Financial Aid 101

Student Loan? Tuition Costs!
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Introduction

Ever feel like the financial aid process is a giant maze? Or worse, a treasure hunt with no map and no clues? This book is designed to be a short guide to the overall financial aid roadmap, including federal loan information straight from the source: The Department of Education. By no means is it an encyclopedic volume of everything there is to know about paying for college, but neither is it a leaflet with pithy but ultimately unhelpful sound bites. Instead, we’re going to look at the basic areas of financial aid and how you can make the most of your time and efforts to get an affordable college education.

The financial aid process can seem overwhelming and intimidating at first, but it’s easier to understand once the process is laid out. Here, we’ll walk you through the basics of the process.

Determine What You Can Afford

A college degree is likely to be the second biggest investment in any person’s life besides their house. Just as you’d take the time to shop around and do some research on a potential house to buy, so too should you invest the time in yourself to figure out what you can afford. Do your personal budget, search for colleges, and see what’s affordable. Be sure to pay attention to the financial aid calendar so that you don’t miss any important deadlines.

Scholarships and Grants

Scholarships and grants are your first stop in the process of finding money for college. Scholarships and grants typically never need to be repaid, and as such are the preferred form of financial aid if you can get them.

FAFSA and Federal Financial Aid Paperwork

The FAFSA, or the Free Application for Federal Student Aid, is the single-most important form you’ll complete in the financial aid process for unlocking federal student aid such as government grants and loans. The FAFSA is also dependent on the IRS Federal Income Tax Return; we’ll review all of the information you need to know about education tax credits and deductions.

Receiving Financial Aid

Once you’ve filed your FAFSA and applied for as many scholarships and grants as you’re eligible to receive, you’ll need to wait for financial aid award letters to arrive from schools. Once you receive them, you’ll need to figure out what aid you will be receiving.

URLs Hyperlinked Above

Personal Budget - http://www.studentloanconsolidator.com/firstaidkit/
Search For Colleges - http://www.howtogetin.com/college-search/
Scholarships - http://www.studentscholarshipsearch.com/
FAFSA - http://www.fafsonline.com/
Free Application for Federal Student Aid - http://www.fafsa.ed.gov/
Federal Student Loans for Students

There are three basic federal student loans that students may qualify for after completing the FAFSA. These are the Stafford federal student loan, the Perkins loan, and the Graduate PLUS Loan. Depending on what program of higher education you’re enrolling in, loan limits and terms will vary.

Federal Student Loans for Parents

Parents who want to help undergraduate children afford college are also able to borrow federally guaranteed loans called PLUS loans (Parent Loans for Undergraduate Students) to help pay for college.

Private Student Loans

When federal financial aid is insufficient, or education expenses exist outside of the coverage of federal student loans, private student loans can be used to “fill in the gaps” between federal financial aid and the full cost of education.

Repaying Your Student Loans

The process of repaying your student loans is even more important than the process of obtaining them. Prompt, on time payment builds a positive credit history and helps you obtain additional credit in the years after your education ends. Missing payments or defaulting on loans can do the opposite. Happily, there are a number of different options to help you repay your student loans, from payment plans to loan consolidation.

In the rest of this book, we’ll expand on each of these sections to help you better understand and apply this information to your college financial plan.

URLs Hyperlinked Above

federal student loans - http://www.studentloannetwork.com/federal-student-loans/
Stafford federal student loan - http://www.staffordloan.com/
Graduate PLUS Loan - http://www.gradloans.com/graduate-plus-loan/
PLUS loans - http://www.parentplusloan.com/
private student loans - http://www.privatestudentloans.com/
credit history - http://www.studentplatinum.com/credit-education/build-good-credit.php/
student loans - http://www.studentloannetwork.com/
loan consolidation - http://www.studentloanconsolidator.com/
Determining Cost of Attendance

What is Cost of Attendance?

Your college or university will generally publish on its Web site or in its financial aid office the college’s cost of attendance. This is an estimate of how much money will be required to attend school for one year at that college, including all reasonable expenses. Most people, when budgeting for college, look at the tuition and assume that tuition is more or less the “price tag” for that school, when the reality is that tuition may be as little as 50% of the overall budget.

Incidentally, the fact that state and public universities are broken out into a separate category is an indication of price range, not quality. Some public universities are as well regarded or even more prestigious than their private university counterparts.

How does Cost of Attendance influence financial aid?

A school’s financial aid office generally determines the programs and amounts of aid an applicant receives. This involves determining the cost of attending the college, calculating a student’s Expected Family Contribution (EFC), and then awarding aid to meet the difference between the two - the calculated financial need.

What is the EFC?

The Expected Family Contribution (EFC) is the amount a family can be expected to contribute toward a student’s college costs. Financial aid administrators determine an applicant’s need for federal student aid from the U.S. Department of Education and other non-federal sources of assistance by subtracting the EFC from the student’s cost of attendance (COA).

The EFC formula is used to determine the EFC and ultimately determine the need for assistance from the following types of federal student financial assistance: Federal Pell Grants, subsidized Stafford Loans (though the William D. Ford Federal Direct Loan [DL] Program or through the Federal Family Education Loan Program [FFEL]), and assistance from the “campus-based” programs—Federal Supplemental Educational Opportunity Grants (FSEOG), Federal Perkins Loans, and Federal Work-Study (FWS).

