

Understanding a Financial Aid Letter

Once you have college visits under your belt, taken entrance exams, filled out applications and kept your GPA up, you may think the hard part is over. But when you start to compare your college offers by interpreting financial aid letters, its difficult to determine how much you're really going to pay. The hard part has really just begun.

Financial aid letters are often confusing and filled with numbers and information that may look foreign to you. To help you decode the letters you receive, we have created the following list of common components:

Total Cost of Attendance - There are several components that make up the total cost of attendance at college. Your comprehensive cost will be the cost of tuition + room fee + board/meal plan + mandatory fees + textbooks + any class/lab fees. The financial aid letter may also include transportation and personal living expenses in their estimated cost of attendance.

Most colleges will give you several options about what kind of room and board you would like to choose. Review all of the options carefully. Some colleges require freshmen and sophomores to purchase the meal plan with 21 meals per week. Since most students don't actually use all 21, we recommend that you choose a lower meal plan if it is an option.

Scholarships & Grants - Grants and scholarships are the best form of financial aid because you do not need to pay them back. Students may receive scholarships and grants for a variety of different things. Some are need-based and some are merit-based. Be sure that you know the terms of any scholarships and grants listed on your financial aid letter, so you can continue to meet the requirements in subsequent

semesters. Some grants and scholarships may also have time limits on them, so find out if and when they expire.

Stafford Loans - You may see two different types of loan in your award notification. **Unsubsidized** loans are not need-based, and the borrower is responsible for paying the interest as soon as he or she takes out the loan. A **subsidized** loan is need-based, and the borrower is only responsible for paying the interest after he or she leaves college. If you have the option to choose between the two, choose the subsidized loan. However, if you need to take out loans, in most cases it is best to choose the Stafford loans over private loans.

Federal Work Study - The **Federal Work Study** (FWS) program helps students earn financial aid through part-time jobs. In most cases, the federal government provides the money to the college, and the money is paid directly to the student as payment for working. Students can arrange for the college to put the money directly toward tuition costs, which we recommend. If this option is not expressly stated, ask the financial aid office if it is available.

Federal Work Study will appear on your financial aid letter as financial aid that the college is offering. It is important to note that the federal government is not responsible for providing the student with a job. The student should contact the college as soon as possible and apply for whatever jobs are most desirable. Jobs fill up quickly, and if you don't act quickly, you could be left unemployed.

Total Awards - In many financial aid letters, the amount of "total awards" you have received will be the same as the cost of the college that is listed. This may seem exciting, but you should look closely at the numbers before you feel like you've gotten a great deal. If half of the awards listed are loans, they are not really financial "aid." Taking out loans will help you pay for college, but you need to look at the amount of "aid" without loans to see how much the college is actually giving you. Add the grants and scholarships numbers together to find out how much money you are getting, then subtract that number from the total cost of the college to determine how much you'll have to come up with yourself.

Parent PLUS Loans - These are federally guaranteed loans with a low interest rate. A Parent PLUS Loan is not need-based, so any parent is eligible (after passing a credit check).

Parents can borrow (up to) the total cost of the undergraduate education, including room, board, tuition, and any other expenses, MINUS any financial aid that the student is receiving. "Financial aid" in this case

includes grants, scholarships, Federal Work Study, and Stafford loans. Private student loans are not included.

Parent PLUS loans have a fixed interest rate of 6.31% (see: <https://studentaid.ed.gov/sa/types/loans/plus#interest>) and require no collateral (unlike other non-education loans). All Parent PLUS Loan money must be used toward education expenses. Loan money may be disbursed directly to the school, or the college may require the parents to endorse a disbursement check and send it to the financial aid office. Be sure you are clear on the method of payment that your school requires.

Accepting the Aid Agreement - You will be asked to indicate which financial aid awards you choose to accept and which you do not want. You are **not** required to accept all the awards listed in the letter. If you do not want to take out the Parent PLUS Loan, for example, put a line through it or mark on the letter that you do not want to accept it. If you don't want to accept the total loan amount listed in the letter, make a note of how much you do want to accept.

Pay close attention to the deadline for returning the letter. There will be a date listed, and if you miss the deadline, you risk losing your financial aid.

If you have specific questions about your financial aid letter, contact College Assistance Plus. We have interpreted thousands of letters and are able to cash flow your college career (usually five years with 3-6% increase each year) AND assist with how you will actually pay.

WE DO COLLEGE ALL DAY, EVERY DAY!

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