



# COLLEGE COSTS MONEY



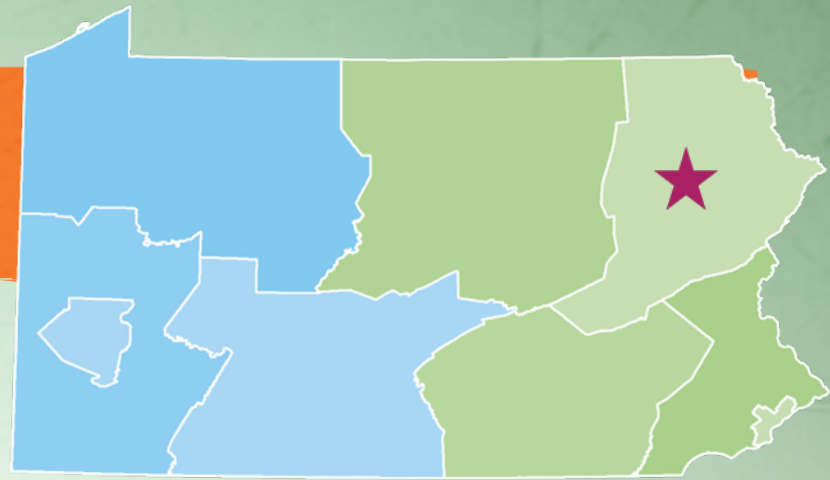




# FINANCIAL AID 101

**Paying for Postsecondary Education**

# Your Presenter



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# TROUBLING HEADLINES?

- Student Loan Burden Continues to Grow
- Paying For College - Are You and Your Student on the Road to Going Broke Or Into a Lot of Debt?
- Is College Worth the Money?
- U.S. Student Loan Balances Increase 62% Between 2004 and 2012
- When Kids Come Back Home



# Unfinished Business

- The National Student Clearinghouse reports:
  - » Over the past 20 years, more than 31 million Americans started a postsecondary education, but did not finish.
  - » The more institutions attended and the older the student, the less chance there was of completion.
  - » More than 10 million of these completed less than one semester.

Education  
loans HAVE  
to be repaid,  
EVEN IF YOU  
DO NOT FINISH  
your education.

# Postsecondary Education Is Still Worth It

- 75% of today's jobs require education beyond high school
- According to U.S. Census Bureau data, the average college graduate from a 4-year degree program earns almost \$1,000,000 more over a lifetime than a high school graduate

# Net Price Calculators



**As of October 2011, all schools are required to offer a Net Price Calculator on their websites**

- Enables current and prospective students, families and consumers to determine an estimate of an individual net price at a particular institution.
- **ESTIMATED** data must be provided by each institution:
  - » Total price of attendance
  - » Tuition, Fees, Room and Board
  - » Expenses (ie. personal, transportation)
  - » Estimated total merit and need-based grant aid
  - » Estimated net price (attendance minus grant aid)
- **Does not include private scholarships**





# FINANCIAL AID BASICS



# What Is Financial Aid?

- Financial aid consists of funds provided to students and families to help pay for postsecondary educational expenses
- Grants/Scholarships (free money)
- Self-Help (work, savings, etc.)
- Loans

