

# FINANCIAL AID: PAYING FOR COLLEGE AND UNIVERSITY







# Your future

Financial planning for college can be a difficult and complicated task. From finding scholarships to understanding student loans, it's easy to get frustrated. However, it's important to figure out what it will cost and how you'll pay for it. By taking the time to learn more about the process, you can improve your experience.



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# FINANCIAL AID 101: THE BASICS



# What is financial aid?

Financial aid is money given or loaned to you to help pay for the cost of your higher education. So, don't be discouraged if the cost of continuing your education seems too high at first. Financial aid can help you achieve your education and career goals.



# Why is financial aid important?

Financial aid is an important way to offset the cost of college. For many students it may be the only way to pay for and attend a college or university. With proper planning and cost comparison, higher education can be affordable for you.



# Who qualifies for financial aid?

Most students enrolled in higher education qualify for and depend on financial aid—in fact, **85% of students at 4-year institutions and 78% of students at 2-year institutions receive financial assistance** (National Center for Education Statistics). However, not all financial aid has the same requirements for eligibility and is separated into two categories: **need-based** and **merit-based**.

**Need-based financial aid** may be offered to you by the state government, US federal government, and/or colleges and universities based on your family's ability to pay for college. This is calculated by analyzing your family's income and assets to create an Expected Family Contribution (EFC). Then, your financial need is determined by comparing the result to the cost of the college you plan to attend.

So, if you choose to attend a local community college, your financial need may be small, while if you choose to attend a higher-priced college, your financial need may be large. Need-based financial aid is typically given in the form of grants (which do not have to be repaid) and loans (which do have to be repaid).

**Your Expected Family Contribution (EFC) is used to calculate the amount of federal student aid you are eligible to receive. It is not the amount you will have to pay for college.**

EFC is a measure of your family's financial strength based on:

- income
- assets
- benefits
- family size
- the number in your family who will attend college that year



**Merit-based financial aid** is usually offered without regard to your financial need and is usually awarded based on academic achievement or for special talents, such as in the arts, athletics, or other areas of unique accomplishment. Merit-based financial aid is typically given in the form of a scholarship or award.

### **Where Do I Find Financial Aid?**

Financial aid can come from many different places, including:

- State government
- Federal government
- Nonprofit organizations
- Private companies or institutions
- Colleges and universities
- Community programs
- Religious organizations
- Parents' and students' employers





# How do I apply for financial aid?

The first step is to complete the [Free Application for Federal Student Aid \(FAFSA\)](#). This application provides you with access to state and federal aid as well as financial assistance from many colleges. Forms are available at the FAFSA website, high school counselor offices, or by calling the Federal Student Aid information hotline (800.433.3243).

To explore all of your financial aid options, you should:

- ☐ Search for state financial aid programs using the [National Association of Student Financial Aid Administrators state map](#).
- ☐ Ask employers, clubs, associations, or other local groups if they offer scholarships.
- ☐ Talk to the financial aid office at the college you plan to attend.
- ☐ Talk to your high school counselor and find out if they know of any grants or scholarships.
- ☐ Use the Internet to search for scholarships, using tools such as the [US Department of Labor's free scholarship search tool](#), [Scholarships.com](#), and [CollegeNET](#).
- ☐ Consider joining [STEMPremier®](#).
- ☐ **Opt in to the [ACT Educational Opportunity Service \(EOS\)](#) while registering for the ACT test. EOS connects you with more than 1,500 colleges, universities, financial aid and scholarship agencies, and other educational organizations at no charge.**

More information on applying for financial aid is available in the chapter *How to Apply for Financial Aid* on page 20.



# When do I apply for financial aid?

It's never too early to start exploring financial aid options. In some cases, funds may be limited and administered on a first-come, first-served basis.

You should complete and submit your FAFSA as soon as possible after it becomes available on October 1. Check the [FAFSA website](#) for final deadlines. You must resubmit the FAFSA each year you are enrolled in a college or university.

Submitting your applications for financial aid and scholarships, as well as your ACT scores, early can make a critical difference in the financial support you receive for college, by ensuring you are considered for first-come, first-served financial aid.

Scholarship and grant deadlines may differ from the FAFSA deadlines. You should take extra care to mark these deadlines on your calendar.

**COMPLETING  
YOUR FAFSA  
ON OCTOBER 1  
HELPS WITH  
FIRST-COME,  
FIRST-SERVED  
DOLLARS**



# SOURCES OF FINANCIAL AID



# Federal aid programs

The FAFSA is used to determine your eligibility for the following programs and to create your financial aid package. Financial aid packages typically include funds from more than one of the following sources. **Every year, more than \$150 billion is available in federal student aid through grants, work-study, and loans.**

## Federal Supplemental Educational Opportunity Grant (FSEOG)

These grants are provided to a limited number of undergraduates based on the significance of their financial need and do not need to be repaid.

