


# An Introduction to Financial Aid

*Understanding the Basics*

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## What is Financial Aid?

- Financial assistance from the state or federal government, institution or other outside source to help families cover the cost of attendance
  - **Gift aid** – Free money that you are not required to pay back
    - Grants
    - Scholarships
  - **Self-help** – money that needs to be earned or repaid
    - Work study
    - Student loans



## Financial fit should be part of your college search throughout the process

- Nearly 40% of students who turned down their highest preference college cited a reason related to cost (*Inside Higher Ed*)
- College is a long-term investment for the student *and* family
- Knowing your financial aid expectations and needs throughout the entire admissions process helps to create a balanced college search



## Know before you go

### Federal Student Aid Estimator

- Studentaid.gov
- 5-10 mins
- Best for families just getting started, most accurate in spring of your junior year
- Early estimate of your SAI

### Net Price Calculator

- Each college's specific website
- 10-30 mins, depending on the college
- Great for narrowing down your college visit or application list
- Project your total aid at that specific school

### Estimate Forms

- Some college's financial aid office
- About the time it will take to complete a FAFSA
- Most often provide a written estimate of aid prior to application or admission
- Best for a student considering a binding commitment (Early Decision, Restricted)

## 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.
- Provide more financial aid to those with less resources
- An institution may calculate your need slightly differently than the next institution

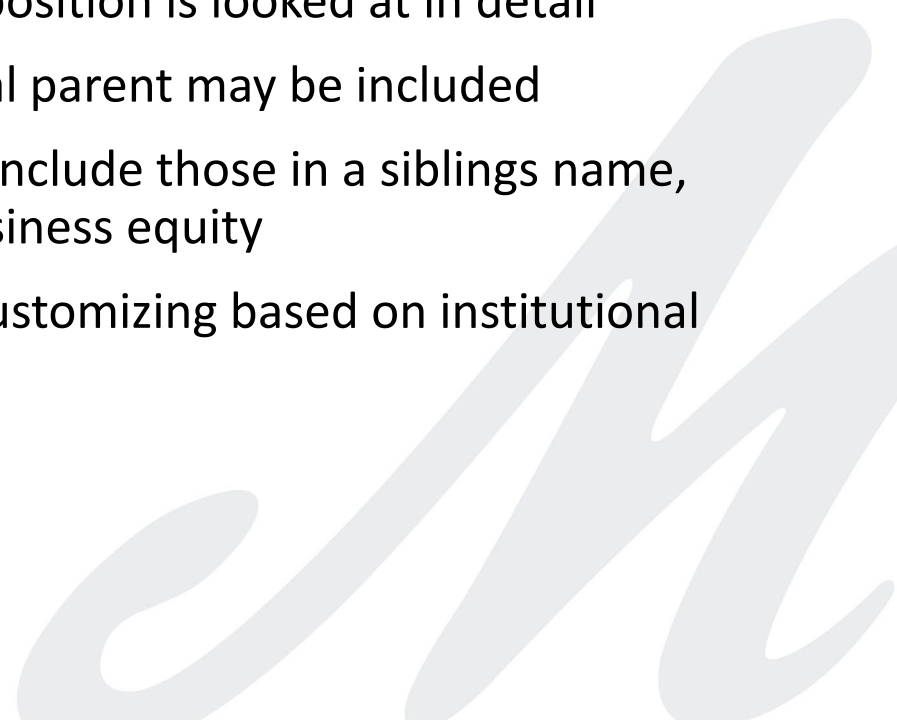


## Schools may calculate your need differently

### Federal Methodology

- Uses FAFSA information only
- Primary parent and spouse
- Assets of parent and student, but does not include the primary home
- Applied the same across all institutions

### Institutional Methodology

- May use the CSS PROFILE or other forms in addition to the FAFSA
  - Family composition is looked at in detail
  - Noncustodial parent may be included
  - Assets may include those in a siblings name, home or business equity
  - Allows for customizing based on institutional priorities
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## Calculating your need (and terms to understand)

Cost of Attendance (COA)

- Student Aid Index (SAI)

= Your demonstrated financial need



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= Your demonstrated financial need

- **Cost of Attendance** is the estimation of what it will reasonably cost a student to attend the institution for one year.
  - It will include direct (billed) costs, and indirect (estimated out of pocket) costs.
    - Tuition
    - Fees (technology, health, etc.)
    - Room & board } Direct costs
  - Books
  - Transportation
- } Indirect costs



