

Financial Aid 101

How to Apply and How Aid is Awarded

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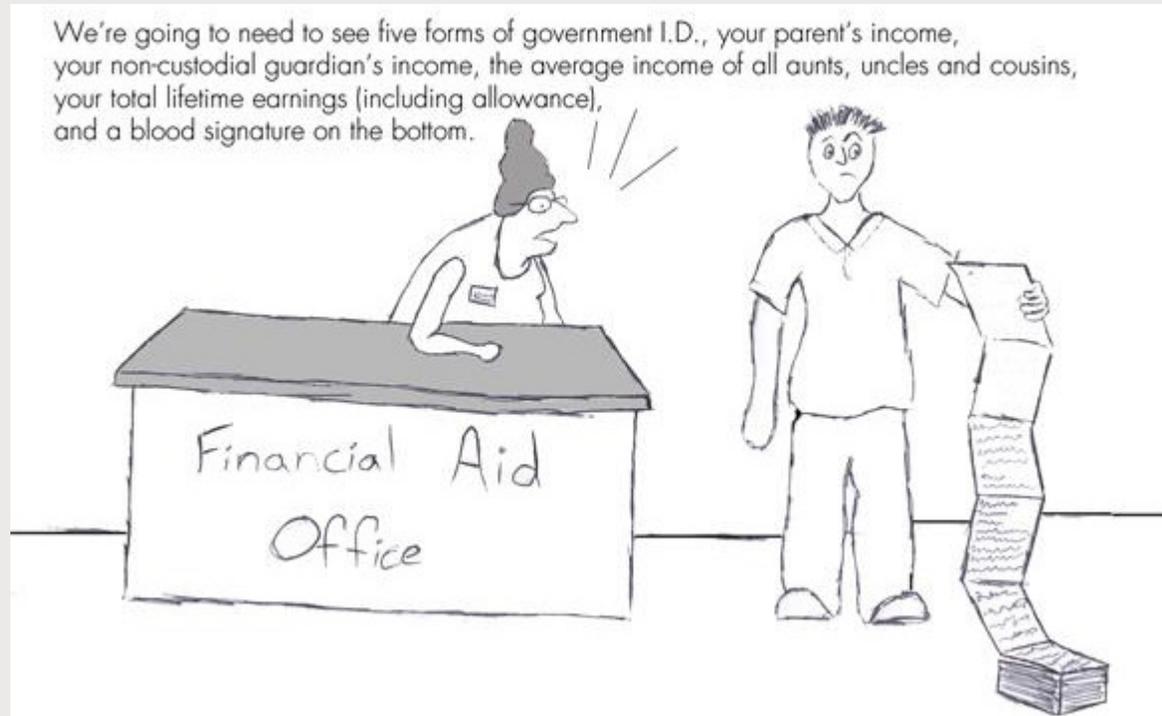
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Albion College



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What You Fear About Financial Aid



Paying for College is a Partnership

To understand the role of financial aid in financing your education, it helps to understand that meeting college costs is a partnership.

The key parties involved are your family, the government, the college you select, and possibly help from private businesses and organizations.



Paying for College is a Partnership

At the heart of this partnership is your family, which includes you, your parents, and any other relatives who are willing to help out.

Federal and institutional financial aid policies generally reflect the principle that the primary responsibility for financing a student's education rests with the family.



Paying for College is a Partnership

Help may also come from the federal and state governments in the form of grants or loans.

The college you choose to attend may offer scholarships and campus employment opportunities.

Local banks and credit unions can help you secure educational loans and local community groups often offer scholarships to deserving students.



How Can Students Help With College Costs?

Find and apply for local scholarships.

Use any savings you have accumulated.

Get a summer job and save the money you earn to help your family meet college costs.

Use future income to leverage the cost of your education by taking student loans that you won't have to pay back until later.

Plan to graduate on time in four years. Time is money, both in additional tuition costs and lost income.



How Financial Aid Works

Financial aid is intended to make up the difference between what your family can afford to pay and what college costs.

College Cost

- Expected Family Contribution (EFC)
= Financial Aid Eligibility



How Financial Aid Works

Who decides how much my family is able to contribute?

In most instances, the information you provide on your FAFSA will be used to calculate your Expected Family Contribution (EFC). This is the number colleges will use to determine your eligibility for need-based financial aid.

Important note: some colleges require the CSS Profile in addition to the FAFSA.



How Your EFC is Calculated

The federal government and college financial aid officers apply formulas to your FAFSA data to analyze your family's financial circumstances.

