

## FINANCIAL AID 2024-2025

### INTRODUCTION

The federal financial aid process has undergone a major makeover. Two pieces of legislation, the FAFSA Simplification Act and the FUTURE Act [Fostering Undergraduate Talent by Unlocking Resources for Education] significantly changed the process and procedures for completing the FAFSA, which is the form required to receive federal financial aid. The new FAFSA is much more compact [there are now only 40-50 questions, rather than 100+ on older versions!], user-friendly and less complicated.

This guide is arranged in the following format:

- Overview of Financial Aid
- Changes to 2024-2025 FAFSA
- Tips on Completing the FAFSA
- Terms, Resources, Comparing Financial Aid Awards

In addition, there is an addendum for Illinois residents about the state MAP Program. [Throughout this guide, major changes to the FAFSA process and procedures will be indicated by ••.]

### OVERVIEW OF FINANCIAL AID

A student's financial need is determined by the following equation:

$$\begin{array}{rcl} & \text{Cost of Attendance} & \\ - & \text{SAI [Student Aid Index]} & \\ - & \text{OFA [Other Financial Assistance]} & \\ = & \text{Financial Need} & \end{array}$$

The Cost of Attendance is the total amount it will cost a family for a student to go to college for an academic year. It takes into consideration tuition and fees, room and board, books, supplies, transportation, childcare, costs associated with a disability, and miscellaneous expenses. The college sets this figure. ••The Student Aid Index is an index determined by formulas established by Congress and the individual college that indicate how much of a family's financial resources should be available to help pay for school.

After all corrections have been made to all financial information each family provides, the financial aid administrator at each college which receives information from the student will create a financial aid package [or award] for each student. Using available resources, the aid administrator gives each student the best possible combination of *gift aid* (scholarship and grant monies which do not have to be repaid) and *self-help* (loans and work study programs) monies to meet the student's aid. These monies may be from federal and state (and, in the case of some public and private schools, campus) sources.

Students are typically given a timeframe in which to respond to each school's offers. Colleges and universities try to mail their award letters in a timely fashion, so that families can consider actual cost of attendance before students have to choose their college.

The best contact person each family has while applying for financial aid is the financial aid officer at each college in which a student is interested. They are the experts; reach out to them for information and support.

## **FEDERAL FINANCIAL AID PROGRAMS**

While the list here does not represent an exhaustive list of all federal financial aid programs, we have highlighted those programs most popular with our families. Students and parents demonstrate eligibility for these programs by completing the FAFSA, the Free Application for Federal Student Aid.

**FEDERAL PELL GRANT:** A federal program, which awards up to \$7,395 for the 2023-2024 award year to families with exceptional need.

**WILLIAM D. FORD FEDERAL DIRECT SUBSIDIZED LOAN:** A need-based, low-interest loan program. There is a fixed interest rate of 5.5% for loans disbursed between July 1, 2023 and June 30, 2024. Interest rates may change for the 2024-2025 year school year.

Maximum annual loan amounts\* are:

Freshmen	\$3,500
Sophomore	\$4,500
Juniors, Seniors (per year)	\$5,500
Subsequent Undergrad Years	\$5,500

\*In addition, students may borrow an additional \$2,000 for each grade level as an unsubsidized loan. [See below for information on these loans.] These limits apply to a combination of both subsidized and unsubsidized Stafford loans. Maximum total debt from Stafford loans for an undergraduate degree is \$31,000 [but only \$23,000 can be in subsidized loans.]

With a subsidized loan, the government pays the interest on the student's behalf while the student is in school and during any authorized deferment periods. Students repay the subsidized William D. Ford Federal Subsidized Loan back over a period of 10 to 25 years on a monthly basis. Students demonstrate eligibility for this program by completing the FAFSA.

**WILLIAM D. FORD FEDERAL DIRECT UNSUBSIDIZED LOAN:** A non-need-based, low-interest loan program. Only available to students who are not eligible for a full subsidized Federal Stafford Loan.

The interest rate as of July 1, 2023 is 5.5% for the life of the loan. Maximum loan amounts are the same as above for dependent students. Interest begins shortly after funds are disbursed but can be added to the principal balance of the loan. Repayment of the balance begins 6 months after the student leaves school or graduates. Students repay the unsubsidized Federal Stafford Loan back over a period of 10 to 25 years on a monthly basis.

Students apply for this program by completing a FAFSA to demonstrate ineligibility for a full subsidized Federal Stafford Loan.

