

Interpreting Financial Aid Offers

Understanding Your Financial Obligation

For Each of Your College Admission Acceptances

Financial Aid put Simply

- Financial Aid is just four categories
 - Grants
 - Scholarships
 - Work Study
 - Loans

Terms to Know

- Cost of Attendance (COA)
 - True cost of expenses to attend a particular college for one year
 - Tuition, Fees, Room, Board (meals), Books, Supplies, Transportation, Personal Expenses
- Direct Costs
 - Tuition, Fees, Room & Board (R&B for on campus students)
- Indirect Costs
 - Books, Supplies, Transportation, Personal Expenses
- Estimated Family Contribution (EFC)
 - A financial number generated by the FAFSA
 - Measure of the family's financial strength
 - Determines eligibility for need-based financial aid

Terms to Know

- Financial Need
 - Cost of Attendance (COA) minus the student's Estimated Family Contribution (EFC)
 - Different term but means the same as "Unmet Need"
- Unmet Need
 - Cost of Attendance (COA) minus the student's Estimated Family Contribution (EFC)
 - Different term but means the same as "Financial Need"
- Gift Aid
 - Scholarships
 - Grants
- Self Help Aid
 - Work Study/Student Employment
 - Loans

College Financial Aid Industry Best Practices

Financial Aid

Offers/Letters should
include the following:

- Information about assumptions
 - Full-time enrollment, if on or off campus housing, academic department, etc.
- Include full Cost of Attendance (COA)
 - Direct (billable) expenses
 - Tuition, Fees
 - Room & Board, if living on campus
 - Indirect (non-billable) expenses
 - Books, Transportation, Personal Expenses
 - Housing & Food, if living off campus
- Separate Gift Aid from Self Help Aid
 - Gift Aid – Scholarships & Grants
 - Self Help Aid – Work Study, Employment & Loans

College Financial Aid Industry Best Practices

Financial Aid
Offers/Letters should
include the following:

- Renewal information for each type of aid offered
 - One year offer, or renewable
 - If renewable, what is the criteria
- Calculate net price
 - The amount the student will pay for a single academic year after subtracting Gift Aid (scholarships and grants)
- Estimate billing for account balance due
 - An estimate of what each semester's invoice will be
- Standard terminology
 - Use industry standard terms to make comparing offers easier for the student and family

College Financial Aid Industry Best Practices

Financial Aid
Offers/Letters should
include the following:

- Include glossary of terms
 - Have a glossary of terms with definitions to be sure the process and information is transparent and understood
- Provide next steps guidance
 - Provide clear instructions for the steps needed
 - Should include how to accept and deny each individual segment of the financial aid offer

Variances in Institutional Practices regarding loans

- Federal Student Loan Packaging
 - Federal Direct Subsidized Loan with interest rate & origination fee percent
 - Federal Direct Unsubsidized Loan with interest rate & origination fee percent
- Institutional Loan
 - Interest rate & origination fee percent
 - Not all universities offer institutional loans
- Private/Alternate Loan information
 - Check with the lender on interest rate, origination fee percent and loan terms
 - Not all universities list or include this as part of the financial aid offer

Variances in Institutional Practices regarding loans

- Federal Parent Loan Packaging
 - Interest rate & origination fee percent
- Information about tuition payment plans
 - Some universities offer payment plans for students
 - Of those universities offering payment plans, some will include the information in the financial aid offer/letter

Education Tax Benefits

Not all Financial Aid offers/letters will include this information, but it is information that should be considered when accepting or rejecting segments of the Financial Aid packet/offer

Check with your tax advisor for your specific situation

- American Opportunity Tax Credit (AOTC)
 - Parents or students may qualify to receive up to \$2,500 by claiming the AOTC on their tax return during the following calendar year
- 529 Savings Plan
 - 529 Savings Plan is a college savings plan that offers tax and financial benefits
- Lifetime Learning Credit (LLC)
 - Parents or students may qualify to receive up to \$2,000 by claiming the LLC on their tax return. This credit may be taken for an unlimited amount of tax years, is non-refundable and cannot be combined with the AOTC in a tax year

Education Tax Benefits

Not all Financial Aid offers/letters will include this information, but it is information that should be considered when accepting or rejecting segments of the Financial Aid packet/offer

