



November

What is Financial Aid?

Financial aid is funding from scholarships, grants, student employment, and loans that is available to college students to assist with the cost of attending school. Financial aid is available from the federal and state governments, colleges and universities, and other private and public sectors.

The Free Application for Federal Student Aid (FAFSA) is the form that prospective and current college students complete to apply for federal student aid (ex. grants, loans). Additionally, many schools use information collected on the FAFSA to grant nonfederal aid.

Explained below is the process for how financial aid works.

A Parent's Guide to Financial Aid

Your child is worried about getting into college—but you're probably more concerned about paying for it.

The prospect of applying for financial aid can seem intimidating—especially the first time. But the financial aid process is not as difficult as you think. All it takes is time, a little organization—and some paperwork/online forms.

PREVIEWING YOUR MAGIC NUMBER

The "magic number" of the financial aid process is the Expected Family Contribution (EFC). This is the amount of money you and your child are expected to contribute to paying for college. The EFC is based on the income and other financial assets of you and your college-bound child.

You can get a preview of your EFC using one of several calculators on the Internet -

<https://studentaid.ed.gov/sa/fafsa/estimate> for instance.

HOW IT ALL WORKS

The point of any financial aid form (see the next section for details) is to figure out your EFC. It seems like a simple concept. Calculating the EFC is not so simple, though, because it requires extremely detailed financial information about each applicant. That's where the FAFSA (Free Application for Federal Student Aid) and other financial aid forms come in. The information from your child's completed financial aid form is plugged into a series of formulas to calculate how much money your family can afford to pay for college.

Individual colleges then use the EFC and their own fees to determine your child's demonstrated financial need. Financial need in this context is the difference between the cost of a particular college and an applicant's EFC. For example, Jane Smith's EFC is \$5,000. At College A, which costs \$9,000 per year, Jane's financial need is \$4,000. At College B, which costs \$20,000 per year, Jane's financial need is \$15,000. Both colleges expect Jane and her family to pay \$5,000 per year, but Jane needs (and will probably receive) more financial aid at College B.

Taking all of this into account, each college at which your child applies for financial aid will put together a financial aid package. A financial aid package shows how an individual college plans to meet the financial need of your child if he or she attends that college. If your child is accepted at three colleges and applies for financial aid at all of them, he or she will receive three different financial aid packages.

Financial aid packages can contain any combination of the three basic types of aid: loans, grants/scholarships, and work-study:

Loans may come from the federal or state government, from the college itself, or from other sources. They must be paid back by you or your child (depending on the type of loan).

Four Factors to Compare Loans

1. **Interest Rate** – the lower the better, but also consider whether the rate is fixed or variable. Today, federal loan interest rates are fixed, but many private loans have variable interest rates that can increase at a later date.
2. **Subsidization** – Subsidized loans don't accrue interest until graduation, which saves a lot of money, but students have to qualify for the loans based on need.
3. **Fees** – Some lenders charge processing fees that you either pay up front or that are taken out of the amount that you've borrowed. So make sure you know how much fees would cost you and how much you'll actually receive from the loan.
4. **Repayment Options** – For some loans, repayment starts 60 days after the first loan check is sent, but others can be delayed until months after graduation. Flexibility is good, but find out how much it adds to the loan amount before you use it. Also ask "How long will I have to pay off the loan? Are there penalties for paying off the loan early? And are there any incentives for on-time payment?"

Grants or scholarships may also come from the government, the college, or other organizations. They are gifts and don't need to be paid back. Need-based grants are based solely on your child's financial need. Merit-based grants or scholarships may be given to students who have special talents or achievements in some area (such as academics, sports, music, or leadership). Merit scholarships are not limited to students who have financial need, although they could make up part of the financial aid package for students who do have need.

Work-study requires your child to work part-time at an on-campus job once he or she arrives on campus. This aid is given directly to your child in the form of a paycheck. Usually, it is up to your child to find a work-study job—although the financial aid or other office will often help to place students.

Each college's financial aid package will have different proportions of loans, grants and work-study. You and your child need to analyze each package to decide if it is affordable for your family.

THE NUTS AND BOLTS: HOW TO APPLY

Now that you know how financial aid works, it's time to get down to the nitty-gritty of applying.

The FAFSA

Every college in the United States requires financial aid applicants to file the FAFSA (Free Application for Federal Student Aid). Filing the FAFSA makes your family eligible to be considered for financial aid from the federal government, including Pell Grants, Perkins Loans, Federal Work-Study, Stafford Loans (loaned to your child), and PLUS Loans (loaned to you, the parent). All of these programs are based on your child's EFC and/or demonstrated financial needs.

You/your child can fill out the FAFSA online at FAFSA on the Web. The web address is <http://www.fafsa.ed.gov>.