## Calculating your need (and terms to understand)

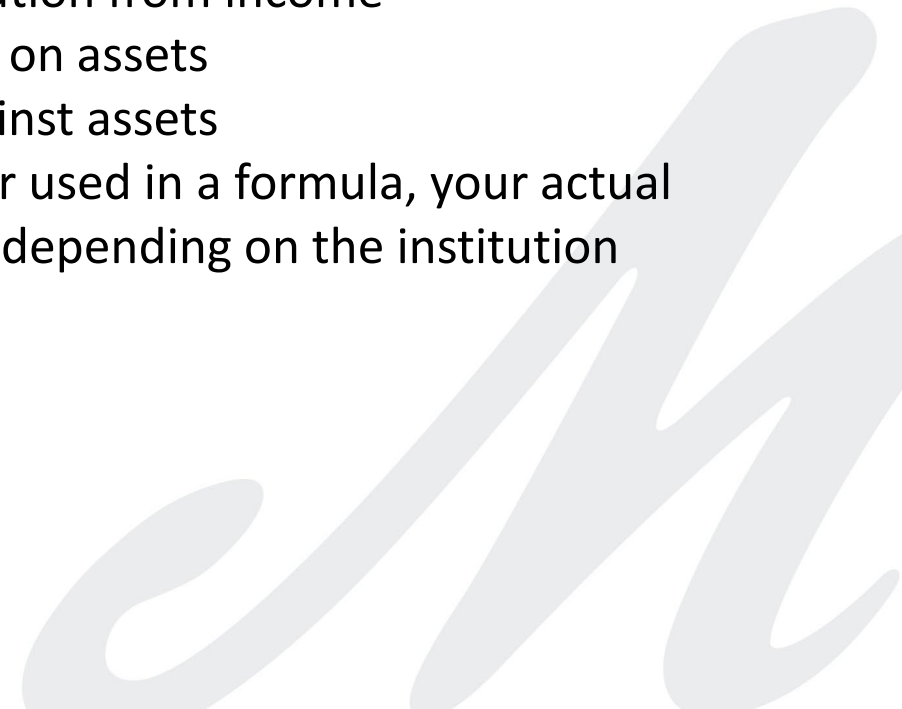
Cost of Attendance (COA)

- Student Aid Index (SAI)

= Your demonstrated financial need



- **Student Aid Index (SAI)** is the amount a family can contribute, over a 9-month period through
  - Direct contribution from income
  - Drawing down on assets
  - Borrowing against assets
- The SAI is a number used in a formula, your actual net costs may vary depending on the institution



## Calculating your need (and terms to understand)

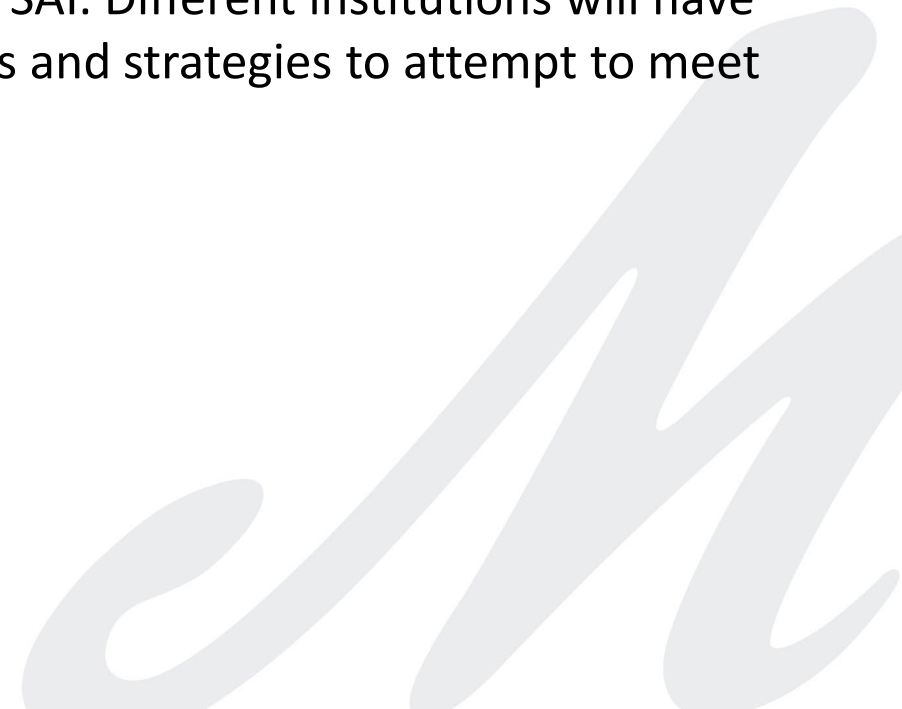
Cost of Attendance (COA)