# Or think about it like this...



**Family  
resources**



**Private  
scholarships  
or grants**



**Educational Loans**



**Money from  
colleges**



**Federal or  
State  
financial aid**

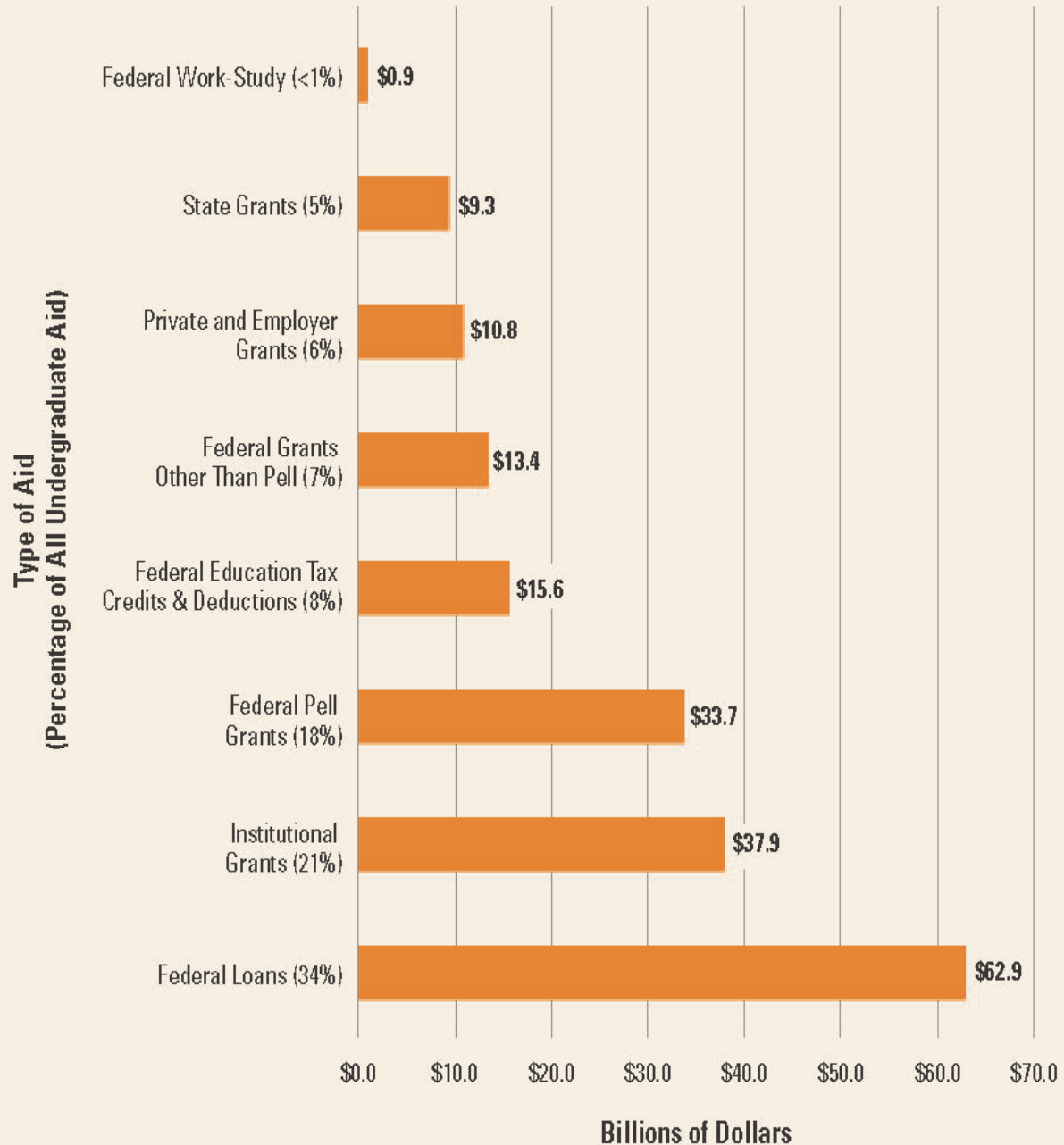


# 2014-15 Undergraduate Student Aid by Source and Type

NOTES: Loans reported here include only federal loans to students and parents. Percentages may not sum to 100 because of rounding.

SOURCE: *Trends in Student Aid* website ([trends.collegeboard.org](http://trends.collegeboard.org)), Table 1A.

**FIGURE 2A** Total Undergraduate Student Aid by Source and Type (in Billions), 2013-14



# Basic Principles

- Paying is the joint responsibility of the student and parent(s), to the extent possible
- Need-based financial aid is subject to federal formula to determine financial need
- ***Not all families qualify for need-based aid***  
***There is no guarantee that you will get any free money to pay for higher education***





# SCHOLARSHIPS

# School Scholarships



## Scholarships are **FREE** Money

- Many postsecondary schools have internal scholarships
  - » Criteria varies by school
  - » Check their websites (financial aid, admissions)
  - » Note DEADLINES
  - » Seek and Apply EVERY Year
- Community scholarships
  - » Check with your high school guidance counselor
- Don't forget about national scholarships
  - » Companies, organizations, groups, employers



# Scholarship Opportunities for All

- Scholarships for average students
- Video contests
- Creativity
- Ethnicity
- Unusual scholarships
  - » Based on last name
  - » Seussville: Oh, The Places You'll Go! college scholarship
  - » Patrick Kerr Skateboard Scholarship
  - » Tupperware Home Parties Scholarship
  - » For more, visit: [FinAid.org/Scholarships](https://FinAid.org/Scholarships)

# Scholarship search:

- Start early – and KEEP LOOKING
- Don't PAY for information
  - If you're asked to pay, it's not free money - (SCAM)
- Criteria varies by scholarship
- Don't fear ESSAYS
- Provide what is asked
- Small scholarships ADD UP
- Activities, Athletics, Family, Hobbies, Participation, Attributes – DO YOUR RESEARCH
- Don't miss DEADLINES
- Write it down!

**Don't miss out on FREE Money!**



- ✓ [FastWeb.com](http://FastWeb.com)
- ✓ [EducationPlanner.org](http://EducationPlanner.org)
- ✓ [Chegg.com](http://Chegg.com)
- ✓ [FinAid.org](http://FinAid.org)
- ✓ [Scholarships.com](http://Scholarships.com)
- ✓ [Scholarship-Page.com](http://Scholarship-Page.com)
- ✓ [DoSomething.org/Scholarships](http://DoSomething.org/Scholarships)
- ✓ [Colleges.Niche.com/Mach25/app](http://Colleges.Niche.com/Mach25/app)
- ✓ [StudentScholarships.org](http://StudentScholarships.org)
- ✓ [BigFuture.Collegeboard.org](http://BigFuture.Collegeboard.org)
- ✓ [Cappex.com/scholarships](http://Cappex.com/scholarships)
- ✓ **MORE....**
- ✓ [CollegeNet.com](http://CollegeNet.com)



# Recognize Scholarship Scams



## 1. Application Fees

- Even if the fee is minimal or “only to encourage serious students to apply”

## 2. “Guaranteed” Scholarships

- No individual can honestly “guarantee” you’ll win free money

## 3. Solicitations

- “You’ve been selected...”
- “You are a finalist...”
- Bona fide companies won’t ask for a check or credit card payment upfront

## 4. Official-looking Companies

- The logo may look like the U.S. Dept. of Education’s logo
- The company may talk about “federal” or “national” awards

## 5. Seminars

- Don’t get pressured into paying for services on the spot.

# Displacement vs. Stacking

Ask your school's Financial Aid Office:

**“ If I receive an outside scholarship, will you reduce the scholarship money you gave me by that amount or will you stack my new scholarship on top of what you gave me? ”**



