrue on different types of loans.**

We hope that you will continue to engage with us and offer feedback on future student loan issues, and we’ll be sure to update you on how this project proceeds. With your continued support we can ensure that students and their families have clear information as they make the decisions on student debt.