FINANCIAL AID

A Guide for Community College Leaders

ACCT
ASSOCIATION OF COMMUNITY COLLEGE TRUSTEES

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About the Association of Community College Trustees

The Association of Community College Trustees (ACCT) is a non-profit educational organization of governing boards, representing the elected and appointed trustees who govern over 1,000 community, technical, and junior colleges in the United States and beyond.

These community professionals, business officials, public policy leaders, and leading citizens offer their time and talents to serve on the governing boards of this century's most innovative higher education institutions—community, junior, and technical colleges—and make decisions that affect over 10 million students annually.

TABLE OF CONTENTS

From the President 1

Financial Aid's Role in Paying for College 3

Types of Financial Aid 4

Applying for Financial Aid 6

Determination of Financial Aid Packages 7

Understanding Grants and Scholarships 11

Pell Grant 11

Federal Supplemental Educational Opportunity Grant 13

Iraq & Afghanistan Service Grants 13

State and Institutional Grants and Scholarships 13

Understanding Student Loans 15

Student Loan Types 15

Managing and Repaying Federal Student Loans 16

Understanding Work-Study and Other Forms of Financial Aid 19

Federal Work-Study 19

Tax Credits and Deductions 19

Support for Military-Connected Students 20

Employer-Provided Education Benefits 20

Public Benefits 20

Understanding Institutional Participation in Federal Financial Aid Programs 22

Cohort Default Rates 22

Gainful Employment and Financial Value Transparency 23

Conclusion 23

Appendix 24

Financial Aid Terms 24

Financial Aid Abbreviations & Acronyms 26

FROM THE PRESIDENT

Financial aid promotes and supports students' access to and success in higher education. This is especially true at community colleges. Whether our students are seeking job training, a certificate or an associate degree, many rely on consistent and meaningful sources of financial support to advance their educational aspirations. Without these resources, community colleges would be fundamentally unable to fulfill their open-access missions.

It is important for community college leaders to understand the processes by which students apply for financial aid and the design of aid programs, which has changed dramatically over the past three decades. With the complexities that have resulted from all these changes, it can be very confusing for anyone to understand how financial aid works. This guide is designed to help community college trustees understand the broad structure and design of the financial aid system in the United States. While reading the guide in its entirety will provide a thorough understanding of financial aid, I recommend that you keep it on hand and use it as a regular reference to support your governance goals.

The operation, administration, and oversight of financial aid programs intersect across many levels at a community college and have significant impact on staff responsibilities, institutional finances, enrollment levels, and student outcomes. Trustees are responsible for many board governance decisions that relate to financial aid, and a primary role of trustees and college leaders is to serve as advocates for critical financial aid programs at the federal and state levels.

Trustees and college leaders must serve as effective advocates for financial aid with federal and state policymakers to protect these investments and expand access to students in need.

The information provided in this guide will assist you in being better informed when advocating for community colleges and financial aid to both state and federal policymakers throughout the year and at the annual Community College National Legislative Summit in Washington, D.C. Trustees and other college leaders are welcome to share electronic and printed copies of this publication widely with policymakers or their staffs who may benefit.

When meeting with policymakers and their staff about financial aid, it is also very helpful to have the following information on hand to share as well:

- The total amount of Pell Grant funding received by your institution, as well as the total number of students who receive Pell Grants.
- Whether your institution participates in the Federal Direct Loan program.
- The percentage of students who take out federal loans and your institution's recent official Cohort Default Rates (CDRs).
- The types and number of work-study positions available at your college, as well as the funding available for these positions.
- What state or institutional aid may be available to supplement federal aid to students in need.
- Programs, practices, and resources to encourage and assist students in claiming federal tax credits or deductions for which they are eligible.

Along with ACCT's many other public policy-related resources, we hope trustees and presidents find this to be a useful tool to fulfill your important governance responsibilities. Contact our public policy and advocacy team at **publicpolicy@acct.org** if you have any questions or need any further information.

Jee Hang Lee
President & CEO
ACCT

ACKNOWLEDGMENTS

This report was written by Mark Wiederspan, Ph.D., a higher-education researcher and former executive director for Iowa College Aid. The author thanks ACCT Vice President Carrie Warick-Smith for support, guidance, and feedback throughout this project. This report revises, updates, and expands upon previous ACCT reports written by Bryce McKibben, Colleen Campbell, and Ivy Love.

FINANCIAL AID'S ROLE IN PAYING FOR COLLEGE

Financial aid plays an important role in making a college education more accessible and affordable for students. It helps bridge the gap between what students and their families can afford to pay and the actual cost of attending college.[1] By providing grants, scholarships, loans, and work-study opportunities, financial aid enables students to pursue their academic aspirations without being overwhelmed by the financial burden. This assistance not only opens doors to education for individuals who might not otherwise have the means to attend college but also contributes to meeting the demand for a more educated and skilled workforce. This section explains financial aid's role in lowering tuitions prices, the types of financial aid, how students apply for aid, and how aid is packaged and offered to students.

Cost of Attendance and Tuition and Fees

Community college prices can vary widely depending on factors such as location, state and local funding, and specific college policies. Historically, community colleges are known for being more affordable than public or private four-year institutions, making them accessible to a broader range of students.[2] While the prices that community colleges publicly report provide a general idea of the cost to attend the college, they do not always reflect the actual cost that students and their families pay.

The "sticker price" is often referred to as the published "cost of attendance," which is determined by the institution and reflects all the expenses that a student can expect to pay during the academic year. Cost of attendance includes tuition and fees, room and board (for living on or off campus), books, supplies, transportation, and personal expenses, such as childcare. The cost of attendance is not always the same for each student. Rather, students have a different cost of attendance that is based on multiple factors, such as academic major or personal living situation. Financial aid operates to reduce these published prices. What students pay after the application of non-repayable financial aid, such as grants and scholarships, is known as "net price."

Figure 1 demonstrates financial aid's role in lowering community college prices. The solid lines reflect the average published cost of attendance and tuition and fees. The dashed lines reflect the net price – cost of attendance and tuition and fees after the application of grant aid. Other forms of aid, such as student loans or work-study are not represented in this graph. Over time, tuition and fees at community college have remained stagnant. As a result, community college students have received an average aid amount to cover these direct college expenses. [3] The growth or fluctuations in college expenses have largely occurred with the expenses associated with the cost of living while enrolled in college, such as room and board.

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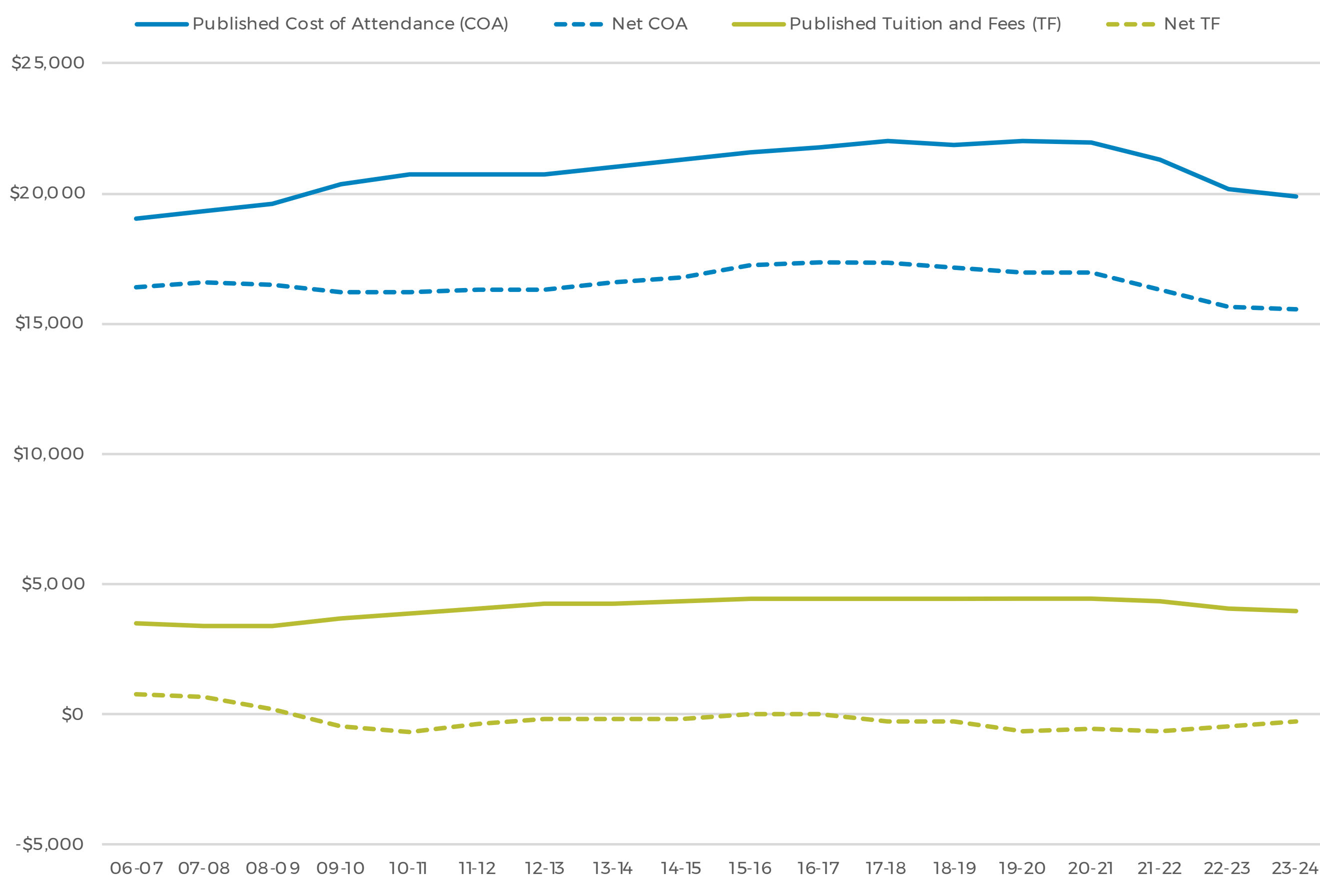
1 "Costs" and "prices" are terms often used interchangeably when discussing financial aid, but they have distinct definitions in higher education. Costs refer to the actual expenses incurred by the college to provide an education, whereas prices are the amounts that students and their families pay. In this guide, the focus is on students and families, not postsecondary institutions. Therefore, the terms costs and prices may be used synonymously in reference to students' ability to pay.

