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An Introduction

As college costs continue to rise in the U.S., the conversation around financial aid is as important as ever. With the cost of attendance at many institutions surpassing $80,000 for one academic year, it is critical that you and your family are open and honest about what is affordable and informed early on on how to access different forms of financial support and aid. The cost of college is a source of stress or overwhelm for many students and families, and the process for applying for financial aid can be confusing and cumbersome in and of itself. All the more reason to make cost and affordability a built-in part of your initial research process so you are as informed as possible when it comes time to apply. Though discussing family finances may seem uncomfortable, it is far better to go into the application process knowing what is affordable for your family, rather than being surprised or disappointed after you've already received your admission results.

Most colleges have generous and robust financial aid budgets that aggressively cut down costs for families in need of support. Sticker price alone should not be a deterrent to whether you choose to apply to a certain school or not. Rather, use the resources available from the college, the federal government, and your high school counselor to assist you in determining whether you may receive an aid package that would make that institution realistic and affordable for you and your family. There are certainly circumstances that a university with a much higher sticker price than another comes out to similar or better affordability after financial aid is factored in. The student and parents/guardians are responsible for paying what they can; financial aid is intended to supplement such efforts, not substitute for them. Financing a higher education can be thought of as a partnership among the family, the federal and state governments, and the college or university.

The most expensive schools often also have the most aid to give. During the application process, it is a good strategy to add colleges to your list with a range of costs, including some that are within your reach financially. Since colleges are not obligated to provide financial aid to all accepted students (though most want to and do), it is crucial to have colleges on your list that are within your reach without substantial aid. It's just as important to find a good financial fit as it is to find a good academic and social fit.

It is only after you are admitted that the financial aid staff will review your aid application and make its decision. A favorable admission decision will not guarantee you financial aid. This chapter deals with financial aid as an aspect of the admission process. Before making any decisions about college selection, read this chapter and talk to your counselor, who has access to the latest and most complete information about financial aid programs. The U.S. Department of Education's College Affordability and Transparency Center is also a helpful resource when exploring financial aid and affordability: *collegecost.ed.gov*

Types of Financial Aid

Generally speaking, there are two main forms of financial aid: need-based financial aid and non-need-based financial aid (also known as merit aid).

Need-Based Financial Aid: This type of financial support is provided to families who, as a result of submitting the required financial aid applications and supporting forms, have demonstrated a level of financial need that requires support to meet the total cost of attendance. Academics, testing, or extracurricular accolades have no bearing on whether you qualify for need-based financial aid or how much aid you receive. Need-based financial aid packages usually include monies from the federal government and the institution itself. At public colleges they may also include monies from the state government for residents. Need-based aid can come in the following forms:

- **Grants:** a form of aid that does not need to be repaid and can be offered by the federal and/or state government and the institution.

- **Loans:** a form of aid that allows students to borrow money for the cost of their college education that eventually must be paid back, usually with interest. Loans can be offered by the federal and state government, the college itself, or can be borrowed from banks and private lenders. Accepting or taking out loans is a significant commitment, so it's important to fully understand the components

and conditions set out by the lender. Generally speaking, federal loans will have the best and fixed interest rates and are more beneficial than loans from private lenders. It is rare to receive a financial aid package that doesn't include loans. It is up to the student to decide whether or not they want to accept any loans offered to them.

Non-Need Based Financial Aid/Merit Aid: This type of financial support is typically available to every admitted student at colleges and universities that offer these kinds of programs, regardless of financial need. Sometimes referred to as merit scholarships, these awards are distributed by the college or university at their discretion and schools have their own unique methodology for determining eligibility. This means you may qualify for merit aid at some schools and not others. Since they are merit-based in nature, most of these scholarships are awarded based on academic or extracurricular achievement and may have GPA requirements in order to maintain your eligibility. Usually, students are automatically considered for this type of aid by virtue of submitting an admissions application; they usually do not require a separate application of their own. There are, however, notable exceptions of colleges that do require an application, essays, or both in order to receive merit aid consideration. Always check the admissions website to determine whether or not the college offers merit aid and, if so, how an applicant can be considered. Merit aid is also sometimes referred to as a tuition discount, and can be used as an incentivisation strategy by colleges to attract talented students to their school. Not every college offers merit aid; some direct their financial aid budget exclusively to need-based support. The more selective an institution is, the less likely they are to offer merit aid.

