How to Avoid Wasting Money on College Tuition

Facts and Fiction About Financial Aid

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What's Inside?

Introduction

You Can Run But You Can't Hide

It's Time to Face the Finances

The college admissions process may strike fear in the hearts of students – but it's the financial aid process that many parents find intimidating. For many, the ability to attend a specific school often hinges on this frequently misunderstood process.

This helpful guide hopes to dispel some of the mystery surrounding the financial aid process and provide you with practical tips that will help you maximize the amount of money you receive.

As a warm up – let's see if you can answer the following questions.

Which of the following statements are fact and which are fiction?

1. No FAFSA; No financial aid
2. The FAFSA develops an Expected Family Contribution (EFC)
3. Regardless of the EFC, all students qualify for federal student loans
4. The EFC cannot be adjusted
5. The EFC results in equal financial aid offers from all schools
6. Financial aid awards can be negotiated

How Did You Do?

1. FACT -
You must fill out the FAFSA to receive financial aid.

2. FACT -
The FAFSA develops an Expected Family Contribution, which is how much the government thinks you can contribute towards college costs each year.

3. FACT and FICTION -
The FAFSA and your EFC determine if you qualify for subsidized Federal Student Loans, which offer better terms. Unsubsidized student loans are available to all students, but, the school still decides how much you can borrow based on your costs and other financial aid you receive.

4. FICTION -
The EFC can be adjusted under certain circumstances, which we will eplore in this guide.

5. FICTION -
While some schools pledge to meet 100% of a student's financial need, the majority do not. Offers will often vary quite a bit.

6. FACT -
This guide will help you evaluate packages and ask for additional funds when needed.

Read on to learn how to make maximizing your financial aid packages as pain-free and stress-free as possible.

CHAPTER ONE

How to Calculate College Costs

What Will This College Cost Me?

A Wintry Lesson on College Costs

Imagine that it is winter time in Maine. The temperature outside is in the single digits. Ashlee is a high school senior who is helping her school get ready for a winter dance. While working on some posters, a quart of bright yellow paint gets knocked over on her only winter coat, requiring she purchase a new one immediately. She heads to the shopping mall, and after browsing several stores, settles on a stylish, warm and comfortable jacket that fits like a dream.

Although she really wants this particular jacket, she discovers too late that the price tag is missing. Knowing she has to work within a budget, she wisely asks a nearby salesperson, “How much does this cost?”

The salesperson takes a deep breath and says: “Well, that depends.”

“First you need to fill out this paperwork that asks you to detail your family’s financial situation. We’ll send that information off to the government, and they will tell you what they think you can contribute to the cost of this coat.”

“This information will also go to our manager. She will determine whether or not we can offer you financial assistance, in the form of a discount, to make this coat affordable enough for you to purchase.”

“During this process, you may need to submit supporting documentation, like copies of your taxes and a paystub. All of this will take about a month or more, at which point we can provide you with a definitive answer to your question on how much this coat will cost *you*, specifically.”

The cost of college varies from student to student. It's not how much college will cost; it's how much college will cost *you*.

All too often, students and parents visit a college or university and ask, "How much does it cost to go to school here?"

However, this is the wrong question. The real question to ask is "What will this school cost *me*?"

The only way to arrive at a specific answer is to persevere through the financial aid application process. However, that's not likely to help you when you are visiting campuses and developing your list of potential colleges.

What will help is to research and ask questions such as:

- What percentage of your student body receives financial aid?
- What does the average freshman student receive for financial aid?
- How much of that aid is in the form of student loans versus grants or scholarships?
- What is the average net price that students pay?

The **sticker price** is the total published costs of the college – tuition, room and board, fees, books, transportation, etc.

The **average net price** is what students really pay after receiving financial aid in the form of grant and scholarship aid.

Your specific cost of attendance may differ from both of these amounts and will reflect your unique circumstances.

Now let's look at *how* your yearly cost of attendance will be determined.

Filing For Financial Aid: The Formula

Determing Your College Costs

The financial aid system is based on a surprisingly simple principle:

"Cost of Attendance"
minus
"Expected Family Contribution"
equals
"Your Financial Need"

Let's break each of those down:

Cost of Attendance (COA)

This is the cost to go to a particular school, and consists of two main components: hard costs and soft costs.

The hard costs are the fixed charges like tuition, fees, and room and board. These will be listed on virtually every school's website and can also be found at CollegeFactual.com.

The soft costs are other expenses you will incur which vary from student to student. These include books, supplies, travel, and personal expenses. Because these amounts vary widely, schools pick an average amount to use, which is also listed on their website and/or provided to informational college websites, typically around $1,500.

Cost of Attendance and College Marketing Through 'Discounts'

Many colleges inflate their cost of attendance just so they can discount it and offer you scholarship dollars that look like a "great deal," combined with grants for those with financial need. A good example of this is a private college located in upstate New York.

Total tuition and fees are $48,945. However, 100% of the 487 incoming freshmen were awarded scholarship and grant aid, primarily by the college itself. The amount awarded ranked in the top 20th percentile of all colleges nationwide, and averaged $19,249 per student.

Who wouldn't be flattered and excited to receive almost $20,000?

If you were shopping for a car you would see right through this sales technique and know right away that if *everyone* is getting a deal, the real price is actually much lower than the full retail sticker price.

Read on to learn how to read and interpret financial aid offers from colleges and universities, as well as how to negotiate for the best deals.

You will learn more about how schools use scholarships as marketing dollars later in this guide.

Expected Family Contribution (EFC)

The EFC is what the family is expected to contribute to the cost of a college education. It is important to note that this is not what *you* think you can contribute; it's what Uncle Sam thinks you can contribute. This amount, as you would probably expect, may or may not have any relationship to what you think is realistic.

In order to establish your EFC and to be eligible for any type of financial aid from the federal government, state governments, or from the college or university itself, families must file the Free Application for Federal Student Aid or FAFSA, which is located online at www.fafsa.ed.gov, and is filed yearly.

You can submit this form beginning January 1st of the year in which the student will attend college. For example, if you are planning on attending college in the fall of 2014, you cannot file the FAFSA prior to January 1, 2014.

Only one FAFSA is filed, even if you are applying to multiple schools. A section of the FAFSA will ask you what institutions you want the FAFSA sent to. You should send this to all schools you have applied to as well as any schools that might be your last minute fall backs. The schools will not prepare a financial aid package until you are accepted, and unlike college applications, it costs you nothing to list them on the FAFSA.

Per this tip from Inside Higher Ed, you will want to add the schools in alphabetical order, so that the colleges cannot infer attendance preference and offer packages (or admission) accordingly.

NOTE: Do not wait until you get an acceptance letter before you apply for financial aid.

Deadlines set by the colleges are vital to getting money, especially grant aid.

