FINANCING A COLLEGE EDUCATION 2017-18
WHY THIS SEMINAR?

Journal of Student Financial Aid

“College Costs, Financial Aid and A Bunch of Confused Parents”

by Karl E. Case

The author challenges the “snap shot” approach to measuring a family’s ability to pay and suggests an alternative a more long term approach which would encourage early family planning for the costs of college....
“...We believe that colleges dramatically underestimate the level of confusion and lack of knowledge about college costs and financial aid among families...
Mistakes Parents Make With Financial Aid
The Timing of Certain Financial Decisions Can Hurt Students' Eligibility for Assistance
“FINANCING A COLLEGE EDUCATION”

- Purpose of Financial Aid
- Determining the Cost of Higher Education
- Understanding Need Analysis
- Sources of Financial Aid
- How to Apply for Financial Aid
- How Financial Aid Award Decisions are Made
- Completing the Need Analysis Document(s)
- Alternative Options to Financing a College Education

- Question and Answer Period
LEARNING ABOUT FINANCIAL AID
CURRENT ISSUES IN STUDENT FINANCIAL AID

- FEDERAL LEGISLATION GOVERNING FINANCIAL AID
  - Financial Aid Simplification and Transparency Act (FAST)

- COLLEGE AFFORDABILITY
  - Why Does College Cost So Much? / College Cost Bubble

- TERMS AND DEFINITIONS
  - Sticker Price vs. Net Price
  - Need-Blind Admissions

- STUDENT DEBT BURDEN

- EDUCATION TAX BENEFITS - $35,000,000,000
BIGGEST ISSUE
IN FINANCIAL AID

PPY
PRIOR-PRIOR YEAR
Go to: www.irs.gov

Publication 970 “Tax Benefits for Education”

• American Opportunity Tax Credit
• Lifetime Learning Tax Credit
• Tuition and Student Loan Interest Deductions
• Coverdell Education Savings Accounts (Education IRA’s)
• IRS 529 College Savings Plans (QTP’s)
On A Lighter Note...

Do you know the definition of a nice boy?

No...

A kid who sacrificed college, so his parents could have everything.
What is Financial Aid?

• Scholarships
• Grants
• Loans
• Employment Opportunities
Two Categories of Aid

• Need-based aid

• Non-Need-based aid (Merit-based)
DEFINITION OF NEED

Cost of Attendance

- Expected Family Contribution (EFC)

= Financial Need
Cost of Attendance - Expected Family Contribution (EFC) = Need (variable) (constant) (variable)
DEFINITION OF NEED

Cost of Attendance - Expected Family Contribution (EFC) = Need

(variable) (constant) (variable)

<table>
<thead>
<tr>
<th>Cost of Attendance</th>
<th>College A</th>
<th>College B</th>
<th>College C</th>
</tr>
</thead>
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<tr>
<td>$60,000</td>
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</tbody>
</table>
Need Varies with College Costs

College A

Cost $47,000
Family expected to pay $16,000
Financial need $31,000

College B

Cost $28,000
Family expected to pay $16,000
Financial need $12,000
Cost of Attendance

• Tuition and Fees
• Room and Board
• Books and Supplies
• Transportation
• Miscellaneous Expenses

DIRECT Expenses

INDIRECT Expenses
“rising fees and increasing student debt, combined with shrinking financial and educational returns are undermining at least the perception that university is a good investment.”
Every postsecondary institution **MUST** post a net price calculator on its website that uses institutional data to provide estimated net price information to current and prospective students and their families based on a student’s individual circumstances.
Need Analysis

Evaluation of family’s financial circumstances to determine family’s ability to contribute toward the student’s educational expenses

= the Expected Family Contribution (EFC)

So what is Expected Family Contribution (EFC)?
The amount the family can reasonably be expected to contribute
Need Analysis Forms

• Free Application for Federal Student Aid (FAFSA)
• CSS/Financial Aid PROFILE

Need Analysis Agencies

• Federal Government
• The College Scholarship Service (CSS)
NEED ANALYSIS FORMULAS

