

FREQUENTLY ASKED QUESTIONS ABOUT APPLYING FOR FINANCIAL AID

Questions about Eligibility

I probably don't qualify for aid. Should I apply for aid anyway?

Yes. Many families mistakenly think they don't qualify for aid and prevent themselves from receiving financial aid by failing to apply for it. In addition, there are a few sources of aid such as unsubsidized Stafford and PLUS loans that are available regardless of need. There is no good excuse for not applying.

Do I need to be admitted before I can apply for financial aid at a particular university?

No. You can apply for financial aid any time after January 1. To receive any funds, however, you must be admitted and enrolled at the university.

What qualifications must students meet to be eligible to receive federal financial aid?

To be eligible to receive federal financial aid students must be:

- U.S. citizen or eligible non-citizen
- Registered with a selective service (if required)
- Obtain a high school diploma, GED (General Education Degree), or have the ability to benefit according to federal regulations
- Be enrolled in a program leading to a degree, certificate, or transfer program and be taking courses applicable to the program
- In the process of making satisfactory academic progress
- Not owe a refund on a federal grant or be in default on a federal educational loan
- Have financial need as determined by the U.S. Department of Education need analysis system

What qualifies a student as an eligible non-citizen?

To qualify as an eligible non-citizen, the student or the parent must be one of the following:

- A U.S. permanent resident who has an Alien Registration Receipt Card I-551 or I-151 (green card)
- A conditional permanent resident with a I-551C
- A non-citizen with a Departure Record (I-94) from the U.S. Immigration and Naturalization Services (INS) showing any one of the following designations: 'Refugee', 'Asylum Granted', 'Indefinite Parole', 'Humanitarian Parole', or 'Cuban-Haitian Entrant'.

What disqualifies a student as a citizen or an eligible non-citizen?

- F-1, F-2, or M-1 student visa
- J-1 or J-2 exchange visitor visa
- B-1 or B-2 visitor visa
- G series visa (pertaining to international organizations)
- H series or L series visa (allowing temporary employment in the U.S.)
- "Notice of Approval to Apply for Permanent Residence" (I-171 or I-464)
- I-94 stamped "Temporary Protection Status"

Home Schooling and Financial Aid

Are there any programs that provide student financial assistance to home schooled children?

Home schooled students are eligible for federal student aid for college if they have "completed a secondary school education in a home school setting that is treated as a home school or private school under State law" (Section 484(d)(3) of the Higher Education Act of 1965). Home schooled students have not been required to take the GED or take an ability-to-benefit test since the Higher Education Amendments of 1998. High school dropouts must take a GED exam or an ability-to-benefit test, but students who have *completed* a home schooled secondary education that satisfies the requirements of state law do not.

Many private scholarships are open to home schooled students. Some scholarships, however, require a high school diploma or GED. If a scholarship requires a high school diploma or GED, ask for a clarification or exception before applying. If you encounter resistance, it can help to point out that in 2005 the winner of the Siemens Westinghouse Competition in Math, Science and Technology's \$100,000 scholarship was a 16-year-old home schooled student.

There aren't many scholarships specifically targeted at home schooled students, other than those sponsored by the Home School Foundation.

Questions about College Costs

How many colleges should I apply to? I already know where I want to go.

You should apply to one to two reach schools, (a reach school would be one that the average SAT/ACT scores of the freshman class and or the cost of the school is above what you believe you can get into) three to four peer schools and at least one school where your academic and financial ability assures an absolute enrollment opportunity. Excellent opportunities are available to students who also consider enrolling into schools outside of their region.

How much will college cost?

College will cost your family the amount calculated and identified as your family contribution plus your gap times the number of children your family will put through college times the number of years that it takes each child to accomplish the first bachelor's degree.

What is a family contribution?

Your family contribution is a calculation or snapshot of your financial parameters that determine the amount of money your family will be expected to pay for one year of higher education for that student applicant. There are two types of calculations that will determine your family contribution.

The one used by all college that offer federal financial aid is the FAFSA (Free Application for Federal Student Aid) and this is called the federal methodology. The second one used by some colleges is the institutional methodology, which determines the amount of institutional aid offered by those colleges. This institutional methodology is almost always accomplished by the use of the CSS Profile.

The colleges that use the CSS Profile still use the FAFSA to determine the amount of federal aid offered by that institution. The colleges that do not use the institutional methodology for institutional aid use the FAFSA for both the institutional and federal aid.

What is the gap?

