#  Financial Aid for College

# 2015-2016

 **I. Introduction**

1. **Overview of workshop**
2. **Financial Aid Timeline**

**II. Types of Financial Aid**

**A. Grants**

 **B. Scholarships**

**C. Loans**

**D. Employment**

**III. Cost of Attendance**

**A. Items included in direct cost**

**B. Items included in indirect cost**

**IV. Applying for Financial Aid**

1. **Definition of a PIN**
2. **IRS Data Retrieval Tool (DRT) (within the FAFSA)**
3. **FAFSA on the Web**
4. **Completion of Free Application for Federal Student Aid (FAFSA) or FAFSA on**

 **the Web**

1. **Definition of parent for FAFSA purposes**
2. **FAFSA Verification**
3. **Special circumstances and professional judgment**
4. **Potential other forms**
5. **FAFSA Day**
6. **Warnings about paying for financial aid services**

**V. Determination of Family’s Ability to Pay (EFC)**

**A. What is an EFC?**

**B. Determination of EFC**

**C. Determination of financial aid need**

**VI. Available Financial Aid**

**A. Federal aid programs**

 **B. State aid programs**

**C. Institutional assistance**

**D. Outside sources**

**E. Alternatives**

**VII. Miscellaneous Information**

1. **Sources of additional information**

**VIII. Conclusion**

1. **Summary**

# Financial Aid for College

# 2015-2016

# Slide 1 – Financial Aid for College Cover Page

# Introduction

During this workshop, we will be discussing financial aid for the years after high school….whether you plan to attend a university or community college, technical or trade school, financial aid is usually available. Most institutions participate in some of the federal and state aid programs. The specific college catalog or Web site should have information about the various aid programs in which the school participates. I encourage you to take a look at the financial aid section of the college catalog if you have not already done so.

# Slide 2 – Scope of this Workshop

Unfortunately, the financial aid process is confusing and sometimes intimidating. While I don’t expect you will leave tonight understanding all of it, I do hope you will have a better understanding of the process and what you need to do. During this workshop, we will cover the types of financial aid available; learn about the cost of college, how to apply for aid, and how your eligibility will be determined. We will discuss some specific aid programs, though not in great detail. There is a lot of printed information available on the individual aid programs *(probably handed out at the workshop)*, and the Internet is a great resource as well. We’ll give you some useful Web sites at the end of the presentation. *PRESENTER: Instruct audience on how to raise questions…do you want them as they occur or at the end? Usually more useful to participants to take the questions as they occur and then defer specific questions till later in the presentation if you know the presentation will cover it.*

**Slide 3 – Financial Aid Timeline**

**Slide 4 – Types of Financial Aid**

Financial aid is defined as money in the forms of grants, scholarships, loans and employment to assist in paying the cost of attending a college, university, or vocational/technical school.

**Slides 5 and 6 – Student Financial Aid (Categories)**

Financial aid can be either merit-based or need-based*.* Merit-based aid may be awarded to students with particular skills, talents, or abilities. It is typically considered gift aid, meaning it does not have to be paid back. Need-based aid is awarded to students who show financial need to attend a college, university, or vocational/technical school.

For need-based aid, the family is considered responsible for college costs to the extent that the family is able to pay, not just the extent to which they are willing to pay. Before the government or an institution assists with college expenses, the family is expected to pay whatever it can.

This workshop will focus on need-based financial aid. Information will be provided later on programs and methods that are alternatives to the major need-based aid programs.

The two main types of need-based aid are: **Gift aid and Self-help aid**. Gift aid does not have to be earned or repaid. Grants and scholarships are gift aid.

Self-help aid must be earned or repaid. Loans must be repaid, but do not have to be repaid until the student leaves school, and they carry lower interest rates than most other loans. The government pays the interest on need-based loans while the student is enrolled.

Work programs allow students to earn money to pay educational expenses during enrollment in school. Because students must work for this money, employment through the college is considered a form of self-help aid.

***(NOTE:*** *A handout of most federal and state aid programs is available. This can be a major time saver in these workshops. Also perhaps you or the counselor has sufficient copies of* ***The Student Guide****, or* ***Funding Your Education****, both published by the US Department of Education. These provide excellent information about all the federal programs.)*

**Slide 7 – College Costs of Attendance**

**Slide 8 – Direct Educational Expenses**

Direct costs involve the items that we most commonly think of when we talk about college costs - Tuition, fees, room, board, books, and supplies. What are these? Tuition is what buys you a seat in a classroom, a space in your academic program. This is what you pay for the academic portion of your college education - your classes. Most schools charge a variety of fees that support activities both inside and outside the classroom. Examples of fees might include student activity fees (to support cultural programs, student clubs, publications, etc.), computer technology fees (to support computer lab facilities, instruction, etc.), athletic fees, laboratory fees, private music lessons, fees for advanced or remedial classes, etc. Some fees are charged to all students and some are charged based on your enrollment in a specific academic program or class.

