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UNDERSTANDING FINANCIAL AID

What is Financial Aid?

Financial aid is a comprehensive term to describe any source of funding which assists in paying for educationally related expenses. There are two categories of financial aid -- Gift Aid and Self Help Aid. Gift aid describes funds that require no repayment or work obligation, such as scholarships or grants. Self help aid refers to aid which requires a commitment from the student to repay borrowed funds, such as loan programs which are repaid in cash or service, and work programs, such as Federal Work Study.

How Is Financial Need Determined?

The Free Application for Federal Student Assistance (FAFSA) is a common application used to assess a family's financial strength. The parents' income (both taxable and nontaxable), parents' assets (excluding home equity), the student's income and assets as well as the household size, number of children attending postsecondary education and age of the major wage earner are analyzed in calculating the Expected Family Contribution (referred to as the EFC). The EFC may not truly reflect what a family can contribute to educational costs, but it serves as a tool in rating applications. The lower the EFC, the higher the student's financial need.

The income used to determine the EFC is based on the most recently completed tax year. For the 2001-2002 academic year, income earned during the year 2000 is used. This is because this information can be confirmed, or verified, by reviewing the 2000 IRS 1040. In the event that the family has had a change in income (unemployment, loss of spouse), then an institution can elect to review a student's eligibility based on the projected 2001 income.

The EFC is subtracted from the institution's cost of education to determine the student's financial need. Educational costs vary depending on the institution, but all contain the same basic components, such as tuition, fees, room and board allowance, books and supplies, transportation and personal expenses. Colleges are advised to develop budgets which reflect reasonable costs for all students attending. Colleges may on an individual basis adjust these costs to reflect childcare expenses, unusual transportation costs and educational costs related to a student's disability.

The simple formula for financial need is: $COA - EFC = NEED$.

Where Does A Student Get This Aid?

The role of the financial aid office is to coordinate, award and disburse funds to the student. The information from the FAFSA is electronically sent to the institutions which the student has indicated. The financial aid office reviews this information, analyzes the financial need and then awards funds based on awarding criteria and fund availability.

Some funds, such as the Florida Bright Futures scholarships and Federal Pell Grants, are quasi-entitlements. Entitlements mean that the student's eligibility has been determined by the funding agency, which also determines the amount of the award. If the funding agency deems that there is an insufficient appropriation to pay all eligible students, then the awards are reduced.

Other funds are limited by the amount awarded to the institution by the funding agency. The institution determines the recipients, based on the criteria as required by the funding agency, and awards eligible recipients until all the funds have been spent. Students who meet the eligibility requirements for receipt of the fund might not be awarded since there may not be funds sufficient to fully fund all students.

The financial aid office also determines the student's eligibility for federal loan programs, which is based not only on financial need but also on academic grade level.

The student receives an award letter notification, which describes all the types and amounts of financial aid. The student can elect to accept or decline the various funds. A student signs a separate promissory note for any loan funds accepted.

Once the student's enrollment in the institution has been confirmed, then the financial aid office authorizes the payment (or disbursement) of these funds to the student. Normally, these funds are toward the student's bills directly. If there is financial aid in excess of the direct costs, then the student receives the remaining amount to assist with their other educational expenses.

If a student is employed through a federal, state or institutional work-study program, these funds are usually paid directly to the student based on the hours worked. Students complete timesheets indicating hours worked and then are paid for those hours.

Sample Financial Aid Awards

Janet, a sophomore, lives with her divorced father and her brother, who is in high school. Her father's income was \$24,500 in 1999. Janet earned \$ 3,400. There are no assets.

According to the needs analysis, Janet's EFC is \$1,938. Janet is eligible for the Federal Pell Grant. The amount of the Pell Grant is determined by the EFC and Cost of Education. The maximum Pell Grant for an EFC of 0 is \$3,300. Janet's Pell Grant is \$1,350. Janet is a recipient of a Bright Futures Scholarship at the Florida Merit Scholars level.

	Community College	State University	Private University
Tuition and Fees*	\$1,600	\$2,400	\$12,000
Books	\$800	\$800	\$800
Room/Board	\$6,000	\$6,000	\$6,000
Other	\$1,600	\$1,600	\$1,600
Total COA	\$10,000	\$10,800	\$20,400
EFC	\$1,938	\$1,938	\$1,938
Need	\$8,062	\$8,862	\$18,462
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Federal Pell	\$1,350	\$1,350	\$1,350
Florida Merit	\$1,152	\$1,822	\$1,822
FRAG	\$0	\$0	\$2,813
FSAG**	\$0	\$0	\$1,300
Total Gift Aid	\$2,502	\$3,172	\$7,285
Remaining Need	\$5,560	\$5,690	\$11,177
Federal Loan (Max)	\$3,500	\$3,500	\$3,500
Remaining Unmet Need	\$2,060	\$2,190	\$7,677

* Tuition and Fee figures are system averages.

** FSAG at current EFC cutoff of \$1,590.