2 Ma, J., Pender, M., & College Board. (2023). *Trends in college pricing and student Aid 2023* (Dean Bentley, Jessica Howell, Michael Hurwitz, Tara Marini, & Mike Solomon, Eds.) [Report]. https://research.collegeboard.org/media/pdf/Trends%20Report%202023%20Updated.pdf

3 Ma, J., Pender, M., & College Board. (2023). *Trends in college pricing and student Aid 2023* (Dean Bentley, Jessica Howell, Michael Hurwitz, Tara Marini, & Mike Solomon, Eds.) [Report]. **https://research.collegeboard.org/media/pdf/Trends%20Report%202023%20Updated.pdf**

Figure 1: Published vs Net Price at Community Colleges



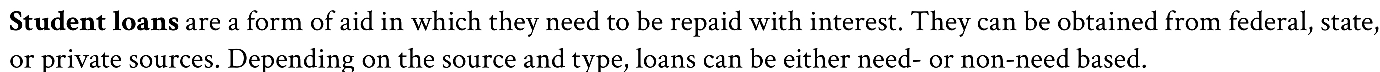
Source: Data adapted from *Trends in college pricing and student aid.* (College Board, 2023)

Types of Financial Aid

Financial aid can be provided to students in a variety of ways and eligibility for them can be based on students' financial need or merit. "Need-based" financial aid is based on the student's ability to pay for college, as determined by factors such as income and family size. "Merit-based" financial aid, on the other hand, is awarded based on individual talents or achievements be it academic, athletic, leadership, or artistic. Traditionally, financial aid can be classified into three categories, which is highlighted below but discussed in more detail later in this guide.

Scholarships and grants are forms of financial aid that do not need to be repaid. They can come from a variety of sources, such as the federal and state government, local and private organizations, and postsecondary institutions themselves. Typically, grants are identified as need-based, whereas scholarships are merit-based but may also include a need-based component.

Roughly 56% of all community college students receive some kind of financial aid. Most of this aid is from the federal government as 42% receive federal grants and 15% from federal loans. Additionally, 25% of community college students obtain aid through state programs and 6% receive institutional aid.



Student loans are a form of aid in which they need to be repaid with interest. They can be obtained from federal, state, or private sources. Depending on the source and type, loans can be either need- or non-need based.

Work-study provides students with the opportunity to work part-time while attending college and gain valuable work experience. Work-study is typically need-based and predominately funded from the federal government, but some state governments may also provide funding.

Scholarships and grants, student loans, and work-study make up the bulk of financial aid that is provided directly to students in helping them cover their college expenses. There are other forms of aid that provide financial support. Students can take advantage of education tax credits or deductions, and some may be able to access other public benefits, such as Supplemental Nutrition Assistance Program (SNAP) or Temporary Assistance for Needy Families (TANF).

Federal Financial Aid Programs

Compared to their peers at four-year public and private colleges, community college students are generally less likely to receive, or have access to, state grants or institutional aid due to limited resources and eligibility requirements.[4] This means that federal aid — and particularly federal grants — are especially important for community colleges and students.

The most common financial aid programs used at community colleges are often referred to as "Title IV" aid, which refers to Title IV of the Higher Education Act of 1965 (HEA). These funds are administered by the U.S. Department of Education's (ED) Office of Federal Student Aid (FSA) and are intended to assist students in covering the price of tuition, fees, books, and living expenses while enrolled in college. Other forms of financial aid, such as tax credits and military benefits, are provided by the federal government but are not overseen by ED or covered under HEA. Later sections of this guide provide more details about each of these federal programs.

Federal financial aid programs include:

- Title IV aid
  - Federal Grants
    - Federal Pell Grants
    - Federal Supplemental Educational Opportunity Grant
    - Iraq and Afghanistan Service Grant & Aid for Military Families
  - Federal Student Loans
    - Direct Subsidized & Unsubsidized Loans
    - Direct Parent Loan for Undergraduate Students (PLUS)
  - Federal Work-Study (FWS)
- Federal tax credits
  - American Opportunity Tax Credit (AOTC)
  - Lifetime Learning Credit
- Federal military financial aid
  - Post 9-11 GI Bill
  - Montgomery GI Bill
  - Survivors' and Dependents' Education Assistance (DEA)

4 American Association of Community Colleges. (2022, February 12). *DataPoints: State and local funding.* AACC.NCHE.org. Retrieved June 25, 2024, from **https://www.aacc.nche.edu/2022/02/12/datapoints-state-and-local-funding/**

Applying for Financial Aid

Students apply for all federal aid programs by completing the Free Application for Federal Student Aid (FAFSA) online at www.fafsa.ed.gov or by mailing in a paper application. Students and parents need a Federal Student Aid ID (FSA ID), which consists of an account username and password that is used to gain access to the FAFSA. Students must also apply annually for each "award year" for which they are requesting federal aid.

Many state and institutional aid programs also require the FAFSA to determine eligibility. However, some states or colleges may require additional information and applications for nonfederal aid. These supplementary applications may ask students to provide demographic or financial details not included in the FAFSA. Some states also have separate aid applications for students who are not able to complete the FAFSA, such as undocumented students who are identified under the DACA program or a Temporary Protected Status recipient. To determine if your state or institution requires a separate application for a specific financial aid program, contact your institution's financial aid office.

The FAFSA collects basic identifying information such as name, Social Security number, date of birth, and contact information, as well as financial information including income and assets relating to cash, savings, or investments. Students also need to list the schools to which they want their FAFSA sent. Traditionally, the FAFSA opens on October 1 of the calendar year, and the application requires federal tax income data from two years prior. Anyone wishing to file a FAFSA must have their federal tax information automatically imported into the form but needs to provide consent and approval to use this feature.

As determined by answers to FAFSA questions about family circumstances, a student can be classified as either a dependent, independent without dependents, or independent with dependents. This classification determines the information that needs to be reported on the FAFSA and the formula used to calculate a student's eligibility for financial aid. Typically, a student is independent if they are one of the following: at least 24 years of age, married, graduate or professional student, a veteran, an active-duty service member, an orphan, a ward of the court, or have dependents other than a spouse. Dependent students need their parents or guardians to report their income and asset related information. Because independent students do not have to report their parents' financial information, they often qualify for more aid because their eligibility is based solely on their own income and assets (or those of their spouse).

Many community college students are adult or returning students and qualify as independent. According to ACCT, the average age of community college students is 27, 23% are parents, and 4% are veterans.

After a student completes and submits a FAFSA, the information is processed through ED's FAFSA Processing System (FPS), which uses a formula to calculate the student's Student Aid Index (SAI).[5] Students know their SAI when they receive the FAFSA Submission Summary (FSS). The SAI is not the dollar amount of aid a student will receive. Instead, it is a calculated measure that reflects the amount that students and their families can anticipate paying in order to cover the educational expenses for the academic year. Additionally, a college's financial aid office will use the SAI in a formula to determine how much federal aid a student can receive. The SAI can also serve as an indicator to determine which students will have higher financial need than others, as the minimum value of the SAI can be -1,500 (high financial need) and the maximum value is 99,999 (low financial need).

