

# Mission: POSSIBLE!



The toolkit that helps you save,  
plan and pay for college





# Education Pays

**A**n education is a powerful investment in your future and one of the best decisions you can make. The higher your level of educational attainment, the more attractive you are to employers and the more money you are able to earn. The College Board estimates that college graduates can expect to earn more than \$800,000 more over their lifetimes than students who only complete high school.

## College is Possible

**T**here are thousands of colleges and universities of all different types, sizes, and costs. And financial assistance is available to help you attain your dream of a higher education. This book provides information to help you save, plan and pay for college.





## Build a College Plan

**G**etting into college is more than just completing the right forms; it is a process. Communicating with family members and advocates such as counselors, teachers and college administrators is crucial. These people can provide expertise and advice for reaching your goals. Parents, in particular, play an important role in the process. Students and parents should share their goals with each other and build a plan that works best for their family situation. The best thing you can do to prepare for college is to inform yourself. Our research shows that the more information you have about how to pay for college, the more likely you are to actually get there.



# Build a College Plan

## COLLEGE PREP TIMELINE FOR MIDDLE SCHOOL STUDENTS

### Sixth Grade

- Know your learning style – whether you learn better by seeing, hearing, or doing
- Develop good study habits based on your learning style
- Don't miss any classes, take school seriously, and work hard to get good grades
- Do your homework – homework is practice and helps you to improve
- Talk to your parents about what you are doing in school each day
- Start saving for college if you haven't already

### Seventh Grade

- Participate in school activities such as music, sports, or clubs
- Keep doing your homework
- Talk to your guidance counselor about what you need to do to be ready for algebra in eighth grade
- Review career information to see what general types of jobs might interest you
- Talk to your family and friends about career possibilities
- Continue saving for college

### Eighth Grade

- Keep doing your homework to develop good study habits and organizational skills
- Take algebra if it is offered at your school
- Continue to work hard to get good grades in all your classes, not just your favorites
- Talk to your teachers and guidance counselor about selecting your ninth grade classes
- Talk to your parents about high school classes, college plans, and career goals
- Continue saving for college



# Build a College Plan

## COLLEGE PREP TIMELINE FOR HIGH SCHOOL STUDENTS

### Ninth Grade – Freshman Year

- Meet with your high school guidance counselor
- Select high school classes that meet college admissions requirements
- Take challenging classes that build strong verbal, math, and reasoning skills
- Get involved in extracurricular activities that show your interests
- Keep an academic portfolio and record of your extracurricular activities
- Research colleges on the Internet to learn early which interest you
- Continue researching career possibilities
- Use the summer to read books, take classes, or volunteer to help you learn and build your resume
- Continue saving for college

### Tenth Grade – Sophomore Year

- Continue all activities listed on the ninth grade timeline
- Register for and take the PSAT and/or PLAN test to find out your strengths and weaknesses
- Talk to your guidance counselor about your PSAT and/or PLAN scores and create next steps to prepare for future tests

### Eleventh Grade – Junior Year

- Register for and take the PSAT and/or PLAN in the fall if you did not do so in tenth grade
- Talk to your guidance counselor about your PSAT and/or PLAN scores and how to improve them
- Continue working hard to get good grades
- Take advanced courses if you are eligible
- Make a list of colleges you would like to learn more about and discuss the list with your parents and guidance counselor
- Visit colleges and attend college fairs
- Research which colleges require the ACT, SAT, and/or SAT Subject Tests
- Register and take the ACT, SAT, and/or SAT Subject Tests in the spring
- Use the summer to read books, take classes, volunteer, or work to help you learn and build your resume
- Continue saving for college

### Twelfth Grade – Senior Year

- Continue to work hard to get good grades and take advanced courses if you are eligible
- Register and take the ACT, SAT, and/or SAT Subject Tests in the fall if you need to improve your scores
- Talk to your parents and guidance counselor about the colleges you wish to apply to
- Obtain all admissions and financial aid applications from your college choices
- Ask teachers, counselors, and/or community leaders for recommendations
- Visit colleges and attend college fairs
- Complete and submit admission applications and essays (keep copies for your records)
- Request that your official high school transcript be sent to your college choices
- Request that your ACT, SAT, and/or SAT Subject Test scores be sent to your college choices, if this was not done so when you registered or took the test
- Complete the FAFSA as soon as possible after January 1
- Review your Student Aid Report (SAR)
- Search and apply for scholarships
- Review acceptance letters and financial aid offers from colleges
- Make final decisions, notify schools, and submit any necessary documents or deposits



# Planning for College

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- 8 Standardized Tests
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# Higher Education Options

**T**here are many different ways to continue your education after high school. In particular, there are three main types of schools in the United States that you can go to. They offer varying degrees and usually have high school course requirements.

## TYPES OF INSTITUTIONS

- **Four-Year Colleges and Universities**
  - Grant Bachelor of Arts (BA) and Bachelor of Science (BS) degrees
  - Geared toward preparation for professional occupations
- **Two-Year Community and Junior Colleges**
  - Grant Associate degrees or certificates
  - Offer many technical programs designed to serve the community's needs
  - Specialize in college transfer programs often tied to four-year colleges
- **Vocational, Technical, and Business Schools**
  - Grant certificates
  - Specialize in trades or vocations by offering specific courses and occupational programs

## MINIMUM HIGH SCHOOL REQUIREMENTS

- Requirements vary by school so be sure to check with your guidance counselor and college admissions offices to ensure you meet the correct requirements. See the typical requirements below:



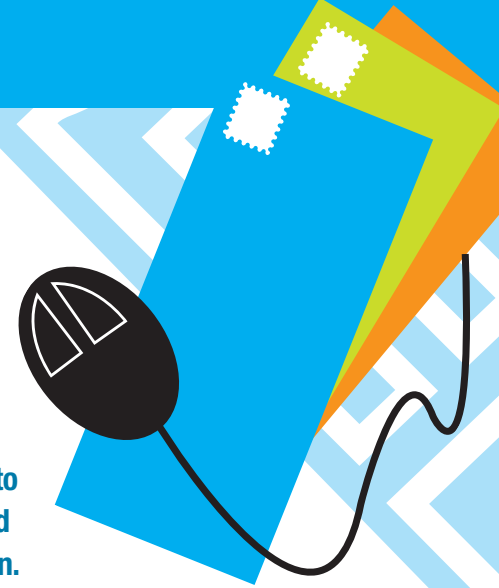
HIGH SCHOOL COURSE WORK	FOUR-YEAR COLLEGE	TWO-YEAR COLLEGE	VOCATIONAL, TECHNICAL, OR BUSINESS SCHOOL
English	4 years	4 years	4 years
Science	2-4 years	2-4 years	1-3 years
Math	2-4 years	2-4 years	2-4 years
Social Studies	2-4 years	2-4 years	2-4 years
Foreign Language	2-4 years	2-4 years	2-4 years



# College Applications - How to Stand Out

**T**here are many steps in the college application process. As a result, building a winning application involves careful planning and organization. Schools consider a variety of factors when choosing students to be in their next freshman class. They generally seek well-rounded students, so be sure your application reflects more than just good grades and test scores.

