

How to Analyze College Financial Aid Award Letters

You've researched your college options and applied to those schools that best meet your needs. While applying for admission to the colleges or universities you've chosen, you will also want to find out how they can help you finance your education.

It's important to note that to be awarded federal and state grants, work-study and loans, you must first complete the Free Application for Federal Student Aid, more commonly known as the FAFSA. The FAFSA is the application for most federal student financial aid programs as well as for the state-funded Oregon Opportunity Grant. The data you provide will determine your expected family contribution (EFC), which is the amount of money you and your family should be able to contribute toward your college education. The EFC is a constant and will be the same amount at any college where you may apply. Some schools may also require you to complete the College Scholarship Service (CSS) Profile before they determine your eligibility for aid on their campus. This profile asks for information in addition to the FAFSA to enable the college to consider you for more financial aid.

Given today's volatile economy, you should complete the FAFSA even if you won't anticipate needing, or qualifying for financial aid. Unless you've completed the FAFSA, you can't be considered for many scholarships, grants, college work study, and loans. See Tip Sheet #1 if your family's financial situation has changed.

Within a few weeks of submitting your FAFSA, you should begin to receive financial aid award letters from colleges and universities where you've applied for admission, outlining how each college can assist you in funding your education and earning your degree.

But how do you evaluate those offers?

TIP #1 All award letters look different — check for these items:

Direct and Indirect Costs — check to see whether each financial aid award letter includes all **direct** costs of attendance, tuition and fees, room and board. As you review each offer and plan your budget, don't forget to include the **indirect** costs: books, transportation, and other personal expenses. Indirect costs mean the college or university will not bill you for these items; however, you will pay for them separately. Other indirect costs may affect some students and not others, such as: dependent care, study-abroad expenses, disability expenses, employment expenses for co-op study, and loan fees. If you know of other indirect costs, you will want to let the financial aid office know.

Tip: Not all schools include every cost associated with attending college on the award letter. If you are unsure about what costs are included for the college you want to attend, ask the financial aid office.

TIP #2 Grants and Scholarships (Gift Aid — The best type of aid)

These are your best source of funding because you don't have to repay them. Questions to consider regarding **grants and scholarships** include whether you'll receive them for all four years, whether you must maintain a specific grade-point average in order to keep them, and whether you'll lose them if you change schools, change majors, or make another type of transition.

Tip: Always ask what are the conditions required for your scholarship or grant to be renewed. Renewal may be based on a certain GPA or number of credit hours enrolled to receive the scholarship or grant in future years.

TIP #3 College Work Study (Work, Learn, and Earn)

You may be awarded a **work-study job** to help pay your college costs. Most of these pay at least minimum wage. Questions to ask about work-study awards include how many hours you'll be expected to work each week and whether these hours tend to increase over time. In some cases, students are paid directly by a paycheck and in other cases their account may be credited or even a combination of these. The work-study award that you receive is a maximum allocation and you will be earning the award hourly as you work. Although you may be concerned about juggling work and school, a work-study job offers one more opportunity for you to engage with faculty, staff and other students on your new campus. Additional benefits to work-study: it provides valuable work experience and may reduce loan burden.

Tip: Work-study jobs can be a great way to “pay as you go,” plus students who work 10 to 15 hours per week benefit academically. Each campus may handle work-study differently, so be sure to ask for more details to assist you with budgeting.

TIP #4 Student Loans (Go to school now and repay later)

After you have been considered for all other aid and received the maximum awarded in grants, scholarships, and work-study, you may be awarded **student loans**. When reviewing any loans offered as part of your college financial aid package, remember that not all loans are the same. Federal loans may be “subsidized” or “unsubsidized,” and the distinction is important.

Subsidized federal loans are based on financial need, such as the Federal Perkins Loan and the subsidized portion of a Federal Stafford Loan. You won't be charged interest until you begin repaying a subsidized loan, which is typically after graduation. On the other hand, **unsubsidized federal loans**, such as PLUS loans and the unsubsidized portion of a Federal Stafford Loan, are not based on financial need, and you'll be charged interest right from the start. Still, both types of federal loans usually have lower interest rates than private loans. Federal Perkins and Stafford



(Subsidized) loans may be used to replace some of the Expected Family Contribution and are considered need-based loans.

As you review your award letters, you also may see Parent or Graduate **PLUS loans** and amounts listed. Both types of loans are also federal loans but have slightly higher interest rates than Stafford Loans. Parent PLUS loans allow your parents to borrow funds and accept responsibility for their repayment. Graduate PLUS loans are similar to Parent PLUS loans but for graduate students to borrow in their own name. Repayment may be deferred until after the student graduates. As for out-of-pocket costs, some colleges offer a monthly payment plan to divide any remaining out-of-pocket direct costs into monthly payments. This may be from the institution directly or from a vendor contracted by the college to administer their plan.

The most expensive option and the one available after exhausting all other options is an **alternative loan**. These are similar to consumer loans and may be based on your credit history. The loan may be in the parent's name or the student's name. Many times the student will be required to have a credit-worthy co-signer. The interest rate on these loans may be variable and payments may be deferred; however, the interest will continue to accrue.