Federal Methodology (FM)
Eligibility for Federal/State Financial Aid

Institutional Methodology (IM)
Eligibility for College/University Financial Aid
Understanding the Formulas

Federal and Institutional Methodologies Differ in both Theory and Calculations
Federal Methodology – 2017-18

Parent’s Income
Taxable + Untaxed Income and Benefits
- Federal Taxes/FICA
- State Tax Allowance
- Employment Allowance
- Income Protection Allowance (IPA)

= Available Income

Parent’s Assets
Cash, Savings, & Checking Accounts
Investments + Other Real Estate Equity
(Exception: No Home Equity)
Adjusted Business/Farm Net Worth
- Education Savings and Asset Protection Allowance (by age)

= Discretionary Net Worth
x 12% Conversion Rate

= Contribution from Assets

Student’s Income & Assets
Taxable+ Untaxed Income
- Taxes/FICA
- Income Protection Allowance ($6,420)

= Available Income x 50%
= Contribution from Income +
Student’s Assets
x 20%
= Contribution from Assets
= Student’s Contribution

Adjusted Available Income
x AAI Taxation Rate (max 47%)
= Total Contribution / Children in College
= Parents’ Contribution

= Expected Family Contribution (EFC)
Institutional Methodology - 2017-18

**Parent’s Income**
- Taxable + Untaxed Income and Benefits
  - Taxes/FICA
  - Med/Dental Expenses
  - Employment Allowance
  - Annual Education
    - Savings Allowance (AESA)
  - Income Protection Allowance (IPA)

= Available Income
\[ \text{x} \ PC \ Taxation \ Rate \ (\text{max} \ 47\%) \]
= Parents’ Contribution from Income
\[ \text{x} \ # \ in \ College \ Adjustment \]
= Parents’ Contribution for Student

**Parent’s Assets**
- Cash, Savings, & Checking Accounts
- Home Equity
- Investments + Other Real Estate Equity
- Adjusted Business/Farm Equity
- Assets in Siblings’ Names
  - Asset Protection Allowances:
    - Emergency Reserve Allowance
    - Cumulative Education Savings Allowance (CESA)
    - Low Income Asset Allowance

= Discretionary Net Worth
\[ \text{x} \ Asset \ Assessment \ Rate \ (\text{max.} \ 5\%) \]
= Parents’ Contribution from Assets

**Student’s Income & Assets**
- Taxable+ Untaxed Income
  - Taxes/FICA

= Available Income
\[ \text{x} \ [\text{formula}] \ \text{or min.} \ $2,000 \]
\[ \leq \text{Contribution Cap} \]
= Contribution from Income

+ Student’s Assets
\[ \text{x} \ 25\% \]
= Contribution from Assets

= Student’s Contribution

= Expected Family Contribution (EFC)
DEFINITION OF NEED

Cost of Attendance
- Expected Family Contribution (EFC)

= Financial Need
PRIMARY SOURCES OF FINANCIAL AID

• Federal Government
• State Governments
  Roberta B. Willis Scholarship
  (formerly Governor’s Scholarship)
• Postsecondary Institutions
• Private Agencies
ROBERTA B. WILLIS SCHOLARSHIP
(formerly GOVERNOR’S SCHOLARSHIP)

Connecticut Office of Higher Education
www.ctohe.org

• Merit **AND** Need-Based

• Eligibility:
  • cumulative class rank in **top 20%** at end of junior year of high school **OR**
  • **combined scores** (math, critical reading, writing) of at least **1210** on any one sitting of SAT’s/ACT 27 or greater

• Grant Awards:
  • Connecticut schools: up to **$5250 (4-yr)/$4650 (2-yr)**
  • **Deadline:** February 15 (including FAFSA)
  • Application available through high school guidance office
Primary Sources of Financial Aid

- Federal Government
- State Governments
  Capitol Scholarship Program
- Colleges and Universities
- Private Agencies
Private Sources of Aid

Local, Regional, State, and National Scholarships

• Community/Charitable Organizations
• Foundations
• Professional Associations
• Businesses/Corporations
• Employers

*FREE Website Searches*
Beware!

