Your Presenter

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Meet the Team

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ACCESS PARTNERS can move the circle over their own name.
TROUBLING HEADLINES?

- Student Loan Burden Continues to Grow
- Paying For College - Are You and Your Student on the Road to Going Broke Or Into a Lot of Debt?
- Is College Worth the Money?
- U.S. Student Loan Balances Increase 62% Between 2004 and 2012
- When Kids Come Back Home
Postsecondary Education Is Still Worth It

- 75% of today’s jobs require education beyond high school – 2 YR, 4 YR, Technical Certificates
- According to U.S. Census Bureau data, the average college graduate from a 4-year degree program earns almost $1,000,000 more over a lifetime than a high school graduate.
Financial Aid 101

Financial Aid Basics

PHEAA
Pennsylvania Higher Education Assistance Agency
Where Does the Money Come From?

• Federal Government
• State Government
• School/Colleges
• Private Scholarship Sources:
  » HS counselors
  » Clubs and organizations
  » Employers
  » Internet scholarship searches
Starting the Financial Aid Process

ALL Schools Require:

- **FAFSA** (Free Application for Federal Student Aid) after Jan 1 in Sr. Year
  - Required by all schools, PHEAA, and some scholarship organizations
- **STATE GRANT FORM** (SGF) through PHEAA
  - Required for first-year students (and may be requested for subsequent years) = after FAFSA is completed

SOME Schools Require:

- CSS Profile required by some postsecondary schools and scholarship organizations
- Institutional financial aid forms
- Internal school forms

Know what financial aid forms each school requires
FAFSA

• Two ways to complete the FAFSA:
  
  » Online at FAFSA.gov (highly recommended)
  
  » Paper FAFSA – call 800.433.3243
FAFSA – Free Application for Federal Student Aid

FAFSA.gov

- Safe, secure, fast, skip logic, built-in edits
Basic Principles

• Paying is the joint responsibility of the student and parent(s), to the extent possible.

• Need-based financial aid is subject to a federal formula to determine financial need.

• Not all families qualify for need-based aid. There is no guarantee that you will get any free money to pay for higher education.
Student Status: Who is Independent?

- 24 or older on Jan 1st of award year
- Veteran (includes active duty personnel)
- Working on graduate level degree
- Emancipated minor or in legal guardianship
- Orphan, in foster care, or ward of the court at anytime when student was age 13 or older
- Have legal dependents other than spouse
- Student deemed homeless by proper authority
Whose Info Goes on the FAFSA?

- Divorced or separated parents (The parent the student lived with the most over the past 12 months. If equal, then the parent who provided more than 50% of student’s support)
- Stepparents - YES
- Adoptive parents - YES
- Foster parents - NO
- Legal guardians - NO
- Anyone else the student is living with - NO
Deadlines Are Crucial

• Current Seniors: Complete the FAFSA as soon as possible after January, 2016.

• Make sure you know the priority FAFSA filing deadlines for the schools you are researching.

• File your FAFSA prior to the earliest deadline, even if you have to estimate your information. You will always update the FAFSA later.
Deadlines Are Crucial

• Juniors: Complete the FAFSA as soon as possible after October 1, 2016

• Make sure you know the priority FAFSA filing deadlines for the schools you are researching.

