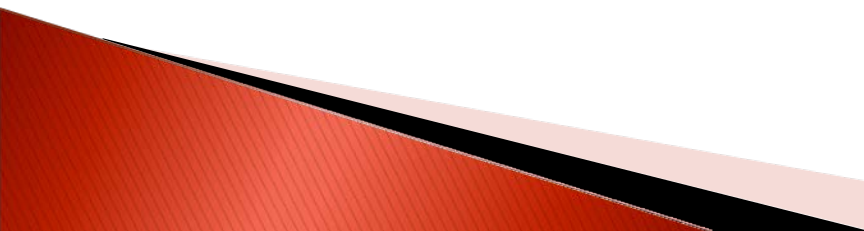# Financial Aid 101
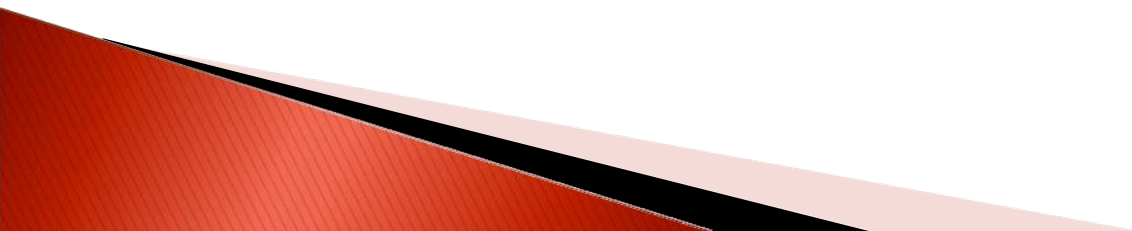
A College Education *Is* Affordable

DAVIDSON

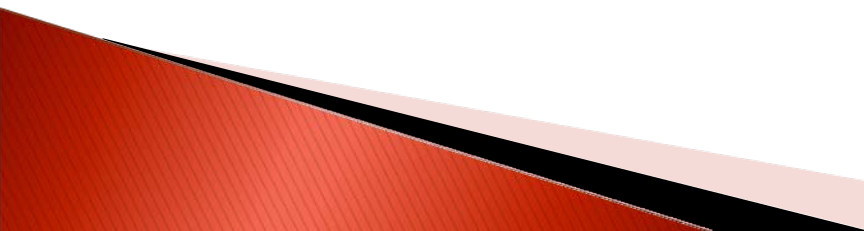# Everything You Always Wanted to Know About Financial Aid…

(but were afraid to ask.)

Overview

- Need-based financial aid
- Merit-based scholarships
- Alternative financing
- An insider's list of consumer tips

What is the purpose of need-based financial aid?

- Equal access
- Make education accessible to students who can't afford it on their own
- Enable student to apply to first-choice college
- Attend college based on best fit

What assumptions underlie need-based aid?

- Families contribute to the extent they're able
- Income and assets reflect financial strength over time
- Unusual family circumstances considered
- Similar treatment for similar circumstances
- More expected from those with greater resources

How do students apply for need-based financial aid?

‣ Federal formula
  ◦ FAFSA (Free Application for Federal Student Aid)

‣ Institutional formula
  ◦ CSS/Financial Aid PROFILE

‣ At school's discretion:
  ◦ Institutional application
  ◦ Tax returns and W-2 forms
  ◦ Noncustodial PROFILE

‣ Families must reapply annually

How is eligibility for financial aid determined?

Cost of education

– Estimated Financial Assistance (outside resources)

– Family contribution

= Student's financial need
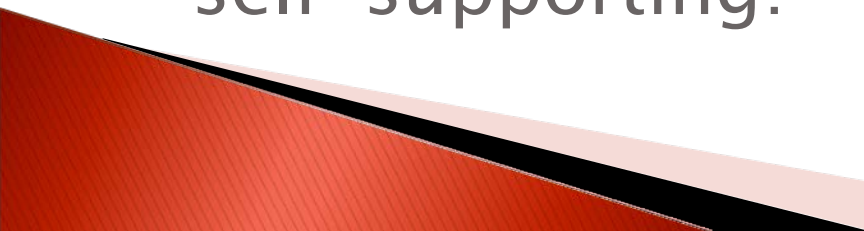
What is included in cost of education?

- Tuition and fees
- Room and board
- Books and supplies
- Transportation
- Miscellaneous personal expenses

Are there instances where a student is self-supporting?