The gap is the amount of need-based monies not covered by the college's financial aid offer and your family contribution. Example: The cost of attendance is \$20,000, your family contribution is \$10,000, the financial aid award is \$8,000, and therefore the gap is \$2,000. The family will be required to fund the gap. The total cost to the family will then be your family contribution plus the gap or \$12,000 in this example.

How can we eliminate the gap?

The gap cannot always be eliminated but can be minimized by applying to the right school, early. The right school would simply be defined as one where your academic abilities match what the school programs offer. Example: if your SAT/ACT and other factors are below the average for the incoming freshman class of the previous year at a particular college then you will only receive federal and state aid which will generally create a large gap. The opposite is also true. If your SAT/ACT and other factors are above that same average then you are a desirable freshman for that college and you have an excellent chance to have no gap.

What can be done to lower the family contribution?

Proper financial & tax planning can mitigate the family contribution but the family must understand that the responsibility for the cost of higher education belongs to the parents of the student.

As a student how much debt should I budget for during the college experience?

None! Debt will however be a reality for almost all college students. Your debt load, as a graduating senior from college should be 8%-10% of your total projected income for the job represented by your degree field. Example: You have a degree in engineering. Your starting wage is \$35,000. The budget then is 10%, which comes to \$3,500 per year, \$291 per month starting six months after graduation. The cost per thousand per month for ten years is approximately \$11 (depending on what interest rate and type of loan you acquire). The amount of money that the student can borrow then is approximately \$26,500. The rest of the cost of your education will be from awards from colleges and your parents or other sources. If the combination of your major, grades, community involvement, SAT/ACT scores and ability to pay cannot combine to go to the college you want you may need to consider the second college you want instead. If you start the process with only one college in mind you may be making a mistake in judgment.

What can be done to lower the cost of higher education to the family?

There are three major areas that will lower the cost of higher education:

- 1) The student should do all that he/she can do to learn during high school
- 2) College searches and visitations to find the right match of college to the student's abilities and major
- 3) Proper prior financial and tax planning

There are other ways not listed here that deal with athletic or special abilities. The three ways listed above are the answer for the masses and should be planned on, even if the student does have special abilities.

What is the time line of events that will maximize the amount of financial aid my family can receive if the student is worthy of assistance?

PSAT in the sophomore and junior school years.
SAT/ACT Test in spring of the junior year.
College searches and visits starting in the spring of the junior year until the final six are decided on.
SAT/ACT Test in fall of the senior year.
Decide on the colleges to apply to.
Apply to college in the month of November & December.
Complete the CSS Profile if required in December.
Complete the FAFSA in January.
Complete institutional financial aid forms if necessary in December & January.
In March, April, respond to housing deposits early as most are refundable if not used.
In March, April & May, respond to award letters as soon as possible and ask questions of the financial aid department. Ask questions so that you understand why your award is what it is.
Complete your loan applications if they were necessary in May or June.

Can participating in AP courses offered by my high school reduce the cost of my higher education?

Yes, successfully completing AP courses will allow a student to achieve college credit at high school prices. Not all colleges accept AP courses so check with the colleges during your college search period to see if this plan of action will work for you.

Do SAT/ACT prompter courses really help?

The prompter courses appear to help most students. Taking the SAT/ACT tests multiple times may be a cheaper way to accomplish the familiarity that a prompter course will give you.

Recommendation: during the junior year do at least one crossword puzzle once per week for at least six months prior to the exam.

Can attending summer semesters reduce the total cost of education?

Maybe, summer sessions will allow you to graduate early thereby getting you in the work place sooner and additionally summer session credits may be less expensive at many colleges. The total cost for your degree will be about the same.

Can attending a two-year college reduce the total cost of education?

Yes it can. You must check with the college you are ultimately going to transfer to for transferability of credits. The cost per credit hour at a two-year college will be less than a four-year college. In some cases the savings could be in the tens of thousands of dollars saved depending on what college you are transferring to.

I have decided, as a non-working parent currently, to go back to work to help defer the cost of our child's higher education. Is this a good idea?

The idea is a very good idea. The amount of income you bring into the household is an important figure to analyze. You will receive an allowance of 35% of the lower wage earner income to a limit of \$2,800. The optimum second wage earner range is six to nine thousand dollars per year.

What are the sources of money for a college education?

There are seven major sources of money for a college education. They are:

1. College athletic based awards
2. College academic based awards (some are only given if there is need)
3. College need based awards
4. Federal Programs
5. State Programs
6. The family's contribution or EFC
7. Outside scholarships (Local, Public, Private)

Questions about the Application Process

Why can't I submit my financial aid application before January 1?