When we speak of “room charges,” we mean either a fee paid to allow you to live on campus in a residence hall or the rent you pay for an off campus apartment or house. “Board” means food. Even if you live at home with your parents, there is a modest allowance in student budgets for the cost of your housing and food.

Books and supplies help you to succeed in your studies. You may be required to purchase textbooks, workbooks, notebooks, pencils, pens, high lighters, computers, software, other tools (drafting, for example), paint and paper (art major), etc.

If you are not required to buy a computer, but you want to buy one, you can ask the financial aid office to include the expenses of a computer in your cost of education. You will probably have to borrow through a student loan program to pay for the computer…it is unlikely that the college will offer you grant funds for a computer that is not required by the institution. Most institutions have plenty of computer labs so students do not have to buy a computer if they are unable to afford one.

The cost of attendance is different for every school and student. Depending on your circumstances, you may have additional expenses like childcare or disability expenses. You may plan on a study-abroad semester that requires additional aid.

**Slide 9 – Indirect Educational Expenses**

Indirect costs are not paid directly to the institution. They include personal/miscellaneous expenses such as clothing, personal items, laundry, snacks, etc. Transportation includes the costs of getting to and from your school. If you commute from your home, you may have these expenses daily. If you live away from home, you have to consider the expense of getting to school at the beginning of the year and returning home at the end. You might consider parking stickers, gas, bus, train, or plane fare, insurance, etc. Also, remember that some indirect costs are things that you might pay for whether or not you attend college.

Adding both the direct and indirect costs together gives you a good idea of what it costs to go to school.

**Are there any questions?**

**Slide 10 – Applying for Federal Student Aid**

 **Free Application for Federal Student Aid**

***(Presenters NOTE:*** *This presentation will focus on the FAFSA on the Web rather than the paper FAFSA since this is the form the Department is encouraging students and families to complete. FAFSA on the Web is the quickest and easiest method of applying.)*

The **FAFSA** is the required application for all types of Federal aid and most state and institutional financial aid programs. While most applicants use FAFSA on the Web (FOTW) to apply for financial aid, paper application options are still available. The FAFSA is available as an electronic PDF document that can be completed on the computer and printed, or it can be printed and completed by hand. English and Spanish PDF versions of the 2015-16 FAFSA will become available January 1, 2015. The printed and signed PDF FAFSA is then mailed to Federal Student Aid for processing. Beginning in late December, students are able to obtain a paper FAFSA by calling the Federal Student Aid Information Center (FSAIC) toll-free at 1-800-4-FED-AID (1-800-433-3243). Students may request up to three copies of the paper application and should receive their FAFSAs in 3 to 7 business days. Just remember it cannot be filed prior to January 1, preceding the fall semester a student plans to enroll in college. The FAFSA is year specific and can only be used to apply for aid during the year indicated on the form. FAFSA on the Phone is also available. A student can call the FSAIC to submit his or her FAFSA without the signature and without a waiting period. The applicant can use his or her PIN to electronically sign on the Web, print a signature page for mailing or wait to sign and return the paper SAR. The FOTW Worksheet, the most effective tool students can use to facilitate the online application process, is available in a PDF format (available for downloading from [www.FAFSA.gov](http://www.FAFSA.gov)) by mid-December of a student’s senior year in high school.

Students are encouraged to use the online method for filing the application. If you complete the FAFSA on the Web, you should request a Personal Identification Number. We’ll discuss how to apply for a PIN on the next slide.

If you complete online, you will see your expected family contribution as soon as you hit the “submit” button.

If you are still in the process of narrowing down your college selection, you may have the results from your FAFSA sent to all the schools you list on the FAFSA (four on paper FAFSA and 10 on FOTW). If you provide an e-mail address on the FAFSA, a web link to your Student Aid Report results will be sent to you about a week after processing. If you do not provide an e-mail address, your results will be sent to you about two weeks after filing your FAFSA, sooner if you file electronically. You should check the information carefully for accuracy. If you have kept a photocopy of the original FAFSA, this will be an easy process. If corrections need to be made, carefully follow all instructions for making the corrections.

The FAFSA collects your demographic information. More importantly, it collects information about your family’s financial situation, which the federal processor uses to determine what your expected family contribution toward your educational costs will be.

*Presenter* ***NOTE****: If you are going to cover the FAFSA on the Web at the end, skip this part for now. (Depending on the group you are speaking with, you may or may not want to be more specific in your coverage of the FAFSA on the Web. There is usually insufficient time to cover it in detail and provide other essential information; however some groups may need more in-depth coverage.)*

There are a few areas on the form that we will address briefly. First be sure the student’s social security number reported is accurate. Determine whose financial information is to be provided on the form. As most high school students live with and are supported by parents or guardians, we will assume that the parent’s income and asset value as well as the student’s income and assets will be reported. Follow all instructions carefully regarding family size and number of family members to be enrolled in college during the upcoming academic year.