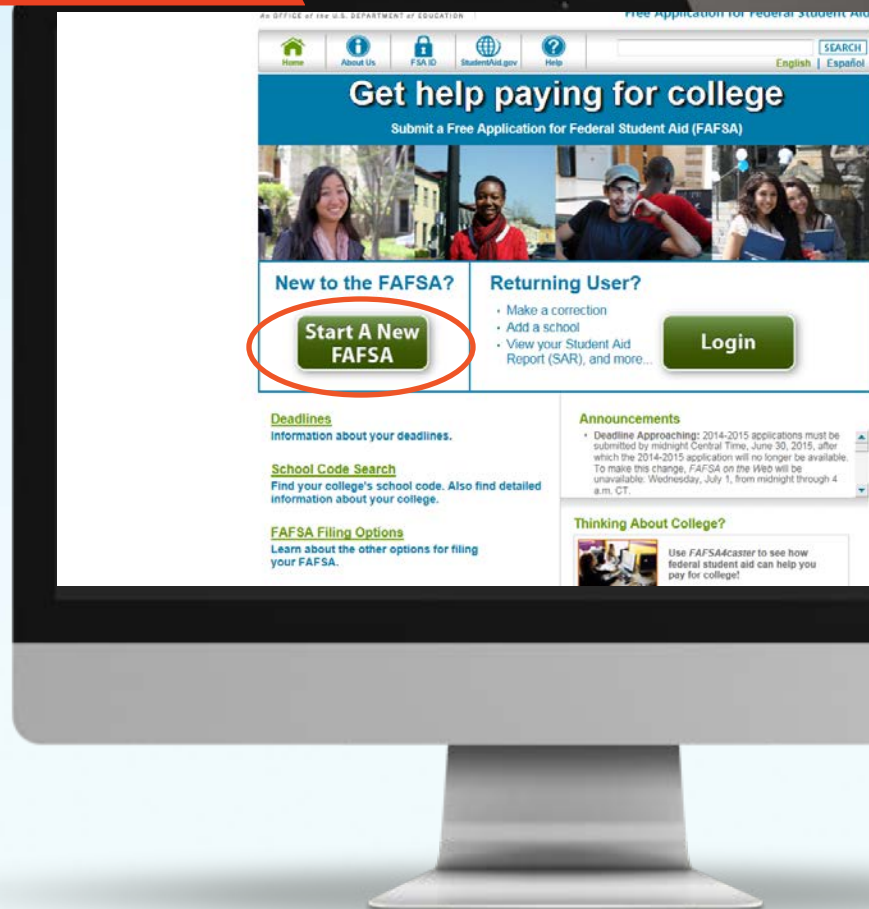


# FEDERAL AND STATE AID

# FAFSA – Free Application for Federal Student Aid

FAFSA.gov

- FAFSA is the primary federal form for financial assistance to attend postsecondary school
- It determines:
  - » Expected family contribution, need
  - » Eligibility for most aid programs
- Must file a FAFSA to be eligible for these programs each year a student attends school
- File online – Fast, Secure, has Skip Logic and Built-in Edits





# Starting the Financial Aid Process

Know what financial aid forms each school requires

## ALL Schools Require:

- **FAFSA** (Free Application for Federal Student Aid) after Oct 1 in Sr. Year
  - » Required by all schools, PHEAA, and some scholarship organizations
- **STATE GRANT FORM (SGF)** through PHEAA
  - » Required for first-year students (and may be requested for subsequent years) = after FAFSA is completed

## SOME Schools Require:

- **CSS Profile** required by some postsecondary schools and scholarship organizations
- **Product of the College Board**
- **Some scholarships require the CSS Profile**
- **Institutional financial aid forms**

# FAFSA - School Selection

- List more than one!
- Schools will only be allowed to see your financial information when you list them on the FAFSA
- Schools on your list cannot see others
- **You can add up to 10 colleges / delete, change when you want**
- NOTE: Once your final decision is made, update your PA Grant information with the school you WILL attend.

The screenshot shows the FAFSA 'School Selection' page. The top navigation bar includes tabs for Student Demographics, School Selection (highlighted), Dependency Status, Parent Demographics, Financial Information, Sign & Submit, and Confirmation. The main content area is titled 'School Selection' and contains a message box stating: 'Larry, based on the information you provided, we have determined that you may qualify for federal student aid. Continue through the application for us to determine how much aid you can receive.' Below this, a green box with a checkmark icon and the text 'Application was successfully saved.' is highlighted with a red circle. A pink arrow points from this message to the text 'Schools on your list cannot see others' in the list on the left. The page also includes a search section with fields for State (a dropdown menu), City (a text input field), and Federal School Code (a text input field), along with an 'OR' option.



# When to Apply

- Apply anytime after **October 1st** of the year prior to when you will attend college.
- **School Deadlines** – check out your college(s)' websites to see if they list a priority filing deadline.
- **PA State Grant Deadlines for FAFSA**
  - » **May 1, 2017** – First-time and renewal students attending colleges, universities & college transferrable programs (excluding community colleges)
  - » **August 1, 2017** – First-time students attending community college; a business, trade or technical schools, hospital school of nursing; Open Admissions Institutions or a 2-year non-transferrable degree program at a Jr or 4-year college.

# Info You May Need for the FAFSA

- **Social Security Numbers**
- **Driver's license (student only; this information is optional)**
- **Previous year's federal income tax return (1040, 1040A or 1040EZ)**
- **W-2 forms from all employers**
- **Current bank statements (checking and savings)**
- **Current business and farm records (if >100 employees / if you don't live on the farm)**
- **Records of any stocks, bonds and other investments, including 529 accounts (Net amounts)**
- **Additional untaxed income, tax records may be needed such as: Veteran's non-educational benefits, child support paid/received, workers' compensation, disability payments**
- **Alien registration or permanent resident card (if not a U.S. citizen)**



# Who Is Independent?

- **24 or older on Jan 1st of award year (born before January 1, 1994)**
- **Married**
- **Veteran (includes active duty personnel)**
- **Working on graduate level degree**
- **Emancipated minor in legal guardianship**
- **Orphan, in foster care or ward of the court at anytime when student was age 13 or older**
- **Have legal dependents other than spouse**
- **Student deemed homeless by proper authority**
- **(PA State Grant status can be different)**





# Whose Info Goes on the FAFSA?



- Divorced or separated parents (The parent the student lived with the most over the past 12 months. If equal, then the parent who provided more than 50% of student's support)
- Stepparents - YES
- Adoptive parents - YES
- Foster parents - NO
- Legal guardians - NO
- Anyone else the student is living with – NO
- *It does not matter who claims the student for income tax purposes*

# FAFSA

For 2017-18, the FAFSA requires:

- Income data from tax year 2015
- Asset information as of the day you file the FAFSA
- IRS Data Retrieval Tool
  - » Some exclusions exist

# IRS Data Retrieval Tool – after taxes are filed

- Automatically pulls in IRS Tax info and places data into the FAFSA, or overrides estimates
- ALSO in Student Section, if student is filing taxes


**PARENT**

## Parent Tax Information

☒ Application was successfully saved.