**FEDERAL DIRECT PLUS LOAN for PARENTS:** Loan for parents of dependent undergraduate students, not based on financial need. Parents may borrow up to the cost of attendance at the school minus any financial aid. The amount a parent may borrow is subject to a credit check. These are conventional loans, with repayment beginning within 60 days; parents have

from 10 to 25 years to repay these loans. However, parents may request a deferment of repayment while their student is in college and repayment begins six months after the student leaves college. During that time, interest accrues on the loan.

The current interest rate is fixed at 8.05% for loans disbursed between July 1, 2023 and June 20, 2024. Interest rates may change for the 2024-2025 school year.

Parents must file a FAFSA to determine if the family is eligible for any other aid.

**FEDERAL WORK STUDY:** Students work a set number of hours each week on campus (usually 10 to 20 hours/week) and are paid at least minimum wage. The money is either deducted from a student's bill or is paid directly to the student for miscellaneous expenses.

### **FINANCIAL AID FORMS**

All federal and state aid programs utilize the same federal core methodology to determine a family's eligibility for financial aid. Families need to file a **Free Application for Federal Student Aid (FAFSA)** to determine eligibility. Since public universities have only federal dollars to spend, if your child is planning to attend a public university, you need only file the FAFSA.

The federal core methodology does not factor in home equity, medical deductions, or elementary and secondary tuition paid for students other than the aid applicant. Today's financial aid process is really very much income-driven; assets do not matter as much as your family's annual income.

A number of private schools still consider the value of the above or additional factors when disbursing campus dollars (any monies directly available from the school itself and not funded from the federal or state governments). Therefore, schools may require families to register with the College Scholarship Service, which is the financial aid division of the College Board in order to complete the **CSS PROFILE** form. Not all schools require this form, so please call or email the school's admission or financial aid office! CSS Profile registration forms are available through the College Board web page at <http://www.collegeboard.com>.

Schools may also require families to fill out an **institutional** form (written by the institution) that will provide them with additional information not available on the FAFSA. Please contact the school to secure a form, if necessary.

### **SUBMITTING THE FAFSA**

**[https: Studentaid.gov](https://studentaid.gov)**

**Bookmark this website!** This government site contains all the information you need to understand the federal financial process.

### **•• GET YOUR FSA ID!**

This is the first step in the financial aid process. You cannot complete a FAFSA without this ID. Both students and parents need their own unique FSA ID. Log on to [https: studentaid.gov](https://studentaid.gov) and follow the prompts to create your account. Students and parents need to provide an email address, a unique username and password, Social Security number, name, date of birth, and mailing address. After this information is submitted, filers will be asked to verify their email address using Multi-Factor Authorization to verify their identity and receive their secure code.

- Each person sharing financial information on the FAFSA is considered a contributor and must secure an individual FSA ID.

Your FSA ID is a permanent item; there is no need to re-apply for one every year, so keep this information in a safe place.

## HOW TO COMPLETE THE FAFSA

Documents needed to complete the form(s) are:

- \* Student and Parent Social Security Number (can be found on Social Security card)
- \* Student's W-2 Forms and other records of money earned
- \* 2022 Federal Income Tax Return - for both student and parent(s)
- \* 2022 untaxed income records - Social Security, Temporary Assistance to Needy Families, welfare, or veterans' benefits records
- \* 2022 bank statements
- \* 2022 business and investment mortgage information, business and farm records, stock, bond, and other investment records
- \* Student's alien registration card (if not a U.S. citizen).

The FAFSA uses tax information from the prior-prior year, so information from 2022 federal tax returns will be used to calculate eligibility for financial aid for the Class of 2024.

### ••DDX: Direct Data Exchange

One of the most significant changes to the FAFSA process connects each filer's federal tax information directly to the federal government using DDX. Nearly every contributor to the FAFSA **must** consent and approve to have their federal tax information transferred directly into the FAFSA form via direct data exchange. If anyone refuses to do so, the student **will not be eligible** for any federal financial aid.

To provide greater security, your federal tax information will not populate into your copy of the FAFSA, but colleges will see all the financial information that has been transferred.

There is a more detailed discussion under Parent Information below.

## STUDENT INFORMATION

- Another major change to the FAFSA is that contributors may only see the information they provide. Students cannot see parental information and parents cannot access student information. Once an individual declares what kind of contributor they are [student, parent, stepparent], the information requested pertains only to that individual.

The student section opens with several introductory slides explaining how to complete the form. There is also a lengthy and detailed explanation of the DDX, and the student is asked to consent and approve the transfer of IRS information to their FAFSA. Students must also submit the name and email of at least one parent. FAFSA will then send that person an email with instructions on how to complete their portion of the FAFSA.

