

Comparing Financial Award Letters

After you submit your application for financial aid and are accepted to college, you will receive your financial aid eligibility determination from the college(s) to which you applied if you are eligible. This letter spells out the details of your financial aid package. A financial aid package is a collection of different types of financial aid from multiple sources. It is intended to help you fill the gap between your ability to pay (your expected family contribution or EFC) and college costs (the cost of attendance or COA). It is based on your financial need, the difference between the COA and the EFC. Keep the following in mind when making your final decision:

Look carefully at your award letters

Letters from different schools will probably have their figures and costs in different formats. Be sure to identify the costs so you can see how their offers measure up.

Terms

How do the schools determine cost of attendance? Do they include all direct costs (tuition, fees, room and board) as well as indirect costs (transportation and personal expenses)? How do they treat outside scholarships? Are the scholarships renewable? What work-study options are available? What is the hourly wage of work-study and how many hours am I expected to work a week?

Loan offers

Interest rates, how interest compounds and repayment terms vary widely from loan to loan. Also, each college may have different cancellation/deferment provisions.

Front loading of grants

The terms of your aid package may change in subsequent years (e.g., grants might be replaced by loans), making your education more expensive as you go. Compare affordability of aid offers over time.


Pay attention to the real bottom line

The school with the lowest cost of attendance may not be the most affordable. The mix of loans and grants may vary from college to college so the amount and type of aid offered will influence affordability. A good indicator of the real bottom line is the out-of-pocket cost. The out-of-pocket cost is the cost of attendance minus grants and scholarships.

Don't accept an offer just because it has the lowest "unmet need"

You may save more by accepting an offer with a higher unmet need, if the aid package offers more scholarships and grants instead of loans.

Be sure to compare packages by each of the following categories: Cost of Attendance, Expected Family Contribution, Outside Scholarships, Grants, Loans and Employment, such as work-study and part-time employment.



ABC University
125 Main Street
New York, NY 10017

Financial Aid Award Letter

Estimated Direct Charges

Fees	Fall	Spring	Total
Tuition	\$12,000	\$12,000	\$24,000
Student Activity Fee	\$ 150	\$ 150	\$ 300
Unlimited Meal Plan	\$ 2,000	\$ 2,000	\$ 4,000
Residence Hall-Double Occupancy	\$ 1,500	\$ 1,500	\$ 3,000
Estimated Total Cost	\$15,650	\$15,650	\$31,300

ABC College is pleased to offer the following forms of financial assistance. This offer assumes full-time enrollment. The estimated charges do not include health insurance, books and other miscellaneous fees.

Awarded Financial Aid

Award	Fall	Spring	Total
ABC University Scholarship	\$1,000	\$1,000	\$2,000
Pell Grant	\$ 625	\$ 625	\$1,250
Total Direct Loans			\$6,876
• Direct Stafford Loan (Subsidized)	\$1,500	\$1,500	
• Direct Stafford Loan (Unsubsidized)	\$1,938	\$1,938	
Total Financial Aid Package			\$11,926

Sincerely,

Student Financial Services
ABC University

Example



To conduct detailed comparisons of financial award letters, click [here](http://www.finaid.org) or visit <http://www.finaid.org/calculators/awardletter.phtml> to use the calculator.

Private Loan Guide

Many students and their families need additional funding above and beyond what is described in the award letter. One option is private or alternative loans. Use this guide to better understand private loans.

Consider Federal Student Aid First

- **Federal grants**, such as Pell Grants, do not need to be repaid
- **Federal loans**, such as Stafford and PLUS loans, carry fixed interest rates and flexible repayment terms

Basics of Private, Non-Federal Student Loans

- **Help cover the “financing gap”** after all other sources of financial aid and savings have been tapped (“last resort” loan)
- **Generally carry variable interest rates (with no cap)** so expect rates to rise above the starting rate that you are offered.
- **Lenders typically offer wide range of interest rates (e.g. 4% to 10%)** and use an evaluation of the borrower’s credit to determine specific rates.
- **Most lenders allow for repayment to be deferred** until borrower completes program or drops out of school. Interest accrues on the loan during this in-school period.
- **Repayment terms can vary significantly by lender** with some requiring in-school repayment while others allow repayment to be delayed until graduation. Length of repayment can also vary from five to thirty years.
- **Borrower must complete a self-certification form in order for loan to be funded.** This is a new requirement that could lead your loan to be delayed if the form is not completed.

Tips on Shopping For A Private Student Loan

Apply for loans from a variety of lenders (ideally 3-4) within a 30 day period.

Why? [Student Lending Analytics research](#) conducted in May 2010 found that interest rates varied by 6% for both borrowers with good and excellent credit. Fair Isaac, creator of the FICO score, noted recently that [applying for student loans within a 30 day period would not harm a borrower’s credit score.](#)

When comparing private loan alternatives, interest rates are king.

Why? Since private student loans do not have any prepayment penalties, borrowers can choose to pay their loans back sooner than the standard term on their loan. Don’t be fooled by lenders advertising lower loan costs because of a shorter loan term. A borrower should take the loan with the lowest interest rate and pay back their loan as soon as possible to minimize finance charges.

