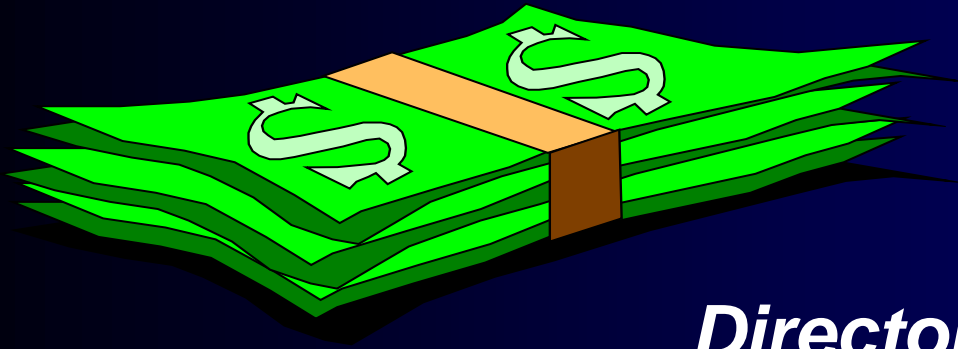


# Introduction to Financial Aid: An Overview for Students and Parents



*presented by:*  
***Reginald Page***  
***Director of Financial Aid***  
***Mercer County Community College***

# Today's Topics



- Types of aid
- How financial need is determined
- When and how to apply
- Completing the FAFSA
- What to expect from each type of college
- How to recognize and avoid scams
- Loans and other college financing options

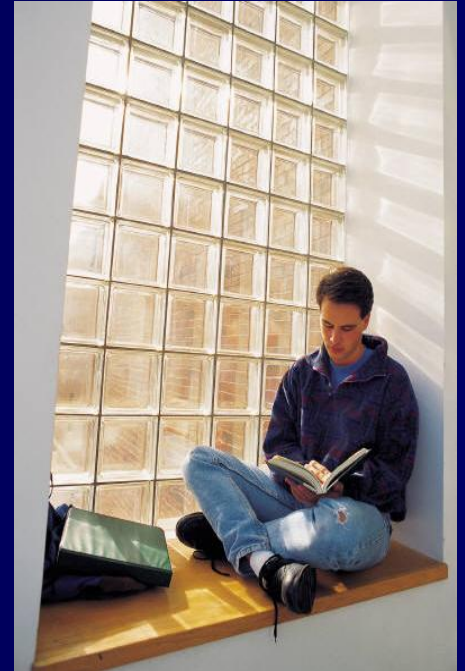
# Types of Financial Aid

- Gift aid
  - not paid back
    - grants and scholarships
- Loans
  - paid back with interest
    - student and/or parent may borrow
- Work-study
  - earned as wages
    - part-time jobs on or off campus



# Need versus Merit Aid

- Aid based on financial need
  - most government grants
  - subsidized student loans
  - Federal College Work-Study
- Aid based on merit
  - academic and athletic scholarships
  - some government grants
- Some scholarships require merit and need



# Financial Need

Cost of Attendance

- Expected Family Contribution (EFC)

= Financial Need



# Cost of Attendance

- Tuition and fees
- Books and supplies
- Room and board
- Transportation
- Personal expenses

**BOB JONES** **2048**

DATE \_\_\_\_\_

PAY TO THE ORDER OF \_\_\_\_\_ \$

\_\_\_\_\_ DOLLARS

**FIRST NATIONAL BANK**

\_\_\_\_\_

⑆00 2100 661⑆ 77011 96407611 2121

Cost varies most by:

- Type of college (private, state or county)
- Academic program

# Expected Family Contribution

- Formula established by the U. S. Congress
- Uses information reported on your FAFSA
- Calculates amount family can pay

May be adjusted by your college due to:

- Verification/correction of your FAFSA data
- Special circumstances that limit ability to pay



