



MEFA's Guide to

# College Financing

*mefa*  
**COUNSELOR**

2011-2012

# How to Use this Guide

---

Thank you for downloading MEFA's Guide to College Financing. This Guide has been created to help you understand and navigate the entire college financing process. Topics include basic vocabulary terms; financial aid concepts; how financial aid decisions are made, as well as strategies for tackling college costs. Helpful tips and resources are included throughout, providing assistance every step of the way.

**As a complement to this guide, MEFA offers several resources to get you going, all for free.**

## In Person - the MEFA Seminar

MEFA's College Financing Seminar gets into the nitty gritty details of the entire financial aid application process, breaking it down into straightforward concepts that every family can understand. An explanation of the nuts and bolts of how financial aid works as well as strategies for how to smoothly navigate the college financing process from beginning to end are covered. Additional topics include:

- Financial aid applications and eligibility
- Types of financial aid available
- How colleges determine how much aid to offer
- Understanding award letters

Do you have younger children? MEFA also offers seminars about Early College Planning and College Admissions. A calendar of events and more information is available at [www.mefacounselor.org](http://www.mefacounselor.org).

## On the Web - [mefacounselor.org](http://mefacounselor.org)

It can be overwhelming to navigate all the college enrollment information on the web. MEFA puts it all together with MEFA Counselor – a one-stop resource for the information you need to plan for and pay for college. Features will be updated regularly to help you every step of the way, from researching careers and finalizing the college list to applying for financial aid and paying the college bill. Additional resources are also available for earlier grades.

## Email - MEFA Counselor Email Service

Sign up for this service and receive ongoing college admissions and college financing guidance to help you prepare for college enrollment. Reminders and guidance for all grade levels help families stay informed and on track for higher education.

## Online - YourPlanForCollege

MEFA is pleased to present this complete college and career planning resource for students, parents, and school counselors across the Commonwealth. Offered by MEFA in partnership with the Massachusetts Departments of Higher Education and Elementary and Secondary Education, YourPlanForCollege offers everything your family needs for life after high school, including academic planning, test prep, career and college search. Learn more at [www.yourplanforcollege.org](http://www.yourplanforcollege.org).

