

College Funding Forecaster Methodology

When families receive their first award packets, it generally contains information about only the first year's costs and financial aid. Incoming freshmen and their parents may find it hard to understand from that brief snapshot what to expect financially over the course of an entire undergraduate college career.

The College Funding Forecaster helps students and families project total out-of-pocket expenses — and potential borrowing commitments — for the entire time it takes to earn an undergraduate degree.

This tool provides approximate estimates. The actual amounts students may pay or borrow will differ from these estimates for many reasons, including:

- ▶ The amounts a particular college charges may change in ways different from the assumptions made within this tool.
- ▶ The actual cost of attendance may be higher or lower than estimates provided in a college's financial aid packet.
- ▶ Students may take more or less time to earn a degree.
- ▶ Students may make personal decisions regarding housing, book and supply purchases, transportation and other expenses that may affect the actual cost of attendance for any academic year.
- ▶ Federal or state governments may change the amounts, limitations or qualifications for the grants or loans offered.
- ▶ The college may change the amounts, limitations or qualifications for the aid it provides.
- ▶ Outside entities awarding private scholarships or grants may change the amounts or availability of funds.
- ▶ The student's situation may change so that he or she no longer qualifies for the aid or loans received in the first year.

Cost of Attendance

The user is responsible for entering annual amounts for tuition and fees, room and board, books and supplies and other expenses in accordance with the financial award packet received or based on information obtained from the educational institution.

Gift Aid

The user is responsible for entering annual amounts for grants, scholarships and work-study in accordance with the financial aid packet received from the educational institution. In addition, the user is responsible for including funds for outside grants and scholarships earned by the student but not included in the financial aid packet.

Savings, Gifts and Other Funding

The user enters the first-year amount of savings, gifts, income and other funding for the student and from family or other sources.

Federal and Institutional Loans

The user is responsible for entering annual amounts for federal and institutional loans for the student in accordance with the financial aid packet received from the educational institution.



College Funding Forecast

Current-year calculations are based on information entered by the user. Default calculations for years 2–4 are based on the following.

Cost of Attendance

An annual increase of 2.6% is based on the Higher Education Price Index for 2019 (https://www.commonfund.org/wp-content/uploads/2019/05/HEPI_2019_Table.pdf). This index is issued annually by Commonfund Institute and is provided to educational institutions as a tool to plan future budget and funding increases.

Gift Aid

Pell Grant projections are based on award level decreases as Expected Family Contribution (EFC) increases from year to year. Assumptions include:

- ▶ Personal income increases an average of 4.34% each year, according to the average change in personal income from third quarter 2013 to third quarter 2014 and from third quarter 2014 to third quarter 2015 provided by the Bureau of Economic Analysis (<http://www.bea.gov/itable/index.cfm>).
- ▶ Median family income in the United States, a main component in calculation of EFC, is \$64,719 (http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_13_5YR_DP03&src=pt).
- ▶ The average personal income increase of 4.34% indicates that the median family annual income of \$64,719 increases by \$2,800 per year.
- ▶ An increase of \$2,500 (the nearest increment to \$2,800 available at http://www.stratagee.com/resources/efc_quick_reference/1213_efc_quick_reference.html) for a family with two dependent children and an annual income of \$65,000 causes EFC to increase by \$602.
- ▶ Each \$100 increase in EFC (with all other factors equal) results in a \$100 decrease in Pell Grant funds awarded (<https://ifap.ed.gov/dpccletters/attachments/GEN1502Attach.pdf>). Using the assumption immediately above, this creates a \$600 decrease in projected Pell Grant funds, from the current year to year 2.
- ▶ Each subsequent year, similar changes to the annual income increase EFC by a lesser amount — approximately \$100. Years 3 and 4 are based on corresponding \$100 decreases in Pell Grant funds.

Work-study is forecast to be equal to the current-year amount entered by the user for years 2–4.

Projections for other one-year grants, other renewable grants, one-year scholarships and renewable scholarships are based on information entered by the user. Users should consider whether changes in the student's situation will affect qualifications for renewable funds.

Savings, Gifts and Other Funding

Funding amounts are forecast to be equal to the current-year amounts for years 2–4. Users should consider whether changes in the student's and family's circumstances will affect these projections.

Federal and Institutional Loans

The current-year federal loan calculations include any federal Direct Loan (subsidized and unsubsidized) and federal Perkins Loan amounts for the student entered by the user. The user is encouraged to refer to the award packet to determine if federal student loans carry interest subsidies. Direct Loan and Perkins Loan amounts for each year are added together for projected amounts shown for years 2–4. Assumptions include:

- ▶ The student is an incoming freshman.
- ▶ The student chooses to accept the same percentage of the applicable federal student loan limit for years 2–4 as the student accepts for the current year.
- ▶ Federal Direct Loan annual limits (<https://studentaid.ed.gov/sa/types/loans/subsidized-unsubsidized>) of:
 - \$5,500 for the current year.
 - \$6,500 for year 2.
 - \$7,500 annually for years 3–4.
 - Federal Direct Loan cumulative limit of \$31,000.
- ▶ Federal Perkins Loan limits of \$5,500 per year and \$27,500 cumulative (<https://studentaid.ed.gov/sa/types/loans/perkins>).

Other student loans included in the award packet are forecast to be equal to the current-year amounts for years 2–4. Users should consider whether changes in the student’s and family’s circumstances will affect these projections.

Forecasted Funding Gap

Cost of Attendance amounts reflect projected and user-adjusted cost of attendance amounts for the current year and years 2–4 from the top of the screen.

Funding amounts are the sum of projected and user-adjusted gift aid; earnings, savings and gifts; and federal and institutional student loans for the current year and years 2–4 from the top of the screen.

Funding Gap is the difference between cost of attendance and the funding from the financial aid award packet, external scholarships and grants, and student and parent contributions. This is the amount of private student loans or other funding the student will need.

Using Your Forecast

The Total Funding Gap amount reflects changes the user made on the previous screen.

The Awarded Student Loans amount reflects projected and user-adjusted amounts for the current year and years 2–4 from the previous screen.

The Forecasted Student Debt amount includes all potential loans in the student’s name. It does not include Direct PLUS Loans for parents included in the financial aid packet or any other loans taken out by parents.