

EDUCATED FINANCIAL CHOICES...

...start with you!



EDUCATION FINANCE COUNCIL

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What is Student Financial Aid?

Financial aid, as the name indicates, is financial assistance intended to help students and parents pay college costs. Financial aid comes in many forms, such as scholarships, grants, work-study and loans. It can also come from a variety of sources (such as Federal, State and local governments or from schools, businesses and philanthropic organizations).

Scholarships provide money to students to help pay college costs. Thousands of organizations award scholarships each year at the local, State and Federal level. Scholarships can be awarded based on your financial need or based on certain “skills” or “merits” that you possess (i.e., academic, athletic, musical or other achievements). As with other forms of financial aid, be aware of all eligibility requirements and deadlines so that you don’t miss out on money you might be eligible to receive.

Contact your high school guidance counselor, the financial aid officer at the college you plan to attend, or a [nonprofit student loan provider near you](#) for help locating scholarships and for tips on avoiding costly scams. The web is another great tool for locating scholarships – just be on the look out for hidden charges.

Grants, like scholarships, **do not need to be paid back**. In addition to grant aid that is available through your State or at your institution, several Federal grants are available, including:

- **Pell Grants** are awarded to undergraduate students who demonstrate financial need. The amount awarded depends on financial need and the student’s cost of attendance, status as a full-time or part-time student, and plans to attend the institution for a full academic year or less.
- **Supplemental Educational Opportunity Grants (SEOG)** are awarded to undergraduates with exceptional financial need, often in addition to the Pell Grant.
- **Academic Competitiveness Grants (ACG)** award up to \$750 to first-year undergraduates and up to \$1,300 to second-year undergraduates who are eligible for a Pell Grant, have successfully completed a “rigorous” high school program, and meet other eligibility requirements.
- **National Science & Mathematics Access to Retain Talent (National SMART) Grants** award up to \$4,000 to third- and fourth-year undergraduates who are eligible for a Pell Grant, are majoring in physical, life, or computer sciences, mathematics, technology, engineering or in a foreign language determined critical to national security, and meet other eligibility requirements.

Federal Work-Study allows undergraduate and graduate students to work, either on- or off-campus, to earn money to help pay college costs. Work-Study funds do not need to be repaid and students are paid at least federal minimum wage.

Loans are a form of financial aid that, unlike grants and scholarships, **must be paid back**. Student loans help provide the money necessary to pay college costs and earn a degree – an investment that provides huge payoffs, not the least of which are increased lifetime earnings.

Several different kinds of loans are available to students and parents, including:

- **Stafford Loans** are provided with the support of the Federal government and help students fund their higher education. There are two types of Stafford Loans:
 - subsidized loans: need-based loans in which the federal government pays the interest on the loans while the student is in school, and
 - unsubsidized loans: non-need-based loans in which the government *does not* pay interest while the student is enrolled at the institution.
- **Perkins Loans** are low-interest loans (a fixed rate of 5 percent) available at some institutions to undergraduate and graduate students who demonstrate financial need.
- **PLUS Loans** are available to parents to help pay for the education expenses of a child who is a dependent undergraduate student enrolled at least half time. To calculate the maximum parent PLUS loan amount that you are eligible to receive on behalf of a student, subtract from the student's cost of attendance any other financial aid (such as Stafford loans, scholarships, and outside aid) that the student is eligible to receive.
- **GRAD PLUS Loans** are available to graduate and professional students who are enrolled at least half time. Unlike parent PLUS applicants, GRAD PLUS borrowers must file a FAFSA form. To calculate the maximum GRAD PLUS loan amount that you are eligible to receive as a graduate or professional degree student, subtract from your cost of attendance any other financial aid (such as Stafford loans, scholarships, and outside aid) that you are eligible to receive.
- **Private Education Loans**, sometimes called "**Alternative Loans**," help bridge the gap between the actual cost of college and the amount you can borrow from the Federal Government under its financial aid programs. These loans have different interest rates, terms and conditions than Federal loans. Since Federal student loans are often a less expensive borrowing option than private loans, be sure to exhaust all grant, scholarship and Federal loans before taking out a private loan. Also, be sure to research which private educational loan will best meet your needs as a borrower.
- **Direct Loans** are student loans made by the U.S. Department of Education (instead of a private lending institution) under the William D. Ford Federal Direct Student Loan Program. Direct Loans consist of Direct Subsidized Stafford Loans, Direct Unsubsidized Stafford Loans, Direct PLUS Loans, and Direct Consolidation Loans.

Applying for Federal Student Aid

In order to apply for Federal financial aid and most State and school financial aid, you will need to fill out the [Free Application for Federal Student Aid \(FAFSA\)](#). Using a standard Federal formula, the FAFSA determines the amount that you and your family are expected to contribute toward your college costs.

You can begin applying for financial aid through the FAFSA starting on January 1st of your senior year in high school and through June 30th of the following calendar year.

- Apply as soon as possible after January 1st in order to meet all school and State financial aid deadlines.
- Be sure to ask your institution's financial aid officer if there are any forms that your school may require you to fill out in addition to the FAFSA.
- Remember that applying for Federal student aid through the FAFSA is **FREE**, hence the name "**FREE** Application for Federal Student Aid."
- Be aware that you will need to re-apply for financial aid each new academic year for which you seek aid. Be sure to apply as soon as possible after January 1st to ensure that you meet all deadlines in your State and at your institution.

Things to Keep in Mind...

You do not need to pay for help finding the money you need to attend college.

People are willing to help you for free.

Contact your school guidance counselor, your institution's financial aid office, or a [nonprofit student loan provider near you](#) for information on where to start your search. Also, consider visiting EFC's financial literacy online homepage at www.efc.org/finlit for additional information and tools that will help you make good financial decisions along your path through college.