

FINANCIAL AID 101

by Kalman A. Chany
President, Campus Consultants Inc.

Applying for financial aid has never been more difficult and competitive given the high cost of college and the increasing number of students seeking such assistance. Indeed, articles in national publications have reported that a majority of private colleges and many state schools are now hiring consultants and using various criteria to determine the smallest amount of aid they need to give in order to get students to attend their school. As such, students and their parents must be much more assertive and savvy when seeking aid for college.

If you are thinking that all you need to do is complete the aid forms and then sit back and hope for the best, you're likely to be shocked and disappointed when the financial aid offers arrive in the mail. The information that follows is designed to give you the basics for improving your chances of getting the maximum amount of aid. There is also a broad overview of the financial aid application process. And finally, some general tips for completing the aid forms are included.

TILTING THINGS YOUR WAY

In theory, financial aid funds are supposed to go to those who need the money the most. In reality, financial aid dollars flow to those students and families who plan ahead and best understand how the financial aid process works well before it's time to apply for such assistance. Here are some key points to remember:

*** Don't forget your consumerism.** Higher education in America is big business. The college is trying to get you to pay the most money; you are trying to pay the least amount. It can be very costly to assume that the college is going to show you how to get the most aid. As a college financial aid administrator quoted in the New York Times once said, "Parents and students sometimes forget that we work for the school, not for them."

*** Don't initially rule out any school as being too expensive.** The amount of financial aid you are eligible to receive is based on the relationship between two items: the "cost of attendance" and the "family contribution." The cost of attendance represents the sum of tuition and fees, room and board, as well as allowances for books, transportation, and personal expenses. The family contribution is the amount of money the college expects from the family for the student's education in a particular year. If the cost of attendance is greater than the family contribution, you have demonstrated "need" and are eligible for financial aid. So in theory once the family contribution is met, the greater the cost of the school the more aid you are eligible to receive.

*** Plan ahead.** Assuming the student will graduate from high school in the spring of 2021 and start college in the fall of 2021, aid eligibility for a student's freshman year in college (that is, the Fall 2021-Spring 2022 award year) will usually be based in part on the parents' and student's taxable and untaxed income received during the 2019 calendar year that began January 1st of the student's sophomore year in high school and ended December 31st of the junior year. This calendar year is known as the "prior- prior year (PPY)" and is sometimes called the "base income year". To increase your chances of getting the most aid: As early as ninth grade, you should get a rough estimate of your "family contribution" by using worksheets in financial aid guidebooks or by hiring an aid consultant. If appropriate, make the necessary changes to lower your family contribution. Certain reductions in discretionary PPY income items could increase your "need". Keep in mind that even if the base income year has ended, you must re-apply for aid each year in college with the following calendar year being the base income year.

Be aware that colleges have the ability to use more recent income, if such income is more representative of your current financial situation – though they are not required to do so. While this can be done via an appeal later in the aid process, one must still provide 2019 PPY income when requested to do so on the 2021-2022 aid forms.

You should also consider making the appropriate changes to your assets, debts, certain expense items, and retirement accounts to boost aid eligibility. While there usually is a look-back period for the income, all the other required information items on the aid applications, including assets, are as of the date you submit the aid forms.

*** Keep on top of the aid process.** Financial aid doesn't just happen. You get rewarded for planning ahead, paying attention to details, knowing all the rules, and utilizing a proactive approach to the entire aid process.

*** Concentrate on the big money.** The federal government, the state governments, and the colleges themselves award the bulk of financial aid funds. Scholarships that are awarded by corporations, foundations, community groups and other organizations represent only a tiny piece of the financial aid pie. Unfortunately, many families mistakenly concentrate their time and energies pursuing those “little known scholarships” that supposedly go unclaimed each year.

*** If you are getting outside help, be sure it's from the right source.** If you are confused about the process, you are not alone. While there is no law that requires you to do so, you can always hire a skilled independent professional to help you with your aid planning and/or with the aid application process. However if you are seeking professional help, make sure the individual's or company's main focus is financial aid planning. Don't automatically assume that your accountant, tax preparer, or financial planner is a financial aid expert, as most of these professionals have little or no training in this very specialized field. The fees charged by private aid consultants may seem high, especially if you have no experience with the complicated aid process. But in the long run the added financial benefits achieved by working with an experienced professional usually exceed the cost - often saving families several times the fee charged when compared to the results one would get had they handled the process on their own. After all, there is a huge difference between simply completing the aid forms as instructed by the colleges or the high school guidance office versus engaging in financial aid planning and then pursuing the multi-step aid application process to get the maximum assistance possible. So if an independent aid consultant can find ways to increase your aid eligibility by several thousands of dollars and/or can help you better navigate the tricky aid process, then even a seemingly-expensive fee is worth the investment. This is especially true if you are considering the private colleges, where the aid process is usually much more complicated and where mistakes and errors of omission can cost you tens of thousands of dollars in lost aid.

