

# Interpreting Award Letters

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Michigan State University

# Topics

- Early FAFSA (PPY) and Award Letters
- Common Terms
- Types of Aid
- Comparing Award Letters
- Questions and Answers



# Early FAFSA (PPY) and Award Letters

What impact might this have?

When will students receive their letters?

## Early FAFSA/PPY

- Use 2015 tax information
- FAFSA was available October 1, 2016 for 2017-2018
- Recommend students use IRS Data Retrieval Tool
- Many schools award aid on a first come, first serve basis

## What impact will this have?

- Listed awards and costs could be estimated
- Example: Many public universities do not receive tuition approval until the spring or summer before the start of the fall so they estimate until that point.
- Received the Pell Grant amounts for 2017-2018
- More revisions to award letters may occur than in the past
- Will provide students and families more time to compare their award letters

## When will students receive their award letters?

- Varies by school
- Some schools are beginning to create award letters for 2017-2018
- Others are continuing “business as usual,” sending letters out at their usual time of year

# Sample Award Letters

## Financial Aid Information for Suzy Spartan



Michigan State University

### 2016-2017 Cost of Attendance

Tuition and Fees (15 credit hours per semester)	\$14816
Room and Board	\$9784
Books and Supplies	\$1076
Personal and Miscellaneous	\$2440
<b>Total Cost of Attendance</b>	<b>\$28166</b>

#### Cost of Attendance

The total cost of attendance figure is an estimate for one year based on your student taking 15 credit hours per semester and residing on-campus in a double room with a silver meal plan.

### 2016-2017 Financial Aid Package

Award	Award Program	Amount
<b>Scholarships and Grants</b>		
PELL	FED Pell Grant	\$5815
SEOG	FED Supp Ed Opp Grant	\$500
SPAD1	MSU Spartan Advantage	\$14816
SPAD2	MSU Spartan Advantage	\$2635
<b>Loans</b>		
FS21	FED Direct Subsidized Ln	\$1350
<b>Employment</b>		
CWSPA	FED College Work Study	\$3000
<b>Total Financial Aid</b>		<b>\$28116</b>

#### Financial Aid

Grants and scholarships do not have to be repaid after graduation. Loans must be repaid after graduation. For more information about the different types of aid offered, visit [finaid.msu.edu/types.asp](http://finaid.msu.edu/types.asp).

#### Student Employment

There are many part-time jobs available at MSU. Have your student start their search by visiting [jobs.rhs.msu.edu](http://jobs.rhs.msu.edu) and [careernetwork.msu.edu](http://careernetwork.msu.edu).

#### Know What You'll Owe

It is important to borrow wisely. The chart below shows what an estimated loan payment would be based on the total amount borrowed (assuming a 6.8% interest rate over 10 years or 120 payments):

\$30,000 =	\$345/month
\$50,000 =	\$575/month
\$100,000 =	\$1,150/month

#### SETUP YOUR GUEST ACCOUNT

Encourage your student to activate their MSU NetID, then have them login to [stuinfo.msu.edu](http://stuinfo.msu.edu), click on Manage Guests, and add you as a guest to their student account. For more information on this process, visit [finaid.msu.edu/guestacc.asp](http://finaid.msu.edu/guestacc.asp).

#### UNDERSTANDING THE PARENT PLUS LOAN

The Parent PLUS Loan is one option to assist in covering your student's college costs. The parent is responsible for repaying the loan either while the student is in school or after the student graduates or is no longer enrolled at least half-time (6 credits/semester). A credit check is required to borrow this type of loan. If a parent is denied based on credit, the student may request a PLUS Replacement Loan for up to \$4,000. For more information, visit [finaid.msu.edu/plus.asp](http://finaid.msu.edu/plus.asp).



# Common Terms

Cost of Attendance, Direct Costs...