- Were you born before Jan. 1, 1987?
- As of today, are you married?
- Will you be working on a master's or doctorate?
- Are you currently serving on active duty in the US Armed forces (other than training)?
- Are you a veteran of US Armed Forces?
- Do you have children who live with you and receive more than half their support from you?
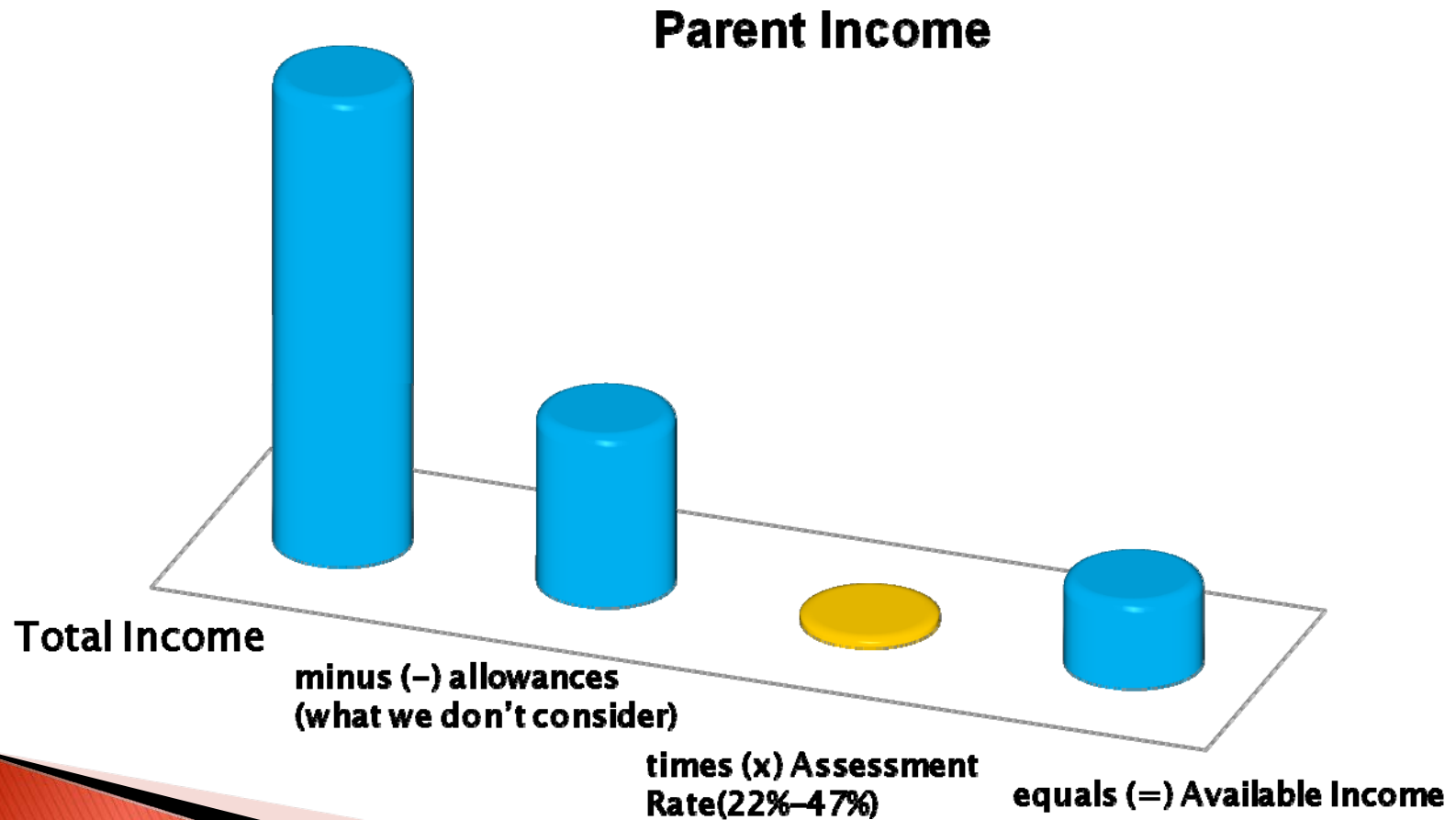- When you were 13 or older, were both your parents deceased, were you in foster care or a ward of the court?

Self-supporting Student, cont.

