Center for American Progress

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Improving the College Scorecard

Using Student Feedback to Create an Effective Disclosure

Julie Margetta Morgan and Gadi Dechter November 2012

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Introduction and summary

The White House will soon unveil a final version of its "college scorecard"—an online tool giving college-bound students and their families a hype-free snapshot of reliable information about any U.S. campus: real costs, graduation rates, student debt statistics, and earning potential of graduates.

The college scorecard is a good idea and it has the potential to make college-bound students smarter consumers. The scorecard is part of a major effort by the White House and the U.S. Department of Education to understand and improve the college selection process. At a time when student loan debt has exceeded $1 trillion,[1] fewer than 60 percent of college freshmen graduate within six years,[2] and the wages of recent grads have declined by nearly 5 percent since 2007,[3] it's more important than ever that students make good decisions about where to go, what to study, and how to pay. But to help students make better decisions, the scorecard must be easy to understand and relevant to their decision-making processes.

Though policymakers are working diligently and conscientiously to design a scorecard that will help students and families, the college scorecard has not been subjected to systematic testing by actual students and parents. Unfortunately this is typical of many disclosures government agencies require in the hopes of improving consumer choice. (CAP has previously written about a similar problem with the Securities and Exchange Commission's recent revamp of disclosures that money managers must provide to prospective clients.[4]) Without consumer testing, disclosures risk being overlooked and misunderstood.

At the White House's invitation, many college admissions and financial aid experts, including some from CAP, are weighing in on the college scorecard design. These experts are making every effort to put themselves in the shoes of prospective college students and are scrutinizing the draft scorecard for potentially confusing language or missing information.

But designing an effective information sheet about college costs, debt, and graduation rates is hard without feedback from actual users. Consider one student's reaction to the draft scorecard after it had been through several rounds of experts: "What am I looking at? It looks like a bill or something but I'm not sure what it is," said Kendra, a high school student, after examining a sample college scorecard. "This is why I hate college stuff."

Kendra's comments show that even the best-intentioned policymakers can miss the mark. And if they do, students like Kendra may not give the college scorecard a second glance.

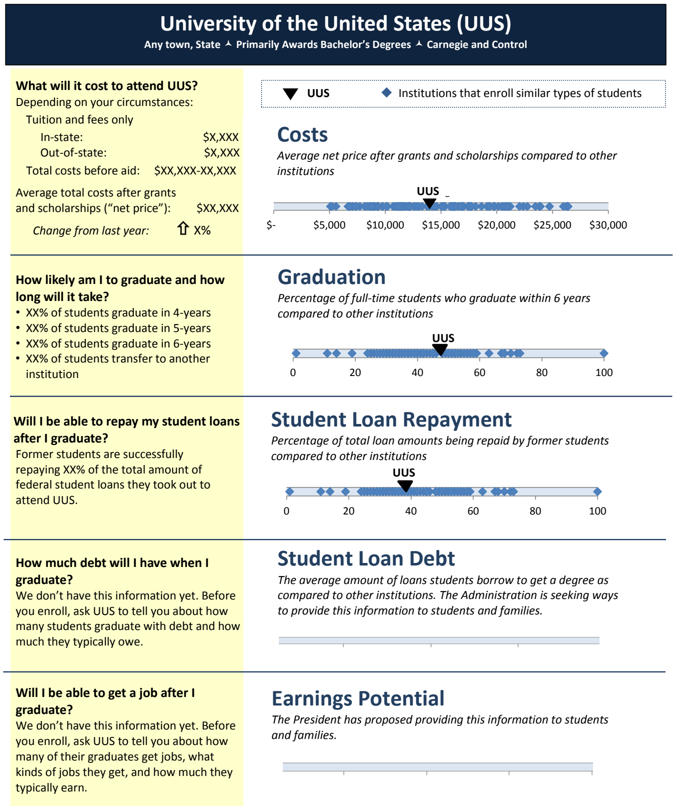
This report uses the government college scorecard project as an opportunity to explore how testing might lead to more effective disclosures. We took the college scorecard to college-bound high school students, asking them for feedback on design, content, and overall effectiveness. In the pages that follow, we discuss the findings of these focus groups, make recommendations specific to the college scorecard project, and draw some overall recommendations for improving the readability and usability of government disclosures.

Here's a summary of our recommendations.

FIGURE 1

The government scorecard

A sample look at the Obama administration's draft scorecard



General recommendations

- Congress can encourage better disclosure through the way it legislates the development of effective disclosures by delegating to an agency both the authority to design the disclosure and the responsibility to prove its effectiveness through consumer testing.

- The White House should require agencies to test their disclosures, and it should ensure that research on disclosure design and efficacy is available to the public.

- Whenever possible, agencies should use standard, commonly used terms in disclosures to promote better understanding of confusing terms and concepts.

Selected college scorecard recommendations

- The scorecard should include an introductory description, name, or logo that immediately communicates its purpose.

- The scorecard should be redesigned by professional graphic designers to improve visual hierarchy for readability.

- The government should test ways of communicating the confusing concept of "net price" and adjust the scorecard accordingly.

- The scorecard should emphasize four-year graduation rates, not six-year rates if further testing confirms that the shorter timeframe is more relevant to students' decision-making.

- The government should develop alternative measures of student debt that matter to students if further testing confirms that traditional measures such as repayment rate or default rate are not meaningful to students.

- The online version of the college scorecard should include links to other outcomes such as graduates' average salary and employment outcomes by major or department.

- In general, the government should subject the college scorecard and other college-choice communication initiatives to rigorous testing—including focus groups, cognitive interviews, and surveys of parents and students—and make changes accordingly.

The college scorecard is a key part of the Obama administration's broader commitment to providing students and families with useful data in the college decision-making process. We hope the suggestions contained in this report are helpful contributions to this important project.

Testing the college scorecard

The key to creating a usable disclosure is testing its efficacy with actual consumers. The Obama administration is developing a "college scorecard"—essentially a one-page disclaimer of key college cost and performance data. The administration describes the scorecard as "a new tool … that would assist prospective students and their families in comparing colleges before they choose using key measures of college affordability and value. The purpose of the tool is to make it easier for students and their families to identify and choose high-quality, affordable colleges that provide good value."[5]

Obviously, the scorecard will only be useful if students understand it and find it relevant to their decisions. And the only way to know for sure if it fulfills its purpose is to ask students directly: Will you use this? Do you trust it? Is it easy to understand? What about it is helpful? What's not? How would you change it?

