

# FINANCIAL AID 101

by Kalman A. Chany  
President, Campus Consultants Inc.

Applying for financial aid has never been more difficult and competitive given these tough economic times. 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 when seeking aid for college.

If you are just going to 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 some ideas for improving your chances of getting the maximum amount of aid as well as providing you with a broad overview of the financial aid application process. In addition, some 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 best understand how the financial aid process works. 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 2016 and start college in the fall of 2016, aid eligibility for a student's freshman year in college (that is, the 2016-2017 award year) will usually be based in part on the parents' and student's taxable and untaxed income received during the calendar year that begins January 1st of the student's junior year in high school and ends December 31st of the senior year. (This calendar year is sometimes called the "prior year" or 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 income items could increase your "need". You should also consider making the appropriate changes to your assets, debts, certain expense items, and retirement accounts to boost aid eligibility. (Note: at least for federal aid purposes, eligibility for the 2017-2018 award year and beyond will treat the "prior-prior year" as the base income year.)

\* **Keep on top of the aid process.** Financial aid doesn't just happen. You get rewarded for paying attention to details 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, there is no need to throw up your hands in disgust and give up. You can always hire someone to help you. However if you are seeking professional help, make sure the individual or company is knowledgeable about financial aid as well as income taxes and personal finance. Don't automatically assume that your accountant or tax preparer is a financial aid expert, as most of these professionals have little or no training in this specialized area. The fees charged by private aid consultants may initially seem somewhat expensive. However if a professional can find ways to increase your aid eligibility by thousands of dollars and can help you successfully navigate the process, then even a seemingly expensive fee is a bargain.

## **TACKLING THE FINANCIAL AID PROCESS**

**There are five basic steps involved in applying for financial aid for the 2016-2017 school year. (Note: these procedures may change for future academic years.)**

**1. Decide which forms you need to complete.** As a minimum, you will have to complete the Free Application for Federal Student Aid (FAFSA). The 2016-2017 online version will be available electronically (at [www.fafsa.ed.gov](http://www.fafsa.ed.gov)) starting January 1, 2016. The orange and purple paper version of the 2016-2017 FAFSA should be freely available by calling 1-800-433-3243 by late December 2015 for filing after January 1, 2016. It will also be possible - most likely beginning January 1, 2016 - to download a PDF version of the 2016-2017 FAFSA, either input the data on a fill-in form or print out the blank form and complete it by hand, and then mail the completed PDF paper form to the processor after January 1, 2016. Depending on the colleges involved and your situation, you may also have to file the online CSS/Financial Aid PROFILE Application (PROFILE), a state aid application, the college(s)' own aid form(s), the Business/Farm Supplement, and/or a form with data from a noncustodial parent. 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 or PDF version will only allow one to initially list four schools.

There is no processing fee to submit the FAFSA form.

**2. Know your deadlines.** You should not wait to be accepted to apply for aid. Some forms may be due as early as the end of December (or earlier if the student is applying Early Decision or Early Action to some schools.)

**3. If at least one school requires the PROFILE form, you will need to register for this form with the College Board.** If you need to file the CSS PROFILE to be considered for aid for the 2016-2017 year, you will first need to register electronically for the 2016-2017 version of the PROFILE form (at [www.collegeboard.org](http://www.collegeboard.org)). After registering for the form, a customized, online PROFILE application form will be generated for you. But before you can register for the PROFILE (or use many of the other tools on the College Board's website), you will first need to create a user name and password combination for the College Board's website. Unless you are applying Early Decision or Early Action (in which you may need to submit your completed PROFILE form as early as the end of October), you can wait until late November or early December to register for the PROFILE. Review each college's financial aid materials carefully before you register to determine which of the colleges you are considering, if any, require the PROFILE. Some colleges and universities only require the PROFILE for certain graduate or professional programs; others only require the PROFILE for Early Decision/Early Action

candidates. Some scholarship programs require the PROFILE as well. If by early December you have not narrowed down the final list of schools, it would be a good idea to register for all the schools still under consideration that require the PROFILE form. Note: You will be charged a processing fee for each and every school you designate to receive your submitted PROFILE data - unless you qualify for fee waiver. Before you submit your completed PROFILE form with your financial and other information - which should be done by your earliest school's PROFILE deadline - you can still change or delete schools to minimize the PROFILE's processing fees.

