

Financial Aid 101

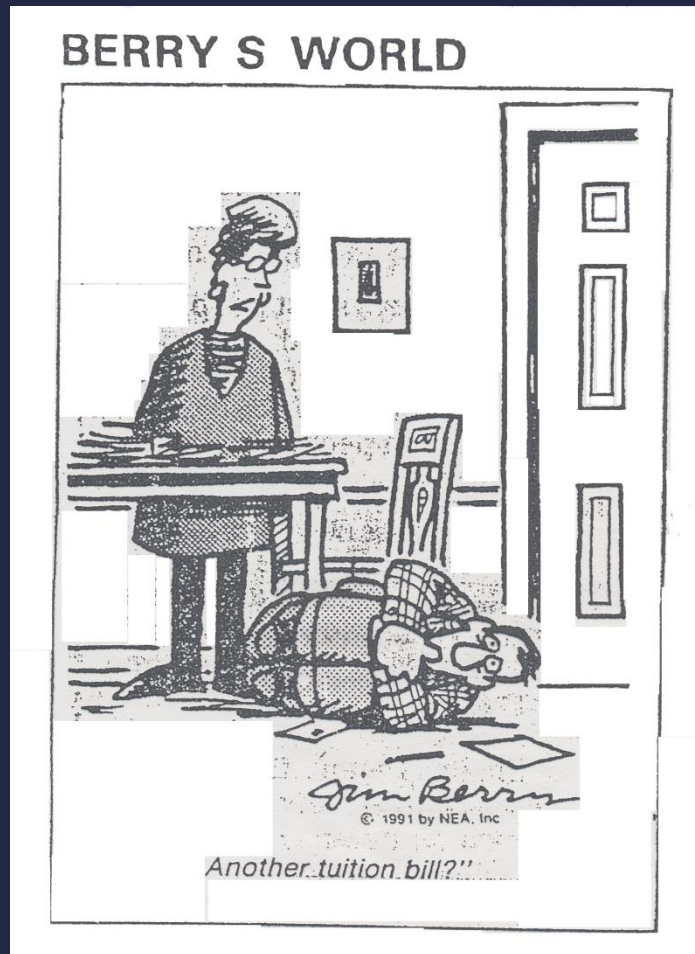
Presented by

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Albion College

Don't Let this happen to you!



Today's Topics

- Financial Aid Programs
- Determining Eligibility
- Application Process
- Special Challenges
- What's New

What is Financial Aid?

Financial Aid consists of funds provided to students and families to help pay for college expenses

