

Lesson 3

How Will I Pay For College?

Materials Needed:
pen or pencil
access to Internet or library



Vocabulary: These words will help you understand this lesson.

Word/Term	Definition
scholarship	grant of financial aid awarded to a student, as for the purpose of attending a college; it does not have to be paid back
grant	giving of funds for a specific purpose; it does not have to be paid back
work-study	an educational plan in which students alternate between paid employment and formal study; money earned does not have to be paid back
student loans	money you borrow to pay for school; this money can be borrowed from both the federal and state governments as well as from the schools themselves and private sources (banks); mostly repay

Journal Entry

Winston Churchill said, “A pessimist sees the difficulty in every opportunity; an optimist sees the opportunity in every difficulty.” Financing college can be difficult. Write in your journal about how you will look at this challenge.

Financing Your College Education

You may be asking yourself, “How am I going to pay for college?” Yes, this is an important question and concern. Fortunately, there are many financial options open to you. Do not allow

costs to keep you from going to school because you will probably be able to get assistance from a variety of sources.

The Federal Government provides the most financial aid. It provides assistance to students who have financial limitations. Financial need is based on your “expected family contribution” (EFC). Families with low incomes will have a low EFC, which means that students from low income families have the highest need. The federal government offers several aid options. These are a few.

- A. **Pell Grant:** This grant is based on your financial need. The federal government awards you a certain amount of money each year and sends it to your school. Your school may then apply it to school costs and/or pay you directly with a check. This money does not have to be repaid.

- B. **Supplemental Educational Opportunity Grant (SEOG):** This is also based on need. Pell Grant recipients with the lowest expected amount of family contribution receive this grant. Students who are members of families that cannot help with school payments are strong candidates for this aid. Money does not have to be repaid.

- C. **Perkins Loan:** This is a low interest loan for students with exceptional financial need. In this case, money is given to your school, and the school becomes the lender. This loan must be repaid.

- D. **Stafford Loan:** If you have financial need remaining after you have been awarded a Pell Grant and other loans, you may be eligible for a Stafford Loan to cover the remaining costs. The government pays the interest while you are in school and during the first six months after you leave school. This loan must be repaid.

- E. **Work-Study Program:** This program provides students with part-time jobs while they are in school. It is also based on financial need. The jobs will most likely be located on the school campus, but may also be in a community business, non-profit organization, or agency. Money earned does not have to be repaid.

To receive federal student aid you must be one of the following: a U.S. citizen, a U.S. national, or a permanent resident who has an I-151, I-551, or I-551C (Permanent Resident Card). There are a few other categories that allow for federal student aid.

Other Sources of Financial Aid

Scholarship searches take time, but reduce the cost of college. The two key words to keep in mind when thinking about scholarships are *merit* and *need*, although other kinds of scholarships are offered. Remember you don't get any unless you apply.

- A. **Merit-based scholarships** go to students who are superb academic performers. They are often awarded on a competition basis. The National Merit Scholarship is an example of this type of scholarship. Obtaining a certain score on the PSAT/NMSQT may qualify you for a merit scholarship.
- B. **Need-based scholarships** go to students whose financial resources do not enable them to afford the full cost of the college or university to which they have been accepted. These scholarships are available at many schools and can be quite large depending on the financial aid resources of the college.
- C. **Specialty scholarships** usually go to enrolling first year students according to some unique considerations. Church-affiliated colleges may have some specially endowed scholarships for students who are members of their denomination. Occasionally awards are given to students in a certain geographic area. There are a variety of "specialty" scholarships.
- D. **Athletic, Music, Art, Business, Alumni, Theater/Communication, etc. Scholarships** are often available. Many colleges have departmental-type scholarships students can apply for. Some may not be huge, but it all helps.
- E. **Ethnicity-based Aid** is financial aid where applicants must initially qualify by race, religion, or national origin.
- F. **State Student Aid** varies from state to state. Investigate on the Internet or contact a counselor for information.

G. A Variety of **Community Scholarships** may be available. Often a local service club, such as Rotary or the Lions Club, will offer scholarships. Some corporations give scholarships to their employees' children or to local students based on academic success. Non-profit organizations, Chamber of Commerce, Labor Unions, Church and volunteer organizations are another source to explore for possible scholarships.

BEWARE!! Do Not Pay For Scholarship Searches

Families in need of scholarship aid are a target for **scam** artists. Red flags to watch out for when searching for aid include: pressure to commit right away, inappropriate questions about finances, and inappropriate openness about other client's personal business. As you research financial aid, it is important to stay away from companies that promise exclusive information or a scholarship search for a fee, offer awards you never applied for, or ask for a bank or credit card account number to "hold" a scholarship for you. One new scam is the financial planning "seminar." Students receive a letter inviting them to a free seminar on financial aid. When they arrive, they endure a high-pressure sales pitch for costly services. Legitimate sources of information can be found on-line, **for free**. One of the best web sites is **www.fastweb.com**

Where Do I Begin?

To begin the process of financial aid, fill out a **Free Application for Federal Student Aid** or **FAFSA**. The Department of Education processes these forms. You can find them on the Web at **www.FAFSA.ed.gov** or call **1-800-4-FED-AID** and request an application. Request or print out a FAFSA WORKSHEET. It's difficult to fill out, but worth the effort

If you are applying online you need to apply for a **PIN**. A PIN is your personal identification number. It is an electronic access code number that serves as your personal identifier. Go to **www.pin.ed.gov** and request your PIN before you complete your FAFSA. When requesting a PIN, you must provide your name (as it appears on your Social Security card), your Social Security number, date of birth, mailing address, and e-mail address (if you have one). After this information has been verified, a PIN will be generated. If you provide an e-mail address you'll get an e-mail response that contains a link to your PIN in 1-3 days. If you don't have an e-mail address, you'll receive your PIN through regular mail in 7-10 days.

