

tips on reading your Student Aid Report

By Christina Couch • Bankrate.com



Highlights

The Student Aid Report tells if you're eligible for need-based grants. Students will receive a financial aid letter in late-March to mid-April. Families should edit their financial information and fix mistakes.

It happens every year. Thousands of students fill out the Free Application for Federal Student Aid, or FAFSA, expecting free cash. Then they wince when they receive their Student Aid Report in return.

The reports state whether students are eligible for federal Pell grants. They can make or break a family's plan for paying for college. If your report isn't exactly what you'd hoped for, don't worry. This primer should help you understand these reports and their impact.

It's only part of your aid package

"The Student Aid Report only tells you whether you're eligible for federal need-based grants," says Katy Maloney, interim director of financial aid at the University of California, Davis. "If you're not qualified, there are still other grants and loans."

Maloney says that the Student Aid Report provides students with two crucial pieces of information -- their federal Pell grant eligibility and their family's expected contribution. The majority of students won't qualify for a Pell grant, but they will still be eligible for federal and private loans, grants and scholarships from their college and community organizations as well as federal work-study positions.

Students will receive a letter from their school outlining their financial aid package in late-March to mid-April. Maloney says that students can get an estimate of their school's aid offer by looking at the expected family contribution.

"If (students) see an expected family contribution that exceeds the cost of their university, that means they won't be eligible for any need-based aid," says Maloney. "They could qualify for loans or merit-based scholarships."

It's not over yet

Students who receive their Student Aid Report shouldn't relax yet. Qualifying for school-sponsored scholarships and grants may require more paperwork.

In addition to filling out the FAFSA, some schools require students to complete an additional aid form called the College Scholarship Service, or CSS, Profile to qualify for aid, says Phyllis Hooyman, director of financial aid at Hope College in Holland, Mich.

Assessing factors like home equity not included on the FAFSA, the CSS Profile should be filed as soon as the student receives his or her Student Aid Report, says Hooyman.

According to the New York-based College Board, CSS Profiles cost \$9 to complete and \$16 for each college to which you want information sent. It's available from the College Board.

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Watch for errors

One of the primary reasons the government sends out the Student Aid Report is to catch mistakes, says Phil Bovenizer, associate director of financial aid for Otterbein College in Westerville, Ohio.

"Sometimes families will fill in their FAFSA with incomplete or estimated income information to meet the early deadlines that schools have," he says. "That's fine, but if they've gotten their income tax returns back and the information is different from the estimates, they need to change that."

Families can edit their financial information online at the FAFSA Web site and should receive an updated aid report within 48 hours. Families that severely overestimated their income could become eligible for the Pell grant, says Bovenizer. Either way, they should fix mistakes in their financial data.

"The numbers on the FAFSA form determine how much aid the school gives the student, too," says Bovenizer. "If changes are needed, students should do it as quickly as possible."

Seek judgment

Student Aid Report information is based on a family's financial circumstance the year before the year of attendance. That means for the 2010-2011 school year, a student's aid eligibility will be based on tax returns from 2009.

"If a dramatic change occurred between that tax year and now, like an unusual medical expense, students should inform the school," says Ronald Johnson, director of financial aid for the University of California, Los Angeles. "In cases of extenuating circumstances, schools can adjust the aid package."

A student with an extraordinary circumstance that would significantly reduce his or her family's income, such as a divorce, a parent's death or a job loss, can have his or her aid package re-evaluated by the school. A "professional judgment" review by a financial aid officer is only done in extreme circumstances and requires students to provide documentation, says Johnson.

Verify it

As a quality control measure, the government selects one in three FAFSA forms for a process called "verification," according to the Web site FinAid.org. Students who find an

asterisk next to their estimated family contribution have been selected for verification and must produce additional documentation to verify their FAFSA figures.

"We try to tell families that it's not akin to a federal tax audit. We're just making sure that their FAFSA is accurate," says Bovenizer. "The main areas we look at in verification are adjustable gross income, untaxed income, the number of college students in the household, federal tax obligation and family size."

Bovenizer adds that students selected for verification will be required to complete a work sheet available through their aid office and to submit a signed copy of the parents' tax returns. Additional documentation could include W-2s, proof of child support payments and Social Security benefits, as well as information on tax-deferred pension and savings plans.

"Schools usually won't distribute federal funds until students have completed the verification process, so they should do it as early as possible," says Bovenizer. "On or around April 15 is ideal."