It is significantly easier to file this application if you have already completed your tax return. Much of the FAFSA simply becomes a matter of looking up the referenced line on your taxes and filling in the blanks. In fact, if your tax return has already been processed by the IRS, it will even fill in the information for you, which you can then simply verify with your hard copy of the filed taxes. Sounds easy, right?

But wait – didn't we just stress how important it is to file the FAFSA in a timely fashion each year?

And there's the one little gotcha.

Most colleges and universities have deadlines for when they want the FAFSA. Many schools need the FAFSA **by March 1**, and some, especially the private schools, often have deadlines in ***February!***

For many families, getting their taxes completed that early can be a challenge. However, to maximize the potential for financial aid at any college you apply to, you will definitely want to meet the deadline set by the school. This is a **crucial component** to ensuring you qualify for every opportunity available.
How can you do this? By filing an *estimated* FAFSA.

Filing the Estimated FAFSA

Pull your last completed tax return and your income information through the end of the year, and simply replace the old information with what you know happened in the recent year. So, if you are filing in February of 2014 and have not yet completed your 2013 taxes, you will take your 2012 taxes and pull together as much information you have for 2013, and then 'replace' the tax line information they are asking for with the updated info. There's even an Income Estimator tool available if you need help.

The government will calculate your EFC (Expected Family Contribution) based on these estimated numbers and the college or university will compile a financial aid package based on this as well. Once you have your taxes completed, it is a relatively painless process to update the FAFSA with the actual numbers.

The actual EFC calculation is a long and complicated matter that is updated each year. If you have a burning desire to engage in self-torture, you can find the calculation at http://ifap.ed.gov/efcformulaguide/attachments/091312EFCFormulaGuide1314.pdf.

However, it is not really necessary to go through this as ***you*** are not able to change it. If you don't agree with the amount the government states you can contribute, or, you feel there are extenuating circumstances the college should be aware of, there are other ways to address that, which we will detail.

So that's it right? We just file the FAFSA and wait?

While every college and university uses the FAFSA in determining and awarding financial assistance, for nearly 400 colleges and scholarship programs, the government's voyeuristic view of your family finances isn't enough information. For these compulsive collectors of financial minutiae, CSS (College Scholarship Service) created The CSS Profile.

Additional Financial Aid Forms

The CSS Profile is used almost exclusively by private colleges who give out millions of dollars of their own grant funds (i.e. "gift" money that does not need to be repaid). The Profile asks almost every conceivable financial question, closing every possible loophole and leaving no stone unturned about the places from which a family might have income or assets

While the FAFSA will not cost you anything to file (hence the 'FREE' in its name), that is not the case with the CSS Profile.

Sending the profile once costs $25, and each additional school you send it to will cost an extra $16. Because of these costs, you should list only the schools that require the CSS Profile on the application form, unlike the FAFSA where you want to list every college you are considering.

Note that students who are from low-income families that also have limited assets will have the filing fees automatically waived.

Occasionally you'll find a college that requires both the FAFSA and their own institutional financial aid application, but not the CSS Profile. In an attempt to help you avoid paying for the Profile, this has added another application form into the mix. In addition, some colleges might ask you for a copy of your tax returns and W-2's before they'll prepare a financial aid package for you, while others will only want these documents if you choose to enroll. Some won't want them at all.

Remember, colleges won't prepare a financial aid offer until the student is accepted, but you risk losing out on financial aid opportunities if you wait until you get an acceptance letter in the mail. You must file for financial aid prior to school deadlines!

How do you stay sane and find out all of this information for each college you are applying to? You now become part consumer and part detective.

Each school's financial aid filing requirements are listed on their website. It can typically be found in a Prospective Student section or in the Admissions area. Or you can track down the number for the financial aid office and call. Finding out the filing requirements for each school can be a cumbersome and challenging task, but an essential one with a potentially big payoff for your family! In the meantime, you can calculate how much finanancial aid you might receive.

Calculating Financial Aid Prior to Receiving Packages

There are several financial aid calculators available that will give you an idea of where you stand, financially speaking. Two tools to start with are:

http://www.finaid.org/calculators/finaidestimate.phtml
or
http://apps.collegeboard.com/fincalc/efc_welcome.jsp

Doing your homework early beats getting blind-sided when your child is about to choose a college you may not be able to afford. It will help you and your child strategize about an appropriate mix of schools that are both academically and financially feasible. We look at this more closely in the next chapter.

But wait, what if the figures on the FAFSA are inflated? What if you just lost your job? Or you had a one-time payout last year that you will not be receiving again this year?

What if you have unusually high medical costs, or some other extenuating circumstance that isn't reflected in your income?

Keep reading to learn more.

Extenuating Circumstances When Filing Your FAFSA

The FAFSA is an attempt to put every American family on a level playing field in an effort to award aid fairly. However, there are often unique financial circumstances that are not accounted for.

Perhaps there was a job loss or a job transition that has resulted in much lower family income than what is reflected on the tax returns used for filing the FAFSA. Or perhaps there are large medical bills that have significantly impacted your finances, or a catastrophic loss of home and property through a natural disaster. How do you communicate this important information and to whom do you send it?

Rest assured, someone is out there to listen to you, but knowing what to tell them and who to tell will be the key to being heard. Financial Aid Administrators (FAA's) at individual colleges have the authority to make "professional judgment" changes to information on the FAFSA, and adjust your Expected Family Contribution (EFC).

They are the ***only ones*** who may make these changes and they may only do so with proper documentation from you. While colleges will not prepare a package for a student until they are accepted, most *will* have a system that allows them to make notes regarding particular situations, pending the student's acceptance.

When first filing the FAFSA, simply answer the questions exactly as indicated. Give them what they ask for and only what they ask for. Then, once the requisite application forms are complete, write a letter documenting your individual situation using precise dollar amounts and dates, where applicable. Some colleges will have forms in the financial aid area that you can print out to assist you with this process.

Let's look at a real-life scenario:

Matt sits down to complete the FAFSA with all his financial information for the last full calendar year prior to the fall his child begins college. His son begins college in September 2014, so he needs to use his 2013 taxes. However, he was laid off from his job in January 2014.

His 2013 tax forms would normally be a good indicator of his 2014 income, but since he has been laid off, that's no longer the case. He completes the FAFSA as instructed even though these numbers no longer have *any* relationship to his current financial reality.

Now he can construct a letter to each financial aid office giving them the date on which he was laid off and the amount he earned, if any, prior to the lay-off. He needs to indicate the amount of unemployment compensation he receives per week and the number of weeks for which he is eligible to receive these benefits. If his work prospects are uncertain, he can indicate that. If he has a concrete employment position on the horizon, he can include that information as well, along with accompanying income figures.

What Matt has just done is give the financial aid administrator an honest and accurate picture of how his year is likely to look, financially speaking.