While actual tax return information is preferable (IRS Data Retrieval Tool will be discussed later), some families may need to report estimated tax information to meet the early deadlines of some colleges. Estimate carefully. If families do report estimated tax information, they should used the FAFSA Correction process after they have filed their taxes. The IRS Data Retrieval Tool can be used in the Correction process and the data meets verification requirements.

A FAFSA on the Web applicant who answers “High School Diploma” to the High School Completion Status question is required to answer the high school questions (High School Name, City, and State), regardless of his or her grade level.

The high school questions are displayed based on an applicant’s responses to related questions within the FAFSA. Students are encouraged to enter as much information as possible to receive the most relevant search results, using the full name or commonly accepted abbreviations or aliases for the high school name and city. For more information and guidance, students are encouraged to view the help topic titled *Student’s High School Name, City, and State* on FAFSA on the Web.

**Slide 11 – What is a PIN?**

You and your parent(s) are encouraged to apply for a Federal Student Aid PIN (Personal Identification Number) to sign your online application. For a student who provides parental information on the FAFSA, at least one parent whose information is provided on the application must sign. Your PIN will serve as an identifier and as your electronic signature. It works much like the personal identification number you get from your bank. You can apply for a PIN from within FAFSA on the Web or at the Federal Student Aid PIN website at [www.pin.ed.gov](http://www.pin.ed.gov). After completing the PIN application, you must choose how you want your PIN delivered to you. The choices are to

* Create your own PIN (this option only appears when you apply for a new PIN or request to change your PIN).
* Request that Federal Student Aid generate a PIN that is displayed on the screen in real time or e-mailed in real time so that the student or parent can use it immediately to authenticate with the IRS and retrieve IRS data, and sign the FAFSA electronically

**NOTE: Delivery of a PIN Mailer by postal mail is no longer an option. Only delivery options are by e-mail, displayed on the screen, or self-selected.**

You or your parent may use the new PIN immediately to sign your FAFSA. Then within one to three days of the PIN being issued, your name, date of birth, and Social Security Number (SSN) are verified with the Social Security Administration (SSA). If the SSA confirms your information, your PIN is then valid for all its uses, which include:

* FAFSA on the Web at [www.fafsa.gov](http://www.fafsa.gov):
	+ Electronically sign your FAFSA
	+ Pre-fill data in this year’s FAFSA on the Web application if you filed a FAFSA last year
	+ Make online corrections to an existing FAFSA
	+ View or paint an online copy of your Student Aid Report (SAR)
* The National Student Loan Data System Web site at [www.nslds.ed.gov](http://www.nslds.ed.gov):
	+ View a history of any federal student aid that you have received
	+ Complete Exit Counseling
* Federal Direct Consolidation Loans Web site at [www.loanconsolidation.ed.gov](http://www.loanconsolidation.ed.gov):
	+ Apply for a Direct Consolidation Loan
	+ Track the processing status of your online application throughout the entire consolidation process
* Federal Student Aid’s Student Loan Web site at [www.studentloans.gov](http://www.studentloans.gov):
	+ Complete Entrance Counseling
	+ Electronically sign a master promissory NOTE (MPN)
	+ Complete PLUS loan requests
* Agreement to Serve (ATS) at [www.teach-ats.ed.gov](http://www.teach-ats.ed.gov):
	+ Sign your ATS for the Teacher Education Assistance for College and Higher Education (TEACH) Grant Program

If there is a problem with the SSA match, your PIN will be deactivated and you will be notified.

You are not required to have a PIN to complete and submit an original application; however, using a PIN is the fastest way to sign your application.

Both Web and paper FAFSA filers may provide their e-mail addresses by completing the appropriate question on the FAFSA. If you provide your e-mail address you will receive your student financial aid correspondence by e-mail. Otherwise, leave the question blank and you will receive all of your correspondence by postal mail.

As previously stated, FAFSA on the Web applicants are not required to have a PIN to apply. If you do not have a PIN to electronically sign your application, you can print, sign, and mail in a signature page. If you choose to submit your application and mail in a signature page, a PIN will automatically be sent to you, by e-mail or by postal mail, if the processor determines that you do not already have a PIN assigned to you. If you already have a PIN and need a copy of it sent to you, you can go to [www.pin.ed.gov](http://www.pin.ed.gov) to request a duplicate copy.

Your PIN will expire if you do not use it for 18 consecutive months. To prevent it from expiring, you must perform at least one of the following tasks during an 18-month period:

* Use your PIN to access your personal information on any Federal Student Aid Web site.
* Request a duplicate PIN on the PIN site.
* Update your personal information on the PIN site.
* Change your PIN on the PIN site.

If your PIN does expire after 18 months of nonuse, you must apply for a new PIN by selecting Apply for a PIN from the PIN Home Page.