• File your FAFSA prior to the earliest deadline, even if you have to estimate your information. You will always update the FAFSA later.
<table>
<thead>
<tr>
<th></th>
<th>Seniors (Class of 2016)</th>
<th>Juniors (Class of 2017)</th>
<th>Sophomores (Class of 2018)</th>
<th>Freshman (Class of 2019)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial FAFSA</td>
<td>After January 1, 2016</td>
<td>After October 1, 2016</td>
<td>After October 1, 2017</td>
<td>After October 1, 2018</td>
</tr>
<tr>
<td>Which taxes do you use?</td>
<td>2015 tax information (may have to estimate tax information and make correction with the IRS Data Retrieval Tool once taxes are complete)</td>
<td>2015 tax information (will be able to use the IRS Data Retrieval tool first time)</td>
<td>2016 tax information</td>
<td>2017 tax information</td>
</tr>
<tr>
<td>Renewal FAFSA</td>
<td>After October 1, 2016</td>
<td>After October 1, 2017</td>
<td>After October 1, 2018</td>
<td>After October 1, 2019</td>
</tr>
<tr>
<td>Which taxes do you use?</td>
<td>2015 tax information (will use the IRS Data Retrieval Tool again and moving forward)</td>
<td>2016 tax information</td>
<td>2017 tax information</td>
<td>2018 tax information</td>
</tr>
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</table>
FAFSA - School Selection

- Look at more than one!
- Schools will only be allowed to see your financial information when you list them on the FAFSA
- You can add up to 10 colleges
- NOTE: Once your final decision is made, update your PA Grant information with the school you WILL attend.
Deadlines

» PA State Grant deadlines –

- **May 1, 2016** - If you plan to enroll in a degree program or a college transferable program at a junior college or other college or university (excludes community colleges)

- **August 1, 2016** - If you plan to enroll in a community college; a business, trade, or technical school; a hospital school of nursing; or a 2-year program that is not transferable to another institution
Info You May Need to Complete the FAFSA:

- Social Security Numbers
- Driver’s license (student only; this information is optional)
- Previous year’s federal income tax return (1040, 1040A or 1040EZ)
- W-2 forms from all employers
- Current bank statements (checking and savings)
- Current business and farm records (if >100 employees / if you don’t live on the farm)
- Records of any stocks, bonds and other investments, including 529 accounts (Net amounts)
- Additional untaxed income, tax records may be needed such as: Veteran’s non-educational benefits, child support paid/received, workers’ compensation, disability payments
- Alien registration or permanent resident card (if not a U.S. citizen)
Electronic Signature:

Create an FSA User ID and Password:

- **NEW** - Replaces the “PIN” as of 5/10/15
- Student and one parent will sign the FAFSA electronically - each needs a SEPARATE email address and ID/password

- **A FAFSA IS NOT COMPLETE UNTIL SIGNED!**
Electronic Signature:

You’ll use it again for:

- Renewal FAFSA
- FAFSA status and corrections
- Signing a Direct Loan Master Promissory Note (MPN)
- Complete required entrance and exit loan counseling
- Review loan history at NSLDS.ed.gov
• Apply for your State Grant from the FAFSA Completion/Confirmation page
• Start your state application to apply for Pennsylvania state based financial aid
• TRANSFERS FOTW data to the State Grant Application
Online State Grant Application

- Link off the FAFSA Application Confirmation Page
  - Missed the link or it wasn’t available?
    - Link in an email sent to student/parent from PHEAA, OR
    - Go to PHEAA.org; State Grant Program; and complete the form
- Additional questions needed to determine PA State Grant eligibility:
  - Enrollment status (full-time/part-time)
  - Value of PA 529 College Savings Program
  - Program of study for students in vocational programs
  - Employment status

Help screens are available for all questions
The IRS Data Retrieval Tool allows students and parents to access IRS tax return information needed to complete the FAFSA. Students and parents may transfer the data directly into their FAFSA.

IRS Data is available:

- After 2 weeks of electronically filing federal tax return
- After 8 weeks of filing a paper federal tax return
- If student used estimated income to complete FAFSA, can go back once taxes are filed and use IRS Data Retrieval Tool.
Financial Aid 101

Forms Are Filed – Now What?

PHEAA
Pennsylvania Higher Education Assistance Agency
What Happens Next?

- Student Aid Report or Acknowledgment sent to student (review and make necessary corrections)
- Information is sent to PHEAA. Student must complete State Grant Form (SGF). Can link to this directly from the FAFSA.
- Account Access (PHEAA) - Create an account at PHEAA.org to view PA State Grant
- Information is sent to schools/colleges. Sent to all schools student lists on the FAFSA.
Expected Family Contribution (EFC)

• The EFC is a number derived from a federal formula which considers a family’s income, assets and other factors.

