When Financial Aid Backfires

And How to Not Get Burned

January 8, 2013
**Technical Details**

- Call-in number is (314) 627–1519 and access code is 594–495–730.

- To submit live questions, click on the “Questions” panel, type your question, and click “Send”

- Presentation materials and audio will be posted at **www.cacollegepathways.org**
Today’s Presenters

- Bob Perkins
- Stephanie Lopez
- Dennis Schroeder
Background
Financial Aid Overview

- Cal-Grant
- Federal Grants
- Scholarships
- Work Study
- Loans
- Chafee
- BOG fee waiver
Common Federal Financial Aid

Grants
- Pell Grants
- Federal Supplemental Educational Opportunity Grants (FSEOG)
- Teacher Education Assistance for College and Higher Education (TEACH) Grant

Loans
- Subsidized Stafford Loans
- Unsubsidized Stafford Loans
- Perkins Loans

Work study
How is aid calculated?

Cost of Attendance (COA) - Expected Family Contribution (EFC) = Eligibility for Need-Based Aid
How are Pell Grants Calculated?

- Award based on enrollment
- Aid “earned” based on course attendance and completion
- Pro-rated based on course load

- ½ time – 6–8 units
- ¾ time = 9–11 units
- Full time = 12+units
Coursework Alphabet Soup

W = Withdrawal
I = Incomplete
F = Fail
NP = Not pass
Other relevant financial aid considerations

<table>
<thead>
<tr>
<th>Topic</th>
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<tbody>
<tr>
<td>Satisfactory Academic Progress</td>
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<tr>
<td>Pell grant time limits</td>
</tr>
<tr>
<td>New limits on BOG fee waiver</td>
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</tbody>
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Financial Aid Debt
Why This Matters

OR

OR
# How Common is This?

<table>
<thead>
<tr>
<th>PASADENA CITY COLLEGE</th>
<th>Fall 2010</th>
<th>Fall 2011</th>
<th>Fall 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CHAFEE-ELIGIBLE YOUTH SERVED</strong></td>
<td>158</td>
<td>98</td>
<td>135</td>
</tr>
<tr>
<td><strong>STUDENTS RECEIVING CHAFEE AWARD</strong></td>
<td>56</td>
<td>77</td>
<td>43 (estimated)</td>
</tr>
<tr>
<td><strong>STUDENTS AWARDED CHAFEE &amp; ENROLLED</strong></td>
<td>38</td>
<td>43</td>
<td>36 (estimated)</td>
</tr>
<tr>
<td><strong>CHAFEE STUDENTS WHO DIDN’T COMPLETE SEMESTER</strong></td>
<td>18</td>
<td>34</td>
<td>7 (estimated)</td>
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</tbody>
</table>
How does a student incur financial aid debt?

Student drops classes or withdraws

School Error

Oops

Changes to FAFSA data
How Overpayment Occurs

1. Student receives aid award
2. Funds distributed
3. Student withdraws from class(es)
4. Overpayment results
Circumstances which may not lead to debt

- Reduction in 1–2 units under some circumstances
- Student receives an “incomplete”
- Full aid has not yet been paid
Circumstances which may **not** lead to debt (cont.)

- 60% of course is completed even if an “F” is earned
- Other considerations
  - Satisfactory Academic Progress
  - Impact on GPA & Transfer Requirements
How do colleges handle financial aid debt?

- Repayment is required
- Hold on enrollment
- Lifting hold
  - “Satisfactory arrangements”
  - School can repay debt and make arrangements with student for repayment
  - Once hold is lifted student is eligible for additional federal aid
Making payment arrangements

- Definition of “satisfactory arrangements” vary by school
- Most schools make arrangements directly
- Some refer the debt to the U.S. Department of Education
- Most schools willing to use future aid to pay off debt
For Example
What if debt is not paid?

- Student cannot enroll in courses at that school
- Cannot receive transcripts
- Reported to NSLDS
  - Limits ability to received federal aid at any school
  - May be able to still receive non-federal aid
- Eventually transferred to Dept of Ed for Collection
What if debt is not paid (cont.)

- Subject to long term government debt collection
- Even relatively small aid debt can derail a foster youth’s academic career if unaddressed!!
How to avoid overpayments

- Educate foster youth to avoid debt in the first place
- Assist youth to work with academic counselor to ensure youth is registering for proper classes
- Counsel youth regarding decisions to drop or withdraw from classes and impact on financial aid
- Refer youth to meet with financial aid office before dropping classes or withdrawing
Managing debt

- Support youth to meet with financial aid office
- Attend meetings with youth to assist with negotiations
- Schools have flexibility when making arrangements
- Help students find sources to assist with debt repayment
<table>
<thead>
<tr>
<th><strong>Helpful things to know before meeting</strong></th>
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</thead>
<tbody>
<tr>
<td>Students have a right to see how debt was calculated and challenge calculation</td>
</tr>
<tr>
<td>Repayment plan must be worked out to stay in school</td>
</tr>
<tr>
<td>Try to get all decision makers in room together</td>
</tr>
<tr>
<td>Schools in general want the student to be able to continue</td>
</tr>
<tr>
<td>Explore all possible sources of repayment</td>
</tr>
</tbody>
</table>
Role of those who work with foster youth

- Help youth to register for classes to their skill level and be successful in classes
- Make sure youth understand consequences of dropping classes
- Support youth to address debt immediately
- Attend meetings with youth
- Bring in other supporters to design creative solutions
- Don’t let foster youth give up!
For More Information

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www.cacollegepathways.org

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Federal Student Aid Handbook