

Financial Aid: The Purpose, Process, and Procurement of Money for College

Welcome to PCACAC's
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Summer Institute



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FACULTY



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Learning Objectives



1

Understand key terms related to financing a college education

2

Understand the basic process for applying for financial aid

3

Understand the Cost/Value deliberation when considering financial aid

Types of Aid

- Scholarships
- Grants
- Work-Study
- Loans

Merit Scholarships

- Gift money that does not need to be repaid
- Awarded regardless of demonstrated need
- Typically awarded because the student has done something “meritorious”. Can include:
 - Academic achievement
 - Athletic talent
 - Artistic talent (visual or performing)
 - Service
 - Leadership
 - Affiliations

Grants

- Need-based aid as determined by FAFSA and/or CSS Profile
- Does not need to be repaid
- Can come from the institution or city/state/federal government
 - State grants, e.g., Guaranteed Access (GA) or Educational Assistance (EA) grants, Virginia Tuition Assistance Grant (VTAG), or DC Tuition Assistance Grant (DC-TAG) may require additional documents and forms

Work Study

- Federally funded program that allows for students to work on campus and help pay for their education
- Many campuses offer employment to students who are not eligible for federal work study
- If a student earns the maximum work-study for which they are eligible but do not use all of that money to pay for their educational expenses, they will still carry a balance
- Students may work an average of 10-15 hours/week

Student Loans

- Eligibility for federal student loans is determined by the FAFSA
- Students are (initially) eligible each year for
 - Year 1: up to \$5,500
 - Year 2: up to \$6,500
 - Years 3 & 4: up to \$7,500 each year

Student Loans, cont.

- Subsidized student loans: the government is paying the interest while the student is enrolled **at least half-time**
- Unsubsidized student loans: the government is **not** paying interest while the student is enrolled; interest is accumulating on the loan that the student will have to repay along with the principal amount borrowed
- Students begin repaying loans six months after they have graduated or if they fall below half-time status.
 - Students can defer repayment for several reasons, including if they are continuing their education in graduate or professional school.

Parent Loans

- Parents may apply for the **Parent Loan for Undergraduate Study (PLUS loan)** to help cover their student's educational expenses.
 - Unlike the student loan, the PLUS Loan will require a credit check
 - Repayment begins after the loan has been disbursed to the institution, though you can request a deferment

Loans, cont.

- Federal interest rates for the 2021-22 school year:
 - 3.73% for sub. and unsub. loans
 - 6.28% for PLUS loans

How to Apply

Free Application for Federal Student Aid (FAFSA)- most widely used form to submit for financial aid review.

- This is a .gov website and should **NEVER** cost money to submit.
- Evaluates a student's Estimated Family Contribution (EFC) by looking at income, number of dependents, etc. to determine what they “should” be able to pay. This is typically far higher than what is realistic for a family.

College Scholarship Service Profile (CSS Profile)- College Board's fee-based form allowing students to apply for institutional aid.

- Often just referred to as “CSS” or “Profile”.
- Takes into consideration a family's assets.
- Can be used in conjunction with or in lieu of the FAFSA depending on institution.
- Fewer than 200 undergraduate institutions and programs use it.

Additional Resources and Vocabulary

- **Net Price Calculator**- tool required by the Higher Education Opportunity Act of colleges that receive Title IV funds; used to offer *estimated* financial aid to determine financial fit prior to application
- **Cost of Attendance (COA)** - Sum total of direct (tuition, room, board, fees) and indirect (books, personal expenses, travel) costs of an institution
- **Meeting Demonstrated Need**- how close a package get to covering the difference between COA and EFC
- **Estimated FA Package**- if a student is selected for verification that is done through FAFSA and applies to ALL SCHOOLS. Some institutions will not issue a package until additional documents are complete. Historically biased in selection process
- **College Scorecard**- created by U.S. government for families to compare average costs and value across institutions
- **Private Loans**- families can apply for outside loans through a company like Sallie Mae or their bank to contribute to out-of-pocket costs they have not saved for or have the income to pay

Applying for Aid

- October 1st: FAFSA and CSS Profile open
- Deadlines to apply for aid vary by college
- Colleges will award financial aid packages at varying times (some at time of admission, others well after admission)

FAFSA: Free Application for Federal Student Aid

- Student is applying, not family. Student should create their Federal Student Aid ID (FSA ID) and start the application.
- Must invite a parent/legal guardian for household.
 - Parent/guardian must also create an FSA ID. If they already have one from completing the FAFSA for another child or themselves, they can use that same one.
- Parent/guardian then completes their portion of FAFSA.
- Student and family will need tax returns for the year *two years prior* (a.k.a. “prior-prior”) to when the student will be starting college. (If starting in fall 2022, taxes from 2020 are needed.)
- FAFSA Federal Methodology calculates Estimated Family Contribution (EFC) and sends to colleges the student has listed in their FAFSA at the time of submission.

