

FLORIDA COLLEGE ACCESS NETWORK SUMMIT 2018: TOP TEN FINANCIAL AID MYTHS

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Create the Future

FLORIDA
COLLEGE ACCESS NETWORK

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- ▶ Basic Premise: We all know how to do a FAFSA! Then WHAT?
- ▶ We all understand that $COA - EFC = NEED$, but what goes into that?
- ▶ How do I help students navigate the rest of the process?
- ▶ Most college access staff don't have an opportunity for formal financial aid training.
- ▶ Most non-financial aid professionals are discouraged from learning about financial aid.

RATIONALE





MYTH #1:
TO APPLY FOR FINANCIAL AID, ALL I
NEED TO COMPLETE IS THE FAFSA



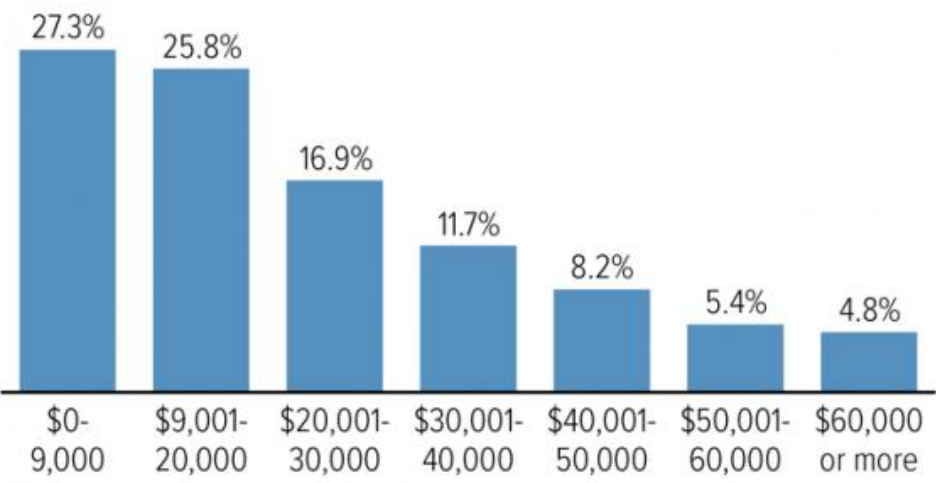
- ▶ CSS Financial Aid Profile
 - ▶ Primarily used by private not-for-profit colleges / universities and scholarship providers for their own funds
- ▶ Florida Financial Aid Application
 - ▶ One-time for graduating high school seniors
- ▶ Individual College Scholarship Application Forms
 - ▶ Each school MAY have its own scholarship or supplemental form
- ▶ Verification Forms
 - ▶ About 30% of applicants selected by Federal Government
 - ▶ Some colleges may select more (up to 100% of applicants)
 - ▶ Requires Federal Tax Return Transcript and Verification Worksheet

ANSWER #1:
FAFSA IS ONE APPLICATION, BUT NOT THE
ONLY APPLICATION!



Pell Grants Provide Well-Targeted Aid

Distribution of Pell recipients by family income, academic year 2015-16



Source: Department of Education, 2015-16 Federal Pell Grant Program Data Book, Table 10A

CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG

TABLE 3

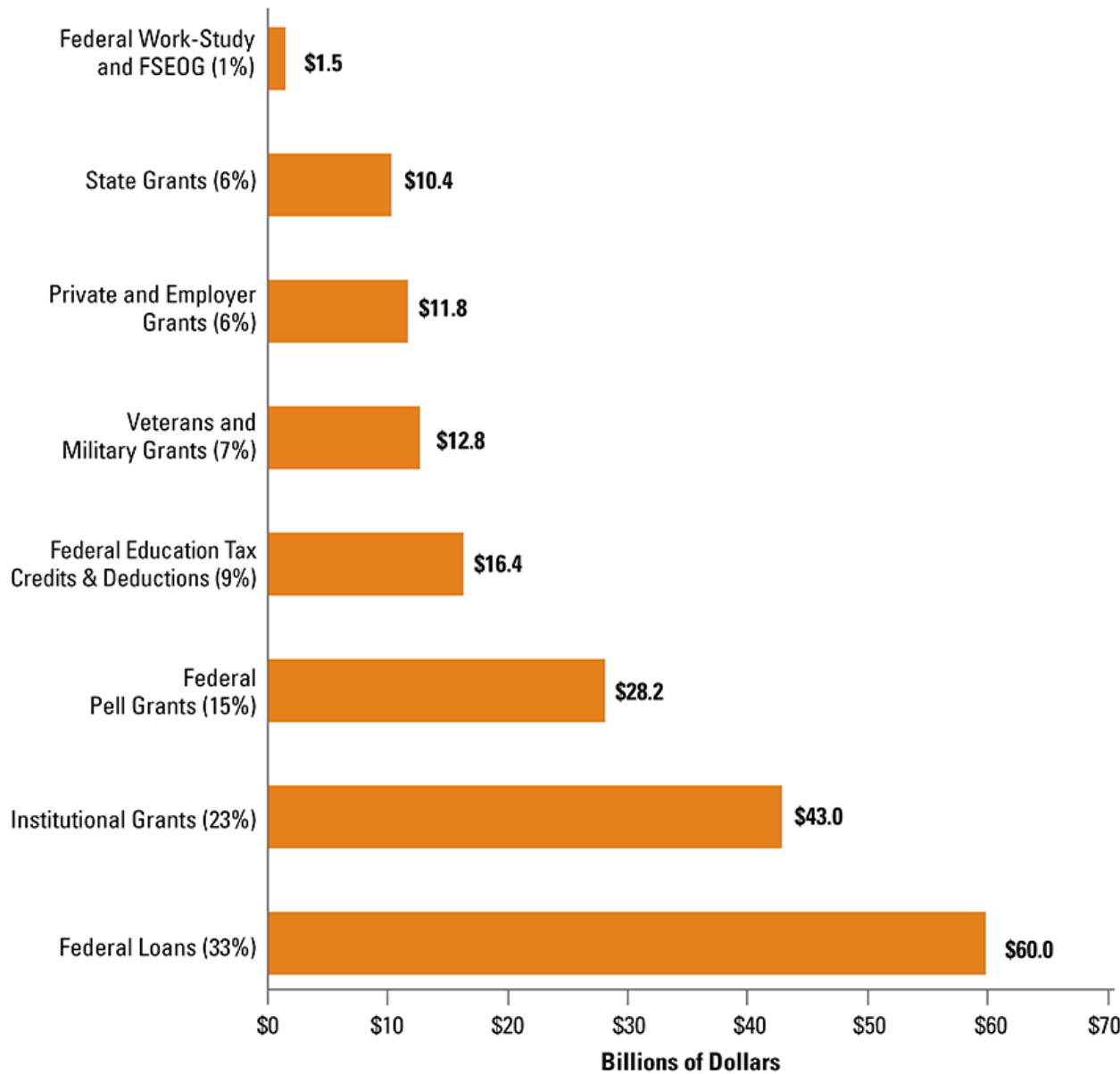
Pell Recipients, Expenditures, and Average Grant By income level, academic year 2015-16

Income	Recipients	Expenditures	Average Pell	Share of Pell
\$0-9,000	2,092,000	\$8,554,928,000	\$4,089	30%
9,001-20,000	1,975,000	7,723,367,000	3,910	27%
20,001-30,000	1,292,000	5,074,722,000	3,928	18%
30,001+	2,300,000	7,205,907,000	3,132	25%
Total	7,660,000	\$28,558,924,000	\$3,728	100%

Source: Department of Education, 2015-2016 Federal Pell Grant Program Data Book, Table 71A

MYTH #2:
IF I DON'T QUALIFY FOR PELL GRANT, IT
ISN'T WORTH APPLYING FOR FINANCIAL AID

Source:
<https://www.cbpp.org/research/federal-budget/pell-grants-a-key-tool-for-expanding-college-access-and-economic-opportunity>



► Source: College Board, Trends in Student Aid 2016 (<http://trends.collegeboard.org>)

