

# FINANCIAL AID

## 101:

# HOW TO PAY FOR HIGHER EDUCATION

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Alex Muro

Senior Associate Director  
Undergraduate Financial Aid  
Yale University

# The Forms You Need to Know

- Federal – Free Application for Federal Student Aid (FAFSA)
- College Board – CSS Profile
- Institutional forms

# The Forms You Need to Know (continued)

- **Free Application for Federal Student Aid (FAFSA)**
  - Required by **all** colleges and universities to determine eligibility for federal (and in some cases institutional) financial aid
  - Available October 1 for next school year
    - October 1, 2021 for 2022-2023
  - Free
  - <https://studentaid.gov/h/apply-for-aid/fafsa>
  - FSA (Federal Student Aid) ID
    - If student is dependent, both student and one of student's parents must each have separate FSA IDs

# The Forms You Need to Know (continued)

- FAFSA, continued

- Divorced parents – whose information required
  - Custodial parent and custodial parent's spouse, if remarried
- Information to have before you begin
  - 2020 federal income tax return
  - W-2 forms and other income statements for 2020
  - Records of untaxed income and benefits for 2020
  - Current bank statements
  - Records of savings, stocks, bonds, trusts, and other investments
- Average time to complete
  - 20 minutes (vs. 1 hour in 2008)
    - IRS Data Retrieval Tool
    - Skip logic

# The Forms You Need to Know (continued)

## •CSS Profile

- Required by **some** colleges and universities to determine eligibility for institutional financial aid
- Available October 1 for next school year
  - October 1, 2021 for 2022-2023
- \$25 for first school and \$16 for each additional school
  - \*\*\*New – free if AGI < \$100k\*\*\*
- <https://cssprofile.collegeboard.org/>

# The Forms You Need to Know (continued)

## • CSS Profile, continued

- Divorced parents – whose information required
  - Both biological parents regardless of decree
- Information to have before you begin
  - Same as FAFSA plus ...
  - Information regarding your home
    - Current market value
    - Current debt
    - Year of purchase
    - Purchase price
- Time to complete
  - Statistics unavailable, but plan on longer than FAFSA

# The Forms You Need to Know (continued)

- **Institutional** – examples include:
  - Institutional application
  - Complete federal income tax return for “prior prior year” (PPY)
    - 2020 for 2022-2023
    - Complete = all forms, schedules, and W-2s as well as business-related forms and returns

# Vocabulary

- COA = Cost of Attendance (i.e., budget)
  - Billed expenses (tuition, room, board, fees) + unbilled expenses (books, supplies, transportation, personal expenses)
- EFC = Expected Family Contribution
  - What a family can contribute toward COA based on analysis of income and assets
  - Not same as what will be paid to school
- Financial Need = COA minus EFC



# Vocabulary (continued)

- Need-based aid

- Awarded on basis of ability (not willingness) to pay

- Merit- or non need-based aid

- Awarded on basis of student's ability, talent, ethnic heritage, etc.

- Gapping

- Meeting full need

- Need-aware admissions policy

- Need-blind admissions policy

# Tips

- Be aware of deadlines
- Make a checklist for each school
- Make copies of all submitted forms

# Tips (continued)

- Estimate when necessary
- Net price, not sticker price
  - All schools required to have Net Price Calculators on their websites
  - College Scorecard <https://collegescorecard.ed.gov/>
    - Average annual cost
    - Graduation rate
    - Salary after attending
- Ask questions

# Tips (continued)

- Review all available financing options, such as loans and payment plans
- Explain special circumstances
- Notify financial aid office of any significant changes in income and assets as soon as possible

# Income

- Taxed income

- In general, Adjusted Gross Income from tax return

- Untaxed income

- Most common sources include contributions to retirement plans and child support received

# Assets

- Cash
- Checking and savings accounts
  - Including college savings accounts
- Investments (not including retirement)
- Home equity (only for institutional aid at some schools)
- Other real estate
- Business and/or farm net worth

# Federal Grants

- Pell Grant

- Up to \$6,495 for 2021-2022

- Supplemental Educational Opportunity Grant (SEOG)

- Up to \$4,000 for 2021-2022
- In general, must be Pell Grant eligible
- Amount and recipients determined by school

# Federal Grants (continued)

- Teacher Education for Assistance for College and Higher Education (TEACH) Grant
  - Up to \$4,000 for 2021-2022
  - Must score above 75th percentile on one or more portions of college admissions test or maintain cumulative GPA of at least 3.25
  - Agree to teach in high-need field in low-income school for at least 4 years



