INNOVATIVE COLLEGE PREP

GUIDE

Understanding College Costs and Financial Aid

Cost of attendance, net price, grants, loans, scholarships and the FAFSA, explained plainly

For: Families, students, counselors and teachers

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Revised November 2026. General guidance only. Admissions policies and deadlines vary by college and change; always confirm with each institution.

Know the numbers before you decide

College prices can feel confusing, but a few ideas make them manageable. The most important one: **the price printed on a college website is rarely what most families pay.**

Key terms

Term	What it means
Cost of attendance (COA)	A college's estimate of one year's total cost: tuition and fees, housing and food, books and supplies, transportation and personal expenses.
Direct costs	Costs billed by the college, such as tuition, fees and often on-campus housing and meals.
Indirect costs	Costs not billed by the college, such as books, travel, personal expenses and off-campus living.
Gift aid	Grants and scholarships. You do not repay this money, though renewal often requires meeting conditions. Aid may be need-based (tied to family finances) or merit-based (tied to achievement or talent).
Federal Pell Grant	The main federal grant for undergraduates with financial need. Eligibility comes from the FAFSA.
Net price	Cost of attendance minus gift aid. This is what a family must cover through savings, income, work and loans.
Loans	Borrowed money that must be repaid with interest. Federal student loans may be subsidized (the government pays the interest while the student is in school, based on need) or unsubsidized. Federal and private loans have different terms.
Work-study	Part-time work, often on campus, offered in some aid packages. The student usually must find a job and is paid as hours are worked, so it does not lower the bill up front.
Student Aid Index (SAI)	A number the FAFSA calculates that colleges use to determine federal aid eligibility. It is not a bill or a promise of what a family will pay.

How financial aid works

- **Federal aid:** The FAFSA (Free Application for Federal Student Aid) at studentaid.gov determines eligibility for federal grants, work-study and federal student loans, and many colleges and states use it to award their own aid. File it every year you want aid. Federal rules decide which parents of a dependent student must take part (see studentaid.gov/fafsaparent), and every contributor must consent to share federal tax information.
- **College aid:** Many colleges award grants and scholarships based on need, merit or both. Some also require the CSS Profile or their own forms. Check each college's financial aid page.
- **State aid:** Many states offer grants or scholarships to residents, often with their own deadlines.
- **Outside scholarships:** Local organizations, employers and national programs. Always ask how outside awards affect other aid.

Never pay to apply. The FAFSA is free. Be cautious with any service or scholarship that charges a fee or guarantees an award.

Compare offers using net price

Line	College A	College B	College C
1. Cost of attendance (one year)			
2. Grants and scholarships (gift aid, not repaid)			
3. Net price = line 1 minus line 2			
4. Amount my family can pay this year (savings, income)			
5. Student loans I would accept (repaid with interest)			
6. Remaining gap = line 3 minus lines 4 and 5			
Work-study offered (not subtracted above)			

Only grants and scholarships lower the net price; loans help pay it but must be repaid. Work-study is earned by working during the year, usually by paycheck, so it is not counted toward the gap and may not be available when the first bill is due. If line 6 is above zero, plan how to cover it before you commit.

- Check whether each award renews for four years and what conditions apply (GPA, credits, major).
- Borrow carefully: federal loans, private loans and Parent PLUS loans differ in terms, and any loan must be repaid. Some federal loan rules changed for loans first disbursed on or after July 1, 2026, including new Parent PLUS borrowing limits and new repayment plans. Annual and aggregate Direct Loan limits for undergraduate students generally did not change. Check StudentAid.gov for current rules.
- Think about total cost over the full degree, including time to graduate.

Questions to ask a financial aid office

- How do you calculate need, and what does a typical aid package include?
- Is the scholarship offered each year? What are the renewal requirements?
- How will an outside scholarship change this offer?
- Our circumstances have changed (for example, a job loss or medical costs). How do we ask you to review our aid?
- What are the payment plans and billing dates?

Official sources: Federal Student Aid · FAFSA information · Federal student loans · College Scorecard · ICP Affordability lab

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Revised November 2026. General educational information, not individualized advice; no admissions or financial aid outcome is guaranteed. Colleges set and change their own requirements and deadlines: confirm them on each college's official website.