

Consumers Union Report on College Finance

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A Consumers Union report states that parents and students, when choosing education loans, make mistakes such as selecting expensive loans. The report, "Helping Families Finance College: Improved Student Loan Disclosures," says that there is widespread confusion and misunderstanding among students when it comes to choosing loans for higher education.

Findings of Consumers Union Report

The report finds that the existence of three federal loan types (Perkins, Stafford, and PLUS) with different rates, fees, and terms, along with the aggressive marketing of private student loans, leads consumers to make uninformed decisions which may cost them more than necessary. Students who do not have parental support lack information on the cost of a college education. The report also said that nearly 50% of undergraduate students who take out private loans do not exhaust their low-cost federal student loans for college education. It says that high schools, higher education institutions, lenders, non-profit organizations, and the Department of Education use a scatter-shot approach to advise families on college education financing. This approach, at times, is successful, but it also, at times, fails to educate families and creates information roadblocks that are a hindrance to informed borrowing decisions.

Recommendations of Consumers Union Report

The Consumers Union recommended that groups such as testing agencies provide information on financial aid to enable high school students to learn about college education financing much earlier. It called for a standardization of financial aid offer letters provided by colleges in order to enable students to easily compare the actual costs of attending different institutions. Explanations relating to rates, fees, and terms should be in plain English so that students can easily understand them. It recommended that colleges offer more counseling on loans before encouraging students to borrow and that students exhaust low-cost federal loans before turning to private lenders.