

5 Ways to Evaluate a Financial Aid Letter

- By [Lynn O'Shaughnessy](#) | Mar 1, 2011

This is the time of year when parents are nervously evaluating [student financial aid](#) packages.

It doesn't help that [financial aid letters](#) can be confusing and, at times, intentionally so. Some colleges presenting a lousy [student financial aid](#) offer can try to hide it behind confusing abbreviations and missing information. Adding to the confusion, [financial aid letters](#) aren't standardized which make them hard to compare.

In a recent survey by [Fastweb](#), more than half of college students and parents who were surveyed said that the [college financial aid](#) letters from colleges were difficult to compare.

Don't be fooled. Here are five things you can do to decipher a [college financial aid](#) award.

Evaluating a Financial Aid Letter

1. Determine a school's real cost.

Schools calculate what's officially called the [cost of attendance](#) differently. Some colleges might look cheaper on paper because they only include tuition and room and board as costs on a financial aid offer while other schools are more thorough and add transportation, books and more. An easy way to find a college's costs is to look at its profile on the [College Board](#) website.

2. Look for the free money.

What matters to you is your out-of-pocket costs. You determine this by subtracting any grants or scholarships you receive from the school's cost of attendance. Grants could come from the federal and/or state government and from the college itself.

3. Don't be fooled by loans.

Sometimes schools will try to trick a family by making it look like the financial aid package contains a lot more money by inserting loans that aren't clearly marked. A loan, for instance, might be abbreviated as "ln." If you have loans in your financial aid package — and most students will — find out what the interest rates and terms are, as well as monthly and total payments.

Student Loans: Perkins Loan, Subsidized Stafford, Unsubsidized Stafford.

Parent Loans: PLUS Loan

4. Ask how private scholarships are treated.

When teenagers realize their financial aid packages aren't fat enough, they will often look for outside scholarships. Obtaining these [private scholarships](#) can sometimes back fire, as I've mentioned in a previous post:

If a teen wins a private scholarship, the college could shrink his or her financial aid package by the amount of the award. So if a child wins a \$3,000 scholarship, the college could cut the aid package by \$3,000. Why is a student penalized for winning a private scholarship? Federal rules require that a college consider outside scholarships when calculating a financial aid package. Ideally you'd want the college to reduce the loan portion of a student's financial aid award and not grant money. You need to ask schools about their policies.

5. Contact the school.

If you are confused about a financial aid award call the school and get the answers that you need.

Lynn O'Shaughnessy is the author of [The College Solution](#) and she also writes for [TheCollegeSolutionBlog](#).