



Introduction to Federal Student Aid

Who is eligible for Federal Student Financial Aid?

Almost all student aid is need-based. You are eligible if you are enrolled at least half-time in a participating school and meet these criteria:

- You must be a citizen or eligible non- citizen of the United States with a valid Social Security Number.
- You must have a high school diploma or a General Education Development (GED) certificate or pass an approved "ability to benefit" test.
- You must be enrolled in an eligible program as a regular student seeking a degree or certificate.
- You must register with the Selective Service, if required.
- You must maintain satisfactory academic progress once in school.

What are the types of aid?

There are three types of aid: grants, loans and work-study.

Grants

- Generally do not have to be repaid.
- Are for undergraduate students.
- Are based on need, school cost and enrollment status.

Grants include Pell Grants and Federal Supplemental Educational Opportunity Grants.

Loans

- Must be repaid with interest.
- Are available to undergraduate students, graduate students and parents who are paying education expenses for dependent undergraduate students.
- Maximum annual loan amounts based on grade level.

Loans include Federal Stafford Loans (both Direct Loan Program and the Family Federal Education Loan Program), Perkins Loans and Federal Plus Loans (for parents of dependent undergraduate students).

Work-Study

Money is earned through campus or community services work and does not have to be repaid.

- Wages paid are at least the current federal minimum wage.
- Total award amount is based on level of need, funding level at the school and when application is made.

Campus-based aid programs

Federal Perkins Loans, Federal Work-Study and Federal Supplemental Educational Opportunity Grants are classified as “campus- based aid programs.” These programs are administered directly by the financial aid office at each participating school. Not all schools participate in these programs.

Campus-based programs provide a limited amount of funding for each participating school to administer each year. Therefore, the amount of aid is based on your need, other aid you receive and the availability of funds for that program at your school. Once the funds are allocated for the year, no additional awards can be made. These campus-based programs differ in this regard from the Federal Pell Grant Program where funds are available for every eligible student.

Other sources of financial aid

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Grants

States

The higher education agency in your state can provide information on available state aid. Contact information for the state agency can be found at <http://wdcrobcolp01.ed.gov/Programs/EROD/>

Private Entities

Foundations, labor unions, associations, companies (for children of their employees), community or civic groups such as Kiwanis, Jaycees or 4-H Clubs and organizations in your area of study, such as the American Bar Association, may provide student aid.

U.S. Armed Forces and Veterans

Financial aid is available through the Reserve Officer's Training Corps (ROTC) Program. For information on service requirements and the program visit the local recruiter or call 1-800- USA-ARMY. Benefits may also be available to eligible veterans and dependents of certain veterans. Further information is available at www.gibill.va.gov.

Tax benefits for higher education

Internal Revenue Service Publication 70, Tax Benefits for Higher Education, provides detailed information on the Hope Credit, Lifetime Learning Credit, Student Loan Interest Deduction, Education Individual Retirement Arrangement (EIRA), Withdrawals from Traditional or Roth IRAs and interest on Education Savings Bonds. There are specific eligibility provisions and income limitations for most programs. The IRS publication is available by calling 1-800-821-3676 or can be downloaded at <http://www.irs.gov/uac/Tax-Benefits-for-Education:-Information-Center>

A wide range of resources and information as well as several useful web sites can be accessed at the U.S. Department of Education's "Financial Aid for Student Home Page" at <https://fafsa.ed.gov/>

Financing College: Grants, Loans, and Scholarships

The array of higher education financing options available to both parents and students can be confusing. The application process may seem overwhelming.

However, the good news is that there are financial assistance and loan options that are well worth exploring. Take advantage of the help that is available to ease any potential financial strain. Once the college has been selected and the student accepted, talk to the campus Financial Aid Office for additional help in crafting the plan that works best for you. Following is a brief overview of the types of aid and loans available.

Need-Based Financial Aid Grants

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Federal Subsidized Stafford Loans

The subsidized Stafford loan is a need- based loan with a low interest rate available through the federal government. Repayment of the loan does not begin until the student has either left school, or graduated. The school's Financial Aid Office will provide additional information regarding the Stafford loan as well as guidance through the application process.

Federal Unsubsidized Stafford Loans

The unsubsidized Stafford loan is not based on financial need, therefore everyone is eligible, regardless of income. Therefore, this is a good source of funding to consider. The interest must be paid while the student is in school, or the interest may be deferred until graduation. The interest that accrues is then added to the loan's principal balance when repayment begins.