The Terminology of Financial Aid

FAFSA: Every student must complete the Free Application for Federal Student Aid (FAFSA) if they want to be considered for need-based financial aid. The FAFSA is created and overseen by the U.S. Department of Education. This is the only financial aid application required by many colleges, and should be filed as soon as possible after it becomes available on Oct. 1 of your senior year. Both students and parents/guardians have their own component of the FAFSA to complete. You do not need to wait to submit financial aid applications until you have submitted your admissions applications, they can and usually should be submitted ahead of time. As the name says, this application is free to complete, so do not be misled by websites that attempt to charge you to complete the FAFSA! Get started and create an account at *fafsa.gov.*

Federal Methodology (FM): Created and set by the federal government, FM is the procedure that colleges that only require the FAFSA use to determine a student and family's financial need. FM uses a variety of information collected from the FAFSA to determine need, including family size, number of children enrolled in college, income and assets of both parents/legal guardians and the student, and the age of the older parent. Colleges can use FM to award available federal, state, and institutional monies.

Student Aid Index (SAI): The factors listed under Federal Methodology, that are included in the FAFSA, determine a family's Student Aid Index, or SAI (formerly known as Estimated Family Contribution or EFC). The SAI is a monetary amount that represents a family's approximate financial resources to contribute toward the student's college costs for a single academic year. The SAI is a fixed number that does not change, even if costs differ from college to college.

CSS Profile: The College Scholarship Service (CSS) PROFILE application, which is offered through the College Board, is an additional financial aid application required by around 300 mostly private colleges in the United States. At colleges where the CSS Profile is required, you and your family will submit *both* the FAFSA and the CSS Profile for financial aid consideration. The CSS Profile can provide colleges with a more detailed and comprehensive view of your family's finances than the FAFSA alone. There is a fee for this form, but fee waivers are available through school counseling and college financial aid offices.

Institutional Methodology (IM): The IM is used in combination with FM by colleges that also require the CSS Profile to award institutional-specific grants and scholarships. Since the CSS Profile captures additional financial information about the family on top of the information provided by the FAFSA, IM allows colleges more flexibility and ownership over how to allocate aid and can tweak the IM formula to their and the students' individual needs. Based on the information included in IM, colleges may adjust the SAI provided by the FAFSA as they prepare your financial aid package.

Demonstrated Need: Simply put, you can calculate your demonstrated need by subtracting your SAI from the college's Cost of Attendance (COA). Financial aid packages are then built toward providing support for as much of that demonstrated need as is possible for the college. Some colleges commit to meeting 100% of a family's demonstrated need in their financial aid package. A fewer number of schools commit to meeting 100% of need without including loans in the package.

COA – SAI = Demonstrated Need

Financial Aid Package/Award: This is the culmination of the financial aid application process and provides a comprehensive overview of the financial support for which you have qualified. Financial aid packages are unique to each college and university. Financial aid packages usually include a combination of federal aid, sometimes state aid, and institutional aid.

Gapping: When a student's financial aid package does not meet 100% of their demonstrated need, meaning there is a gap in support that the student and family are responsible for filling on top of the original determined contribution provided by the SAI. For example, if a student's demonstrated need is $25,000, but the financial aid package only provides $20,000 in aid, the family would be responsible for paying the gap of $5,000 in addition to the amount determined by the Student Aid Index.

Net Price Calculator: All accredited colleges and universities in the United States are federally mandated to provide Net Price Calculators on their financial aid websites. These calculators are not perfect tools, but do provide families with a general estimate of potential aid at that particular institution. You can search for individual colleges' Net Price Calculators by using the U.S. Department of Education's search tool: *collegecost.ed.gov/net-price.*

Federal Student Aid Programs

Eligibility for federal student aid programs—except the PLUS loan and unsubsidized Stafford Loan—is primarily based on financial need. Families demonstrate need for federal student aid by completing and filing the FAFSA. You can get an early estimate of your Federal Student Aid by using the Federal Student Aid Estimator at *studentaid.gov/aid-estimator/* or the Department of Educations NetPrice Calculator at *nces.ed.gov/ipeds/netpricecalculator.*

Federal Pell Grant: The largest source of free money for college from the federal government, Pell Grants, are awarded to undergraduate students who demonstrate a high level of financial need. To be considered, the student must file the FAFSA. The award varies annually, according to the level of federal funding. For the 2022–23 filing year, the maximum award was $6,895.

Federal Supplemental Educational Opportunity Grant (FSEOG): A federal campus-based grant awarded to students with exceptional financial need at participating schools. Filing the FAFSA is all that is needed, and students who qualify for a Pell Grant will be given priority consideration. The grants range from $100 to $4,000 per year.

