B1. Debunking the Myths of Financial Aid: A Workshop for Students and Families

Introduction
An education beyond high school is a big investment, and often families and students think that it is out of their reach. Fortunately, there is financial aid available to help students pay for tuition, fees, books, transportation and living expenses. With the rising cost of education, it is extremely important to know and investigate all the options available.

Encourage all college-bound students to apply for financial aid, regardless of their family’s income or circumstances. Even if some students think their family income is too high to receive financial aid, students may still qualify for scholarships, work-study or low-interest loans for students or for parents. According to The College Board, in 2005–06 more than $129 billion was distributed in student financial aid.

Yes, a college education can be expensive, but next to purchasing a home, a college education is one of the best investments students can make in their lifetime. A college graduate will realize more than twice the lifetime earnings of a high school graduate. An equally powerful incentive is the personal fulfillment that comes with attaining a college degree.

And finally, applying for financial aid is not easy, but it is free and there is lots of help. You must complete the Free Application for Federal Student Aid (FAFSA) and file it by the deadline of the college or university (generally the end of February). For more information on the financial aid application process and FAFSA, see the slide presentation Applying for Financial Aid from Lesson C.2: Planning a Financial Aid Night. For help with FAFSA on the web go to http://www.fafsa.ed.gov/.

Before beginning this lesson, take the time to become familiar with financial aid terminology by reviewing the publication Funding Your Education from the U.S. Department of Education. Free copies of this publication are available on the world wide web at www.studentaid.ed.gov/students/publications/FYE/index.html.

Learning Goals
• To learn about financial aid and how to apply.
• To understand the sources and various types of financial aid.

Materials Needed
• Funding Your Education handbook by the U.S. Department of Education
• Slide presentation Debunking the Myths of Financial Aid
• Handout: Financial Aid Quiz
• Handout: 10 Top Myths about Financial Aid and the Facts to Debunk Them
• Handout: Financial Aid Terminology (Appendix D)
• Overhead projector or LCD projector and/or overhead transparencies (the enclosed slides may be photocopied onto transparency sheets)

Target Audience
Students in grades 6 through 12 and/or their families. The workshop may also be presented to community college students or other adult learners.

Timing
60–90 minutes.
Activities
1. Welcome the workshop participants; acknowledge their interest in and desire to pursue a college education.

2. Distribute the handout Financial Aid Quiz and tell the participants that they will take a little test. Tell them not to worry, the test will not be graded. Give the participants five to 10 minutes to complete the quiz. If you are pressed for time, you can do the quiz as you go through the PowerPoint presentation because the PowerPoint explains each of the 10 quiz questions. Another option, if participants are unfamiliar with financial aid, is to do the extension on Financial Aid terminology (Appendix D) before the workshop.

3. Lead a brief discussion about the quiz. Ask such questions as:
   • Were the questions easy?
   • Were the questions familiar? That is, have you thought or said the same thing?

4. Now give the answers to the quiz. The answers to questions 1 to 10 are all “false.” In fact, all 10 statements in the quiz are some of the most common myths about financial aid.

5. Distribute the handout 10 Top Myths about Financial Aid and the Facts to Debunk Them. Then explain that the rest of the workshop will provide detailed answers to the quiz.

6. Go through the slide presentation. The slides are self-explanatory. However, prior to the workshop become familiar with financial aid terminology by studying the Funding Your Education handbook or the websites listed below.

7. Leave 10 to 15 minutes for a question-and-answer session. (If participants raise a question that you cannot answer, don’t guess. Refer them to the websites or phone numbers listed in the last slide.)

Extensions
• If your audience is unfamiliar with financial aid terms, you can review the Financial Aid Terminology worksheet (Appendix D) prior to the PowerPoint presentation.
• The following are suggestions for working with younger students:
  1. Do the Financial Aid Quiz with them.
  2. You can make the Financial Aid Terminology worksheet into a game by either:
     a. Playing a Jeopardy-like game with them where you split the group into two and with flash cards, award points for each question.
     b. Playing a game where you put a financial aid term on the back of each student without letting them know what it is. Have the students walk around and look at each others’ back and give each other clues until each student can guess which term is on their back.