Financial aid administrators use the information from the Free Application for Federal Student Aid (FAFSA), including the EFC, to develop a financial aid package. This package specifies the types and amounts of assistance, including non-federal aid, a student will receive to cover his or her education-related expenses up to COA. However, because funds are limited, the amount awarded to a student may fall short of the amount of aid for which the student is eligible.

URLs Hyperlinked Above

What is the source of data used in EFC calculations?

All data used to calculate a student’s EFC come from the information the student provides on the FAFSA. A student may submit a FAFSA (1) through the Internet by using FAFSA on the Web, (2) by filing an application electronically through a school, or (3) by mailing a paper FAFSA to the Central Processing System (CPS).

Students who applied for federal student aid in the previous award year may be eligible to reapply by filing a Renewal FAFSA over the Internet or by submitting a paper renewal application. Applying for federal aid is free. However, to be considered for non-federal aid (such as institutional aid), a student may have to fill out additional forms and pay a processing fee.

We encourage applicants to complete the appropriate electronic version of the FAFSA rather than a paper FAFSA because the electronic versions contain additional instructions and help features, have built-in edits that reduce applicant error, and allow the Department to send application results to students and schools quicker.

**URLs Hyperlinked Above**

FAFSA - http://www.fafsonline.com/
electronic version of the FAFSA - http://www.fafsa.ed.gov/
To help you on your quest for an affordable education, it’s important to monitor deadlines and important dates. This calendar details what’s happening in any given month in the financial aid world.

**January**

Beginning on January 1, [file your FAFSA online](http://www.fafsa.ed.gov/). By filing online, your FAFSA will be processed much faster than paper FAFSA applications. Many [scholarships](http://www.studentscholarshipsearch.com/) also begin accepting applications in January, so start applying!

**February**

Be on the lookout for your “Student Aid Report” (SAR). This report is a confirmation of the data you submitted on the FAFSA. If you need to make changes, follow the instructions or contact the school’s financial aid office. You can also call 1-800-4-FED-AID for assistance.

Check the schools listed on the “School Section” of the SAR to ensure the correct schools were recorded on your application. You can always submit it to additional schools at a later date.

Many states have priority deadlines for the FAFSA to qualify for state aid by March 1, so make sure you file that FAFSA sooner rather than later!

**March**

Many schools begin making awards in March. You should receive a package of information from the school’s financial aid office that details the financial aid programs and dollar amounts of your financial aid award. Learn more about [how to read your award letter](http://www.studentloannetwork.com/student-resources/financial-aid-award-letter.php/)

Follow the instructions and be sure to meet any deadlines for accepting your financial aid award.

Remember, financial aid rarely meets all the costs of tuition and fees; to make up any gaps between federal and institutional financial aid, you may need a [private student loan](http://www.privatestudentloans.com/) in addition to scholarships and grants.

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**URLs Hyperlinked Above**

[file your FAFSA online](http://www.fafsa.ed.gov/)
[Scholarships](http://www.studentscholarshipsearch.com/)
[How to read your award letter](http://www.studentloannetwork.com/student-resources/financial-aid-award-letter.php/)
[Private student loan](http://www.privatestudentloans.com/)
April

Remember to file your IRS federal income tax return no later than April 15. Even though it’s not strictly financial aid related, any tax penalties or taxes owed can wreak havoc on financial aid the following year, so be sure to stay on the good side of the IRS by filing a tax return. Even if you don’t need to file a tax return, it doesn’t hurt to do so - in 2006, anyone filing an income tax return qualified for the telephone excise tax refund, no matter whether you owed taxes or not.

May

Students who are graduating should immediately file for student loan consolidation. Students still enrolled in school for another year or more should continue searching for aid, free scholarships, and grants throughout the summertime.

For students who are studying abroad, May is the right time to acquire a study abroad loan. Those studying during summer semesters will need to have financial aid in order for Summer Semester I.

June

Jobs and travel often occupy the calendars of students during the summer. Remember that any income you make as a student can potentially impact your financial aid for the following year, so it may be worthwhile investigating internships or volunteer work to build experience.

July

For students taking summer courses, July is usually the beginning of Summer Semester II; be sure you have your financial aid in order. New rates on federal student loans typically take effect on July 1 of each year, so be mindful whether a rate change in any given year could benefit you positively or negatively.

August

First time Stafford Federal Student Loan borrowers often have to fulfill an Entrance Counseling session - and many schools provide these sessions over the Internet. Check with your school.

Double check on any outside financial aid or college scholarships you may be receiving.

Make sure any loans you’re applying for are in progress and moving towards disbursement to your school. Keep in touch with your financial aid office to verify that your award package is in place.

URLs Hyperlinked Above

student loan consolidation - http://www.studentloanconsolidator.com/
free scholarships - http://www.scholarshippoints.com/
study abroad loan - http://www.studyabroadloan.com/
federal student loans - http://www.studentloannetwork.com/federal-student-loans/
September

School is beginning - make sure that all your loans are in process or disbursed, as the bills won’t be far behind. If you find yourself confronted with a spate of unexpected expenses or shortfalls in aid, apply for an alternative student loan, since you can usually obtain alternative student loans in a much shorter period of time than federal student loans.

