

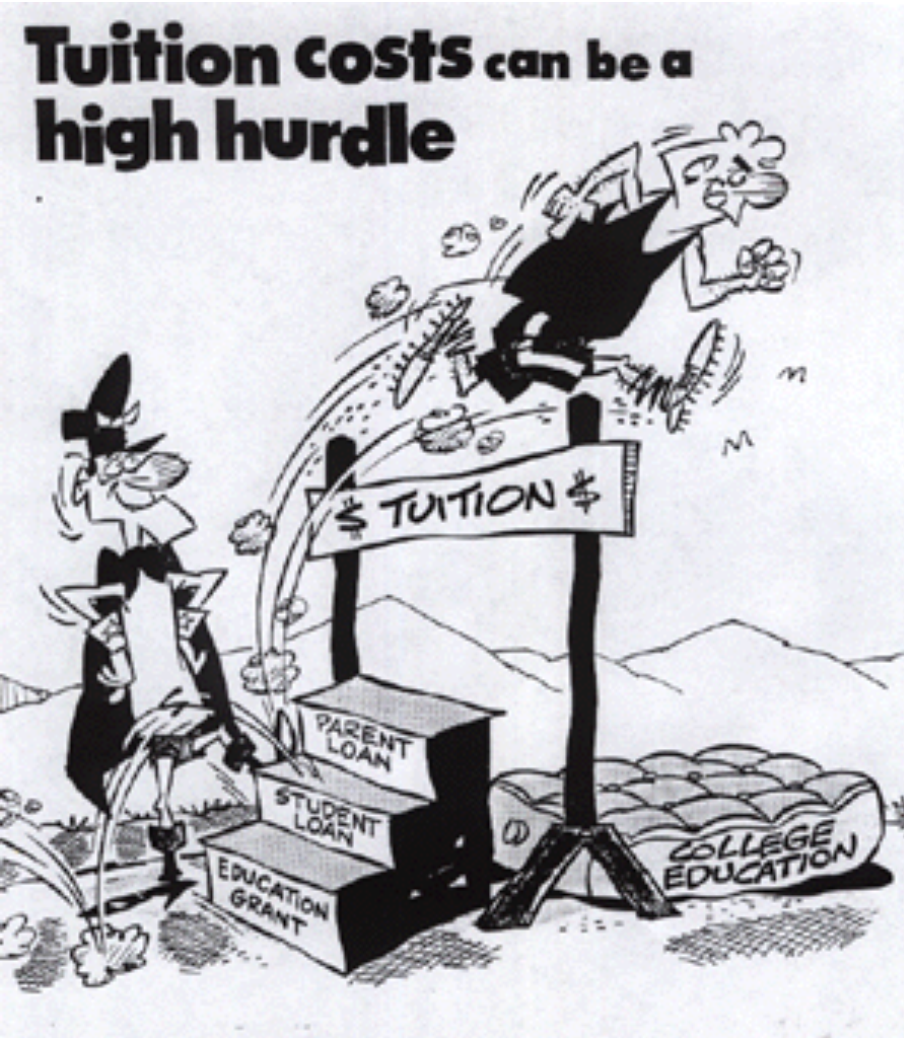
# What are the sources of financial aid?

- Federal government
- State government
- Colleges and universities
- Private foundations
- Employers and private companies
- Professional and service organizations
- Banks
- Rich Uncle

*From which source  
would you prefer to  
receive money?  
Why??*

# WAYS TO FINANCE COLLEGE

(if you can't pay for it yourself!!) (and who can these days??)



Review and discuss the PROS and CONS of the following:

**\*DIRECT LOAN**

~Subsidized

~Unsubsidized

**\*TAP-??**

**\*PERKINS LOAN**

**\*PLUS LOAN**

**\*SEOG-??**

**\*PELL GRANT**

**\*WORK STUDY**

**\*SCHOLARSHIPS**

**\*BANK LOAN**

GO TO: [studentaid.ed.gov](http://studentaid.ed.gov)

--which are *FEDERAL*, which are *PRIVATE*...and why does that matter??

--what's the main differences between:

**LOANS**, **GRANTS**, **SCHOLARSHIPS** + **WORK STUDY**?

# Financial Aid Refresher

## Grants

A form of financial aid that does not have to be repaid.