TACKLING THE FINANCIAL AID PROCESS

There are five basic steps involved in applying for financial aid for the 2021-2022 school year. (Note: these procedures may well change if applying for aid in future academic years.)

1. Decide which forms you need to complete. Each college sets their own financial aid filing requirements. As a minimum, you will have to complete U.S. Department of Education's “Free Application for Federal Student Aid” (more commonly called the “FAFSA”). The online 2021-2022 version will be available electronically at www.studentaid.ed.gov beginning October 1, 2020. Instead of filing online, on or after that date one can instead be able to download a PDF version of the 2021-2022 FAFSA (available through the same website), print out the form, complete it by hand, and then mail the completed paper form to the federal processor. Depending on the colleges involved and your situation, you may also have to complete and submit the College Board's significantly more detailed “CSS Financial Aid Profile Application” (or “Profile”) which a few hundred colleges (mostly the more selective private ones as well as a handful of flagship state universities) use to award their own aid funds. Some private scholarship programs may require the CSS Profile as well. Depending on your state of residence, you may also need to complete a separate form or forms to be considered for state aid (if the FAFSA is not sufficient). And depending on the schools involved, you may also need to complete one or more of the college(s)' institutional aid application and/or a Business/Farm Supplement if you are self-employed or own a partnership, corporation or farm. Some colleges may require that a noncustodial

parent submit a separate financial aid form providing their own financial data. If you will have more than one family member in college at the same time, you will have to file separate forms for each student. Note: the online version of the FAFSA will initially allow one to send the processed results to up to 10 schools; the paper PDF version will only allow one to initially list four schools. Regardless of the way you file the FAFSA, there is no processing fee to submit the FAFSA form. The CSS Profile filing fee is based in part on the number of schools, unless you qualify for a fee waiver.

2. Know your deadlines. You should not wait to be accepted to apply for aid. Deadlines vary tremendously. Be aware that very few schools still award aid funds on a first come - first-served basis, but a few still do. So check the deadlines for each and every school under consideration by visiting the financial aid office web site for each college under consideration. Most colleges will set a priority filing deadline to receive maximum consideration for aid; the school may well have different aid deadlines for early decision/early action applicants, regular decision applicants, currently enrolled students and transfer applicants. Additionally, you will want to check the deadline(s) for your home state's aid programs. While the majority of states set their own priority filing deadline, a little more than a dozen state governments award their own state aid on a first come - first-served basis until the funds are exhausted. Your home state higher education assistance agency's website will provide all the details, though it is also advisable to consult the state aid filing information in the FAFSA instructions and/or the high school guidance counselor. Be aware that a few states may permit you to take state aid funds outside of your home state, though the list of other states where you can take those state aid funds is often limited and the award amount may be less than the in-state amount.

3. Determine the optimal time to file the aid forms. Ideally, if you are seeking aid for the 2021-2022 award year you will want to file the aid forms when you will demonstrate the most need between the time the filing period begins on October 1, 2020 and your earliest priority filing deadline. However if you are considering one of the rare colleges that still awards aid on a first come - first served basis and/or your home state awards aid funds on a first come – first served basis, then you will want to apply for aid as soon after September 30, 2020 as possible.

4. If you're on extension for your tax return, decide if you can get your PPY tax return done in time to complete the FAFSA and/or the PROFILE form by your optimal time to file the aid forms . If you are in the rare situation that your prior –prior year (2019) tax return is not yet completed by your optimal time to file the forms, it is perfectly acceptable to submit estimated PPY income figures on the aid forms (and then revise the estimated PPY income items on the aid forms at a later day using the actual PPY tax return data).

5. Gather together the appropriate records and complete all the necessary forms by the deadlines. The colleges assume that it is your responsibility to make sure you complete and submit all the required forms. They may not notify you that documents are missing or that your application is incomplete until it is too late and most of the aid is already awarded. It is best to use a chart to track your deadlines and completed items for each school. Since most of the family contribution for a dependent student —and therefore the aid eligibility — will be driven by the parental financial information reported on the aid forms, it is best for parents to oversee the aid process and make sure all deadlines and filing requirements are met.

TIPS FOR COMPLETING THE FAFSA, THE CSS PROFILE, AND OTHER AID FORMS

Because each family's situation is different, it is impossible to provide specific information on how to answer each question on the aid forms to best advantage. There are, however, certain tips that apply to all aid applicants:

1. Be sure that you list the student's full legal name and correct social security number and date of birth on the aid forms – and if required, the same identifiers for the student's parent(s) as well. If an individual's name, date of birth, and social security number do not exactly match the information in the Social Security Administration's database for that person, the processing of the FAFSA form will be delayed. Be aware that some colleges still use the student's social security number to help retrieve FAFSA data from the federal processor. So if a student social security number is requested on any admissions application for those who are seeking financial aid - including the Common Application and/or the Universal College Application – be sure to supply the student's correct social security number so the college can eventually retrieve the student's processed FAFSA data.

