

Learning how FAFSA works

Students learn about how the Free Application for Federal Student Aid (FAFSA) works by completing a simulation activity.

Learning goals

Big idea

To receive federal financial aid (e.g., grants and loans), you (or your family) must fill out a Free Application for Federal Student Aid (FAFSA).

Essential questions

- How can the FAFSA help you and your family pay for higher education?
- How does your family's financial situation affect the amount of federal financial aid you may receive?

Objectives


- Use the FAFSA4caster to estimate potential federal financial aid
- Analyze FAFSA data to explore how federal aid amounts may differ based on a student's current family and financial situations

What students will do

- Use the online FAFSA4caster tool to estimate federal aid amounts for different scenarios.
- Compare the financial aid packages for different student borrowers to better understand eligibility criteria for federal financial aid.

KEY INFORMATION

Building block:

 Financial knowledge and decision-making skills

Grade level: High school (9-12)

Age range: 13-19

Topic: Borrow (Getting loans), Spend (Paying for college)

School subject: CTE (Career and technical education), English or language arts, Math, Social studies or history

Teaching strategy: Simulation

Bloom's Taxonomy level: Analyze

Activity duration: 75-90 minutes

STANDARDS

Council for Economic Education
Standard IV. Using credit

Jump\$tart Coalition

Financial decision-making - Standards 1 and 2

Preparing for this activity

- Print copies of all student materials, or prepare for students to access them electronically.
- While it's not essential, having students complete activities such as "[Reading about federal financial aid](#)" or "[Learning how federal financial aid can help you pay for higher education](#)" before this one may make it more meaningful.
- Become familiar with the U.S. Department of Education's FAFSA4caster tool.
 - You can access the FAFSA tool by clicking on one of the links for it on <https://studentaid.ed.gov/sa/fafsa/estimate>.
- Secure access to the Internet and computers or tablets so students can access the FAFSA4caster.
- Make a couple of copies, single-sided, of the student borrower scenarios (included in this guide).
- Cut the scenarios into strips so that each group of three to four students can complete one scenario.

What you'll need

THIS TEACHER GUIDE

- [Learning how FAFSA works \(guide\)](#)
[cfpb_building_block_activities_learning-how-FAFSA-works_guide.pdf](#)

STUDENT MATERIALS

- [Learning how FAFSA works \(worksheet\)](#)
[cfpb_building_block_activities_learning-how-FAFSA-works_worksheet.pdf](#)
- [Student borrower scenarios \(in this guide\)](#)
- [All about the Free Application for Federal Student Aid \(FAFSA\) \(optional handout\)](#)
[cfpb_building_block_activities_all-about-FAFSA_handout.pdf](#)

Exploring key financial concepts

Financial aid is money to help pay for college or career school. Grants, work-study, loans, and scholarships help make post-secondary education affordable. To apply for federal student aid, students or their parents must complete the Free Application for

TIP

Because financial aid rules and programs change, students should be encouraged to always look for the most up-to-date information.

Federal Student Aid (FAFSA) form. They must complete the form before the start of each academic year the student is enrolled in a post-secondary program. The FAFSA costs nothing to complete and submit. It gives students access to federal grants and loans, the largest source of financial aid for post-secondary education. In addition, many states and colleges use FAFSA information to determine students' eligibility for state and school aid. FAFSA information also may influence how much private aid students receive. The U.S. Department of Education uses the information in the FAFSA to calculate how much of the total costs associated with a community college, a four-year university, or a technical or trade school students and their families will be expected to pay.

TIP

Parents and students can complete the FAFSA on their cell phones using the myStudentAid app. Download the free app in the Apple App Store (iOS) or Google Play (Android).

Teaching this activity

Whole-class introduction

- Ask students if they have heard of the FAFSA. Have students share what they know.
 - Explain to students that although the amount of federal aid they qualify for is fixed, the amount of education costs will vary depending on the college or university they attend.
- Distribute the “Learning how FAFSA works” worksheet.
 - Optional: If students need more background and context on federal financial aid, distribute the [“All about the Free Application for Federal Student Aid \(FAFSA\)”](#) [handout](#).
- Explain that this activity will help students understand the FAFSA process and will show them how students' current family and financial situations influence their eligibility for federal financial aid.
 - Be sure to clarify these two important points:
 - While other types of financial aid are available, this activity focuses on federal financial aid.
 - The tool students will use in this activity estimates financial aid eligibility; to actually apply for financial aid, students and their families will need to complete the FAFSA.