October

October is the month of early decision - many students applying to college file their college applications during October. Make sure you’ve got a clear understanding of a school’s financial aid packages before doing an early decision application that may be binding!

November

Students who have graduated and not consolidated their student loans will be approaching the end of their grace periods. Remember, the repayment rate for Stafford Loans is 0.6% higher than the grace period rate for loans older than July 1, 2006, so consolidating can save you more than half a percent on your interest rate.

November is also a great month to begin writing scholarship essays, as these can be time consuming, and it’s best to have them done and reviewed prior to the start of the January scholarship season.

December

Gather up your tax receipts, pay stubs, etc. and fill out an estimated IRS 1040 so that you can file your FAFSA as soon as the doors open on January 1. If you have the opportunity to do so, consult with a financial planner (most community banks and credit unions offer low cost or no-cost consultations to members/customers) and review your finances to see about last minute changes you can make that impact financial aid eligibility.

URLs Hyperlinked Above

alternative student loan - http://www.studentloannetwork.com/alternative/
federal student loans - http://www.studentloannetwork.com/federal-student-loans/
consolidated their student loans - http://www.studentloanconsolidator.com/
Scholarships and Grants

The college scholarship search is sometimes overwhelming. Many students use scholarships to augment financial aid awards provided by their school. Every year, a sizeable number of scholarships have fewer students apply for them than they have money to give, meaning that there’s still plenty of money not being awarded.

The most difficult part for many students is finding scholarships and grants. A quick check of Google indicates that for the search term “scholarship”, there are over 3.2 million web pages to search through. How do you find the best ones?

We recommend our Student Scholarship Search website at StudentScholarshipSearch.com. Updated regularly, StudentScholarshipSearch.com contains many awards and details about how to apply, and best of all, the search process is quick and painless. Be sure to check out our free eBook, Scholarship Search Secrets, which details 11 methods for finding and winning scholarships.

We also have a site where you can register to win free scholarship money! ScholarshipPoints.com rewards frequent visitors as well as those who participate in the site’s online surveys and contests. Every quarter we award lucky site visitors with free money towards their college or university.

The Importance of Scholarships

A scholarship is an award given to a student for the purpose of furthering their education. A scholarship can be a monetary award, or it can be an award of access to an institution. Scholarships are a vital piece of the financial aid system for three reasons:

- They provide money which generally does not have to be paid back
- They provide access to money which students may otherwise be ineligible for
- When used in accordance with IRS guidelines, scholarship funds are tax-free

The second point is very important. Many scholarships are merit-based as opposed to need-based. There’s a gap in education finance that isn’t talked about a lot - the family that isn’t poor enough to qualify for federal financial aid, but isn’t rich enough to pay the cost of education without assistance. Scholarships can fill this gap along with alternative student loans. Obviously, because scholarships are money that does not have to be paid back, they’re preferable to loans.

Grants

Grants are similar to scholarship in that they are a sum of money awarded to a student which do not need to be repaid. The difference is that grants are often based on financial need, whereas scholarships tend to be based on merit. There are 4 major types of grants: Federal, State, Institutional, and Private. Federal grants require that students submit the FAFSA as an application, but state, institutional, and private will have other application requirements. For more information on federal grants, skip to the federal aid section.

URLs Hyperlinked Above

StudentScholarshipSearch.com - http://www.studentscholarshipsearch.com/
Scholarship Search Secrets - http://www.studentscholarshipsearch.com/
free scholarship - http://www.scholarshippoints.com/
ScholarshipPoints.com - http://www.scholarshippoints.com/
alternative student loans - http://www.studentloannetwork.com/alternative/
The FAFSA

To qualify for federal sources of financial aid, students must complete and submit the Free Application for Federal Student Aid (FAFSA) to the U.S. Department of Education. Make sure you submit the FAFSA form as early as possible! Submitting the FAFSA determines your eligibility for student aid by:

- Applying a standard financial aid eligibility calculation to a student’s and family’s personal and financial information
- Conducting checks with other government agencies (Social Security Administration and Selective Service for example) to ensure the applicant is eligible for federal student aid.
- Electronically forwarding a record of the application to the school/schools specified by the applicant.

Apply Online: FAFSA Financial Aid Application

How Your Financial Aid Eligibility is Determined

The FAFSA is the “input” to the SAR - student aid report - which details the EFC - expected family contribution, or the total amount of money that you and your family are expected to contribute to the funding of your education. The formula is fairly complicated - approximately 40 pages of math - but it boils down to:

School cost - scholarships - federal financial aid - federal student loans - other sources of financing = your expected contribution

What You Need

Here’s a list of what you should have on hand before starting the FAFSA process. You will need records of income earned in the year prior to when you will start school. You may also need records of your parent’s income information if you are a dependent student.