# How to Apply for Financial Aid

- Parent and student *both* get a PIN
- Check college Web sites
  - application deadlines
  - required forms (CSS Profile?)
- Submit FAFSA on the Web
- Respond to college requests for documents





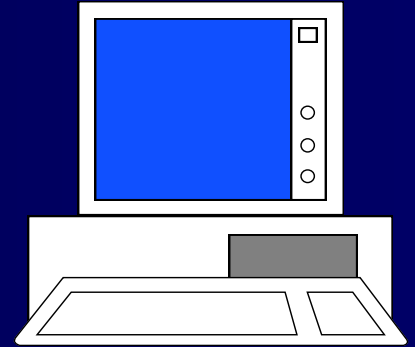
# What's a PIN?

## [www.pin.ed.gov](http://www.pin.ed.gov)



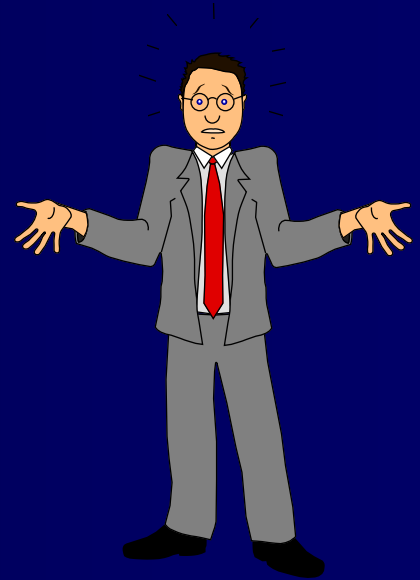
- Personal Identification Number
- Student *and* parent must get PINs
- Electronic signature for FAFSA on the Web
- Receive PIN by e-mail in 3 days
- Keep PIN for future use:
  - Renewal FAFSA on the Web
  - Corrections on the Web
  - National Student Loan Database

