What You Should Know About Financial Aid

Preparation
✓ Have frank and open conversations about finances during the process.
✓ There are two types of financial aid: need-based and non-need-based.
✓ Know how and when to apply for both types of financial aid. Deadlines and forms can be different and will most certainly be different between schools.
✓ Know the difference between applying for admission as either an Early Action or Early Decision applicant at each school.
✓ If finances are a significant factor in your decision process make certain you know each school’s ED policy. You may not know what or how much aid your student will receive before you are required to commit to the school. Again if finances are a significant factor in this decision...apply Early Action or Regular Decision instead.
✓ Students should know their address, phone number, and social security number.
✓ Get your Federal Student Aid ID’s now at www.fafaid.gov and when appropriate file electronically.
✓ Who completes the financial aid forms? For many cases the natural parents will complete the forms with their students. In divorce situations, ask yourself the following questions: Who did the student live with the most during the calendar year 2017? That parent, and the step-parent, if the natural parent is remarried, who completes the FAFSA. If the student lived with each parent the exact same amount of time, then ask who provided the most support? Normally, this is the parent with more resources. If the parent required to complete the FAFSA has re-married, the step-parent data must be included. The FAFSA process does not recognize pre-nuptial agreements.
✓ Does the student have to provide parental data? If the student is married, an orphan, a graduate student or veteran, or has dependents of their own they support, then parental data is not required. These are the most common situations that make a student independent for financial aid purposes.
✓ Do not assume that you do not qualify for financial aid. Try FAFSA Forecaster. fafsa.gov in the box under “Thinking About College?” on the landing page
✓ Explore your financing options now. Many families will use multiple sources to finance their student’s education.
✓ If any web site, firm, or individual asks for your credit card or a payment to help you file for aid, navigate the process, or provide information, you should walk away.
✓ Net Price Calculators provide an estimate only. Funds are not guaranteed and the data can be up to two years old depending on when you access the calculator. Use it as a guide not a given.

Application
✓ Apply for need-based Federal and State aid by completing the Free Application for Federal Student Aid. www.fafaid.gov. For 2019-2020, the FAFSA will be available on-line October 1, 2018.
✓ File on-time and if possible, use the new IRS data retrieval tool on the FAFSA.
✓ The FAFSA will generate a number called an EFC or expected family contribution. This number is derived from four components: parent income, parent assets, student income, and student assets. This index is used to determine your eligibility for federal need-based aid.
✓ The simple formula for financial aid is: school’s cost of attendance - the EFC = your federally calculated, demonstrated need. Few schools meet 100% of demonstrated need.
Cost of attendance includes billed costs such as tuition, fees, dorm and meal plan. Other expenses of attending college such as books, personal expenses and travel are also part of the cost of attendance used to determine your eligibility for need-based funding.

Each school will use the federal EFC to calculate your eligibility for federal funds.

Schools may calculate an institutional EFC to determine your eligibility for their own funds. They may have their own financial aid application or use the CSS Profile.

If your EFC exceeds a school’s cost of attendance, you probably do not qualify for need-based aid. However, before you eliminate a school from your list of options, you should make certain your data is correct. Ask about other forms of aid if you do not qualify for need-based funds. You may be eligible for academic awards.

Ask questions. If your EFC seems inaccurate, ask for clarification.

Monitor your email. Schools are going to communicate with you via email.

Finish the process; you don’t know what might be available unless you complete the application (and financial aid) process.

**Deliberation**

- Compare apples to apples. When comparing financial aid awards from two separate schools, be sure to compare the components of each award not just the total amount of each award.
- Make certain you know the school’s subsequent review policy. Are you locked into this institutional funding regardless of how your financial situation may change? Know the answer.
- The typical types of need-based aid include: grants and self-help (loans and work).
- Maximize federal loan options before private loans. Private loans tend to have higher interest rates than federal loans.
- Know the difference between subsidized and unsubsidized loans. Subsidized loans do not accrue interest while the student is in school unlike unsubsidized loans.
- Don’t forget about private sources of aid but do communicate with the financial office. It could impact other aid in the student’s award.
- It is not all about the bottom line. Parents should consider their financial stretch school as well. If the best fit has a net price $2,000 more than the student’s second choice is the $2,000 stretch worth the investment? The answer will be different for each family.

**Repetition**

- You need to know what type of aid you are receiving, what you need to do to re-apply, and what is required to keep your aid.
- There is a thing called Satisfactory Academic Progress you must meet to maintain eligibility for almost all aid sources. Know the policy at the school you plan to attend and if there is any difference in requirements for different funding sources. The Tennessee Hope Scholarship is a good example.
- For need-based aid you must re-apply each year. Don’t forget. Parents and students must keep the lines of communication open.
- Plan ahead. Know how your decisions can affect financial aid eligibility.
  - Number in college: More than one child in college makes a difference.
  - Adjusted Gross Income (AGI): If AGI increases, need decreases. Capital gains, 401K and IRA withdrawals can all increase AGI.
  - Untaxed Income: Elective contributions to a 401K, housing allowances and child support are all part of the federal EFC formula.

https://ifap.ed.gov/ifap/processing/fafsaAndSARMaterialsPR.jsp

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