Categories of Financial Aid

- Need-based
- Non need-based

Types of Financial Aid

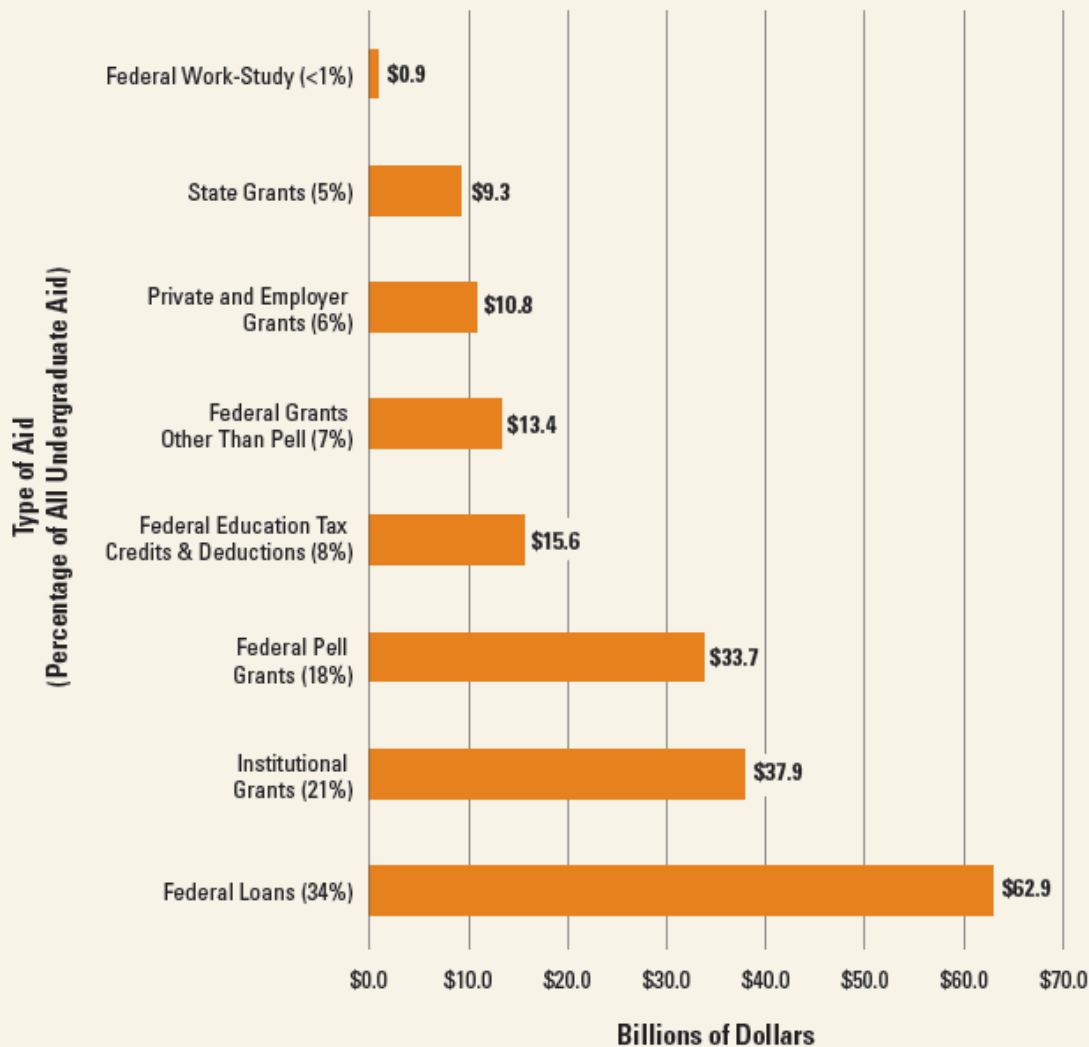
- Scholarships
- Grants
- Loans
- Campus Employment (work study)

Sources of Financial Aid

- Federal Government
- State of Michigan
- Colleges and Universities
- Private Sources

Sources of Financial Aid

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



Source: Trends in Student Aid by the College Board

Common Federal Grant Programs

- Pell Grant
- Supplemental Educational Opportunity Grant (SEOG)
- Teacher Education Assistance for College and Higher Education (TEACH) Grant
- Iraq Afghanistan Service Grant

Federal Pell Grant

- Up to \$5,370 for 2014-15
- Must have an Expected Family Contribution (EFC) under 5,158
- Available for Full Time, Three Quarter Time, Half Time or Less Than Half Time Enrollment

Federal SEOG

- Up to \$4,000 per year
- For students with exceptional financial need
- Must be enrolled half-time
- Campus-based program so the award amount will vary depending on each school's awarding policy

Federal TEACH Grant

- Up to \$4,000 per year (currently \$3,708 based on sequestration)
- Must teach in a high need field
- Must teach in a school that serves low income students
- Must teach for 4 years within 8 years of completing program or grant converts to an unsubsidized loan

Iraq Afghanistan Service Grant

- Up to full Pell Grant (currently \$5,312 based on sequestration) even if EFC exceeds normal Pell eligibility
- For students who had a parent or guardian who died as a result of military service performed in Iraq or Afghanistan after the events of 9/11

Common Federal Loan Programs

- Federal Direct Subsidized Stafford Loans
- Federal Direct Unsubsidized Stafford Loans
- Federal Perkins Loan
- Federal PLUS Loan

Subsidized Versus Unsubsidized

- Subsidized – the Federal government will pay the interest on the loan while the student is enrolled at least half-time
- Unsubsidized – interest will begin to accrue at the point of disbursement. The student can make interest payments, or the government will add the interest to the principal, so no payments would be due while the student is enrolled

Direct Loans

- Interest rate is a variable fixed, currently 4.66%
- Loan fees in the amount of 1.073% are assessed
- Must have financial need to receive subsidized loan
- No payments due while the student is enrolled at least half time and for six month grace period following graduation
- Can also be deferred for graduate school

Direct Loans

- Freshmen - \$5,500 (no more than \$3,500 subsidized)
- Sophomore - \$6,500 (no more than \$4,500 subsidized)
- Junior - \$7,500 (no more than \$5,500 subsidized)
- Senior - \$7,500 (no more than \$5,500 subsidized)

Perkins Loan

- Up to \$5,500 per year
- Campus-based program, so the award amount will vary based on the college's awarding policy
- Fixed interest rate at 5.0% - subsidized
- No payments while enrolled at least half-time and for 9 month grace period after graduation

