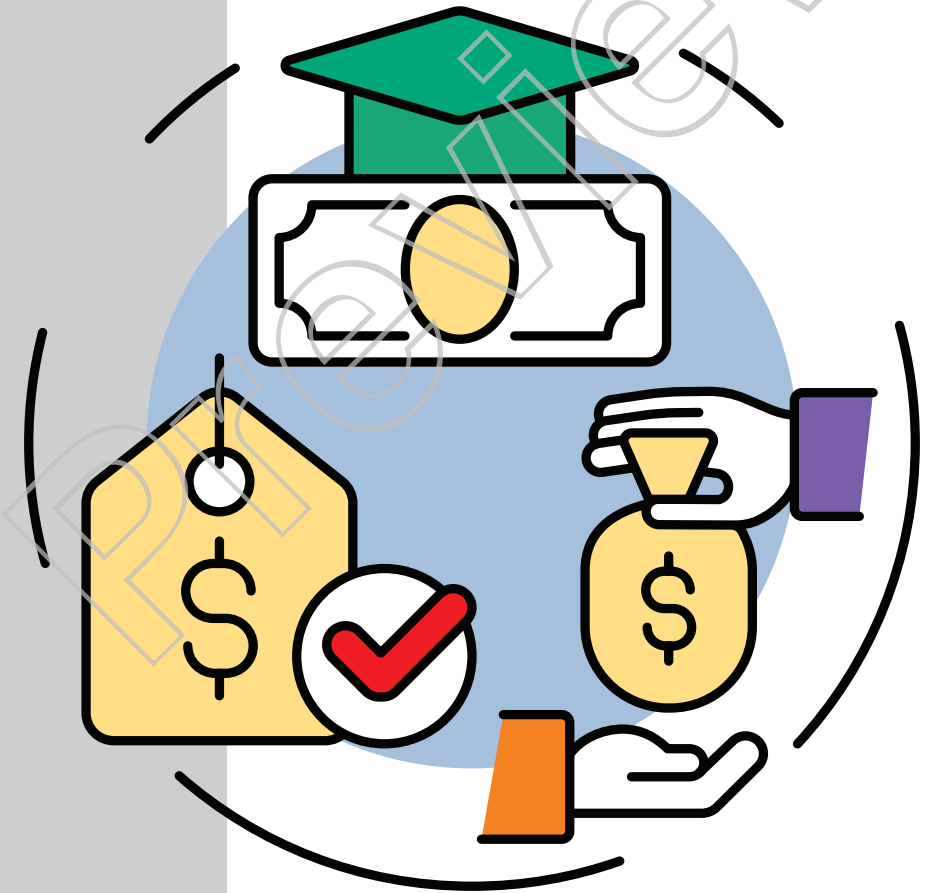


How to Get Money for College





Dear Students and Parents,

College is a worthwhile investment, but it can be a costly one. Many students and parents have concerns about how they're going to pay for college, and with college costs continuing to rise, most families are looking for ways to make college more affordable. There's a great deal of financial aid available; however, the process of obtaining financial aid can be confusing.

If you're concerned about how you're going to pay for college, learn as much as you can about financial aid and look for ways to cut college costs. This booklet can help you do both!

How to Get Money for College

Table of Contents

| | |
|---|----|
| Part I – College Costs | 4 |
| Part II – Financial Aid Overview..... | 5 |
| Part III – Types of Financial Aid..... | 9 |
| Part IV – Other Sources of Aid | 14 |
| Part V – Cutting College Costs | 15 |

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Part I

College Costs

The amount it costs a student to attend college is called the cost of attendance (COA). When figuring the COA for a college, be sure to include tuition, fees, room and board, books, and transportation.

How colleges compare

There is a wide range of costs between public and private four-year colleges, and also between two-year and four-year colleges.

Public four-year colleges

Public colleges are generally less expensive and larger than private colleges. They also typically offer a wider variety of majors programs, and campus activities. Because public colleges are supported by tax dollars, students who attend a public college in their home state generally pay a lower tuition rate.

