

Phase 3

Timeline: March - June

Step 7: Financial Aid Award Letters

In Phase 3: Financial Aid Award Letters, you will need to shift some of your focus to decoding and comparing the financial aid award letters that you will receive from colleges that accepted you for admission. Phase 3 will also help you and your parents determine how much college is really going to cost you for one school year. The typical timeline for Phase 3 ranges from March through June.

When you receive a financial aid award letter from the colleges that accepted you for admission, you should evaluate your award letters and compare them against one another.

Step 7: Financial Aid Award Letters covers:

- What is a financial aid award letter?
- How to decode and compare your financial aid award letters
- How to calculate and compare each college's out-of-pocket costs
- How to estimate your college's student loan debt
- Make A Final College Decision
- Appeal Your Financial Aid Package
- Financial Aid Appeal's Result
- Report Outside Awards
- How Financial Aid is Disbursed
- Don't Lose Your Financial Aid
- Renewing Your Financial Aid

What is a financial aid award letter?

A financial aid award letter outlines the type and amount of financial aid awarded to you for one school year to help you pay for your college costs.

Once you have been admitted to a school, the school's financial aid office will determine your financial need and then create a financial aid package for you, which may consist of scholarships, grants, work-study, and student loans including your Expected Family Contribution. The school's financial aid package will try to come as close as possible to meeting your demonstrated financial need.

After your financial aid package has been created, the college's financial aid office will send you a financial aid award letter which outlines your financial aid package. Financial aid award letters are sent after admission letters are mailed to first-year and transfer students, which typically occurs during the spring months of March and April.

Financial aid award letters typically include:

- College's Cost of Attendance
- Expected Family Contribution
- Types of Financial Aid and Award Amounts
- Unmet Need

Let's review a sample financial aid award letter on the next page. Each part of the sample award letter will be explained in more detail to help you understand your financial aid award letter when you receive it.

Sample Financial Aid Award Letter

Provided below is a sample financial aid award letter for you to review.

John Doe
 123 University Drive
 University High, IL 12345

Dear John Doe,

We are pleased to provide you with the following financial aid offer. You may accept or decline all or parts of the award offered. Please sign this letter and return it to the financial aid office within two weeks of the posted date. Read the enclosed information on how to apply for a Stafford Loan.

Cost of Attendance		
Tuition		\$6,425
Student Fees		\$110
Books/Supplies		\$980
Room and Board		\$2,500
Transportation Expenses		\$635
Personal Expenses		\$1,350
Cost of Attendance:		\$12,000

Financial Aid Need		
Total Cost of Attendance		\$12,000
Expected Family Contribution		\$2,500
Financial Aid Need:		\$9,500

Financial Aid – Unmet Need		
Financial Aid Need		\$9,500
Financial Aid Award		\$8,800
Unmet Need:		\$700

Financial Aid Award						
Accept	Decline	Reduce	Type of Aid	Fall	Spring	Total
<input type="checkbox"/>	<input type="checkbox"/>		Federal Pell Grant	\$1,175	\$1,175	\$2,350
<input type="checkbox"/>	<input type="checkbox"/>		College Scholarship	\$900	\$900	\$1,800
<input type="checkbox"/>	<input type="checkbox"/>		Department Scholarship	\$1,000	\$1,000	\$2,000
<input type="checkbox"/>	<input type="checkbox"/>	(\$_____)	Federal Stafford Loan	\$1,125	\$1,125	\$2,250
<input type="checkbox"/>	<input type="checkbox"/>	(\$_____)	Federal Work-study	\$200	\$200	\$400
Financial Aid Award:				\$8,800		

Respond by Deadline Date: _____

Let's review each part of the sample financial aid award letter. The sample award letter should help you understand your financial aid award letter when you receive it.

- **Cost of Attendance (COA)**

Your Cost of Attendance (COA) will be indicated on your financial aid award letter. Some award letters will provide a summary of how your COA was calculated (which may include tuition, fees, room and board, etc.) and other award letters will only provide you with their college's tuition and fee. If you receive an award letter with only the total COA amount and not a summary of how your COA was determined, you have the right to request a breakdown of how your COA was determined by calling the school's financial aid office. **Your COA will be different for each school.**

Cost of Attendance	
Tuition	\$6,425
Student Fees	\$110
Books/Supplies	\$980
Room and Board	\$2,500
Transportation Expenses	\$635
Personal Expenses	\$1,350
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Cost of Attendance:	\$12,000

- **Expected Family Contribution (EFC)**

Your Expected Family Contribution was determined by completing the Free Application for Federal Student Aid (FAFSA). Your EFC will remain the same regardless of the type of school you applied to for admission.