**Slides 12 and 13 – IRS Data Retrieval Tool (within FAFSA)**

**IRS Data Retrieval Tool – Filtering Question**

Available to 2015-2016 applicants early February 2015

Filtering Question - A filtering question asks the applicant (and the applicant’s parents, when applicable) when and how the applicant filed a tax return to determine if the applicant should transfer tax information from the IRS into the FAFSA. Filtering questions have been enhanced for 2015-2016 to encourage use of IRS DRT.

Dynamically Displayed Messaging – Based on the applicant’s response to the filtering question, messages recommend or prohibit the use of the IRS Data Retrieval Tool. Messages to recommend the use of the IRS Data Retrieval Tool include a link to the IRS Web site.

IRS Data Tracking – To identify applicants and parents who appear to be eligible to transfer tax information from the IRS, but have not, the Department has tracking of applicant and parent eligibility to use the IRS Data Retrieval Tool and their responses when they are presented with an option to link to the IRS Web site.

Notifications to Applicants – To encourage use of the IRS Data Retrieval Tool by students and parents who appear to be eligible to use the Tool, but have not, the department has communications and e-mail notifications to remind applicants and parents about the Tool and to encourage them to use the IRS Data Retrieval Tool in Student Correction Entry to ensure that accurate information is provided on the FAFSA.

Applicants selected for verification who retrieve and transfer their income tax return information using the IRS Data Retrieval Process – either when initially completing the FAFSA using FAFSA on the Web (FOTW) or through the corrections process for FOTW – will be considered to have verified the FAFSA IRS information (AGI, taxes paid, and any of the applicable untaxed income items). However, if changes were made to the transferred information or if the institution has reason to believe that the information transferred is inaccurate, the applicants must provide other acceptable documentation (IRS Tax Return Transcript).

**Slide 14 – FAFSA and FAFSA on the Web Worksheet**

**Slide 15 – Before Beginning a FAFSA**

Remind students and parents to gather the documents needed for completing the FAFSA. It will be helpful for them to print a FAFSA on the Web Worksheet for reference. They should apply for a PIN now before completing the FAFSA.

**Slide 16 – FAFSA on the Web Worksheet**

**Slide 17 – FAFSA on the Web Homepage**

**Slides 18 and 19 – FAFSA on Web Login and Intro**

**Slide 20 – IRS Data Retrieval Tool Filtering Question**

Data Retrieval Tool discussed in slides 12 and 13.

**Slides 21-23 – Signing the FAFSA**

**Slide 24 – FAFSA Confirmation Page**

The 2015-2016 FAFSA on the Web Confirmation page includes the student’s estimated Pell amount, estimated federal student loan amount, which represents the Federal Direct Student Loan Estimate (combined subsidized and unsubsidized) based on the applicant’s dependency status and grade level, graduation, retention, and transfer rates for the schools selected and a link to College Navigator for additional information about the colleges selected including college costs, admissions policies, and financial aid available.

**Slides 25-27 – Parents for FAFSA purposes**

Review “Who are and who are not parents for FAFSA purposes. In limited circumstances, a student may complete the FAFSA without parental information; however, the student must contact the financial aid office to complete the process. No EFC will be computed until the student contacts the FAO.

***NOTE***: *FOTW allows dependent students who are unable to provide parental data to submit their applications online. No EFC will be calculated and students will be advised of the consequences of submitting an application without parental data. Students will be advised to follow-up with the financial aid office at the college they plan to attend. This option is explained in detail for the student on FOTW.* ***Be sure audience understands this is not an optional way to apply for aid!! The student may miss out on aid if they don’t complete the form in its entirety.***

**Slide 28 and 29 – FAFSA Verification**

You may be selected for verification by the Federal Government’s processor or by the institution. Be prepared to submit a variety of additional documentation to the financial aid office. Be sure to handle all requests for additional information promptly. The FAFSA information to be verified in 2015-2016 includes the same items as were in place for 2014-2015 for tax filers and non-tax filers, including SNAP and Child Support Paid if reported. Two additional verification selection items “High School Completion Status” and “Identity/Statement of Education Purpose” have been added.

***NOTE*** *for presenters: additional reference information if you have questions from student and/or parents.* There is a new value for the Verification Tracking Flag to place an applicant selected for verification into one of five Verification Tracking Groups. The FAFSA information that must be verified is based on the assigned Verification Tracking Group. Verification Tracking Flag values and corresponding Verification Tracking Groups include:

* V1 = Standard Verification Group (Record selected because conditions based on

 statistical analysis error-prone risk model were met)

* V2 = Supplemental Nutrition Assistance Program (SNAP) Verification Group (Record selected for receipt of SNAP criteria only) **Reserved for Federal Student Aid Office Use only**
* V3 = Child Support Paid Verification Group (Record selected for Child Support Paid criteria only)
* V4 = Custom Verification Group (Record selected for Identity/Statement of Educational Purpose criteria only)
* V5= Aggregate Verification Group (Record selected for Identity criteria/Statement of Educational Purpose and Standard Verification criteria)
* V6= Household Resources Verification Group (Record selected for Other untaxed income, “Standard Verification” and SNAP/Child Support Paid)

The Verification Flag is printed on the SAR and SAR Acknowledgement.