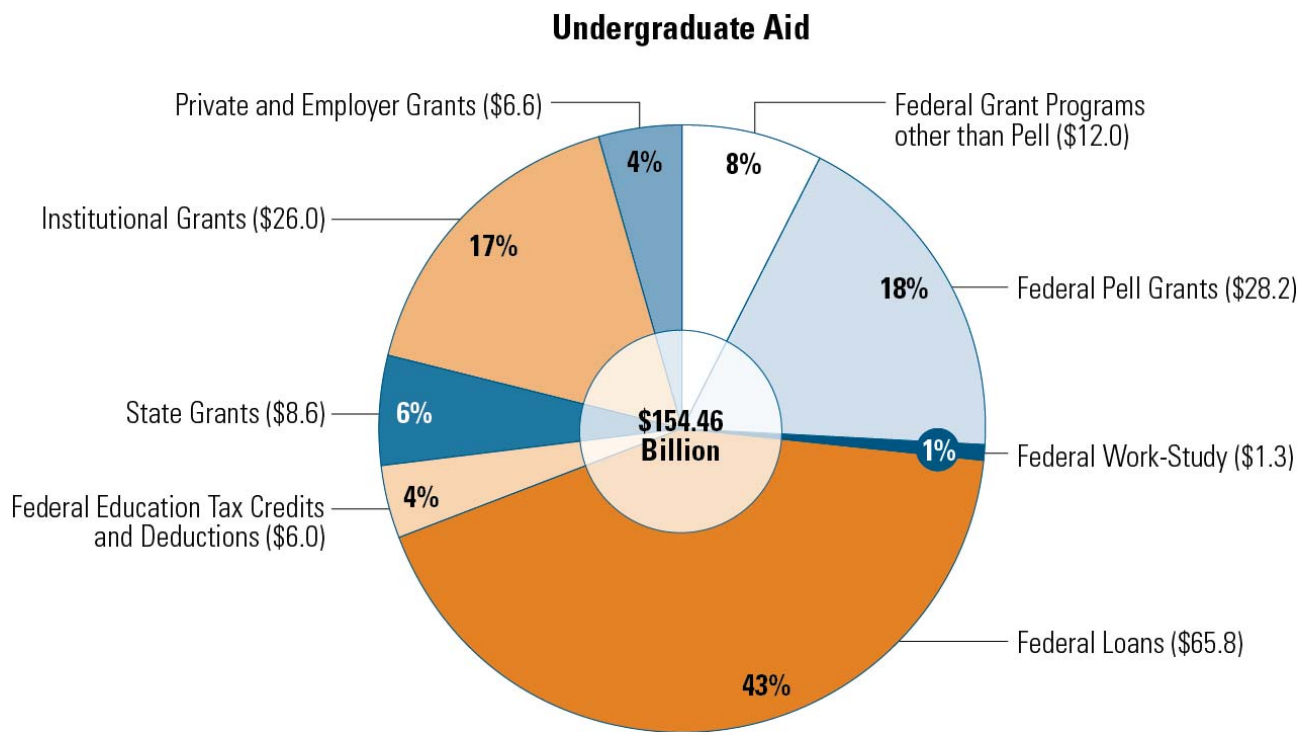
# Types of Financial Aid - A Snapshot

## What is Financial Aid?

Financial aid is any type of financial assistance provided to help a student with educational expenses. Over \$154 billion is awarded each year to undergraduate students from a variety of sources, including:

- The Federal government
- The Commonwealth of Massachusetts
- Colleges and universities (Institutional Aid)
- Businesses, organizations, and foundations

MEFA encourages families to apply for financial aid from all these sources in order to receive as much financial aid as eligibility allows.



*\*Source, The College Board, Trends in Students Aid 2010*

## Grants and Scholarships

Grants and scholarships are gift aid that do not have to be repaid. Grants are available through colleges and universities, and federal, state and private agencies. Public colleges and universities in Massachusetts offer tuition and fee vouchers to Massachusetts residents that waive costs based on need, similar to grants. Scholarships are based on a number of factors that may include special interests, abilities and financial need.

## Work-study

Work-study programs allow students to work part-time on or near campus while in college. Work-study awards are not deducted from the semester bill. Instead, students are paid directly for the hours that they work, and their earnings may be used for living expenses, books and supplies or other indirect educational-related expenses.

## Loans

Loans are available for both students and parents interested in borrowing to cover educational expenses. Some educational loans offer features such as subsidized interest, deferred repayment, low rates, and more. Learn more about educational loans in the spring at [www.mefacounselor.org](http://www.mefacounselor.org).

### Tax Credits and Deductions

In addition to grants, work-study and loans, the federal government offers education tax credits and deductions to help make college more affordable for families. For up-to-date information, visit [www.mefacounselor.org](http://www.mefacounselor.org).

## Outside Scholarships

Outside scholarships from private, local and national sources can also be important in assisting you with paying for college. They may be awarded based on a number of factors including financial need, academic merit, artistic or musical talent, interest in a particular field of study and other factors. Check with your school counselor regularly to find out about local scholarships. Parents and students should also check with their own employers, civic groups and community organizations. Visit [www.mefacounselor.org](http://www.mefacounselor.org) for a national scholarship search database and Outside Scholarship Worksheet to track your scholarships.

### Beware of Scholarship Scams

While navigating the college financial aid process, families should be aware that applying for private and public sources of scholarship assistance is usually free. Be cautious if someone promises to assist you for a fee. If you have any doubts about a service, contact your school counselor and the Better Business Bureau in your area.



# Financial Aid Applications

To qualify for financial aid, it is very important to complete all necessary applications and meet each college's application deadline. Three of the most commonly used forms are the Free Application for Federal Student Aid (FAFSA), the CSS/Financial Aid PROFILE,<sup>®</sup> and the college's own financial aid application.

The FAFSA is the single most important application a family can file for consideration for financial aid. Colleges and universities cannot award financial aid until this form is processed.