ANSWER #2:
LARGEST SOURCE
OF GRANT IS
INSTITUTIONAL AID

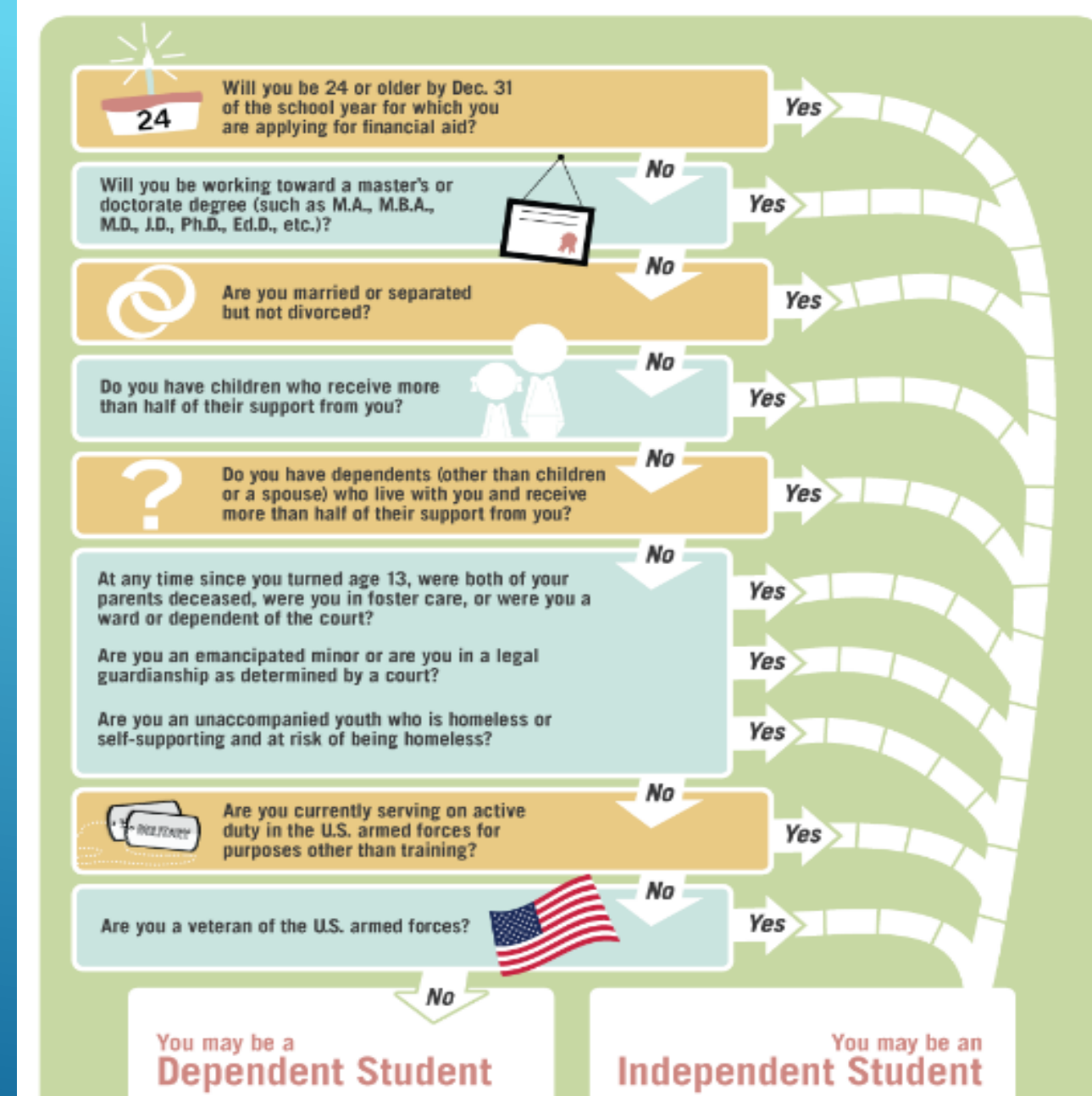


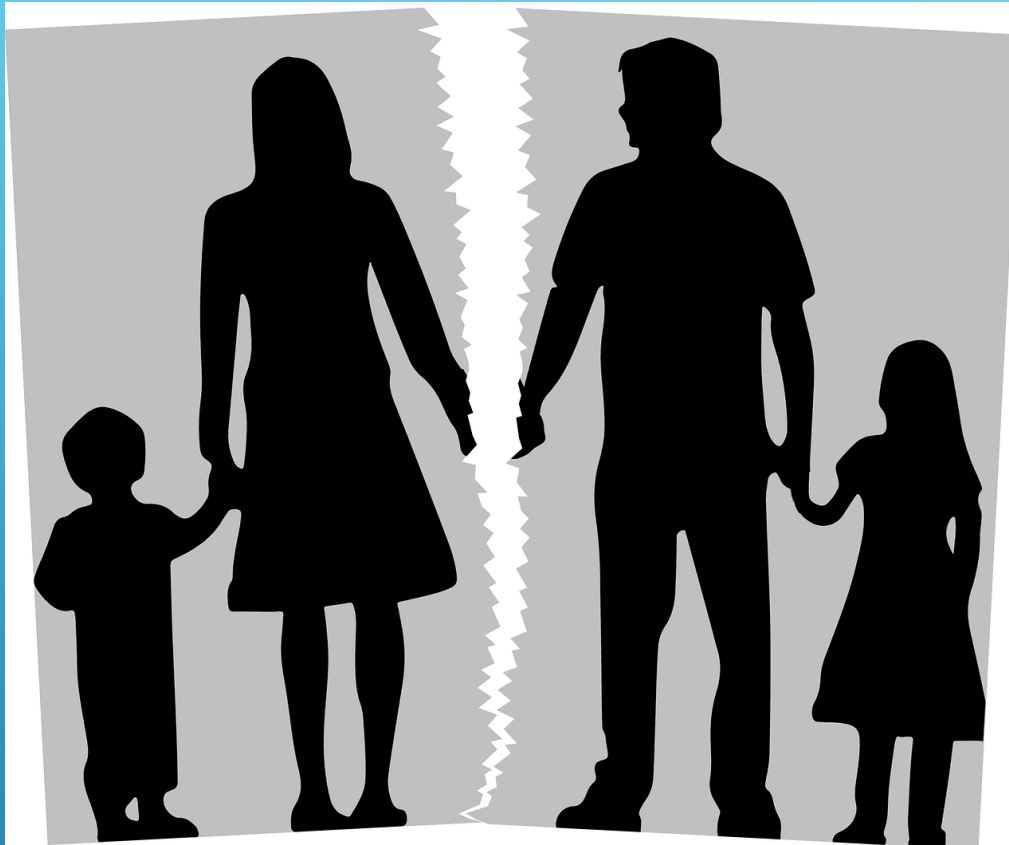
MYTH #3:
MY PARENTS WON'T BE PAYING FOR COLLEGE,
SO I CAN'T APPLY FOR FINANCIAL AID



