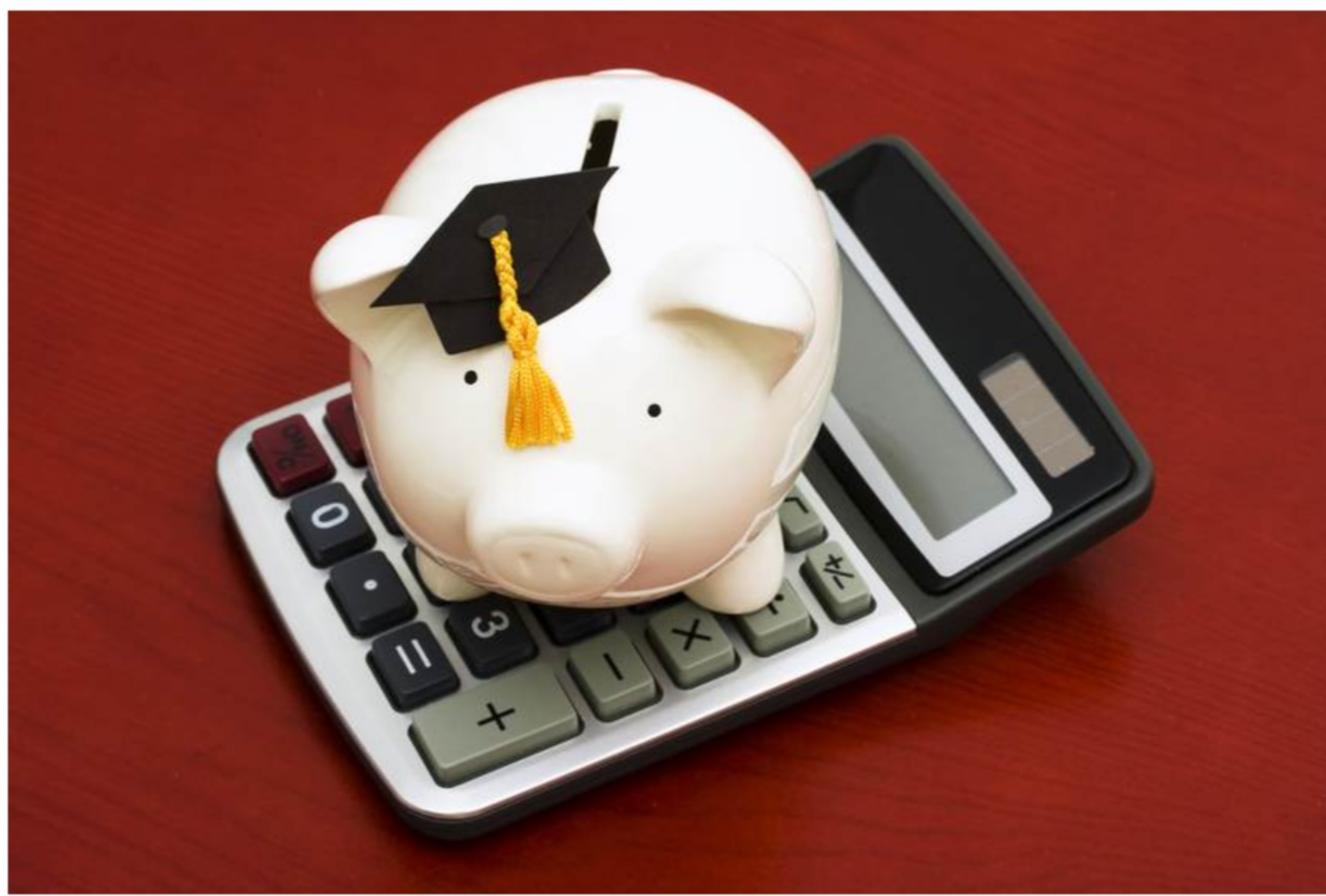


What Your College Financial Aid Letter Isn't Telling You

What you don't know can hurt your bank account

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Money
(February 4, 2016)



(Photo: karen roach/Shutterstock)

College applications are done, and if things went well, you and your child are high-fiving as acceptance letters come in. But for many families, the hard conversations start when the official financial award letters arrive, typically in late March or early April. A college's lean **financial aid package** can be a deal breaker.

Unfortunately, these letters may obscure key information, so it's important to read them carefully. Here are three key pieces of information to look for.

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1. Total cost. A good financial aid letter includes **cost of attendance** (COA) — that's the entire cost for one year — and clearly lists all fees: tuition, room/board, textbooks, transportation and personal costs. But nearly one-third of financial aid letters fail to include the COA according to David Levy, editor of **Edvisors**, an online resource for families planning for college. They sometimes omit room/board fees and may not include the "indirect costs" of textbooks, personal expenses and transportation, says Levy.

2. A list of grants and loan. Some letters mix grants and **student loans**, leaving families confused about what is gift aid and what will need to be paid back. Sometimes loans aren't clearly marked as loans, making the college look more affordable than it is, Levy says. Also, the letters almost never include information about loan terms.

3. A "net price." The net cost is the COA minus all aid offered. Sometimes, letters will present a net cost figure that looks appealing but may be misleading. Look closer and you may realize most of the aid is loans, Edvisors says.

Instead, compare each college's "net price," which is the COA minus grants and scholarships only. The resulting number reflects the true cost for your family, Edvisors says.

For example, if a private college's COA is \$60,000, and it offers \$32,000 in need-based aid and scholarship, your family needs to come up with \$28,000 from savings, income and loans. If you know your "**expected family contribution**," (EFC) you'll know if the award is realistic for your family. If your EFC is \$18,000, this college isn't meeting your full demonstrated need (most colleges won't). Financial aid letters rarely include your EFC, but you should know it to understand what you can afford, Levy says.

To sort out confusing letters, use the federal government's **Financial Aid Shopping Sheet** template to identify the net price for each college and compare apples to apples. **College Abacus**, a website for families to compare costs before applying, can also help sort out financial aid awards after acceptance for most colleges.

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Don't get excited just yet

Even if an institution's costs look manageable, be sure to ask questions before your student gets too attached. Here's why.

Approximately half of all colleges "front-load" their grants and scholarships to freshman, Levy says. That means colleges give a larger gift award the first year and less in subsequent years. Ask the financial aid office if your student will receive the same package after freshman year (if family status and finances remain the same). Also, ask if a certain grade point average must be maintained, Levy recommends.

Analyze the college's fees over a period of years and find out if grants increase when fees go up. The **National Center for Education Statistics College Navigator** offers all kinds of data on colleges and lets you compare several years of your favorite colleges' tuition hikes.

Lastly, ask how outside scholarships affect financial aid. Many colleges reduce aid by the amount of the scholarship because of federal rules that require it, but colleges have different **outside scholarship policies**, according to Edvisors.

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