# FAFSA on the Web: [www.fafsa.ed.gov](http://www.fafsa.ed.gov)



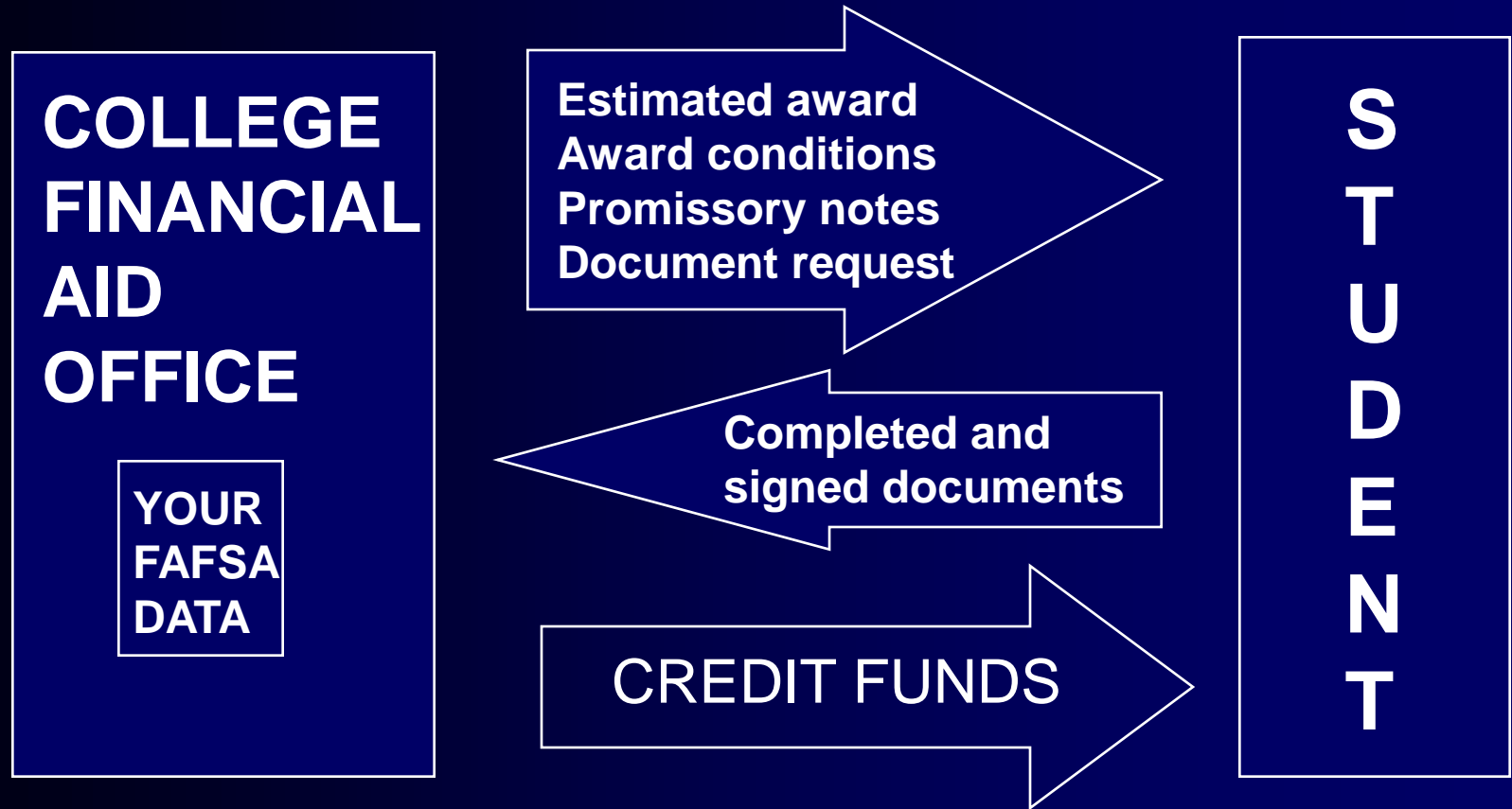
- Complete and send FAFSA on the internet
- Access from anywhere
- No software to install
- Automatically edits data as you enter it
- Skip logic: asks only what you must answer

# What Is the FAFSA?



- A *multi-purpose* application
- Apply for all *colleges* at once
- Apply for all *aid programs* at once
  - Federal grants, loans and work-study
  - New Jersey grants
  - most college aid
- Apply/renew each academic year

# Financial Aid Award Process



# Special Circumstances?

## Call the Financial Aid Office

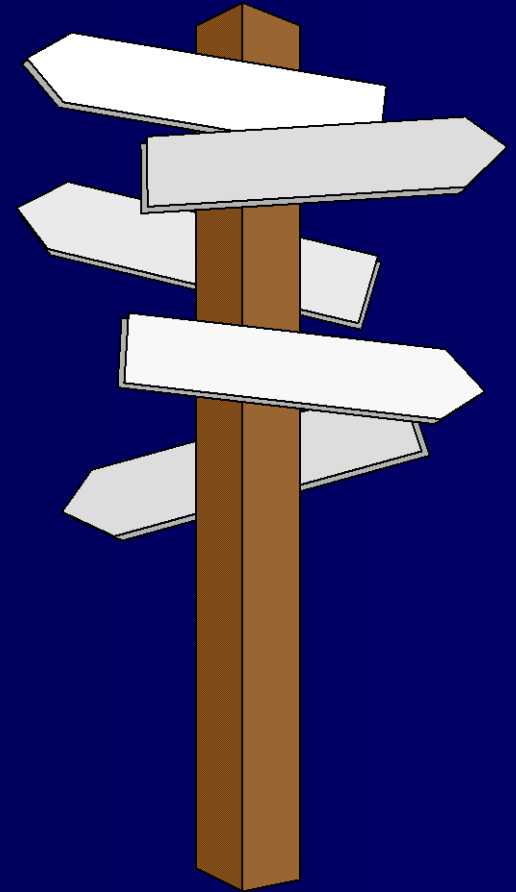
- Unemployment or change in employment
- Separation or divorce
- Death of parent
- Disability of student or parent
- Windfall (inheritance, overtime, etc.)
- Loss of benefits
- Elementary/secondary school expenses
- Unreimbursed medical or dental expenses

