

NASFAA'S

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CASH FOR COLLEGE

**COLLEGE IS ONE OF THE
BEST INVESTMENTS
YOU CAN MAKE, BUT IT
CAN BE EXPENSIVE.**

Savvy students and families can dramatically reduce their out-of-pocket costs by taking advantage of all the student financial aid available. The federal government awards billions, yes billions, of dollars every year to help students pay for college. You will have to put in some work to get all the aid you are eligible to receive, but it's well worth it.

Cash for College provides an overview of the financial aid programs and the entities that provide this aid. It also provides specifics on financial aid terms, resources, helpful hints, and common mistakes to avoid.



MAKE INFORMED DECISIONS

The first mistake many students and families make is assuming they can't afford college. Avoid making this mistake by knowing the facts. Here are a few things you should consider:

- The cost of college can vary greatly. Some colleges are very affordable. A little research will help you find a school within your budget.
- Financial aid can significantly reduce the cost of college. Don't be discouraged by the sticker price of college until you know how much financial aid may be available to you. Use the school's online "net-price calculator" to estimate how much you will pay out of pocket.
- Consider how much you can earn with the type of college degree you are seeking. In many cases, the future return on your investment will far exceed the cost.
- Students and families pay for college in many different ways, but almost all can receive some kind of financial aid.

WHERE DOES FINANCIAL AID COME FROM?

There are four main sources of student financial aid. It is rare that you'll get one grant or scholarship that completely covers the cost of college. However, you can dramatically reduce the cost by stitching together aid from all four sources. The four primary sources of aid are:

1. The federal government
2. State governments
3. Colleges and universities
4. Private organizations

The financial aid office at the school you plan to attend can provide the most up-to-date information about student aid from all these sources.

Bachelor's degree holders can expect median lifetime earnings of \$2.3 million compared to roughly \$1.3 for workers with just a high school diploma.

WHAT TYPES OF FINANCIAL AID ARE AVAILABLE?

Not all financial aid is equal. The best type of aid is known as "gift aid" because you don't have to work for it or repay it. Gift aid includes grants and scholarships. In addition, tax benefits are available to help offset the cost of college, but this aid is only available after you've paid tuition and filed taxes.

You can find detailed information about education tax benefits at www.nasfaa.org/students/Tax_Breaks_for_Higher_Education.aspx. You may also want to check with your tax advisor.

After you have exhausted all the gift aid available, you may consider "self-help" aid like loans and work-study. This type of aid requires students to repay the money (often with interest) or to work part-time. Financial aid is also given to some students for completing community or military service.

BE A SMART BORROWER!

Not all loans are created equal. The federal government, some state governments and some colleges provide student loans with favorable terms and borrower protections that aren't always offered by "private" or "alternative" loans. That's why it's important to understand your government and institutional borrowing options before exploring private loan products.

Before borrowing, it is important to know:

1. All the terms and conditions of the loan
2. The total amount you will likely need to borrow to complete your education
3. The total cost of your loans (principal plus interest)
4. How much your monthly payments will likely be
5. Any penalties for missing monthly payments or defaulting on the loan
6. Any repayment and/or forgiveness options that could make repayment easier

Unlike other forms of consumer debt, student loans are very difficult to discharge in bankruptcy, so the decision to borrow shouldn't be taken lightly.

HOW MUCH MONEY CAN I GET?

It can be tricky to estimate how much student aid you will get because a number of variables impact this number. Two factors (need and merit) are generally used to determine who gets student aid and how much they get. Some student aid programs use a combination of need and merit to determine eligibility.

“Merit-based” aid is given to students who do something exceptionally well, like music, athletics, or academics. Merit-based aid is also given to students who plan to have a career in an area that will benefit the community or the country, like teaching, science, math, and engineering.

“Need-based” aid is given to students who demonstrate a lack of financial resources to pay for college. Many financial aid programs (including most federal student aid) are targeted to students and families who lack the financial resources needed to attend college.

