Financial Aid
Overview

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Federal Student Aid

Federal Student Aid is part of the U.S. Department of Education, the largest provider of student financial aid in the nation. They provide more than $150 billion dollars a year in federal grants, loans, and work-study funds to over 13 million students paying for college or career school.

Who is eligible for financial aid?

Most students are eligible to receive federal financial aid regardless of age, race, or field of study. Your income is taken into consideration, and if you are a dependent student, your parent’s income will be taken into consideration, but this does not automatically prevent you from getting financial aid. In order to receive federal student aid, you’ll need to:

- Have a high school diploma, GED certificate, or have completed a high school education in a home school setting approved under state law
- Be enrolled or accepted for enrollment as a regular student in an eligible degree or certificate program
- If you are a male between the ages of 18-25, you have to be registered with Selective Service
- You have to have a valid SSN unless you’re from the Republic of the Marshall Islands, Federated States of Micronesia, or the Republic of Palau
- You have to certify that you are not in default on a federal student loan, that you do not owe a refund on federal grant, and that you will use federal student aid only for educational purpose
- You have to maintain satisfactory academic progress in college or career school
- You also have to be a U.S. citizen or U.S. national, have a green card, an arrival-departure record, battered immigrant status, or a T-Visa

Who is considered a dependent student?

When you apply for federal student aid, you will be considered an “independent” student or a “dependent” student. Dependent students are required to include information about their parents on the FAFSA.

The family structure in America has drastically changed over the years. Some of you may be stepparents or stepchildren, and others may be raising children or living with grandparents. Because of this, it’s important to understand how the government defines the word “parent” for the FAFSA application.

Note: If you are a dependent student, you may qualify as an “independent” student if your parents are not eligible for a PLUS loan due to adverse credit.
How is financial aid calculated?

Your eligibility for aid depends on your Expected Family Contribution, your year in school, your enrollment status, and the cost of attendance at the school you will be attending.

The financial aid office at your college or career school will determine how much financial aid you are eligible to receive by first deciding upon your cost of attendance (COA) for the school year. For students attending at least half-time, the COA typically includes:

- tuition and fees;
- the cost of room and board (or living expenses for students who do not contract with the school for room and board);
- the cost of books, supplies, transportation, loan fees, and miscellaneous expenses (including a reasonable amount for the documented cost of a personal computer);
- an allowance for child care or other dependent care;
- costs related to a disability; and/or
- reasonable costs for eligible study-abroad programs.

The school will then consider your Expected Family Contribution (EFC), which is an index number that college financial aid staff use to determine how much financial aid you would receive if you were to attend their school, and then subtracts your EFC from your COA to determine the amount of your financial need and therefore how much need-based aid you can get.

The information you report on your FAFSA is used to calculate your EFC according to a formula established by law. You and/or your family's taxed and untaxed income, assets, and benefits (such as unemployment or Social Security) all could be considered in the formula. Also considered are your family size and the number of family members who will attend college or career school during the year. Your EFC is not the amount of money your family will have to pay for college, nor is it the amount of federal student aid you will receive. It is a number used by your school to calculate how much financial aid you are eligible to receive.

Need-Based Aid

Need-based aid is financial aid that you can receive if you have financial need and meet other eligibility criteria. You cannot receive more need-based aid than the amount of your financial need. If your COA is $6,000 and your EFC is 2000, your financial need is $4,000; so you aren’t eligible for more than $4,000 in need-based aid.

The following are the need-based federal student aid programs:

- Federal Pell Grant
- Federal Supplemental Educational Opportunity Grant (FSEOG)
- Direct Subsidized Loan
- Federal Perkins Loan
- Federal Work-Study
Non-Need-Based Aid

To determine how much non-need-based aid you can get, the school takes your cost of attendance and subtracts any financial aid you’ve already been awarded. SHOW FORMULA

Non-need-based aid is financial aid that is not based on your EFC. What matters is your COA and how much other assistance you’ve been awarded so far. For instance, if your COA is $6,000 and you’ve been awarded a total of $4,000 in need-based aid and private scholarships, you can get up to $2,000 in non-need-based aid.

The following are the non-need-based federal student aid programs:

- Direct Unsubsidized Loan
- Federal PLUS Loan
- Teacher Education Access for College and Higher Education (TEACH) Grant

**What types of financial aid are offered by the federal government?**

Federal Student Aid offers three types of financial aid: grants, loans, and work-study

**Federal Student Grants Programs**

The federal government provides grant funds for students attending colleges, career schools, and universities. Grants, unlike loans, are sources of free money and typically do not have to be repaid. A student may have to pay back part or all of a grant if, he or she withdraws from school before finishing an enrollment period, such as a semester.

The major federal student grant programs include:

- Federal Pell Grant
- Federal Supplemental Educational Opportunity Grant (FSEOG)
- Teacher Education for College and Higher Education (TEACH) Grant
- Iraq and Afghanistan Service Grant

**Federal Student Loan Programs**

Loans tend to be the most confusing type of aid. The biggest difference between loans and the other types of aid is that loans must be repaid with interest. There are also some big differences between federal loans and private loans (aka nonfederal loans).

Federal loans typically have lower interest rates, income-based repayment plans, cancellation for certain employment, consolidation, and deferment options.

Private loans usually require a credit check, and the only federal loan that requires a credit check is the Direct PLUS loan.
If you have to take out loans, you should only borrow what you need and you should consider the earnings potential in your chosen profession to determine how easily you can repay your debt. You can find salary estimates online through the Bureau of Labor statistics.

