MEFA's Guide to

College Financing

mefa
Massachusetts Educational Financing Authority

About MEFA

- Not-for-profit state authority created in 1982
- Helping families plan, save, and pay for college
- Keeping you on track with college planning:
  - **MEFA.org**: tools & resources
  - **Emails**: sign up tonight!
  - **Blog**: subscribe online
  - **Facebook** & **Twitter**: like us and follow us

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You Can Do This

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Agenda

- Types & sources of financial aid
- The application process
- How financial aid decisions are made
- Paying for college
- **Free** resources

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What is Financial Aid?

- Money to help students pay for college
- 3 main types
  - Grants and scholarships (gift aid)
  - Work-Study
  - Student Loans

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Sources of Financial Aid

- **Federal**
  - Grants, work-study, loans, tax incentives
- **Massachusetts**
  - Grants, scholarships, tuition waivers, loans
  - **osfa.mass.edu**
- **College/University** (institutional aid)
  - Grants, scholarships, loans
- **Other Agencies**
  - Scholarships, loans

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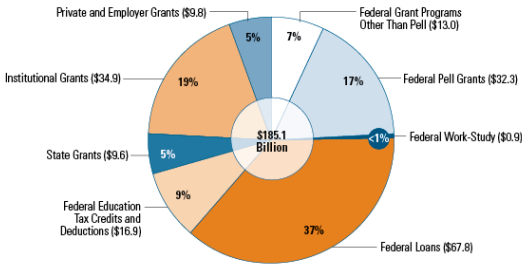
Financial Aid Breakdown

Undergraduate Student Aid 2012-13 ($185.1 Billion)



Source: The College Board, *Trends in Student Aid 2013*

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Merit-Based Aid

- Awarded in recognition of student achievements (academic, artistic, athletic, etc.)
- Applicants often compared against one another
- May or may not be renewable
- Not offered at every school

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Need-Based Aid

- Based on family's financial eligibility ("need")
- Eligibility determined by a standardized formula
- Includes grants, loans, and work-study
- Most financial aid is need-based
- Must meet certain GPA for renewal

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FAFSA

- **<u>Free</u> Application for Federal Student Aid (FAFSA)**
  - Required by **all** colleges for federal and MA state aid
  - Open January 1st: **FAFSA.gov**
  - Meet all deadlines!
  - Sign with a PIN: **PIN.ed.gov**
  - IRS Data Retrieval Tool – available February 1st

Must be completed every year!

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What's on the FAFSA?

- The colleges where you're applying
- Parent and student data
- Parents:
  - Married, including same-sex parents
  - All parents who live together, married or not
  - Divorced/Separated: custodial parent & current spouse
- Income, assets, # in household, # of children in college
- What's an asset?
  - Savings, checking, investments, other property
- What's not an asset?
  - Primary home, retirement, life insurance, family business

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Other Financial Aid Applications

- **CSS/Financial Aid PROFILE®**
  - Required by some colleges
  - $25 for 1st school, $16 for each additional
  - Online application: **CollegeBoard.org**
  - Noncustodial Parent PROFILE often required
  - MEFA PROFILE webinar recording on MEFA.org

- **College Financial Aid Application**
  - Required by some colleges

Don't wait until you're accepted to apply!

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After You Apply

1. Colleges & state receive data electronically
2. You will receive (electronically or by mail):
   - Student Aid Report (SAR)
   - CSS/Financial Aid PROFILE® Acknowledgement
3. Contact the Financial Aid Office with any special circumstances
4. Colleges may request Verification documents. Your financial aid application may be ***incomplete*** until you submit these documents.
5. Colleges review applications and determine your financial aid

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Cost of Attendance

Total expenses for one year of college

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Expected Family Contribution (EFC)

- Calculated amount the family has the ability to absorb for one year of college expenses
- Same federal formula used for every family
- Family has the primary responsibility for paying
- Not necessarily what the family *will* pay

Visit mefa.org/tools to use an EFC calculator

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Asset Impact on EFC

An example: 4 in the family, 1 child in college:

	Family A	Family B	Family C
Parent Income	$60,000	$60,000	$60,000
Parent Assets	$0	$75,000	$150,000
EFC	$5,040	$6,765	$10,635
Difference		**$1,725**	**$5,595**

Based on 2015-16 Federal Methodology

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Income Impact on EFC

An example: 4 in the family, 1 child in college:

	Family A	Family B	Family C
Parent Income	$60,000	$100,000	$150,000
Parent Assets	$50,000	$50,000	$50,000
EFC	$5,745	$16,252	$31,609
Difference		**$10,507**	**$25,864**

Based on 2015-16 Federal Methodology

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Financial Aid Formula

Cost of Attendance (COA)
– Expected Family Contribution (EFC)

= Financial Aid Eligibility

Colleges fill in Financial Aid Eligibility with financial aid from all sources

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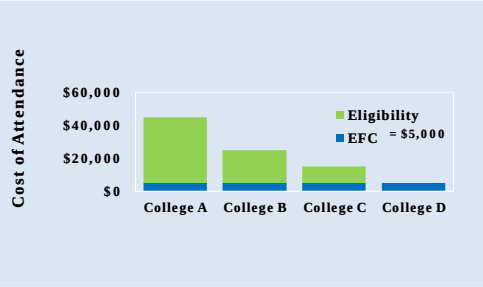
How the Formula Works



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Financial Aid Awarding

COA = $30,000

This example is an

Unmet need is the FAMILY's responsibility

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Award Letters: Totals Can Vary

COA: $30,000 EFC: $5,000 Total Eligibility: $25,000

	College A	College B	College C
Grants/Scholarships	$18,000	$15,000	$10,000
Student Loans	$5,500	$5,500	$5,500
Work-Study	$1,500	$1,500	$1,500
Total	**$25,000**	**$22,000**	**$17,000**
Unmet Need	**$0**	**$3,000**	**$8,000**

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Award Letters: Types Can Vary

COA: $30,000 EFC: $5,000 Total Eligibility: $25,000

	College A	College B	College C
Grants/Scholarships	$15,000	$5,000	$0
Student Loans	$5,500	$5,500	$5,500
Parent Loan	$0	$10,000	$16,500
Work-Study	$1,500	$1,500	$0
Total	**$22,000**	**$22,000**	**$22,000**
Unmet Need	**$3,000**	**$3,000**	**$3,000**

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Filling the EFC and Unmet Need

EXAMPLE		**Favorite College**
Balance Due		**$20,000**
Past Income	*Student Savings*	*-$1,500*
	Parent Savings	*-$4,000*
Present Income	*Student Contribution to Payment Plan*	*-$1,000*
	Parent Contribution to Payment Plan	*-$3,500*
Future Income	*Education Loan*	*-$10,000*
		$0

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Federal Direct Student Loans

- Student is the sole borrower
- No credit check
- Subsidized and Unsubsidized
- Annual limits
- 4.66% fixed interest rate for 2014-15
- Repayment:
  - No payments due while enrolled
  - Approximately $300/month for 10 years for $27,000 debt

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FAFSA Day

Free assistance in completing the FAFSA!

- Over 30 locations across Massachusetts
- Sunday, January 25, 2015 at 1:00 p.m.
- Other dates and times offered
- All dates and locations listed at **fafsaday.org**
- Sign up for MEFA emails to receive updates

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After the Acceptance Seminars

- Provides assistance and clarity on:
  - Financial aid awards
  - College bill
  - Payment plans
  - College loans
  - What to ask the Financial Aid Office
- Locations across MA in late March/April
- Register for MEFA emails to receive location details

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What You Can Do Now

- Research financial aid deadlines & requirements
- Partner with MEFA:
  - Sign up for MEFA emails
  - Connect on social media
  - Subscribe to the blog
  - Bookmark mefa.org

- Share us with your friends!

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Questions or Comments?

Please take a moment to complete the seminar evaluation

Presenter: _____

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