

## Section E: Household Information

Questions 46 and 47 collect household information about an independent student and his or her spouse. (OH 22)

- This **gray area** is to be filled out only by an independent student.
- A student classified as dependent should leave the **gray area** blank.

Questions 48 through 52 collect household information about a dependent student's family. The instructions for Section E are on pages 4 and 5 of the FAFSA.

- This **green area** is to be filled out by a dependent student and his or her parents.

Please turn to Section F of the FAFSA form.

## Section F: 1996 Income, Earnings, and Benefits

Questions 53 through 64 collect financial information for all students (and, if applicable, their spouses). (OH 23)

Questions 65 through 76 collect financial information for parents of dependent students.

Again, it's important to read the instructions carefully to answer these questions correctly.

- For example, the instructions for Question 56 (student) and Question 68 (parent) tell you that FICA, self-employment, or other taxes from an IRS Form 1040 should **not** be included when reporting federal income tax that was paid.

## Presenter's Notes



**Note to Presenter:**  
Independent students may be required to provide parental information to receive some types of financial aid (for example, programs offered by the U.S. Department of Health and Human Services).



**Note to Presenter:**  
Remember, all students fill out the white area on the left, Questions 53 through 64, regardless of whether they are dependent or independent.

Only the **income taxes paid** as listed on a tax return are to be reported here. One of the most common mistakes is that parents and students report the amount of **taxes withheld** rather than the amount **actually paid**. To avoid mistakes, make sure to copy the specific tax-return line item that the FAFSA requests.

If, at the time the student is completing the FAFSA, the student or parent has not filed a 1996 IRS form but will be filing one, Worksheet #1 on page 11 of the FAFSA instructions can help accurately estimate what should be reported in Questions 55 and/or 67.

Please turn to page 11 of the FAFSA instructions and let's look at Worksheet #1.

» Allow participants a few minutes to look at the worksheet.

- On this worksheet, a student and parent will report the same type of income that has to be reported on the IRS form. As you can see on the worksheet, wages, salaries, tips, interest income, dividends, and other taxable income are totaled. All IRS-allowable adjustments are subtracted from the total income. The total amount arrived at in the box should be reported in Questions 55 and/or 67.

Let's look at Worksheet #2. This worksheet deals with untaxed income and benefits. For example, any payments to tax-deferred pension and savings plans that are paid directly or withheld from earnings are considered to be untaxed income. This would include untaxed portions of 401(k) and 403(b) plans.

- If you're unclear as to the total payments made to any tax-deferred pension and savings plan, you can find these totals reported on the W-2 form you receive from your employer.

## Presenter's Notes

### Income taxes paid

#### Note to Presenter:

An alternative is to suggest that the family fill out the tax return it will eventually file and use the figures on it to complete the FAFSA.

### Untaxed income and benefits



## Section G: Asset Information

Section G consists of Questions 77 through 91. It collects information on: (OH 24)

- cash, savings, and checking accounts,
- real estate and investment value,
- real estate and investment debt,
- business value,
- business debt,
- investment farm value, **and**
- investment farm debt.

For Section G, Worksheet A or Worksheet B in the instructions should be completed first. An independent student completes Worksheet A on page 7 of the instructions; a dependent student completes Worksheet B, also on page 7.

Let's turn to page 7 of the FAFSA instructions.

- Based on these worksheets, some students may be able to skip Section G entirely when applying for federal aid.
- This is because some students will qualify for what's called the Simplified Needs Test.

A **dependent student** qualifies for the Simplified Needs Test when:

- the student and parent(s) have not and will not file an IRS Form 1040; **or**

## Presenter's Notes



### Simplified Needs Test

### Dependent student qualifications

- the student and parent(s) are not required to file an IRS Form 1040; **and**
- the parents' income is less than \$50,000.

An **independent student** qualifies for the Simplified Needs Test when:

- the student (and spouse, if applicable) has not filed and will not file an IRS Form 1040; **or**
- the student (and spouse, if applicable) is not required to file an IRS Form 1040; **and**
- the student's (or the couple's) income is less than \$50,000.