- Student Aid Index (SAI)

= Your demonstrated financial need



- **Your financial need** is the difference between Cost of Attendance and SAI. Different institutions will have different policies and strategies to attempt to meet this need



## Understanding the Student Aid Index (SAI)

- This number is calculated through formulas that **DO**:
  - Collects student and parent income, tax, assets, and household information
  - Taking a snapshot of a family's relative financial strength
  - Provide allowances to protect income & assets
- The Formulas do **NOT**:
  - Use a cash flow analysis
  - Assess a willingness to pay



## Meeting full need

- An institution that meets full need will calculate your need through the formula  
Cost of Attendance (COA)  
- Student Aid Index (SAI)  
= Financial Need
- The total financial aid award will equal the financial need



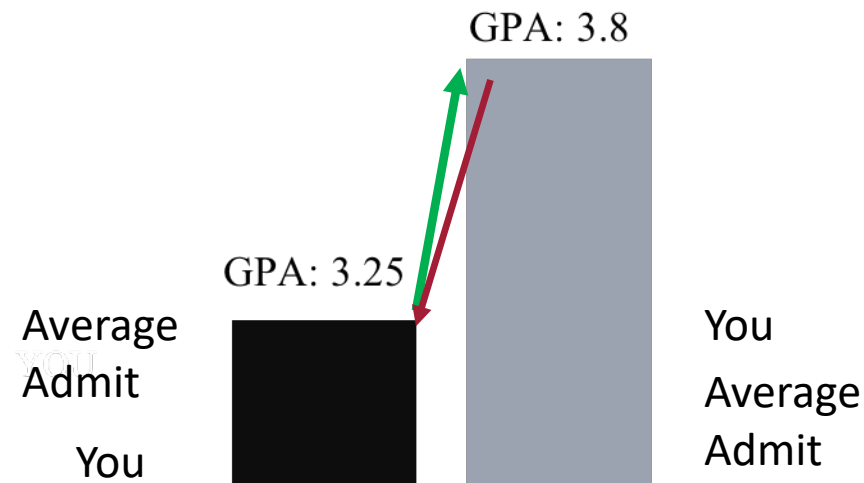
## Merit-based financial aid

- Philosophy is to use scholarship or grants funds to attract the top students to enroll in their institution based on the institutional needs
- Awards can be based on academic, athletic or artistic talent



