

Financial Aid 101

This PDF contains the material Davidson College and the North Carolina State Education Assistance Authority (NCSEAA) presented jointly in a series of workshops for school counselors during the fall of 2007.

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Financial Aid 101

A College Education Is
Affordable



Things You Should Know About Financing College

Everything You Always Wanted to
Know About Financial Aid and
Scholarships But Were Afraid to Ask

Overview

- Need-based financial aid
- Merit-based scholarships
- An insider's list of consumer tips

What is the purpose of need-based financial aid?

- Equal access
- Make education accessible to students who can't afford it on their own
- Enable student to apply to first-choice college

What assumptions underlie need-based aid?

- Students and parents contribute to the extent they're able
- Income and assets reflect financial strength over time
- Unusual family circumstances considered
- Similar treatment for similar circumstances
- More expected from those with greater resources

How do students apply for financial aid?

- Federal formula
 - FAFSA (Free Application for Federal Student Aid)
- Institutional formula
 - CSS Financial Aid/PROFILE
- At school's discretion:
 - Institutional application
 - Tax returns and W-2 forms
 - Noncustodial PROFILE
 - Business/farm supplement
- Must reapply annually

How is eligibility for financial aid determined?

Cost of education
- Family contribution
= Student's financial need

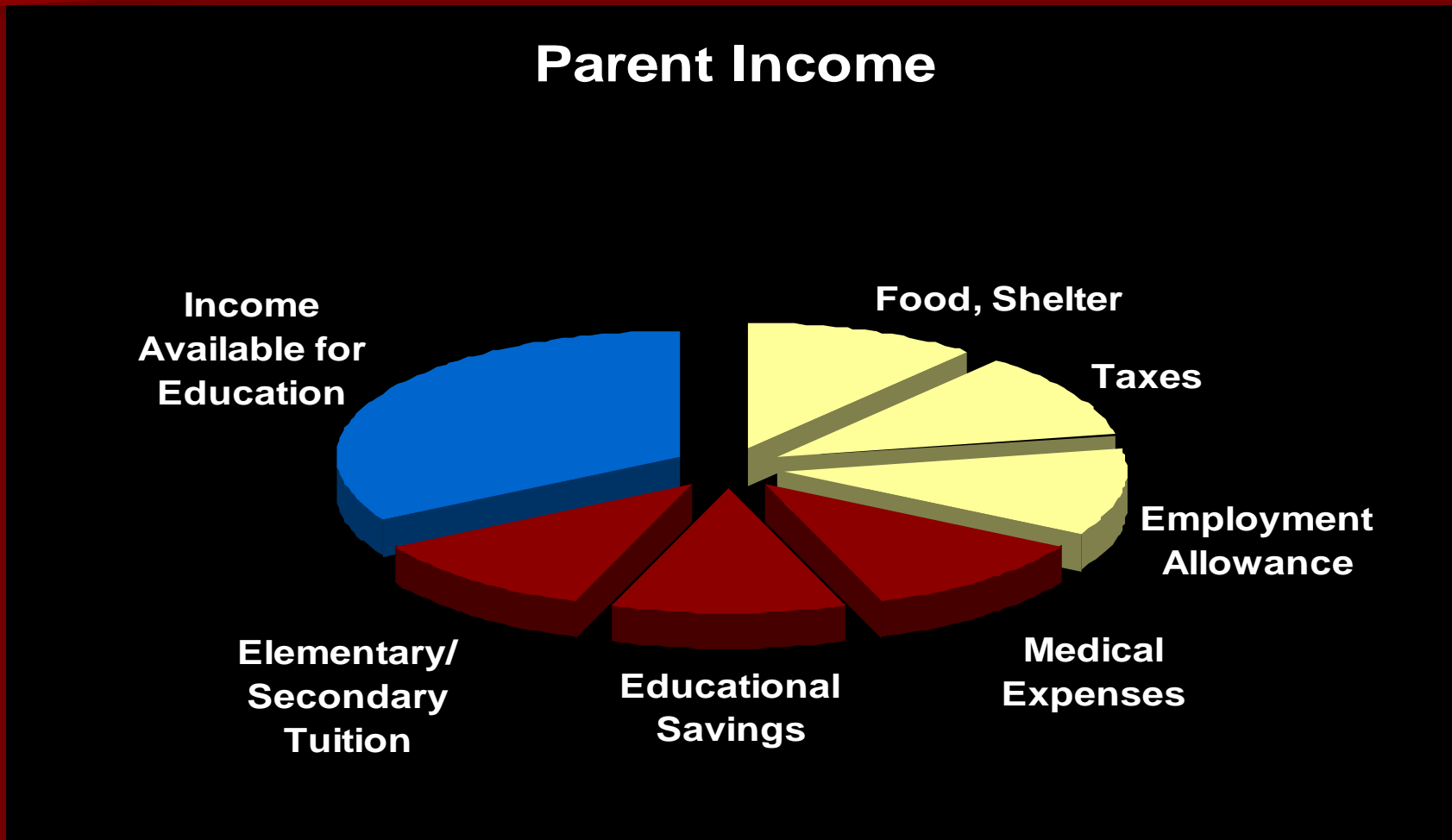
What is included in cost of education?

