



# Paying for college

## Understand financial aid

Figuring out how to pay for college can be a daunting task. One way to make up the difference between what your family can afford to pay and what college costs is through financial aid. Most students currently enrolled in college receive some sort of financial aid to help pay their college expenses.

Check with each scholarship program for additional details.

Consider federal loans before private loans because federal loans typically have lower interest rates.

### What is financial aid?

Financial aid is an outside resource that can be used to pay for higher education. There are two basic types of financial aid:

1. **Merit-based financial aid**  
Awarded to students with specific talents or skills in areas such as academics, athletics, performing arts, etc.
2. **Need-based financial aid**  
Awarded to students who demonstrate financial need according to federal calculations—this is determined by filling out the FAFSA—or other college-required calculations.

### Types of financial aid

#### SCHOLARSHIPS

Scholarships are mostly merit-based and do not need to be repaid. Most scholarships require students to complete an application and submit items like transcripts, test scores and an essay. Scholarships are awarded by:

- Colleges and universities
- Private companies/employers
- Community or charitable organizations

#### GRANTS

Grants are typically need-based, although some are awarded based on merit. Grants do not need to be repaid. The most common need-based grant program is the Federal Pell Grant Program. Grants are awarded by:

- The federal government
- State governments
- Colleges and universities

#### LOANS

Loans are funds that must be paid back with interest. Interest rates and repayment provisions are very important to consider when looking at loan options. Interest adds up over the life of the loan, so the lower your rate, the less you will pay back in interest.

- **Federal loans** are government funds disbursed through the William D. Ford Federal Direct Loan Program. These include federal Direct Loans, which can be one of the following:
  - **Subsidized** – The federal government pays the interest that accrues while the student is in school (must be enrolled at least half-time), in the grace period and in deferment.

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- **Unsubsidized** – The student is responsible for paying all interest. Students can pay the interest while in school, in the grace period and in deferment. If students do not choose to do so, the interest will accrue and be capitalized (adding the interest to the principal amount of the loan).
- **Grad PLUS** – This loan is available to graduate or professional students who do not have adverse credit history and meet the federal student aid general eligibility requirements. The student is responsible for paying all interest while in school, in the grace period and in deferment. If students do not choose to do so, the interest will accrue and be capitalized (adding the interest to the principal amount of the loan).
- **Private loans** are disbursed through private parties (i.e., banks) and generally have a higher interest rate.

While the federal William D. Ford Direct Loans are available only to students, parents may obtain federal Direct PLUS Loans to help pay for their dependent student's education. Parent loan payments begin after the loan is fully disbursed (paid out). If unable to begin repayment at that time, contact the loan servicer to request a deferment.

#### WORK OPPORTUNITIES

Work opportunities, including Federal Work-Study, are available on most college campuses. Students can work to earn paychecks or to reduce their tuition or room and board.

## Applying for federal financial aid

The federal government is the largest source of financial aid, particularly of grants and loans. To apply for federal grants, loans and work-study, students must complete the Free Application for Federal Student Aid (FAFSA). The FAFSA is an online form that collects demographic and financial data about students and their families.

This information is used to compute the Expected Family Contribution (EFC), which helps colleges determine how much financial aid to award.

To apply for federal financial aid, you must be a U.S. citizen, permanent resident, or eligible noncitizen with a valid Social Security number.

Several states, such as California, Colorado, Minnesota and Oregon, have forms that are an alternative to the FAFSA for DACA or undocumented students. Check with your local The College Place (TCP) advisor for more information.

## Online resources

- **FAFSA**  
[www.fafsa.gov](http://www.fafsa.gov)
- **Federal Student Aid information**  
[www.studentaid.ed.gov](http://www.studentaid.ed.gov)
- **Scholarship searches**  
[www.bigfuture.com/scholarships](http://www.bigfuture.com/scholarships)  
<https://app.mykaleidoscope.com/>  
[www.finaid.org](http://www.finaid.org)
- **Scholarship scams**  
[www.finaid.org/scholarships/scams.phtml](http://www.finaid.org/scholarships/scams.phtml)

## Need more information?

The College Place is here to help you with free college-planning resources and personal advice. Visit our website at [www.ecmc.org](http://www.ecmc.org).