For 2012, have your parents completed their IRS income tax return or another tax return?

Already completed ▾

 You, the parents, may be able to use the [IRS Data Retrieval Tool](#) to view and transfer your tax information from the IRS.

Did either or both parents file as Married Filing Separately?

☐ Yes ☒ No

Did either or both parents file as Head of Household?

☐ Yes ☒ No

Did you, the parents, file an amended tax return?

☐ Yes ☒ No

Did you, the parents, file a Puerto Rican or foreign tax return?

☐ Yes ☒ No

Did you, the parents, file taxes electronically in the last 3 weeks (or by mail in the last 8 weeks)?

☐ Yes ☒ No

Based on your response, we recommend that you, the parents, transfer your information from the IRS into this FAFSA.

Enter your PIN and click [Link To IRS](#).

Which parent are you?

Select ▾

What is your PIN?

[Apply For A PIN](#)  
[I Forgot/Don't Know My PIN](#)  
[LINK TO IRS](#)

### Help and Hints

#### Recently Filed Taxes?

If you, the parent(s), filed your taxes electronically within the last 3 weeks, or by mail within the last 8 weeks, select **Yes**; otherwise, select **No**.

If you filed your taxes within either of those timeframes, then your tax return information might not be available from the IRS. You

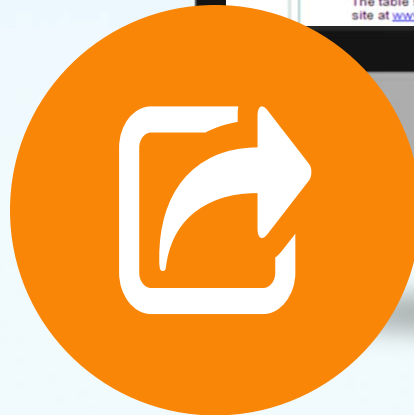


# Signing the FAFSA Electronically

- Student and parent sign electronically with a FSA ID
- Apply for a FSA ID at **fsaid.ed.gov**
- Do not lose it. Write it down and store in a safe place
- Can use for future FAFSA filing and parent can use for other children's FAFSAs
- Use to sign Federal Direct Student Loan application and Parent PLUS Loan application
- Can retrieve your username and/or password, if you forget

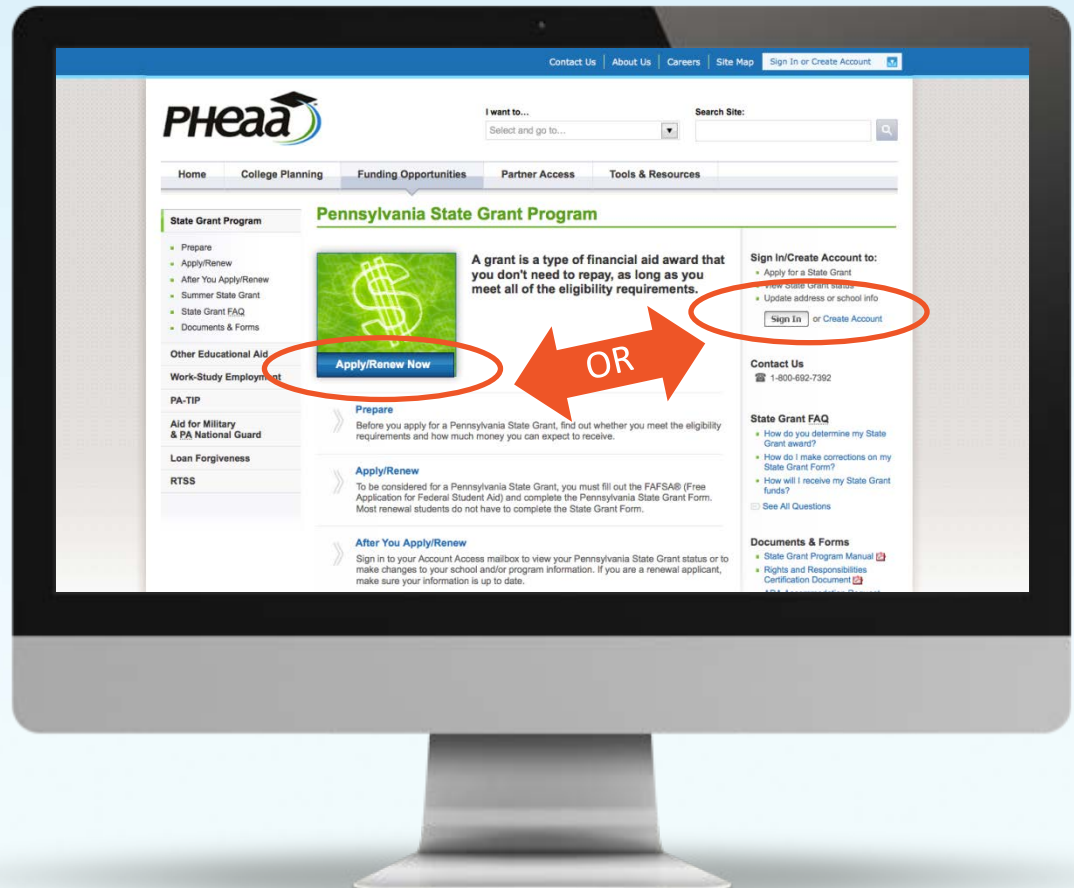
# Pennsylvania State Grant Form

Link directly to the State Grant Form from the confirmation page of your FAFSA!