Government agencies can test disclosures in several ways. Qualitative testing through both focus groups and so-called cognitive interviews can help give designers an idea of how consumers react to the disclosure.

Focus groups, in which a panel of sample users discuss and interact with the tested product, are a simple way to elicit a variety of reactions to the overall design and content of a disclosure. Cognitive interviews allow for a deeper understanding of the reader's experience with the disclosure. In one-on-one cognitive interviewing, the participant thinks aloud while reading through the document and responds to questions that test the participant's comprehension and preferences. Though focus groups and cognitive interviews typically involve small samples, a study by Robert Virzi of Raver Consulting showed that interviews involving just five participants could reveal 80 percent of usability issues, and 10 participants would yield 90 percent of issues.[6]

Quantitative methods can also be used to test comprehension of disclosure elements as well as their effect on consumers' decisions. In 2007 the Federal Trade

Commission, for example, used controlled quantitative testing to evaluate the efficacy of mortgage disclosures.[7] Participants were asked a series of questions that addressed whether the disclosures conveyed key information. The results showed that consumers failed to comprehend key concepts that the mortgage disclosures were intended to convey. The commission has since advocated for improvements to existing mortgage disclosures.[8]

In many cases, government agencies use only focus groups and cognitive interviews to test their draft disclosures, probably because the cost of large-scale quantitative studies would be prohibitive. Though a comprehensive study using multiple methods would be ideal, budgetary realities often constrain the scope of research. Our focus groups show that policymakers can get a taste of the problems inherent in disclosure design through small-scale research projects. Nevertheless, we recommend that Congress invest in better research to assure the success of their disclosure efforts.

In the spring and fall of 2012, CAP took the college scorecard out for a test drive to see how students would react to its content and design. To give students something to compare with the original government draft, we created our own revised version of the college scorecard by applying some common principles of disclosure design. (see Appendix on page 16)

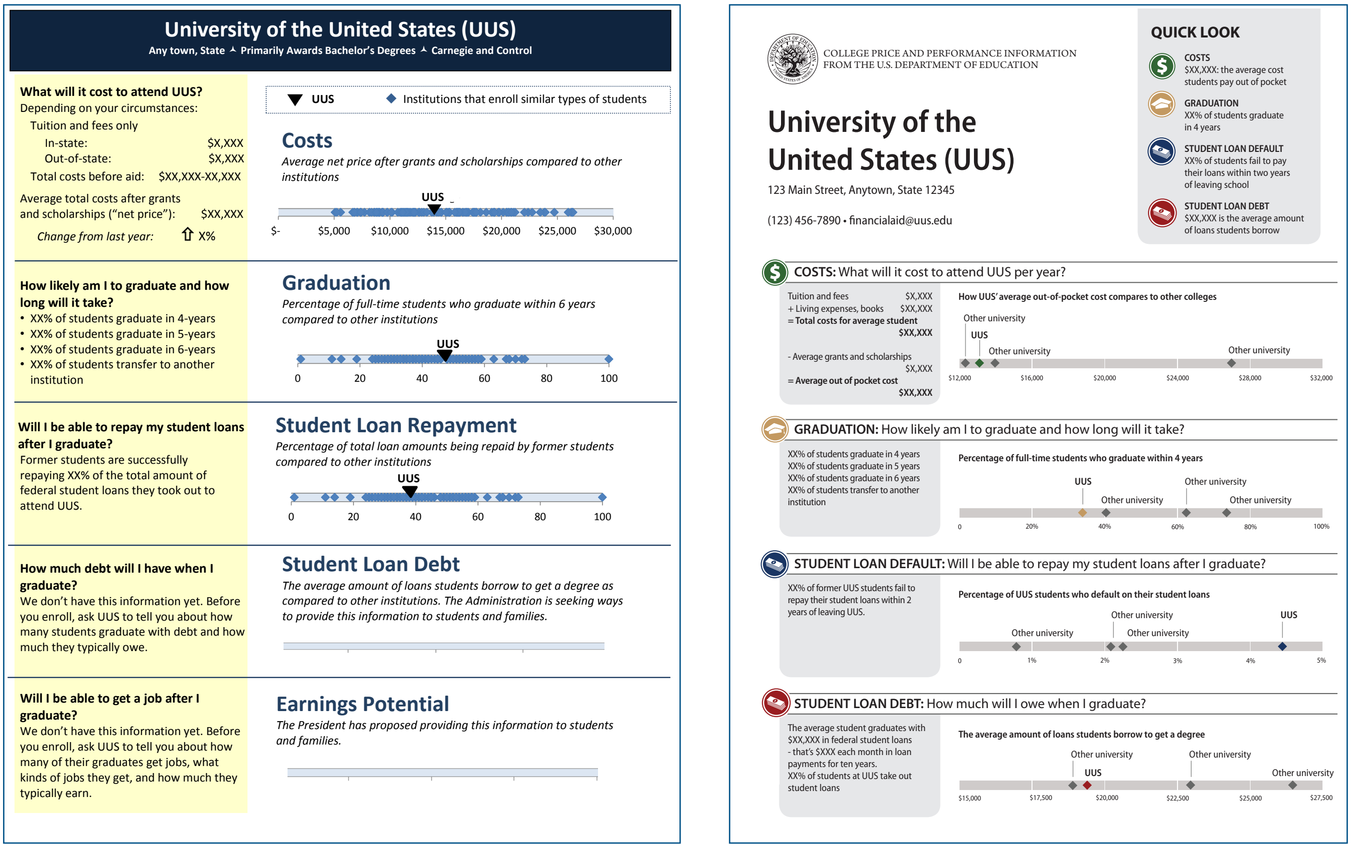
We showed the government scorecard and our own version to four different groups of college-bound high school juniors and seniors. To make it easier for students to evaluate the scorecard, where applicable, we filled it in with data about an actual university.

It's important to note at the outset that our focus groups were meant to be a starting point for research on the usability of the scorecard, not a definitive study. To completely uncover the changes necessary in the college scorecard, one would need to conduct more thorough research, including tests involving parents and nontraditional students, as well as one-on-one cognitive interviews. Nevertheless, these preliminary conversations do reveal some insights into how students react to the scorecard and some of the potential problems with its content and design.

FIGURE 2

Comparing the government and CAP scorecards

A side-by-side look at the government and CAP versions of the college scorecard



Students' overall reaction to the scorecard

After showing students copies of both the government and CAP versions of the college scorecard, we began with general questions about its purpose and usefulness, such as "What's the purpose of this document?" Students often met our questions with a blank stare. It became clear that Kendra's initial reaction—"What am I looking at?"—was a common one.