Private four-year colleges

Although private colleges vary in size, cost, and admission requirements, they are typically smaller and more expensive than public colleges. Unlike public colleges, private colleges charge the same tuition for both in-state and out-of-state students. While private colleges are more expensive, they are often more generous with financial aid.

Two-year colleges

Two-year colleges include community, junior, and technical colleges. Most of these are public colleges supported by tax dollars. Two-year colleges offer a variety of career-oriented one- and two-year programs. A year at a public two-year college generally costs less than half of what a year at a four-year public college costs.

Because two-year colleges are more affordable, many students start at a two-year college and then transfer to a four-year college in order to save money.



Part II

Financial Aid Overview

Financial aid is money that is given, earned, or lent to help students pay for their education. Financial aid makes it possible for millions of students to go to college.

The four types of financial aid

Financial aid comes in the following four forms:

- ▶ **Grant** – money given, usually because of financial need
- ▶ **Scholarship** – money awarded for exceptional academic achievement, an outstanding talent, and/or financial need
- ▶ **Work-study** – money earned by working at a part-time job
- ▶ **Loan** – borrowed money that must be repaid

Need-based and merit-based financial aid

Most of the financial aid that's awarded is "need-based."

Need-based financial aid – This type of financial aid is awarded to students whose families do not have sufficient financial resources to pay for college. Most financial aid, including grants, loans, and work-study, is need-based. When determining eligibility for need-based aid, a family's financial situation is the only thing that's considered; the student's academic record is not a factor.

Merit-based financial aid – Merit-based financial aid is given in the form of scholarships to students who have outstanding abilities, talents, and/or achievements. When awarding merit-based aid, the family's financial situation is not taken into consideration. The award is based entirely on the student's merit.

Some financial aid awards take both need and merit into consideration. For example, a scholarship may require that an applicant have financial need and a certain GPA.

Free Application for Federal Student Aid (FAFSA)

Students and parents must complete a FAFSA in order to be eligible to receive any federal financial aid. States and colleges also use this information to determine eligibility for state and institutional aid.

Because need-based financial aid is awarded to students whose families need help paying for college, having a fair and objective way to estimate how much a family can afford is very important. *The FAFSA is the federal form that's used to help determine a student's eligibility for financial aid.*

Families should complete the FAFSA even if they think they're not eligible for need-based aid. They may find that they are indeed eligible, and some programs also want documentation showing that a student is not eligible for need-based aid before they award merit-based aid.

The FAFSA asks parents and students for information on income and assets (parents are referred to as "contributors" on the FAFSA). If a family's taxes have been filed and consent is provided, this information will be transferred directly into the FAFSA by the IRS.



The FAFSA can be completed free online at fafsa.gov. This site provides step-by-step instructions and detailed information on how to complete the FAFSA. Families only need to complete one FAFSA each year.

After a FAFSA is submitted, students receive their **FAFSA Submission Summary (FSS)**. The FSS includes the **Student Aid Index (SAI)**. This number is used to determine how much financial aid a student is eligible to receive. The lower the SAI amount, the greater the financial need and likelihood of eligibility for federal assistance.

Complete a FAFSA

A FAFSA can be submitted as early as October 1 of a student's senior year. Because financial aid is often awarded on a "first come, first served" basis, the FAFSA should be submitted as early as possible.

If you are hoping to receive any kind of financial aid, it's very important that you complete a FAFSA!

Determining financial need

Financial need is the difference between the amount a student's family can afford to pay and the cost of attending (COA) a college.

To determine if a student has need, their Student Aid Index (SAI) is compared to the cost of attendance (COA). If a student's SAI is more than the COA, the student is not likely to be eligible for need-based financial aid. If their Student Aid Index is less than the COA, the student will likely be eligible for aid.

Josh's College Cost Comparison

Josh is a senior who's considering three very different colleges: Private University (Private U), State University (State U), and City Community College (City CC).