Each college sets its own deadline regarding financial aid, but it is in your child's best interests to file the FAFSA (and any other required forms) as early as possible. **One cannot file prior to October 1 of the senior**

year, however. Colleges have a finite amount of money budgeted for financial aid. Students who file too late risk receiving less aid as colleges approach their budget limits.

The way to complete the FAFSA is with numbers taken from your completed federal income tax return. Families who have a student that will begin college in the *fall of 2017* will use their *2015 tax data* to complete the FAFSA.

The FAFSA allows your child to list colleges to which he or she wishes financial aid information to be sent. Be sure to file the FAFSA early enough to meet those schools' deadlines (which are different from the deadline listed on the FAFSA itself). The filing deadline for state aid is **March 1**, but it is recommended that families file well in advance of that in order to maximize their opportunity for aid.

A few weeks after you file the FAFSA, your child will receive a Student Aid Report (SAR). If the FAFSA was completed correctly and signed, the SAR will show your child's EFC under the federal methodology. Check the SAR carefully for errors, make any needed corrections and return it if necessary.

Other forms

Some colleges require other forms in addition to the FAFSA. It's a good idea to check with the financial aid office of each college your child is considering to find out which forms are required.

One common supplemental form is the CSS/Profile, administered by the College Board. Unlike the FAFSA, the Profile requires processing fees. (The College Board will consider fee waivers in the event of financial hardship. Check with your child's college financial aid office for details.)

Some colleges may have their own institutional forms, which usually carry no cost.

Keeping track

If your child is applying for aid at more than one college, it can be difficult to keep track of what has been sent where. Making a checklist of what's required at each college can help you keep track.

Also, it is very important to keep record of everything that is submitted: the FAFSA, the SAR, your income tax forms, and any supplemental forms or information.

A few weeks after you submit the necessary information, you can call the college financial aid office to confirm that your child's application is complete. That can help you identify and resolve problems faster than if you waited for a formal notice from the college.

Comparing Financial Aid Packages

As discussed above, the amount of money in a financial aid package depends on your child's EFC and the cost of the college. If your EFC is the same at each college, you may pay the same at each college. That's one reason not to cross an expensive college off your child's list until you explore financial aid possibilities.

There are two main points to look at when assessing a financial aid package: whether the aid meets your child's demonstrated financial need, and what proportion of the package is loans versus grants and work-study.

Some colleges can afford to offer substantial grant aid (which need not be paid back); others rely more heavily on loans (which must be paid back). When considering a financial aid package that contains loans, take into account not just this year, but four years or more education loans. Talk to your child about his or her responsibility to pay back the loans after college. Along with your child, consider how much loan burden you think would be sustainable after college.

Of course, financial aid should not be the only criterion your child uses to choose a college. You and your child may decide to take a somewhat less attractive financial aid package if you feel the quality of the college and your child's education there is worth it.

Can You Negotiate?

Limited negotiation on financial aid packages may be possible. If your family has special circumstances not covered by any of the standard financial aid forms, consider writing a letter to the financial aid office describing your situation. Also, if your financial situation changes at any time (for example, if a parent loses a job), notify the financial aid office immediately. Financial aid officers want to know about anything that could impact your ability to pay for your child's education. They must work within certain limits, but their mission is to help families afford their college.

Need Help?

It is important to keep in mind that individuals are available to help with questions you have. Feel free to contact the financial aid office at one of the colleges your student is applying to. They are the experts and can help address any issues you are having. Additionally, on a few select dates, volunteers from local college financial aid offices will be available to provide free assistance in completing financial aid paperwork. More information will be advertised in the school announcements once it becomes available.

Beware

It is important to keep in mind the fact that completing the FAFSA is absolutely FREE. There are websites out there that can be deceiving. For instance, <http://www.fafsa.com> is **NOT** the official FAFSA website. It is the site of a company that charges clients a fee to provide assistance in completing the FAFSA. As mentioned previously, there are plenty of options available to receive free support and there is no charge to file the FAFSA. If you have questions about the legitimacy of a resource, please ask your son/daughter's counselor or a college financial aid office.

Don't let the financial aid process being a burdening one. Make sure you are well-informed, and if in doubt, give the financial aid office at the college your son/daughter is planning to attend a call.

HELPFUL WEBSITES

In addition to the websites referred to in the information above, the following are some resources to help better understand the financial aid process.

<http://www.studentaid.ed.gov/>

<http://www.michigan.gov/studentaid>

**Some information taken from Grand Valley State University's Financial Aid and Scholarship Guide and the National Association of College Admissions Counseling.*

Included with this newsletter is a flow chart that outlines the financial aid application process. Please download "The FAFSA Process" to view the chart.