5 Prior to 2024, the FAFSA calculated a measure called the "Expected Family Contribution" or EFC. While SAI and EFC function in a similar manner, the calculation to determine SAI is slightly different.

Qualifications for Financial Aid

Qualifications for financial aid depend on the level(s) at which the aid is funded (e.g., federal, state, and/or local). State and local financial aid programs may base eligibility on either need or merit, whereas federal financial aid is predominately need-based.

To be eligible for federal financial aid, a student must demonstrate financial need, be a U.S. citizen or eligible noncitizen, and be enrolled in an eligibility degree or certificate program at an eligible postsecondary institution. Additional eligibility requirements may apply in certain situations for students who are non-U.S. citizens, have criminal convictions, or have intellectual disabilities. More information about these certain eligibility requirements is available on ED's website, at financialaidtoolkit.ed.gov, or through your institution's financial aid office.

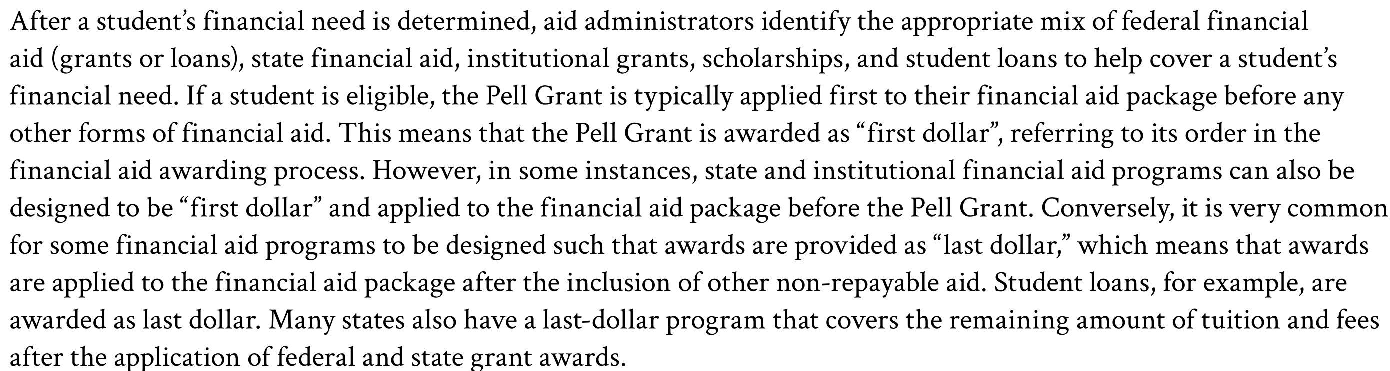
Determination of Financial Aid Packages

After the FAFSA[6] is processed by FPS, an Institutional Student Information Record (ISIR) is sent to the institution(s) the student indicated on the FAFSA. Financial aid administrators use the information from the ISIR to identify students' aid eligibility and they use a needs-analysis formula to develop a financial aid package that covers a student's educational expenses. This section briefly explains how these financial aid packages are developed. In the *Understanding Grants and Scholarships* and *Understanding Student Loans* sections of this guide, there is a more in-depth explanation of how award amounts under those aid programs are calculated.

In general, the needs analysis that aid administrators use is demonstrated in **Figure 2**. The formula involves subtracting a student's Student Aid Index from the institution's "cost of attendance," resulting in the remaining amount known as "financial need." The lower a student's SAI, the higher amount of financial need there will be, and this allows for higher amounts of financial aid a student can receive. While a student's SAI can be negative (such as -1,500), a student's SAI cannot be less than 0 in the needs-analysis formula.
These "zero SAI" students and families are regarded as having the highest amount of financial need.

Figure 2: Financial Need Formula

6 *FAFSA Simplification Act Changes for implementation in 2024-25* | Knowledge Center. (2023, August 4). **https://fsapartners.ed.gov/knowledge-center/library/dear-colleague-letters/2023-08-04/fafsa-simplification-act-changes-implementation-2024-25**



After a student's financial need is determined, aid administrators identify the appropriate mix of federal financial aid (grants or loans), state financial aid, institutional grants, scholarships, and student loans to help cover a student's financial need. If a student is eligible, the Pell Grant is typically applied first to their financial aid package before any other forms of financial aid. This means that the Pell Grant is awarded as "first dollar", referring to its order in the financial aid awarding process. However, in some instances, state and institutional financial aid programs can also be designed to be "first dollar" and applied to the financial aid package before the Pell Grant. Conversely, it is very common for some financial aid programs to be designed such that awards are provided as "last dollar," which means that awards are applied to the financial aid package after the inclusion of other non-repayable aid. Student loans, for example, are awarded as last dollar. Many states also have a last-dollar program that covers the remaining amount of tuition and fees after the application of federal and state grant awards.

The goal of all financial aid administrators is to develop a financial aid package that covers all a student's financial need. If the package, which can include grants and scholarships, does not cover the student's financial need, the remaining portion of need is referred to as "unmet need." Students and families would be responsible for covering this portion of the costs. Students can seek additional sources of funding, such as student loans, to cover this remaining amount. However, high levels of unmet need can have a negative impact on students' educational decisions and progress toward degree completion, including working more hours, changing course load, taking on more debt, and facing higher degrees of food and housing insecurity.[7]

Students learn of their financial aid package through a letter provided by the institution. Upon receiving their award letters, students have a few decisions to make. First, they need to determine how much money they need to cover their expenses after grants and scholarships have been applied. If they have remaining expenses, they may choose to cover the rest using student loans offered in their financial aid letters or by working to meet their expenses. Students also need to decide if they plan to attend college full-time or part-time, as the size of awards for some aid programs is contingent on students' enrollment intensity. Once students have accepted their financial aid packages and enrolled, financial aid administrators can apply student aid to their institutional account.

7 Goldrick-Rab, S. (2016). *Paying the price.* [Book.] University of Chicago Press; Vargas, M., & Dancy, K. (2023, Aug. 16). *College affordability still out of reach for students with lowest incomes, students of color.* Institute for Higher Education Policy (IHEP). Retrieved from **https://www.ihep.org/college-affordability-still-out-of-reach-for-students-with-lowest-incomes-students-of-color/.**

Financial Aid Packaging Examples

EXAMPLE 1

Amount	Item	Explanation
4,500	Tuition & Fees	Anna is a dependent, first-year student attending a local community college full-time. The institution's total cost of attendance is $12,500, which is the sticker price that includes $4,500 for tuition and fees and $8,000 to cover other expenses such as her books and supplies, room and board, transportation, and personal expenses.
+ 8,000	Other Expenses	
12,500	Cost of Attendance	

Amount	Item	Explanation
12,500	Cost of Attendance	Anna and her family have a 3,000 SAI, which is the amount that her family will have to pay out of pocket to cover her educational expenses for the year. Her total financial need is $9,500.
- 3,000	Student Aid Index	
9,500	Financial Need	

Amount	Item	Explanation
9,500	Financial Need	The financial aid administrator meets Anna's $9,500 financial need by providing her with a $4,300 Pell Grant, $2,000 in state financial aid, and $1,500 in institutional aid. The total amount of need-based grants and scholarships in Anna's aid package is $7,800, making the net price and unmet need $1,700.
- 4,300	Pell Grant	
- 2,000	State aid	
- 1,500	Institutional aid	
1,700	Unmet need	

Amount	Item	Explanation
9,500	Financial Need	The aid administrator covers the unmet need with a $1,700 federal Subsidized student loan, which allows Anna to have no unmet need because the remaining financial need is zero. Should Anna and her family decide not to take the loan, she would need to cover the remaining 1,700 through other means, such as working part-time. Without a student loan, the total amount that Anna and her family would need to pay would be $4,700, which includes the $3,000 SAI and the $1,700 in unmet need.
- 4,300	Pell Grant	
- 2,000	State aid	
- 1,500	Institutional aid	
- 1,700	Subsidized student loan	
0	Unmet need	

EXAMPLE 2		
5,000	Tuition & Fees	John is an independent, second-year student attending a local community college full-time. The institution's total cost of attendance is $15,000, which is the sticker price that includes $5,000 for tuition and fees and $10,000 to cover other expenses such as his books and supplies, room and board, transportation, and personal expenses.
+ 10,000	Other Expenses	
15,000	Cost of Attendance	

15,000	Cost of Attendance	John has a zero SAI, which indicates that he has high financial need and, as determined from the SAI formula, is not able to financially cover his educational expenses out of pocket. His total financial need is $15,000.
- 0	Student Aid Index	
15,000	Financial Need	

15,000	Financial Need	Because John has a zero SAI, he is automatically eligible to receive the maximum Pell award for the year, which is 7,300 for this example. The financial aid administrator provides John with $2,000 in state financial aid and $500 in institutional aid. The total amount of need-based aid is $9,800, which means there is $5,200 remaining in financial need.
- 7,300	Pell Grant	
- 2,000	State aid	
- 500	Institutional aid	
5,200	Unmet need	

15,000	Financial Need	Because John is a second-year independent student, he is eligible for up to $10,500 in federal student loans to cover the remaining unmet need. The financial aid administrator offers John a $4,500 subsidized loan and a $700 unsubsidized loan, reducing his unmet need to 0.
- 7,300	Pell Grant	
- 2,000	State aid	
- 500	Institutional aid	
- 4,500	Subsidized student loan	
- 700	Unsubsidized student loan	
0	Unmet need	

UNDERSTANDING GRANTS AND SCHOLARSHIPS

Grants are a critical source of financial aid support to promote college access and success. Unlike loans, grants do not need to be repaid, making them a vital resource for low-income students to pursue their academic and career goals without the worry of excessive student loan debt. Grants can come from a variety of sources, including federal and state governments, postsecondary institutions, and private organizations. This section describes the eligibility requirements and award amounts for grants provided by the federal government and provides a brief illustration of state funding of financial aid programs available to community college students.