# Online State Grant Application

- Link off the FAFSA Application Confirmation Page
  - » **Missed the link or it wasn't available?**
    - Link in an email sent to student/parent from PHEAA, OR
    - Go to [PHEAA.org](https://www.pheaa.org); State Grant Program; and complete the form
- Additional questions needed to determine PA State Grant eligibility:
  - » Enrollment status (full-time/part-time)
  - » Value of PA 529 College Savings Program
  - » Program of study for students in vocational programs
  - » Employment status

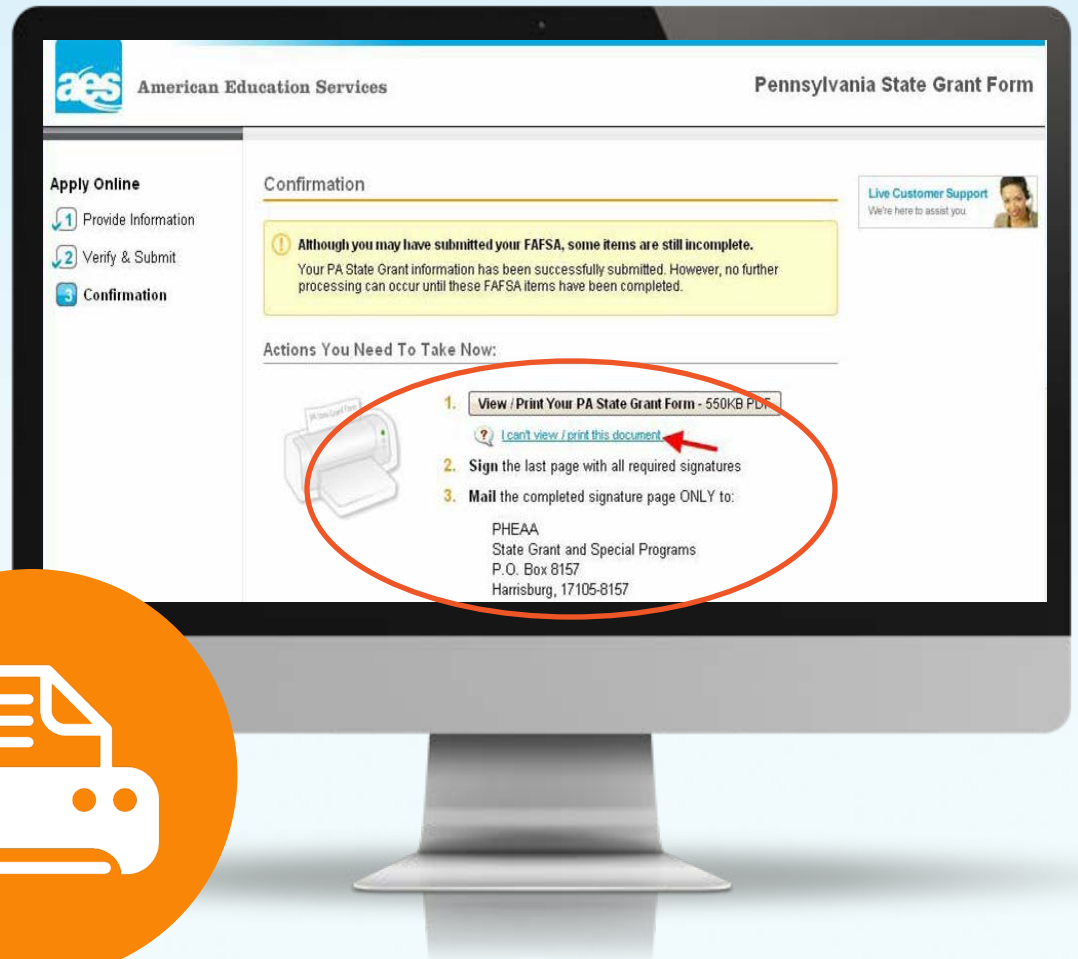


Help screens are available for all questions



# All Done? Now What?

You **MUST** print,  
sign & mail in the  
grant confirmation  
page



# Special Circumstances

- ✓ Recent death or disability
- ✓ Reduced income
- ✓ Recent separation or divorce



Contact the school and ask for  
a special consideration AND  
contact State Grant  
Division at PHEAA

# Determining Need-Based Eligibility

- **Family undergoes Need Analysis**
- **Expected Family Contribution (EFC) is determined**
- **This is NOT necessarily the amount you will pay each year!**



