

## 6

## SESSION VI: FINANCIAL AID

## ACTIVITY #1: UNDERSTANDING FINANCIAL AID

### *Opening Discussion:*

Understanding financial aid may seem to be a difficult task but, with help, it can be manageable and it is well worth the effort in the end. There are lots of opportunities for students to receive enough aid to attend even the most expensive college.

### *Handout:*

**Paying for College is a Family Affair**

**Student Bulletin: A Quick Guide to Financial Aid Terms**

**Student Bulletin: Understanding Your Financial Aid Letter**

**How Financial Aid Works: Case Study**

**Resources: Flip chart or board**

### *Instructions:*

1. Read “Paying for College is a Family Affair” with the students, answering questions as they arise.
2. Ask students to work in pairs with the “Quick Guide to Financial Aid Terms.” One student will ask the other what he or she thinks the definition of the terms might mean. If the answer is correct, then they star (\*) the term. Student pairs should alternate asking/answering the questions. Once all sets of pairs have completed the exercise, then the facilitator can determine which group guessed the most “right” definitions of the terms. The students should be encouraged to take this handout home.
3. Next, give the students “Understanding your Financial Aid Letter.” On the board or flip chart, write out the sample aid package from “How Financial Aid Works” which provides a case study for the information in the financial aid letter.
4. Instruct students to take all the handouts home and discuss them with their families. IF possible, they should try to get on at least one of the suggested websites and, if they are seniors, they should go to the FAFSA website or ask their school counselor for a paper copy.



## PAYING FOR COLLEGE IS A FAMILY AFFAIR AND HERE'S HOW IT WORKS

**THE SAD FACT** is many students who earn admission to college never go because they do not complete the financial aid process.

**THE GOOD NEWS** is there are lots of ways to pay for college and lots of information and help are available to students who need financial aid assistance.

### *FACTS WORTH NOTING:*

- THE EARLIER YOU BEGIN TO THINK ABOUT PAYING FOR COLLEGE THE BETTER.
- MONEY IS AVAILABLE TO ALMOST EVERY STUDENT WHO ATTENDS COLLEGE.
- NO ONE GETS FINANCIAL AID BY WISHING! YOU NEED TO APPLY AND FOLLOW THROUGH.
- EVEN THE MOST AMBITIOUS STUDENT WILL NEED ASSISTANCE FROM THE ADULTS IN THE HOUSEHOLD IN ORDER TO COMPLETE THE FINANCIAL AID APPLICATION PROCESS.
- YOU DO NOT NEED TO PAY ANYONE TO HELP YOU APPLY FOR FINANCIAL AID! BEWARE OF ANYONE WHO OFFERS A SERVICE FOR A FEE.
- OFTEN THE MOST EXPENSIVE COLLEGES HAVE THE “DEEPEST POCKETS” AND CAN HELP THE VERY NEEDIEST STUDENTS MAKE COLLEGE AFFORDABLE.

**In a perfect world, families begin planning for college finances when their children are still in grade school. But we all know this is NOT a perfect world. So—the time for you to start thinking about paying for college is TODAY.**

### *There is a lot of money available to students with need:*

While it is true that college costs increase almost yearly, it is also true that there is more financial aid available than ever before—according to the federal government, more than \$199 billion. This money comes from the following sources:

- The US Department of Education’s Federal Student Aid (FSA) program which provide \$146.5 billion a year in grants, loans and work-study assistance.
- State grant and loan programs.
- College and university grant, loan and scholarship programs.
- Scholarships given by foundations, corporations, and community organizations.

### *These are the sources of financial aid:*

- **Grants and scholarships:** Also called “gift aid,” grants are based on financial need and do not need to be repaid. Scholarships are most-often awarded on the basis of merit, such as strong academic achievement, a special talent or ability, interest in a particular field or program, special circumstances, such as first-generation students, or family background.

- **Work-study:** This option gives students the opportunity for part-time employment ON CAMPUS to help them meet their financial need.
- **Loans:** These are offered to students or parents and must be repaid. Loans that are awarded based on financial need are low-interest loans, usually sponsored by the federal government. Interest on these loans is paid by the government for students with the greatest need. Repayment does not begin until six months after completion of the college program and may be deferred until a later date under some special circumstances.