PLUS Loan

- A Federal loan for parents of dependent students who have no adverse credit
- Can borrow up to full cost of attendance that is not covered by other financial aid
- Variable Fixed interest rate, currently 7.21%
- Loan fees in the amount of 4.292% are assessed
- Can be deferred while student is enrolled

Federal Work Study Program

- Provides an opportunity for the student to work on or off-campus
- Campus-based program, so award amount will vary based on college's awarding policy
- Funds are received via pay check or direct credit to account

Basic Eligibility for Federal Student Aid

- U.S. Citizen or eligible non-citizen
- Registered with Selective Service (males)
- Have a high school diploma or GED or equivalent, or homeschool completion
- Enrolled in a degree or certificate program
- No drug convictions while receiving federal student aid
- Maintain satisfactory academic progress

For more information . . .

www.studentaid.gov

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An OFFICE of the U.S. DEPARTMENT of EDUCATION

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Search StudentAid.gov

Prepare for College

Types of Aid


Who Gets Aid

FAFSA: Apply for Aid

Repay Your Loans


Minds can achieve anything. We make sure they get to college.

At Federal Student Aid, we make it easier to get money for higher education.



HOW DO I
PREPARE FOR
COLLEGE?

Learn about exploring careers, choosing and applying to schools, and taking required tests. Use checklists to help get ready.



WHAT TYPES
OF AID CAN
I GET?

Read about the types of financial aid available from the government and other sources: grants, scholarships, loans, and work-study.



DO I
QUALIFY
FOR AID?

Most people are eligible for financial aid. Find out who gets aid, how to stay eligible, and how to get eligibility back if you've lost it.



HOW DO I
APPLY FOR
AID?

Learn how to submit your *Free Application for Federal Student Aid* (FAFSA), how aid is calculated, and how you'll get your aid.



HOW DO I
MANAGE
MY LOANS?

Choose a repayment plan, pay on time, avoid default, and get help with problems.

ANNOUNCEMENTS

Common Michigan Grant Programs

- Michigan Competitive Scholarship
- Michigan Tuition Grant
- Tuition Incentive Program (TIP)
- Children of Veterans Tuition Grant
- Police Officer's and Fire Fighter's Survivor Tuition Grant (STG)

Michigan Competitive Scholarship

- Must be a Michigan resident as of July 1 of the previous calendar year
- Must be enrolled at least half-time
- Must have qualifying ACT score (90 or greater sum of the sub scores)
- Can be used at public or private college or university in Michigan
- Up to \$676 at public and \$1,626 at private for 14-15
- Must file FAFSA and have financial need

Michigan Tuition Grant

- Must be a Michigan resident as of July 1 of the previous calendar year
- Must be enrolled at least half-time
- No ACT score requirement
- Can only be used at private college or university in Michigan
- Up to \$1,626 for 2014-15
- Must file FAFSA and have financial need

Tuition Incentive Program (TIP)

- Student must have had Medicaid coverage for 24 months within a 36 month period as early as age 9 – determined by DHS
- Phase I covers full tuition at Michigan Community College (also partial eligibility at other Michigan colleges with associate degree programs)
- Phase II available at \$500 per semester toward cost of bachelors degree

Children of Veterans Tuition Grant

- Michigan resident
- Enrolled at least half-time
- \$2,800 per year
- For students whose parent was killed in action, missing in action, or permanently disabled while serving in a war in which the U.S. was participating

Survivor Tuition Grant (STG)

- Michigan resident
- For students whose parent was a police officer or fire fighter who was killed in the line of duty
- Covers full tuition at Michigan community college or public university

Other Michigan Resources

- Michigan Rehabilitation Services – to assist students with disabilities
- Education and Training Voucher (ETV) through Lutheran Services of Michigan providing support for foster children
- Indian Tuition Waiver through Michigan Department of Civil Rights for Native Americans who attend a Michigan public university
- Michigan Nursing Scholarship – contact college of interest

For more information . . .