1. Filling out FAFSA ≠ Paying For College
2. Understand What Makes Up an Independent Student
3. If Situation is Unique → Dependency Override
4. Last option: FAFSA with Student Info only → Unsubsidized loan only

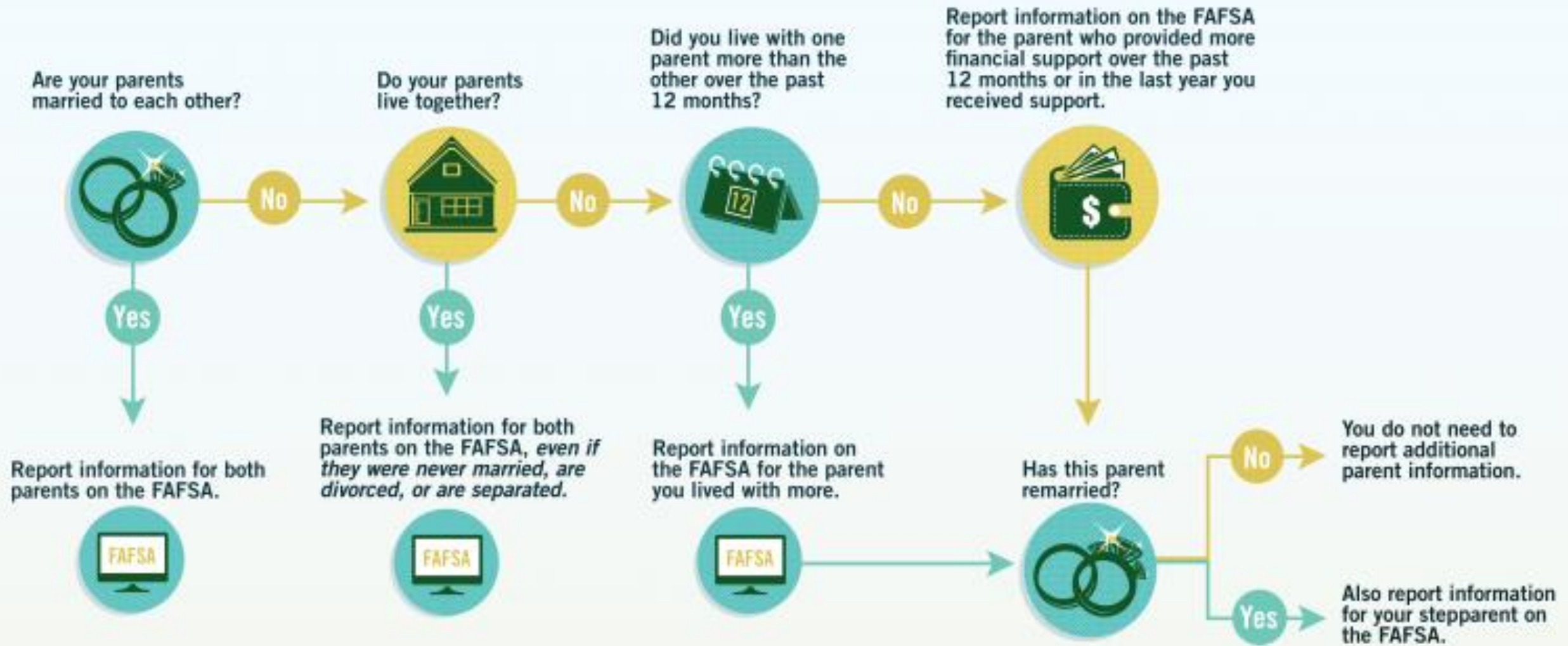
ANSWER #3: INDEPENDENT VS. SELF- SUFFICIENT VS. REFUSING PARENTS





MYTH #4:
IF MY PARENTS ARE DIVORCED, THE ONE
WHO EARNS MORE HAS TO FILE THE FAFSA





ANSWER #4:
IT'S NOT APPARENT WHO IS A PARENT!



