

# Financial Aid Basics

AVID Region 2



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# Introduction

## Financial Aid Basics:

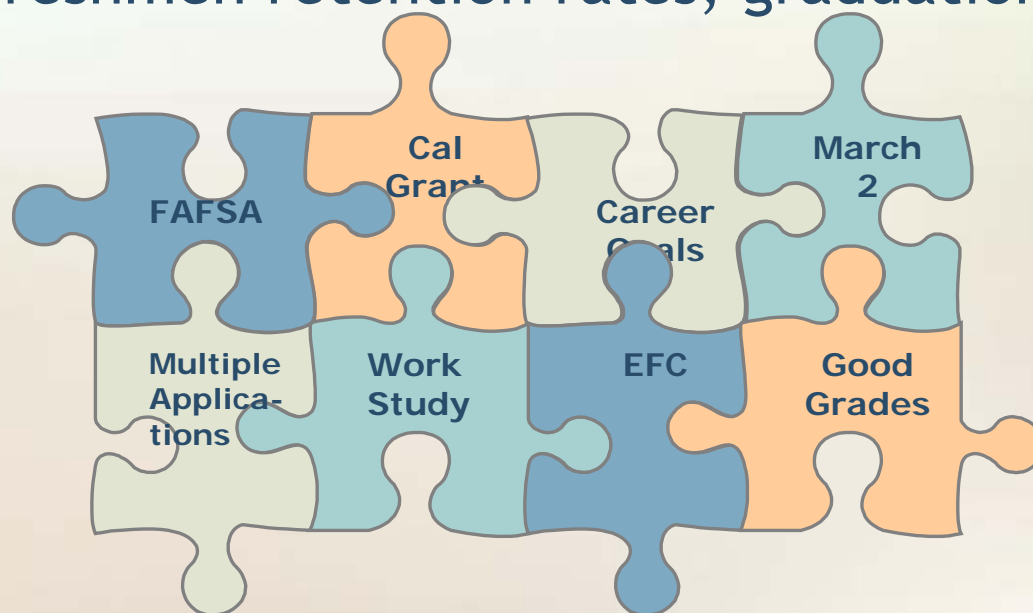
- What is a FAFSA and how do you apply?
- What is a Cal Grant?
- How can you create the best opportunity for obtaining financial aid?

# Agenda

- FAFSA
- Determining Financial Need
- Award Letters
- Career Path
- Getting Organized
- Special Circumstances
- FAFSA scenarios
- Summary

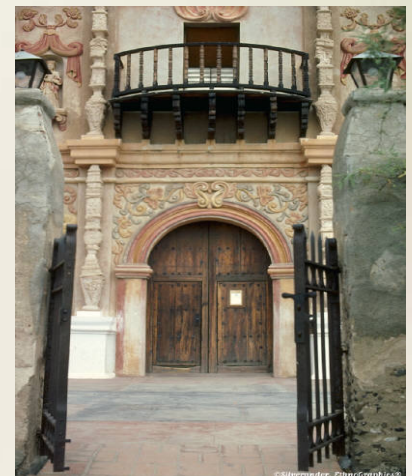
# Overview

- FAFSA and Cal Grant: the foundations of financial aid
- Factors that may increase financial aid: good grades, good organization, applying to multiple colleges, freshmen retention rates, graduation rates.



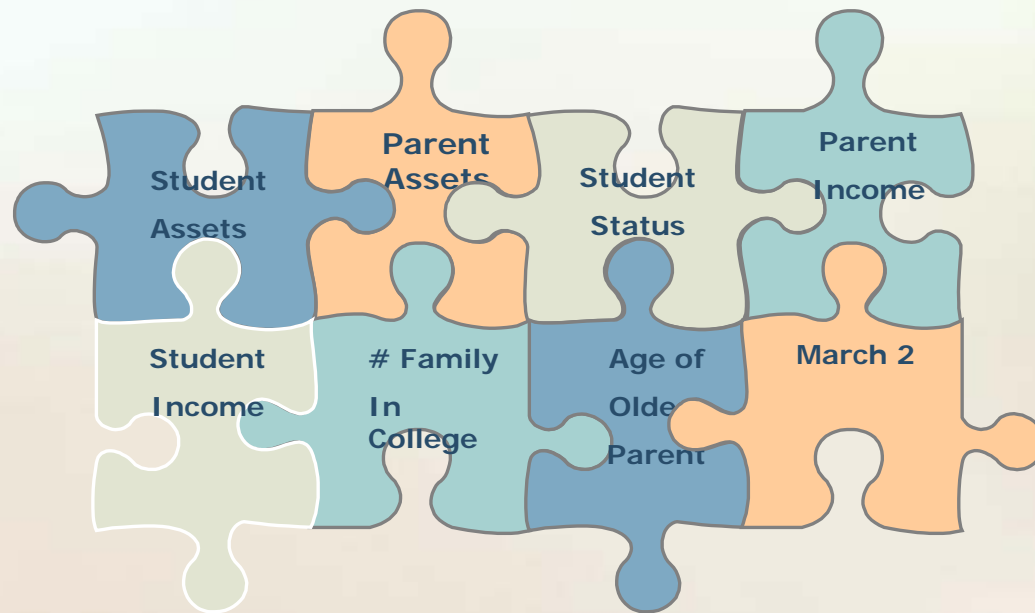
# What's a FAFSA?