- Are you an emancipated minor as determined by a state court?
- Are you in legal guardianship as determined by a state court?
- Have you been declared by your school district liaison of an emergency shelter director funded by HUD to be homeless?
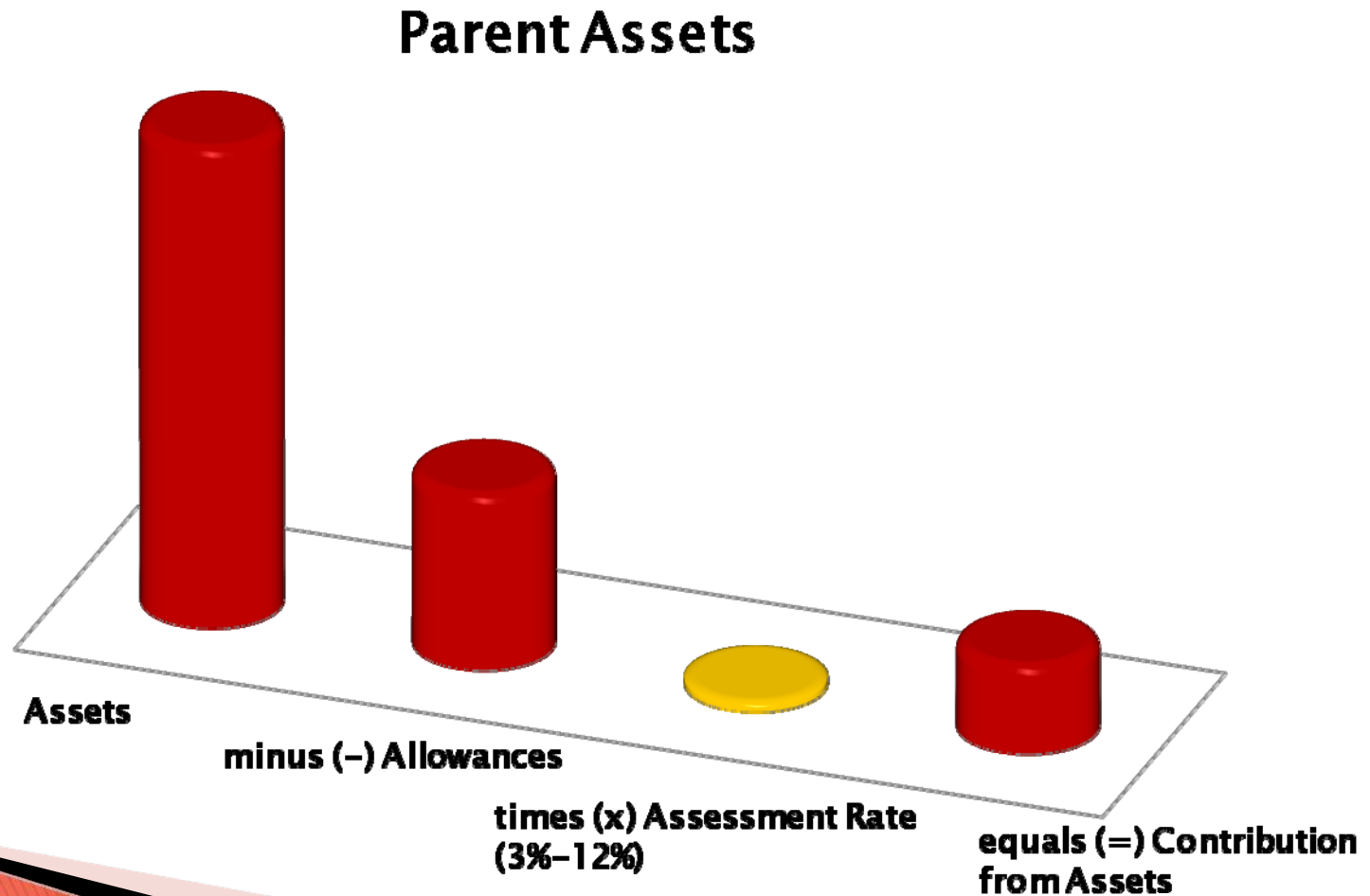- Did the director of runaway/homeless shelter determine you to be homeless or self-supporting?

How is the family contribution determined?