- Be sure students understand key vocabulary:
 - **Cost of attendance (COA):** The total amount it will cost you to go to school – usually stated as a yearly figure. COA includes tuition and fees; room and board (or a housing and food allowance); and allowances for books, supplies, transportation, loan fees, and dependent care. It also includes miscellaneous and personal expenses.
 - **Expected family contribution (EFC):** The index number schools use to determine your eligibility for federal financial aid. This number results from the financial information you provide in your Free Application for Federal Student Aid (FAFSA) form. Your EFC index number is reported to you on your Student Aid Report. It is not the amount of money your family will have to pay for college nor is it the amount of federal student aid you will receive. It is a number your school uses to calculate the amount of federal student aid you are eligible to receive.
 - **FAFSA:** The Free Application for Federal Student Aid form is used to determine how much a student and his or her family are eligible to receive in federal financial aid. The FAFSA may also be used to determine a student's eligibility for state and school-based aid and also may influence how much private aid a student receives.
 - **Federal student loans:** These loans are funded by the federal government and have terms and conditions that are set by law. Federal loans also include benefits that private student loans don't usually offer. These benefits could include lower interest rates, repayment plans based on income, and possible loan forgiveness for people who choose to work for a certain amount of time in government or for certain not-for-profit organizations or teach in a low-income school.
 - **Federal work-study:** A program that provides part-time jobs to help you earn money to pay for college expenses.
 - **Financial aid:** When money is given in the form of grants, work-study, loans, and scholarships to help pay for post-secondary tuition and fees, as well as related expenses such as room and board, books, supplies, and transportation.
 - **Grant:** A type of financial aid that does not have to be repaid, unless, for example, you withdraw from school and you need to pay back some of the tuition money; often need-based.
 - **Post-secondary education:** Includes all forms of schooling after high school, not just college.

TIP

Visit CFPB's financial education glossary at consumerfinance.gov/financial-education-glossary/.

- **Private student loans:** These loans are from private organizations, such as banks and credit unions, which set their own terms and conditions. Private loans are generally more expensive than federal loans.
- **Scholarships:** Money that students receive based on academic or other achievements to help pay education expenses. Scholarships generally don't have to be repaid.
- **Student aid report:** A paper or electronic document that gives you some basic information about your eligibility for federal student aid and lists your answers to the FAFSA questions.

Group work

- Students should work in groups of three or four, but they should each complete their own worksheet.
- Distribute one scenario to each group.
 - Depending on the size of your class, several groups may have the same scenario.
- As you distribute the scenarios, explain that each group will look at a different student applying to the same four-year college.
- Ask the groups to go to the FAFSA4caster and input the details for their scenario.
 - The tool can be accessed by clicking the link on the U.S. Department of Education's FAFSA page at <https://studentaid.ed.gov/sa/fafsa/estimate>.
- Students will record the relevant information on their worksheet.
- The groups that worked on the same scenario should gather to share their information and reach a consensus on their answers to the questions in the section of the worksheet called "Using the FAFSA to get an estimated federal financial aid package."

Wrap-up

- Have students work individually to answer the reflection questions about their financial readiness to attend this college.
- Bring students back together to compare and contrast the federal financial aid packages the four students in the borrower scenarios would likely receive.
- Using questions 4 and 5 on the worksheet to frame the discussion, engage students in a dialogue that encourages them to share what they've learned about the student in their scenario.

- Encourage the discussion to be an exploration of how a student's and/or family's situation affects financial aid.
- Record their results for the class to see.
- Students should record the information from the other scenarios on their worksheets.
- Wrap up the activity by asking students to reflect on and write about what they learned from this process (question 6 on the worksheet).
 - They can record their own reflections on their worksheet and then share their learning with the class in a group discussion.
- Make sure the discussion highlights the following key information:
 - Students can be U.S. citizens or eligible non-citizens. Note: Eligible non-citizens are people who have special designations from the U.S. government, like refugees, people with permanent resident cards, and people who live in some U.S. territories.
 - Both the student's and his or her parents' assets are considered.
 - The hardships some students face, like foster care or homelessness, are taken into account.
 - The number of individuals in a family who are in college affects financial aid.
- As an extension activity, you could have students enter their own information into the FAFSA4caster to begin planning for their own experience.

