

Financial Aid 101 for Families

Introduction

This resource provides information about why reviewing and comparing financial aid packages is important to a student's success in college.

Financial Aid 101

Financial Aid awards can be confusing and they don't always mention the college's total cost of attendance. There are a select few colleges that do, but many do not list all college costs. Instead, students and parents have to go onto the schools website under financial aid to find out this number, often pending approval by the board. Let's dig into what costs we could expect to see there in those awards. Some will show tuition, fees, room and board (for those who live on campus), which are paid to the college and these are often referred to as direct costs. The other costs associated are deemed indirect costs such as textbooks and supplies, transportation, computers, student health insurance, dependent care, and other living expenses.

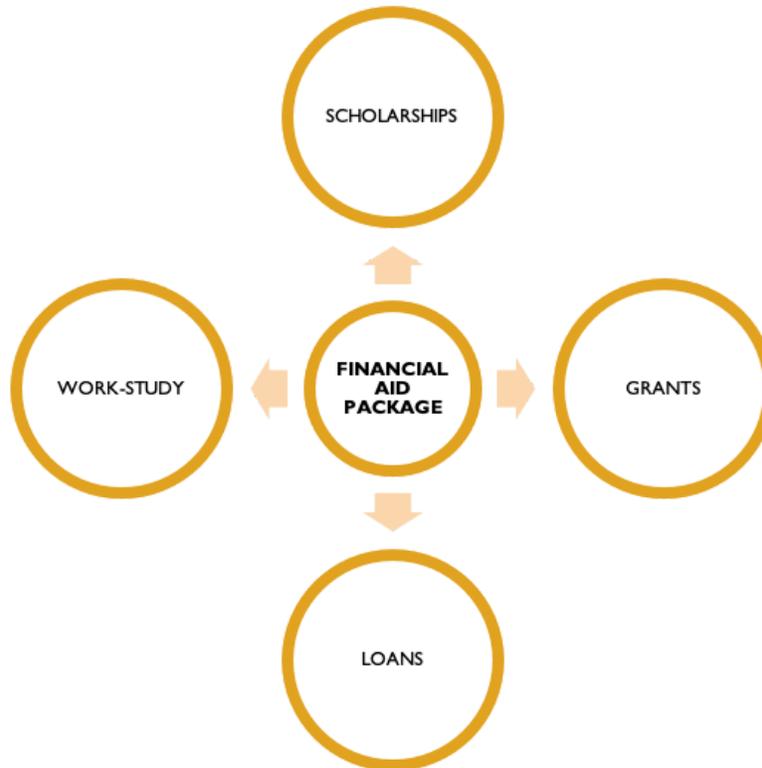
When we combine both indirect and direct cost, we start to see the total cost of attendance for students. Don't expect this final number to be readily available in one place.

Why do we care about this? Well, college often costs families more than their Expected Family Contribution (EFC) and that is usually referred to as the GAP. Why is that the case? Looking at financial aid packages, many will include loans and often leave the student with unmet financial need. This is because institutions don't have unlimited amounts of resources to give out in the form of grants and scholarships. When looking at loans, expect to see the name of the loan and the amount. Your financial aid package will not include the loan terms and conditions (interest rates, monthly payments and total payments). That information can be found on the financial aid website, so prepare yourself to do some digging.

Determining Financial Aid



What does the financial aid package consist of?



Financial Aid Lingo

When comparing different financial aid packages, one of the most important things to do is to get all your information and paste it into a spreadsheet like the one we have created for you at the bottom. As we mentioned earlier, the cost of attendance is not always listed on the financial aid package but it's often on the colleges website. Get that number and subtract the Gift Aid (Scholarship + Grant); that will determine your net price. This is how much you need to cover to attend that college. See formula below:





College + Career Readiness Resources

It's important to understand how much is being met by loans, your parents' contribution, and how much will be left over as GAP that you would need to still cover. A simple formula can also be found below:



Financial Aid Comparison Calculator

Below you can find a calculator that we developed to help students and families compare colleges with different cost of attendance and amount of aid. As you can see, in college #1 we can see that the gap is very low at \$701 but the student would need to take out over \$26K dollars in loans each year. While College #3, has the second lowest cost of attendance and costs \$8,676. \$5,500 in the forms of loans and \$3,176 as the GAP in aid. This is the amount that students and parents need to find how to pay for. For students who are not in a good financial position, relying on net cost may play a bigger factor in their decision where they attend college. Doing this activity will help you better understand sticker price to actual price students pay after grants and scholarships are factored in.

	Cost of Attendance	Gift Aid	Loans	Net Cost	Net Price
College 1 - Residential	\$62,366	\$34,815	\$26,850	\$701	\$27,551
College 2 - Residential	\$53,170	\$27,715	\$5,500	\$19,955	\$25,455
College 3 - Commuter	\$28,803	\$20,127	\$5,500	\$3,176	\$8,676
College 4 - Commuter	\$28,652	\$17,922	\$10,694	\$36	\$10,730