Fee-based Computerized Scholarship Search Services

Matching Students and Scholarships Can Prove Risky

Enforcement Officials Issue Warning on Guarantees, Fee Gouging

Don’t Get Baked by Scholarship Search Firms

Evidence that the thou sands of companies that offer their $45 to $200

launder

Trade

the

the

which

scholarships of as much as $20,000, only provided information found in libraries

or their ads aimed at potential

franchisees

failed

the

money-

making

opportunities, says Eliza Harrington, an FTC associate.

Ouch! Students Getting Stung in Search for College Money

Scholarship Search Companies Alert

On September 28, 1992, the City Better Business Bureau

For Government Grants:

Don’t Take Them For Grant-ed

Cal. Company Agrees to Refund $20,000 in Scholarships

Services,

6 $IGN$ TH$AT YO$R $CHOLAR$HIP IS $UNK

1. "The scholarship is guaranteed or your money back."
   No one can guarantee that they'll get you a grant or scholarship. Refund guarantees often have conditions or strings attached. Get refund policies in writing – before you pay.

2. "You can't get this information anywhere else."

4. "We'll do all the work."
   Don't be fooled. There's no way around it. You must apply for scholarships or grants yourself.

5. "The scholarship will cost some money."


CAUTION!

Financial Aid Consultants

* Don't touch that FAFSA before you contact us! *
* Double or Even Triple Your Eligibility! *
* Join us for Dinner. Complimentary Tickets Enclosed. *
FEDERAL FINANCIAL AID
TITLE IV PROGRAMS

• Three Campus-based Programs
  
  Federal Supplemental Education Opportunity Grant (FSEOG)
  Federal Perkins Loan Program
  Federal Work-Study Program (FWS)

• Federal Pell Grant Program – maximum $5,920
  
  Teacher Education Assistance for College and Higher Education Grant (TEACH Grant)
  Iraq and Afghanistan Service Grant (IASG)

• Federal Direct Loan Programs
  
  Federal Direct/Stafford Student Loans
  Federal Direct PLUS Loans
FEDERAL DIRECT LOANS
FEDERAL STAFFORD STUDENT LOANS

Subsidized
• All borrowers must demonstrate need
• Annual maximum loan: $3,500/first year undergraduate study
• Interest Rate: fixed at 3.76%
• Fees: 1.069% origination fee
• Delayed repayment, deferment provisions

Unsubsidized
• Interest accrual begins with disbursement
• Interest Rate: fixed at 3.76%
FEDERAL PLUS LOANS (PLUS)

PARENT LOAN FOR UNDERGRADUATE STUDENTS

• Parent loan for dependent undergraduate and graduate students

• Parents with “adverse credit history” not eligible
  (Credit Check - No loan delinquencies of 90 days or longer in prior 5 years)

• Annual Loan Maximum: NONE
  (Limited to: Cost - Estimated Financial Aid)

• Interest Rate: fixed – 6.31%

• Fees: 4.276% origination fee

• Repayment: Interest accrual and repayment begins 60 days after loan disbursement/10 years repayment
CHESLA LOAN

• Loan to student **with** parent or other creditworthy individual as co-applicant

• **Eligibility:** good credit history; 43% debt to income ratio; minimum income level $20,000 AGI

• **Annual Loan Maximum:** NONE
  (Limited to: Cost - Other Financial Aid; up to cumulative maximum of $125,000)

• **Interest Rate:** **fixed** = 4.95% (interest only while in school)

• **Fees:** 3% Reserve Fee

• **Repayment:** In-school + 6-month grace period interest only for 8 years; then principal and interest/ 140-month repayment

• Administered by **Connecticut** Higher Education Supplemental Loan Authority (CHESLA)

www.chesla.org  860.520.4001/800.252.3357
ALWAYS BORROW CONSERVATIVELY

NEVER BORROW MORE THAN YOU NEED

- ALWAYS CHECK OTHER FINANCIAL AID AVAILABLE TO YOU BEFORE YOU BORROW
- BORROWING WILL IMPACT STUDENT’S FUTURE LIFESTYLE BECAUSE LOANS MUST BE REPAYED
- LOANS SHOULD BE CONSIDERED FINANCIAL AID OF LAST RESORT
## Connecticut

View or download these data in a sortable table at CollegeInSight.