Federal Parent Loan for Undergraduate Students (PLUS Loans)

Parents of undergraduate dependent children may qualify for this low-interest loan. A credit check is required during the application process. Parents may borrow up to the full cost of college attendance minus any financial aid awarded to the student.

Private Loans

Many private lenders offer loans for financing college with a variety of interest rates, terms and conditions. Look for a reputable lender and carefully compare loan terms, any additional benefits available to the borrower, and whether any fees are associated with the loan.

Scholarships

Scholarships are an attractive type of aid because they do not have to be repaid and many are not based on financial need. They may be awarded to students who have excelled in specific academic areas, or specialty areas such as music or sports.

Thousands of private scholarships are available through various companies, organizations, private foundations, and clubs. Information may be found online at numerous sites, including www.fastweb.com, or www.scholarships.com. Comprehensive guides are published and updated each year on specific scholarships, eligibility criteria, etc., such as the College Board Scholarship Handbook or Peterson's Scholarships, Grants and Prizes.

Financing the Costs of College

While the costs of college—tuition, books, on- or off-campus living—can be substantial, financial aid options abound. Currently over half of the students enrolled in institutions of higher learning receive some type of financial aid to defray these costs. While some types of assistance are based on financial need, other types are not. Options also include loans, which must be repaid, as well as grants and scholarships, which do not. The three primary types of college financial aid are:

- Grants and scholarships,
- Federal student loans, and
- Work-study programs.

Many websites offer budget calculators to provide parents and/or students with estimates of the various costs involved in securing a college education, such as www.nextstudent.com.

Grants and Scholarships

This type of monetary aid does not have to be re-paid and therefore is a means to finance all, or a portion of college costs without having to incur a significant amount of debt. Grants are typically awarded based on financial need, while scholarships are most often awarded based on merit. Scholarships are available through private sources as well as through the government.

Federal Student Loans

Low-interest, long-term loans for both undergraduate and post-graduate students are available through federal government programs. Repayment options are quite favorable, usually with provisions that postpone repayment until after graduation. Federal student loans may be obtained by both students and parents. The most popular federal student loan is the Stafford Loan, while PLUS Loans assist parents with college costs.

Work-Study Programs

Another federal aid option, work-study programs provide students with part-time employment to earn money for school. The employment may be on- or off-campus, and in addition to the earned income, provides valuable work experience to the student. Eligibility for work-study programs is determined by the federal government based on the information provided on the Free Application for Federal Student Aid, or FAFSA. The form is available on-line at www.fafsa.ed.gov. If this option is an attractive one for your situation, bear in mind that many families receive aid when they believe their income would make them ineligible. Therefore, it may be worthwhile to complete the FAFSA form, even if you feel your income may be too high.

In addition to these types of financial assistance, there are several alternative funding options. These include private loans, tuition payment plans, and home equity loans.

Private Loans

Should your income or financial situation render you ineligible for federal aid, or if additional funds are required to meet all of the college costs incurred, private loans are a viable option. Many education loan lenders provide student loans with low interest rates and flexible repayment options, similar to the federal student loan programs. When shopping for a private student loan, be sure to compare the loan details and check on possible additional loan fees. It is also wise to select a reputable lender and one that will take the time to fully educate you concerning your loan choices.

Tuition Payment Plans

Many colleges offer the option to spread the costs of tuition over several months. This is a great way to pay for at least a portion of college expenses without going into debt, and interest-free. However, there may be an enrollment fee associated with this alternative. Therefore, be sure to compare the total cost of this option with the cost of liquidating an asset, or the interest that would be incurred by a loan. If the college of your choice does not offer this option, ask for a referral to a private commercial organization that administers such plans.

Home Equity Loans

Provided you have equity in your home and credit in good standing, a home equity loan may be a viable option. The amount that may be borrowed is determined by the amount of equity in the home, and the interest accrued is typically tax deductible on your federal tax return. Be sure to consult a tax advisor regarding your specific financial situation to take into account all tax implications of this option.

Last, and Hopefully Least

Liquidating or borrowing against an asset, such as a 401(k) plan, Individual Retirement Account stock or mutual fund portfolio, or other types of investments, is another option to help meet college expenses. However, it is important to weigh earnings you are giving up, fees and interest you may be incurring, as well as possible penalties for liquidating the asset. Compare this to the interest that would accrue on a student loan and/or the fees involved in a tuition payment plan. Once again it is recommended that you consult with a tax advisor to help you make the wisest choice for your specific financial situation.

