

# The 1-2-3 approach to paying for college



Let's make it happen<sup>SM</sup>



## 1-2-3 approach

Follow these three steps to help you pay for college.

### 1 Start with money you won't have to pay back

Add scholarships, grants, and work-study to your plan to pay for school.

### 2 Explore federal student loans

Apply by completing the Free Application for Federal Student Aid (FAFSA).

### 3 Consider a responsible private student loan

Fill the gap between your available resources and the cost of college.

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## Senior year checklist

Use this checklist to help keep track of deadlines.

*Note: Timing for acceptance and school-specific financial aid information can vary by school.*

### Summer

- Request admissions information and catalogs from your target schools
- Start searching for scholarships
- Combine vacation plans with campus visits
- Start working on college application essays
- Start online Common Application
- Begin to gather information for the FAFSA®

### September/October

- Take SAT, ACT or SAT subject tests
- Complete college applications
- Ask your school counselor to send transcripts to selected schools
- Submit a CSS (College Scholarship Service)/Financial Aid Profile, if required
- Ask for letters of recommendation
- Submit the FAFSA (fafsa.gov) beginning October 1

## **November/December**

- Take SAT, ACT, or SAT subject tests
- Watch for the Student Aid Report (SAR); review for accuracy

## **January**

- Fill out and submit additional college or state financial aid forms, if required
- Stay on top of financial aid deadlines

## **February/March**

- Check the mail for college acceptances and financial aid offer letters
- Discuss special financial situations with the financial aid offices of your favorite schools

## **April/May**

- Review all offer letters carefully
- Decide on a school and send the deposit
- Review financing options; if a private student loan is needed, borrow responsibly and consider a cosigner
- If applicable, confirm with your school that you've met all the requirements for on-campus housing

## **June–August**

- Pay first tuition bill
- Start packing!
- Attend orientation and register for classes

# 1

## Start with money you won't have to pay back

Add scholarships, grants, and work-study to your plan to pay for school.

Start with any college savings that have been put aside in a dedicated college savings account and include current income that you're setting aside for college. Maximize "free" money you don't have to pay back, including scholarships and grants. Then consider work-study.

**Scholarships** are offered by colleges and universities, federal and state governments, religious groups, professional associations, employers, and other companies. You might think they're available only for academic or athletic accomplishments, but they can be awarded for a number of criteria:

- Organization memberships
- Community leadership
- Financial need
- Ethnic, religious, or national background

You need to apply for scholarships—and the earlier, the better, since many have deadlines.



**Apply for scholarships every year you plan to attend college—not just your freshman year.**

**Grants and work-study** are generally federally funded, so be sure to submit the FAFSA to apply for them. The FAFSA is also used to apply for most state loan, grant, and scholarship programs.

- Pell Grants, the largest federal grant program, are based on financial need; unlike a loan, a Pell Grant doesn't need to be paid back.<sup>1</sup>
- Work-study programs are offered by federal and state governments, as well as schools. They offer part-time jobs that let students earn money to help pay education expenses.

## 2

## Explore federal student loans

Apply by completing the FAFSA.

After you've maximized your free money, consider federal student loans, which are provided by the government.<sup>2</sup>

There are several types of **federal student loans**, including Direct Subsidized Loans, for students with demonstrated need; and Direct Unsubsidized Loans, which are available regardless of family income.



**Submitting the FAFSA is the most important thing you can do to get federal money for college.**

- You apply for both types by filling out and submitting the FAFSA.
- They're issued in the student's name and the student is responsible for paying them back.
- They're eligible for income-driven repayment plans that link monthly payments to income.
- Federal loans may be eligible for loan forgiveness programs, such as the Public Service Loan Forgiveness Program for borrowers who are employed by a qualifying public service organization.

### 3

## Consider a responsible private student loan

Fill the gap between your available resources and the cost of college.

If you need more money after following steps 1 and 2, consider a private student loan.

**Private student loans** differ from federal student loans in several ways:

- They come from banks and credit unions.
- They're credit-based: the lender may review your credit score, history and other information to determine if you qualify. A cosigner — parent, guardian, or other adult — may improve the chances of approval. Some lenders offer a cosigner release option.
- Your interest rate may be based on several factors, including your creditworthiness.

Private student loans are issued in the student's name and the student is responsible for paying them back, unless there's a cosigner, in which case both are responsible. Some private student loans may be used to cover expenses for students who are enrolled less than half time or to cover expenses related to a prior school year. Check with your lender to see if they offer loans with these features.



**Compare rates, fees, terms, features, and the total cost of loans to find the right solution for your needs. Sometimes the best answer may be a combination of products.**

## Other options for parents

The **Federal Direct PLUS Loan** is an unsubsidized federal loan for parents of dependent students enrolled at least half-time in an eligible school.<sup>1</sup>

**Private parent loans** are offered by some lenders. A parent or other creditworthy individual is the borrower for these loans, which can offer competitive interest rates and no origination fees.

**Tuition payment plans** let students or parents pay tuition in installments; there may be a fee for the service. Check with your school to see if they offer this type of plan.

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## Resources to help you along the way

### ✓ Scholarships

[salliemae.com/scholarship](https://salliemae.com/scholarship)

[fastweb.com](https://fastweb.com)

[scholarshipamerica.org](https://scholarshipamerica.org)

### Grants and financial aid

[salliemae.com/collegeplanning](https://salliemae.com/collegeplanning)

### FAFSA

[fafsa.gov](https://fafsa.gov)

### ✓ Federal student loans

[studentaid.gov](https://studentaid.gov)

### ✓ Private education loans: General information

[salliemae.com/collegeplanning](https://salliemae.com/collegeplanning)

[bigfuture.collegeboard.org](https://bigfuture.collegeboard.org)

### Federal loans vs. private loans

[salliemae.com/compareloans](https://salliemae.com/compareloans)

### Paying for college resource for families, students, and counselors

[payingforcollegeresource.com](https://payingforcollegeresource.com)

## Other considerations: Federal tax benefits

Federal income tax law provides tax benefits and credits to qualifying taxpayers to fund higher education. To find out if you qualify, review IRS Publication 970, Tax Benefits for Education at **irs.gov** or consult a tax advisor.

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### Borrow responsibly

We encourage students and families to start with savings, grants, scholarships, and federal student loans to pay for college. Students and families should evaluate all anticipated monthly loan payments, and how much the student expects to earn in the future, before considering a private student loan.

Sallie Mae does not provide, and these materials are not meant to convey, financial, tax, or legal advice. Consult your own financial advisor, tax advisor, or attorney about your specific circumstances.

- 1 Federal grants may need to be repaid in certain circumstances. See <https://studentaid.ed.gov/sa/types/grants-scholarships#federal> for more information.
- 2 Explore federal loans and compare to ensure you understand the terms and features. Private student loans that have variable rates can go up over the life of the loan. Federal student loans are required by law to provide a range of flexible repayment options, including, but not limited to, income-based repayment and income-contingent repayment plans, and loan forgiveness and deferment benefits, which other student loans are not required to provide. Federal loans generally have origination fees, but are available to students regardless of income.

Federal student loan information was gathered on September 23, 2020 from Studentaid.ed.gov. Private student loan information based on an August 31, 2020 review of national private loan programs offered by Sallie Mae and its publicly-traded competitors. Variable rates may increase over the life of the loan.

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