

Testimony of Brenda Hicks,
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Reforming Financial Transparency in
Higher Education

Presented to the Senate Committee on
Health, Education, Labor, and
Pensions

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Chairman Cassidy, Ranking Member Sanders, and distinguished members of the Committee:

Thank you for the honor and opportunity to provide testimony for the committee's hearing on Financial Transparency in Higher Education. I am Brenda Hicks, Associate Vice President for Student Financial Planning and Director of Financial Aid at Southwestern College in Kansas.

Southwestern College is a small, private, Christian liberal arts college located in Winfield, Kansas. Besides being the hometown of the character Mary Ann on Gilligan's Island, it is a rural, farming community and the county seat of Cowley County. Our student body consists of approximately 1,000 students, comprising both a residential campus and an online, military serving program. Most colleges the size of Southwestern draw their residential population from a small radius around their campuses. Because Winfield is located in the south-central part of the state, a large portion of our student body comes from an area characterized by small towns, tribal lands, farms, and natural prairie. According to DataUSA (<https://datausa.io>), approximately 16% of Cowley County's population holds a bachelor's degree, and 13.9% of the population lives below the poverty line. Just to the south in Kay County, Oklahoma, 13.2% of the population holds a bachelor's degree, and 15.5% live below the poverty line. This compares to 22.2% of Americans (data from the Education Data Initiative, <https://educationdata.org>) who hold a bachelor's degree and 12.4% of Americans who live below the poverty line. As a financial aid administrator serving this area, one of my primary goals is to make the price of attending college transparent and clear.

Over the past thirty years of working with families as they complete the financial aid process, one thing is apparent. What families want is an estimate of the bill they can expect to receive in August. Like most small, private Christian colleges in Kansas, most of our students reside in college-sponsored housing and eat at the college cafeteria on a meal plan. All charges associated with living on campus are passed through to the student account and paid in one place.

To meet families' need for a clear estimate of total costs, Southwestern sends an estimate – created in the early 1990s and refined over the years – that provides exactly what families are looking for: direct charges billed by the institution. These include tuition, a double room in our freshman residence hall, our most expensive meal plan (17 meals per week), and our regular fees (activity fee, laundry fee, technology fee, and room deposit). The estimate also reminds families that books must be purchased separately and that some courses may incur additional fees, such as lab fees or private music lessons, which range

from \$25 - \$250. This year, we are adding athletic fees and insurance costs, which now total approximately \$1,600 per student-athlete.

The estimate then lists the offer of federal, state, and institutional grants and scholarships, as well as an estimate of federal student loan eligibility. At the bottom, it shows the amount due to the institution if the student accepts the entire package (including loans) and outlines available payment options. We begin sending estimates with the receipt of the first FAFSAs in October and, whenever possible, follow up with a conversation – either in person or by phone – to explain the estimate and discuss costs with families. Last year, we delivered 632 estimates to achieve an incoming class of 245 students.

For consistency and clarity, we do our best to ensure that the aid offer students receive in February matches the estimate sent to the family in October. Most of the time, it does. When it doesn't, it's usually because of FAFSA issues that are cleared up through additional required processes that need to be resolved with the student and family. In the rare instances when that happens, we personally reach out to the family, explain what happened, and discuss why the aid offer is changing from the estimate they received.

For the longest time, we did not list the full cost of attendance on the offer because we wanted it to look as much like the estimate as possible. Listing our full cost of attendance adds another \$8,800 in indirect costs that Southwestern College will never charge the student, but that could potentially be incurred by individuals attending. As a reminder, the full cost of attendance includes four primary differences from costs that are considered direct, billable costs.

