



# Common Myths about Financial Aid: DEBUNKED

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## Topics we will discuss

- Financial aid generalizations myths
- FAFSA technical issue myths
- Retirement & College savings affecting FAFSA myths
- Financial aid awarding myths
- Resource Links
- Q & A

## Myth #1: Federal student aid/financial aid is just “free money.”

- Financial aid consists of funds (scholarships, grants, loans, work study) provided to students and families to help pay for postsecondary educational expenses.
- Federal student aid includes 3 different kinds of financial help: grants, low-interest loans, and work-study funds (a part-time job on campus).
- Loans must be repaid, with interest, meaning the original amount you borrow will grow over time if you do not keep up with interest payments.
  - Subsidized student loans allow for interest to be waived while you attend school
    - Direct Subsidized & Unsubsidized Loans – For students with a Freshman Annual Loan Limit of \$5,500 and a 5.05% interest rate
    - Direct PLUS Loans – For parents may borrow up to cost of attendance minus aid and a 7.6% interest rate



Myth #2: My parents make too much money, so I won't qualify for aid.  
– OR – You have to be low-income to qualify.

- There is no income cut-off to qualify for federal student aid. Many factors, such as the size of your family and siblings in college, are taken into account. While there are individuals with income thresholds that will not receive federal grants, it is possible to qualify for federal student loans and work study.
  - First – Every student, regardless of parents' income, qualifies for unsubsidized Stafford and PLUS loans just by filling out the FAFSA.
  - Second – Aid dollars can never be predicted, so students and parents may as well fill out a FAFSA to see if they qualify for aid.
  - Finally – You never know when your family's financial circumstances will change. Loss of job or divorce can take a toll on income and assets. A financial aid office having your FAFSA on hand can help them see how they could help you pay for college.
- Your eligibility is determined by a federal methodology, not by your parents' income alone.
- When you fill out a FAFSA, you are also automatically applying for funds from your state, and institution as well. In fact, some schools will not even consider you for any of their scholarships until you have submitted a FAFSA. Do not make assumptions about what you will get, fill out the FAFSA and find out.



## Myth #3: Only students with good grades get financial aid. – OR – College financial aid is only for the smart and talented.

- Prevalent misconception is that only straight-A students, athletes, and performers can get financial aid. While definitely not true, there are merit-based financial aid programs and scholarship programs available. However, there are also need-based programs, even for average students. The FAFSA does not look at merit.
- Of the over \$185 billion\* in financial aid awarded to undergraduate students annually, most of it is based entirely on financial need, not merit.
- Keep in mind, if you want to continue receiving aid throughout your college career, you will have to maintain satisfactory academic progress in your program of study, as determined by your school.



\*The College Board: Trends in Student Aid 2012

Myth #4: There isn't enough aid for everyone, and certainly not for my family. – OR – There is less aid available than there used to be.

- More than \$185 billion\* in financial aid is awarded each year to undergraduate college students. The government offers grants and low-cost loans for families that have financial need, and, many colleges offer their own financial aid to offset college costs.
- More specifically, the College Board reports: More than \$181 billion in financial aid was given to undergraduates during the 2016-17 academic year. This included \$38.8 billion in federal grants; \$46.1 billion in grants from institutions; and \$58 billion in federal student loans.
- According to the College Board, institutional aid constitutes about half of all grant aid received by students. In addition to grants, millions of taxpayers benefited from federal education tax credits or tuition and fees deductions. Also, there are numerous federal, institutional, and private student loans available to students with very low interest rates.



\*The College Board: Trends in Student Aid 2012

Myth #5: Students from minority groups get the most financial aid. –OR– You have to be a minority to get aid.