Pell Grant

The Pell Grant is the nation's largest funded grant program. The grant functions like a voucher for students, as the award is portable and can be used at any accredited institution that participates in Title IV programs. The maximum award for the Pell Grant is determined through Congressional appropriations and set annually by ED. Students cannot receive a Pell Grant award amount that exceeds the school's cost of attendance.

Pell Grant eligibility and award amounts are based on either federal poverty guidelines or a student's SAI and are adjusted according to enrollment intensity. Students who have a household head's income below federal poverty thresholds or an SAI at or below zero are eligible to receive the maximum Pell award. Dependent students whose parents were not required to file a federal income tax return, or independents not required to file, are also eligible to receive the maximum Pell Grant award. For students whose household heads' income is above the poverty guidelines and have an SAI greater than zero, their award is calculated by subtracting their SAI from the maximum award set by ED. For example, if the Pell maximum for the year is $7,500 and the student's SAI is $2,000, the student's scheduled award amount for the academic year would be $5,500.

Students can only receive Pell Grants for 12 total semesters of full-time enrollment (roughly six years), known as the Lifetime Eligibility Usage (LEU). In the instance that a student uses all the scheduled Pell Grant amount for the fall and spring semesters, they still have access to use a Pell Grant to cover educational expenses over the summer term. This is known as Year-Round Pell and offers students support to progress toward degree completion faster and with more financial security.

History and Growth of the Pell Grant

The Federal Pell Grant began in 1972 as the Basic Eligibility Opportunity Grant (BEOG) and was later renamed in 1980 after Senator Claiborne Pell, who was among the chief legislative champions of the program. More than 50 year later, the Pell Grant program continues to receive bipartisan support and is widely viewed as tremendously important in sending more low- and middle-income students to college.

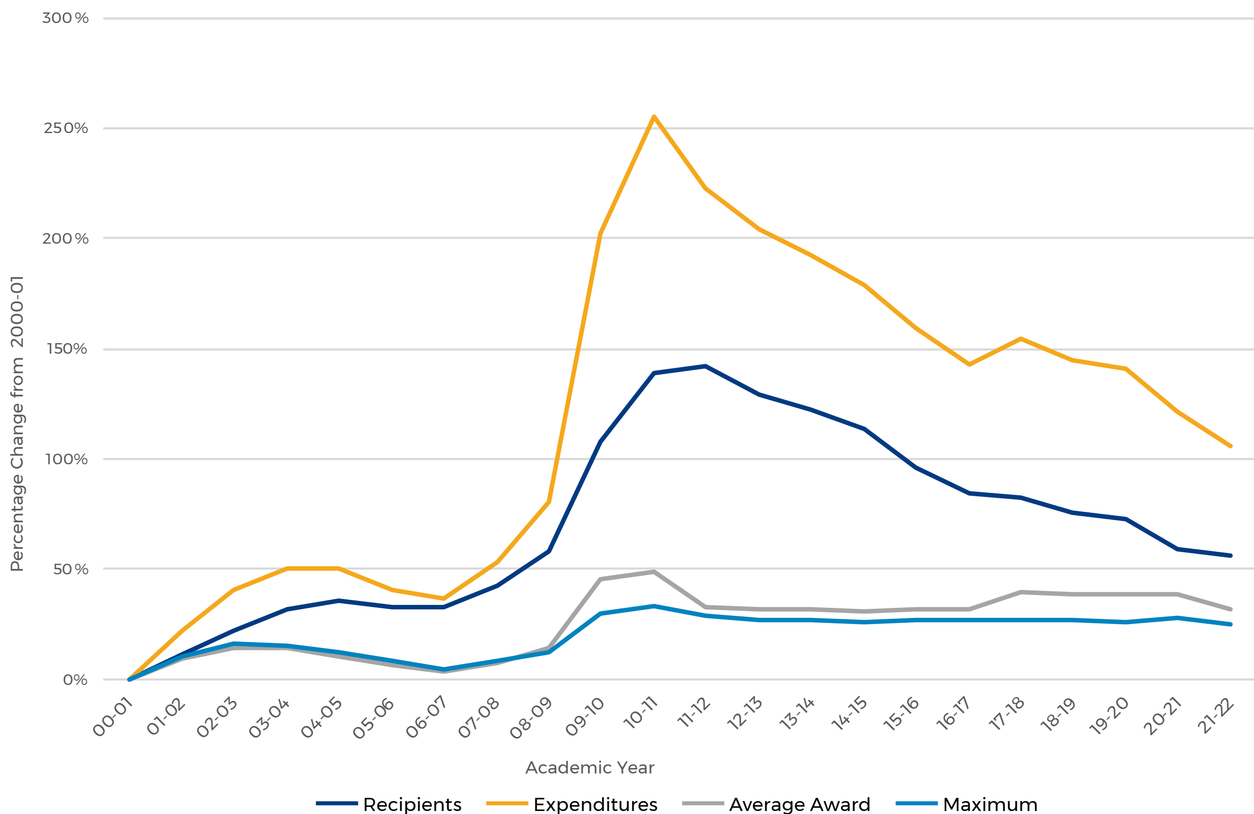
At its inception, the Pell Grant was designed primarily for low-income high school graduates to attend traditional four-year degree programs. Over time, the Pell Grant expanded to include adult learners, middle-income students, and other institutional sectors. Today, the Pell Grant is provided to over 6 million students annually. Roughly 25 percent of Pell Grant recipients attend a two-year public institution, and over 50 percent of those community college recipients are independent students.[8]

8 U.S. Department of Education (2023). *Pell end-of-year report: 2021-2022.* Retrieved from **https://studentaid.gov/data-center/student/title-iv.**

Pell Grant program expenditures increased over 100% between the 2000–01 and 2021–22 academic years (see **Figure 3**). The most significant growth occurred between 2008–09 and 2009–10, a time in which college enrollment increased because of the downturn in the economy. At that time, Congress directed more funding toward the Pell Grant to provide an increase in the maximum award and expand eligibility. Over time, Congress rolled back some of these funding expansions. As result, fewer individuals became eligible for a Pell Grant, and, after adjusting for inflation, the Pell Grant maximum for 2021–22 was at the same level as the maximum for 2011–12.

Congressional legislation in 2020 altered the Pell Grant eligibility requirements and formula to determine awards, which allowed for expanded access to the Pell Grant. Starting with the 2023–24 academic year, students incarcerated in federal and state penitentiaries have the ability to receive a Pell Grant. Starting with the 2024–25 academic year, Pell Grant eligibility and awards will take into consideration family size and household heads' income in relation to federal poverty levels. Research examining these Pell Grant changes has suggested that a large share of students will experience an increase in their Pell Grant eligibility and award amounts.[9] This suggests that fundings levels and the number of recipients represented in Figure 3 are likely to change over time. More up to date information on Pell Grant trends are available at https://studentaid.gov/data-center/student.

Figure 3: Pell Grant Recipients, Expenditures, Average Award, and Maximum Since 2000-01 (2022 dollars)



Source: U.S. Department of Education (2023). *Pell end-of-year report: 2021-2022.*

9 Burns, R. (2023). *National and state impacts of FAFSA simplification.* SHEEO. Retrieved from **https://sheeo.org/wp-content/uploads/2023/10/ImpactsofFAFSASimplification.pdf.**

Federal Supplemental Educational Opportunity Grant

The Federal Supplemental Educational Opportunity Grant (FSEOG or SEOG) program is a relatively small program administered directly by financial aid offices at institutions participating in Title IV programs. FSEOG is a federal grant but is often referred to as a "campus-based" aid program because ED provides institutions a certain amount of FSEOG funds for the year, and once these funds have been award to students, no more FSEOG awards can be made. Unlike Pell Grants that follow the student to the institution, FSEOG is not portable and limited to the institution providing the award. FSEOG funding is intended to support low-income students, and institutions typically require that recipients also meet Pell Grant requirements. Students can receive between $100 and $4,000 a year depending on financial need, other sources of available aid, and overall FSEOG funding availability at the institution.