Visit [www.mefacounselor.org](http://www.mefacounselor.org) for important information about these applications and to complete the FAFSA and CSS/Financial Aid PROFILE<sup>®</sup>.

## Application Reference Table

Type of Application	FAFSA	CSS/Financial Aid PROFILE <sup>®</sup>	College's Financial Aid Form
Who Requires it?	All colleges	Some private colleges	Some colleges
Cost?	Free	\$25 for initial application, including one college plus \$16 for each additional school	Free
Available online or paper?	Online is recommended	Online only	Depends on college
When is the form available?	January 1	October 1	Depends on college
How do I make corrections after the form is submitted?	Online	Send directly to colleges	Send directly to colleges
How do I get started?	Register for Federal Student Aid PIN and start FAFSA on the Web Worksheet	Create a collegeboard.com account and complete the online CSS/Financial Aid PROFILE <sup>®</sup> registration	Get the application form directly from the college.
Who signs the form?	Student and Parent	Student or Parent	Depends on college
How is it used?	Calculate eligibility for federal, state and some institutional aid	Calculate eligibility for institutional aid	Calculate eligibility for institutional aid



# Tips for Completing Financial Aid Applications

---

- 1 Do not miss deadlines.** Keep track of financial aid application requirements and deadlines with MEFA's downloadable Password Manager at [www.mefacounselor.org](http://www.mefacounselor.org).
- 2** If your taxes are not complete, you may **estimate your income** in order to meet the deadlines. Be as accurate as possible since your estimates will impact the initial award package you receive. You will be required to provide updated information later.
- 3 Apply online** if possible, to reduce errors and speed up the process.
- 4** Remember, when the FAFSA asks for "your name" and "your Social Security Number" it is referring to the student, not the parent.
- 5** When completing the FAFSA online, **save your information as you go**. This also allows you to start your FAFSA application and complete it at another time if necessary.
- 6** If your family has multiple children in college, separate applications must be completed for each of them.
- 7 Apply for your Federal PIN.** Dependent students and a parent both need their own PIN to sign the FAFSA electronically. You can apply when completing the online application or apply now by visiting [www.mefacounselor.org](http://www.mefacounselor.org).
- 8** If the student is applying Early Action or Early Decision, they might be required to complete the CSS/Financial Aid PROFILE® or other applications in the fall of senior year.
- 9 Keep copies of everything** you are asked to submit to the financial aid office, including tax forms, income and bank statements. See page 10 for a checklist of what else to keep in your financial aid file.
- 10 Ask questions if you need help.** Contact the college's financial aid office for assistance in completing your forms.

## Why file the FAFSA online instead of filing the paper application?

- **It's faster.** Completing the FAFSA online and using your PIN can speed up the application process by as many as 14 days.\*
- **It's easier.** FAFSA on the Web may simplify your application based on your responses to certain questions, and you may be able to upload information from your tax return directly through the IRS Data Retrieval Tool.
- **It reduces errors.** The information you report is automatically reviewed for obvious and common errors before you submit your application.

\*Source: [www.fafsa.gov](http://www.fafsa.gov), 2009

## FAFSA Day Massachusetts

---

In Massachusetts families are able to attend a free workshop to receive assistance completing and submitting the FAFSA.

To find a workshop near you, visit [www.fafsaday.org](http://www.fafsaday.org).



### A College Goal Sunday Program

- Get free assistance in completing the FAFSA
- Sunday, January 29, 2012
- Over 25 locations across Massachusetts
- For more information and additional dates, visit [www.FAFSAday.org](http://www.FAFSAday.org).



## After You Apply for Financial Aid

---

### What happens now?

The colleges you have listed on the FAFSA will review your applications to determine your eligibility for financial aid. Sometimes the financial aid office needs additional information before they can calculate an award. If this is the case, they will contact the student directly. The financial aid award letters themselves will also be addressed to the student. The student is the primary and sometimes only point of contact for important correspondence such as housing applications, tuition bills and loan promissory notes. While waiting to receive award letters, students may wish to research and apply for outside scholarships. You are required to report information about outside awards to the colleges.