- This is not true. There is no criteria within federal or institutional methodology that factors in minority background. Both federal and institutional need analysis systems are face neutral.
- The FAFSA has basic eligibility requirements, but does not even ask applicants to submit race or ethnicity information. Colleges will use the expected family contribution (EFC) and simply subtract it from the cost of attendance to determine financial need.
- Also, colleges are committed to access and affordability regardless of ethnic background. Of course, some specific scholarships consider racial or ethnic background, but that does not mean that other forms of aid are not available to those who do not qualify for such scholarships.



Myth #6: Paying for advice will increase the amount of aid I get. – OR – Paid researchers can help students get more aid.

- Beware of any program that guarantees aid for a fee. Don't fall for scholarship search scams. Dependable scholarship and financial aid information is readily available through college financial aid offices, government-sponsored websites, and reputable consumer organizations.
- Applying for aid can appear complicated at first. You can get free help from CollegeData, your high school counselor, nonprofit and community organizations, and college financial aid offices. If you are paying a fee to complete the FAFSA, you are not on the official government website. Remember, FAFSA stands for **FREE** Application for Federal Student Aid.





Myth #7: We have a lot of personal debt, so we should be eligible for more financial aid. – OR – We will have to sell our home.

- Financial aid formulas are used to measure your family's overall financial strength based on your income and assets. Personal debt, such as credit card debt and auto loans, is not considered when determining financial aid eligibility.
- The federal government does not consider the value of your primary residence in the need analysis formula. The FAFSA will ask parents/students to *not* count net worth of current home residing in.



## Myth #8: The FAFSA takes forever to fill out, and it's really hard to do.

- Over the years, the Department of Education has simplified the FAFSA. Applicants who complete the FAFSA online will discover that it is easier to do. Each sections has specific directions explaining how to complete individual questions. Once you have completed the FAFSA online and submitted it, you will have an opportunity to correct any mistakes in your original data.
- The student can also obtain assistance on how to complete the FAFSA, and other financial aid applications from local colleges, high school counselors, and possibly community action organizations. Many colleges and high schools offer free workshops on how to complete the FAFSA.
- More recently, the Department of Education released the mobile friendly version of the FAFSA in the summer of 2018. Students can now complete their FAFSA on their cell phones and/or tablets.



## Myth #9: I can share an FSA ID with my parents.

- No. If you are a dependent student, then two people will need their own FSA ID to sign your FAFSA online: the student and one of the parents.
- An FSA ID is a username and password that you must use to log in to certain U.S. Department of Education (DOE) websites. Your FSA ID identifies you as someone who has the right to access your own personal information on DOE websites, such as the FAFSA.
- Parents of dependent students will need their own FSA ID to sign their child's FAFSA electronically. If the parent has more than one child attending college, they can use the same FSA ID to sign all applications.
- Each FSA ID will need its own e-mail address assigned to it. The FSA ID is used to sign legally binding documents electronically. It has the same legal status as a written signature. **Don't give your FSA ID to anyone, not even to someone helping you fill out the FAFSA.** Sharing your FSA ID could put you at risk of identity theft.



Myth #10: I can't file my FAFSA in October because I haven't applied to any schools. – OR – I should wait until I'm accepted to a college before I fill out the FAFSA.

- You can complete your FAFSA before submitting any college applications. You will need to list at least one school on your FAFSA, but you should add every school you are considering, because some schools have early deadlines to apply for their limited funds. You can always add or delete schools on your FAFSA at a later time.
- You can start as early as your senior year of high school. The schools you list will use your FAFSA information to determine the types and amounts of aid you may receive. You should submit a FAFSA as early as possible, after October 1, because some states and schools have limited funds.



## Myth #11: You only have to fill out the FAFSA once.

- Filling out the FAFSA is not a “one-time-only” event. You need to do it every year that you want to be considered for financial aid. The amount of federal aid the student qualifies for in one year does not carry over to the next school year.
- Even if you filled it out previously, and did not receive aid, it is still worth filling out again, especially if your financial situation has changed. You may even qualify for more aid.
- College experts say the application is completed annually in case there is a surge or a dip in expected family contribution (EFC), the amount of money a family is able put toward college each year.



