

Quick Guide to Financial Aid Terms

A few weeks after submitting your FAFSA, you will receive a copy of your SAR, and your prospective college(s) will receive a copy as well. Using information taken from your SAR, each school you applied to will send you an Award Eligibility Letter, breaking down your Aid Eligibility. The aid offered in the letter will be based on your Financial Need, which is equal to your COA minus your EFC.

This can quickly get confusing. To better understand the financial aid process, here are the key terms YOU need to know:

Free Application for Federal Student Aid (FAFSA): This is the form used by the government to determine the amount of federal and state aid you are eligible to receive. For more information about how to complete the FAFSA, watch the Five-Minute FAFSA video at www.fastweb.com.

Student Aid Report (SAR): This is the official notification sent to you that confirms your FAFSA has been processed. This document will include your Expected Family Contribution (EFC).

Expected Family Contribution (EFC): This is a measure of your family's financial strength based on income, assets, family size, etc., and gathered from information you submitted on the FAFSA. Your EFC represents the amount of money the federal government believes your family can contribute toward one academic year of college. The actual amount your family ends up paying could differ from the EFC figure, depending on which sources of aid are available to you.

Aid Eligibility: This is the total aid you are eligible to receive. It can include scholarships, grants, work-study and loans. Any aid that is offered is typically summarized in an award letter and sent to you by your prospective college(s).

Award Eligibility Letter: This is the list of aid that you are eligible to receive from your prospective college, including terms and conditions. You should be aware that you are not required to accept all the aid found in the letter. You could turn down loans, for example.

Cost of Attendance (COA): This figure includes the total price of tuition, fees, room, board, books, supplies, transportation and personal expenses for one year of college. This is also known at some colleges as the "Student Budget."

Financial Need: This is the difference between your Cost of Attendance (COA) and your EFC.

Now that you know these key terms, re-read the top paragraph of this bulletin. It should be much clearer to you! Please visit www.finaid.org for more information on the financial aid process.

Types of Aid

Federal Aid is financial aid that comes from the government and is usually disbursed through your college. It can include:

Grants Awards typically based on financial need and do not need to be paid back. An example is the Pell Grant. Eligibility often depends on your FAFSA results.

Scholarships Awards usually based on achievement or talent that also do not to be paid back. You can search for scholarships at www.fastweb.com. FastWeb adds and updates scholarships every single day. Also, your prospective college(s) may offer scholarships based on merit and/or need. Call their financial aid office to find out which scholarships are available to you and how you can apply.

Loans These funds must be paid back, usually with interest. There are federal student loans, federal parent loans, and private loans. The good news is that interest rates for federal student loans and parent loans are currently at historic lows. However, you must demonstrate financial need for some loans, like the Perkins Loan. To find out more about loans, visit www.finaid.org/loans.

Federal Work-Study This program provides part-time jobs for students with financial need. Jobs are usually available on and off campus and listed through the school's financial aid office.

Loans Terms

Federally-guaranteed student loans can come from a private lender (like a bank) or from the federal government and administered by your college. Some private loans, however, have terms set by the lender and not the government. Here are loan terms you need know:

Interest An annual charge for borrowing money, expressed as a percentage of the loan balance. Interest rates are either variable (the rate can change) or fixed (the rate will not change).

Annual percentage rate (APR) The overall cost of borrowing money, expressed as an annual percentage of the loan balance. The APR combines the interest rate with loan fees, and also includes the effects of compounding.

Default Failure to repay your loan; it may lead to legal action to recover the money and can negatively affect your credit rating.

Principal The full amount borrowed. During repayment, it refers to the portion of the original amount still owed (not including interest).

Loan Fees One-time charges to originate or guarantee a loan, expressed as a percentage of the loan balance.

Understanding Your Financial Aid Award Letter

Use this example as a guide to reading your financial aid award letter. Remember, you can choose to accept or decline any part of your financial aid package. Make sure to contact your prospective college's aid office immediately, if you have any questions.

Expenses (COA*)

Tuition:	\$7,334
Health and Fees:	176
Books/Supplies:	1,015
Room/Board:	5,204
Personal:	2,600
Transportation:	910

Total Expenses: \$17,239

Resources (EFC*)

Family's Resources	
Parent's Contribution:	
From Earnings:	\$2,500
From Assets:	112
Student's Contribution:	500
Other Resources	

Total Resources: \$3,112

** 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.*

** Expected Family Contribution (EFC): Amount your family is expected to give per year, determined by FAFSA results (e.g., EFC is \$3,112 [2,500+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

Notice the choice to accept/decline each award

Award	Fall	Spring	Accept	Decline	Total	
Pell Grant	\$625	\$625	<input type="checkbox"/>	<input type="checkbox"/>	\$1,250	<- Federal Pell Grant (free money)
Direct Stafford Loan (Subsidized)						
	\$1500	\$1500	<input type="checkbox"/>	<input type="checkbox"/>	\$3,000	<- Federal Stafford Loan –Subsidized (interest-free until 6 months after graduation)
Direct Stafford Loan (Unsubsidized)						
	\$1,938	\$1,938	<input type="checkbox"/>	<input type="checkbox"/>	\$3,876	<- Federal Stafford Loan –Unsubsidized (interest accrues immediately after loan is disbursed)
Total Direct Loans					\$6,876	
Total Financial Aid Package					\$8,126	

$$\begin{array}{rcl}
 (\text{COA}) & - & (\text{EFC}) & - & (\text{Aid}) & = & \text{Unmet Need} \\
 \$17,239 & - & \$3,112 & - & \$8,127 & = & \$6,001
 \end{array}$$

If you have applied to other schools, compare this financial aid award with the others. Remember to search for scholarships at www.fastweb.com! Scholarships will always be the best way to meet the costs of a college education.

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-study for a loan?