Grants, Loan and Work Study: Get Money to Help Pay for College

The U. S. government can help you pay for college. You just have to know what steps to take. You can use aid to help pay for:

- Tuition and fees
- Room and board (this includes a meal plan if you're living on campus)
- Books and supplies
- Transportation

The best way to get help is to use grants and work study. That's because you don't have to pay these back. But you do have to pay back money you borrow through student loans. So try to get as much money as you can through grants, work study and scholarships before you turn to loans.

You must complete a Free Application for Federal Student Aid (FAFSA) to apply for these programs. You'll get an Expected Family Contribution (EFC) amount after you complete the FAFSA. Your EFC is used to see if you have financial need.

There's no reason to use non-government websites to apply. And avoid any services that ask for you to pay money before you can apply for grants. It's called the "free" application for a reason.

Use Grants to Pay for College

You can apply for a number of grants to help pay

for college. These are usually based on need, but sometimes people get grants because they fit certain criteria. Grant money is yours to keep. So you don't have to pay it back when you graduate. The amount of money that is given out changes from year to year. So check the FAFSA website (www.fafsa.ed.gov) to find updated award amounts.

Federal Pell Grants

This grant is meant for students in their first four years of college. Students get this grant based on a number of factors that include:

- Financial need
- Cost to attend your school
- Whether you're a full- or part-time student
- Whether you'll be in school for a full academic year or less

The maximum amount students can get from the Pell Grant in 2013-2014 is \$5,645. But that number may change from year to year. Students with a parent who died in military service may get the maximum award amount.

Federal Supplemental Educational Opportunity Grant (FSEOG)

Students who are eligible for the Pell Grant can also get the FSEOG. This grant is for students who have more financial need than most. So students with very low EFCs usually get this grant.

The FSEOG is worth between \$100 and \$4,000 per year. The amount will vary depending on need, other aid the student gets and the total funds the school has available.

Apply early, because once the school awards all its funds for the year, no more FSEOG grants will be awarded.

Iraq & Afghanistan Service Grant

This is for students who did not qualify for the Pell Grant because of need requirements. Specifically, it's for students who had a parent die during military service. In 2013-2014, the maximum amount students could receive from this grant is \$5,645.

To qualify, students:

- Must have had a parent die as a result of military service in Iraq or Afghanistan after Sept. 11, 2001
- Must have been ineligible for the Pell Grant because they had less financial need than the requirements for the grant
- Must be under 24 years old or enrolled in school at least part-time at the time of the parent's death

Teacher Education Assistance for College & Higher Education (TEACH) Grant Program

This grant is for students who want to become elementary or secondary teachers. That means students who already have a degree can apply. But you have to make sure your school is part of the program. Check with your financial aid office.

To be part of the program, you must sign an agreement. The agreement says you will:

- Work as a teacher in an area with low-income families
- Teach for at least four years within eight years of completing the program
- Teach in a subject area that doesn't have enough teachers ("high-need")

The TEACH Grant maximum award is \$4,000 per year. You only get to keep the money if you do everything on the agreement you sign. If you don't fulfill the agreement, you will have to pay the money back as a loan with interest from the date the grant was first paid.

Participate in Work-Study on Campus

The Federal Work-Study (FWS) Program

Work-study is a program where you work at a job through your school. You use the money for your education expenses. Since you earn the money through work, it's yours to keep. Check with your school's financial aid office to see if your school is part of the program.

Any college student with financial need can participate. When you fill out your FAFSA, you will be asked if you'd like to do work-study. Answer the question with a 'yes' to apply. If you qualify, you'll get more information about the program when you get your financial aid award letter.

The type of work you'll do depends on your school. You can work on campus for the school or off campus. Some schools will give you work related to your field of study. Other schools may have you do community service or general work on campus.

You will make at least the federal minimum wage at your work-study job. You can earn up to your work-study award amount. Sometimes extra funds might be available, so if you want to earn more than the award amount, check with your financial aid office. You might even get a job where you can study while you work. Or you can learn more about your field.

You will get the money in the form of a payroll check at least once a month. You can either give the money back to the school to pay your expenses, or use it another way.

Pay for the Rest with Federal Student Loans

After you've applied for grants, scholarships and work- study, you may still need money to cover your expenses. That's where loans come in. You have to repay loans. So only use them as a last resort.

For all of the following loans, you'll have to complete a FAFSA and a promissory note. Your financial aid office can help you with these.