Postsecondary institutions receive FSEOG funding through a federal formula that takes into consideration funding from previous allocations.[10] This means that institutions that received more FSEOG funding in the past will be more likely to receive higher allocations in the future. Over time, this formula has favored private and public four-year institutions more than community colleges, resulting in community colleges receiving less FSEOG funding.

Iraq & Afghanistan Service Grants

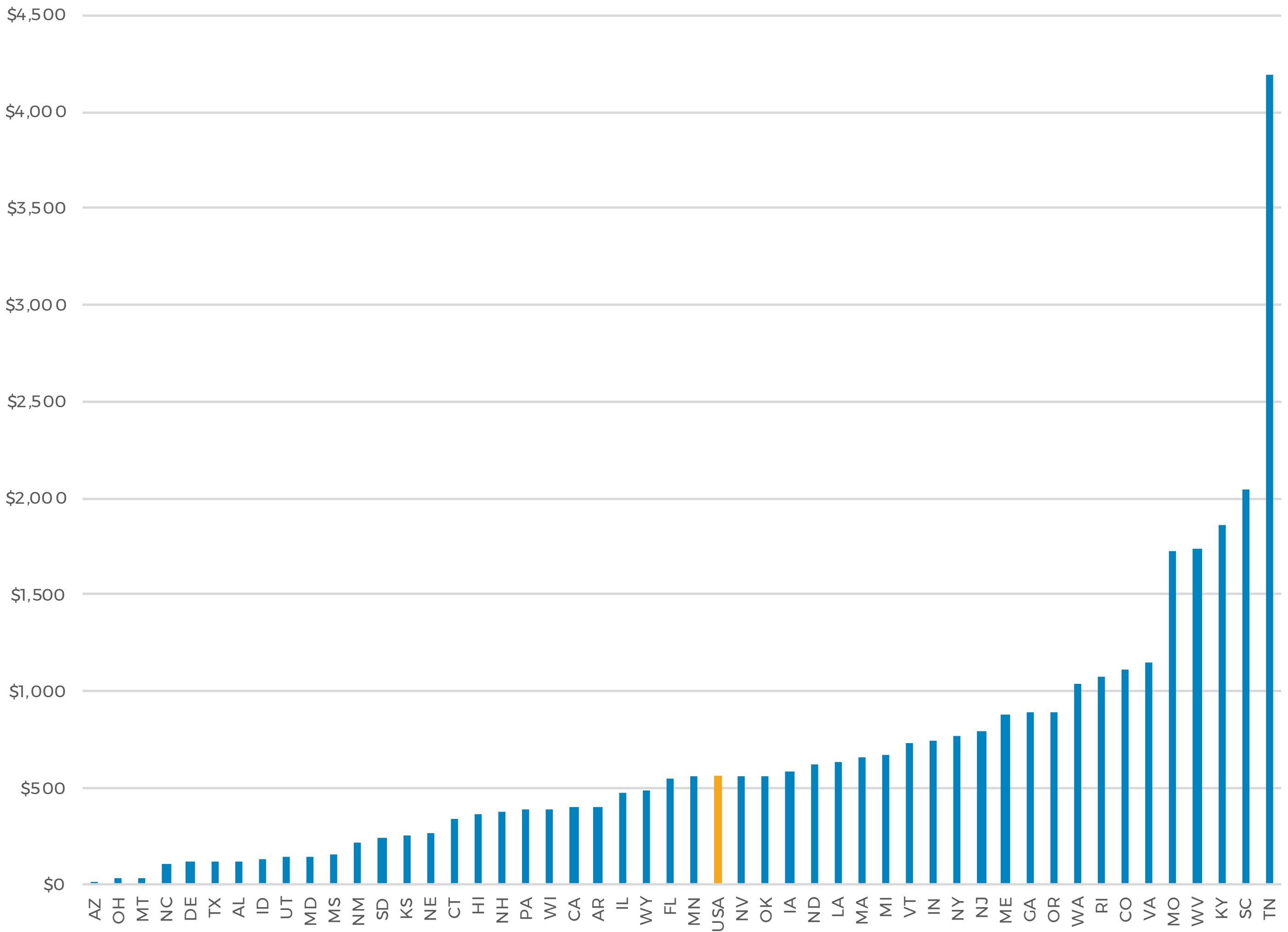
Iraq & Afghanistan Service Grants provide financial assistance to students whose parent or guardian died because of military service in Iraq or Afghanistan after the events of September 11, 2001. To be eligible, a student must have been under 24 years old or enrolled at least part-time at a college or career school at the time of the parent's or guardian's death. The award amount is equal to the maximum award amount for the Pell Grant but is adjusted based on the student's enrollment intensity and financial need.

State and Institutional Grants and Scholarships

Grants and scholarships are provided at the state and local levels. The eligibility requirements for these programs can be either need- or merit-based, and as discussed previously, may require students to complete an aid application that is different from the FAFSA. The award amounts for these types of grants will also vary. At the state level, some states fund financial aid programs for community colleges at higher levels than others. **Figure 4** demonstrates the variation in financial aid funding per student specific to community colleges for the 2021–22 academic year. At the national level, the average grant amount for full-time community college students was approximately $562. Arizona had the lowest funding per community college student at $7, while Tennessee had the highest at roughly $4,000 per student due to the TN Promise, the state's tuition- and fee-free community and technical college program.

10 Foundation, J. H.. (2017). *The campus-based financial aid programs: Background and issues.* Congressional Research Service. Retrieved from **https://crsreports.congress.gov/product/pdf/R/R45024/3**

Figure 4: State Financial Aid for Community Colleges per Full-time Enrollment (2021–22 AY)



Source: SHEEO (2023). *State higher education finance: FY 2022*.

Notes: Alaska and District of Columbia are excluded from the graph as financial aid funding specific to community colleges was not available.

UNDERSTANDING STUDENT LOANS

Student loans have become one of the most popular forms of financial aid to assist with educational expenses. Federal student loans are offered to students through the Direct Loan Program (DL), in which the U.S. Department of Education (ED) acts as the lender of the loan. Students and parents can borrow loans through a private lender, but the terms and interest rates of these loans are different than loans offered by the federal government. This section describes the different types of loans students can borrow, the management and repayment of these loans, and the consequences associated in not making loan payments.

Student Loan Types

Direct Subsidized and Unsubsidized Loans

ED provides both Direct Subsidized and Unsubsidized loans to undergraduate students. Subsidized loans are made based on student financial need. The interest on subsidized loans does not accrue while borrowers are enrolled at least half-time in college, during a six-month grace period after they leave college, and for authorized periods of deferment. Unsubsidized loans do not consider financial need as an eligibility factor, and interest accrues through the life of the loan, which could accrue while the student is enrolled in college. However, the borrower may choose to pay the interest while enrolled or allow the interest to be capitalized (added to the loan principal) when the loan enters repayment.

The interest rates for both subsidized and unsubsidized loans are set through a statutory formula that is tied to Treasury securities and cannot exceed 8.25%. These rates are adjusted annually for new loans. Once a borrower receives a loan during an academic year, the interest rate remains fixed for the life of that loan. For the 2023–24 academic year, the interest rate for undergraduate subsidized and unsubsidized loans was 5.5%.

Students cannot borrow more than their cost of attendance, and there are annual and aggregate limits on the subsidized and unsubsidized loan amounts that students can borrow, which vary according to a student's year in college and dependency status. **Table 1** displays the current loan limits. These limits are set through legislative action and the last time Congress changed these loans' limits was in 2008.

Independent students are permitted to borrow higher unsubsidized loan amounts than their dependent peers. For example, dependent students may borrow up to $5,500 in their first year, but no more than $3,500 of the $5,500 can be subsidized. Whereas independent students can borrow up to $9,500 in their first year, with no more than $3,500 being subsidized. The total amount that students can borrow is $31,000 for dependents and $57,500 for independents, but neither can borrow more than $23,000 in subsidized loans.

Students are not required to accept the full amount of loans offered to them. They can choose to borrow less, or in some cases, decline the loans altogether. Community college aid administrators work with students to ensure they borrow only what is necessary to cover educational expenses.

