



A Quick Guide to Financial Aid Award Letters

By Ainsley Ash

In a typical FAFSA year, students would have already received admissions letters, and financial aid packages would soon follow. These offers – often referred to as award letters – are sure to spark conversations about college affordability between students, families, and college attainment professionals. The rocky rollout of the Better FAFSA means that students will receive their financial aid awards much later this year. Here are a few critical things that students and families need to know about financial aid offers when theirs do arrive.

For all of the excitement they bring, financial aid offers have a reputation for being a bit confusing. In 2018, the think tank [New America and NCAN member uAspire analyzed over 500 financial aid award letters](#). Their research found that many of the letters used jargon, omitted the complete cost of attendance, and left students without clear next steps.

But with the right information, analyzing and comparing financial aid offers from colleges and universities is a process students and families can feasibly tackle.

The basic components of any award letter are the same. They should each include the details of the types of financial aid an institution is offering and an estimated cost of attendance. With that information, students can find the price they will actually have to pay, the “net price.”

Let’s start by breaking down the actual financial aid being offered.

Broadly, there are four types of aid: scholarships, federal and state grants, work-study, and loans.

- **Scholarships do not have to be repaid.** Students should pay attention to whether or not scholarships have yearly requirements, such as maintaining a

certain GPA. It is also crucial to know if each scholarship is a one-time award or if it is recurring.

- **Federal and state grants also do not have to be repaid.** These include grants like the Pell Grant, the Federal Supplemental Educational Opportunity Grant (FSEOG), and state-specific grants. Eligibility is typically determined by the information students submit on their Free Application for Federal Student Aid (FAFSA). Students who receive these grants will have to fill out the FAFSA every academic year to maintain their eligibility.
- **Federal work-study is money that a student earns.** These funds might be included in the financial aid offer as just another grant, but work-study dollars are actually earned through part-time employment on- or off-campus. Students will have to apply for work-study positions, and work-study aid is not guaranteed from year to year.
- **Loans have to be repaid with [interest](#).** They are either [subsidized or unsubsidized](#). For direct subsidized loans, the U.S. Department of Education pays the interest on these loans while the student is in school and for the six months after they leave school. For direct unsubsidized loans, interest begins accumulating while in school, and the student is responsible for this interest.

When talking to students about loans, stress to them to *only take out as much as they need*— it's not necessarily best to take all that is offered. For example, if the student only needs \$5,000 for food and housing, but \$7,500 is offered, they should only take \$5,000. Students may be tempted to have the extra money in college, but they should know that they will eventually have to pay back those loans with interest, which will be far more expensive in the long run.

The award letter should show the itemized offers for the fall, the spring, and their total for the academic year. Encourage students sure to ask themselves these questions when reviewing offers:

- Will I automatically receive this aid each year?
- What are the eligibility requirements to continue receiving recurring awards?
- When do I have to accept or decline these award offers?
- If loans are offered, do I want to accept them?

Once students have added up how much money a college is offering, they should compare that against the included [cost of attendance estimate](#).

Total Cost of Attendance = Direct Costs + Indirect Costs

- **Direct costs:** These are charged to the student by the university and often include tuition, room and board, and fees. This is an estimate of what the student will owe the university.
- **Indirect costs:** These are the student's estimated expenses such as books and supplies, travel, and other personal expenses. Actual year-to-year costs will vary. For instance, the student may choose a less expensive housing option or might have higher travel expenses.

Once students know the financial aid offers and the costs of attendance, it's time to find the net price if it was not included already. In New America and uAspire's study on award letters, only 40% included a net price – the remaining out-of-pocket costs.

To calculate the net price, subtract the student's financial aid total from cost of attendance. This is the amount that the student will actually be responsible for. A few ways to close these gaps include paying with savings or taking out additional loans.

Luckily, there are wonderful resources out there to help students and families crunch the numbers and weigh all of their options. Check out these free tools:

- ["Compare Aid Awards Calculator" from BigFuture](#)
- [UAspire's College Cost Calculator](#)
- [College Raptor's College Offer Letter Comparison Tool](#)

If, at the end of their calculations, students find that their financial aid is still lacking, they might consider writing a financial aid appeal letter to ask the school to potentially grant more scholarships or loan and grant options. [SwiftStudent](#) is a great resource which helps students through this process.

When deciding where to enroll, the bottom line is not the only thing to consider. Encourage students to research potential schools' graduation and retention rates, along with how their net price stacks up against other students'. [The Department of Education's College Scorecard](#) is a wonderful resource to make those comparisons.

If students and families feel that they've hit a wall, encourage them to reach out to a college's office of financial aid to get answers.

Running the numbers, doing the research, and comparing schools is not the most exciting work, but it is well worth the excitement that accompanies the final product: making a decision about the future that students and their families can feel good about.

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Financial aid award letters have a bit of a reputation for being confusing for many students and families. But with the right information, this is a process that students and families can feasibly tackle. Check out this blog post to gain an overview of what to expect when award letters begin to roll in.