Next, students are asked demographic information about their state of residence, gender, race, and parental educational background. In addition, answers from the student "personal

circumstances” section determine whether a student is considered dependent for financial aid purposes. ••This year, students may list up to 20 colleges to receive information from the FAFSA. Last, students will electronically sign their FAFSA form with another reminder that a parent must complete the FAFSA as well.

## ••PARENT INFORMATION

Here are some guidelines to clarify which parent[s] needs to complete the FAFSA. [There is an excellent discussion about this topic on the studentaid.gov website.]

••**Simply put, who completes the FAFSA depends in large measure on parental tax information from 2022.** Here is a breakdown:

--If there are two adults living together and are legally married, then both parents provide FAFSA information.

--If there are two adults living together but **not** legally married, then only the biological parent provides FAFSA information.

--If both biological parents are living together but are not legally married, then both parents must provide information for the FAFSA.

--If parents filed their 2022 tax return jointly, then only one parent needs to complete the FAFSA.

--If parents are married and they file their taxes separately, then both incomes need to be combined on the FAFSA **manually. These filers may not use the DDX** to complete the FAFSA.

--If the legal parent is widowed or was never married, answer the questions about that parent.

--If parents are divorced or separated and don't live together, there is a significant change with the new FAFSA. Financial information about the parent providing the majority of financial support over the last twelve months is required. If that parent is remarried, then income information about the stepparent is also required.

As they begin the FAFSA, parents receive the same introductory information about the FAFSA as the student. They also must consent and approve to have their federal tax data directly exchanged by the IRS via DDX.

Parents also complete information about demographic items, marital status, finances and family size. “Family size” is defined as the number of people claimed by the parent on their tax return,

•• Another major change in the FAFSA calculation has to do with the number of family members attending college in the 2024-2025 year. The new FAFSA does **not** consider this information when calculating family need. If a family will have multiple children in college, they can the financial aid officer to consider this information when determining your eligibility for aid.

## ••FAFSA SUBMISSION SUMMARY

After filing your FAFSA, filers will receive this summary which will list their SAI, or Student Aid Index. Colleges use this index to help determine a family's financial need and is not the actual dollar amount they will be expected to pay for college.

Colleges will respond to your offer by sending the student a financial aid award letter sometime in the spring. This letter will detail each type of financial aid that has been awarded – grant, loan and/or work study – and students will have the ability to accept or decline each type of aid awarded. Students need to sign and return this form in a timely fashion; failure to do so may negatively impact that award!

If, after a family has received an award letter from a college, they wish to appeal the award, the student needs to initiate the appeal process with the financial aid office at that college. Filers

will be required to submit information about any drastic changes in family income, large unanticipated healthcare costs, or other family factors that affect your ability to pay.

### **FINANCIAL AID RESOURCES**

These two websites provide a treasure trove of information about the financial aid process:

<https://studentaid.gov>

This website is devoted to the entire college search and selection process. In addition to providing excellent information about the financial aid process, this site also includes information on how to select a college and even a savings chart to help families of younger children determine future costs of college attendance. Bookmark this site.

<http://www.finaid.org> The Financial Aid Information Page

Sponsored by the National Association of Student Financial Aid Administrators. This page provides links to many services of information about student financial aid. Also included is a “Scholarship Scam Alert”, which is information about scholarship scams and how to avoid them.

### **FINANCIAL AID TERMS TO KNOW**

#### **••CONTRIBUTOR**

Each person whose financial information is required to complete the FAFSA is considered a contributor. The student is the main contributor; at least one parent must also be a contributor.

#### **••FAFSA SUBMISSION SUMMARY [formerly the SAR]**

The FAFSA Submission Summary received from the federal government informs filers of your eligibility financial aid and lists your SAI.

#### **••SAI**

The Student Aid Index is calculated after submission of the FAFSA. Typically, it takes three to five days to receive the SAI. This index is what colleges use to determine your family’s financial strength and eligibility for aid. The SAI is not the dollar amount a family will be expected to pay.

#### **UNUSUAL CIRCUMSTANCES**

The government defines unusual circumstances as “scenarios that prevent a student from supplying parent information and may result in a financial aid office overriding the student’s dependency status.”

#### **SPECIAL CIRCUMSTANCES**

Special circumstances are defined as “financial situations in which a financial aid administrator may determine that professional judgment is warranted.”

#### **PROFESSIONAL JUDGMENT**

Whenever unusual or special circumstances severely impact the determination of financial aid eligibility, financial aid directors may exercise professional judgment to assist families. If family income has been severely compromised, please reach out to the financial aid director at your college to see if they can offer assistance.