- Parent contribution from income
- Parent contribution from assets
- Student contribution from income and assets
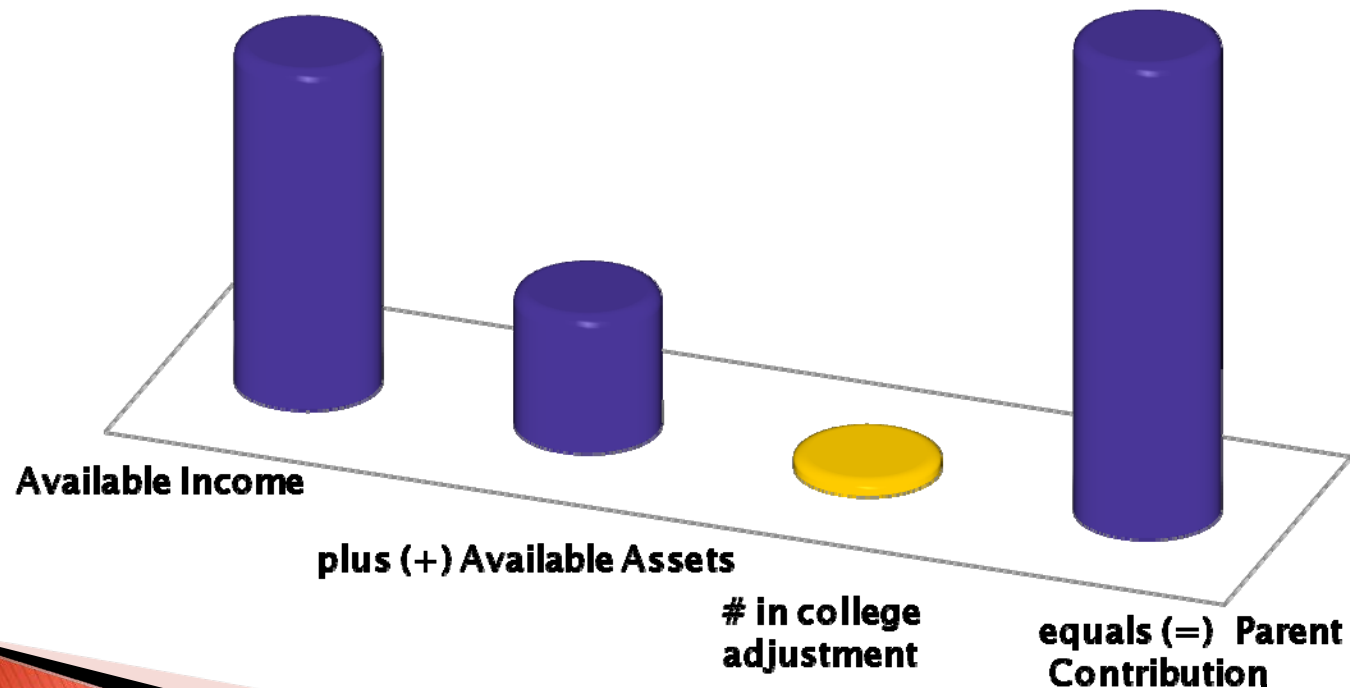
How is parent contribution from income calculated?

Parent Income

Total Income

minus (−) allowances
(what we don't consider)

times (x) Assessment
Rate(22%−47%)

equals (=) Available Income

How is parent contribution from assets calculated?

Parent Assets

Assets

minus (−) Allowances

times (x) Assessment Rate (3%–12%)

equals (=) Contribution from Assets

How is total parent contribution calculated?

Total Parent Contribution

Available Income

plus (+) Available Assets

in college adjustment

equals (=) Parent Contribution

How is student contribution calculated?

Income

plus (+) a % of Assets

equals (+) Student Contribution

How is the family contribution calculated?

