

# *Need-Based Financial Aid The University of North Carolina*

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## *Need-Based Programs: Basic Concepts (1)*

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- **Three ways to pay for college:**
  - **Saving in advance,**
  - **Paying from current income, and**
  - **Borrowing**
- **Family is responsible for costs to the extent of its ability to pay college costs**
- **Families that do not save almost always have to borrow more than families that do save**



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## ***Need-Based Programs: Basic Concepts (2)***

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**Need-based aid is designed to provide:**

- access to college
- choice of college

■ **Annual determination of eligibility is required**

■ **Need-based aid serves as a *means-tested tuition system***

- can work perfectly as such **IF** sufficient funds are available to meet the needs of all students



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## ***Need-Based Financial Aid Programs***

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• **Federal Programs:**

- *Pell Grant*
- **Academic Competitiveness Grant**
- **Smart Grant**
- *Stafford Loans*
- **Campus-based programs (Work-Study, Perkins Loans, Supplemental Grants)**

• **State Programs:**

- *UNC Need-Based Grant*
- *Education Lottery Scholarship*
- *EARN Scholarship*
- **NC Student Incentive Grant**
- **Campus-based programs**

• **Institutional and Outside Programs:**

- **Endowment scholarships**
- **Funded scholarships**



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## ***How is “Need” determined?***

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- Need is the difference between the cost of attendance and what the family can contribute toward that cost.
- Calculate the Expected Family Contribution (EFC) – amount of money we can expect the family to provide toward the cost of attendance.
- EFC is composed of:
  - Parents’ contribution
  - Student’s contribution
- EFC is calculated differently based on federal or state assumptions:
  - Federal – more stringent, thus EFC will be higher
  - UNC – more generous, thus EFC will be lower



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## ***Basic Formula of Need-Based Financial Aid***

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### **Cost of Attendance (COA)**

– **Expected Family Contribution (EFC)**

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– **Eligibility for Need-Based Funds  
 (“Demonstrated Need”)**



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## ***Step 1: Apply for Financial Aid***

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- Free Application for Federal Student Aid (FAFSA) - required for all federal and state aid.
- NC residents who file the FAFSA and list at least one UNC campus are automatically considered for all state aid programs.



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## ***Step 2: Determine the Need***

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- Determining the student's need which depends on two factors:
  - Cost of Attendance (COA)
  - Expected Family Contribution (EFC)
    - Parents' contribution
    - Student's contribution



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### ***Cost of Attendance varies by Campus***

#### **UNC- Asheville**

<b>Tuition and fees</b>	<b>\$ 4,176</b>
<b>+ Room and Board</b>	<b>6,000</b>
<b>+ Books and supplies</b>	<b>850</b>
<b>+ Transportation</b>	<b>1,500</b>
<b>+ Personal expenses</b>	<b>1,400</b>
=====	=====
<b>= Cost of Attendance</b>	<b>\$ 13,926</b>



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### ***Expected Family Contribution*** **(federal method)**

**Parents' Contribution**

**+**

**Student's Contribution**

**= Expected Family Contribution (EFC)**



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## ***Determination of Parents' Contribution*** (federal method)

	<b>Jones</b>	<b>Adams</b>	<b>Smith</b>
Parents' Total Income	37,000	51,000	75,000
- Federal Tax Paid	200	1,889	3,416
- State Tax Paid	1,850	2,559	3,750
- Social Security Withholding	2,831	3,986	5,490
- Income Protection Allowance*	23,070	23,070	23,070
- Employment allowance**	3,200	3,200	3,200
- <u>Child Support <i>paid by parents</i></u>	0	0	0
= Available Parent Income	5,849	16,296	36,069

\* Allowance to provide for basic needs of a family of 4

\*\* Allowance for single-parent families or families with more than one working parent



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## ***Calculating the Parent*** ***Expected Family Contribution (EFC)*** (federal method)

	<b>Jones</b>	<b>Adams</b>	<b>Smith</b>
■ Available Parent Income	5,849	16,296	36,069
• multiplied by			
■ Federal assessment index*	x 22%	x 22.5%	x 32%
• equals =			
■ Parent EFC	1,287	3,585	11,599

\* The assessment index ranges from 22% to 47% depending on parents' income.



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### ***Calculating Student's Contribution*** (federal method)

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Dependent Student's total income		\$ 4,500
- Federal Tax Paid	-	0
- State Tax Paid	-	180
- Soc Security Withholding	-	344
- Income Protection Allow	-	3,000
=====		=====
- Student's Available Income		\$ 976



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### ***Calculating the Student EFC*** (federal method)

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■ Student available income		\$ 976
multiplied by		
■ Adjustment*	x	50%
equals =		
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■ Student EFC		\$ 488

\* 50% of the students available income is expected to be used for college expenses. In addition, the student's assets are considered, separately from parents, and are assessed at 20%.