References and Websites
Help with FAFSA: http://www.fafsa.ed.gov/
FinAid: The SmartStudent Guide to Financial Aid: www.findaid.org
FastWeb: Free Scholarship and College Searches www.fastweb.com
Fund Your Future, California Student Aid Commission and EdFund
College Cost and Financial Aid Handbook, The College Board
TheCollegePlace: thecollegeplace.com
CURRICULUM AND SKILL STANDARDS

STANDARDS FOR THE ENGLISH/LANGUAGE ARTS
National Council of Teachers of English (NCTE) and the International Reading Association
www.ncte.org/about/over/standards/

1. Students read a wide range of print and non-print texts to build an understanding of texts, of themselves and of the cultures of the United States and the world; to acquire new information; to respond to the needs and demands of society and the work place; and for personal fulfillment. Among these texts are fiction and nonfiction, classic and contemporary works.

5. Students employ a wide range of strategies as they write and use different writing process elements appropriately to communicate with different audiences for a variety of purposes.

7. Students conduct research on issues and interests by generating ideas and questions, and by posing problems. They gather, evaluate, and synthesize data from a variety of sources (e.g., print and non-print texts, artifacts, people) to communicate their discoveries in ways that suit their purpose and audience.

8. Students use a variety of technological and informational resources (e.g., libraries, databases, computer networks, video) to gather and synthesize information and to create and communicate knowledge.

12. Students use spoken, written and visual language to accomplish their own purposes (e.g., for learning, enjoyment, persuasion, and the exchange of information). Writing Type: Problem Solution Essay

NATIONAL STANDARDS FOR SOCIAL STUDIES TEACHERS
National Council for the Social Studies
www.ncss.org/standards/

IV. Individual Development and Identity: Grades 6–8: Issues of personal identity are refocused as the individual begins to explain self in relation to others in the society and culture. Grades 9–12: Students need to encounter multiple opportunities to examine contemporary patterns of human behavior, using methods from the behavioral sciences to apply core concepts drawn from psychology, social psychology, sociology and anthropology as they apply to individuals, societies and cultures.

NOTES
Financial Aid Quiz
For each statement below, circle “T” for True or “F” for False.

1. T F Only students with the best grades qualify for financial aid.

2. T F Since we haven’t saved anything for college, even if I might want to go to a four-year college or university, community college is the only option.

3. T F I shouldn’t even consider my first-choice school because it costs too much. Only really rich kids go to elite schools.

4. T F Only students from really low-income families qualify for financial aid.

5. T F Millions of scholarship dollars go unclaimed every year — I don’t need to plan ahead. I just need to pay a service to find them.

6. T F Who needs a college degree? I can park cars as a valet or wait tables and make good money right now! The cost of a college education just isn’t worth it.

7. T F I’ve heard that college tuition and living expenses can be as much as $30,000. All schools are this expensive.

8. T F I am going to be the only student at my school on financial aid.

9. T F Debt is a bad thing. I can’t possibly take out thousands of dollars of student loans and not get into huge financial trouble later on.

10. T F As a star athlete, I know I will get an athletic scholarship.
Ten Top Financial Aid Myths – And the Facts to Debunk Them

1. MYTH: Only students with the best grades qualify for financial aid.

FACT: Not true. Scholarships that are “merit-based” are awarded based on a student’s academic performance. However, most financial aid, including grants and loans, is “need-based,” or awarded based on a family’s ability to pay for college.

2. MYTH: Since we haven’t saved anything for college, even if I might want to go to a four-year college or university, community/junior college is the only option.

FACT: You should go to community/junior college if you feel that is the best choice for you in terms of educational preparation – but not because you think you can’t afford to attend a four-year college or university. While it helps to have family savings set aside for college, there are other ways to pay for a college education. Families with lower incomes who have not been able to save will likely find that their expected contribution will be quite modest. And remember, low-interest loans are available to families and to students. Also, most colleges and universities offer tuition-payment plans, as well.

3. MYTH: I shouldn’t even consider my first-choice school because it costs too much. Only really rich kids go to elite schools.

FACT: Wrong. The rule of thumb is, that the higher the total costs, the easier it is to demonstrate eligibility for financial aid. In fact, several national studies show that the family incomes of students in private colleges are, on average, lower than the family incomes of students in large state universities. Remember, the stated costs at a school can be deceiving: aid is often available to offset some of those costs. Students should apply and then evaluate the financial award letter when it arrives.

4. MYTH: Only students from really low-income families qualify for financial aid.

FACT: While it is true that most aid is reserved for needy families, there are forms of assistance available to help many families meet their expected contribution, including low-interest loans that are available to parents and students. All families are encouraged to apply for aid, whether they think they qualify or not. Many are surprised to find they are eligible.

5. MYTH: Millions of scholarship dollars go unclaimed every year – I don’t need to plan ahead. I just need to pay a service to help find them.