Each school can make adjustments as they see fit, but giving them the necessary facts and figures is the key to the process. There are other situations that can make the EFC seem completely out-of-proportion to your current reality. Some additional examples include:

- High health bills that are currently causing financial hardship for the family
- A one-time payout that you had to report in your taxes
- The death of a wage-earner
- Higher-than-normal or volatile income for one year that doesn't reflect your overall financial picture for the last three to five years

Perhaps the most challenging part of all of this is being persistent enough to ensure your letter gets into the hands of someone who can give it the time and attention it needs and deserves. You may find that the process for adjusting the FAFSA cannot proceed fully until your student is accepted, however, the earlier you can make the college or university aware of your situation, the better!

This will likely require follow up emails or phone calls. You may be asked to provide a great deal of documentation to corroborate your claims. It may be frustrating to endure at times, but polite patience and persistence ***will*** pay off.

Every $10,000 dollars of reduced family income will result in a $3,000 reduction of the expected family contribution.

CHAPTER TWO

The Financial Aid Formula In Action

How Much Aid Will You Receive?

Strategies For Reducing Costs

Let's look at the basic financial aid formula in action at two hypothetical colleges. Remember, the formula for calculating financial need is:

"Cost of Attendance"
minus
"Expected Family Contribution"
equals
"Your Financial Need"

You complete the FAFSA and your EFC comes out to $12,000. This means that the government believes that your family can pay $12,000 towards your child's college education during the next school year. They do not consider (nor care) *how* you will contribute these funds, they have simply calculated that based on your income, this is what you should be able to contribute.

Your child has applied to two colleges thus far:

1. Private college A which costs $55,000 for tuition, fees, room and board, plus another $1,500 for books, supplies, etc. for a total cost of attendance of $56,500.

2. Public university B which costs $20,000 for tuition, fees, room and board, plus the same estimated $1,500 for a total aost of attendance of $21,500.

If we subtract your EFC from each college, your total need varies widely.

Private College A

Cost of Attendance (COA) or Sticker Price	$56,500
Expected Family Contribution (EFC)	- $12,000
Total Need:	$44,500

Public College B

Cost of Attendance (COA) or Sticker Price	$21,500
Expected Family Contribution (EFC)	- $12,000
Total Need:	$ 9,500

In a perfect world, you would pay no more or no less than the $12,000 to go to either college because that is your EFC. In reality, it is very different, as it is the job of each school to meet as much of your financial need as they deem possible.

It may come as an unwelcome surprise to learn that the college or university is under no obligation to meet 100% of your demonstrated financial need, and you will often find that financial aid packages from several different colleges result in several different bottom lines.

This 'gap' between your financial need and what aid the college can provide you is added to the amount of money you will need to attend that school.

Colleges are not required to meet 100% of your financial need. There may be a 'gap' between your total need and their offer of aid.

This 'gap' is one of the areas you can focus on reducing.

In the example above, let's say both colleges were only able to meet half of your financial need. The amount your family would need to come up with would again vary widely, based on the 'gap' between your need and the college's financial aid offer.

Private College A

Cost of Attendance (COA) or Sticker Price	$56,500
Expected Family Contribution (EFC)	- $12,000
Total Need:	**$44,500**
Financial Aid Offer of 50% From the College	- $22,225
What You Will Pay:	
Expected Family Contribution (EFC)	$12,000
Amount Not Covered by Financial Aid	$22,225
Total Bill:	**$34,250**

Public College B

Cost of Attendance (COA) or Sticker Price	$21,500
Expected Family Contribution (EFC)	- $12,000
Total Need:	**$ 9,500**
Financial Aid Offer of 50% From the College	- $ 4,750
What You Will Pay:	
Expected Family Contribution (EFC)	$12,000
Amount Not Covered by Financial Aid	$ 4,750
Total Bill:	**$16,750**

You can now see how it is a combination of the amount of financial need your family demonstrates, the amount of financial aid the college or university is able to provide to meet that need, and the overall costs of the specific school that result in different bottom lines.

The amount of financial aid you are offered will be just one variable in making a decision about where you will attend college, albeit a very important one for many families.

Over the next few pages, we'll be focusing quite a bit on strategies that look at all the components that impact your total bill:

1. Staggering the Cost of Attendance
2. Adjusting the EFC for Extenuating Circumstances
3. Understanding & Negotiating Financial Aid Offers
4. Additional Strategies for Reducing College Costs

Strategize Your College Application Process

While finding out what you, specifically, will pay is a slow and deliberate process, one way you can ensure that you have your financial options covered while you are sorting all this out is to choose schools that fall into a variety of tuition categories. As the examples above show, the price you begin with can greatly impact the bottom line as tuition 'sticker prices' vary greatly.

One strategy is to apply to colleges or universities that are both *need-blind* and *full-need*. Need-blind means that the student's financial need is not considered during the admissions process. Combining that admission policy with a pledge to meet 100% of a student's demonstrated need (full-need) means that no matter what the amount is when the school receives the FAFSA by the deadline they've established, the college has pledged to meet it.

In the example on the previous page for **Private College A**, if it was need-blind and full-need, the bottom line would change drastically, as shown below:

Cost of Attendance (COA) or Sticker Price	$56,500
Expected Family Contribution (EFC)	- $12,000
Total Need:	**$44,500**
Financial Aid Offer of 50% From the College	- $44,500
What You Will Pay:	
Expected Family Contribution (EFC)	$12,000
Amount Not Covered by Financial Aid	-------------
Total Bill:	**$12,000**

Now compare that again with a college that can only meet 50%. In this example, we'll again use **Public University B**:

Cost of Attendance (COA) or Sticker Price	$21,500
Expected Family Contribution (EFC)	- $12,000
Total Need:	**$ 9,500**
Financial Aid Offer of 50% From the College	- $ 4,750
What You Will Pay:	
Expected Family Contribution (EFC)	$12,000
Amount Not Covered by Financial Aid	$ 4,750
Total Bill:	**$16,750**

Suddenly, the bottom-line price between attending a highly-priced private college and a more moderately-priced public university has flipped. The private college actually becomes less expensive than the lower-priced public university.

Another strategy is to spread your applications among colleges and universities with small, medium and large tuition price tags. Example:

- Community College $5,000 a year
- In-State Public College $8,000 a year
- Out-of-State Public College $18,000 a year
- Private College or University $30,000 a year

By varying the types of colleges you apply to, and subsequently the tuition costs, you will have more options to choose from once those financial aid offers begin rolling in, especially if you need to 'fill the gap' when colleges cannot fully meet your financial need.

If money will ultimately impact any higher education decision, it's not a bad idea to give yourself this type of financial safety net just to ensure that you have some options if it turns out that your dream school just isn't affordable.