Check with your tax advisor for your specific situation

- **Student Loan Interest Deduction**
 - Student loan borrowers may qualify to receive up to \$2,500 by claiming the deduction on their tax return if they repay interest on a student loan in a taxable year. This is an above-the-line deduction, meaning it can be taken even if the taxpayer takes the standard deduction. Parents who take out Parent PLUS loans are also eligible to take this deduction.
- **Military and/or National Service Benefits**
 - For information please visit: <https://studentaid.gov/understand-aid/types/military>

Delivery of Financial Aid Offers/Letters

- Financial Aid offers (also called letters or packages) are delivered by one of several methods depending on the college
 - Mail
 - A paper with the details is mailed to the student at their home address
 - Email
 - An attachment is delivered via email to the student at the email they provided to the college, or through their college email that was set up after they were accepted
 - Student College Portal Account
 - The offer is delivered in the student's College portal account that was created when the student was accepted
 - The student would need to sign into their college portal account to access the offer

Example of Financial Aid Offer/Package

University of the United States (UUS) MM / DD / YYYY
Undergraduate College Financing Plan
Student Name, Identifier

Total Cost of Attendance 2021-2022		
	On Campus Residence	Off Campus Residence
Tuition and fees	\$X,XXXX	\$X,XXXX
Housing and meals	\$X,XXXX	\$X,XXXX
Books and supplies	\$X,XXXX	\$X,XXXX
Transportation	\$X,XXXX	\$X,XXXX
Other education costs	\$X,XXXX	\$X,XXXX
Estimated Cost of Attendance	\$X,XXXX / yr	\$X,XXXX / yr

Expected Family Contribution	
Based on FAFSA As calculated by the institution using information reported on the FAFSA or to your institution.	X,XXXX / yr
Based on Institutional Methodology Used by most private institutions in addition to FAFSA.	X,XXXX / yr

Scholarship and Grant Options
Scholarships and Grants are considered "Gift" aid - no repayment is needed.

Scholarships	Grants
Merk-Based Scholarships	Need-Based Grant Aid
Scholarships from your school	Federal Pell Grants
Scholarships from your state	Institutional Grants
Other scholarships	State Grants
Employer Paid Tuition Benefits	Other forms of grant aid
Total Scholarships	Total Grants

College Costs You Will Be Required to Pay	
Net Price (Cost of attendance minus total grants and scholarships)	\$X,XXXX / yr

Loan and Work Options to Pay the Net Price to You
You must repay loans, plus interest and fees.

Loan Options*		Work Options	
Federal Direct Subsidized Loan (x.xx% interest rate)(x.xx% origination fee)	\$X,XXXX / yr	Work-study Hours Per Week (estimated)	\$X,XXXX / yr XX / wk
Federal Direct Unsubsidized Loan (x.xx% interest rate)(x.xx% origination fee)	\$X,XXXX / yr	Other Campus Job	\$X,XXXX / yr
Private Loan (check with your lender on interest and fees)	\$X,XXXX / yr	Total Work	\$X,XXXX / yr
Institutional Loan (x.xx% interest rate)(x.xx% origination fee)	\$X,XXXX / yr	For More Information	
Parents may also apply for the following:		University of the United States (UUS) Financial Aid Office 123 Main Street Anytown, ST 12345 Telephone: (123) 456-7890 E-mail: financialaid@uus.edu	
Parent Plus Federal Loan (x.xx% interest rate)(x.xx% origination fee)	\$X,XXXX / yr		
Total Loan Options	\$X,XXXX / yr		

* For federal student loans, origination fees are deducted from loan proceeds.

Other Options	
Income Share Agreement (x.x.xx% of income for XXX months)	\$X,XXXX / yr

Loan Amounts
Note that the amounts listed are the maximum available to you - you are allowed and encouraged to borrow only what you need. To learn about loan repayment choices and calculate your Federal Loan monthly payment, go to: <https://studentaid.gov/manage-loans>

Next steps

Customized Information from UUS

Education Tax Benefits
American Opportunity Tax Credit (AOTC): Parents or students may qualify to receive up to \$2,500 by claiming the American Opportunity Tax Credit on their tax return during the following calendar year.

