

An Introduction to Financial Aid

Understanding the Basics

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Agenda

- What is financial aid?
- Why care about it now?
- Understanding your need & institutions strategy
- Types of financial aid
- Application process
- Questions to ask
- Your questions



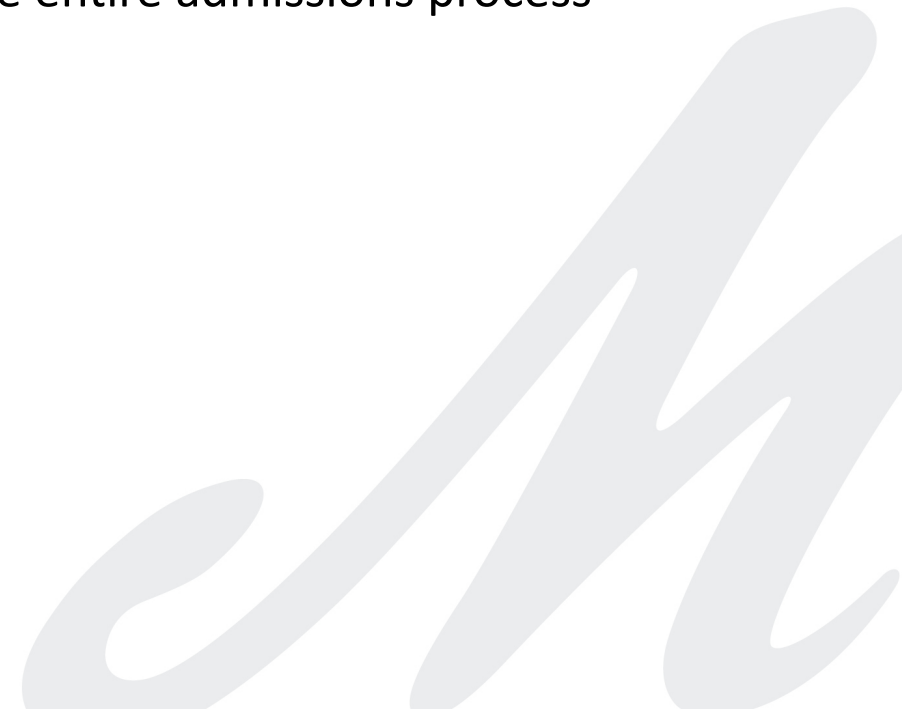
What is Financial Aid?

- Financial assistance from the state or federal government, institution or other outside source to help families cover the cost of attendance
 - **Gift aid** – Free money that you are not required to pay back
 - Grants
 - Scholarships
 - **Self-help** – money that needs to be earned or repaid
 - Work study
 - Student loans



Financial fit should be part of your college search throughout the process

- Nearly 40% of students who turned down their highest preference college cited a reason related to cost (*Inside Higher Ed*)
- College is a long-term investment for the student *and* family
- Knowing your financial aid expectations and needs throughout the entire admissions process helps to create a balanced college search



Know before you go

Federal Student Aid Estimator

- Studentaid.gov
- 5-10 mins
- Best for families just getting started, most accurate in spring of your junior year
- Early estimate of your EFC

Net Price Calculator

- Each college's specific website
- 10-30 mins, depending on the college
- Great for narrowing down your college visit or application list
- Project your total aid at that specific school

Estimate Forms

- Some college's financial aid office
- About the time it will take to complete a FAFSA
- Most often provide a written estimate of aid prior to application or admission
- Best for a student considering a binding commitment (Early Decision, Restricted)

Need-based financial aid

- Philosophy is to ask every family to contribute what they can
- A combination of grants or scholarships, work and loan programs attempting to meet the need of the family.
- Provide more financial aid to those with less resources
- An institution may calculate your need slightly differently than the next institution

Calculating your need (and terms to understand)

Cost of Attendance

- Expected Family Contribution

= Your demonstrated financial need



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Cost of Attendance

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= Your demonstrated financial need



- **Cost of Attendance** is the estimation of what it will reasonably cost a student to attend the institution for one year.
- It will include direct (billed) costs, and indirect (estimated out of pocket) costs.
 - Tuition
 - Fees (technology, health, etc.)
 - Room & board

} Direct costs

 - Books
 - Transportation

} Indirect costs

Calculating your need (and terms to understand)

Cost of Attendance

- Expected Family Contribution
= Your demonstrated financial need



- **Expected Family Contribution (EFC)** is the amount a family can contribute, over a 9-month period through
 - Direct contribution from income
 - Drawing down on assets
 - Borrowing against assets
- The EFC is a number used in a formula, your actual net costs may vary depending on the institution

