

Financial Aid 101: How to Complete the FAFSA Form

The following are step-by-step instructions on how to complete the FAFSA (Free Application for Federal Student Aid) form

Even if you don't think you'll qualify for financial aid, all the financial aid resources suggest that you should still complete the FAFSA form, no matter what. Additionally, most colleges need this information in order to award scholarships, so it is important to apply for financial aid. You may not file the FAFSA until January 1, 2012; however, you can pull together the information, fill out the worksheet and file for PIN numbers prior to that time.

Step 1: Apply for a PIN number for both you and the student. To do this, go to <http://www.pin.ed.gov> and complete the required fields. If you provide them with an e-mail address, the Department of Education will send you an e-mail within a few days instructing you on how to retrieve your PIN number

Step 2: Gather together the necessary financial information including W-2's (or year-end paycheck stubs), recent bank statements, tax forms, and investment records. Your tax forms can be a rough estimate of your 2011 taxes; however, once you file your taxes, the FAFSA form must be updated. Failure to revise the FAFSA will jeopardize your financial aid award. This year, the IRS will cross-reference their information with the FAFSA form.

Step 3: Go to the FAFSA website at <http://www.fafsa.ed.gov> and print out the worksheets. Complete the worksheets prior to filling out the FAFSA form on-line. On the FAFSA form, you may list up to six colleges to receive the information. Unfortunately, you may not list more than six, so you'll have to decide which colleges fit your top six list.

Step 4: After you've completed the FAFSA form, you will receive a SAR (student aid report). It is vital that you verify the accuracy of the information.

Step 5: The government will run your data through a formula in order to establish your EFC (estimated family contribution), which is the dollar amount that you will be responsible for paying towards your child's education. Both the parents' and the student's income and assets are evaluated to determine EFC. The government will provide the EFC figure to the six colleges you listed on the FAFSA form. If you would like a forecast of your EFC, go to <http://www.collegeboard.com>, then click on the "Paying for College" tab, then go to Financial Aid Calculators and to EFC calculator. You can put in your financial information, and it will provide you with an EFC, which will be close to what the FAFSA figure will be.

Step 6: Each financial aid office will take the total Cost of Attendance (Tuition and fees, room and board, books and supplies, and personal expenses) for their school, subtract the EFC, and will award financial aid for the remaining balance. The award will be a

combination of scholarships, grants, loans and work study. If a student receives outside scholarships, these must be reported to the college's financial aid office and are usually added on to the family's contribution amount. If you have questions or concerns about your award letter, please contact the financial aid office directly.

Special Notes: (1) if you are divorced or separated, only the income and assets of the parent (and step-parent) with whom the student lived for the greater part of the 12 months preceding the date of the financial aid application needs to be reported. (2) Independent students are defined as students who are not dependent on their parents for support (and are not deductions on their parents' income tax forms). In general, according to the government, single undergraduates must be at least 24 years old to qualify as independent. (3) All 18-year-old males must register with the Selective Service prior to filing the FAFSA form.

According to an article published by the College Board entitled "Trend in Student Aid 2003," combined unsubsidized Stafford loans, federal loans to parents, tax credits now constitute 43% of total federal aid. Additionally, institutional grants account for nearly 20% of student aid. They constitute about 62% of the grant aid that undergraduates at private colleges receive, and over a quarter of the grant aid used by those attending for-year public institutions.

Scholarships

Scholarships can come from a variety of sources:

(1) Collegiate scholarships are frequently the largest scholarships. Many times they are renewable as well. They can be based on academic merit (usually 3.5 GPA or better and 1200 SAT score or better), athletic abilities (for Division I and Division II colleges), and talent (music, theater, forensics, art). Typically for the merit scholarships, a student only needs to complete the college's application form. For the talent scholarships, students need to apply directly to the department (i.e., Music Department).

(2) The Oregon Student Assistance Commission (OSAC) offers more than 200 scholarships to Oregon residents. Students need to apply at <http://www.osac.state.or.us> by March 1, 2012.

(3) A number of Search Engines are available on the internet. They ask students a series of questions, then search for scholarships that match up. The types of scholarships vary from career choice, to ethnic background, to gender. Some of the most popular search engines are <http://www.collegeboard.com/pay>; <http://www.fastweb.com>; <http://www.nasfaa.org>; <http://www.finaid.org>; <http://www.college-scholarships.com>; and <http://www.fastap.org>.

(4) Local scholarships will be available in January. You will receive a packet. Other places to look are with your employer, health club, civic groups, etc.

Tax Credits

Tax credits can also help to offset college expenses. You should check with your accountant or the IRS (<http://www.irs.ustreas.gov>) to ascertain which of these credits are available to you.

- (1) Hope Credit – up to \$1,500 for two years
- (2) Lifetime Earning Credit – up to \$2,000
- (3) Student Loan Interest – up to \$2,500 in interest can be deducted
- (4) Education IRA – you can invest up to \$2,000 per year, and the interest isn't taxable
- (5) 529 Plan – you can invest up to \$250,000, and the earnings in the account are tax free

The Value of a College Education

The price of college may cause concern among many families, but the costs associated with not going to college are likely to be much greater. Within each demographic group, median annual earnings for year round, full-time workers with bachelor's degrees are about 60% higher than earning for those with only a high school diploma. Over a lifetime, the gap in earnings between those with a high school diploma and a B.A. or higher exceeds \$1,000,000 (College Board, Trends in College Pricing 2003).