Your school will decide whether the money goes straight to you or to the school. If the money goes straight to you, you have to make sure it goes to the right places to pay your expenses. You will get back any money that's left over. You can decide to send the money back to repay the loan or use the money for other expenses. But don't borrow more than you have to. It's better to send the leftover money back and repay the loan than to use it for unnecessary things.

Federal Perkins Loan

This is a very low interest loan. It is only given to students with the most financial need. Check with your financial aid office to see if your school participates in the program.

Amounts you can borrow with a Perkins Loan

	<u>Per Year</u>	<u>Per Lifetime</u>
<u>Undergraduate</u>	\$5\$5,500	\$27,500
<u>Graduate</u>	\$8,000	\$6\$60,000

Amount includes any money you borrowed through Perkins Loans as an undergraduate student

Repayment begins nine months after you graduate, leave school or go to school less than half-time. This is known as a grace period. Your monthly payments will depend on how much you borrowed and how long you have to pay it back.

Stafford Loans

Most students who borrow money through the federal government get Stafford Loans. There are two types of Stafford Loans - Direct Loans and Federal Family Education Loans.

All federal loans are either subsidized or unsubsidized.

Subsidized – The government pays the loan interest while you're in school

Unsubsidized – You pay all of the interest on the loans

You can start to pay interest for any unsubsidized loans while you're still in school. Or you can wait until you're finished. You'll pay less in the long run if you pay interest while you're still in school.

Federal Direct Student Loan (Direct Loan)

The loan money comes from the U. S. government. Your school will look at your FAFSA to see how much you can borrow. Direct Subsidized Loans are for students with financial need. Students can get Direct Unsubsidized Loans without financial need.

Federal Family Education Loan (FFEL)

The money comes from a private lender who participates in the program. It could be from a bank, credit union or other lender. There are some differences between the loan repayment options.

The amount you can borrow is based on dependent status and academic year. So, you can borrow a higher amount each year you're in school. Go to <http://www.direct.ed.gov/student.html> to see the interest rates and amounts you can borrow for the current year.

Repayment begins six months after you graduate, leave school or attend less than half time. It's your responsibility to make payments on time. If you don't, it could affect your credit score.

Federal Parent Loans for Undergraduate Students (PLUS)

Plus Loans are similar to Stafford Loans. But, the parents are responsible for paying the money back instead of the student. The student can make payments on the loan. But it's the parent's responsibility to pay if the student stops paying. Just like Stafford Loans, there are Direct PLUS and FFEL PLUS programs.

To get a loan, parents must pass a credit check. And both the student and parent(s) have to meet the eligibility requirements for federal student aid.

The parent is not allowed to take out more money than the cost of the student's attendance minus any other aid received. The school will decide the actual amount. Interest is charged from the date the loan is disbursed until it is paid off in full. A loan fee is charged.

The loan enters repayment once the funds are received. That means parents make payments while the student is still in school. If the parent is late or misses a payment, a collection fee will be incurred.

Scholarships

In addition to publicly-funded aid, many students need to find other sources of funding to help pay for their education beyond high school. Scholarships are one of those sources.

Most people are familiar with scholarships based on academic or athletic achievements. In addition, there are various types of scholarships available from community clubs, professional groups, religious organizations, and corporations.

In fact, there are so many scholarship sources that it can be difficult to find them all. Here are some tips on ways to locate scholarships:

- A school guidance counselor may be able to provide some leads.
- Corporations may advertise for scholarships they sponsor.
- Your own company's human resources department may be able to provide information on company-sponsored funding for higher education.
- There are also free, internet-based services which can assist in searching for scholarships. Here are several websites which may help you with online scholarship searches. Note: Some of the scholarship search sites may require pre-registration and/or detailed information about yourself and/or your family.

IMPORTANT: Be aware that there are college funding and scholarship scams. Check with the Better Business Bureau or the Federal Trade Commission if you are unsure about the dependability of a source. Be especially wary if a scholarship or funding offer comes to you, unsolicited, via mail or email or if you are being asked to submit payment or personal financial information to "hold" or "ensure" the scholarship.

United States Department of Education - This federal government site gives information on searching, and also links to their own search site.

FinAid - Portal to many online Scholarship databases.

FastWeb - Free search from one of the most complete databases of local, national and college-specific scholarships.

College Board - Not-for-profit association providing assistance with various college-related topics. The College Board has their own scholarship search site.

Scholarships.com - Free search site. Requires some personal information.

CollegeNET - Free search site. Requires some personal information.

CollegeData - Free search site. Requires some personal information.

FastAid - Free search site. Requires registration and personal information

Understanding FAFSA: Free Application for Federal Student Financial Aid

Where is FAFSA available?