- 529 Savings Plan:** 529 Savings Plan is a college savings plan that offers tax and financial aid benefits.
- Prepaid Tuition Plans:** Prepaid Tuition Plans let you pre-pay all or part of the costs of an in-state public college education. They may also be converted for use at private and out-of-state colleges. The Private College 529 Plan is a separate prepaid plan for private colleges, sponsored by more than 250 private colleges.
- Lifetime Learning Credit (LLC):** Parents or students may qualify to receive up to \$2,000 by claiming the LLC on their tax return. This credit may be taken for an unlimited amount of tax years, is non-refundable and cannot be combined with the AOTC in a tax year.
- Student Loan Interest Deduction:** Student loan borrowers may qualify to receive up to \$2,500 by claiming the deduction on their tax return if they repay interest on a student loan in a taxable year. This is an above-the-line deduction, meaning it can be taken even if the taxpayer takes the standard deduction. Parents who take out Parent PLUS loans are also eligible to take this deduction.
- Military and/or National Service Benefits:** For information please visit <https://studentaid.gov/understand-aid/types/military>

Glossary

Cost of Attendance (COA): The total amount (not including grants and scholarships) that it will cost you to go to school during the 2021-22 school year. COA includes tuition and fees; housing and meals; and allowances for books, supplies, transportation, loan fees, and dependent care. It also includes miscellaneous and personal expenses, such as an allowance for the rental or purchase of a personal computer; costs related to a disability; and reasonable costs for eligible study-abroad programs. For students attending less than half-time, the COA includes tuition and fees; an allowance for books, supplies, and transportation; and dependent care expenses.

Direct Subsidized Loan: Loans that the U.S. Department of Education pays the interest on while you're in school at least half-time, for the first six months after you leave school (referred to as a grace period), and during a period of deferment (a postponement of loan payments).

Direct Unsubsidized Loan: Loans that the borrower is responsible for paying the interest on during all periods. If you choose not to pay the interest while you are in school and during grace periods and deferment or forbearance periods, your interest will accrue (accumulate) and be capitalized (that is, your interest will be added to the principal amount of your loan).

Expected Family Contribution: A number used by your school to calculate the amount of federal student aid you are eligible to receive. It is based on the financial information provided in your Free Application for Federal Student Aid (FAFSA). This is not the amount of money your family will have to pay for college, nor is it the amount of federal student aid you will receive.

Federal Work-Study: A federal student aid program that provides part-time employment while the student is enrolled in school to help pay his or her education expenses. The student must seek out and apply for work-study jobs at his or her school. The student will be paid directly for the hours he or she works may not automatically be credited to pay for institutional tuition or fees. The amount you earn cannot exceed the total amount awarded by the school for the award year. The availability of work-study jobs varies by school. Please note that Federal Work-Study earnings may be taxed in certain scenarios, however the income you earn will not be counted against you when calculating your Expected Family Contribution on the FAFSA.

Grants and Scholarships: Student aid funds that do not have to be repaid. Grants are often need-based, while scholarships are usually merit-based. Occasionally you might have to pay back part or all of a grant if, for example, you withdraw from school before finishing a semester. If you use a grant or scholarship to cover your living expenses, the amount of your scholarship may be counted as taxable income on your tax return.

Income Share Agreement (ISA): An Income Share Agreement (ISA) is a contract between a student and their institution of higher education or other financial entity. The student receives money from the institution to fund their education. In exchange, they agree to pay the institution a percentage of their income after graduation for a set number of months or years.

Loans: Borrowed money that must be repaid with interest. Loans from the federal government typically have a lower interest rate than loans from private lenders. Federal loans, listed from most advantageous to least advantageous, are called Direct Subsidized Loans, Direct Unsubsidized Loans, and Parent PLUS Loans. You can find more information about federal loans at [StudentAid.gov](https://studentaid.gov).

Net Price: An estimate of the actual cost that a student and his or her family need to pay in a given year to cover education expenses for the student to attend a particular school. Net price is determined by taking the institution's cost of attendance and subtracting any grants and scholarships for which the student may be eligible.

Origination Fees: An upfront fee charged by a lender for processing a new loan application. It is compensation for putting the loan in place. Origination fees are quoted as a percentage of the total loan.

Parent Plus Loan: A loan available to the parents of dependent undergraduate students for which the borrower is fully responsible for paying the interest regardless of the loan status.

Private or Institutional Loan: A nonfederal loan made by a lender such as a bank, credit union, state agency, or school.