• In theory, the EFC is the amount a family can reasonably be expected to pay toward college expenses each year.

• In reality, it is not the amount a family is required to pay and it is rarely the amount a family actually pays.
How is the EFC Calculated?

- Parent contribution + student contribution = EFC
- Bulk of EFC comes from income
- Home, personal property, qualified retirement funds, and value of life insurance excluded from assets
- Asset protection allowance (based on age of older parent, or the parent if single parent household)
- Parent asset contribution usually = roughly 6%
- Student income contribution = 50% of amount over $6,410
- Student asset contribution = 20% of assets
- Parent contribution divided by number of children in college at the same time
Need Analysis is Calculated by Your School

Schools use SAR calculations to determine a student’s financial need based on:

Two Components:

- The student’s Cost Of Attendance at the chosen institution
- The student’s Expected Family Contribution (EFC)
Cost of Attendance

The Financial Aid Office will include the direct costs in determining the student’s annual cost of attendance at that school:

Direct College Costs:
- Tuition
- Required Fees
- Room
- Meals
- Books and Supplies

Indirect College Costs:
- Transportation
- Personal Expenses
- Dependent Care Expenses
- Dorm Furnishings
Financial Aid Award Letter

- Official notification from school about financial aid, terms and conditions
- Lists the type and amount of each award to be received
- Describes what must be done to accept or reject any award
- Discloses students rights, responsibilities and academic requirements
Reviewing the Financial Aid Package

• After reviewing their packages, students should be sure they know and understand the following:
  » How much of the financial aid is free money?
  » Which awards are based on need, and which are based on merit?
  » Are there any conditions on the free money; in particular, is there a GPA requirement?
  » Will awards change from year to year?
  » Will institutional awards increase as tuition increases?
  » Will loans be needed? If so, how much?
Financial Need

• Your financial aid package may not meet all of your calculated financial need.

• Be sure to determine how much will be required of you in out-of-pocket costs and loans.
Special Circumstances

If things change....

- Divorced or separated parents
- Stepparents
- Adoptive parents
- Foster parents
- Legal guardians
- Living with others
- Recent death or disability
- Reduced income
- Medical expenses
Financial Aid 101
Federal and State Aid
Pennsylvania Higher Education Assistance Agency
Federal Programs

- Pell Grant (2015-16 max award $5,775)*
- Campus-based aid – amounts determined by FAO
  - FSEOG up to $4,000
  - Federal Work-Study FAO determines
- For most programs, student must be enrolled at least half-time.

* Goes to most financially needy students
Pennsylvania State Grant*

- In-state (PA) - Full-time up to $4,340
- In-state (PA) – Part-time 1/2 of the FT award
- Out-of-state - Up to $600 in DC, DE, MA, OH, VT, WV
- Amount determined in part by the cost of the school

* Must be at least half-time to be eligible
Other State Programs

- State Work-Study - job related to major
- Educational Assistance Grant (EAP) – National Guard
- Chafee Education and Training Grant – co-administered with the PA Department of Human Services
- Blind or Deaf Beneficiary Grant
- Postsecondary Educational Gratuity Program (PEGP)
- Partnerships for Access to Higher Education (PATH)
- Pennsylvania Targeted Industry Program (PA –TIP)
- Ready to Succeed Scholarship (RTSS)
- For details, see the PA Student Aid Guide, or visit PHEAA.org.
Financial Aid 101

Federal Loans

PHEAA
Pennsylvania Higher Education Assistance Agency
Borrowing for Higher Education

• Always consider federal loans first.
  » They may have the best interest rates and repayment provisions.

