

What Is This Financial Aid Thing Anyway?

What Is Financial Aid?

Any money from outside the family that pays postsecondary (college) expenses

Understanding College Costs

- College can be expensive, but worth the cost
 - A sound investment in your child's future
- More than just tuition
 - Also includes room and board, books, transportation, personal expenses, etc.
- Vary by type of college
 - Community colleges are less expensive than four- year schools
 - Private colleges are more expensive than public colleges
- Look at costs over an child's entire postsecondary education
 - Four to six years total

Expected Family Contribution (EFC)

- Amount family can reasonably be expected to contribute, but not what the family will pay to the college
- EFC the same regardless of what college the student attends
- Calculated using a federal form and formula
- Two components
 - Parent contribution
 - Student contribution

What Is Financial Need?

- Difference between college costs and EFC
- Will vary by college
- Amount of financial need determines the aid a student will receive

Types of Financial Aid

- Scholarships
 - Awarded on the basis of merit or unique characteristics
 - Don't have to be paid back
- Grants
 - Awarded on the basis of financial need
 - Don't have to be paid back
- Loans
 - Considered self-help aid
 - Must be paid back, usually after student finishes school
 - Many different types
 - Student loans are a reasonable form of aid
 - ◆ A good investment in child's future
- Employment
 - Self-help aid
 - Earnings used to cover college expenses
 - Ideally related to field of study

Sources of Financial Aid

- Federal government
 - Largest source of financial aid
 - Awarded mainly on the basis of financial need
 - Apply every year using a standard form
- States
 - Offer both merit-based and need-based aid
 - Usually have residency requirements
 - May have service requirements
- Colleges
 - Varies widely from college to college
 - Offer both merit-based and need-based aid
 - May be offered as part of the admissions process
- Private sources
 - Churches, civic organizations, and employers
 - Varying award amounts and application procedures
 - Small awards add up

How to Apply for Financial Aid

- Complete a standard federal form every year
- Standard federal form is the Free Application for Federal Student Aid (FAFSA)
<http://www.fafsa.gov/>
 - Collects demographic and financial information about the student and his or her family
 - Data used to calculate the EFC
- Information from the FAFSA may also be used by states, colleges, and private sources to award aid
- Ask colleges if other forms are required

Federal Financial Aid Programs

- Federal grant programs
 - Federal Pell Grant
 - Academic Competitiveness Grant (ACG)
 - National Science and Mathematics Access to Retain Talent (SMART) Grant
 - Teacher Education Assistance for College and Higher Education (TEACH) Grant
 - Federal Supplemental Educational Opportunity Grant (FSEOG)
- Federal loan programs
 - Federal Perkins Loan Program
 - Stafford Loans
 - ◆ Borrowed by students
 - PLUS Loans
 - ◆ Borrowed by parents and graduate students
- Federal employment programs
 - Federal Work-Study

Estimating Eligibility Using FAFSA4caster

- On-line tool developed by U.S. Department of Education to help families financially prepare for college
 - <http://www.fafsa4caster.ed.gov/F4CApp/index/index.jsf>
 - Asks for data provided on the FAFSA
 - Estimates the EFC
 - Estimates eligibility for federal financial aid
- Estimates possible financial aid at various types of colleges
- Gives an idea of realistic costs, financial need, and financial aid

Researching Financial Aid

- Begin early
- Find scholarships that match student's academic interests, hobbies, and unique characteristics
- Don't pay for scholarship searches
- Be wary of promised results
- Report fraud

What to Do Now

- Begin researching financial aid options
- Start saving
- Encourage child to take college prep classes
- Share information with student
- Encourage student to participate in extracurricular activities
 - Develop leadership skills
- Help child develop strong study skills