1. **Transportation Costs.** This item is intended to represent an allowance for travel and the cost of maintenance to a vehicle for trips between a student's home and the campus. As a college located in a town with minimal public transportation, we include this allowance because most of our students come to campus using their own vehicles.
2. **Miscellaneous Personal Expenses.** This estimated budget item is intended to cover costs for cell phone plans, clothing, personal supplies and hygiene, modest costs for entertainment, and any health insurance or medical needs. We have a financial aid team of four people, including me. We don't have the time to conduct primary research to make these costs as accurate as possible. Instead, we exercise our right to use secondary research on cost-of-living expenses produced by the College Board. We feel the numbers are adequately representative of costs in the area. Together, these two items – transportation and miscellaneous expenses – add a little over \$8,000 to the costs that are considered billable by the college.

3. The Department of Education requires that the housing budget be the average or median assessed to all residents of college-owned housing. We offer a variety of housing options at Southwestern, including private rooms and apartment-style living. Our upperclassmen often choose those options. The difference between the standard, budget-friendly housing and the cost we must include in the official cost of attendance is right at \$400 per year.
4. Finally, the Department of Education also requires that we ensure a meal allowance that covers three meals per day for a full week. Using the USDA food plans as a basis, we have determined that we must add \$400 to our 17-meal plan cost to ensure all 21 meals are represented in the food allowance.

Again, in the past, we chose not to include transportation and miscellaneous personal expenses in the aid offer because we didn't need to instruct families to budget those in. Families understand they need to provide transportation. They know they might need to purchase a microwave and a mini fridge for the residence hall room. They know they need to provide appropriate clothing and a medical kit. What they are looking for is what they will pay the college directly.

We publish information about the full cost of attendance on our website for those who are curious, linking it to the aid offer. In 2011, when the Net Price Calculator became required, we added the calculator provided by the Department of Education to our website. At first, we were excited about the potential labor savings the calculator would provide by enabling families to estimate the cost on their own. After realizing the calculator used the full cost of attendance and a significantly simplified presentation of scholarship information, we determined it didn't work for us as a tool for presenting the cost effectively. We kept the calculator because it was required, and continued our efforts to send customized estimates.

The estimated bill is one of a suite of methods we use to be clear and transparent about costs to our families. In addition to the estimated bill, we keep fees to a minimum to make our published costs as simple to understand as possible. Our summer orientation events provide opportunities for in-person counseling to discuss the estimate and ensure families understand their out-of-pocket cost and payment options. We are aware that our students and families often make financial sacrifices to attend, and most decide to borrow student loans. If students don't understand how much Southwestern College costs, they are less likely to persist and graduate. We want them to persist and graduate.

We do not, however, operate in a vacuum. Aware of the increasing scrutiny surrounding aid offer transparency, we followed the discussion that led to the creation of the College Cost Transparency Initiative (CCT). I was on the National Association of Student Financial Aid

Administrators (NASFAA) board during the commissioning and publication of NASFAA's Report "No Clear Winner: Consumer Testing of Financial Aid Award Letters – Summary & Report" (2/11/2013). ([No Clear Winner: Consumer Testing of Financial Aid Award Letters - Summary & Report](#)) Following the Department of Education's guidance GEN-21-70 posted on October 28, 2021, we updated our financial aid offer to conform to the suggestions outlined in the announcement. After the creation of the College Cost and Transparency Initiative, we updated our offer again to comply with the CCT principles, standards, and definitions. (<https://www.collegeprice.org/samples>)

Did price transparency and clear communication improve by adding the full cost of attendance and the additional \$8,800 in indirect charges? Unfortunately, for our students, the short answer is no. A more positive view of the situation could be that the changes have led to a marked increase in communication surrounding the cost of attendance.

Since we made the changes, confusion surrounding the aid offer has increased. When the financial aid offers are sent for the first time, our admissions team, coaches, student success team, and advisors are aware that, for the next couple of weeks, we will all be inundated with calls from families asking why the charge (their word) suddenly increased by \$8,000. Returning students enter our office in tears, indicating that after receiving the costs outlined in our aid offer, their parents informed them they may have to drop out. Our off-campus students call us upset and confused, accusing us of charging them for housing. I'm thankful for the calls and the visits. These interactions give us an opportunity to clear the air, educate, and help students understand what they are seeing. I worry about the students who see the numbers and disconnect from the conversation.

