

## **Get the Basics: Financial Aid 101**

### **Goals for Financial Aid:**

To assist students in paying for college by:

- Evaluating family's ability to pay for educational costs
- Distributing limited resources in an equitable manner
- Providing balance of gift aid & self-help aid

### **Definition of Need:**

Cost of attendance (COA) – Expected family contribution (EFC) = Financial need

### **Cost of Attendance:**

- Tuition & Fees
- Books & Supplies
- Room & Board
- Transportation
- Miscellaneous Personal Expenses
- Loan Fees
- Expenses Associated with a Disability
- Dependent or Elder Care Expenses
- Expenses for Study Abroad or Cooperative Education Programs

### **What is Financial Aid:**

- Scholarships
- Grants
- Loans
- Employment opportunities

### **Financial Aid Package:**

College sends Award Letter to eligible students:

- Amount of financial aid
- Types of financial aid awarded
- Loan options

### **What It Costs: See the Big Picture**

Many students worry that tuition and the other costs of continuing their education will be out of reach. But don't let the price tag stop you. It's only part of the picture. Keep in mind the major benefits of investing in your education.

### **Who Gives Aid: Find the Figures**

The U.S. Department of Education should be your first source to access financial aid. They award about **\$96 billion a year** in grants, work-study assistance and low-interest loans.

Aid also comes from scholarships from state governments, schools, employers, individuals, private companies, nonprofits, religious groups and professional organizations.

### **What You Pay: Understand the EFC**

The aid you qualify for depends on your Expected Family Contribution, or EFC. The EFC is a number that schools use to determine how much federal aid you would receive if you attended that school.

When you apply for federal student aid, you will be asked to provide information about your or your family's finances, such as income, assets and family size. After you submit the application, you will receive an EFC based on this information. Your contribution may come from a combination of savings, current income and loans.

## **Learn What's Available: Scholarships, grants, loans and more**

Scholarships are gifts. They don't need to be repaid. There are thousands of them, offered by schools, employers, individuals, private companies, nonprofits, religious groups, and professional and social organizations.

Some scholarships are merit based. You earn them by meeting or exceeding certain standards set by the scholarship-giver. They might be awarded based on academic achievement, or a combination of academics and a special talent, trait or interest. Other scholarships are based on financial need. Here are some tools to help find yours:

### **Grants: Need and Receive**

Grants are also gifts, but they're usually based on financial need.

Most often, grant aid comes from federal and state governments and individual colleges. Available federal grants include:

- **Pell Grant.** These are federal grants awarded to undergraduate students.
- **ACG.** The Academic Competitiveness Grant is for college freshmen and sophomores who are eligible for Pell Grants and who took "rigorous" classes in high school.
- **FSEOG.** The Federal Supplemental Educational Opportunity Grant is awarded to undergraduate students with exceptional financial need.
- **National SMART Grant.** The National Science and Mathematics Access to Retain Talent Grant is awarded to college juniors and seniors who are eligible for Pell Grants and are majoring in mathematics, technology, engineering, a foreign language critical to national security or physical, life or computer sciences. Students must also have grade point averages of at least 3.0 in their majors to be eligible.
- **TEACH Grant.** The Teacher Education Assistance for College and Higher Education Grant is for students who plan to teach in schools that serve low-income students.

### **Loans: Borrow for the Future**

Loans are a contract to borrow money and repay it over time, with interest. In the case of most federal student loans, you do not need to begin repaying them until several months after you leave college or are no longer enrolled at least half-time.

Every year, more than \$70 billion in federal student aid is given out in the form of low-interest loans. These are delivered to students through two programs: the William D. Ford Federal Direct Loan Program (Direct Loan Program) and the Federal Family Education Loan Program (FFEL Program).

Some banks and financial institutions offer private student loans. These loans often have variable interest rates, require a credit check and may not provide the benefits of federal student loans.

If taking out loans makes you feel a little nervous, you are in good company. Many of the students interviewed for this Web site felt the same way. But looking at loans as an investment in their future helped them get past their fear.

### **Work-Study: Get a Job**

The Federal Work-Study (FWS) program provides part-time jobs for students with financial need to help them pay for their education.

The program is administered by participating schools. It's designed to put you to work in the community, or in a job related to your studies, whenever possible.