- Tuition and fees
- Room and board
- Books and supplies
- Transportation
- Miscellaneous personal expenses

How is the family contribution determined?

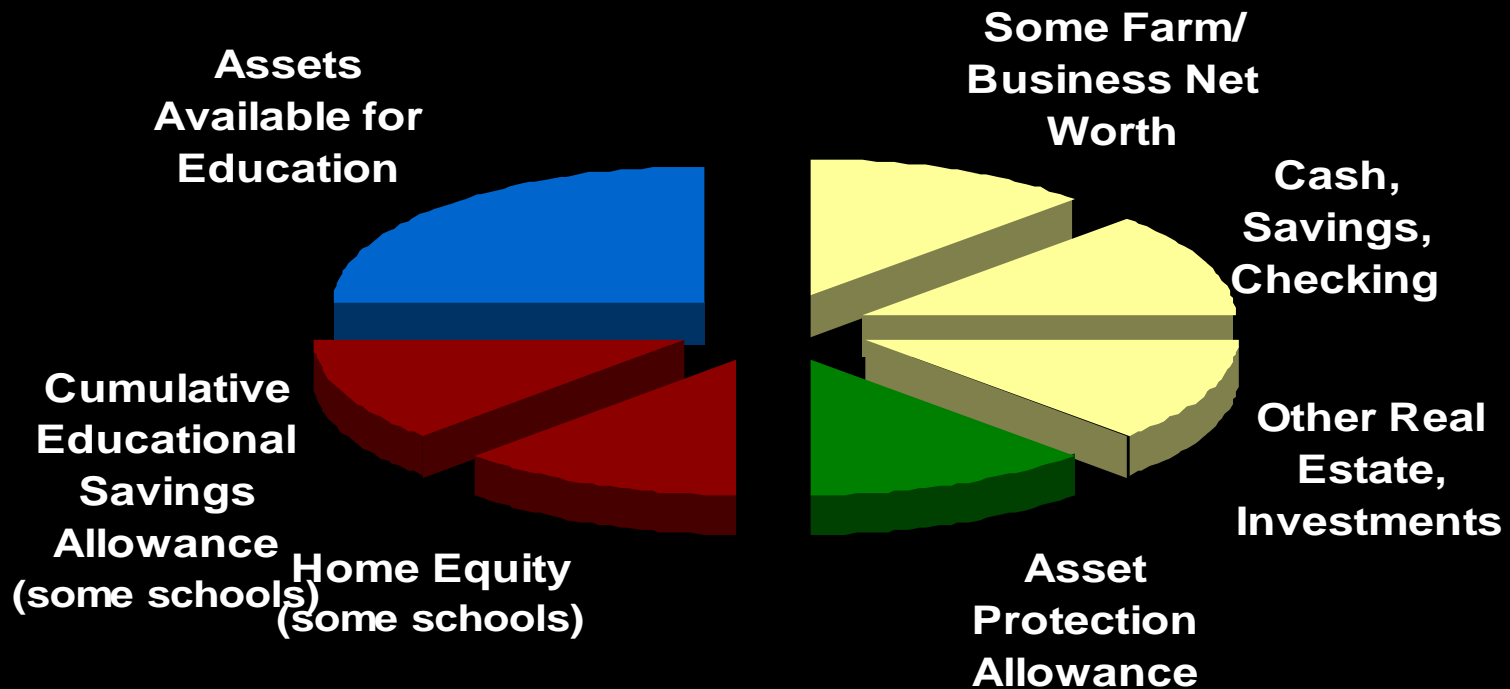
- Parent contribution from income
- Parent contribution from assets
- Student contribution

How is parent contribution from income calculated?

