

## Handout 1 Need Based Aid

### Need-Based Aid

The federal government provides more than \$60 billion per year in grants, loans, and work programs that provide access to college for millions of eligible students. The trick is knowing how to qualify for them. This chapter describes the individual federal student financial aid programs, with a particular focus on need-based assistance available through the U.S. Department of Education, the U.S. Department of Health and Human Services, and the U.S. Department of the Interior. You'll also learn about state, institutional, and private sources of aid. Need-based aid is the major portion of assistance available for higher education. When you don't have sufficient resources to pay for your child's education beyond high school, you are considered to have financial need. Although financial need is the main requirement for need-based aid, you must meet other eligibility criteria as well. To determine if you have sufficient financial resources to meet college costs, financial data is collected and analyzed according to a standard set of calculations. This need assessment, or need analysis as it is generally called, results in an Expected Family Contribution (EFC). The EFC represents the resources, in dollars, that a student and his or her family are expected to contribute toward educational expenses for a given year.

### The Need Equation

For purposes of student financial aid, need is expressed as an equation, using two components:

$$\text{Cost of Attendance (COA)} - \text{Expected Family Contribution (EFC)} = \text{Financial Need}$$

The EFC is calculated through a process known as need analysis. The cost of attendance (COA) is determined by each individual school, so it varies. In general, the cost of attendance at any school includes the following items:

- Tuition and fees
- Room
- Board
- Books and supplies
- Transportation
- Personal expenses

A school may also include the costs associated with borrowing educational loans, study abroad, the purchase of a personal computer, participation in a cooperative education program, and a disability, if applicable.

Schools that participate in the federal student aid programs are required to make certain types of information available to prospective students. You need to carefully examine the published costs to make sure they are realistic and to make sure these costs are reasonable for you given your child's eventual career goals.

The type of school your child chooses (public, private, vocational, trade, or technical; two-year or four-year; graduate/professional, local community college, or distant residential school) can have a significant influence on cost and also on the types and sources of aid available to help finance that cost. While costs may vary from school to school, the EFC usually does not. Generally speaking, financial need increases when the cost of attendance is higher.

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## Programs Administered by the U.S. Department of Education

The majority of federal student assistance programs were initiated or consolidated by the Higher Education Act (HEA) of 1965 and are administered by the U.S. Department of Education. The most common programs are:

- Federal Pell Grant
- Federal Supplemental Educational Opportunity Grant (FSEOG)
- Federal Perkins Loan
- Federal Work-Study (FWS)
- Federal Family Education Loan (FFEL) Program
- Federal Stafford Loan (subsidized and unsubsidized)
- Federal Parent PLUS loans
- Federal PLUS loans (Parent Loan for Undergraduate Students)
- William D. Ford Federal Direct Loan Program
- Federal Direct Subsidized and Direct Unsubsidized Loans

The Federal Pell Grant, FSEOG, Federal Perkins Loan, Federal Work-Study, Federal Subsidized Stafford, and Direct Subsidized Loan Programs are need-based. Simply stated, this means that when determining eligibility for funds from these programs, your Expected Family Contribution (EFC) is considered. Federal Unsubsidized Stafford and Direct Unsubsidized Loans, which are discussed in detail later in this chapter, are sometimes referred to as non-need-based programs since your EFC is not considered when determining eligibility for funds from these programs. The William D. Ford Federal Direct Loan Program, commonly referred to as the Direct Loan Program, is a relative newcomer to the financial aid scene. Depending on which program the school participates in (some schools participate in both), you will borrow from either the Federal Family Education Loan Program or Direct Loan Program for a given period of enrollment but never from both programs at the same time.

## General Information and Eligibility Criteria

In addition to demonstrating need, there are other eligibility criteria that must be met to receive money from these Title IV student assistance programs. Basic eligibility requirements include:

1. The student must be a U.S. citizen or eligible noncitizen.  
U.S. citizen means: citizen of one of the fifty states, the District of Columbia, Puerto Rico, the Virgin Islands, Guam, or the Northern Mariana Islands. An eligible noncitizen includes U.S. nationals; U.S. permanent residents who have an I-151, I-551, or I-551C (Alien Registration Receipt Card); or a person who has an Arrival—Departure Record (I-94) from the BCIS (Bureau of Citizenship and Immigration Services, formerly known as the Immigration and Naturalization Service or INS) with one of the following designations: Refugee, Asylum Granted, Indefinite Parole, Humanitarian Parole, Cuban-Haitian Entrant, or Conditional Entrant (valid only if issued before April 1, 1980).
2. The student must be enrolled or accepted for enrollment in an eligible degree or certificate program, or other program leading to a recognized education credential, at an eligible postsecondary institution.

