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Student Bulletin

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High School Edition

Understanding Your Financial Aid Award Letter

Use this example as a guide to your financial aid award letter. Please contact your prospective college's aid office if you have questions.

Cost of Attendance (COA): The total expenses (tuition, fees, etc.) of one year's education. Your school may also include indirect costs (books, room and board, transportation, personal expenses, etc.). Our example includes both direct and indirect expenses.

Expenses (COA)		Resources (EFC)	
Tuition	$5,334	Family's Resouces	
Health Fees	176	Parent's Contribution:	
Books/Supplies	1,015	From Earnings:	$3,000
Room/Board	5,204	From Assets:	112
Personal	2,600	Student's Contribution:	500
Transportation	+ 910	Other Resouces:	+ 0
Total Expenses:	**$15,239**	**Total Resouces:**	**$3,612**

COA ($15,239) - EFC ($3,612) → **Financial Aid Eligibility ($11,627)**

Expected Family Contribution (EFC): Amount your family is expected to give per year, determined by FAFSA results (e.g., EFC is $3,612 [3,000+112+500]). The amount you end up actually paying could differ from the EFC, depending on what resources are available at your college.

Awarded Financial Aid

Accept	Decline		FALL	SPRING	TOTAL
☐	☐	Federal Pell Grant	$625	$625	$1,250
		Total Federal Pell Grant = $1,250			
☐	☐	Direct Stafford Loan	$1,000.00	$1,000.00	2,000
☐	☐	Direct PLUS (Parent) Loan	$1,938.50	$1,938.50	+ 3,877
		Total Federal Direct Student Loans = $5,877			
		Total Financial Aid Package Offered (grants + loans) = $7,127			

Financial Aid Award: Notice the choice to accept or decline each award. This award letter consists of:

- Federal Pell Grant (free money)
- Federal Stafford Loan (student repays)
- Federal PLUS Loan (parent repays)

COA
- EFC
- Financial Aid
Unmet Need

Total Cost of Attendance	$15,239
EFC	- 3,612
Total Awarded Financial Aid	- 7,127
UNMET NEED	**$4,500**

Unmet Need: Unmet need is equal to COA less the total of EFC and total aid amount. Our example indicates that the financial aid matches the student's need, so the unmet need is $4,500.

FastTip: You can choose to accept or decline any part of your financial aid package.

Comparing Financial Aid Award Letters

You may receive award letters from different colleges. Keep the following in mind when making your final decision:

Look carefully at your award letters: Letters from different schools will probably have their figures and costs in different formats. Compare award letters to see how their offers measure up. Ask if outside scholarships will affect your aid.

Compare loan offers: Interest rates, how interest compounds, repayment terms and cancellation provisions can vary widely from loan to loan.

Compare affordability of aid offers over time: Ask how your financial aid package will change over time. The aid package made available to you in your senior year may look very different from the one you were offered freshman year.

Look beyond the "sticker price": The school with the lowest cost of attendance may not be the most affordable. The amount and type of aid offered will influence affordability.

Don't accept an offer just because it has the lowest "unmet need": You may save more by accepting an offer with a higher unmet need, if the aid package offers scholarships, grants and work-study instead of loans.

Compare like terms: How do the schools determine cost of attendance? Do they all include direct costs as well as indirect costs? How do they handle outside scholarships? What work-study options are available? What are wages like? Can you substitute work for a loan?

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Alternative Loan Guide

Consider an alternative loan* only if you've maxed out on free aid (scholarships and grants) and low-interest government loans. While alternative loans might be the difference between attending college or not, use them only as a last resort.

What is an alternative loan?
An alternative (aka: private) loan is a loan through a commercial lender (e.g., a bank). Unlike most government aid, eligibility is based on your credit history and not financial need.

When would I use one?
Many families use alternative loans to bridge the gap between government, college, work-study or scholarship aid they are already eligible to receive and the cost of attendance.

How much should I borrow?
Avoid borrowing more than your anticipated first-year salary after college. If you think your salary will start at $40K/yr, don't borrow more than $10K/yr.

Why you might want an alternative loan...

Variable interest rates: Because private loan providers offer variable rates, you may find a more competitive rate between other providers. If interest rates are low, a variable rate might be preferred. If interest rates rise, you may be better off with a fixed-rate loan.

Cost: While the cost of private loans generally won't be able to compete with a fixed-rate government loan, their cost is generally cheaper than credit cards or even the rate of a personal loan that would be offered by your local bank.

Credit-based, not need-based: You qualify for alternative loans based on credit history and credit score (a measure of creditworthiness), not financial need. Generally speaking, the better your credit history, the lower your interest rate.

Higher loan limits: You may be able to borrow more through an alternative loan vs. a federally-funded student loan.

In-school deferment: Many private education loans allow you to defer the repayment obligation until after graduation, but the catch is that the interest is capitalized—that is, the interest becomes part of the principal loan balance, which means a bigger loan and more to repay.

Pay for more: Use an alternative loan to pay for ineligible federal loan expenses, such as a laptop, study abroad, etc. Federal student loans can only be used for educational expenses (tuition, fees, room and board, etc.).

Deductible interest: Deduct up to $2,500 on your federal tax return. This benefit covers both alternative and government education loans.

Student obligation: Alternative loans are consumer loans, meaning you must repay (however, a parent co-signer would be come liable if you can't pay). Shared responsibility may be more appealing than the Parent Loan for Undergraduate Students (PLUS), where only the parent pays.

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*...and why you might **not**.*

More expensive: Government loan interest rates are so low, private loan providers might not be able to offer a competitive rate. Alternative loans also charge fees that government loans do not, further increasing the cost of borrowing.

Tougher terms: While you can defer payment on an alternative loan until after graduation, you must still pay the interest. If the interest is capitalized (see above), you may end up paying even more. Subsidized government loans cover the cost of interest while you're in school.

Hard to compare offers: All things being equal, which is a better offer, the 7% interest loan with 4% fees, or the 6% interest loan with 6% fees? (Answer: the second one costs less.) Understanding the relationship between interest, fees, number of years and discount rates can be confusing. (Check *www.collegegold.com/tools* for info on how to analyze these numbers!)

Good credit is key: The advertised rates are generally for customers with excellent credit records. If you or your family's credit history is poor, the interest and fees you pay could be more than the advertised rate.

** Source: FastWeb College Gold (www.collegegold.com)*