Other students initially felt that they understood the scorecard because they understood individual elements such as costs and graduation rates, but found they could not describe the scorecard's purpose. One student asked, "Is this supposed to explain something about college?"

The government draft lacked the contextual information that would immediately clue the reader into what the disclosure is meant to tell them. Likewise, CAP's revised version of the college scorecard lacked any introductory content that would initiate the reader into the disclosure. This is something a redesign should address.

We also noticed that students read the government-designed scorecard in a nonlinear way. They were drawn to certain elements of the disclosure such as the tuition and fees numbers, graduation rate, and earnings potential. But when we asked students about other items on the government scorecard such as the percent change in cost from the previous year, students responded that they had missed that information. It may be that the scorecard lacks essential design elements like a single focal point and a visual hierarchy that leads the reader from one part of the disclosure to another. CAP's scorecard fared a little better on this count because of a clearer visual hierarchy.

Another frequent complaint about both the government and CAP versions was that they did not include enough information. Focus group participants consistently said they wanted a one-stop shop for all of their college information needs and that the content of both scorecards was insufficient.

The desire for more information was underscored by the comment made by one student who loved the college scorecard precisely because it filled his one-stop shop needs: "It's everything I was looking for in a much easier to see format. [Without the scorecard,] I had to find it all—look here, look somewhere else, then look somewhere else. This is great, especially if you're trying to compare across schools."

Another general reaction to both the government and CAP scorecards was a desire for customization. Students talked about this in many different ways—for example, one student commenting on the estimated net price figure, said: "For me, it's almost irrelevant. You have to add in your own family income. If you make $20,000 per year, this is way skewed. It must just take all incomes and all schools and lump it together, so I don't know where I fall in that." Some students asked for job placement numbers by major while others asked for graduation rates by race and ethnicity. Another student simply said, "I don't really trust averages."

Next, let's look at student feedback to different elements of the scorecard.

Reaction to cost information

Students responded well to the inclusion of information pertaining to cost on the college scorecard. But when we pressed them about whether they understood the displayed cost elements, we found substantial confusion over terminology. One participant noted that the government-designed scorecard lists tuition and fees as components of cost but does not mention any other components, such as living expenses or books. This led the student to question just what was included in the "total costs before aid" figure that follows the tuition and fees price.

FIGURE 3

College costs on the government scorecard

Students were substantially confused over cost terminology

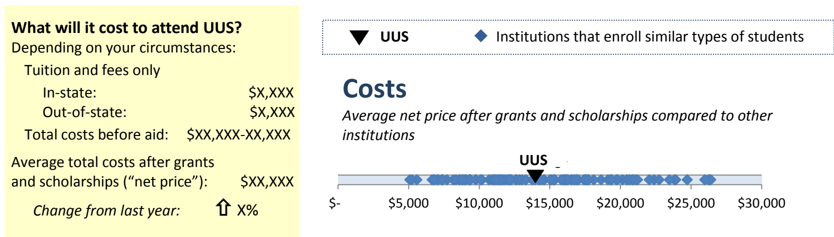
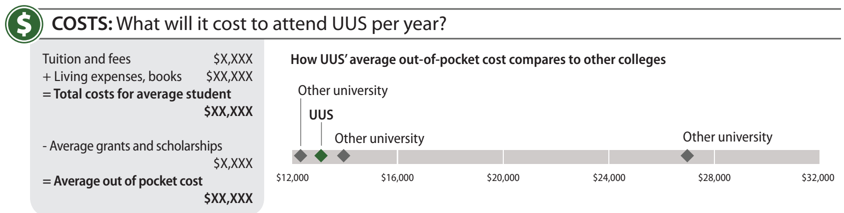


FIGURE 4

College costs on the CAP scorecard

CAP's cost formula: Tuition and fees + living expenses and books = total costs



CAP's version of the scorecard reflects an attempt to show all of the elements included in total costs in a simple mathematic formula: Tuition and fees + living expenses and books = total costs. Students liked this presentation but they still questioned our terminology. One student said, "I think room and board is different from living expenses. When I think of living expenses, I think of sheets and comforters."

Students also expressed confusion about the meaning of the terms used to express net price on both the CAP and government designs of the scorecard. When we asked students what the terms "net price" and "out-of-pocket cost" meant, students most often responded with blank looks or general comments such as "It includes everything, altogether." And most students could not decide whether the net price or out-of-pocket figure would include the amount a student would take out in loans.

It seems that students' confusion about the terms used on the college scorecard is compounded by the inconsistency of terminology used throughout the college application process. Several students expressed a desire to have the same wording used on all college enrollment and financial aid paperwork, from college applications to the federal student financial aid forms to the scorecard itself. One student pointed out that colleges often use the term "total cost of attendance" and he was unclear which figure on the college scorecard corresponded to that term. "Can't they just use the same words?" he asked.

One surprising finding from the focus groups is that some financial aid jargon has so penetrated the college-search process that some students actually preferred jargon over plain language because it's familiar. One student said she wished that the scorecard would use the term "EFC," or expected family contribution, which appears on the Free Application for Federal Student Aid, or FAFSA. "I think everyone should use the same terms, because on your FAFSA they say EFC. I think they should use the same thing here."

This student's comment reflects an even more complicated problem—a misunderstanding of estimated family contribution, which is the government estimate of what a family will pay, but not necessarily what a college expects a family to pay.

Reaction to graduation rate information

The graduation rate was easily understood by all students and many found it to be a relevant measure of college quality. Both the government and CAP versions display a four-, five-, and six-year graduation rate, but the government emphasizes the six-year rate while CAP highlights the four-year rate.