<table>
<thead>
<tr>
<th>Public 4-Year Institutions and Private Non-Profit 4-Year Institutions</th>
<th>Rank</th>
<th>Proportion with Debt **</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Average Debt</strong> <strong>$29,750</strong></td>
<td>7</td>
<td>62%</td>
</tr>
</tbody>
</table>
You’ll Never Guess College Students’ Biggest Regret

It’s not what you think

You might think that when people look back on their college years, their biggest regret would be not being more involved socially, choosing the wrong major or partying too much. In reality, the biggest regret college grads face is a much more grown-up one, and it’s one with repercussions that can follow them well into their adult years.

According to a study conducted by Citizens Financial Group, 77% of former college students age 40 and younger regret not doing a better job of planning how to manage their student loan debt.

Student loan debts have ballooned in recent years, even as the demand for higher education has boomed as more companies in nearly every industry require that job applicants have college degrees. Earlier this year, Federal
APPLICATION PROCEDURES

- APPLICATION FOR ADMISSION
- INSTITUTIONAL APPLICATION FOR FINANCIAL AID
- NEED ANALYSIS FORM(S) - FAFSA and PROFILE
- STUDENT AID REPORT (Computer e-SAR)
- OTHER INFORMATION AS REQUESTED (PPY - 2015 IRS TAX RETURNS)

DEADLINES!
## Request for Transcript of Tax Return

Do not sign this form unless all applicable lines have been completed.
Request may be rejected if the form is incomplete or illegible.
For more information about Form 4506-T, visit www.irs.gov/form4506-t.

### Tip
Use Form 4506-T to order a transcript or other return information free of charge. See the product list below. You can quickly request transcripts by using our automated self-help service tools. Please visit us at IRS.gov and click on “Get A Tax Transcript” under “Tools” or call 1-800-908-9946. If you need a copy of your return, use Form 4506, Request for Copy of Tax Return. There is a fee to get a copy of your return.

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<table>
<thead>
<tr>
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<tbody>
<tr>
<td><strong>1a</strong></td>
<td>Name shown on tax return. If a joint return, enter the name shown first.</td>
</tr>
<tr>
<td><strong>1b</strong></td>
<td>First social security number on tax return, individual taxpayer identification number, or employer identification number (see instructions)</td>
</tr>
<tr>
<td><strong>2a</strong></td>
<td>If a joint return, enter spouse’s name shown on tax return.</td>
</tr>
<tr>
<td><strong>2b</strong></td>
<td>Second social security number or individual taxpayer identification number if joint tax return</td>
</tr>
<tr>
<td><strong>3</strong></td>
<td>Current name, address (including apt., room, or suite no.), city, state, and ZIP code (see instructions)</td>
</tr>
<tr>
<td><strong>4</strong></td>
<td>Previous address shown on the last return filed if different from line 3 (see instructions)</td>
</tr>
<tr>
<td><strong>5</strong></td>
<td>If the transcript or tax information is to be mailed to a third party (such as a mortgage company), enter the third party’s name, address, and telephone number.</td>
</tr>
</tbody>
</table>

### Caution
If the tax transcript is being mailed to a third party, ensure that you have filled in lines 6 through 9 before signing. Sign and date the form once you have filled in these lines. Completing these steps helps to protect your privacy. Once the IRS discloses your tax transcript to the third party listed on line 5, the IRS has no control over what the third party does with the information. If you would like to limit the third party’s authority to disclose your transcript information, you can specify this limitation in your written agreement with the third party.

| **6** | Transcript requested. Enter the tax form number here (1040, 1065, 1120, etc.) and check the appropriate box below. Enter only one tax form number per request. |
| **a** | Return Transcript, which includes most of the line items of a tax return as filed with the IRS. A tax return transcript does not reflect changes made to the account after the return is processed. Transcripts are only available for the following returns: Form 1040 series, Form 1065, Form 1120, Form 1120-A, Form 1120-H, Form 1120-L, and Form 1120S. Return transcripts are available for the current year. |