The U.S. Department of Education has created FAFSA on the Web located at www.fafsa.ed.gov, a site that allows you to complete and submit a first-time electronic Application for Federal Student Aid as well as the FAFSA Renewal Form. The site is very user-friendly with ample instructions and a “map” which guides you step-by-step through the application process.

Also available is FAFSA Express software, which can be downloaded to complete and then transmit the application file. To download FAFSA Express, you need the Windows operating system. Go to: www.ed.gov/offices/OSFAP/Students/apply/express.html.

If you do not have Internet access at home, you may want to check your local public library or high school guidance office. Paper copies of the FAFSA are available in English or Spanish from your local library, high school, the school you are planning to attend or by contacting the Federal Student Aid Information Center, P.O. Box 84, Washington, DC 20044, or calling 1-800-433-3243.

Eligibility is determined one award year at a time. Subsequent year applications are streamlined using the renewal form. Please pay particular attention to the time “window” for filing presented in the instructions.

For you to be considered, you cannot file before a certain date, typically January 1, for the upcoming school year.

What information do you need to complete FAFSA?

FAFSA is designed to paint a full picture of the family's financial information so that, using a formula established by Congress, the level of your financial need can be determined.

Therefore you'll need both your own and your parents' federal income tax forms for the year just ending. FAFSA refers to specific lines on the tax return. If the tax forms have not been completed, you can estimate your answers and correct them later. Bank statements, W-2 forms and farm or business records may also be helpful.

You will also need the school codes for up to six schools that you want to receive this information. Each school that participates in the federal student aid program has an assigned federal school code. These codes are built into FAFSA on the Web and FAFSA Express. They are also available from the college financial aid office, high school or public library.

While the application can be submitted electronically, a paper signature page is required. Instructions are available online for printing, signing and mailing the signature page. If you are using FAFSA on the Web, there are instructions for using a Personal Identification Number (PIN) to “sign” a FAFSA or renewal form electronically.

Keep a copy of the FAFSA and all the forms you used while completing it. Your school may ask you to verify the FAFSA information, and aid will not be provided until the information is verified.

What happens after I submit my FAFSA?

Student Aid Report (SAR)

The application processor will produce and mail your Student Aid Report (SAR) about four weeks after the application is submitted. The SAR reflects the information submitted on the FAFSA and should be checked carefully. There are instructions for making corrections to the information.

Included on the SAR is your Expected Family Contribution (EFC). Based on the government formula, this is the amount that your family is expected to contribute to college costs. It is sent to the financial aid office of the schools listed and used by the financial aid officer to develop the financial aid package.

College-specific forms

You may be asked to complete additional college-specific forms that are used in determining awards for non-federal student aid. Complete and return the forms as requested.

Award letter

The college will send a financial aid award letter indicating the amount of aid from all sources that you would receive.

Annual renewal of FAFSA

To continue to receive aid, you must submit a renewal FAFSA for each academic year.

More on the Expected Family Contribution (EFC)

Congress establishes the formula used to determine your financial need taking into account family income and some types of assets. The result is your EFC.

If your EFC is below a certain amount, you will be eligible for a Federal Pell Grant if you meet the other criteria.

For the other federal aid programs, the financial aid officer will follow this formula to determine your financial need:

Cost of attendance minus Pell Grant minus all other aid equals financial need.

Cost of attendance is the sum of:

- actual tuition and fees, plus
- room and board or living expenses, plus
- cost of books, supplies and miscellaneous expenses including a reasonable amount for a personal computer, plus
- allowance for transportation.

Resources for Understanding FAFSA and Financial Aid

U.S. Department of Education Resources Two free publications – in English and Spanish – are available from the U.S. Department of Education:

- Funding Your Education
- The Student Guide – Financial Aid

Call the U.S. Department of Education Hotline at 1-800-433-3243, or visit the U.S. Department of Education Student Financial Assistance site at www.ed.gov/studentaid .

Other useful web sites:

- FAFSA on the Web: www.fafsa.ed.gov
- College Opportunities Online: College Opportunities Online Locator

This article has been developed using the information presented in The Student Guide – Financial Aid (2001-2002) and Funding Your Education (2001/2002), publications of the U.S. Department of Education. It is intended to provide an overview of the federal student aid programs. These free booklets can be ordered by calling the U.S. Department of Education Hotline at 1-800-3243 or visiting the U.S. Department of Education Student Financial Assistance site at www.ed.gov/studentaid .