## Common Terms

### **Cost of Attendance**

- Estimated amount of what it would cost to attend that particular college
- Often includes tuition, fees, room and board (housing and food), books and supplies, moderate personal/miscellaneous expenses
- Will vary from school to school
- Can be referred to as the student's budget
- Can also be a limit of how much aid a student can receive

# Common Terms

## Sample Cost of Attendance

Tuition	\$15,000
Fees	\$104
Room and Board	\$9,000
Books and Supplies	\$1,500
Personal/Misc	\$1,600
<b>Total</b>	<b>\$27,204</b>



Some schools may not include room and board and other costs in their advertised cost of attendance. This may make them appear less expensive at first glance so be sure to look for a breakdown of their cost of attendance or ask that question. Some schools will provide this on their website.

## Common Terms

### Expected Family Contribution (EFC)

- A dollar amount calculated by the FAFSA
- Estimates how much a family can afford to pay for college for a single year
- More like a range to explain a student's financial need
- Example: \$0 EFC = High Need
- \$999,999 EFC = Low Need
- For 2017-2018, an undergraduate student is eligible for a Pell Grant with an EFC between \$0 to \$5,328

# Common Terms

## **Direct Cost**

- A cost that the college bills the student
- Examples: Tuition, fees, on-campus housing

# Common Terms

## Indirect Costs

- Costs related to attending college that are **not** billed through the college
- Examples: Off-campus housing, books, supplies, transportation

## Common Terms

### Misconceptions about Direct and Indirect Costs

- Cost of attendance is **not** the same as a student's term bill
- When a student pays their bill, they are **not** paying (or billed) for their indirect costs
- Example: A student must still buy their plane ticket home for a school holiday even though transportation may be listed as an indirect cost on their award letter.

## Common Terms

### “Net Price” or “Remaining Net Costs”

- Cost of attendance minus grants and scholarships
- Out-of-pocket costs
- Students and families can pay this in several ways including (but not limited to) 529 savings, MET, student loans, parent loans, employment, work-study, or deferred payment plans.



This is a very important amount at which to look when comparing what college is financially possible or the best financial fit for student.

# Net Price Calculator

## Net Price Calculators

- Schools participating in Title IV financial aid programs are required by law to have a Net Price Calculator on their website
- Every school has their own calculator that asks for varying information
- Can be helpful, but caution that the output is only as good as the input
- Results from calculators are only estimates, **not** price guarantees
- Best estimate is using a college's published costs and subtracting the aid offered on award letters



# Activity

## What is Suzy Spartan's Net Price?

	<b>2017-2018 Estimated Financial Aid Award Notice</b>	<b>Michigan State University Office of Financial Aid</b> 556 E Circle Dr, Room 252 East Lansing, MI 48824	finaid.msu.edu (e) finaid@msu.edu (p) 517.353.5940 (f) 517.432.1155
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December 1, 2016

MSU PID: A12345678

Suzy Spartan  
123 Spartan Lane  
East Lansing, MI 48824

Dear Suzy,

Your award package is based on your 2017-2018 FAFSA. Awards are subject to revision based on funding; federal, state and institutional regulations; changes in your enrollment or financial need; or the receipt of other awards. You may login to [StuInfo \(stuinfo.msu.edu\)](http://StuInfo.stuinfo.msu.edu) to view your awards online once you have activated your MSU NetID. Additional information may be required from you and, if so, we will notify you through your MSU email account. The cost and aid provided on this letter are estimated and subject to change. Students will be notified of any changes that may occur.

**Your estimated cost of attendance is \$28,116.** This includes tuition, fees, housing, food, books, and personal spending. MSU bills you directly for tuition and fees and for room and board if you live on-campus. MSU does not bill you for books, supplies, or personal items. If the financial aid you accept exceeds your MSU-billed expenses, you will receive a refund which you should use to pay those other expenses.