The formula used to determine which students and families receive need-based aid primarily uses two factors: Cost of Attendance (COA) and Expected Family Contribution (EFC).

Your **Cost of Attendance** includes all the costs related to attending college – tuition, fees, living expenses, transportation, books, and supplies. Other costs like child care and disability-related expenses can also affect your COA. Cost of attendance can vary greatly between school and students at the same school. In addition, the location of the college may influence your COA – it is more expensive to live in California than in South Dakota.

Your **Expected Family Contribution** is a figure the U.S. Department of Education uses to assess the financial resources a student and his or her family has available to pay for college. Don't be discouraged if your EFC seems unreasonably high. It refers to how much a family is expected to contribute to all costs relating to education, not just tuition and fees paid to the college. It can include rent, transportation, food, other living expenses, textbooks, and more. Unlike the COA, this amount is generally the same from school to school.

The formula used to determine EFC is complex because there is a long list of variables. There isn't room in this brochure to fully detail all the variables used to determine EFC, but some of the factors that have the biggest impact on EFC are:

- Income
- Assets (excluding primary residence and small businesses)
- Number of family members simultaneously in college

For example, low income, few assets, and more family members enrolled in college at the same time may help lower the EFC and increase the chances of getting need-based financial aid.

Your **financial need** is calculated by subtracting your EFC from the COA. Your financial need sets the maximum amount you can receive in need-based student aid. Generally, a higher cost of attendance and lower expected family contribution will increase your chances of qualifying for need-based aid.



Over \$112 billion in grant aid was given to undergraduate and graduate students in the 2011-12 school year.

NEED-BASED AID PROGRAMS

There are three kinds of need-based aid – grants, loans, and work-study – administered by the U.S. Department of Education:

1. Federal grant programs: (remember, grants generally do not have to be repaid)

Federal Pell Grant

Federal Supplemental Educational Opportunity Grant (FSEOG)

2. Federal loan programs: (remember, loans must be repaid!)

Federal Perkins Loan

Federal Direct Subsidized Loan

3. Federal work-study program:

Federal Work-Study

For more information about these programs, visit www.studentaid.ed.gov or phone 1-800-4-FED-AID to get a copy of U.S. Department of Education's "Funding Your Education: The Guide to Federal Student Aid."

In addition to federal student aid, most state governments, and many colleges and private organizations offer a variety of financial aid based on many different factors, including financial need, grades, career path, academic major, and more. The financial aid office at the college can tell you about any additional need-based aid that you may be eligible to receive.

FINANCIAL AID THAT IS NOT NEED-BASED

The federal government also provides grants and loans regardless of a student or family's ability to pay for college. These include:

Federal grant program: (remember grants generally do not have to be repaid)

Teacher Education Assistance for College and Higher Education (TEACH) Grants

Federal loan programs: (remember loans must be repaid!)

Federal Direct Unsubsidized Loans

Federal Direct PLUS Loans for parents of dependent students

Federal Direct PLUS Loans for graduate or professional students

Some state governments, many colleges, and private organizations offer aid that is not need-based. Consult the financial aid office on your campus to learn about all the merit-based aid you can apply to receive.

As with need-based aid, you can learn more information about non-need based federal aid at www.studentaid.ed.gov or 1-800-4-FED-AID.





STILL NEED MORE FINANCIAL AID?

The financial aid office on campus will have the most comprehensive and current information about all the student aid available to students. They can recommend other funding sources which are not based on need, such as Federal Direct PLUS Loans, Federal Direct Unsubsidized Loans, monthly payment plans, or merit-based aid like private scholarships.

There are countless private scholarships provided to students for a variety of reasons. Private scholarships generally take the form of grants or low-interest or no-interest loans. Despite the term "scholarship," many are not related to academic ability, but rather on other factors as diverse as family background, hobbies, major course of study, etc. You can search for scholarships on the Internet and in the library.