The need analysis process for financial aid uses the family's income and tax information from the most recent tax year (the base year) to judge your eligibility for need-based financial aid during the upcoming academic year (the award year). Since the base year ends December 31, you cannot submit a financial aid application until January 1. After all, your parents might earn a year-end bonus or realize capital gains from selling stocks on December 31. If the financial aid application is submitted before January 1, it will be rejected.

How soon after January 1 should the Free Application for Federal Student Aid (FAFSA) form be sent in? Is it better to wait until the income tax forms have been completed?

The form should be submitted as soon as possible after January 1. Do not wait until your taxes are done. Although it is better to do your taxes early, it is OK to use estimates of your income, as long as they aren't very far off from the actual values. You will have an opportunity to correct any errors later. If you wait too long, you might miss the deadline for state aid. Most states require the FAFSA to be submitted by March 1, and some deadlines are even as early as the beginning to middle of February.

I have more than six colleges to have the FAFSA information sent to. How do I make sure that all the colleges get the information?

Rank the colleges you applied to from most important to least important. If you have sent applications to 12 colleges, with 4 of them being reach colleges and four of them being peer colleges and four of them being safety schools then do not put all four of your reach schools on the first FAFSA. You should put all of your peer schools in the order of preference and then put your reach

schools and then your safety schools. Once the government processes this first version, the FAFSA can be updated with additional schools.

Do I have to reapply for financial aid every year?

Yes. The reason is because if your financial circumstances change, you may get more or less aid. After your first year your eligibility for financial aid may change significantly, especially if you have a different number of family members in college. Renewal of your financial aid package also depends upon your making satisfactory academic progress toward a degree, such as earning a minimum number of credits and achieving a minimum GPA.

What are assets in the financial aid formula?

Assets in the federal formula (FAFSA) are cash, savings, checking, certificates of deposit (CD), bonds, trust, money markets, mutual funds, additional real estate and stocks that are not wrapped inside retirement financial vehicles like 401-K, IRA, Pension Plans, Annuities and Life Insurance products that are held by the student (student's spouse) and or parents or legal guardians.

Assets in the institutional formula (CSS Profile) are cash, savings, checking, certificates of deposit (CD), bonds, trust, money markets, mutual funds, additional real estate and stock that are not wrapped inside retirement vehicles like the above. In addition to the above, the assets of the student's siblings are considered in a weighted formula and the equity of your home are considered as an asset.

I am self-employed. Is my business considered an asset?

The value of your business minus debt goes through a weighted formula and is then considered as an asset.

We live on a farm, how do we list the farm on the financial aid forms?

The equity of a farm is not listed in the FAFSA if you live and "materially participate in the farm's operation".

The CSS Profile does count the assets of your farm equity. A word of caution, do not list the home part of the farm twice in the CSS Profile under home and part of your farm property.

I have a property that I hold the mortgage on. How does this affect the formula?

When you have sold a piece of personal property to someone where you are the bank and you hold the mortgage then you have an asset. This asset is equal to what is owed to you or equal to what you could sell the mortgage for on the secondary mortgage market whichever is less. Check with your local real estate professional for the value of the held mortgage.

As a student, how does my income affect the formula?

The FAFSA multiplies all income over \$2,200 (W-2) income by 50%. Example: I make \$4,000.00 my income will contribute to the family contribution by $(\$4,000.00 - \$2,200 = \$1,800.00 * .50 =$ contribution increase) \$900. The freshman year in college will be affected by the income from

January 1st of the junior year to December 31st of the senior year.

The CSS Profile multiplies all income over a variable number and therefore the income limit for freshman is roughly \$2,500.00 and for all others about \$2,800.00

As a student, how does my social security payment affect the formula?

You are the beneficiary of the social security check; however the check is cashed by your parent and therefore will be calculated on the parent's side of the formula. This can be a costly mistake considering the 50% multiplication factor for income as opposed to the 12% multiplication factor for parents.

As a student, how does my non-custodial parent's child support affect the formula?

The child support does not affect the student's contribution to the family contribution. It is calculated on the parent's side off the formula.

How do medical expenses affect the formulas?

The FAFSA has no questions on your family's medical bills and therefore no affect on the family contribution. If your medical bills are larger than 4% of your total income then a separate written form documenting these expenses should be sent to the financial aid officer of the college you have chosen. Do not send this form of documentation to the federal government with the FAFSA or it will be discarded and the financial aid officer will not see it.