- Michigan Postsecondary Handbook
- www.michigan.gov/mistudentaid
- Call 888-4-GRANTS

Private Scholarships

- Local High School
- Local Church
- Local philanthropies
- Parent's employer
- Web searches (which are free of charge)

Private Loans

- Available to cover full cost that is not covered by other financial aid
- Best to use federal loans first
 - Typically lower interest rate
 - Better repayment terms
 - Greater protections for deferment, forbearance, forgiveness, discharge and cancellation

Determining Eligibility for Need-based Financial Aid

Financial Need

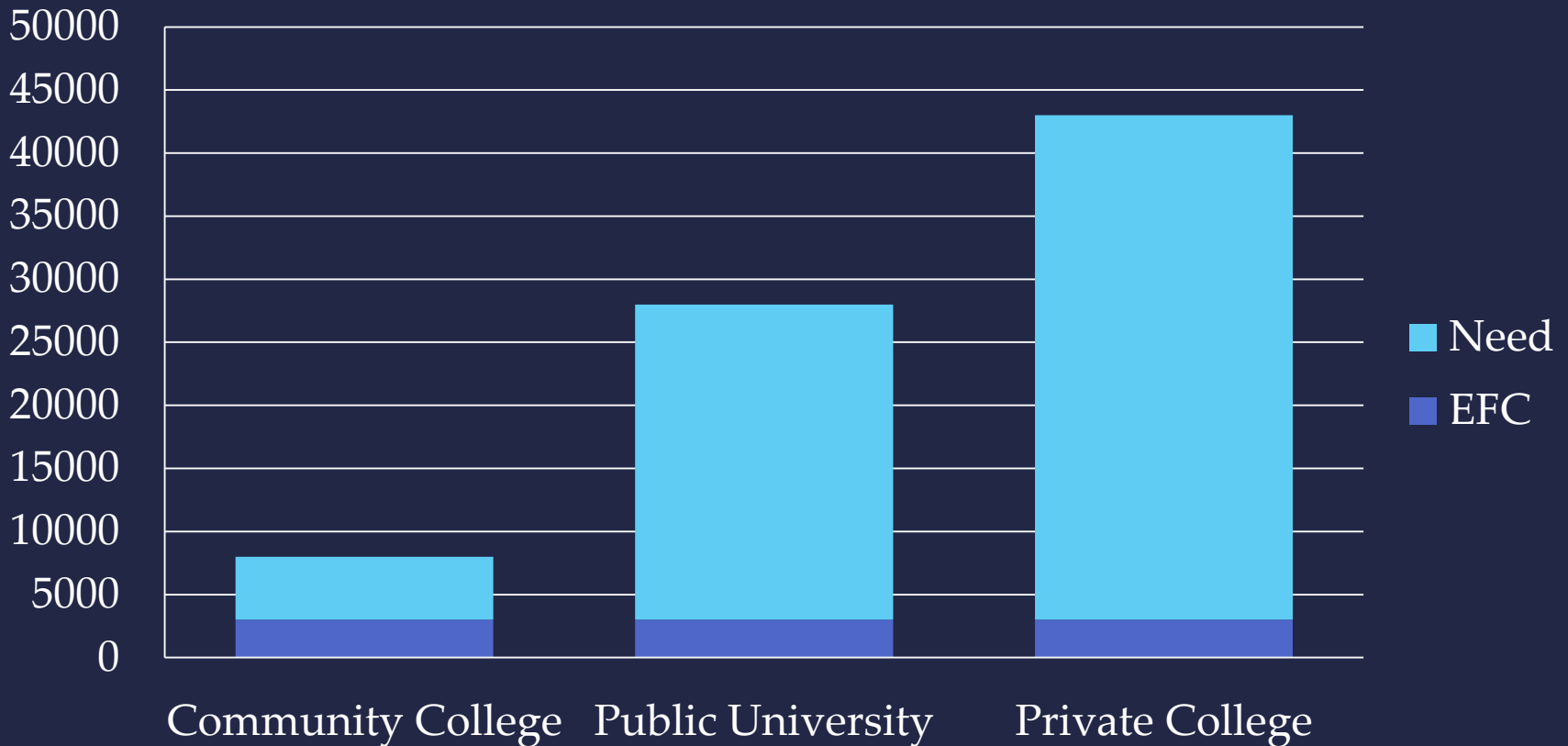
Cost of Attendance (COA)

- Expected Family Contribution (EFC)

Financial Need

How COA impacts Financial Need

Financial Need by School Type



Components of COA

- Tuition and Fees
- Room and Board
- Books and Supplies
- Travel
- Personal
- Child Care
- Off-campus Study

Expected Family Contribution (EFC)

- The formula that is used to calculate the EFC is called Federal Methodology
- Federal Methodology is established in the Higher Education Act of 1965 as amended

Components of the EFC

- Parent Contribution from income
- Parent Contribution from assets
- Student Contribution from income
- Student Contribution from assets

Number in College

The final step in the calculation of the Parent Contribution is to divide by the number of family members who will be enrolled in college (not including the parents).