## Tools and Tips: Find and Save Money

A little homework can earn you a lot of cash for college. A little common sense can help you use your money wisely. Here are a few tips to get started:

- Use the financial aid and scholarship wizards on the Federal Student Aid Web site. You can search for scholarships based on talents, interests, background and more.
- Check the colleges you're considering for merit- or non-need-based scholarships to academically talented students.
- Check with your state education agency to find out if you're eligible for state assistance based on merit.
- See if you are eligible for an athletic scholarship, if you are athletically inclined.
- Stick close to home. Most state colleges and universities offer lower tuition to in-state residents.
- Go to a lower-cost community college for one or two years, then transfer to a four-year school.
- Live at home. You could save thousands of dollars.

## Be Money Smart

### Money Management Tips: Spend with Care

- **Make a budget and stick to it.** A budget is just a self-imposed guideline for how much money you can spend and what you can spend it on. You will be amazed at how much farther your money goes when you have a budget.
- **Avoid credit cards.** In college, you'll get tons of credit card offers from banks. Your best move? Shred them. As attractive as they might seem, the interest on credit cards can put you in a very deep financial hole.
- **Buy used books.** Many students and their parents are surprised how much textbooks cost. They can average \$1,000 a year. Most campus bookstores sell used books that can help reduce this cost. You might also save money by buying textbooks online.
- **Leave your car at home.** Cars consume more than just gas money. There are insurance, parking (and parking tickets!) and repair expenses, too. Walk, use public transportation and/or ride a bike.
- **Watch the ATM fees.** Choose a bank with free ATMs near your school. ATM fees can add up quickly.

## Bad Deals and Scams: Know and Avoid Them

- **Fee-based scholarship searches.** Bad deal. Commercial financial aid advice services may cost more than \$1,000, but you should never have to pay for this information.

Here are sources that offer information FREE:

- The Federal Student Aid Information Center. Call 1-800-4-FED-AID (1-800-433-3243); TTY users can call 1-800-730-8913
- Your state higher education agency
- A college or career school financial aid office
- Your high school counselor
- Your library's reference section
- FREE online scholarship searches
- Foundations and religious or community organizations
- Ethnicity-based organizations
- Your employer or your parents' employer
- **Fee-based FAFSA assistance.** Bad deal. Lots of free help is available to help you fill out the FAFSA. Web sites that offer FAFSA help for a fee are NOT affiliated with the U.S. Department of Education. If you are asked for your credit card information, you are NOT at the official FAFSA Web site.

Get assistance from these FREE resources:

- The official FAFSA site
- Financial aid administrators at schools you are considering
- The Federal Student Aid Information Center. Call 1-800-4-FED-AID (1-800-433-3243); TTY users can call 1-800-730-8913

- **Protect your identity.** Avoid scams. Protect your identity as you go through the financial aid application process. To reduce risk:
  - After completing your FAFSA online, exit the application and close the browser.
  - Don't tell anyone your Federal Student Aid PIN, even the person helping you fill out the application.
  - Review your financial aid documents and keep track of the amounts you applied for and received.
  - Never give personal information over the phone or Internet unless you made the contact. For questions about a solicitation or your student loan account, call 1-800-4-FED-AID.
  - Shred receipts and documents with personal information when you are done with them.
  - Immediately report lost or stolen identification to the issuer and to the police, if appropriate.
- **Report fraud and identity theft.** For more information about financial aid fraud or to report fraud, visit the Federal Trade Commission's scholarship scams page. If you suspect that your student information has been stolen, contact one of these resources immediately:
  - U.S. Department of Education, 1-800-MIS-USED (1-800-647-8733)
  - Federal Trade Commission, 1-800-ID-THEFT (1-877-438-4338)

### Other Considerations

- **Private loans.** Private loans can be useful, but watch out for bad deals. Interest rates can be higher, and repayment terms can be harsher than government loans. Use all federal student loan options first. Investigate the private loan organization, check with the Better Business Bureau, get references and read the fine print.

### Apply For Federal Student Aid

#### Introducing the FAFSA: Let the Funds Begin

Getting financial aid starts with the *Free Application for Federal Student Aid* or FAFSA.

By filling it out, you apply for the U.S. Department of Education's federal student aid programs, the largest source of student aid in America. In many cases, you're also automatically applying for funds from your state, and your school as well.

