Understanding Financial Aid Offers & How to Pay the Gap

Laura Steinbeck
Director of Business Development
Sallie Mae
What We Will Cover Today

• Insights into the College Financial Planning Process
• Understanding Financial Aid Offers (Award Letters)
• Filling any Remaining Gap or “Out of Pocket”
• Tips & Recommendations
Insights into the College Financial Planning Process
College Planning is Important

98% Agree college is an investment in the student’s future

82% Thought a college degree is more important than it used to be

86% Agreed that a degree was needed for the student’s desired occupation

40% Created a plan to pay for all four years of college
How the Typical Family Pays for College

- Scholarships and grants pay 31%
- Student income and savings covers 13%
- Parent income and savings cover 30%
- Borrowed money covered 24%
- Relatives and friends helped pay 2%
How the Typical Family Pays for College

Financial aid supports more than 8 in 10 families

- 82% used free financial aid (scholarships and/or grants)
- 77% filed the FAFSA for 2018 - 19
- But, only 17% of families say they actively researched college costs and financial aid eligibility as part of their planning process
How the Typical Family Pays for College

Colleges provide the lion’s share of scholarships

Among scholarship users,

- 61% used scholarships awarded by the college with an average total amount of $10,006
- 21% used scholarships awarded by the state or local government with an average total amount of $2,805
- 31% used scholarships awarded by community groups with an average total amount of $2,882

Application and Use of Scholarships

- Used 65%
- Did not apply 24%
- Applied but didn’t use 7%
- Don’t know 4%
- Did not apply 24%
- Applied but didn’t use 7%
- Don’t know 4%
Understanding Financial Aid Offers
Financial Aid Offer Confidence is High

- 75% of families report receiving a financial aid offer
- 8 in 10 feel confident they understood the financial aid offer
- 1 in 5 did not know loans could be part of the financial aid offer
- Slightly more parents than students feel confident
- Significantly more planners than non-planners feel confident
Financial Aid Offers

After being accepted to college and completing the FAFSA, students will receive a letter that outlines how much the school will cost and what kind of financial aid they will receive, including federal, state, and school sources.

While there’s no standard format for FA offer, they typically contain the same overall information:

- Cost of the college (COA vs. Direct)
- Aid program type
- Any remaining balance (gap/out of pocket)
Complete the Free Application for Federal Student Aid (FAFSA) – [www.fafsa.gov](http://www.fafsa.gov)
  - Families can start applying October 1 for the 2020-21 academic year

FAFSA Results - Student Aid Report (SAR)
  - Summarizes the data from the FAFSA and indicates the Expected Family Contribution (EFC)

Financial Aid Offer
  - College will determine financial need
  - Factors taken into consider include COA, family income, family size, number in college
  - Some colleges require the College Board CSS PROFILE be completed ([www.collegeboard.com/profile](http://www.collegeboard.com/profile))
## Determining Financial Need Example

<table>
<thead>
<tr>
<th></th>
<th>School A</th>
<th>School B</th>
<th>School C</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost of Attendance</strong></td>
<td>$60,000</td>
<td>$30,000</td>
<td>$15,000</td>
</tr>
<tr>
<td><strong>Expected Family Contribution</strong></td>
<td>-$20,000</td>
<td>-$20,000</td>
<td>-$20,000</td>
</tr>
<tr>
<td><strong>Financial Need</strong></td>
<td>$40,000</td>
<td>$10,000</td>
<td>$0</td>
</tr>
</tbody>
</table>
## Sample Financial Aid Offer

### Dependent Living On-Campus

<table>
<thead>
<tr>
<th></th>
<th>Fall</th>
<th>Spring</th>
<th>Full Year</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost of Attendance</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tuition &amp; Fees</td>
<td>$10,500</td>
<td>$10,500</td>
<td>$21,000</td>
</tr>
<tr>
<td>Housing/Meal Plan</td>
<td>$4,750</td>
<td>$4,750</td>
<td>$9,500</td>
</tr>
<tr>
<td>Books/Supplies</td>
<td>$1,000</td>
<td>$1,000</td>
<td>$2,000</td>
</tr>
<tr>
<td>Transportation/Misc. Expenses</td>
<td>$2,000</td>
<td>$2,000</td>
<td>$4,000</td>
</tr>
<tr>
<td><strong>Total Estimated Cost of Attendance</strong></td>
<td><strong>$18,250</strong></td>
<td><strong>$18,250</strong></td>
<td><strong>$36,500</strong></td>
</tr>
<tr>
<td><strong>Grants &amp; Scholarships</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Academic Scholarship</td>
<td>$2,500</td>
<td>$2,500</td>
<td>$5,000</td>
</tr>
<tr>
<td>State Grant</td>
<td>$1,000</td>
<td>$1,000</td>
<td>$2,000</td>
</tr>
<tr>
<td>Federal Pell Grant</td>
<td>$1,500</td>
<td>$1,500</td>
<td>$3,000</td>
</tr>
<tr>
<td>Federal SEOG</td>
<td>$1,500</td>
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<tr>
<td><strong>Total Grants/Scholarships</strong></td>
<td><strong>$6,500</strong></td>
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<td><strong>$13,000</strong></td>
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<tr>
<td><strong>Employment</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Federal Work Study</td>
<td>$1,250</td>
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<td>$2,500</td>
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<tr>
<td><strong>Federal Direct Loans</strong></td>
<td></td>
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<td>Federal Direct Subsidized Loan</td>
<td>$1,750</td>
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<tr>
<td>Minus 1.066% origination fee</td>
<td>-$29.32</td>
<td>-$29.31</td>
<td>-$58.63</td>
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<tr>
<td><strong>Net Federal Direct Loans</strong></td>
<td><strong>$2,720.68</strong></td>
<td><strong>$2,720.69</strong></td>
<td><strong>$5,441.37</strong></td>
</tr>
<tr>
<td><strong>Estimated Remaining Balance</strong></td>
<td><strong>$7,779.32</strong></td>
<td><strong>$7,779.31</strong></td>
<td><strong>$15,558.63</strong></td>
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To cover the remaining balance, you may use some of these sources to finance your education:

- Outside Scholarships
- College or Other Savings Plans
- Tuition Payment Plans
- Federal Parent PLUS Loan or Non-Federal Private Student/Parent Loan
# Sample Financial Aid Offer

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- Tuition Payment Plans
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Filling any Remaining Gap or “Out of Pocket”
Private Resources
- KFC
- Coca-Cola
- Wal-Mart
- Exxon Mobil
- Scholarship America

Other Resources
Students and families should also check with their...
- Parent’s Employers
- Church, Synagogue, or place of worship
- Civic Clubs and Organizations
- High School Counselors
Outside Scholarships

Free Search Engines

- **Sallie Mae® Scholarship Search**
  - more than 5 million scholarships worth up to $24 billion
  - SallieMae.com/ScholarshipSearch

- **Fastweb**
  - over 1.5 million scholarships worth up to $3.4 billion
  - Fastweb.com/college-scholarships

- **Big Future by the College Board**
  - scholarships, other financial aid and internships from more than 2,200 programs, totaling nearly $6 billion
  - Bigfuture.collegeboard.org/scholarship-search
Best Practices When Promoting Search Engines

Look for search engines that offer:

- FREE searches
- Calendar listing scholarships by deadline
- Filtering capabilities
  - By name
  - By deadline
  - By award amount
- Rating of scholarships
- Adjustable settings
- Email alerts when new scholarship matches are available
- The ability to save profile information
- Mobile-friendly
Promoting Scholarships to Your Students

- Add scholarship information and links to your counseling website
- Host a scholarship brown bag lunch
  - Invite previous scholarship winners to talk about their search and application experiences
- Host a scholarship essay writing workshop in conjunction with English Department
- Partner with community-based organizations to send mailings or emails about scholarships
- Leverage school communications regularly sent to students and parents
- Publish a scholarship article in the school newspaper
- Use Social Media
Tuition Payment Plans

Varies by each school
Utilizes current family income and/or college or other savings plans

**Pro**
- Pay tuition in manageable monthly payments using household income
- Can provide an interest free funding option

**Con**
- Some plans have fees or other charges
- May incur penalties for late payments
# Federal Parent (PLUS) / Private Loans

<table>
<thead>
<tr>
<th></th>
<th>Federal Parent Loan (PLUS)</th>
<th>Private Loan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Who is the borrower?</td>
<td>Parent</td>
<td>Student/Parent/Other</td>
</tr>
</tbody>
</table>
| What is the interest rate? | 7.08% fixed AY19/20        | Variable & Fixed
Varies by lender. Tied to Libor and Prime. |
| Is there an origination fee? | 4.248% Disbursed prior to October 1, 2019 | Typically 0%
Varies by lender |
| When is the loan repaid? | 60 days after disbursement
Options may be available to defer payments | Typically 6 months after graduation or enrolled
less-than half-time
Varies by lender |
| How much can I borrow?   | Up to the cost of attendance minus other aid received | Up to the cost of attendance minus other aid received
Aggregate limits may apply |
| Do I need a co-signer?   | No                         | Possibly, but not always                          |
| Is the loan based on credit? | Yes If denied, the student is awarded $4,000 Unsubsidized Loan | Yes |
Tips & Recommendations
Financial Aid Offer Tips

• Review the information on the SAR to make sure there are no errors

• Students may have to “accept” or “decline” their offer with the school, either online or by returning a signed form

• Students don’t have to accept all the types of aid offered in the financial aid offer

• The offer covers one academic year only

• Families should compare the terms, conditions and details of each offer and consider more that just the dollar amount

• Comparing offers:
  • Online calculator – College Board www.bigfuture.collegeboard.org
  • Comparison Worksheet – Paying for College Resource www.payingforcollegeresource.com – under Financial Aid Offers
  • Create their own spreadsheet
Students & Parents Should Have a Checklist

- Make a plan for who will pay
- Do their research, use free tools and keep learning about their options
- Determine the combination of funding sources they will use
- Get the help they need:
  - School Counselor
  - Financial Aid Office
  - Admissions Office
Evaluate the Options

Many financing vehicles are available to families.

While there is no “one-size-fits-all” solution, families should follow the “1-2-3” approach:

- Find free money that doesn’t have to be paid back
- Explore federal student loans
- Fill any remaining gap with other sources

Some tools families are using have more disadvantages than advantages and should be carefully analyzed before pursuing.

When considering a private education loan, families should research all options.
Questions?
Conference Reminders

• For all conference related information, download the Conference App. See TV screens in registration area for additional information.

• Please complete the Workshop Evaluation: http://bit.ly/2IIXOVh

• Please complete the Full Conference Evaluation: http://bit.ly/2LM0rgF

• Support this year’s Annual Project through raffles, bingo, Monday power hour, and service project. Visit the activities desk for additional information.

• Visit exhibitors in Windgate Hall.

• Make plans to participate in evening activities:
  • Service Project Activity from 6:00 to 9:00 p.m.
  • Hospitalities from 7:30 to 9:00 p.m.
  • Bingo from 9:00 to 10:00 p.m.
  • Dance beginning at 9:00 p.m.

• For more information on MSCA, like us on Facebook (mymmsca) and follow us on Twitter (@myMSCA).