Myth #12: There's only one FAFSA deadline, and that's not until June. – OR – It's too late to apply for aid once the school year begins.

- No. There are three main deadlines: your state, your school, and the federal government.
- Apply as soon as possible, even before you know where you got accepted or decide which school to attend, because some colleges award aid on a first-come, first-served basis. This is usually due to funding allocation caps at a given college.
- The earliest date to submit a FAFSA is October 1 prior to the start of the academic year, and the deadline is June 30.
- Although many colleges have preferential filing deadlines for maximum consideration, a later application could still result in some financial aid. However, an earlier application may be more likely to reap greater benefits.



Myth #13: I have to wait to file taxes before I can fill out the FAFSA. – OR – The FAFSA uses last year's taxes.

- Beginning 2016, the FAFSA uses what's called the "prior prior" tax year, or the tax year that was two years prior to the start of the school year for which you are applying for aid. For the 2017-18 academic year, 2015 tax information was used to complete the FAFSA. The 2018-19 FAFSA asks for 2016 tax and income information, while the 2019-20 FAFSA asks for the 2017 tax and income information.
- Government officials say the move to use prior prior year aims to simplify the process, eliminating the need to use income estimates; officials say it should cut down on the number of applicant verification cases. In 2015, a quarter of applicants were required to provide extra documentation to receive federal student aid, according to The Institute for College Access and Success.
- You can manually enter the tax information or use the IRS Data Retrieval Tool on the online FAFSA.



Myth #14: I support myself, so I don't have to include parent info on the FAFSA. – OR – I can declare myself as an independent student.

- This is not necessarily true. Even if you support yourself, live on your own, or file your own taxes, you may still be considered a dependent student for federal student aid purposes.
- The FAFSA asks a series of questions to determine your dependency status. If you are independent, you will not need to include your parents' information on your FAFSA. However, if you are dependent, you must provide your parents' information.
- The federal government has a very strict definition of what makes a student independent. Unfortunately, the federal government dictates that if a student is dependent, his or her parents are responsible for providing income information on the FAFSA.





Myth #15: My parents aren't U.S. Citizens, so there's no way I'll get aid.

- Your parents' citizenship status is NOT a factor, and the FAFSA will not even ask you about it. If your parents do not have a Social Security number, they must enter 000-00-0000 when the FAFSA asks for their Social Security numbers.



## Myth #16: Men and women have the same requirements.

- Men and women do have the same federal financial aid requirements, with one exception, men must be registered with Selective Service.
- The Selective Service is a registry of men eligible for a draft, if necessary. Male students who do not register with the Selective Service before turning 26 are ineligible for federal loans, grants, or work study programs. Many states also require Selective Service registration to be eligible for state-distributed aid.
- Not registering has other consequences beyond ineligibility for federal aid. It can affect your ability to get a government job and get security clearance for employment. Even more serious, not registering is a felony with a fine of \$250,000 or five years in jail.
- If you are not yet 18 when you fill out the FAFSA, you are not required to register until your 18<sup>th</sup> birthday, or up to 6 months before your 18<sup>th</sup> birthday.



Myth #17: If I save for my child's college with a 529 plan, they won't get financial aid. – OR – We're better off having our child's 529 plan in their grandparent's name.

- Money saved in a 529 plan will count as a parental asset, and could reduce the amount of your child's aid package by as much as 5.64% of the account's value. However, this is significantly less than other savings vehicles, such as custodial accounts under UGMA/UTMA, which are considered student assets and are assessed at 20%. What's more, around the first \$20,000-\$30,000 of parent savings will fall under the asset protection allowance and will not be counted in the EFC.
- Assets owned by a grandparent or other relative do not have to be reported on the FAFSA, however, when the money is given to a student to pay for college, it will be counted as student income. Up to 50% of the value of student income is considered available money to pay for school. Meaning, a \$2,000 withdrawal from a grandparent-owned 529 plan given to a student to pay for school can reduce his aid eligibility by \$1,000. A withdrawal from a 529 plan owned by a dependent student or one of their parents has no effect on financial aid eligibility.



