From the Director

One of the most difficult aspects of student financial aid administration is taking money away from a student. We in the aid office never like to do it and the aftermath is always much harder to endure than the actual event. So—given that we don’t like to do it and the student doesn’t like us to do it and the parent doesn’t like us to do it—why do we do it?

The reason boils down to federal rules that apply to students who receive at least one dollar of federal need based aid. The federal formula for demonstrated need is the school’s estimated cost of attendance minus the family contribution, as calculated by the federal government using data from the FAFSA (Free Application for Federal Student Aid). The rules constrain the student and OFA in two ways: First, the student aid from all sources that exceeds the cost of attendance; second, the student cannot receive need based aid beyond demonstrated need. To complicate this just a bit further, all gift aid is considered need based for a student who has any federal need based aid. (There are some loans that are considered non-need based.)

So, how does this play out in real life? When a student’s financial aid package meets his full demonstrated need and he receives a scholarship, we have to take something away to accommodate that new award. Exactly how much we have to take away and exactly what form of aid we take away depends on the individual student’s awards. Our preference is to take away loans first, whenever possible. We will even accommodate a student’s request during fall to reduce their spring loan so they don’t have to deal with a bill during fall.

Some students can document that our cost of attendance estimate is too low for their legitimate educational expenses and we are able to increase that component which, in turn, increases their demonstrated need and eligibility for additional funds. Other students can demonstrate that the family financial components used in the FAFSA’s need analysis process have changed significantly so their family contribution goes down and their demonstrated need goes up. It is clear that there are alternatives to taking money away but they all require conversations with the student and/or the parents so we can document the new circumstances.

We really don’t like to take money away from students and we really don’t like to blame it on the federal government, but a big part of our job in the Office of Financial Aid is monitoring compliance with rules such as this. If you want to offer a scholarship to a student, you can contact our office before taking any action and we can advise you as to any impact on other financial aid. Like you, our goal is always to help the student.
From the Director
Continued...

Items found at the “Academic Advisors” link on our home page (www.finaid.msu.edu) are written specifically for MSU faculty and staff who are interested in knowing more about financial aid.

Financial Aid for Winter and Spring Break Programs

Along with its semester, academic year, and summer study abroad programs, MSU offers short programs for continuing students. These programs occur during winter break and spring break. Both types of programs are considered part of spring semester. Therefore the program fee and related tuition will appear on the tuition bill for spring semester.

As with all MSU study abroad programs, students currently receiving financial aid may obtain aid to help finance their winter break or spring break program. Students receive an increase to their overall fall-spring financial aid budget for the additional costs from their program. The majority of students will receive that aid in the form of loans.

Since these programs are part of spring semester, winter break participants should take note that financial aid will not disburse until 10 days prior to the beginning of spring semester based on federal regulations. The Student Accounts Office will apply the financial aid towards the bill as pending or “anticipated” aid to help cover the bill. This also means students expecting a refund won’t receive that refund until 10 days before spring classes begin.

How Does Work Study work?

Work study is a program offered only to students who demonstrate a high financial need, based on certain criteria established within FAFSA (Free Application for Federal Student Aid) paperwork. Work study is awarded as part of an eligible student’s financial aid package. It is not available to all students.

Work study is a benefit for students because it can help fund their education, but it is also a benefit for employers because the federal or state government subsidizes a portion of the student’s wages, meaning the employer’s out-of-pocket costs can be significantly less.

To ensure the employer is reimbursed for the government subsidized portion of an eligible student’s wages, the employer must provide the student with the required paperwork and file it with the student employment office.

This program is good not only because it helps students immediately take responsibility for funding their education, but it also benefits them long-term because it decreases the amount of loan a student may need to accept, and less to pay off when they graduate.
Effective for the financial aid year 2012-2013 the federal government has mandated that higher education institutions must prorate student federal loans based on enrollment if a student is in a graduating track at the completion of the fall semester. Federal Loan Proration is a new federal law which has impacted many students here at Michigan State University. In the past, students graduating at the end of fall semester could receive the maximum amount of federal loan available to them as long as they were enrolled at least half time (6 credits undergraduate). Since MSU bases its semester budgets on 15 credits, students graduating at the end of any fall semester going forward will have their federal loans prorated to their actual enrollment. Students graduating at the completion of spring or summer semesters are not affected by this new law.

Undergraduate Internships and Financial Aid

Many internships for undergraduates are designed to be full-time experiences for a student during a semester. However, the student only earns 1 to 5 academic credits for the experience. The university Registrar may classify these courses as full-time, due to the robust nature of an academic or co-curricular experience. This is most evident in cooperative employment situations, but can apply to many types of internships.

However, just because the university Registrar classifies these courses as full-time equivalents does not mean that federal financial aid follows the same rules.

Federal regulations require that undergraduate students must be enrolled for at least 6 credits to be eligible for disbursement of federal Stafford Loans and Parent PLUS Loans. Regulations do not make any exception for students afforded an enrollment equivalency due to other institutionally-approved activities.

Other types of financial aid, including the Federal Pell Grant, will pay out at 25% of the award amount for students who are enrolled less than half time. Undergraduate students enrolled less than half time may enroll concurrently in other courses in order to attain half time status and loan disbursement eligibility if they need the loan funds to meet expenses.

If additional enrollments are not practical, then the Office of Financial Aid (OFA) will work with the student to pursue a private educational loan. The student she should contact OFA to discuss alternative funding.

Students should also note that although the enrollment equivalency benefit does not allow disbursement of federal loans, it does permit outstanding student loans to remain in deferment status. The equivalency benefit also allows the student to receive other University services requiring full time enrollment.

More information regarding financial aid and less than half time internship opportunities please visit our website at: http://www.finaid.msu.edu/Read/qfLessThanHalfTimeInternships.pdf