Your PIN allows you to apply online for federal student aid, using FAFSA on the web. You can “sign” your application electronically. You can also make corrections to your FAFSA, and access your *Student Aid Report* and make online corrections to it. You can “sign” a master promissory note for a federal student loan. The Federal Student Aid PIN gives access to personal information and should be kept **private**.

The documents you need for the application include: a W-2 form from parents and student, mortgage and investment statements, and bank statements. About 2-4 weeks after submitting the FAFSA, you will get a **Student Aid Report (SAR)**. When you apply for financial aid with the school, the college will try to design a package that can meet your financial need. It may include a mix of loans, grants, and work-study.



Each school package will be different. You can compare to see which package is the best for you. In some cases you can use School A’s financial package to bargain for a better one with School B. Write a letter to the financial aid office stating your concern over the package you received, and include a copy of School A’s better offer. State, if true, you would like to attend School B, but need more assistance. If you or your family’s ability to pay for college has changed over the past year due to a job loss, an illness, or a death, you can appeal to the financial aid office for a better package offer.

You can also look for scholarships outside the college. The College Board offers a free scholarship search tool that searches nearly 2,300 sources. There are many, many scholarship awards to be found, but you have to do the work. If this seems overwhelming, remember it is an investment in the future and worth the effort.

Myths About Colleges

Only the very rich can afford college.

There is no financial help for the middle class.

Only great athletes get scholarships.

Community colleges offer only vocational education.

It's not what you know, but who you know to get financial aid.

Financial Aid Calendar Time Line: Complete activities listed for each month before going to the next month.

Summer Before your Senior Year

- Start to research scholarships on line.
- If you have questions about how financial aid eligibility is determined, a good source to investigate this problem is the book *Meeting College Costs*.

September

- Meet with a counselor or mentor to talk about college applications and financial aid.
- Find out if you qualify by using the EFC chart to determine your eligibility. On online to Expected Family Contribution and complete the information on the chart.

October

- Ask your mentor or a school counselor for information on state and local scholarships. Many of these programs require the FAFSA (which is free) or the PROFILE (which is not free). Make sure these forms are submitted to all scholarship programs that require them. PROFILE is the financial aid application service of the College Board. Many of the member colleges, universities, graduate and professional schools, and scholarship programs use the information collected on PROFILE to help them award **nonfederal** student aid funds.
- Male students who will be 18 at the time they complete the FAFSA are required to register with Selective Service (the military) to be eligible for federal and state aid. Students can register for Selective Service at the post office or through the FAFSA form. Call Selective Service toll-free at 1-888-655-1825 for more information.

November

- You and your parents should request a Department of Education PIN number. The PIN serves as an electronic signature for FAFSA on the Web and significantly reduces processing time.
- CSS Financial Aid PROFILE is a financial aid service. The **PROFILE** form is administered by the College Scholarship Service (**CSS**), the **financial aid** division of the College Board. If you're applying for regular decision admissions and for financial aid it is not too early to submit the PROFILE application. Visit Financial Aid PROFILE online to learn more about the PROFILE service and how to submit the application online. Remember, unlike the FAFSA, you do not need to wait until after January 1 to submit PROFILE.

December

- Apply for scholarships in time to meet application deadlines.
- Get a free application for FAFSA from your school or register online. If you are planning to submit online, which is recommended, familiarize yourself with the web site.
- Gather identifying and financial documents necessary to complete FAFSA. See page in Appendix.

January

- Income information from your tax return is needed to complete the FAFSA, so it's a good idea for you and your parents to prepare returns as early as possible this year. However, it is not necessary to submit your tax return to the IRS before submitting the FAFSA.
- Sign and submit the FAFSA as soon as possible, but after January 1. Applying early improves the chances of receiving aid from as many sources as possible
- If you are submitting FAFSA online you might find it helpful to complete the Pre-Application worksheet, available on FAFSA on the Web. This worksheet will help a family organize its financial information for the online version of FAFSA and should NOT be submitted to federal processors. This is just a worksheet.

February

- Most deadlines for CSS/Financial Aid PROFILE fall in early to middle February. Make sure the application is received in time to meet these deadlines.
- The Student Aid Report (SAR) should arrive anywhere from two to four weeks after the FAFSA is submitted. The Expected Family Contribution (EFC) figure is printed on the front page at the upper right. If the SAR has not been received four weeks after submitting the FAFSA, call 1-800-4-FED-AID (800-433-3242). If there are any errors on the SAR, make corrections and mail it back immediately.
- If you provided an e-mail address on the FAFSA, you will be sent a link to SAR. Make corrections to the SAR if necessary online at FAFSA on the Web.

March

- Some admissions decisions and financial aid award letters arrive this month.

April

- Admissions decisions and financial aid award letters arrive this month. Read aid award letters carefully and be sure to meet deadlines for accepting awards.
- Compare awards.
- Make a final decision and mail the enrollment form and deposit check to your final-choice college before May 1, the reply deadline for most colleges.

May

- If it will be difficult for your family to pay the Expected Family Contribution for the semester, look at alternatives such as parent loans or private loans to pay for college

Analysis:

1. What are four sources for obtaining financial aid?

2. What financial aid does the federal government offer that does not have to be repaid?

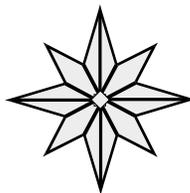
3. Who qualifies for government aid?

4. What is a PIN? Why might you want one?

5. What is FAFSA? Why would you apply to FAFSA?

6. Look at the list of possible places to get financial aid. What do you qualify for?

7. Find out the names of *at least* three local scholarships that are available in your area.



End of Lesson 3