The full cost of attendance includes both direct and indirect costs of college. Both are necessary for financial aid purposes. The challenge colleges face is attempting to separate the two in ways their population will easily identify and understand. I've described which expenses Southwestern College considers direct and indirect for our residential students. Different students at different campuses will be interested in different numbers. Institutions need some flexibility to focus on the numbers that are the most meaningful for their student populations.

Did we anticipate the confusion created because of altering our financial aid offers to meet the new standards? Yes. To minimize calls, we created 2-minute videos that explain the concept of cost of attendance, net price, and satisfactory progress. We created an online portal to post the aid offer, along with videos and links to further information, stating plainly, in several places, that the aid offer is not equivalent to a bill. We cover the topic of cost of attendance versus the bill in our orientation moments with parents. This year, we

are adding another 2-minute video to our website, providing an overview of the aid offer for families to watch prior to receiving it.

Does the confusion remain? Yes. It is getting better as we remedy the pain points. Our aid offer is a constant work in progress. We approach compliance with an eye toward achieving Congress's intentions while serving and meeting the needs of the students we know and love.

Do we believe clearly communicating the cost of college is important to the process of selecting and attending college? Absolutely.

Do we believe the United States federal government can create a uniform aid offer or net price calculator that will solve all our problems? Respectfully, no.

Solutions:

1. Allow institutions the flexibility to customize their aid offers for specific student populations.

Despite the confusion the team at Southwestern College has fielded from students and families, I support the guidelines outlined in GEN-21-70 and espoused by the College Cost Transparency Initiative. (<https://www.collegeprice.org/standards>) If Congress would like to intervene in this area, doing so at the level of required contents and definitions is the best way to achieve industry-wide consistency. Students shouldn't have to figure out that a 'sub loan' at one school is the same as a 'DL Sub' at another school, and they should absolutely know that both of those things describe a loan. Students shouldn't have to look beyond the aid offer to see what the college estimates their travel expenses might be for attending. Allowing colleges to communicate those elements in ways that make sense for each of their unique populations is equally important to achieving clear communication.

We have, for example, seven versions of our financial aid offer. All seven contain the required content and definitions from the existing guidance, as well as the CCT principles and standards. The messaging surrounding those contents, however, is customized to the audience receiving the offer. Two versions are for incoming students – one for on-campus residents and another for students living off campus. Two are for returning students – again, one version for on-campus residents and one version for off-campus residents. A fifth version of our aid offer is for our graduate students attending our residential campus who have typically transitioned from our residential undergraduate program. A sixth version of the aid offer is sent to our online graduate and undergraduate students who are working adults and attending part-time. And finally, a seventh version of our aid offer is sent to our military population who also attend online.

I do not support a uniform aid offer that leaves little room for campus customization. We already have this in the form of the College Financing Plan (CFP), and schools that believe this will work for their students already use it for their aid offers. A working adult student is vastly different from an 18-year-old attending college for the first time. A first-time student is vastly different from a 22-year-old senior who has been around the block and is getting ready to graduate. One of my favorite guiding quotes is from author Stephen Covey, who said, “You can be efficient with things, but you can only be effective with people.” Being effective is messy. Being effective means saying the same thing in 50 different ways to meet the needs of the person you are speaking with. A uniform financial aid offer may be efficient, but it won’t be effective.

2. Improve the Net Price Calculator to provide a more accurate net cost calculation.

I agree with the committee that the Net Price Calculator (NPC) is a step in the right direction, but it doesn’t go far enough. I am intrigued by a calculator that would be tied to the College Scorecard site and entirely managed by the Department of Education. But the calculator must be improved. The best part of the NPC is that it requires very little information to create an estimate of a family’s Student Aid Index (SAI) and eligibility for federal aid. The way college costs and financial aid packages are presented must improve.

