

A Primer on Financial Aid

Real People, Real Stories

UNC Board of Governors
November 10, 2011



The University of North Carolina General Administration

Today's Agenda

- What is financial aid?
- Cost of attendance (COA)
- Expected Family Contribution (EFC)
- What is financial need?
- Categories, types, & sources of financial aid
- Financial aid packaging – campus perspectives
- Federal financial aid in 2012 & beyond



What is Financial Aid?

Financial aid = funds provided to students and families to help pay for postsecondary educational expenses



What is Cost of Attendance? (COA)

- Tuition & general fees
- Room & board
- Books & supplies
- Transportation
- Student Health Insurance
- Transit fee
- ASG fee
- Miscellaneous personal expenses



Paying for College

Four ways to pay (most families use a combination of these options):

- Saving in advance
- Paying from current income
- Borrowing
- Scholarships and Grants



Paying for College - *continued*

- 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
- Need-based aid is designed to provide the amount that a family cannot reasonably afford



What is EFC?

Expected Family Contribution

- Amount a family can be expected to contribute
- Stays the same regardless of college
- Two components
 - Parent contribution
 - Student contribution
- Calculated using data from the Free Application for Federal Student Aid (FAFSA) and a federal formula



What is Financial Need?

Cost of Attendance (COA)

– Expected Family Contribution (EFC)

= Financial Need



Types of Financial Aid

Scholarships and Grants

■ Scholarships

- Money that does not have to be paid back
- Awarded on the basis of merit, skill, or unique characteristics

■ Grants

- Money that does not have to be paid back
- Usually awarded on the basis of financial need



Types of Financial Aid - *continued*

Loans and Employment

■ Loans

- Money students & parents borrow to help pay college expenses
- Repayment usually begins after education is finished
- Only borrow what is really needed

■ Employment

- Allows student to earn money to help pay educational costs via:
 - ✓ A paycheck
 - ✓ Non-monetary compensation, such as room and board



Sources of Financial Aid

- Federal government
- State of North Carolina
- Institutional sources
- Private sources



UNC Need-Based Grant (UNC NBG)

- 2010-11 = \$162,288,763
- BOG request for 2011-12 = \$198,560,200
- 2011-12 = \$127,130,754
- A reduction of \$35,158,009 from 2010-11 and \$71,429,446 less than requested
- Estimate that 5,500 (8.3%) fewer students will receive UNC NBG and average award will be \$333 (13.5%) less in 2011-12



Institutional Sources

- Academic Enhancement Funds (UNC-CH and NCSU only in 1996-97)
- Campus-Initiated Tuition Increase (CITI) funds set aside for need-based aid (option began in 2000-01)
- Supplemental Tuition Increase set aside (2010-11)
- Endowment funds
- Institutional annual gifts



Private Sources

- Clubs
- Organizations
- Civic groups
- Churches
- Businesses



Our Students, Our Campuses

- Our campuses are diverse:
 - Cost of attendance
 - Students' ability to pay
 - Endowments
 - Annual gifts
 - CITI to support need-based aid



Financial Aid Packaging Principles

- Establish a packaging policy and apply it to all students
- Adhere to federal and state financial aid program regulations
- Treat similar students in similar financial circumstances the same
- Allocate funds fairly and equitably to assure access for students from all income levels
- Consider institutional enrollment objectives



Financial Aid Packaging Policy Issues

- How many needy students will apply for aid?
- What will their total estimated costs be for year?
- What funds will be available to assist needy students?
- Should funds be reserved for late applicants?
- Who is involved in determining the campus packaging policy?
- Only borrow what is needed