Parent Contribution

plus (+) Student Contribution

equals (=) Expected Family Contribution
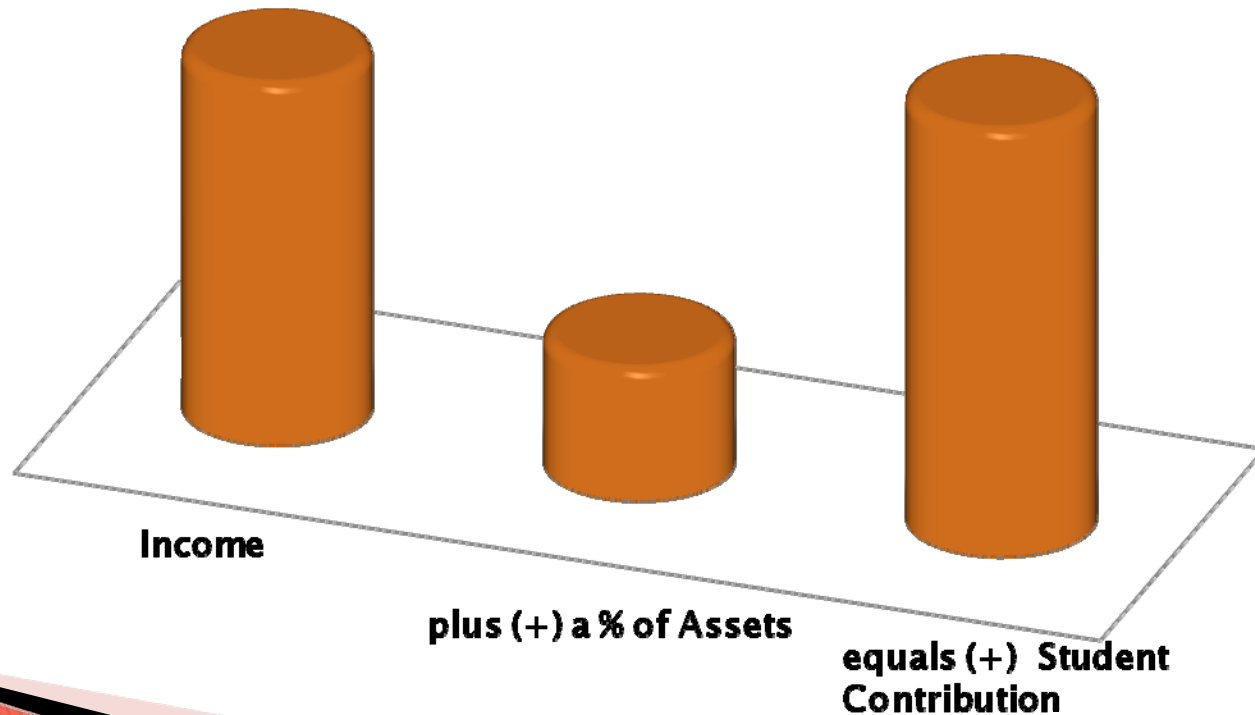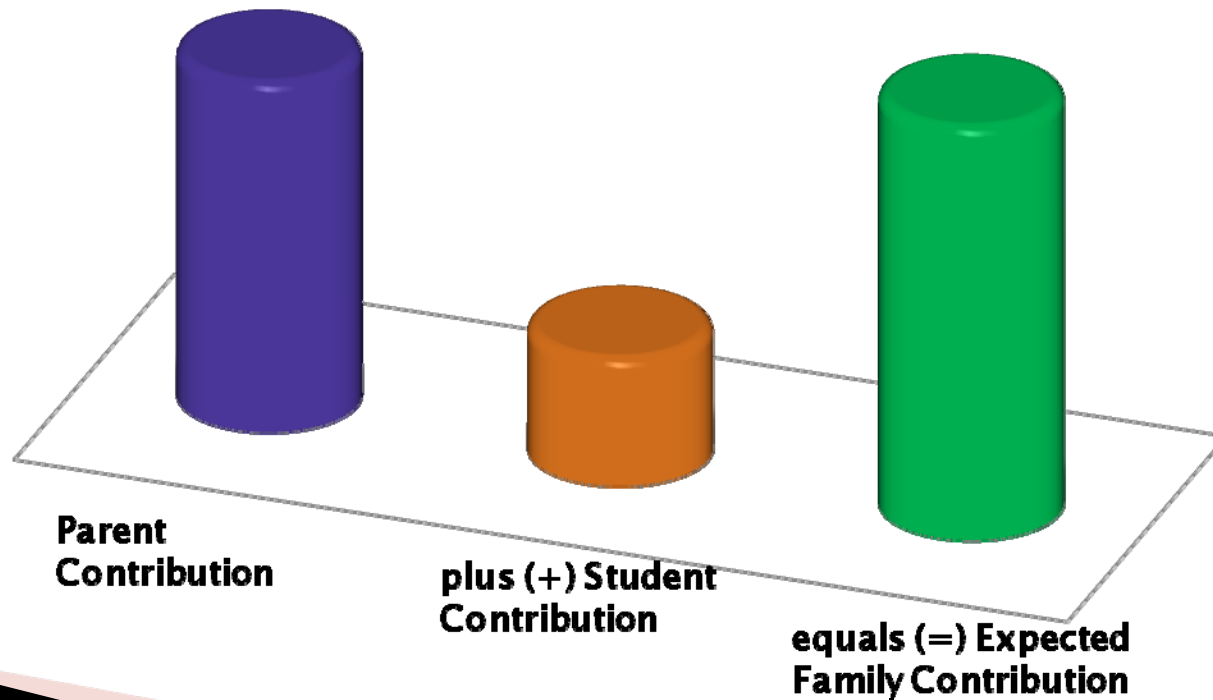
Recap: What is financial need?