FACT: Don’t be fooled! Professional scholarship-search services, which assist with both private scholarships and government funded financial aid, would like students and families to believe this so that they can turn a profit. There are many ways students and families can access this information by doing research on the Internet or getting help from high school counselors and the financial aid officers at colleges and universities. In order to increase the likelihood of scholarship awards, students should take the initiative to keep track of their activities, awards, community service, and employment beginning in middle school so that when the time comes to apply for scholarships, they have the information needed to fill out the applications, and they are prepared to apply for as many scholarships as possible. Building My Portfolio worksheet Appendix C can be used to track this information. There are scholarships for many types of students and situations; even for those not eligible to receive government funded financial aid. For example, undocumented students should go to http://californiashortforcollege.org/gendUpload/Scholars05.pdf for a list of scholarships available to students without any documentation.

6. MYTH: Who needs a college degree? I can park cars as a valet or wait tables and make good money right now! The cost of a college education just isn’t worth it.

FACT: The truth is that people with a college degree earn almost twice that of those with just a high school diploma. Over a lifetime, the gap in earnings potential between a high school diploma and a college degree is more than $1 million! Remember, unlike most items that depreciate, or lose value over time (like a car, or a stereo), a college degree will increase in value.
7. MYTH: I’ve heard that college tuition and living expenses could be as much as $30,000. Are all schools this expensive?

FACT: Only some. True, there are private colleges where tuition costs more than a new car. But remember Fact #3, that financial aid is largely proportional to the college’s costs. Plus, here are some other relevant facts: 78 percent of all college students attend institutions where tuition and fees are less than $8,000; and the average cost of tuition and fees at four-year colleges and universities nationwide is $5,132.

8. MYTH: I am going to be the only student at my school on financial aid.

FACT: No way! More than 60 percent of full-time students at four-year colleges and universities receive some kind of financial aid. And at private colleges and universities, 75 percent of the students receive financial aid.

9. MYTH: I thought all debt was bad. I can’t possibly take out thousands of dollars of student loans and not get into huge financial trouble later on.

FACT: Excessive debt is bad, and defaulting on any loan – including student loans – is disastrous. But studies show that the financial benefits of a college degree easily compensate for the burden of student debt. A degree will translate into higher earnings, making the loans easier to repay. Also, students have a grace period for six months after graduation before beginning to repay the loan. There also are many options for monthly payments. For students who go on to graduate or professional school, repayment on undergraduate loans can be deferred. Also the interest on student loans is always lower than for, say, credit card debt. It’s best to think about a college education as an investment that will result in high returns, making borrowing worthwhile.

10. MYTH: As a star athlete, I know I will get an athletic scholarship.

FACT: Good luck! But remember, on average, only 1 percent of undergraduates receive athletic scholarships. Most student aid is awarded on the basis of financial need – not athletic talent (whether real or imagined).
Debunking the Myths of Financial Aid

A workshop for Students & Parents
Take the Financial Aid Quiz

- For each question, circle “T” for True or “F” for False
- Don’t worry, the test will not be graded.
Myth #1: Only students with the best grades qualify for financial aid.

• Facts:
  – Some scholarships are “merit-based,” that is, they are awarded based on a student’s academic performance.
  – However, most financial aid is “need-based,” that is, awarded based on a family’s ability to pay for college.
What does “need-based” mean?

- All colleges use a basic equation to determine financial need:

  \[
  \text{Student’s Financial Need} = (\text{College Costs} - \text{Expected Family Contribution})
  \]

  \text{College Costs}
  \begin{align*}
  &\text{(tuition, fees, books & supplies, room & board,} \\
  &\text{transportation, miscellaneous expenses)}
  \end{align*}

  \text{minus Expected Family Contribution}
  \begin{align*}
  &\text{(the amount the Federal Government} \\
  &\text{determined you & your family can contribute)}
  \end{align*}

  = \text{Student’s Financial Need}

- If the result is positive (college costs more than you can contribute), then you have demonstrated “financial need.”
What’s the difference between need-based and non-need-based aid?

• Examples of need-based aid:
  - Federal and state grants do not have to be repaid (some state grants require a certain GPA)
  - Work-study (money earned by the student through on- or off-campus jobs)
  - Subsidized student loans (low-interest and interest deferred until 6 months after graduation)
  - Parent loans (low interest)

• Examples of non-need-based aid:
  - Some college and state-funded scholarships and most private scholarships
  - Unsubsidized student loans (low interest and interest accrues while still in school)
How much is expected from parents?

