



DISCOVER® | STUDENT LOANS

College Financial Aid 101

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WHAT WE WILL COVER TODAY

- What Is Financial Aid?
- Expected Family Contribution
- Grants & Scholarships
- Federal Work-Study
- How Much Will It Cost To Send My Child to College?
- The Financial Aid Award Letter
- Loan Options
- Special Circumstances – How & When to Appeal
- The Bill, Tax Benefits & Tips

REAL QUESTIONS FROM PEOPLE LIKE YOU

How can I send my child to college on my income?

I'm remarried. Is step-parent income included in household earnings?

What kind of financial help is available and what financial assistance will my child get for college?

How do I apply for financial aid? Do I have to apply for financial aid every year?

Is my former spouse's income included in the financial aid formula?

My salary has been reduced – now what do I do?

Is it worthwhile to appeal a financial aid package?

COMMON FINANCIAL AID MYTHS

Students with the highest GPAs receive the most aid.

Aid from one school will automatically transfer to another.

I shouldn't apply because I make too much.

Most students complete their degree in four years.

The first Award Letter from the school is the final offer.

My child should attend the school that provides the most aid.

FINANCIAL AID



The money the government and other organizations provide to students and families to help pay for college.

WHAT IS FINANCIAL AID?

- Grants
- Scholarships
- Federal Work-Study
- Loans

FINANCIAL AID BEGINS WITH THE FAFSA

- The FAFSA is the Free Application for Federal Student Aid.
- Apply early! Submit the application after January 1st of your child's senior year in high school.
 - Use the previous year's estimated income if your taxes are not completed when you file.
 - Apply online at: fafsa.ed.gov
- The majority of colleges and states each have their own priority filing dates. Be sure to check the priority dates.



Visit studentaid.gov for more information on the FAFSA

THE OTHER “FAFSA” – CSS PROFILE

Some colleges and universities may require the CSS Financial Aid PROFILE in addition to the FAFSA.

- The application determines your eligibility for institutional aid from a participating college or university.
- This aid is separate from state and federal student aid.
- You will be asked to provide:
 - Income
 - Assets
 - Expenses
 - Home Equity on primary home residence
 - Non-custodial parent information, if applicable



Visit cssprofile.org for more information

THE IMPORTANCE OF EARLY PLANNING

Planning ahead can help minimize surprises later on.



Get an early estimate of your Expected Family Contribution (EFC) at:
FAFSA4caster.ed.gov



View the school's Net Price Calculator on their website to determine how much you can expect to pay *after* subtracting grants or scholarships received.

WHAT IS NEED-BASED & NON-NEED-BASED AID

Need-Based Financial Aid:

- Federal & State Grants
- Federal Pell Grant
- Federal Supplemental Educational Opportunity Grant (FSEOG)
- Federal Work-Study
- Federal Perkins Loan
- Direct Subsidized Stafford Loans

Non-Need-Based Financial Aid:

- Direct Unsubsidized Stafford Loans
- Direct Parent PLUS Loans
- Merit and/or athletic scholarships

WHAT IT CAN BE USED FOR

Financial aid can be used for both direct and indirect educational expenses.

Direct Costs:	Indirect Costs:
<ul style="list-style-type: none">• Tuition• Fees• Room and board	<ul style="list-style-type: none">• Books and supplies• Transportation• Some personal expenses

EXPECTED FAMILY CONTRIBUTION



The number used by schools to calculate how much financial aid a student or family receives.

NEED-BASED ELIGIBILITY

Income is an important factor in determining eligibility for need-based aid.

Other factors include:

- Accumulated savings
- Additional homes or properties
- Paid taxes
- Family size
- Number of students enrolled in college
- Student's personal finances

Factors excluded:

- Personal debt
- Primary home
- Co-op earnings
- Federal Work-Study earnings

THE FORMULA

**Cost of Attendance (COA)
- Expected Family Contribution (EFC)**

= Need-Based Aid

- The COA is determined by the school and listed on the school's website.
- The school subtracts the EFC from their COA to determine your financial need.

AFTER YOU FILE YOUR FORMS – WHAT HAPPENS NEXT?

- Notification of Admission / Acceptance Letter
- You will receive a SAR (Student Aid Report)
- Read the complete SAR details “flags”
- Examples of documents you may need to send in – completed taxes, W2’s , copy of birth certificate, copy of social security card, etc.
- Correspond with the school – what do you need? Is my file complete?
- It always better to be proactive than reactive when dealing with the colleges and university offices.