When you reach the bottom line of each award letter, you'll see a total financial aid figure that calculates the full amount of assistance you can expect from the college. You'll want to compare these numbers with the overall cost of attending each school, keeping in mind the types of aid outlined above.

Tip: Some loans may be credited directly to your account and others, such as alternative loans, may be sent directly to your parents. A university may award you the maximum amount in student loans. You should consider what you absolutely need to borrow to pay for college rather than the entire amount awarded. If you are enrolled in a four-year college, you will want to estimate what four years of borrowing will cost you long term. **You may decline any portion of your financial aid award.** If you decide that you do not want to borrow a loan or to work, you may decline that portion of the financial aid package. Loans and work-study earnings are also considered to be a contribution from the family. To learn more about student loans, see Tip Sheet # 2 "Paying for College – What You Need to Know about Student Loans."

TIP #5 Just tell me, "What do I really owe?"

Take the Cost of Attendance **minus** all Financial Aid received and this equals the amount you must be prepared to pay to attend college.

Tip: Cost of Attendance (Direct Costs and estimated Indirect Costs)
– **Financial Aid (Include all grants, scholarships and loans)**

= **Amount you owe to attend the college**

TIP #6 Are you still not sure about comparing a financial aid award letter from one college to another?

A number of online resources are available to help you evaluate the financial aid packages in award letters. The items included on



financial aid award letters from various schools are not standardized.

Tip: The website <http://www.finaid.org/calculators/awardletter.phtml> features a **Simple Award Letter Comparison Tool** that allows you to compare the aid packages from three colleges, highlighting any significant differences.

TIP #7 There is more to selecting a college than just dollars and cents. Bigger picture, what does this mean for you?

Before you choose your college, you should do one more thing. Put down your calculator and close your financial spreadsheet. Now is the time to re-examine your thoughts on each school's academic programs, campus environment, student life, and overall "fit" with your goals and beliefs. College is more than a financial investment — it's an investment in your quality of life, your potential, and your future. Choose wisely.

Tip: The **Advanced Award Letter Comparison Tool** can help you compare college and community characteristics online at <http://www.finaid.org/calculators/awardletteradvanced.phtml>. This tool will allow you to see the differences in a matrix format.

See page 5 for a worksheet you can use to **Evaluate Your Award Letter**.

Helpful websites:

www.fafsa.ed.gov

www.osac.state.or.us

<http://www.finaid.org/fafsa/awardletters.phtml>

<http://apps.collegeboard.com/fincalc/ep/step6-1.jsp>

http://web.mit.edu/sfs/financial_aid/sample_award_letter.html

www.usnews.com/sections/business/paying-for-college-financial-aid-letter-decoder/index

These are challenging times but there **is** help available. For more information about the Oregon Opportunity Grant, federal aid, and more financing information, visit www.GetCollegeFunds.org.



The Oregon Student Assistance Commission (OSAC) administers a variety of state, federal, and privately funded student financial aid programs, including grants and scholarships, for the benefit of Oregonians attending institutions of postsecondary education. The agency helps over 50,000 Oregon students work toward their educational goals each year.

(c) Copyright 2009, Oregon Student Assistance Commission, All rights reserved.
If you wish to make copies for educational purposes, contact OSAC at (541) 687-7400 ext. 7443

Evaluating Your Award Letter

Use the chart below to compare the financial aid award letters from each college you are considering. Use annual figures when completing the chart and include as much information as possible. Not all award letters will include loans. Some colleges include unsubsidized Stafford loans and PLUS loans, and some do not.

EVALUATING AWARD LETTERS				
A. COST OF ATTENDANCE Direct & Indirect Costs	College Name	College 1	College 2	College 3
	Tuition & Fees			
	Room & Board (On-campus)			
	Estimated Cost Living Off-Campus			
	Estimated Books & Supplies			
	Student Health Insurance			
	Estimated Travel & Transportation			
	Estimated Miscellaneous, Personal Expenses			
	Total			
B. GIFT AID Grants & Scholarships (funds credited to your account at the college)	State Grants (Oregon Opportunity Grant)			
	Pell Grant			
	Academic Competitiveness Grant (ACG)			
	National SMART Grant			
	Federal SEOG			
	College Grants			
	College Scholarships			
	Private Scholarships			
Total				
C. SELF-HELP AID Employment	(Funds may be credited to student account, issued by check or a combination of both.)			
	College Work Study			
	Other Employment			
Total				
D. SELF-HELP AID Loans (Funds credited to your account at the college)	Federal. Perkins Loan			
	Federal. Stafford (Subsidized)			
	Federal. Stafford (Unsubsidized)			
	Federal. PLUS Loan			
	College Loan			
	Alternative Student Loan (Funds may be sent directly to borrower)			
Total				
What do I owe?	Cost of Attendance (A) -minus Financial Aid (B + D) = Total Cost You Pay			
	Total			