- The amount expected from parents varies from family to family according to the ability to pay derived from information submitted in the FAFSA (Free Application for Federal Student Aid), and is called the Expected Family Contribution.

- Here are examples of how three different students and their families might cover the cost of education.
Sample packages for a college with a $14,500 annual cost of attendance*

*Actual financial aid offers will vary from college to college.
Myth #2: Since we haven’t saved anything for college, community college is my only option.

- Fact: Families who have not been able to save will likely find that their expected contribution will be quite modest.

- Fact: Parent contribution can be paid from savings, current income, or loans.
  - And it’s not expected all at once, but over the course of the year.
  - Tuition installment payment plans are also available.

- One way to prepare for the cost of college is to fill out the FAFSA before your child’s senior year. You can send in the FAFSA form at any time and you will get a Student Aid Report (SAR) which will let you know your EFC (Expected Family Contribution). This might be especially helpful if your income and family situation is going to stay relatively the same over the course of the next few years. Another way is to go to www.collegeboard.com and fill out the financial aid calculators. Remember, these options will only give you a general sense of how much your family will be expected to contribute, and is not the official EFC.
What is a parent or “PLUS” loan?

• With a PLUS loan, parents/stepparents can borrow up to the total cost of an education, minus any other aid the student may receive.
  - For example, if the cost is $6,000 and the student receives $4,000 in other financial aid, parents may borrow up to $2,000.

• PLUS loans have a variable interest rate that is capped at 9%.
  - Interest begins to accumulate right away.
  - In 2006-07, the interest rate will be 7.9% for the Direct Loan PLUS and 8.5% for the Federal Family Education Loan Program (FFELP) PLUS Loan.
  - Repayment begins 2 months after loan is disbursed.
Myth #3: Only rich kids go to elite, expensive schools

- Fact: The higher the cost of education, the easier it is to demonstrate financial need.
- Fact: Studies have shown that the parental incomes of students in private colleges are, on average, lower than incomes of students at large state universities.
- Apply to the schools of your choice, apply for financial aid, and wait to see the financial aid award letter. Then decide which college to choose.
Sample packages for a college with a $25,000 annual cost of attendance*

*Actual financial aid offers will vary from college to college.
Myth #4: Only students from really low-income families qualify for financial aid.

• Fact: Most financial aid is reserved for needy families.

• Fact: However, there are many forms of assistance to help families meet their expected contribution. For example: low-interest loans and scholarships.

• Apply whether you think you’re qualified or not. You may be surprised to find out you do qualify.
Myth #5: I need to pay a service to find scholarships for college.

• Fact: Most financial aid and scholarship applications are free.
• Fact: Nobody can guarantee that you will win a scholarship.
• Do not pay to get information on financial aid and scholarships.
  – If it sounds too good to be true, it might be a scam!
• Free searches for scholarships are on the Internet:
  – www.fastweb.com
What are scholarships?

- Scholarships help students pay for their education. Scholarships do not have to be paid back.

- Scholarships are available for students who demonstrate achievement in academics, athletics, the arts, or community service.
  - It is very important for students to begin keeping track of their accomplishments in middle school and keep this information organized in a portfolio (students can use the Building My Portfolio worksheet in Appendix C) so when it comes time to apply to scholarships, they will have everything readily available. If the student is already in high school, START NOW!
  - Also available for students with financial need or who are interested in certain fields of study, or who meet certain criteria, such as a parent’s membership in a service organization.

- Scholarships are awarded by the college or other organizations (churches, corporations, etc.)
**Information of undocumented students**

- Undocumented students can go to any college or university if they meet admissions requirements.

- At this time, undocumented students are not eligible for any state and/or federal financial aid. Some colleges may offer financial aid to undocumented students, so visit your college’s financial aid office to find out.

- Go to the Mexican American Legal Defense and Educational Fund (MALDEF) website at www.maldef.org to find a list of scholarships that do not require the applicant to be a U.S. citizen, legal permanent resident, and do not ask for a social security number.

- Policies vary from state to state so check to see if undocumented students in your state are eligible for any financial aid and/or can be considered state residents for tuition purposes.

- For more information about scholarships for ALL students regardless of immigration status, visit http://californiacashforcollege.org/genUpload/Scholars05.pdf
Myth #6: The costs of a college education just aren’t worth it.

Fact: A 4-year college graduate (someone with Bachelor’s degree) earns almost $1 million more over his/her lifetime than a high school graduate.