After completing the appropriate worksheet, a student might find that he or she can skip Section G. This is because some students will qualify for the Simplified Needs Test and won't need to include asset information.

- However, a student who qualifies for the Simplified Needs Test still might need to complete Section G if he or she wants to be considered for certain types of student financial aid from the postsecondary school he or she will be attending, the state in which he or she is a legal resident, or the state in which the postsecondary school is located. The school or the appropriate state agency will inform students of its eligibility criteria.

A student who **does not** qualify for the Simplified Needs Test must complete Section G.

Now let's review Section G.

In the **white area**, Questions 77 through 83, a student (and spouse, if applicable) lists his or her personal assets, real estate, or investments as of the date the FAFSA is signed.

## Presenter's Notes

### Independent student qualifications

**Presenter's Notes**

- The only two situations in which this amount would not be reported are:
  - ◊ if the student did not have access to the money because the state declared a bank emergency due to the insolvency of a private-deposit insurance fund **or**
  - ◊ if the student qualified for the Simplified Needs Test.

Question 84 asks for the age of the older parent. ED uses this information to determine how much of the parents' assets are available for the student's educational costs.

The **green area**, Questions 85 through 91, asks for the asset information of the student's parents as of the date the FAFSA is signed.

As usual, the instructions should be read very carefully. Pages 7 and 8 provide information about Section G.

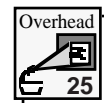
Please turn to Section H of the FAFSA form.

### ***Section H: Releases, Certifications, and Signatures***

A purpose of Section H is to allow ED to release the FAFSA information to colleges and the student's state of residence.

Questions 92 through 103 collect information on up to six colleges a student might attend in 1997-98. Each college's name and address **or** Title IV school code must be listed. (OH 25)

- These codes are not in the FAFSA instructions; they are provided in a separate publication, the *Title IV Institutional Code List*. A high school's library or counselor should have a copy of this publication.



	<b>Presenter's Notes</b>
<ul style="list-style-type: none"> <li>Students and parents also can call the Federal Student Aid Information Center to find out a college's institutional code.</li> </ul> <p>» This information also is available in the handout, "Federal Student Financial Aid Important Telephone Numbers, Addresses, and Information," accompanying this script.</p>	<p>➔ Handout, page 1</p>
<ul style="list-style-type: none"> <li>A student is also asked about his or her housing plans at each of the listed colleges, as this can have a significant impact on the student's cost of attendance.</li> <li>The information on the FAFSA is automatically sent to the listed colleges.</li> </ul>	<p>Housing plans</p>
<p>Question 104 asks a student's permission to send the FAFSA data to financial aid agencies in the student's state of residence. Allowing this release is very important if a student wants to be considered for state aid.</p> <ul style="list-style-type: none"> <li>Please notice that this question should be marked only if the student does <b>not</b> want the information released.</li> </ul>	<p>State financial aid</p>
<p>Question 105 asks a male student's permission for ED to register him with the Selective Service.</p> <ul style="list-style-type: none"> <li>The student answers "Yes" only if he is a male, 18 through 25 years of age, and has not yet registered with the Selective Service. Doing so gives ED permission to register him with the Selective Service.</li> </ul>	<p>Selective Service</p>
<p>In Questions 106 and 107, the student and parents certify the accuracy of the information they are providing on the FAFSA by signing and dating the form. The student and parents are also certifying that they:</p> <ul style="list-style-type: none"> <li>are not in default on a federal student or parent loan;</li> </ul>	<p>Certification</p>

- do not owe repayment for an overpayment on a TitleIV federal grant; **and**
- will use all Title IV funds they receive during the award year for education-related expenses.

It is important that the student and at least one parent **sign and date** the FAFSA. If it isn't signed and dated, it will be returned to the student unprocessed. This will cause a significant delay in the application process.