Now that you've staggered your applications and sent off the FAFSA, this is where the hard part comes: You need to wait until you receive all of your financial aid packages from each college you have been accepted to, before you can determine what you will really owe.

Frustrating? Yes, but it's the system we have to work with.

But what if your financial circumstances change ***after*** the applications have been sent and financial aid offers received? We'll look at that in the next chapter.

CHAPTER THREE

Understanding & Negotiating Financial Aid Packages

Understanding the Types of Financial Aid

A Loan By Any Other Name Is Just a Loan...

Once you receive financial aid offers from the colleges you have been accepted to, your next job will be to compare them so that you understand both the bottom line that will be owed, as well as the desirability of the component parts of the package.

It is the college's job to prepare your financial aid package; however, as you've just learned, they are under no obligation to meet all of your financial need. So, the first step in evaluating financial aid packages is the obvious - to determine who gives you the most money. However, you should not stop there, as the component parts of each financial aid package can differ quite a bit, making one package more desirable in the long-run than another.

The Two Broad Categories of Financial Aid

1. **Gift Aid**

   This is aid that does not need to be paid back, i.e. a 'gift' from the college or university. It includes scholarships which are based on merit (talent) and grants which are based on need.

2. **Self-Help Aid**

   This is aid that needs to be paid back or earned. It includes federally funded student loans and work-study programs. Wait... Loans are considered a form of financial aid? Yes, and this chapter will explain why.

> Work Study is a program designed for those with financial need. Money awarded reduces what you owe the college, and is then earned through defined work-study jobs on- or off-campus.

Generally speaking, it's rather obvious that the more gift aid you receive, the better! The only strings attached are that you may have to maintain a certain GPA or participate in an activity for which the money was intended. For many students however, gift aid may not cover enough college costs to make the remaining balance affordable, and so some self-help aid may be a realistic necessity.

Let's look at both gift aid and self-help aid in more detail in order to further understand the types of offers will be included in any financial aid package you receive, and what will be best for you overall.

Need-based Financial Aid vs. Merit-Based Aid

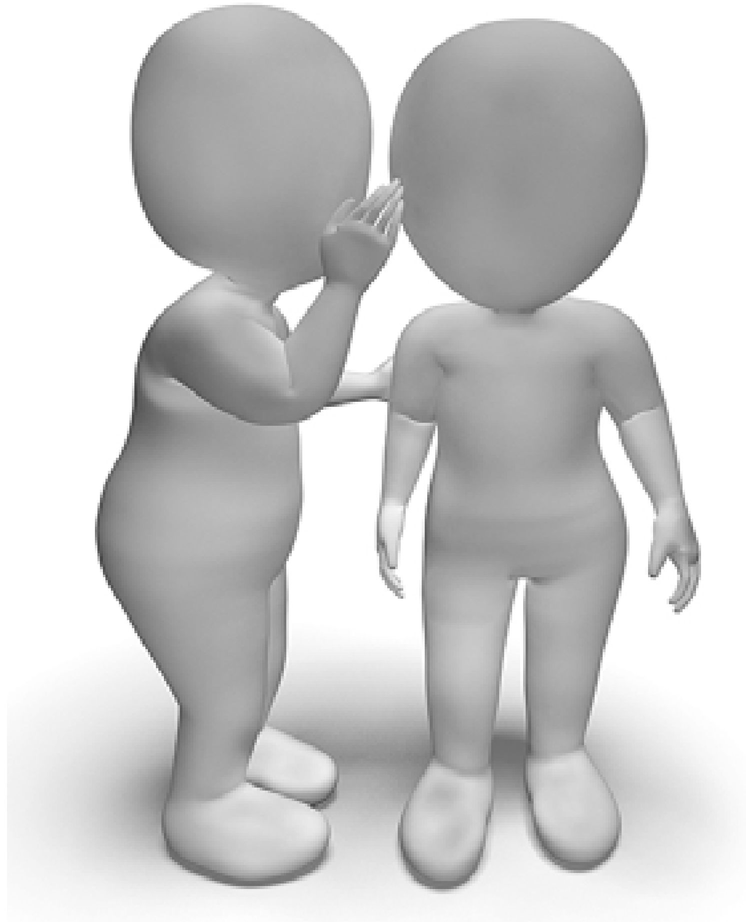
Need-Based Financial Aid: This money is awarded based entirely on your family's financial circumstances. It is the job of the financial aid office at each college or university to fill all, or as much of, a student's financial need as possible, based on the policies of the school. Need-based aid can be a combination of:

- Gift Aid: Grants that do not need to be repaid
- Student Loans: Money that *does* need to be repaid
- Work-Study: Money that must be *earned*, or converted into a loan

Merit Aid is based on talent or accomplishments (academic, musical, athletic, leadership, etc.) and is not generally based on financial need. Scholarships often include certain criteria that must be maintained in order to continue receiving the aid, such as maintaining a minimum GPA, or participating in a particular activity, such as a sport.

Scholarships (or merit aid) are often awarded *regardless* of financial need, though some can be earmarked solely for student-specific situations. The college can, and often does, utilize merit aid as part of a package designed to help meet the financial need of a student, however, the same scholarship can also be given to a student that has *no* financial need whatsoever. Why? Let's look at the 'truth' behind scholarships.

The Secret about Scholarships



A scholarship is acknowledgement of a student's outstanding accomplishments in a particular area. Scholarships, however, are not all about patting a potential student on the back.

Scholarship money given by colleges and universities can also be seen as institutional *marketing* dollars. It may be uncomfortable to think about a scholarship as a marketing tool used by the college, but consider this scenario:

Rebecca is an outstanding student with strong standardized test scores. She plays violin in the school and a community orchestra, and is interested in continuing to play in an orchestra in college. She has spent countless hours volunteering and is the president of an organization that raises money for disadvantaged people in her community.

Rebecca is no doubt someone who will be a positive contributor to a campus community, and many schools would try to attract her to their campus. One way for a college to do this is to offer her a scholarship. By doing so, they are giving her an incentive to join them at their college because they will be better off having her there.

Colleges may also offer scholarship money to attract students that help them meet institutional priorities. For example, let's say a school is trying to raise their average standardized test scores, which might also help them rise to the top of certain college rankings. To do this, they offer scholarship money to students whose standardized test scores are substantially higher than the school's average.

Merit scholarships as marketing dollars is an illustration of the most basic economic principle of supply and demand. Colleges are willing to pay, through scholarship dollars, a higher price for students who offer them something they are specifically looking for, based on the colleges own goals, such as greater diversity.

Students can use this knowledge to their advantage when applying to colleges.

Let's say Rebecca's friend Chloe hopes to pursue a major and a career in Engineering. Through her research, she discovers that many schools that have traditionally specialized in STEM fields (Science, Technology, Engineering & Math) still have a greater percentage of male to female students.