## Scholarships

A form of financial assistance that does not have to be repaid. Scholarships may be awarded based on any number of criteria, such as academics, achievements, hobbies, talents, and affiliations with various groups, or career aspirations.

## Work Study

A campus-based program, awarded by the college, in which eligible students work part-time to help fund their education.

## Loans

**PAY BACK AT  
HIGHER RATE!! ☹**

An advance of funds guaranteed by a signed promissory note in which the recipient of the funds promises to repay a specified amount under prescribed conditions. A financial source that is available to students and their parents through student loan programs with varying interest rates and repayment provisions to supplement the family's financial resources, scholarships, and grants.

**\$\$\$FREE MONEY\$\$\$**



# Interest Rate for Federal Loans

|   | Interest Rate<br>(First Disbursed<br>between July 1, 2016<br>and June 30, 2017) | Repayment   | Additional Info  |
|---|---|---|--|
| <b>Federal Perkins Loan</b>   | 5% Fixed  | 9 months after school   |  |
| <b>Federal Stafford/<br/>Direct Loan<br/>Undergraduate</b>  | Subsidized<br>3.76% Fixed (was 4.29%)<br><br>Unsubsidized<br>3.76% Fixed        | 6 months after school   | Subsidized: no interest charged while in school<br>Unsubsidized: interest accrues while in school<br><b>1.068% loan fee!!!</b> |
| <b>Federal Direct PLUS Loan<br/>(Parents, Graduate &amp; Professional)</b>  | 6.31% Fixed Direct Lending Schools  | May be deferred until 6 months student drop ½ time or 60 days after loan is fully disbursed | Interest accrues while student is in school<br><b>4.272% loan fee!!!</b>   |
| <b>Note: The interest rates for federal student loans are determined by federal law.....AND CHANGE ALL THE TIME!!!!!!</b> |   |   |  |

# What types of financial aid have you received?

- Grants
- Work-study
- Scholarships
- Merit Awards
- Student Loans
- Parent Loans

# Example of a Problematic Award Letter

This example of a problematic financial aid award letter is a blend of two actual financial aid award letters, but the institution names and certain design elements have been removed.

-

## FINANCIAL AID AWARD PACKAGE

### COST OF ATTENDANCE (ESTIMATED)

|                    |          |
|--------------------|----------|
| TUITION            | \$38,700 |
| FEES               | \$2,500  |
| TOTAL DIRECT COSTS | \$41,200 |

### FINANCIAL AID PACKAGE

|                     |          |
|---------------------|----------|
| FED PELL GRANT      | \$5,550  |
| FED PERKINS L.      | \$2,000  |
| FED SEOG GRANT      | \$2,000  |
| FED SUB STAFF.      | \$3,500  |
| COLLEGE GRANT       | \$4,000  |
| FED UNSUB STAF      | \$2,000  |
| PARENT PLUS L.      | \$12,200 |
| TOTAL FINANCIAL AID | \$31,250 |

|                   |         |
|-------------------|---------|
| EXPECTED NET COST | \$9,950 |
|-------------------|---------|

# Example of an Improved Award Letter

This example presents the same financial aid package, but with much greater clarity.

## FINANCIAL AID AWARD PACKAGE

| COST OF ATTENDANCE (ESTIMATED) |          |
|--------------------------------|----------|
| TUITION & FEES                 | \$41,200 |
| ROOM & BOARD                   | \$12,000 |
| BOOKS & SUPPLIES               | \$1,200  |
| TRANSPORTATION                 | \$800    |
| MISCELLANEOUS/PERSONAL         | \$3,000  |
| TOTAL COST OF ATTENDANCE       | \$58,200 |
| GIFT AID                       |          |
| FEDERAL PELL GRANT             | \$5,550  |
| FEDERAL SEOG GRANT             | \$2,000  |
| COLLEGE GRANT                  | \$4,000  |
| TOTAL GIFT AID                 | \$11,550 |
| NET PRICE                      | \$46,650 |

| LOAN OPTIONS                | Interest Rate | Monthly Payment | Loan Amount | Total Interest | Total Payments |
|-----------------------------|---------------|-----------------|-------------|----------------|----------------|
| FEDERAL PERKINS LOAN        | 5.0%          | \$21            | \$2,000     | \$546          | \$2,546        |
| FEDERAL SUB STAFFORD LOAN   | 3.4%          | \$35            | \$3,500     | \$675          | \$4,175        |
| FEDERAL UNSUB STAFFORD LOAN | 6.8%          | \$23            | \$2,000     | \$790          | \$2,790        |
| FEDERAL PARENT PLUS LOAN    | 7.9%          | \$154           | \$12,200    | \$6,222        | \$18,422       |