For the 2012-2013 school year, you will need financial information from 2011. You will need to refer to:

- Your Social Security Number (can be found on Social Security card)
- Your driver’s license (if any)
- Last Year’s W-2 Forms and other records of money earned
- Your (and your spouse’s, if you are married) Federal Income Tax Return - IRS Form 1040, 1040A, 1040EZ, 1040TeleFile, foreign tax return, or tax return for Puerto Rico, Guam, American Samoa, the U.S. Virgin Islands, the Marshall Islands, the Federated States of Micronesia

URLs Hyperlinked Above

Free Application for Federal Student Aid - http://www.fafsaonline.com/
scholarships - http://www.studentfinancialaidsearch.com/
federal student loans - http://www.studentloannetwork.com/federal-student-loans/
other sources of financing - http://www.studentplatinum.com/
• Your parents’ Federal Income Tax Return (if you are a dependent student)
• Last year’s untaxed income records - Social Security, Temporary Assistance to Needy Families, welfare, or veterans benefits records
• Your current bank statements
• Your current business and investment mortgage information, business and farm records, stock, bond, and other investment records
• Your alien registration or permanent residence card (if you are not a U.S. citizen)

School information on the FAFSA

One important piece of information that applicants provide on the FAFSA is the school/schools that you are interested in attending. By entering the information on the school section of the FAFSA, the information is electronically forwarded to the schools’ financial aid office allowing them to begin making an award. You can find your school’s FAFSA codes on our FAFSA school directory pages.

Electronic considerations for filing the FAFSA

There are a number of electronic options available to make filing the FAFSA very easy. These electronic options are also much faster in providing information to the schools you may be considering attending.

File a FAFSA every year

Even though your financial situation may not have changed since last year, you still need to complete a FAFSA Renewal Form.

After submitting the FAFSA

Once you submit the FAFSA to the Department of Education, the information you provide is processed to determine your EFC and check other requirements of aid eligibility. The FAFSA processor forwards an electronic record of your application to the schools you indicated. You will also receive a notification, called a Student Aid Report (SAR), from the Department of Education that allows you to review the information provided on the application and make corrections to the information - if needed. Also, be careful of misspellings such as FASFA and FASA.

URLs Hyperlinked Above

FAFSA codes - http://www.fafsonline.com/FAFSA-school-codes/
filing the FAFSA - http://www.fafsa.ed.gov/
Apply for Scholarships

While waiting for your FAFSA to be processed, start looking for and applying for scholarships. Useful sites include:

- Student Scholarship Search Directory
- Scholarship Points Free Scholarship Contest

Accept Grants

- If you are eligible for them, you can be awarded one or more federal grants, including:
  - The Federal Pell Grant
  - The Federal Supplementary Educational Opportunity Grant (FSEOG)
  - The Federal Academic Competitiveness Grant (ACG)
  - The Federal Science & Mathematics Access to Retain Talent Grant (SMART)

Your Student Aid Report (SAR) will detail what grants you are eligible for, if any.

URLs Hyperlinked Above

Scholarship Points Free Scholarship Contest - http://www.scholarshippoints.com/
Federal Financial Aid Programs

The federal government is the largest provider of financial aid. In fact, the federal government provided 75 percent of all available student aid, according to the College Board. So it makes sense to know as much as possible about federal financial aid programs and to apply for federal aid before seeking out more exotic financial aid sources.

**Federal Pell Grants**

The Federal Pell Grant program is the largest need-based student aid program. According to the College Board, an estimated 3.7 million undergraduates received Pell Grants.

For many students, these grants are the foundation of their financial aid package. Pell Grants are only awarded to undergraduate students who have not earned a bachelor’s or professional degree.

To apply for a Pell Grant, you must submit a Free Application for Federal Student Aid (FAFSA).

Awards depend on program funding. You can receive only one Pell Grant in an award year.

The size of a student’s Pell Grant award depends on:

1. The student’s need
2. The student’s Expected Family Contribution (EFC) and Cost of Attendance (COA)
3. Whether the student is enrolled on a full-time or a part-time basis
4. Whether the student attends school for a full academic year or less
5. How much money the program receives from the federal government

Students who participate in a study-abroad program that costs more than their usual tuition may be eligible for additional Federal Pell Grant aid to help cover those costs. (Check with your financial aid office.)

**Federal Academic Competitiveness Grants (ACG)**

The Academic Competitiveness Grant was available for the first time for the 2006-2007 school year for first year students who graduated from high school after January 1, 2006, and for second year students who graduated from high school after January 1, 2005. The Academic Competitiveness Grant award is in addition to the student’s Pell Grant award.

**URLs Hyperlinked Above**

- [Free Application for Federal Student Aid (FAFSA)](http://www.fafsaonline.com/)
How Much Can A Student Receive?

An Academic Competitiveness Grant will provide up to $750 for the first year of undergraduate study and up to $1,300 for the second year of undergraduate study to full-time students who are eligible for a Federal Pell Grant and who had successfully completed a rigorous high school program, as determined by the state or local education agency and recognized by the Secretary of Education. Second year students must maintain a cumulative grade point average (GPA) of at least 3.0.

