

# FINANCIAL AID 2011

## INTRODUCTION

Below is a brief overview of both federal and state financial aid programs, along with a guide to filing the proper forms. You'll also find a glossary of terms, a list of tips for filing the forms, and a copy and explanation of the federal paperwork you'll receive once you've filed your form.

## OVERVIEW OF FINANCIAL AID

A student's financial need is determined by the following equation:

$$\begin{array}{rcl} & \text{Cost of Attendance} & \\ - & \text{Expected Family Contribution (EFC)} & \\ = & \text{Financial Need} & \end{array}$$

The Cost of Attendance is the total amount it will cost a family for a student to go to college for an academic year. It takes into consideration tuition and fees, room and board, books, supplies, transportation, child care, costs associated with a disability and miscellaneous expenses. This figure is set by the college. The Expected Family Contribution (EFC) is an amount determined by a formula established by Congress that indicates how much of a family's financial resources should be available to help pay for school.

After all corrections have been made to all financial information each family provides, the financial aid administrator at each college which receives information from you will create a financial aid package [or award] for each student. Using available resources, the aid administrator gives each student the best possible combination of *gift* (scholarship and grant monies which do not have to be repaid) and *self-help* (loans and work study programs) monies to meet the student's aid. These monies may be from federal and state (and, in the case of some public and private schools, campus) sources.

Students are given a strict timeframe in which to respond to any or all of each school's offers, usually 15 to 21 days. Colleges and universities try to mail their packages to families as soon as possible, usually in March or April.

The best contact each family has while applying for financial aid is the financial aid administrator at each college in which a student is interested.

## FEDERAL FINANCIAL AID PROGRAMS

While the list here does not represent an exhaustive list of all federal financial aid programs, we have highlighted those programs most popular with our families. Students and parents demonstrate eligibility for these programs by completing the FAFSA, the Free Application for Federal Student Aid.

**FEDERAL PELL GRANT:** A federal program which awards up to \$5,550 annually to needy families. Not many suburban families qualify for this program.

**FEDERAL DIRECT SUBSIDIZED STAFFORD LOAN:** A need-based, low-interest loan program. There is a fixed interest rate of 3.4% for loans disbursed between July 1, 2011 and June 30, 2012.

Maximum annual loan amounts\* are:

Freshmen	\$3,500
Sophomores	\$4,500
Juniors, Seniors (per year)	\$5,500

Subsequent Undergrad Years                      \$5,500

These limits apply to a combination of both subsidized and unsubsidized Stafford loans.

\*In addition, students may borrow an additional \$2,000 for each grade level as an unsubsidized loan. [See below for information on these loans.] These limits apply to a combination of both subsidized and unsubsidized Stafford loans. Maximum total debt from Stafford loans for an undergraduate degree is \$31,000 [but only \$23,000 can be in subsidized loans.]

The government pays the interest on the student's behalf while the student is in school, during the 6-month grace period a student receives upon termination of school, and during any authorized deferment periods. Students repay the subsidized Federal Stafford Loan back over a period of 10 to 25 years on a monthly basis.

Students demonstrate eligibility for this program by completing the FAFSA.

**FEDERAL DIRECT UNSUBSIDIZED STAFFORD LOAN:** A non-need-based, low-interest loan program. Only available to students who are not eligible for a full subsidized Federal Stafford Loan.

The interest rate as of July 1, 2011 is 6.8% for the life of the loan. Maximum loan amounts are the same as above for dependent students. Interest begins shortly after funds are disbursed but can be added to the principal balance of the loan. Repayment of the balance begins 6 months after disbursement. Students repay the unsubsidized Federal Stafford Loan back over a period of 10 to 25 years on a monthly basis.

Students apply for this program by completing a FAFSA to demonstrate ineligibility for a full subsidized Federal Stafford Loan.

**FEDERAL DIRECT PLUS LOAN for PARENTS:** Loan for parents of dependent undergraduate students, not based on financial need. Parents may borrow up to the cost of attendance at the school minus any financial aid. The amount a parent may borrow is subject to a credit check. These are conventional loans, with repayment beginning within 60 days; parents from 10 to 25 years to repay these loans. Parents may consolidate several PLUS loans. Parents may also defer payment of the principal on a PLUS loan until their student is out of college

Parents do not have to complete a FAFSA in order to procure a PLUS loan; they only need to complete a Master Promissory Note. However, most colleges and universities will ask parents to complete a FAFSA nonetheless to determine if the family is eligible for any other aid.