Before beginning to put together your application packets, start a calendar to keep track of important deadlines. Staying organized is very important and helps ensure that you have time to get all the items you need for an application.



## CHECKLIST FOR A STAND-OUT APPLICATION:

### ■ Academics

- Take challenging classes and do well in them
- Make sure you take all the classes required by your college choices
- Balance your electives with your interests and college prep classes

### ■ Extracurricular Activities

- Get involved in things that interest you
- Don't over commit yourself; your level of involvement in the activities is important
- Develop yourself; work towards a leadership position within a team or club or enhance your skills on an instrument or your talent

### ■ Transcripts

- Request your official transcript (high school academic record) from your guidance counselor in advance to ensure that you or your college choices receive it on time
- If your school does not have official transcripts or you are home-schooled, ask your college choices what you may submit as a substitute

### ■ Test Scores

- Retake the ACT, SAT, and/or SAT Subject Tests again if necessary
- Have scores sent to your college choices – request this when taking the test or later from the testing organization

### ■ Recommendations

- Request recommendations from people who know you and your strengths well, such as teachers, guidance counselors, community leaders, etc.
- Request the recommendation in advance and give the person detailed instructions with a due date, to whom it needs to be submitted (to you or directly to school), and how it should be submitted (provide a preaddressed stamped envelope, if applicable)
- Send a thank-you note to those that provide a recommendation and let them know the status of your application

### ■ Essays

- Give yourself plenty of time to write your essays; writing, re-writing and editing will take longer than you think
- Highlight your strengths with examples that will allow admissions officers to understand your motivations, creativity, and personality
- Ask for feedback from others
- Proofread more than once before submitting
- Essays are needed, not only for admissions, but for many scholarships as well

### ■ Resume

- Prepare a resume that includes your educational and professional experiences
- Highlight all extracurricular activities including leadership roles, community involvement, athletics, music, etc.
- Highlight responsibilities such as taking care of siblings, a parent, etc.

# Standardized Tests

**T**esting requirements vary from college to college. Some only accept the SAT while others accept either the SAT or ACT. Most schools will take the highest scores from different test dates, and some schools have standardized test results as an optional requirement. Colleges may also require SAT Subject Tests in addition to the SAT and/or ACT. Read the requirements of the colleges you have chosen carefully.

## TESTING TIPS:

- Early in high school, take the PSAT and PLAN to practice for the SAT and ACT.
- Find out what preparation options are available in your area. Begin studying 2-3 months prior to the exam.
- Build your vocabulary and reading skills by reading newspapers, books, and magazines.
- Ask a teacher or counselor to go over the test results. There is a lot of information available on score reports.
- Parents, support your student's efforts to prepare for the exam in addition to their regular homework.
- Ask your guidance counselor if you qualify for a SAT or ACT fee waiver.

Test	Specs	When to take it	Testing organization	For more information and to register
<b>PSAT/NMSQT*</b>	<ul style="list-style-type: none"> <li>• "Pre-SAT" test</li> </ul>	10 <sup>th</sup> grade and/or fall semester of 11 <sup>th</sup> grade	The College Board	<a href="http://www.collegeboard.com/testing">www.collegeboard.com/testing</a>
<b>PLAN</b>	<ul style="list-style-type: none"> <li>• "Pre-ACT" test</li> </ul>	10 <sup>th</sup> grade	ACT, Inc.	<a href="http://www.act.org/plan">www.act.org/plan</a>
<b>SAT</b>	<ul style="list-style-type: none"> <li>• ~4 hour test</li> <li>• 3 sections: critical reading, mathematical reasoning, and writing</li> </ul>	Spring semester of 11 <sup>th</sup> grade and fall semester of 12 <sup>th</sup> grade, if needed to improve score	The College Board	<a href="http://www.collegeboard.com/testing">www.collegeboard.com/testing</a>
<b>ACT</b>	<ul style="list-style-type: none"> <li>• ~3.5 hour test</li> <li>• 4 sections: English, math, reading, science</li> </ul>	Spring semester of 11 <sup>th</sup> grade and fall semester of 12 <sup>th</sup> grade, if needed to improve score	ACT, Inc.	<a href="http://www.actstudent.org">www.actstudent.org</a>
<b>SAT Subject Tests</b>	<ul style="list-style-type: none"> <li>• ~1 hour per subject test</li> <li>• Options include English, math, science, history, foreign language</li> </ul>	Spring semester of 11 <sup>th</sup> grade and fall semester of 12 <sup>th</sup> grade, or earlier after completing course in the subject	The College Board	<a href="http://www.collegeboard.com/testing">www.collegeboard.com/testing</a>

\* NMSQT: National Merit Scholarship Qualifying Test - gives you a chance to enter National Merit Scholarship Corporation (NMSC) scholarship programs.



# Picking the Right School



**W**ith the large number of colleges and universities in this country, there are a lot of choices, so do your research. Use the Internet, guide books, brochures, and videos to research schools that interest you.

When considering the kind of college you are interested in, use the factors below as a guide. Make sure you meet all of your needs – academic, social, and financial.

## ■ Type

**Q:** What kind of academic environment will you excel in?

**A:** Two-year or four-year; public or private; vocational or technical; religious affiliation; coed or single sex; etc.

## ■ Size

**Q:** What size school are you comfortable with?

**A:** Under 1,000 students; 1,000-5,000 students; 5,000-15,000 students; over 15,000 students, etc.

## ■ Location

**Q:** What kind of physical environment do you feel comfortable in?

**A:** Geographic region; urban, suburban or rural setting; distance from home; etc.

## ■ Facilities

**Q:** What facilities do you need to make the most of your college experience?

**A:** Academic – library; classrooms; lecture halls; science, computer or language labs; art, music or theater facilities; etc. Athletic – varsity and non-varsity facilities; weight room; recreation center; etc.

Residential and Student Life – single-sex or coed dormitories; theme housing; meal plans and dining hall options; bookstores; etc.

## ■ Costs

**Q:** What can you afford to pay for college? How much financial help will you get from your family?

**A:** See the next section of this book to understand college costs.

College fairs can also help you gather information about schools. While at the fair, visit many representatives and have your questions ready.

