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How does the federal financial aid process work?

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For the federal government to determine your child's financial aid eligibility, you must first complete its aid application known as the Free Application for Federal Student Aid, or FAFSA. The FAFSA requires specific income and asset information from both you and your child. Independent students do not need to list their parents' information.

A specific formula is then applied that results in a figure known as the expected family contribution, or EFC. This figure is the amount of money your family must contribute to college costs for the year before the federal government awards any financial aid. The difference between the cost of attendance at your child's college and your EFC is your child's financial need.

The federal government notifies you of the amount of your EFC in a document known as the Student Aid Report, or SAR. The SAR is also sent to the colleges that your child has applied to. When your child is accepted at a college, the financial aid administrator at that school attempts to create a financial aid package that will meet your child's financial need. The package will include various combinations of loans, grants, scholarships, and work-study programs, from both the government and the college. If appropriate, you will be given further information on where to apply for various loan programs.

If you're lucky, your child's financial aid package will meet all of his or her financial need. However, colleges aren't obligated to do so. If a college doesn't meet 100% of your child's financial need, you are responsible for meeting this shortfall. In some cases, you may be able to present special personal or financial circumstances to the financial aid administrator in an attempt to increase your child's aid award.

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