Information for All Applicants Selected for Verification

* Number of household members
* Number of household members enrolled at least half-time in eligible postsecondary institutions
* Food Stamps – Supplemental Nutrition Assistance Program (SNAP) – if receipt is indicated on the 2015-2016 FAFSA, documentation will be required. Written confirmation from the applicant and one of the applicant’s parents (for dependents) will be requested or alternative documentation as determined by the institution to confirm that the applicant received Food Stamps in 2013 or 2014.
* Child Support Paid – if reported on the 2015-2016 FAFSA. Documentation may include a statement signed by the applicant, spouse, or parent who paid child support certifying: amount of child support paid, name of the person to whom child support was paid and the name of the children for whom child support was paid. Additional documentation may be requested by the institution to confirm receipt.

Tax Filers – (From IRS Data Retrieval)

* Adjusted Gross Income (AGI)
* Taxes paid
* Specific untaxed income items from tax return –
	+ Untaxed IRA distributions
	+ Untaxed pensions
	+ Education credits
	+ IRA deductions
	+ Tax exempt interest

Nontax Filers –

* Copy of IRS Form W-2 for each source of employment income received for tax year 2014
* A signed statement certifying –
	+ That the individual has not filed and is not required to file an income tax return for tax year 2014
	+ The sources of income earned form work as reported on the FAFSA and amounts of income from each source for tax year 2014 that is not on W-2s

For a limited number of applicants

* High School Completion Status – certain applicants are now required to verify their high school completion status – high school diploma, recognized equivalent of a high school diploma, or homeschool.
	+ Documentation may include
		- Copy of applicant’s high school diploma
		- Copy of applicant’s final high school transcript that shows the date when the applicant completed secondary school education

In cases where a copy of an applicant’s high school diploma or final high school transcript is unavailable, alternative documentation may be acceptable.

* Identity/Statement of Educational Purpose – Certain applicants now required to verify their identities and resubmit a Statement of Educational Purpose, as was originally provided as part of the FAFSA submission.
	+ Documentation may include
		- Valid government-issued photo identification AND
		- Signed statement certifying that the Federal student financial assistance received will only be used for educational purposes to pay the cost of attending that institution for the 2015-2016 award year.
		- For applicant unable to appear in person, the applicant must provide the institution with
			* Copy of ID AND original notarized Statement of Educational Purpose

**Slides 30 - Special Circumstances**

For some of you, after you fill out your financial aid form, the information that you submitted may have changed. If that is the case, you should notify the financial aid office of those changes. If you suddenly become unemployed, if there is a death in your family, a change in marital status, medical expenses not covered by insurance or student cannot obtain parent information; these are special circumstances that could increase your aid eligibility. It is up to the professional judgment of the financial aid administrator to determine if your special circumstances would cause a change in your eligibility. You should not call your financial aid administrator to compare aid packages from other schools or to attempt to negotiate your aid package. Financial Aid Administrators can only make changes using their professional judgment based upon special circumstances.

**Slide 31 – Applying for Financial Aid**

**Other Forms**

Be sure to contact colleges to determine if other forms, in addition to the FAFSA, may be required for their aid programs. Some institutions will require you to complete the College Board’s CSS Financial Aid **PROFILE** or an institutional financial aid application. You may also have to complete special forms for some state programs and other scholarship programs.

**Slide 32 – FAFSA Day 2015**

*(****NOTE*** *TO PRESENTER: if this presentation is being done prior to 2/28/15 counselors should have FAFSA Day announcement ---delete slide if this workshop is after 2/28/15!)*

If you would like assistance completing your FAFSA online, College Foundation of North Carolina, the North Carolina Association of Student Financial Aid Administrators and the State Employees’ Credit Union will be sponsoring FAFSA Day at more than 100 locations in all 100 counties to help students and families complete the FAFSA.  This year FAFSA Day will be on Saturday, February 28 from 9 until 12 noon. You should register at [CFNC.org/fafsaday](http://www.cfnc.org/fafsaday) or call 866-866-CFNC if you want to attend…registration enables the sites to have enough volunteers to help all those who want assistance, and those who sign-up will receive a list of items to bring and a reminder message a few days before the program.

 **Slides 33 and 34 – Assistance**

Offers for help are everywhere for students and families today. They may arrive through the mail, over the Internet, through newspapers, magazines or over the phone. Some of the offers may be legitimate as CFNC.org and FAFSA Day, while others are misleading or scams.

***NOTE*** *TO PRESENTER: Briefly review these slides highlighting the importance of using free financial aid information and researching firms that appear too good to be true!*

Financial literacy is important for students and parents. On-line, interactive Financial Literacy Courses are available on CFNC.org. Resources include money management, budgeting, credit and debt counseling and financial goal setting. There are videos and games, calculators and fact sheets. Also, information is available on the new federal website StudentAid.gov. This new website combines information and tools from several FSA websites. It includes information on preparing for college through managing student loans.