Seeing a campus first-hand and meeting with admissions counselors, financial aid officers, and current students are great ways to see if a particular school is right for you. Schedule college visits into family vacations, for weekends, or as part of trips with your high school or volunteer organizations.

## TIPS FOR MAKING A COLLEGE VISIT A SUCCESS:

- Research the college before you go so you know what questions to ask.
- Schedule an appointment with an admissions and/or financial aid administrator.
- Take a campus tour.
- Take a copy of your transcript with you so that admissions counselors can give you a realistic idea of how you'll compare to other applicants.
- Attend a class and eat in the dining hall.
- Read the student newspaper.
- Look at bulletin boards to see what's going on around campus.
- Check out the range of services and facilities in the bookstore and student center.
- Ask students what they like and don't like about the campus.
- Observe the students on campus. Do you want to be a part of the campus community?
- Look at other facilities that interest you – athletic facilities, fine arts facilities, career counseling office, student newspaper office, etc.

There are thousands of schools and you can't apply to all of them, so take some time to investigate the best overall options. Make a "Lucky 3" list of schools to apply to that includes a reach school, a realistic school, and a safety school.

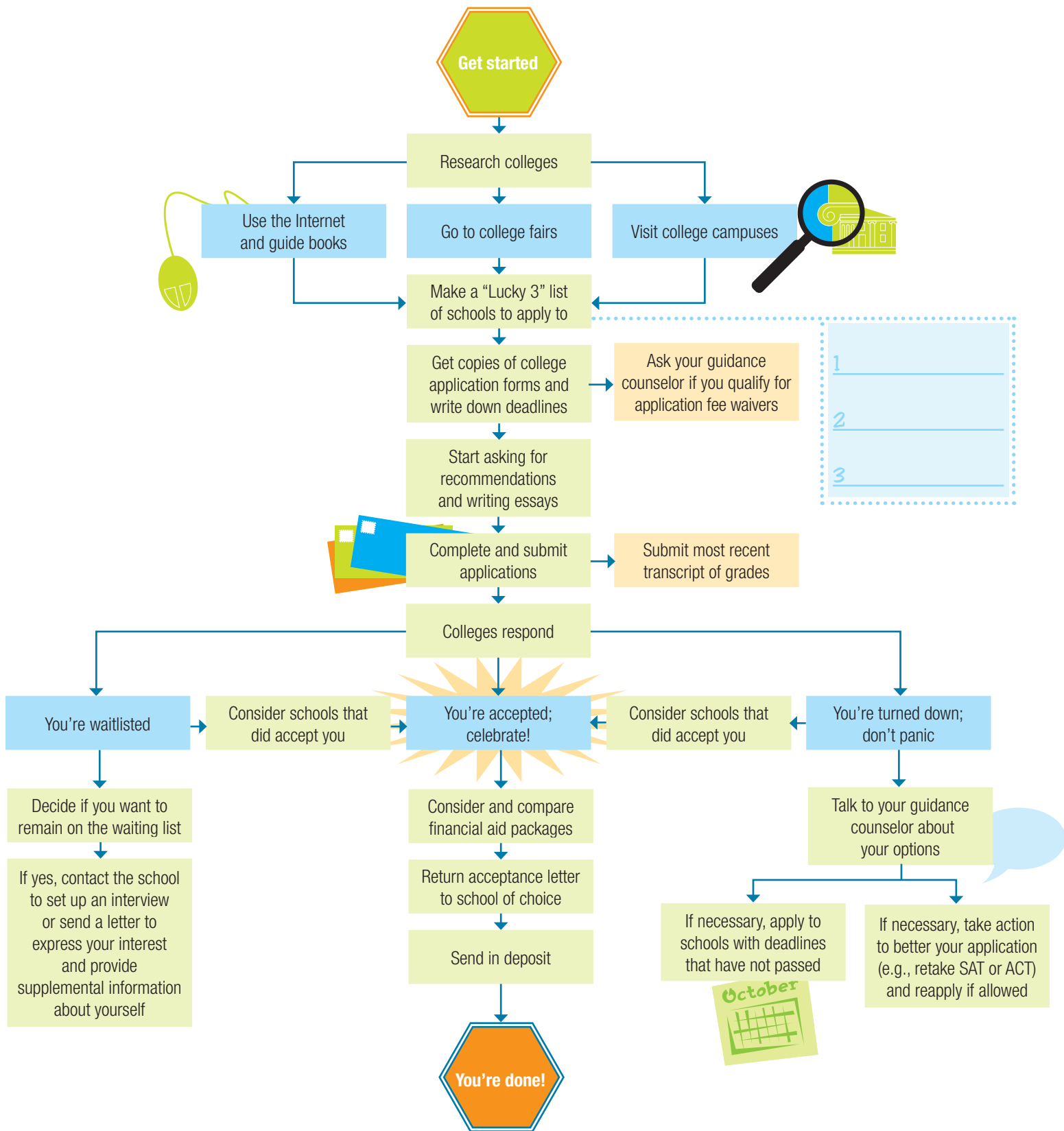
## ADDITIONAL RESOURCES

[www.act.org/plan](http://www.act.org/plan)  
[www.actstudent.org](http://www.actstudent.org)  
[www.collegeboard.com](http://www.collegeboard.com)

[www.collegeispossible.com](http://www.collegeispossible.com)  
[www.commonapp.org](http://www.commonapp.org)  
[www.nacacnet.org/studentresources](http://www.nacacnet.org/studentresources)

[www.studentaid.ed.gov](http://www.studentaid.ed.gov)  
[www.students.gov](http://www.students.gov)

# Your Path to College



# Saving and Paying for College

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# Understanding College Costs

**T**he cost of college isn't one lump sum. It can be broken down into different categories. Some costs you can't control. Some you can, and they can make a huge difference.

**Direct costs** include tuition, on-campus room and board, and any special fees.

**Indirect costs** include items such as books, a computer, supplies, transportation, off-campus housing, and personal expenses.

## AVERAGE ANNUAL COSTS

	<b>Direct Costs</b> tuition, fees, room and board*	<b>Indirect Costs</b> books, supplies, transportation, other*
<b>Public 2-year college</b>	\$2,544 (note: assumes commuter student; no room and board charges)	\$4,539
<b>Public 4-year college</b>	\$15,213	\$4,175
<b>Private 4-year college</b>	\$35,636	\$3,392

\* Source: The College Board, *Trends in College Pricing, 2009*

These costs represent one year of a college education. It may be intimidating, but don't let those numbers scare you away from your dream of a higher education. While a college education is not free, it can be affordable. Ways to pay for

college include current assets or income, savings, scholarships and grants, student employment, tuition payment plan, and student and parent loans.