A few of the many free scholarship search databases available online include:

- **U.S. Department of Labor's Scholarship Search Tool:** www.careerinfonet.org/scholarshipsearch/
- **The College Board's Big Future Scholarship Search:** bigfuture.collegeboard.org/scholarship-search
- **FastWeb:** www.fastweb.com
- **State Financial Aid Resources:** going2college.org

HOW TO APPLY FOR FINANCIAL AID

It all starts with the Free Application for Federal Student Aid, also known as the FAFSA. Most colleges and states also use this application to determine eligibility for their aid programs, so you can kill two birds with one stone. The FAFSA is always free. Never pay a fee to apply for federal financial aid.

WHERE TO GET A FAFSA

The FAFSA is available online and in paper format, but the U.S. Department of Education encourages students to use the online version at www.fafsa.ed.gov.

If you need to use the paper version, you can also download and print a PDF version from www.fafsa.ed.gov/options.htm, or call 1-800-4-FED-AID to request a paper FAFSA.

HOW TO COMPLETE THE FAFSA

The best way to complete the FAFSA is online. The online version will skip questions that aren't relevant to you, catch errors, and allow you to submit the application instantly. You can also save the online FAFSA to complete it later, and sign it electronically using a personal identification number (PIN) available on the Federal Student Aid PIN website. File the FAFSA annually to maintain eligibility for aid.

FAFSA CHECKLIST

Having the following information and forms on hand will help you fill out the FAFSA:

Get it... Got it... Check it off!

- 1. Your Social Security Number (can be found on Social Security card)
- 2. Your driver's license (if any)
- 3. W-2 Forms for the previous year and other records of any money earned
- 4. Your (and/or your parents') most recent Federal Income Tax Return (if any) — IRS Form 1040, 1040A, 1040EZ, foreign tax return, or tax return for Puerto Rico, Guam, American Samoa, the U.S. Virgin Islands, the Marshall Islands, the Federated States of Micronesia
- 5. Any untaxed income records for the previous year — e.g., payments to tax-deferred pension and savings plans, tax-exempt interest, and child support received
- 6. Records of taxable earnings from federal work-study or other need-based work programs.
- 7. Records of any grants, scholarships, and fellowship aid that was included in your or your parents' adjusted gross income (AGI)
- 8. Any current bank statements
- 9. Any current business and investment mortgage information, business and farm records, stock, bond, and other investment records
- 10. Documentation that you are a U.S. permanent resident or other eligible noncitizen, if applicable

If you have questions about the application, contact the financial aid office at the local college or the college you want to attend. They can help you find free help completing the FAFSA. Don't hesitate to call them!

The FAFSA asks questions about you and your family's income and financial resources to determine your Expected Family Contribution. Most of the information you need to complete the FAFSA is on the income tax return, if one is filed. You can also import your IRS data directly into the FAFSA on the Web if you have filed your taxes and don't owe any money.

Importing your IRS data to the FAFSA on the Web simplifies the application process, reduces errors, and lowers your chances of being selected to verify the information on your FAFSA. However, you have to complete your taxes first!

It will take about two weeks for your taxes to be processed. After this time, you should be able to retrieve this information to automatically populate the corresponding questions on the FAFSA.

Special Note: Both parents and students may have to fill out different parts of the FAFSA.

AVOID THESE COMMON FAFSA ERRORS

Mistakes can delay your application, potentially limiting the amount of aid you are eligible to receive. Here are some common errors to avoid.

Leaving fields blank. Too many blanks may cause miscalculations and an application rejection. Enter a "0" or "not applicable" instead of leaving a blank.

Forgetting to round. Always round to the nearest dollar. Do not use commas or decimal points in numeric fields.

Entering the wrong personal info. Your Social Security Number or driver's license numbers **MUST** be correct. Double and triple check these entries. If your parents do not have Social Security Numbers, list 000-00-000. Do NOT make up a Taxpayer Identification Number. It won't work!

Using the wrong name. Use your legal name as it appears on your Social Security card. Do NOT use nicknames or other variations.

Entering the wrong address. Use only your permanent address, not a temporary campus or summer address.