**Subsidized and Unsubsidized Loans**

**Time Limits**

If you are a first time borrower, you may not receive direct sub loans for more than 150% of the published length of your program (AKA maximum eligibility period). If you’re enrolled in a 4-year bachelor’s degree program, the max period for which you can receive direct sub loans is 6 years, and if you’re in a 2-year program, 3 years.

If you receive direct subsidized loans for one program and change to another program, the direct subsidized loans you received for the earlier program typically count toward your new maximum eligibility period.

**Amount You Can Borrow**

The amount you can borrow is based on your year in school and whether you are a dependent or independent student. If you are a dependent student whose parents are ineligible for a Direct PLUS loan, you may be able to receive additional direct unsubsidized loans.

The current annual and aggregate limits for sub and unsubsidized loans are listed on the Federal Student Aid website.

**Direct PLUS Loans**

Direct PLUS loans are for graduate or professional students, or for parents of an undergraduate student.

For parents to receive a PLUS loan on behalf of their child, their child has to meet the general eligibility requirements for federal student aid, and the parents cannot have an adverse credit history. If parents have an adverse credit history, they may still be able to receive a direct PLUS loan by obtaining an endorser who does not have an adverse credit history, or by explaining any extenuating circumstances about their adverse credit to the U.S. Dept of Education.

If eligible for a PLUS Loan, parents will have to sign a Master Promissory Note agreeing to the terms of the loan. The max amount they can borrow is the cost of attendance minus any other financial assistance received.

Repayment on PLUS loans begins once the loan is fully disbursed, but parent borrowers can contact their loan servicer to request a deferment while their child is enrolled in school at least half time, and for an additional six months after their child ceases to be enrolled at least half
time. Interest will accrue during the deferment, and they can either pay it or let it capitalize to when the deferment period ends.

If a parent is unable to secure a PLUS loan, their undergrad dependent student may be eligible for additional unsubsidized loans, and will need to contact the school’s financial aid office for more info.

**Loan Interest Rates and Fees**

Interest is money paid to the lender in exchange for borrowing money from them, and it is calculated as a percentage of the unpaid loan amount borrowed. Perkins Loans, regardless of the first disbursement date, have a fixed interest rate of 5%

Interest is calculated by multiplying your loan balance by the number of days since the last payment, times the interest rate factor, which is determined by dividing your loan’s interest rate by the number of days in the year.

*Loan Fees:* there are no loan fees for Perkins Loans, but there are loan fees for Direct loans and Direct PLUS loans. The loan fee is deducted from each loan disbursement you receive, so you will receive less than the amount you actually borrowed, but you’re responsible for paying back the entire amount borrowed and not just the amount you received.

Note: If you have to take out private loans to pay for college, pay close attention to interest rates and loan origination fees, as these are typically higher than federal rates and fees.

**A Quick Word About Loan Servicers**

A loan servicer is a company that handles the billing and other services on your federal student loan. The loan servicer will work with you on repayment plans and consolidation. Your loan will be assigned to a servicer by the U.S. Department of Education after your loan amount is first disbursed, which typically occurs in two payments. Your loan servicer will contact you after the first payment is made. It’s possible that your loan will be transferred from one servicer to another, but your loans will still be owned by the education department and you will be notified of any changes.

**Federal Work-Study Program**

Federal work-study provides part-time jobs for full-time or part-time undergrad and grad students with financial need, allowing them to earn money to help pay education expenses. This program typically encourages community service work and work related to the student’s course of study.

In order to be eligible for work study, you’ll need to express your interest in your FAFSA application. Not all schools participate, so you’ll want to check with your school’s financial aid office.
Work-study jobs may be on campus or off campus, and you earn at least the current federal minimum wage and sometimes more depending on the type of work you’re doing and the skills required for the position.

Your total work-study award will depend on when you apply, your level of financial need, and your school’s funding level. Undergrads are paid by the hour, grad students are paid by the hour or by salary, and your school must pay you directly (unless otherwise directed) at least once a

**Scholarships**

There are many different types of scholarships available for students, including merit-based and scholarships based on demographics.

**Merit-Based:** Merit-based scholarships are earned by meeting or exceeding certain standards set by the scholarship giver, oftentimes based on GPA or SAT/ACT score, or a combination of academic achievement and a special talent, trait, or interest. Many scholarships grantors are BIG on community service and involvement, and some base merit scholarships on academic achievement and financial need.

**Scholarships Based on Demographics:** These scholarships may for women, seniors, minority students, people who are tall, etc.

To learn more about scholarships, talk to your high school counselor (if applicable), contact the financial aid office at the school you plan to attend, and look online. I strongly suggest registering on multiple scholarship sites to conduct the most comprehensive search. Fastweb.com and Scholarship.com are two of the most popular sites, but there are many other scholarship search engines out there. There are also scholarships available through the Department of Health and Human Services’ Indian Health Service, National Institutes of Health, and National Health Service Corps.

It’s important to note that all scholarships have different deadlines, requirements, and distribution methods so be sure to read carefully. Also, scholarship will affect your other student aid because your student aid added together cannot be more than your cost of attendance at your college or career school. Thus said, if you’re awarded a scholarship, make sure you notify the financial aid office at your school.

**Loan Repayment Options**

Before you take out any student loans, PLEASE make sure you are familiar with the different repayment options that are available. Although you may select or be assigned a repayment plan when you first begin repaying your student loan, you can change repayment plans at any time—for free.
You can use the Repayment Estimator to get an early look at which plans you may be eligible for and see estimates for how much you would pay monthly and overall. You’re encouraged to use the estimator when you’re beginning repayment of your federal student loans for the first time, or exploring repayment options by income. If you haven’t taken out loans as of yet but have obtained award letters from different schools, you can manually enter the loan amounts you’re considering into this estimator to get a general idea of what you’ll be paying when your loan(s) enter repayment.