### Financial Aid Timetable

	Activity
October 1	CSS/Financial Aid PROFILE® is available from the College Board.
November - December	Early Action/Early Decision applicants may have early financial aid deadlines.
January 1	FAFSA is available.
February - April	Most financial aid applications are due at colleges.
March - April	Award letters are sent to accepted students.
May 1	Deadline to select college and submit tuition deposit.
July - August	First semester tuition bills are due.
December - January	Second semester tuition bills are due.
January - April (following year)	Students must reapply for financial aid for next academic year.

Sign up for MEFA Counselor Emails for reminders to help you stay on track throughout the year at [www.mefacounselor.org](http://www.mefacounselor.org).

# Important Questions and Documents

---

## Questions to Ask the Financial Aid Office

Financial aid programs vary from college to college. Just as you would research academic programs, housing and extracurricular options, you also may want to learn about financial aid at each school on your list.

Understanding these factors ahead of time can help you select a college that your family can afford. These questions can help guide your research.

- 1 What is the total cost of attendance?
- 2 What financial aid forms are required and when are they due?
- 3 What is the college's policy on need-based aid?
- 4 Are there merit-based scholarships? How do students apply?
- 5 Assuming cost and family responsibility remain constant, how will grant and loans amounts change from year to year? What if my situation changes?
- 6 Are the scholarships/grants renewable each year? If so, are there conditions such as grade point average, enrollment status or major?
- 7 Are students required to apply for financial aid even if they receive a scholarship?
- 8 How do outside scholarships affect the rest of the package?
- 9 What is the college's policy on divorced or separated parents?
- 10 What does the college estimate the total student debt will be upon graduation?

## What to Put in Your Financial Aid File

To ensure that you always have the information you need when researching and applying for financial aid, we suggest keeping the following documents together in one place:

- \_\_\_ MEFA's Password Manager from [www.mefacounselor.org](http://www.mefacounselor.org)
- \_\_\_ Year-end bank statements and account summaries
- \_\_\_ Year-end pay stubs, W2s and 1099s
- \_\_\_ Most recent completed tax returns and/or official Tax Return Transcript
- \_\_\_ FAFSA on the Web Worksheet
- \_\_\_ Student Aid Report (SAR)
- \_\_\_ Verification forms, if required
- \_\_\_ Copy of any correspondence with financial aid office
- \_\_\_ Financial aid award letters
- \_\_\_ Outside scholarship information

## Expected Family Contribution (EFC)

Calculating eligibility for need-based financial aid starts with the Expected Family Contribution (EFC). It is the primary responsibility of the family to pay for college, and the EFC is an estimate of how much the family is able to contribute toward educational expenses for one academic year. The EFC is based on the parents' and student's income and assets reported on the FAFSA, and is computed using a standard formula or methodology that assesses your family's financial strength. Colleges use the EFC to determine what types and sources of financial aid a family may qualify for.

### Whose information is included in the forms?

On the FAFSA, most high school seniors are considered dependent students, and are therefore required to provide parental information along with their own. Parents may be biological or adoptive, and further instructions differ depending on the family situation:

**Married:** both parents provide information.

**Single or widowed:** that parent provides information. If remarried, include step-parent's information.

**Divorced/Separated:** the parent that the student lived with more during the prior 12 months provides information. If that parent is remarried, include step-parent's information. Non-custodial information is not currently required for the FAFSA, but may be requested by some colleges that require the CSS/Financial Aid PROFILE®.

**Court-appointed legal guardian or foster parent:** no parental information is currently required. Student is considered independent on the FAFSA.

### Notes:

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

You may calculate your own estimated EFC by clicking on the "Calculate your EFC" link at [www.mefacounselor.org](http://www.mefacounselor.org).

# Calculating the EFC

---

## The Federal EFC Formula

The federal EFC formula is used to help distribute limited financial aid dollars as fairly as possible relative to students' need, with the goal of increasing access to higher education. The formula contains standardized income and asset protection allowances to account for your family's basic living and other expenses. Family size, federal tax liability and state tax rates are some of the factors that protect income. Additionally, some parent assets are protected based on the age of the older parent.