Students were generally more interested in a four-year graduation rate than a six-year one. While students said they were aware that many college students take longer than four

FIGURE 5

Graduation rates on the government scorecard

Government emphasizes the six-year graduation rate

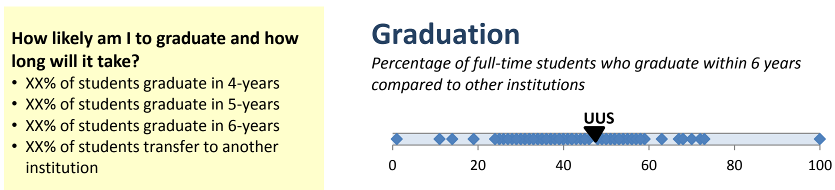
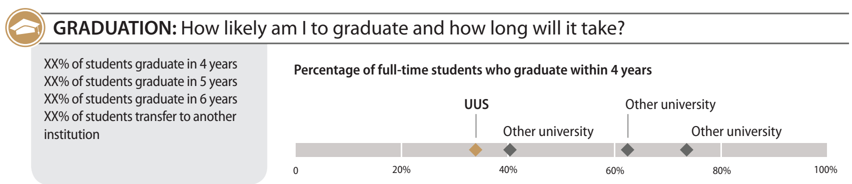


FIGURE 6

Graduation rates on the CAP scorecard

CAP emphasizes the four-year graduation rate



years to graduate, every student we spoke to expected to graduate in four years. Indeed, some said that graduating in four years was an absolute must due to financial concerns. As a result, students discounted the graduation rate scale used on the government scorecard because it did not seem applicable to their decision making.

Reaction to student debt information

The Obama administration's version of the college scorecard includes two measures that offer information about student debt. The first measure, "student loan repayment," was incomprehensible to our focus group. It refers to the percentage of a student's total outstanding student loan debt that is in repayment. When we explained the concept, most students believed that this information would be irrelevant to their decisions.

CAP's version of the scorecard replaced this measure with one showing the percentage of students who default on their loans. The reviews of this measure were mixed. Some students did not know the meaning of the term "default." Others said that default rates are useful because they reflect whether graduates "get good jobs." But several students commented that student loan defaults say more about the students than they do about the school.

FIGURE 7

How the government scorecard addresses the likelihood of loan repayment

Students did not understand the "student loan repayment" measure

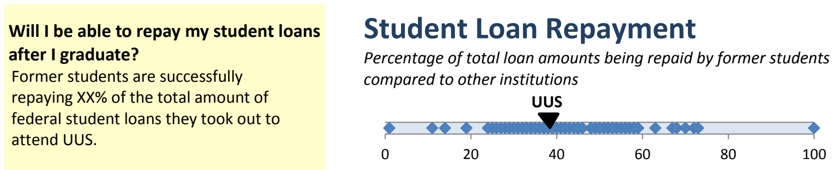


FIGURE 8

How the CAP scorecard addresses the likelihood of loan repayment

Students had a mixed response to the "student loan default" measure

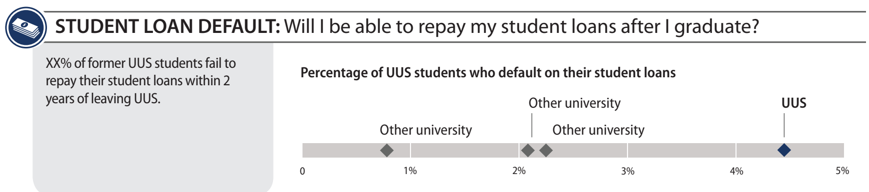
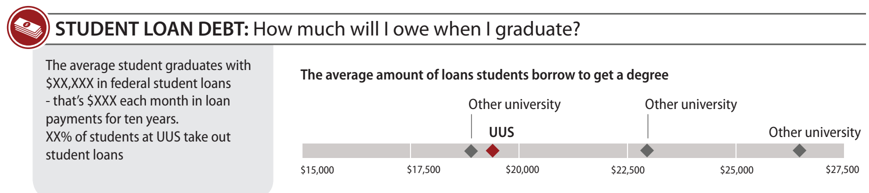


FIGURE 9

Another student debt measure on the CAP scorecard

Students responded better to the "student loan debt" measure on both the CAP and government scorecards



Students expressed much more satisfaction with the fourth measure on the CAP scorecard, which shows the average amount of debt a student will accrue while earning a degree. Most students expected to take on student loan debt to pay for college, and they felt that the amount of debt would be relevant to their choices. "I think it's kind of scary when you look at it," said one student. "My father and I were talking about it and he said $20,000 is not that bad. It's scary, but it could be worse."

Many students also like the monthly payment breakdown included on CAP's version of the scorecard. "You can't really comprehend how much $50,000 is until you have to pay for it every month," said one student. "You don't know how it's going to fit into the job and life you'll have when you graduate."

For another student, the monthly payment information was a wake-up call highlighting the reality that graduates end up paying their student debt for years. "It makes you think how long it would take to pay back. … I don't want to pay student loans for 10 years."

Reaction to employment information

All of the focus group students we spoke with were enthusiastic about the inclusion of information about earnings potential on both the government and CAP college scorecard drafts. Students felt that the opportunity of securing a good job upon graduation was a major consideration and one about which they had little information. As one student put it, "I want to make mad dollars."

The main reaction we observed to the prospect of earnings information on the-college scorecard was "Give us more." Students expressed an interest in average salary information broken down by major, as well as statistics on the percentage of students who obtain employment within one year of graduation.

One student said this information would be helpful not only in evaluating the quality of a college but also in putting the average loan debt information into context.

Steps needed to improve the scorecard

Though more research can and should be done on the usability of the college scorecard, our focus groups suggest a few areas in need of improvement. We urge the Obama administration to incorporate the following changes in its final draft of the scorecard and continue testing them on students and parents:

- **Introduce readers to the scorecard with a simple and descriptive name, logo, or introductory sentences.** Our focus groups suggested that the purpose of the college scorecard is not readily apparent to students. Without signals that are attention grabbing or explain the scorecard's usefulness, there is a risk that students will either ignore it or fail to recognize its relevance to their college choices. The Obama administration should test ways to introduce students to the scorecard. These tests should include consideration of whether "college scorecard" is a sufficiently descriptive name for the disclosure.

- **Consult with graphic designers to improve the scorecard's layout.** Better placement of text and the use of graphics can greatly improve the readability of the scorecard. The Obama administration should consult with graphic designers to create a visual hierarchy that leads the reader through the disclosure.

- **Test ways of better communicating the term "net price."** Language like "out-of-pocket costs" or "net price" often does not convey the intended meaning. The government should test different ways of describing this concept.

- **Highlight the likelihood of graduating in four years, not six.** Emphasis on the four-year graduation rate may have a bigger impact on students' decisions, given that their college choices are based around an assumption that they will finish in that timeframe.

- **Develop alternative measures of student debt that matter to students.** These focus groups seem to suggest that the traditional measures of student debt, such as repayment rate or default rate, are not meaningful to students. Average debt loads are helpful but this number must be put into context with other measures that suggest to students the difficulty they may face in repaying their college debt. The average monthly payment figure should be prominently displayed and the government should consider including additional measures if they prove meaningful, including the average number of years graduates are in repayment.