Eligibility

An eligible student may receive an Academic Competitiveness Grant (AC Grant) of up to $750 for the first academic year of study and up to $1,300 for the second academic year of study. To be eligible for each academic year, a student must:

- Be a U.S. citizen;
- Be a Federal Pell Grant recipient;
- Be enrolled in a degree program at least half-time;
- Be enrolled in the first or second academic year of his or her program of study at a two-year or four-year degree-granting institution;
- Have completed a rigorous secondary school program of study (after January 1, 2006, if a first-year student, and after January 1, 2005, if a second-year student);
- If a first-year student, not have been previously enrolled in an undergraduate program; and
- If a second-year student, have at least a cumulative 3.0 grade point average on a 4.0 scale for the first academic year.

Note that the amount of the AC Grant, when combined with a Pell Grant, may not exceed the student’s cost of attendance. In addition, if the number of eligible students is large enough that payment of the full grant amounts would exceed the program appropriation in any fiscal year, then the amount of the grant to each eligible student may be ratably reduced.

* Advanced Placement or International Baccalaureate courses and test scores. This program requires a minimum of two Advanced Placement (AP) or International Baccalaureate (IB) courses in high school and a minimum passing score on the exams for those classes. Students must score 3 or higher on AP exams and 4 or higher on IB exams.

In order to provide options to students, the following three programs will be recognized as evidence of rigor in a secondary school program of study:

1. The State Scholars Initiative requirements. Students who participate in and complete the State Scholars program will be eligible. This program, currently offered in fourteen

URLs Hyperlinked Above

States and patterned after the recommendations of the National Commission on Excellence in Education, requires at least four years of English, three years of math (including Algebra I, Algebra II and Geometry), three years of basic lab science (biology, chemistry, physics), three-and-one-half years of social studies, and two years of the same foreign language other than English.

2. **A required set of courses similar to the State Scholars Initiative.** This program of study includes four years of English, three years of Math (including Algebra I and a higher level course such as Algebra II, Geometry, or Data Analysis and Statistics), three years of science including one year each of at least two of the following courses: biology, chemistry or physics, three years of social studies, and one year of a language other than English. The program of study must be completed with passing grades.

3. **Advanced Placement or International Baccalaureate courses and test scores.** This program requires a minimum of two Advanced Placement (AP) or International Baccalaureate (IB) courses in high school and a minimum passing score on the exams for those classes. Students must score 3 or higher on AP exams and 4 or higher on IB exams.

### Federal National Science and Mathematics Access to Retain Talent Grants (SMART)

The National Science and Mathematics Access to Retain Talent Grant, also known as the National Smart Grant is available during the third and fourth years of undergraduate study to full-time students who are eligible for the Federal Pell Grant and who are majoring in physical, life, or computer sciences, mathematics, technology, or engineering or in a foreign language determined critical to national security. The student must also have maintained a cumulative grade point average (GPA) of at least 3.0 in coursework required for the major. The National SMART Grant award is in addition to the student’s Pell Grant award.

### How Much Can A Student Receive?

A National SMART Grant will provide up to $4,000 for each of the third and fourth years of undergraduate study to full-time students who are eligible for a Federal Pell Grant and who are majoring in physical, life, or computer sciences, mathematics, technology, or engineering or in a foreign language determined critical to national security.

### Eligibility

An eligible student may receive a National SMART Grant of up to $4,000 for each of the third and fourth academic years of study. To be eligible for each academic year, a student must:

- Be a U.S. citizen;
- Be a Federal Pell Grant recipient;
- Be enrolled in a degree program at least half-time;
- Be enrolled in a four-year degree-granting institution;
- Major in physical, life or computer science, engineering, mathematics, technology, or a critical foreign language; and
- Have at least a cumulative 3.0 grade point average on a 4.0 scale
Note that the amount of the SMART Grant, when combined with a Pell Grant, may not exceed the student’s cost of attendance. In addition, if the number of eligible students is large enough that payment of the full grant amounts would exceed the program appropriation in any fiscal year, then the amount of the grant to each eligible student may be ratably reduced.

**Federal Supplemental Educational Opportunity Grants (FSEOG)**

The Federal Supplemental Educational Opportunity Grants program is one of three federal campus-based programs. The program provides grants to undergraduates with exceptional financial need (students with the lowest Expected Family Contributions) and gives priority to students who receive Federal Pell Grants. Students are automatically considered when they submit a Free Application for Federal Student Aid (FAFSA).

Students can get between $100 and $4,000, depending on when they apply, their level of need, and the funding level of the school the student is attending. Recipients must be U.S. citizens enrolled at least half-time in an undergraduate program at an accredited college or university.

Students at each school are awarded FSEOG aid based on the availability of funds at their school, so there is no guarantee that every eligible student will receive an FSEOG loan.

Nearly one million students receive Federal SEOG loans each year.

**Federal Stafford Loans**

Formerly called the Guaranteed Student Loan Program, Stafford loans are low-interest loans available to undergraduate and graduate students enrolled at least half-time, without regard to financial need. Federal Stafford Loans let students borrow money for educational expenses directly from commercial lenders such as banks, credit unions, savings and loan associations, and other lending institutions, or, for colleges participating in the Federal Direct Student Loan (FDSL) Program, from the U.S. government. Stafford loans can be either **subsidized** or **unsubsidized**.

These loans are similar to Federal Perkins Loans, except that the interest rate is higher and the grace period is shorter.