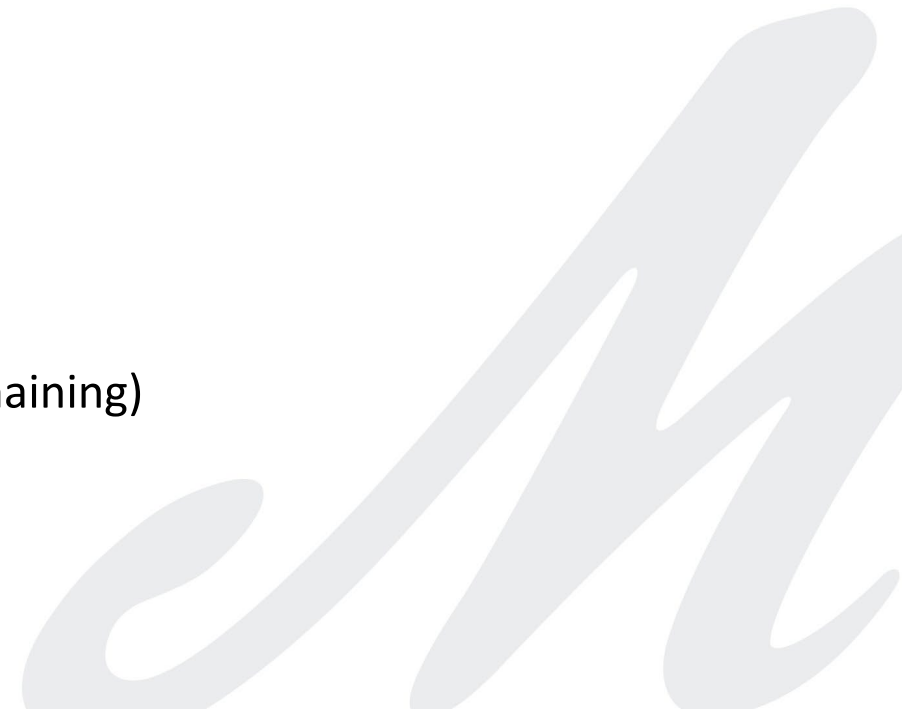
## Preferential packaging

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



## Scholarships and Grants

- Federal
  - Pell grant
    - For families with an lower SAI
  - Supplemental Education Opportunity Grant (SEOG)
    - For high need families but will vary by institution
- State
  - Often do not travel out of state
  - For families with an SAI that is lower < \$15,000 is typical
  - Pay attention to state grant deadlines each year
- Institution
  - Merit scholarships (academic, athletic, artistic, etc).
  - Need-based grants (must have demonstrated financial need remaining)
- Private or outside resources
  - Look locally, online and through your counselors
  - Fastweb.com, Niche.org, Scholarships.com



## Work study (student employment)

- May be listed as federal, state or institutional employment
- Student must get a job and collect the paycheck, the amount is not directly credits to the bill
- Earnings do not impact future FAFSA filing
- Each institution will have their own policies and limits





## Student Loans (current 23-24 interest rate is 5.49%)

### Federal Direct Loan

- Commonly included in financial aid awards
- Lent directly to the student with no cosigner required and competitive interest rates/repayment plans
- Maximum of \$5,500 total in year 1, \$6,500 in year 2, and \$7,500 in year 3 & 4

### Subsidized

- Does not earn interest until a student is no longer enrolled at least half-time.
- Interest begins to accrue at graduation
- Must have demonstrated financial need
- Maximums are \$3,500, \$4,500, and \$5,500

### Unsubsidized

- Interest begins to accrue as soon as the loan is disbursed
- No demonstrated need required, but must have a valid FAFSA
- Can borrow up to the total maximums, minus any subsidized loan
- Example: year 1: \$3,500 in subsidized + \$2,000 in unsubsidized = \$5,500 total

## Key Change for 24-25 application year – FSA ID Requirement

- All students and contributors must create a StudentAid.gov account to complete the FAFSA form online.
- To log in to their accounts, students and contributors will use their FSA IDs (account username and password).
- Even if a contributor doesn't have a Social Security Number, they can still get an FSA ID to fill out their portion of the student's FAFSA form online.
  
- NOTE: A student must be a U.S. citizen or eligible noncitizen to be eligible for federal student aid.