One of the schools she has her eye on is a private college with a very strong Engineering program. She notices that the ratio of male to female students is significantly below the national average, at 71% male and 29% female. She also notices they offer several grants and leadership awards, and that her academic scores are higher than the school's average. Chloe decides to apply in the hope that she might match a demographic need the college has. They, in turn, might 'award' her with some of this gift aid, hoping it will sway her decision to choose their school over another.

Unfortunately, the flip side of this often means that students who match the most common demographic of those applying to a particular school, and are therefore in ample supply, simply don't attract the same kind of scholarship attention.

This can be seen at many of the country's most selective colleges and universities. These schools do ***not*** offer any merit scholarships (which is awarded regardless of a family's financial circumstance), and only offer need-based aid. Why? They are already attracting very high caliber students. To reward one student an academic scholarship versus another would be like splitting hairs, so these schools award need-based aid only. All Ivy League schools fall into this category, as do some others.

> Colleges are willing to pay, through scholarship dollars, a higher price for students who offer them something they are specifically looking for, based on the colleges own goals.

Understanding that colleges are using scholarships to target students who will help them meet the *school's* goals, such as improved test scores or greater diversity, can improve the student's chances of receiving gift aid, reducing their need for self-help aid, and in particular, student loans, which we will be discussing next.

The Ins and Outs of Student Loans

Student loans are what the colleges offer you to help meet the gap between what you owe to the college and what you can afford to pay, right? You know – that 'gap' amount that was shown in the illustration on what the college offered you for financial aid and what you owe the college?

Not exactly, as it depends on the *type* of student loan.

Student loans can be part of the financial aid package the college offers you.

Yes, we said that right again.

Loans – which you *must* pay back – are considered financial aid, and are typically included within the financial aid offer you will receive from the school.

There are two types of loans that may be offered to students as part of their financial aid package:

Direct Subsidized Loans: These loans have better terms than unsubsidized, and are only offered to those students who have demonstrated financial need. There are caps set by the government on the amount of loan a student can borrow each year, and within those caps, the college determines how much to award you based on your overall financial need and other financial aid you have been offered.

The total amount of student debt carried by students and parents has reached a staggering 1.2 trillion dollars. The college graduating class of 2012 owes an average of $29,400 per student - a new record.

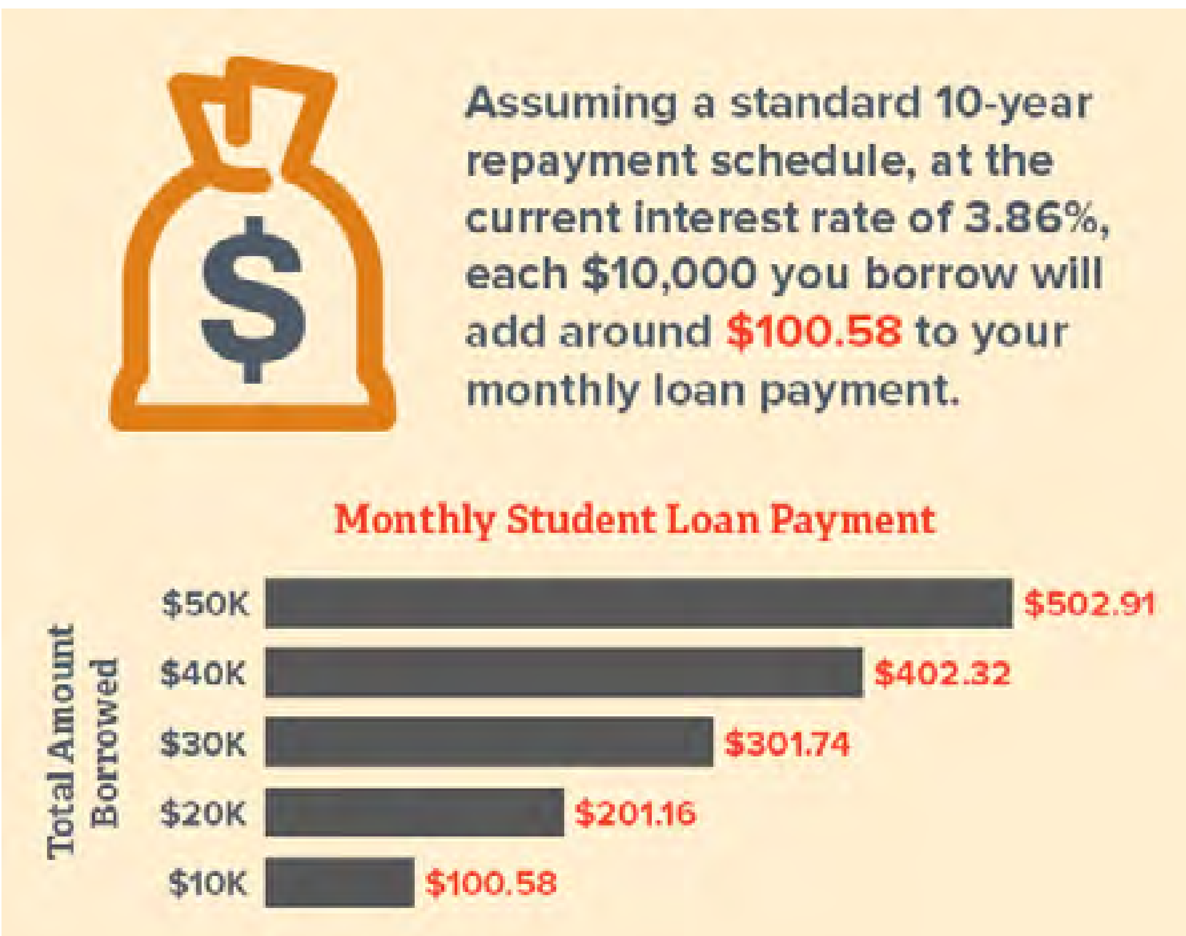
The interest that accrues on subsidized loans while you are in school is covered (i.e. 'subsidized') by the federal government. In other words, the interest on your student loan doesn't start adding to what you will owe until you have been out of school for a period of time. These loans are more desirable than unsubsidized.

Unsubsidized Loans: This type of loan is available to all undergraduate and graduate students without regard to financial need. However, it is still up to each school to determine *how much* of an unsubsidized loan to award you, based on the cost of the school and the amount of other financial aid that has been awarded to you.

It is important to note that the interest on unsubsidized loans accrues the *entire time* you are in college. If you accept a $1,000 loan in your freshman year, and you elect to defer payment while you are in college, the interest starts to add up.

Instead of owing $1,000 at graduation, you will likely owe closer to $1,200. This doesn't seem like much when you are only talking about $1,000. But take out $10,000 in loans and that additional interest is closing in on an additional $2,000.

This graphic illustrates how quickly loans can escalate into a monthly payment that you may not be able to afford.



