13 Things to Know When Evaluating Your Financial Aid Offers

You've submitted your *Free Application for Federal Student Aid* (FAFSA®) form and applied to schools. How do you know what to look for when they send you financial aid offers? Understanding how to interpret what you're committing to could save you future surprises, not to mention thousands of dollars in payments. Here's what you need to know.

1. **Keep two key questions in mind as you read each financial aid offer.**

The purpose of financial aid offers, which are often called "award letters," is to bridge the gap between your Student Aid Index (SAI) and the cost of the school. As you compare your offers, keep these big-picture questions in mind:

- What types of aid is the school offering you?
- How much of your financial need is met through the aid the school is offering you?

2. **Make sure you understand how long each kind of aid is offered.**

Federal student aid (such as federal loans) is offered on a yearly basis, so you'll receive a new aid offer each year. Meanwhile, schools may offer aid (such as scholarships) for one year or for multiple years. As you review your package, make sure you're clear about which parts can be offered in the years to come and which are available this year only.

3. **Take notes for a discussion with the school's financial aid office, if you need it.**

Make a list of questions you want to ask each prospective school. Make sure you get them answered by the school's financial aid office before you decide where you'll enroll and how you'll pay for it.

4. **Understand the total costs involved in attending each school.**

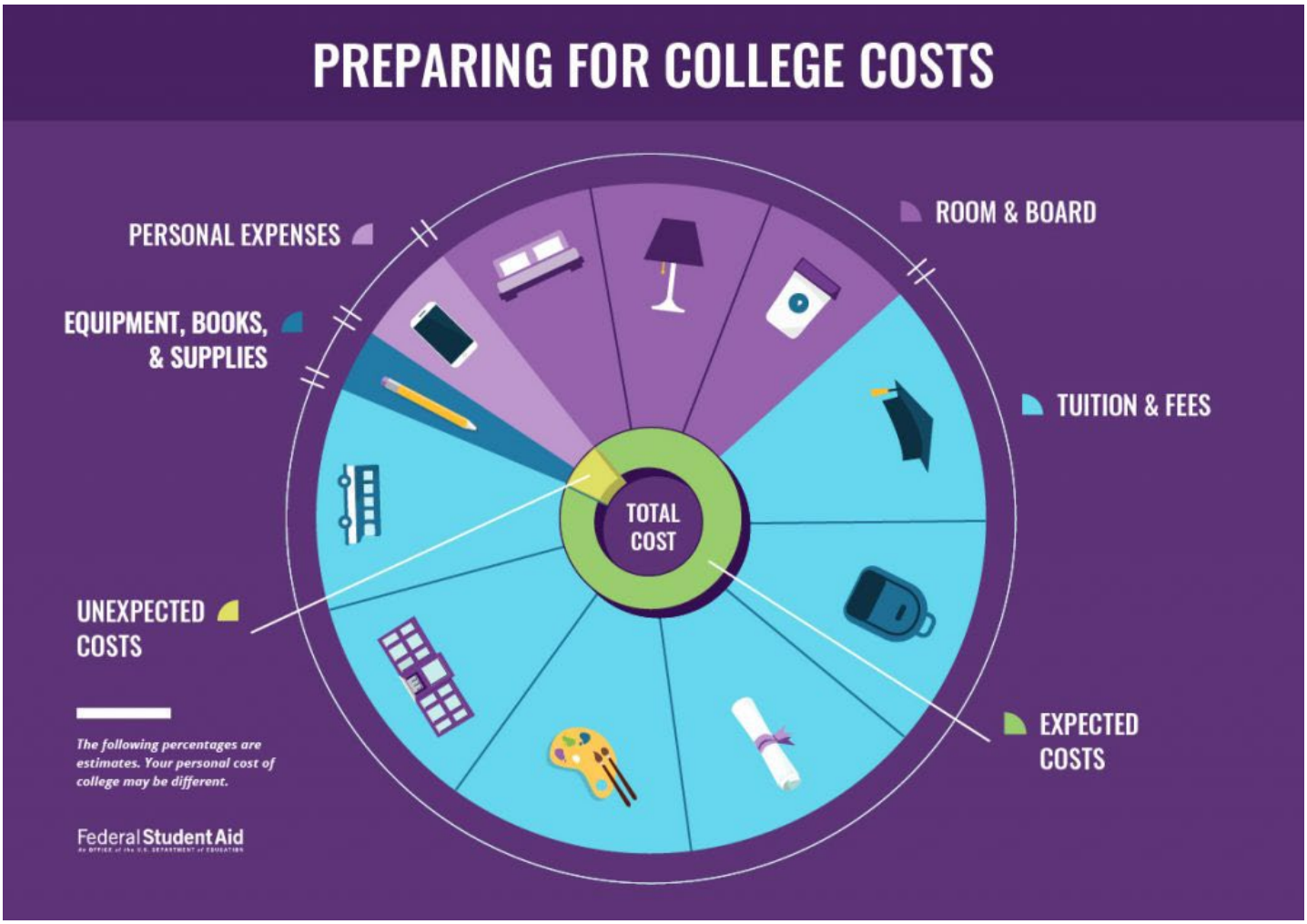
In your award letter, a school will provide a calculation of the total costs for attending during the school year. This calculation is called the cost of attendance (COA). If you're attending at least half-time, your COA is the estimate of:

- tuition;
- fees;
- on-campus room and board (housing and food) or off-campus living expenses;
- books;
- supplies;
- transportation back and forth to school;
- loan fees;
- child-care or dependent care; and
- other miscellaneous expenses, such as eligible study-abroad programs, disability costs, or a personal computer.

Health insurance is commonly included in the COA, but you may be able to waive that cost. You will need to do some research.

- Are you already covered by your parents' insurance, and will the school accept that coverage for you while you're attending?
- Does the school require its school-based insurance?

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Expected costs include tuition, school fees, and room and board. Unexpected costs include equipment, books, school supplies, transportation, and other personal expenses.

5. **<u>Know when you need to pay each cost so you can budget effectively while you're in school.</u>**

Note when and how you need to pay the costs listed on your COA. Certain costs are billed by the school as a lump sum at the beginning of each academic period (semester, quarter, etc.), and you must pay the school at that time. These costs include tuition, fees, and room and board (if you live on campus).

Books, transportation, childcare, and other expenses are different. These costs come up throughout the year, and you must pay them as you go.

6. **<u>Understand how Student Aid Index (SAI) works.</u>**

The Student Aid Index (SIA) is a number each school uses to calculate how much financial aid they would offer you. The SAI is based on the information you report on your FAFSA form, and you can find it on the first page of your FAFSA Submission Summary (FSS).

While schools take your SAI into account in determining your financial aid offer, they may not state it in their letter to you. If you want to get an idea of your SAI, you can develop an estimate on the Federal Student Aid Estimator. Many schools offer a similar tool, which they call the "SAI Calculator."

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7. Note the funding that *you do not have to pay back*.

Now your top priority is to review each offer for the financial aid you don't have to pay back, such as scholarships, grants, and work-study (more on work-study below).

Grants and scholarships can be need-based (based on your financial need) or merit-based (based on your grade-point average). Know their requirements to maintain eligibility.

Ask if these same funds will be available to you every year. If you're receiving a $5,000 grant your first year that you won't receive the following year, that's a future financial responsibility to consider now.

8. Take advantage of the Federal Work-Study program, if it's part of your package.

Federal Work-Study is a federal program administered by schools to provide students with part-time jobs so they can earn money for school. The full amount listed on the offer is not awarded up front, so work-study compensation won't help to pay expenses due at the beginning of the academic period. You will need to find an eligible work-study job, and you'll be paid wages throughout the year just like with any other job.

9. Note the funding that *you have to pay back*.

Evaluate each school's offer for the financial aid you *do* have to pay back, such as loans. Compare each loan listed in your offer. Consider interest rates, grace periods, and repayment plans. You may see the terms "Direct Subsidized Loan" and "Direct Unsubsidized Loan."

- Direct Subsidized Loans are based on your financial need. The U.S. Department of Education pays the interest while you're in school at least half-time, and during grace and deferment periods—which means interest isn't accruing while you're in school and growing the amount you have to pay back.
- Direct Unsubsidized Loans are not based on financial need. From the time the loan is disbursed, interest accumulates. But it's not added to what you borrowed (the principal) until you've graduated and the loan grace period is over. If you can afford it, consider paying the interest on these loans while you're in school—it will save you money over time.

A federal Direct PLUS Loan may also be part of your offer. See more about this loan type below.

You must be enrolled at least half-time (6 hrs) to be eligible for Direct Loan Program funding.

10. Consider a Direct PLUS Loan among other options, if you need more financial help.

Direct PLUS Loans are available to graduate students and parents of dependent undergraduate students. These loans are not based on your financial need. But Direct PLUS Loans require a separate application process that includes a credit check.