The interest rate is fixed at 7.9%.

**FEDERAL WORK STUDY:** Students work a set number of hours each week on campus (usually 10 to 20 hours/week) and are paid at least minimum wage. The money is either deducted from a student's bill or is paid directly to the student for miscellaneous expenses.

## STATE FINANCIAL AID PROGRAMS

The Illinois Student Assistance Commission (ISAC) administers a host of scholarship and funding programs for Illinois families; we highlight only the Monetary Award Program here. Information on other programs sponsored by the State of Illinois can be found at [www.collegezone.com](http://www.collegezone.com).

**MONETARY AWARD PROGRAM (MAP):** A State of Illinois grant program; monies received from MAP do not have to be repaid. Only *tuition* and *mandatory fees* at ISAC-approved Illinois postsecondary institutions are eligible for payment. Maximum award for the current year is \$4,968 for full-time students; minimum awards are \$300. Awards can vary from each institution and can be used for up to 135 earned college credits.

Students apply for this program by completing a FAFSA. For MAP consideration it is important that students complete the following questions on the FAFSA:

- Student's state of legal residence
- Student's grade level
- Completion of first bachelor's degree (mark "No")
- Working on master's or doctorate degree (mark "No")
- Parent's state of legal residence
- School name (must be an Illinois school) and Federal School Code

**Please note: This program narrowly survived this past year due to the state's severe financial crisis and has been suspended for dispersal during the current academic year.**

## **FINANCIAL AID FORMS**

All federal and state aid programs utilize the same federal core methodology to determine a family's eligibility for financial aid. Families need to file a **Free Application for Federal Student Aid (FAFSA)** to determine eligibility. Since public universities have only federal dollars to spend, if your child is planning to attend a public university, you need only file the FAFSA.

The federal core methodology no longer factors in home equity, medical deductions, or elementary and secondary tuition paid for students other than the aid applicant. Today's financial aid process is really very much income-driven; assets do not matter as much as your family's annual income.

A number of private schools still consider the value of the above or additional factors when disbursing campus dollars (any monies directly available from the school itself and not funded from the federal or state governments). Therefore, schools may require families to register with the College Scholarship Service, which is the financial aid division of the College Board in order to complete the **CSS PROFILE** form. Not all schools require this form, so please call or email the school's admission or financial aid office! CSS Profile registration forms are available through the College Board web page at <http://www.collegeboard.com>.

Schools may also require families to fill out an **institutional** form (written by the institution) which will provide them with additional information not available on the FAFSA. Please contact the school to secure a form, if necessary.

## **SUBMITTING THE FAFSA**

To complete the FAFSA, go to [www.fafsa.gov](http://www.fafsa.gov). Below are some highlights of this site:

- FAFSA completed and submitted on the internet
- Federal Student Aid Program downloads received information daily
- There are two ways to sign an electronic FAFSA. The first, which is more efficient, is to sign your FAFSA electronically by using a PIN. (See section below.) If you do not secure a PIN, you will need to print the signature page and mail it to the Federal Student Aid Program.

We have included a draft of the FAFSA on the Web Worksheet at the end of this guide. If you complete this document and read through our tips that begin on page 6 of this guide, you can go online and complete the electronic FAFSA in a matter of minutes. Doing so really advances the online financial aid process!

### **To Secure a PIN:**

**Both a student and a parent need to procure separate PIN numbers.** You can request a PIN in “real time”, which greatly accelerates the process. You will be prompted to secure PIN numbers as you are filing the FAFSA.

A PIN may be used for several different processes. A PIN allows a student or parent to:

- check on the status of the FAFSA application;
- electronically sign the *Free Application for Federal Student Aid* (FAFSA) on the Web, Renewal FAFSA on the Web, or make corrections on the FAFSA on the Web site;
- request a duplicate copy of the student’s *Student Aid Report* (SAR);
- access information about the student’s financial assistance from the National Student Loan Data System (NSLDS) Web site;
- make updates to the address where the PIN is mailed; and
- make address corrections to a Federal Direct Loan account, calculate a repayment schedule, and get interactive counseling on deferment or forbearance for any Federal Direct Loans on the Federal Direct Loan Servicing Web site.