There are two types of Federal Stafford Loans:

1. **Subsidized Stafford Loans** are awarded to students with demonstrated financial need. (The federal government pays the interest while the student is in school and during any deferment period.)
2. **Unsubsidized Stafford Loans** may be awarded to students who do not have demonstrated financial need and therefore do not qualify for a subsidized loan, or to students who need additional funds. (Interest on the loan accrues while the student is in school and during any deferment.)

*URLs Hyperlinked Above*

- Free Application for Federal Student Aid (FAFSA) - [http://www.fafsaonline.com/](http://www.fafsaonline.com/)
- Stafford loans - [http://www.staffordloan.com/](http://www.staffordloan.com/)
You do not have to start repaying the principal of either type of Stafford Loan until six months after you leave school (or after you stop attending at least half-time).

A combination of subsidized and unsubsidized Staffords may be awarded to students with partial financial need, depending on the students’ status (dependent vs. independent) and demonstrated level of need.

**Eligibility?**

Most states require Stafford borrowers to be full-time students (although a few do permit half-time students to borrow under the program). More than 5 million students participate in the Federal Stafford Loan Program each year.

**How much can I borrow?**

If you are a dependent undergraduate, you can borrow up to:

- $5,500 if you’re a first-year student enrolled in a program of study that is at least a full academic year
- $6,500 if you’ve completed your first year of study and the remainder of your program is at least a full academic year
- $7,500 a year if you’ve completed two years of study and the remainder of your program is at least a full academic year

If you’re an independent undergraduate or a dependent student whose parents are unable to get a PLUS Loan, you can borrow up to:

- $9,500 if you’re a first-year student enrolled in a program of study that is at least a full academic year (Only $3,500 of this amount may be in subsidized loans.)
- $10,500 if you’ve completed your first year of study and the remainder of your program is at least a full academic year (Only $4,500 of this amount may be in subsidized loans.)
- $12,500 a year if you’ve completed two years of study and the remainder of your program is at least a full academic year (Only $5,500 of this amount may be in subsidized loans.) Visit graduate Stafford and Private loans for graduate student loan programs.

**What interest rate and/or fees will I be expected to pay?**

For borrowers who received their loans prior to July 1, 2006 the interest rate is variable (it can change each year of repayment), depending on changes in the federal treasury bill interest rate, but will never exceed 8.25%. Stafford loans disbursed after July 1, 2006, have a fixed interest rates. Interest rates are adjusted each year on July 1.

**URLs Hyperlinked Above**

If you have a subsidized Stafford Loan, you won’t be charged interest while you are enrolled in school at least half-time, during the six-month grace period after you graduate or leaves school, or during any authorized period of deferment.

If you have an unsubsidized Stafford loan, you’ll be charged interest from the day the loan is disbursed until it is repaid in full, including while you are in school, during the six-month grace period, and during any deferment periods. You have the option to pay the interest during these periods, or it can be capitalized.

Federal Stafford Loan borrowers are charged origination fees and insurance fees. These combined fees cannot exceed 4% of the amount borrowed, and they are deducted from your loan before you receive payment. If you don’t make your loan payments on time, you may also be charged collection costs and late fees.

**How soon do I have to start repaying my Stafford loans?**

**Subsidized Stafford** - Repayment on both interest and principal is deferred until six months after a student graduates or leaves school.

**Unsubsidized Stafford** - Repayment begins when the loan is disbursed, although the borrower may opt to postpone payments until leaving school; however, interest begins to accrue immediately.

**Application Procedure:**

1. Complete the **Free Application for Federal Student Aid (FAFSA)**, or the Renewal FAFSA if applicable. After your FAFSA has been processed, your school will review the results and inform you about your loan eligibility.
1. Accept your Federal Stafford Loan and sign **Promissory Note** by contacting your financial aid office. (NOTE: Your school can refuse to certify your loan application, or can certify the loan for an amount less than you would otherwise be eligible for, if the school documents the reason for this action and explains this reasoning to you in writing. The school’s decision is final.)
Federal Parent Loan for Undergraduate Students | PLUS Loans

The Federal PLUS Loan program allows parents of undergraduate students to borrow up to the full cost of their children’s education, less any other financial aid for which the student is eligible. For example, if your cost of attendance is $6,000 and you are eligible for $3,000 in other financial aid, your parents can borrow up to $3,000. Because PLUS Loans are not based on financial need, they can be used to cover a student’s expected family contribution.

PLUS Loans are available at schools participating in the Federal Direct Student Loan (FDSL) Program. Parents may apply for a PLUS loan for more than one child at the same time.

Eligibility

Borrowers do not have to demonstrate financial need, but they do have to demonstrate that they do not have an adverse credit history. (If a credit problem shows up during the credit check, borrowers may still be able to receive a loan if a relative or friend with a good credit history co-signs the loan or if the borrower can demonstrate extenuating circumstances that led to the credit problem.)

What interest rate and/or fees will I be expected to pay?

The interest rate on these loans varies annually, adjusted on July 1, but may not exceed 9%.

A fee of 4% of the loan amount is deducted proportionately each time a loan disbursement is made.

Application Procedure

Fill out a PLUS Loan Application and Promissory Note. (A FAFSA is not required unless the student’s school requires it.)