# College Savings

**I**t is never too early, or too late, to start saving for college. Saving early and regularly gives compound interest the time to work its magic. When you start early, you can save smaller amounts over a longer period of time. Set a goal and break it down into realistic monthly installments.

## SAMPLE SAVINGS PLAN

Dollars Saved Each Month	After 4 Years	After 8 Years	After 12 Years
\$25	\$1,325	\$2,944	\$4,919
\$50	\$2,651	\$5,887	\$9,838
\$75	\$3,976	\$8,831	\$14,757
\$100	\$5,301	\$11,774	\$19,676

*Chart assumes a 5% interest rate compounded monthly*



## EDUCATION TAX BENEFITS

In addition to saving for college, you can also take advantage of tax savings during college. Federal income tax law may provide a number of tax benefits for qualifying taxpayers funding a higher education. For details, visit [www.irs.gov](http://www.irs.gov) to access Tax Benefits for Higher Education, IRS Publication 970. Tax benefits have included:

- The Hope Credit provides taxpayers with a tax credit for qualified tuition and related expenses paid. (There is a maximum amount associated with this credit.)
- The Lifetime Learning Credit provides taxpayers with a tax credit for qualified tuition and related expenses paid during the year. (There is a maximum amount associated with this credit.)
- The Student Loan Interest Deduction allows taxpayers an above-the-line deduction of student loan interest paid during the year. (There is a maximum amount associated with this credit.)

- The Tuition and Fees Deduction allows taxpayers an above-the-line deduction of qualified tuition and related expenses paid during the year. (There is a maximum amount associated with this credit.)
- A 529 College Savings Plan allows contributions to grow tax deferred, and distributions may be used tax free to pay for qualified higher education expenses. Many states offer taxpayers deductions for contributions to their 529 plan accounts.

Keep in mind that many states also provide tax incentives for taxpayers funding a higher education. Consult a tax advisor or the applicable tax agency for more information on the various federal and state tax benefits that may be available to you. These tax benefits remain subject to change.

# Savings Options

Type of College Saving	How it Works	Things to Consider
<b>529 College Savings Plan</b>	<ul style="list-style-type: none"> <li>• Offered by individual states, but you can participate in any state's plan.</li> <li>• Investments grow tax-deferred and can be withdrawn free from federal income tax if used for qualified higher education expenses.</li> <li>• Many states allow significant deductions from income taxes.</li> <li>• Low contribution minimums—many plans allow you to start with \$25.</li> <li>• The account owner maintains control of the assets for the life of the account.</li> </ul>	<ul style="list-style-type: none"> <li>• Most states provide significant tax benefits for participating in their plans.</li> <li>• Some plans have “rewards” programs: participating retailers and restaurants contribute to your account whenever you buy from them.</li> <li>• Withdrawals that aren't used for education are subject to taxes and penalties.</li> </ul>
<b>529 Pre-Paid Tuition Plan</b>	<ul style="list-style-type: none"> <li>• These state-sponsored plans allow you to purchase future tuition at today's price.</li> <li>• You aren't taxed on the increasing value of your prepaid tuition.</li> </ul>	<ul style="list-style-type: none"> <li>• Some states provide tax benefits for investing in their plan.</li> <li>• If you don't attend an eligible in-state school, benefits are usually reduced.</li> <li>• Room and board expenses generally aren't covered.</li> </ul>
<b>Coverdell Education Savings Account</b>	<ul style="list-style-type: none"> <li>• Withdrawals for qualified education expenses are tax-free.</li> <li>• Annual contribution limit.</li> <li>• Contributions are not tax-deductible.</li> </ul>	<ul style="list-style-type: none"> <li>• Withdrawals that are not used for education are subject to taxes and penalties.</li> </ul>
<b>Custodial (UTMA/UGMA) Account</b>	<ul style="list-style-type: none"> <li>• Money is owned by a child, but controlled by an adult custodian—usually a parent—until the child becomes an adult.</li> <li>• Not specifically designed for college savings—just a way of setting up an account.</li> </ul>	<ul style="list-style-type: none"> <li>• He or she assumes complete control when they reach adulthood.</li> <li>• Money in custodial accounts can decrease the student's chances of qualifying for certain federal financial aid.</li> </ul>
<b>U.S. Savings Bonds</b>	<ul style="list-style-type: none"> <li>• Some savings bonds allow your money to grow tax-free when used for higher education expenses.</li> <li>• Can be purchased from banks or directly at <a href="http://savingsbonds.gov">savingsbonds.gov</a>.</li> </ul>	<ul style="list-style-type: none"> <li>• Not all U.S. savings bonds qualify for tax-free treatment—visit <a href="http://savingsbonds.gov">savingsbonds.gov</a> for more information.</li> <li>• While extremely safe, these bonds may not provide the greatest opportunity for your money to grow.</li> </ul>
<b>College Rewards Programs</b>	<ul style="list-style-type: none"> <li>• Allow you to earn rewards for college through everyday purchases, like gas, groceries, and dining out.</li> <li>• Rewards can be transferred into some 529 college savings plans.</li> </ul>	<ul style="list-style-type: none"> <li>• Rewards can only be earned from the program's participating businesses.</li> <li>• Family and friends may also transfer their rewards to your 529 college savings plan.</li> </ul>



# Introduction to Financial Aid

**F**inancial aid is money awarded or loaned to help you pay for college. The largest source of financial aid is the federal government, followed by state governments, and then private organizations. It is important to understand the process and to get to know the financial aid administrators at your college.

## Top 5 “I’M NOT ELIGIBLE” MYTHS

**1.** My family’s income isn’t low enough to qualify for financial aid.

**NOT TRUE.** The federal government has a formula that determines the amount your family is expected to contribute to your college costs. Any costs above that have a chance to be covered by financial aid. Plus, there are a few sources of financial aid that are not need-based such as the unsubsidized Stafford loan and PLUS loan. The FAFSA form is free, so there’s no reason not to apply.

**2.** My parents have already saved a lot for my college education, so we won’t get any aid.

**NOT NECESSARILY.** The federal formula takes into account savings and assets.

**3.** My older brother/sister wasn’t eligible for financial aid last year, so I won’t be eligible either.

**ON THE CONTRARY,** the number of family members in college can have a big impact on your financial aid eligibility.

**4.** I’m only going to college part time, so I’m not eligible for financial aid.

**NOT SO.** Financial aid is available for students enrolled at least half time. Check with your financial aid office for information on aid for part-time students.

**5.** I’m not a U.S. Citizen, so I don’t qualify.

**WAIT!** You are eligible for financial aid if you are a U.S. permanent resident with an I-551 or I-551c, or you fit under one of these classifications with an I-94: indefinite parole, humanitarian parole, non-citizens refugee, Cuban-Haitian entrance, or asylum granted.