- **Financial Need**

Your financial need was determined by subtracting your Expected Family Contribution (EFC) from your estimated Cost of Attendance (COA). The school's financial aid office will try to meet your financial need by using scholarships, grants, work-study, and student loans.

Financial Aid Need	
Total Cost of Attendance	\$12,000
Expected Family Contribution	\$2,500
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Financial Aid Need:	\$9,500

• **Financial Aid Awarded**

The financial aid awarded to you is broken down by the type of financial aid, the award amount for each term (i.e. semester), and the total aid for the school year. Your financial aid package is usually based on the assumption that you will enroll in school as a full-time student for each term (i.e. semesters). If you enroll in school as a part-time student or drop below full-time status, some of your financial aid may be reduced or cancelled.

Financial Aid Award			Type of Aid	Fall	Spring	Total
<input type="checkbox"/>	<input type="checkbox"/>		Federal Pell Grant	\$1,175	\$1,175	\$2,350
<input type="checkbox"/>	<input type="checkbox"/>		College Scholarship	\$900	\$900	\$1,800
<input type="checkbox"/>	<input type="checkbox"/>		Department Scholarship	\$1,000	\$1,000	\$2,000
<input type="checkbox"/>	<input type="checkbox"/>	(\$_____)	Federal Stafford Loan	\$1,125	\$1,125	\$2,250
<input type="checkbox"/>	<input type="checkbox"/>	(\$_____)	Federal Work-study	\$200	\$200	\$400
Financial Aid Award:						\$8,800

• **Accepting, Declining, or Reducing Aid**

When you receive your financial aid award letter, you and your parent(s) must read the letter carefully and decide if you want to accept all, decline or reduce parts of the financial aid awarded to you. You do not have to accept all of the financial aid awarded to you. However, if you decline or reduce parts of the financial aid awarded to you (such as work-study or a student loan), the school's financial aid office will not replace the declined or reduced aid with a scholarship or grant. Generally, the financial aid office has already awarded you the maximum amount of financial aid based on your eligibility for federal and school aid.

Accept	Decline	Reduce
<input type="checkbox"/>	<input type="checkbox"/>	
<input type="checkbox"/>	<input type="checkbox"/>	
<input type="checkbox"/>	<input type="checkbox"/>	
<input type="checkbox"/>	<input type="checkbox"/>	(\$_____)
<input type="checkbox"/>	<input type="checkbox"/>	(\$_____)



Note: If you decide to reduce or decline any financial aid awarded to you, you need to realize that you have decreased the total aid awarded to you and have increased your Unmet Need amount by the amount of aid you reduced or declined.

If you have any questions about your financial aid award letter, you should contact the school's financial aid office. It is important that you make sure that all of your questions are answered, before reducing or declining any parts of your financial aid package.

- **Unmet Need**

If your award letter indicates that you have an "Unmet Need." It means that the school's financial aid office was unable to meet your entire demonstrated financial need; and that you need more money in addition to your Expected Family Contribution to help you pay for your college costs (if you want to attend their school). If you cannot obtain enough money to cover your Unmet Need, you should consider other options such as attending a school in which you can afford or continue your search for more scholarships.

Funds for Unmet Need can be obtained from:

- Scholarships
- Earnings from work
- Federal Parent Loan for Undergraduate Students (PLUS)
- Alternative Loans (Private loans)
- Other Options (i.e. Home Equity Loan, Prepaid Tuition Plan, etc.)

Unmet Need is determined by subtracting your demonstrated financial need from the total financial aid awarded to you as indicated on your financial aid award letter.

Financial Aid – Unmet Need	
Financial Aid Need	\$9,500
Financial Aid Award	\$8,800
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Unmet Need:	\$700

- **Deadline Date (Very Important)**

After reviewing your financial aid letter, you must sign, date, and return a copy of the award letter to the school's financial aid office by the deadline date specified in the letter. You should make a copy of the award letter and any requested information for your records before you mail the award letter back to the school's financial aid office. Failure to respond by the deadline date may result in parts of your financial aid being reduced or cancelled.