### ***Section I: Preparer's Use Only***

This section should be completed only if someone other than the student, the student's spouse, or the student's parents prepared the FAFSA. Receiving guidance on how to fill out the FAFSA is **not** the same as having someone prepare the FAFSA for you. (OH 26)

The FAFSA is now ready to mail. The address to which it should be mailed, along with other directions, is given at the bottom of the last page of the form. The application packet also includes an addressed envelope to which the applicant must add the correct postage.

- The student may also transmit FAFSA information to ED by using one of the electronic methods we've already mentioned.

We have now finished our section-by-section trip through the FAFSA. The best advice on completing the FAFSA is **to read the instructions carefully and to complete the form as a family.**

For questions not covered in the instructions, call the Federal Student Aid Information Center, Monday through Friday, from 8 a.m. to 8 p.m. (ET) for help.

## **Presenter's Notes**

**Sign and date the FAFSA**



**Note to Presenter:**  
Students using FAFSA Express must complete and mail back a paper signature form to ED or their applications won't be processed.

**Family activity**



- 1-800-4-FED-AID or
- 1-800-730-8913 (TDD for hearing-impaired)

These numbers also are provided in *Funding Your Education* on page 6.

- » This information also is available in the handout, “Federal Student Financial Aid Important Telephone Numbers, Addresses, and Information,” accompanying this script.

Are there any questions?

- » Take a 30-second stretch if you think the participants could use a mini-break.

## PROCESSING THE FAFSA

For students who submit a paper FAFSA or use FAFSA Express software to apply for federal aid, ED processes the data to create a “federal output document,” called a Student Aid Report or SAR. ED sends the SAR to students. Students who submit FAFSA information electronically through a postsecondary school’s direct link with ED receive a similar federal output document, called the SAR Information Acknowledgement.

The SAR and SAR Information Acknowledgement present the information students and parents reported on the FAFSA. Both documents also state the EFC that ED calculated using the FAFSA information.

- » A mock-up of the SAR and SAR Information Acknowledgement starts on page 58 of this script so you can duplicate them and use them as handouts for the following discussion.

The SAR and the SAR Information Acknowledgement are a little different from each other. Let’s talk about each for just a moment.

## Presenter’s Notes

➡ Handout, page 1

## The Student Aid Report (SAR)

Many students are not sure what to do when they receive a SAR.

The SAR itself tells students what they need to do. The SAR will contain one of the following messages:

- If all the schools the student lists on the FAFSA are able to receive data electronically from ED, the SAR will say: (OH 27)

“You do not need to submit this SAR to the schools you listed. All of your schools will receive the information electronically.”

- If none of the schools the student lists on the FAFSA are able to receive data electronically, the SAR will say: (OH 28)

“You should submit a photocopy of this SAR to all the schools that you may be interested in attending. Submit the original SAR to the school where you actually enroll.”

- If some of the schools use electronic transmissions and some do not, the SAR will say: (OH 29)

“Some of the schools that you listed do not receive information electronically. Review any financial aid materials you received from schools that you are interested in attending to see which ones require a photocopy of your SAR. Submit the original SAR to the school where you actually enroll.”

Students can use the SAR to make corrections to the information submitted on the FAFSA. If ED questions any of the FAFSA information or finds missing items or items

## Presenter's Notes



completed incorrectly, students can use the SAR to resolve the problem by making the changes directly on it and sending it back to ED for reprocessing. The student receives a revised SAR once ED reprocesses the information.

Students should always keep a copy of the SAR for their records.

If a student loses the SAR or needs another original, the student should:

- call the Federal Student Aid Information Center at 1-319-337-5665 **or**
- write to the address of FAFSA processor, identified as “Federal Student Aid Programs” on the SAR.

» This information also is included in the handout, “Federal Student Aid Financial Aid Important Telephone Numbers, Addresses, and Information,” accompanying this script.

## **The SAR Information Acknowledgement**

As we mentioned, the SAR Information Acknowledgement is sent to students who apply electronically through a postsecondary school.

- Students do not have to send or bring this document to a postsecondary school listed on the FAFSA, because the school will receive the same eligibility information electronically directly from ED.
- The comments on the SAR Information Acknowledgement are less detailed than those on the SAR.

