

Making Sense of Your Financial Aid Award Letter: What do the numbers mean?

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Receiving your financial aid award letter can be an exciting time when you're prepping for college. You can see how much financial aid you're eligible to receive per college you're accepted to. But it can also be confusing – what do the numbers mean? What is the financial aid award letter, and do you need to act on it? Which college has offered you a better “deal?” We're breaking all of this down for you.

- What is a financial aid award letter?
- What do the different parts of the financial aid award letter mean?
- When will I receive my letter?
- What if I'm accepted to multiple colleges?
- Should I accept the federal loans offered to me?
- How should I be comparing multiple financial aid award offers?
- How do I cover any additional expenses?
- What do I do next?
- Want to learn more about your financial aid options?

What is a financial aid award letter?

Your financial aid award letter will include information about how much your college is offering you in grants, scholarships, work-study, and student loans. The letter may also include the estimated cost of one year of attendance (COA) at the college.

(If you want more help figuring out what your award letter means or comparing your options, you might be interested in our free College Cost Insights product.)

What do the different parts of the financial aid award letter mean?

The award letter will include the college letterhead, your name and address, and an opening paragraph explaining this is your financial aid award offer.

Estimated Cost of Attendance

Your award letter *should* include information about the costs of attendance because that will help contextualize your offer.

However, according to analysis by the New America research organization, about 30% of award letters don't include this at all.

Another large portion only include *part* of the costs. So remember that when reviewing your award letter, you'll want to double check you understand the two types of costs:

1. Direct / Billable Costs

Direct costs are paid directly to the college, such as tuition, room and board, and other fees determined by the college.

2. Indirect / Other Costs

Indirect costs, also known as other costs, are paid by you, the student, on your own. Other expenses might include transportation (car, gas, bus), textbooks, school supplies (notebooks, pens, paper), technology (computer, phone, chargers), and personal expenses (food, clothing, toiletries, etc.).

Your actual financial aid award

Sometimes your letter will include all the types of aid lumped together in one list or table. But keep in mind that there are three very different types of aid.

1. Grants & Scholarships / Awards / Gift aid

This section will list the scholarships and grants you've received.

This is free money that you don't have to pay back, funded by either the (federal/state) government or the college itself (through its endowment). The awards might be broken down into fall semester, spring semester, and the total awarded for the semester.

You should always accept 100% of your gift aid because it's free money!

2. Work-study

You might get federal (or state) work-study aid. This is money earmarked for you, but you don't get automatically. You have to apply for a job, and work enough hours to earn the full maximum amount allocated to you.

You should always accept your work-study offer. If you don't end up actually working, that's okay. There's no penalty for this. You can get more information about work-study [here](#).

3. Loans

A loan is money you borrow and then need to pay back, with interest (a percentage “fee” for borrowing). Generally, the loans on your award letter will be federal ones made out directly to you the student (direct Stafford subsidized/unsubsidized loans) or to your parents (Parent PLUS loan). Like your grants, the amounts offered may be broken down per semester.

Some schools include extra information about the terms of the student loans offered. If not, you can find information on how student loans work here, or more specific information about federal student loans here. Finally, if you need help estimating your total loan debt and monthly payments, we can help you here.

You should only accept whatever loans you actually need.

Out-of-pocket cost

Some award letters also calculate your out-of-pocket cost, which is the total amount of money you'll be responsible for paying, after financial aid awards are applied. You can pay this cost via cash savings or by taking out additional private loans. Note that your out-of-pocket cost always assumes that you'll accept 100% of the aid offered to you (and work enough to earn 100% of your work-study grant).

The calculation the school *should* use is:

Total cost of attendance MINUS Total financial aid award

— =Your out-of-pocket cost

However, in reality, some colleges are sneaky and don't use the *full* cost of attendance. Instead, they do the calculation with just the direct/billable costs. This means your out-of-pocket cost is actually higher, because you'll also have to pay for indirect costs (laptop, textbooks, transport, etc.)

Also remember that indirect costs vary from person to person, because students have different spending habits.

Expected family contribution (EFC)

This is the amount you and your parents/guardians are meant to pay for college. Usually, it's based on your FAFSA EFC calculation. Some schools break this down even further, into "Parent contribution" and "Student contribution" because, for example, they might expect you to work a summer job to be able to contribute to your tuition too.

Normally, colleges that include the EFC in your award letter do so, in order to calculate your **financial gap** or **unmet financial need**. Both of these terms refer to the same idea: how much you'll likely need to borrow in private loans to be able to make up the difference between your out-of-pocket costs (what you *need* to pay) and your expected family contribution (what you *can afford* to pay).

Out-of-pocket costs MINUS Expected family contribution

— = Your "**financial gap**" or "**unmet financial need**" (usually, what you need to take out in private student loans)

Since you'll want to avoid private loans as much as possible, if you have a financial gap, consider searching for external scholarships.

Closing & Deadlines

The college might include a closing paragraph thanking you for your interest in the college, a deadline to accept the financial aid award offer, and contact information.

When will I receive my letter?