A PIN becomes dormant after 18 months of non-use, but may be reactivated.

## **TIPS ON FILLING OUT THE FAFSA**

Instructions for filing the FAFSA are contained in this packet. Documents you will need to complete the form(s) are:

- \* Student and Parent Social Security Number (can be found on Social Security card)
- \* Student’s driver license
- \* Student’s W-2 Forms and other records of money earned
- \* 2010 Federal Income Tax Return - for both student and parent(s)
- \* 2010 untaxed income records - Social Security, Temporary Assistance to Needy Families, welfare, or veterans benefits records
- \* 2010 bank statements
- \* 2010 business and investment mortgage information, business and farm records, stock, bond, and other investment records
- \* Student’s alien registration card (if not a U.S. citizen).

**NEW: We strongly urge you to complete and file your 2010 IRS tax return prior to completing your FAFSA.** Effective this year, you will be able to view online the tax information you need to complete the FAFSA and will have the option to securely transfer the tax information right into your FAFSA online.

Electronically filed tax return information will be available from the IRS in 1-2 weeks; data from paper tax returns will be available in 6-8 weeks.

***If you have not completed your 2010 tax return at the time you complete the FAFSA, it is perfectly acceptable to use 2009 figures (which can also be transferred to the FAFSA from the IRS link on the FAFSA).***

## Phone Numbers You May Need:

- \* ISAC (Illinois Student Assistance Commission) -for any state aid questions- 847-948-8550 or 1-800-899-ISAC
- \* Federal Student Aid Information Center 1-800-4-FED-AID - General Information

International and non-citizen students should contact the Financial Aid Office of the college or university for specific information regarding financial aid.

## **TIPS ON COMPLETING THE FAFSA ON THE WEB**

Below are explanations of factors that may be used in computing your total family contribution. **In the FAFSA directions, the word "you" refers to the student; the word "school" refers to any school beyond high school.** We have attached a draft of the FAFSA On The Web [FOTW] worksheet for your assistance. When you actually complete the FAFSA you may be asked a number of different questions, as the FOTW utilizes “skip logic” which allows you to skip some questions and answer others, based upon your answer to earlier questions. When you complete your FAFSA, do not leave any items blank, unless the directions permit you to do so.

**Name** – Please be sure to print your name exactly as it appears on your Social Security card. **This is very important.**

**Social Security Number** - A student must have a SSN in order to receive aid. The name you list on the FAFSA must be the same name as on your SSN card.

**Citizenship:** Be sure to complete this item, as it determines your eligibility for federal aid.

**State of Residence** - Listing Illinois is vital for you to be eligible for Illinois Student Assistance Commission (ISAC) MAP dollars.

**Selective Service (Draft) Registration** - Male students must be registered for the draft in order to receive federal aid. You may use the FAFSA to automatically register with Selective Service upon turning 18.

**Drug Offense Conviction** - The government may limit the amount of financial aid awarded to anyone who has been convicted of an illegal drug offense. Do not leave this item blank, as colleges need an answer from every student applying for aid. Nearly all high school seniors would check the first box, “I have never attended college.”

**Degree** - This item is informational only, not rigid or immovable. If you are planning to attend college for four years, you are planning to earn a 1<sup>st</sup> Bachelor’s degree. If you are planning to attend a community college for 2 years and graduate, you would be earning an Associate Degree. If you are planning to attend a certificate program for 1-2 years, then you would enter one of the “Certificate” responses.

**Types of Financial Aid** – You will be asked what kind of financial aid you would accept – grants, loans and/or work study. These are simply preferential questions and are not binding. To see how much maximum aid you might receive, check the appropriate boxes. We encourage you to answer “yes” to all items.

**Legal Definition of Dependent/Independent Student** – A student can only be classified independent if s/he meets at least one of the following requirements:

- born before January 1, 1988, **or**
- a master’s/doctoral student, **or**
- married **or**
- has legal dependents other than a spouse **or**
- orphan (both parents dead), foster child, a ward of the court, an emancipated minor, in a legal guardianship, homeless **or**
- on active duty or a veteran of the U.S. Armed Forces.

Answering “no” to every one of these questions [and most high school students will answer “no”] means that you are dependent and you [or your parents] fill out the shaded areas of the worksheet for information about your parents.