FAFSA: Next Steps

- College receives EFC and determines financial aid package for student
- Package might include:
 - Federal Student Loans (\$5,500 max in the first year), mix of unsubsidized and subsidized. Determined by EFC.
 - Federal Pell Grants (for the most needy students with EFC under \$5,846, varying)
 - School-based grants and scholarships
 - Work-Study
 - Suggested Loan opportunities (Parent Plus Loan, private loans)

CSS Profile

- Used primarily by private colleges and universities
- \$25 to submit it to the first college; \$16 each college after
- Different from FAFSA in that it contextualizes family financial profiles
- Colleges can select variables to adjust the EFC based on their institutional methodology

Cost/Value Analysis

The best price does not always translate to the best decision.
Other factors to consider:

- Distance from home (CV19 pandemic)
- Living environment
- Quality of education and experiences
- Career Services and other supports and resources
- Safety will now be an even greater concern. (health, incidents of violence, racism, sexism, homophobia, etc.)

Increased Institutional Costs

- Increased tech costs, software, infrastructure, & personnel.
- Increase in dining hall costs, protective measures, increasing hours w/ lower dining hall capacity, additional cleaning, etc.
- Significant increase in administrative costs.
- Significant increase in campus medical & mental health costs (adding staff and increased usage)

Factor in the lost revenue from residence halls, sporting events, & conferences, and budgets will be heavily strained. Most institutions are expecting more commuters and more on-line and hybrid instruction.

Assumptions & Realities: Financial Aid in the Future

- The cost of higher education will continue to rise.
- Many students & families will be impacted by the CV19 pandemic.
- The cost of providing education will increase as a result of CV19 pandemic.
 - Even as we return to in-person learning, additional expenses of more class sections or faculty to keep class sizes smaller could continue to inflate costs.
- Colleges will be offering less financial aid due to reduced endowments, increased operating costs, greater demands for financial aid, and significant financial commitments that the federal government has made in responding to the CV19 pandemic.
(Greater competition for limited federal gov't funds)

Assumptions & Realities: Financial Aid in the Future, cont.

In short... It is predicted that there will be:

- A larger pool of students & families who have need
- A greater amount of financial aid will be requested
- Increased institutional operating costs will drive up college costs
- Less federal and institutional aid available =
Scarcity

How to Get the Best Return on Investment (ROI)

- Whenever possible, pay now. Use all available sources
- Borrow the least amount possible
- Borrow wisely, (lowest interest possible)
- Pay it back quickly. Pay off debt with savings while still keeping an emergency fund intact.
- Choose an area of study/ degree program. (good placement record & high future demand)
- Big fish/small pond (or) Small fish big pond
- The Quality of the Experience
- Connections, Networking, Special Skills,
(Opportunity for Internships, Experience, or Talent Development)

Finish...40 % of incoming freshman (nationwide) do not graduate after six years! Even without a degree, student loans will still need to be repaid!

Recent Research

A 2020 study by Georgetown University Center for Workforce Education looked at the long-term payoff of a liberal arts education

Results: College Pays. Snapshot of Estimated Lifetime Earnings. (assuming average college costs at public institutions)

HS diploma	Some college	Arts & Humanities	Social Science	STEM	Business
\$1,418,436	\$1,693,442	\$1,662,208	\$1,887,743	\$2,044,635	\$2,088,476

Source: D.S. Webber, *Economics of Education Review* 53 p. 296-310)

Additional Observations

- The ROI of college loans increases when paid-off quickly.
- While private college costs are greater, avg. lifetime earnings with private college degree is greater.

Recommendations:

- Use multiple sources to pay now.
- If you need to borrow, do it wisely.
- Finish the degree.
- Repay loans as soon as possible.

Questions?



YOUR FEEDBACK MATTERS!

Please complete a session evaluation at www.pcacac.org/summer-institute.

Thank you!