# 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 is rarely the amount a family actually pays.

# How is the EFC Calculated?

**EFC formula considers a family's**

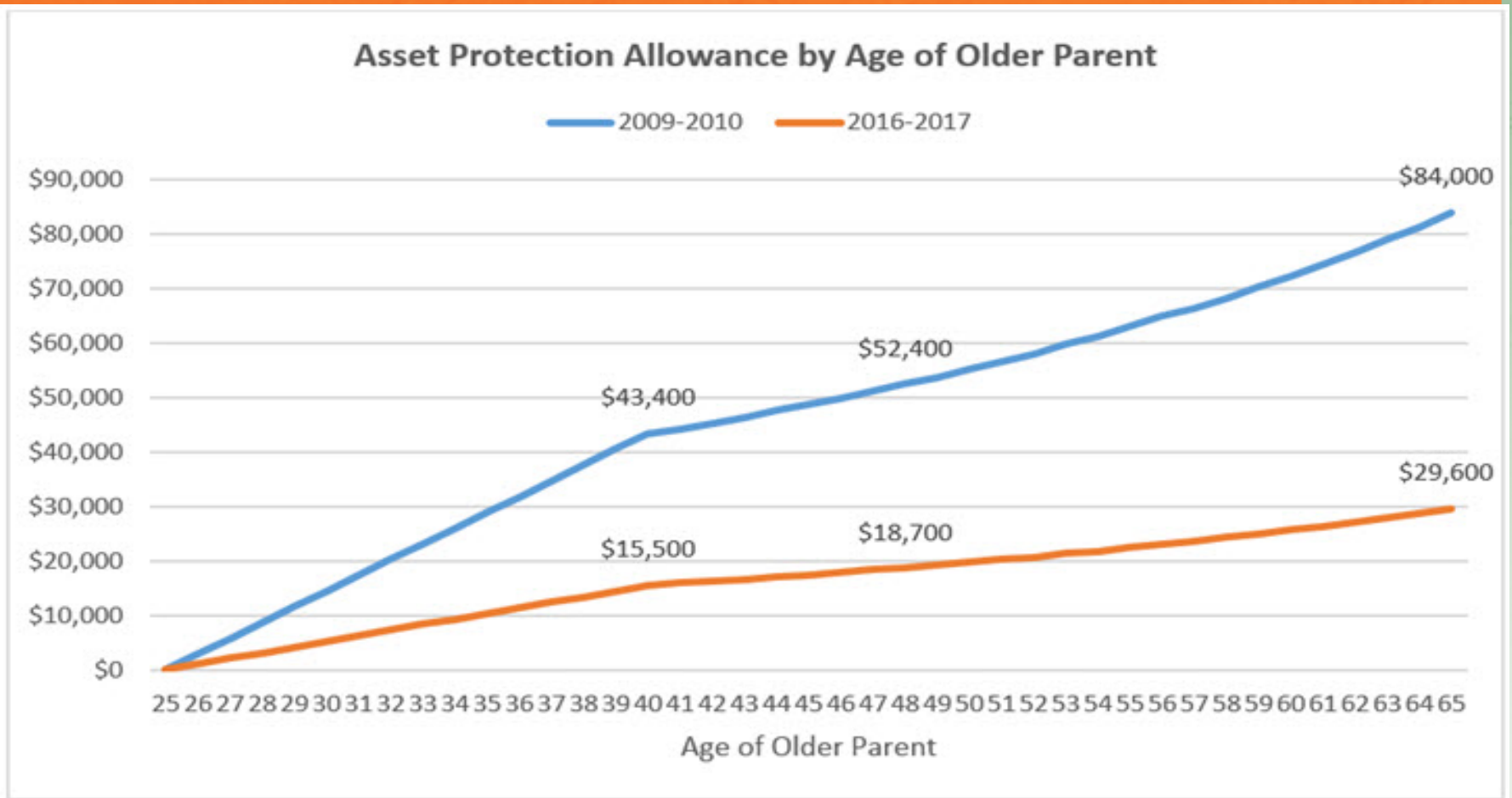
- **Taxed & untaxed income**
- **Possibly assets**
- **Family size**
- **Number of children attending college at the same time**
- **Age of oldest parent**
- **Includes allowances for taxes and focuses mainly on income**
- **Parent + student contribution = EFC**
- **Parent contribution divided by number of children in college at the same time**

# How is the EFC Calculated?

- **NOT AN ASSET FOR THE FAFSA**
  - » The home that you live in
  - » Personal property
  - » Qualified retirement funds
  - » Value of life insurance
  - » Asset Protection Allowance is applied against parent's reported assets
  - » EFC calculation roughly uses 6% of parent asset contribution and 20% of student contribution
  - » Student income contribution used in the calculation: 50% of amounts over \$6,420



# Asset Protection Allowance



<https://www.edvisors.com/blog/asset-protection-allowance-plummets-08-2015/>

# What Happens Next?

- Student Aid Report or Acknowledgment sent to student (review and make necessary corrections)
- Information is sent to all schools/colleges being considered.
- Information is sent to PHEAA.
- Student will be process for State Grant once FAFSA and SGF are completed, but not before May 1.
- Account Access (PHEAA) - Create an account at [PHEAA.org](https://PHEAA.org) to view PA State Grant

# Federal Programs

- Pell Grant (2016-17 max award **\$5,815**)\*
- Campus-based aid – amounts determined by Post Secondary School
  - » FSEOG..... up to \$4,000
  - » Perkins Loan..... up to \$5,500 (undergraduate)
  - » Federal Work-Study..... Financial Aid Officer determines
- For most programs, student must be enrolled at least half-time.

\* Goes to most financially needy students



# Pennsylvania State Grant\*

- In-state (PA) - Full-time up to **\$4,378** (16-17)
- In-state (PA) – Part-time 1/2 of the FT award
- Out-of-state - Up to \$600 in DC, DE, MA, OH, VT, WV
- Amount determined in part by the cost of the school

\* Must be at least half-time to be eligible

# Other State Programs

- State Work-Study - job related to major
- Educational Assistance Grant (EAP) – National Guard
- Chafee Education and Training Grant – co-administered with the PA Department of Human Services
- Blind or Deaf Beneficiary Grant
- Postsecondary Educational Gratuities Program (PEGP)
- Partnerships for Access to Higher Education (PATH)
- Pennsylvania Targeted Industry Program (PA –TIP)
- Ready to Succeed Scholarship (RTSS)
- For details, see the PA Student Aid Guide, or visit [PHEAA.org](https://pheaa.org).





**FORMS ARE FILED – NOW WHAT?**



# Calculating Financial Need

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

- Financial Aid Office (FAO) “packages” student based on financial need and available funding (varies from school to school)
- Financial aid award letter sent to student

<b>School cost</b>	<b>\$26,000</b>
<b>EFC</b>	<b>– \$3,000</b>
<b>Financial Need</b>	<b>\$23,000</b>

# What School Costs Are Considered?

- School costs include:
  - ✓ Tuition and fees
  - ✓ Room and board
  - ✓ Books and supplies
  - ✓ Transportation
  - ✓ Miscellaneous living expenses
  - ✓ Child care, if necessary



**You can receive  
financial aid up to  
the total of the  
school regardless  
of your EFC!**

# Financial Aid Award Letter

- 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



# Reviewing the Financial Aid Package

- After reviewing their packages, students should be sure they know and understand the following:
  - » How much of the financial aid is free money?
  - » Which awards are based on need, and which are based on merit?
  - » Are there any conditions on the free money; in particular, is there a GPA requirement?
  - » Will awards change from year to year?
  - » Will institutional awards increase as tuition increases?