# Types of Financial Aid

**T**he term “financial aid” covers many different options to help you pay for college. Financial aid is broken down into three main categories.

■ **Free money:** scholarships and grants.

- Scholarships – Money given for a variety of reasons—excellent grades, financial need, community involvement, parents’ employment, memberships in organizations, etc.
- Grants – Money awarded based on financial need. Grants are given out by the federal government, state governments, and colleges. The federal government funds two of the largest grant programs—the Federal Pell Grant and the Federal Supplemental Educational Opportunity Grant (FSEOG). National grant information for these two and more can be found at [www.studentaid.ed.gov](http://www.studentaid.ed.gov).

■ **Earned money:** Work-study programs. Work part time on campus or nearby.

■ **Borrowed money:** Loans. Student loans must be repaid, usually with interest.

Financial aid may also be described as merit-based or need-based. **Merit-based** aid is primarily determined during the admissions process or may come in the form of a private scholarship. It can be based on academics, sports, music, planned area of study, etc. **Need-based** aid is based on a student’s financial need. The aid can come in the form of any of the three types of financial aid mentioned above.

## Scholarships

When it comes to paying for college, the best place to start is with free money. Billions of dollars in college scholarships are awarded each year, but you must take the first step and apply. Searching for scholarships may take a little time and energy, but remember—even if you spend five hours applying and receive only one \$500 scholarship, that’s the same as earning \$100 an hour. So, what are you waiting for?

## KEYS FOR TAPPING INTO SCHOLARSHIPS:

- **Don’t rule yourself out.** Scholarships are not limited to class valedictorians and star athletes. They are awarded based on a number of factors—from your career goals to exceptional writing skills displayed in an essay contest.
- **Apply for as many awards as you qualify for.** Even small awards can be helpful in covering costs, such as books.
- **Pay close attention to deadlines.** Missing a deadline is a sure way to become disqualified.
- **Look for scholarships offered by a variety of sources,** including companies, unions, foundations, community organizations, churches, and more.
- **Tell family, friends, teachers, and others in your community that you are looking for scholarships.** They may know something you do not.
- **Understand the conditions of an award,** such as maintaining a specific GPA or participating on an athletic team.
- **Make use of free scholarship search directories** and searches offered by reputable organizations, such as The Sallie Mae Fund.
- **Watch for scholarship scams.** You should never pay for scholarship advice or information.
- If you receive a scholarship, be sure to **write a thank-you note to the organization.** You may want to reapply for the scholarship in the future, so it is important to make a good impression.



# Types of Financial Aid

## Student Employment

Student employment is part of the family process of paying for college. While student employment during college can't drastically lower costs, it can help with smaller items such as books or incidentals like pizza night. It is also great work experience to add to your resume.

The Federal Work-Study Program, offered through the federal government, is a type of need-based aid and provides funds that are earned through part-time employment. Financial aid administrators at participating schools make enrollment decisions and determine the amount of funds provided to students. Many colleges and universities also offer Institutional Work-Study. This is available funding that a school sets aside to employ students on campus.

Students may find non-need-based part-time work on campus through student employment services or at local off-campus businesses.

## Student Loan Programs

Education loans are a type of financial aid that must be repaid, usually with interest. There are many different types of education loans for students and parents. The federal government is the largest source of funding for education loans, and loans made through federal loan programs many times have lower interest rates and greater repayment flexibility than private education loans. Federal loans are guaranteed by the government and the government sets their interest rate. See the table on the next page for more information about the different types of loans.

Before you can receive a loan, you will need to complete a promissory note – for Stafford and PLUS loans you must sign a Master Promissory Note (MPN), which allows loans for future years to be made under the same promissory note. The MPN is the legal agreement you sign with a lender for student loan funds. By signing the MPN, you agree to pay the loan under the terms and conditions detailed in the MPN. Lenders typically provide the funds to your school by check or electronically in installments. Loan funds are first applied to your school account, which typically includes tuition, fees, and room and board if you will be living on campus. You will receive any remaining funds from your college.

## TIPS FOR BORROWING RESPONSIBLY:

- Search for scholarships and grants before taking out loans.
- Borrow only what you absolutely need.
- Explore federal loans first and consider filling any remaining gap with a private education loan.
- Stay enrolled on at least a half-time basis until you get your degree—if you're not enrolled at least half time, some or all of your loans could enter repayment before you finish school.
- Understand how the interest rate on your loan will be calculated and whether it is variable or fixed.
- Ask for estimates of what your monthly payments will be, the total amount you will likely pay over the life of the loan, and the number of payments to pay in full.
- Estimate your starting salary after graduation. Be sure your loan payments will be manageable.
- Find out if you need to make payments while you are in school and if unpaid interest will be added to your loan balance at any time while you're in school. Even if interest payments are not required, consider doing so to avoid interest growing and being added to your loan balance.
- Ask about the grace period of your loan.
- Ask if there are things you can do to save time or money, such as signing up for automatic debit and accessing your account online.
- Be organized and keep records.



# Education Loan Options

Loan Program	Description	Eligibility	Repayment
<b>Federal Perkins Loan</b>	<ul style="list-style-type: none"> <li>• Low-interest loan for students funded by the federal government and made by colleges</li> </ul>	<ul style="list-style-type: none"> <li>• U.S. citizens or nationals, U.S. permanent residents, or eligible non-citizens enrolled at least half time</li> <li>• Undergraduate or graduate students</li> <li>• Need-based</li> <li>• Priority is offered to Pell Grant recipients</li> </ul>	<ul style="list-style-type: none"> <li>• Begins 9 months after leaving school or after the student drops to less than half-time status</li> </ul>
<b>Federal Stafford Loan</b>	<ul style="list-style-type: none"> <li>• Low-interest loan funded by the federal government</li> <li>• Subsidized: Federal government pays interest on the loan while student is in college, during the grace period, and during deferment</li> <li>• Unsubsidized: Interest on the loan accrues while the student is in school; the borrower is responsible for all interest</li> </ul>	<ul style="list-style-type: none"> <li>• U.S. citizens or nationals, U.S. permanent residents, or eligible non-citizens enrolled at least half time</li> <li>• Undergraduate or graduate students</li> <li>• Subsidized loans are need-based</li> </ul>	<ul style="list-style-type: none"> <li>• Begins 6 months after leaving school or after the student drops to less than half-time status</li> </ul>
<b>Federal Parent PLUS Loan</b>	<ul style="list-style-type: none"> <li>• Low-interest loan for parents funded by the federal government</li> </ul>	<ul style="list-style-type: none"> <li>• U.S. citizens or nationals, U.S. permanent residents, or eligible non-citizens with an undergraduate dependent child who is enrolled at least half time</li> <li>• Student must also be a U.S. citizen or national, U.S. permanent resident, or eligible non-citizen</li> <li>• No collateral or income requirements</li> </ul>	<ul style="list-style-type: none"> <li>• Repayment begins after the loan is fully disbursed with the first payment due within 60 days, unless the parent chooses to defer making payments until after the student has ceased attendance at least half time or even 6 months past that date</li> </ul>
<b>Institutional Loan</b>	<ul style="list-style-type: none"> <li>• Loan from the college/university directly</li> </ul>	<ul style="list-style-type: none"> <li>• Determined by the college</li> </ul>	<ul style="list-style-type: none"> <li>• Determined by the college</li> </ul>
<b>Private Loan</b>	<ul style="list-style-type: none"> <li>• Loan from private lender, bank, or other organization</li> </ul>	<ul style="list-style-type: none"> <li>• Determined by the lender</li> </ul>	<ul style="list-style-type: none"> <li>• Determined by the lender</li> </ul>