GRANTS & SCHOLARSHIPS



There are thousands of grants and scholarships available through public and private organizations, colleges and the government.

FEDERAL AND STATE GRANTS

- Grant amounts typically depend on:
 - financial need
 - cost of attendance
 - enrollment status (full-time/part-time)



Visit **studentaid.gov** for more information on grants



FEDERAL GRANT PROGRAMS

Program	Eligibility	Award Amount
Pell Grant	<ul style="list-style-type: none"> Undergraduate students who demonstrate financial need <u>and</u> who have not earned a bachelors or graduate degree 	<ul style="list-style-type: none"> Up to \$5,645 for 2013-2014
Supplemental Educational Opportunity Grant	<ul style="list-style-type: none"> Undergraduate students who demonstrate financial need <u>and</u> have not earned a bachelors or graduate degree Students who receive Pell Grants are prioritized 	<ul style="list-style-type: none"> Between \$100 and \$4,000, depending on availability from participating schools
Teacher Education Assistance for College and Higher Education Grant (TEACH)	<ul style="list-style-type: none"> Undergraduate, post baccalaureate or graduate students attending a participating school Meets certain academic achievements Receive TEACH Grant Counseling and sign the agreement to serve 	<ul style="list-style-type: none"> Up to \$4,000 a year, but federal budget cuts affect award amounts

GRANTS AND SCHOLARSHIPS

Many schools automatically consider you for grants and scholarships when you apply for admission. For grants and scholarships not offered by your school, the best place to start looking is on the internet. Websites to consider include:



- **DiscoverStudentLoans.com** – no registration required to search for scholarships
- **Studentaid.gov** – a source to find and apply for federal grants
- **Fastweb.com** – sends you personalized options for grants and scholarships
- **Scholarships.com** – you customize your search results based on your profile

BUILD A SUCCESS RESUME

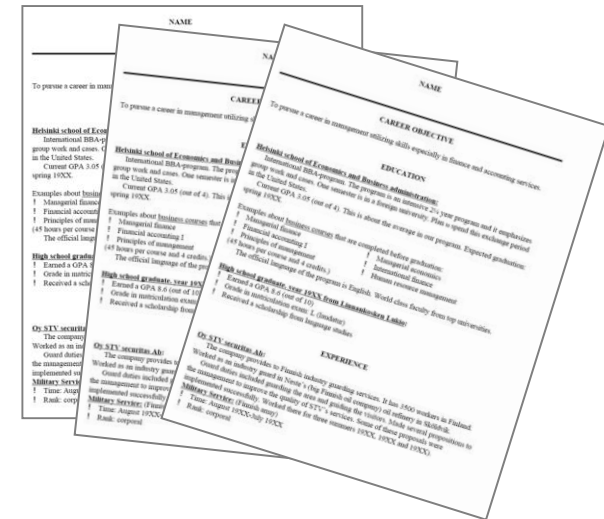
While there are thousands of grants and scholarships available, other applicants will be competing for the same awards.

Your student will need to clearly communicate who they are and what distinguishes them from other applicants.

A Success Resume should highlight:

- Grades and academic achievements
- Community service activities
- Leadership roles and any special talents

Parents should interview their student every year to ensure their achievements are recorded.



ADDITIONAL SOURCES FOR SCHOLARSHIPS



Local



Ethnic



Community Service



Institutional



Employer and Military



First Generation

PARTNERS IN THE PROCESS

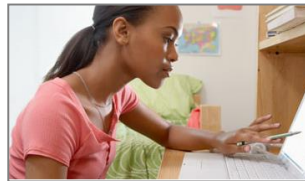
High School Guidance Counselors



College Financial Aid Administrators



College Admissions Officers



College Department Deans

FEDERAL WORK-STUDY



Part-time employment funded by the government that allows students to earn money that can be used to help pay for college.

HOW FEDERAL WORK-STUDY WORKS

- Students who qualify typically work at a job related to their course of study.
- Students work either on-campus or off-campus through a private nonprofit organization or public agency.
- Undergraduate students are paid by the hour and earn at least the federal minimum wage.
- Income from Work-Study does not impact future eligibility for financial aid.



LOAN OPTIONS



When evaluating loan options, consider origination fees, interest rates, repayment options and the total cost of the loan.

FEDERAL STUDENT LOANS

Federal Student Loans, also known as Federal Direct Loans, are originated by the federal government.