Now that we've learned about the different types of aid that can be included in a financial aid package, let's look again at the example of a private college who provides you with an offer that only meets about 50% of your financial need, and break that package down in to some hypothetical amounts.

Cost of Attendance (COA) or Sticker Price	$56,500
Expected Family Contribution (EFC)	- $12,000
Total Need:	**$44,500**
Financial Aid Package Offered by the College	
Gift Aid	
Scholarship	- $10,000
Grant	- $ 7,000
Subtotal of Gift Aid	**- $17,000**
Self-Help Aid (Loans)	
Subsidized Federal Student Loan	- $ 5,000
Unsubsidized Federal Student Loan	- $ 3,000
Subtotal of Loans	**- $ 8,000**
Total Financial Aid Offer	**- $25,000**
What You Will Owe the College	
Amount Not Covered by Financial Aid	$19,500
Expected Family Contribution (EFC)	$12,000
Total Bill:	**$31,500**

In this scenario, the package appears to be slightly better than the original 50%, with the amount owed reduced by an additional $2,750.

However, all of that came from an *unsubsidized* federal student loan. As we've learned, this is the least desirable form of student loan as the interest on the loan starts accumulating right away.

And while it can be exciting to see an offer of $25,000, a good portion of which is gift aid that does not need to be paid back, it's also easy to forget that in addition to the amount owed not covered by financial aid ('the gap'), you have to add back in that $12,000 Expected Family Contribution, bringing your total bill to $31,500.

As we compare financial aid packages in the next chapter, it's important to remember the lasting impact loans can have on your finances, long after you've left the hallowed halls of your alma mater.

Comparing Financial Aid Packages

Going Beyond the Total Award

So now that you have a solid understanding of the types of financial aid you may be awarded, it's time to compare packages that arrive in the mail.

You've staggered your applications among variously priced colleges and universities, and we are going to assume you have been accepted to three of them, all of which you would be excited to attend. Congratulations!

Now it's time to figure out which financial aid package is going to work best for you and your family. This will bring together everything we've discussed thus far – how *much* of your need is being met and *how* that need is being met.

First let's compare the overall cost of attendance and your financial need for each college:

	College A	**University B**	**College C**
Cost of Attendance	$50,000	$30,000	$40,000
Expected Family Contribution	- $12,000	- $12,000	- $12,000
Total Need:	$38,000	$18,000	$28,000

On the surface, it appears the University will offer you the best option as your total overall financial need is lowest.

Now let's look at the total amount of each package to determine the overall gap as well as your yearly attendance cost for each school.

	College A	University B	College C
Cost of Attendance	$50,000	$30,000	$40,000
Expected Family Contribution	- $12,000	- $12,000	- $12,000
Total Need:	**$38,000**	**$18,000**	**$28,000**
Total Package	**($38,000)**	**($15,000)**	**($25,000)**
Gap not covered by Aid	-------------	$ 3,000	$ 3,000
Yearly Cost	**$ 12,000**	**$ 15,000**	**$ 15,000**

At first glance, it seems like College A is the obvious winner. They've awarded you a package that meets all your financial need, and even though it's the most expensive college to attend, the attendance cost is lower than the other two.

Before you excitedly sign on the dotted line and start planning for freshman move-in day, let's take a closer look at each package.

	College A	University B	College C
Cost of Attendance	$50,000	$30,000	$40,000
Expected Family Contribution	- $12,000	- $12,000	- $12,000
Total Need:	**$38,000**	**$18,000**	**$28,000**
Gift Aid			
Scholarships	($15,000)	($ 7,000)	($ 9,000)
Grants	($ 3,000)	($ 1,000)	($ 9,000)
Subtotal Gift Aid	**($18,000)**	**($ 8,000)**	**($18,000)**
Self-Help Aid			
Work-Study	**($ 1,000)**	**($ 1,500)**	**($ 1,000)**
Loans			
Subsidized Loan	($ 5,000)	($ 3,000)	($ 3,000)
Unsubsidized Loan	($14,000)	($ 2,500)	($ 3,000)
Subtotal of Loans	**($19,000)**	**($ 5,500)**	**($ 6,000)**
Total Package	**($38,000)**	**($15,000)**	**($25,000)**
Amount of Need Not Met (Gap)	-------------	$ 3,000	$ 3,000
Yearly Cost	**$ 12,000**	**$ 15,000**	**$ 15,000**

First, let's look at the scholarships:

Each college has offered you attractive scholarships, which are typically based on merit of some kind, generally academic or activity-related, and may or may not have a financial need component. To compare them, you will want to look closely at the terms of each.

As an example, the types of questions you will need to find the answers to with an academic scholarship are:

- What special requirements are there?
- Is there a community service element?
- Do you need to attend specific classes (such as Honors-level classes)?
- What GPA will you need to maintain?
- Does it cover only four years, or does it extend to a fifth year?

Statistics show that many students take five years to graduate, instead of four. If the scholarship requires a high GPA, and you drop a course here and there to maintain it, you may find yourself heading in to a fifth year of college, several thousand dollars short of money, as your scholarship ran out.

If it's an athletic scholarship, there are similar questions you should ask. An important one is whether the scholarship is tied to your ability to play. Some schools award the scholarship for the full four years, even if, for example, you are injured in your second year, and leave the team in your third. Other schools tie the award money to being on the team. And, again, the length of the award is very important to avoid surprises should a fifth year of college attendance be needed.

The terms of each scholarship in the award package should be examined in order to determine which is the most desirable for your specific situation. Remember, no one enters freshman year planning on having academic difficulties, athletic injuries or attending a fifth year. But for planning purposes, it's important to ask questions that assume those scenarios.

Now let's look at grants:

Just as with scholarships, grants do not need to be paid back, and are typically need-based or student-specific, such as awards for students based on certain qualifications.

You will want to check the terms of each awarded grant to understand it more fully, but generally speaking, these are very desirable elements of any financial aid package, often considered 'free money', generously awarded.

In the example on the previous page, College C appears to be the clear winner, as it awarded a generous amount of grant aid ($9,000) when compared to the other schools.

Next there are two components of self-help aid, work study and loans, which we've discussed previously.

As a reminder, **work study** is a federally funded program that provides part-time jobs for students with financial need. Funds are awarded on a first-come, first served basis – which is another reason for filling out that FAFSA early! The money awarded is deducted upfront from what you owe the school, and then 'earned back' through work.

Loans fall in to two categories, subsidized and unsubsidized, and even though they are part of financial aid packages, they *must* be paid back. Federally funded student loans *cannot* be discharged in bankruptcy court, except in extremely rare circumstances.

We've used an extreme example of College A offering a $14,000 unsubsidized loan as part of a financial aid package in order to meet 100% of financial need. Obviously this would be a large amount of money to borrow each year, and your first order of business would be to give the college a call and tell them just how undesirable that loan offer is!