# QUESTIONS?

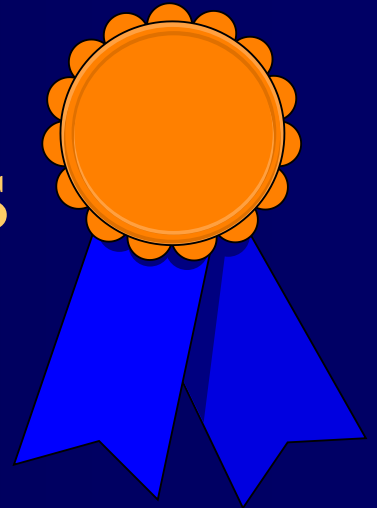


# Financial Aid by Type of College

- Elite private colleges
- Open door private colleges
- Public 4-year colleges
- Community colleges



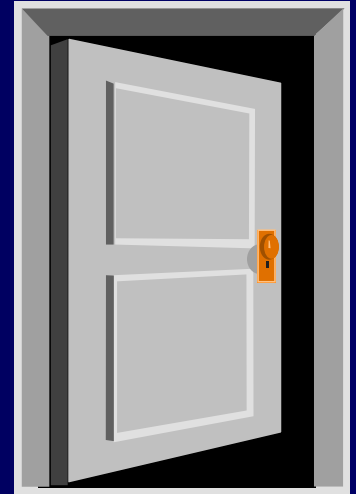
# Elite Private Colleges



- Annual cost of attendance: \$48,000
- Highly selective admission
- All or most aid is based on need
- Endowment funded institutional awards
- Collect more financial data (CSS Profile)
- Use own need analysis for institutional aid



# Open Door Private Colleges



- Annual cost of attendance: \$36,000
- Admit most if not all applicants
- Aid based on need and/or merit
- Will use merit aid to “buy” top students
- “Scholarships” are really tuition discounts
- Most use FAFSA need analysis for all aid
- May negotiate institutional award amounts

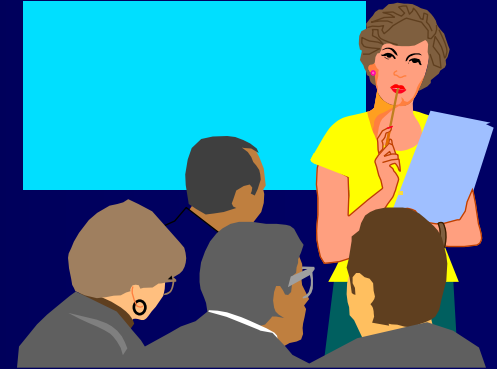
# Public 4-Year Colleges



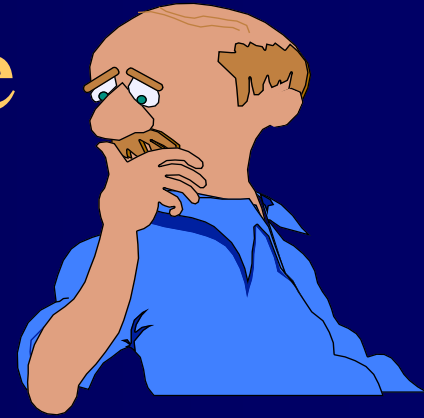
- Annual cost of attendance: \$20,000
- Admission policies vary widely
- Aid based on need and/or merit
- May use merit aid to “buy” top students
- Mixed funding sources, mostly government
- Use FAFSA need analysis for all aid

