

Inside the Financial Aid Process: What You Need to Know

As you approach the financial aid process, it is tempting to think in universal terms—that all colleges operate in the same manner. They don't. In fact, the practices associated with need analysis and the awarding of financial aid are so heavily nuanced from college to college that you will need to approach each situation with a “fresh set of eyes.” For example, you can't expect that every college will arrive at the same amount of EFC for you or that they will give you the same amounts of gift aid in their financial aid awards. Instead, each operates within the constraints of its own budget process to leverage its available funds to enroll the students it values most.

This is why it is important to consider colleges that fit you well if you need assistance. *After all, the best colleges for you will be those that value you for what you have to offer—a factor that will be evident in the way you are treated with financial aid.*

The following insights from “inside” the enrollment process may lend additional perspective as you make your way through the admission and financial aid processes.

FAFSA vs PROFILE Both forms utilize methodologies (formulas) designed to reveal your EFC. While all colleges use the FAFSA to determine your eligibility for the government assistance they administer, most also use the FAFSA to determine your eligibility for institutional funding. Therefore, there is a good chance that the only form you will need to complete in applying for financial aid is the FAFSA, which, by the way, is now keyed to the Federal IRS tax returns for the custodial parent(s) and the student. In these cases, the need analysis will be fairly straightforward.

On the other hand, more than 400 private colleges and universities also utilize the CSS PROFILE to determine your eligibility for institutional funds. The PROFILE is a much more comprehensive survey of family income/assets that typically reports an EFC that is, on average, higher than that reported by the FAFSA by at least \$5,000. If you are looking at private colleges, it is important to be attentive to filing deadlines for both forms and to be alert to the very real possibility that the methodologies might be used interchangeably depending on the institution's agenda in admitting you.

Need Blind Admission A time-honored notion that colleges should consider students for admission regardless of their families' financial circumstances, “need blind” commentaries are bound to pop in college presentations. However noble the concept, it is difficult, if not impossible to deliver, let alone prove. The antithesis to “need blind,” “resource aware” admission fits more practically with the agendas of colleges that seek to use their funds to attract the most desirable candidates.

Be cautious, then, about attaching too much importance to “need blind” statements. They are not a matter of moral imperative nor do they project a material impact on the enrollment process. If you remain focused on finding colleges that fit you best, the issue will be moot as you will be admitted and supported financially in a manner reflective of the value you represent to the institutions in question.

Net Price Calculators (NPC) The Federal government has mandated that, as of October 2011, each college must have on its website a mechanism that can be used by families to produce a close estimate of the out-of-pocket expense it should anticipate at that college. While the concept is well-intended, don't expect precision in the calculations. The need analyses are too subjective and, absent

an assessment of the relative strength of your credentials in the overall applicant pool, it is impossible to know how the institution will choose to “package” your financial aid. Use the NPC, along with the U.S. Department of Education’s online FAFSA Forecaster, to develop a general idea of your cash outlay for college (your projected EFC). Be careful, though, about literal interpretations of the results in your college planning.

Financial Aid Award Financial aid awards are notoriously complicated and difficult to interpret. In particular, they rarely provide clear answers with regard to EFC and cost of attendance. When it comes time to sorting out financial aid awards, don’t make assumptions. Contact the respective financial aid offices with questions. If something doesn’t look right, make an appeal with new and/or clarifying information. Financial aid officers are much more amenable to responding to reasonable appeals featuring new information than they are to negotiation sessions.

Renewal Criteria Financial aid awards are made annually, based on the EFC as determined for your family for the year in question. Applications for the renewal of need-based aid must be submitted each year. Even if the need remains the same, the institution may change the composition of the financial aid award in subsequent years, so it is worth inquiring about that likelihood at the outset.

An often-overlooked factor in the renewal process is that the correspondence regarding renewal goes directly to the student (now in college)—not the parents. Late submission of required documentation can result in the loss of funding for a semester or two.

Loan/Indebtedness Many students are averse to borrowing as they are understandably reluctant to find themselves in debt. Indeed, debt is a choice that a student and his/her family makes in this process. Whereas most educators agree that a loan debt accrued to the student of \$25,000–\$28,000 over four years is not unreasonable and can, in fact, help to establish positive credit ratings, debt in much greater amounts is neither necessary nor healthy.