### *APPLYING FOR FINANCIAL AID IS TIME-CONSUMING, BUT NOT HARD*

*Here is how the need-based application process generally works:*

1. Every student must complete the Free Application for Federal Student Aid (FAFSA). This is the most common application required by many colleges, and should be completed as soon possible after January 1 of your senior year in high school and no later than the priority deadline for each college you apply to. **As the name says, this is free!** The preferred method for completing this form is online, although a paper copy is available. The website is: **www.fafsa.ed.gov** (NOT .com which is a fee-based, unnecessary service)
2. A few colleges and universities also require that students complete a financial aid form specific to the institution, or the College Scholarship Service Profile application, which is offered through the College Board. There is a fee for this form, but fee waivers are available through school counselors and college financial aid offices.
3. Financial aid offices use the information provided through these forms to determine a family's ability to pay for college. This is called the "estimated family contribution" (EFC), and it is always the same, regardless of the cost of the college. Your financial aid offer will cover the difference between your EFC and the cost of attendance for your prospective college. That means that financial aid can help you afford even the most expensive college, if you are admitted.
4. In the spring of the senior year, colleges notify students of the amount and type of aid offered.
5. Students have until May 1 to compare offers of admission and financial aid in order to make one final college enrollment decision.

There are many people and resources who can help you find your way through the financial aid process. Your school counselor, your teachers, adults in your community or place of worship may all be available to advise you. **At every college you consider, financial aid officers will be eager to help students and families understand and complete the financial aid process. Don't be afraid to ask for lots and lots of help.**

If you are a good student and an active participant in school and community, you may qualify for scholarships offered by corporations, foundations, religious organizations, or community groups. Ask at your school about possibilities. Do some research online at **www.fastWeb.com** and **The College Board** ([http://apps.collegeboard.com/cbsearch\\_ss/welcome.jsp](http://apps.collegeboard.com/cbsearch_ss/welcome.jsp)).

**In the end, all of the work required to apply for financial aid is well worth the effort! In 2008:**

- **College graduates earned an average of \$55,700**
- **High School graduates earned an average of \$33,800**

**Over the course of your life and career that difference will make up for the cost of even the most expensive college—many times over!**

For more information on financial aid visit: **www.studentaid.ed.gov** and **www.finaid.org**

# HERE IS A SAMPLE SHOPPING SHEET FROM THE US DEPARTMENT OF EDUCATION:

[www.ifap.ed.gov/dpclatters/attachments/ShoppingSheetTemplateGEN1326.pdf](http://www.ifap.ed.gov/dpclatters/attachments/ShoppingSheetTemplateGEN1326.pdf)

MM / DD / YYYY

University of the United States (UUS)

Student Name, Identifier

**Download**

Costs in the 2014-15 year

**Estimated Cost of Attendance** **\$X,XXX / yr**

Tuition and fees .....	\$ X,XXX
Housing and meals .....	X,XXX
Books and supplies .....	X,XXX
Transportation .....	X,XXX
Other education costs .....	X,XXX

Grants and scholarships to pay for college

**Total Grants and Scholarships** ("Gift" Aid; no repayment needed) **\$X,XXX / yr**

Grants and scholarships from your school .....	\$ X,XXX
Federal Pell Grant .....	X,XXX
Grants from your state .....	X,XXX
Other scholarships you can use .....	X,XXX

What will you pay for college

**Net Costs** **\$X,XXX / yr**

(Cost of attendance minus total grants and scholarships)

Options to pay net costs

**Work options**

Work-Study (Federal, state, or institutional) .....	\$ X,XXX
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Loan Options\*

Federal Perkins Loan .....	\$ X,XXX
Federal Direct Subsidized Loan .....	X,XXX
Federal Direct Unsubsidized Loan .....	X,XXX

\*Recommended amounts shown here. You may be eligible for a different amount. Contact your financial aid office.

Other options

**Family Contribution** **\$X,XXX / yr**

(As calculated by the institution using information reported on the FAFSA or to your institution.)

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<ul style="list-style-type: none"> <li>Payment plan offered by the institution</li> <li>Parent or Graduate PLUS Loans</li> </ul>	<ul style="list-style-type: none"> <li>Military and/or National Service benefits</li> <li>Non-Federal private education loan</li> </ul>
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**Graduation Rate**

Percentage of full-time students who graduate within 6 years

XX.X%

Low	Medium	High
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**Loan Default Rate**

Percentage of borrowers entering repayment and defaulting on their loan

X.X%

This Institution	National
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**Median Borrowing**

Students who borrow at UUS typically take out \$X,XXX in Federal loans for their undergraduate study. The Federal loan payment over 10 years for this amount is approximately \$X,XXX per month. Your borrowing may be different.