Federal Direct Loan Limits

Annual Limits

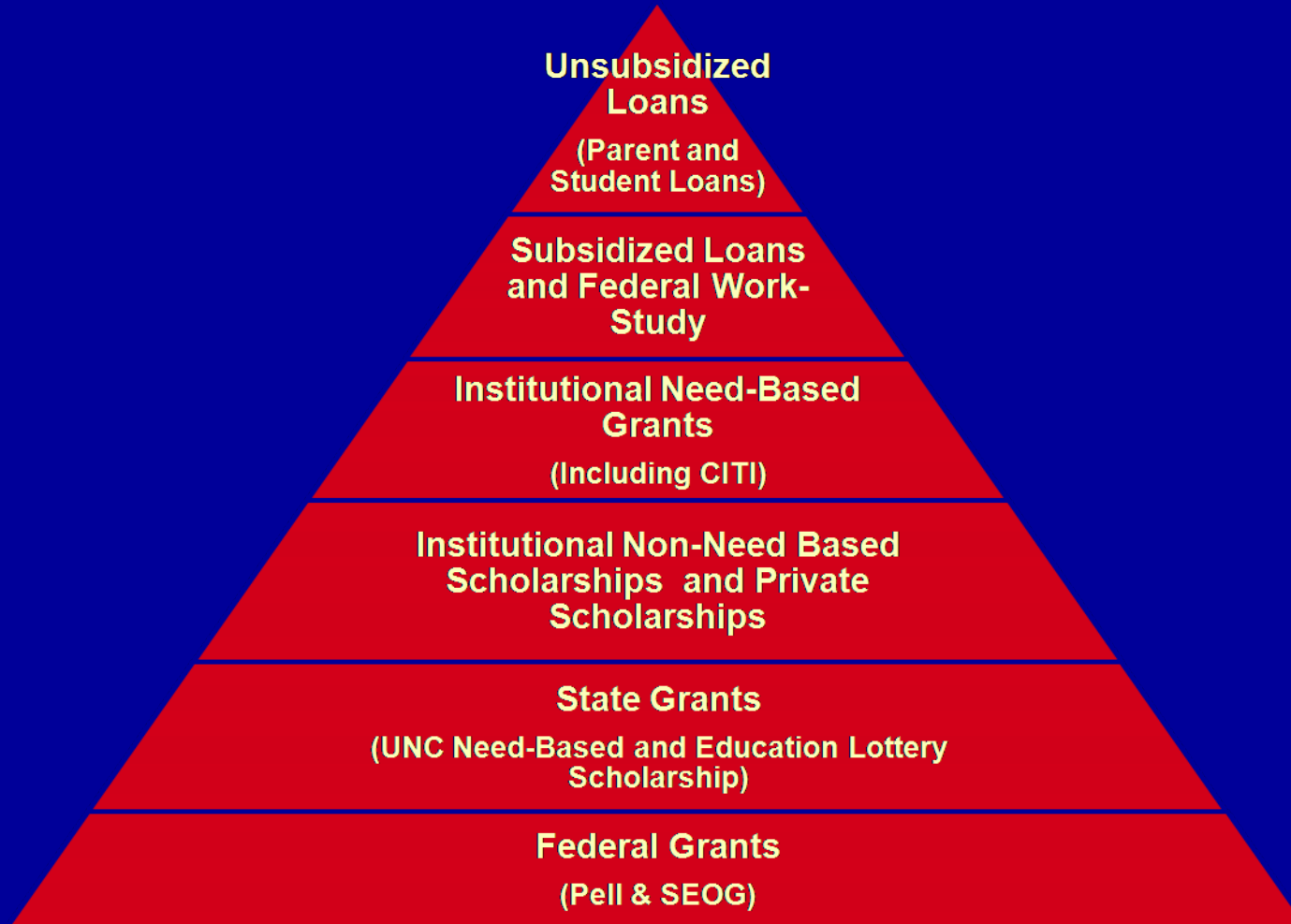
- \$3,500 Freshman
- \$4,500 Sophomore
- \$5,500 Junior
- \$5,500 Senior
- + \$2,000 per year in Unsubsidized Loans

Aggregate Limits

- \$31,000 if Dependent
- \$57,500 if Independent
- No more than \$23,000 of these totals may be Subsidized Loans



Financial Aid Packaging Sequence



The University of North Carolina General Administration

What Changed?

2010-11 vs. 2011-12

- Federal ACG and SMART eliminated
- NCSIG eliminated
- UNC Need-Based Grant funding reduced by \$35M
- Number of needy undergraduates increased
- Aggregate need increased