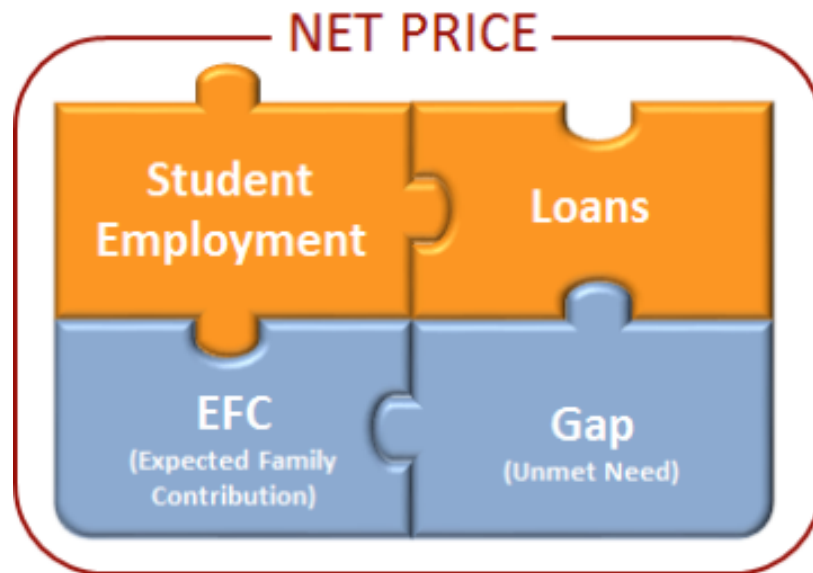




**The true cost of college is reflected in the net price. The net price is the difference between total college costs and just the gift aid (grants and scholarships). The net price is a discounted sticker price. It is the amount of money the family must pay from savings, income and loans to cover college costs.**



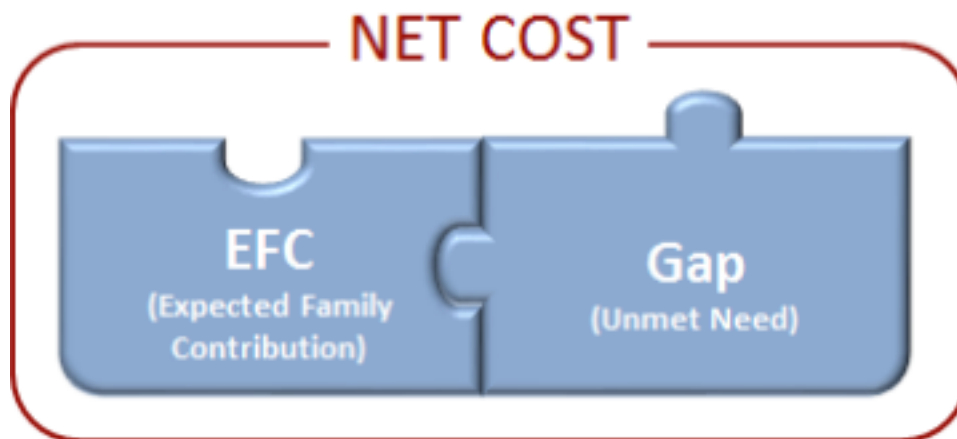
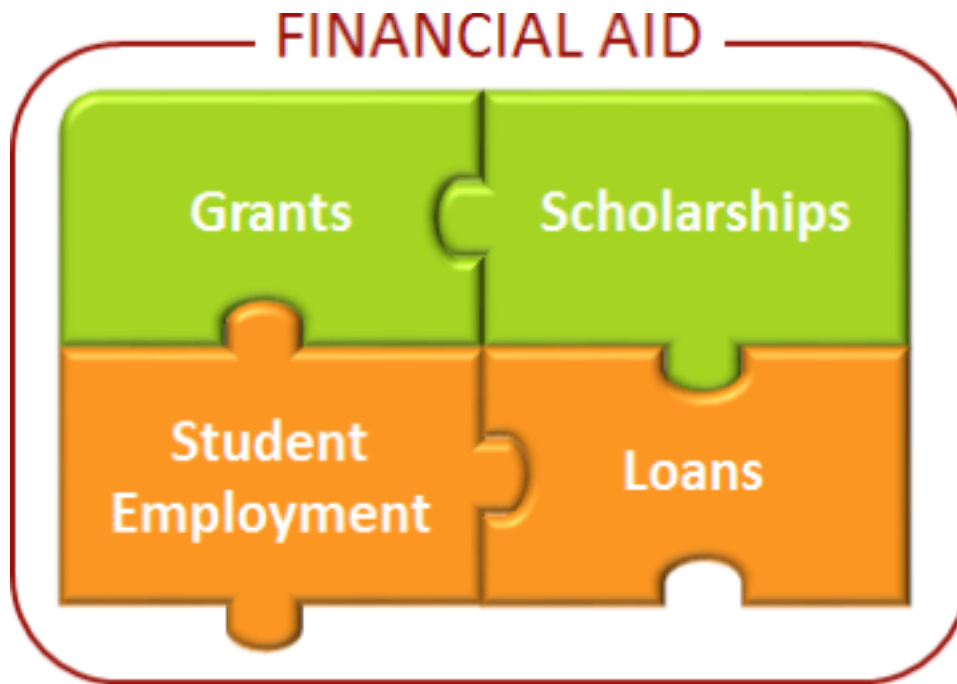
**This diagram shows the various sources of money used to pay for a college's cost of attendance and identifies the subset corresponding to the net price.**