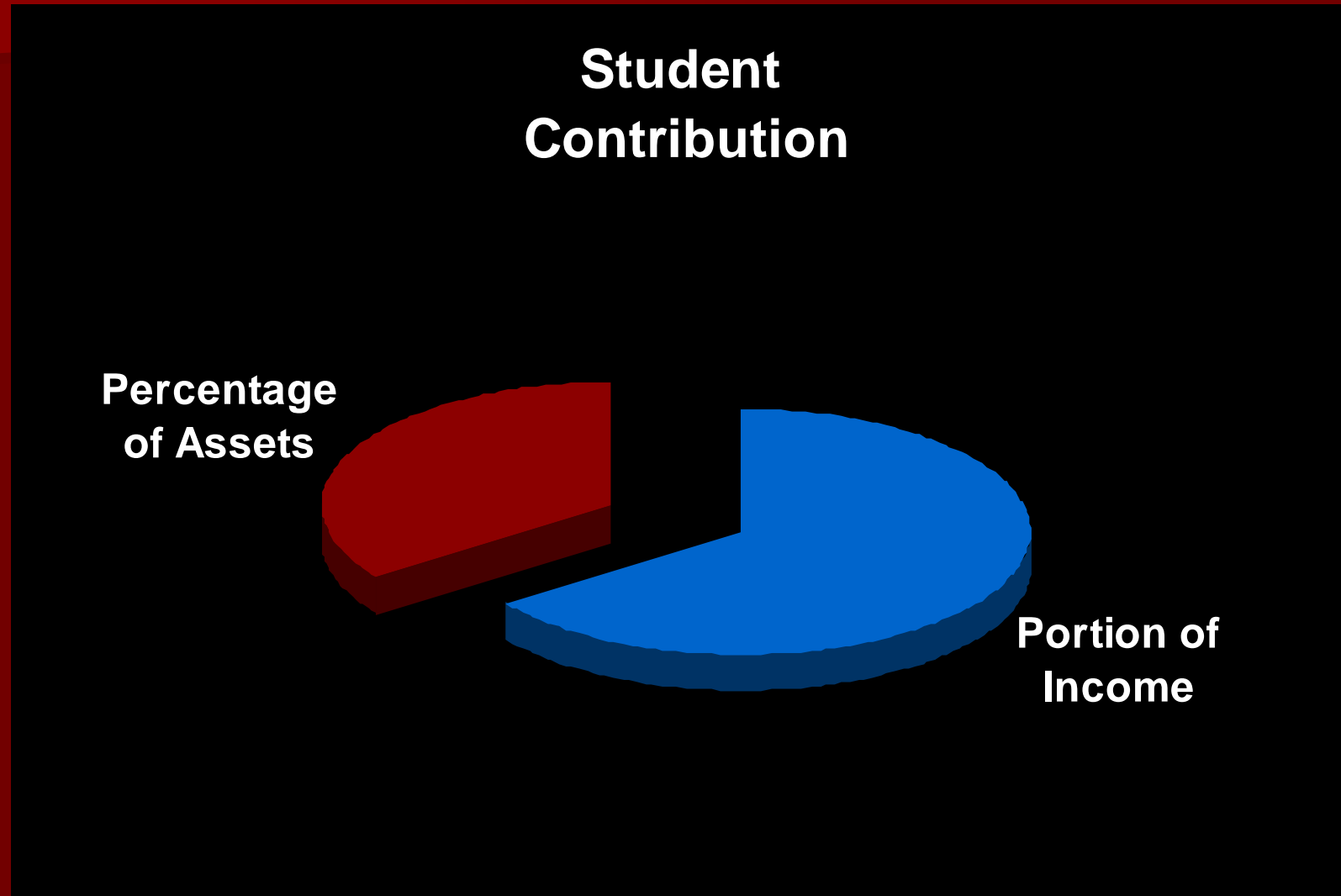


How is parent contribution from assets calculated?

Parent Assets



How is the student contribution calculated?

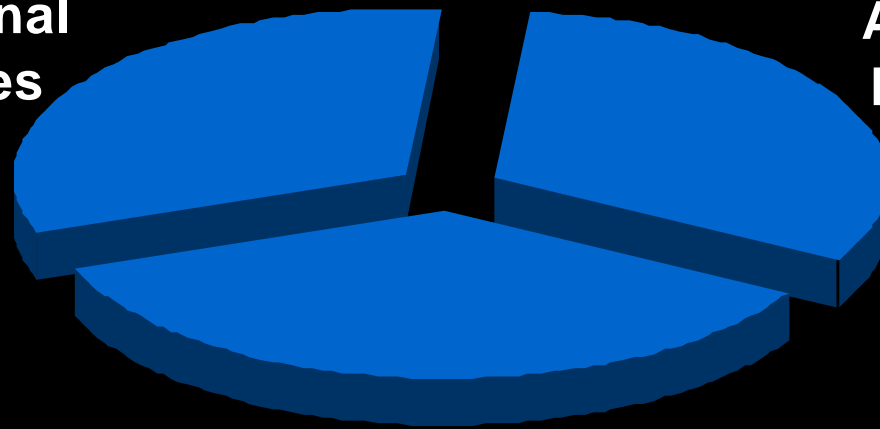


How is the family contribution calculated?

