

Financial Aid 101

Paying for Postsecondary Education

Your Presenter

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Basic Principles

- Joint responsibility of the student and parent(s) to pay, to the extent possible, unless student is independent per federal determination
- Not all families qualify for need-based aid. There is no guarantee that you will get any need-based financial aid to pay for higher education.

Where does the money come from?

- Federal Government
- State Government
- School/Colleges

- Private Scholarship Sources:
 - » HS Counselors
 - » Clubs and organizations
 - » Employers
 - » Internet scholarship searches

Basis for awarding aid...

- Merit – scholarships usually based on:
 - » Academic or athletic ability
 - » Special talent or achievement
 - » Program of study
- Need-based grants, loans, and employment usually based on:
 - » Income
 - » Assets
 - » Other factors

Purpose of the Free Application for Federal Student Aid (FAFSA)

- The FAFSA (Free Application for Federal Student Aid) is a federal form used to determine student eligibility for the following:
 - » Federal programs, such as Pell Grants, work-study, and student loans
 - » State programs, such as Pennsylvania State Grant, state work-study, and other special programs
 - » School programs, such as need-based grants and scholarships.

When to Apply

- The FAFSA may be filed beginning on January 1 of the upcoming award year. For the 2012-13 award year this would be January 1, 2012.
- Note that if a paper FAFSA is submitted prior to January 1 for an award year it will not be accepted.

Ways to apply

- Complete the FAFSA as soon as possible after January 1 of the year for which the student is seeking financial aid
 - » Online at www.fafsa.gov
 - safe, secure, fast, skip logic, built in edits
 - complete FAFSA on the Web Worksheet
 - print the confirmation page when complete
 - » Paper FAFSA
 - call 1-800-433-3243
 - download PDF at www.fafsa.gov

Documents Needed to Complete the FAFSA:

- Applicants may need the following items:
 - » Social security numbers
 - » Drivers license (student only; this information is optional)
 - » Federal income tax returns (1040, 1040A or 1040EZ)
 - » W-2 forms from all employers
 - » Current bank statements (checking and savings)
 - » Current business and farm records
 - » Records of any stocks, bonds and other investments, including 529 accounts
 - » Additional untaxed income tax records may be needed such as: Veteran's non educational benefits, child support paid/received and workers compensation.
 - » Alien registration or permanent resident card (if not a US citizen)

www.fafsa.gov



The image shows a screenshot of the FAFSA website as viewed in Internet Explorer. The browser's address bar shows the URL <http://www.fafsa.ed.gov/>. The page features a navigation menu with icons for Home, About Us, Student Aid on the Web, PIN Site, Contact Us, and Browse Help. A search bar is located on the right side of the navigation menu. The main content area is dominated by a large blue banner with the text "Get help paying for college" and "Submit a Free Application for Federal Student Aid (FAFSA)". Below this text is a prominent orange "Start Here" button. To the right of the button, there is a list of bullet points: "Start or continue your FAFSA", "Correct your FAFSA", and "Check the status of your FAFSA, and more...". Below the banner, the page is divided into two columns. The left column contains three sections: "Deadlines" with a link to "Information about your deadlines.", "School Code Search" with a link to "Find your college's school code. Also find detailed information about your college.", and "FAFSA Filing Options" with a link to "Learn about the other options for filing". The right column contains an "Announcements" section with a bullet point stating: "The new 2011-2012 FAFSA is here! To begin your application, click Start Here above." Below the announcements, there is a section titled "Thinking About College?". The browser's status bar at the bottom shows "Internet" and "100%" zoom level.

Home - FAFSA on the Web-Federal Student Aid - Windows Internet Explorer

http://www.fafsa.ed.gov/ Live Search

File Edit View Favorites Tools Help

Home - FAFSA on the Web-Federal Student Aid

Home About Us Student Aid on the Web PIN Site Contact Us Browse Help

SEARCH English Español

Get help paying for college

Submit a Free Application for Federal Student Aid (FAFSA)

Start Here

- Start or continue your FAFSA
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Deadlines
Information about your deadlines.

School Code Search
Find your college's school code. Also find detailed information about your college.

FAFSA Filing Options
Learn about the other options for filing

Announcements

- The new 2011-2012 FAFSA is here! To begin your application, click Start Here above.

Thinking About College?