\$

**Repaying your loans**

To learn about loan repayment choices and work out your Federal Loan monthly payment, go to: <http://studentaid.ed.gov/repay-loans/understand/plans>

**For more information and next steps:**

**University of the United States (UUS) Financial Aid Office**

123 Main Street  
Anytown, ST 12345  
Telephone: (123) 456-7890  
E-mail: [financialaid@uus.edu](mailto:financialaid@uus.edu)

Customized information from UUS



## STUDENT BULLETIN

Adapted from: [www.fastWeb.com](http://www.fastWeb.com). Visit the site to search over \$3.4 billion in scholarships!

**Volume 2**

High School Edition

### *Quick Guide to Financial Aid Terms*

A few weeks after submitting your FAFSA, you will receive a copy of your **SAR**, and your prospective college(s) will receive a copy as well. Using information taken from your SAR, each school you applied to will send you an Award Eligibility Letter and Financial Aid Shopping Sheet, breaking down your Aid Eligibility. The aid offered in the letter will be based on your Financial Need, which is equal to your COA minus your EFC. The Shopping Sheet will provide you with your Net Cost and breakdown options to pay these costs.

This can quickly get confusing. To better understand the financial aid process, here are the key terms YOU need to know:

**Free Application for Federal Student Aid (FAFSA):** This is the form used by the government to determine the amount of federal and state aid you are eligible to receive. For more information about how to complete the FAFSA, watch the four-minute FAFSA video at [www.fastWeb.com/financial-aid](http://www.fastWeb.com/financial-aid).

**Expected Family Contribution (EFC):** This is a measure of your family's financial strength based on income, assets, family size, etc., and gathered from information you submitted on the FAFSA. Your EFC represents the amount of money the federal government believes your family can contribute toward one academic year of college. The actual amount your family ends up paying could differ from the EFC figure, depending on which sources of aid are available to you.

**Student Aid Report (SAR):** This is the official notification sent to you that confirms your FAFSA has been processed. This document will include your Expected Family Contribution (EFC).

**Cost of Attendance (COA):** This figure includes the total price of tuition, fees, room, board, books, supplies, transportation and personal expenses for one year of college. This is also known at some colleges as the "Student Budget."

**Financial Need:** This is the difference between your Cost of Attendance (COA) and your EFC.

**Net Cost (or Net Price):** An estimate of the actual cost that a student needs to pay in a given year to cover educational expenses to attend a school. Net price is calculated by subtracting any grants/scholarships (free money) for which the student is eligible from the institution's COA.

**Aid Eligibility:** This is the total aid you are eligible to receive. It can include scholarships, grants, work-study and loans. Any aid that is offered is typically summarized in an award letter and sent to you by your prospective college(s).

**Award Eligibility Letter:** This is the list of aid that you are eligible to receive from your prospective college, including terms and conditions. You should be aware that you are not required to accept all the aid found in the letter. You could turn down loans, for example.

**Financial Aid Shopping Sheet:** A standardized form that simplifies the information prospective students receive about costs and financial aid so they can easily compare institutions financial packages and make informed decisions about where to attend school.

*Now that you know these key terms, re-read the top paragraph of this bulletin. It should be much clearer to you! Visit [www.studentaid.ed.gov](http://www.studentaid.ed.gov) or [www.finaid.org](http://www.finaid.org) for more information on the financial aid process.*



### Types of Aid

**Federal Aid** is financial aid that comes from the government and is usually disbursed through your college. Grants, loans and work-study are types of federal aid. You must complete the FAFSA to apply for this aid.

**Grants** typically are based on financial need and do not need to be paid back. An example is the Pell Grant. Eligibility often depends on your FAFSA results. Many schools also offer state and institutional grants that may be awarded to students, including those who may not be eligible for federal student aid.

**Scholarships** usually are based on achievement or talent and do not to be paid back. You can search for scholarships at [www.fastWeb.com](http://www.fastWeb.com). FastWeb adds and updates scholarships every single day. Also, your prospective college(s) may offer scholarships based on merit and/or need. Call their financial aid office or visit their website to find out which scholarships are available to you and the application deadline.

**Loans:** These funds are borrowed money and must be paid back, usually with interest. There are federal student loans, federal parent loans, and private loans. The good news is that interest rates for federal student loans and parent loans are currently at historic lows. However, you must demonstrate financial need for some loans, like the Perkins Loan. To find out more about loans, visit [www.studentaid.ed.gov/types/loans](http://www.studentaid.ed.gov/types/loans) or [www.finaid.org/loans](http://www.finaid.org/loans).

**Federal Work-Study:** This program provides part-time jobs for students with financial need. Jobs are usually available on and off campus and listed through the school's financial aid office.