Family Contribution

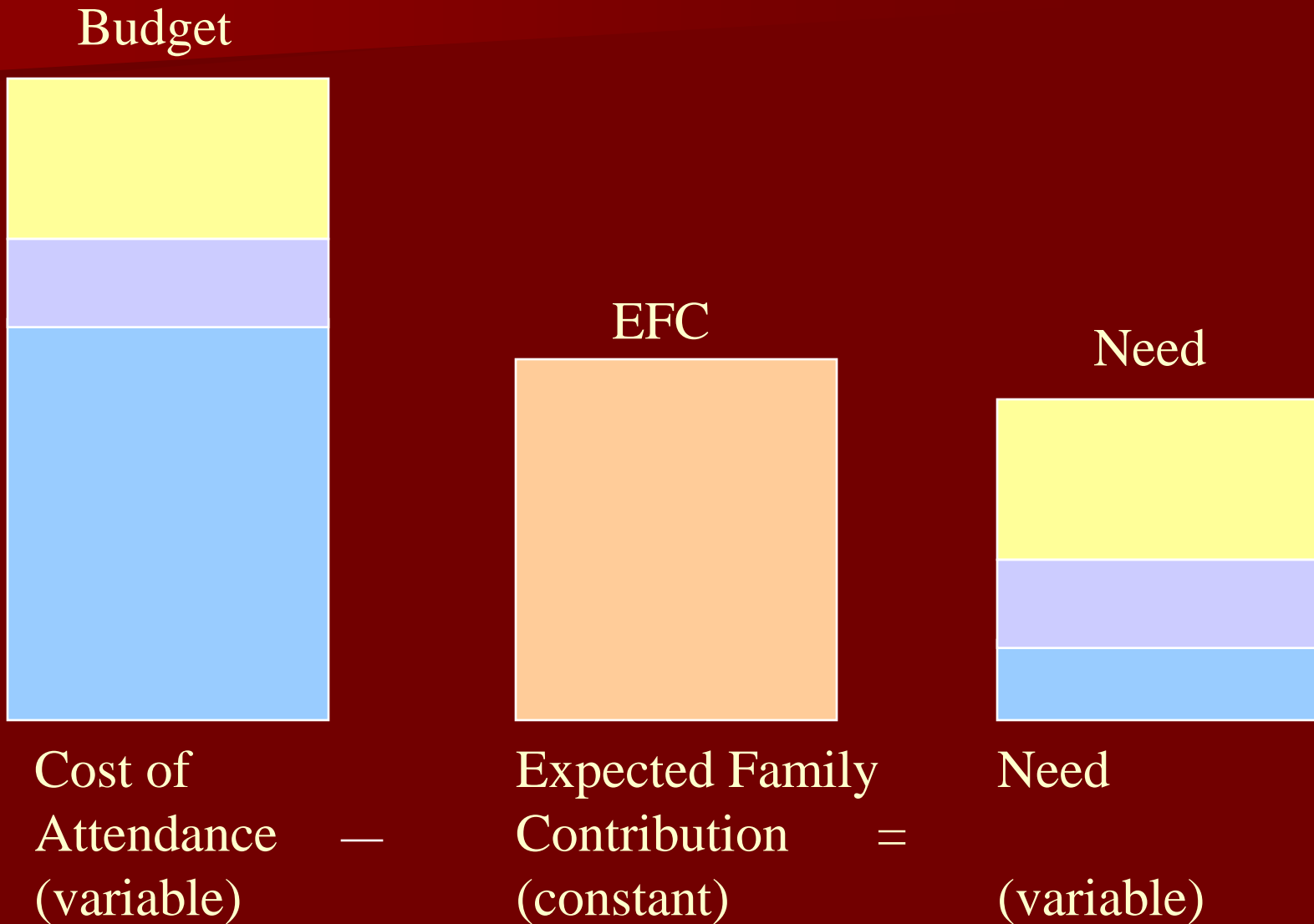
Percentage
of Parent
Income
Available for
Educational
Expenses

Percentage
of Parent
Assets
Available for
Educational
Expenses



Student
Contribution

Recap: What is financial need?



How is financial need met?

- **Gift aid**

- Grants
- Scholarships

- **Self-help aid**

- Student loans
- Employment

What might a sample aid package look like?

	Davidson	Private # 1	State U.	Private # 2
Total Cost	\$ 43,620	\$ 45,500	\$ 15,250	\$ 29,310
Family EFC	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
Financial Need	\$ 38,620	\$ 40,500	\$ 10,250	\$ 24,310
Merit Aid	\$ 0	\$ 0	\$ 0	\$ 10,000
Need Grant	\$ 36,620	\$ 33,870	\$ 3,000	\$ 4,500
Student Loan	\$ 0	\$ 4,000	\$ 3,500	\$ 3,500
Work Study	\$ 2,000	\$ 2,630	\$ 1,500	\$ 1,000
Total Aid	\$ 38,620	\$ 40,500	\$ 8,000	\$ 19,000
Unmet Need	\$ 0	\$ 0	\$ 2,250	\$ 5,310
Total Paid	\$ 5,000	\$ 5,000	\$ 7,250	\$ 10,310

What are merit-based scholarships?

- Inverse relationship between selectivity and number of merit awards
- Strategies underlying merit awards vary
 - Recruiting device
 - Awarded after student is admitted
- Procedures for being considered vary
 - Nomination
 - Scholarship application
 - Admission application

What are athletic scholarships?

- Based on athletic talent
- Usually awarded by athletics department, not admission/financial aid office

What questions should students ask about merit and athletic awards?

- Is the scholarship renewable?
- If so, what are the requirements for renewal?
- Will the scholarship affect need-based aid eligibility?

What other options can help with college costs?

- Outside scholarships
- Summer/academic year employment
- Payment plans
- Federal Stafford Loans
- Federal PLUS Loans
- Lines of credit and education loans
- Home equity loans
- Life insurance policies, retirement

What are other things that students should know?

- Deadlines are important
- Early Decision/Early Action
- Need-blind vs. need-sensitive
- Differential/preferential packaging
- May 1: National Candidate's Reply Date

More consumer tips

- Avoid financial aid consultants
- Avoid scholarship programs that charge application fees
- Avoid scholarship search services that charge fees
- Bargaining/negotiating?
- Know your loans

**College is an investment
that lasts a lifetime.**

On-line resources

- The College Board

www.collegeboard.com

- College Foundation of North Carolina

www.cfnc.org

- SmartStudent Guide to Financial Aid

www.finaid.org

- Federal government

www.ed.gov

- FastWeb

www.fastweb.com

- School Web sites



North Carolina Outreach and Financial Aid

Davidson College-NCSEAA Counselor Workshops
Fall 2007

Steven E. Brooks
Executive Director
State Education Assistance Authority

How Much Will It Cost?