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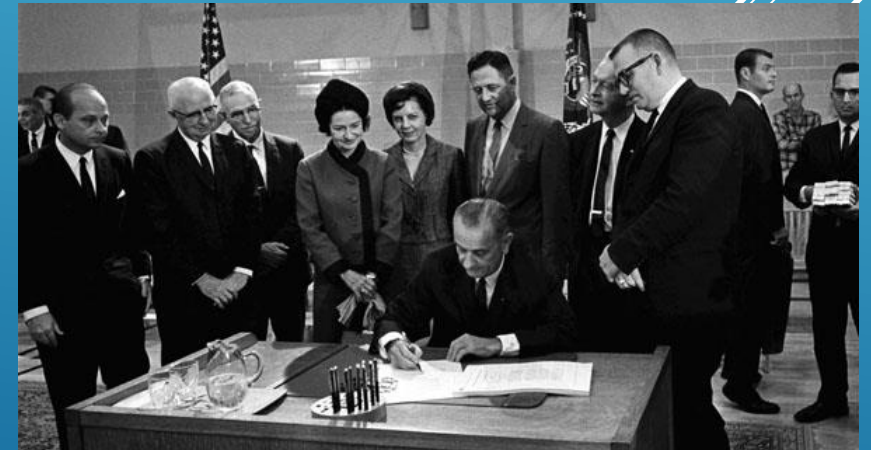


MYTH #5:
IF MY INCOME HAS CHANGED FROM THE
YEAR I FILED MY FAFSA, I AM OUT OF LUCK



- ▶ Authorized by HEA Sec. 479A(a):
 - ▶ “IN GENERAL—Nothing in this part shall be interpreted as limiting the authority of the financial aid administrator, on the basis of adequate documentation, to make adjustments on a case-by-case basis to the cost of attendance or the values of the data items required to calculate the expected student or parent contribution (or both) to allow for treatment of an individual eligible applicant with special circumstances.”

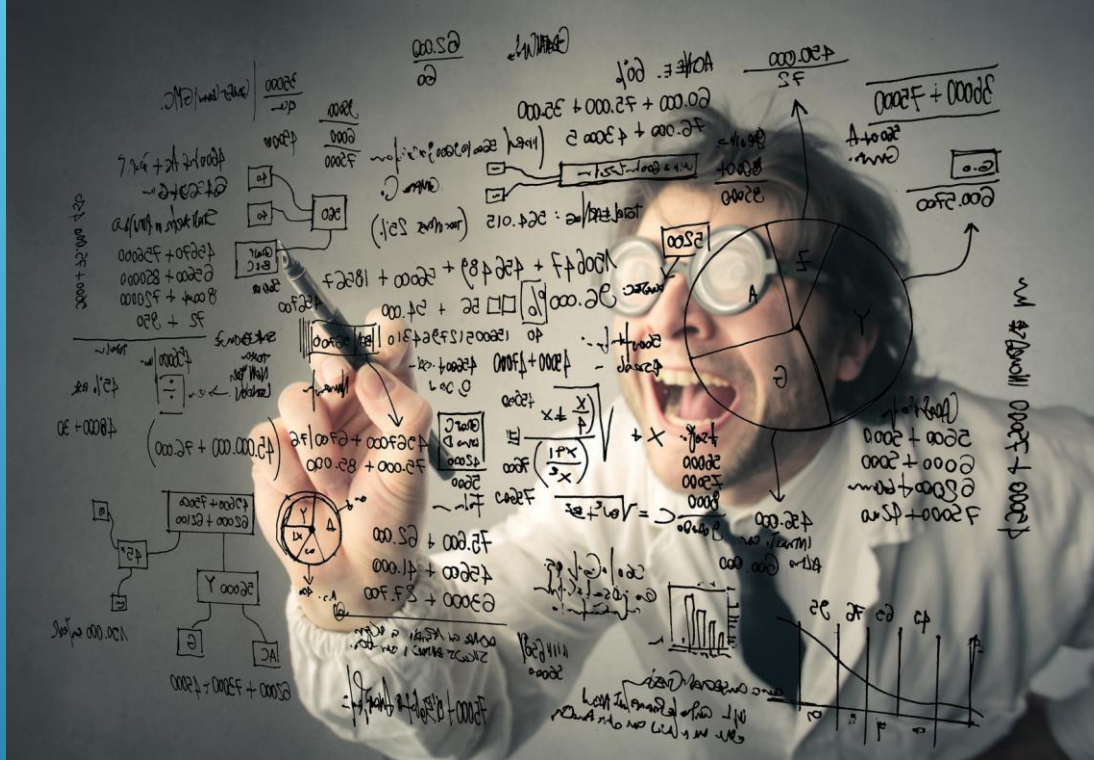
ANSWER #5:
FINANCIAL AID OFFICERS HAVE
PROFESSIONAL JUDGMENT (PJ)