• Borrow in the following order:
  » Stafford Loan (currently 4.29% fixed) – student
  » PLUS Loan (currently 6.84% fixed) – parent and graduate student
  » Alternative Loan (variable/fixed rates) – last resort
Student Loans

- **SUBSIDIZED** =
  - no interest charged to student while enrolled or in grace
  - Based on financial need
  - Interest will not be charged during the grace period, if the loan was first disbursed after June 30, 2014

- **UNSUBSIDIZED** =
  - interest accrues in school and grace
  - Any interest not paid during grace will be capitalized at repayment
  - There is a 1.068% fee deducted from loan amount at disbursement
# Federal Direct Stafford Loan Program Borrowing Limits

<table>
<thead>
<tr>
<th></th>
<th>Undergraduate Students</th>
<th>Graduate Students</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Annual Limits</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Undergraduate Students</strong></td>
<td>Independent or dependent students whose parents are unable to borrow a PLUS Loan</td>
<td>Graduate or Professional Studies</td>
</tr>
<tr>
<td><strong>1st Year</strong></td>
<td>$5,500 Total No more than $3,500 may be subsidized</td>
<td>$9,500 Total No more than $3,500 may be subsidized</td>
</tr>
<tr>
<td><strong>2nd Year</strong></td>
<td>$6,500 Total No more than $4,500 may be subsidized</td>
<td>$10,500 Total No more than $4,500 may be subsidized</td>
</tr>
<tr>
<td><strong>3rd Year and beyond</strong></td>
<td>$7,500 Total No more than $5,500 may be subsidized</td>
<td>$12,500 Total No more than $5,500 may be subsidized</td>
</tr>
<tr>
<td><strong>Aggregate Limits</strong></td>
<td>$31,000 Total No more than $23,000 may be subsidized</td>
<td>$57,500 Total No more than $23,000 may be subsidized</td>
</tr>
</tbody>
</table>
Interest Rates – Student Loans

• Undergraduate – Subsidized and Unsubsidized:
  » 4.29% for 2015-16
  » Capped at 8.25%

• Graduate – Unsubsidized Only:
  » 5.84% for 2015-16
  » Capped 9.50%
Federal Direct PLUS Loan

- For parents of dependent undergrad or graduate level students
- Direct Parent PLUS Loan - in parent’s name for student costs
  - 6.84% variable/fixed interest rate; 4.272% fees (AY 15/16)
- Rates set every July 1st for the life of that year’s loan; fees are deducted from disbursement
- Can borrow up to the Cost of Attendance
- MUST apply each year loan is taken
- No Debt-to-Income test, only lenient credit check
  - Can have an endorser (co-signer)
- Principal payment can be deferred while student is in school
  - Interest will continue to accrue
- IF denied - student is eligible for an additional $4,000 unsubsidized loan
- Must complete a FAFSA to determine any additional aid
PLUS and GradPLUS

• Parent & GradPLUS
  » 6.84% for 2015-16
  » Capped at 10.50 %
  » Up-front fee of 4.292% deducted at disbursement

• May borrow up to full cost of education minus financial aid

• Credit check is required on this loan
Private/Alternative Loans

- Non-federal loans, made by a *lender* such as a bank, credit union, state agency, or school
- Student borrows in his own name
- Based on credit scoring and debt-to-income ratio
- Repayment may be deferred until education completed
- Fees, interest rates, loan amounts, and repayment provisions vary by lender and are generally higher than federal student loans
- **Co-signers usually required;** some loan products have a co-signer release option
- Compare loans before making choice and read the fine print!
Ways to Reduce the Need for Financial Aid

- Graduate on Time
  - 4 year for bachelor’s degree / 2 year for associate’s degree
- Research and find the right school and major
  - Minimize transfer and change of major
- Earn college credits while in high school through AP courses, vo-tech and dual enrollment
- Consider options for cutting costs (commute, take summer classes, buy used books, make smart meal plan choices)
- 2 + 2 Strategy (2 years at a community college then transfer credits to a 4-year school)
- 3 + 2 (master’s degree)
Most students are NOT taking the credits needed to graduate on time.