Budget (variable)

Personal Expenses
Transportation
Books and Supplies
Room and Board
Tuition

EFC (constant)

EFA

Need (variable)

_

Estimated Financial Assistance (Outside Resources)

_

Student Contribution
Parent Contribution

=
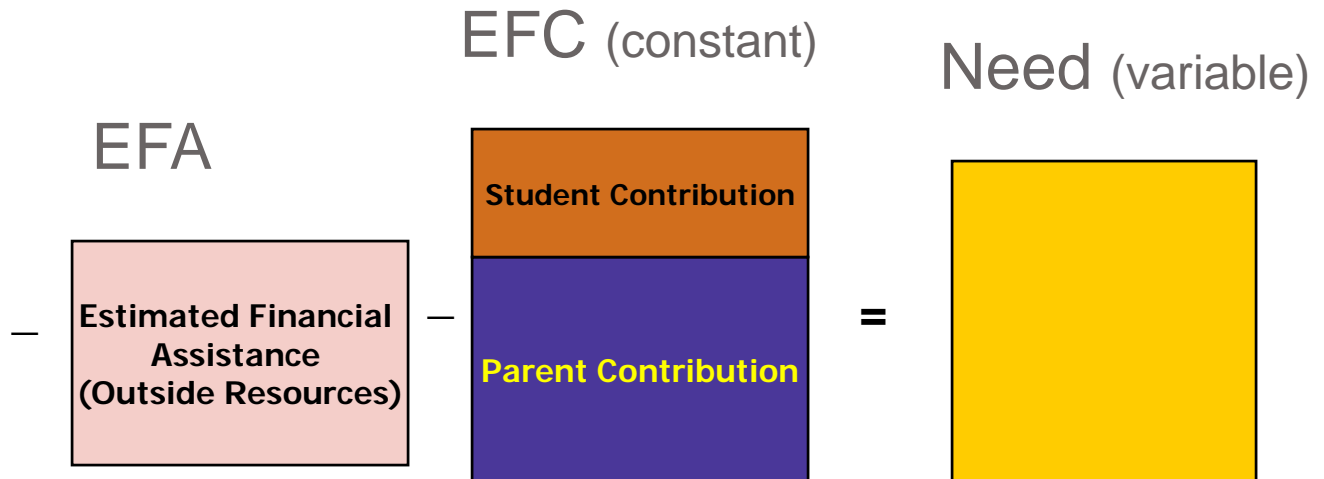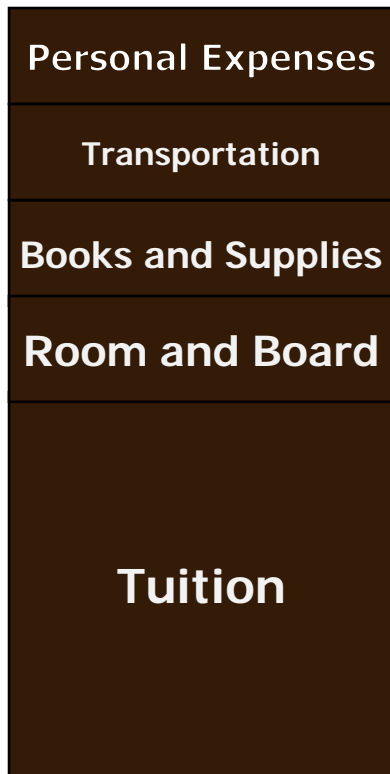
How is financial need met?

- Gift aid
  - Grants
  - Scholarships
- Self-help aid
  - Student loans
  - Employment
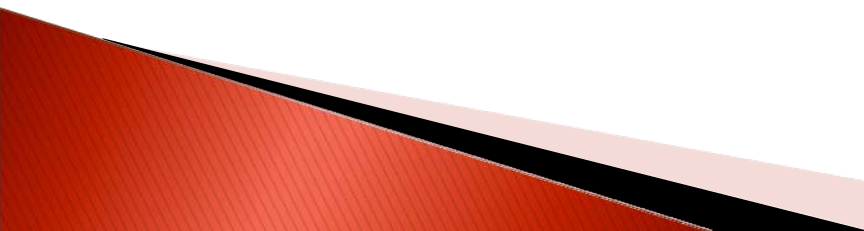
What might a sample aid package look like?

