

# ➔ YOUR AID LETTER, DECIPHERED

Confusing terminology and unspoken assumptions can make a financial aid letter hard to understand. This breakdown shows your real offer—and your real expenses.

## Money



Dear Mr. Doe,  
 Congratulations! Your hard work has been recognized by College Education University with this financial aid award for the 2017–18 academic year.

### ▼ COSTS

Direct costs:	Tuition & fees	\$9,650	Total: <b>\$20,090</b>
	Room & board	\$10,440	
Indirect costs:	Books & supplies	\$1,250	Total: <b>\$4,520</b>
	Transportation to/from campus	\$1,160	
	Miscellaneous	\$2,110	

Total cost of attendance: **\$24,610**

### ▼ FINANCIAL AID

Merit aid:	Presidential Scholarship	\$2,000	Total: <b>\$2,000</b>
Need-based aid:	Need-based grant	\$2,000	Total: <b>\$7,000</b>
	Work/study	\$1,500	
	Federal Direct Subsidized Student Loan	\$3,500	
Other aid:	Federal Direct Unsubsidized Student Loan	\$2,000	Total: <b>\$15,610</b>
	Federal PLUS loan	\$13,610	

Total financial aid: **\$24,610**

UNMET NEED ▶ **\$0**

To receive a Federal Direct Unsubsidized Loan, you must complete a Direct Loan Master Promissory Note and Entrance Counseling.

To receive a Federal Direct PLUS loan, parents must complete a Direct PLUS loan application and Master Promissory Note online.

● Room and board costs typically reflect the school's standard meal plan and standard double room. You can lower your costs by, say, living in a triple or buying a smaller cafeteria contract.

● You can reduce this expense by renting textbooks or buying used copies.

● Financial aid in these letters may include loans, which you have to repay, and scholarships, which you don't.

● Ask about the terms for renewing any "merit" scholarship in subsequent years. College freshmen's grade point averages usually drop at least 0.5 point from their high school GPAs. So any scholarship requiring more than a 3.0 has a high chance of being lost.

● Federal subsidized loans are the most affordable student loans. Interest on borrowing—typically about 4%—doesn't accrue while a student is in school. Freshmen can borrow a maximum of \$3,500. The annual limit rises in later years.

● Federal unsubsidized loans are slightly costlier than subsidized loans because interest accrues while the student is in school. Freshmen can usually borrow a maximum of \$5,500 in combined federal loans.

● To improve on the school's estimate, re-research the costs of roundtrips to campus when your student will be traveling—possibly during peak holiday-fare season.

● This is for all the little expenses of college life, like laundry and late-night pizza. Plan for more if your child joins a fraternity or sorority.

● Beware of scholarships with fancy names. One study found that about a third of students would choose a school that offered them an impressive-sounding award rather than better-value colleges.

● Need-based grants are awarded based on your family's financial condition.

● Parents can get PLUS loans, expected to charge about 7% next year (after fees). You qualify if you haven't had a recent bankruptcy or bill delinquency, so it's easy to borrow more than you can afford to repay.

● Some colleges call PLUS loans "aid." But many experts say asking parents to borrow isn't really a help. So in this case, "unmet need" wouldn't be zero dollars, but \$13,610—money that would come straight from parents' pockets if they didn't borrow it.