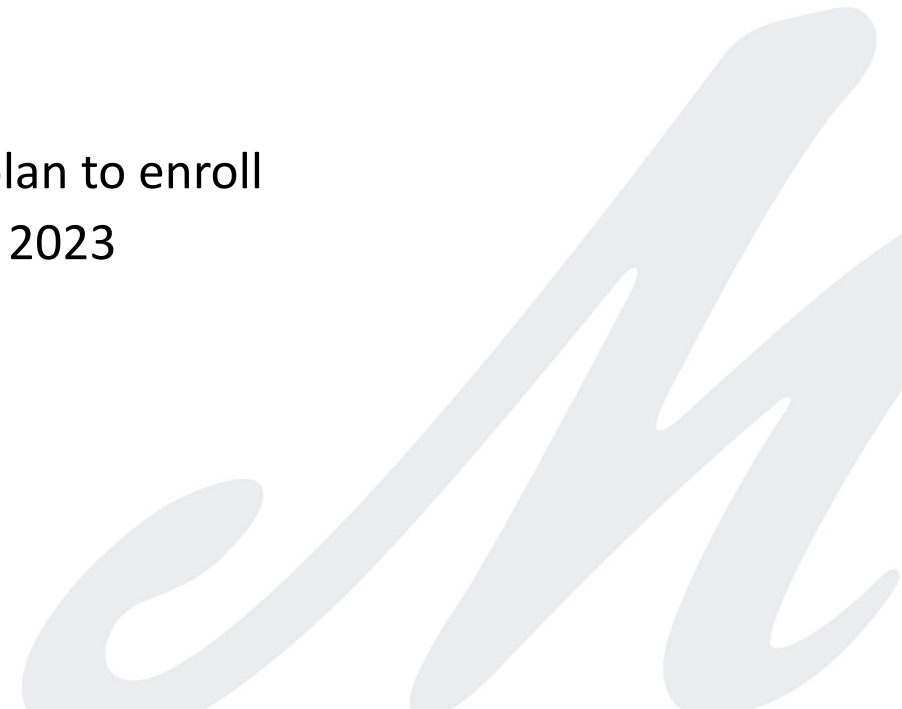
## FSA ID continued

- The FSA ID is a digital signature used to:
  - Sign the FAFSA, and Master Promissory Notes (Direct and Parent PLUS Loans)
  - Access Federal Student Aid websites
  - Each person (student and at least 1 parent (contributor) creates their own FSA ID with SSN and Date of Birth (SSN no longer needed for parents who are not U.S. citizens)
  - Can log in with a verified mobile phone number
  - FSA ID Help: (800) 4-FED-AID or (800) 433-3243
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- Common mistakes:
  - SSNs switched
  - Parent creates password for student
  - Student creates one for parent



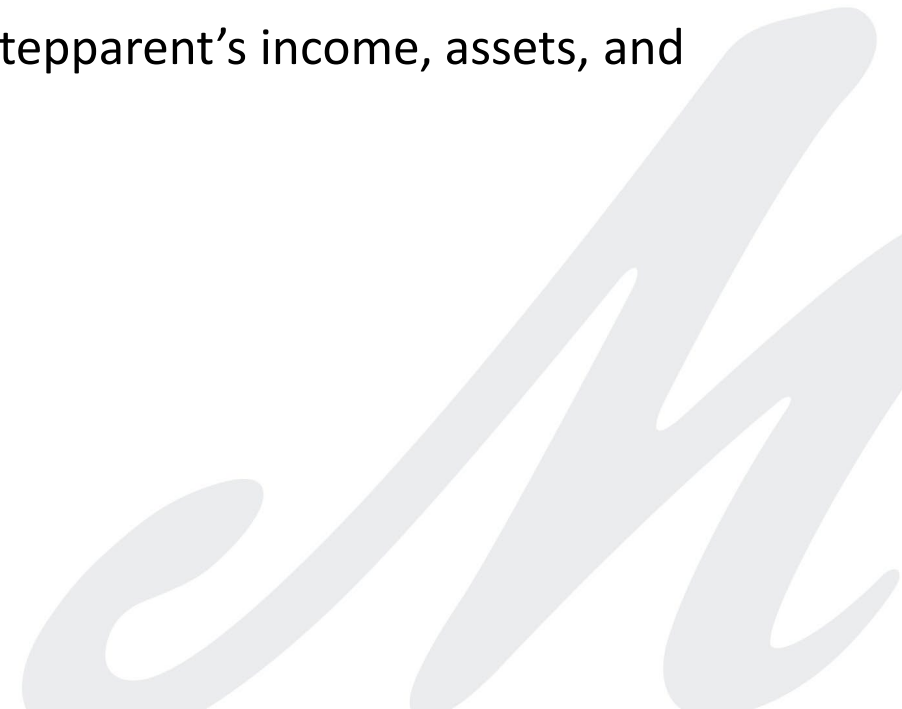
## FAFSA: Free Application for Federal Student Aid

- Available in December
  - Seniors applying to start college in Fall 2024 will use the 2024-2025 FAFSA
- Required for any federal funds, commonly required by colleges
- Will provide you with your SAI at the completion
- Can list up to 20 Colleges
- Uses tax information from the year two years prior to when you plan to enroll
  - Fall 2024, uses the taxes from 2022 that you filed in spring of 2023
- Gather bank account and asset information
- New FAFSA reduces questions from over 100 to about 36



## 2024-2025 FAFSA Which Parent Must Complete the FAFSA?

- When parents are divorced, separated or never married, and do not live together, only one parent must complete the FAFSA
- The parent who provides more financial support to the student, not the parent that the student lived with the most
- If this parent has remarried as of the date the FAFSA is filed, the stepparent's income, assets, and dependents must be reported on the FAFSA



## Parent of Record (Primary Parent) 2024-25

- For dependent students with divorced or separated parents:
  - 1. Income and assets are reported for parent who provides most financial support over 12 months prior to filing FAFSA even if student does not live with that parent or lives with the other parent;
  - 2. If neither parent provided support in 12-month period in #1, parent of record is parent who provided greater support during most recent year student received financial support from a parent; and then
  - 3. If equal support is given; parent of record is one with the higher income or assets