Entering Fall Semester, 2007
Tuition, fees, room, meals, books, supplies,
transportation and personal expenses

	<u>North Carolina</u>	<u>National</u>
Community College (for two years)	\$18,400	\$25,800
UNC Campus (for four years)	\$58,000	\$68,700
Private College (for four years)	\$108,000	\$140,000

National Data from College Board, inflated at 5%; NC Data estimated by SEAA

North Carolina Colleges and Universities remain a bargain nationally 27

These numbers can be daunting ... but

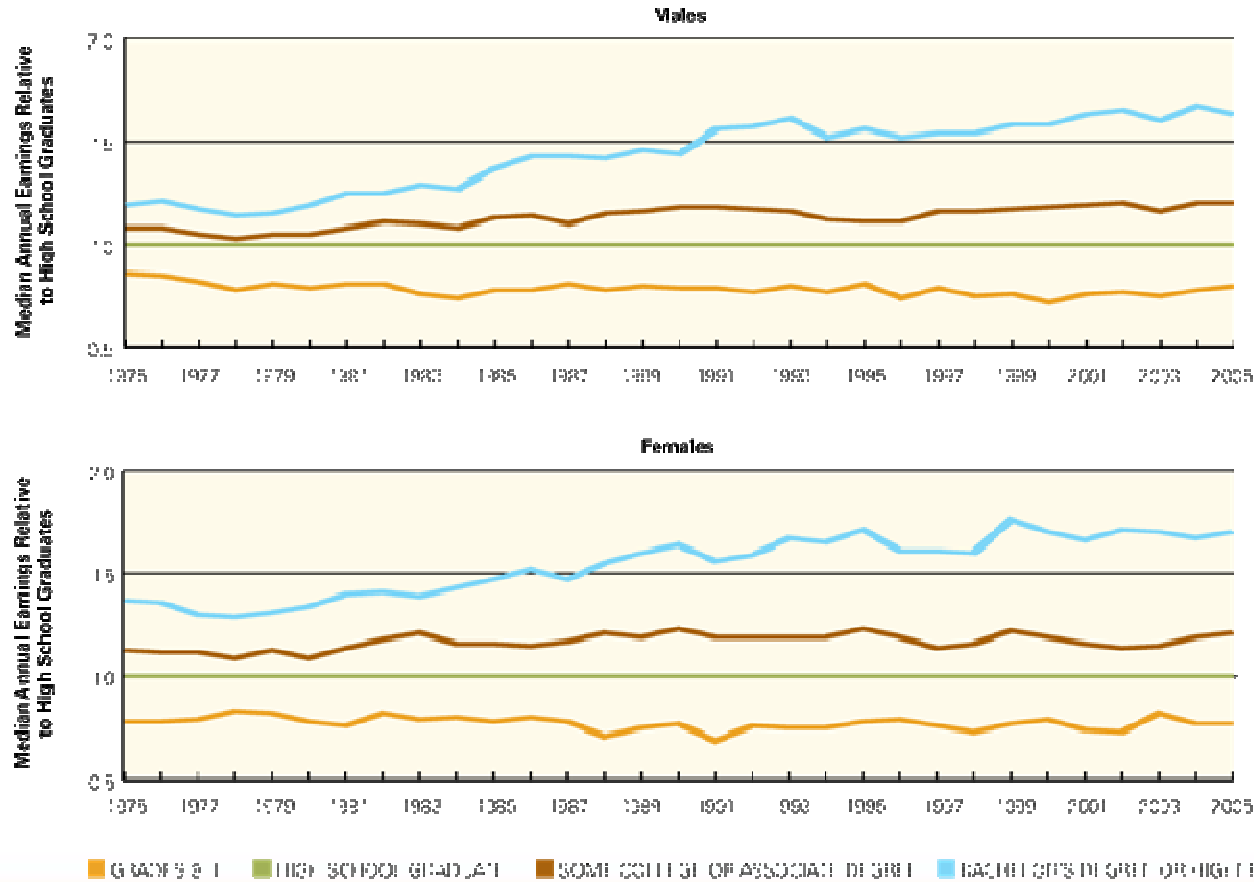
- Costs do not have to be paid all at once
- There are three ways to pay
 - Saving in advance
 - Paying from current income
 - Borrowing – pay with future income
- Should consider the cost as an investment
- The investment pays rich dividends
 - Salaries
 - Health
 - Citizenship (voting)
 - Taxes (government gets back its investment!)

How it pays off ...



Median Annual Earnings Relative to Earnings of High School Graduates, Males and Females Ages 25–34, 1975–2005

Source: The College Board, *Education Pays*, Second Update, 2006



Source: National Center for Education Statistics (NCES), 2004, Table 14-1, NCES, 2006, Table 22-1 (based on U.S. Census Bureau, *Current Population Survey*) and U.S. Census Bureau, 2006, PINC-03.