2. If you are completing a paper form, use the proper writing implement. Some forms must be completed using a black ink ballpoint pen; others may require a #2 pencil. Also be sure to correctly mark the response areas. For example, you must completely fill in the response ovals on the paper version of the FAFSA instead of using a check mark or an "x".

3. Answer all the required items. Do not write in the margins of any paper forms. Use whole dollar amounts; no cents. For the PROFILE and the online version of the FAFSA, use a minus sign before your responses instead of parentheses to designate any negative dollar amount. Important: Be sure to list the correct school(s) on the FAFSA and if required, on the CSS PROFILE — which may be specific to the campus and/or level of study (for example, undergraduate, medicine, law, graduate programs, etc.) for the same institution. For the FAFSA, there are six-character U.S. Department of Education Title IV codes that correspond to each institution, with some, but not all, schools having different codes for different programs of study and/or for different campuses; for the CSS PROFILE, four-digit College Board codes are used as identifiers for the school. Similar to the six-character FAFSA codes, there may be more than one four-digit College Board code for a particular institution with different codes assigned for the various programs of study and/or campus locations.

4. Use estimated income figures when completing a form if your tax return(s) cannot be completed in time to meet the earliest school's filing deadline for a particular form. Then once your 2019 tax returns are completed, revise any estimated PPY income figures on the aid forms using the actual tax return data.

5. For the FAFSA, PPY income tax return information from a processed return may be able to be transferred directly from a secure IRS database onto the FAFSA - either when the online FAFSA is originally filed or when making revisions online to the processed FAFSA data. This online transfer is done using the IRS Data Retrieval Tool (DRT). Additional details on this tool are available online when you are completing the online FAFSA. However, there are certain instances when one will not be provided the opportunity to use the IRS DRT. (For example: If a separated individual filed a joint tax return with their estranged spouse.) **WARNING:** If one had a qualified rollover of retirement assets during the prior-prior tax year, you need to be careful. Be sure to indicate there was a rollover and provide the amount of the rollover when asked, otherwise the use of the IRS DRT will likely result in reduced eligibility for aid. Similarly, if you filed an amended tax return, the IRS DRT will transfer the data from the original return, not the amended return. In this situation, you should use the IRS DRT and then notify each college's aid office listed on the FAFSA that you filed an amended return.

6. **THE IMPACT OF A DEPENDENT STUDENT'S PARENTS' MARITAL STATUS ON THE FAFSA AND CSS PROFILE:** Both (biological and adoptive) legal parents' financial and other information will be required to be reported on the FAFSA if the student is a dependent student, but *only if both legal parents are living together*. This is true regardless of the student's legal parents' marital status or gender. However, if a dependent student's (biological or adoptive) legal parents *are not living together* (i.e. the legal parents are divorced, separated, or were never married and reside in separate residences— or there is only one legal parent), then only the financial information of the "custodial parent" should be listed on the 2021-2022 FAFSA form. The custodial parent is the parent with whom the student spent the most time in the 12 months prior to completion of the FAFSA. If the amount of time is exactly equal, then the custodial parent is the one who provided the great amount of support. These guidelines for the FAFSA are the same for the CSS PROFILE regarding which parent's or parents' information will be required to be reported on the FAFSA and PROFILE

in situations involving legal parents of dependent students *who live together* (regardless of gender or marital status). However, many (but not all) schools that require the PROFILE will also require a separate aid form to be completed by the “non-custodial parent” when the (biological or adoptive) legal parents *are not living together*. For these schools, they will most likely require the Noncustodial Parent PROFILE or in a few instances, their own noncustodial parent paper aid form. For purposes of completing the FAFSA or PROFILE aid forms, the definition of the “custodial parent” has nothing to do with who claims the child as a dependent on a tax return, who is responsible to pay for college, or who was awarded legal custody via a divorce decree or separation agreement. If there are problems with the noncustodial parent completing their own aid form, each of the applicable schools will have procedures in place for apply for a waiver of this requirement (which is not automatically granted by filing the waiver.)

7. For a student living with a custodial parent who is married and living with the student’s stepparent: the financial and other information of that stepparent is required to be reported on the FAFSA and the PROFILE form as if the stepparent were the natural parent.

8. Be sure to make photocopies of all paper forms prior to mailing and be sure to print out any completed forms that were submitted online. The colleges will frequently ask for further clarification of some of your responses at a later date.