	Federal Perkins Loans	Direct Stafford Loans
FAFSA Required	<ul style="list-style-type: none"> Yes 	<ul style="list-style-type: none"> Yes
Credit Check Required	<ul style="list-style-type: none"> No 	<ul style="list-style-type: none"> No
Eligibility	<ul style="list-style-type: none"> Available to students with exceptional financial need 	<ul style="list-style-type: none"> Available to undergraduate and graduate students
Annual Loan Limit	<ul style="list-style-type: none"> Up to \$5,000 	<ul style="list-style-type: none"> Loan amount you are eligible to receive each year will vary
Interest Rates	<ul style="list-style-type: none"> Fixed interest rate of 5.00% 	<ul style="list-style-type: none"> Fixed interest rate of 3.86% for subsidized and unsubsidized loans for undergraduate students Fixed interest rate of 5.41% for unsubsidized loans for graduate students
Origination Fees	<ul style="list-style-type: none"> Zero 	<ul style="list-style-type: none"> 1.072% of loan amount
Repayment Plans	<ul style="list-style-type: none"> Varies by school 	<ul style="list-style-type: none"> Multiple repayment options (visit studentaid.gov)
Payment Deferment While in School	<ul style="list-style-type: none"> No payments due until 9-months after graduation or enrollment in school less than half-time 	<ul style="list-style-type: none"> No payments due until 6-months after graduation or enrollment in school less than half-time

FEDERAL STUDENT LOANS

Undergraduate Loan Limits	
Dependent Students	<p>Year 1 – \$5,500 (up to \$3,500 subsidized, \$2,000 unsubsidized)</p> <p>Year 2 – \$6,500 (up to \$4,500 subsidized, \$2,000 unsubsidized)</p> <p>Year 3 – \$7,500 (up to \$5,500 subsidized, \$2,000 unsubsidized)</p> <p>Year 4 – \$7,500 (up to \$5,500 subsidized, \$2,000 unsubsidized)</p> <p>Year 5 – \$7,500 (up to \$5,500 subsidized, \$2,000 unsubsidized)</p>
Independent Students	<p>Year 1 – \$9,500 (up to \$3,500 subsidized)</p> <p>Year 2 – \$10,500 (up to \$4,500 subsidized)</p> <p>Year 3 – \$12,500 (up to \$5,500 subsidized)</p> <p>Year 4 – \$12,500 (up to \$5,500 subsidized)</p> <p>Year 5 – \$12,500 (up to \$5,500 subsidized)</p>

FEDERAL STUDENT LOANS

Federal Direct Parent PLUS Loans allow parents to borrow up to the full cost of education, less any other financial aid.

	Direct Parent PLUS Loans
FAFSA Required	<ul style="list-style-type: none">• Yes
Credit Check Required	<ul style="list-style-type: none">• Yes
Eligibility	<ul style="list-style-type: none">• Available to parents of dependent students
Annual Loan Limit	<ul style="list-style-type: none">• Up to 100% of the cost of attendance minus other financial aid
Interest Rates	<ul style="list-style-type: none">• Fixed interest rate of 6.41%
Origination Fees	<ul style="list-style-type: none">• 4.288% of loan amount
Repayment Plans	<ul style="list-style-type: none">• Multiple repayment options (visit studentaid.gov)
Payment Deferment While in School	<ul style="list-style-type: none">• Repayment begins once the loan is fully disbursed, unless a deferment is requested while the student is enrolled in school at least half-time

COMPARE YOUR OPTIONS

Deciding what loan is best for you depends on your needs. We advise you to compare the features of federal and private student loans to see which loans best works for you.

	Federal Parent PLUS Loan	Private Fixed Rate Student Loan		Private Variable Rate Student Loan	
	All	Low	High	Low	High
Loan Fees	4.204%	0%	0%	0%	0%
Interest Rate (APR)	6.41%	6.99%	10.99%	3.25%	7.25%
Balance at Repayment	\$13,283	\$12,971	\$14,671	\$11,381	\$13,081
Monthly Payment (10 yrs)	\$150	\$151	\$202	\$111	\$154
Monthly Payment (15 yrs)	N/A	\$117	\$167	\$80	\$119
Total Paid (10 years)	\$18,026	\$18,064	\$24,241	\$13,346	\$18,429
Total Paid (15 years)	N/A	\$20,972	\$29,998	\$14,395	\$21,494

\$10,000 loan for freshman student with a single disbursement, 45 month in-school deferment, 6-month grace period.

The Parent PLUS Loan is a fixed rate loan. The PLUS Loan interest rate is effective through June 30, 2014.

Private loan interest rates and loan terms are generic and are not specific to one lender.