Your family's ability to pay will be based primarily upon income and assets. Other factors that are considered are the number of family members, how many children will be in college and the age of the elder parent.

Although no formula is perfect, the FAFSA is designed to treat families fairly and equitably.



How Your EFC is Calculated

The FAFSA analysis will calculate your Expected Family Contribution (EFC).

Most families can't pay their EFC out of current income alone, so don't panic when you see the number.

The formula – and most colleges – assumes that families will meet their contribution through a combination of savings, current income and borrowing.



Three Main Types of Financial Aid

Grants and Scholarships

Also called gift-aid, grants and scholarships don't have to be repaid and you don't need to work to receive them.

Grant aid comes from federal and state governments, and from individual colleges.

Grant funds are often limited and may have application deadlines.

Scholarships are generally awarded on the basis of academic achievement, although policies vary.



Three Main Types of Financial Aid

Loans

Student loans are the student's investment in his/her future. Generally parents are making a significant contribution to educational costs and often the college attended is helping with grants and scholarships.

It makes sense for the student to also play a role in meeting college costs, particularly with dollars to be repaid later.



Three Main Types of Financial Aid

Loans

It's a worthwhile investment: data shows that the average college graduate earns \$800,000 more than a high school graduate.

The average Albion student graduates with \$25,000 in debt which equates to a \$197-\$280 payment per month depending upon the loan repayment option.

The new earn-as-you-go option and income-based repayment helps graduates realistically meet their loan obligation.



Three Main Types of Financial Aid

Work

Student employment and Federal Work Study income helps students pay for tuition, books, supplies and personal expenses.

Many parents are worried that their student will not have time to work on campus. Most colleges limit work hours and, unlike high school, students have many more discretionary hours during the day, evenings and weekends to work.



Three Main Types of Financial Aid

Work

Studies show that students who work while in college do better academically. Work helps students develop good time management skills and they become more connected with the campus, increasing their satisfaction.



Three Main Types of Financial Aid

Students are not “required” to take student loans nor to take a campus job if offered. However, parents should understand that the college typically will not replace those funds with additional grant monies.

Families will have to find their own resources to cover the costs associated with not taking student loans or campus jobs.



Filing Your FAFSA

The Free Application for Federal Student Aid (FAFSA) is the only financial aid form you need to apply for aid from Albion College.

This single application establishes your eligibility for federal, state and institutional grants, work-study and loans.

Be sure to check the requirements and deadlines for each **school** to which you are applying. It is really important to apply on-time.



Filing Your FAFSA

You will file your FAFSA electronically which allows you to complete, submit and track your FAFSA application.

Be sure to provide code numbers for all of the colleges you want to receive your information – you may list 10.

Albion's FAFSA code is 002235.



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Helpful Web addresses to help you with the FAFSA:

www.fafsa.gov (the form and instructions)

www.pin.ed.gov (to establish your FAFSA PIN)

www.collegeboard.com (helpful information)

www.albion.edu/fafsa-steps (FAFSA tips)

Federal Student Aid Info Center: 800-4-FEDAID (800) 433-3243



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Filing Your FAFSA

Complete your income tax return before filling out your FAFSA – much of the information is the same.

You need not *file* your tax return prior to doing your FAFSA, simply complete it to have all the relevant information available.

If you will not have full tax information prior to the FAFSA due date for colleges, **ESTIMATE!**

It is better to estimate your tax information and submit your FAFSA on time than it is to have completely accurate tax information and file late.



Filing Your FAFSA

The ~~new~~ [IRS Data Retrieval Tool](#) will save you time and effort by transferring your income tax data directly from the IRS to your online FAFSA.

You and your parents may use this tool if:

Your family income tax returns were filed electronically at least three weeks before you complete the FAFSA.

Your family income tax returns were mailed to the IRS at least eight weeks before you complete the FAFSA.



The new [IRS Data Retrieval Tool](#)

If you are eligible to use the IRS Data Retrieval Tool and choose to do so, you'll be transferred from the online FAFSA to the IRS website, which will guide you through the transfer of your tax information. When you're done, you'll be sent back to your FAFSA.

Please keep in mind that waiting to file your FAFSA until after you have filed your tax returns may delay your financial aid package unless you have filed electronically by January 15.



Filing Your FAFSA

Many colleges will collect your tax information to finalize your need-based financial aid award.

You will also have an opportunity to make corrections to your FAFSA if you made an error in your initial filing, or if you need to update it based upon your tax return.