## Myth #18: The Estimated Family Contribution (EFC) number is the exact amount you have to pay.

- The accuracy of the EFC is a big misconception. Although the EFC is based on dollar figures, it is not the exact amount you will have to pay for college, and it is only used as an index to determine your eligibility for federal awards. Other factors, the largest being the cost of your school, play into the amount and type of aid you can receive.
- Additionally, each school has its own formula for determining aid, so you may owe less than the EFC calculated on the FAFSA.



Myth #19: I should call “the FAFSA people” (Federal Student Aid) to find out how much financial aid money I’m getting and when.

- No.
- You will have to contact your school. Federal Student Aid does not award or disburse your aid, so they will not be able to tell you what you will get or when you will get it. You will have to contact the financial aid office at your school to find out the status of your aid and when you should expect it. Just keep in mind that each school has a different timeline for awarding financial aid.



Myth #20: I didn't qualify for financial aid last year, so filling out the FAFSA again is just a waste of time.

- It is very important to fill out a FAFSA every year you are in college. Things can change. For instance, your school or state might create a new grant or scholarship, or the factors used to calculate your aid could change from one year to the next.
- Just as circumstances changes, so does financial aid. As stated earlier, a job loss or divorce can have impact on whether or not a student is determined eligible for aid.



## Myth #21: Financial aid offers will meet all of your financial needs.

- When you fill out the FAFSA, you get the EFC. While most schools will try to meet the full financial need of the students who apply, funds are limited, and they may not be able to keep up. This means the amount students and their families are expected to contribute is larger than anticipated.



Myth #22: You must accept everything in your financial aid award offer. – OR – If we apply for a loan, then we have to take it.

- Financial aid offers will include grants, scholarships, work study, and loans. Many students, and their parents, feel the offer is an all-or-nothing deal, but you should never feel pressured into taking out a loan or participating in work study, if you do not want to. It is not required that students accept *every* component of the award package.
- Students are not obligated to take loans. In some cases, families will decide that they do not need to borrow a specific loan amount or decide to borrow a smaller amount.





Myth #23: Aid packages are final. –  
OR – All aid packages are created equal.

- Once you get your aid package offer, you might think that's it, you're stuck with what you got, even if you think you deserve more. It is possible to appeal a financial aid package if there has been an error.
- It is possible to see variation in financial aid awards, specifically, grants and institutional aid based on the type of college and cost of attendance.



## Myth #24: The California College Promise Grant is the same as The California College Promise.

- The California College Promise Grant (CCPG) is the exact same aid formerly known as the CA Board of Governor's Fee Waiver (BOGW). There is no change in fee waiver eligibility or how it is applied at CA community colleges.
- AB 19 allows for all first-time college bound students that complete a FAFSA or CA Dream Act Application, and attend at least 12 units or more, receive their first year of tuition for free at a CA community college.
  - College must meet eligibility criteria set forth by AB 19 to participate in the Promise Program.
    - Number of students to receive free tuition contingent upon 2018-19 budget approval and allocation to the individual community colleges.



## Additional Financial Aid Resources

<https://studentaid.ed.gov/sa/fafsa>

<https://studentaid.ed.gov/sa/>

<http://www.californiacommunitycolleges.cccco.edu/>

<https://ticas.org/>

<https://www.csac.ca.gov/>

<https://www.norcollege.edu/services/studentfinancialservices/Pages/index.aspx>

<https://www.fastweb.com/>

Thank you!

What questions do you have for  
me???



[studentfinancialservices@norccollege.edu](mailto:studentfinancialservices@norccollege.edu)

Student Financial Services/Financial Aid Office

951/372-7009