Calculating your need (and terms to understand)

Cost of Attendance

- Expected Family Contribution

= Your demonstrated financial need



- **Your financial need** is the difference between Cost of Attendance and EFC. Different institutions will have different policies and strategies to attempt to meet this need

Understanding the Expected Family Contribution

- This number is calculated through formulas that **DO**:
 - Consider parent & student, income & asset data
 - Provide allowances to protect income & assets
- The Formulas do **NOT**:
 - Use a cash flow analysis
 - Assess a willingness to pay



Schools may calculate your need differently

Federal Methodology

- Uses FAFSA information only
- Number in household and college are key factors
- Primary parent and spouse
- Assets of parent and student, but does not include the primary home
- Applied the same across all institutions

Institutional Methodology

- May use the CSS PROFILE or other forms in addition to the FAFSA
- Family composition is looked at in detail
- Noncustodial parent may be included
- Assets may include those in a siblings name, home or business equity
- Allows for customizing based on institutional priorities

Meeting full need

- An institution that meets full need will calculate your need through the formula
$$\begin{array}{l} \text{Cost of Attendance} \\ - \text{Expected Family Contribution} \\ = \text{Financial Need} \end{array}$$
- The total financial aid award will equal the financial need

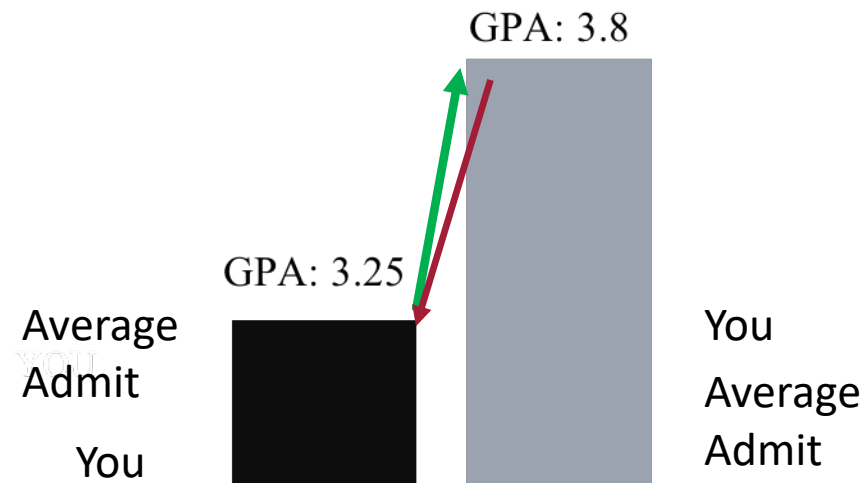
Merit-based financial aid

- Philosophy is to use scholarship or grants funds to attract the top students to enroll in their institution based on the institutional needs
- Awards can be based on academic, athletic or artistic talent



Preferential packaging

- Colleges use financial aid as a recruitment tool to attract the strongest students
- Institutions use their own grant funding to improve the strength of a financial aid award
- Where you sit in the applicant pool will determine your financial aid award



Scholarships and Grants

- Federal
 - Pell grant
 - For families with an EFC < \$7,000
 - Supplemental Education Opportunity Grant (SEOG)
 - For high need families but will vary by institution
- State
 - PHEAA
 - For families with an EFC < \$15,000
 - *PA state grant has a May 1 deadline each year
- Institution
 - Merit scholarships (academic, athletic, artistic, etc).
 - Need-based grants (must have demonstrated financial need remaining)
- Private or outside resources
 - Look locally, online and through your counselors
 - Fastweb.com, Niche.org, Scholarships.com

Work study

- May be listed as federal, state or institutional employment
- Student must get a job and collect the paycheck, the amount is not directly credits to the bill
- Earnings do not impact future FAFSA filing
- Each institution will have their own policies and limits



Student Loans

Federal Direct Loan

- Commonly included in financial aid awards
- Lent directly to the student with no cosigner required and competitive interest rates/repayment plans
- Maximum of \$5,500 total in year 1, \$6,500 in year 2, and \$7,500 in year 3 & 4

Subsidized

- Does not earn interest until a student is no longer enrolled at least half-time.
- Interest begins to accrue at graduation
- Must have demonstrated financial need
- Maximums are \$3,500, \$4,500, and \$5,500

Unsubsidized

- Interest begins to accrue as soon as the loan is disbursed
- No demonstrated need required, but must have a valid FAFSA
- Can borrow up to the total maximums, minus any subsidized loan
- Example: year 1: \$3,500 in subsidized + \$2,000 in unsubsidized = \$5,500 total