If your financial aid doesn't cover your cost of attendance there are several options to assist in covering your remaining educational costs:

- **Federal Parent PLUS Loan**  
[www.finaid.msu.plus.asp](http://www.finaid.msu.plus.asp)
- **Private Alternative Loan**  
[www.finaid.msu.edu/altloans.asp](http://www.finaid.msu.edu/altloans.asp)
- **Deferred Payment Plan**  
[ctrl.msu.edu/COSStudentAccounts/paymentPlan.aspx](http://ctrl.msu.edu/COSStudentAccounts/paymentPlan.aspx)
- **Savings/529 Plan**  
[www.finaid.msu.edu/saveplan.asp](http://www.finaid.msu.edu/saveplan.asp)

Award	Award Program	Fall 17	Spring 18	Total
<b>Scholarships and Grants</b>				
PELL	FED Pell Grant	\$2908	\$2907	\$5815
SEOG	FED <u>Supp</u> Ed <u>Opp</u> Grant	\$250	\$250	\$500
SPAD1	MSU Spartan Advantage	\$7408	\$7408	\$14816
SPAD2	MSU Spartan Advantage	\$1318	\$1317	\$2635
<b>Loans</b>				
FS21	FED Direct Subsidized Ln	\$675	\$675	\$1350
<b>Employment</b>				
CWSPA	FED College Work Study	\$1500	\$1500	\$3000
<b>Total</b>		<b>\$14059</b>	<b>\$14057</b>	<b>\$28116</b>

## Activity

What is Suzy Spartan's  
Net Price?

What is her Cost of Attendance?

What is the total of grants and scholarships she is receiving?

What is her net price?

## Activity

What is Suzy Spartan's  
Net Price?

What is her Cost of Attendance?

**\$28,116**

What is the total of grants and scholarships she is receiving?

**\$23,766**

What is her net price?

\$28,116 cost of attendance –

\$23,766 grants and scholarships =

**\$4,350 net price**



# Types of Aid

Grants, Scholarships, Loans, Work-study, Income Share  
Agreements



# Grants and Scholarships

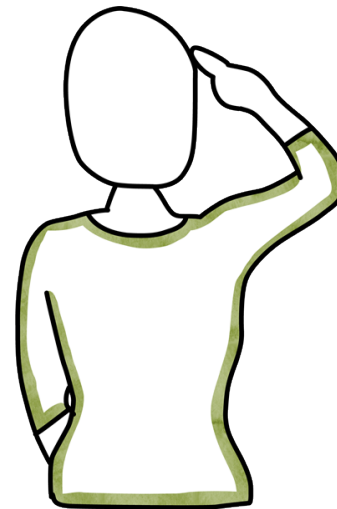
- Grants and scholarships typically do not require repayment
- Some are awarded based on financial need (Pell Grant)
- Some are awarded based on merit/academic achievement (Admissions awards)
- Some require both (Michigan Competitive Scholarship)
- Exceptions: TEACH Grant, Pell Grant if students receive it and then stop going to classes without withdrawing
- Can come from federal government, college, community foundations, organizations, parent employer



- Are the grants and scholarships a one-time award or reoccurring?
- What does the student need to do to continue receiving this award?

# Loans

- Different types – student, parent, federal, private/alternative loan
- Must be repaid
- Repayment on student loans occurs when a student either graduates or no longer attends college at least half-time
- Typically educational loans cannot be discharged in bankruptcy



"I'll borrow the maximum amount and then claim bankruptcy!"  
-Student in Lobby of Financial Aid Office

# Loans

## Federal Loans

- Federal Loans
  - Income Based Repayment Options, Deferment, Forbearance
  - Loan Forgiveness
  - Direct Subsidized and Unsubsidized do not require credit check
  - Competitive interest rates
  - Cons: Origination Fees, annual and lifetime limits may not be enough to cover expenses

	Maximum Subsidized + Unsubsidized	Maximum Subsidized
<b>Dependent Freshman</b>	\$5,500	\$3,500
<b>Dependent Sophomore</b>	\$6,500	\$4,500
<b>Dependent Junior/Senior</b>	\$7,500	\$5,500
<b>Independent Freshman</b>	\$9,500	\$3,500
<b>Independent Sophomore</b>	\$10,500	\$4,500
<b>Independent Junior/Senior</b>	\$12,500	\$5,500
<b>Graduate/Professional *</b>	\$20,500	\$0
<b>Medical</b>	\$40,500	\$0

## Annual Loan Limits



## Lifetime Loan Limits



	Maximum Subsidized + Unsubsidized	Maximum Subsidized **
<b>Dependent Undergraduate</b>	\$31,000	\$23,000
<b>Independent Undergraduate</b>	\$57,500	\$23,000
<b>Graduate/Professional *</b>	\$138,500	\$65,500
<b>Medical</b>	\$224,000	\$65,500