Form 4506-T
Department of the Treasury
Internal Revenue Service

OMB No. 1545-1872
Completing the Need Analysis Document(s)

FAFSA
Free Application for Federal Student Aid
www.fafsa.gov

CSS/Financial Aid PROFILE
www.collegeboard.org
Completing the Need Analysis Document(s)

FAFSA
Free Application for Federal Student Aid
www.fafsa.gov

Everyone MUST file a FAFSA

FILED ELECTRONICALLY
Beginning October 1, 2016

www.collegeboard.org
Register for an FSA ID

Website: studentaid.gov/fsaid

- Serves as electronic signature
- Provides access to personal information
- Speeds processing
- Student and parent(s) apply
- Same FSA ID is used each year
- Register ASAP!
Welcome, new user!

Fill out your FAFSA (Free Application for Federal Student Aid)! To receive federal student financial aid, you need to fill out a FAFSA every school year. Let's get started.

For which school year are you applying for financial aid?

2017-2018 school year

START 2017-2018 FAFSA

2016-2017 school year

START 2016-2017 FAFSA

If you are applying for a summer session, or just don't know which application to complete, check with the college you are planning to attend.

FSA ID

FSA ID Status:
Create an FSA ID

There is no FSA ID on file for the information you entered.

NEED HELP?
Completing the FAFSA
IRS DATA RETRIEVAL tool

While completing FOTW, applicant should utilize IRS Data Retrieval Tool (IRS DRT) to import tax information to FAFSA

Studentaid.gov/irsdrt - participation is voluntary, but recommended
Completing the FOTW
KNOWING Your
Expected Family Contribution (EFC)
and Your Data Release Number (DRN)

Congratulations, misty! Your FAFSA was successfully submitted to Federal Student Aid. You should print this page and keep your records.

What Happens Next
- You will be notified when your FAFSA is processed.
- Your FAFSA information will be made available to your school(s), and they will use it to determine the aid you may be eligible to receive.
- Your school(s) will contact you if they need more information or when they are ready to discuss your financial aid award.
- If you have questions about your financial aid package, contact your school(s).

Eligibility Information
Estimated Expected Family Contribution (EFC) = \(00000\)
The EFC is an index that schools use to determine your eligibility and is not the amount of money that you have to pay. Your school’s financial aid office will use your EFC to determine the specific types and amounts of student aid you are eligible to receive.

Based on the eligibility criteria, you may be eligible for the following:
- Pell Grant Estimate - $5,550.00
- Direct Stafford Loan Estimate - $12,500.00
You may also be eligible to receive other federal, state, or institutional grants, scholarships, and/or work-study.

In addition, you should learn about federal tax benefits for education, including the American Opportunity Tax Credit (AOTC).
Completing the Need Analysis Document(s)

FAFSA
Free Application for Federal Student Aid
www.fafsa.gov

CSS/Financial Aid
PROFILE
www.collegeboard.org

FILED ELECTRONICALLY
Beginning October 1, 2016
CSS/Financial Aid PROFILE

www.collegeboard.org

1. Registration
2. Pre-Application Worksheet and Application Instructions
3. *Customized* Application (fee-based)
(4. *Noncustodial* Parent PROFILE (NCP))
CSS / Financial Aid PROFILE

Use PROFILE to Apply for Financial Aid.

Welcome to PROFILE. By filling out one form, you can apply online for nonfederal financial aid from almost 400 colleges, universities, professional schools, and scholarship programs.

Apply for Financial Aid

Complete your PROFILE application to apply for financial aid.

This interactive presentation will give you useful tips and help you prepare to apply for financial aid using CSS/Financial Aid PROFILE®.

The minimum browser requirements to view the presentation are Internet Explorer 9+, Chrome 21+, Safari 6.1+, Firefox 14+, iPad 4+, and Android tablet 4.1+.

Useful Resources

- Interactive Presentation: CSS/Financial Aid PROFILE Overview
- 2017-18 PROFILE Student Guide
- Participating Colleges, Universities, and Scholarship Programs

Sign In

Fall 2017 or Spring 2018

Fall 2016 or Spring 2017
Welcome to PROFILE Online!