**Don't confuse the net price with the net cost! The net cost is the difference between total college costs and the entire financial aid package. But the financial aid package includes loans, which do not cut college costs. They merely spread out the costs over time. The actual costs will be higher than the net cost.**

**As this diagram illustrates, the net cost subtracts self-help aid in addition to gift aid from the cost of attendance.**



[https://  
www.edvisors.  
com/fafsa/  
after-  
submitting/  
award-letter/](https://www.edvisors.com/fafsa/after-submitting/award-letter/)

Financial Aid  
"Shopping  
Sheet"  
(prepared by  
Dept of Ed  
+  
Consumer  
Financial  
Protection  
Bureau)

MM / DD / YYYY

University of the United States (UUS)  
Student Name, Identifier

Download

Costs in the 2014-15 year

Estimated Cost of Attendance

|                       |    |       |  |
|-----------------------|----|-------|--|
| Tuition and fees      | \$ | X,XXX |  |
| Housing and meals     |    | X,XXX |  |
| Books and supplies    |    | X,XXX |  |
| Transportation        |    | X,XXX |  |
| Other education costs |    | X,XXX |  |

\$X,XXX / yr

Grants and scholarships to pay for college

Total Grants and Scholarships ("Gift" Aid; no repayment needed)

|  |    |       |  |
|--|----|-------|--|
| Grants and scholarships from your school | \$ | X,XXX |  |
| Federal Pell Grant                       |    | X,XXX |  |
| Grants from your state                   |    | X,XXX |  |
| Other scholarships you can use           |    | X,XXX |  |

\$X,XXX / yr

What will you pay for college

Net Costs

(Cost of attendance minus total grants and scholarships)

\$X,XXX / yr

Options to pay net costs

Work options

|   |    |       |  |
|---|----|-------|--|
| Work-Study (Federal, state, or institutional) | \$ | X,XXX |  |
|---|----|-------|--|

Loan Options\*

|                                  |    |       |  |
|----------------------------------|----|-------|--|
| Federal Perkins Loan             | \$ | X,XXX |  |
| Federal Direct Subsidized Loan   |    | X,XXX |  |
| Federal Direct Unsubsidized Loan |    | X,XXX |  |

\*Recommended amounts shown here. You may be eligible for a different amount. Contact your financial aid office.

Other options

Family Contribution

(As calculated by the institution using information reported on the FAFSA or to your institution.)

\$X,XXX / yr

• Payment plan offered by the institution

• Parent or Graduate PLUS Loans

• Military and/or National Service benefits

• Non-Federal private education loan

Graduation Rate

Percentage of full-time students who graduate within 6 years

XXX%

Low

Medium

High

Loan Default Rate

Percentage of borrowers entering repayment and defaulting on their loan

X.X%

This institution

X.X%

National

Median Borrowing

Students who borrow at UUS typically take out \$X,XXX in Federal loans for their undergraduate study. The Federal loan payment over 10 years for this amount is approximately \$X,XXX per month. Your borrowing may be different.