FAFSA: Free Application for Federal Student Aid

- Available on October 1 for the following academic year
 - Seniors applying to start college in Fall 2022 will use the 2022-2023 FAFSA
- Required for any federal funds, commonly required by colleges
- Will provide you with your EFC at the completion
- Best to complete online and sign electronically using your FSA ID
- Use tax information from the year two years prior to when you plan to enroll
 - Fall 2022, use the taxes from 2020 that you filed in spring of 2021
- Gather W-2s, bank account and asset information
- Link to your taxes using the IRS Data Retrieval Tool

CSS PROFILE: College Scholarship Service

- Used by more than 200 institutions
- “Common Application for financial aid”
- Available to complete beginning on October 1
- Fee to fill out for families earning \$100,000 or more
 - \$25 to complete, plus \$16 to send to each additional institution
- Fee waivers are available from the institution directly, if you earn less than \$100,000, qualified for a SAT fee waiver or are a ward of the court.

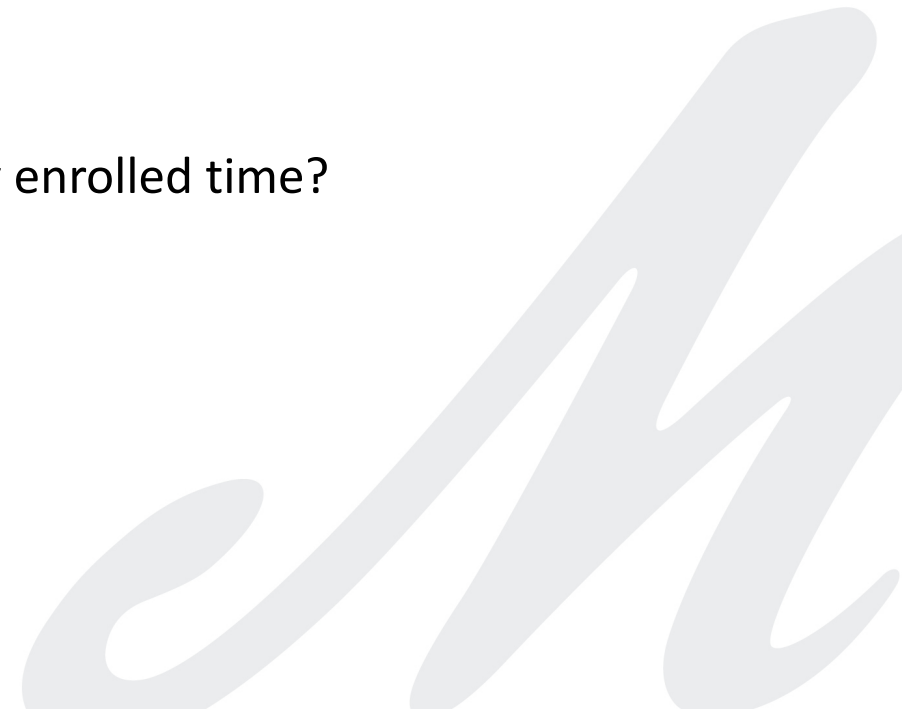
Primary documentation & Institutional Forms

- Some schools may require tax documents, W-2s, or other primary documentation
- Students selected for a verification through their FAFSA will be notified by each institution if they require additional documentation
- Using the IRS Data Retrieval Tool on the FAFSA will reduce your need to send additional forms
- Check with individual schools for short institutional forms

Noncustodial Parents

- This is the term used to describe parents who do not share the same household, regardless of custody arrangement.
- One parent (and their spouse) must complete the FAFSA
- Some institutions may require documentations or forms from a biological or adoptive parent who is not on the FAFSA, the Noncustodial Parent PROFILE or form

- How does financial aid impact your admissions process?
- Do you offer merit-based scholarships? If so, what are the requirements or deadlines?
- Do you guarantee to meet full need?
- Can I expect to receive a similar financial aid package for all of my enrolled time?



- What is your policy on outside scholarships?
- What is your financial aid deadline and what forms do you require?
- When, and how, will I get my financial aid notification?
- If the financial aid award is insufficient, what options do I have?
- Any unique or special circumstances that you may have



You need to determine how you will measure your return on investment



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Use trusted sources and keep yourself informed

- Reliable resources:
 - Studentaid.gov
 - The institution's admissions or financial aid office
 - Your college counselors
- Not so reliable resources:
 - Your neighbor, your brother's friend's sister, etc.
 - Facebook or social media groups – great for support, but go directly to the source to confirm any information
- The FAFSA will be going through changes in 2023-2024. Stay in touch with your financial aid office to stay informed

Questions?

Contact me at
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GOOD LUCK!