- Start by clicking on "Click here before you begin" for general instructions, documents to gather navigation tips, and information on the cost of the service.

**Click here before you begin.**

- Next, click on "Register for PROFILE" to complete the PROFILE registration process. Your answers to these few registration questions will give the College Board the information needed to create an online application customized for you.

- You must register for PROFILE each year you wish to file an application. However, if you submitted a 2015-16 PROFILE Application and signed in using your user name from that year, some information may have been pre-filled from that application. Please review the information carefully.

- Once you've registered, you can begin the application or you can download or print the customized instructions and Pre-Application Worksheet that are available at the end of registration. They will also be available on this page after you register.

- If you have already registered for PROFILE for 2016-17, please exit PROFILE and sign-in with your original user name and password.

To learn more about the College Board and PROFILE click on "About PROFILE." To see if the colleges and programs you're applying to require the PROFILE, click on "Participating Institutions."
Noncustodial PROFILE

for select divorced/separated parents

Noncustodial PROFILE

Welcome to the Noncustodial PROFILE (NCP). Please click on the link in the box below to find out more about the NCP including why colleges and programs require it, how the information you give will be used, tips to make filling out the application easier, and where to get help if you need it.

First Time Users - Click here before you begin for important information about NCP

Sign In

The first time you sign in enter your child’s CSS ID and the Noncustodial PROFILE password that was assigned to you as part of your child’s CSS/Financial Aid PROFILE process. You will automatically be asked to change your password in order to prevent your child and the custodial parent from accessing your information. (If you are not required to change your password and this is your first time accessing the application, please click on "Change Password" while signed in and create a new password. Once the application has been submitted you cannot change your password.)

Your child's CSS ID: 
Password: 

Forgot Your Password?

\Sign In to 2017-18 Noncustodial PROFILE \Sign In to 2016-17 Noncustodial PROFILE

The latest two versions of Google Chrome, Internet Explorer, Mozilla Firefox, and Safari are the only browsers approved for accessing Noncustodial PROFILE online. To view some documents, the latest version of Adobe Reader or higher is required. Some pages may not display properly on Macs or via other browsers. Cookies must be enabled.
YOUR COMPLETED PROFILE

1. Registration
2. Pre-Application Worksheet and Application Instructions
3. Customized Application (fee-based)
4. Noncustodial Parent PROFILE (NCP)

PROFILE Acknowledgement
- Data Confirmation Report and Correction Process
- “Add Colleges To Submitted Application”

IDOC Process
PROFILE Online Acknowledgement

**ACKNOWLEDGMENT**

**Status:** Application submitted

You have now submitted your PROFILE Application. This acknowledgment includes:
- Your payment receipt,
- Confirmation of the data entered on your application, and,
- If applicable, important additional requirements.

Print or save a copy for your records.
[See More]
To return to your acknowledgment later, click on "Check Status of Application" on the PROFILE Home Page.

**Payment Receipt**

- **Student Name:** Ethan Allen Board
- **CSS ID:** 4000073
- **Application Submitted:** 08-16-2016

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<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Application Fee</strong></td>
<td>$9.00</td>
</tr>
<tr>
<td><strong>College/Program Reporting Fees</strong></td>
<td>$32.00</td>
</tr>
<tr>
<td>2 College(s)/Program(s) at $16.00 each</td>
<td></td>
</tr>
<tr>
<td><strong>Total Charge</strong></td>
<td>$41.00</td>
</tr>
<tr>
<td><strong>Amount Paid</strong></td>
<td>$41.00</td>
</tr>
<tr>
<td><strong>Method of Payment</strong></td>
<td>Credit/Debit card</td>
</tr>
</tbody>
</table>

**Colleges and Programs**

Listed below are the Financial Aid Award Dates, and, if relevant, additional requirements for the colleges and programs that will be sent your PROFILE information.

