Financial Aid 101

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Don’t Let this happen to you!

Another tuition bill?"
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

- Federal Work-Study (<1%) $0.9
- State Grants (5%) $9.3
- Private and Employer Grants (6%) $10.8
- Federal Grants Other Than Pell (7%) $13.4
- Federal Education Tax Credits & Deductions (8%) $15.6
- Federal Pell Grants (18%) $33.7
- Institutional Grants (21%) $37.9
- Federal Loans (34%) $62.9

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
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

- Community College
- Public University
- Private College

- Need
- EFC
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 1\textsuperscript{st}

• Students can file FAFSA up to June 30\textsuperscript{th} of the award year (June 30, 2015 for the 14-15 award year)

• Deadline for the Michigan Competitive Scholarship program is \textit{(prior to)} March 1\textsuperscript{st}

• 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-FEDAI

• 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
Passoword: 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?