

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 (and possibly 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


- Understand how the FAFSA helps students and their families pay for higher education
- Analyze financial aid packages to explore how federal aid amounts may differ based on a student's current family and financial situations

NOTE

Please remember to consider your students' accommodations and special needs to ensure that all students are able to participate in a meaningful way.

KEY INFORMATION

Building block:

-  Financial knowledge and decision-making skills

Grade level: High school (9-12)

Age range: 13-19

Topic: Save and invest (Saving for college), Spend (Paying for college), Borrow (Getting loans)

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

National Standards for Personal Financial Education, 2021

Earning income: 8-3, 12-3

Spending: 12-1, 12-2, 12-9

Managing credit: 8-3, 8-6, 12-4, 12-5, 12-6, 12-10

These standards are cumulative, and topics are not repeated in each grade level. This activity may include information students need to understand before exploring this topic in more detail.

What students will do

- Use the online Federal Student Aid Estimator tool to estimate federal aid amounts for different scenarios.
- Compare the financial aid packages for different students to better understand eligibility criteria for federal financial aid.

Preparing for this activity

While it's not necessary, completing the "Reading about federal financial aid" or "Learning how federal financial aid can help you pay for higher education" activities first may make this one more meaningful.

Print copies of all student materials, or prepare for students to access them electronically.

- Optional: If students need more background on federal financial aid, you can print copies of the "All about the Free Application for Federal Student Aid (FAFSA)" handout or prepare for students to access it electronically.

Become familiar with the Federal Student Aid Estimator (StudentAid.gov/aid-estimator) from the U.S. Department of Education's office of Federal Student Aid.

Obtain computers or tablets with Internet access so students can access the Federal Student Aid Estimator.

Make a couple of single-sided copies of the student scenarios in this guide.

- Cut the scenarios into strips so 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 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](#)
- Computers or tablets with Internet access

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 and possibly their parents if the student is a dependent must complete the Free Application for 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. It's important to remember that although the amount of federal aid a student qualifies for remains the same from school to school, their education costs will vary depending on the college or career school they attend.

TIP

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

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've heard of the FAFSA. Have students share what they know.
- You can read the "Exploring key financial concepts" section to students.
- Distribute the "Learning how FAFSA works" worksheet.
 - Optional: If students need more background on federal financial aid, distribute the "All about the Free Application for Federal Student Aid (FAFSA)" handout.
- Explain that they'll learn about the FAFSA process and how students' current family and financial situations influence their eligibility for federal financial aid.
- Tell students that the tool they'll use in this activity – the Federal Student Aid Estimator – estimates students' eligibility for federal student aid using information similar to what the FAFSA requires.
- Clarify these two important points:
 - While other types of financial aid are available, this activity focuses on federal financial aid.
 - The Federal Student Aid Estimator 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:

- **Contributor:** Refers to anyone (you, your spouse, a biological or adoptive parent, or your parent's spouse) who is required to provide information, consent, and approval, and a signature on the FAFSA form.
- **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; housing and food; and allowances for books, supplies, transportation, loan fees, and dependent care if applicable. It also includes some miscellaneous expenses.
- **FAFSA - Free Application for Federal Student Aid:** This form is used by a school to determine how much a student and their 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. It may influence how much private aid a student receives.
- **FAFSA submission summary:** Highlights your eligibility for federal student aid. Includes the answers submitted on or transferred to your FAFSA form, your SAI, and an estimation of the amount of federal student aid that you may be eligible for. Your FAFSA submission summary is not an aid offer; those will come directly from any schools you've listed on your FAFSA Form and have been accepted to.
- **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, such as 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:** Money given in the form of grants, work-study, loans, and scholarships to help pay for post-secondary tuition and fees, housing and food, books, supplies, miscellaneous expenses, and transportation.

TIP

Visit [CFPB's financial education glossary](#) for terms and definitions you may find useful.