Thinking About the Three Ways to Pay for College

- Those who do not save invariably have to borrow.
- It is less expensive to save than to borrow
- Some level of sacrifice – at some point – will have to be made (now, then, or even later)

Most families use a combination of all three methods

Paying for College: Saving, Borrowing, or Current Income



To have \$50,000 for college expenses, the monthly expense for a family is approximately as follows:

	Save	Borrow	Income
Interest earned/paid	4%	6%	N/A
Number of years paid	12	10	4
Monthly payments	\$270	\$555	\$1,042
Total Payments	\$38,880	\$66,600	\$50,000

Saving for College - 529 Plans

- Save and pay for qualified higher education expenses
 - Your assets grow free of federal and state income taxes
 - Contributions may be deductible from state income (**are** in NC)
 - Qualified withdrawals free of federal & state income taxes
- Significant reductions in the taxable value of your estate
 - The money is not part of your estate after you give it away
 - Give up to \$12,000 annually without gift tax
 - Account for a single contribution of \$60,000 as separate \$11,000 gifts over five years
 - Still have control of your money, even after you give it away, by changing beneficiary and/or investment choices

529: Who's Who : "Participant"



- Account owner/investor
- No age limit
- No income limit

529: Who's Who: "Beneficiary"



- Person named on account as prospective student
- Must be at least one day old

A participant can...

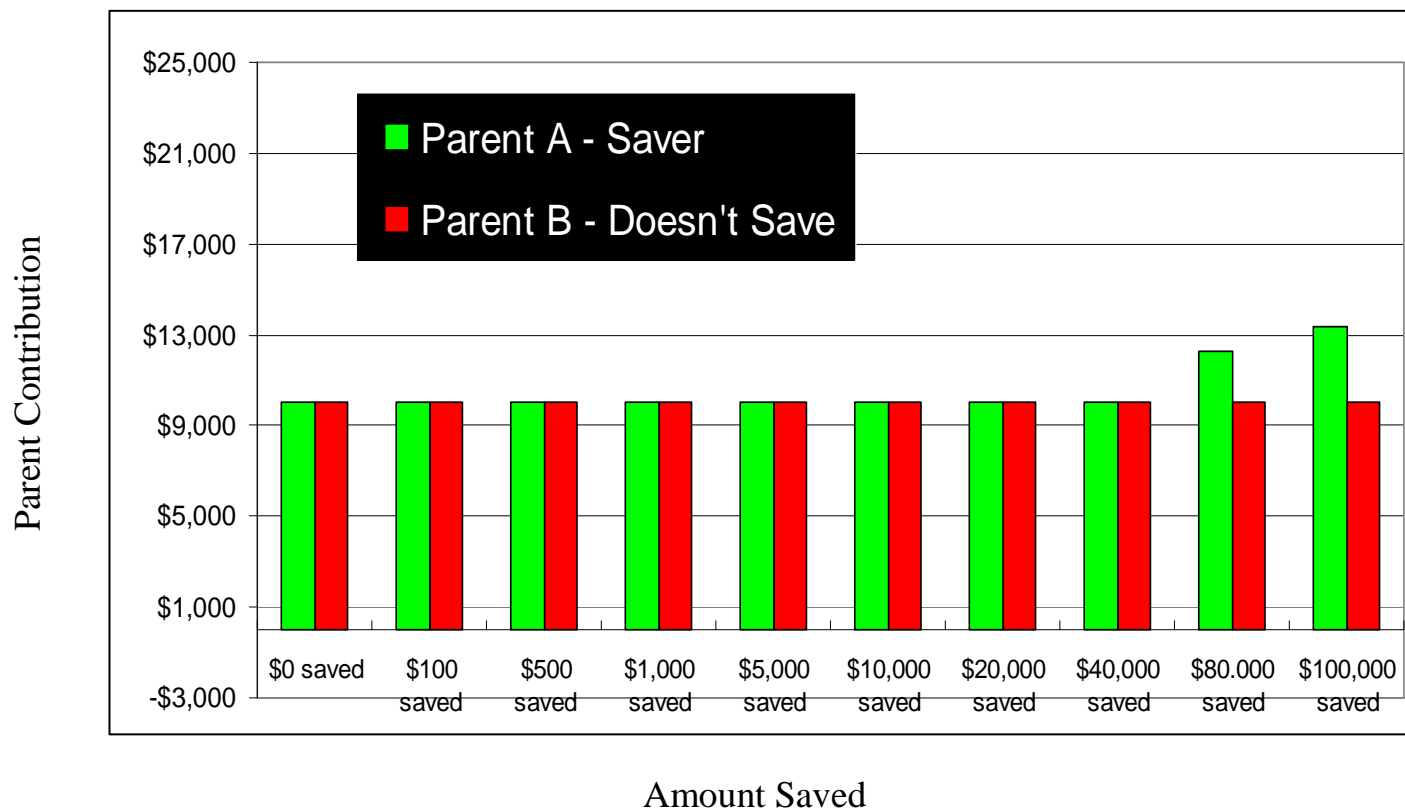


- Open an account for anyone
- Open as many accounts as you wish
- Even open an account for yourself as beneficiary
- Change the beneficiary



Each account has only one Beneficiary

What Happens to My Aid with 529 Program Account?