	College A	**University B**	**College C**
Cost of Attendance	$50,000	$30,000	$40,000
Expected Family Contribution	- $12,000	- $12,000	- $12,000
Total Need:	**$38,000**	**$18,000**	**$28,000**
Gift Aid			
Scholarships	($15,000)	($ 7,000)	($ 9,000)
Grants	($ 3,000)	($ 1,000)	($ 9,000)
Subtotal Gift Aid	**($18,000)**	**($ 8,000)**	**($18,000)**
Self-Help Aid			
Work-Study	**($ 1,000)**	**($ 1,500)**	**($ 1,000)**
Loans			
Subsidized Loan	($ 5,000)	($ 3,000)	($ 3,000)
Unsubsidized Loan	($14,000)	($ 2,500)	($ 3,000)
Subtotal of Loans	**($19,000)**	**($ 5,500)**	**($ 6,000)**
Total Package	**($38,000)**	**($15,000)**	**($25,000)**
Amount of Need Not Met (Gap)	------------	$ 3,000	$ 3,000
Yearly Cost	**$ 12,000**	**$ 15,000**	**$ 15,000**

Now let's get to the fun part: learning how to negotiate with financial aid offices.

Negotiating Your Financial Aid Package

Putting it All Together

At this point, you've likely learned more about financial aid then you thought there was to know -- from the secrets behind scholarships to the realization that student loans are actually considered financial aid! Let's look at our hypothetical offers again to see what is and isn't working and how to talk to the financial aid office to adjust each package where needed.

	College A	University B	College C
Cost of Attendance	$50,000	$30,000	$40,000
Expected Family Contribution	- $12,000	- $12,000	- $12,000
Total Need:	**$38,000**	**$18,000**	**$28,000**
Gift Aid			
Scholarships	($15,000)	($ 7,000)	($ 9,000)
Grants	($ 3,000)	($ 1,000)	($ 9,000)
Subtotal Gift Aid	**($18,000)**	**($ 8,000)**	**($18,000)**
Self-Help Aid			
Work-Study	**($ 1,000)**	**($ 1,000)**	**($ 1,000)**
Loans			
Subsidized Loan	($ 5,000)	($ 3,000)	($ 3,000)
Unsubsidized Loan	($14,000)	($ 3,000)	($ 3,000)
Subtotal of Loans	**($19,000)**	**($ 6,000)**	**($ 6,000)**
Total Package	**($38,000)**	**($15,000)**	**($25,000)**
Amount of Need Not Met (Gap)	-------------	$ 3,000	$ 3,000
Yearly Cost	**$ 12,000**	**$ 15,000**	**$ 15,000**

First, it’s important to remember that a financial aid offer is just that, an offer. In each of these cases, there are opportunities to contact the school and try to negotiate something better.

College A

In College A’s example, the amount of self-help aid is slightly *higher* than gift aid, and consists of $19,000 in loans and $1,000 in work-study, for a total of $20,000.

That’s an immediate concern as while it appears on the surface that the college has met the family’s total financial need, the college has placed the majority of the burden on the student through the obviously high amount of students loans, including a large unsubsidized portion.

In addition to that, the scholarship award is high at $15,000. Gift aid is typically a good thing, but remember to do your homework and understand the scholarship requirements, and what the student’s responsibilities will be. Have a frank and open family conversation about what this could mean. If the scholarships were lost, would you still be able to afford this college? What happens if you need an extra year to graduate?

When you speak with the financial aid office, you will want to point out that the college has given you just $3,000 of grant aid -- the *only* item that is the truest form of gift aid. And, the loans are just that - loans.

With such a high reliance on loans (self-help) and scholarships (marketing dollars), has the college **truly** met your financial needs?

While this is an extreme example, it was done so to highlight how understanding the details within these packages is crucial. Attending this college with this aid package intact is a financial risk that must be understand by both student and parent.

University B

In University B's example, they didn't meet the full financial need, leaving a gap of $3,000. However, unlike College A, the distribution between gift aid and self-help aid is more balanced, at $8,000 in gift aid and $7,000 in self-help aid, of which only $3,000 is in unsubsidized loans. That being said, only $1,000 in grant money was awarded.

Considering the gap and the small amount of grant aid, this would be a good place to start, by asking the financial aid office if there is additional grant money that can be made available. How can the school help you close that gap, without relying on additional student loans? Is there anything you may not have told the school that might qualify you for a specific grant or scholarship award?

For example, many times students decide not to disclose learning or other disabilities until they have been accepted at the college. However, the school might have grant or scholarship dollars that are set aside specifically to assist those students. There are usually several types of student-specific scholarships and grants that the financial aid office may not realize you qualify for without a conversation.

It never hurts to ask for additional assistance. Just be sure to reinforce that you are not looking for additional *loans* and keep the conversation focused on getting additional gift aid, primarily through grants if possible.

College C

Let's look again at the chart depicting our hypothetical financial aid awards.

	College A	University B	College C
Cost of Attendance	$50,000	$30,000	$40,000
Expected Family Contribution	- $12,000	- $12,000	- $12,000
Total Need:	**$38,000**	**$18,000**	**$28,000**
Gift Aid			
Scholarships	($15,000)	($ 7,000)	($ 9,000)
Grants	($ 3,000)	($ 1,000)	($ 9,000)
Subtotal Gift Aid	**($18,000)**	**($ 8,000)**	**($18,000)**
Self-Help Aid			
Work-Study	**($ 1,000)**	**($ 1,000)**	**($ 1,000)**
Loans			
Subsidized Loan	($ 5,000)	($ 3,000)	($ 3,000)
Unsubsidized Loan	($14,000)	($ 3,000)	($ 3,000)
Subtotal of Loans	**($19,000)**	**($ 6,000)**	**($ 6,000)**
Total Package	**($38,000)**	**($15,000)**	**($25,000)**
Amount of Need Not Met (Gap)	-------------	$ 3,000	$ 3,000
Yearly Cost	**$ 12,000**	**$ 15,000**	**$ 15,000**

College C is the only one that offered considerably more gift aid ($18,000) than self-help aid ($6,000 in loans and $1,000 in work-study). While the total amount of gift aid is equal to College A, it includes a generous grant, and overall, is more than double the amount of self-help aid that is being offered.

It is again a good idea to understand any requirements of the gift aid, how it's renewed and how long it lasts, to make sure you understand all the implications. And, as generous as this offer is, there is still a little room for negotiating, as the package leaves a gap of $3,000 between total need and the amount awarded. While this is a nice financial package, it never hurts to find out your options. All they can say is no.

There will be many things to consider when choosing your college, just one of which is the financial cost. However, if your dream school is just a tiny bit out of reach, understanding the individual components of financial aid and how to negotiate with your financial aid office could make enough of a difference that you will be able to attend your first choice school, instead of your second.

