

College Financial Aid 101

Financial Aid from A to Z in Four Pages

College is not free. In fact, it can be rather expensive. A college education needs to be thought of like any other major investment a family makes. It needs to be planned for and budgeted.

College Costs

Students are charged for:

- Tuition (the cost to attend class)
- Fees (for laboratories, student activities, parking, technology, etc.)
- Books & Supplies
- Room & Board (on campus housing and food costs while attending an out-of-town college)
- Transportation (to get to and from home and college)
- A student attending a state university/college who is not a resident of that state may be assessed a surcharge. No such charge is made at private colleges.

The total cost to attend college is referred to as the cost of attendance or the *student budget*.

While it is understood that paying for college can be a significant burden, it is the student's responsibility to ensure that college costs are paid.

How can a student with limited resources afford to attend college? Financial aid is the answer. Financial aid is help to pay for college that comes from a source other than the student's family, and *much help is available*.

Need for Financial Aid

Most financial aid is based on a student's *demonstrated need*, a comparison between the cost of attendance at the student's college and his/her available financial resources.

- The dollar amount that a student and his/her family is expected to be able to pay toward college expenses for one year is called the *expected family contribution* (EFC). College financial aid offices subtract a student's EFC from his/her cost of attendance to determine his/her demonstrated need.
- The EFC is established by the processing of the federal government's financial aid application, the FAFSA.
- Some financial aid is not based on need, but rather on "merit," a skill, ability, or characteristic such as athletic or artistic talent or previous military service.

Types of Financial Aid

- **Gift Aid** — free help which only rarely has to be repaid. *Grants* and *scholarships* are both types of gift aid.
 - Colleges themselves provide scholarships, usually to encourage students to enroll there.
 - Private colleges, though typically quite a bit more expensive than public colleges, often provide much more gift aid than do public institutions.

- **Self-Help Aid** — help that requires shared responsibility by the student. *Student loans* and *work-study employment* are both types of self-help aid. Student loans are borrowed now, but don't have to be repaid until the student stops attending college at least half-time. The *Federal Direct Loan* program provides the vast majority of student loans. Work-study jobs are typically part-time, on-campus positions.

Some Financial Aid Terms

Dependency – Aid applicants are classified as either *dependent* or *independent*; answers to a group of FAFSA questions determines dependency status. Dependent students must report parental information on the FAFSA, and parent resources are considered when determining student financial need and aid eligibility. Most recent high school graduates are classified as dependent. Living apart from parents and receiving no financial support from parents does not make one independent. A student with an unusual family situation should consult with his/her college's financial aid office to inquire about appealing dependency.

Master Promissory Note (MPN) – The legal contract between a student or parent education loan borrower and the U.S. government by which the borrower promises to repay his/her loans with interest.

OCOG – The Ohio College Opportunity Grant is gift aid provided by the state of Ohio; the FAFSA is also an OCOG application. OCOG is available only in limited circumstances at two-year campuses.

Offer Letter – (previously called Award Letter) – An official offer of financial aid from a college. Some colleges require the student to accept the offer by signing and returning a copy of the letter to the college.

Pell Grant – The Federal Pell Grant is the main type of gift aid provided by the U.S. government. Its amount varies and is based on a student's EFC, level of enrollment (full-time, half-time, etc.), and number of semesters enrolled in the academic year.

Profile – An application similar to, but much more detailed than, the FAFSA. It is required in addition to the FAFSA by a small number of high-priced colleges and is submitted in the fall of a student's senior year.

PLUS loan – Parent Loan for Undergraduate Students...a federally funded loan made to parents to help them pay for their child's college education. Parent borrowers cannot have adverse credit.

Private Student Loan – Also called an alternative loan. These are student loans from a bank or other commercial lender and are not regulated by the federal government. Private loans are usually taken out by low-need students at high priced colleges. Application is usually made on-line, and a co-borrower is often required.

Scholarship - a type of gift aid provided by colleges or other sources. Scholarships often require special applications. High school counselors, local libraries, and on-line search engines are good sources of scholarship information. Many employers, unions, churches, fraternal, and civic organizations provide scholarships. Students may receive scholarships by serving in the military or National Guard.

Student Aid Report (SAR) - the document which reports the results of FAFSA processing. The SAR indicates whether the student may be Pell eligible and reports his/her EFC. The SAR displays the information entered on the FAFSA; the student should review it to ensure that the information was entered correctly. Errors should be corrected on the FAFSA web site by submitting a correction. If no errors are noted, the SAR should be filed with the student's important documents.

Tax Return Transcript – a printout of the contents of a federal 1040 tax return. It is ordered from the IRS either on-line, by mail, or by phone. Do not confuse a Tax Return Transcript with another IRS form, the Account Transcript. An Account Transcript cannot be used in lieu of a required Tax Return Transcript.

Verification - A sizable percentage of FAFSA filers are selected for verification, a process of double checking some items reported on the FAFSA. Those selected are typically required to submit to their college documentation such as *tax return transcripts* and to complete a *verification worksheet*. Those who use the IRS Data Retrieval Tool are not required to submit tax transcripts. Some private colleges choose to verify all their aid applicants.