Table 1: Annual and Aggregate Loan Limits for Direct Subsidized and Unsubsidized Loans

	Dependent Students		Independent Students	
	Subsidized	Total Subsidized & Unsubsidized	Subsidized	Total Subsidized & Unsubsidized
1st year	3,500	5,500	3,500	9,500
2nd year	4,500	6,500	4,500	10,500
3rd year and beyond	5,500	7,500	5,500	12,500
Aggregate	23,000	31,000	23,000	57,500

Direct PLUS Loans

Parent Loan for Undergraduate Students (PLUS) are federal loans that parents of dependent undergraduate students can use to help pay for education expenses.[11] Generally, students and families resort to parent PLUS loans if they have already exhausted their normal Direct subsidized & unsubsidized loan limits. For a parent to borrow a PLUS loan, the student must complete a FAFSA; there is no requirement that the parent complete a separate FAFSA or application. Unlike Direct subsidized and unsubsidized loans, a PLUS loan for parents does require a credit check. Individuals who have an adverse credit history are not allowed to borrow a PLUS loan. There is no aggregate loan limit that parents can borrow, but the annual amount borrowed cannot exceed the cost of attendance. The interest rates for PLUS loans are calculated through a statutory formula, are fixed (like subsidized and unsubsidized loans), and cannot exceed 10.5%. The interest rate for PLUS loans for the 2023–24 academic year was 7.54%.

Private and State Education Loans

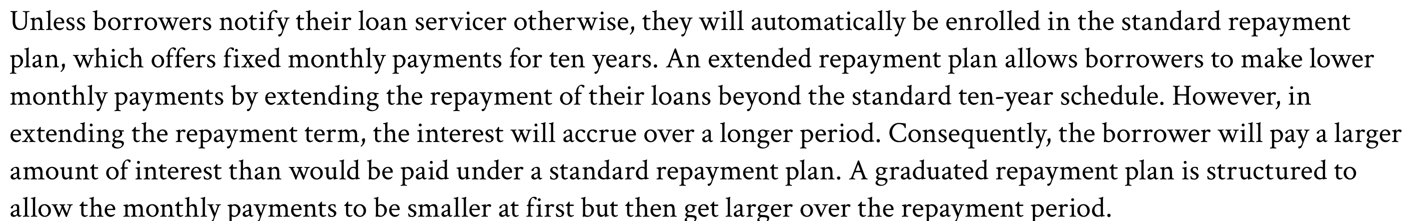
Private education loans are not federal loans, although students and families often mistake them as such. Most federal loans are serviced by private lenders, but these are not private loans as the servicer does not guarantee the loan. Private educational loans are rarely used by community college students and have interest rates that vary by lender, with fewer repayment options than federal loans. Because students can self-certify their financial need for a private loan, institutions do not track the status of these loans.

Some states also provide loans that are not federally backed. Like private loans, the interest rates and repayment options of these loans vary by state. However, states often provide loans with terms like federal loans. It is still very common for borrowers to confuse state loans with federal loans.

Managing and Repaying Federal Student Loans

Borrowers with subsidized and unsubsidized Direct Loans have a six-month grace period following graduation, leaving their institution, or dropping below half-time enrollment to begin repaying their loans. As the beginning of repayment draws near, borrowers can choose from repayment plan options that fall into four broad categories: standard repayment plan, extended repayment plans, graduated repayment plans, and income-driven repayment plans.

11 Graduate students can also borrow under the PLUS loan program, also referred to as GRAD PLUS. Parents borrowing under PLUS is then referred to as Parent PLUS.



Unless borrowers notify their loan servicer otherwise, they will automatically be enrolled in the standard repayment plan, which offers fixed monthly payments for ten years. An extended repayment plan allows borrowers to make lower monthly payments by extending the repayment of their loans beyond the standard ten-year schedule. However, in extending the repayment term, the interest will accrue over a longer period. Consequently, the borrower will pay a larger amount of interest than would be paid under a standard repayment plan. A graduated repayment plan is structured to allow the monthly payments to be smaller at first but then get larger over the repayment period.

Subsidized and unsubsidized loan borrowers can opt for one of several income-driven repayment (IDR) plans that offer monthly payments capped at a percentage of their income. Depending on the IDR plan, the payments can be 5% to 20% of income and the repayment term can be extended to 20 or 25 years. Additionally, IDR plans provide borrowers to have the remaining balance of their loan forgiven after a certain number of months of qualifying payments.

Direct Loan borrowers do have the option to combine multiple federal student loans into a single loan with one monthly payment through Direct Consolidation Loan. The interest rate under consolidation is based on the weighted average of the interest rates on the loans being consolidated and the repayment term can range from 10 to 30 years, depending on the total amount of consolidated loans.

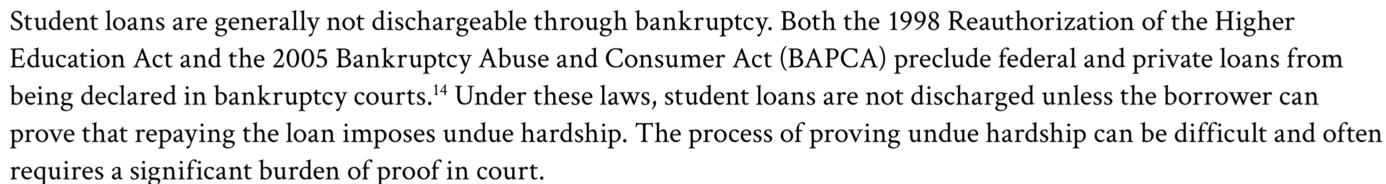
Federal student loans provide borrowers with the opportunity of temporary relief in payments obligations through deferments and forbearances. The difference between a deferment and forbearance relates to how interest accrues and who qualifies. Under a deferment, interest does not accrue for subsidized loans and is available to a borrower during periods in which he or she is pursuing a postsecondary education, unemployed or experiencing an economic hardship, completing military service, or receiving treatment for cancer. For forbearances, interest accrues for all loans and is granted at the discretion of the loan servicer. This is typically offered to borrowers when facing economic hardship or illness who do not qualify for a deferment.

Loan Discharge and Forgiveness

There are several ways in which a borrower can be relieved of their federal loan repayment obligations. Federal loans can be discharged in certain situations, including death, total and permanent disability, and if the school closed while the student was enrolled. Loan repayments can also be relieved through forgiveness following an IDR plan described above or through programs that allow students to have their loans forgiven in exchange for service in a designated area, occupation, or employment sector over a period of time. These loan forgiveness programs can be offered through the federal government, states, or local employers. For example, the federal government offers loan forgiveness for those working in a public service field who make on-time payments for 10 years through the Public Service Loan Forgiveness program (PSLF).[12] States can offer loan forgiveness for targeted occupations that are in high demand, such as healthcare or education-related fields.[13]

12 *Federal Student Aid.* (n.d.). **https://studentaid.gov/manage-loans/forgiveness-cancellation/public-service**

13 Wiederspan, M. (2018). *Understanding state loan forgiveness and conditional grant programs.* Midwest Higher Education Compact. Retrieved from **https://www.mhec.org/sites/default/files/resources/mhec_affordability_series4_20180201.pdf**



Student loans are generally not dischargeable through bankruptcy. Both the 1998 Reauthorization of the Higher Education Act and the 2005 Bankruptcy Abuse and Consumer Act (BAPCA) preclude federal and private loans from being declared in bankruptcy courts.[14] Under these laws, student loans are not discharged unless the borrower can prove that repaying the loan imposes undue hardship. The process of proving undue hardship can be difficult and often requires a significant burden of proof in court.

Student Loan Default

When a borrower is not able to make payments, the loan first becomes delinquent and will remain so until the borrower repays the past due amount or makes arrangements with the servicer through a deferment or forbearance. If the borrower is delinquent for than 90 days, the loan servicer will report the borrower to national credit bureaus. Being delinquent for 270 days can result in the borrower being in default. Under default, the borrower may lose federal and state income tax refunds, lose federal or state benefit payments, be sued, assessed collection charges, lose student aid and assistance, lose eligibility for student loan deferments, damage his or her credit rating, or suffer wage garnishment. Borrowers who have defaulted on their student loan do have the ability to get out of default and have their payment benefits and privileges restored through loan rehabilitation, which involves the borrower entering a written agreement with the loan servicer and making nine monthly payments over a ten-month period.

Student loan defaults can have significant implications for community colleges, affecting their funding, accreditation, and reputation. More information on the importance of student loan default for colleges is discussed further in the section titled *Understanding Institutional Participation in Federal Financial Aid Programs*.

14 Ang, X., & Jimenez, D. (2014). Private student loans and bankruptcy: Did four-year undergraduates benefit from the increased collectability of student loans? In B. Hershbein & K.M. Hollenbeck (Eds.), *Student loans and the dynamics of debt (pp. 235-286).* W.E. Upjohn Institute for Employment Research.

UNDERSTANDING WORK-STUDY AND OTHER FORMS OF FINANCIAL AID

Financial aid can also come from a variety of sources, where students' receipt of these funds is not immediate nor directly included in their financial aid package. These other sources of aid provide some financial assistance in covering students' educational expenses. This section discusses the Federal Work-Study program, tax credits and deductions, military support, employer-provided education benefits, and public assistance programs.