## Parent of Record (Primary Parent) 2024-25 continued

- Parent student lived with most in past 12 months is no longer a criterion
- If one parent pays child support to the other parent, that parent is parent of record, assuming support amounts to more than half of student's support
- Parent of record is self-reported by the parent, and unless there is conflicting information, there is no requirement to verify or otherwise confirm which parent provides greater portion of support

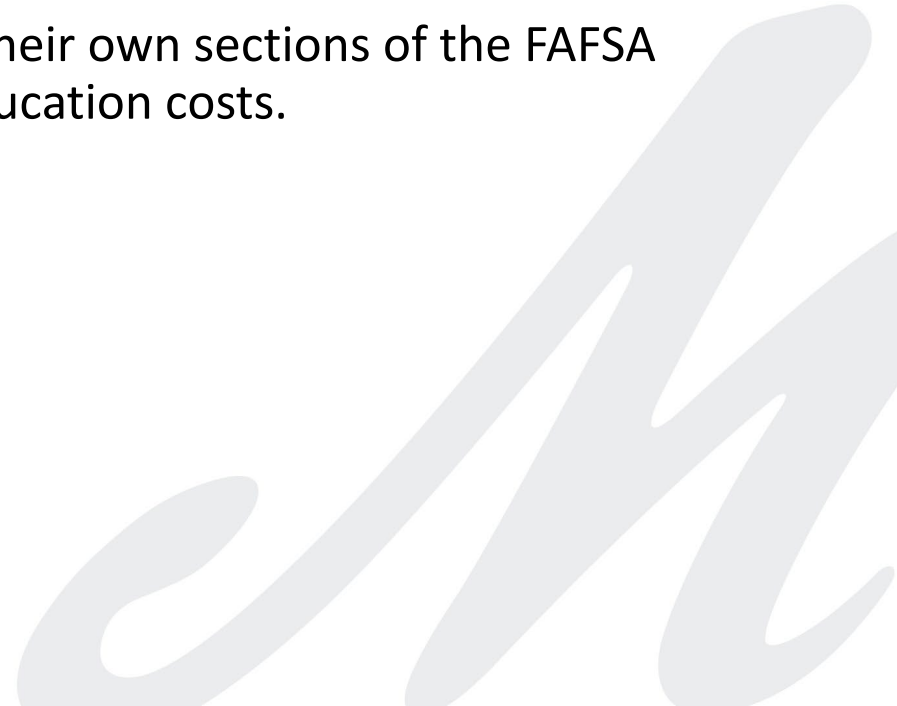
## 2024-2025 FAFSA Change to Definition of Family Size

- Family size now based on:
  - Student
  - Student's parents or student's spouse (if any)
  - Dependents from applicable federal income tax return





## What you need to know--Contributors

- A student's or parent's answers on the FAFSA form will determine which contributors (if any) will be required to provide information.
  - Students or parents invite contributors to complete their portion of the FAFSA form by entering the contributor's name, date of birth, Social Security Number, and email address.
  - Contributors must provide personal and financial information in their own sections of the FAFSA form, but they are not financially responsible for the student's education costs.
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## What You Need To Know about Consent

- If a student or required contributor doesn't provide consent to have their federal tax information transferred into the FAFSA form, the student will not be eligible for federal student aid— even if they manually enter tax information into the FAFSA form.
- Information about how federal tax information will be used and the consequences of not providing consent will be included on the FAFSA form.



## Five Steps for Contributors

- Contributor receives email informing them that they've been identified as a contributor.
  - Contributor creates a StudentAid.gov account if they don't already have one.
  - Contributor logs into account using their FSA ID (account username and password).
  - Contributor reviews information about completing their section of the FAFSA form.
  - Contributor provides the required information on the student's FAFSA form.
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- **IMPORTANT:** Being a contributor does NOT imply financial responsibility. However, if a required contributor refuses to provide their information, it will result in an incomplete FAFSA form, and the student will become ineligible for federal student aid.