- **Additional Forms (if requested)**

If your financial aid award letter indicates that the school's financial aid office requests additional information (such as copies of your parents Federal Income Tax Returns), you should submit the requested information with your signed award letter before the deadline. If the financial aid office does not receive the requested information, it may delay the processing of your financial aid and possibly result in you receiving reduced or cancelled financial aid.

How to decode and compare your financial aid award letters

The best way to decode your financial aid award letters is to group each part of the award letter into common categories which include the college's cost of attendance, Expected Family Contribution, scholarships and grants, work-study, student loans and unmet need. This can be a challenge, because the financial aid terminology can vary from college to college.

Let's review the common categories in more details:

- **Cost of Attendance (COA) – (A)**

Financial aid award letters will include the college's cost of attendance, which will be different for each school. Each college's cost of attendance **will** include 'direct' costs such as tuition, fees, and room and board (if you plan to live on-campus). If the college's cost of attendance is not broken down into the different types of college costs, you should contact the college's financial aid office to request a breakdown (itemized list) of your college costs.

Some colleges' cost of attendance **may** also include 'indirect' costs such as books, supplies, travel/transportation costs, miscellaneous expenses, and personal costs (i.e. laundry, telephone, entertainment, toiletries, etc.). Some colleges may not include 'indirect' costs in their estimated cost of attendance, because 'indirect' costs will be different for each student.

Example:

Transportation costs may vary each semester which is dependent on whether the college is close to your parents' home or halfway across the country, the number of times you plan to travel home, and your method of transportation such as plane, train or automobile.

Some colleges may underestimate certain costs such as books and supplies to make their financial aid offer more appealing. If your award letter does not include 'indirect' costs, you should calculate an estimate of your 'indirect' costs to create an accurate picture of your college's total cost of attendance.

Please understand that not all schools will include personal, transportation and miscellaneous expenses in their school's cost of attendance. If the school's financial aid award letter only includes their tuition and fees, room and board, and books and supplies, you should expect that it will cost you more money to attend their school, once school actually starts. I recommend that you create a budget for personal, transportation and miscellaneous expenses each month. It is very important that you understand how much everything is going to cost you to attend a particular college for one school year.



Note: Each college's cost of attendance (COA) is only an **estimate**; actual costs will vary once school starts. It is very important that you understand how much it is going to cost you to attend a particular college for one school year. Don't assume the college that has the lowest cost of attendance will be the most affordable. The type and amount of financial aid offered to you will determine if you can afford to attend that particular college.

- **Expected Family Contribution (EFC) – (B)**

Expected Family Contribution (EFC) is a term used in the financial aid process in the United States. The Free Application for Federal Student Aid uses the information you report on this form such as your family's income, assets, benefits (i.e. unemployment, social security, etc.), family size, and the number of family members who will attend college during the year to calculate your Expected Family Contribution.

Colleges will then use your EFC to calculate the amount of federal student aid you are eligible to receive, if any. Your Expected Family Contribution will remain the same regardless of the type of college or career school you plan to attend. According to the FAFSA's web site: "Your EFC is not the amount of money your family will have to pay for college nor is it the amount of federal student aid you will receive".



Note: You should know that your family is **expected** to help pay for some of your college costs either through their earnings from work, money from their savings and/or student loans.

Some students and parents may not have saved enough money to cover their Expected Family Contribution. If you don't have any money saved up to cover your Expected Family Contribution, you may have to take out a student loan, PLUS Loan, and/or private loan to help you pay for your remaining college costs. If this is the case, you should include your EFC when you estimate how much you will have to borrow in student loans.

Note: If you would like an early estimate of your Expected Family Contribution and eligibility for federal student aid to help your family plan ahead for college, there is free online tool called FAFSA4caster. If you would like to use the FAFSA4caster tool, visit the following web site at www.fafsa4caster.ed.gov.

- **Scholarships and Grants (Gift Aid) – (C)**

Scholarships and grants are considered gift aid – FREE MONEY - and they do not have to be repaid. Scholarships and grants will help reduce your college's "Out-of-Pocket" costs. An important question to ask any scholarship or grant provider is, "Is the scholarship or grant renewable?" A scholarship that is renewable is more valuable throughout your college years than a non-renewable scholarship. However, all scholarships and grants are valuable.

