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Financial Aid Essentials

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******IMPORTANT UPDATE****** *Since this interview was originally broadcast, the FAFSA is now available starting October of the Student's Senior Year in High School.*

Chuck Drawbaugh is a leading college expert and consumer advocate in Middletown, New Jersey. He founded College Funding Associates, LLC in 1999. His main goal is to help families save time and money and reduce the stress associated with the whole college process.

1. What is Financial Aid?

- a. Money given to help families pay for college. Money comes from the Federal and State Government as well as the colleges themselves.
 - i. Need Based Aid is based on the finances of the family.
 - ii. Merit Based Aid has more to do with the student - their athletics, academics, and any other talent. It is given to the student regardless of the family's financial situation.

2. What are the different types of Financial Aid?

- a. Grants & Scholarships – This is free money and does not have to be paid back.
- b. Self-help
 - i. College Work Study - Students work during college and use the earnings for college costs.
 - ii. Student Loans – Loans have to be paid back.

3. Are Grants & Scholarships based on need or merit?

- a. They can be both –
 - i. Some are based on academic achievement – The College may say, "Congratulations! Based on your success in High School you are going to get the Presidential Scholarship!"
 - ii. But there are also scholarships and grants based on the family's need.

4. What is the Cost of Attendance - COA?

- a. The Cost of Attendance is tuition, fees, room & board, personal expenses, travel (not cross country travel) and books.

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- b. People need to understand the Cost of Attendance when they are trying to plan. Depending on the sources they might just be hearing the tuition number.

5. Where do families find out the COA?

- a. Go to each college website and search for “Cost of Attendance.”
- b. The Cost of Attendance will be different for each college.

6. What is the Expected Family Contribution - EFC?

- a. This is a dollar amount that tells the family how much they will have to come up with on their own to pay for college before they will receive any Financial Aid.
- b. It is computed by the family submitting the FAFSA.
- c. This is an important number and families should be familiar with and understand how it is calculated.
- d. The family’s EFC is not going to change from school to school.

7. How is financial need calculated?

- a. COA minus EFC equals the family's need for aid.
 - i. Example – The school costs \$50,000 & the family's contribution is \$15,000.
 - ii. Then the family's need is \$35,000
 - iii. Just because the family's need is \$35,000, this is not a guarantee that the family is going to get \$35,000 in aid.
 - iv. The need is what the family is eligible for, not a guarantee of what they will actually receive.

8. What is the first step to applying for Financial Aid? *(see update)*

- a. When the family is applying for Financial Aid the first step is to fill out the FAFSA. Go to www.fafsa.gov
- b. For the Graduating Class of 2016, they will be able to access the form on January 1, 2016.

9. What is the deadline?

- a. Each school has a different deadline.
- b. Go to the school’s website for information about what forms are required and what the deadlines are.
- c. Financial Aid from the college’s own money is a limited amount.
- d. If you miss the deadline you can be missing out on money.

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- e. Submit the FAFSA early. When the money has been distributed, it is gone. You want to make sure that you are at the front of the line.

10. What happens to the FAFSA once it has been submitted?

- a. A Student Aid Report (SAR) will be generated.
- b. This tells the family what their Expected Family Contribution (EFC) is - the amount that the family has to pay before they are eligible for Need Based Aid.

11. Are there any other Financial Aid Forms?

- a. It all depends on the individual school.
 - i. All schools require the FAFSA.
 - ii. Some schools may require the CSS Profile.
 - iii. Some schools may have their own financial aid form in addition to the FAFSA and in some cases, in addition to the CSS Profile.
 - iv. It is a small percentage, but in some cases the family could be filling out 3 separate financial aid forms.
- b. The family needs to research each college's website to determine exactly what forms are required and what the deadlines are for the forms.
- c. Go directly to each college website - it is best source for the most accurate information.

12. I've submitted the forms and I've received my Student Aid Report. When will I find out what my Financial Aid Package will be from each school?

- a. A little later than most people would like!
- b. If you have been accepted, you will receive an Award Letter which will tell you what your Financial Aid Package will be for the coming year.
- c. Most of the Financial Award Letters come out in April of senior year.
- d. Most of the schools want you to make a decision and put down a deposit by May 1st.
- e. There is not a big window of time between getting the Financial Aid Package and making your decision.