# Financial Need

- Your financial aid package may not meet all of your calculated financial need
- Be sure to determine how much will be required of you in out-of-pocket costs

# How to Cover Unmet Financial Need



- Savings – Family
- 529 Plans – Family
- Whole Life Insurance policy – 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





# FEDERAL LOANS

# Federal Student Loans

- No credit check
- Annual and aggregate borrowing limits
- Fixed interest rate
- Rate for new loans is reset every July 1st
- Rate is based on 10-year Treasury note (+2.05%)
- 6-month grace period
- 10-year standard repayment
- Flexible repayment options



# Interest Rates – Student Loans

- Undergraduate – Subsidized and Unsubsidized:
  - » 3.76% for 2016-17
  - » Capped at 8.25%
- Graduate – Unsubsidized Only:
  - » 5.31% for 2016-17
  - » Capped 9.50%



# Federal Direct Stafford Loan Borrowing Limits

Undergraduate Students			Graduate Students
Annual Limits	Dependent Students	Independent or dependent students whose parents are unable to borrow a PLUS Loan	Graduate or Professional Studies
1 <sup>st</sup> Year	<b>\$5,500</b> Total No more than \$3,500 may be subsidized	<b>\$9,500</b> Total No more than \$3,500 may be subsidized	<b>\$20,500</b> each academic year Graduate / Professional students are no longer eligible for subsidized loans
2 <sup>nd</sup> Year	<b>\$6,500</b> Total No more than \$4,500 may be subsidized	<b>\$10,500</b> Total No more than \$4,500 may be subsidized	
3 <sup>rd</sup> Year and beyond	<b>\$7,500</b> Total No more than \$5,500 may be subsidized	<b>\$12,500</b> Total No more than \$5,500 may be subsidized	
Aggregate Limits	<b>\$31,000</b> Total No more than \$23,000 may be subsidized	<b>\$57,500</b> Total No more than \$23,000 may be subsidized	<b>\$138,500</b> Total No more than \$65,000 may be subsidized

# Who Is Independent?

- **24 or older on Jan 1st of award year (born before January 1, 1994)**
- **Married**
- **Veteran (includes active duty personnel)**
- **Working on graduate level degree**
- **Emancipated minor in legal guardianship**
- **Orphan, in foster care or ward of the court at anytime when student was age 13 or older**
- **Have legal dependents other than spouse**
- **Student deemed homeless by proper authority**
- **(PA State Grant status can be different)**



# Federal Direct Loan: Aggregate Limits

**Undergraduate Education**  
(Dependent Student)

**\$31,000**

(\$23,000 maximum Subsidized Loan)

**Undergraduate Education**  
(Independent Student OR Dependent Students  
whose Parents were denied PLUS Loan)

**\$57,500**

(\$23,000 maximum Subsidized Loan)

**Graduate / Professional Education**

**\$138,500**



# Federal Direct PLUS Loan

- For parents of dependent undergrad or graduate level students
- Direct Parent PLUS Loan - in parent's name for student costs
  - » 6.31 % variable/fixed interest rate; 4.276% fees (AY 16/17)
- Rates set every July 1st for the life of that year's loan; fees are deducted from disbursement
- Can borrow up to the Cost of Attendance
- MUST apply each year loan is taken
- No Debt-to-Income test, only lenient credit check
  - » Can have an endorser (co-signer)
- Principal payment can be deferred while student is in school
  - » Interest will continue to accrue
- IF denied - student is eligible for an additional \$4,000 unsubsidized loan
- Must complete a FAFSA to determine any additional aid

# Federal Direct PLUS (Parent)

- Repayment begins immediately - can defer repayment until 6 months after student graduates or drops below half-time enrollment
  - » If defer payment – encouraged to make interest payments
  - » Standard repayment is 10 years

# Private/Alternative Loans

- Non-federal loans, made by a *lender* such as a bank, credit union, state agency, or school
- Student borrows in his 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!



# How Much Should I Borrow?



Borrow **ONLY** what you need!

# Smart Borrowing Tips

- Begin with the end in mind
- Research the expected salary in your future career, find an affordable school, and borrow realistically
- There are many paths to the same degree
- Research every option, including community colleges and commuting
- Only attend a school you can reasonably afford
- Only borrow what you absolutely need to attend
- Approach education from a consumer standpoint
- Is there a Career Services Department?
- Much depends on you and your choices



# MySmartBorrowing.org

An interactive, online tool created by PHEAA that helps students and families:

- Estimate career salaries & college tuition
- View the impact of savings on overall cost
- Calculate loan repayment
- **Avoid overborrowing**

MySmartBorrowing.org







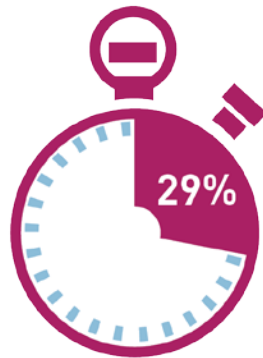
# FINAL THOUGHTS

# Ways to Reduce the Need for Financial Aid

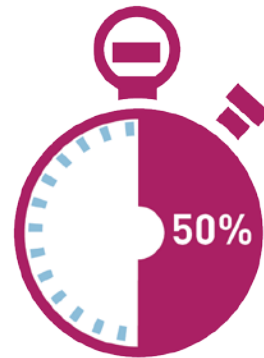
- Graduate on Time / Satisfactory Academic Progress
  - » 4 year for bachelor's degree / 2 year for associate's degree
- Minimize change of major and transferring
- Earn college credits while in high school through AP courses, vo-tech and dual enrollment
- Consider options for cutting costs (commute, take buy used books, make smart meal plan choices)
- Summer enrollment
- 2 + 2 Strategy (2 years at a community college then transfer credits to a 4-year school)
- 3 + 2 (master's degree)