# Community Colleges

- Annual tuition: \$3,000
- Admit all applicants
- Nearly all aid based on need
- Nearly all aid government funded
- Use FAFSA need analysis for all aid



# How to Compare College Financial Aid Offers

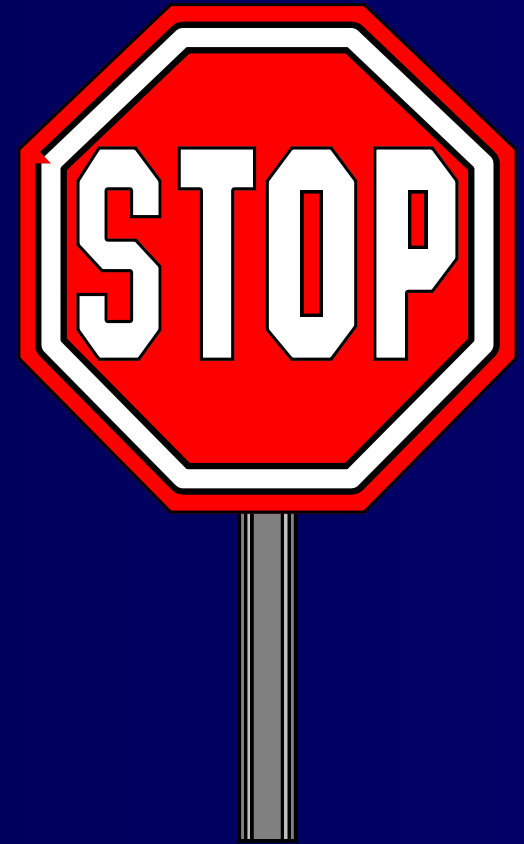


- Start with tuition, fees, room and board
- Subtract grant and scholarship offers only
- The difference is your “net cost”
- Always compare net cost
- Never include loans and work-study offers
- Make sure scholarships are renewable

# College Scholarship Fraud

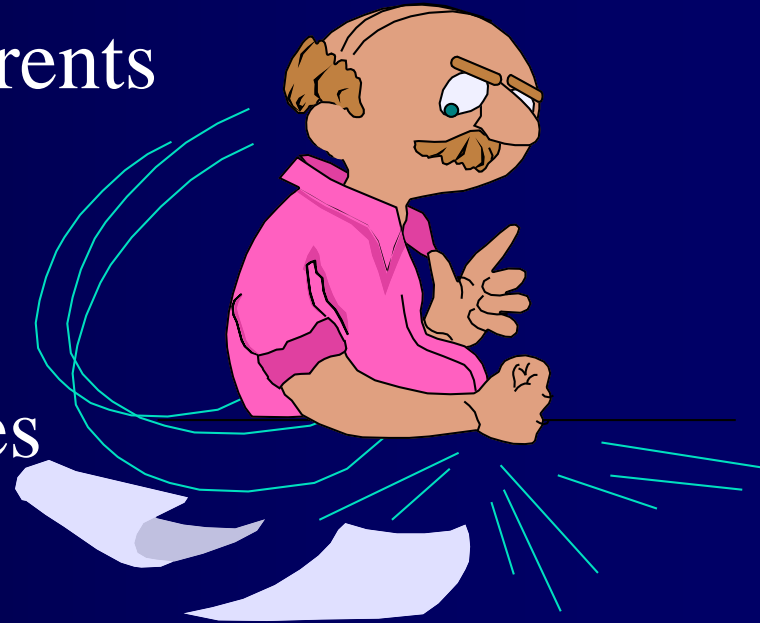
Selling what you can get for free

- Never pay to file a FAFSA!
  - avoid .com fafsa sites
- Never pay to find a scholarship!
- Never pay a scholarship provider to apply!