## **Parent Information**

**Definition of Parent** – This shaded section clearly defines just who is a parent and how to complete this section of the FAFSA. Please note that stepparent financial information must be included.

**Parents’ State of Residence** – The state of residence of a dependent student is the state of residence of the parent(s). Listing Illinois is vital if you want to be eligible for any state-based aid programs

**Email address** –We encourage parents to list their email address so that all FAFSA-related communication will go directly to the parent. Since this is the only way parents will receive electronic information about all financial aid matters, you might want to set up an email account at hotmail, gmail or yahoo just for all your financial aid information.

**Income Tax Paid** – This item asks for taxes actually paid, not withheld.

**Parents’ Household** – Includes student, parents, other children who live with parents and other people who live with parents in the household.

**Parents’ Number in College** – Only you and other siblings going at least part time (usually 6 hours) to college and enrolled in a program leading to a degree or certificate count here. Family contribution is divided by the number of college students in the family. Parents enrolled in college no longer are included in this number.

**Cash, Savings, and Checking Accounts** – Technically, this should be the amount in each of these accounts on the date you sign this form, so pay all your bills before completing the FAFSA! Seriously, list your average monthly balance under this item.

**Parent Asset Information** – There is a clear definition of what “net worth” means to the FAFSA processors.

## **Student Information**

**Income Tax Paid** – Again, this item asks for tax paid, not withheld.

**Release of Information to Colleges** – Be sure to list an Illinois school for ISAC state aid consideration; also, be sure to enter the proper code from the Federal School code list. These codes appear in a pull-down menu on the FAFSA site. You may list up to 10 colleges

## **E-SAR**

After filing your FAFSA on the web, an electronic SAR will be sent to the email address listed on the FAFSA you file online.

## **FINANCIAL AID RESOURCES ON THE WEB**

The internet can be a valuable resource for financial aid information. Listed below are several internet sites that provide the following information:

- types of aid available
- expected family contribution estimators
- loan repayment calculators
- scholarship searches
- and more!

### **Places To Start:**

\* **<http://studentaid.ed.gov>**

This website is devoted to the entire college search and selection process. In addition to providing excellent information about the financial aid process, this site also include information on how to select a college and even a savings chart to help families of younger children determine future costs of college attendance.

\* **<http://www.collegezone.com>**

ISAC (Illinois Student Assistance Commission) offers a wide variety of resources regarding financial aid. The site provides information ranging from general financial aid information, how to apply for aid, state and federal aid estimators, loan repayment calculators, financial aid sources, and so much more!

\* **<http://www.finaid.org>** The Financial Aid Information Page

Sponsored by the National Association of Student Financial Aid Administrators. This page provides links to many services of information about student financial aid. Also included is a “Scholarship Scam Alert”, which is information about scholarship scams and how to avoid them.

\* **<http://www.collegeboard.com>** The College Board

This site also offers a convenient financial aid estimator form.

- \* <http://www.fafsa.gov> FAFSA on the Web  
Interactive applications that students and parents can use to apply for federal student aid over the internet. You can also access fafsa4caster for helpful precollege financial planning information.
- \* [www.fafsa4caster.ed.gov](http://www.fafsa4caster.ed.gov) - A free online tool to provide families with early estimates of their eligibility for financial aid. An EFC [Estimated Family Contribution] will be calculated and sample award packages will be sent to families.

## **FINANCIAL AID TERMS TO KNOW**

### **PARENT** (in the case of a divorce)

- If legally separated or divorced, the parent with whom the child physically resides most during the calendar year is deemed the custodial parent. If the student lived with each parent an equal amount of time, then "parent" refers to the one who provided greater financial support during the year.
- If this parent is remarried, then income information of **stepparent** will be included on the form.
- Grandparents and legal guardians are not considered parents unless they have legally adopted the student.

### **VERIFICATION**

- The process of matching information on financial aid form with other documentation to determine accuracy of information supplied on financial aid form.
- Federal law requires all colleges to verify 100% of all financial aid applicants selected for verification by the US Department of Education.
- An asterisk (\*), a "C", or an "E" on the SAR after the "EFC" in the top right corner flags you for verification.
- IRS is the source document for verification (as it is the source document when you file the form).
- If you are chosen for verification, more clarifying information will be mailed by the college or university. Some families are selected for verification because of questions about the selective service status of the student, a possible loan default, the social security number reported by the student, or the citizenship of a family member.
- Verification is not an IRS tax audit!