- ▶ Modify Cost of Attendance items
- ▶ Modify values of data elements in the EFC formula
- ▶ Offer a dependent student Unsubsidized Direct Stafford without requiring parent data on the FAFSA
- ▶ Exclude from family income the assets of sale of farm or business assets if such sale results from foreclosure, bankruptcy, or involuntary liquidation
- ▶ Consider the costs that a student incurs based upon his/her disability
- ▶ The ability to override the dependency status of an otherwise dependent student to allow her/him to be considered an independent student
- ▶ The ability to consider appeals for SAP statuses (Suspension and Maximum Hours)
- ▶ The ability to refuse to certify a Direct Loan or to only certify a loan for less than the maximum amount.

INTERMISSION!!!
(THE VARIOUS KINDS OF PJ)

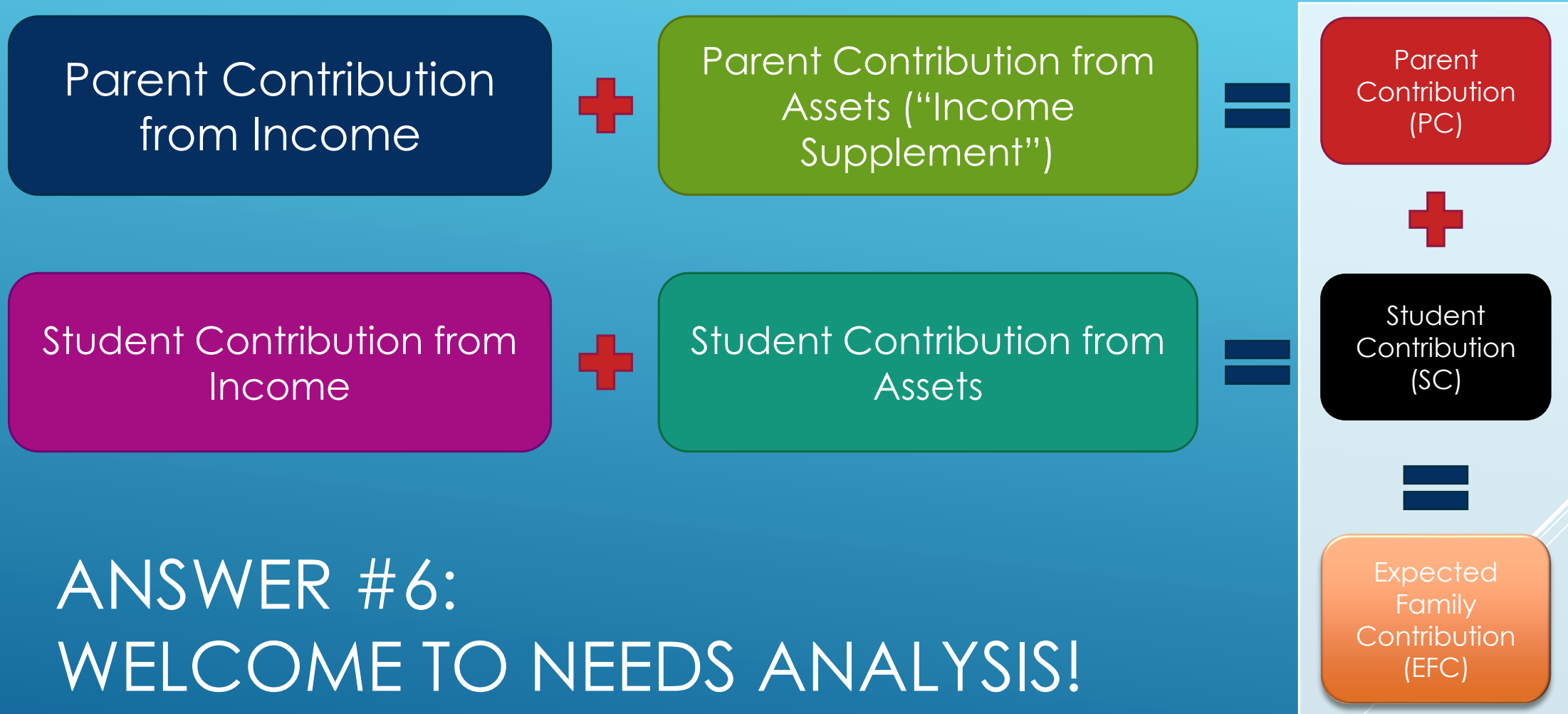


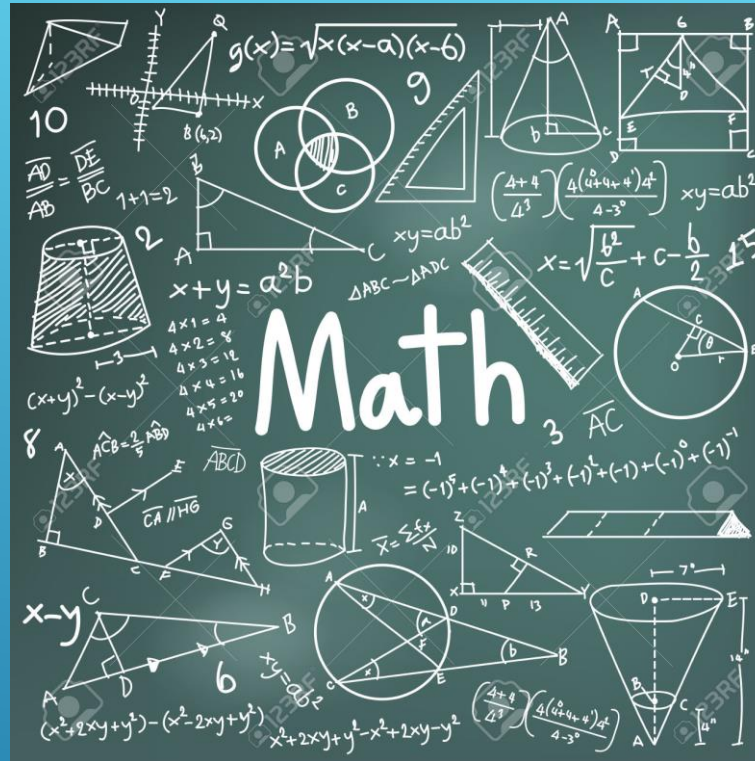


MYTH #6:
ALL OF MY INFORMATION GOES INTO SOME
SECRET FORMULA I CAN'T SEE OR REVIEW



- ▶ Charts, Tables and Formulae available at <https://ifap.ed.gov/fsahandbook/attachments/1819FSAHbkAVGCh3.pdf>





MYTH #7:
ALL EFC FORMULAE ARE CREATED EQUAL



• Federal Methodology

- Hard written into law by Congress
- Tables are based on 1967 BLS data updated since 1967 for inflation