Loans do indeed play an important role in helping families meet college expenses. If you receive a need-based financial aid award, it will likely include a loan. The federally guaranteed student loans (Stafford and Perkins Loans) are payment deferred—you don’t have to start paying them back until you complete your education. Students who do not demonstrate “need” may still qualify for unsubsidized Stafford Loans. Currently, low interest rates make them attractive options.

Regardless of your eligibility for need-based aid, you may find that you and/or your parents still need to borrow money in order to support your payment of the family contribution. Low-interest PLUS loans are available to parents feeling the pinch. In addition, most colleges work with tuition payment plans that enable families to pay incrementally over the course of an academic year.

Institutionally Awarded Merit-Based Scholarships Merit-based awards have become prevalent at many colleges and universities. Given regardless of demonstrated “need,” merit awards recognize a student’s achievement or talent that is extraordinary among the field of competitors for admission. Keep in mind that a talent that is considered exceptional and worthy of scholarship at one school may be regarded as ordinary at another.

Financial Aid and Early Decision Students with financial need who are considering an Early Decision application are well-advised to seek “early estimates” of the EFC directly from the financial aid office of the college in question. When you apply ED, it is assumed that you have resolved all matters financial and you will enroll if admitted.

Key Definitions

- **Expected Family Contribution (EFC)** The Expected Family Contribution is a key to determining student's eligibility for need based financial aid. Your EFC is determined by a formula that compares your family's income and assets with your family's cost of living. The difference is your "expected family contribution." The FAFSA and the CSS PROFILE are forms most commonly used to determine the EFC.
- **Total Cost of Attendance** As you calculate college costs, it is important to know the total cost of attendance (tuition, room, board, books, travel expenses, activity fees) at places to which you will apply. This amount represents the budget for which you will be responsible. It is also the amount used by a college to calculate your demonstrated need.
- **Student Aid Report** Soon after completing the FAFSA, you will receive a Student Aid Report that reveals your EFC based in the methodology used by the Federal government. Do not assume that this is a baseline EFC that can be applied to all colleges as they disburse their own funds. While that might turn out to be true in some cases, the SAR is simply an indicator to the government of your eligibility for its grants and loans.
- **Demonstrated Need** Demonstrated need is the difference between the total cost of attendance at a college and your expected family contribution. It is important to note that your demonstrated need will vary from college to college depending on the total cost of attendance for each school as well as the formula it uses to determine your EFC.
- **Financial Aid Award** After you have been admitted to a college—and assuming the information provided on your financial aid forms indicates a demonstrated need—you will receive a financial aid award that details the amount of assistance you will receive from all funding sources in meeting your need. Financial aid awards usually include various amounts of "gift aid" and "self-help." Students may elect to accept or decline any part of the award.
- **"Gift Aid"** Financial aid awards typically include elements of "gift aid" or funds that don't need to be repaid. Scholarships and grants are common forms of gift aid. A scholarship usually recognizes highly valued talent/performance and is offered with the expectation that the recipient continues to meet pre-determined performance expectations, i.e., academic, athletic, musical, leadership, creative writing, community service, etc.

A grant is based on the student's demonstrated need and is renewable if the student maintains full-time status in good academic standing as defined by the institution and in accordance with continued demonstration of need.

- **"Self-Help"** A second component of most financial aid awards is regarded as self-help. Self-help includes opportunities to take advantage of subsidies (loans, campus work study) made available through the government or private lending organizations.

Other Financial Aid Resources

The need for information about financing a college education has spawned a multi-million dollar cottage industry in the U.S. Escalating college costs and an ever-vigilant media give rise to rampant speculation about millions of dollars in unclaimed scholarship funding. Moreover, you are bound to hear from folks who are eager to help you find this money and/or get you the best deal possible from the college you choose.

If any of this sounds too good to be true, it usually is. And remember, "free" usually has a price tag. You will no doubt be able to find pools of money waiting to be tapped. Be prepared to compete with the others who have found them, also.

As you navigate the financial aid process, no one is better positioned to help you with the forms, process and interpretations than the financial aid professionals at your colleges of choice. They might not always tell you what you want to hear, but they should be able to help you find solutions to your financing dilemmas. If you aren't satisfied with the service you receive, you might rethink your commitment to that institution.

If you are uncertain about the credibility of information you are receiving relative to financial planning and /or scholarships, visit the following website:

www.finaid.org/scholarships/scams.phtml