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*Not all postsecondary schools are approved by the Department of Education to participate in student financial aid programs, either by choice or by exclusion.*

In addition, your child must be admitted to the school for the purpose of obtaining a degree, certificate, or other recognized education credential. Students enrolled in a program leading to teacher certification from a state may also receive Federal Pell Grants, FWS, Federal Perkins Loans, and FFEL or Direct Loans.

3. The student must not be simultaneously enrolled in secondary school.  
This criterion has implications for high school students who are completing all or part of their senior year course work at a local college.
4. The student must have a high school diploma or its recognized equivalent or have the ability to benefit from the course of study.

If your child does not have a high school diploma or its recognized equivalent (usually a graduate equivalency diploma or a state certificate), he or she must demonstrate the ability to benefit from the training or education. This is accomplished by receiving a passing score on an independently administered test approved by the Department of Education.

*If your child excelled academically but did not complete high school and is now seeking to enroll in an educational program leading to at least an associate degree or its equivalent, he or she may, under some circumstances, be eligible for Title IV assistance. The school's formalized, written policy for admitting such students must be met and documentation must be provided to the school to show academic excellence in high school.*

If your child completed secondary education in a homeschool setting, he or she is eligible for Title IV aid as long as the homeschool setting is treated as a home school or private school under state law.

5. The student must provide a valid and verifiable Social Security Number.  
Through the use of a database match, all federal financial aid applicants will have their Social Security Numbers verified by the Social Security Administration as part of the application process. The student's Social Security Number, first and last names, and date of birth are compared with the Social Security Administration's records. Students who fail this match must provide verification of their Social Security Number to the school to receive any federal student aid.  
If your child uses a name that differs from Social Security records, the Social Security Administration must be notified of a name change well in advance of applying for federal student aid to avoid unnecessary delays and confusion.
6. The student must check with the school you plan to attend to determine if a Financial Aid Transcript (FAT) is needed.

Applicants for federal student aid used to be required to provide a paper Financial Aid Transcript (FAT) from each college or university they had previously attended. FATs provided information about financial aid history and were used to monitor certain aspects of eligibility for federal aid. In most cases today, schools are now able to obtain the necessary FAT information electronically from a database maintained by the Department of Education called the National Student Loan Data System (NSLDS). The new school must receive the required financial aid history information; if the school requests a paper FAT, you must comply with this request.

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7. The student must sign a Statement of Educational Purpose stating that all federal funds received will be used solely for educational expenses.  
All recipients of federal financial aid must sign a statement promising to use any funds received from the federal programs to pay for educational costs at the schools they will attend. Be aware that any federal financial aid money received is to be used to pay for tuition and fees, books and supplies, reasonable living and personal expenses, and other expenses incurred as a direct result of pursuing a postsecondary education. This requirement is satisfied simply by completing and signing the federal aid application (FAFSA), which incorporates the Statement of Educational Purpose in the signature section.
8. The student must, if required, be registered with the Selective Service.  
Upon turning 18, all males must register with the Selective Service. This includes U.S. citizens as well as permanent residents and other eligible noncitizens.
9. The student must not have had federal benefits suspended or terminated as a result of a drug offense conviction.  
As a result of the Reauthorization Act of 1998, federal student aid eligibility will be suspended for any individual convicted of violating any federal or state drug possession or sale law.
10. The student must maintain satisfactory academic progress in the program of study.  
Satisfactory academic progress standards vary from school to school. Generally speaking, though, to receive federal aid your child must maintain a minimum grade point average and pass a minimum number of units or clock hours each academic term.
11. The student must not be in default on a previous federal educational loan, owe an overpayment on a previous federal educational grant or loan, nor borrow in excess of federal student loan limits.  
If your child is in default or owes an overpayment, eligibility may be regained by paying the debt or making arrangements for payment that are satisfactory to the holder of the debt.
12. The student must meet additional program-specific criteria.  
The following sections describe in detail the student aid programs administered by the U.S. Department of Education. A summary chart of these programs appears on pages 54–55.