Internet 100%

IRS Data Retrieval Tool

- While completing FAFSA on the Web (FOTW), applicant may submit real-time request to IRS for tax data
- IRS will authenticate taxpayer's identity
- If match found, IRS sends real-time results to applicant in new window
- Applicant chooses whether or not to transfer data to FOTW
- IRS Data Retrieval Tool will be available early February, 2012 for 2012-2013 award year

Personal Identification Number (PIN)

- Website: www.pin.ed.gov
- Sign FAFSA electronically
 - » Not required, but speeds processing
- Student and parent sign electronically with PIN
- Do NOT lose it. Write it down and store in a safe place
- Do NOT share it with anyone

Applying for Financial Aid

- Know what financial aid forms each school requires:
 - » FAFSA required by all schools, PHEAA, and some scholarship organizations
 - » SGF (State Grant Form) required for first year students (and may be requested for subsequent years)
 - » CSS Profile required by some postsecondary schools and scholarship organizations
 - » Institutional financial aid forms
- Know deadlines – this is critical!

Online State Grant Application

- Additional questions needed to determine PA State Grant eligibility
 - » enrollment status
 - » value of PA 529 College Savings Program
 - » program of study for students in vocational programs
 - » employment status
- Link off the FAFSA Application CONFIRMATION Page!
- Link in an email sent to student/parent from PHEAA
- Help screens are available for all questions

Know your Deadlines!

- The federal deadline is the end of the award year - for 2012-2013, this would be June 30, 2013
- PA State Grant deadlines –
 - » May 1, 2012
 - First Time and Renewal Applicants that plan to enroll in a degree program or a college transferable program at a junior college or other college or university
 - » August 1, 2012
 - First Time applicants that plan to enroll in a community college; a business, trade, or technical school; a hospital school of nursing; or a 2-year program that is not transferable to another institution

FAFSA Completion Tips

- Use the right web site – NOT www.fafsa.com
- Use the right year's FAFSA
- Use the right year's income
- Use the right person's information
- Use the right person's Social Security Number
- Use the right PIN numbers
- Be consistent in your answers (mom only, dad only)

FAFSA Completion Tips

- Answer all income questions
- Carefully review untaxed income questions
- Review asset questions before completing them
- 529 Plans must be reported as parent assets
- Assets do NOT include home, retirement, or insurance
- Do not report a business if it employs less than 100
- Do not report a farm if you live on the farm
- Some people can skip asset questions
- **READ AND FOLLOW THE ONLINE HELP!**

Financial Aid 101

Federal, state, and school/college financial aid programs
See PA Guide to Student Aid for more details

Federal Programs

- Pell Grant (2011-12 award \$5550) *must have high need
- Campus-based aid – amounts determined by FAO
 - FSEOG..... up to \$4000
 - Perkins loan..... up to \$5500
 - Federal work-study..... FAO determines
- For most programs, student must be enrolled at least half-time.

* Goes to most financially needy students

PA State Grant Program

- PA State Grant*
 - » Full-time, in PA.....up to \$4,348
 - » Part time, in PA.....up to \$2,174
- Out of state..... Up to \$600 in CT, DE, MA, ME, OH, RI, VT, WV, and DC
- All other states....up to \$400 (NJ, NY, and MD = \$0)
- Amount determined in part by the cost of the school

* Must be at least half-time to be eligible



Federal Student Loans

- On March 30, 2010, President Obama signed the Health Care and Education Reconciliation Act of 2010, which mandates all schools process loans through the Federal Direct Loan Program (FDLP).
- Effective July 1, 2010, all federal student loans are made directly through the U.S. Department of Education.
- Students and parents may apply for Direct Stafford and Direct PLUS loans through their post-secondary school's website or at www.studentloans.gov

Federal Direct Loan Program

- Stafford student loan:
 - » Subsidized = no interest in school or grace period
 - Interest rate 7/1/11 – 6/30/12 = 3.4%
 - 6.8% fixed rate beginning 7/1/12 if this rate provision expires
- Unsubsidized = interest accrues in school and grace
 - Interest rate = 6.8%
- Parent PLUS loan
 - Principal payment may be deferred
 - Interest rate = 7.9%
- Graduate PLUS loan
 - Interest rate = 7.9%

Federal Direct Stafford Loan Program Borrowing Limits

Dependent Students (excluding students whose parents cannot borrow PLUS)	Base Stafford Loan Amount Subsidized/ Unsubsidized	Additional Unsubsidized Stafford Loan Amount
Freshmen	\$3,500	\$2,000
Sophomores	\$4,500	\$2,000
Juniors, Seniors	\$5,500	\$2,000
Graduate or Professional	\$8,500	\$12,000

Additional eligibility

Independent Students AND students whose parents cannot borrow PLUS.	Base Stafford Loan Amount Subsidized/ Unsubsidized	Additional Unsubsidized Stafford Loan Amount
Freshmen	\$3,500	\$6,000
Sophomores	\$4,500	\$6,000
Juniors, Seniors	\$5,500	\$7000
Graduate or Professional	\$8,500	\$12,000

Federal Direct PLUS Loan

- For parents or graduate level students
- There is no borrowing limit on the Parent PLUS Loan
- Education Cost minus Financial Aid equals the amount of which you can borrow
- Credit check is required on this loan, but no debt-to-income test
- Fees will be deducted from disbursements
- Principal payment can be deferred while student is in school (interest will continue to accrue).
- All loans must be repaid within 10 years

Alternative/Private Education Loans

- Student borrows in his or her own name
- Based on credit scoring and debt-to-income ratio
- Repayment may be deferred until education completed
- Fees, interest rates, loan amounts, and repayment provisions vary by lender and are generally higher than federal student loans
- Co-signers usually required. Some loan products have a co-signer release option
- Compare loans before making choice and read the fine print!