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### ***Calculating the Total EFC*** (federal method)

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	Jones	Adams	Smith
■ Parent EFC	1,287	3,585	11,599
• plus			
■ Student EFC	488	488	488
• equals =			
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■ Total Family EFC	1,775	4,073	12,087



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### ***Effect of Federal EFC***

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	Jones	Adams	Smith
UNCA Cost of Attendance	13,926	13,926	13,926
Federal EFC	1,775	4,073	12,087
Pell Grant	3,060	400	0
UNC Need-based grant			
Student loans	Before completing any additional grants or loans, must first calculate EFC using UNC method		
UNCA campus scholarship			
Campus job			
Education lottery scholarship			
EARN scholarship			



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## ***UNC Need-Based Grant Program*** (UNC method)

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### ■ **UNC Formula:**

**Cost of Attendance (COA)**

- **UNC Expected Family Contribution (EFC)**
- **Federal Pell Grant**
- **Self Help Expectation of \$4,500**
- **Average Federal Education Tax Credit of \$950**

**= UNC Need-Based Grant Award**



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## ***Expected Family Contribution (EFC)*** ***for UNC Need-Based Grant***

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- ### ■ **UNC methodology is more generous than the federal formula:**
- More realistic measure of family's ability to pay
  - Dependent student income is not a factor
  - Student and Parent assets are combined and protected up to \$100,000
  - **Result:** Assists more students and middle class families, including those who have saved to pay for college, but still need assistance.



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### ***Comparison of Parent Contribution: Jones family – Federal vs. UNC***

	<u>Federal method</u>	<u>UNC method</u>
Parents' Total Income	37,000	37,000
- Federal Tax Paid	200	200
- State Tax Paid	1,850	3,515
- Social Security Withholding	2,831	2,831
- Income Protection Allowance	23,070	26,090
- Employment allowance	3,200	3,970
- Child Support <i>paid by parents</i>	0	0
<b>= Available Parent Income</b>	<b>5,849</b>	<b>395</b>
<b>Parent EFC = Available Parent Inc x 22%</b>	<b>1,287</b>	<b>87</b>



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### ***Comparison of Parent Contribution: Adams family – Federal vs. UNC***

	<u>Federal method</u>	<u>UNC method</u>
Parents' Total Income	51,000	51,000
- Federal Tax Paid	1,889	1,889
- State Tax Paid	2,559	5,018
- Social Security Withholding	3,986	3,986
- Income Protection Allowance	23,070	26,090
- Employment allowance	3,200	3,970
- Child Support <i>paid by parents</i>	0	0
<b>= Available Parent Income</b>	<b>16,296</b>	<b>10,047</b>
<b>Parent EFC = Available Parent Inc x 22.5%</b>	<b>3,585</b>	<b>2,210</b>



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## ***Comparison of Parent Contribution: Smith family – Federal vs. UNC***

	<u>Federal method</u>	<u>UNC method</u>
Parents' Total Income	75,000	75,000
- Federal Tax Paid	3,416	3,416
- State Tax Paid	3,750	7,124
- Social Security Withholding	5,490	5,490
- Income Protection Allowance	23,070	26,090
- Employment allowance	3,200	3,970
- Child Support <i>paid by parents</i>	0	0
<b>= Available Parent Income</b>	<b>36,069</b>	<b>28,910</b>
<b>Parent EFC = Available Parent Inc x 32%</b>	<b>11,599</b>	<b>9,251</b>



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## ***UNC Need-Based Grant Program (UNC method)***

<b>■ UNC Formula:</b>	<b>Jones</b>	<b>Adams</b>	<b>Smith</b>
Cost of Attendance (COA)	13,926	13,926	13,926
- UNC Expected Family Contribution (EFC)	87	2,210	9,251
- Federal Pell Grant	3,060	400	0
- Self Help Expectation of \$4,500	4,500	4,500	4,500
- <u>Avg. Federal Education Tax Credit of \$950</u>	<u>950</u>	<u>950</u>	<u>950</u>
<b>= Remaining need</b>	<b>5,329</b>	<b>5,866</b>	<b>0</b>
<b>UNC Need-Based Grant Award</b>	<b>3,400*</b>	<b>3,400*</b>	<b>0*</b>

\* The maximum award for the UNC Need-based Grant is \$3,400. After reducing the Cost of Attendance by the EFC, Pell Grant, Self-help, and tax credit, both Jones and Adams show need in excess of \$3,400 and receive the maximum award. Smith's need is less than \$0 after taking these factors into consideration and therefore does not receive the UNC Need-based Grant award.