Refer to [www.studentaid.ed.gov](http://www.studentaid.ed.gov) for Federal loan limits and interest rates as they may vary from year to year.

Note: Federal Graduate PLUS Loans are available to graduate students.

# Applying for Financial Aid

**Y**ou must reapply for aid each year that you are in school, or when you transfer to a different school. Stay organized, create a deadline calendar, and keep copies of completed applications you submit. Incomplete or late forms will reduce your chances of getting financial aid. Deadlines may vary from school to school.

## Free Application for Federal Student Aid (FAFSA)

The number one form to fill out for financial aid is the FAFSA. This is a free government form that students must fill out to be considered for federal student aid. Some colleges, universities, state agencies, and scholarship programs also use the information submitted on the FAFSA to award institutional aid, state aid, and private scholarships. Although the FAFSA is available in paper form, the fastest way to fill it out is via FAFSA on the Web at [www.fafsa.gov](http://www.fafsa.gov).

Family submits the FAFSA soon after January 1 of student's senior year. (Renew it every year student is in school.)

Federal government returns a Student Aid Report (SAR) to the family and target schools. The SAR includes the family's calculated Expected Family Contribution (EFC).

The Student Aid Report (SAR) is the report confirming the financial information you reported on the FAFSA. Any needed changes to information provided on the FAFSA should be made on the SAR. The information on the SAR is what is sent to the financial aid offices at colleges and universities.

The Expected Family Contribution (EFC), shown on the SAR, is the amount you and your family are expected to pay toward school expenses. The EFC is determined by a federal formula.

There are many benefits to filing electronically using FAFSA on the Web:

- Detailed online help screen for immediate assistance
- Real-time communication with a customer service representative to answer questions
- Built-in edits to detect errors and reduce the chance the application is rejected
- Instant access to the estimated EFC
- Faster receipt of the SAR

- The ability to check the processing status of your application
- A simplified renewal application process for filing the FAFSA in subsequent years

*Note: The FAFSA is required for federal student aid, but completing the FAFSA does not place you under consideration for other aid you may be eligible for, such as private scholarships. Scholarship programs may request information submitted on the FAFSA in the form of the SAR, but you need to search and apply for scholarships on your own.*

## The CSS/Financial Aid Profile®

Some colleges and scholarship programs require that you complete the College Scholarship Service (CSS)/Financial Aid PROFILE to be considered for nonfederal student aid. You can register for the PROFILE online at [www.collegeboard.com](http://www.collegeboard.com). There may be fees associated with this application process.

## Other forms

Most colleges require that you fill out institutional financial aid forms. Find out from the school's financial aid office which forms you need to complete. Most states require you to fill out state aid forms for state grants and scholarships. Check with your academic counselor or financial aid administrator to see what your state requires.



# Evaluating Financial Aid Packages

**N**ot all colleges will offer you the same financial aid package. Each aid package differs in the amount of aid and the type of aid (e.g., grants, work-study, loans, etc.). Once all of the schools that accepted you for attendance have sent you award letters with their financial aid packages, take some time to evaluate how each college meets your financial needs and educational goals.

For example, here are comparisons for four-year public and private schools with a \$3,000 EFC. Notice that after financial aid the actual family costs for the first year of school are much lower than the original cost of attendance. Unmet Need and EFC can be paid through means such as savings, private student loans, or Parent PLUS loans.

	Public	Private
<b>Cost of attendance</b>	\$19,000	\$39,000
<b>EFC</b>	-\$3,000	-\$3,000
<b>Financial aid need</b>	\$16,000	\$36,000
<hr/>		
<b>Pell grant</b>	\$2,400	\$2,400
<b>Work study</b>	\$2,000	\$2,000
<b>Scholarship(s)</b>	\$2,500	\$17,000
<b>Stafford loan</b>	\$5,500	\$5,500
<b>Financial aid package</b>	\$12,400	\$26,900
<hr/>		
<b>Cost of attendance</b>	\$19,000	\$39,000
<b>Financial aid package</b>	-\$12,400	-\$26,900
<b>EFC</b>	-\$3,000	-\$3,000
<b>Unmet Need</b>	\$3,600	\$9,100
<hr/>		
<b>Unmet Need</b>	\$3,600	\$9,100
<b>EFC</b>	\$3,000	\$3,000
<b>Actual family cost</b>	\$6,600	\$12,100



## ADDITIONAL RESOURCES

[www.collegeboard.com](http://www.collegeboard.com)  
[www.collegefund.org](http://www.collegefund.org)  
[www.collegesavings.org](http://www.collegesavings.org)  
[www.fafsa.gov](http://www.fafsa.gov)  
[www.finaid.org/otheraid/state.phtml](http://www.finaid.org/otheraid/state.phtml)

[www.hispanicfund.org](http://www.hispanicfund.org)  
[www.hsf.org](http://www.hsf.org)  
[www.irs.gov](http://www.irs.gov)  
[www.latinocollegedollars.org](http://www.latinocollegedollars.org)  
[www.pin.ed.gov](http://www.pin.ed.gov)

[www.savingsbonds.gov](http://www.savingsbonds.gov)  
[www.salliemaefund.org](http://www.salliemaefund.org)  
[www.sec.gov/investor/pubs/intro529.htm](http://www.sec.gov/investor/pubs/intro529.htm)  
[www.studentaid.ed.gov](http://www.studentaid.ed.gov)  
[www.uncf.org](http://www.uncf.org)

# Sample Financial Aid Award Letter

123-45-6789N

RETURN ONE SIGNED COPY TO THE FINANCIAL AID OFFICE  
Financial Aid Office, 1234 Smith Hall, Reston, VA 12345 (800-555-5555)

John Q. Student  
4567 Campus St.  
Reston, VA 12345

Award Date

Reply Deadline

After reviewing your FAFSA, we are pleased to provide you with the following financial aid offer. This financial aid offer supercedes any previous award offers. No financial aid offer is valid until the original copy of this form is signed and returned to the Financial Aid Office. We reserve the right to modify financial awards at any time due to changes in your financial aid eligibility, changes in program terms, coordination with other resources you receive, or changes in the availability of our funding.