## Factors in the EFC Formula

- Includes parent and student income and assets
- Allowances protect a portion of parent and student income and assets
- Parent and student information treated differently
- Does not include personal debt such as credit cards, auto or personal loans

## Defining Income and Assets

Income for parents and students includes Adjusted Gross Income (AGI), plus many types of untaxed income. Assets for parents and students include cash, checking and savings accounts, investments, and net value of businesses, if applicable. For the FAFSA only, the following assets are **not** included:

- Value of primary residence
- Value of life insurance
- Value of retirement plans
- Certain small family businesses

## Special Circumstances

If your family is facing unexpected expenses or income fluctuations that will make it difficult for you to absorb college costs, contact the financial aid office first to see if your situation warrants an appeal and if so, what information or documentation they might need. Possible examples include:

- A recent job loss or reduction in income
- Unusual medical, dental or disability expenses
- Nursing home or unusually high childcare costs
- Home damage caused by natural disaster

## Impact of Assets and Income on EFC

While assets are considered in the EFC formula, for most families income is the biggest factor in calculating the parents' contribution to the EFC. The higher the parents' income, the higher the percentage that is expected to be available to pay for college. Likewise, the lower the parents' income, the lower the percentage that goes into the EFC—in some cases the EFC might be as low as zero.

### Percentage of Income and Assets

	Income	Assets
Parent	22-47% of available income after federal tax, income protection and other allowances	No more than 6%
Student	50% after taxes and income protection allowance of \$6,000	20%

Parent and student financial information are weighed separately in the federal EFC formula. The chart above details the current percentage of parent and student income and assets that go into the EFC after all allowances are subtracted, based on 2012-2013 Federal Methodology guidelines.

### Notes:

---

---

---

---

---

---

---

To estimate your family's EFC, visit [www.mefacounselor.org](http://www.mefacounselor.org).

# Financial Aid Eligibility

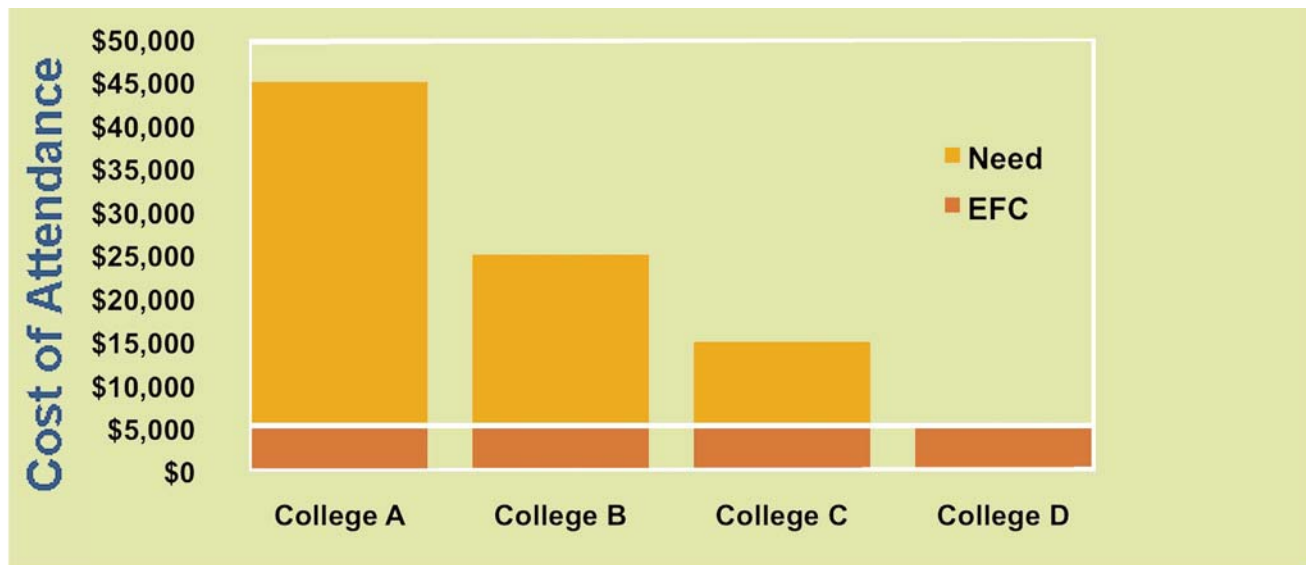
Each college determines your eligibility for need-based financial aid by subtracting your calculated EFC from their Cost of Attendance (COA). If your EFC is not sufficient to pay the full cost of attendance, you have financial need, or eligibility for financial aid.