## Federal Pell Grant

The Pell Grant program is the largest federal grant program available to students. These grants, which do not need to be repaid, are awarded based on your financial need. The money may be used toward tuition, room and board, books, or other educational costs.

## Federal Perkins Loan

The Federal Perkins Loan Program provides low-interest loans to undergraduate and graduate students with exceptional financial need. These funds must be repaid. If you are enrolled at least half-time, you have nine months after you graduate, leave school, or drop below half-time before you have to start repayment. In addition, Federal Perkins Loans do not accrue (add) interest until you make the first payment.



## William D. Ford Federal Direct Loan Program (Stafford Loan)

The US Department of Education offers loans to eligible students to help cover educational costs at a four-year college or university, community college, or trade, career, or technical school. These loans are either subsidized or unsubsidized and must be repaid.

**Direct Subsidized Loans:** These loans are available to undergraduate students with financial need. The US Department of Education pays the interest for your loan while you are enrolled at least half-time, for the first six months after you leave school, and during periods of deferment (a suspension of payment allowed under certain conditions).

**Direct Unsubsidized Loans:** These loans are available to undergraduate and graduate students—with no requirement to demonstrate financial need. For unsubsidized loans, you are responsible for paying the interest at all times. If you choose not to pay the interest while you are in school, the interest will accrue and be added to the loan (capitalized)—which means your loan balance will continue to grow while you are enrolled.

**PLUS Loans:** These loans are available to the parents of dependent undergraduate students—as well as independent graduate and professional students—and are intended to cover the difference between the cost of attendance and all other financial aid. Parent borrowers are expected to begin repayment after the loan is fully dispersed, but may choose to defer payments while students are in school. In this case, interest will accrue and be capitalized.



## Federal Work Study

This program is coordinated through financial aid offices at participating colleges and universities in which eligible students may work part-time while enrolled in school in exchange for funds intended to be used on educational expenses. It is encouraged that jobs be related to your program of study, whether on- or off-campus.

Each school will have its own process for job placements and may be limited to a first-come, first-served basis. These funds are not repaid.

Source: [\*Federal Student Aid – An Office of the US Department of Education\*](#)





# State aid programs

Almost every state provides financial aid (both need-based and merit-based) to their students by offering at least one scholarship or grant. Need-based programs may be identified for you when you submit your FAFSA. Merit-based programs, however, have additional requirements and are awarded based on your academic achievement or for special talents.

Find your state's financial aid programs using the [National Association of Student Financial Aid Administrators state map](#).



**Increase  
your  
chances  
of paying  
for college  
with more  
funds that  
don't have  
to be repaid**

Merit-based financial aid programs in many states award students for their academic achievement not only in the classroom but also on college entrance exams.

Increasing your score by just one point on the ACT test can be the difference between a small scholarship and a larger one. 57 percent of students who retook the ACT in 2015 increased their score.

By taking the ACT test at least twice, you increase your chances of paying for college with more funds that don't have to be repaid.



# Grants

Grants are free money awards (gift aid) for students with financial need or who meet other certain conditions. Grants may provide a few hundred dollars or a full ride. Many students qualify, but those with the most need are eligible for the most funding from the state and federal government.

# Scholarships and awards

As a major source of gift aid, scholarships are a great resource to pay for your postsecondary education. They may cover the entire cost of your college education or be a small one-time award and are often awarded on merit rather than financial need. No matter the amount, scholarships are worth applying for to help lower the cost of your education.

To find scholarships, visit:

- ☐ [US Department of Labor's free scholarship search tool](#)
- ☐ [Scholarships.com](#)
- ☐ [CollegeNET](#)
- ☐ Websites for the colleges and universities you are interested in attending



# Student loans

Student loans provided by the federal government are one of the largest sources of financial aid in the country and must be repaid. Educating yourself on the definitions, interest rates, and terms of these loans is critical to financial stability in your future. For more information on the loan programs provided by the federal government refer to page 12.

Important questions to ask your financial aid office before accepting any loans:

- Is this loan subsidized or unsubsidized?
  - o The government will pay interest on subsidized loans while you're in school.
  - o You will be responsible for the interest on unsubsidized loans. You may elect to have the interest added to the loan principle.
- What is the interest rate?
- Will this loan increase each year? If so, how much?
- When do I have to start repayment?
- What is the monthly repayment amount?

If you accept student loans as part of your financial aid package, you'll be required to attend [loan entrance counseling](#) and sign a [promissory note](#).





## Military programs

The military offers several options to help you pay for college:

**Reserve Officers Training Corps (ROTC)**—provides money while you're in college. After graduation, you enter military service as an officer.

**Servicemembers Opportunity Colleges (SOC)**—More than 1,800 colleges participate in this program. It allows servicemembers to earn a degree from a civilian college while serving in the military.

