

Preparing for College: Financial Aid 101

GLOSSARY

EFC: Expected Family Contribution. It represents the amount of money students and their families are expected to contribute towards their education, as determined through a “need analysis” of information provided on a FAFSA.

FAFSA: Free Application for Federal Student Aid. It is the application used by the Department of Education to determine your EFC, and is used by most colleges and universities to determine eligibility for federal, state, and college-sponsored financial aid, including grants, educational loans and work-study programs.

Federal student aid includes:

Grants—financial aid that doesn’t have to be repaid (unless, for example, you withdraw from school and owe a refund)

Loans— borrowed money for college or career school; you must repay your loans, with interest

Work-Study—a work program through which you earn money to help you pay for school

Grace Period: Depending on loan type, it is typically the 6 to 9 months after a student graduates (or leaves school) before loan repayment begins.

Grant: Typically a need-based financial aid award that does not have to be repaid.

PLUS Loan: Parent Loan for Undergraduate Students. A non-need-based, federally guaranteed loan that allows parents to finance up to the full cost of their child’s education, less any other federal aid the student receives.

Scholarships: Financial aid that is awarded by schools, businesses, institutions, associations and private industry that does not have to be repaid. Can be awarded based on need, academic merit, academic concentration, interests, or a host of other criteria.

Stafford Loan: A federal education loan that is funded and/or guaranteed and insured by the federal government. There are two types: subsidized and unsubsidized.

Subsidized Loan: A need-based loan on which the federal government pays accrued interest while the student borrower is in school, during the grace period, and during periods of deferment.

Unsubsidized Loan: A non-need-based loan for which the student is responsible for paying accrued interest.

FREQUENTLY ASKED QUESTIONS

1. I probably don't qualify for aid. Should I apply for aid anyway? **Yes.** Many families mistakenly think they don't qualify for aid and prevent themselves from receiving financial aid by failing to apply for it. In addition, there are a few sources of aid such as unsubsidized Stafford and PLUS loans that are available regardless of need. The FAFSA form is free. There is no good excuse for not applying.
2. Do I need to be admitted before I can apply for financial aid at a particular university? **No.** You can apply for financial aid any time after January 1. To actually receive funds, however, you must be admitted and enrolled at the university.
3. Do I have to reapply for financial aid every year? **Yes.** Most financial aid offices require that you apply for financial aid every year. If your financial circumstances change, you may get more or less aid. After your first year you will receive a "Renewal Application" which contains preprinted information from the previous year's FAFSA. Note that your eligibility for financial aid may change significantly, especially if you have a different number of family members in college. Renewal of your financial aid package also depends on your making satisfactory academic progress toward a degree, such as earning a minimum number of credits and achieving a minimum GPA.
4. How do I apply for a Pell Grant and other types of need-based aid? **Submit a FAFSA.** To indicate interest in student employment, student loans and parent loans, you should check the appropriate boxes. Checking these boxes does not commit you to accepting these types of aid. You will have the opportunity to accept or decline each part of your aid package later. Leaving these boxes unchecked will not increase the amount of grants you receive.
5. Are my parents responsible for my educational loans? **No.** Parents are, however, responsible for the Federal PLUS loans. Parents will only be responsible for your educational loans if they co-sign your loan. In general you and you alone are responsible for repaying your educational loans.

WEBSITES

<http://studentaid.ed.gov/> The U.S. Department of Education Funding You Education: The Guide to Federal Student Aid

<http://www.mynextmove.org/> Career Search

<http://www.edfund.org> EdFund, Information on applying for financial aid and managing student loans

<http://www.fafsa.gov> Free Application for Federal Student Aid

<http://www.fastaid.com> Fast Aid, Free online scholarship database

<http://www.finaid.org/> The Smart Student Guide to Financial Aid

Information collected from <http://www.finaid.org/> and www.studentaid.ed.gov was used to create this document.