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## ***Combined Effect of Federal and UNC Need-Based Grant***

	Jones	Adams	Smith
UNCA Cost of Attendance	13,926	13,926	13,926
Federal EFC	1,775	4,073	12,087
Pell Grant	3,060	400	0
UNC Need-based grant	3,400	3,400	0
Student loans	4,000	2,450	1,839
Campus job	1,500	1,500	0
UNCA Campus scholarship	191	0	0
Education lottery scholarship	<b>New programs for 2007 and 2008</b>		
EARN scholarship			



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## ***Introducing New Grant Programs***

- **Education Lottery Scholarship**
  - **First funds to students beginning Fall 2007**
  
- **Education Access Rewards North Carolina (EARN)**
  - **First funds to students beginning Fall 2008**



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## ***NC Education Lottery Scholarship***

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- Approximately \$40 million in 2007-08
  - Supplement, not supplant other funds
  - Target group not identical to UNC Need-Based Grant
  - Students whose federal family contribution \$5,000 or less
  - Works with the Pell Grant to ensure total grant aid is a minimum of \$2,500 for identified students
  - Supplements other aid – formulas work independently and each program is a building block of assistance in a financial aid package for a student



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## ***EARN Scholarship***

*“Education Access Rewards North Carolina”*

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- **\$4,000 in each of first two years – grants from the state to replace loan in the student’s aid package:**
  - Family income must not exceed 200% of federal poverty level
  - Students who earn Associate degrees while still in high school could get a Bachelor’s degree debt free
  - Dependent North Carolina students
  - Includes those dependent upon court (foster youth) as well as those dependent upon parents
  - Must enroll in college within 7 months of graduation or GED
  - \$100 million for 2008-2009



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## ***Combined Effect of Federal and UNC Need-based Grant***

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UNCA Cost of Attendance	13,926	13,926	13,926
Federal EFC	1,775	4,073	12,087
Pell Grant	3,060	400	0
UNC Need-based grant	3,400	3,400	0
Student loans	<u>4,000</u>	2,450	1,839
Campus job	1,500	1,500	0
UNCA Campus scholarship	191	0	0
Education lottery scholarship	0	2,100	0
<u>EARN scholarship</u>	<u>4,000</u>	<u>0*</u>	<u>0*</u>
<b>Total Aid</b>	<b>12,151</b>	<b>9,850</b>	<b>1,839</b>

•Adams and Smith do not qualify for the EARN scholarship because the family income exceeds the 200% poverty level requirement.



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## ***Who Can Get Grants – Why?***

- Federal grants are targeted to the neediest students.
- State and institutional funds assist low and moderate income families.
- Students from higher incomes receive fewer grants since their financial need is lower and can be met with minimal amount of borrowing....and it means more grant money is available for the needier students.



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## ***UNC Need-Based Grant Funding Since Inception***

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<b><u>Year</u></b>	<b><u>Recipients</u></b>	<b><u>Dollars</u></b>
2000-01	9,448	\$ 6.0 million
2001-02	17,046	14.8 million
2002-03	14,406	19.1 million
2003-04	26,630	28.8 million
2004-05	31,905	47.5 million
2005-06	34,364	58.7 million
2006-07	40,227	77.3 million
2007-08 est.	50,000	117.0 million



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## ***Evaluation of Affordability***



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## *Affordability at UNC*

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### **Four Metrics for Future Studies**

- 1. Remaining need after grants/ scholarships.**
- 2. Tuition and fees paid by students, net of grants and scholarships, by income ranges.**
- 3. Net total price after grants/scholarships as percent of family income, by income ranges.**
- 4. Cumulative indebtedness at graduation (four or five years), by income range in final year of student enrollment.**



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## *Remaining Need After Grants And Scholarships*

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### **■ Calculation**

- UNC Cost of Attendance (COA) = actual tuition and fees plus system average for other costs to determine each campus**
- Actual federal Expected Family Contribution ( EFC)**

### **■ Then, calculate based on unmet portion of need after grant and scholarship aid:**

**UNC COA – Fed EFC – Grants/Scholarships**



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## ***Remaining Need After Grants And Scholarships (Cont'd)***

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- **By focusing on need after grants and scholarships:**
  - **The analysis of how much unmet need exists is not affected by student choice in two ways:**
    - student is eligible for loans, but chooses not to borrow
    - student could work but chooses not to work
  - **We can evaluate whether the remaining need could reasonably be met through work or loan or combination - which is related to the self-help expectation of \$4,500 in the UNC Need Based Grant determination.**



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## ***Questions***



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