**Veterans**—a variety of programs are available to those who have served in the military. Check with the Veterans Administration for details.



# HOW TO APPLY FOR FINANCIAL AID



# Completing the FAFSA

The US Department of Education [Free Application for Federal Student Aid](#) connects students with more than \$150 billion in federal student aid each year. By completing the FAFSA, you may be eligible to access some of these funds for your education.

The FAFSA will ask you to provide your name, Social Security number, date of birth, address, and questions about your financial situation. It will also help you determine if you must provide information about your parents. This will be used to figure out which documents you need to complete the application.

You only need to complete one FAFSA regardless of how many schools you're considering. The FAFSA includes a section for you to list the schools where you would like your information sent.

If you provided a working email address when you applied, you'll get an email within a few days with a link to your FAFSA results—the [Student Aid Report](#). Within a few weeks, you'll receive a paper version of your report and may begin to receive financial aid offers from any colleges you listed on the application.

## Applications are available on October 1.

**To ensure you receive the maximum amount of assistance, submit your FAFSA as soon after October 1 as possible.**

**By testing and providing your ACT scores before completing the FAFSA, you can receive complete financial aid offers from colleges with enough time to make informed decisions—including if you need to retest to earn more scholarship dollars.**



# Applying for grants

By completing the FAFSA, you'll be considered for grants from the state and federal government as well as the colleges and universities of your choice. Some state and collegiate grants require separate applications and may have merit- or demographic-based criteria. You may also find grants from private organizations and local groups.



## Grant & Scholarship Application Advice:

1. Start early
2. Read requirements and directions carefully
3. Double check your application materials for errors
4. Keep copies in organized folders
5. Submit applications before the deadline



# Applying for scholarships

Every scholarship has unique requirements, and applications aren't all the same. Carefully review each scholarship's website and guidelines to be sure you meet all of the requirements and submit your application prior to the deadline. Pay close attention to whether scholarships are renewable or a one-time award.



Private scholarships can affect your final financial aid package because your assistance can't equal more than your cost of attendance. You should contact the financial aid office at your chosen schools to inform them of any private scholarships to be applied to the cost of attendance.

Find out how each school will apply these scholarships. Some may reduce student loan offers, while others may reduce the grants or scholarships they offer you.

## Avoiding Scholarship Scams

Every year, families lose money at the hands of deceptive scholarship companies that offer you access to private funding. A scholarship may be a scam if they tell you:

- The scholarship is guaranteed or your money back
- You can't get the information anywhere else
- They will do all of the work
- The scholarship will cost money
- They need your credit card or checking account number in advance



# ESTIMATING AND COMPARING COLLEGE COSTS





## Understanding your financial aid package

After you've submitted your ACT scores and completed your FAFSA, the financial aid office at each of the schools you have been accepted to will send you a letter (either paper or electronically) outlining the financial assistance they can provide you. This package will include grants, scholarships, loans, and work study programs from state and federal government, school, and private sources.



There are four major things to look for in your award:

- 1. Cost of Attendance:** The amount of money the college or university charges for tuition and fees. This may also include other educational costs such as books, supplies, and living expenses.
- 2. Scholarships and Grants (Gift Aid):** The more, the better. Gift aid is money that does not have to be repaid. Keep in mind that there may be academic requirements, work study obligations, or athletic or artistic fulfillments.
- 3. Loans:** Federal and college loans can be critical to your ability to earn a higher education. It is important to keep in mind that this money must be repaid and that the terms (interest rate, payment schedule, etc.) can be complicated (refer to page 17 for more information).
- 4. Net Cost:** This is the gap between what financial aid covers and the cost of attendance. It's your remaining out-of-pocket balance. **Net Cost is NOT what college will cost you**, as financial aid often includes loans. Do not use net cost alone to compare which college or university is the least expensive.

As you review your financial aid package, pay special attention to which funds are gift aid and which are loans. You do not have to accept all of the items included in a financial aid package.



## Estimating the cost

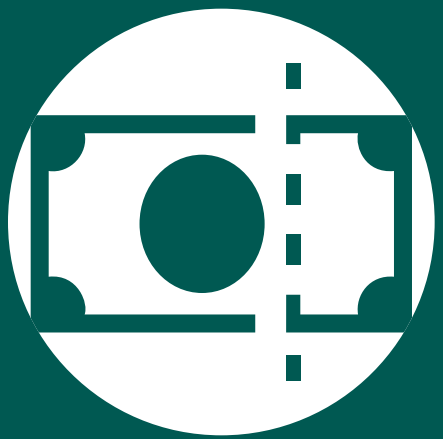
The cost of college is not limited to tuition and fees. When calculating the cost of attending any college or university, you should consider all expenses such as room and board, travel, and books and supplies.