Enlist a creditworthy cosigner (a parent, family friend or relative) to your cause.

Why? Lenders have tightened up their standards with many now requiring a cosigner on 80-90% of their student loans. Having a creditworthy cosigner may also lower the interest rate that you receive on the loan.

Read the fine print.

Why? While disclosure of loan terms has improved due to new Federal Reserve regulations, there is no substitute for reading the promissory note, which describes the terms and conditions on your loan. Keep your eye on fees as well as any events that might trigger an increase in your interest rates.

Don’t fall into the most two most common traps of 1) selecting a lender based on the familiarity of their brand name and 2) only applying to one lender.

Why? [Research conducted by the Federal Reserve](#) found that most borrowers selected a private student loan lender based on their brand name and did not complete any comparison shopping. Just think that extra fifteen minutes to complete another loan application can save you thousands of dollars over the life of your loan.

Managing Your Private Student Loans

Consider making payments or paying the interest on your private student loan while you are still in-school.

Why? While most lenders will allow you to defer paying off your loan until you graduate, making payments while you are in school can not only save you finance charges but also will help you establish a positive credit history. Paying the interest may qualify you for a lower interest rate.

Keep your private student loan borrowing to a minimum.

Why? Taking out a private loan generally means that you have taken out your maximum in federal loans (\$31,000 for dependent undergraduates and \$57,500 for independent undergraduates) and heightens your risk of over-borrowing. One rule of thumb holds that a student’s total borrowings (both federal and private student loans) should not exceed the average starting salary for graduates in your course of study.

Warning: Remember that private student loans are generally not dischargeable in bankruptcy so you will need to pay this loan back.

By: Tim Ranzetta, Founder & President of Student Lending Analytics

Summer Planning Guide

School is almost over and summer break is fast approaching. To get the most out of your summer break, be active and spend your time doing something productive such as working, volunteering or planning for college. These things will not only help you to avoid being a couch potato, but will give you independence, help you acquire new skills and grow personally and professionally. Use this guide to start planning your summer experience.

Network

Start networking now to find a great summer job, specifically one that will help build your skills and credentials. Ask your parents, neighbors or friends for advice on where and how to look for job openings in your area. If you are unsure of what you want to do, visit your high school guidance counselor.

Your counselor will be able to help you identify your strengths, weaknesses, and identify the perfect job that best fits your skills. Your high school's counseling office should also have books and other resources available to assist you in finding summer employment, and perfecting your resume.

Find a job or internship

If possible, find a job that you enjoy and will help you with your long term career aspirations. For example, if your long-term career goal is to teach, look for jobs that will allow you to work with students in some capacity like a student tutor or camp counselor position.

An internship may be tough to come by on short notice, but ask around. You may be able to find an unpaid internship with a local company, community organization or through employers of people you know. Internship experience will look good on a college application, grow your list of references, help you gain confidence, help you discover your strengths and weaknesses, get a preview of what a field is like and could help you land a full-time job. Visit www.fastweb.com and www.monstercollege.com to find full-time, part-time and internship opportunities in your area.

Volunteer

Volunteering is a great way to help your community, enhance your skills, improve your resume, and beef up your college and scholarship applications. You can find opportunities in food banks, homeless shelters, hospitals or anywhere else in your community. For example, organizations like Habitat for Humanity give its volunteers the opportunity to build homes for families in need. When volunteering with Americorps, you can earn an education award to help pay for college costs.

Take a class

Get a head start on college, fulfill some needed requirements, improve on an academic subject where you need help or acquire a new skill. Community colleges or

nearby colleges and universities may have summer learning opportunities available for a relatively low cost.

Plan for College

The summer is a good time to research schools and narrow down your options, especially if you are going into your senior year of high school. Search various college and university websites for general information about schools, admissions requirements and tuition costs. Start a portfolio of schools you are interested in, and list them according to your top choices, by name, or classify them any other way you desire. Keeping a portfolio or notes on each school will help keep you organized and in good shape once it is time to apply.

Visit college campuses: If possible, visit your top choice schools to learn more about their academics, student and campus life, financial aid options and to get a more personalized experience. If your top-choice schools are too far, or you aren't able to visit due to financial constraints, visit schools in your state (even if you are not interested in staying in state) so that you will get a glimpse into the overall collegiate experience. Of course, it is always best to visit when classes are in session to get the good feel of the campus. Also check the college website for a virtual tour or request a meeting with alum in your area.

Improve your test score

Take an ACT or SAT prep course to help you achieve the best possible score on your standardized exams. Many standardized test prep courses charge fees so seek advice from your guidance counselor, do research at your local library, on the Internet or at local colleges to find the best possible and most affordable prep courses.

Broaden your skills

Summer is a great time to engage in activities which will improve your professional skills and help build a strong foundation for future success. Consider joining Toastmasters to improve your public speaking skills, or a professional association which will enable you to network with others in your chosen field or discipline.