- **Use links to provide additional employment outcomes.** Students want to know how graduates fare in the job market but they want details. The government should explore ways to collect more information on employment outcomes. The college scorecard can include links to expanded outcomes, like graduates' average salary and employment outcomes by major or department.

- **Customize whenever possible.** Averages can be helpful but only to a point. To make better decisions, students want college information that reflects their personal circumstances, including family income and major. The disclosure should provide links to customized information—for example, the net price calculator. The government should also devise ways to promote other forms of scorecard customization.

It's worth noting that the recommendations above may well necessitate changes in other education efforts by the government targeting prospective college students and their families. The U.S. Department of Education, for example, should consider emphasizing the four-year graduation rate rather than the six-year rate in other arenas where it reports to the public the success rates of publicly funded institutions—even if that makes campuses appear less successful. Our focus groups strongly suggest that students want consistency and comparability across communication platforms and initiatives.

Conclusion

Designing a one-page "scorecard" featuring just a few pieces of data seems like a simple task. Certainly, there is no denying that the people who advise the White House on higher education policy are all highly capable people who study college students, went to college, and may have or know college-bound children. It would be easy for any of us, coming at this issue with similar backgrounds, to assume that we intuitively know what's going on in the heads of the "customer"—after all, we are the customers. Moreover, why spend money on focus groups and surveys to tell us what we already know?

The results described in this paper, however, show precisely why the federal government must invest in rigorous design and testing processes for major consumer disclosures. Even the most well-meaning and conscientious policymakers cannot design a perfect disclosure without help from experts in communications and design, as well as, in this case, feedback from students.

Our college scorecard focus groups need to be duplicated and expanded to generate a more definitive evaluation of the disclosure. Also, these focus groups should be accompanied by one-on-one cognitive interviews with both students and parents. But even our admittedly flawed focus group effort raised some real questions about how effectively the college scorecard will help students make better choices about college.

In addition to the specific recommendations listed above, here are some general recommendations that federal policymakers should consider when mandating disclosures designed to improve the decision-making abilities of the public:

- When Congress requires a disclosure by law, it should prescribe the goal of the disclosure but not its contents. Rather, Congress should give the relevant agency the authority to develop and to complete consumer testing, requiring a report back that evaluates whether the finished product adequately fulfills Congress's goals.

- The White House should issue an executive order asking all agencies to periodically conduct user testing of major consumer disclosures, and redesign them accordingly.

- The federal government should publicly release online any research on disclosure design and efficacy as it is developed, thereby building an online library of the latest guidelines and research on disclosure design. Likewise, all congressionally required reports on disclosure efficacy should be publicly released online. In addition to public release, this information should be published on a publicly accessible government website.

- Whenever possible, agencies should use standard terms in disclosures to promote better understanding of confusing but commonly used terms.

To be sure, there is an upfront cost to conducting consumer research. But it's a small investment that pales in comparison to the costs to society and taxpayers alike when vulnerable students make expensive wrong decisions about which college to attend, and end up in default or worse.

Ultimately, a well-designed "college scorecard" has the potential to nudge a student and his or her family to think hard about things that campus marketers don't necessarily emphasize when they're selling "collegiate fantasies"—issues students may neglect to carefully consider until it's too late. And as the cost of college continues to rise, these decisions become high-stakes for American students and their families. As one student remarked, "Gosh, all that money."

Appendix: Principles of disclosure design

When there is information asymmetry between buyers and sellers in a market, problems such as high prices and low quality often arise. Increasingly, the federal government is turning to disclosure as a means of addressing these problems. Disclosure can be an effective and less heavy-handed way of regulating an industry, but only if it is effective.

Federal agencies need look no further than their own backyard for guidance on creating easy-to-understand disclosures. As part of the White House's Open Government Initiative, the Office of Management and Budget's Office for Information and Regulatory Affairs issued a memo in 2010 to the heads of all executive departments and agencies that instructs them on proper design of federal disclosures.[9] The memo provides a series of principles to be applied when preparing summary disclosures that, like the college scorecard, aim to help people make informed purchase decisions.[10] These principles include the following:

- Identify the goals of the disclosure.
- Avoid undue detail or complexity—be simple and specific.
- Use accurate and plain language.
- Properly place and time disclosures.
- Use meaningful ratings or scales.
- Test the disclosure in advance and monitor effects over time.
- Consider the likely costs and benefits of disclosure.

Many of these principles seem almost too obvious to mention. But there's a reason former White House regulatory chief Cass Sunstein felt the need to include them in a government-wide memorandum—agencies often skip these basic steps and the result is needlessly complicated or irrelevant disclosures.

For more detailed advice on disclosure design, we looked to the lessons learned by federal agencies that have designed and tested disclosures for years. These lessons are divided into design and content considerations.

Design

Research shows that the design and layout of a disclosure can be just as important as its content. An effective and appealing layout leads the reader through the disclosure, drawing his or her eye to the most important points and presenting the content in a way that makes it easily understood.

Years of consumer testing of disclosures by the Federal Reserve Board underscores the importance of good design. The Fed found, for example, that the visual presentation of information such as credit card fees and interest charges can influence consumer comprehension of those concepts. Fed researchers also found that design can affect whether consumers even look at a disclosure—layouts that look confusing are less likely to be read.[11]

The Kleimann Communication Group, a design agency frequently hired by federal agencies to conduct consumer disclosure research, offers on its website these general tips for good design:

- **Create visual unity.** Disclosures need a cohesive design in which all the parts are visually consistent.

- **Use white space effectively.** When the layout is too dense, text can be difficult to read or uninviting.

- **Designate a single focal point.** Every printed product should have one obvious starting point and a clear navigational path.

- **Build in a hierarchy.** Headings, subheadings, bullets or numbers reveal what is most important and least important.

- **Create balance.** A layout should be symmetrical to ensure that no single element dominates the disclosure.

- **Choose the right colors, grids, and typography.** These formal elements of design can help create a sense of cohesiveness and highlight the most important points.[12]

We tend to think of disclosures as a printed publication, but the increasing use of electronic media should also affect design choices. The college scorecard may benefit from different design choices if presented online or in print. An online version, for example, might rely on links to additional information, but this may not make sense in a paper disclosure.