Federal Work-Study (FWS): A form of self-help aid, this program provides part-time jobs for students with financial need. Jobs are usually available on- and off-campus, and are typically listed through the school's financial aid office. In a federal work-study position you will earn, at minimum, the federal minimum wage and usually work between 10-15 hours per week.

Federal Direct Subsidized Loan: awarded to undergraduate students with demonstrated financial need. The U.S. government covers the cost of the loan's interest while you are enrolled more than half-time and for the first six months after you complete your undergraduate degree.

Federal Direct Unsubsidized Loan: awarded to undergraduate students regardless of financial need. You are responsible for covering the cost of the loan's interest from the start of its disbursement.

Federal Direct PLUS Loan: awarded to parents of dependent undergraduate students to support higher education costs not covered by other financial aid. Eligibility is not based on financial need, but a credit check is required. PLUS loans allow parents to borrow up to the total cost of attendance, less any other aid the student receives. These loans are unsubsidized, so the parent is responsible for paying the interest.

Institutional Aid Programs

Institutional Scholarships and Grants: Non-federal gift aid programs administered by the college. Institutional grants are generally based on financial need. Institutional scholarships are often awarded based on particular abilities or skills in areas such as athletics, music, or academics, also referred to as merit scholarships. These scholarships are often renewable each school year, usually contingent on the student's continued engagement in the activity that prompted the award, or, in the case of academic achievement, maintenance of a certain GPA.

Institutional Loans: Non-federal loan programs administered by the college. These loans usually bear low-interest rates and have favorable repayment terms. In many cases, loan payments are deferred while the student is enrolled in school. Colleges have individual application requirements for institutional loans. Applicants should contact the college to learn the types of loans that are available, qualifying criteria, terms, and conditions. Note that institutional loans offered by for-profit institutions do not have low-interest rates or favorable terms.

Institutional Student Employment: On- or off-campus employment programs, similar to the Federal Work-Study program. These positions may be awarded based on financial need, the student's job qualifications, or a combination of the two. In some cases, these positions may be related to the student's field of study. Contact the financial aid office to learn what types of student employment are available through the school

State Aid Programs

Various states have financial aid programs for their residents. To determine the programs available to you, consult your school counseling office or visit the website of your state's education department.

Private Aid Sources

Private Scholarships: Non-federal scholarships that originate outside of the college, and generally require students to file a separate application. Although academic standing or financial need may be conditions for some private scholarships, funds may also be awarded based on field of study, religious affiliation, racial or ethnic background, leadership skills, place of residence, skills and talents, or other criteria. Because these scholarships are funded by private sources, the criteria can reflect whatever qualities their benefactors wish to reward or encourage. High schools, churches, local businesses, and civic service organizations frequently have scholarship programs. Be sure to be an informed and vigilant consumer and make sure the sources you're using are reputable; unfortunately, there are many scholarship scams out there that seek to take advantage of students and their families. Generally speaking, you should avoid anything that requires you to pay to submit an application for a scholarship. It is also worth noting that you should not rely on outside, private scholarships alone to cover the entire cost of your college education. In addition to many private online search engines, The U.S. Department of Labor provides its own scholarship search engine here: *careeronestop.org/toolkit/training/find-scholarships.aspx.*

Private Loans: Private loans originate outside of the college and federal government and usually require a separate application. They can help pay for college if families come up short after exhausting all other sources of financial aid. Private loans usually carry a higher interest rate than federal loans, and they may not have as favorable of repayment terms.

Applying for Financial Aid

Now that you have a working background in the terminology, types of financial aid, and associated applications, it's time to actually apply! Both the FAFSA and the CSS Profile applications open to current high school seniors and their families on October 1 each year.

The instructions that accompany the FAFSA and CSS Profile are very explicit. Read these directions carefully. Follow them step by step, and begin early enough to allow for some inevitable delays as you seek answers to your questions. Be thorough and organized.

Deadlines: It's important to be just as aware of financial aid deadlines as you are of your admission deadlines. Again, financial aid applications can be submitted prior to admission applications, you do not have to wait. Though financial aid is not first-come, first-served, it is beneficial to submit your FAFSA (and CSS Profile if required) as early as possible in case colleges have follow-up questions or require you to go through a verification process. Your aid package may be impacted if you miss the published deadline.