<table>
<thead>
<tr>
<th>CSS Code</th>
<th>Name of College or Program</th>
<th>ED/EA Award Date</th>
<th>Regular Award Date</th>
<th>Additional Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>2785</td>
<td>New York University</td>
<td>H</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5024</td>
<td>College of Sample</td>
<td>12-12-2016</td>
<td>11-01-2016</td>
<td>A BCDEGHIMN</td>
</tr>
</tbody>
</table>

**Award Dates**

[See More]

**Additional Requirements**

If you have additional requirement codes above, read these special messages (below) from your colleges and programs. Provide any additional information requested directly to them, not the College Board. Contact the college or program if you have any questions about a message.
Summary of the Application Process

It’s really not as complex as it seems!
DEVELOPMENT OF NEED

Determining Eligibility for Financial Aid

Cost of Attendance
- Expected Family Contribution
= Student’s Financial Need
Need Equals Eligibility For Aid

Need = Eligibility
Available Aid May Not Equal Need

Need > Available Aid
FINANCIAL CONSIDERATIONS IN EVALUATING COLLEGE CHOICE

IT’S **NOT** HOW MUCH YOUR NEED IS?

**BUT** HOW MUCH OF YOUR NEED IS BEING MET?

**THEORY:** 100% Need Met

Cost of Attendance - Expected Family Contribution (EFC) = Need = Financial Aid

(Computed)

**REALITY:** < 100% Need Met = A NEW “DEFINITION”

Cost of Attendance - Financial Aid = **REAL** Expected Family Contribution (EFC)
UNDERSTANDING THE FINANCIAL AID AWARD PROCESS

NEED vs. FINANCIAL AID vs. REAL COST

**CHECK** YOU APPLY

<table>
<thead>
<tr>
<th></th>
<th>COLLEGE A</th>
<th>COLLEGE B</th>
<th>COLLEGE C</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>COST</strong></td>
<td>$28,000</td>
<td>$28,000</td>
<td>$51,000</td>
</tr>
<tr>
<td><strong>- EFC</strong></td>
<td>11,000</td>
<td>11,000</td>
<td>11,000</td>
</tr>
<tr>
<td><strong>NEED</strong></td>
<td>$17,000</td>
<td>$17,000</td>
<td>$40,000</td>
</tr>
</tbody>
</table>

**CHECK** COLLEGE MAKES FINANCIAL AID AWARDS

<table>
<thead>
<tr>
<th></th>
<th>COLLEGE A</th>
<th>COLLEGE B</th>
<th>COLLEGE C</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FINANCIAL AID AWARDS</strong></td>
<td>$17,000</td>
<td>$16,000</td>
<td>$30,000</td>
</tr>
<tr>
<td>AID = NEED</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AID &lt; NEED</td>
<td></td>
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</tbody>
</table>
UNDERSTANDING THE FINANCIAL AID AWARD PROCESS

**NEED vs. FINANCIAL AID AID vs. REAL COST**

<table>
<thead>
<tr>
<th></th>
<th>COLLEGE A</th>
<th>COLLEGE B</th>
<th>COLLEGE C</th>
</tr>
</thead>
<tbody>
<tr>
<td>COST</td>
<td>$28,000</td>
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<td>$51,000</td>
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<td>11,000</td>
<td>11,000</td>
<td>11,000</td>
</tr>
<tr>
<td>NEED</td>
<td>$17,000</td>
<td>$17,000</td>
<td>$40,000</td>
</tr>
<tr>
<td>EFC</td>
<td>$11,000</td>
<td>$12,000</td>
<td>$21,000</td>
</tr>
</tbody>
</table>

**EVALUATING WHAT THE FINANCIAL AID MEANS?**

<table>
<thead>
<tr>
<th></th>
<th>COLLEGE A</th>
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<th>COLLEGE C</th>
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<td>$51,000</td>
</tr>
<tr>
<td>- FIN AID</td>
<td>17,000</td>
<td>16,000</td>
<td>30,000</td>
</tr>
<tr>
<td>YOUR EFC</td>
<td>$11,000</td>
<td>$12,000</td>
<td>$21,000</td>
</tr>
</tbody>
</table>

★★THE MOST FINANCIAL AID IS **NOT** ALWAYS THE BEST FOR YOU★★
Financial Aid Awarding and UNMET NEED
[SOMETIMES CALLED “GAPPING”]

