



Financial Aid Award Letters

July 15, 2017

A financial aid award letter lists the financial aid that an institution offers. You will only receive a financial aid award letter from an institution if you:

- a) have been accepted for admissions to that institution and
- b) you listed the institution on their Free Application for Federal Student Aid (FAFSA).

New students to an institution, accepted for a fall enrollment, usually receive their award letters in mid-March/early-April.

Many institutions have their own web-based portal system that affords students easy access to their financial aid award letters, grades and bills. Institutions may send paper award letters to incoming freshman or transfer students. However, returning students may not receive a paper financial aid award letter and have to remember to check their web-based accounts.

Students who receive any outside scholarships are required to report them to the institution's Financial Aid Office so they can be added to their financial aid award letter. Outside scholarships are any monies the student has applied for "outside" of federal, state or institutional funds. For example, scholarships listed on LEAF's Scholarship Database are considered outside scholarships. ***Institutions may reduce the amount of institutional funds based on the amount of outside scholarships received.*** Students should contact the financial aid office to learn its policy on outside scholarships.

Institutions print the cost of attendance on the financial aid award letter, which is usually broken down into direct costs (tuition, fees, room and board) and indirect costs (books, travel and other miscellaneous expenses). Since students are only billed for their direct costs, it is advisable to look at how much of the direct costs the student's financial assistance will cover before including the indirect costs.

When comparing award letters from different institutions, students and parents/guardians should consider:

- how much free money is being offered (scholarships and grants)
- if there is a balance that needs to be funded after subtracting scholarships and grants from the direct costs
- the funding options available for the balance not covered by scholarships and grants

Institutions do not have to follow a standardized financial aid award letter format. This makes it difficult to compare financial aid award letters from different colleges. Often the upcoming year's direct costs have not been determined by the colleges' board of directors. That means the direct costs listed on the financial aid award letter may be estimated. Typically, the new costs are not set until early July.

Most parents and students are not prepared for the balance that remains after subtracting free money offered from the college's direct costs. They also are not prepared for the possibility that the student cannot borrow enough in federal student loans to pay the remaining balance. Many parents refer back to the Expected Family Contribution (EFC) thinking that the number represents all they have to contribute to the student's college education. The EFC is the number the government thinks the family should be able to contribute toward the student's college education; however, the student may not be eligible for enough financial assistance to attend his/her first choice school.

It is imperative that students understand the future impact of taking on a lot of debt to go to their dream institution versus taking on less debt and going to an institution that may not be their first choice. Student loan debt can help build credit, but borrowing too much may jeopardize their financial future.

Students should look at how much they will be borrowing over four or five years and estimate their loan payments after graduation. Their guidance counselor or a career counselor at the college will help them determine how much they will be making in their chosen career after graduation. The reality is that with large loan debt, many new graduates may have to find ways to reduce their living expenses, like moving back in with their parents, in order to meet large monthly loan payments.