Required Forms: In order to successfully complete financial aid applications, you will need copies of certain forms to provide accurate financial information. Many financial aid offices require a copy of the federal income tax forms filed by the family and/or student to confirm FAFSA data. If there are significant differences between the tax return data and the data on the FAFSA, your original financial aid offer may be revised.

Applying for financial aid can seem complex and confusing, but the reward of an education is too great not to give the process a chance.

Help is available. Your high school counselor can answer questions. Additionally, just as there are admissions counselors to support you in that portion of the application process, financial aid offices have specific counselors as well to provide assistance. Finally, you can contact the Federal Student Aid Information Center for help via phone (1-800-433-3243) or visit *studentaid.gov* to have your questions answered via chat or email. Think of your college education as an investment that will repay its cost to you many times over during your lifetime.

How Does Financial Aid Impact Admissions?

While it is common for admissions and financial aid offices to be separate entities, they work closely and in collaboration with one another. If and how your demonstrated need may impact your admission decision is entirely dependent on the individual college, their financial budget, and their institutional priorities in a given application cycle. Colleges typically adopt one of the two following policies when considering the impact of financial aid on admissions:

Need-Aware/Conscious Institutions: Colleges that may consider financial need in their admissions decisions in order to meet budgetary goals. This does not mean that you are automatically disadvantaged at these colleges if you apply for financial aid; remember, most applicants do! Most colleges in the U.S. are need aware on some level, because most do not have unlimited financial aid budgets. To that end, some colleges are able to use their need-aware policies to ensure they meet 100% of all admitted applicants' demonstrated need. However, not all need-aware colleges meet 100% of demonstrated need. It is important to check admissions and financial aid websites to determine a college's policy.

Need-Blind Institutions: Colleges that do not consider an applicant's financial need when making admissions decisions. It is important to note that need-blind institutions are not guaranteed to meet 100% of your demonstrated need, and if they do, are not guaranteed to meet it without packaging you with loans. It is worth noting that need-blind institutions may be need-aware specifically for international applicants.

Advice for Undocumented Students

Undocumented students, including Deferred Action for Childhood Arrivals (DACA) recipients, are not eligible for any federal financial aid programs. However, undcoumented students, including DACA recipients, may be eligible for state, institutional, and private sources of aid, including in-state tuition rates in certain states.

DACA recipients with a Social Security Number are able and eligible to complete the FAFSA. Keep in mind, completing the FAFSA does not provide DACA recipients with access to federal financial aid. Rather, it provides them with the opportunity to receive a Student Aid Report that can be used by institutions to grant state and institutional financial aid. If you are not a DACA recipient, or you are and do not have a Social Security Number, you will not be able to complete and submit the FAFSA.

If you live in a state that provides financial aid to undocumented students, regardless of their DACA status, there may be an application instead of the FAFSA for you to complete that will give you access to state financial aid resources. Currently, these states include California, Washington, Texas, Oklahoma, and New Mexico. It is important to note that, whether you are completing the FAFSA or a state-specific financial aid application, your parents do not need to be citizens in order for you to apply for financial aid.

Private college and universities may also have designated financial aid fund for undocumented applicants. In order to be eligible, you may need to complete the CSS Profile or a school-specific financial aid application. For more information about financial aid opportunities for undocumented students, consult with your high school counselor, check the policies at the colleges to which you plan to apply, and review your state's educational resources and policies.

Advice for International Students

For information on applying to U.S. colleges as an international applicant, including information on financial aid, please see Chapter 14.

Student Debt

Many students and their families use loans to help cover college costs, but before agreeing to any loan terms, consider your potential for debt. Have a conversation with your family about the cost of higher education at the beginning of your college search to ease stress and frustration later in the process.

A commonly cited rule of thumb is to not borrow more than your expected starting salary after graduation. The average debt in 2019–2020 for graduates who borrowed money for college was around $26,000 at public, four-year colleges and around $34,000 at private, nonprofit colleges, according to data compiled by the College Board.

Federal loans are always a safer alternative to private loans, but any loan requires a careful eye and an understanding of financial limitations.

Check with your high school's counseling office for further information about financial aid, including loans. Consider attending one of NACAC's National College Fairs to learn more about college costs (see Chapter 4 for registration details). Many of the fairs include workshops offering unbiased information about student borrowing.

Other helpful sources of information on this topic include:

- Federal Student Aid Office: *studentaid.ed.gov*

- The Institute for College Access & Success: *ticas.org*

- FinAid: The SmartStudent Guide to Financial Aid: *finaid.org.*