In most cases, you'll receive each financial aid award letter around the time that you receive your college admission offer letters (your acceptance letters). Once you select the college you want to attend, you may choose to accept your financial aid offer or appeal it.

You'll receive a new financial aid award letter each year, since tuition costs can increase and your financial circumstances might change. (This is also why you need to file your FAFSA every year!)

What if I'm accepted to multiple colleges?

You'll receive one financial aid award letter for each school you're accepted to. Each letter will lay out your awards, but they actual format might be different, which *can* make them a bit tricky to compare. So if you need help figuring out what your best option is, check out our free Insights product, which will help walk you through how to compare college costs.

You might also receive a better financial aid package from a school that's lower on your target college list. If so, consider writing a financial aid appeal letter explaining that you would like to attend your top choice school but received a much better financial aid package at a competing school.

Should I accept the federal loans offered to me?

Probably yes. If you have to take out student loans to pay for college, you should generally max out your government loan offers, before seeking private company alternatives. That's because government loans often have much better borrowing terms (lower interest rates, longer repayment periods).

And before you turn to private student loans to fill any remaining financial gap, remember that you can win "external" or "outside" scholarships, above and beyond this financial aid award package. You can sign up for Going Merry to find and apply for these kinds of scholarships.

How should I be comparing multiple financial aid award offers?

If you receive multiple financial aid award letters, compare the out-of-pocket cost AND the amount you'll be taking out in loans (versus scholarships/grants). Put another way, you'll be comparing the cost NOW (out-of-pocket) and the cost LATER (loans).

For example, which offer do you think is best, from these three?

College A:

- Cost of attendance (tuition, fees, books, etc.): \$40,000
- Award package (scholarships, grants, work-study): \$20,000
- Award package (loans): \$15,000
- Net cost (need to pay): $\$40,000 - \$20,000 - \$15,000 = \$5,000$
(pay now) + \$15,000 loans (repay later)

College B:

- Cost of attendance (tuition, fees, books, etc.): \$30,000
- Award package (scholarships, grants, work-study): \$20,000
- Award package (loans): \$5,000
- Net cost (need to pay): $\$30,000 - \$20,000 - \$5,000 = \$5,000$
(pay now) + \$5,000 loans (repay later)

College C:

- Cost of attendance (tuition, fees, books, etc.): \$20,000
- Award package (scholarships, grants, work-study): \$5,000
- Award package (loans): \$5,000
- Net cost (need to pay): $\$20,000 - \$5,000 - \$5,000 = \$10,000$
(pay now) + \$5,000 loans (repay later)

In this case, **College B** has given you the best offer because it has the lowest costs (now and later). What does this tell us?

- **The college with the lowest direct/indirect costs is not always the most affordable college for you.** College C originally costs less than College B (\$20k vs. \$30k) but because the aid package is worse, your net cost is better for College B. Sometimes, more expensive colleges might end up being cheaper for you, if the schools have big endowments (so give generous financial aid) or if you qualify for merit scholarships.
- **Don't forget that loans aren't free money!** You still have to repay them later. Even though College A and College B have the same "net cost" to pay now, with College A you would have much more debt (\$15k compared to \$5k). So even though colleges often don't highlight this aspect, it's important to consider when comparing offers.

However, if your first-choice college isn't the one that's given you the best financial aid package, then you might want to consider writing a financial aid appeal letter to request more award money and bring down your net cost of attendance.

Confused? Don't want to do all this math? Then try out our free Insights product, which will ask you simple questions, and then do all the calculations for you. We'll even look up your estimated future salary for each college, plus calculate your future student loan payments to make sure you'll be able to afford them.

How do I cover any additional expenses?

There might be additional expenses over and above what the college has included in their Cost of Attendance calculation—like materials to make costumes for theme parties, or extra supplies to improve your productivity (like a laptop stand).

You have a few options in covering these extra expenses. You can work part-time, tap into your existing savings account, or apply for scholarships and/or student loans. Keep in mind, scholarships are free money, while loans require you to pay back the money with an interest rate.

What do I do next?

- Contact your college's financial aid office with any questions you might have, and to see if you qualify for additional financial aid. (You might also appeal for more aid.)
- If you're awarded merit scholarships, confirm if and when the scholarship awards can be renewed, and what you have to do or maintain to keep the scholarship throughout your college education.
- If you plan to participate in a work-study program, speak with your school about how many hours you'll be working, how to find or get placed in a job, and how much / when you'll be paid.
- Additionally, if you plan to use federal student loans, confirm the interest rate, how much and when you'll pay, and how soon you'll need to start paying back the loan after you receive the funds.

Once you have all the information, accept your award letter by the deadline indicated. Remember to also decline your offers at other schools.

Want to learn more about your financial aid options?

Check out these blog posts for more financial aid resources pertaining to your award letter:

- [How to apply for scholarships](#)
- [The Ultimate Financial Aid Guide](#)
- [Financial Aid Appeal Letter](#)

If you're ready to start applying for scholarships, get started with Going Merry today! Sign up for your free profile. We'll match you with thousands of scholarships which you can apply for, all in one place.