

# What is Financial Aid?

*For Parents and Students*

The subject of financial aid for college is a source of great anxiety for many families. This and the following article, “Financial Aid Basics,” comprise a simple explanation of how financial aid works, suggestions for applying and filling out the required forms, and a few hints on understanding financial aid awards. Here are three things to remember from the outset:

First of all, the time-honored rule still holds: unless you can comfortably afford a college education (which now costs \$50,000 a year or more at some schools) you should usually apply for financial aid. Awards are based on need, and need is not related merely to your gross annual income.

Second, don't avoid applying to private colleges simply because they are more expensive. While it is true that private colleges' tuitions are much higher than those of state institutions, it is also true in most cases that their financial aid programs are proportionately more extensive. Assuming you need financial aid, it may cost no more to send your child to a private college than it would for him or her to attend a public institution.

Third, it is important to understand the difference between a *scholarship* and *financial aid*. A scholarship is awarded to a student by a college or an outside organization because he or she meets certain predetermined criteria: excellent grades or exceptional athletic ability, for example. Financial aid is based purely on need. Here is a more detailed explanation:

## FINANCIAL AID

Financial aid is “need-based” as opposed to “merit-based.” In other words, you receive it because you cannot afford to pay all the expenses yourself. Your need is determined by a Federal formula, described in the next article. Each college is now required to make available a “net price calculator” by which a family can estimate how much the cost of attendance will be. The calculator is designed to give you an early estimate of your eligibility for grants and/or scholarships if the student is accepted to that college. Bentley University is an example of a college where the net price calculator is being highlighted as a useful tool. Go to <https://npc.collegeboard.org/student/app/bentley> to see how this works. Always be very careful that the information you put into a net price calculator is accurate, so that you get a valid impression of the ultimate cost of attending that particular college. If you have questions about net price or general financial aid at any particular college, do not hesitate to contact directly that school's financial aid office to ask questions even if your child has not yet filed an application. Ideally, the student's academic record has nothing to do with eligibility for financial aid, though grades are now taken into account at a good number of colleges as a means of stretching their funds.

Financial aid funds come from the federal government, the college itself, and, in some cases, from state programs. Aid is awarded in a “**package**” comprised of **grant** (which you do not pay back), **student loan**, and **work**, in varying proportions. Loans are often the largest component, and you, the student, must pay these back starting a few months after graduation. The average student on financial aid can expect to graduate with an average of around \$20,000 in loan debt, to be paid back over about ten years. In rare cases these loans may be forgiven, in whole or in part, if the student enters certain professions after college, such as teaching or nursing in low-income areas.

Although need is determined by a federal formula which all colleges will adhere to, that does not necessarily determine how much a college will offer a student in financial aid to meet the cost of attendance. Colleges may “gap” a student, which means that they would recognize the family's need

for financial help, but they would not meet that need in its entirety. It would then be expected that the student pick up the difference through loans or other sources of tuition money. Loans are considered to be part of financial aid. If you receive financial aid from Lawrence Academy, do not expect that colleges will offer you the same terms, since the methods and priorities for determining financial aid allocations may be different at the college level.

### **INSTITUTIONAL SCHOLARSHIPS (AWARDED BY COLLEGES)**

An institutional scholarship, often called a “merit scholarship,” is awarded to a student by a college because he or she meets certain predetermined criteria, such as excellent grades, exceptional athletic ability, or artistic talent. Not all “merit” scholarships are based on grades; some are awarded for categories as vague as “leadership” or, in one recent case at a Midwestern college, having a “New England heritage.”

Merit scholarships usually have nothing to do with financial need. They are either simply awarded to an applicant, or the student is invited to apply for them. Given by colleges as a means of attracting desirable students, they basically amount to tuition discounts. Individual colleges have offered Lawrence students as much as \$20,000 per year in merit scholarship in recent years, though the amount is usually less. If colleges do not mention merit scholarships in their literature, ask about them when you visit, or speak with representatives when they come to visit Lawrence.

### **CORPORATE AND ORGANIZATIONAL SCHOLARSHIPS**

Groups such as the Lions and the Rotarians offer scholarships as well. Generally, you should be wary of private scholarships like these *if you have financial need*. Students need to seek out this information early in the application cycle, since scholarship application deadlines can be as early as January of the senior year. The College Office keeps information on many scholarships on file; moreover, there are sources on the Web for free scholarship searches, including [www.fastweb.com](http://www.fastweb.com). Be wary of offers that charge a fee to search for scholarships; the same information is available free through your own research.

It is important to understand that no college will award you more money than the system says you need. In other words, if you win a \$5,000 scholarship from the Ancient and Benevolent Order of Raccoons, most colleges will deduct that amount from the money they have awarded you. Some schools will deduct it from the loan portion of your package; often, unfortunately, it is taken off your grant award. Check with each college to find out what they do.

### **ATHLETIC SCHOLARSHIPS**

A *very* few athletes each year win a “full ride” from a Division I college (occasionally Division II, *never* Division III). These awards are given for athletic ability regardless of need.

Families do not apply for athletic scholarships; coaches will identify potential candidates. (See the article entitled “The Athlete.”)

More information on financial aid is available at the following websites:

[WWW.FINAID.ORG](http://WWW.FINAID.ORG)

[WWW.COLLEGEBOARD.ORG](http://WWW.COLLEGEBOARD.ORG)

[WWW.FAFSA.ED.GOV](http://WWW.FAFSA.ED.GOV)

[WWW.MEFA.ORG](http://WWW.MEFA.ORG)