Interest rates are based on current market conditions and are subject to change.

Variable interest rates will change periodically if the index changes.



THE AWARD LETTER

The Award Letter outlines how much financial aid you will receive.

AWARD LETTERS

Award Letters are typically sent to students and parents in early April to mid-May.

The Award Letter may include:

- Expected Family Contribution
- Unmet Need
- Cost of attendance
- Grants and Scholarships
- Work-Study
- Federal Loans

Award Letter templates can vary, so carefully review each letter as you compare financial aid packages.

SAMPLE AWARD LETTER – PRIVATE UNIVERSITY

Estimated Cost of Attendance	
Tuition	\$33,900
Matriculation Fee	\$500
Room and Board	\$10,622
Books and Supplies	\$1,000
Personal Expenses	\$800
TOTAL	\$46,822

Aid Program	Fall	Spring	Summer	Total	Decline
Grant/Freshman	\$10,300	\$10,300	\$0	\$20,600	<input type="checkbox"/>
Federal Direct Stafford Loan (subsidized)	\$1,750	\$1,750	\$0	\$3,500	<input type="checkbox"/>
Federal Work-study	\$1,250	\$1,250	\$0	\$2,500	<input type="checkbox"/>
TOTAL				\$26,600	

\$46,822 (COA)
– \$10,000 (EFC)
– \$26,600 (Total Aid)
= \$10,222 (Unmet Need)

= Cash out-of-pocket

= Cash out-of-pocket

SAMPLE AWARD LETTER – PUBLIC UNIVERSITY

Estimated Cost of Attendance	
Tuition	\$9,456
Fees	\$2,340
Room and Board	\$10,376
Books and Supplies	\$1,000
Personal Expenses	\$800
TOTAL	\$23,972

Aid Program	Fall	Spring	Summer	Total	Decline
Grant/Freshman	\$3,000	\$3,000	\$0	\$6,000	<input type="checkbox"/>
Federal Direct Stafford Loan (subsidized)	\$1,750	\$1,750	\$0	\$3,500	<input type="checkbox"/>
Federal Work-study	\$1,250	\$1,250	\$0	\$2,500	<input type="checkbox"/>
TOTAL				\$12,000	

\$23,972 (COA)
– \$10,000 (EFC)
– \$12,000 (Total Aid)
= \$1,972 (Unmet Need)

= Cash out-of-pocket

= Cash out-of-pocket

HOW & WHEN TO APPEAL



If your circumstances change, you have options to appeal your Award Letter.

COLLEGE FUNDING APPEALS

Circumstances that may increase financial aid eligibility include:

- Tuition expenses at an elementary or secondary school
- Medical or dental expenses not covered by insurance
- Unusually high child care costs
- Recent unemployment
- Number of parents enrolled in college at least half-time
- Changes in family income
- Affected by a natural disaster

How to appeal:

- Appeal in person, if possible, or submit a well-written letter
- Explain your situation
- Provide specifics and documentation

COSTS AND YOUR BILL

Financial aid can be used for both direct and indirect educational expenses.

Direct Costs:	Indirect Costs:
<ul style="list-style-type: none">• Tuition• Fees• Room and board	<ul style="list-style-type: none">• Books and supplies• Transportation• Some personal expenses

- Direct costs are those that will show up on your tuition bill
- Indirect costs you may be able to control

MAKING YOUR PAYMENT – MEETING THE UNMET NEED

Questions to ask yourself..

- Do you need the full cost of attendance in financial aid?
- How much can you really afford to pay on a monthly basis?
- How much can you afford to borrow?
- Is payment plan + loans + on/off campus employment the best formula for you?
- When are the payments due and how will I actually make the payments?

Think about Past (savings) , Present (cash), and Future Income (loans)

TAX BENEFITS & TIPS



Potential tax savings are available through education tax credits and savings plans.

TAX BENEFITS FOR EDUCATION

The IRS provides tax savings to individuals and families who pay for higher education.

Tax Credits:

- American Opportunity Tax Credit
- Hope Credit or Lifetime Learning Credit

We encourage you to consult a tax professional and also see IRS Publication 970 for more information.



Visit [irs.gov](https://www.irs.gov) for more information

HELPFUL TIPS

1. Use planning tools to estimate the cost of attendance and financial aid eligibility.
2. Submit your FAFSA early at: fafsa.ed.gov
3. A success resume can help streamline grant and scholarship applications.
4. Have documentation and specific details if you choose to appeal your Award Letter.
5. If you need to borrow, compare loan options and choose the loans that best fit your needs.