- Free Application for Federal Student Aid
  - “Universal measuring tool to determine financial strength”
  - Must be filed every year of college
  - Gateway to financial aid



# What does FAFSA Measure?

*What are the components?*



# 1. ASSETS

Whose?

Parents' *(if student is dependent)*

and

Student's



# Independent Student Status

You qualify for independent status if:

1. You were born before 01-01-83.
2. You are married.
3. You are in graduate school.
4. You provide at least half of a dependent's support.
5. You are an orphan or a ward of the court.
6. You are a veteran.

If none of the above applies to you, you may present your case to the Financial Aids Administrator at the college you are attending, or the college you are hoping to attend. His/her decision is final. There is no appeals process to the government. You will need proof that you are supporting yourself or that there exists a hardship that would justify independent status.

If you are seeking more FAFSA information, you can call the government direct at 1-800-730-8913. You may also contact them on the web at [www.fafsa.ed.gov](http://www.fafsa.ed.gov).

# Does NOT include:

- Home equity
- Retirement programs  
(IRA, 401k, 401b, etc.)



*However, does include 529 plans*

## 2. Income

- Parents' *(if student is dependent)*  
*and*
- Student's

All sources, including

- Welfare
- Social Security



### 3. Number of students in college

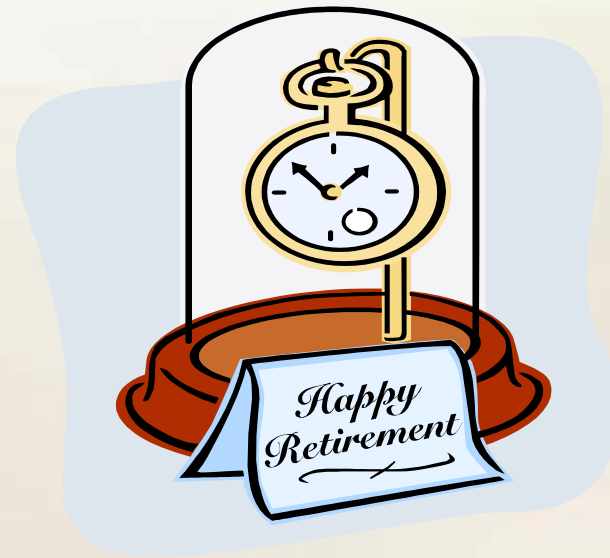
- Student
- Parent of student, if also a student\*
- Siblings of student



*\*Special rules apply if parent is going to college as well*

## 4. Age of oldest parent

Closeness to retirement reduces effect of assets of parents or student (if independent)



# WHAT IS THE PROCESS *and* HOW DOES IT WORK?

- Student should file FAFSA online before March 2<sup>nd</sup> every year of college.
- File as soon as possible after January 1<sup>st</sup> for the next school year (1-1-06 use 2005 income estimate, then correct FAFSA after taxes are done)
- Important for possible Cal Grant entitlement aid determination (California schools only).

# California Student Aid Commission

## 2006 - 2007 Cal Grant Program Ceilings

<b>Income Ceilings</b>	Cal Grant A, C, and T	Cal Grant B
<b>DEPENDENT STUDENTS AND INDEPENDENT STUDENTS WITH DEPENDENTS OTHER THAN A SPOUSE</b>		
Family size:		
Six or more	\$83,600	\$45,900
Five	\$77,500	\$42,500
Four	\$72,300	\$38,000
Three	\$66,500	\$34,200
Two	\$65,000	\$30,300
<b>INDEPENDENT STUDENTS</b>		
Single, no dependents	\$26,500	\$26,500
Married, no other dependents	\$30,300	\$30,300
<b>Asset Ceilings</b>	Cal Grant A, C, and T	Cal Grant B
<b>DEPENDENT STUDENTS**</b>	\$55,900	\$55,900
<b>INDEPENDENT STUDENTS</b>	\$26,600	\$26,600

(Base year: 2000-2001)

\*\*These ceilings also apply to independent students with dependents other than a spouse.