Some colleges may award more scholarships and grants to freshmen and sophomore students, and then shift towards increasing student loans and work-study aid and decreasing scholarship awards in a student's junior and senior year of college. Financial aid packages with a higher proportion of scholarships and grants appear more attractive to students, because students may have less student loan debt when they graduate or leave college.

You should ask the college's financial aid administrator whether you can expect to receive a similar amount of scholarships and grants in your junior and senior years of college, if your family's financial situation remains the same.



Note: If you received a non-renewable scholarship, you may have to take out a student loan for the next school year and possibly subsequent years to cover the non-renewable scholarship's award amount, unless you win more scholarships.

- **Work-study Aid (Self-help Aid) –(D)**

Work-study aid is considered self-help aid, which allows you to earn money by working a part-time job on- or off-campus during your enrollment in college. The money earned from a work-study job is supposed to be used to help you pay for your college costs. The work-study aid offered to you in the financial aid award letter is the maximum amount you can earn for the school year. If you need additional work-study aid, you should ask the college's financial aid office for an increase in work-study aid. The amount of work-study aid that you earn depends entirely on your ability to work the number of hours required to earn it.

You must understand how the work-study aid fits into your financial aid package. If too much of your financial aid package consists of work-study aid, you will not be able to keep up with all your classes, study, and work the required hours needed per week to earn the money indicated on your award letter. If you accept the work study aid, you should expect to be paid at least minimum wage and work between 5-20 hours per week, which is dependent on the employer's needs and the amount of your work-study aid.

Note 1: You should ask the school's financial aid administrator, "How many hours per week are required to earn the work-study aid indicated on the award letter?" Then, you should consider how this will impact your classes and the hours needed to study. You can also calculate this number yourself by dividing the job's hourly rate into the work-study amount awarded to you.



Note 2: If you decide to reduce or decline the work-study aid stated on your financial aid award letter, the college's financial aid office will not replace it with a scholarship or grant; and then you may have to take out a student loan to cover the amount of work-study aid that you decided to reduced or declined.

- **Student Loans (Self-help Aid) – (E)**

Student loans are considered self-help aid, which is borrowed money that must be repaid. A student loan is **NOT FREE MONEY**. You should compare the various types of student loans offered to you in the award package. Before you accept a student loan, you should know the loan's interest rate, repayment options, and terms.

Student loans will be presented differently by each college. Some colleges will include Subsidized/Unsubsidized Stafford Loans and/or PLUS loan in your financial aid package to make sure that you are aware of your borrowing options. Most students are eligible for an unsubsidized Stafford loan, PLUS loan, and/or private loan as long as they meet certain requirements outlined by each lender. These loans are typically available at every college, even if they are not listed on your financial aid award letter.



Note: You are not required to use a lender recommended by the college's financial aid office. You can use any lender. It pays to shop around for a student loan lender. Lenders offer various interest rates and repayment terms that can save you thousands of dollars over the lifetime of your student loans. Shop around!

- **Unmet Need – (F)**

If your financial aid award letter indicates that you have an Unmet Need. It means that the college's financial aid office was unable to meet your entire financial need; and that you need more money in addition to your Expected Family Contribution to help you pay for your college costs, if you want to attend their college.

Funds for Unmet Need can be obtained from various sources such as:

- Private scholarships and grants
- Your earnings from work
- Federal Parent Loan for Undergraduate Students (PLUS Loan)
- Alternative loans (Private loans)



Don't accept a financial aid award letter that gives you the lowest Unmet Need. Unmet Need will vary for each college. If one college brings your Unmet Need down to "0," but does it through student loans, you'll still be paying later on. On the other hand, if another college doesn't meet all your financial need, but provides more scholarships and grants, you may get a better deal even though the college's cost of attendance seems higher.

After grouping each part of your financial aid award letter into common categories and then totaling each category, you will be able to compare financial aid award letters from different colleges on an apples-to-apples basis.

Use the **Financial Aid Award Letters' Comparison Form**, on the next page, to help you decode and compare the financial aid award letters that you receive from different colleges on an apples-to-apples basis. Refer to your actual financial aid award letters to obtain the information you need to complete the Financial Aid Award Letters' Comparison Form.