The reason colleges opt for calculators that exceed the minimum requirements is that the minimum requirements often create confusion. Worse, the minimum requirements cause students to eliminate a college from consideration even before the college has a chance to have a deeper conversation about cost. Why? Because families see the net price and believe they are looking at what the college will charge them to attend (i.e., the bill).

Families do not understand the concept of net price. When they hear the words ‘cost of attendance,’ they hear ‘the charges that will appear on my bill.’ When they see a net price, they believe it is the amount they will pay *in addition* to the cost of equipping their child with clothes, a means of transportation, and personal items for their residence hall. After we have properly educated families about what COA is and is not, the relief is visible. Once our families realize the amount the school will charge them is much less than the net price, they relax. Our net price calculator is slightly better than the federal NPC, but it’s still not perfect. We have found that the estimates we provide paint a more accurate picture of what it will cost to attend our institution.

How could the federal NPC improve? Allow families to toggle direct and indirect cost items on and off, enabling them to customize their results and more closely approximate an actual bill. Collect more nuanced data from colleges for a broader range of scholarship options based on merit (GPA/ACT/SAT) categories, as well as income bands. Separate

state financial aid from the average scholarship totals so that it can be added to the results of students from the home state. And if the data collected is old, which it will likely be if this is to be created by the federal government from existing data, please indicate the year the data represents to reduce confusion.

3. Rethink the way program data is presented on the College Scorecard.

The College Scorecard website presents the information it collects in a digestible format that is visually interesting. The site feels very much like a work in progress that has the potential to be a helpful tool. The scorecard achieves its goal of providing an objective set of data that enables users to compare institutions they are considering. I once read that homebuyers should fall in love with a prospective home purchase on their first visit and then return on another day to flush all the toilets, check for squeaky floorboards, and closely inspect the foundation. The scorecard appears to be designed to achieve the second part of the home-buying process. But it still needs work.

The program information as currently presented in the College Scorecard is incomplete. Because it is incomplete, it has the potential to frustrate students, student advocates, and colleges alike, ultimately undermining the tool's usefulness. Just for fun, I used the scorecard to search for fields of study. I selected "English Language and Literature, General" and "Bachelor's Degree" and clicked to search for colleges "Near Me." Three colleges appeared. Two had no data available. Of greater concern, none of the colleges listed was Southwestern College, which does offer a Bachelor of Arts in English and is very literally 'near me.' Students who will be using this feature will expect the search tool to return all colleges with the programs they have selected.

Schools will be more willing to support the tool if their programs appear in a search when they should. I'm assuming the field of study area of the scorecard is using data collected from the financial value transparency reports to build its database. It also appears to be using Classification of Instructional Programs (CIP) codes from the National Center for Education Statistics (NCES) to build the list of programs.

1. First, I would suggest simplifying the list of programs to a consumer-tested list and grouping the CIP codes around commonly accepted and tested titles. Is there a need, for example, to have "English Language and Literature, General" and "English Language and Literature/Letters, Other" listed separately?
2. Second, I would suggest listing all programs provided by an institution on the tool instead of just those that are required to be included in the financial value transparency report. The purpose of that report and the purpose of the scorecard are two different things. To be clear, I'm not proposing that schools be required to

report on all programs, regardless of their size. I am proposing that the scorecard list all programs provided by the school and, if available, include the financial transparency data for those programs.

Finally, I believe there is an important conversation to be had regarding the idea of measuring the quality of a school by the economic return produced by the individual upon graduation. Framing the conversation solely in terms of program value is distracting us from the real issue. Taxpayers are concerned that students who borrow loans for college are taking on debt beyond their ability to repay. That is a valid concern. While growing up on a farm, I learned the importance of thrift and budgeting from a very early age. In college, I chose to study what I loved. This decision caused my parents to become extremely concerned. They worried that I would spend all this money and time and never get a good job. I hold a Bachelor of Arts in English with a creative writing emphasis. Dad gave me four heifers to manage from his Angus herd so I would have a small, annual income. I got a job on campus to earn money for living expenses. And I borrowed loans to pay the rest. I graduated, got a job, wasn't paid a lot, but lived simply, worked hard, and repaid the loans before I was 30. At no time during all of that did I worry about the fact that my English degree didn't immediately lead to a great salary. Let's face it, I work at a small, private Christian college in the financial aid department. I still don't have a fantastic salary. A fabulous salary is not why I'm here. Money is not my primary motivation. I'm comfortable, and I'm content. I use my money wisely, and I live within my means.