So, what happens if you sign the dotted line and a significant financial event happens that might throw all your carefully laid plans up in the air? Read on…

Financial Circumstances After the Offer Has Been Accepted

You have put in the work, negotiated a package, paid the various deposits and are excitedly preparing for the start of freshman year. Then, an unexpected situation happens that will have a significant impact on your family's financial circumstances.

Let's look at a typical scenario and how to handle it with the college or university you will be attending. Note that while we focus on this as a freshman scenario, the process you follow is the same, even if you are heading in to your senior year.

The Brown family completed their FAFSA for 2013 based upon their 2012 data. This shaped the financial aid package their student qualified for during her 2013-2014 freshman year, which they accepted.

In the summer of 2013, just a few weeks prior to the start of fall semester, both parents lost their jobs, resulting in a significant loss of income. While one parent decided to focus on finding a new position while collecting unemployment, the other parent decided to start a new business out of their home.

Obviously, their current financial situation is wildly different from the financial picture the college had compiled, and a bit more complicated to accurately project. The Browns immediately contacted the financial aid office to find out what, if anything, could be done to improve upon the package they had already accepted.

Financial aid administrators can use professional judgment to modify the Expected Family Contribution (EFC). Typically, each college will have forms you will need to fill out. You will be required to provide detailed information that supports and corroborates your claim, and your projected income. Depending on the college or university, there may even be a review committee that has to give final approval.

In other words, do not expect that you'll wrap things up with a quick call. It's a process, but with due diligence, you will hopefully qualify for a much bigger financial aid package than you did initially.

What do you do if none of the financial aid offers were enough? Do you max out student loans? Do you look at ParentPlus loans? Do you give up on your dream of attending college? The next chapter looks at other financial strategies to consider.

CHAPTER FOUR

Additional Financial Strategies to Consider

Explore These Financial Strategies

And Avoid Being a Student Debt Statistic

When you have a gap between the financial aid you have been offered and what you can afford to pay, there are options that can minimize or eliminate reliance on student or parent loans.

Bring Your Own Scholarships

Colleges and universities offer their own scholarships, however, there are numerous awards and grants available that diverse students can qualify for.

Each school develops their own policies regarding outside scholarships, and how this is applied to your financial aid package. You'll need to research your school's individual policies to ascertain how this will impact you, but generally speaking, most schools have policies that apply these dollars favorably. This would include the following:

If you have unmet need, the dollars would first be applied there. So in the scenarios where the school was unable to fully meet your financial need, these scholarships can help fill in that gap, potentially helping you attend a college that could not fully assist you financially.

If your full need has already been met, many schools will next look at reducing self-help aid such as student loans, before reducing gift aid such as grants and scholarships. This greatly benefits you by keeping your student debt to a minimum.

There *are* some schools which will apply a portion of outside scholarships against self-help and a portion against gift aid, and some that will apply it against gift aid first. This can be especially true when the award is a renewable one, versus a one-time deal.

However, even if the college you wish to attend applies outside awards against grant aid first, you can still use this strategy to your advantage, depending on the amount of outside scholarships you bring. An amount greater than need-based grants the school has awarded you, will mean the college must apply a portion of it against self-help aid.

And, depending on how much money you are bringing in, you might be able to work with the college to modify their policy. Brush up on your negotiation skills, and then work with the financial aid office on adjusting dollars against loans instead of grants. You can never hear the word ‘yes’ if you never ask!

Advanced Placement (AP) Classes and/or MOOCs

Do you have transferrable AP classes? How many? Does the college you want to attend accept online courses from accredited sources as transferrable credits? Can you get started on a couple now?

By whittling away at required core courses, you may be able to reduce the overall length of time you spend at the college of your choice. Some students have so many credits compiled that they start college in their ‘freshman’ year as a sophomore!

Just make sure you are working with the college you wish to enroll at in order to fully understand what can be transferred in, and how.

Attending a Lower-Priced College under a Transfer Articulation Agreement

Many colleges and universities will have transfer or articulation agreements with other schools in the community or in the state. This should be an option to consider from a financial perspective, especially when your family has a set dollar amount budgeted that is lower than the Expected Family Contribution (EFC), increasing the risk of having to borrow money.

Attending a two-year community college, especially, is an often overlooked and valuable option to consider. The savings to attend a local college for your first two years, particularly if you are living at home and working a part-time job, can significantly boost the amount of money you have available to spend on your final years of undergraduate schooling.

The effectiveness of this strategy varies greatly depending on the policies of the school you wish to transfer in to. College admissions counselors, if pressed, will tell you that four-year colleges are always looking for transfer students to fill “empty slots” resulting from freshmen and sophomore students who have either quit or transferred out. However, the amount of financial aid these college have available for transfer students varies greatly.

There are colleges that are need-blind and meet 100% of full need for their transfer students as well as their freshman applicants. These tend to be the most selective and well-endowed schools. Other top schools pledge to meet full-need, but become need-aware for students who transfer in, meaning a student’s ability to pay will be considered as part of the admission decision.

For both of these types of colleges, the student has a great opportunity to continue building on their high school record by turning in a strong performance at another college before applying for transfer. This strategy can help you get a very good deal at a college that you would have considered a “stretch” school when you were first applying.

At other colleges, the amount of gift aid that the school sets aside for incoming freshmen is not available to transfer students. Will there likely be *some* merit and grant aid available to transfers at these schools? Yes. But the amount may be smaller and the competition more fierce.

Therefore, it's important to crunch the numbers and map this strategy out, so you know that this strategy will work for you, depending on the college or university you wish to transfer in to.

A Gap Year

A gap year means postponing entering college by one year so that you can save up additional money to help defray college costs. There are many pros and cons to taking a year off. We focus here on the financial aspect of this decision.

If this is something you are considering after having been accepted, it's very important that you ask the college you want to enter what their policies are regarding this.

Some colleges fully embrace gap years, and work with you to start school one year later with your financial aid package pretty much intact, including gift aid, such as scholarships and grants. Others may let you postpone entrance, but cannot guarantee some of your aid, or withdraw it pending another review closer to your start date.

If a gap year is a strategy you are considering, it's important to discuss this with each college you've been accepted to, preferably in person, so that you can completely understand the process and how it will impact your financial aid.

Never Assume You Can't Afford Your College Dream

Now that you are armed with knowledge, rest assured that you can and should work with each school to get the best 'discounted' price.

Once you have a few financial aid offers on the table, it will be up to you and your family to decide which award package or path ultimately works best for your particular circumstances.

Get Our Premium Package

Don’t Waste Time & Money on a One-Size-Fits-All Approach.
Find a college & major that is just right for you.
Graduate on your terms - with an affordable degree you can use.