Repayment

Repayment begins within 60 days of taking out the loan but can be deferred while the student is attending school -- however, interest will continue to accrue during the deferment. The lender will arrange the repayment schedule, which can extend to a maximum of 10 years, excluding any periods of deferment or forbearance. The minimum annual payment is $600.

Federal Graduate PLUS Loan

Graduate or professional students are eligible to borrow under the PLUS Loan Program up to their cost of attendance minus other estimated financial assistance. The terms and conditions applicable to Parent PLUS Loans also apply to Graduate/Professional PLUS loans. These

URLs Hyperlinked Above

Federal PLUS Loan - http://www.parentplusloan.com/
Direct Student Loan - http://www.directstudentloans.com/
Graduate/Professional PLUS loans - http://www.gradloans.com/graduate-plus-loan/
requirements include a determination that the applicant does not have an adverse credit history, repayment beginning on the date of the last disbursement of the loan, and a fixed interest rate of 7.9% in the Direct Loan program. Applicants for these loans are required to complete the Free Application for Federal Student Aid (FAFSA). They also must have applied for their annual loan maximum eligibility under the Federal Subsidized and Unsubsidized Stafford Loan Program before applying for a Graduate/Professional PLUS loan.

Federal Perkins Loans

Federal Perkins Loans are low-interest loan (currently 5% - the lowest of any educational loan program) for undergraduate and graduate students with exceptional financial need. These loans also offer generous repayment conditions. You don’t start repaying the loan, or interest on the loan, until you finish school or drop below half-time status. And, you are given a 9-month grace period before you have to start your repayments. Under certain conditions, you can stop repaying your loan for a short period of time and finish repaying it later.

To be eligible for this program, a student must have applied for a Pell Grant. Perkins Loans are campus-based - that is, the federal government funds the program but gives the money to the schools, which in turn act as the lenders.

Depending on when you apply, your level of need, and the funding level of the school, you can borrow up to $5,500 for each year of undergraduate study, up to a total of $27,500 and a maximum of 5 years. Graduate students can borrow up to $8,000 per year of graduate or professional study (6 years max). A student can borrow a maximum combined cumulative total of $60,000 for undergraduate and graduate education. However, you may be able to borrow more than this if you are attending a school that has a default rate no higher than 15% and the school chooses to participate under the Expanded Lending Option, or if you are studying abroad. To find out, check with your school.

The interest on the Perkins Loan is subsidized while the student is in school, so students don’t pay interest on the loan while they are in school, or during the 9-month grace period available following graduation. Repayment begins 9 months after the student leaves school. Payments must be made regularly - a minimum monthly payment of $30 is usually required, unless the college agrees to a lower amount. Students have up to 10 years to repay the loan.

Under certain conditions, repayment can sometimes be further deferred, or even cancelled. For example, all or part of your loan may be canceled if you teach in certain areas, become a nurse or medical technician, work in certain law enforcement fields or for child or family service agencies, or serve as a full-time volunteer in specific programs (such as the Peace Corps). You may also be able to defer repayment if you resume your studies on at least a half-time basis.

Students attending school on a less than half-time status should check with their financial aid office to find out when they must begin repaying their loans.

URLs Hyperlinked Above

Free Application for Federal Student Aid (FAFSA) - http://www.fafsonline.com/
Stafford Loan Program - http://www.staffordloan.com/
Federal Work-Study Program (FWS)

The Federal Work-Study (FWS) Program is a federal campus-based program that provides jobs for undergraduate and graduate students with demonstrated need who are enrolled on at least a half-time basis. Students are generally paid at least the prevailing federal minimum wage and may work as many as 40 hours a week (although 10-15 hours is more typical).

A student’s FWS award depends on when the student applies, the student’s level of need, and the funding level at the student’s school.

Most FWS jobs are on-campus jobs, although some are off campus. Students who work on campus usually work for their school. Those working off campus usually work for a private nonprofit organization or a public agency, performing work in the public interest. Some schools may have agreements with private for-profit organizations for FWS jobs -- these must be relevant to the student’s course of study.

About 5.6% of students received assistance under the Federal Work-Study Program, according to the National Center for Education Statistics.
How to Read A Financial Aid Award Letter

Reading financial aid award letters can be confusing if you’re not sure what to look for. There are three important tasks you must accomplish.

1. Determine what financial aid you’ve received.
2. Determine what financial aid is scholarship or grant money and what financial aid is loan money that must be repaid.
3. Determine if there’s still unmet need that you must cover out of pocket or with alternative student loans or other sources of funding.

These three tasks sound relatively straightforward, but there’s a catch - virtually every college writes its own award letters, and every award letter has a different format and use of language. Some schools call loans financial aid, while others call them self-help, and still others call them by their individual loan types.

Let’s take a look at a few award letters to start decoding them.

MIT

In the MIT letter shown above, MIT sets out the student and parent contributions at the top before showing scholarships and loans. In this example, MIT bundles work study, outside scholarships, and student loans into the group category “Self Help”. Take a closer look, and here’s the breakout of the information we’re looking for:

- Aid received: $27,000
- Loan aid received: $5,250
- Out of pocket: $21,500
College of the Canyons

College of the Canyons shows the family contribution and then breaks out the various types of financial aid available.