To continue your investigation of student financial aid, you may wish to read additional publications or surf the web. Here are some suggestions.....

**Slides 35-42 – EFC Determination Formula**

The Expected Family Contribution (EFC) is a number that is used to determine a student’s eligibility for federal student aid. This number results from the financial information the student provides on his or her Free Application for Federal Student Aid (FAFSA). The EFC is reported on the Student Aid Report (SAR). Financial aid administrators (FAAs) determine an applicant’s need for federal student aid form the U.S. Department of Education and other sources of assistance by subtracting the EFC form the student’s cost of attendance (COA).

**Determination of Family’s Ability to Pay College Costs** *(****NOTE:*** *Once again, depending on the group you are speaking with, you may think this section is too detailed, perhaps confusing. One option is to skip the discussion and provide this as a handout.)*

One of the great mysteries to many families is what actually happens with all the information they provide in completing the FAFSA once it is transmitted (or mailed) to the federal processor. The information on family size, number in college, income and assets is placed in a formula that has been established by the U. S. Congress. The answer resulting from this “Federal Methodology” is known as the Expected Family Contribution (EFC). The EFC is subtracted from the college’s cost of attendance to determine the student’s eligibility for need-based student aid.

The EFC has two parts: a parents’ contribution and a student’s contribution. While this workshop will not detail the formula, we would like to provide a brief overview of how the formula works.

First, the parents’ total income, both taxable and non-taxable *(****NOTE:*** *You may need to give examples here)* is determined. Income is reported from the calendar year preceding the academic year. Therefore, for the 2015-16 academic year, income reported will be for 2014. From that income, amounts for certain items over which a family has no discretion are subtracted. These would include federal and state taxes paid, social security withholding, and allowances for family living expenses.

Assets are used in the formula as these amounts help to provide a clearer picture of the family’s financial strength. Parents’ net assets (less home equity and retirement accounts) are totaled. From these assets is subtracted an allowance for retirement and emergencies. A small percentage of remaining assets will be used in the next step to determine the parents’ portion of the EFC. *(****NOTE:*** *Remember that while the percentage is 12%, the asset protection amount is applied to the reported assets BEFORE the 12% is assessed. Combined with the next step, for the average family this means that approximately 5-6% of their reportable assets are included in their expected family contribution. )*

At this point the information from income and assets are combined and a percentage is applied to this number to determine the Parent Contribution. If more than one student from the family will attend college during the upcoming academic year, the PC is divided by the number in college. *(****NOTE:*** *Once again, you know the percentages, but probably should avoid the specifics.)*

Student income and assets are also used in the determination of the EFC. Total student income (both taxable and non-taxable) is determined. Allowances for federal and state taxes paid and social security withholding are subtracted from the income. A modest protection amount ($6,000) is then subtracted. **NOTE:** This Income Protection Allowance (IPA) is now indexed annually for inflation. Any remaining amount of income is assessed at 50 percent for the first part of the student contribution of the EFC. This means that a student can have an income of approximately $6,000 without it increasing their Expected Family contribution. If they earn more, their eligibility for aid will likely go down.

The student’s assets are then totaled. Twenty percent of this amount will become a part of the student’s contribution.

The amount from the income calculation and the asset calculation are added together and become the student’s portion of the EFC.

The parents’ contribution is then added to the student’s contribution to total the EFC.

Remember the EFC is subtracted from the college’s cost of attendance to determine eligibility for need based financial aid.

Colleges and universities will use this method for determining a student’s eligibility for federal funding; however, institutions which provide significant funds from their own sources may modify this determination of need.

In determining your eligibility for institutionally controlled need-based grants, institutions may choose to require a minimum student contribution regardless of the student’s income. They may also require parents to report home value and indebtedness as well as other asset information not required by the federal formula. In addition some colleges will adjust a family contribution by the number in college, if one of the college students is a parent. Contact the financial aid office of your institutions of choice for more in depth information.

*(****NOTE:*** *You may refer back to the handout on Financial Need: The Basic Principle of Financial Aid. Another handout shows examples of the principle of need at institutions with varying costs.)*

 **Slide 43 – Basic Formula for Financial Aid Need**

One of the most important principles to remember about the student financial aid business is that your financial need (or eligibility) is determined by subtracting your family contribution from what it costs to attend the school. Let’s begin by talking about those costs.

Postsecondary education in whatever form is an investment in your future. As with any investment, there are costs involved. In postsecondary education, there are both direct and indirect costs. Direct costs are those that you pay to the institution or perhaps to a representative agency of the institution. Indirect costs are those that you still have to meet, but you do not necessarily pay to your institution.

It is the institution’s responsibility to establish cost of attendance budgets that are adequate and reasonable. Generally cost of attendance budgets that are established by the financial aid office are moderate and reasonable estimates of expenses.