Assumes \$10,000 PC from income calculation – Assumes APA of \$40,000 – Marginal rate above APA is 5.6% (maximum)

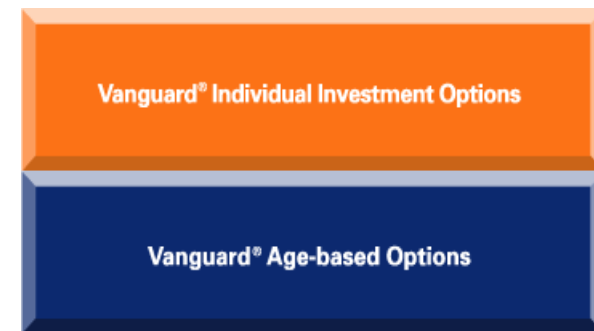
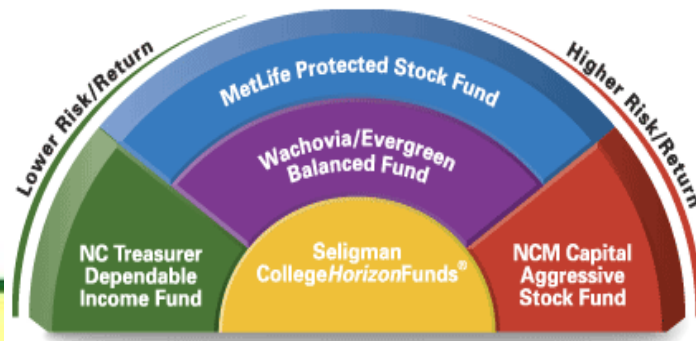
How to decide where to invest...

- Consider your home state plan first
 - you may get state tax breaks such as deductible contributions *
 - * contributions of \$5,000 on joint return (\$2,500 individual return) in North Carolina **are** deductible, regardless of income
 - you may be able to buy direct shares without broker fees
 - you may have more political leverage as an in-state customer

Look also at other state plans to see if they have more attractive investment for your tastes



- Evaluate plans on web site
 - <http://www.savingforcollege.com>
- Learn about North Carolina’s plan on
 - <http://www/CFNC.org>





A fourth way to pay

- Financial Aid is available in North Carolina!
 - Net price is more important than sticker price
 - We are organized around sector-specific programs as well as some statewide programs
 - All of these and more can be found on CFNC.org



CFNC Website – <http://www.CFNC.org>

8,786 visitors
per day

1.7
Million
student
accounts

742,000+
online
applications
submitted

28,347
Electronic
Transcripts



A free resource for North Carolina students and families –
Plan, Apply, and Pay for College!

My
CFNC

Career
Center

Student
Planner

College
Fair

Online
Applications

Paying for
College

College Savings
Program

Log Into
My CFNC

Create
My CFNC

Search CFNC & Campus Sites

Contact CFNC

About CFNC

CFNC en español

- » Adult Learner
- » Financial Aid Administrator
- » School Counselor

Programs

- » GEAR UP NC
- » College Redirection



*A Service of
the State of North Carolina
provided by*

[PATHWAYS](#) [CFI](#) [NCSBAA](#)



CFNC
Events

Register Now

We believe every student should have the opportunity to go to college.

That's why College Foundation of North Carolina created this site, which is loaded with information and resources to help you and your family:

- Make smart decisions as you plan for college and a career
- Compare over 100 North Carolina colleges and link easily to their Web sites
- Simplify the college application process by applying online
- Find the best way to pay for college with scholarships, grants, loans, and savings programs

[Hardware and Software Requirements](#)



Paying for College - CFNC

- Financial Aid Estimator
- Financial Aid Primer
- Publications on Aid Program (downloadable)
 - Student Aid for North Carolinians
 - How Do I Pay for College
- Scholarship Wizard: Automatic applications for state aid
- Scholarship Search
- Calculators and tools
- Information on tax credits and deductions
- More



North Carolina offers substantial grants and scholarships for needy students

Major Need Based Grant Programs in North Carolina

1997-98 \$37 million

2008-09 \$351 million

Nearly a ten-fold increase in only a dozen years!

SCSF...UNC NBG...CC Grant...ELS...EARN

State Aid at Non-Profit Private Colleges



- **NCLTG**
 - \$1,950 annually for North Carolinians
 - Same basis as in-state tuition at public campuses
 - Reduces already lower than national costs by an additional \$7,800 over four years
 - More available if needy based on cost less family contribution
- **State Contractual Scholarship Fund**
 - Campus based pool of money @ \$1,350 per FTE
 - Campus decides recipients and amounts for needy North Carolina students, based on their packaging policy (within state regulations)
- **\$105 million dollars currently each year**



State Aid at 16 UNC Campuses

- **UNC Need Based Grant**

- Centrally processed based on FAFSA data
- Automatic consideration
- Ranges from \$200 to \$3,400
- Uses its own formula to look at income and (secondarily) at assets if significant
- Better than federal formula in treatment of dependent student income and assets
- \$117 million annually 2007-08