## Avoid Common Errors on the FAFSA

- Read definitions carefully!
- DO NOT confuse student with parent information
- DO NOT switch child support paid with child support received
- DO NOT report value of qualified retirement plans or family home as assets
- DO NOT report 529 college savings plans based on the beneficiary instead of the owner

Double check all basic demographic items:

Name

Date of birth

Social Security Number

E-mail address

Address

Zip code

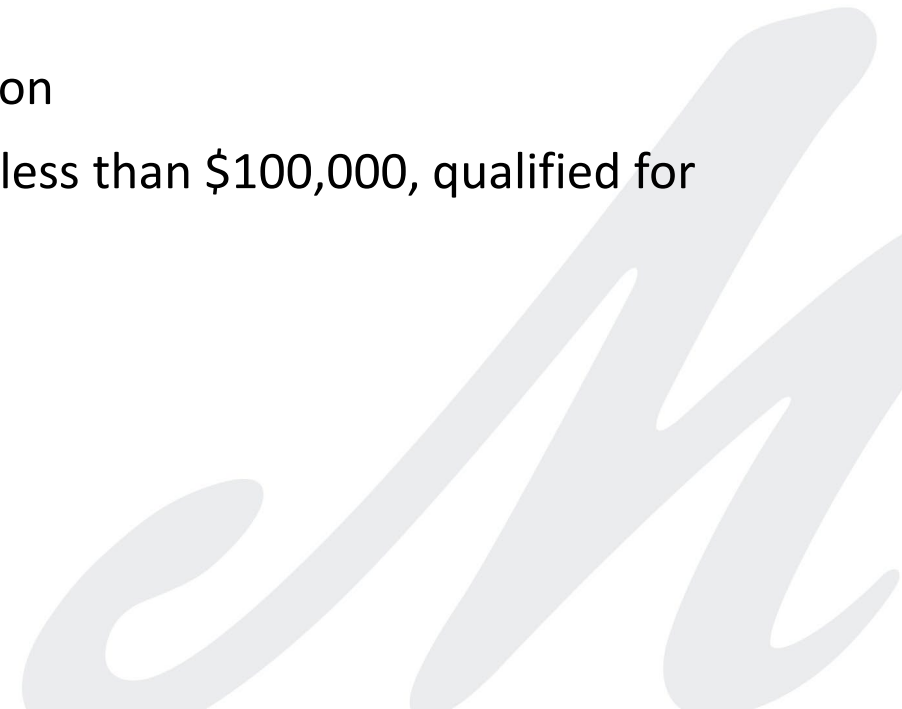


## Independent Students

- Other students can continue to be considered independent students on the 2024-25 FAFSA form and will not be required to have their parents be contributors. For the 2024-25 award year, an independent student is one of the following:
  - born before Jan. 1, 2001
  - married (and not separated)
  - a graduate or professional student
  - a veteran or a member of the armed forces
  - an orphan or a ward of the court
  - someone with legal dependents other than a spouse
  - an emancipated minor
  - someone who is unaccompanied and homeless or self-supporting and at risk of being homeless

## CSS PROFILE: College Scholarship Service

- Used by more than 200 institutions
- “Common Application for financial aid”
- Available to complete beginning on October 1
- Fee to fill out for families earning \$100,000 or more
  - \$25 to complete, plus \$16 to send to each additional institution
- Fee waivers are available from the institution directly, if you earn less than \$100,000, qualified for a SAT fee waiver or are a ward of the court.
- [cssprofile.collegeboard.org](https://cssprofile.collegeboard.org)