Josh's FAFSA Submission Summary (FSS) shows that his Student Aid Index (SAI) is \$18,000. To get an idea of how much financial need he may have at each college, his family created the following table.

| | Private U | State U | City CC |
|--------------------------|------------------|------------------|------------------|
| Cost of attendance | \$55,000 | \$26,000 | \$17,000 |
| Minus SAI | <u>-\$18,000</u> | <u>-\$18,000</u> | <u>-\$18,000</u> |
| Estimated financial need | \$37,000 | \$8,000 | - 0 - |

Whether Josh attends a college that costs \$55,000 or \$17,000, the estimate of what his family could contribute doesn't change. The only thing that changes is Josh's financial need. In this case, Josh will obviously have a greater financial need if he goes to Private U.

CSS Profile

Some colleges and scholarship programs require that applicants complete the College Scholarship Service (CSS) Profile, in addition to the FAFSA. These colleges list the CSS Profile as a requirement in their financial aid instructions. For information, visit cssprofile.collegeboard.org.

Financial aid packages

Almost all financial aid is awarded in the form of a package.

If it's determined that a student is eligible for aid, the college's financial aid office will put together a financial aid package for them.



Packages can be any combination of grants, scholarships, work-study, and/or loans. *When comparing packages, it's important to not only look at the total amount of aid being awarded, but to also look at how the aid is distributed.* For example, two colleges may offer the same amount of aid, but one college's offer may include a greater amount of loans.

Colleges would like to be able to meet the financial need of every student who applies for aid; however, they can't always do so. Many students receive packages that don't provide financial aid equal to their need.

Because family financial situations change from year to year, a financial aid package is only good for one year.

Working with financial aid administrators

Financial aid administrators help families obtain the financial assistance they need.

College financial aid administrators put together financial aid packages for the students who qualify. As a rule, public colleges must follow strict government guidelines when awarding financial aid. Private colleges have much more latitude in how they use their funds and in how they award aid.

Financial aid administrators take a number of factors into consideration when putting together a financial aid package. Three of the most important factors are 1) the cost of the college; 2) the availability of funds; and 3) the desirability of the student. Families need to remember that financial aid administrators are working with limited funds that must be distributed in ways that are fair to all students and consistent with the college's policies and guidelines.



Part III

Types of Financial Aid

To obtain the maximum amount of financial aid, learn about the four types of aid: grants, scholarships, work-study, and loans.

Grants

Grants are awarded to students with financial need. Grants are awarded by the federal government, state governments, colleges, and organizations. Since grants do not have to be repaid, students should try to get as much grant money as possible.

Pell Grant – The Pell Grant is a federally funded grant that provides billions of dollars each year to income-eligible families. When students complete a FAFSA, they automatically apply for a Pell Grant. This grant can be used to pay for college expenses at any accredited college. The maximum Pell Grant award for 2023–2024 is \$7,395.

TEACH Grant – TEACH grants are available to education majors who agree to teach in schools serving disadvantaged students. To be eligible, students must complete a FAFSA and plan to complete the coursework necessary to teach.

Federal Supplemental Educational Opportunity Grant (FSEOG) – The government gives FSEOG funds directly to colleges, who then distribute these funds to their students with the greatest financial need. FSEOG awards range from \$100 to \$4,000 per year.

State grants – To qualify for a state grant, a student must be a resident of the state and, in most cases, attend a postsecondary institution there. In most states, the FAFSA serves as the application.

Institutional grants – Colleges often use their own funds to award institutional grants. Whether or not a student receives an institutional grant depends on the availability of funds and the desirability of the student.

Scholarships

While there are a great number of scholarships available, they are often difficult to obtain.

Many scholarships have such specific eligibility requirements that very few students qualify. For example, in order to be eligible for a scholarship, a student might need to go to a specific college, have high test scores, and belong to a particular ethnic group.

While it can be difficult to find scholarships for which the average good student qualifies, those who invest the time and energy often find that their efforts pay off handsomely.

When looking for scholarships, keep the following in mind.