UNC Aid Packages

2011-12 Resident Dependent Undergraduate, 4 with 1 in college

	UNCW	NCCU	NCSU
Parental Adjusted Gross Income	\$19,487	\$19,487	\$19,487
Cost of Attendance	\$17,332	\$17,874	\$19,388
<u>– Expected Family Contribution (Federal Formula)</u>	<u>0</u>	<u>0</u>	<u>0</u>
= Financial Need (Federal Formula)	\$17,332	\$17,874	\$19,388
Pell Grant	\$5,550	\$5,550	\$5,550
Federal Supplemental Educational Opportunity Grant	800	1,000	500
Federal Academic Competitiveness Grant	0	0	0
UNC Need-Based Grant	2,576	1,712	3,052
Education Lottery Scholarship	0	0	0
Institution Need-Based Grant(s)	4,200	1,000	5,400
<u>Private/Departmental Scholarships/Grants</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cost Covered By Grants	\$13,126	\$9,262	\$14,502
Remaining Need After Grants	\$4,206	\$8,612	\$4,886
<u>Sources to Cover Remaining Amount</u>			
Campus job (Federal Work Study/Other Need-Based)	0	\$1,000	0
Student Loans (Subsidized)	\$3,500	\$3,500	\$3,500
Student Loans (Unsubsidized)	\$706	\$2,000	\$1,386

NC State's Aid Packages

Resident Dependent Undergraduate, Family of 5 with 2 in College

	2010-11	2011-12
Parental Adjusted Gross Income	\$71,842	\$68,549
NCSU Cost of Attendance	\$18,427	\$19,388
<u>– Expected Family Contribution (Federal Formula)</u>	<u>3,876</u>	<u>3,655</u>
= Financial Need (Federal Formula)	\$14,551	\$15,733
Pell Grant	\$1,700	\$1,900
Federal Supplemental Educational Opportunity Grant	0	0
Federal Academic Competitiveness Grant	0	0
UNC Need-Based Grant	3,448	2,420
Education Lottery Scholarship	1,700	1,500
Institution Need-Based Grant(s)	3,595	4,400
<u>Private/Departmental Scholarships/Grants</u>	<u>0</u>	<u>1,500</u>
Cost Covered By Grants	\$10,443	\$11,720
Remaining Need After Grants	\$4,108	\$4,013
<u>Sources to Cover Remaining Amount</u>		
Campus job (Federal Work Study/Other Need-Based)	0	0
Student Loans (Subsidized)	\$4,108	\$4,013
Student Loans (Unsubsidized)	0	0

Changes to Award Packages

If...

- Student receives other financial aid after package is made
- A correction is made to FAFSA data based on actual tax data
- Family circumstances change



NC State's Aid Packages

Resident Dependent Undergraduate, Family of 3 with 1 in college

	2010-11	2011-12
Parental Adjusted Gross Income	\$49,528	\$1,480
NCSU Cost of Attendance	\$18,427	\$19,388
– Expected Family Contribution (Federal Formula)	5,542	0
= Financial Need (Federal Formula)	\$13,078	\$19,388
Pell Grant	\$0	\$5,550
Federal Supplemental Educational Opportunity Grant	0	0
Federal Academic Competitiveness Grant	0	0
UNC Need-Based Grant	3,800	3,052
Education Lottery Scholarship	0	0
Institution Need-Based Grant(s)	4,307	5,900
<u>Private/Departmental Scholarships/Grants</u>	0	0
Cost Covered By Grants	\$8,107	\$14,502
Remaining Need After Grants	\$4,971	\$4,886
<u>Sources to Cover Remaining Amount</u>		
Campus job (Federal Work Study/Other Need-Based)	0	0
Student Loans (Subsidized)	\$3,500	\$3,500
Student Loans (Unsubsidized)	\$2,000	\$1,386

What happens when demand exceeds supply?

- Packaging policies must be adjusted
- Growth in annual and aggregate debt levels
- Students may work more
- Unmet need levels may increase
- Enrollment decisions may be impacted (e.g., stop-out, change to part-time)



Pell Grant: Federal FY 2012

- More students are qualifying for Pell (Economy, unemployment)
- Produces a financial strain on Pell
- Congress wants to maintain the \$5,550 maximum award for neediest students
- To maintain the \$5,550 maximum award, Congress must find discretionary savings of \$3.6B in 2012 and about \$4B each year thereafter and mandatory savings of \$5.7B over 10 years.



Pell Grant: Future Considerations

- Part-time student eligibility (less than PT vs. at least ½ time)
- Change in the Minimum Pell Grant level
- Duration of the Pell Award (18 vs. 12 semesters)
- Auto-Zero EFC Changes (\$31,000 vs. \$15,000 AGI)
- Basic Living Expense Allowance changes (Income Protection Allowance)
- Untaxed income benefit exclusions
- Non-high school graduate eligibility changes
- End interest-free benefit on Subsidized Stafford loans during an undergraduate borrower's six-month grace period after leaving school



Questions?