



Paying for College

Understand Financial Aid

Figuring out how to pay for college is one of the most important college-planning steps. One way to make up the difference between what your family can afford to pay and what college costs is through financial aid. Most students currently enrolled in college receive some sort of financial aid to help pay their college expenses.

Each year Federal Student Aid provides more than \$111 billion in grants, work-study and student loans to help students pay for college.

Check out the scholarship search websites on page 2 and choose your favorites. Students who complete a profile on these search websites are often matched with scholarships based on their unique student information.

What Is Financial Aid?

Financial aid is money that someone other than you or a family member provides to help you pay for education after high school. There are two basic types of financial aid:

1. **Merit-based financial aid**
Awarded to students with specific talents or skills in areas such as academics, athletics or performing arts.
2. **Need-based financial aid**
Awarded to students who demonstrate financial need based on the information provided on their financial aid application, such as the Free Application for Federal Student Aid (FAFSA).

Types of Financial Aid

SCHOLARSHIPS

Scholarships are often merit based and do not need to be repaid. Several scholarships require students to complete an application and submit items such as transcripts, test scores and essays. Scholarships are awarded by:

- Colleges and universities
- Private companies/employers
- Community or charitable organizations
- Individuals

GRANTS

Grants are typically need based and do not need to be repaid. The most common need-based grant program is the Federal Pell Grant Program. Grants are awarded by:

- The federal government
- State governments
- Colleges and universities

LOANS

Loans are funds that must be paid back with interest. Interest rates and repayment provisions are very important to consider when looking at loan options. Interest adds up over the life of the loan, so the lower your rate, the less you will pay in interest.

Federal loans are government funds disbursed through the William D. Ford Federal Direct Loan Program.

- **Direct Subsidized Loan**—Students with financial need may be offered this loan. The U.S. Department of Education pays the interest while the student is enrolled at least half time, during the six-month grace period after the student leaves school and during periods of deferment.

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- **Direct Unsubsidized Loan**—Students do not have to show financial need to be offered this loan but must pay all interest charges. Students may choose not to pay interest while enrolled, during the grace period or during deferment, but interest accrues (accumulates) from the time the loan is disbursed and is capitalized (added to the principal amount of the loan).

Students borrowing Direct Unsubsidized Loans can choose to pay the interest on their payments while in college. While this is not required, paying any amount toward the interest while in college will reduce the total cost of the loan over time.

- **Direct PLUS Loan**—This loan is available to graduate or professional students and parents of dependent undergraduate students who are enrolled at least half time. The borrower must not have an unfavorable credit history. The borrower must pay all interest charges. The borrower may choose not to pay interest while the student is enrolled, during the grace period or during deferment, but interest accrues from the time the loan is disbursed and is capitalized.

Private loans are offered by private lenders, such as banks and loan companies. They generally have a higher interest rate and less flexible repayment terms than federal loans. Private loans usually require an adult co-signer with a good credit history.

WORK OPPORTUNITIES

Work opportunities, including federal, state or institutional work-study, are available on most college campuses. Students can work to earn paychecks or to reduce their tuition or room and board.

Applying for Federal Financial Aid

The federal government is the largest source of financial aid, particularly of grants and loans. To apply for federal grants, loans and work-study, students must complete the FAFSA. The FAFSA is an online form that collects demographic

and financial data about students and their families. This information is used to compute the Student Aid Index (SAI), which helps colleges determine how much financial aid to award. To apply for federal financial aid, you must be a U.S. citizen or eligible noncitizen, such as a permanent resident or other non-temporary status.

Several states, such as California, Colorado, Connecticut, Minnesota, Oregon and Virginia, have state financial aid applications that are an alternative to the FAFSA for DACA or undocumented students. Check with your local The College Place (TCP) advisor or college financial aid office for more information.

Online Resources

- **FAFSA**
 - <https://studentaid.gov/h/apply-for-aid/fafsa>
- **Federal Student Aid information**
 - <https://studentaid.gov>
- **Scholarship searches**
 - Fastweb: www.fastweb.com
 - College Board: <https://bigfuture.collegeboard.org>
 - U.S. Department of Labor: www.careerinfonet.org/scholarshipsearch
 - Going Merry: www.goingmerry.com
 - Bold.org: <https://bold.org>
 - Unigo: www.unigo.com
 - Cappex: www.cappex.com/scholarships
- **Scholarship scams**
 - <https://finaid.org/scholarships/scams>

Need More Information?

The College Place is here to help you with free college-planning resources and personal advice. Visit our website at www.ecmc.org/TCP.