The CSS Profile has a question that covers this part of your family's contribution calculation. You do not need to send the above-mentioned form to these colleges.

What are other resources in the financial aid process?

Resources, as defined by the Higher Education Act, are not income or assets. Resources are also called estimated financial assistance and are not considered in the calculation of a family's contribution. By law, resources and financial aid may not exceed the amount of a student's calculated need. Therefore resources are assessed at 100%. Examples of resources are outside scholarships, tuition or fee waivers, veteran's educational benefits, payments from a prepaid tuition plan and money paid directly to the college from a relative or friend.

I got an outside scholarship. Should I report it to the financial aid office?

Yes. If you are receiving any kind of financial aid from university or government sources, you must report the outside scholarship to the financial aid office.

Unfortunately, the university will adjust your financial aid package to compensate. Nevertheless, the outside scholarship will have some beneficial effects. At some universities outside scholarships are used to reduce the self-help level. For example, at MIT the outside scholarship is first applied to reducing the self-help level, and only when the scholarship exceeds self-help does it replace institutional grants. At other universities outside scholarships are used to replace loans instead of grants.

How do I apply for a Pell Grant and other types of need-based aid?

When the Federal Student Aid application is submitted, appropriate boxes are checked to indicate interest in student employment, student loans and parent loans. Checking these boxes does not commit you to accepting these types of aid. You will have the opportunity to accept or decline each part of your aid package later. Leaving these boxes unchecked will not increase the amount of any grant awards that you receive.

What are GATE loans, and why doesn't my university participate?

GATE loans are processed through a nonprofit private loan program (Guaranteed Access to Education) offered through participating schools in conjunction with Bank of America, Bank of Boston, and the National Collegiate Trust (NCT). There is a minimal credit check and schools can recommend whatever loan amount they'd like the student to receive. The interest rate is also rather low.

Students and parents should call 1-617-639-2000 for more information about the program (in New York, 1-212-551-3650).

If this program is so wonderful -- no loan limit, no credit check, low interest rate -- why don't more schools participate?

There are several reasons why a university might not want to participate in this program:

- There is some risk-sharing by the schools. As a result, the program will be most attractive to schools with a low default rate.

- The schools receive less than the full face value of the loans immediately, with the up-front amount depending on the school's default rate and the interest rate. In effect, the schools are providing part of the loan capital.

- There are no federal guidelines or regulations governing this loan program.

- Membership is not open to two-year colleges.

Should we apply for state aid?

Almost everyone should apply for state aid programs. All the fifty states have programs that are as different in nature as are the states. You should acquire the brochure for your state programs early in the senior year for planning purposes. You should be able to get your necessary forms from your local high school guidance counselor or your city library. If not available at these locals then get the phone numbers for the state programs from the white pages or check with your local telephone operator.

Questions about How Financial Aid is Awarded

What is the Student Aid Report (SAR)?

The SAR is the Department of Education's response to your FAFSA. It will have a block-by-block list of the answers entered on the FAFSA, and your Estimated Family Contribution (EFC).

What does the acronym "EFC" on the Student Aid Report (SAR) mean?

The acronym EFC represents the Expected Family Contribution, based on the federal need analysis methodology.

What parameters are used to calculate the family contribution?

The family contribution has many variables that fall into four major categories. The categories are:

- 1) The parent's income
- 2) The parent's assets
- 3) The student's income
- 4) The student's assets
- 5) Resources

Do the formulas take into account a high level of consumer debt?

The FAFSA does not have a question on debt but a separate document can be written up and sent to the financial aid directors of the colleges of choice. Do not send the separate document to the Department of Education with your FAFSA.

The CSS Profile has a block on its application where one can note special circumstances such as high consumer debt.

The absolute way to address this debt is to consider using home equity for college and debt. This action will now put the debt into view and in some cases actually lower your family contribution. In lieu of home equity for this kind of debt, you may want to consider lowering assets and paying off consumer credit. This also makes the credit visible and yet lowers the asset side of the formula.

I did not know about the income allowance as a student and managed to make \$5,000.00, is there anything I can do?

The results for this year are an increase in the family contribution of \$1,400.00 as per the formulas calculation, but there are two things to remember. First, college is a multiple year program and you will be eligible for more aid in the following years. Second, documenting that this level of income will not be available during the first and subsequent years with the college may result in a better award in the first and subsequent years.

Why is the family contribution listed on the federal Student Aid Report (SAR) different from the family contribution expected by the university?

The federal formula for computing the expected family contribution is different from those used by many universities. In particular, the federal formula does not consider home equity as part of the assets.