9. Be sure any required signatures are provided on the forms. For the online version of the FAFSA, a signature can be provided one of two ways: 1) by using a U.S. Department of Education FSA ID or 2) by printing and signing a signature page - which can be generated prior to or even after submitting the FAFSA data online - and then mailing the signature page with the required signature(s) to the address on the signature page via regular first class mail. One can apply for an FSA ID number at any time at <https://fsaid.ed.gov>, making sure to remember the user name, and the case-sensitive password or the answers that you provided for the security question when you created the FSA ID. Each individual who is required to sign the form and who wishes to sign the FAFSA electronically using an FSA ID number will need to apply for and use their unique FSA ID. So for a dependent student who must provide parental information on the FAFSA, both the student and at least one parent in the student’s household should create his or her own FSA ID. KEY POINT: If your earliest school’s FAFSA deadline is looming and you are having difficulty obtaining an FSA ID number or using an FSA ID that was created, you should submit the FAFSA form by the deadline and not wait to resolve any issues with the FSA ID. Even if the FAFSA form is submitted without the necessary signatures, it will still be considered as filed on the date you electronically submit the FAFSA data to the processor. If you are having trouble with the FSA ID number for any individual who is required to sign the FAFSA: you should be sure to mail the paper signature page to the processor after the FAFSA is submitted while still continuing to try to resolve the FSA ID issues. There is no harm in signing the FAFSA with an FSA ID after the FAFSA is submitted once the FSA ID issues are resolved if the signature page you mail to the processor has not yet been processed. The processor will simply accept the earliest method used to provide any missing signature that is required. However, mailing out the signature page will help insure the FAFSA is processed in a timely manner should there be any extended problems in obtaining a valid FSA ID.

Note: while an FSA ID can still be created just before you submit an original FAFSA to the processor, such an FSA ID will be provisional until the identifiers are verified by various government agencies. It normally takes 3-5 days before this validation occurs. In the mean time, the provisional FSA ID can only be used to sign an original FAFSA or to transfer tax return information via the IRS Data Retrieval Tool. To perform any other tasks that require an FSA ID — for example, revising the FAFSA or applying for a federal education loan — such an FSA ID for an individual must have successfully gone through the validation process.

10. File the FAFSA on or after October 1 - but no later than your earliest school's FAFSA deadline. If at least one of the colleges under consideration requires the PROFILE, you should file the PROFILE by the earliest college's PROFILE deadline, which may be different than its FAFSA deadline. NOTE: If you are planning on filing the FAFSA online the day it is due for your earliest FAFSA deadline, keep in mind that the federal

processor now uses Eastern Time to date stamp the time the form is submitted. If you are planning on filing the PROFILE on the date it is due for your earliest school that requires the PROFILE, be aware that the College Board's processor continues to use Eastern Time to determine the time the form was submitted. **KEY POINT:** Consult each college's financial aid materials for the proper deadline information. Do not rely on the deadlines listed as part of the PROFILE application or on the information printed in the popular admissions / financial aid guides sold by booksellers. Such deadline information is often incorrect. You should also be aware that the content on some colleges' websites is frequently outdated. Be sure to check that the information refers to deadlines and requirements for the academic year you are seeking aid. And be sure to periodically re-visit the schools' aid offices web sites, as updated information may be posted.

11. If you are filing a paper version of the FAFSA, send the signed, completed form to the federal processor via Express Mail – and be sure to track its delivery status. You need to have proof of mailing and delivery, in case there are delays or computer glitches at the processor. Since the processor is in a remote location, it will probably take at least two days with Express Mail for your FAFSA to reach the processor. With Express Mail, you can track delivery via phone or online at www.usps.com. Because the form must be sent to a Post Office Box number, you will not be able to use a private delivery service such as Fedex or UPS; you will need to mail the paper FAFSA to the processor using the U.S. Postal Service (USPS).

12. After you file the FAFSA, a Student Aid Report (SAR) will be generated after your FAFSA is processed. If you submitted the paper PDF version of the FAFSA, compare the responses on the SAR with your photocopy of the FAFSA to make sure that your data was correctly inputted by the federal FAFSA processor and that the results are being sent to the proper schools and programs. **Note:** After the FAFSA is processed, an online version of the SAR will be available via www.fafsa.ed.gov using the student's FSA ID number (provided your pop-up blockers are disabled and the student's FSA ID has been validated). This online version of the SAR can be accessed even if a paper version of the FAFSA was mailed to the processor. The online version of the SAR will list up to 10 schools. A paper version of the SAR will be mailed to you if you did not list an email address when you filed the FAFSA (either online or through the mail via the paper PDF version). The paper SAR you receive in the mail will only list up to four schools. However the FAFSA data will still be made available (if applicable) to the fifth up to the tenth schools that were listed when the online version FAFSA was submitted—even though those additional schools (the 5th through 10th schools, if applicable) will not appear on the paper version of the SAR that you receive in the mail.

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Campus Consultants Inc. 1202 Lexington Avenue #327, New York, NY 10028