

PART 1:

GENERAL INFORMATION

Many students do not know that they may be eligible for financial aid to attend a college or career school. Many of the neediest students assume that they cannot afford to go to college to continue their education. Financial aid is available, however, through private, institutional, state, and federal student aid programs.

To help a student find out more about the Student Financial Assistance (SFA) Programs administered by the U.S. Department of Education, a financial aid administrator (FAA) should be sure to give the student a copy of *The Student Guide*, as well as any information offered by the appropriate state's higher education agency. The Department sends order forms for *The Student Guide* to every postsecondary school in the United States in the fall. A student can order an individual copy by mail or by telephone:

Federal Student Aid Information Center
P.O. Box 84
Washington, DC 20044-0084

1-800/4-FED-AID (1-800/433-3243)

The Department has set up an automated Application Ordering System (AOS), through which financial aid offices may order bulk quantities of the *Free Application for Federal Student Aid* (FAFSA), the Spanish version of the FAFSA, and *The Student Guide*. A school can call the AOS Hotline at 1-800/284-2788 at any time and place an order or check the status of an order.

When a school calls the AOS Hotline, the automated voice system will prompt the caller for the school's mailing list number (which is the same as the Title IV School Code). Upon request, the AOS Hotline will provide information on previous orders, including the mailing date.

If a school has a problem with an order or needs to cancel or increase an order, it may contact the AOS customer service line at 1-800/394-7084 Monday through Friday, between 9:00 a.m. and 5:00 p.m. eastern time. Dear Colleague Letter ANN-97-12 (September 1997) provides further information on the AOS.

THE SFA PROGRAMS

The SFA Programs are authorized by the Higher Education Act of 1965, as amended (the law). For 1997-98, the SFA Programs delivered approximately \$42.8 billion in aid to 7.6 million students. Other important sources of aid may also be available to students. A student should check the reference section of the school library or public library for information on these sources. Appendix A of this publication has some helpful references.

The Department administers the following major SFA Programs:

- ❑ Federal Pell Grants
- ❑ Campus-Based Programs
 - Federal Supplemental Educational Opportunity Grants (FSEOGs)
 - Federal Work-Study (FWS)
 - Federal Perkins Loans
- ❑ William D. Ford Federal Direct Loans (Direct Loans)
 - Federal Direct Stafford Loans
 - Federal Direct PLUS Loans
- ❑ Federal Family Education Loans (FFELs)
 - Federal Stafford Loans
 - Federal PLUS Loans

Grants (Pell Grants and FSEOGs) do not have to be repaid; loans (Perkins Loans, Direct Loans, and FFELs) must be repaid. FWS provides students with income from part-time jobs.

Federal Pell Grants are awarded through strict rules set by the Department. If a student is eligible on the basis of these rules, an eligible school pays the student his or her Federal Pell Grant using federal funds.

For the campus-based programs, the Department funds participating schools annually at a specified level. The school then awards these funds to students following federal guidelines. When those funds are spent, no more campus-based aid is available at that school. Therefore, the earlier an eligible student applies, the more likely he or she is to receive campus-based aid.

There are two types of federal student loans: subsidized and unsubsidized. Subsidized loans are awarded to students on the basis of financial need. The federal government covers the borrower's interest during some significant periods, such as when the student is in school, thereby subsidizing these loans. Unsubsidized loans are not need-based; the borrower is charged interest throughout the life of the loan. Subsidized and unsubsidized loans are available to students; PLUS Loans (for parents) are always unsubsidized.

Direct Loans enables eligible students and parents to borrow from the Department instead of a bank or other lending institution. Thus, borrowers work with a single entity, the U.S. Department of Education, through its Servicing Centers. The Direct Loan Program offers a range of flexible repayment options to meet borrowers' varied financial circumstances.

The funds lent under the FFEL Program are provided by banks and other lenders, and are guaranteed by state agencies and reinsured by the federal government.

A student cannot borrow from both the FFEL Program and Direct Loans at the same time. Similarly, a parent cannot borrow from both programs at the same time for the same student. The school a student plans to attend will tell him or her from which program he or she can borrow at that school.

See *The Student Guide* for more information on the Department's major federal student aid programs.

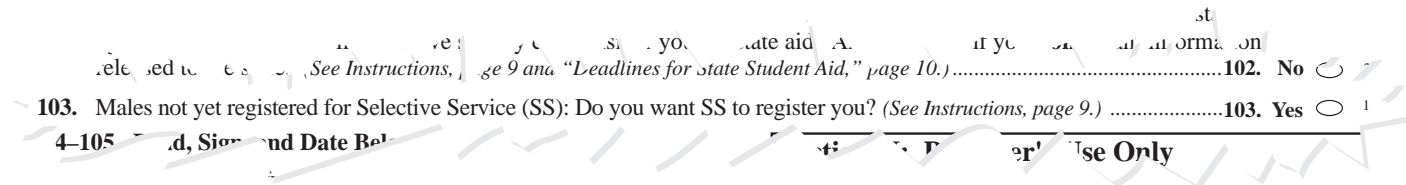
GENERAL ELIGIBILITY REQUIREMENTS

Eligibility for SFA Programs (other than unsubsidized loans) is based on financial need rather than academic achievement. To have his or her financial need determined, a student must complete and file a FAFSA. Additionally, to be eligible for SFA Program funds, a student must

- have a high school diploma or a GED or receive a passing score on an independently administered examination approved by the Department;
- enroll as a regular student in an eligible degree or certificate program;
- be a U.S. citizen or eligible noncitizen;
- have a valid Social Security Number (SSN) (with one exception—see page 33);
- make satisfactory academic progress; and
- sign statements on the FAFSA regarding educational purpose and overpayments and defaults.