My point is that a hard-working student who is properly educated about borrowing can learn and thrive in any program offered by a properly accredited institution. An uninformed student who is uneducated about borrowing will face challenges even if they are engaged in a fabulous program. A properly accredited degree is as valuable as the person doing the learning and the borrowing. Which brings us to the final area being considered:

4. Provide a simple calculator that helps students determine how much they should cap their borrowing based on their vocational choice before it's time to repay.

Informed borrowing is an excellent policy goal. When individuals borrow a mortgage, they visit a banker with their tax returns and W-2s, and the banker gives them the amount of home they can afford. When people plan for retirement, there are tools to help them determine when they can retire based on their accumulated savings. Borrowing for a college degree is an investment (and a bit of a gamble) in future earnings. Where is the calculator that will help an individual determine the limit they should borrow based on their vocational plans? The Loan Simulator on the www.studentaid.gov website is amazing. It is not meaningful to students until they are ready to repay loans they have already borrowed.

When students contemplate changing majors or come into the office worried about the amount of debt they are accumulating, we sit with them and help them calculate their borrowing capacity. We look at their accumulated debt, their vocational choice, and help them decide if they are on track to afford repayment or if they need to cut back and work more hours while they are in school to earn as they go. In short, we teach them how to borrow responsibly and provide them with a vision for managing their money in the future. A simplified calculator could be created from the existing Loan Simulator, or by using Department of Labor (DOL) data about average entering salaries per vocational choice. The math is simple. The information the calculation provides, and the visible confidence the student gains as they learn to take control over what they are doing, is priceless.

Seventy percent of residential campus students at Southwestern College borrow loans to attend. We are a private, non-profit college and don't receive state taxpayer support beyond some state-funded scholarship programs and tax relief as a non-profit organization. This year, we are providing \$15.7 million in institutional financial aid to help as much as we can. Borrowing student loans helps bridge the gap between the amount that scholarships and grants cover and the amount that families must pay up front. Borrowing to attend is a personal choice. People who borrow to attend do so because they value the education they are receiving.

In the words of one of our student workers, Isaiah Yehudah, "Attending Southwestern College was one of the better decisions that I have made. I had an option to go to a bigger university, but some learning environments aren't for everyone. With this type of college, I can have a more personal connection with my professors. At Southwestern, the professors actually know who you are and have a good understanding of your strengths. They know how they can personally assist you if you need help understanding anything."

This is why Isaiah is borrowing. Isaiah is an engaged learner. Isaiah is an informed borrower. Isaiah will have no difficulty thriving and repaying his student loans regardless of his degree.

Conclusion

Ultimately, this conversation is about helping students and their families make more informed choices when they decide to attend and borrow for a college education. Financial aid administrators play a critical role in the process. Part of the mission of Southwestern College is to live and teach a sustainable way of life. The Southwestern College financial aid team's mission is to serve students and families with integrity through the financial aid process, educating them according to their individual financial literacy needs. Our primary customer service goal is to achieve personalized and timely service to

students as they complete the financial aid process and to increase their awareness of financial literacy. Assisting students in discovering and calculating the cost of attending Southwestern College, as well as helping them understand how well their choices mesh with their vocational plans, is something we think about nearly every team meeting. I am honored to be asked to share my perspective on this topic with you. Thank you again for including a member of the financial aid profession as you consider policy solutions to better support students and families.

Thank you for your time. I'm happy to answer any questions you may have.