## SECTION 1 - COST OF ATTENDANCE AND FINANCIAL NEED

This financial aid offer is valid for the following period(s): Fall / Spring Enrollment Hours: Full-Time

Based on your living: ON CAMPUS

Is this correct? Yes \_\_\_ No \_\_\_

COST OF ATTENDANCE ITEMS:*		DETERMINATION OF FINANCIAL NEED:	
Undergraduate Tuition/Fees	\$7,020.00	A. Cost of Attendance	\$19,388.00
Room and Board	\$8,193.00	B. Family Contribution	\$3,000.00
Books and Supplies	\$1,122.00	C. Financial Need (A-B=C)	\$16,388.00
Transportation	\$1,079.00		
Personal Costs	\$1,974.00		
Total Cost of Attendance	\$19,388.00		

## SECTION 2 - FINANCIAL AID AWARD

For each award below, circle "yes" to accept or "no" to decline it. This Financial Aid Notification Letter contains important information about your eligibility for financial aid. You are responsible for following all instructions.

ACCEPT	FINANCIAL AID AWARDS	AWARD SCHEDULE			TOTAL
		SUMMER	FALL	SPRING	
Yes / No	Federal Pell Grant		\$1,200.00	\$1,200.00	\$2,400.00
Yes / No	Federal Work-Study		\$1,000.00	\$1,000.00	\$2,000.00
Yes / No	State Grant		\$1,250.00	\$1,250.00	\$2,500.00
Yes / No	Private Scholarship		\$1,250.00	\$1,250.00	\$2,500.00
Yes / No	Federal Stafford Loan - Subsidized		\$1,750.00	\$1,750.00	\$3,500.00
Yes / No	Federal Stafford Loan - Unsubsidized		\$1,000.00	\$1,000.00	\$2,000.00
	<b>TOTAL</b>		<b>\$7,450.00</b>	<b>\$7,450.00</b>	<b>\$14,900.00</b>

## SECTION 3 - ADJUSTMENT REASONS

If any adjustments have been made to your awards, you will find the reason(s) listed below. Your financial aid eligibility has been reviewed by your counselor: Jane Doe

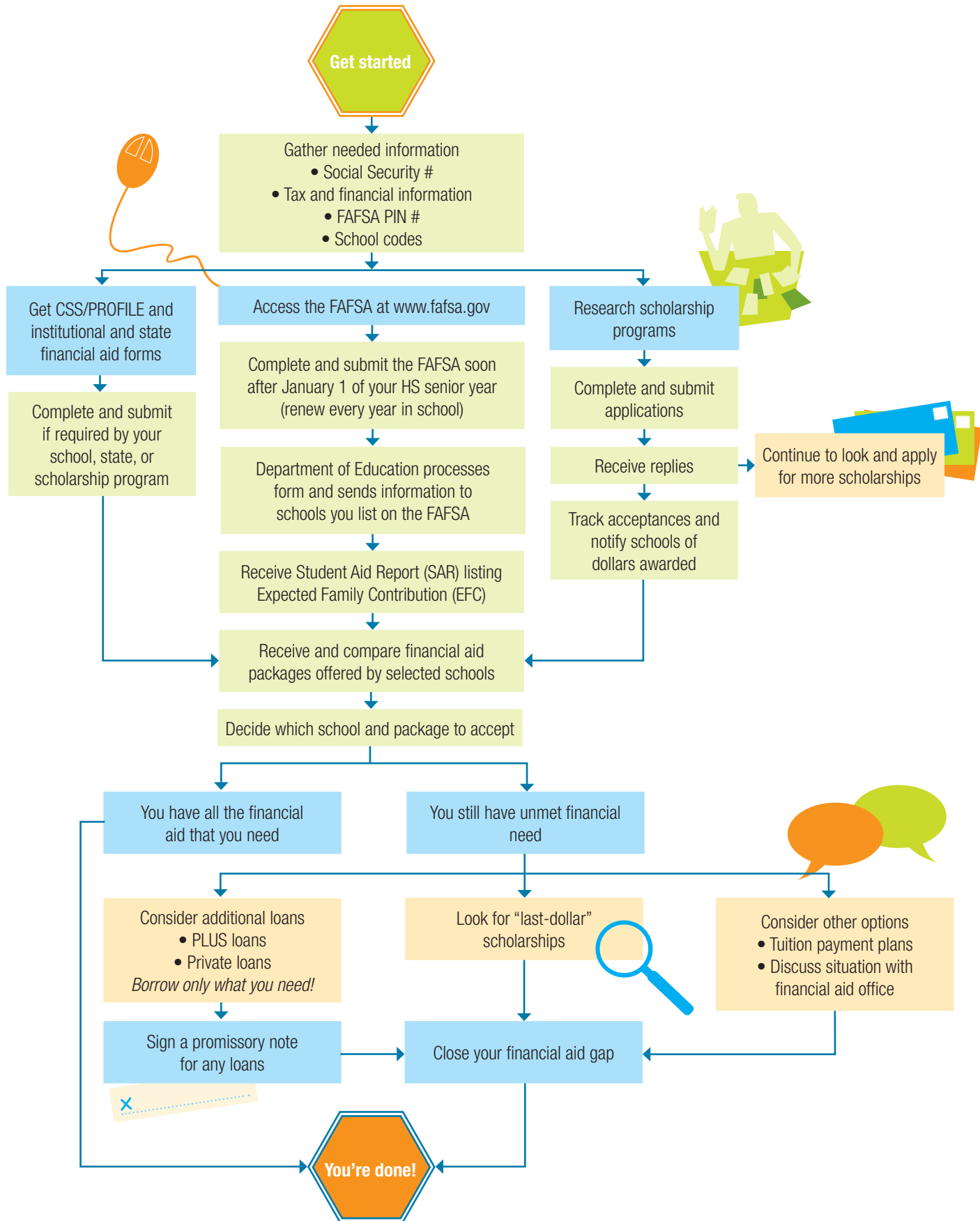
\_\_\_ I have ACCEPTED / DECLINED each award above. I have read and I understand the requirements and conditions applying to financial aid as stated on this Financial Aid Notification Letter and the Financial Aid Notification Guide.