So, if the EFC for the first student in the family who goes to college is \$20,000, when the sibling goes to college the following year, the EFC will be \$10,000 per student (all other things being equal).

Myth of Saving for College

Myth: If I save for my child's education, I will be penalized.

Reality: Parental assets typically play a very small roll in the calculation of the EFC. The maximum amount that parental savings will convert to contribution is 6% (the amount is 20% for students).

Myth of Saving for College

There are also certain assets that are excluded in the calculation of the EFC:

- Home Equity
- Tax Deferred Retirement Plans (401k, IRA)
- Family Farm
- Small Family Business
- Asset Protection Allowance protects other assets for family emergencies

Myth of Saving for College

So, if a married couple, age 48 files the FAFSA for a dependent child and has \$100,000 in home equity, \$100,000 in their 401k, and \$50,000 in savings, the asset contribution in the EFC from their \$250,000 in net worth will be:

\$1,020

Myth of Working

Myth: If the student works during the summer, he/she will lose financial aid eligibility.

Reality: There is a \$6,260 Income Protection Allowance built into the formula, so that the formula will only look at student income that exceeds \$6,260 (after tax).

Applying for Need-based Financial Aid

Types of Financial Aid Applications

- Free Application for Federal Student Aid (FAFSA)
- CSS/Financial Aid PROFILE form
- Institutional Application

CSS PROFILE Form

- A supplemental form that some colleges use to collect additional information that is not included on the FAFSA
- Used for institutional aid only
- The form is customized for each college that the student is considering
- There is a processing fee of \$25 for the first college and \$16 for each additional college

FAFSA Form

- Application used to determine eligibility for federal student aid
- Also used to determine eligibility for state aid based on the state of residence listed on the FAFSA
- Most colleges and universities use the FAFSA to determine eligibility for their grant programs
- The FAFSA is a *free* application - be sure to use fafsa.gov not fafsa.com

Filing options for the FAFSA

- On-line at www.fafsa.gov (a *FAFSA on the Web Worksheet* is available on the site)
- Download a PDF of the FAFSA on the FAFSA website
- Call the Federal Student Aid Information Center at 800-4-FEDAID and request a paper FAFSA

Reasons to file electronically

- Faster processing
- On-line help is available
- Skip logic will skip questions that do not apply, so the application will be shorter
- Fewer errors because of edits that look for missing or inconsistent information

Use a PIN to sign electronically

- The Federal Student Aid PIN can be requested at www.pin.ed.gov
- The parent and student will each need a PIN
- The PIN can also be used to view the Student Aid Report (SAR) and to access the National Student Loan Data System (NSLDS)

FAFSA Deadlines

- Student cannot file FAFSA prior to January 1st
- Students can file FAFSA up to June 30th of the award year (June 30, 2015 for the 14-15 award year)
- Deadline for the Michigan Competitive Scholarship program is (*prior to*) March 1st
- Watch individual college deadlines

For Earlier Planning

- *FAFSA4caster* is available at fafsa.gov – can be completed at any time to get an estimate of the EFC
- Every college must have a Net Price Calculator on their website

FAFSA Challenges

- Dependent versus Independent Student
- Definition of Parent
- Reporting income before taxes are completed
- The order in which the colleges are listed

Independent Student Definitions

- 24 years of age as of December 31st of the award year
- Married
- Graduate Student (working on masters or doctorate degree)
- Active Duty Military or Veteran

Independent Student Definitions

- Student provides *more* than half support to his/her child
- Student provides *more* than half support to other dependents who also live with the student

Independent Student Definitions

- At any time since age 13, the student was:
 - An Orphan (both parents deceased)
 - In Foster Care
 - A Ward of the Court

Student is independent even if his/her situation has changed (i.e. adopted, no longer in foster care, no longer a Ward of the Court)

Independent Student Definitions

- Emancipated Minor as determined by a court in the student's state of legal residence
- In a Legal Guardianship as determined by a court in the student's state of legal residence (does not include parents appointed by court as legal guardians)

Independent Student Definitions

- Unaccompanied youth who is homeless or self supporting and at risk of being homeless on or after July 1, 2013 (for 14-15). As determined by:
 - High School or School District homeless liaison (as defined by McKinney-Vento Act)
 - Director of an emergency shelter funded by the U.S. Department of Housing and Urban Development (HUD)
 - Director of a runaway or homeless youth transitional living program

Homeless Definitions

- Homeless means lacking fixed, regular, and adequate housing (living in shelters, parks, motels, cars or with other people because the student has no place to go).
- Unaccompanied means not in the physical custody of parents
- Youth means 21 years of age or younger

Dependency Override

The U.S. Department of Education authorizes a Financial Aid Officer to exercise 'Professional Judgment' to allow a student to file the FAFSA as an independent student when the student does not meet any of the automatic criteria.