# Loans

## Private Alternative Loans

- Private “Alternative” Loans
  - Can help cover costs if federal loans are not enough
  - Require good credit or a credit-worthy cosigner
  - Interest rates can be better than some federal loans (particularly Federal Grad PLUS or Parent PLUS Loans)
  - Some do not have origination fees
  - Cons: Must read fine print carefully, can become cosigners’ responsibility if something happens to the student, often do not offer flexible repayment options (deferment, income based repayment)
  - Schools are not allowed to recommend a specific lender, students and families are left to research and select a lender
  - Some schools will offer a preferred lender list.



# Work-Study

- Students work (typically on campus) and are paid by paycheck
- Students with work-study are appealing to hiring managers because the federal government pays a significant portion of the student's wages
- Doesn't apply directly to college bill
- Students must apply for work-study jobs and are not always guaranteed a position
- Amount earned can be deducted from the following year's FAFSA so income doesn't impact aid eligibility for the next year
- Amount offered depends on each college
- Must have financial need to qualify



When estimating how much a bill will be after financial aid people often subtract work-study, but then find out later the bill is higher since work-study funds must be earned and aren't applied to the bill

# Income Share Agreements

- Students receive a certain amount of money to help them pay for college
- In exchange, the student agrees to pay back a percentage of their income for a certain number of years after college.
- Benefits depend on how much is needed and how much your expected earnings are post-graduation
- May end up paying more than a loan depending on your income
- No Public Service Loan Forgiveness
- “For example, a student majoring in biological engineering and expecting to graduate in 2018 would pay 3.32 percent of her income to Purdue for 96 months after graduation in exchange for \$10,000 today, while an elementary education major would pay 4.97 percent of his income back for 116 months after graduation.”
- Kelchen, R. (2016, May 09). Are Income Share Agreements a Good Way to Pay for College. Retrieved November 30, 2016, from <https://www.higheredjobs.com/articles/articleDisplay.cfm?ID=915>



# Comparing Award Letters

Questions to ask and what to look for



## What to Compare

- Cost of Attendance – Make sure **all** costs are included
- Total amount of grants and scholarships
- Are the grants and scholarships a one-time award or reoccurring?
- Total debt student may incur to earn their degree
- Net Price
- Cost of Living – Can the student commute, what might housing cost in the area if living off-campus?

## Negotiating Financial Aid Awards

- It depends on the school
- Some schools will negotiate and others have already provided their maximum offer
- Never hurts to ask, especially if there is a small amount that could make a difference on what school the student chooses to attend
- Professional Judgment may be an option if the family has experienced a hardship since the tax year they used on the FAFSA
  - Loss of employment
  - Death in family
  - Medical costs
  - One-time profit

## Activity

What will 4 years cost for Suzy Spartan?

### Questions to ask the financial aid office

- What are the requirements to maintain this award?
- How long is the student eligible for this award?
- What amount of time did the award letter cover (one year, four years)?
- Based on this information, what would the net price be for Suzy if she completed her degree in four years?

# Activity

What will 4 years cost for Suzy Spartan?

- Questions to ask the financial aid office
  - How long is the student eligible for this award?
  - What are the requirements to maintain this award?
    - Pell Grant, SEOG, Spartan Advantage – based on income each year as reported on the FAFSA, must meet satisfactory academic progress and remain in a degree granting program, enrollment level also considered (full-time, half-time)
- What amount of time did the award letter cover (one year, four years)?
  - **One year**
- Based on this information what would the net price be for Suzy if she completed her degree in four years?
  - $\$4,350 \times 4 \text{ years} = \mathbf{\$17,500}$  (may want to consider some additional costs if student decides on study abroad, internships, etc.)