As a result, the SAR Information Acknowledgement refers students to the financial aid administrator at the school to make corrections or resolve problems. The student may not

## **Presenter’s Notes**

Keep a copy of the SAR

➡ Handout, page 1

**Presenter's Notes**

make corrections on this document. Instead, corrections must be made electronically through the school. Or, if students choose, they may request paper SARs and send corrections through the paper system.

If changes are made electronically through the school, the student receives a revised SAR Information Acknowledgement. If changes are made using the SAR, the student will receive a revised SAR.

Now, let's just review briefly how ED reports processed FAFSA information to schools.

### **The Institutional Student Information Record (ISIR)**

When ED finishes processing a FAFSA, it sends the same information on the SAR and SAR Information Acknowledgement electronically to the school or schools listed by the student on the FAFSA.

- This “output” is called the Institutional Student Information Record or ISIR. ED makes the ISIR available to schools that have electronic capability.
- Whenever a change is made on the paper SAR or through electronic means, the school receives a revised ISIR, just as the students receive revised SARs or SAR Information Acknowledgements.

Schools can make financial aid awards using the SAR, the SAR Information Acknowledgement, or the ISIR. All three have the information necessary to determine eligibility for federal student aid.

- However, a school **may not** require a student to submit a SAR or SAR Information Acknowledgement if the school has the electronic capability to receive the ISIR.

## Verification

As a quality-assurance measure, ED selects some of the FAFSA applications it receives for what is known as “verification.” Postsecondary schools must confirm the accuracy of the information on the applications ED selects.

Verification requires a student and parents (and spouse, if applicable) to submit signed copies of federal income tax forms and any other requested documentation to the postsecondary school(s) to which the student is applying.

This is yet another reason why it is good practice for students to keep photocopies of their completed FAFSAs and copies of all documents used to complete the application, particularly tax forms.

## THE FINANCIAL AID AWARD PACKAGE

### A Case Study

The school decides the types, sources, and amounts of financial aid to award a student. The process is called “packaging,” and the result is the student’s “financial aid award package.” Packages vary considerably from school to school, depending on such factors as: (OH 30)

- the resources available to the school **and**
- the overall financial need of the students who attend that school.

Let’s look at how the process works using a simple case study.

Susan is a dependent student who plans to attend a college with a COA of \$6,000. She is a freshman, and her EFC is \$550. This means that her financial need is \$5,450.

## Presenter’s Notes

**Note to Presenter:**  
ED selects applications according to established criteria and at random.

Keep records



## Presenter's Notes

Susan qualifies for a \$1,920 Federal Pell Grant.

The college has very limited institutional aid funds. But, because of Susan's need and her strong academic record, she is receiving an institutional scholarship of \$655. In addition, Susan's church is giving her a \$250 grant. She also is eligible for a subsidized loan of \$2,625 under either the Direct Loan Program or the FFEL Program, depending on the college's program participation.

- Remember, the federal government does not allow students to borrow from both programs for the same enrollment period.

The financial aid package equals \$5,450, the same as her financial need. Her remaining need is zero. (OH 31)



Cost of Attendance	\$6,000
EFC	550

<i>Financial Need</i>	\$5,450
-----------------------	---------

Federal Pell Grant	\$1,920
Federal Stafford Loan (subsidized)	2,625
College scholarship	655
Church grant	250

<i>Total Aid Package</i>	\$5,450
--------------------------	---------

<i>Remaining Need</i>	0
-----------------------	---

Let's say that Susan's parents didn't feel that they could come up with \$550 the family is expected to contribute. There are a number of options open to her and her parents.

- It may be possible for Susan to economize to reduce the actual amount that her parents have to pay for her college education, such as finding a low-cost meal-plan option and buying used books.

- Her parents could apply for a PLUS Loan for up to \$550 under either the Direct Loan Program or the FFEL Program (depending on the college's program participation).
- If her parents are unable (not unwilling) to borrow a PLUS Loan, then Susan may borrow an unsubsidized loan under the Direct Loan Program or the FFEL Program up to the amount of the EFC (\$550).