Cost of Attendance $51,000
- EFC $11,000
= Financial Need $40,000

Financial Aid Awards
• Scholarships $16,000
• Grants $8,000
• Direct Loan $3,500
• Work-Study $2,500
Total Aid $30,000

COST – [EFC + Aid] = UNMET NEED

EFC ($11,000) + UNMET NEED ($10,000) = $21,000 = REAL FAMILY CONTRIBUTION
Role of the Financial Aid Office

• Determine final eligibility for need-based aid
• Prepare financial aid package
• Send financial aid award letter to student

Includes:

• Cost - EFC = Need
• Types and amounts of financial aid
• Disbursements procedures
• Terms and conditions of the award
• Deadline date for acceptance
TERMS and ACRONYMS: FAFSA, CSS, EFC, AGI, IRS 529, FM, IM, FICA, COA, F/T, P/T, SAR, PLUS, W-2, 1098T, 1099, UGMA, UTMA, IRA
REALLY UNDERSTANDING IT!

Sticker Price - Discounts (Financial Aid, Merit Aid, Scholarships, etc.) = Net Price
Cheat Sheets

Student Applications
For Financial Aid Give
Lots of False Answers

Tax Returns Often Conflict.
But Colleges Don't Try
Very Hard to Stop Fraud

Pell Grants for the Well-Off

By Steve Stevens
Staff Writer of The Wall Street Journal

When Vernon Smith III applied for
financial aid at Penn State University.

He listed a $2,151 federal income tax
return. The IRS said he also earned
$2,500 in other income.

When cheapest dr. A. Russell Brown
submitted a tax return to Ohio
State University.

"Do I Have to Be A Cop?"
Detecting, Evaluating and
Reporting Financial Aid Fraud

By Richard S. Brown
NASFAA's Student Aid Transcript

Financial Aid for the Rich
Above the Business Sense

Parents Who Cheat

The case of Gregory v. Helvering 59 F.2d 809, 810 (2d Cir. 1934)

"Anyone may arrange his affairs so that his taxes shall be as low as
possible; he is not bound to choose that pattern which best pays the
treasury. There is not even a patriotic duty to increase one's taxes.
Over and over again the Courts have said that there is nothing sinister
in so arranging affairs as to keep taxes as low as possible. Everyone
does it, rich and poor alike and all do right, for nobody owes any
public duty to pay more than the law demands."

Judge Learned Hand, U.S. Court of Appeals

FAA Guide to Detecting Fraud on Financial Aid Applications

The discussion below concerns detecting fraud by students and parents on financial aid applications. Information
about preventing financial aid fraud in which families are the victims can be found in the Scholarship Scams section.

Educational aid fraud is a serious problem. A US Department of Education audit of 2.3 million 1995-96 Pell grant
recipient recipients found that 4.4% -- about 100,000 -- had reported income figures on their financial aid applications that were
lower than the figures reported to the IRS. This section offers advice on identifying fraud on financial aid applications.
VERIFICATION

Why do you have the number 240 tattooed on your arm?

I made a two dollar and forty cent mistake on my FAFSA.
HELPFUL HINTS

- **Read all information**
- Follow *each* school’s application instructions
- Fill out applications completely *and* accurately, *and* don’t be afraid to estimate
- Explain special circumstances
- Organize your application procedure
- **Make copies** of everything
- Search private scholarship sources
- **Observe all deadlines** – Some financial aid is now awarded on a “first-come, first-served” basis

**APPLY EVERY YEAR**
WHY APPLY?

CONSUMERISM

ASK 's:

Do you have a financial aid appeals process?
Do you subscribe to need blind admissions?
How do you treat outside scholarships?
Are my scholarships renewable?
Do you meet full need?
"And most parents use our easy-pay tuition plan. You just have both of your paychecks mailed directly to us, and we'll send you a small weekly allowance to cover living expenses!"
TO GET FINANCIAL AID, YOU MUST APPLY FOR IT

THERE IS A WAY TO PAY FOR COLLEGE…
REMEMBER: Graduation will eventually come!
THANK YOU AND BEST OF LUCK!

THE END
Contact Information: Frank R. A. Resnick
email: resnick111@comcast.net