How much is my income protection allowance?

I have talked to very few parents who agree with this number. Let me give you a couple of examples of how much money the federal government believes your family needs for the necessities like food, shelter and clothing. As per the formula:

A family of 5 with one child in college can do it on \$22,240
A family of 4 with one child in college can do it on \$18,850
A family of 3 with one child in college can do it on \$15,260
A family of 2 with one child in college can do it on \$12,260

The number is determined by the U.S. government figures for the poverty line and does not take into account the cost of living in your part of the country. Your mortgage and car payments are not deducted from this figure, they are in the figure. The result can therefore be skewed against you. You could attempt to make the financial aid officer aware of your part of the country's cost of living by documenting your budget for food, shelter and clothing. Send your document to the financial aid officer of your chosen college. Word of caution, it is not the responsibility of the financial aid officer to fund your life style, therefore stay away from complaining. Be factual and reasonable if you want the financial aid officer to be factual and reasonable. Remember do not send this document with the FAFSA or the department of education will discard it.

Questions about What Happens After Financial Aid is Awarded

Is it legal for a 17-year-old student to sign a promissory note for a student loan, even though the student has not yet reached the age of majority?

Normally, a minor cannot be held liable for a contract that he or she signs. However, in 1992 the Higher Education Act was amended to permit eligible students, defined as per Title IV regulations, to sign promissory notes for their own federal student loans. As such, student loans represent one of the few exceptions to the so-called "defense of infancy". The specific citation is section 484A(b)(2) of the Higher Education Act of 1965 (20 USC 1091a(b)(2)), and applies to Stafford, PLUS and Consolidation Loans. It does not appear to apply to Perkins and Direct Loans, although it was clearly the intent of Congress that it should.

Several states have also passed similar laws that consider minors to be competent to enter into a contract for an educational loan. This extends similar protection to private and non-federal loans. All private education loans require a co-signer when the student is under the age of majority, just to be safe.

Are my parents responsible for my educational loans?

No. Parents are, however, responsible for the federal PLUS loans. Parents will be responsible for your educational loans only if you are under 18 and they co-sign your loan. In general, you and you alone are responsible for repaying your educational loans.

On the other hand, if your parents (or grandparents) want to help pay off your loan, you can have your billing statements sent to their address. Likewise, if your lender or loan servicer provides an electronic payment service, where the monthly payments are automatically deducted from a bank account, your parents can agree to have the payments deducted from their account. But your parents are under no obligation to repay your loans. If they forget to pay the bill on time or decide to cancel the electronic payment agreement, you will be held responsible for the payments, not them.

If I take a leave of absence, do I have to start repaying my loans?

Not immediately. The subsidized Stafford Loan has a grace period of 6 months and the Perkins Loan a grace period of 9 months before the student must begin repaying the loan. When you take a leave

of absence you will not have to repay your loan until the grace period is used up. If you use up the grace period, however, when you graduate you will have to begin repaying your loan immediately. It is possible to request an extension to the grace period, but this must be done before the grace period is used up.

If your grace period has run out in the middle of your leave of absence, you will have to start making payments on your student loans.

Are work-study earnings taxable?

The money you earn from Federal Work-Study is generally subject to federal and state income tax, but exempt from FICA taxes (provided you are enrolled full time and work less than half-time).

Need to rewrite to remove instructions but give information

Federal Work-Study earnings during the calendar year should be included in the totals for AGI and Worksheet C on the FAFSA. Work-study earnings should be included in Worksheet C only when they represent financial aid to the student, since the answer to this question is used as an exclusion from taxed income. The student should also be careful to report amounts based on the calendar year, not the school year.

Unusual Questions

I have heard about a scholarship for left-handed students. Can you tell me more information about it?

This question comes up frequently, because the popular press and scholarship matching services like to use it as an example of unusual scholarships.

The only scholarship for left-handed students is the Frederick and Mary F. Beckley Scholarship of up to \$1,000. This scholarship is awarded to left-handed students who will be attending Juniata College. This scholarship is not available to students who aren't enrolled at Juniata College. For more information, write to Office of Student Financial Planning, Juniata College, 1700 Moore Street, Huntingdon, PA 16652.

What colleges have cut their tuition rates instead of increasing them?

A handful of schools have instituted one-time tuition rate cuts, temporary tuition freezes, or level tuition rates (same tuition rate all four years).

Which colleges have committed to providing free tuition or no loans in the aid package for low income students?

A handful of schools have instituted policies that ensure that low income students have no loans in their financial aid packages.