 - Reflects spending patterns in 1967
- Used to determine federal eligibility
- Used to award federal, state and other types of aid

• Institutional Methodology

- Formula is overseen by financial aid professionals
- Tables are based on annual Consumer Expenditure Survey data
 - Reflects current family economic circumstances
- Used in assessment of family's financial strength
- Used to determine the family's need for non-federal funds

ANSWER #7:

THERE ARE TWO MAIN FORMULAE - FM (FEDERAL METHODOLOGY) AND IM (INSTITUTIONAL METHODOLOGY)





MYTH #8:
IN DETERMINING MY EFC, INCOME AND
ASSETS ARE TREATED THE SAME



Parent income remains level, assets increase

	Family A	Family B	Family C
Income	\$60,000	\$60,000	\$60,000
Assets	\$0	\$75,000	\$150,000
EFC	\$3,930	\$5,117	\$8,348
Difference		\$1,187	\$4,418

This example is an estimate only. Based on Federal Methodology (one child in college)

ANSWER #8:
INCOME ALWAYS MAKES MORE OF AN
IMPACT ON EFC

Parent assets remain level, income increases

	Family A	Family B	Family C
Income	\$60,000	\$100,000	\$150,000
Assets	\$50,000	\$50,000	\$50,000
EFC	\$4,260	\$12,832	\$27,147
Difference		\$8,572	\$22,887

This example is an estimate only. Based on Federal Methodology (one child in college)

ANSWER #8 (CONTINUED)

