



Financial Adviser

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Funding Higher Education – There is Help Out There

As in years past, we continue to see the cost of postsecondary education increase. Unfortunately, the increase in wages for many Americans has not kept up with these rising costs. So what are parents and students to do to help fill the ever-expanding gap? One source is Federal Student Aid. During the 2007-08 school year approximately \$83 billion in new aid was given to nearly 10 million postsecondary students and their families in 6,200 postsecondary institutions.

What is Student Financial Aid?

Federal student aid is assistance through the U.S. Department of Education available to eligible students enrolled at schools participating in federal student aid programs. Federal student aid covers school expenses such as tuition and fees, room and board, books and supplies and transportation. This aid also can help a student pay for a computer and dependent child-care expenses.

What Are the Requirements?

To receive the aid the student must be eligible. Eligibility for most federal student aid programs is based on financial need and several other factors. Need is calculated according to a formula established by law, which is the Cost of Attendance (COA) less the Expected Family Contribution (ECF) equals Financial Need. The other factors consist of educational and legal requirements. To meet the educational requirements students must have a high school diploma or a GED, be enrolled or accepted for enrollment as a regular student working toward a degree or certificate in an eligible program and meet satisfactory progress standards.

The legal requirements are you must be a U.S. citizen or eligible noncitizen, the aid must be used for educational purposes and the student is not in default on a federal student loan or owes a refund on a federal student grant. Additionally, you must comply with Selective Service registration and, generally, if you have been convicted for the possession or sale of illegal drugs while receiving aid you will be ineligible for a period of time.

What types of Federal Aid are there?

There are three types of federal student aid: grants, work-study and loans. Grants are comprised of four types: Pell, Federal Supplemental Educational Opportunity Grant (FSEOG), Academic Competitiveness Grant (ACG), and National Science

and Mathematics Access to Retain Talent Grant (National SMART Grant). Grants are not required to be paid back. Pell Grants are generally awarded only to undergraduate student with a maximum award for 2007-08 award year of \$4,310. FSEOG is awarded to undergraduate students with exceptional financial need that ranges from \$100 to \$4,000 a year. The ACG and SMART grants are new and were authorized by Section 8003 of the Higher Education Reconciliation Act of 2005 (P.L. 109-171). ACG is for students who have completed a rigorous secondary school program of study with at least a 3.0 grade point average. Maximum awards for first and second year students are \$750 and \$1,300, respectively. National Smart is for undergraduate students who are enrolled in the third and fourth academic year of an eligible program and have at least a 3.0 grade point average. The award is for up to \$4,000 for each of the third and fourth academic years.

Federal work-study is money you earn while going to school and working part time. The student's school administers the program. The job must be relevant (to the extent possible) to your course of study and is community service-oriented.

Loans are the last type of federal student aid available. There are several types of loans to suit a student's particular needs. Loans, unlike grants, must be repaid with interest. The first is a Federal Perkins Loan. The loan is made through a participating school to undergraduate and graduate students and repayment is made to the school. The maximum yearly and lifetime award amounts for undergraduates and graduates are \$4,000, \$20,000 and \$6,000 and \$40,000, respectively. The next loan type is a Stafford Loan, which includes two types: Direct Loan and Federal Family Education Loan (FFEL). These are available to undergraduate and graduate students. Interest on these loans can be subsidized or unsubsidized. Interest on the subsidized loans is paid by the federal government while attending college and paid by the borrower for unsubsidized loans. The U.S. Department of Education is the lender for Direct Loans and participating private lenders for FFEL. Maximum annual loan limits apply and are based on student status and year in college. *

Paying for school beyond high school is an expense investment but with Federal Student Aid some of that burden can be lifted. For information, contact Shawn Emerson at McGill, Power, Bell & Associates, LLP at 814/453-6594 or shawne@mpbcpa.com.