

Chapter 8: Paying for College

What is Financial Aid, Applying for Financial Aid, Completing Financial Aid Forms, and Understanding Financial Aid Awards

WHAT IS FINANCIAL AID?

The subject of financial aid for college is a source of great anxiety for many families. The information here comprises 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 \$60,000 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 below. 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 you by a college because you meet 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. You 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**. 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

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 Chapter 10 entitled “Athlete’s.”)

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

WWW.FINAID.ORG

WWW.COLLEGEBOARD.ORG

WWW.FAFSA.ED.GOV

WWW.MEFA.ORG

APPLYING FOR FINANCIAL AID

Paying for college is a family proposition: parents have certain responsibilities in the process, and so do students. It is absolutely vital that everything be done in a timely fashion, strictly according to deadlines. To drag your feet may very well mean that you will end up without aid.

To apply for financial aid at any college, you must complete the Free Application for Federal Student Aid (FAFSA). Some colleges also require the College Scholarship Service Financial Aid Profile (CSS Profile), and, in many cases, their own institutional form. The CSS Profile is online only; the FAFSA may be completed online or in paper form, though virtually everyone now uses the online version. When completed, the FAFSA and the CSS Profile are sent to central agencies to be processed and forwarded to colleges. Families complete only one FAFSA and/or Profile. Institutional forms, on the other hand, are requested directly from each college and returned to its financial aid office. Forms are obtained online or directly from the colleges. Get the colleges involved immediately. They are a helpful resource and it is wise of you to familiarize yourself with an office you may be working with for the next four years.

The FAFSA

The FAFSA is required by every college and university. As the name implies, there is no fee connected to the FAFSA, which determines your eligibility for federal financial aid funds, the backbone of every college financial aid program. It is provided by the U.S. Department of education. The FAFSA is available online at <http://www.fafsa.ed.gov>. (Note: do not go to fafsa.com! This is a commercial website that processes the FAFSA for you, for a significant fee.)

Note that the FAFSA is addressed to the actual aid applicant, i.e. the student. However, parents complete the form most of the time, supplying financial information for themselves as well as for their child (job earnings, savings, etc.).

The FAFSA must be filed between January 1 and February 1. If you will not have tax information for the year in time to fill out the FAFSA by February 1, you should contact the colleges' financial aid offices directly to find out how to proceed. In most cases, they will advise you to complete the form based on estimates, as there is an opportunity to make corrections later in the process. Parents who own their own business may have to fill out additional forms.

The CSS Profile

The College Scholarship Service Profile, or CSS Profile, is available by mid-October of a student's senior year; there is a fee for this service. It is required by over 250 private colleges/universities, in addition to the FAFSA. The Profile is available at www.collegeboard.org. Because we have found

inaccuracies in the listing of colleges that accept this document, you should check with each college to verify if they do, in fact, require the Profile. You should register with the Profile online at least three to four weeks before your earliest financial aid deadline.

Institutional Forms

Some colleges use their own supplemental forms, which usually ask a few specific questions not covered on the FAFSA or the Profile. These are available only from the college, usually on its website, and are returned directly to its financial aid office. Obtaining these forms is your responsibility.

In general, always call a college's financial aid office if you have questions about financial aid at a particular school. Never rely on second-hand information.

COMPLETING FINANCIAL AID FORMS

Online completion is much faster and is strongly recommended for the FAFSA; it is required for the CSS Profile. Families who need to send a paper FAFSA may call 1-800-FED-AID [433-3243] or download a PDF version from the FAFSA website.

Before starting the FAFSA, be sure to visit the FAFSA website's help section to see what documents you will need and obtain answers to questions you may have. Here are a few other tips:

- Round all figures to the nearest dollar.
- Use proper names, not nicknames, and make sure the Social Security number reported matches the one on the student's card.
- If the instructions tell you to skip a question, leave it blank. If your answer to a question is "none" or "zero," put a zero in the answer space.
- Do not date or submit the FAFSA before January 1. Do submit all the forms at least two to three weeks prior to your earliest financial aid deadline. If you do not have the required tax forms in time to complete the FAFSA, estimate your figures as closely as possible for the current year. You will have the opportunity to correct the figures later when you know the exact amounts (see #9 below). Make a copy of all forms for your records. Also, be sure to keep a record of all PINs and account numbers.
- Your FAFSA will be processed faster if you put in the correct, 6-digit Title IV Code and the name of the college in the appropriate place. These codes are not the same as the College Board 4-digit codes used on the CSS Profile. You may list the college and its address without the code, but make sure you have the correct city (for example, Boston College is not in Boston!). The FAFSA allows you to list only six colleges. If you are applying to more than six, first list the schools with the earliest financial aid deadlines. Within a week you will receive an e-mail informing you that FAFSA information has been sent to those colleges. You can then go back online, delete the original six colleges, and add the rest of your list.