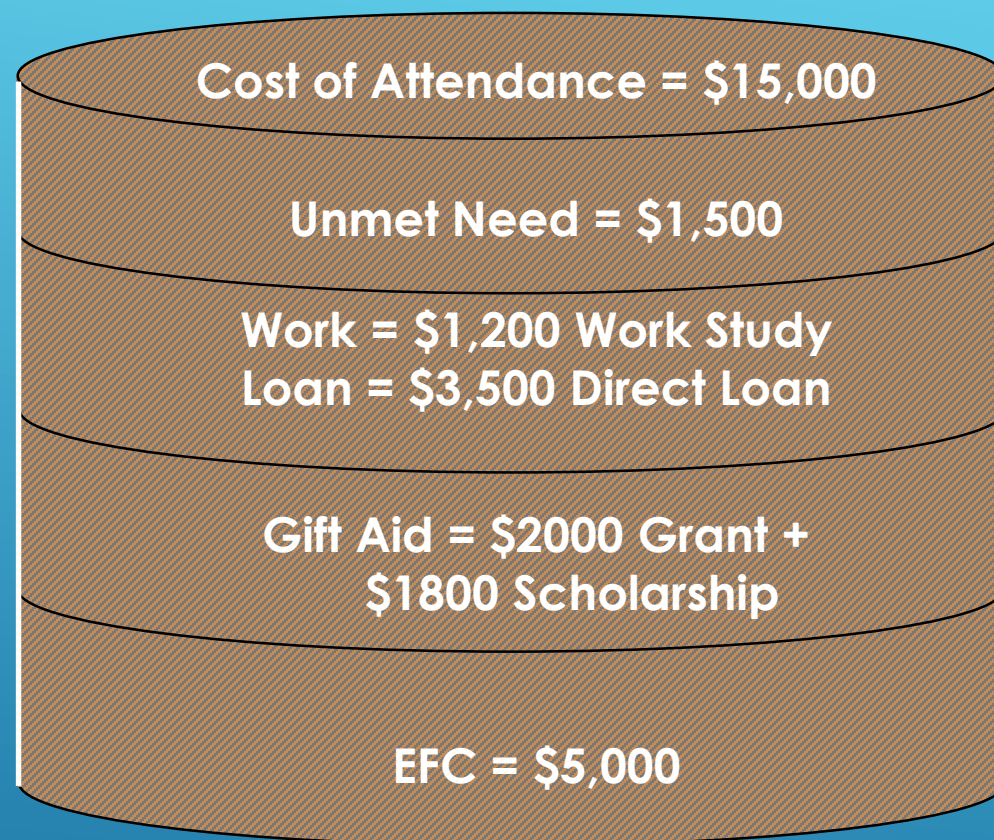


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MYTH #9:
MY FINANCIAL AID AWARD IS ONLY MADE
UP OF PELL GRANT AND LOANS





$$\begin{array}{rclcl} \text{COA} & - & \text{EFC} & = & \text{Need} \\ \$15,000 & - & 5,000 & = & 10,000 \end{array}$$

ANSWER #9:
THE FINANCIAL AID PACKAGE



MYTH #10:
IF I GET AN OUTSIDE SCHOLARSHIP, I CAN PAY LESS FOR COLLEGE
/ IF I HAVE A FLORIDA PREPAID I GET LESS IN AID



- ▶ Florida Prepaid (and 529 plans) are an asset of the owner (no \$ for \$ reduction).
 - ▶ There is a difference in EFC Treatment between parent and student ownership.
- ▶ Outside scholarships are a form of financial aid and (usually) reduce:
 1. unmet need
 2. then self-help
 3. then grants and scholarships
 4. and only then replace the EFC

ANSWER 10:
IT DEPENDS!

FINANCIAL AID

Know how ownership of college savings accounts can affect a student's eligibility for financial aid.

WHY ACCOUNT OWNERSHIP MATTERS

Parent-owned



College savings held in a parent's name have less impact on an application for needs-based financial aid.¹

Student-owned



College savings held in the student's name can negatively affect how much financial aid the student is eligible for.²

¹ The Expected Family Contribution (EFC) is a formula used to measure a family's financial strength and need for student financial aid. The formula assesses parent-owned accounts a rate of 5.64%.

² The EFC formula assesses student-owned accounts a rate of 20%.

³ If owned by a third party such as a grandparent, the account is typically not considered. Beginning Jan. 1, 2018, 529 plan account distributions are tax-free for elementary and secondary (K-12) qualified tuition expenses. That includes public, private and religious schools, up to \$10,000 per student per year. The tax treatment of such withdrawals at the state level, determined by the account owner's state of residence, may vary from state to state. Account owners should consult their tax advisors for further guidance.





(BONUS) MYTH #11:
YOU ARE ALL ALONE IN FIGURING THIS OUT!



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(BONUS) ANSWER #11:
LET THIS BE THE BEGINNING OF
A BEAUTIFUL FRIENDSHIP!





QUESTIONS AND ANSWERS?
ASK A FINANCIAL AID ADMINISTRATOR



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