**Slide 44 – Sources of Financial Aid**

**Slide 45 – Types of Financial Aid**

**Slide 46 – Federal Aid Programs**

Federal aid is the largest single source of money for students who can demonstrate that they have financial need. Eligible institutions can give federal money to students based on rules established by Congress and the US Department of Education.

**Federal Pell Grants** are need-based gift aid. If a student is eligible for a Federal Pell Grant, the amount received depends on expected family contribution and the cost to attend the school of choice. The proceeds come to the school and the school delivers it to the student. It will be delivered to the student regardless of how many students at the same school also show need for this type of aid.

 *Each student with a Federal Pell Grant-eligible EFC whose parent or guardian was a member of the Armed Forces of the United States and died as a result of performing military service in Iraq or Afghanistan after September 11, 2001, will be determined to have an EFC of zero that will generally apply to all Title IV, HEA programs. Thus, these students will qualify for the maximum Pell regardless of initial Pell eligibility.*

**Federal TEACH Grant, Teacher Education Assistance for College and Higher Education Grants,** is a federal program that provides up to $4,000 a year to students who sign an agreement to serve as full-time teachers for at least four years within eight years of completing their course of study and teach math, science, a foreign language, bilingual education, special education, or a subject designated as “high need” by the federal or state government, or local education agency and approved by the Department, or serve as a reading specialist. Also, recipients must comply with the requirements for being “highly qualified teachers”. Failure to fulfill the service requirement will cause the TEACH Grant to be permanently converted to an unsubsidized Direct Loan. Recipients must be citizens or eligible non-citizens. The award is prorated for less than full-time enrollment.

**Federal Perkins Loans, Federal Work-Study, and Federal Supplemental Educational Opportunity Grants** are campus-based programs. The federal government gives each participating school a certain amount of money for each of these programs. The school then decides which of its needy students will receive the money and how much they will receive, within the limits set by the federal government. The awards can vary from school to school.

The **William D.** **Ford Federal Direct Loan (Direct Loan) Program** is a name used to refer collectively to several different programs. There are the Federal Direct Stafford/Ford Loans (subsidized), Federal Direct Unsubsidized Stafford/Ford Loans, and Federal Direct PLUS Loans. Under the Direct Loan Programs, the lender is the federal government.

**Slide 47 – What about Federal Loans?**

Many of you will not qualify for as much need-based aid as you had anticipated; some of you may not have any eligibility at all. But do not get discouraged, there are numerous options available to families in addition to the need-based aid programs.

**Federal Direct Subsidized and Unsubsidized Loan Programs**: Every student is eligible for a loan. If it has been determined that you are not eligible for the subsidized Direct Stafford loan, then you are eligible for the unsubsidized loan. (By the way, this is why the companies will guarantee they will find you money for college!) You can borrow the same amount with the same repayment options; the only difference is that you must be responsible for the interest while you are in school. If you have qualified for less than the maximum loan limit in subsidized loan, you may receive the remainder of your eligibility in an unsubsidized loan.

**Federal Direct PLUS Program**: PLUS is an acronym that stands for Parent Loan for Undergraduate Students. As parents, you are currently able to borrow up to the cost of education, less any financial assistance your student is receiving. This is a loan that you need to apply for each year. A FAFSA must be completed if the student’s parents want a PLUS loan.

The Federal PLUS Loan program includes loans for parents of dependent students and graduate and professional students.

**Slide 48 – Applying for State Financial Aid**

**North Carolina Aid Programs (partial listing)**

The major state aid programs use the FAFSA as the application; these include the NC Education Lottery Scholarship, UNC Need Based Scholarship, NC Community College Scholarship, NC Need-Based Scholarship and others. Information can be obtained on CFNC.org or by asking the campus aid office.

North Carolina has both gift aid and self-help aid available to in-state students. Some examples are listed here. Some state scholarships are based solely on merit; others are designed to support students interested in certain professions to help fill a shortage within the state; and still others are based only on demonstrated need.

**North Carolina Need-Based Scholarship (NBS**) established by the 2011 NC General Assembly to provide need-based funding for students attending eligible private institutions including North Carolina Independent Colleges and Universities, Johnson & Wales University, Mid-Atlantic Christian University, The College at Southeastern, Carolinas College of Health Sciences and Mercy School of Nursing. Eligible students must be NC residents enrolled in one of the eligible private institutions and demonstrate eligibility based on a calculation of need, using income data from the Free Application for Federal Student Aid (FAFSA). The value of the award varies, based on legislative appropriations. Consideration for the grant is automatic once the FAFSA is filed; no formal deadline has been established. Applicants should meet priority deadlines established by the institution they plan to attend. Late applicants may be denied if sufficient funds are not available.