### **SAR - Student Aid Report**

- The "Student Aid Report" you receive from the federal government, informing you of your eligibility for a Pell Grant; your EFC is also listed

### **EFC - Expected Family Contribution**

- The Expected Family Contribution is an index number that reflects a family's ability to pay based on a "snapshot" of a family's financial circumstances looking at income/assets of the student and parents. The FAFSA provides the "snapshot". The EFC is not the dollar amount your family will be expected to pay for college.

### **STUDENT CONTRIBUTION**

- A standard 20% of the student's assets is expected to be available to help meet educational expenses; 50% of a student's income after the first \$3,000 earned in a year is calculated into the student contribution.



# **STUDENT AID REPORT (SAR) OVERVIEW**

There are two parts to the SAR which every family will receive.

## **Part 1: Information Summary**

Part 1 is the Information Summary. On the front page, upper right corner is some very important information, right under the date the SAR has been produced.

The EFC line refers to the Expected Family Contribution, which is a measure of a family's financial strength. The EFC is an index number that colleges use to help determine your financial need and not the actual dollar amount you will be expected to pay for college.

If there is an "\*", a "C", or an "E" after the number in the EFC line, you have been selected for verification. If you are selected for verification, the college which the student attends in the fall will be responsible for verification procedures and will contact you.

## **Part 2: Information Review Form**

Be sure to carefully read over all the information contained here, paying particular attention to any item in **boldface** type. If you must make any corrections, do so, making a copy of Part 2 for your records. Since the majority of colleges have the capability of correcting forms electronically, check with the school you plan to attend before submitting Part 2 of the SAR. Colleges will correct your SAR electronically for you.

## **What Happens Next?**

Colleges will respond to your offer by sending you a financial aid award letter sometime in the spring. This letter will detail each type of financial aid you have been awarded – grant, loan and/or work study – and you will have the ability to accept or decline each type of aid awarded. You need to sign and return that form in a timely fashion; failure to do so may cost you some financial aid dollars!

If, after you have received your award letter from a college, you wish to appeal the award, the student needs to initiate the appeal process with the financial aid office at that college. You will be required to submit information about any drastic changes in family income, large unanticipated healthcare costs, or other family factors that affect your ability to pay.

## **FAFSA ON THE WEB WORKSHEET:**

We have attached a copy of the FAFSA on the Web worksheet. Completing this worksheet prior to beginning the FAFSA online will save you time. Please note: This worksheet does not include all the questions from the FAFSA. When you are completing the FAFSA online, you may be able to skip some questions based on your answers to earlier questions.

# COMPARING FINANCIAL AID AWARDS

After college and universities receive the SAR, a financial aid award will be mailed to the family. Comparing the awards is very important to determine what the “bottom line” will be at each institution. Follow these general hints (by the College Board) to compare your award letters:

- Look for the “bottom line” - your “net cost” to attend each institution. Don’t be dazzled by the amount of money a particular college offers - focus on how the awards affect the costs you have to pay. A \$5,000 award may cover your need completely at one school, while a \$10,000 award at another could leave you short.
- Look at the combination of awards in each financial aid package. Your aid offer will probably include a mix of several types and sources of aid - “gift aid” (grants and scholarships that do not have to be repaid) and “self help” (jobs a school offers you so you can earn part of your award and/or loans that must be repaid).
- Finally, look for special conditions or requirements stated in the financial aid package. For example, many institutions require scholarship recipients to maintain a certain grade-point average before their award is renewed. Other institutions may require continued enrollment in an academic program.
- Once you choose a school and have been awarded financial aid, follow the instructions in your award letter. You may be asked to provide more information or select a lender for a student or parent loan. Complete any forms that come with the award letter, sign the letter, and return it by the due date. Be sure to notify other schools that accepted you that you will not attend, so any funds you may have been awarded can be given to students who will attend.
- Don’t forget that, in the end, the best college for your student is the one that fits the best. We caution you not to make cost the only factor that drives your child’s college decision. Just because a particular college will cost you the least doesn’t necessarily mean that it is the best school for your child.

## Packet Information Sources

Sue Biemeret, Post-Secondary Counselor, Adlai E. Stevenson High School  
Jerry Cebrzynski, Director of Financial Aid, Lake Forest College