**Most students  
are NOT taking  
the credits  
needed to  
graduate  
on time**



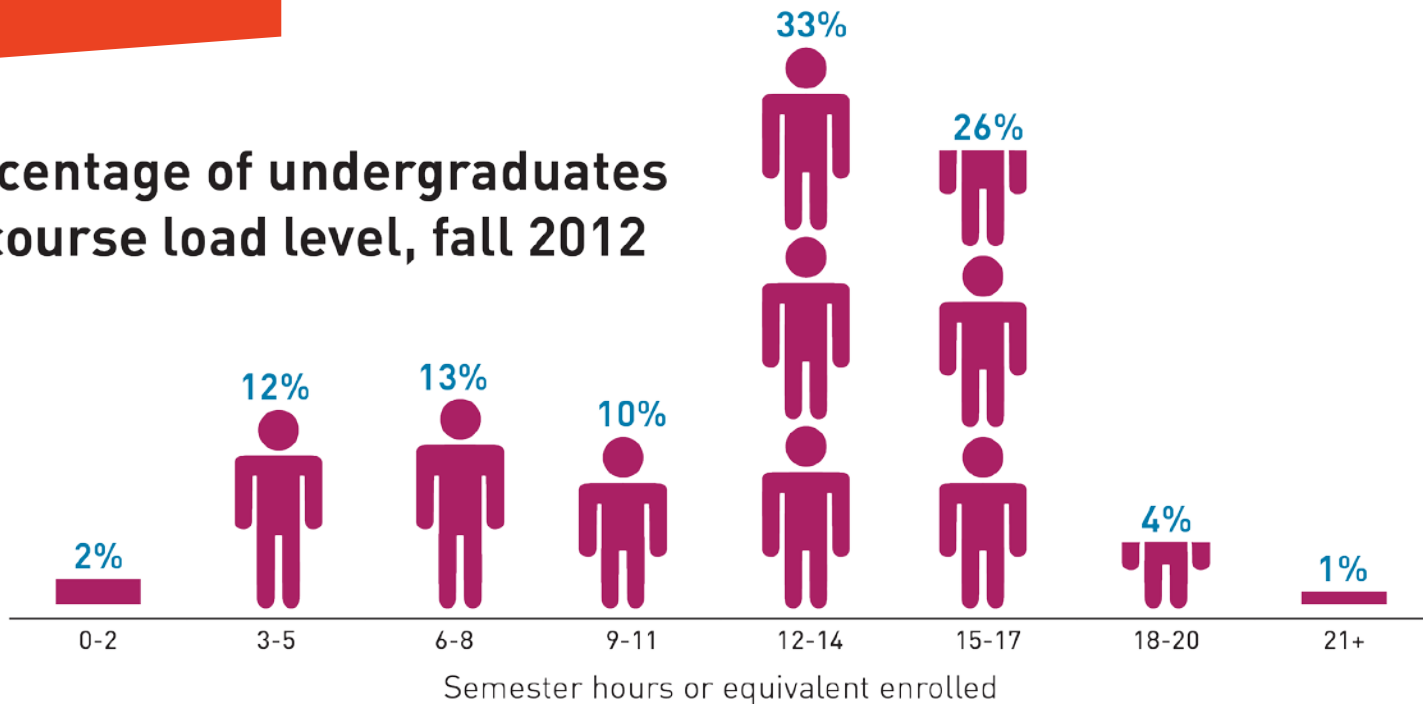
At 2-year institutions



At 4-year institutions

**Full-time taking  
15+ credits per  
semester**

**Percentage of undergraduates  
by course load level, fall 2012**

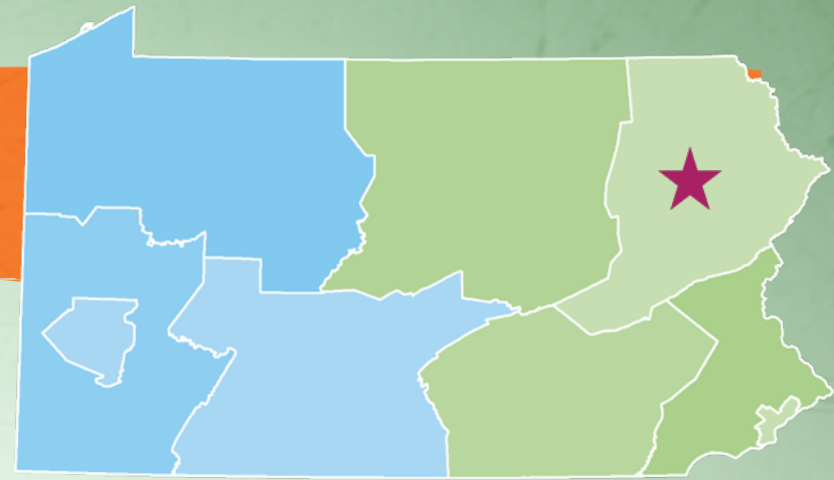




# Use Your Resources

- **PHEAA.org**
- **EducationPlanner.org & MySmartBorrowing.org**
- **YouCanDealWithIt.com**
- **MyFedLoan.org**
- **PHEAA toll free: 800.692.7392**
- **Federal Student Aid Info Center – 800.433.3243**
- **FASFA.gov**
- **StudentAid.gov – general financial aid info**
- **StudentLoans.gov – information on federal loans**

# Your Presenter



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# QUESTIONS?