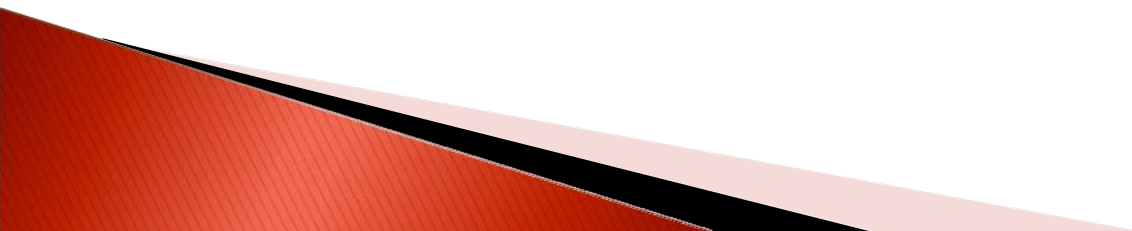|	Davidson	Private #1	Private #2	Public U.
Total Cost	$48,000	$50,000	$35,000	$19,000
Family Contribution (EFC)	$10,000	$10,000	$10,000	$10,000
Financial need	$38,000	$40,000	$25,000	$9,000
Merit aid	$0	$0	$10,000	$0
Need grant	$35,900	$33,300	$2,800	$1,500
Student loan	$0	$4,000	$5,500	$5,500
Work Study	$2,100	$2,700	$1,800	$1,000
Total aid	$38,000	$40,000	$20,100	$8,000
Unmet need	$0	$0	$4,900	$1,000
Total paid	$10,000	$10,000+loan	$14,900+loan	$11,000+loan

What are merit-based scholarships?

- Typically, there's an inverse relationship between selectivity and number of merit awards
- Strategies underlying merit awards vary
  - Recruiting device
  - Awarded after student is admitted
- Procedures for being considered vary
  - Nomination
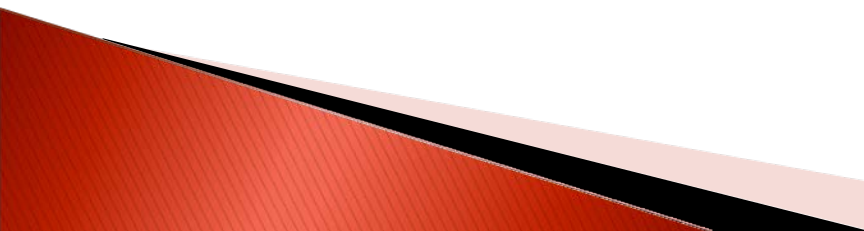 - Scholarship application
  - Admission application

What are athletic scholarships?

- Based on athletic talent
- Usually awarded by athletics department, not admission/financial aid office

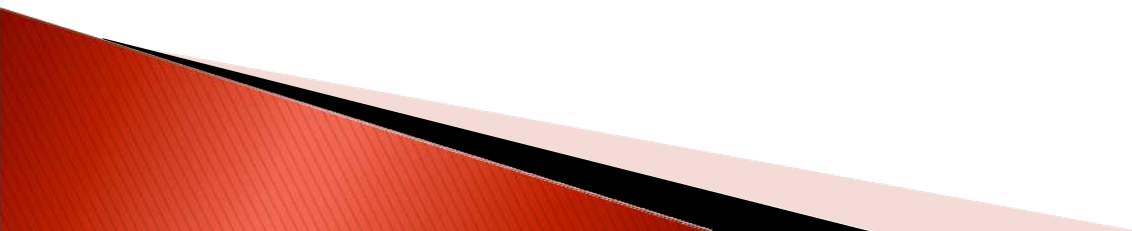# What questions should students ask about merit and athletic awards?

- Is the scholarship renewable?
- If so, what are the requirements for renewal?
- Will the scholarship affect need-based aid eligibility?
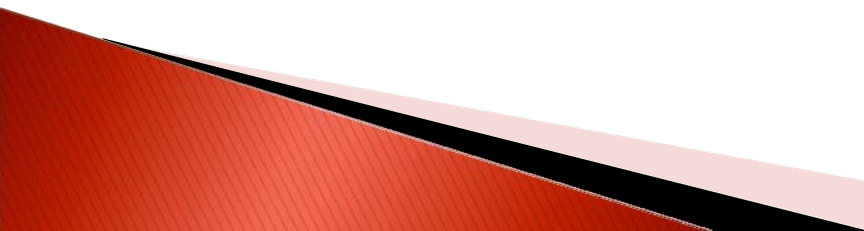
What other options can help a family pay for college?