- **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 grant money because your eligibility for the grant changes; often need-based.
- **Post-secondary education:** Includes all forms of schooling after high school, not just college.
- **Private student loans:** These loans are from private organizations, such as banks and credit unions, which set their own terms and conditions. Private loans generally lack many of the protections of federal student 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 Index (SAI):** A number that determines each student's eligibility for certain types of federal student aid.

Individual and group work

- Students should work in groups of three or four to use the Federal Student Aid Estimator, but they should complete their own worksheet.
- Distribute one scenario to each group.
- Explain that each group will look at a different imaginary student applying to Pretend University, a four-year college.
- The groups will use the Federal Student Aid Estimator tool at [StudentAid.gov/aid-estimator](https://studentaid.gov/aid-estimator) to input the information from their scenario.
- Students will record the results from the Estimator in their worksheet's "Estimated federal financial aid packages" section.
- After the groups have completed the "Estimated federal financial aid packages" section, each group will read their scenario and present their results to the class.
 - Students will record the information from the other groups' scenarios in the "Estimated federal financial aid packages" section on their worksheet.
- After all the groups have presented their results, give students a few minutes to answer the questions in the worksheet's "Comparing and contrasting financial aid packages" section.
- Students will then answer the reflection question.

Wrap-up

- Bring students together and ask for volunteers to share their responses to the “Comparing and contrasting financial aid packages” questions.
- Ask students what factors they think affected the aid package for the student in their scenario. Responses may include:
 - Both the student’s and their parents’ assets are considered.
 - The hardships some students face, like foster care or homelessness, are taken into account.
 - **Note:** Be sure students understand that students can be U.S. citizens or eligible noncitizens. Eligible noncitizens 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.
- If time allows, ask for volunteers to share their answers to the reflection question.

Suggested next steps

Consider searching for other CFPB activities that address the topics of saving, including saving for college; spending, including paying for college; and borrowing, including getting loans. Suggested activities include “Reading about federal financial aid” and “Planning your financial path to college graduation.”

As an extension activity, students can enter their own information into the Federal Student Aid Estimator to begin planning for their own experience.

Measuring student learning

Students’ responses on their worksheets and during discussion can give you a sense of their understanding.

The answer guide on the next page provides possible answers for the “Estimated federal financial aid packages” section of 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

Brooklyn T.	Carmen T.
Total estimated federal aid: \$14,876 Pell Grant: \$7,395 Maximum Direct Loans: \$5,500 Average Work-Study: \$1,981 SAI: -0 College cost after all federal aid is applied: \$4,274 Key influencing details: Single mother, has sister, family of 3.	Total estimated federal aid: \$14,876 Pell Grant: \$7,395 Maximum Direct Loans: \$5,500 Average Work-Study: \$1,981 SAI: -786 College cost after all federal aid is applied: \$4,274 Key influencing details: 5 people in family
Mario R.	Noah Z.
Total estimated federal aid: \$18,876 Pell Grant: \$7,395 Maximum Direct Loans: \$9,500 Average Work-Study: \$1,981 SAI: -1500 College cost after all federal aid is applied: \$274 Key influencing details: Mario is in foster care; no contact with parents.	Total estimated federal aid: \$18,876 Pell Grant: \$7,395 Maximum Direct Loans: \$9,500 Average Work-Study: \$1,981 SAI: -1500 College cost after all federal aid is applied: \$274 Key influencing details: Noah is experiencing homelessness.

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

Student scenarios

Print the scenarios single-sided and cut them apart. Each group should get one scenario.



Brooklyn T.

- Eligible noncitizen; 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 attendance is \$19,150

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 attendance is \$19,150

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 attendance is \$19,150



Noah Z.

- U.S. citizen; 17 years old; born on March 15
- Single; never been married; no children; lives in New Mexico
- Is currently homeless and staying in a shelter 10-20 minutes from Pretend University
- Noah hopes to enter the freshman class of Pretend University; he plans to live on campus
- Noah had a part-time job last year; he filed taxes and his adjusted gross income was \$4,600
- Noah's assets total \$500
- Cost of attendance is \$19,150