- ▶ Finding and applying for scholarships takes a lot of time and effort. Students need to start early.
- ▶ While a one-year scholarship is for one year only, a renewable scholarship can become a four-year scholarship.
- ▶ *Be aware of deadlines.* Counselors and teachers should be given plenty of time to prepare transcripts and write recommendations.

Academic scholarships

Most academic scholarships are awarded by the individual colleges. Students are more likely to receive an academic scholarship if they are in the top 25% of the students applying. A student is also more likely to receive an academic scholarship from a private college. Of course, the more impressive a student's academic record, the greater the scholarship opportunities.



While a student's academic record is very important, scholarships are most often awarded to students who are also involved in school and community activities. Scholarship committees specifically look for depth of commitment (like four years on the debate or soccer team), involvement in meaningful activities (volunteering at a local food bank), and evidence of leadership (captain of a team or president of a club).

Athletic scholarships

Sports are big business, and outstanding athletes are often offered large scholarships. The NCAA and NAIA both have specific academic eligibility requirements for Division I and II colleges. Athletes should meet with their high school counselor as early as possible to discuss these eligibility requirements and to make sure they are taking the required high school courses. For more information, visit eligibilitycenter.org (NCAA) or playnaia.org (NAIA).

Talent scholarships

Most talent scholarships are awarded by individual colleges in music, art, theater, and dance. Many of these scholarships require that a student audition or submit a portfolio. Parents and students must understand that in order to receive a talent scholarship, a student must be truly outstanding.



Local scholarships

Local groups and organizations provide numerous scholarships for the students in their communities. These scholarships are generally for smaller amounts, but because the competition isn't as great, they're easier to get.

Early in their senior year, students should tell their counselor that they are looking for scholarships. They should also check with their counselor periodically to see if any new scholarships have become available.

Minority scholarships

Many colleges have scholarships designed to encourage outstanding minority students to attend. Students should check college websites for information on scholarships for which they may be eligible.

To search online for scholarships, go to scholarships.com, studentaid.gov, bigfuture.collegeboard.org, and fastweb.com.

*For a quick scholarship review,
watch this short video.*



Work-Study

Work-study programs give students the opportunity to earn money and gain valuable work experience while attending college.

Federal work-study programs are designed to help students with financial need earn money for college. Many colleges also sponsor their own work-study programs. Students earn at least minimum wage and work in student unions, dining halls, campus coffee shops, admissions offices, libraries, and more. Some colleges also offer off-campus work-study opportunities.

While there are broad guidelines regarding the number of hours a student can work, most students work 10–15 hours a week until they have earned the amount stipulated in their award letter. For example, a student who's been awarded \$1,500 for work-study might work in the admissions office 10 hours a week until they've earned \$1,500.

Students apply for work-study by completing the FAFSA. If a student has a financial need, the college may include work-study as part of the student's financial aid package.



Loans

When other financial aid options don't provide enough money to cover a family's financial need, the student or parent can take out a loan to cover the remaining costs. Some loans require financial need; others do not.

► Federal Direct Loans

Federal Direct Loans are made to students, and repayment doesn't begin until six months after the student has left college. First-year students can borrow up to \$5,500 a year. Second-year students can borrow up to \$6,500 a year.

Direct Loans can be subsidized or unsubsidized. Direct Subsidized Loans are for students who have financial need. Direct Unsubsidized Loans are available for students without financial need. *A Direct Subsidized Loan is preferable* because the interest rate is lower and the government pays the interest on the loan while the student is in college.

► PLUS Loans (Parent Loan for Undergraduate Students)

PLUS Loans are available to parents with good credit. Parents can apply for a PLUS Loan for the total cost of attendance, minus any financial aid the student has received. A college's financial aid office can provide instructions on applying for a PLUS Loan. Parents can also learn about PLUS loans at studentaid.gov.

► Private Loans

Many banks and lending institutions offer educational loans to credit-worthy families. Because these loans are privately funded, the fees and interest rates are likely to be much higher. Many of these loans promise low introductory rates, but the rates may change. *Families should exhaust their federal loan options before ever considering a private loan.*

► Loan repayment

When a student graduates or withdraws from college, that student must repay any loans they have taken out. The following are a few important terms to know regarding loan repayment.