- Aid received: $7,460
- Loan aid received: $3,500
- Out of pocket: $2,284

University of Florida

The University of Florida follows MIT’s format by breaking out the student and parent contributions separately. Unlike MIT, individual loans are detailed alongside grants and work-study.

- Aid received: $14,675
- Loan aid received: $3,593
- Out of pocket: $710

Radford

Radford University’s sample award letter is more difficult to read, as it doesn’t break out the out of pocket costs, instead listing tuition and financial aid awarded. To determine your out of pocket cost, you’ll need to subtract the tuition listed from the aid awarded. Radford’s award letter differs from the others in that right on the award letter, you can accept the package as provided, or decline certain provisions. For example, you could decline just the loans and accept the grants; you’d then need to add the loan amount to the total amount you would need to pay out of pocket.

- Aid received: $12,002
- Loan aid received: $2,625
- Out of pocket: $1,826
Once you’ve extracted the three key pieces of information from your award letter, no matter what school it’s from, you can start to make decisions about which award package suits you best. A few things to think about:

- Which award package has the lowest out of pocket cost? (UFL, in the examples above)
- Which award package has the smallest amount in loans? (Radford, in the examples above)
- Which award package corresponds to the choice or choices of schools you want to attend?

It may be the case that a second choice school offers an award package that is far more generous than a first choice school.

**Which is the least expensive school?**

If you want to get really sophisticated, you can compute whether the amount you’ll pay in interest on a student loan outweighs the out of pocket costs. For example, in the previous letters, UFL offers an out of pocket cost of $710 but $3,593 in loans. That $3,593 will turn into $4,627 over a 10 year period in loan repayment, with $1,034 in interest paid. Radford above has $1,826 out of pocket but $2,625 in loans, which will turn into $3,124 over a 10 year period in loan repayment, with $499 in interest paid.

- Total cost of UFL per year: $5,337
- Total cost of Radford per year: $4,950

Even though at a first glance UFL appears to be the cheaper school because of the lower out of pocket cost, it ends up being more expensive after you factor interest paid on loans.

Finally, while money isn’t everything, it’s certainly a major consideration, especially if it means potentially borrowing beyond your ability to repay at graduation, an outcome we encourage everyone to avoid. Borrow minimally, **borrow responsibly**, and do the math before you sign on the dotted line.

**URLs Hyperlinked Above**

Private Student Loans

The Private Student Loan from the Student Loan Network can help cover any education related expense such as tutors, laptops, books, and travel. With competitive interest rates and no application fees, a private student loan is a great option to supplement your financial aid package.

Students Need a Co-Signer to Be Approved

We encourage all borrowers to apply with a creditworthy co-signer to increase their chances of approval and of obtaining a lower interest rate and/or fee. A co-signer release request is available to borrowers who make 36 on-time monthly payments.

To be eligible for a private student loan, you must:

- Be enrolled at least half-time at an eligible institution;
- Be making satisfactory academic progress;
- Be at least 18 years of age (19 in Nebraska and Alabama, 21 in Puerto Rico and Mississippi. Mississippi residents between the ages of 18 and 20 may borrow with written consent from a parent or guardian);
- Be a U.S. citizen or an eligible non-citizen holding a valid unexpired Alien Registration Receipt Card (INS form I-151 or I-551); and
- Meet lender underwriting criteria. A co-signer is required if the borrower has minimal or no credit history. The co-signer may be a parent, or any other eligible person who meets lender underwriting requirements.

[a] Co-signer release is contingent upon the borrower’s credit profile which will be reviewed by the Lender prior to release.

URLs Hyperlinked Above

Private Student Loan - http://www.privatestudentloans.com/
Student Loan Network - http://www.studentloannetwork.com/
About Edvisors

Edvisors, a global leader in student marketing, provides a richer, more fulfilling education experience to students, educators and parents worldwide. We deliver on our mission by providing an unmatched portfolio of education resources, student loan products, online degree programs, and college-related information and services through a network of 30 websites, blogs and forums hosting more than 1 million unique visitors each month. Ten percent of all profits support the efforts of the Edvisors Foundation. Partnership opportunities are available to brands interested in helping Edvisors further our mission.

Visit StudentLoanNetwork.com to learn about our products and services, including:

- **Stafford Loans** – A great, low-cost funding option
- **Parent PLUS Loans** – A federal loan for parents of students
- **Student Scholarship Search** – A free search tool that provides access to almost $8 billion in available scholarships
- **ScholarshipPoints.com** – A free service where you can earn points that are entries to monthly and quarterly scholarship drawings
- **Private Student Loans** – A flexible loan option to help cover all the costs associated with your education – from tuition and room and board to books and a new laptop.
- **Student Loan Consolidation** – Upon graduation, you can consolidate federal and private loans to lower your monthly payments and simplify expenses.

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URLs Hyperlinked Above

StudentLoanNetwork.com - http://www.studentloannetwork.com/
Parent PLUS Loans - http://www.parentplusloan.com/
Student Scholarship Search - http://www.student scholarshipsearch.com/
ScholarshipPoints.com - http://www.scholarshippoints.com/
Private Student Loans - http://www.privatestudentloans.com/
Student Loan Consolidation - http://www.studentloanconsolidator.com/