

Comparing financial aid offers

Students compare college costs and financial aid offers for three schools and explore how the choices they make can have a financial impact down the road.

Learning goals

Big idea

Different college costs and financial aid offers can affect students differently down the road.

Essential questions

- How does financial aid affect the cost of college?
- How can comparing financial aid offers help you make an informed decision about your higher education?

Objectives

- Compare college costs and financial aid offers
- Make an informed choice about college based on an understanding about the long-term financial impact

What students will do

- Review and compare three financial aid offers made to Emmett, a high school senior.
- Analyze the financial aid offers and answer analysis questions.
- Write a brief paragraph on what school they'd choose if they were Emmett and why they'd make that choice.

KEY INFORMATION

Building block:

 Financial knowledge and decision-making skills

Grade level: High school (9-12)

Age range: 13-19

Topic: Save and invest (Saving for college), Spend (Paying for college), Borrow (Getting loans)

School subject: CTE (Career and technical education), English or language arts, Math, Social studies or history

Teaching strategy: Simulation

Bloom's Taxonomy level: Analyze

Activity duration: 45-60 minutes

National Standards for Personal Financial Education, 2021

Earning income: 8-3, 12-3

Spending: 12-1, 12-2, 12-9

Managing credit: 8-3, 8-6, 12-4, 12-5, 12-10

These standards are cumulative, and topics are not repeated in each grade level. This activity may include information students need to understand before exploring this topic in more detail.

Preparing for this activity

Print copies of all student materials, or prepare for students to access them electronically.

While it's not necessary, completing the "Reading about federal financial aid" or "Learning how federal financial aid can help you pay for higher education" activities first may make this one more meaningful.

Make sure students have access to calculators.

NOTE

Please remember to consider your students' accommodations and special needs to ensure that all students are able to participate in a meaningful way.

What you'll need

THIS TEACHER GUIDE

- Comparing financial aid offers (guide)
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STUDENT MATERIALS

- Comparing financial aid offers (worksheet)
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- Emmett compares three financial aid offers (handout)
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- Calculators

Exploring key financial concepts

For many people, a big part of choosing a college is the cost. Determining how to pay for a college education is one of the first major financial decisions many people will make. The complex and confusing financial aid process can make it difficult for students to understand different college costs, know if they are being offered a grant or a loan, evaluate loan options, and figure out how much debt to take on. It's important for students to understand the costs and risks of student loans before enrolling.

With a college financing plan (the U.S. Department of Education offers one at <https://www2.ed.gov/policy/highered/guid/aid-offer/index.html>), students and their families can get important information before they make their final college selection. Students can enter the information from their financial aid

TIP

Because financial aid rules and programs change, students should be encouraged to always look for the most up-to-date information.

award letters from different colleges into the financing plan to better understand the type and amount of aid they qualify for and compare college costs and financial aid packages from different institutions. The financing plan can also help students outline their total estimated student loan debt and monthly loan payments after graduation. Using a financing plan can help students compare offers and choose the one that's right for them.

Teaching this activity

Whole-class introduction

- Ask students if they've heard of financial aid offers or know someone who's received one. Have students share what they know.
- Read the "Exploring key financial concepts" section to students.
- Distribute the "Comparing financial aid offers" worksheet and the "Emmett compares three financial aid offers" handout.
 - Optional: If students need more background on federal financial aid, distribute the "All about the Free Application for Federal Student Aid (FAFSA)" handout.
- Explain that students will explore how to compare financial aid offers and make the best financial choice for themselves and their families.
- Be sure students understand key vocabulary:
 - **Contributor:** Refers to anyone (you, your spouse, a biological or adoptive parent, or your parent's spouse) who is required to provide information, consent, and approval, and a signature on the FAFSA form.
 - **Cost of attendance (COA):** The total amount it will cost you to go to school – usually stated as a yearly figure. COA includes tuition and fees; food and housing; books and supplies (including renting or purchasing a personal computer), transportation, and miscellaneous expenses.
 - **Federal student loans:** These loans are funded by the federal government and have terms and conditions that are set by law. Federal loans also include benefits that private student loans don't usually offer. These benefits could include lower interest rates, repayment plans based on income, and possible loan forgiveness, such as for people who choose to work for a certain amount of time in government or for certain not-for-profit organizations or teach in a low-income school.

TIP

Visit CFPB's financial education glossary at consumerfinance.gov/financial-education-glossary/.