**The North Carolina Education Lottery Scholarship** was created by the 2005 General Assembly to provide financial assistance to needy NC students. It is available for students in UNC campuses and Community College Campuses where students currently receive state aid. Eligible students must be NC residents enrolled at least half-time, undergraduates, meet all Pell Grant eligibility rules (except EFC), and have EFC less than or equal $5,000. It can be received for a maximum of eight semesters or the equivalent.

ELS designed to ensure needy students receive a set minimum amount of grant aid (in combination with the Pell Grant).

An example considering the floor amount is $3,400:

 Pell = $1,900 and ELS = $1,500

 Pell = $800 and ELS = $2,600

If EFC > Pell eligibility and < 5001, then no Pell and ELS is $3,400

**Result:** every eligible student whose family can afford to pay$5,000 or less (calculated using FAFSA) will receive at least $3,400 from Pell and/or Lottery Scholarship.

**Forgivable Education Loans for Service Program (FELS) –**Available for students attending:

* UNC constituent institutions
* NC community colleges
* Nonprofit postsecondary institutions
* Postsecondary institution owned or operated by a hospital authority
* School of nursing affiliated with a nonprofit postsecondary institution
* Another public or nonprofit postsecondary institution offering a program of study not otherwise available in NC that is deemed to be eligible under rules created by the Authority

The FELS program provides funding for North Carolina students pursuing academic programs in fields identified as critical needs: education (teaching), allied health, nursing and medicine. Complete program details, including application, and qualifying disciplines are posted on [**www.CFNC.org/FELS**](http://www.CFNC.org/FELS)**.**

**Slide 49 – NC Reach Program**

Intended to assist young people who were adopted from foster care after age 12 and those who aged out of foster care at age 18 to obtain a postsecondary education from North Carolina public community colleges, colleges or universities.

NC Reach is designed to help recipients attend and graduate without incurring debt. Students receive a grant to assist them with tuition and school related expenses, as well as comprehensive support services to help them succeed academically.

Student eligibility:

* Adopted from foster care after age 12 or aged out of NC foster care at age 18 (must have been in NC DSS care on 18th birthday)
* Eligible until 26th birthday
* Must be enrolled in one of the 74 North Carolina public colleges, community colleges, or universities.

Program Description: Grants offered for up to 4 years, including fall, spring, and summer terms. Funds up to the school’s full cost of attendance after other public funds and scholarships have been applied.

Applications and additional information are available at [www.ncreach.org](http://www.ncreach.org).

**Slide 50 – Institutional and Outside Aid**

Many schools provide need-based and non need-based aid to their students. This type of aid is usually referred to as "institutional aid" and varies by school. The best source of information about this type of aid is the school's financial aid office.

Outside assistance or private aid comes from community groups and agencies. Local organizations, churches, civic groups, and parent's employers are often sources of support. Students with military backgrounds often are eligible for veteran's benefits to assist with education.

Students with special needs or disabilities can seek assistance from Vocational Rehabilitation.

**Slide 51 – Is that all there is? (Alternatives)**

**Payment Plans:** If you are already planning to pay for college out of your monthly budget, check with the institutions you are considering for a monthly payment plan. Some institutions will have an outside organization handle their payment plan, while other institutions may offer their own payment plan. This is an increasingly popular way of spreading the cost over the period of the academic year, instead of making large payments at the beginning of a semester.

**Outside Scholarships**: You should apply for scholarships from other sources, but there is a correct and incorrect way of doing so. The incorrect way to search for scholarships is to pay a fee for an organization or individual to locate scholarships for you. In almost every case, the information you are paying for is already free and readily available. The correct way is to locate this information without paying a fee. You will find information about scholarships from your high school guidance office, institutions you are applying to, and most importantly, from the Internet.

**Private Alternative Loans for students:** Some families have turned to private loan sources to supplement the federal loan programs. If you need to borrow more money than is available through the federal education loan programs, consult with your financial aid office for the loan program information. They will offer information on programs they have found beneficial to their students. As you choose a lender, pay particular attention to fees charged as well as the interest rate.

**Slide 52 – Additional Information**

Encourage students and parents to research aid available at these sites. Excellent resources.

**Slides 53 and 54 – Conclusion and Summary**

Remember these points in applying for financial aid......

* Aid available from federal and state governments, colleges and outside agencies
* Don’t wait until you are accepted to your colleges of choice to file the FAFSA
* Meet earliest FAFSA deadline of colleges you are interested in attending
* **Get your taxes done before March, if possible!**
	+ Estimate if necessary to meet early deadlines
* Complete all questions as accurately as possible
* Keep a photocopy of all documents for your records
* Student and parent should each have a PIN [www.pin.ed.gov](http://www.pin.ed.gov/)
* To complete, sign and submit application [www.fafsa.gov](http://www.fafsa.ed.gov/)

**Slide 55 – Questions**

Are there any questions that we did not answer?

Thank you for coming and good luck as you go through the financial aid process. If you have questions as you get further into the process, please contact your counselor. She/he can either provide answers or point you in the right direction for answers.