## Let's Try Out a Net Price Calculator

- <https://netconnect.cmich.edu/netpricecalculator/>
- 3.4 GPA
- 22 ACT
- 2500 Expected Family Contribution
- \$3000 Outside Scholarship



## Let's Try Another

- <https://wam.unl.edu/cost/calculator.jsp>
- 3.4 GPA
- 22 ACT
- 2500 Expected Family Contribution
- \$3000 Outside Scholarship

# Sample of College Cost and Fee Websites

Michigan State University	Financial Aid - <a href="http://finaid.msu.edu">finaid.msu.edu</a> Tuition Calculator - <a href="http://ctrl.msu.edu/COSTudentAccounts/TuitionCalculator.aspx">ctrl.msu.edu/COSTudentAccounts/TuitionCalculator.aspx</a>
Lansing Community College	Financial Aid - <a href="http://www.lcc.edu/finaid">www.lcc.edu/finaid</a> Tuition and Fees - <a href="http://www.lcc.edu/schedule/general_information/tuition_fees.aspx">www.lcc.edu/schedule/general_information/tuition_fees.aspx</a>
Grand Valley State University	Financial Aid - <a href="http://www.gvsu.edu/financialaid">www.gvsu.edu/financialaid</a> Tuition and Fees - <a href="http://www.gvsu.edu/financialaid/tuition-fees-68.htm">www.gvsu.edu/financialaid/tuition-fees-68.htm</a>
Western Michigan University	Financial Aid - <a href="http://wmich.edu/finaid">wmich.edu/finaid</a> Tuition and Fees - <a href="http://wmich.edu/registrar/tuition">wmich.edu/registrar/tuition</a>
Eastern Michigan University	Financial Aid - <a href="http://emich.edu/finaid/">emich.edu/finaid/</a> Tuition and Fees - <a href="http://emich.edu/sbs/basics/tuition/index.php">emich.edu/sbs/basics/tuition/index.php</a>
Northern Michigan University	Financial Aid - <a href="http://www.nmu.edu/financialaid/home">www.nmu.edu/financialaid/home</a> Tuition and Fees - <a href="http://www.nmu.edu/tuition">www.nmu.edu/tuition</a>
Hope College	Financial Aid - <a href="http://www.hope.edu/offices/financial-aid/">www.hope.edu/offices/financial-aid/</a> Tuition and Fees - <a href="http://www.hope.edu/admin/business/cost/index.html">www.hope.edu/admin/business/cost/index.html</a>
Montcalm Community College	Financial Aid - <a href="http://www.montcalm.edu/financial-aid">www.montcalm.edu/financial-aid</a> Tuition and Fees - <a href="http://catalog.montcalm.edu/content.php?catoid=3&amp;navoid=67">http://catalog.montcalm.edu/content.php?catoid=3&amp;navoid=67</a>
Wayne State University	Financial Aid - <a href="http://wayne.edu/financial-aid/">wayne.edu/financial-aid/</a> Tuition Calculator - <a href="http://apps.reg.wayne.edu/">http://apps.reg.wayne.edu/</a>
Grand Rapids Community College	Financial Aid - <a href="http://www.grcc.edu/financialaidscholarships">www.grcc.edu/financialaidscholarships</a> Tuition and Fees - <a href="http://www.grcc.edu/cashier/tuitionratesfees">http://www.grcc.edu/cashier/tuitionratesfees</a>
University of Michigan-Ann Arbor	Financial Aid - <a href="http://finaid.umich.edu">finaid.umich.edu</a> Tuition and Fees - <a href="http://ro.umich.edu/tuition/">ro.umich.edu/tuition/</a>
Saginaw Valley State University	Financial Aid - <a href="http://www.svsu.edu/cfsc/">www.svsu.edu/cfsc/</a> Tuition and Fees - <a href="http://www.svsu.edu/cfsc/tuitionfeeschedule/">www.svsu.edu/cfsc/tuitionfeeschedule/</a>

## Helpful Information

- [studentaid.ed.gov](http://studentaid.ed.gov) – loan repayment calculator, information on federal aid programs
- MI SSG – state <http://www.michigan.gov/mistudentaid>
- Compare Your Aid Awards - <https://bigfuture.collegeboard.org/pay-for-college/financial-aid-awards/compare-aid-calculator>



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Questions



Thank you!