Federal Work-Study

Federal Work-Study (FWS) is a federal grant program designed to offer students part-time employment opportunities. Instead of receiving an upfront award, students are awarded a potential maximum, which they can earn through hourly work at the college or with a nearby organization. Students in FWS must have financial need and earn at least the federal minimum wage. There is no maximum award amount for FWS, but awards are based on a combination of factors such as a student's financial need, financial aid from other sources, the wage rate, how many hours the student can work per week, and overall availability of FWS funds that an institution can provide.

Like FSEOG, FWS is a "campus-based" aid program, wherein the federal government provides schools with an allocation of funds and awards are provided on a first-come, first-served basis until funds run out. Students receive compensation through a combination of FWS federal funding with matching amounts from either the college or the employer. The process in which the federal government allocates FWS funds to institutions is done in a similar manner to FSEOG. Institutions receive funds in aggregate based on a formula that considers historical funding allocations, which tends to favor private and public 4-year institutions than community colleges.[15] As a result, community colleges receive significantly less in FWS funding.

Tax Credits and Deductions

American Opportunity Tax Credit

The American Opportunity Tax Credit (AOTC) offers taxpayers a credit of up to $2,500 per eligible students for qualified education expenses, including tuition, fees, and course materials, over the first four years of postsecondary education. To be eligible, the student must be pursuing a degree or other recognized education credential and be enrolled at least half-time for at least one academic period during the tax year. Eligible independent students can claim the tax credit for themselves, or parents and guardians of dependent students can claim the credit. AOTC is refundable, meaning that those who claim the credit and have little to no tax liability can receive up to $1,000 to assist with education expenses.

The AOTC does have an income cap and can only be claimed with qualified expenses. Given that community colleges traditionally have low tuition rates and that financial aid, such as the Pell Grant, can cover these expenses, not all community college students and their families can claim the AOTC.

15 Foundation, J. H.. (2017). *The campus-based financial aid programs: Background and issues.* Congressional Research Service. Retrieved from **https://crsreports.congress.gov/product/pdf/R/R45024/3**

Lifetime Learning Credit

The Lifetime Learning Credit (LLC) provides for a tax deduction of up to $2,000 (20% of the first $10,000 spent on higher education). The basic requirements for receiving the LLC are that the person claiming the credit paid qualified educational expenses for an eligible student and that the student is either the filer, their spouse, or their dependent. Qualified educational expenses include tuition and fees and any other expenses required for a student's educational program. Because community colleges traditionally have low tuition rates and qualified education expenses under $10,000, many students and their families may not necessarily receive the full $2,000 deduction.

Unlike the AOTC, the LLC has no limit on the number of times it can be used, is a non-refundable credit, and students do not need to be pursuing a degree to qualify. Even if a student is taking one college course, they can claim this credit. However, the AOTC and LLC cannot be claimed for the same student in the same tax year. If a filer pays qualified education expenses for more than one student in the same year, they may choose to take credits on a per-student, per-year basis. This means that filers can claim the AOTC for one student and the LLC for another student in the same tax year. Like the AOTC, there are income limits to claim the LLC.

Student Loan Interest Deduction

Individuals can also deduct the interest paid on a federal or private student loan from their taxable income. The maximum deduction for student loan interest is $2,500 and the deduction amount decreases as income levels increase.

529 Plans

While not a federal tax credit or deduction, 529 college saving plans have tax advantages that are designed to save for future education costs. These plans can be sponsored by states and are authorized under Section 529 of the Internal Revenue Code. The earnings in 529 plans grow tax-deferred, and withdrawals are tax-free when the funds are used for qualified education expenses.

Support for Military-Connected Students

There are federal resources available to students who currently serve or are veterans of the United States armed forces. Some programs are also available to students whose parents are or were servicemembers, such as the Survivors' and Dependents' Education Assistance (DEA) program. The Montgomery GI Bill provides support to enlisted active-duty members and reservists. As mentioned in an earlier section, students whose parent or guardian passed away as a result of military service in Iraq or Afghanistan after September 11, 2001 can receive a yearly amount up to the maximum Pell Grant award through the Iraq and Afghanistan Service Grant. Military-connected students may also be able to access aid through programs administered by the Department of Veterans Affairs.

Employer-Provided Education Benefits

Section 127 of the federal tax code allows employers to give employees up to $5,250 a year in tax-exempt tuition and fees assistance at the undergraduate level regardless of whether the education is job-related. The employer deducts the cost of the benefit, but the employee does not have to report it as income.

Public Benefits

Some community college students may be able to access public benefits for added support during their years of postsecondary study, such as Supplemental Nutrition Assistance Program (SNAP) and Temporary Assistance for Needy Families (TANF).

Supplemental Nutrition Assistance Program (SNAP)

The Supplemental Nutrition Assistance Program (SNAP) is a federal program that provides financial assistance with nutrition expenses to low-income households and individuals. To qualify for SNAP, individuals must meet certain income requirements set by the federal government. In general, students enrolled in college at least half-time cannot access SNAP benefits. However, there are several exceptions to this rule. For example, students who work for pay a minimum of 20 hours per week or receive TANF assistance could be eligible for SNAP. Additionally, students who receive Federal Work-Study support may be eligible for SNAP, even if they work less than 20 hours per week in their position. Some students with children may also meet criteria for SNAP.

Temporary Assistance for Needy Families (TANF)

Temporary Assistance for Needy Families (TANF) offers cash assistance to low-income families with children. While TANF is a federal program, states have flexibility in how it implements the program, including eligibility criteria and benefit amounts. However, there is a federal standard on the share of state TANF recipients who must participate in designated work or training activities. States can establish guidelines for how postsecondary education counts toward the work requirements. Check with your state's TANF office or local social service agency for information on whether postsecondary education can count as work or training activity in your state.

WIC

The Special Supplemental Nutritional Program for Women, Infants, and Children (WIC) is a federal assistance program that provides nutritious foods, nutritional education, breastfeeding support, and healthcare and social services referrals to low-income women, infants, and children under the age of five. To qualify for WIC, the household income must be at or below 185% of the federal poverty threshold. However, states do have discretion in setting income eligibility levels. Community college students may be eligible to receive WIC in your state, but specific criteria can vary by state. Check with your local WIC office for specific information on the eligibility requirements.

Head Start Program

Head Start is a federal program that provides early childhood education, health and nutritional services, and parental involvement support to low-income children ages 0–5 and their families. Qualifying families receive free, high-quality early education and preschool for their young children. Free child care can decrease the out-of-pocket expenses for a parenting student. The eligibility requirements for Head Start can vary depending on location, program availability, and the child's developmental needs. In general, the eligibility criteria include the child's age, a household income that is below federal poverty levels, and the family living within the service area of the Head Start program. Students interested in enrolling their child in a Head Start program can contact their local for more information on eligibility requirements and the application process.

UNDERSTANDING INSTITUTIONAL PARTICIPATION IN FEDERAL FINANCIAL AID PROGRAMS

Institutions that opt to participate in Title IV programs must meet certain statutory and regulatory requirements set by the Higher Education Act (HEA) and U.S. Department of Education (ED). In general, an institution must be licensed, accredited, and, as determined by ED, it must be both financially responsible and administratively capable of handling program requirements.

An institution's administrative capacity to receive Title IV is determined by whether it has required electronic processes, adequate staff support, financial aid counseling, internal monitoring and reporting procedures for fraud and abuse, and sufficient tracking of students' satisfactory academic progress. Other various statutes and regulations that are monitored by an institution's financial aid office also apply.

ED monitors and enforces compliance of institutions' participation in Title IV programs through several policy mechanisms. This section explains these accountability mechanisms and how they can impact an institution's ability to provide federal financial aid.

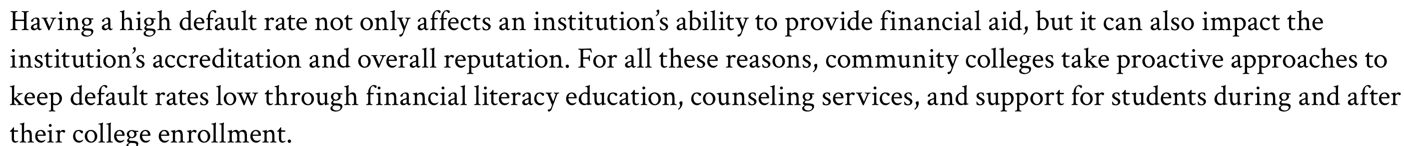
Cohort Default Rates

An institution's eligibility to participate in Title IV programs can be affected by its cohort default rate (CDR). CDRs are published annually and represent the proportion of an institution's student borrowers who default on their federal student loans within three years of entering repayment. For example, among borrowers who enter repayment in 2024, the cohort default rate is the share of borrowers who are in default by 2027. Institutional CDRs must stay within certain thresholds to maintain Title IV participation, as defined by statute:

- An official three-year CDR below 30 percent is required to maintain participation in the Pell Grant program.
- An official three-year CDR below 40 percent is required to maintain participation in the Direct Loan program.