#### Who It's For: See If You're Eligible

You might be eligible if all of these apply to you:

- You are a U.S. citizen or eligible noncitizen
- You are a high school graduate or GED holder
- You are working toward a degree or certificate in an eligible program
- You are not in default on a federal student loan and do not owe money to the government related to other grants or loans

#### Completing the FAFSA: Do It Online

It's recommended that you complete the FAFSA online. More help is available online, and you'll get a response within 3-5 days, rather than 2-3 weeks by mail.

## **Questions about the FAFSA (Free Application for Federal Student Aid) and financial aid:**

### **What is the FAFSA?**

Students use this application to apply for federal student grants, work-study money, and loans to assist them in funding their college education. They also may use this application to apply for most state and some private financial aid.

### **When should I complete the FAFSA?**

You should apply as soon as possible **after January 1**. If the college has a deadline earlier than when your parents will have their taxes done, go ahead and estimate and meet the college's deadline. You can always correct the information later.

### **Will I need to complete my tax return before completing the FAFSA?**

If the student or his/her parent(s) are filing an income tax return, we recommend filling it out before completing the FAFSA. However, the income tax return does not need to be sent to the IRS before filling out the FAFSA.

### **My parents are separated or divorced. Which parent fills out the FAFSA?**

The parent you lived with most during the last 12 months. If you didn't live with either parent, or if you lived with each parent an equal number of days, use the parent who provided most of the support to you in the most recent calendar year.

### **Does my step-parent's income and assets have to be reported on the FAFSA?**

If the parent whose information you are reporting on the FAFSA has married or remarried, you must include information about your step-parent (even if they were not married for the entire year).

### **My parents own a farm. Does this have to be included under assets?**

If you and your parents live on the farm and your parents claimed on Schedule F of the U.S. Tax return that they "materially participated in the farm's operation," the farm does not have to be listed under assets.

### **What if I don't have a Social Security number or don't want to report it on the FAFSA?**

You must enter your Social Security number on the FAFSA. If you don't submit your social security number, the form will be returned unprocessed and you will not be considered for federal student aid. Additionally, at least one parent has to include his/her social security number however, if neither parent has one the FAFSA instructs those parents to put 0's instead of a social security number.

### **When is a student independent?**

Under the federal definition, an independent student is one who can answer **Yes** to **any** of the following questions:

**When is a student dependent?** If you answered "No" to **ALL** of the questions above, then you are considered dependent and must provide parental information.

### **My father (or mother) recently died. How do I complete parental income information?**

Complete the FAFSA using the income, tax liability and asset information of the surviving parent only.

### **The FAFSA asks about last year's income. My parent now is unemployed and our income is significantly less.**

#### **What should we do?**

Go ahead and fill out the FAFSA using the 2008 information. However, when you get your Student Aid Report (SAR) back, you need to see or write the Financial Aid Administrator at the school(s) you want to attend. Explain the situation documenting the decrease in income. Financial Aid Administrators might use professional judgment to adjust your need if it is warranted and can be documented sufficiently to meet federal guidelines.

### **Can my parents and I fill out the FAFSA over the internet?**

Yes, you can fill out the FAFSA online. It is recommended that you and your parents get PIN codes first so you can sign the FAFSA electronically and not have to print out, sign and send in a paper signature page. Here are the web addresses:

- [www.pin.ed.gov](http://www.pin.ed.gov)
- **FAFSA on the Web:** [www.fafsa.ed.gov](http://www.fafsa.ed.gov)

## **Frequently Used Financial Aid Terminology**

### **Alternative Loans**

These are loans provided by private lending institutions and are not guaranteed by the Federal Government. Your eligibility is based on your credit rating. Applicants with weak credit ratings and non US citizens will need a co-signer. Interest rates are subject to change and may be higher than the federally student loans. Students are urged to apply for all eligible grants and federal loans before resorting to alternative loans. Loan requests should not exceed cost of education minus all other aid received.

### **Award Letter**

A letter sent to financial aid applicants by the institution. The award letter provides information about the types and amounts of aid offered to applicants and an opportunity to accept or decline the aid. The letter must be signed and returned to the Bursar's Office Room 125 in the Administration Building so your financial aid can be posted to your account to meet bill charges.