Keep in mind that colleges, universities, and educational institutions may have different definitions of cost, including: sticker price, net cost, and net price.



### Sticker Price

This is the cost posted on college or university webpages and materials.



### Net Cost\*

This is the amount of money needed to pay for college after subtracting all financial aid.



### Net Price\*

This is the amount a college or university will actually cost you. It is the sum your educational expenses minus gift aid (money that doesn't have to be repaid). This is the amount you should use to compare offers.

\*Definitions based on those provided by the U.S. Department of Education

Get individualized cost estimates of nearly 4,000 colleges by signing up for [ACT Profile](#)—a free, mobile resource to help you learn more about yourself and the college and career paths you want to explore.



## Comparing your offers

Comparing colleges and universities based on cost does not have to be difficult. Use tools like the worksheet included in this book to divide costs, gift aid, and loans in a side-by-side comparison.

**IMPORTANT:** When calculating and comparing first-year college costs, multiplying by 4 (or more) does not reflect your cost of attendance through graduation. Yearly tuition and educational cost increases, one-time giftaid, program length or costs, loan terms, and other factors may influence your actual final cost.

**A college that appears less expensive in year one may not be your least expensive option.**

**The National Center for Education Statistics' College Navigator provides information on each college and university's tuition and fee increases, average net price, and financial aid statistics.**

Contact college and university financial aid offices to get a more accurate estimate of your complete cost of attendance for the length of your program. Here are some questions to ask:

- Will grant and scholarship amounts change each year?
- Are the scholarships renewable?
- How many hours will I need to work to earn all of my work-study money?
- Am I guaranteed a work-study job?
- What are the costs of attendance increases for the last three years?



COLLEGE/UNIVERSITY COST COMPARISON WORKSHEET

		School One:	School Two:	School Three:
COSTS	Tuition (full year)			
	Fees <i>(Application, graduation, program, etc.)</i>			
	Subtotal			
	Room & Board			
	Books & Supplies			
	Other Educational Costs			
	Travel Expenses			
	Subtotal			
	(1) Cost of Attendance			
GIFT AID	State/Federal Grants			
	State/Federal Scholarships			
	College/University Grants			
	College/University Scholarships			
	Subtotal			
	Private Grants			
	Private Scholarships			
	One-time Awards			
	Subtotal			
	Military Benefits			
	Tuition Assistance			
	Subtotal			
	(2) Total Gift Aid			
OTHER	Planned Contributions <i>(College savings accounts, etc.)</i>			
	Federal Work Study			
	(3) Total Other			
LOANS	Perkins Loan			
	Direct Subsidized Loans			
	Direct Unsubsidized Loans			
	PLUS Loans			
	Subtotal			
	Private Loans			
	(4) Total Loans			
	(5) Remaining Balance* <i>Subtract Gift Aid (2), Other (3), and Loans (4) from Cost of Attendance (1)</i>			
TOTALS	NET PRICE** <i>Subtract Gift Aid (2) from Costs (1)</i>			
	DEBT AFTER ONE YEAR*** <i>Enter Amount for Total Loans (4)</i>			

\*This what you’ll pay out of pocket.  
\*\*This is your cost to attend college the first year.  
\*\*\*Add Remaining Balance (5) if this is covered by additional private loans.



# BRIDGING THE TUITION AND FINANCIAL AID GAP



# Can I afford college?

After analyzing the costs, if the gap between the price of college and what you can afford is too wide, there are several options to make higher education accessible.

1. Attend the college with the lowest net price, often two-year and public state colleges.
2. You can save on indirect costs by living at home or with a roommate or two, borrowing textbooks from the library or through a rental program, and minimizing travel.
3. Choose a major that matches your interests. This will help you stay on track for graduation in four years.



**Use your ACT Score Report to see how your selected major fits your interests.**

Don't lose hope if financial aid and cost savings haven't covered everything. You still have options.

Many colleges and universities will allow you to enter a tuition payment plan—spreading your tuition across several smaller payments. With smaller payments, you may be able to cover the costs with an afterschool and weekend job.

You may also consider private loans. Examine any private loan terms you are offered thoroughly and remember: these funds must be repaid.

Higher education is a valuable investment in your future. With the right resources, you can be sure it is a wise one.



# RESOURCES

# RESOURCES



[ACT Profile](#)

[ACT College and Career Readiness Campaign](#)

[College Navigator](#)

[CollegeNET](#)

[Consumer Financial Protection Bureau college cost comparison tool](#)

[Federal Student Aid – An office of the US Department of Education](#)

[Free Application for Federal Student Aid \(FAFSA\)](#)

[National Association of Student Financial Aid Administrators state map](#)

[National Merit Scholarship Corporation](#)

[Scholarships.com](#)

[STEMPremier®](#)

[US Department of Labor's free scholarship search tool](#)