Entering the wrong federal income tax amount. The correct amount that you paid is on your income tax return form, not your W-2 form. If you haven't filed your taxes, you can estimate this amount using previous tax year information and correct the amounts later on the corrections page of the FAFSA website.

Incorrectly filing income taxes as "head of household." If there is an error in the "head of household" filing status, the school will need an amended tax return filed with the IRS before disbursing aid awards.

Incorrectly listing the parents' marital status. If your custodial parent has remarried, you will need the stepparent's information as well.

Failing to report unborn children. If you have a child that will be born before or during the award year, and you will provide the child with more than half of her support, count that child as a member of the household.

Forgetting to count yourself as a member of the household. The student completing the FAFSA must count himself as a member of the household attending college during the award year.

Failing to register with the Selective Service. If you are an 18 to 26 year old male, failing to register could disqualify you from receiving federal student aid.

Forgetting to list the college. Obtain the Federal School Code for the college you plan to attend and list it, along with any other schools you have applied to attend.

Forgetting to sign and date the FAFSA. If you are filling out the paper FAFSA, be sure to sign it. If you are completing the FAFSA on the Web, be sure to obtain your PIN from www.pin.ed.gov. Your PIN is your electronic signature. If you apply online, you can also print the signature page, sign it, and send it in.

Sending a copy of your income tax returns. This is not necessary and any information sent along with your FAFSA will be destroyed. In addition, do not write any notes in the margins of your FAFSA.

More than 9.4 million students received a Pell Grant in the 2011-12 school year.



DEADLINES ARE VERY IMPORTANT!

Different types of financial aid have different deadlines and some student aid is distributed on a first-come, first-serve basis. Know these deadlines so you don't miss out on aid. Because the FAFSA is the foundation of many student aid programs, fill out and submit your FAFSA as soon as possible after January 1 every year.

Also check with the school about deadlines for state and school-based aid. Many types of financial aid are given on a first-come, first-served basis, so delays could hurt you.

AFTER THE FAFSA

Submit the FAFSA and keep a copy for your records. The U.S. Department of Education uses your FAFSA information to create a Student Aid Report (SAR), which is sent to you and any school you list on the FAFSA.

If you include an email address on your FAFSA, you will receive an email that contains a secure link to your SAR information on the web. It may be printed and any corrections to the data can be made directly online.

If you do not provide an email address, you will receive a paper SAR or SAR Acknowledgement. Review all the information on the SAR or SAR Acknowledgement to ensure it is correct. If any information is incorrect, call each school immediately and make changes as directed.

The U.S. Department of Education will also send you a Federal Student Aid personal identification number (FSA PIN). The FSA PIN serves as an electronic signature and gives you access your personal information in various U.S. Department of Education systems. If you do not receive an FSA PIN from the Department, you can apply for one at www.pin.ed.gov. Parents may also apply for an FSA PIN so they can electronically sign their part of a student's FAFSA on the web.

The federal government spent more than \$34 billion to provide more than 9.4 million students with an average \$3,685 Pell Grant in the 2011-12 school year.



THE STUDENT AID AWARD LETTER

If you have been accepted by a college that you designated on the FAFSA, that college will send you a financial aid award letter, notice, or link to a secure website that lists the types and amounts of aid you will get if you attend that school. Usually this aid package is a combination of different types of financial aid, including scholarships, grants, loans, and work-study.

The types and amounts of aid you are offered will vary from school to school. Schools might ask you to formally accept or decline your award offer, usually by a specific date. If you apply for financial aid at more than one school, you may receive several different aid packages. Comparing these packages can be tricky so read through them carefully.

For each college, put the name of the college at the top of a piece of paper, and list what each one is offering you. Follow the guidelines below so that you are comparing apples to apples!