If an institution's default rates rise above these thresholds, it could face federal sanctions that lead to the loss of providing Title IV funds to students. For example, an institution with a three-year CDR of 30 percent or greater in just one federal fiscal year is required to establish a default-prevention task force and to develop and enforce plans to reduce student defaults. Institutions with CDRs of 30.0 percent or greater for two consecutive years are required to revise their plans and could be subject to provisional certification to participate in Title IV. Institutions with three consecutive CDRs of 30.0 percent or greater lose Direct Loan and Pell Grant program eligibility for the remainder of the fiscal year in which the institution is notified of its sanction and for the following two fiscal years thereafter.

Community college tuition and fees are much lower than four-year counterparts, and, as a result, students are generally less likely to borrow. When only a small portion of the student body borrows student loans, the CDR should be interpreted with caution as these rates may not reflect the entire college population. An appeals process for cohort default rates known as the Participation Rate Index (PRI) appeal is available for institutions that have low percentages of students borrowing. Additionally, because CDRs are calculated over a three-year period, ED also provides "draft" rates each year that show the rates of default in the first two years of a cohort, allowing more time for PRI challenges. Therefore, processes are in place to assist colleges in appealing their default rates and taking the necessary steps to avoid federal sections.



Having a high default rate not only affects an institution's ability to provide financial aid, but it can also impact the institution's accreditation and overall reputation. For all these reasons, community colleges take proactive approaches to keep default rates low through financial literacy education, counseling services, and support for students during and after their college enrollment.

Some community colleges choose to not participate in the federal loan program. Institutions that opt out are not subjected to these cohort default rate participation thresholds. However, research demonstrates that community colleges that opt out of federal loan programs limit students' ability to borrow a loan, and, as a result, can negatively impact students' progress toward degree completion.[16]

Gainful Employment and Financial Value Transparency

Gainful Employment (GE) and Financial Value Transparency (FVT) framework are regulatory measures that aim to monitor and inform prospective students and their families on the outcomes of graduates from an institution's programs of study. Both rules utilize metrics relating to students' loan debt and post-graduation earnings:

- Debt-to-earnings (D/E) ratio is the median of annual student loan payments as a percentage of the median earnings of graduates using federal aid. Programs are classified as "high debt burden" if loan payments are more than 8% of annual earnings or 20% of discretionary earnings.
- Earnings Premium (EP) is a test that compares the post-graduation earnings of federal aid recipients from a postsecondary institution to working individuals with just a high school diploma in their state. This test demonstrates whether an institution's program increases a student's earning potential relative to not having received a degree.

GE only applies to for-profit colleges and certificate programs at public and nonprofit institutions, which can include some community colleges. If an institution's program does not meet the D/E thresholds or the EP test in two out of three consecutive years, the institution faces federal sanctions that prohibit the ability to provide federal aid to students in those programs.

The FVT framework applies to all institutions that participate in Title IV funds, including community colleges. The framework requires institutions to disclose the D/E and EP measures as a means to provide students with information on the financial outcomes of education programs being offered. In this sense, FVT operates as consumer disclosure, and programs that do not fall under GE are not subjected to facing federal sanctions should they not meet the D/E and EP thresholds.

CONCLUSION

Students depend on federal and state financial aid resources to afford a postsecondary education. Community colleges would not be able to fulfill their open-access missions without the grants, loans, and tax credits available to these students. Trustees and college leaders have the responsibility of effectively governing and managing these financial aid resources through various programs, practices, and policies at their institutions. This guide serves as a resource to inform trustees, and other leaders who find it beneficial, about the myriad programs that students access to support the financing of their postsecondary education.

16 Dynarski, S., Page, L., & Scott-Clayton, J. (2023). College costs, financial aid, and student decisions. In E. Hanushek, S. Machin, & L. Woessman (Eds). *Handbook of the Economics of Education, Vol. 7.* (pp. 227-285).

APPENDIX

Financial Aid Terms

Campus-based aid – federal student aid programs that are administered by postsecondary institutions. This includes federal work-study and FSEOG. The federal government provides institutions with an allocation of funds and awards are provided to students on a first-come, first-served basis until funds run out.

Cohort Default Rate – the percentage of federal student loan borrowers who default on their loans within 3 years of graduating from college and entering repayment.

Costs – the actual expenses incurred by the college to provide an education. For this guide, costs are used synonymously with price.

Cost of Attendance (or Price of Attendance) – total price to attend a postsecondary institution for one academic year. It includes tuition and fees, room and board (for either living on or off campus), books and supplies, transportation, and personal expenses.

Direct Subsidized loans – federal student loans that operate under the Direct Loan Program and are offered to undergraduate students with financial need. The interest on these loans does not accrue while students are enrolled at least half-time, during the grace period after leaving the school, and during deferment.

Direct Unsubsidized loans – federal student loans that operate under the Direct Loan Program and are available to undergraduate students regardless of financial need. The interest on these loans starts accruing from the moment they are disbursed to students.

Direct PLUS loans – federal student loans that operate under the Direct Loan Program and are available to parents of undergraduate students to help pay for college expenses.

Expected Family Contribution (EFC) – the expected amount of money that a student and family could use to cover educational expenses as determined from information submitted in the FAFSA. Prior to the 2024-25 academic year, the EFC was used to determine federal aid eligibility and has been replaced by the Student Aid Index.

FAFSA Submission Summary (FSS) – a document that summarizes the information students reported on the FAFSA, as well as their Student Aid Index.

First dollar award – a grant or scholarship that is applied to a financial aid package before other forms of financial aid.

Free Application for Federal Student Aid (FAFSA) – the form that students and their families complete annually to determine eligibility for federal financial aid.

FSA ID – the username and password that students and parents use to log in and complete the FAFSA.

Financial need – the difference between the cost of attendance at a college and the student's Student Aid Index calculated from the FAFSA. Financial need is used to determine eligibility for need-based grants.

ISIR (or Institutional Student Information Record) – a record of a student's FAFSA, sent to the colleges and universities the student indicated on the FAFSA.

Last dollar award – financial aid that is applied to the financial aid package after the inclusion of other non-repayable aid.

Merit-based financial aid – financial assistance awarded on individual talents or achievements be it academic, athletic, leadership, or artistic.

Need-based financial aid – financial assistance awarded to students based on financial need.

Net price – the amount that a student and family is to pay after subtracting financial aid that does not need to be repaid from the cost of attendance.

Price – the amount that students and their families pay for a postsecondary education.

Private student loans – loans that are not federally backed and offered by private lenders.

Satisfactory Academic Progress (SAP) – a school's standards for satisfactory academic progress toward a degree or certificate offered by that institution.

Sticker price (or Published price) – the full cost of attendance at a college for an academic year without the consideration of financial aid or scholarships.

Student Aid Index (SAI) – used to determine eligibility for need-based federal financial aid and derived from the information students submit in the FAFSA.

Title IV – the section within the Higher Education Act of 1965 that governs federal financial aid programs.

Unmet financial need – any remaining amount of a student's financial need after the consideration of any financial aid that does not need to be repaid.

Financial Aid Abbreviations & Acronyms

AOTC – American Opportunity Tax Credit

BEOG – Basic Eligibility Opportunity Grant

CDR – Cohort Default Rate

COA – Cost of attendance

DEA – Survivors' and Dependents' Education Assistance

D/E – Debt-to-earnings

DL – Direct loan

ED – U.S. Department of Education

EFC – Expected Family Contribution

EP – Earnings Premium

FAFSA – Free Application for Federal Student Aid

FPS – FAFSA Processing System

FSEOG or SEOG – Federal Supplemental Educational Opportunity Grant

FSA – Federal Student Aid

FSA ID – Federal Student Aid Identification Number

FSS – FAFSA Submission Summary

FVT – Financial Value Transparency

FWS – Federal Work-Study

GE – Gainful Employment

HEA – Higher Education Act

LEU - Lifetime Eligibility Usage

LLC - Lifetime Learning Credit

IDR – Income-Driven Repayment

ISIR - Institutional Student Information Record

PLUS - Parent Loan for Undergraduate Students

PRI - Participation Rate Index

PSLF – Public Service Loan Forgiveness

SAI – Student Aid Index

SAP – Satisfactory Academic Progress

SUB – Subsidized Loan

SNAP – Supplemental Nutrition Assistance Program

SSN – Social Security Number

TANF – Temporary Assistance for Needy Families

UNSUB – Unsubsidized Loan

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