\$

Repaying your loans

To learn about loan repayment choices and work out your Federal Loan monthly payment, go to:

<http://studentaid.ed.gov/repay-loans/understand/plans>




For more information and next steps:

University of the United States (UUS)  
Financial Aid Office

123 Main Street  
Anytown, ST 12345  
Telephone: (123) 456-7890  
E-mail: financialaid@uus.edu

Customized information from UUS

Why are these important indicators?

|  |   |   |   |   |
|--|---|---|---|---|
| <b>COST OF ATTENDANCE -</b>  |   |   |   |   |
| Found on award letter or listed on school website  |   | 1 | 2 | 3 |
| Tuition & Fees (9 months)  |   |   |   |   |
| Room & Board   |   |   |   |   |
| Books & Supplies   |   |   |   |   |
| Personal Expenses  |   |   |   |   |
| Transportation Expenses  |   |   |   |   |
| Miscellaneous Expenses   |   |   |   |   |
| <b>1</b>   | <b>TOTAL COST</b>   |   |   |   |
| <b>2</b>   | <b>EXPECTED FAMILY CONTRIBUTION</b><br>Student Aid Report (SAR) |   |   |   |
| <b>FINANCIAL AID -</b>   |   |   |   |   |
| Amount indicated on the financial aid award letter   |   |   |   |   |
| Federal Pell Grant   |   |   |   |   |
| Federal SEOG Grant   |   |   |   |   |
| State Grants and Scholarships (Bright Flight, MAP, Access MO)  |   |   |   |   |
| College Grants and Scholarships (Aid offered through the school)   |   |   |   |   |
| Other Grants and Scholarships  |   |   |   |   |
| Work Study   |   |   |   |   |
| <b>3</b>   | <b>TOTAL GRANT, SCHOLARSHIP, AND WORK STUDY AID</b>             |   |   |   |
| <b>LOANS -</b>   |   |   |   |   |
| Federal and private loans, usually listed on award letter  |   |   |   |   |
| Federal Stafford Loan -Subsidized - 2%  <b>4.29%</b>            |   |   |   |   |
| Federal Perkins Loan - 5%  |   |   |   |   |
| Federal Stafford Loan - Unsubsidized - 6%  <b>4.29%</b>        |   |   |   |   |
| Federal PLUS Loan*   |   |   |   |   |
| (NOTE: Credit based; parent must qualify.) - 7%  <b>6.84%</b> |   |   |   |   |
| Alternative Loans* -<br>Interest rate variable; depends on credit rating   |   |   |   |   |
| <b>4</b>   | <b>TOTAL LOANS</b>  |   |   |   |
| <b>GAP BETWEEN COST AND AID</b><br>Cost of attendance (line 1) minus [(lines (2), (3) and (4))]  |   |   |   |   |
| <b>YOUR ANNUAL OUT-OF-POCKET COST</b><br>Expected Family Contribution (line 2) + Total Loans (line 4) + Gap                                      |   |   |   |   |
| <b>ESTIMATED TOTAL LOAN AMOUNT OVER FOUR YEARS</b><br>Total Loan Amount x 4 Years (Does not include fees & interest)                             |   |   |   |   |

Compare your total estimated monthly payment to your expected income by finding their intersection on the chart below. What percent of your income will be committed to student loan payments?