The prospect of an online scorecard raises another design question: whether the scorecard should be customized. The sample scorecard posted on the White House's website could be used as-is, with only one version of the form for each college or university. But it could also be customized in many ways, particularly in an online version. A student, for example, could enter basic information about family income, state of residence, and likely attendance pattern (part time or full time) to view a scorecard that is tailored to the average costs and benefits for similarly situated individuals. Or the scales used to show where a university falls compared to other universities could be customized according to a student's priorities. These might display how University X compares to other colleges within a geographic region, or how it compares to institutions of similar size or selectivity.

The decision to customize the form has both benefits and risks. Customization may mean that students are more likely to use the scorecard because it is more relevant to their decision making. But customization also greatly complicates the development process, risking the development of the scorecard becoming bogged down in technical details or that the disclosures are relegated to a federal website where families will never find them.

The Federal Reserve Board's consumer testing showed that some standardization is important to helping consumers recognize disclosures and compare across products. Also, the use of standard terms and formats across disclosures can help promote "transfer of learning" from one disclosure to another.[13] But when testing credit card disclosures, the Fed found that some consumers prefer to see standard disclosures placed in the context of their specific financial realities by showing how long it would take them to pay off their card balance or how much one would have to pay to wipe out the balance in three years.

Content

As important as design can be, a good layout is nothing without easily understood content. Plain spoken but meaningful content is key to a disclosure's success—which is why crafting the written text is often the most difficult part of development. As with design, there are some helpful guidelines that policymakers should use to formulate content that's most likely to assist consumers. The most important points are having a well-defined goal and writing in plain English.

Clearly identify the purpose

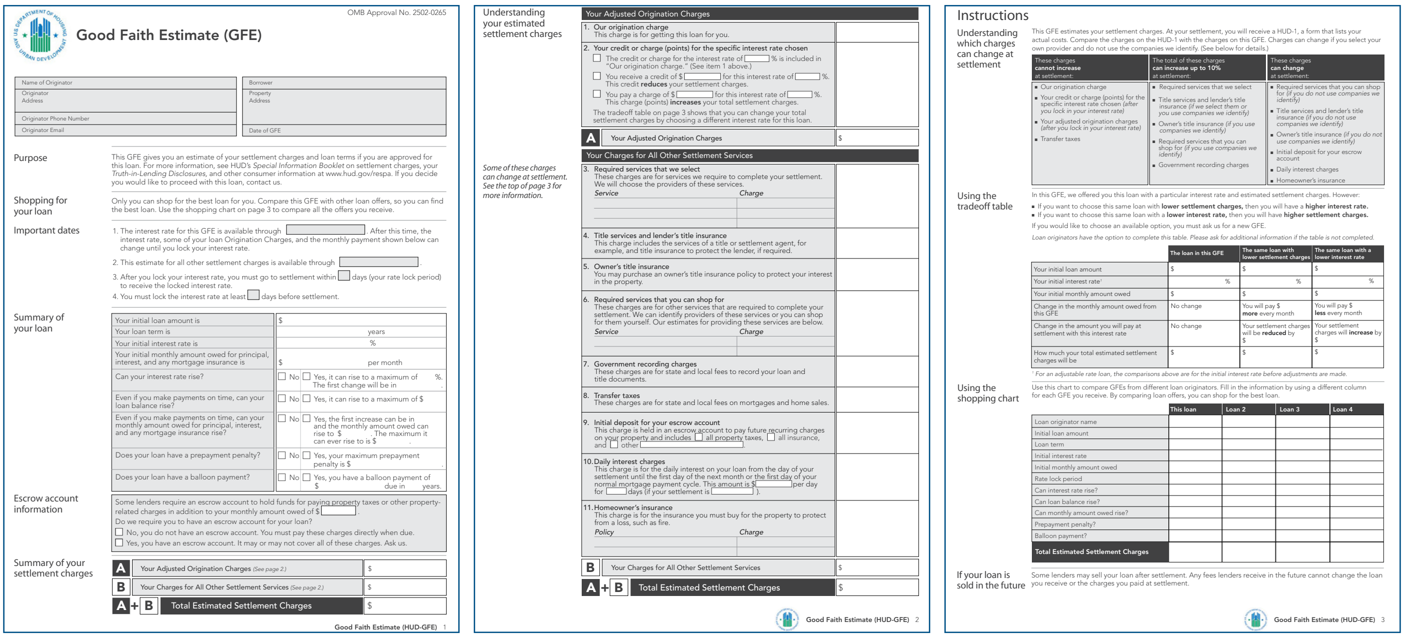
The first big question a designer must ask before writing a single word is "What is the purpose of this disclosure?" Without clearly articulated goals, a disclosure designer may omit key information. Or he or she may get carried away trying to include data that are relevant to the topic but not necessary to achieve the government's purpose.

When the Department of Housing and Urban Development redesigned its Good Faith Estimate form, it began with clearly defined goals: to facilitate comparison shopping for mortgages; to make the costs of a mortgage clear; and to highlight often overlooked concepts such as yield spread premium, prepayment penalties, and balloon payments.[14] These goals drove the design and the data elements contained in the form. (see Figure 10)

FIGURE 10

The Good Faith Estimate form

Design and data elements contained in the form were driven by clearly defined goals


OMB Approval No. 2502-0265

Good Faith Estimate (GFE)

Name of Originator / Borrower
Originator Address / Property Address
Originator Phone Number
Originator Email / Date of GFE

Purpose: This GFE gives you an estimate of your settlement charges and loan terms if you are approved for this loan. For more information, see HUD's *Special Information Booklet* on settlement charges, your *Truth-in-Lending Disclosures*, and other consumer information at www.hud.gov/respa. If you decide you would like to proceed with this loan, contact us.

Shopping for your loan: Only you can shop for the best loan for you. Compare this GFE with other loan offers, so you can find the best loan. Use the shopping chart on page 3 to compare all the offers you receive.

Important dates:
1. The interest rate for this GFE is available through ____. After this time, the interest rate, some of your loan Origination Charges, and the monthly payment shown below can change until you lock your interest rate.
2. This estimate for all other settlement charges is available through ____.
3. After you lock your interest rate, you must go to settlement within ☐ days (your rate lock period) to receive the locked interest rate.
4. You must lock the interest rate at least ☐ days before settlement.