Suggested next steps

Consider searching for other [CFPB activities](#) that address the topics of borrowing, including getting loans, and spending, including paying for college.

Measuring student learning

Student learning can be measured through their answers to the worksheet questions. The reflection questions can give you a sense of their understanding about how an individual's personal and financial circumstances affect their eligibility for financial aid.

This answer guide provides possible answers for the "Learning how FAFSA works" worksheet. **Keep in mind that students' answers may vary.** The important thing is for students to have reasonable justification for their answers.

Answer guide: Student borrower scenarios

Brooklyn T.

Pell Grant: \$3,545
Federal work-study: \$1,465
Federal loan: \$5,500
Total federal aid: \$10,510
Cost of college: \$3,540
EFC: 2504

Carmen T.

Pell Grant: \$2,345
Federal work-study: \$1,465
Federal loan: \$5,500
Total federal aid : \$9,310
Cost of college: \$4,840
EFC: 3709

Mario R.

Pell Grant: \$6,095
Federal work-study: \$1,465
Federal loan: \$9,500
Total federal aid: \$17,060
Cost of college: (- \$2,910)
EFC: 0

Noah Z.

Pell Grant: \$6,095
Federal work-study: \$1,465
Federal loan: \$9,500
Total federal aid: \$17,060
Cost of college: (-\$2,910)
EFC: 0

Note: Funding formulas may change, so it may be helpful to double-check the most current calculations using the FAFSA4caster.

Student borrower scenarios

Four imaginary students are applying for financial aid to attend Pretend University in New Mexico.

Print single-sided and cut apart the scenarios. Each group should get one scenario. More than one group will likely work on the same scenario.



Brooklyn T.

- Eligible non-citizen; 18 years old; born September 1
- Single; never been married; no children; lives in New Mexico (about 40 minutes from Pretend University)
- Mom is divorced (dad does not support the family); mom is 38 years old
- Brooklyn has one older sister who lives at home and who will also be in college (Brooklyn will be a freshman; her sister will be a junior)
- Brooklyn hopes to enter the freshman class of Pretend University; she plans to live on campus
- Brooklyn's mom filed taxes last year; her adjusted gross income was \$52,000
- Brooklyn worked part-time last year; she earned \$2,100 but did not file taxes
- Mom's assets total \$5,000; Brooklyn's assets total \$200
- Cost of college each year is \$14,150 (tuition and fees: \$7,800; housing: \$4,400; meal plan: \$1,950)





Carmen T.

- U.S. citizen; 17 years old; born May 27
- Single, never been married; no children; lives in New Mexico (about an hour from Pretend University)
- Mom and dad are married; mom is 42, dad is 44
- Carmen has two sisters who live at home; she'll be the only college student in her family
- Carmen hopes to enter the freshman class of Pretend University; she plans to live on campus
- Carmen's parents filed taxes last year; their combined adjusted gross income was \$58,000
- Carmen had a part-time job last year; she earned \$4,100 but did not file taxes
- Mom and dad's assets total \$22,500; Carmen's assets total \$500
- Cost of college each year is \$14,150 (tuition and fees: \$7,800; housing: \$4,400; meal plan: \$1,950)



Mario R.

- U.S. citizen; 18 years old; born November 11
- Single; never been married; no children; lives in New Mexico (about 25 minutes from Pretend University)
- Is in foster care (has no relationship with his parents)
- No known siblings
- Mario hopes to enter the freshman class of Pretend University; he plans to live on campus
- Mario had a part-time job last year; he filed taxes and his adjusted gross income was \$5,200
- Mario's assets total \$1,550
- Cost of college each year is \$14,150 (tuition and fees: \$7,800; housing: \$4,400; meal plan: \$1,950)





Noah Z.

- U.S. citizen; 17 years old; born on March 15
- Single; never been married; no children; lives in New Mexico (currently homeless and staying in a shelter 10-20 minutes from Pretend University)
- Mom is a widow and is 37
- Noah will be the only college student in his family
- Noah hopes to enter the freshman class of Pretend University; he plans to live on campus
- Noah's mom filed taxes last year; her adjusted gross income was \$22,000
- Noah had a part-time job; he filed taxes and his adjusted gross income was \$4,600
- Mom has no assets; Noah's assets equal \$500
- Cost of college each year is \$14,150 (tuition and fees: \$7,800; housing: \$4,400; meal plan: \$1,950)

