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High School Edition

Understanding Your Financial Aid Award Letter

Use this example as a guide to your financial aid award letter. Please contact your prospective college's aid office if you have questions.

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.

Expenses (COA)		Resources (EFC)	
Tuition	$5,334	Family's Resouces	
Health Fees	176	Parent's Contribution:	
Books/Supplies	1,015	From Earnings:	$3,000
Room/Board	3,204	From Assets:	112
Personal	2,600	Student's Contribution:	500
Transportation	+ 910	Other Resouces:	+ 0
Total Expenses:	**$13,239**	**Total Resouces:**	**$3,612**

COA ($13,239) - EFC ($3,612) → Financial Need ($9,627)

Expected Family Contribution (EFC): Amount your family is expected to give per year, determined by FAFSA results (e.g., EFC is $3,612 [3,000+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

Accept	Decline		FALL	SPRING	TOTAL
☐	☐	Federal Pell Grant	$625	$625	$1,250
				Total Federal Pell Grant =	**$1,250**
☐	☐	Direct Stafford/Ford Loan	$2,250.00	$2,250.00	4,500
☐	☐	Direct PLUS (Parent) Loan	$1,938.50	$1,938.50	+ 3,877
				Total Federal Direct Student Loans =	**$8,377**
				Total Financial Aid Package Offered (grants + loans) =	**$9,627**

Financial Aid Award: Notice the choice to accept or decline each award. This award letter consists of:

- Federal Pell Grant (free money)
- Federal Stafford Loan (student repays)
- Federal PLUS Loan (parent repays)

COA
- EFC
- Financial Aid
Unmet Need

Total Cost of Attendance	$13,239
EFC	-3,612
Total Awarded Financial Aid	- 9,627
UNMET NEED	**$0**

Unmet Need: Unmet need is equal to COA less the total of EFC and total aid amount. Our example indicates that the financial aid matches the student's need, so the unmet need is $0.

FastTip: You can choose to accept or decline any part of your financial aid package.

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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 for a loan?

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Financial Aid Guide: Key Terms Defined

General Aid Terms:

After you submit your *FAFSA* (which will ask about *dependency status*), you'll receive back your *SAR*. Using information from your SAR, your prospective college will send an *award letter* breaking down your *financial aid package*. Your *financial need* is equal to your *COA* less *EFC*.

Free Application for Federal Student Aid (FAFSA): The form used to determine the amount of federal and state aid for which you are eligible.

Dependency Status: If you are considered a dependent student, colleges will count parent income, assets and circumstances in addition to your finances in awarding aid.

Student Aid Report (SAR): The official notification sent to students after the FAFSA is received. This document will state your Expected Family Contribution (EFC).

Award Letter: List of types and amounts of aid that your prospective school is offering. You are not required to accept all aid.

'nancial Aid Package: The total financial aid you are offered, including scholarships, grants, work-study and loans. This information is typically summarized in an award letter.

Financial Need: The difference between your educational costs and the EFC (see below).

Cost of Attendance (COA): This figure includes the total price of tuition, fees, room, board, books, supplies, transportation and personal expenses for one academic year of education (also known as the Student Budget).

Expected Family Contribution (EFC): A measure of your family's financial strength based on income, assets, family size etc., based on FAFSA. The EFC represents the amount of money the federal government believes your family is able to contribute toward college. *The amount you end up actually paying could differ from the EFC, depending on what resources available at your college.

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General Aid Types

Federal Aid: Aid that comes from the U.S. government. Usually disbursed through your college.

Gift Aid: Financial aid that does not need to be paid back:
- *Grants:* Typically based on financial need.
- *Scholarships:* Typically based on achievement or talent.

Loans: Funds that must be paid back later, with interest. Federally-guaranteed loans can be from a private lender (e.g., a bank) or from the federal government (administered by your college). Private loans are offered by private lenders with terms set by the lender, not the government.

Private Aid: Financial aid from non-government sources.

Federal Aid Programs

Pell Grant: Gift aid that is given based on financial need. How much aid you will be eligible to receive is based on your EFC. Current maximum per year is $4,050.

Federal Work-Study: Provides part-time employment for students who have financial need. Jobs are usually available both on and off campus.

Perkins Loan: Fixed low interest (5 percent) loan through your college. You must demonstrate financial need. Current max per year for undergrads is $4,000 (max. total: $20,000).

Stafford Loan: Currently a variable interest rate loan (pending legislation could change this loan to a fixed rate loan). You can receive this loan from a private lender or your college. They can be subsidized (no interest accrues while in school) or unsubsidized (interest accrues while in school).

Basic Loan Terms

Interest: An annual 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 the 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 affect your credit rating.

Delinquent: When at least one loan payment is late or missed. Serious delinquency may result in default.

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 percentage of the loan balance.