- **Other state need based aid distributed by campuses**

Total Average Grant Aid by Family Income (16 campus – may include some merit aid as well; based on survey of campuses)

- \$55,000 income \$7,200 average grants
- \$70,000 income \$3,300 average grants
- \$80,000 income \$900 average grants

State Aid at Community Colleges



North Carolina Community College Grant

- Combines with federal Pell Grants to put a “foundation” under students
- Currently that foundation is \$900 for anyone who has federal EFC under \$5,000
- Works in tandem with the new Education Lottery Scholarship, so effective “foundation” for community college students is actually \$3,400 as minimum grant support if EFC <\$5,000

\$14 million current annual amount

Education Lottery Scholarship



- \$40 million for 2007-08
- Available at UNC, Non-Profit Private, Community Colleges, Nursing Colleges, and Roanoke Bible College
- All students need to do is file FAFSA and list an eligible NC campus
- Uses “foundation” concept –
 - EFC under \$5,000 – combined with Pell will give foundation of no less than \$2,500
 - When combined with CC Grant that foundation will go up to \$3,400
 - Does not have impact on UNC NBG or NCLTG or SCSF – students are to get more money, not have aid supplanted

EARN Scholarship Education Access Rewards North Carolina



- New for 2008-09 - \$100 million program
 - (publicity coming soon)
- Currently for UNC and Community College students
- Family income under 200% of federal poverty guidelines
 - (about \$41,000 for a family of four)
- Dependent students only
 - (including dependents of parents and of the courts)
- Replaces loans with \$4,000 annual grants in first two years of college
- Students who earn enough college credits in high school
 - such as in Learn and Earn program – can get bachelor's degree **debt free**

Who gets scholarships?



- Generally at UNC campuses, need based aid goes to families with incomes below \$75,000.
- At private colleges the incomes can range considerably higher – to \$100,000 or more -- because of higher costs.
- All North Carolina residents receive considerable subsidy at public and private campuses, through in-state tuition rates at UNC or through NC Legislative Tuition Grant at privates
- Campuses also offer scholarships based on “merit” or other criteria. Hope but don’t plan....
- Access all North Carolina colleges via [www. CFNC.org](http://www.CFNC.org)
- Access out of state colleges via www.collegeboard.org

CAUTION YOUR STUDENTS ABOUT SCHOLARSHIP SCAMS!

Scholarships for Needy Students in UNC Campuses



Bottom 60% family income

	<u>Averages overall</u>				<u>Averages for Lower Income Students</u>			
	<u>Average 1999- 2000</u>	<u>Average 2003- 2004</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Average 1999- 2000</u>	<u>Average 2003- 2004</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Price of Attendance	\$9,002	\$11,650	\$2,648	29.4%	\$8,866	\$11,560	\$2,694	30.4%
Estimated Family Contribution	3,457	3,653	196	5.7%	1,898	2,230	332	17.5%
Financial Need	5,829	8,009	2,180	37.4%	6,968	9,261	2,293	32.9%
Total Scholarship Aid	2,482	4,250	1,768	71.2%	2,911	5,028	2,117	72.7%
From Federal Sources	1,219	1,875	656	53.8%	1,558	2,415	857	55.0%
From State Sources	565	1,373	808	143.0%	632	1,623	991	156.8%
From Other Sources	698	1,002	304	43.6%	721	990	269	37.3%
Remaining Need after Scholarships	3,501	3,939	438	12.5%	4,140	4,361	221	5.3%
Total Price Net of Scholarships	6,545	7,430	885	13.5%	5,984	6,570	586	9.8%
Student Loans	2,885	3,057	172	6.0%	2,787	2,856	69	2.5%
Consumer Price Index				10%				10%

So, when you hear about rising costs, remember that net price is what really matters! 50



Borrowing Options - It is never too late

Federally guaranteed loans with tax deductible interest

- Stafford Loans for students
 - Current interest rate is 6.8% fixed
 - College Foundation rate is 4.3% with ACH and on-time
 - CFI has best borrower benefits in USA
 - Can borrow \$3,500 freshman year, \$4,500 sophomore, \$5,500 junior and senior years
 - Nearly all students can borrow

Borrowing Options - It is never too late

Federally guaranteed loans with tax deductible interest

- Federal PLUS Loans for parents
 - Current interest rate is 8.5%
 - College Foundation it is 6.5% with ACH and on-time
 - CFI has best borrower benefits in USA
 - Borrow full cost of attendance minus other financial aid
 - No adverse credit history

“Investigate nonprofit lending agencies in both your state and the state where your child will attend college. Such agencies use low-cost loans to encourage students to study—and stay—within state borders.”

“For instance, the College Foundation of North Carolina offers a dirt-cheap 4.3% interest rate on Staffords (after discounts) to state residents, out-of-state students attending college in North Carolina and families who contribute to the state’s 529 savings plan.”



Compare lenders in the federal loan programs – check them out before you borrow!

- Do they waive or discount origination fees and default fees?
- Do they service the loans from origination to pay-out or do they sell the loans to another servicer after the fact?
- What are their borrower benefits for on-time repayment?
- For comparative data on federal loan program repayment benefits: <http://www.cfnc.org/ncadvantage>

Consider Private Loans only after Federal Loans