

Managing the College Financial Aid Process

Bridget Hotrum, Owner,
College Bound Admissions Academy

As parents and high school students continue to endure the college application process this fall, an area largely overlooked is the necessity to calculate and understand their “family contribution” before the application process is finalized.

Understanding your family’s estimated family contribution (EFC) is essential for several reasons, but most importantly because it will determine whether or not your family qualifies for “need” based aid. Another important factor in calculating and understanding your EFC is to utilize this value as a way to add to or remove colleges from your list of schools to which your student will be applying.

Many families assume that they cannot qualify for financial aid. This common misconception can cost families thousands of dollars. How do they (the federal and state governments, and colleges and universities) determine who receives money and who doesn’t? The Free Application for Federal Student Aid (FAFSA) form uses the federal methodology when calculating your estimated family contribution. This methodology calculates four main areas: (1) parental income, (2) parental assets, (3) student income, and (4) student assets. It is important to understand that parental income and assets are assessed at a different rate than student income and assets. Parental assets are assessed at 5.65% and student assets are assessed at 20%.

Students in the graduating class of 2009 are nearing the end of their baseline year, January 2008. A student’s baseline year is the calendar year prior to the first year of college as a freshman. If there is any way to maximize a family’s financial aid eligibility, it must be done prior to or in the student’s baseline year. Students graduating in 2010 will enter their baseline year in January 2009.

Know Your Deadlines

Many parents wait too long to apply for financial aid. Financial aid is usually issued on a first-come first-served basis starting as early as November of the student’s high school senior year for the CSS Profile and January for the FAFSA. The CSS Profile is administered through the College Board. Many colleges and universities use this profile form as a way to distribute that institution’s funds. Families qualifying and receiving institutional funds or federal and state funds are determined on an annual basis. So, yes, the CSS Profile and FAFSA must be submitted each year.

Focus Your Efforts

This year, nearly \$200 billion is available in the form of financial aid. Many parents spend 98% of their time focusing on less than one percent (0.9%) of the available money. This small percentage represents private and community scholarships. An overlooked area of aid is collegiate resources (including endowments), which make up \$20.4 billion.

Prior to submitting college applications and definitely before making any final decisions, families should truly understand the dynamics of financial aid of each college to which they are applying. ■

See ad on this page.