- **Federal Work-Study:** A program that provides part-time jobs to help you earn money to pay for college expenses.
 - **Financial aid:** Money given in the form of grants, work-study, loans, and scholarships to help pay for post-secondary tuition and fees, housing and food, books, supplies, miscellaneous expenses, and transportation.
 - **Grant:** A type of financial aid that does not have to be repaid, unless, for example, you withdraw from school and you need to pay back some of the grant money because your eligibility for the grant changes; often need-based.
 - **Loan:** Money that needs to be repaid by the borrower, generally with interest. (You'll have to pay interest on student loans.)
 - **Post-secondary education:** Includes all forms of schooling after high school, not just college.
 - **Private student loans:** These loans are from private organizations, such as banks and credit unions, which set their own terms and conditions. Private loans generally lack many of the protections of federal student loans.
 - **Scholarships:** Money that students receive based on academic or other achievements to help pay education expenses. Scholarships generally don't have to be repaid.
 - **Student Aid Index (SAI):** A number that determines each student's eligibility for federal student aid.
- Be sure students understand that cost of attendance typically is calculated by totaling tuition and fees, on- or off-campus housing and meal costs, books and supplies, and other costs:

Individual or group work

- Students can work individually or with a partner to answer the worksheet's analysis questions, but they should answer the reflection question on their own.
- Be sure students understand that the amounts on the handout are for one year and that the estimated student loan payments are for one student loan. Student borrowers typically will take out a loan for each academic year.
- Students will compare the total cost of attendance for each school (before subtracting the financial aid offers).
 - They'll identify the school with the lowest cost of attendance and the one with the highest.

- Next, they'll calculate which school has the lowest cost after factoring in the grants and scholarships Emmett won.
- Next, students will describe how living at home instead of on campus changes the cost of attendance.
- Then, students will calculate and compare the total debt Emmett and his parents will be in over four years as a result of each aid package.
- Students will then write a brief paragraph on what school they'd choose and why.

Wrap-up

- Bring students back together to compare their findings. Ask them to share what choice they'd make if they were Emmett and why they'd make that choice.
- Be sure to explore how Emmett might reduce his total cost of attendance by living at home. Considering this option might reduce or eliminate loans.

Suggested next steps

Consider searching for other CFPB activities that address the topics of spending (paying for college), saving (saving for college), or borrowing (getting loans).

Suggested activities include "Comparing higher education choices" and "Planning your financial path to college graduation."

As an extension activity, you could have students enter their own personal information into the Federal Student Aid Estimator at StudentAid.gov/aid-estimator to begin planning for their own experience.

Measuring student learning

Students' answers on their worksheets and during discussion can give you a sense of their understanding.

The answer guide on the next page provides possible answers for the "Comparing financial aid offers" worksheet. **Keep in mind that students' answers may vary.**

The important thing is for students to have reasonable justification for their answers.

Answer guide

Question	Answer	Expanding understanding
1. Which school initially has the lowest cost of attendance? Explain.	Large University in the City, at \$26,240.	Tuition and fees to attend this university are lower than the other two choices.
2. Which school initially has the highest cost of attendance? Explain.	Small College on the Hill, at \$51,554.	The costs of tuition and fees to attend this college are the highest of the three choices.
3. After factoring in the grants and scholarships offered (financial aid that generally doesn't need to be paid back), which school ended up with the lowest cost of attendance? Explain.	<p>Mid-sized University has the lowest cost of attendance after factoring in grants and scholarships.</p> <ul style="list-style-type: none"> ▪ Large U: \$26,240 (-4,400 Pell Grant and -2,500 scholarship) = \$19,340 ▪ Mid-Sized U: \$31,358 (-4,400 Pell Grant and -8,000 scholarship) = \$18,958. ▪ Small College: \$51,554 (-4,400 Pell Grant and -18,000 scholarship) = \$29,154. 	The school with the lowest cost of attendance factoring in grants and scholarships is Mid-sized.

<p>4. Describe how the cost of attendance might change if Emmett decided to live at home instead of on campus. Show your calculations to back up your response.</p>	<p>While answers may vary, student responses to question 4 may include the following calculations to back up their answer:</p> <p>Students can start with the total cost of attendance that they calculated for question 3 and subtract the cost associated with housing and meals.</p> <ul style="list-style-type: none"> ▪ Large U: Total cost (after subtracting grants and scholarships): \$19,340 - \$16,442 (housing and meals) = \$2,898. ▪ Mid-Sized U: Total cost (after subtracting grants and scholarships): \$18,958 - \$16,814 (housing and meals) = \$2,144 ▪ Small College: Total cost (after subtracting grants and scholarships): \$29,154 - \$14,244 (housing and meals) = \$14,910. 	<p>If Emmett chooses to live at home, he can subtract the cost for housing and meals from his cost of attendance. Students may notice that housing and meals often equal about half of the total cost of attendance. By living at home, Emmett and his parents will pay less money to the school and/or take out less in loans, but the family will still have the expense of housing and feeding Emmett.</p>
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5. How much would Emmett and his parents be in debt over four years if he lives on campus?

	Large University in the City	Mid-Sized University in the Country	Small College on the Hill
Emmett's total amount in federal subsidized loans (over four years)	\$14,000	\$14,000	\$14,000
Emmett's total amount in federal subsidized loans (over four years)	\$8,000	\$8,000	\$8,000
Emmett's parents' total amount in Parent PLUS loans (over four years)	\$38,000	\$32,000	\$58,000
Emmett's parents' total amount in Private loans (over four years)	\$0.00	\$0.00	\$20,000