**4. Decide if you can get your taxes done in time to complete the FAFSA and/or the PROFILE form by your earliest deadline.** If you cannot do this, it is perfectly acceptable to provide estimated income figures on the aid forms.

**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.

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

Because each family's situation is different, it is impossible to provide general 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 forms – and if required, the same identifiers for the 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.
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 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 use the correct school code numbers (which may vary by campus/ level of study) for the FAFSA (six-digit U.S. Department of Education Title IV codes) or the PROFILE (four-digit College Board codes).
4. Use estimated income figures when completing a form if your taxes cannot be completed in time to meet the earliest school's filing deadline for that form.
5. If required, revise any estimated figures after your tax returns are completed. For the FAFSA, income tax information can eventually be transferred from one's tax return to revise the FAFSA data online. This is known as the IRS Data Retrieval Tool. Additional details on this tool are available online at [www.fafsa.ed.gov](http://www.fafsa.ed.gov).  
WARNING: There are certain instances mentioned in the online FAFSA instructions when the tool should not be used. However, there are three additional instances when the tool should NEVER be used, specifically: a) if one had a qualified rollover of retirement assets during the tax year OR (b) if a separated individual filed a joint tax return with their estranged spouse OR c) if a recently- widowed individual has any income (or a share of any

joint income) reported on the tax return that was attributed to their deceased spouse and was generated prior to the spouse's death. If at least one of these three instances applies, the use of the IRS Retrieval Tool will likely result in reduced eligibility for aid. If a tax-filer is unable to use the online IRS Retrieval Tool, then a copy of an IRS transcript of the tax return - obtained from the IRS - may be requested by a college's financial aid office.

6. THE IMPACT OF A DEPENDENT STUDENT'S PARENTS' MARITAL STATUS ON THE FAFSA AND PROFILE: Both (biological or 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 FAFSA 2016-2017 form. The custodial parent is the parent with whom the student spent the most time in the 12 months prior to completion of the form. If the amount of time is exactly equal, then the custodial parent is the one who provided the great amount of support. With this change to the FAFSA that occurred with the 2014-2015 version: the guidelines for the FAFSA and PROFILE will now be the same 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 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.

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 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 submit the paper signature page after the FAFSA is submitted but still continue 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 processor has not yet processed the signature page. 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 right 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. A provisional FSA ID can only be used to sign an original FAFSA; to perform any other tasks that require an FSA ID (for example, revising the FAFSA or applying for a federal education loan), such FSA ID application must have successfully gone through the validation process.

10. File the FAFSA on or after January 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 uses Central Time to determine 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 uses 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.

11. If you are filing a paper or PDF version of the FAFSA, send it to the 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](http://www.usps.com).

12. After you file the FAFSA, a Student Aid Report (SAR) will be generated after your FAFSA is processed. If you filed a paper or 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 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](http://www.fafsa.ed.gov) using the student's FSA ID number (provided your pop-up blockers are disabled and the FSA ID has been validated). The online version of the SAR will list up to 10 schools. A paper version of the SAR that will be mailed to you if you did not list an email address when you filed the FAFSA (either online or through the mail with the paper / PDF version) will only list up to four schools on the orange-colored paper SAR. However, the FAFSA data will still be made available (if applicable) to the fifth up to the tenth schools that would have been listed on the online FAFSA that was submitted - even though those additional schools will not appear on the orange-colored paper SAR.

Copyright © 2015 by Campus Consultants Inc.

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