Summary of your loan:

Your initial loan amount is	$
Your loan term is	years
Your initial interest rate is	%
Your initial monthly amount owed for principal, interest, and any mortgage insurance is	$ per month
Can your interest rate rise?	☐ No ☐ Yes, it can rise to a maximum of %. The first change will be in
Even if you make payments on time, can your loan balance rise?	☐ No ☐ Yes, it can rise to a maximum of $
Even if you make payments on time, can your monthly amount owed for principal, interest, and any mortgage insurance rise?	☐ No ☐ Yes, the first increase can be in and the monthly amount owed can rise to $. The maximum it can ever rise to is $
Does your loan have a prepayment penalty?	☐ No ☐ Yes, your maximum prepayment penalty is $
Does your loan have a balloon payment?	☐ No ☐ Yes, you have a balloon payment of $ due in years.

Escrow account information: Some lenders require an escrow account to hold funds for paying property taxes or other property-related charges in addition to your monthly amount owed of $. Do we require you to have an escrow account for your loan?
☐ No, you do not have an escrow account. You must pay these charges directly when due.
☐ Yes, you have an escrow account. It may or may not cover all of these charges. Ask us.

Summary of your settlement charges:

A Your Adjusted Origination Charges (See page 2.)	$
B Your Charges for All Other Settlement Services (See page 2.)	$
A + B Total Estimated Settlement Charges	$

Good Faith Estimate (HUD-GFE) 1

Understanding your estimated settlement charges

Your Adjusted Origination Charges
1. Our origination charge. This charge is for getting this loan for you.
2. Your credit or charge (points) for the specific interest rate chosen
☐ The credit or charge for the interest rate of % is included in "Our origination charge." (See item 1 above.)
☐ You receive a credit of $ for this interest rate of %. This credit reduces your settlement charges.
☐ You pay a charge of $ for this interest rate of %. This charge (points) increases your total settlement charges.
The tradeoff table on page 3 shows that you can change your total settlement charges by choosing a different interest rate for this loan.
A Your Adjusted Origination Charges $

Some of these charges can change at settlement. See the top of page 3 for more information.

Your Charges for All Other Settlement Services
3. Required services that we select. These charges are for services we require to complete your settlement. We will choose the providers of these services. Service / Charge
4. Title services and lender's title insurance. This charge includes the services of a title or settlement agent, for example, and title insurance to protect the lender, if required.
5. Owner's title insurance. You may purchase an owner's title insurance policy to protect your interest in the property.
6. Required services that you can shop for. These charges are for other services that are required to complete your settlement. We can identify providers of these services or you can shop for them yourself. Our estimates for providing these services are below. Service / Charge
7. Government recording charges. These charges are for state and local fees to record your loan and title documents.
8. Transfer taxes. These charges are for state and local fees on mortgages and home sales.
9. Initial deposit for your escrow account. This charge is held in an escrow account to pay future recurring charges on your property and includes ☐ all property taxes, ☐ all insurance, and ☐ other
10. Daily interest charges. This charge is for the daily interest on your loan from the day of your settlement until the first day of the next month or the first day of your normal mortgage payment cycle. This amount is $ per day for days (if your settlement is).
11. Homeowner's insurance. This charge is for the insurance you must buy for the property to protect from a loss, such as fire. Policy / Charge

B Your Charges for All Other Settlement Services $
A + B Total Estimated Settlement Charges $

Good Faith Estimate (HUD-GFE) 2

Instructions

Understanding which charges can change at settlement: This GFE estimates your settlement charges. At your settlement, you will receive a HUD-1, a form that lists your actual costs. Compare the charges on the HUD-1 with the charges on this GFE. Charges can change if you select your own provider and do not use the companies we identify. (See below for details.)

These charges cannot increase at settlement:	The total of these charges can increase up to 10% at settlement:	These charges can change at settlement:
Our origination charge; Your credit or charge (points) for the specific interest rate chosen (after you lock in your interest rate); Your adjusted origination charges (after you lock in your interest rate); Transfer taxes	Required services that we select; Title services and lender's title insurance (if we select them or you use companies we identify); Owner's title insurance (if you use companies we identify); Required services that you can shop for (if you use companies we identify); Government recording charges	Required services that you can shop for (if you do not use companies we identify); Title services and lender's title insurance (if you do not use companies we identify); Owner's title insurance (if you do not use companies we identify); Initial deposit for your escrow account; Daily interest charges; Homeowner's insurance

Using the tradeoff table: In this GFE, we offered you this loan with a particular interest rate and estimated settlement charges. However:
- If you want to choose this same loan with lower settlement charges, then you will have a higher interest rate.
- If you want to choose this same loan with a lower interest rate, then you will have higher settlement charges.

If you would like to choose an available option, you must ask us for a new GFE.
Loan originators have the option to complete this table. Please ask for additional information if the table is not completed.

	The loan in this GFE	The same loan with lower settlement charges	The same loan with a lower interest rate
Your initial loan amount	$	$	$
Your initial interest rate[1]	%	%	%
Your initial monthly amount owed	$	$	$
Change in the monthly amount owed from this GFE	No change	You will pay $ more every month	You will pay $ less every month
Change in the amount you will pay at settlement with this interest rate	No change	Your settlement charges will be reduced by $	Your settlement charges will increase by $
How much your total estimated settlement charges will be	$	$	$

[1] *For an adjustable rate loan, the comparisons above are for the initial interest rate before adjustments are made.*

Using the shopping chart: Use this chart to compare GFEs from different loan originators. Fill in the information by using a different column for each GFE you receive. By comparing loan offers, you can shop for the best loan.

	This loan	Loan 2	Loan 3	Loan 4
Loan originator name				
Initial loan amount				
Loan term				
Initial interest rate				
Initial monthly amount owed				
Rate lock period				
Can interest rate rise?				
Can loan balance rise?				
Can monthly amount owed rise?				
Prepayment penalty?				
Balloon payment?				
Total Estimated Settlement Charges				

If your loan is sold in the future: Some lenders may sell your loan after settlement. Any fees lenders receive in the future cannot change the loan you receive or the charges you paid at settlement.

Good Faith Estimate (HUD-GFE) 3

The goals of the college scorecard are a bit harder to pinpoint. It has been described by the White House as a tool to help students choose the "right college for them."[15] But the data used in the scorecard—average college cost, loan repayment, and earnings potential—also suggest a different, if related, purpose. These pieces of information are more suited to giving families "buyer beware" information that will help them avoid poor decisions, rather than sufficient information to help them find the "right college."