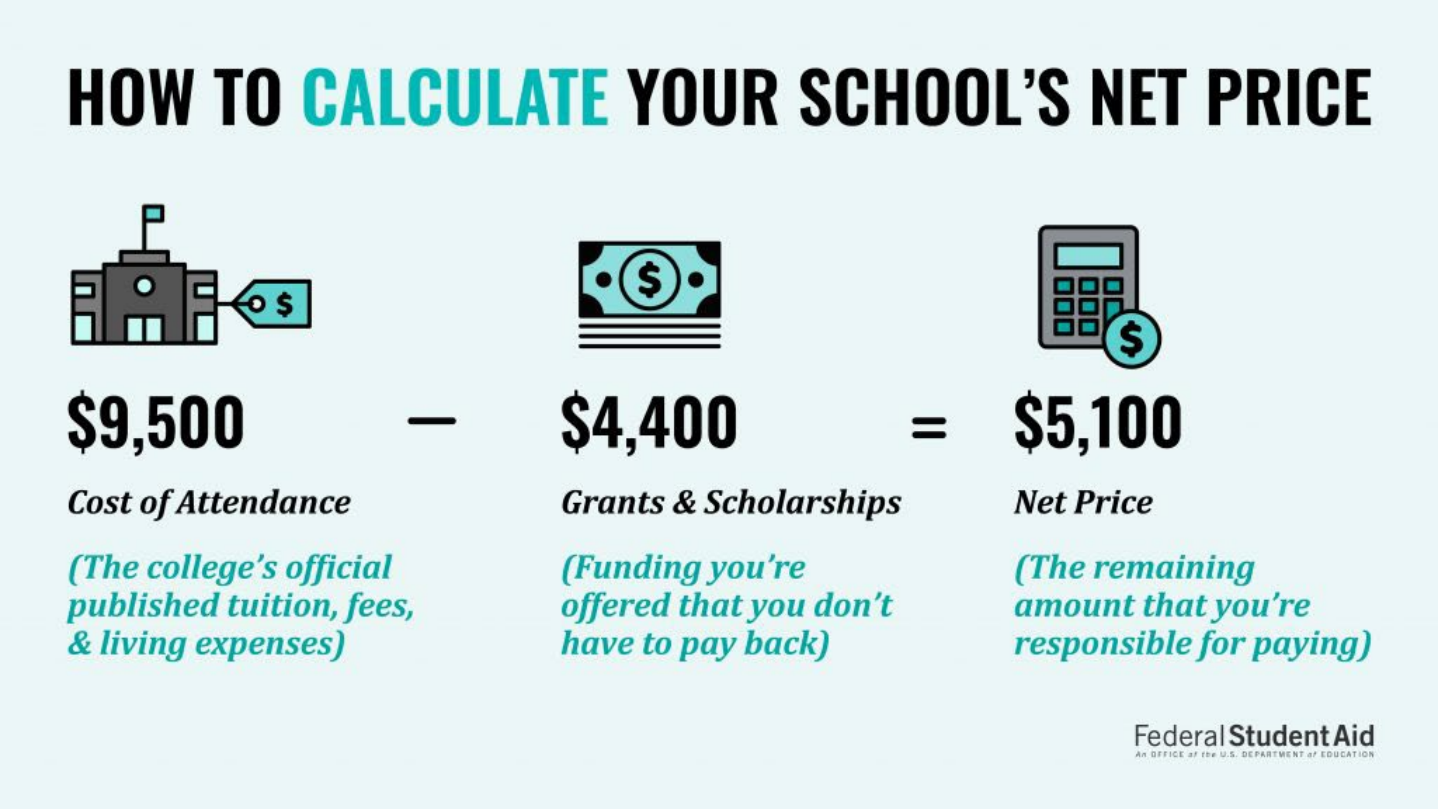
If you're thinking about taking out a private loan, consider a Direct PLUS Loan first. There are several advantages when you compare federal loans to private loans.

Special note for grad students: Make sure you maximize your Direct Unsubsidized Loan eligibility before taking out a Direct PLUS Loan.

11. Note the "tuition gap" for each school.

When you've documented all your costs and the aid package you're being offered, you'll have the amount you'll need to pay. This amount is also called the "tuition gap" or "net price." Don't assume that just

because a school's more expensive that it will cost you more to attend—that school may offer you a better package than a less-expensive school, so your COA will actually be lower there.



Calculate your school's net price after you receive your award letter.

12. **Decide which parts of your aid package you want to accept.**

To keep your borrowing down, you can reject a portion of your package. Prioritize scholarships, grants, and work-study over student loans.

Accepting financial aid is something you handle through your school. Each school will have its own way for you to accept or reject the aid it offers. Visit the school's website or call the school's financial aid office to make sure you understand how to do this correctly. Any errors will affect your finances throughout the whole school year.

13. **Explore other options if you didn't receive enough aid to cover your costs.**

You have options if you didn't receive enough financial aid. For example, say your financial situation changed significantly because of a job loss or other change in income. In such special circumstances, you can appeal to the school's financial aid office for additional aid based on financial need. Explain your family's financial situation with specific examples and documentation.

https://studentaid.gov/articles/evaluating-financial-aid-offers/