A student must enroll at least half time to be eligible for Direct Loans or FFELs.

Students who must register for the Selective Service may use the FAFSA to have the Department send the necessary information to the Selective Service; one of the questions on the FAFSA (number 103 under Section G) asks the applicant if he wants Selective Service to register him.



In some cases, a student will not be able to register using the FAFSA. Generally, however, a male student who is between 18 and 26 and who has not registered previously may use this method. A student should call Selective Service at 1-847/688-6888 if he has questions about registration.

DEMONSTRATING NEED



As we've said, a student must demonstrate financial need to be eligible for most federal student aid. At its simplest level, a student's financial need is the difference between the student's cost of attendance (COA) at the school and the amount the family is expected to contribute toward the student's COA.

The FAA adjusts the COA to accommodate programs of study that have lab fees or higher charges for books and supplies than other programs. Students living off-campus might have higher costs for room and board and transportation expenses than students living on-campus.

The law specifies that a student's COA includes tuition and fees normally assessed a student carrying the same academic workload and an allowance for living expenses, such as room and board, books and supplies, and transportation costs. The law also provides limited allowances for loan fees, dependent-care costs, and expenses for disabled students.



Need analysis determines how much the family reasonably can be expected to contribute toward the student's COA. The Department determines need by collecting information about the family's income and assets and applying a formula to those data. For the SFA Programs, the law specifies a single need analysis formula, which produces the Expected Family Contribution (EFC). The EFC is used to award Federal Pell Grants, campus-based aid, and subsidized loans. The *EFC Formula Book 1998-99* explains the formula in detail.

To have his or her EFC determined, a student must complete and file the FAFSA. Unlike admissions applications, the FAFSA is sent to a federal government processing center that is independent of postsecondary schools. The student's information is entered into the Department's computer system, which then calculates

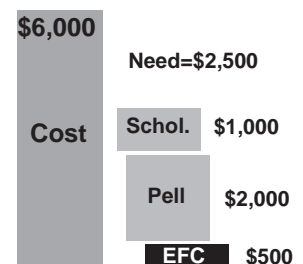
the student's official EFC. The application process for financial aid is described in Part 2 of this handbook, and completion of the FAFSA is discussed in Part 3.

To determine the amount of a student's Federal Pell Grant, the school looks up the COA and the EFC on a payment schedule. The lower the EFC is, the higher the grant award is; a student with an EFC above the maximum eligible EFC is not eligible for a Federal Pell Grant. A student with a zero EFC has the most need and receives the largest possible Federal Pell Grant.

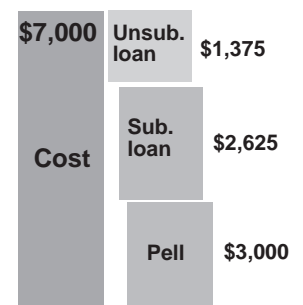
NEED

The Federal Pell Grant Program is presumed to be the first source of aid to the student, so the award process for a Federal Pell Grant does not consider other sources of aid. For the 1998-99 award year (July 1, 1998 to June 30, 1999), the maximum yearly grant is \$3,000, and the maximum eligible EFC is \$2,800. Note that awards do not change above a certain COA. For instance, in 1998-99, the maximum cost that affects the amount of the grant is \$3,000; if a student has a zero EFC, the student's award is \$3,000 whether the student attends a school that has a COA of \$3,000 or a school that has a COA of \$8,000.

When packaging campus-based aid or a subsidized loan, an FAA must consider the EFC along with other aid available to the student. For example, consider a student with an EFC of \$500 and a COA of \$6,000. The student then needs \$5,500 in financial aid ($\$6,000 - \$500 = \$5,500$). However, when the student receives a \$2,000 Federal Pell Grant and a \$1,000 outside scholarship, the student's need is reduced by \$3,000. Therefore, the FAA may award up to \$2,500 in campus-based aid and subsidized Federal Stafford or Direct Subsidized Loan funds ($\$5,500 - \$3,000 = \$2,500$).



When packaging an unsubsidized loan, such as a Direct Unsubsidized Loan, an unsubsidized Stafford Loan, or a PLUS Loan, the FAA doesn't use the EFC figure to determine the student's or parent's eligibility, because these loans are not need based. However, the amount of the loan may not exceed the difference between the student's COA and all other aid the student is receiving, including aid from nonfederal sources. The school must consider the student's eligibility for other aid before determining a loan amount. For example, if an independent student in his or her first year of study has a COA of \$7,000 and is eligible for a maximum Pell Grant (\$3,000) and a maximum subsidized Stafford Loan (\$2,625), the FAA may approve the student for an unsubsidized Stafford Loan of up to \$1,375 ($\$7,000 - \$3,000 - \$2,625 = \$1,375$).



Even though eligibility for unsubsidized loans (such as Federal Direct PLUS or Federal PLUS Loans) is not based on a student's EFC, the student's eligibility for financial aid awarded on the basis of EFC (such as a Federal Pell Grant, Direct Subsidized Loan, and subsidized Federal Stafford Loan) is considered when awarding unsubsidized loans.

Packaging and awarding aid can be complex, especially when the student is receiving work-study or noninstitutional funds. Using all available federal and nonfederal aid, the FAA generally puts together a financial aid package that comes as close as possible to meeting the student's demonstrated need. A school often presents the financial aid package to the student in the form of an award letter; however, an award letter is not a guarantee of financial aid. The student may accept or decline any of the financial aid offered in the award letter. Students often have questions about the financial aid package; these questions are best handled at the school.