# Outside Funding

- Outside = not from government or school
- Scholarship search engines
  - College Board <https://bigfuture.collegeboard.org/scholarship-search>
  - FastWeb [www.fastweb.com](http://www.fastweb.com)
  - FinAid [www.finaid.org/scholarships/](http://www.finaid.org/scholarships/)
- Other sources of funding or information
  - Local civic and community organizations
  - Employers
  - Foundations
  - School counseling department
  - Professional associations

# Outside Funding (continued)

- What will school do?
  - Match
  - Nothing
  - Reduce their own offered funds
    - From dollar 1
    - In excess of “student share”
      - What student is expected to contribute from working or borrowing
      - Example (Yale)
        - \$3,700 or \$4,450 – first year
        - \$3,700 or \$5,950 – sophomore, junior, and senior

# Loans

- Federal
  - Direct Stafford Loans for students
  - Direct PLUS Loans for parents
- Private
- Rule of thumb
  - Total loan debt at graduation equal or less than annual starting salary
    - Bureau of Labor Statistics – Occupational Outlook Handbook: <http://www.bls.gov/ooh/>

# Federal Direct Stafford Loans

- 3.73% fixed interest rate for 2021-2022
- About 1% origination fee
- No credit check required
- No payments required while student is enrolled at least half-time (in-school deferment) and for 6 months after graduation (grace period)
- Different options for repayment, including ways to temporarily postpone payments

# Federal Direct Stafford Loans (continued)

- **Subsidized: need-based**

- Federal government pays interest on loan while student is in school and during any deferments

- **Unsubsidized: non need-based**

- Student must pay interest accrued while in school to avoid capitalization (i.e., compounding) at end of grace period

# Federal Direct Stafford Loans – Annual Loan Limits

Dependent student without PLUS denial

Year in school	Annual loan limit
First year	\$5,500
Sophomore	\$6,500
Junior	\$7,500
Senior	\$7,500

# Federal Direct Stafford Loan Forgiveness

- Teaching

- Low income school
- 5 years of full-time service
- Up to \$5,000 if elementary or secondary school
- Up to \$17,500 if math, science or special education

- Public service

- Not-for-profit or government employer
- 10 years of full-time service
- Remaining balance

- <https://studentaid.gov/manage-loans/forgiveness-cancellation>

# Federal Direct Stafford Loan – Sample Repayment Schedule

- Family size of 1 (unmarried, no dependents)
- Adjusted Gross Income \$50,000
- Loan balance of \$30,000 @ 3.73%

Repayment plan	Monthly payment	Length of repayment term	Total amount paid
Revised Pay As You Earn	\$256 - \$421	108 months	\$35,909
Standard	\$300	120 months	\$35,988
Income-Based	\$246 - \$300	125 months	\$36,385
Graduated	\$167 - \$502	120 months	\$37,459



# Federal Direct PLUS Loan

- 6.28% fixed interest rate for 2021-2022
- About 4% origination fee for 2021-2022
- Credit check required
  - No debts more than 90 days past due
  - No bankruptcy, foreclosure or similar action within the past 5 years
  - No unpaid collection accounts or charge offs
- Repayment terms same as Direct Stafford Loan if in-school deferment requested

# Federal Direct PLUS Loan (continued)

- Not available to parents of independent students
- Annual loan limit = cost of attendance less other aid

# Federal Direct PLUS Loan - Sample Repayment Schedule

- Loan balance of \$60,000 @ 6.28%

Repayment plan	Monthly payment	Length of repayment term	Total amount paid
Standard	\$675	120 months	\$80,951
Graduated	\$387 - \$1,161	120 months	\$86,618
Extended Fixed	\$397	300 months	\$119,075
Extended Graduated	\$314 - \$587	300 months	\$129,368

# Private Loans

- Fixed or variable interest rates
- Repayment terms usually same as Direct Stafford Loan
- Consider state sponsored and not-for-profit lenders
  - CT Higher Education Supplemental Loan Authority (CHESLA)
  - Credit unions

# Resources (continued)

- Federal Student Aid

<https://studentaid.ed.gov/sa/>

- College Board

<https://bigfuture.collegeboard.org/>

- School counseling department
- Schools to which student is applying
- Beware of scams

- Most, if not all, information that you may need is available for free!

# My Contact Information

Alex Muro

Email [alex.muro@yale.edu](mailto:alex.muro@yale.edu)

Phone 203-432-2723