13. The Financial Aid Award may not necessarily be all Grants and Scholarships. What might it be?

- a. The student may receive Federal Work Study or Federal Loans.
 - i. Loans have to be repaid.
 - ii. If Work Study is included in Financial Aid Package - that is not a guarantee, it only means that they are eligible for Work Study. The student must apply for the job when they reach the university. The

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university only has so many hours and jobs so you have to apply early to make sure your student gets the Work Study jobs.

14. Are the Work Study jobs on campus?

- a. Typically yes, but not always.

15. The student has been admitted to 4 different universities and received 4 different Award Letters. What do they do now?

- a. Compare the Award Letters.
 - i. The family needs to sit down and see what the actual out of pocket cost of college will be for each university that they have been accepted to.
 - ii. One award may be much more favorable than another.
 - iii. It depends on the family's ability to pay.

16. Let's briefly review the Financial Aid Process again.

- a. Go to each college website to find out Cost of Attendance & Application Deadlines.
- b. Fill out the FAFSA.
- c. The Student Aid Report which will tell you the family's Expected Family Contribution.
- d. $COA - EFC = \text{Financial Need of the Family}$.
- e. You will receive the Award Letter from the college which will tell you what your Financial Aid Package will be.

17. Based on your experience what is the biggest reason most families aren't prepared to pay for college?

- a. Families allow everyday life to get in the way and this become the excuse for not starting early and giving college planning the attention it deserves. Families think "We'll have more time to deal with this later" but as children get older they are more active and involved in things and require even more of the parent's time.
- b. If Mom & Dad go to every recital and every game, they need to understand that their kids will not be emotionally scarred for life if the parents miss one game to sit down and start thinking about "How are we going to deal with college."
- c. Start sooner, not later!

18. Is there a general time frame to sit down with kids and start evaluating colleges?

- a. As soon as possible starting with "getting into college" and "how will we pay for it."

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- i. Example - Parents think "we've got time." But time only goes faster the older your kids get.
- ii. You've got to start as early as possible for planning so that you will be ready to pay and have money set aside.
- b. In terms of the College Application Process.
 - i. Freshman year is a good time to learn about the admissions process.
 - ii. Families need to understand that colleges judge the students based on their freshman, sophomore & junior year.

19. What is the biggest assumption that people make that might require them to pay more for college?

- a. They assume that they make too much money.
 - i. Maybe a family won't qualify for Need Based Aid, however, your finances have nothing to do with Merit Based Aid.
 - ii. Finding schools that may want your child, as much as your child wants the school, will be important and have an impact on Merit Based Aid.

20. Do you ever see situations where you tell people it doesn't even make sense to bother filling out the FAFSA, or should everybody go through the process?

- a. Everybody has to go through the process, in my opinion.
- b. Some of the schools that are awarding Merit Money may not award that money to a family unless the family fills out the financial aid forms.
- c. Additionally, it may be accurate that the family will not receive any Need Based Aid, but in order to take advantage of the Federal Student Loans, you have to fill out the FAFSA.
- d. In order to receive the Merit Aid, some schools may require you to file the FAFSA.
- e. A student may have "earned" a Merit Award, but won't get it because they didn't fill out the financial aid forms.
- f. Merit Money is coming from the school. It is their money and they get to decide the rules. If you want their money instead of loans, you need to play by their rules.

21. Do you have any other examples of financial decisions that have a negative impact on the family's ability to save for college?

- a. Every family is going to have to buy a car - but they also will say, "I can only save \$25-50 a month for college and that isn't going to amount to anything." So they don't even bother saving for college.
 - i. However, when they go to get their next car, the sales person will say, "For only \$25 more a month you can get into the next higher model."

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- ii. Most people will find the extra \$25 per month to get into the next higher model car but won't make the effort to save that \$25 for college.
- b. Here is another way the family's financial decisions negatively impact their college plans. This example is mortgages. "Which comes first the chicken or the egg?"
 - i. When people go to buy a house, they first find out how much mortgage can they qualify for. "What can I afford and let's look in that price range."
 - ii. People sometime do college backwards. They focus too much on a particular school and not, "What college can I actually afford?" We should be focusing on what can we afford. Let's work now to be able to afford more later.