### **Campus-Based Aid**

Funds allocated to WCC by the federal government to support the following programs: Federal Supplemental Education Opportunity Grant (FSEOG), Federal Work-Study (FWS). Awards are offered to students on the basis of financial need. Funds are limited, so students must apply early to receive consideration.

### **Consolidated Loan**

Your eligible federal student loans may be consolidated into one new loan with a longer repayment term and lower monthly payments. Consolidation is designed to make repayment for highly indebted borrowers easier. However, since your overall monthly consolidated payment will be lower, you will end up paying more interest on your loan in the long run. You will lose your grace period and some borrower benefit options which pertained to your unconsolidated loans. Your consolidated loan will be serviced by one lender with one payment due date.

### **Cost of Attendance**

The total cost of attending college, including tuition and fees, room and board, books and supplies, personal expenses and transportation.

### **Default**

Failure to repay a Federal student loan according to the terms agreed to at the time of application. Default may also result from failure to submit a request for loan deferment on time. Default status is recorded on your permanent credit record. Students in default are not eligible for financial aid.

### **Deferment**

It is a process that allows you to postpone payment of the principal and/or interest on a student loan after the repayment period begins. If you are on an unsubsidized deferment and postpone your interest payments, the interest will be capitalized at the end of the deferment.

### **Direct Loans**

These are subsidized and unsubsidized Stafford and PLUS loans directly funded by the federal government

### **Disbursement**

Payment of financial aid funds to the student's account.

### **EMPN**

A legally binding contract between you and the lender that includes all the terms and conditions under which you promise to repay your loan which you complete and submit on line and affix your electronic signature.

### **Expected Family Contribution (EFC)**

The amount you and your family are expected to contribute toward your education as determined by a formula established by the U.S. Congress. The formula considers income and asset information that you reported on the FAFSA.

### **Financial Need**

The difference between the institution's cost of attendance and the expected family contribution i.e. family's ability to pay

**Forbearance**

It is an agreement with the lender that allows you to postpone student loan payments for a predetermined length of time. During forbearance, only the payment of principal is deferred: the interest continues to accrue and you will be responsible for it.

**Grace Period**

A specified period of time after you graduate, leave school or cease to be enrolled for at least six credits during which you are not required to make payments on student loans. A grace period is usually six months.

**Guaranty Agency**

The organization that administers the FFEL Program in your state. This agency is the best source of information on FFELP.

**Loan Principal**

The amount of money you borrow and the sum on which interest is charged.

**Origination Fee**

A fee that is deducted proportionately (up to 3%) from each disbursement of your loan. This fee is used to cover administrative costs of the federal Direct Loan Program (Stafford subsidized and unsubsidized student loans).

**Personal Identification Number (PIN)**

A 4-digit PIN from the U.S. Department of Education which provides access to personal information in various student financial aid system over the internet. It is also your electronic signature. This information should be kept confidential; do not share your pin with anyone.

**Priority Packaging Date**

It is established annually. For **Fall applicants**, the priority processing date is **June 30**. For **Spring applicants**, the priority processing date is **October 30**. Students who have successfully completed their FAFSA with valid student aid report and have submitted all other necessary information to the college by the relevant priority processing date will have their awards in time to defer against **early registration** bill due date.

**Promissory Note**

A legally binding contract between you and the lender that includes all the terms and conditions under which you promise to repay your loan.

**Selective Service Registration**

Males who were born on or after January 1, 1960, who are at least 18 years old, who are citizens or eligible non-citizens, not currently on active duty in the armed forces, must be registered with selective service in order to receive federal aid. Resident aliens (holders of green cards) are also required to register with Selective Service. **Note: this is not the draft.**

**Servicer**

It is a company that your lender hires to perform account services – payment processing, customer relations, or accounting. Your lender still holds (owns) the loan, and there is no additional cost to you.

**Valid Student Aid Report**

After submitting FAFSA, the Department of Education will process your application and send you a Student Aid Report (SAR). A valid Student Aid Report is one with calculated Expected Family Contribution (EFC) based on the processing results of your FAFSA.

**Variable Interest**

Interest rates that change periodically (e.g. quarterly, annually). The interest rates for Federal Stafford and PLUS Loans are set by the government each year and change annually on the first day of July.