# EFC = Expected Family Contribution

- Established from prior 4 components
- EFC is a “**theoretical**” description of a student’s maximum contribution to the chosen school’s annual Cost of Attendance (COA).

# COA Example

• Tuition	\$10,000
• Books/Supplies	3,000
• Room & Board	8,000
• Other Fees	800
• Transportation	1,200
• Incidentals/Misc.	<u>1,000</u>
• Total COA	\$24,000

*Note: COA varies greatly between colleges*

# FAFSA Information Transmitted

- FAFSA information is automatically transmitted to universities designated by student applicant.
- Mistakes can be corrected through the Student Aid Report (SAR)
  - Example: Tax information was an estimate
  - “Typos”

# Financial Aid Award Letter

- University sends “offer” to student

- *Example*

– COA	\$24,000	Cost of Attendance
– EFC	<u>5,000</u>	Expected Family Contribution
– Financial Need	\$19,000	

# Award Letter, continued

- **AWARDS**

– Cal Grant	\$4,000
– XYZ Alum Grant	1,000
– Redding Association	1,975
– Federal Stafford Loan	<u>2,625</u>
Total Awards	\$9,600



# Award Letter, continued

- Unmet need \$ 9,400

Financial Need (\$19,000) less Awards (\$9,600)  
= \$9,400

However, there's still the \$5,000 EFC to add  
in

Total funds for which family is responsible:  
 $\$9,400 + \$5,000 = \$14,400$

# How do families address the “Unmet Need” and “EFC”?

- **Family resources**

Savings, selling of assets, second mortgages, etc.

- **Student Loans**

Perkins, Stafford, PLUS (government loans)

- **Alternative Loans**



# Additional Recommendations

- Specific steps that affect family resources  
(receive more money or save money)

# Career Path Exploration

- Declaring an undergraduate major associated with a career path can save thousands over initial enrollment as “undeclared” or changing majors.
- The College Board estimates average cost of \$18,000 to change majors after student’s sophomore year.

# Good Grades Count!

*Some financial aid experts have compared an "A" in high school to the equivalent of \$1,000 in financial aid.*



# Get organized!

- Encourage the use of a “Month at a Glance” calendar
  - 62% of all college drop outs occur during the freshman year.
    - Lack of organizational skills
    - New freedoms
  - System needs to be developed and practiced before starting college.



# Apply to more than one college

- We recommend 5 or 6

*You may receive entirely different award packages from one school to the next.*



# Freshman Retention Rate

- Research the freshman retention rate at colleges being considered.
- Poor rates may be indication that financial aid packages are not consistent from one year to the next.

# Graduation Rates



- Extra costs can be incurred in several ways if it takes longer to complete a degree.
  - Actual cost of attending another semester or a full year.
  - Waiting another year before beginning to earn income.

# Job Placement Assistance

- Research the college's record - job assistance and placement



# Special Circumstances

- Significant changes may be presented to a college for consideration after the Award Letter. It is possible to have an EFC lowered.

*Examples: Significant reduction of income, death, loss of a job, abuse, divorce, one-time settlement income benefit, etc.*

# Parents Divorced - California Resident

	FAFSA Mother & Stepfather	FAFSA Father & Stepmother
Student net assets	\$0	
Student earned income	\$2,575	
Student unearned income	\$0	
Student taxes paid	\$0	
Student family size	4	
Number of family in college	1	
Parents' net assets	\$152,000	\$36,000
Parents' earned income	\$36,000	\$152,000
Parents' taxes paid	\$1,600	\$7,600
Number of parents in home	2	
Age of older parent	52	
Expected Student Contribution	\$0	
Expected Parent Contribution	\$4,981	\$45,871
Expected Family Contribution	\$4,981	\$45,871

# Student Income - California Resident

	FAFSA 1	FAFSA 2
Student net assets	\$0	
Student earned income	\$2,575	\$5,575
Student unearned income	\$0	
Student taxes paid	\$0	
Student family size	4	
Number of family in college	1	
Parents' net assets	\$52,000	
Parents' earned income	\$70,000	
Parents' taxes paid	\$2,600	
Number of parents in home	2	
Age of older parent	49	
Expected Student Contribution	\$0	\$1,310
Expected Parent Contribution	\$10,923	
Expected Family Contribution	\$10,923	\$12,233

# Student Assets - California Resident

	FAFSA 1	FAFSA 2
Student net assets	\$52,000	\$0
Student earned income	\$1,500	
Student unearned income	\$0	
Student taxes paid	\$0	
Student family size	2	
Number of family in college	1	
Parents' net assets	\$10,000	\$62,000
Parents' earned income	\$22,000	
Parents' taxes paid	\$300	
Number of parents in home	1	
Age of older parent	50	
Expected Student Contribution	\$18,200	\$0
Expected Parent Contribution	\$391	\$1,434
Expected Family Contribution	\$18,591	\$1,434

