

Q&A about Financial Aid & Scholarships

Some people have sufficient financial resources to be able to pay for college tuition with little or no inconvenience or sacrifice. For most of us, however, this is not the case. The good news is that financial help is available. There are two general categories of money for college: 1) **need-based** financial aid and 2) **non-need-based** aid.

What is financial aid?

Simply put, financial aid is money to help a family pay the cost of attending college. Our nation's current financial aid system is based on a simple philosophy: that, *ideally, a student should be able to attend the college of his or her choice (assuming admission, of course), regardless of the cost of the college.*

In essence, then, *the purpose of financial aid is to help make it possible for a student to attend the college of his/her choice, regardless of the financial situation of the family.* The key to making this concept work is that everyone plays a part in it. The federal and state governments allocate funds to assist students who demonstrate financial need. The colleges agree to provide support for needy students. And, of course, the families agree to pay what they can afford – something called the **Expected Family Contribution**.

How is the Expected Family Contribution determined?

During a student's senior year, a family can fill out the **Free Application for Federal Student Aid** (FAFSA). The FAFSA – available on-line at www.fafsa.ed.gov. – should be completed as soon as possible after January 1 of the senior year. It is the tool used – based on a formula established by Congress – to calculate how much of the family's financial resources should be available to help pay for college. This amount is the **Expected Family Contribution** (EFC).

Need-based financial aid is based on the difference between the total cost of college and the EFC. The equation is:

$$\begin{aligned} & \text{Cost of Attendance} \\ & - \text{Expected Family Contribution} \\ & = \text{Financial Need} \end{aligned}$$

The Cost of Attendance (COA) is the total amount it will cost a student to attend a particular college for an academic year. It takes into consideration tuition, room and

board, books, supplies, transportation, and miscellaneous expenses. The EFC is subtracted from the COA to come up with the family's **need**.

Are any other financial aid forms required?

In addition to the FAFSA, a family may be asked to fill out another form during the financial aid process. Families should check with each college to see what it requires.

Profile: A few private colleges require this form in addition to the FAFSA. Please check with each college to see if they require the Profile.

Institutional Form: Some colleges require families to fill out an institutional financial aid form to provide additional information beyond what is included on the FAFSA.

What happens next?

After the FAFSA is submitted, the financial aid officer at each college to which the student has been admitted (and has submitted the financial information) will put together a **financial aid package**. This package is the college's effort to provide financial aid to help meet the student's need.

What might the financial aid package contain?

A financial aid package usually offers a combination of *gift aid* and *self-help* from federal, state, and campus resources.

What is gift aid?

As the name implies, gift aid is any type of aid that does not need to be paid back. Grants and scholarships are gift aid – money credited to the student against the cost of attendance. It can be a grant from the federal government (like a Pell Grant), from the state, or from the college itself (any type of grant or scholarship).

What is self-help?

Self-help includes work-study (a student is given an on-campus job and works to earn money toward college costs) and loans. Loans may come from federal sources, from the college, or from another source. They do have to be paid back, but some types have deferred payments while the student is in college, and interest rates tend to be lower.

Should I take out a college loan?

A good financial principle is to never borrow (pay interest) for anything that depreciates in value. But a college education tends to be an excellent investment. It appreciates in value and gives a high return on your investment. So don't be afraid to

borrow responsibly and take out a loan to help you be able to attend the college of your choice.

What is a scholarship?

In a pure sense, a scholarship is based on *merit* rather than on need. It is based on proficiency in a particular area – academics, athletics, music, etc.

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Who offers scholarships?

Most scholarships are offered directly by the college. For example, a college may offer an academic scholarship to a student for having a particular GPA or ACT score, for being a valedictorian, for winning a competition or demonstrating proficiency in a particular academic discipline, or for other academic-related accomplishments. They may be offered automatically, or may require writing an essay or coming to campus for a competition.

Many colleges offer music scholarships. These are often awarded on the basis of an audition or competition. Practically speaking, a reasonably good bassoon player may be more likely to receive a music scholarship than a reasonably good vocalist, for one simple reason – there are fewer bassoon players than vocalists, so the competition for them will be more intense.

Some colleges offer athletic scholarships; others do not. Some colleges award scholarships for children of alumni, or members of a particular denomination. Some may award scholarships to students from a particular state, to students planning to major in a particular subject, or even “leadership scholarships.”

Frankly, a college may package a need-based grant as a scholarship because the word “scholarship” has more marketing sizzle than the word “grant.” Either way, it is “gift aid” that does not need to be paid back. A grant is just as good as a scholarship. As you compare financial aid packages, don’t be confused by the terminology.

Again, do not choose a college simply because it offers you money. Some colleges (the Ivy League schools, for example) offer few or no academic scholarships. But they tend to offer excellent financial aid packages to families with need.

Don’t be enticed to a particular college only because of the money. If it comes down to two colleges that you like equally well, it certainly makes sense to choose the one that

offers you a better financial package. Otherwise, if a college is not a good fit, it's a bad choice and a poor investment.

Besides the college, where can I go to look for scholarships?

While most scholarships are given by the specific college – based on grades, test scores, or specific talents – some scholarships are offered by outside organizations. You may have heard that “billions of dollars in financial aid go unclaimed each year.” This is simply not true. Some advice: Never pay money to an organization that promises to secure scholarships for you. Most are scams – the information they provide is almost always available for free through other available resources.

Searching for outside scholarships can be a time-consuming process. There are national, specialized and local scholarships. Competition for national scholarships will be extremely high, and winning one can take a lot of time and effort as well as a lot of luck. Scholarships from Coca-Cola and Toyota are two examples of national scholarships. If you want to try, FastWeb (www.fastweb.net) is probably the best resource for outside scholarships. Another is www.finaid.org.

Specialized scholarships would include those given by companies, labor unions, etc. to children of employees or members. Other examples would be scholarships based on a specific attribute (ethnic heritage, physical challenge, career interest, etc.). This category of scholarship will most likely be somewhat less competitive than the national ones.

Though smaller in amount and still competitive, local scholarships are the best potential resource. Local clubs like Rotary or Women's Clubs select students from their town or specific school district. Every local scholarship for which we have information will be listed in Naviance. Check frequently for updates.

Here are some helpful web sites about Financial Aid:

www.finaid.org
www.fastweb.net
www.fafsa.ed.gov

The first two web sites provide some scholarship resources as well as a free “calculator” to help estimate your Expected Family Contribution. The third is the government's financial aid web site, and provides a way to complete the FAFSA on-line.

Are there any guidelines that might be helpful regarding college costs?

1) It is difficult for most of us to be able to save a lot towards a college education. Here is a rule of thumb from FinAid.org – the “one-third rule” – that some people find helpful. “This rule states that you should expect to save one third of the expected college costs, pay one third from current income and financial aid during the college years, and borrow one third using a combination of parent and student loans. Effectively, one third will be coming from past income (savings), one third from current income, and one third from future income (loans), letting you spread the cost of a college education over an extended period of time.”

2) College Planners, Inc. is a company in Bensenville that specializes in financial aid planning for families and presents a free seminar each October at Wheaton Academy. **(In 2014, this seminar will be Monday, October 6.)** They suggest the guideline that a student might appropriately expect to graduate with student loans equivalent to the cost of one year of tuition at the college attended.