

A Student's Guide to Financial Aid

I would hope by now that most of you are not worried about getting into college. With that behind us comes the MOST important aspect of attending college. More so than just "getting in," is now wondering about paying for it. Here's the good news: there is plenty of financial assistance out there to help you pay for college. You just need to know how to get it. No doubt that the prospect of applying for financial aid can seem intimidating—especially for the first time. But the financial aid process is not as difficult as you think. All it takes is time, a little organization--and a lot of paperwork.

Previewing Your Magic Number

The "magic number" of the financial aid process is the **Expected Family Contribution (EFC)**. This is the amount of money you and your family are expected to contribute to paying for college. The EFC is based on the income and other financial assets of you and your family.

You can get a preview of your **EFC** using one of several calculators on the Internet. Go to <http://cbweb9p.collegeboard.org/EFC/> to get two estimates based on the two most widely used methods). "Do not assume that you will be ineligible [for financial aid] before calculating your expected contribution with this tool. While it is only an estimator, it can give you a very good idea of your possible eligibility for aid."

How It All Works

The point of any financial aid form is to figure out your **EFC**. That's where the FAFSA (Free Application for Federal Student Aid) and other financial aid forms come in. The information from your **FAFSA** is plugged into a series of formulas that calculate how much money your family can afford to pay for college.

Colleges that have accepted you then use the **EFC** and their own fees to determine your demonstrated financial need. Financial need is the difference between the cost of a particular college and your EFC. Taking all of this into account, each college at which you apply for financial aid will put together a **financial aid package**. A financial aid package shows how an individual college plans to meet your financial need if you attend that college. If you have been accepted at three colleges and apply for financial aid at all of them, you will then receive three different financial aid packages.

Financial aid packages can contain any combination of the three basic types of aid: **loans, grants and work-study**:

Loans may come from the federal, state government, from the college itself, or from other sources. Loans must be paid back by you or your parents (depending on the type of loan). One common type of loan, the Stafford Loan, is subsidized

by the federal government. As a result, you don't have to begin making payments on this type of loan until several months after you are out of college.

Grants may come from either the government, the college, or other organizations. They are gifts and don't need to be paid back. Need-based grants are based solely on you and your families financial need. Merit-based grants or scholarships are given to students who have special talents or achievements in some area (such as academics, sports, music, or leadership).

Work-study requires you to work part-time at an on-campus job. This aid is given directly to you in the form of a paycheck. Usually, it is up to you to find a work-study job--although the financial aid or other office will often help to place students.

Each college's financial aid package will have different proportions of loans, grants and work-study. You need to analyze each package to decide if it is affordable for your family (details on that later).

How To Apply - The FAFSA

Every college in the United States requires financial aid applicants to file the **FAFSA (Free Application for Federal Student Aid)**. Filing the FAFSA makes you eligible to be considered for financial aid from the federal government, including Pell Grants, Perkins Loans, Federal Work-Study, Stafford Loans, and PLUS Loans (loaned to the parent). All of these programs are based on your **EFC and/or demonstrated financial needs**.

You can fill out the **FAFSA** online at www.fafsa.ed.gov or get a paper application buy picking one up in my office.

Which FAFSA form do I fill out?

<i>Attending College</i>	<i>Use FAFSA Form</i>	<i>Use IRS Income Tax From</i>
<i>Beginning Summer 2010 Then Fall 2010</i>	<i>2009– 2010 FAFSA 2010 – 2011 FAFSA</i>	<i>2008 2009</i>
<i>Beginning Fall 2008</i>	<i>2010 – 2011 FAFSA</i>	<i>2009</i>

If you have been accepted for summer term and plan to attend starting in the summer; I would like to suggest that you go ahead now and do your 2009-2010 FAFSA. The 2010-2011 FAFSA will not be available until January 1, 2010.

Each college sets its own deadline regarding financial aid, but it is in your best interest to file the **FAFSA** (and any other required forms) as early as possible. Colleges have a finite amount of money budgeted for financial aid. **Students**

who file later risk receiving less aid as colleges approach their budget limits.

The early bird gets the money--don't delay filing. The ideal way to complete the **FAFSA** is with numbers taken from your completed federal income tax return. Unfortunately, few taxpayers complete their income tax by February (which is when some colleges have their priority financial aid deadlines). If you have the discipline and the information to complete your tax return early (even if you don't actually send the return to the IRS until April 15), you can cut out a few steps in the process.

The **FAFSA** allows you to list up to six colleges to have financial aid information be sent. Be sure to file the **FAFSA** early enough to meet those schools' deadlines (which are different from the deadline listed on the **FAFSA** itself).

A few days after you file the **FAFSA** on-line, you will receive a **Student Aid Report (SAR)** via e-mail. If the **FAFSA** was completed correctly and signed, the SAR will show your EFC. Check the SAR carefully for errors, make any needed corrections and send it back via your e-mail. This is also the time to replace estimates with "real" numbers, if possible.

Comparing Financial Aid Packages

As discussed above, the amount of money in a financial aid package depends on your **EFC** and the cost of the college. If your **EFC** is the same at each college, you'll pay the same at each college. That's one reason not to cross an expensive college off your child's list until you explore financial aid possibilities. There are two main points to look at when assessing a financial aid package: whether the aid meets your demonstrated financial need, and what proportion of the package are loans versus grants and work.

Meeting financial need

The majority of colleges in the United States try to meet the full financial need of their students. But rising college costs and an increased need for aid has caused some colleges to resort to gapping.

Gapping is when a college offers some financial aid, but not enough to meet the full financial need of the student. In that case, you must decide if you can afford to make up the gap between the financial aid offered and the total cost of the college. In some cases, you may be able to qualify for merit-based scholarships to close the gap. Or, you could take on a job to make enough money to pay the difference.

If one college meets your full financial need and another cannot, you must weigh the difference in affordability versus the attractiveness of the college for you. You can narrow college choices based not only on whether the college is the right 'fit' for you, but also on whether the college is within your affordability range.

Weighing proportions

If all the colleges can meet your financial need, take a look at what kind of aid each college offers. Some colleges can afford to offer substantial grant aid (which need not be paid back); others rely more heavily on loans (which must be paid back). When considering a financial aid package that contains loans, take into account not just this year, but also four years or more education loans. Understand the responsibility that you have to pay back the loans after college. Think about how much loan burden you think would be sustainable after college.

Of course, financial aid should not be the only criterion that you use to choose a college. You may decide to take a somewhat less attractive financial aid package if you feel the quality of the college and your child's education there is worth it.

Can You Negotiate?

Limited negotiation on financial aid packages may be possible. If your family has special circumstances not covered by any of the standard financial aid forms, consider writing a letter to the financial aid office describing your situation. Also, if your financial situation changes at any time (for example, if a parent loses a job), notify the financial aid office immediately. Financial aid officers want to know about anything that could impact your ability to pay for college.