## Interpreting School Award Letters

Postsecondary schools must notify students about the types and amounts of awarded financial aid by using what's called an "award letter."

- A student can accept or decline any of the aid offered.
- However, if a student declines a specific award, such as a loan, the school is not obligated to increase the award amount from other portions of the financial aid package, such as grants.

Remember, not all postsecondary schools package financial aid the same way, nor do they use the same type of award letter.

- Be sure students find out from schools where they are applying how each school's financial aid process works. Often this is in a school's catalog or financial aid brochure.

Sometimes schools send a preliminary award letter to the student and a revised award letter at a later date.

- It is very important to understand that an award letter is not a guarantee that a student will receive financial aid. The letter details a planned award package.

## Presenter's Notes

### Note to Presenter:

If the parents choose not to apply for a PLUS Loan, then the student is **not** eligible for an additional unsubsidized Stafford Loan to make up the EFC.



- To receive the award, the student must continue to meet all eligibility requirements and comply with any other rules of the school's financial aid office.

When students receive financial aid award letters, they should compare the schools' financial aid offers carefully. Here are some factors to consider when assessing aid packages. (OH 32)

- What percentage of the student's financial need is being met?
- What portion of the student's **direct costs** will be covered by the package?
- What types and sources of aid have been awarded?

» Direct participants to the handout, "Comparing Award Packages," which is included at the end of this script.

Now, let's look at different aid packages that illustrate these points. These are only examples; they are not meant to represent the actual packages that your child might receive.

Let's compare Colleges A, B, and C. The three colleges have differing COAs, but the EFC—the money the family is expected to contribute—remains the same amount of \$300.

- As you can see from the handout, the cost of attendance for College A is the highest, at \$17,000. In this example, this student's financial aid package includes \$4,600 in college grant money. If this student accepts the whole financial aid package—grants, scholarship, work-study, and loan, she'll come within \$305 of meeting her financial need.
- The cost of attending College B is much lower. While the student doesn't get institutional grant assistance at College B, her Federal Pell Grant, FSEOG, state scholarship, and Direct Subsidized Loan cover all but \$80 of her educational costs.

## Presenter's Notes

### Comparison shop



#### Note to Presenter:

"Direct costs" include costs paid to the school, such as tuition and fees.

➔ Handout, page 6

#### Note to Presenter:

Tell the participants the costs shown in the handout are **not** representative. However, as a rule of thumb, costs of attendance tend to be highest at private schools, less expensive at state schools, and least expensive at community colleges.



**Presenter's Notes**

- College C is the lowest-cost school of the three colleges. In this instance, the cost of the school is so low that the Federal Pell Grant alone is more than the student's direct costs (\$1,300 for tuition and fees).

Students need to consider how they will meet the expenses that aren't covered by family contributions or financial aid. In two of our examples (Colleges A and B) there is unmet need, but not much. Some schools will have larger unmet need amounts. As we've already mentioned, in situations like this, aside from the possibility of parental loans, students might need your help to identify other nonfederal sources of aid. Or they might want to consider ways to reduce costs.

Understanding the financial aid package offered by a school is important, **but** it is only one of the many factors to consider when choosing a school.

- Students should look closely at all the factors before making this very important decision.

Let's take a break before going on to Part III, the video.

- » Give the participants a short break while you set up the video, "School Shopping Tips," for viewing. When you are ready, call the participants back to their seats.

### **PART III—VIDEO: "SCHOOL SHOPPING TIPS"**

To help students make their decisions, ED has produced a video, "School Shopping Tips." You'll get a chance to see it now.

- » Show the video, using the lesson plan outline in Attachment 6A.

Are there any final questions? Thank you for coming to the program. Good luck and success to all of you! (OH 33)

**Note to Presenter:**

The showing time of the video is 20 minutes. In addition, there are two five-minute breaks built into showing the video. Be sure to have "School Shopping Tips for Students" and "School Shopping List" as part of your handout package (Attachment 6B and Attachment 6C).