Other benefits of a college education include:

- More job opportunities
- Greater knowledge
- Broadened perspectives

Lifetime Earnings of Full-Time Workers By Education Level

- Doctoral degree
- Professional degree (M.D., Law)
- Master’s degree
- Bachelor’s degree
- Associate’s degree
- Some college
- High school graduate
- No high school degree

Millions of Dollars

- $5.0 M
- $4.5 M
- $4.0 M
- $3.5 M
- $3.0 M
- $2.5 M
- $2.0 M
- $1.5 M
- $1.0 M
- $0.5 M
- $0 M
Myth #7: A college can cost as much as $30,000 a year

- Fact: True, there are some private colleges where tuition costs more than a new car.
- Fact: 78% of college students attend schools where tuition and fees are less than $8,000 per year.
- Fact: The average tuition and fees for a public 4-year college/university is $5,132.
- Also, remember the facts behind myth #4: the higher the cost of education, the easier it is to demonstrate financial need.
Myth #8: I am going to be the only student on financial aid.

- Fact: At 4-year colleges and universities, 60% of full-time students receive some kind of financial aid.
- At some private colleges, 75% of students receive some form of financial aid.
- Don’t worry, you’ll be in good company.
Myth #9: All debt is bad. So, I shouldn’t take out student loans.

- Fact: Student loans are “good debt” because with a college degree you are increasing your earnings potential.

- Fact: Student loan repayments are manageable.
  - For example: The average beginning salary for a graduate from a large west coast public university is $38,170 annually or $2,742 per month. If a student were to borrow a total of $15,840, payments would only be $184 per month.

- Fact: Defaulting on a student loan (or any loan) is bad. Make prompt and timely payments and you can build your credit rating.
What are student loans?

- Federally backed educational loans are a good investment and available to almost all students.
- Federal subsidized loans are made to financially eligible students.
- Federal unsubsidized loans are made to students without regard to finances.
- The interest rate is now fixed at 6.8% as of July 1, 2006, and will remain at 6.8% unless Congress changes the law.
Subsidized loans are a good investment.

• The government pays the interest while the student is in school (including graduate school).

• Interest rates are low.

• Multiple loans may be consolidated into a single payment.

• Repayment begins 6 months after the last day of attendance.
Unsubsidized loans are a good investment.

- Interest rates are low.
- Multiple loans can be consolidated into one payment.
- Recipient may opt to pay interest while enrolled or to allow interest to accumulate while enrolled and during the 6 month grace period.
Myth #10: As a star athlete, I know I can get an athletic scholarship.

- Fact: Good luck! On average, only 1% of undergraduates receive athletic scholarships.
- Fact: Availability and award amount of an athletic scholarship varies greatly depending on the athletic division the college/university participates in and the specific sport.
- Most student aid is awarded on the basis of financial need.
- For more information on collegiate athletics, go to www.ncaa.org.
How do I apply for financial aid?

- Complete the FAFSA (Free Application for Federal Student Aid).
  - The FAFSA collects data to calculate eligibility for need-based financial aid (completed by student/family).
- FAFSA is available from your school.
- You can also apply on-line at: www.fafsa.ed.gov
- Filing period is Jan. 1 to June 30. Some colleges have priority filing deadlines in March or April.
- Many schools require additional forms in order to apply for financial aid. For example, many schools require the PROFILE form. For more information, visit https://profileonline.collegeboard.com/index.jsp. There you can find information on how to fill out the PROFILE and a complete list of the schools which require this form. Please note, these forms are IN ADDITION TO the FAFSA and do not take the place of the FAFSA.
All students, even community college-bound students, should apply.

- Many eligible community college students miss out on federal grants because they don’t apply.
  - Some eligible community college students don’t apply because they can work full-time and attend part-time.
  - With aid, you might be able to attend full-time and transfer sooner to a 4-year college.
What happens after applying?

• The federal FAFSA processor sends a Student Aid Report (SAR) to the student.

• Information is sent from the colleges and universities to the student in the form of:
  – follow-up requests for information;
  – preliminary aid estimates; and
  – financial aid offer letters.
Where can I get more information?

Websites

- The College Board: www.collegeboard.com
- Electronic FAFSA: www.fafsa.ed.gov
- FinAid: The SmartStudent Guide to Financial Aid: www.finaid.org
- FastWeb: www.fastweb.com
- PROFILE: https://profileonline.collegeboard.com
- Scholarships for undocumented students: http://californiacashforcollege.org/genUpload/Scholars05.pdf
- Collegiate Athletics: www.ncaa.org

Phone Numbers

- U.S. Dept. of Education: 800-433-3243
- FAFSA Processor: 319-337-5665
- Free Publications: 800-394-7084