### Loan Terms

**Student loans** come in many varieties. The best loan terms are offered through the loan programs regulated by the federal government, such as Direct and Perkins loans. Banks and other financial institutions also offer private loans, sometimes known as alternative or direct-to-consumer loans. Private loans are not regulated by the federal government and may offer unfavorable terms, such as high or ballooning interest rates and lack of flexibility for periods of financial hardship or unemployment. If you are offered a loan that is not regulated by the federal government, be sure to understand all the terms before you sign. If you have any doubts, ask a financial aid officer for advice.

**Interest:** A periodic charge for borrowing money, expressed as a percentage of the loan balance. Interest rates are either variable (the rate can change) or fixed (the rate will not change).

**Annual percentage rate (APR):** The overall cost of borrowing money, expressed as an annual percentage of the loan balance. The APR combines the interest rate with loan fees, and also includes the effects of compounding.

**Default:** Failure to repay your loan; it may lead to legal action to recover the money and can negatively affect your credit rating.

**Principal:** The full amount borrowed. During repayment, it refers to the portion of the original amount still owed (not including interest).

**Loan Fees:** One-time charges to originate or guarantee a loan, expressed as a loan balance percentage.



## STUDENT BULLETIN

From: [www.fastWeb.com](http://www.fastWeb.com). Visit the site to search over \$3.4 billion in scholarships!

**Volume 2**

High School Edition

### *Understanding Your Financial Aid Award Letter*

Use this example as a guide to reading your financial aid award letter. Remember, you can choose to accept or decline any part of your financial aid package. Make sure to contact your prospective college's aid office immediately, if you have any questions.

#### **Expenses (COA\*)**

Tuition:	\$7,334
Health and Fees:	176
Books/Supplies:	1,015
Room/Board:	5,204
Personal:	2,600
Transportation:	910

**Total Expenses: \$17,239**

\* Cost of Attendance (COA): The total expenses (tuition, fees, etc) of one year's education. Your school may also include indirect costs (books, room and board, transportation, personal expenses, etc.). Our example includes both direct and indirect expenses.

#### **Resources (EFC\*)**

Family's Resources

Parent's Contribution:

From Earnings: \$2,500

From Assets: 112

Student's Contribution: 500

Other Resources

**Total Resources: \$3,112**

\* Expected Family Contribution (EFC): Amount your family is expected to give per year, determined by FAFSA results (e.g., EFC is \$3,112 [2,500+112+500]). The amount you end up actually paying could differ from the EFC, depending on what resources are available at your college.

**Awarded Financial Aid**

Award	Fall	Spring	Total	Accept ✓	Decline ✓
Pell Grant	\$625	\$625	\$1,250		
Direct Loan (Subsidized)	\$1,500	\$1,500	\$3,000		
Direct Loan (Unsubsidized)	\$1,938	\$1,938	\$3,876		
Total Direct Loans			\$6,876		

**Total Financial Aid Package: \$8,126**

(COA) - (EFC) - (Aid) = Unmet Need

\$17,239 - \$3,112 - \$8,127 = \$6,000

*Notice the choice to accept/decline each award*

Federal Pell Grant (free money)

Federal Direct Loan—Subsidized (interest-free until six months after graduation)

Federal Direct Loan—Unsubsidized (interest accrues immediately after loan is disbursed) If you have applied to other schools, compare this financial aid award with the others. Remember to search for scholarships at **www.fastWeb.com!** Scholarships will always be the best way to meet the costs of a college education.

*Comparing Financial Aid Award Letters*

You may receive award letters from different colleges. Keep the following in mind when making your final decision.

- Look carefully at your award letters: Letters from different schools will probably have their figures and costs in different formats. Compare award letters to see how their offers measure up. Ask if outside scholarships will affect your aid.
- Compare loan offers: Interest rates, how interest compounds, repayment terms and cancellation provisions can vary widely from loan to loan.
- Compare affordability of aid offers over time: Ask how your financial aid package will change over time. The aid package made available to you in your senior year may look very different from the one you were offered freshman year.
- Look beyond the “sticker price”: The school with the lowest cost of attendance may not be the most affordable. The amount and type of aid offered will influence affordability.
- Don’t accept an offer just because it has the lowest “unmet need”: You may save more by accepting an offer with a higher unmet need, if the aid package offers scholarships, grants and work-study instead of loans.
- Compare like terms: How do the schools determine cost of attendance? Do they all include direct costs as well as indirect costs? How do they handle outside scholarships? What work-study options are available? What are wages like? Can you substitute work-study for a loan?