Default. Failure to repay a loan can result in a default. When this happens, the lender can take legal action to get the money owed, including garnishing the responsible party's wages. A default damages your credit, and should be avoided at all costs.

Deferment. A deferment is putting off repayment temporarily. Students can apply for a deferment if they continue in college or don't yet earn enough money to make payments on their student loan(s).

Grace period is the time after a student leaves school when they do not yet have to make loan payments. Grace periods are typically 6 months.

Most students find that it is much more difficult to pay off their student loans than they expected. Smart students consider all financial aid opportunities and look for ways to cut college costs.

*For more information on student loans,
watch this short video.*





Part IV

Other Sources of Aid

The military, AmeriCorps, and federal tax benefits provide financial opportunities that can make college more affordable.

The Military

The military has many programs to help students pay for college.

Military college assistance programs include the Montgomery GI Bill; the Military Tuition Assistance Program; ROTC scholarships; and education benefits from the National Guard and the Reserves.

The best way to learn about military opportunities and benefits is to talk to a local recruiter. Students can also learn about career and educational opportunities in the military at todaysmilitary.com or usa.gov/join-military.

Tax Benefits

The Taxpayer Relief Act makes college more affordable for families by providing income tax credits and savings incentives.

- ▶ **American Opportunity Tax Credit** – The American Opportunity Tax Credit allows taxpayers to claim a credit of up to \$2,500 per year for education expenses during the first four years a student is in college.
- ▶ **Lifetime Learning Credit** – This tax credit allows families to claim a maximum credit of \$2,000 per year up to \$10,000.
- ▶ **529 Plans** – These plans help families set aside money for college. There are two kinds of 529 plans: 1) college savings plans and 2) prepaid tuition plans. For information, visit collegesavings.org.

AmeriCorps

AmeriCorps is a national service program. Students can work for AmeriCorps before, during, or after attending college. Workers receive a stipend for living expenses and an education award of over \$7,000 for a year of full-time service. For more information, visit americorps.gov.



Part IV

Cutting College Costs

College can be expensive, but there are a number of ways for students to cut college costs.

Live at home and commute

Students can save a great deal of money by living at home and commuting to a local college, rather than living in a dorm on campus.

Start at a two-year college

Students who want to earn a bachelor's degree can save money by starting at a two-year college and then transferring to a four-year college.

Earn while you learn

College students who combine coursework with employment are able to cut college costs, while acquiring valuable work experience. Students can do this through paid internships and co-op programs.

Spend less time in college

Students who finish college in less than four years can save a lot of money. Here are a few ways to shorten the amount of time you spend in college.

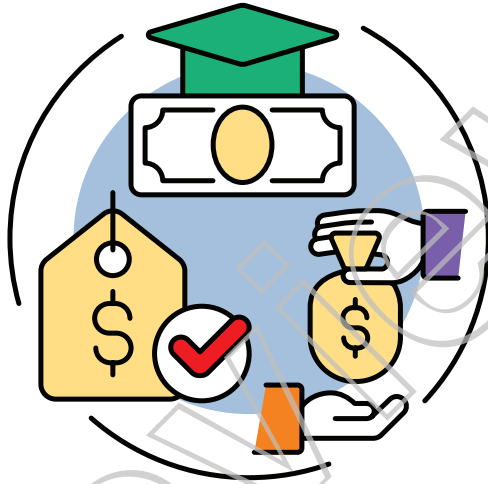
- ▶ **Advanced Placement courses** – Many high schools offer Advanced Placement (AP) courses. Students whose final test scores are high enough may be awarded college credit.
- ▶ **Dual-enrollment courses** – Dual-enrollment programs make it possible for students to earn both high school and college credit.
- ▶ **Heavier course load** – The highly motivated student can finish college in less than four years by taking more than the normal course load, and by taking classes during the summer.

For a quick review of how to get money for college, watch this short video.



VIDEO

How to Get Money for College



Learn about financial aid
and how you can make
college affordable.

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