- Summer/academic year employment
- 529 savings plans, other savings plans
- Life insurance policies, retirement funds
- Payment plans

What loan options are there for college costs?

- Federal Stafford or Direct Loans
- Federal PLUS Loans
- Federal Perkins Loans (at some institutions)
- Lines of credit and education loans
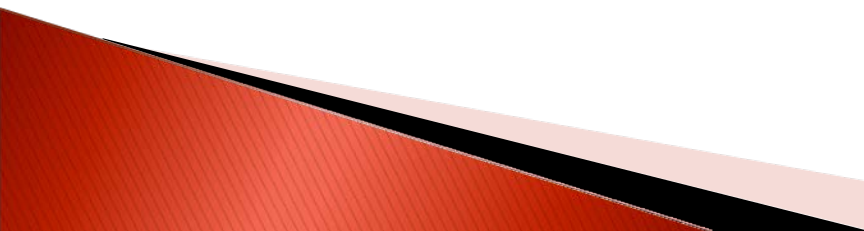- Loans against home equity, insurance policies, retirement funds

What Federal grants are available for students?

- Pell Grant
- Supplemental Educational Opportunity Grant (SEOG)
- Academic Competitiveness Grant (ACG)
- National Science and Mathematics Access to Retain Talent Grant (SMART)
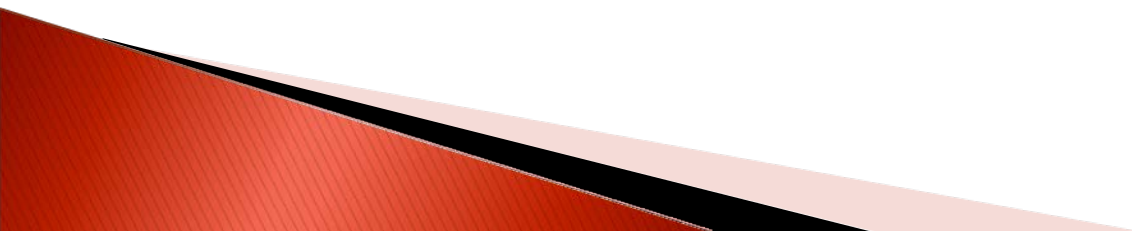- Teacher Education Assistance for College and Higher Education (TEACH)

What can outside scholarships do? What can't they do?

- Can… meet unmet need (gapping) and/or generally reduce loans or jobs
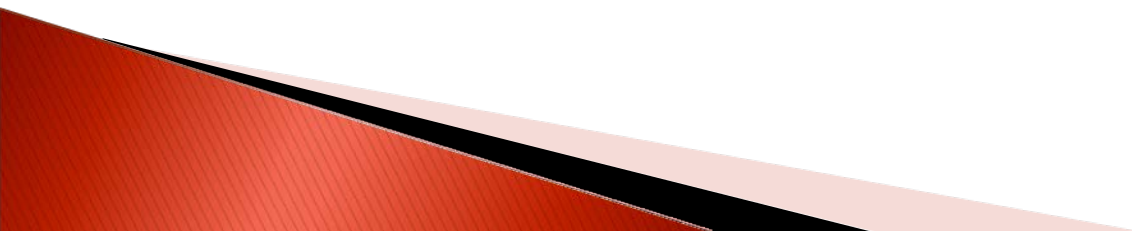- Can't… replace EFC in a need-based award

What are other things that students should know?

- Deadlines are important
- Early Decision/Early Action
- Need-blind vs. need-sensitive
- Differential/preferential packaging
- May 1: National Candidate's Reply Date

More consumer tips

- Avoid financial aid consultants
- Avoid scholarship programs that charge application fees
- Avoid scholarship search services that charge fees
- Bargaining/negotiating?
- Know your loans

What about the current financial situation?

- Institutions may choose to consider individual family circumstances at different times throughout year
- Might affect a family's funding options
- Might not affect EFC

On-line resources

- The College Board
  - www.collegeboard.com
- SmartStudent Guide to Financial Aid
  - www.finaid.org
- Federal government
  - www.ed.gov
- Scholarship Web sites
- School Web sites
- www.davidson.edu

College is an investment that lasts a lifetime.

Questions ???

Thank you !

Financial Aid 101

A College Education Is Affordable

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