

FINANCIAL AID FUNDAMENTALS

Need-Based Aid

Aid awarded by colleges based on the college's assessment of a student's **ability to pay** compared to the college's **Cost of Attendance (COA)**.

- "Need" is NOT defined by the family.
- "Ability to pay" is calculated via the FAFSA; some colleges also require the CSS Profile.
- "Cost of Attendance" includes tuition, housing and meals, books, transportation, personal expenses.
- Gift aid (grants and scholarships) does not need to be paid back. Loans and work-study jobs may also be included in aid offers.

Use the college's Net Price Calculator. NPCs provide estimates of your true college cost after need-based gift aid. Many NPCs also give an estimate of merit-based gift aid.

Merit Aid

Offered by colleges to meet a college's internal priorities and NOT based on need.

- Not offered by every college or to every student.
- May be offered in conjunction with need-based aid.
- Understand how your student's academic profile (GPA, test scores) compares to the Admitted Student Profile.
- Does the college offer merit aid for students without financial need? How much? How often?



True Family Price (Net Price) = COA – Gift Aid (Grants & Scholarships)

Your budget should meet your Net Price for 4+ years and allow for price increases.

Determining Family (College) Budget

Include what you are willing and able to pay	Parent	Student
Past: money saved specifically for college	Savings, 529 plan	Savings, Trust
Present: money earned during college years and available to pay for college	Money from current income	Summer/Campus Job
Future: Earnings after college years, used to repay loans	Avoid taking on any parent debt. It can jeopardize your other financial goals, living standard, and retirement.	Federal Student Loans—In most cases, currently not more than \$27,000 for a 4-year degree.

The budget model shown, with money from savings, present income, and debt, is available to everyone. Some people may have additional resources to help pay for college such as military benefits earned by the student or a parent, employer benefits, payments by friends or relatives such as grandparents.

IECA member educational consultants can help families with the financial aid process and the college admission search.

Go to IECAonline.com to find an IECA member.

Building an Affordable College List

An affordable college list considers the family's financial resources AND the student's profile.



DEFINITIONS

FAFSA (Free Application for Federal Student Aid)

Financial aid application required for students to be eligible to take out federal student loans or to be considered for need-based federal financial aid, including grants and work-study. The FAFSA uses the Federal Methodology (FM) to determine the family's SAI. Colleges may use to determine eligibility for institutional aid or state grants.

CSS Profile

Financial aid application that employs the Institutional Methodology (IM) and is accessed through the College Board website. It is required by about 150 private and a small number of public colleges. If required, it is filed in addition to the FAFSA.

Full Need Met

The small number of colleges that meet all of a student's demonstrated financial need (usually determined by the CSS Profile). Some of these colleges include loans and/or work-study aid as part of the financial aid award. The most generous colleges have "no-loan" policies, where all need is met with gift aid (though families may still have to take out loans to meet their calculated family contribution). Need-blind colleges admit students without considering their ability to pay. Need-aware colleges may consider ability to pay in admission decisions (students who can pay the full COA may have an advantage).

Net Price Calculator (NPC)

The online tool, accessible from each college's website, that allows students and families to estimate their expected net (actual) price for one year at a specific college. NPCs vary in reliability. Consider the total number of years the student will be in college!

Parent Loans

Parent loans should be avoided if possible and used as a last resort or to bridge a small gap in financing. Compare terms of private or state loans with those of the federal Parent PLUS loans. Note that some college financial aid award letters include Parent loans, falsely implying they are awarding more money.

SAI (Student Aid Index)

This is determined by information reported on the FAFSA using the Federal Methodology and reported to the student and designated colleges via the Student Aid Report (SAR). The SAI determines the student's eligibility for need-based financial aid; often this is the minimum amount a family is expected to pay.

Student Loans

These are federal loans, managed by the US Department of Education. Students must file FAFSA to receive these loans. Eligibility is determined by citizenship status. Annual borrowing limits range from \$5,500 to \$7,500. Interest rates are set annually. These are the only loans a student can get solely in their name.