Financial Aid 101

Financial Aid Forms are
Filed - What's Next?

After the FAFSA

- Student Aid Report or Acknowledgment (review and make necessary corrections)
- Information is sent to schools/colleges listed on the FAFSA, and to PHEAA
- Complete the PA State Grant Form (SGF)
- Family undergoes need analysis
- Expected Family Contribution (EFC) is determined
- Schools listed on FAFSA will send financial aid award letters upon acceptance
- Compare award letters
- Determine true cost of school

What is Need Analysis?

A student's financial need is determined through a process called "need analysis". Need analysis has two components – the student's cost of attendance at the institution attended and the student's Expected Family Contribution (EFC).

Cost of Attendance or Student Budget

The Financial Aid Office will include the following in determining the student's annual cost of attendance at that school:

- Direct College Costs
 - » Tuition
 - » Required Fees
 - » Room
 - » Meals
 - » Books and Supplies

Expected Family Contribution (EFC)

- The EFC is a number derived from a federal formula which considers a family's income, assets, and other factors
- In theory, the EFC is the amount a family can reasonably be expected to pay toward college expenses each year
- In reality, it is not the amount a family is required to pay and it rarely is the amount a family actually pays.

Calculating Financial Need

Schools/colleges receive financial aid information and calculate financial need.

School cost.....	\$26,000
EFC.....	- 3,000
Financial need.....	\$23,000

FAO “packages” student based on financial need and available funding (varies from school to school).

Financial aid award letter sent to student.



Financial Aid Award Letter

- Is official notification from school about financial aid, terms, and conditions.
- Lists the type and amount of each award to be received
- Describes what must be done to accept or reject any award.
- Discloses students rights, responsibilities, and academic requirements.

A Simplified Aid Package

	School A	School B	School C
Cost	\$15,000	\$30,000	\$45,000
Free Money	\$ 6,000	\$12,000	\$18,000
AFC	\$ 9,000	\$18,000	\$27,000

Families then cover their Actual Family Contribution (AFC) using:

- student and parent savings
- student and parent income
- student and parent loans

Reviewing the Financial Aid Package

- After reviewing their packages, students should be sure they know and understand the following:
 - » How much of their financial aid is gift aid, and how much is not?
 - » Which awards are based on need, and which are based on merit?
 - » Are there any conditions on the gift aid; in particular, is there a GPA requirement?
 - » Will their awards change from year to year?
 - » Will institutional awards increase as tuition increases?

How to Cover the Actual Family Contribution

- Savings – Family
- 529 Plans – Family
- Scholarships – Various Sources
- Grants – Federal and State
- Tuition Payment Plans – School
- Federal Student Loans – Department of Education
- Institutional Loans – School
- Private Education Loans – Bank
- Home Equity Loans – Bank

Tuition Payment Plans – An Option to Avoid or Limit Borrowing

- Great option to avoid or reduce borrowing
- Allows payments to school to be made over a 10 – 12 month period
- Usually interest free
- Enrollment fee between \$30-\$60 depending on the plan
- Check the school's financial aid website for more information.
- <http://www.finaid.org/otheraid/tuition.phtml>

Borrowing for Higher Education

- Always consider **federal** loans first. They have the best interest rates and repayment provisions.
- Borrow in the following order:
 - » Perkins Loan (5% fixed) – student
 - » Stafford Loan (max of 6.8% fixed) – student
 - » PLUS Loan (7.9% fixed) – parent and graduate student
 - » Alternative Loan (variable rates) – last resort

Financial Aid 101
Final Thoughts

Things to Talk About

- Keep borrowing in line with future earning power (estimate loan payments at pheaa.org or youcandealwithit.com)
- Clearly determine who will pay for what
- How much debt can the family take on?
- Are there options for cutting costs?
- Give yourself a low-cost alternative
- How much will the student work?
- How many years will college take?

Resources

- pheaa.org
- EducationPlanner.org
- Youcandealwithit.com
- Myfedloan.org
- PHEAA toll free: 1-800-692-7392
- Federal Student Aid Info Center – 1-800-433-3243
- www.fafsa.gov
- www.federalstudentaid.ed.gov – general financial aid info
- www.direct.ed.gov – information on federal loans

QUESTIONS?

PHead  SM