

Speaking “Financial-Ese”

Professionals within the financial aid community often use jargon which proves to be rather foreign to students and parents, and the unfortunate result is that sometimes important messages may become misunderstood.

In an effort to help you understand the unique language of financial aid, we offer the following translations of commonly used financial aid rhetoric.

Award

While athletes, game contestants, and heroes are often recognized with “awards” for skill, winning, or valor, the term “award” for financial aid refers to the total level of financial aid resources (loan, work-study and/or gift) delineated for a student applicant. A financial aid “award” is not something bestowed, but rather a total amount for which one has been determined eligible.

Example: The Tulane Financial Aid Office sent an e-mail to notify me of my financial aid award.

Package

A financial aid “package” is not something wrapped in colorful paper with ribbon and bows, but rather refers to the array of financial aid offered to a student.

Example: Federal Work Study was included in my total financial aid package.

Expected Family Contribution (EFC)

This phrase can be confusing on several levels, so let’s break this apart. First, we have “expected”; a term that generally means anticipated. So who is expecting what and why does such an expectation exist? Then there’s “family”; and we need to understand who is included in the family. Is this immediate family or extended family? Finally, most understand that a “contribution” is often what we voluntarily donate to a charity or worthwhile endeavor. Therefore, is this contribution optional?

If you put all this together, it seems that financial aid administrators are suggesting that a student and his/her family should anticipate providing a donation or contribution to the college they attend, not to be confused with fund-raising contributions colleges may request towards growing their endowments.

However, in the world of financial aid, an “expected family contribution” refers to an amount that a student and family (generally parents) are expected to be able to afford to absorb over time in order to help pay for a student’s educational costs for a specific period of time (generally for an academic year).

The “expected family contribution” amount is calculated using a standard needs-analysis methodology based on the information reported on a financial aid application, confirmed via various supporting documentation. Basically, the “expected family contribution” represents a standardized indexed measure of a student applicant family’s financial strength.

Example: Based on my aid applications, Tulane calculated that my expected family contribution is \$12,000 for the upcoming academic year.

Gap

When you hear financial aid administrators refer to a “gap,” this is not a reference to a space between one’s teeth or a department store. For financial aid purposes, gap refers to the difference (if any) between a student’s determined level of financial need and the total amount of student financial aid (loan, work-study and/or gift) being offered. If the total amount of aid does not equal or exceed the determined level of need, then a gap exists, and a student’s total need is not being met with student aid. Often there are available options to minimize or eliminate such gaps.

Example: My total level of aid offered equals \$43,000, yet my calculated financial need was \$44,000, thus I have a \$1,000 gap.

Need

“Need” is defined as a necessity; requisite; or condition requiring a supply or relief. In the financial aid community “need” means that a student’s expected family contribution is less than the projected budget (cost of attendance) for a specified period (usually for an academic year), and therefore the student has been determined to have need for financial assistance.

Example: After subtracting the \$12,000 expected family contribution from the \$72,000 total cost of attendance, the result identified that I have a \$60,000 financial need.

Budget

“Budget” does not necessarily refer to an amount that a student has carefully determined as being needed month by month. Instead, student “budget” refers to the amount (as calculated and established by a financial aid office) recognizing the general expected costs associated with a student’s enrollment during a specified period (for example, an academic year of two semesters). Often a student “budget” is referred to as a student’s “cost of attendance.”

Example: A good rule of thumb is that a student’s total amount of aid offered cannot exceed his/her student budget.