

Students Applying For Financial Aid—Often Leave Money on the Table

Millions of college students miss out on valuable financial aid every year simply because they mistakenly believe they will not qualify for aid or the process intimidates them. Yet applying for financial aid can make the difference between affording the school you want to attend, and attending the school you can afford.

A recent study by the American Council of Education found that last year half of all undergraduate students enrolled at colleges that participated in the federal financial aid program did not bother to apply for aid. In addition, among those who applied, some missed application deadlines, often resulting in no aid awards. While some students would not have qualified because they had sufficient financial resources, many left money on the table.

The first key for overcoming the myths about financial aid is to understand exactly what “financial aid” means. Aid is actually a mixture of loans, grants, scholarships, and work-study programs. To calculate how much aid your student qualifies for, start with the total cost of attending a particular school: tuition and fees, books, room and board, transportation, and miscellaneous expenses (we have five UCSC co-eds living next door, and calculating from the number of parties they throw, I would guess their miscellaneous expense category could evolve into a major expense). The school then determines how much of that total cost your family can reasonably be expected to pay, known as the expected family contribution (EFC).

Typically, the calculation of the EFC starts with completion of the Free Application for Federal Student Aid, known as the FAFSA. This assesses the student's and parents' income, investments, and other financial resources, and arrives at an EFC number. Theoretically, the shortfall between what the family expects to pay and the total cost of that institution is provided through financial aid.

Do not assume that because you are a middle-income or affluent family you will not qualify for aid. A recent study by a Harvard professor found that 22 percent of families making \$100,000 or more were receiving financial aid. Also, while you might not qualify for aid at a lower-cost college, you might qualify for aid from a more expensive—and perhaps for you, a more desirable—school.

Friends of ours had this experience when they were going through the college application process for their daughter who graduated from Santa Cruz High School. She had applied and been accepted at several University of California institutions which have an annual cost of approximately \$25,000. In addition, she was accepted at Santa Clara University and Saint Mary's University; two highly respected but expensive private schools. She qualified for financial aid packages at the private universities and this brought the costs in line with the less expensive University of California programs.

The majority of financial aid comes in the form of loans, so you will have to pay it back. However, the loans are often subsidized, meaning you do not have to pay interest or principal on the loan until after the student graduates or quits school. That's a big help to cash flow.

Aid packages can vary substantially among schools and even region to region, so compare them carefully—especially the non-loan portions. Do not consider the packages written in stone. Sometimes errors occur or important financial information is omitted. You may have overlooked mentioning special financial circumstances, such as high medical bills or a disabled child at home, or that you have multiple children in college.

Just because you do not qualify for financial aid one year does not mean you will not qualify the next. The school's aid pool or criteria may have changed, or your circumstances have changed, such as a second child entering college or a decrease in personal net worth.

Perhaps the greatest myth about financial aid is what impact savings will have on it. How you save—such as a custodial account versus a 529 savings plan—will influence a family's EFC, especially for affluent families on the margin for aid. Saving in certain types of college investments reduces aid more

than an identical amount saved in different types. For example, if a grandparent sets up a 529 plan and is the owner, it should not affect the child's eligibility to receive federal financial aid because the plan is in the name of the grandparent with the grandchild as the beneficiary. Grandparent's assets are not reportable on the free application for federal student aid (FAFSA), and the tax-free withdrawals from a grandparent-owned 529 plan are not counted as student income or student resources.

If you have a few years before your student is ready for college, the key is to not skip saving for college. You do not want to risk future reductions in financial aid. Remember, the majority of aid these days is in the form of loans. It is best to save in advance and earn interest than to borrow later and pay interest.

There are also local sources for college financial aid, and one such source is the Santa Cruz Rotary Club. In the mid 1970's one of the Club's long-time members made a substantial contribution to the Club with the suggestion that they use the money to start an endowment to provide scholarships for graduating high school students. Through the years, the endowment has grown to several hundred thousand dollars through continued support of the club members and prudent investing.

At the May 13 Rotary meeting, Lee and Jim Courtright, co-chairmen of the academic committee announced the 2011 scholarship award winners. Dan Aldrich, the colorful master of ceremony, presented approximately \$40,000 in scholarships to students pursuing academic studies. At an earlier meeting Dr. Charles Eldridge, vocational committee chairman, awarded \$14,000 to students pursuing vocational careers.

Congratulations to the 2011 Santa Cruz Rotary Scholarship Endowment Honorees:

Santa Cruz High School Recipients:

- Naomi Baxter U.C. Santa Barbara/Chemical Eng.
- Anand Lodha Rice/Biology & Econ.
- Dylan Manning Cal Poly SLO/Civil Eng.
- Courtney McEntee Cal Poly SLO/Bus. Admin.
- Moriah Pollock Haverford/Pre-Med
- Lauren Scott Univ. of Arizona/Nursing
- Sydney Scott Univ. of Arizona/Nursing
- Analisa Shields-Estrada Stanford/Biology

Harbor High School Recipients:

- Kelly Leungh Cal Poly SLO/Computer Eng.
- Te Woo "TK" Kim U.C. Santa Cruz/Architecture
- Hanna Miller U.C. Berkley/Marine Biology
- Joseph McMurry Univ. of Oregon/Journalism & Sports Mgt.

Delta High School Recipient:

- Patrick McLean Cabrillo College/Architecture

Costanoa High School Recipient:

- Calvin Vasquez Cabrillo College/Psychology