Take a close look at the offers and compare the COA, the EFC, and the following factors:

- 1. The total financial aid package:** Unlike loans and work-study, grants and scholarships are “gifts” so you do not generally have to repay or work for them. Compare the total gift aid to the Cost of Attendance. A high proportion of gift aid in the package may mean you will not have to borrow or work as much to meet your expenses. If you need to borrow, remember that the terms and conditions of education loans can vary. Make sure you understand the terms and the costs (i.e., interest rate, loan fees, and repayment schedule) of each loan you are offered.
- 2. Restrictions or conditions of the award:** Look carefully at the things you must do to receive and keep your financial aid, like maintaining a specific grade point average or completing a certain number of courses.
- 3. Unmet financial need:** If your aid package does not cover all your financial need, you will have to come up with the difference. This may mean looking for additional scholarships, working part-time in addition to Federal Work-Study aid, cutting back living expenses, or – if you’ve exhausted all other options – you may consider additional student loans.

- 4. Loans:** Remember that most student loans must be repaid with interest. Be sure to compare the amount of loans in each student aid offer. The best student aid packages provide lots of grants and scholarships to minimize how much students and parents have to borrow.
- 5. The bottom line:** The total amount of aid in your package is not necessarily the most important figure. Consider the whole package, starting with the Cost of Attendance. Subtract the grant and scholarship aid from the Cost of Attendance to see exactly how much you and your family will have to pay out of pocket or with loans. The largest aid offer may not be the least expensive option if it has a large amount of loans or if the Cost of Attendance is higher than other schools.

If you have special circumstances that impact your ability to pay for college, the financial aid office can use “professional judgment” to adjust your information to more accurately represent your current situation. Contact the financial aid office at your school if you think you have special circumstances to be addressed.



STILL HAVE QUESTIONS?

The financial aid section of the school's website should help you answer many questions. In addition, you can contact the financial aid office at the school(s) you are considering. Financial aid administrators are professionals who help families complete financial aid forms, calculate Cost of Attendance, determine financial need and much more. Their help is always free.

If you are in high school, your high school counselor can help.

NASFAA's website (www.StudentAid.org) offers information to help students and parents overcome financial barriers to higher education.

CONSULTANTS VS. ADMINISTRATORS

Financial aid **consultants** are not the same as financial aid **administrators**. Financial aid consultants usually charge a fee. A financial aid administrator will perform many of the same services for free. Before considering a consultant, first speak to a financial aid administrator. Even if you are planning to attend another school, you can still contact a local financial aid office for information.

Before you hire a consultant, be sure to request a list of professional references from the consultant and contact those references. If you decide to use the services of a consultant, remember the following:

- The consultant's fee should be refundable if the application is completed incorrectly.
- Never agree to a fee based on the percentage of aid received. A financial aid consultant cannot guarantee you will receive gift aid.
- If the consultant prepares the FAFSA for you, he or she should sign the FAFSA as a preparer.
- Never sign a blank form. You are legally responsible for the information on the FAFSA, so review and sign the FAFSA after it has been prepared. You should also submit it to the FAFSA processor yourself. Keep copies of the FAFSA and other applications for your files, even if someone helped you.

More than \$244 billion
in student aid was given
to students in the 2011-12
school year.



FINANCIAL AID CHECKLIST

This checklist will help you keep track of important information and dates in the financial aid application process. It's a good idea to keep copies of everything and to keep a folder of all records for each school to which you apply.

	School 1	School 2	School 3
Name of school			
Date school catalog requested or website accessed			
Deadline for admission			
Date admission application sent			
School's deadline for FAFSA			
Date FAFSA electronically submitted or mailed			
Date other financial aid forms and documents sent			
Date all parts of SAR sent to school you selected, if required			

DATES YOU RECEIVED AND RESPONDED TO INQUIRIES FROM:

FAFSA Application Processor			
School			
Other Agencies			
Date you received award letter			
Date you accepted/declined and returned award offer to school			

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Due to the nature of federal, state, and institutional guidelines affecting student aid programs, the information contained herein is subject to change without notice.

The National Association of Student Financial Aid Administrators (NASFAA) is a nonprofit association of postsecondary institutions, individuals, agencies, and students interested in promoting the effective administration of student financial aid in the United States.