Filing Your FAFSA

Get Your PIN

One parent and the student each needs to obtain a PIN from the US Department of Education which will be your electronic signature on your FAFSA.

To get your PIN, simply complete the application at www.pin.ed.gov. You have these options:

- Select your own PIN,
- Instantly view your PIN online,
- Receive an e-mail with your PIN immediately, or
- Have your PIN sent by postal mail.



Filing Your FAFSA

Remember Your PIN

You will use this same PIN to make FAFSA corrections and to digitally sign all future FAFSA's (renewal financial aid applications in subsequent years). The PIN will also be used if the student or parent applies for a federal student loan.

Memorize your PIN or keep it in a safe place for future reference.

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Filing Your FAFSA

What Happens After You Apply?

Once you submit the FAFSA it goes to a large processing center that handles millions of forms each year.

You will receive an email from the processor in one week called the Student Aid Report (SAR).

The SAR summarizes the data you submitted on your FAFSA.



Filing Your FAFSA

Review your SAR carefully and follow directions for making and submitting corrections.

If any data is missing it will be noted on your SAR.

Submit corrections or required information quickly to avoid processing delays.



Filing Your FAFSA

At the upper right corner of the SAR you'll find your family's EFC.

This EFC is your family's calculated *expected contribution* to college costs.

The EFC and supporting data is transmitted electronically to the colleges you have listed and state scholarship agencies.

**If there is an asterisk next to your EFC, it means that your application has been randomly selected for verification. Additional data will be required to finalize aid awards.



Why Your Contribution May Vary

Families often assume that the amount they will be expected to contribute will be the same for all schools. This may not be the case.

The actual amount you are expected to contribute may vary for a number of reasons:

- The college's admission and aid policies
- The amount of aid available at each school
- Special financial circumstances



Why Your Contribution May Vary

Aid Policies Differ

Different colleges have different means of assessing need and awarding aid.

Most colleges (public and private) do not have enough financial aid to meet the demonstrated financial need of every applicant.

As a result, a family may be asked to pay more than the calculated EFC.



Your Financial Aid Award

Your financial aid award (from Albion and other schools) is likely to be a combination of scholarship/grant aid, loans, and campus employment.

When you compare aid awards, look beyond what the school indicates will be your “payment.”

Some colleges will package PLUS loans as part of an aid package and others will not. You want to carefully evaluate how much assistance you are offered is grant/scholarship (gift aid) vs. student/parent loans and employment.



What's a PLUS Loan?

The PLUS Loan allows credit-worthy parents to borrow up to the cost of attendance minus any financial aid the student receives.

Unlike student educational loans, the PLUS Loan typically goes into repayment 90 days after disbursement although there is a new option allowing parents to request a deferment while their student is in college.



What's a PLUS Loan?

The PLUS Loan is a great option for families looking to spread out college costs over a ten-year period. You must file a FAFSA if you wish to take a PLUS Loan. The current interest rate is 7.9%.



What's a Federal Direct Loan?

The Federal Direct Loan program allows students access to loan funds to finance their education. Students are able to borrow the following amounts:

Freshmen = \$3,500

Sophomores = \$4,500

Juniors and Seniors = \$5,500

Students may borrow an additional \$2,000 each year in unsubsidized funds. You must file a FAFSA to take a Federal Direct Loan.



What is the difference between a subsidized and unsubsidized Federal Direct Loan?

Students who demonstrate financial need are eligible to borrow Federal Loan funds and have the interest subsidized while they are in college. This means that the Federal Government pays the interest on their loan until they graduate. After graduation, interest begins to accrue. The repayment period is ten years. The current subsidized Federal Direct interest rate is 3.4%



Unsubsidized Federal Direct Loans

are available to all students, regardless of family financial circumstances.

The interest *does* accrue while the student is in college which means the principal to be repaid will be higher.

The current interest rate is 6.8% and repayment terms are the same as the subsidized Federal Direct Loan.



What is a Pell Grant and How do I Apply?

The Pell Grant is a federal grant and eligibility is determined by the information you provide on your FAFSA. Most families with incomes of \$40,000 per year or less will qualify. Pell Grant amounts are based on a sliding scale according to your Expected Family Contribution and the number of credits the student is taking.

When you file your FAFSA you have applied for a Pell Grant and one will be awarded if you meet the federal standard.



General Questions about Eligibility

I may not qualify – should I file a FAFSA?