### Estimate Monthly Student Loan Payment

| Expected Gross Income |          | \$100 | \$200 | \$300 | \$400 | \$500 | \$600 | \$700 | \$800 | \$900 | \$1,000 |
|-----------------------|----------|-------|-------|-------|-------|-------|-------|-------|-------|-------|---------|
|                       | \$20,000 | 6.0%  | 12.0% | 18.0% | 24.0% | 30.0% | 36.0% | 42.0% | 48.0% | 54.0% | 60.0%   |
|                       | \$25,000 | 4.8%  | 9.6%  | 14.4% | 19.2% | 24.0% | 28.8% | 33.6% | 38.4% | 43.0% | 48.0%   |
|                       | \$30,000 | 4.0%  | 8.0%  | 12.0% | 16.0% | 20.0% | 24.0% | 28.0% | 32.0% | 36.0% | 40.0%   |
|                       | \$35,000 | 3.4%  | 6.9%  | 10.3% | 13.7% | 17.1% | 20.6% | 24.0% | 27.4% | 30.9% | 34.3%   |
|                       | \$40,000 | 3.0%  | 6.0%  | 9.0%  | 12.0% | 15.0% | 18.0% | 21.0% | 24.0% | 27.0% | 30.0%   |
|                       | \$45,000 | 2.7%  | 5.3%  | 8.0%  | 10.7% | 13.3% | 16.8% | 18.7% | 21.3% | 24.0% | 26.7%   |
|                       | \$50,000 | 2.4%  | 4.8%  | 7.2%  | 9.6%  | 12.0% | 14.4% | 16.8% | 19.2% | 21.6% | 24.0%   |
|                       | \$55,000 | 2.2%  | 4.4%  | 6.5%  | 8.7%  | 10.9% | 13.1% | 15.3% | 17.5% | 19.6% | 21.0%   |
|                       | \$60,000 | 2.0%  | 4.0%  | 6.0%  | 8.0%  | 10.0% | 12.0% | 14.0% | 16.0% | 18.0% | 20.0%   |
|                       | \$65,000 | 1.8%  | 3.7%  | 5.5%  | 7.4%  | 9.2%  | 11.1% | 12.9% | 14.8% | 16.6% | 18.5%   |

### Educational Payment as a Percent of Gross Monthly Income

Manageable  
(10% or less)

Challenging  
(10% - 18%)

Complex  
(18% or greater)

# NOW WHAT????

- Estimate various loan repayment scenarios
- Research salaries connected to you prospective major  
<http://www.payscale.com/college-salary-report/common-jobs-for-majors>
- Create a realistic budget, including loan repayments!!

<http://www.finaid.org/>

## NEXT STEPS(HW): loan calculator

<https://studentaid.ed.gov/sa/repay-loans/understand/plans#estimator>



## Important things to look for, consider, and ask!

### **COSTS**

- Does the award letter state the school's cost of attendance (COA)?
- If so, does it include ALL projected costs (i.e., tuition, fees, room, board, books, transportation, and personal expenses)?

### **REQUIREMENTS**

- Are all scholarships renewable?
- Do you have to maintain a certain G.P.A.?
- Can you switch majors and keep the scholarship?

### **FAMILY**

- What is your expected family contribution (EFC)?
- Is there any unmet need<sup>2</sup>?

### **LOANS<sup>3</sup>**

- What kinds of loans did the school offer?
- How much are you willing to borrow?
- What are the interest rates and other terms?

### **ADJUSTMENTS**

- Does the school have a policy for changing aid (known as aid displacement) if a student receives a non-institutional scholarship?

### **NEXT YEAR**

- Does the financial aid package cover the same expenses every year?
- Are grants and scholarships increased as costs go up?

A financial aid award letter best serves the student if it answers these 5 questions:

1. What is the total cost (sticker price, including books, travel, and other likely expenses) for one year at this school?
2. How much free money (grants and scholarships) did the student get?
3. How much will the student have to pay (i.e., borrow, work for, or pay out-of-pocket) for the first year?
4. What are the options for raising or paying the money the student owes?

A financial aid award letter receives “**extra credit**” if they answer these additional questions:

1. How many hours a week would a student have to work to earn the work-study award?
2. What does the student have to do to renew each of the scholarships and grants each year? What is the likelihood that the student will meet those conditions?
3. What are the terms, conditions, and monthly payments of the loans?
4. Is it made clear that the student or parent can decline to take any or all of the awarded loans?
5. If a PLUS loan is included in the award, is it made clear this is dependent on the parents' credit, and that parents with acceptable credit can get a PLUS loan from any school?
6. How much will it cost to graduate from this college?

# Federal Student Aid Information Center

---

The Federal Student Aid Information Center (FSAIC) operates a toll-free hotline to provide comprehensive assistance in English, as well as Spanish on:

- General information about federal student aid (Title IV programs);
- The FAFSA application (paper and online);
- FAFSA corrections;
- Student loan history

➤ 1-800-4-FED-AID (1-800-433-3243)

➤ [www.StudentAid.gov](http://www.StudentAid.gov)

➤ [www.fafsa.ed.gov](http://www.fafsa.ed.gov)

Hours:

Monday through Friday

8:00a.m. – 11:00p.m. ET

\*Extended hours may be available\*