Though no single statement of purpose exists for the scorecard, the White House's various statements on the scorecard project suggest there are multiple goals, including:

- Improving students' decision making by providing clear information about the costs and likely benefits of a college degree
- Holding schools accountable for their tuition and outcomes[16]
- Educating students and parents about the prevalence of low graduation rates and high student debt levels
- Suggesting the types of information that should be relevant to the college decision-making process but are often overlooked

Use plain language

Once the purpose of a disclosure is established, an agency must work to explain the concepts it seeks to convey in an easy-to-understand way. As the White House regulatory affairs office noted in a memo on government disclosures, people have limited time and attention.[17] Information must be presented in a way that best facilitates careful reading and processing.

Disclosures can achieve this in two ways. First, the concepts presented should be as simple as possible. In trying to present concepts that are overly complex, a government agency increases the risk that consumers will misunderstand the disclosure or simply overlook it. Secondly, the language used to convey a concept should be plain: "Summary disclosure should avoid jargon, technical language, or extraneous information," former White House regulatory chief Sunstein wrote in a 2010 memo. "Each of these is distracting and threatens to turn away or to confuse users."[18]

Plain writing isn't just a good idea—it's also the law. Under the 2010 Plain Writing Act, government communication to the public must be "clear, concise, well-organized," and presented in a way "that the public can understand and use."[19]

To be sure, the concepts that a government agency seeks to disclose may be unavoidably complex. In that case, the Kleimann Group suggests two techniques to help with comprehension.[20] First, Kleimann suggests that disclosures use "advance organizers," or introductions and overviews that preview the elements readers will encounter. The Good Faith Estimate form, for example, begins with an "About Your GFE" section that answers two questions a reader may ask upon seeing the form: "What is a GFE?" and "How should you use this GFE to shop for the best loan?"

Kleimann also suggests that if jargon cannot be avoided, key terms should be explained early in the document. Often, a key goal of financial disclosures is ensuring that consumers understand the jargon that is so often associated with products like credit cards, mortgages, or personal loans. The Federal Reserve's consumer testing helped the agency identify instances where a term needed to be defined, changed, or even eliminated in order to make the disclosure readable and coherent. In a 2011 bulletin, Fed researchers explained one such instance:

> *Board researchers tried several ways to explain credit card "grace period" – how long a consumer has to pay the bill in full each month to avoid paying interest on purchases once the billing cycle closes. Some participants thought the term referred to the time they had after the payment due date before a late fee would be charged. After testing, the model disclosures were modified to use the language "how to avoid paying interest on purchases" instead of "grace period."*[21]

The draft college scorecard epitomizes both the need for plain language and the challenges of simplification. The terminology used to explain "college price" is a bit unclear and is just one example.

This section begins with a simple question: "What will it cost to attend UUS?" The

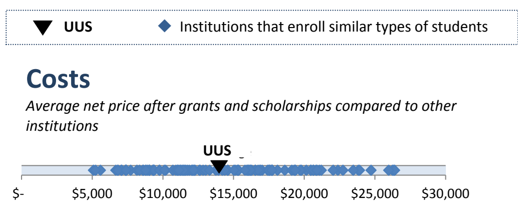
FIGURE 11

College costs on the government scorecard

Students were substantially confused over cost terminology

What will it cost to attend UUS?
Depending on your circumstances:

Tuition and fees only	
In-state:	$X,XXX
Out-of-state:	$X,XXX
Total costs before aid:	$XX,XXX-XX,XXX
Average total costs after grants and scholarships ("net price"):	$XX,XXX
Change from last year:	⇧ X%



question is quickly followed by a succession of terms such as "tuition and fees," "total costs," and "net price." Each of these terms may be unclear to a prospective student. What are the "fees"? Do "total costs" include room and board, travel, and book expenses? And while the scorecard includes a definition for net price—"average total costs after grants and scholarships"—this explanation may be too vague to properly relay the concept.

There is more vague language in the area describing student loan repayment rates. The explanatory sentence in this section reads, "Former students are successfully repaying XX% of the total amount of federal student loans they took out to attend UUS."

FIGURE 12

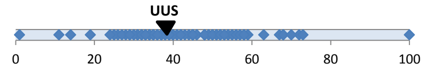
How the government scorecard addresses the likelihood of loan repayment

Students did not understand the "student loan repayment" measure

Will I be able to repay my student loans after I graduate?
Former students are successfully repaying XX% of the total amount of federal student loans they took out to attend UUS.

Student Loan Repayment

Percentage of total loan amounts being repaid by former students compared to other institutions



It's unclear what this means or how it would help a prospective student think about his or her own likelihood of repaying student loans on time. The description used with the student loan repayment scale is even more unclear.

Even student loan experts participating in White House-led discussions struggled to understand the meaning of "Percentage of total loan amounts being repaid by former students compared to other institutions."

To simplify the scorecard language, designers must put themselves in the shoes of students and parents who have no experience with the college application process and explain concepts in terms that would resonate with those individuals. The designers should consider whether jargon should be explained or eliminated all together. If it is essential to the purpose of the scorecard that consumers learn a new term, then designers should strive to explain that term as clearly as possible. If a piece of jargon is only being used because it is a term of art in the financial aid or higher education policy world, it should be eliminated and replaced with a plain language description.

Additional considerations

There are no doubt many ways to improve the content of a government disclosure, but a few additional guidelines stand out as particularly important in summary disclosures such as the college scorecard.

Design for usability

When government agencies design disclosures, it is important to remember that disclosures should be both readable and usable. The form and content should be designed with comprehension in mind, but disclosures should also be evaluated based upon how well consumers can apply the content to their decision-making process. Plainer language will certainly make the college scorecard more readable, but the likelihood of influencing decisions may depend more on the content it conveys than on the words used.

Relate the parts to the whole

Like the college scorecard, many disclosures divide their information into three or four sections. For maximum comprehension and usability, designers must ensure that all parts of the disclosure relate to one another and advance the overall message of the form. One way to achieve this is to focus on the sequencing of information—creating a logical order and using contextual content to help readers make the connection.

Consider changing the choice structure to fit the disclosure

Often disclosures are a default solution helping consumers navigate a difficult decision process such as choosing a mortgage or a college. But sometimes the complicated nature of the choice can make simple disclosure nearly impossible. Designers should consider whether the best course of action is to make the choice simpler and not the disclosure. When the Fed tried to address bank overdraft procedures, for example, it found that the lack of standardization in bank practices made it difficult to create a simple disclosure. So they developed rules that would standardize bank practices, making the disclosure more straightforward.[22]

The price of college should be a simple idea to convey in the scorecard. But it is made more complicated by tuition discounting, in-state rates, and the proliferation of add-on fees. The Department of Education may find that it is better to work to simplify college-pricing practices rather than try to explain them.

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