## Financial Aid Formula:

$$\frac{\text{Cost of Attendance (COA)} - \text{Expected Family Contribution (EFC)}}{\text{Financial Aid Eligibility/Financial Need}}$$

## How the Formula Works:

Your Federal EFC for the year will generally be the same, no matter what the cost is of the schools you apply to. But your financial need may vary across schools, and you may be eligible for more financial aid at schools with higher cost.



In most cases, families do not pay the full cost at colleges or universities, because of financial aid opportunities. After financial aid is applied toward the total costs at the school, the family is responsible for what's left. These remaining out-of-pocket expenses are called "net price."

To learn about interactive Net Price Calculators offered by each school, visit [www.mefacounselor.org](http://www.mefacounselor.org).



## The Cost of Attendance

The variance in college costs is due largely to the difference in tuition and fees from college to college. This table provides average costs for tuition and fees by type of college. The Cost of Attendance (COA) varies at each college or university and includes that school's tuition and fees, room and board, and estimates for books and supplies, travel and personal expenses.

	Tuition and Fees <sup>1</sup>
MA Community College <sup>2</sup>	\$4,545
MA State College/University <sup>2</sup>	\$7,338
UMass <sup>2</sup>	\$11,064
Public Four-Year Out-of-State <sup>3</sup>	\$19,595
Private Not-for-Profit Four-Year <sup>3</sup>	\$27,293

*1 Average tuition and fees as of the 2010-2011 academic year.  
Unless specified as MA specific, data is a national average.  
2 Source: Massachusetts Department of Higher Education  
3 Source: The College Board, "Trends in College Pricing." 2010*

Don't rule out applying to a college that is a good academic and educational fit just because of its cost of attendance. While the costs vary between colleges, each financial aid office will typically use the same EFC from your FAFSA as the basis for calculating eligibility for financial aid. Therefore, students may be eligible for more financial aid at colleges with a higher cost of attendance.

Keep in mind that different financial aid awarding policies make it difficult to predict which college will be the most affordable for your family. MEFA encourages families to consider applying to at least one college that will be affordable regardless of financial aid.

# The Financial Aid Package

After you have completed your financial aid applications, the colleges where you have been accepted will determine your eligibility for financial assistance. Your federal EFC will be used to determine your eligibility for federal and Massachusetts state aid, but schools may use other criteria to award their own institutional funds, such as the CSS/Financial Aid PROFILE® or other supplementary applications.

## Award Letters

Financial aid awards from colleges may vary greatly. You will probably receive award letters from colleges in March or April. Carefully review each award letter and make sure you understand all aspects of your award, including the types and sources of aid. Contact the financial aid office if you need more information or clarification about their offer. Be sure to communicate with the college if your family situation changes. Financial aid administrators can be a great resource for families and are able to assist you throughout the process.

