

Worried about college costs? Seek aid

By Meredith Eastman/Columnist

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Many parents and students cringe when they hear stories about the soaring costs of already expensive colleges. Since the financial aid process is unfamiliar for many families, rumors and misperceptions can be overwhelming and costly.

Regardless of whether a family has been able to save, it is desirable to avoid unnecessary debt, protect retirement, and not pay more than required. Understanding the system and proactively pursuing scholarship money is the first step in reducing the exorbitant cost.

How does the financial aid system work?

There are two general types of aid: need-based and merit. Aid can come in the form of scholarships and self-help aid (loans and work-study).

Most merit money is distributed by the individual colleges. Many, but not all, colleges will offer merit money to attract desirable students. They will evaluate students in comparison to the rest of their applicant pool, not necessarily in comparison to how students rank in their high school class. For many college-bound families, the cost of college is a concern and need-based aid isn't likely to be enough. Therefore, finding a college that meets the student's academic and personal needs AND is willing to reduce their tuition can be vitally important.

Need-based aid is determined based on this standard formula:

Cost of Attendance (COA) - Expected Family Contribution (EFC) = Financial Need

Each family's EFC is determined by a complicated formula evaluating a number of financial and non-financial factors.

Colleges will strive to meet need with a combination of grants and loans. For an entering freshman it is typical for the first \$3,500-\$6,000 of need to be met with the government loans and work programs. Much of the remainder is met with grants. Therefore the lower the EFC, the more grant money a family is likely to obtain. With so much money at stake, it is important to understand how the EFC is determined and how colleges meet a family's financial need. Parents and students should not rule out a college based on generalities or somewhat misleading statistics published in guide books.

Should I bother to apply for aid even if I don't think I will qualify?

With little to no risk or cost it is generally worthwhile to apply for aid. There are a number of reasons for applying including obtaining access to more favorable federal loan programs and the fact that families are less likely to receive anything, even merit money, if they don't ask.

At “need blind” schools, financial need will not have an impact on students’ admissions chances. Even at schools that are “need aware,” the impact is only likely to come into play after consideration of other factors (e.g. GPA, test scores) and in cases where the formula shows a higher need. The mere act of applying will not impact a student’s chances for admission.

How and when do I apply for aid?

The financial aid deadlines and requirements will vary among the different colleges. For students applying under an early action or early decision program, the deadline could come in November. For regular decision applicants and rolling admissions programs the deadlines are typically not until the new year, typically February or March. Be sure to check the exact deadline of each college.

All colleges will require applicants to complete the FAFSA, the federal government form. Approximately 350 private colleges also require the CSS Profile and/or their own school based forms. Additional requirements could include a non-custodial parent form, a business owners’ form, and sometimes copies of 2007 taxes.

Parents should not wait until their 2007 taxes are filed to complete the financial aid forms. Priority should be placed upon meeting the college deadlines, even if it means estimating some numbers on the forms. There will be an opportunity to update the numbers on the FAFSA form after taxes have been completed.

It is important to complete the forms accurately and fully. For many of the responses, the colleges will be completing relying on what is entered on the form. Inadvertent mistakes or misinterpretations of the instructions are easy to make and can be costly.

The above summarizes some of the fundamental aspects of the financial aid process. The details of the system may appear complex but proactively pursuing alternatives could save several thousand dollars or more in what has become a very expensive endeavor.

Meredith Eastman is the Associate Director of College Counseling at Campus Bound, a Lexington-based company. She has previously worked in college admissions and high school guidance. To learn more or to read previous articles by Ms. Eastman, visit www.campusbound.com.