Student must provide third party documentation in support of his/her circumstances.

Dependency Override

- Circumstances include – abandonment by parents, an abusive family environment, or the student is unable to locate his/her parents
- Circumstances do not include – parents refusal to contribute to the student's education, unwillingness to provide information on the FAFSA or not claiming the student for tax purposes

Parents refuse to complete the FAFSA

If no special circumstances exist to warrant a dependency override, the student can still file the FAFSA without parental information to receive Unsubsidized Direct Loan *only*.

Definition of Parent

- Biological or adoptive parent
- Do not use other people (i.e. grandparents or other relatives) unless they adopted the student

Definition of Parent

In 2013, the U.S. Supreme Court ruled (*U.S. v. Windsor*) that Section 3 of the Defense of Marriage Act (DOMA) was unconstitutional. As a result, same sex couples must now report their status as married if they were married in a state that permits same-sex marriage, without regard to where the couple resides.

FAFSA changed parental questions from 'Mother' and 'Father' to 'Parent 1' and 'Parent 2'

Definition of Parent

- Parents are married – answer questions about both of them
- Parents are not married, but live together – answer questions about both of them
- Parent was never married and does not live with other parent – answer questions about the custodial parent

Definition of Parent

- If one parent has died – answer questions about the surviving parent
- If parents are separated or divorced – answer questions about the parent with whom the student lived the greatest number of days in the twelve months prior to the FAFSA being filed (if student did not live with either parent more than the other, then report based on which parent provided the greatest amount of support). Also include stepparent.

Reporting Income

- It is ok to provide an estimate of income in order to meet filing deadlines.
- IRS Data Retrieval Tool (DRT) is now available on FAFSA to link to the IRS and populate income questions on the FAFSA – taxes need to have been electronically filed three weeks prior to using the DRT.

Order of Colleges Listed on FAFSA

The order of the colleges listed on the FAFSA does not make a difference for federal student aid purposes.

However, the State of Michigan will use the first Michigan college listed to determine eligibility for the Michigan Competitive Scholarship and Michigan Tuition Grant programs.

Results of the FAFSA processing

- Institutional Student Information Record (ISIR) is sent to each college listed on the FAFSA
- Student Aid Report (SAR) will be available on fafsa.gov – student will receive an e-mail with link (paper SAR will be mailed home if student filed a paper FAFSA with no e-mail)
- SAR Acknowledgement will be mailed if the student filed electronically and did not provide e-mail address

Corrections

- Corrections can be made at any time by logging back into fafsa.gov
- Corrections can also be made on SAR

Verification

- Approximately 30% of the FAFSAs are selected by the U.S. Department of Education for a process called Verification
- Typically the result of edits in the system (e.g. reported income is \$30,000 and tax paid is \$25,000 for an after tax income of \$5,000), but can be random
- The college is required to verify certain data elements based on the reason for selection

Professional Judgment

- Financial aid officers can use Professional Judgment to address special circumstances that are not reflected on the FAFSA
- Items include death of a parent, divorce, change in income, high medical bills, etc.
- Must be documented
- Each college must use its own judgment on a case by case basis

Help with the FAFSA

- On-line help on fafsa.gov
- Call the Federal Student Aid Information Center at 800-4-FEDAID
- Seek the assistance of a local financial aid officer
- College Goal Sunday – February 8, 2015 – www.micollegegoal.org

FAFSA Demonstration Site

www.fafsademo.test.ed.gov

Username: eddemo

Password: fafsatest

Award Letters

- Colleges will send an award letter to the student via mail or e-mail
- Notification will typically begin in February and March
- Award letter should list all Federal, State and Institutional aid
- Be sure to make 'apples to apples' comparison – consider the *Shopping Sheet*

What's New

- FAFSA PINs will be replaced with user id and password sometime in Spring 2015
- Reauthorization of the Higher Education Act
 - Prior-prior year income as base
 - Income Based Repayment on Loans
 - One grant, one loan, one work program
 - Year round Pell Grant

Questions?