Teach Grant Program: Provides grants of up to \$4,000 a year to students who are completing or plan to complete course work needed to begin a career in teaching. If you do not meet the requirements of your service obligation, all TEACH Grants you received will be converted to Direct Unsubsidized Loans. You must repay these loans in full, with interest charged from the date of each TEACH Grant disbursement. Service obligation information can be found at <https://studentaid.gov/understand-aid/types/grants/teach>.

For more information visit <https://studentaid.gov>.

Comparison Tools for Financial Aid Offers from multiple Colleges

- College Board (fillable web form)
 - <https://bigfuture.collegeboard.org/pay-for-college/financial-aid-awards/compare-aid-calculator>
 - Easy to Use and Understand the Information, Compare up to Four offers, Option to Save Information
 - My favorite tool for Financial Aid offer comparison
- National Association of Student Financial Aid Administrators (fillable PDF)
 - https://www.nasfaa.org/uploads/documents/Aid_Offer_Comparison_Worksheet_2020.pdf
 - Compare up to Three Offers
 - PDF

Important Miscellaneous Information

- Students Need to Check their email and/or portal for financial aid offers
- Students need to heed the deadlines to accept or reject each section of the financial aid offer
- If a follow up call must be made to the college's Financial Aid office, it needs to be the student who makes the call
 - Parents can help their students by helping them come up with appropriate questions prior to the phone call
 - Parents can help their student by role playing asking questions, understand any missing information, and how to communicate about financial matters
 - This is good training for the student to make any follow up phone calls as this is the beginning of the student taking care of their college education, financial matters and as an adult, information only they can access

Important Miscellaneous Information

- Compare the Math of the offers
 - Compare the costs, but especially the bottom line
 - Will there be a need for a loan or loans
 - How much would need to be borrowed
 - Will there be a gap after the financial aid and loans
 - What is the gap and how will be gap be funded
- Discuss and understand impact and implications of work study
 - Work Study funds are not guaranteed
 - Must work the hours to earn the funds
 - There are potential deadlines to sign up and find a work study job
 - Some colleges have limited opportunities so there may be a deadline to accept work study and a deadline to secure an available work study job
- If decline work study with the college, will it be available in the future
 - Some colleges allow students to decide each semester
 - Other colleges do not offer the second semester if the student declines the first semester

Important Miscellaneous Information

- Discuss and understand before making decisions on loans
 - Become educated on terms and conditions, grace period, repayment, etc.
 - Often there is educational information the student must participate in by video, meeting, or paperwork to be well informed on all aspects of the loan and borrowing
 - Not uncommon for students to just check a box to get through the process without really listening and comprehending
 - Students need to know their rights
- Consider long term factors
 - Need to understand eligibility criteria for the future (college is not just one year)
 - Review aid to help ensure they are not front-loaded for one year only
 - Need to know if the “gift aid” is renewable or not
 - Important to complete the FAFSA each year if eligible to file

Important Miscellaneous Information

- Need to look closely at the Indirect Costs when making a financial decision
 - Indirect cost estimates from colleges vary from college to college
 - Students and families need to look at the indirect costs closely and realistically
 - Indirect costs include anything the student will need that is not covered by the direct (billable) costs
 - Variation of personal costs and transportation needs to be understood
 - Could be impacted by the individual
 - Car and associate costs, or no car and other types of transportation
 - Transportation home and how often trip home
 - Anything the student would spend money on for their life at college
 - Could be impacted by the location of the College
 - Higher cost of living
 - Further away from home, so associated costs

Follow Up Steps

- How to accept the Financial Aid offer
 - Some colleges use electronic signatures
 - Other colleges require a physical signature and the offer to be returned by mail
 - Need to follow the directions completely
 - Can indicate if want to take out loans or not
 - Still must complete and sign (electronically or physically)
- What is the student is not satisfied with the Financial Aid offer
 - Not a guarantee the Financial Aid package will change
 - If had missed a deadline for scholarship, cannot appeal
 - College will encourage to make the deadline next year for anything that might qualify for the following academic year
 - Can appeal for automatic scholarships if close on the criteria
 - Department endowment – no appeal
 - If going through the verification process, inform college as may make a difference
 - Not actually a negotiation, but rather a check to be sure nothing was missed – scholarships, resources, or additional financial information

Last Thoughts

- While a good financial decision is always wanted for the student, there are additional factors that are part of the final decision on where to attend
- A “Good Fit” is comprised of matching the student in these ways
 - Financially
 - Academically
 - Socially
 - Personally