Points to remember

- Do not assume you are not eligible for aid. Not all aid is need-based. Applying is free!
- Know what specific procedures are required by the colleges you are interested in attending.
- Colleges often assign accepted students a unique e-mail account that the colleges use to send the students important information.
- Keep on top of the process; if you are asked by the financial aid office to submit something, do it. Your eligibility will not be determined until you do.
- If you contact a financial aid office with questions about a form, have the form at hand for reference.
- If you contact a financial aid office, write down the date of the contact, the name of the person you spoke with, and a summary of the conversation.
- Parents are not required to pay for their child's education, but the parents' *ability to pay* is considered when their child's need is determined.
- Contact your college's aid office, not friends or relatives, for information about financial aid.

Applying for Financial Aid

- Submitting the FAFSA (the federal government's financial aid application) is the first and the most important step in qualifying to receive financial aid.
- The FAFSA is submitted on-line at fafsa.gov or StudentAid.gov starting October 1 of the year preceding enrollment. A new FAFSA must be submitted each year.
- The student, and one parent of a dependent student, must each have an FSA ID to complete the FAFSA. IDs consist of a username and password and are meant to ensure confidentiality and security of personal information. Apply for an ID at fsaid.ed.gov or StudentAid.gov.
- Receiving scholarships often require applications apart from the FAFSA.

The FAFSA

- The FAFSA obtains information about the student's family's financial situation. Much of the data comes from federal 1040 income tax returns and W-2 forms, but questions about non-taxed income such as child support, about certain benefits such as worker's compensation, and about assets such as cash on hand and investments are asked as well.
- Income tax form information may be entered onto the FAFSA manually, however, students and parents are strongly encouraged to use the IRS Data Retrieval Tool. The DRT electronically transfers tax form information directly onto the FAFSA, and its use is built into the FAFSA. Using the DRT reduces errors and speeds processing. Those with unique tax filing situations may not be able to use the DRT.
- Most students up to about age 24, are considered to be *dependent*, and information about their parents is required to determine aid eligibility. *Independent* students (those for whom parental information is not required) are either older, or married, or veterans, or orphans, or provide the majority of financial support for themselves and others, etc. For questions about dependency, contact an MOESC College Access Coach, a high school guidance counselor, or a college financial aid officer.
- The FAFSA's definition of "parent" is unique. As an example, if parents are divorced or separated, information about the non-custodial parent is not required, even if a joint tax return was filed. However, if the custodial parent is re-married, his/her spouse is considered a parent and reporting his/her income is required. The date that the FAFSA is submitted is significant. For example, if parents are married on that date, both parents' income is required on the FAFSA, even if they were not married in the year for which the FAFSA requires information.

A few points about the FAFSA

- The words “you” and “your” refer to the student.
- Federal aid requires the use of one’s name as reported on his/her social security card.
- Marital status is “locked in” as of the date the FAFSA is submitted.
- The 2022-2023 FAFSA uses 2020 federal tax return data.
- The FAFSA asks how many in your family are enrolled in college. Your parents should not be counted in this number even if they attend college.
- Do not report pennies in income questions.
- A common error is reporting the wrong amount of income tax paid. Closely follow FAFSA instructions to ensure the correct amount is reported. Note: it is not the amount withheld as listed on W-2 forms.
- FAFSA information can be changed by *submitting a correction* at fafsa.gov or StudentAid.gov.
- Students can list up to 10 colleges on the FAFSA to receive their processed FAFSA information and can add or delete colleges by submitting a correction.
- The FAFSA web site might have more than one year’s FAFSA available for submission. Make sure you fill out the correct one (2022-2023).
- The *myStudentAid* mobile app gives students access to federal student aid programs on their phone including the ability to fill out a FAFSA. Download it from your app provider.

What you should do now

- Both the student and one parent (custodial if divorced/separated) should obtain an FSA ID at fsaid.ed.gov or StudentAid.gov.
- Submit the FAFSA at fasa.gov or StudentAid.gov beginning October 1.
- Learn what, besides the FAFSA, is required by the college you will attend, and provide it without delay.
- Identify locally available scholarships and apply for them.
- Search for nationally listed scholarships at fastweb.com.

Special Circumstances

Students whose family income has dropped significantly from what was reported on the FAFSA or who have extraordinary medical expenses can ask to have a re-evaluation of financial need and aid eligibility. Such a request is made by the student to his/her college’s financial aid office and requires thorough documentation.

Helpful Contacts and Resources

StudentAid.gov – obtaining an FSA ID, submitting the FAFSA, completing student loan processes

oasfaa.org/fafsahelp – aid for filling out the FAFSA (includes links to videos)

irs.gov – obtaining a tax return transcript

ohiohighered.org/students/pay-for-college – State of Ohio grants and scholarships

ashland.edu

mansfield.osu.edu

mvnu.edu

ncstatecollege.edu

wooster.edu

} local colleges

fastweb.com – financial aid information and scholarship searching

usnews.com/education/best-colleges/paying-for-college – college financing information

bigfuture.collegeboard.org – college planning and financial aid information with a need estimator