

Financial Aid Workshop

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Agenda

- What is Financial Aid? & why care about it now?
- Types of aid
- Need-based vs. Merit-based strategies
- Alternative financing options
- Questions to ask
- Q&A

What is Financial Aid?

Financial assistance to help families cover the cost of attendance.

- Need-Based and/or Merit-Based
- Gift (Grants & Scholarships)
- Self-help (Loans & Work-Study)

It can come from

- State and Federal Governments
- Institution
- Outside/Private sources (other than the family)

The role of Financial Aid in College Choice

- About 40% of students who decided not to go to their first-choice college cited reasons related to cost (*Inside Higher Ed*)
- College is a long-term investment for the student *and* family

What to know now


- Your financial aid expectations, needs & limitations throughout the *entire admission process*
- Net Price Calculator/Early Estimate Forms
 - any institution that receives federal funds must post a Net Price Calculator on their website

What to know about college costs

- Both institutions and families are working with budgets
- Different types of institutions have different costs
- Different types of institutions have different financial aid practices

What to know about college costs


- Be sure that you are comparing apples to apples
- Tuition vs. Cost of Attendance vs. Net Price



Portion of college costs for academic administration only



Comprehensive cost for one academic year – can include, room & board, travel, books, etc.



Your out of pocket expenses

Types of Financial Aid



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Grants & scholarship programs

Funds that you receive and are not required to pay back or earn

- Institutional grants or scholarships
 - Can be need or merit-based
- Federal Pell Grant
- Federal Supplemental Educational Opportunity Grant (SEOG)
- State Grant (PHEAA)
 - PA has reciprocity with: DE, D.C., MA, OH, VT, WV

Student loans

- Federal Direct Loan
 - Subsidized
 - Unsubsidized

Student loans

- 19% of college costs are covered by student borrowing & 8% are covered by parent borrowing (*How America Pays for College*, Sallie Mae)
- Average loan debt for the US is: \$28,650 (Institute for College Access & Success)
- The average loan debt for PA is \$36,854 (Institute for College Access & Success)
- Asking about a college's default rate can often given insight on the return on investment

Work-study

- Funds that need to be earned by the student
- Employment policies vary across institutions (how do you get a work-study job?, what happens if you earn more than your award?)
- These funds are often listed in a financial aid award but are not directly credited to the student account

Financial aid policies



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Expected Family Contribution (EFC)

The EFC is the amount used by colleges to evaluate a family's *ability* to pay for college through:

- Direct contribution from income
- Drawing down on assets
- Borrowing

This amount can be calculated using variations of the:

- Federal Methodology (FM)
- Institutional Methodology (IM)

*Your calculated EFC does not mean that your bill will match that number exactly, it is a number used in a formula

Need-based financial aid

- Philosophy is to ask every family to contribute what they can
- A combination of grants or scholarships, work and loan programs attempting to meet the need of the family.

Cost of Attendance

- Expected Family Contribution

= **Financial Need**

Colleges can calculate your need differently

Federal Methodology

- Number in household
- Custodial Parent & Spouse
- Income & taxes
- Assets
 - Home equity not included
- Applied the same way across all institutions

Institutional Methodology

- Number in household – with details on family composition
- May consider parent not living in the household
- Income & taxes with details on how they were earned
- Assets
 - Home, farm & business equity
- Allows for customizing based on institutional priorities

EFC formulas:

Do:

- Assess *ability* to pay for college
- Account for cost of living
- Protect income and assets based on input in the formula
 - How close you are to retirement, where you live

Do NOT:

- Evaluate a *willingness* to pay for college
- Use traditional retirement accounts (401k, 403b)
- Use a cash-flow analysis
 - Outgoing expenses cannot be fairly applied across all applicants for financial aid and are therefore not part of the formula

Merit-based financial aid

- Philosophy is to use scholarship funds to attract top students to enroll in their institution
- Awards can be based on academic, athletic or artistic talent, contributions outside of the classroom or any combination of your application information

Preferential packaging

- Colleges use financial aid as a recruitment tool to attract the strongest students
- Institutions use their own grant funding to improve the strength of a financial aid award

Preferential packaging

- Where you sit in the applicant pool will determine your financial aid award
- Example: academics



Applying for financial aid



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Applying for financial aid: forms

- Free Application for Federal Student Aid (FAFSA)
- CSS PROFILE (CollegeBoard's form, used by more than 600 colleges)
- Institutional Forms
- Primary Documentation
 - Tax Returns, W-2 Statements, IRS Transcripts

Applying for financial aid: timeline

- FAFSA & CSS PROFILE are available in October of your senior year
- Use income information from two years prior to your enrollment
 - Start college in Fall 2019
 - Use taxes from 2017, filed in April 2018

Applying for financial aid: who

- When parents do not share the same household, the parent that files the FAFSA is:
 - the parent with whom the student lives most of the year
 - OR the parent who provided more financial support during the previous 12 months

Note: who claims the student on the taxes does not determine who is the “custodial parent”

Applying for financial aid: who

- If the custodial parent is remarried, that step-parent's information is **required** on the FAFSA
- Non-custodial parent information *may* be requested by the institution in different ways (CSS PROFILE, institutional form)
- Non-custodial parent information is not included in federal or state eligibility requirements

Applying for financial aid: deadlines

- May 1 (of the senior year) for PA state grants
- Institutional deadlines for financial aid
 - Some institutions may have different deadlines for internal scholarships and availability of scholarships may be dependent on application plan
- Enrollment/Application deadlines

Alternative Financing Options

Closing the gap after financial aid



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Alternative Loans

- Student loans or alternative loans in the parent's or student's name
- Can come from the federal government (Parent Plus Loan) or a variety of lenders
- Ask about interest rates, deferment options and payment plans

Outside scholarships

- Look locally
 - Talk to your counselors
 - Apply for smaller scholarships
 - Apply often, early and throughout your enrollment
- Online resources:
 - www.fastweb.com
 - www.collegeboard.com

Other options

- Payment plans
 - Check with your institution
 - Allow for installment plans

What should I be asking?



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What should I be asking?

- Do you practice need-blind admission?
- Do you offer merit-based scholarships?
 - If so, what are the requirements to qualify?
- Do you guarantee to meet full need?

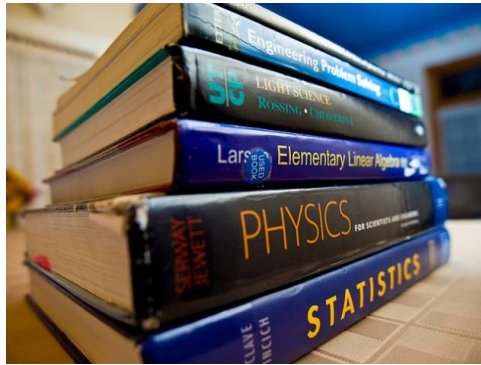
What should I be asking?

- What is your financial aid deadline and what forms do you require?
- Can I expect to receive a similar financial aid package all four years? Assuming my financial circumstances don't change?
- What is your policy on outside scholarships?

What should I be asking?

- When will I get my financial aid award letter?
- How does the financial aid application or policy differ for early decision/early action students?
- If the financial aid award is insufficient, how do I appeal for more financial aid?
- Any special circumstances that you might have...

Return on Investment



nerd wallet
We do the homework for you.



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Question & Answer

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