- Within about a week of receiving your electronic form, you will be able to log on with a PIN and see your Student Aid Report (SAR). The SAR will provide you with a figure called the Expected Family Contribution (EFC). It may also request additional information. Colleges receive a SAR at the same time you do; it is used in determining your eligibility for aid.
- If you made mistakes on the FAFSA, you may correct them after the form is initially processed. See the FAFSA website for details.
- Mail paper forms in the separate envelopes provided for each form. DO NOT express-mail your forms or send them via certified mail (return receipt). Doing so will slow down the processing of your forms.
- For questions about the status or the processing of an application or to request duplicate copies of your SAR, call 319-337-5665.

Early Decision Applicants

Some colleges are reputed to save financial aid dollars by “under-funding” Early Decision applicants on the theory that if they want to attend badly enough to apply ED, they will find the extra money. Your need for financial aid should not discourage you from applying Early Decision, but bear in mind that you will not be able to compare the cost of attendance at different colleges if you apply ED and are an aid applicant. We have often found that these students receive the same aid packages as regular decision applicants. Many selective colleges, including the Ivy League, have gone on record to say that early applicants receive the same treatment from the financial aid office as anyone else. It is nonetheless important to ask about ED financial aid policies if you will be applying for aid.

Divorced/Separated Parents

It is important for divorced parents to understand that no one will be penalized simply for being divorced. According to the FAFSA website, the student should file financial information only for the parent with whom he or she lived the most during the past year. If the student divides his or her time equally between both parents, then information should be provided for the parent that provided the most financial support. If there are different or unique cases, or if you have questions about who should file, call a college financial aid office directly to clarify.

UNDERSTANDING FINANCIAL AID AWARDS

Financial aid letters may accompany letters of acceptance; often they are sent separately. When letters are sent early in the year, some colleges may not specify the exact amount of state and federal aid they are offering you, but rather an estimated award. You will receive exact figures in another, later letter. Here are suggestions on how to read and respond to a financial aid letter:

- Look at the combination of awards in the “package.” It will consist of two types of aid: “gift aid” (such as grants that do not have to be repaid), and “self-help” (usually a combination of work and student loans).

- In comparing your different packages, pay attention to two things: your net cost to attend each institution after financial aid, and the proportion of grants to loans. Do not be dazzled by the total amount of money a college offers you; focus on how much you will have to pay out of pocket for four years at that college, both as tuition expenses during your college years and as loan payments afterwards.
- Look for special conditions or requirements attached to your awards. For instance, some institutions require financial aid recipients to maintain a certain grade-point average in order to continue receiving aid. Be sure you call the college and ask about the conditions before you pay your enrollment deposit.
- Be aware that most need-based awards (this is what “financial aid” is, after all, need-based) involve Federal money for both grants and loans. Financial aid administrators must adhere closely to government guidelines in awarding federal dollars, and few colleges have enough to meet every applicant’s full need. Even though your need is entirely legitimate, colleges may, for various reasons, award larger packages to other students.
- If you are offered a Federal loan, it will be “subsidized” or “unsubsidized.” A subsidized loan does not accrue interest while the student is in college; an unsubsidized loan does.
- If you are a recruited athlete, be aware that coaches cannot promise financial aid! They can work on your behalf in the financial aid office, but the final aid offer is always up to that office, not the coach. Therefore, beware of promises made before you receive a formal financial aid offer.
- If you have questions about your financial aid award, or if you or your family believes that it does not meet your needs, call the college’s financial aid office. Be polite; do not panic or become angry. You will find that most financial aid officers are very helpful. Review any circumstances you think may have been overlooked, and be prepared to offer concrete information if you want them to review your award. The college may be able to adjust your package based on new information, or they may match an offer from another college. Not all colleges will negotiate financial aid awards, however; each institution has different priorities and policies.
- If you are considering more than one college, wait to receive a financial aid letter from each school before making a final decision. While every college will ask you to accept or decline their offer of aid by a specific deadline, they will usually extend the deadline upon your request if you are still waiting to hear from other institutions.
- Once you make a final decision, do not miss the reply deadline; if you do, your money could go to someone else! Follow very carefully the instructions in your award letter, which may ask you to provide more information or to select a lender for a student or parent loan. Complete and sign the necessary forms and send it in. Be sure to notify the other colleges that accepted you that you will not be attending.

Know your deadlines! They vary from college to college, so read admission materials very carefully, and stay on track from the beginning. A student who does not need financial aid may have a bit of flexibility.