Yes! Many families mistakenly think that they make too much money to qualify. You can't get financial aid if you don't apply. Aid is awarded to families with incomes they thought would disqualify them. Even if you don't qualify for need-based financial aid, unsubsidized Federal Direct Loans and PLUS loans are available regardless of need. The FAFSA is free – nothing ventured, nothing gained.



General Questions about Eligibility

My parents saved for college so we won't qualify.

Saving for college is always a good idea. Family savings will help meet the EFC and pay college bills. A family's EFC is based primarily on income, not assets such as savings.



General Questions about Eligibility

Do I need to be admitted before I can apply for financial aid at a specific college?

Absolutely not! You may apply for need-based financial aid anytime after January 1. To actually receive funds you must be admitted and enrolled at the college.



General Questions about Eligibility

I'm not a straight A student so I won't get aid.

It's true that many scholarships reward academic achievement, but a lot of aid is also based upon financial need and does not consider grades.



General Questions about Eligibility

Working will negatively affect my college grades.

Research shows that students who work a moderate amount (10-12 hours per week) often achieve higher grades than those who don't. It's all about time management, a skill that will be invaluable once you enter the work force. Future employers will also recognize that you successfully balanced academic success with part-time work.



General Questions about Eligibility

Do I have to reapply for need-based financial aid every year?

Yes. To re-qualify for any federal, state and institutional funds for which you are eligible, filing a FAFSA each year is required. If your family's financial circumstances change, you may receive more or less aid. Note that your eligibility may change significantly, particularly if a family adds or subtracts siblings in college.



General Questions about Eligibility

Are my parents responsible for my educational loans?

No. Parents are responsible for any Federal PLUS loans *they* take to help fund your education. Parents will only be responsible for your educational loans if they co-sign. In general, you and you alone are responsible for repaying your educational loans.



General Questions about Eligibility

A private college like Albion is out of my family's financial reach.

I recommend delaying cost considerations until late in the college selection process. Most important is finding a college that meets your academic, career preparation and personal needs. At a higher-cost school you are more likely to demonstrate financial need. In fact, many students receive better financial aid packages from private colleges because we have more institutional funds designated for this purpose.



General Questions about Eligibility

Can I negotiate a better deal?

Many colleges will be sympathetic to a family's specific financial situation, particularly if there are documented non-discretionary expenses such as high medical bills. But most schools adhere to their institutional financial aid guidelines and generally do not adjust awards. Colleges work hard to build the very best - and most appropriate - financial aid package to begin with. It's usually not the opening point for negotiation.



Working With the Financial Aid Staff

It is perfectly reasonable to contact a financial aid office to discuss the type and amount of assistance offered if it is making your choice difficult (or impossible).

Please, *be nice!* It is human nature to work harder for families who recognize and appreciate the aid already offered.



Working With the Financial Aid Staff

By Phone or Face-to-Face?

For routine questions a telephone call is the easiest way to be in touch. Email and letters come next, but you may have to wait longer for a response. Carefully read your award letter and the accompanying information to be sure that the answer to your question(s) has not already been addressed.



Working With the Financial Aid Staff By Phone or Face-to-Face?

If you have a serious problem, a personal visit is the best way to deal with the matter. Make sure to call and schedule an appointment as the financial aid staff is very busy talking with many families like you.



Working With the Financial Aid Staff

When you are discussing your financial aid award and requesting additional funds, you should be prepared with complete and accurate financial information. If you feel that a college has underestimated your family's financial need or your circumstances have changed since you completed the form, staff will need to see income statements or expense records. The success of your appeal will depend upon whether your situation warrants an increased award and if the college has money to do so.



Final Thoughts

Albion College is committed to using its financial aid resources as efficiently and equitably as possible. We have substantial funds available, but still not enough to meet the full demonstrated financial need of all admitted students. We allocate our institutional monies to meet strategic goals that address building an academically talented, diverse group of students committed to intellectual inquiry and personal development.



Final Thoughts

I, and my colleagues in admission and financial aid, look forward to working with you. There is no greater, nor more worthwhile, investment than in the education of your student. Although this investment requires some careful planning and possibly sacrifice in the short-term, the long-term gain for your student and society are enormous. We hope you will join us at Albion for a world-class education that prepares our students and graduates for uncommon success in the real world.



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Thank you for Participating!

I hope this Webinar has helped you better understand the overall financial aid process and provided insight into how Albion College awards institutional funds.

I will be happy to take your questions. Please type them in the “Questions” section of the Webinar menu box and I will respond as quickly as possible.



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