

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 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 fill out 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 maximum aid, as well as a broad overview of the financial aid application process. Some tips for completing the aid forms are included as well.

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.** One of the most important lessons to learn from the college loan scandal a couple years ago is that 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. So it can be very costly to assume 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 and start college in the fall of the same calendar year, eligibility for financial aid for a student's freshman year in college is based in part on the parents' and student's taxable and untaxed income received during the calendar year that begins January 1 of the student's junior year in high school and ends December 31st of the senior year. To increase your chances of getting the most aid, as early as tenth 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 assets, debts, certain expense items, and retirement accounts.

* **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 relatively expensive fee is a bargain.

TACKLING THE FINANCIAL AID PROCESS

There are five basic steps involved in applying for financial aid for the 2010-2011 school year. These procedures may change in future 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 2010-2011 online version will be available electronically (at www.fafsa.ed.gov) starting January 1, 2010. The blue and purple paper version of the 2010-2011 FAFSA should be freely available by calling 1-800-433- 3243 in early December 2009 for filing after January 1, 2010. It will also be possible to download a PDF version of the FAFSA, complete the form on the computer or by hand, and mail the completed form to the processor after January 1, 2010. 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.

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 the form with the College Board. If you need to file the CSS PROFILE to be considered for aid for the 2010-2011 year, you will first need to register electronically for the 2010-2011 version of the PROFILE form (at www.collegeboard.com) so that a customized, online PROFILE application form can be generated for you. In order to register for the PROFILE, you will first need to have a valid user name and password for the College Board's website before you can register for the PROFILE (or use many of the other tools on 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 admissions/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. If by early December you have not narrowed down the final list of schools to which you will be applying, it would be a good idea to register for all the schools still under consideration which 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. 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 delete schools or change your list of schools in order to minimize the processing fee.

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 on the forms. If the name and social security number do not match the information in the Social Security Administration's database, the processing of your 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 the required questions. Do not write in the margins of any paper forms. Use whole dollar amounts; do not list cents. For the PROFILE and online version of the FAFSA, use a minus sign before your responses instead of parentheses to designate any negative number. Important: Be sure to use the correct school code numbers for the FAFSA (the six-digit Title IV codes) or the PROFILE form (the 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. 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.

6. 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, 4-digit PIN number OR 2) by printing and signing a signature page - which can be generated prior to submitting the FAFSA data online - and then mailing the signature page with the required signature(s) to the address on the signature page. You can apply for your PIN number at any time at www.pin.ed.gov making sure to remember the case-sensitive answer that you provide to the security question when you apply for the PIN. Each individual who is required to sign the form and who wishes to sign the FAFSA electronically using a PIN number will need to apply for and use their own PIN number. 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 apply for his or her own PIN number. KEY POINT: If your earliest school's FAFSA deadline is looming and you are having difficulty obtaining a PIN number, you should submit the FAFSA form by the deadline and not wait to obtain the PIN. 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 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.

7. 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 their FAFSA deadline. If you are 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 in bookstores. 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.

8. 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.

9. 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.

10. If required, revise any estimated figures after your tax returns are completed.

11. For students with divorced or separated parents: only the financial information of the "custodial parent" should be listed on the FAFSA and PROFILE form.

12. For students with remarried parents: any stepparent living with the student must provide his or her financial and other information on both the FAFSA and the PROFILE form.