22. Why is it so dangerous to assume that you can't plan until you know what college you are going to?

- a. It's true that we don't know exactly how much college will cost.
- b. But, no matter where they go to college, it is going to cost the family money. We need to be saving as much as we can to be prepared for what the cost will be.
- c. At a minimum you will have an idea of the range of cost. The more you have set aside, the less you are likely to borrow.
- d. If you don't have money when the times comes to go to college and you aren't getting a lot of free money, then the financial award letters are going to include a lot more in loans than the family was hoping to see.

23. Can't the High School Guidance Counselor help the family? Or the College Financial Aid Office?

- a. Guidance - They don't have enough time to help all their students at the level that might be necessary. It's not that they don't want to help, they don't have the time. The national average ratio of students to guidance counselor is 250:1.
- b. College Financial Aid Office –
 - i. For example, at tax time you can go to the IRS & they will do your taxes for free. But, the IRS is not going to tell you every deduction & credit you should be taking so that you pay less in taxes.
 - ii. The FAO at the college will tell you where to get the form and the deadlines, but will not tell you everything you need to do in advance, so that you might qualify for more money.

24. Another important thing - Don't do what your neighbors are doing!

- a. College Planning is a very individual process. "Water cooler" talk can be very dangerous.

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- b. Every family's finances are different! Listening to what other families received in aid or what they are doing doesn't mean that you will be getting the same amount or should be doing the same thing that they are doing.
- c. The process (filing out the FAFSA, etc.) that every family goes through is the same, but the family's approach and how they are going to pay for college and what the outcome will be can be very different.

25. How do you start saving for college?

- a. Each family is different.
- b. The best thing a family can do is to start early to understand how college financial aid works. Even if they aren't filling out forms until years later, they need to understand what will happen in the future.
 - i. For example – even if the child is only 8 years old, the family should determine “Will I be eligible for Need Based Aid today or not?” If the answer is probably not - you probably won't qualify for Need Based Aid in 10 years.
 - ii. Where this family saves their money may not be as impactful for their eligibility for aid later as it would be for another family that looks like they will qualify for Need Based Aid.
- c. Knowing where to invest your money could be very impactful in the end result.

26. What do you tell families about student loans?

- a. Although some of the college loans give the ability to defer repayment until after the student graduates, the reality is all loans have to be paid back at some point.
- b. It is very dangerous if families are going blindly into loans. You need to do the math to get a sense of what the monthly payments will be if you have to borrow \$50,000 or \$100,000. What if you can't afford it?
- c. If someone is having trouble saving money today, what is going to change in their circumstance which is going to give them the extra \$100 or \$300 a month to pay back the loan?
 - i. Imagine this scenario. Picture an elderly man in a rocking chair with a scotch in one hand and a cigar in the other hand... the caption is "Yesterday, I paid off my college loans, here's a picture of me celebrating!"
- d. Do we want to trade in 4 years of our kids' life for them to have to pay down a lot of debt?
- e. OR, do we want to be paying off their college loans when we retire?

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27. What is the danger of not planning?

- a. People “winging it.” If they are borrowing for the first child to go to college the monthly payment for the first semester may not be too scary. But if you have to borrow \$20,000 for the first year for the first child - odds are good that you are going to have to borrow \$20,000 for the second, third and fourth year of child #1 and maybe for child #2 & #3.
- b. The Band-Aid approach is inefficient and expensive. Each family must look at planning for the big picture...all of the years for all of the students.

28. What do you say to families who will have several children in college at the same time?

- a. Make sure you fill out the FAFSA!
- b. For the first child -you may not get any Need Based Aid. But in 2 years, when your second child is going to college at the same time, it is possible that that one change in your circumstance could result in both students being eligible for some Need Based Aid.
- c. Make sure you apply for Financial Aid for each student, each year.
- d. Maybe you won't get Need Based Aid every year, but if you get it 2 out of 6 years or 3 out of 8 years - you want to get that Aid!

29. How can people contact you?

- a. Our website is www.collegefundingassociates.com
- b. Our Phone is 732-224-1496
- c. Our goal is to help people save time and money and reduce the stress associated with college!
- d. Visit our website for additional information and to see our schedule of our free presentations which are live or web based.
- e. These presentations cover good, general information. If families require additional help, we can help them.