**••DDX**

The Direct Data Exchange allows the federal government to access each contributor's IRS tax information. Each contributor must consent and approve to have federal tax information data transferred directly into the FAFSA.

**VERIFICATION**

The process of matching information on financial aid form with other documentation to determine accuracy of information supplied on financial aid form. Because of the DDX, there should be fewer families selected for verification.

Verification is not an IRS tax audit! Breathe...

**NET PRICE CALCULATOR:**

Federal law requires every college to provide an online "Net Price Calculator" [NPC] to help families of prospective first-time students estimate their individual net cost of attending a particular college. These NPCs can be found either on a college's admission or financial aid webpage. The NPC takes into consideration both need and merit aid, so families will be asked to complete a brief questionnaire about their academic and financial histories in order to give a more focused, individualized estimate of total cost.

The purpose of the Net Price Calculator is to provide an online, college-specific estimator, calculating approximately the average grant/scholarship available to a family like yours. Average student loan and work-study eligibility are also provided. Please note that this estimated award is not a promise, a guarantee, or an actual aid offer.

••Because of the significant changes in the FAFSA formula this year, many schools do not have updated NPC information on their website. Colleges plan to have NPC information available in February.

## COMPARING FINANCIAL AID AWARDS

After college and universities receive the FAFSA Submission Summary, a financial aid award will be mailed to the family. Comparing the awards is very important to determine what the “bottom line” will be at each institution. Follow these general tips to compare your award letters:

- Look for the “bottom line” - your “net cost” to attend each institution. Don’t be dazzled by the amount of money a particular college offers - focus on how the awards affect the costs you have to pay. A \$5,000 award may cover your need completely at one school, while a \$10,000 award at another could leave you short.
- Look at the combination of awards in each financial aid package. Your aid offer will probably include a mix of several types and sources of aid - “gift aid” (grants and scholarships that do not have to be repaid) and “self help” (jobs a school offers you so you can earn part of your award and/or loans that must be repaid).
- Finally, look for special conditions or requirements stated in the financial aid package. For example, many institutions require scholarship recipients to maintain a certain grade-point average before their award is renewed. Other institutions may require continued enrollment in an academic program.
- Once you choose a school and have been awarded financial aid, follow the instructions in your award letter. You may be asked to provide more information or select a lender for a student or parent loan. Complete any forms that come with the award letter, sign the letter, and return it by the due date. Be sure to notify other schools that accepted you that you will not attend, so any funds you may have been awarded can be given to students who will attend.
- Don’t forget that, in the end, the best college for your student is the one that fits the best. We caution you not to make cost the only factor that drives your child’s college decision. Just because a particular college will cost you the least doesn’t necessarily mean that it is the best school for your child.

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## INFORMATION FOR ILLINOIS RESIDENTS ONLY

### STATE FINANCIAL AID PROGRAMS

The Illinois Student Assistance Commission (ISAC) administers a host of scholarship and funding programs for Illinois families; we highlight only the Monetary Award Program here. Information on other programs sponsored by the State of Illinois can be found at [www.isac.org](http://www.isac.org).

**IL MONETARY AWARD PROGRAM (MAP) Grant:** A State of Illinois grant program; monies received from MAP do not have to be repaid. Only *tuition* and *mandatory fees* at ISAC-approved Illinois postsecondary institutions are eligible for payment. Maximum award for the current year is \$8,400 for full-time students; minimum awards are \$300. Awards can vary from each institution and can be used for up to 135 earned college credits.

Students apply for this program by completing a FAFSA. For MAP consideration, it is important that students complete the following questions on the FAFSA:

- Student's state of legal residence
- Student's grade level
- Completion of first bachelor's degree (mark "No")
- Working on master's or doctorate degree (mark "No")
- Parent's state of legal residence
- School name (must be an Illinois school) and Federal School Code

**Please note:** This program is deeply impacted by the state's severe financial condition and the program has been suspended in past years. To avoid the state's ongoing financial concerns, we **strongly** urge you to file your FAFSA as early as possible to be considered for a MAP grant in Illinois. Many Illinois colleges typically have a deadline of early to mid-November for Illinois residents to complete the FAFSA, particularly to ensure full consideration for the IL MAP Grant. ••However, due to the changes in the FAFSA formula, the deadline will be much later this year.

**<http://www.isac.org>**

ISAC (Illinois Student Assistance Commission) offers a wide variety of resources regarding financial aid. The site provides information ranging from general financial aid information, how to apply for aid, state and federal aid estimators, loan repayment calculators, and other sources of financial aid.