Financial Aid 101

A College Education is Affordable
Everything You Always Wanted to Know About Financial Aid...

(but were afraid to ask.)
Overview

- Need-based financial aid
- Merit-based scholarships
- Alternative financing
- An insider’s list of consumer tips
What is the purpose of need-based financial aid?

- Equal access
- Make education accessible to students who can’t afford it on their own
- Enable student to apply to first-choice college
- Attend college based on best fit
What assumptions underlie need-based aid?

- Families contribute to the extent they’re able
- Income and assets reflect financial strength over time
- Unusual family circumstances considered
- Similar treatment for similar circumstances
- More expected from those with greater resources
How do students apply for need-based financial aid?

- **Federal formula**
  - FAFSA (Free Application for Federal Student Aid)

- **Institutional formula**
  - CSS/Financial Aid PROFILE

- At school’s discretion:
  - Institutional application
  - Tax returns and W–2 forms
  - Noncustodial PROFILE

- Families must reapply annually
How is eligibility for financial aid determined?

Cost of education
- Estimated Financial Assistance (outside resources)
- Family contribution
= Student’s financial need
What is included in cost of education?

- Tuition and fees
- Room and board
- Books and supplies
- Transportation
- Miscellaneous personal expenses
Are there instances where a student is self-supporting?

- Were you born before Jan. 1, 1987?
- As of today, are you married?
- Will you be working on a master’s or doctorate?
- Are you currently serving on active duty in the US Armed forces (other than training)?
- Are you a veteran of US Armed Forces?
- Do you have children who live with you and receive more than half their support from you?
- When you were 13 or older, were both your parents deceased, were you in foster care or a ward of the court?
Self–supporting Student, cont.

- Are you an emancipated minor as determined by a state court?
- Are you in legal guardianship as determined by a state court?
- Have you been declared by your school district liaison of an emergency shelter director funded by HUD to be homeless?
- Did the director of runaway/homeless shelter determine you to be homeless or self–supporting?
How is the family contribution determined?

- Parent contribution from income
- Parent contribution from assets
- Student contribution from income and assets
How is parent contribution from income calculated?

Parent Income

Total Income

minus (−) allowances (what we don’t consider)

times (×) Assessment Rate (22%–47%)
equals (=) Available Income
How is parent contribution from assets calculated?

Parent Assets

Assets
minus (−) Allowances
\[ \times \text{Assessment Rate} \ (3\% - 12\%) \]
equals (\=) Contribution from Assets
How is total parent contribution calculated?

Total Parent Contribution

Available Income

plus (+) Available Assets

# in college adjustment

equals (=) Parent Contribution
How is student contribution calculated?

Income

plus (+) a % of Assets

equals (+) Student Contribution
How is the family contribution calculated?

Parent Contribution + Student Contribution = Expected Family Contribution
Recap: What is financial need?

Budget (variable)
- Personal Expenses
- Transportation
- Books and Supplies
- Room and Board

Tuition

EFA
- Estimated Financial Assistance (Outside Resources)

EFC (constant)
- Student Contribution
- Parent Contribution

Need (variable)
How is financial need met?

- Gift aid
  - Grants
  - Scholarships
- Self-help aid
  - Student loans
  - Employment
## What might a sample aid package look like?

<table>
<thead>
<tr>
<th></th>
<th>Davidson</th>
<th>Private #1</th>
<th>Private #2</th>
<th>Public U.</th>
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</thead>
<tbody>
<tr>
<td>Total Cost</td>
<td>$48,000</td>
<td>$50,000</td>
<td>$35,000</td>
<td>$19,000</td>
</tr>
<tr>
<td>Family Contribution (EFC)</td>
<td>$10,000</td>
<td>$10,000</td>
<td>$10,000</td>
<td>$10,000</td>
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<tr>
<td>Financial need</td>
<td>$38,000</td>
<td>$40,000</td>
<td>$25,000</td>
<td>$9,000</td>
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<tr>
<td>Merit aid</td>
<td>$0</td>
<td>$0</td>
<td>$10,000</td>
<td>$0</td>
</tr>
<tr>
<td>Need grant</td>
<td>$35,900</td>
<td>$33,300</td>
<td>$2,800</td>
<td>$1,500</td>
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<tr>
<td>Student loan</td>
<td>$0</td>
<td>$4,000</td>
<td>$5,500</td>
<td>$5,500</td>
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<tr>
<td>Work Study</td>
<td>$2,100</td>
<td>$2,700</td>
<td>$1,800</td>
<td>$1,000</td>
</tr>
<tr>
<td>Total aid</td>
<td>$38,000</td>
<td>$40,000</td>
<td>$20,100</td>
<td>$8,000</td>
</tr>
<tr>
<td>Unmet need</td>
<td>$0</td>
<td>$0</td>
<td>$4,900</td>
<td>$1,000</td>
</tr>
<tr>
<td>Total paid</td>
<td>$10,000</td>
<td>$10,000+loan</td>
<td>$14,900+loan</td>
<td>$11,000+loan</td>
</tr>
</tbody>
</table>
What are merit-based scholarships?

- Typically, there’s an inverse relationship between selectivity and number of merit awards
- Strategies underlying merit awards vary
  - Recruiting device
  - Awarded after student is admitted
- Procedures for being considered vary
  - Nomination
  - Scholarship application
  - Admission application
What are athletic scholarships?

- Based on athletic talent
- Usually awarded by athletics department, not admission/financial aid office
What questions should students ask about merit and athletic awards?

- Is the scholarship renewable?
- If so, what are the requirements for renewal?
- Will the scholarship affect need-based aid eligibility?
What other options can help a family pay for college?

- Summer/academic year employment
- 529 savings plans, other savings plans
- Life insurance policies, retirement funds
- Payment plans
What loan options are there for college costs?

- Federal Stafford or Direct Loans
- Federal PLUS Loans
- Federal Perkins Loans (at some institutions)
- Lines of credit and education loans
- Loans against home equity, insurance policies, retirement funds
What Federal grants are available for students?

- Pell Grant
- Supplemental Educational Opportunity Grant (SEOG)
- Academic Competitiveness Grant (ACG)
- National Science and Mathematics Access to Retain Talent Grant (SMART)
- Teacher Education Assistance for College and Higher Education (TEACH)
What can outside scholarships do? What can’t they do?

- Can… meet unmet need (gapping) and/or generally reduce loans or jobs
- Can’t… replace EFC in a need-based award
What are other things that students should know?

- Deadlines are important
- Early Decision/Early Action
- Need-blind vs. need-sensitive
- Differential/preferential packaging
- May 1: National Candidate’s Reply Date
More consumer tips

- Avoid financial aid consultants
- Avoid scholarship programs that charge application fees
- Avoid scholarship search services that charge fees
- Bargaining/negotiating?
- Know your loans
What about the current financial situation?

- Institutions may choose to consider individual family circumstances at different times throughout the year.
- Might affect a family’s funding options.
- Might not affect EFC.
On-line resources

- The College Board
  www.collegeboard.com
- SmartStudent Guide to Financial Aid
  www.finaid.org
- Federal government
  www.ed.gov
- Scholarship Web sites
- School Web sites
- www.davidson.edu
College is an investment that lasts a lifetime.

Questions ???
Thank you!

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