Full-time taking 15+ credits per semester:
- 29% at 2-year institutions
- 50% at 4-year institutions

Percentage of undergraduates by course load level, fall 2012:
- 2% (0-2 semester hours)
- 12% (3-5 semester hours)
- 13% (6-8 semester hours)
- 10% (9-11 semester hours)
- 33% (12-14 semester hours)
- 26% (15-17 semester hours)
- 4% (18-20 semester hours)
- 1% (21+ semester hours)

What Can You Do Now?

- Student and parent apply for an FSA ID at:
  » StudentAid.ed.gov/fsaid
- Visit websites with free information about college, financial aid and careers
- Explore scholarship opportunities – locally, regionally and nationally
- Use the free online tool, FAFSA4caster, to estimate EFC and eligibility for federal financial aid
  » Available at fafsa.gov
- Use the Net Price Calculator of prospective schools to get an estimate of your “net price” to attend
Net Price Calculators

The Higher Education and Opportunity Act (HEOA) of October 2011 requires schools to offer a Net Price Calculator on their websites:

- Enables current and prospective students, families and consumers to determine an estimate of an individual net price at a particular institution.

- **ESTIMATED** data must be provided by each institution:
  - Total price of attendance
  - Tuition, Fees, Room and Board
  - Expenses (i.e. personal, transportation)
  - Estimated total merit and need-based grant aid
  - Estimated net price (attendance minus grant aid)

- **Does not include scholarships**
Be a Smart Consumer

• Do your research…
• What is the Net Price that you will pay? Use the Net Price Calculator at schools student is interested in attending to get an estimate of your “net price” to attend. Net Price calculator available on each school’s website.
• What is the graduation rate?
• What is the average debt of graduates?
• What is the repayment rate and default rate of the school’s borrowers?
• What is the employment outcome for recent graduates?
Types of Scholarships

• Postsecondary (in-house) scholarships
• Local and regional scholarships
• National scholarships
Recognize Scholarship Scams

1. Application Fees
   • Even if the fee is minimal or “only to encourage serious students to apply”

2. “Guaranteed” Scholarships
   • No individual can honestly “guarantee” you’ll win free money

3. Solicitations
   • “You’ve been selected…”
   • “You are a finalist…”
   • Bona fide companies won’t ask for a check or credit card payment upfront

4. Official-looking Companies
   • The logo may look like the U.S. Dept. of Education’s logo
   • The company may talk about “federal” or “national” awards

5. Seminars
   • Don’t get pressured into paying for services on the spot.

(Ebony.com, quoting the Better Business Bureau)
fastweb.com

- Excellent site to use for searching as it is a database that pulls specific scholarships for students based on their input. It also sends email alerts when a scholarship matches the student.
- Largest, most accurate and most frequently updated scholarship database.
- FastWeb.com
MySmartBorrowing.org

An interactive, online tool created by PHEAA that helps students and families:

• Estimate career salaries & college tuition
• View the impact of savings on overall cost
• Calculate loan repayment
• Avoid overborrowing
Smart Borrowing Tip

• Research your expected salary in your future career, find an affordable school, and borrow realistically.

✓ There are many paths to the same degree.

✓ Research every option, including community colleges and commuting.

✓ Only attend a school you can reasonably afford.

✓ Only borrow what you absolutely need.
Smart Borrowing Tip

• Research job availability in your chosen field, before selecting your major

  » You won’t be able to repay your student loan if you aren’t gainfully employed.

  » Research employment rates in your potential career field before making a final decision on your major.
Smart Borrowing Tip

• Educate yourself on the many loan options available before borrowing
  ✓ No one loan option is perfect for every family.
  ✓ Conduct your own research on the various loan options.
  ✓ Decide on the best choice for your situation.
QUESTIONS?
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