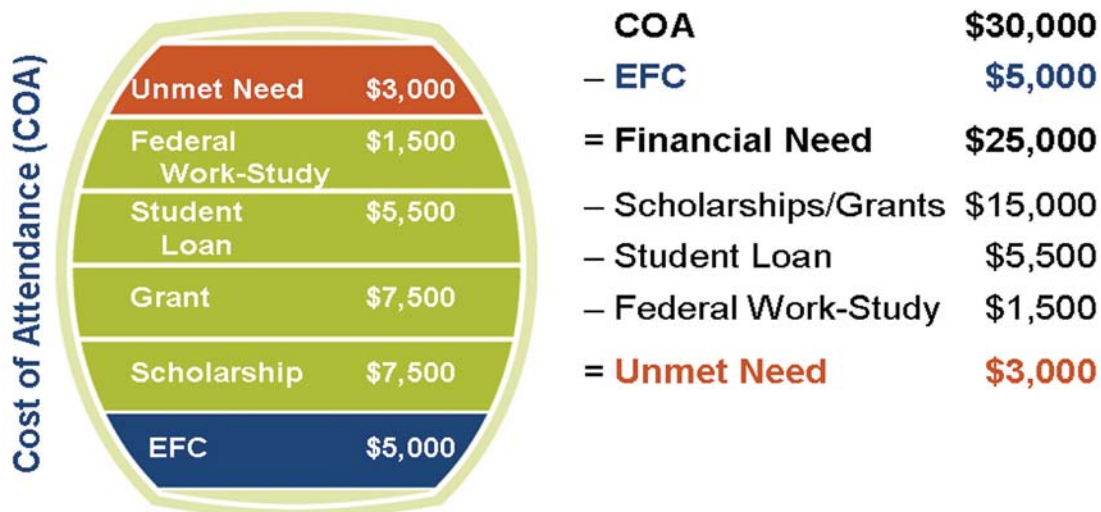
## Outside Scholarships

You must report scholarships to colleges and universities. Colleges will include them as part of your overall aid package and will make adjustments to the rest of the package if necessary, so that the student’s total financial aid does not exceed the cost of attendance. Use the Outside Scholarship Worksheet at [www.mefacounselor.org](http://www.mefacounselor.org) to keep track of these scholarships.

## Expected Family Contribution (EFC)

The EFC may be the minimum contribution toward the cost of education that the family is responsible to pay. If the financial aid office is unable to meet the family’s full need, the actual contribution may be higher than the EFC.

## Financial Aid Awarding



## Comparing Award Letters - Award Totals May Vary

Because financial aid resources and policies vary among colleges, the amount of financial aid you receive will likely be different from one school to the next. In this example, three sample colleges have the same Cost of Attendance but offer different levels and types of financial aid. Some colleges may include a Parent Loan as part of the award, even though parent loans are not guaranteed.

**COA: \$30,000**

**EFC: \$5,000**

**Financial Need: \$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

In the spring visit [www.mefacounselor.org](http://www.mefacounselor.org) for our interactive College Cost Calculator to help estimate the balance due at each college.

## Paying the Bill

---

Planning to meet college costs is an investment in the future. If your family is like many, chances are you'll need to finance at least some of the costs of higher education. Before you take out a loan, explore financing options like savings, part-time work, scholarships and grants, and interest-free monthly payment plans. Making a plan before you borrow may help reduce the amount you'll repay with interest. As you think about your options, consider making a plan for all the years the student and any additional children will be in college.

After financial aid is deducted from the direct cost of the college bill, most families pay the balance due by using past, present and/or future income. It is common to use some combination of two or three resources. For example, a family may pay some of the balance with cash from savings, some of the balance using a monthly payment plan to spread tuition costs over 10-12 monthly installments, and the remainder of the balance with a loan. MEFA can assist you in deciding which option or combination of options best meets your needs. Look for our After the Acceptance seminars in March and April.

### Options for Paying the College Bill:

- **Past Income**

- Savings
- 529 College Savings Plan
- Prepaid Tuition Plan
- Other college savings plans
- Other Assets

- **Present Income**

- Salary
- Payment Plans

- **Future Income**

- Parent Loans
- Student Loans

### MEFA Encourages Families to Borrow Responsibly

Every family's financial circumstances are different. Call MEFA at 800.449.MEFA (6332) to speak with one of our experienced customer service representatives and discuss a college financing strategy that works for you.

Or visit [www.mefa.org/borrow](http://www.mefa.org/borrow) and use our Monthly Payment Calculator to compare MEFA loans, estimate your monthly loan payment and explore a combination plan to minimize the amount you borrow and repay with interest.