## Number of Family in College - California Resident

	FAFSA 1	FAFSA 2
Student net assets	\$0	
Student earned income	\$2,575	
Student unearned income	\$0	
Student taxes paid	\$0	
Student family size	5	
Number of family in college	1	2
Parents' net assets	\$76,000	
Parents' earned income	\$64,000	
Parents' taxes paid	\$3,600	
Number of parents in home	2	
Age of older parent	49	
Expected Student Contribution	\$0	
Expected Parent Contribution	\$7,619	\$4,362
Expected Family Contribution	\$7,619	\$4,362

# Closing Thoughts



# Typical Financial Aid Scenarios(Beginning of Counselor Training)

All students are seniors in high school

All students are seeking a college education

All students reside in Shasta or Siskiyou counties

## Student

- 2.95 GPA (10 & 11)
- Sr. yr. GPA is 3.8
- Low SAT, ACT scores
- Motivation - medium
- 1<sup>st</sup> generation college
- No career direction
- \$7,000 in savings
- \$4,000 annual income

## Parent(s)

- Both 47 years old
- Married & together
- Motivation - very high
- \$20,000 in savings
- \$8,000 in debt
- 2 other children - 11,13
- \$40,000 annual income

**EFC \$4,879**

## Student

- 3.9 GPA
- College Prep, Honors, AP
- Excellent SAT scores
- Motivation - very high
- 1<sup>st</sup> generation college
- Wants to be a surgeon
- \$32,000 saved UGMA
- \$1,200 annual income

## Parent(s)

- Single parent 38 years old
- Motivation - extremely high
- No savings or assets
- \$4,500 in debt
- No other children
- \$22,000 after tax income

## Student

- 2.5 GPA
- College Prep, but missing many A-G requirements
- Low SAT scores
- Motivation - low dislikes school
- No career direction
- No savings
- \$3,200 annual income
- Thinking about the military

## Parent(s)

- Single parent (divorced-shared custody 49 yrs. old
- Motivation - high
- \$43,000 in savings & stocks
- \$23,000 in debt - very poor credit
- 2 other children - 12, 19, in college
- \$52,000 annual income
- Does not want student to go into military

## Student

- 4.0 GPA
- Average SAT scores
- Motivation - high
- Wants to be a lawyer
- Wants to go to Stanford
- or Berkeley
- \$1,500 annual income

## Parent(s)

- Mom 42, Dad 49, own almond ranch
- Motivation - high
- \$20,000 in savings & stocks
- \$210,000 in IRA account
- \$400,000 in farm equipment
- Ranch is worth \$1.4 million
- No other children
- \$35,000 annual income

## Student

- 3.7 GPA
- College Prep & AP
- Excellent SAT scores
- Motivation - very high
- Wants to be a chemical engineer
- Wants to attend UC Davis
- \$3,000 in savings
- No annual income

## Parent(s)

- Mom 39, Dad 42, own a store
- Motivation - very high
- \$780,000 in assets
- \$195,000 in debts
- 3 other children, none in college
- \$12,999 annual income

## Student

- 3.6 GPA
- College Prep
- Low SAT scores
- Motivation - wants to leave home
- No career direction
- Wants to attend UC Santa Cruz, loves surfing
- No savings, loves expensive toys
- \$2,800 annual income

## Parent(s)

- Mom 52, Dad 51, both UC alumni
- Motivation - student is expected to go to college
- \$2 million in savings & assets
- No debt
- 2 other children, 23 and out of college and 14
- \$180,000 annual income
- Parents want student to attend a UC or private school
- Much stress on parent/student relationship

## Student

- Excellent grades
- Excellent SAT scores
- Must attend a Christian college
- Considering attending Seattle Pacific
- \$2,300 annual income
- \$1,400 in savings

## Parent(s)

- Mom & Dad both work at a small gym that specializes in personal training
- \$15,000 in savings
- \$68,000 in business income
- 4 in household, 1 in college

\*An advisor told the parents that they had to declare a value to their business and recommended that they at least value it at \$100,000.

## Student

- Good grades
- Strong SAT scores
- No annual income
- No assets

## Parent(s)

- Single mom owns house free and clear
- \$26,000 income
- \$5,000 in assets
- Wants to purchase investment rental property in Texas for \$100,000. She is considering borrowing the full amount from her home equity. She will realize an additional \$12,000 in income from her investment.

## Student

- Good grades
- Strong SAT scores
- Wants to go to Simpson
- No annual income
- No assets

## Parent(s)

- Family of four
- \$52,000 income
- \$165,000 in liquid assets
- \$35,00 of other assets
- Home mortgage of \$153,000

*Thank you*