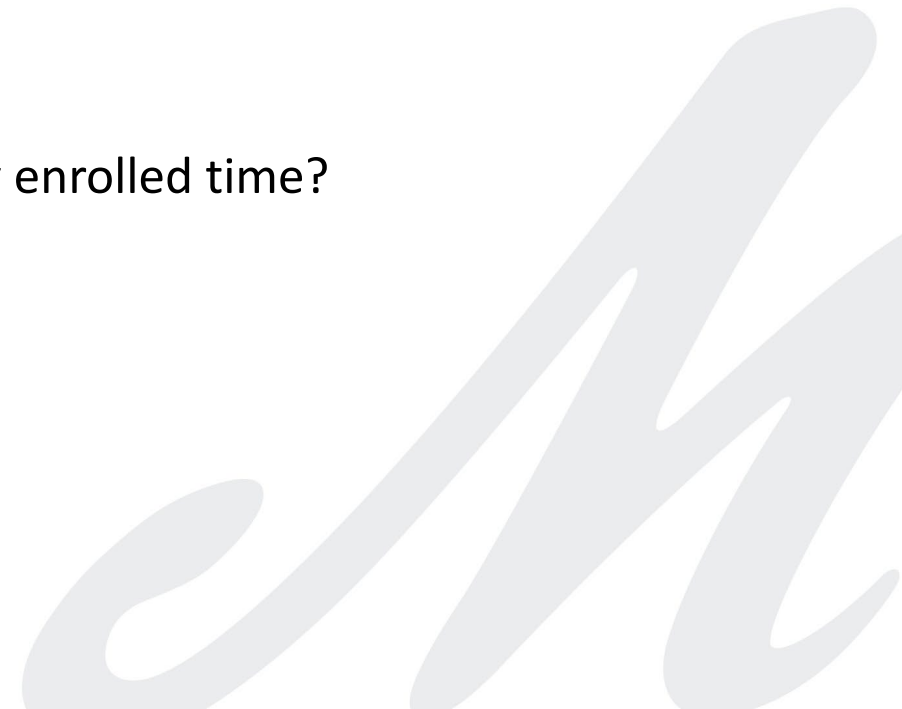


## Primary documentation & Institutional Forms

- Some schools may require tax documents, W-2s, or other primary documentation
- Students selected for a verification through their FAFSA will be notified by each institution if they require additional documentation
- Check with individual schools for short institutional forms



- How does financial aid impact your admissions process?
- Do you offer merit-based scholarships? If so, what are the requirements or deadlines?
- Do you guarantee to meet full need?
- Can I expect to receive a similar financial aid package for all of my enrolled time?





- What is your policy on outside scholarships?
- What is your financial aid deadline and what forms do you require?
- When, and how, will I get my financial aid notification?
- If the financial aid award is insufficient, what options do I have?
- Any unique or special circumstances that you may have



You need to determine how you will measure your return on investment



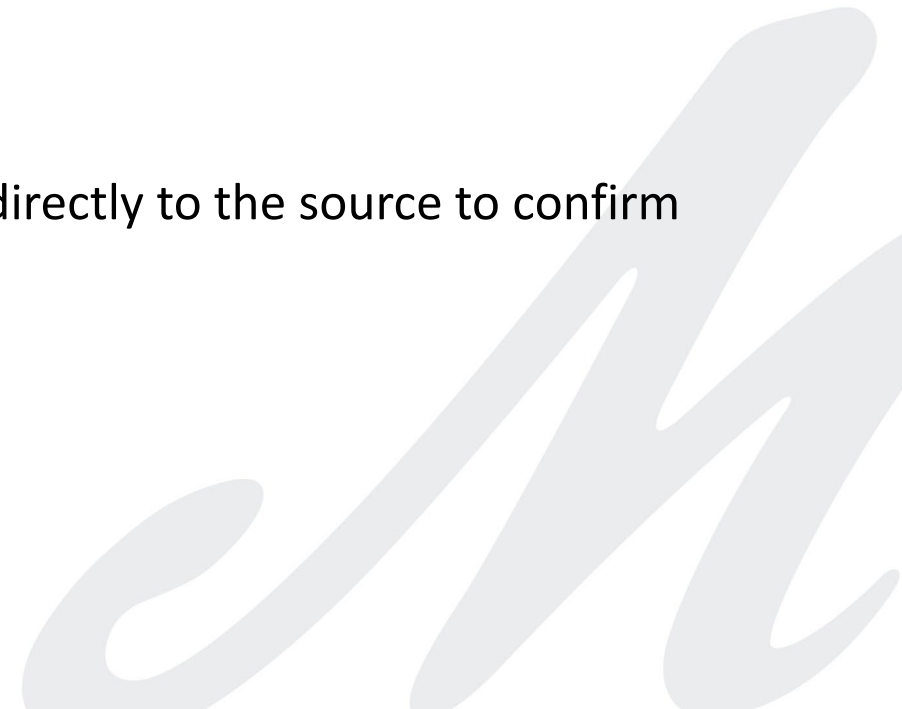
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We do the homework for you.



## Use trusted sources and keep yourself informed

- Reliable resources:
  - Studentaid.gov
  - The institution's admissions or financial aid office
  - Your college counselors
- Not so reliable resources:
  - Your neighbor, your brother's friend's sister, etc.
  - Facebook or social media groups – great for support, but go directly to the source to confirm any information.



# *Questions?*

Contact me at  
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**GOOD LUCK!**