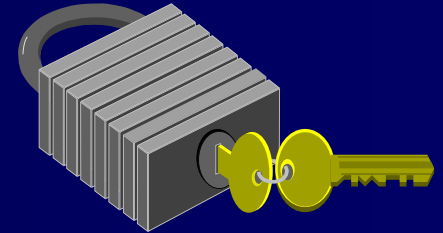


# FTC Consumer Alert: the FREE Financial Aid Seminar

- “The latest trend in scholarship scams”
- Direct mail marketing to parents
- Very active in New Jersey
- Scare tactics
- Phony claims and guarantees
- High-pressure sales



# “Secret Strategies” We Won’t Tell You About



- Avoid saving money in student’s name
- Spend down student’s assets first
- Pay off consumer debt & accelerate purchases
- Prepay your mortgage
- Minimize capital gains
- Maximize retirement fund contributions
- Grandparents should pay bills, not give cash
- Avoid trust funds for student

# Guaranteed Student Loans

- Federal Perkins loan
  - 5% fixed/need based/in-school subsidy
- Federal Subsidized Stafford loan
  - 5.6% fixed/need based/in-school subsidy
- Federal Unsubsidized Stafford loan
  - 6.8% fixed/no in-school subsidy
- PLUS loan (parent borrows for student)
  - 8.5% fixed/no in-school subsidy



# Student Loans

## Let the Borrower Beware!

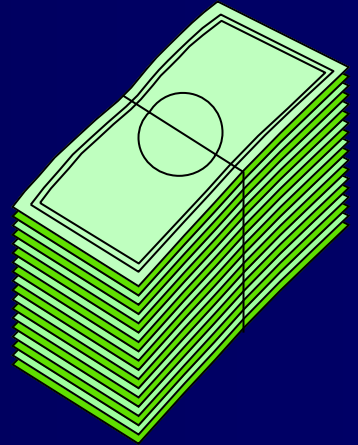
- Must repay even if student never graduates
- Interest piles up even during deferment
- Collection can take tax refunds, etc.
- Cannot be discharged in bankruptcy
- Lenders have no incentive to renegotiate
- Never goes away until fully repaid, or...

# Other Sources of Aid

- Employers and labor unions
- Religious or community organizations, clubs, and civic groups
- High schools
- Veterans Administration



# Other Financing Options



- Flexible payment plans
  - spread tuition cost over several months
- Home equity loans
  - interest may qualify as tax deduction
- NJCLASS loans
  - interest rate lower than alternative loans
- Private alternative loans
  - highest interest rate, should be your last choice

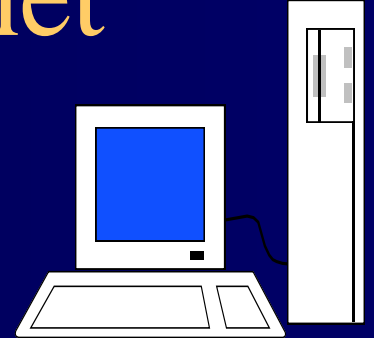
# NJ STARS



- Top 20% of high school graduating class
- Must complete FAFSA
- Financial need not a requirement!
- Enroll at your local community college
- Free tuition and fees (up to 15 credits/semester)
- Must enroll full-time for associate degree
- Renewable up to five semesters
- NJ STARS II: graduate with a 3.00 GPA, get your 3<sup>rd</sup> & 4<sup>th</sup> year tuition free at any NJ public college



# Good Stuff on the Internet



- The Financial Aid Information Page  
**[www.finaid.org](http://www.finaid.org)**
- Federal Student Financial Aid Homepage  
**[www.studentaid.ed.gov](http://www.studentaid.ed.gov)**
- Education tax incentives (IRS)  
**[www.irs.gov/publications/p970](http://www.irs.gov/publications/p970)**
- NJ Higher Education Student Assistance Authority  
**[www.hesaa.org](http://www.hesaa.org)**

# Good Luck!