STUDENT SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_

\* Source: The College Board: Trends in College Pricing, 2009



# Your Path to Financial Aid





# Glossary

**24** The following are terms that may be encountered while saving, planning and paying for college.



# Glossary

**ACCRUED INTEREST:** Interest accumulated on the unpaid principal balance of a loan.

**ADJUSTED GROSS INCOME (AGI):** AGI equals total income less adjustments. This amount is reported on the following tax returns: 1040, 1040A, or 1040EZ.

**AID PACKAGE:** A combination of financial aid (scholarships, grants, work-study, and/or loans) offered by the financial aid office of a school.

**AWARD LETTER:** An official letter issued by a financial aid office listing all the financial aid awarded to a student. The award letter usually includes information about the cost of attendance and terms and conditions for the financial aid.

**CAMPUS-BASED AID:** Government financial aid programs administered by a university. The Federal Perkins Loan Program, the Federal Supplemental Educational Opportunity Grant, and Federal Work-Study are examples of campus-based aid.

**CAPITALIZATION OF INTEREST:** The addition of unpaid accrued interest to the principal balance of a loan. This increases the total debt on which interest accrues.

**CONSOLIDATION:** Federal Consolidation Loans enable a borrower to combine eligible education loans into one new loan with one monthly payment and a fixed interest rate.

**CO-SIGNER:** A person who signs the promissory note in addition to the borrower and who is equally responsible for the obligation.

**COST OF ATTENDANCE:** The total cost of attending a postsecondary institution for one academic year, as estimated by the school. This figure usually includes tuition, fees, room, board, supplies, transportation, and personal expenses.

**CREDIT SCORING:** A method, based on a statistical analysis of an applicant's characteristics, that lenders use to determine whether an applicant qualifies for credit.

**CREDITWORTHY:** A term used to describe an individual who is judged as meriting credit based upon ability to meet debt obligations.

**DEFAULT:** Failure to repay a loan according to agreed-upon terms.

**DEFERMENT:** A period of time during which a borrower who meets certain criteria may suspend loan payments.

**DELINQUENCY:** Failure to make a loan payment when due.

**DEPENDENT STUDENT:** A student who is not an "independent student." A parent of a dependent student must submit parental information on the FAFSA so the student can be considered for financial aid.

**DISBURSEMENT:** The release of loan funds to the school.

**DISCLOSURE STATEMENT:** Statement of the total cost and amount of a loan, including the interest rate and any additional finance charges.

**EARLY ACTION:** An early admission program that does not require a student to commit to attending if accepted.

**EARLY DECISION:** An early admission program with earlier deadlines and earlier notification dates than the regular admissions process. Students who apply through an early decision program commit to attending the school if admitted.

**ELIGIBLE NON-CITIZEN:** Someone who is not a U.S. citizen but is nevertheless eligible for federal student aid. Eligible non-citizens include U.S. nationals, U.S. permanent residents who are either holders of a "green card," or holders of form I-94 who have been granted refugee or asylum status. Certain other non-citizens are also eligible. Non-citizens who hold student visas or exchange visitor visas are not eligible for student aid.

**ENDORSER:** A person who signs a promissory note in addition to the borrower and who is responsible for the obligation if the borrower does not pay. An endorser is required for a PLUS loan in some circumstances.

**ENROLLMENT STATUS:** An indication of whether you are a full-time or part-time student. Generally you must be enrolled at least half-time in a degree or certificate program to qualify for financial aid.

**ENTITLEMENT:** Entitlement programs award funds to all qualified applicants. The Federal Pell Grant is an example of such a program.

**EXPECTED FAMILY CONTRIBUTION (EFC):** The amount students and their families are expected to pay toward school expenses. The EFC is determined by a federal formula.

**FINANCIAL AID ADMINISTRATOR (FAA):** An individual employed by a college, university, or other school who prepares financial aid awards and works with students who have questions about financing their education.

**FINANCIAL AID TRANSCRIPT (FAT):** A record of all financial aid received by a student at each school attended.

**FINANCIAL NEED:** The difference between the cost of attendance at a college and the EFC.

**FIXED INTEREST RATE:** An interest rate that remains the same for the life of the loan.

**FORBEARANCE:** The temporary suspension or reduction of scheduled loan payments for cases of financial hardship, among other reasons.

**GENERAL EDUCATION DEVELOPMENT CERTIFICATE (GED):** A certificate students receive if they pass an approved high school equivalence test.

**GIFT AID:** Financial aid, such as grants and scholarships, that does not have to be repaid.

# Glossary

**GRACE PERIOD:** A period of time between when a student graduates or drops below half-time status and the time loan repayment begins.

**HOLDER:** An institution that currently owns a loan.

**INDEPENDENT STUDENT:** A student who is 24 years of age or older, is married, is enrolled in a graduate or professional education program, has a legal dependent other than a spouse, is a veteran of the U.S. Armed Forces, or is an orphan, or ward of the state court (or was a ward of the court until age 18).

**INTEREST:** An amount, calculated as a percent of the principal loan amount, that is charged for borrowed money.

**INTEREST BENEFITS:** Interest the federal government pays for borrowers on some loans while the borrowers are in school, during grace periods, and during authorized deferments.

**INTEREST-ONLY PAYMENT:** A payment covering only interest owed and none of the principal balance.

**INTEREST RATE CAP:** A predetermined limit above which the interest rate cannot rise.

**INTERNSHIP:** A part-time job during the academic year or the summer months, with or without pay, in which a student receives supervised practical training in his or her field of study.

**LOAN INTERVIEW:** Students with federal education loans are required to complete a loan counseling session before they receive their first loan disbursement and again before they graduate or otherwise leave school.

**LENDER:** An institution that provides loans.

**MERIT-BASED FINANCIAL AID:** Aid awarded based on accomplishments such as academic or athletic performance.

**NEED ANALYSIS:** The technique used to determine a student's need for financial assistance for college expenses. The analysis determines the family's ability to contribute to the student's cost of attendance.

**NEED-BASED FINANCIAL AID:** Aid awarded based on a student or family's financial situation.

**OPEN ADMISSION:** A policy of admitting all qualified students who apply to a school.

**ORIGINATION:** The process whereby the lender, or a servicing agent on behalf of the lender, handles the initial application processing and disbursement of loan proceeds.

**OVERAWARD:** The amount of financial aid that, when added to other student financial assistance, exceeds the borrower's educational need.

**PARENT CONTRIBUTION (PC):** The amount that parents can be expected to contribute each year to their student's education as determined by the federal formula.

**PELL GRANT PROGRAM:** The largest federal grant program. Eligibility and award amounts are determined by the school, based on federal guidelines.

**POSTSECONDARY:** This term means "after high school" and refers to all programs for high school graduates, including programs at two- and four-year colleges, as well as vocational and technical schools.

**PREPAID TUITION PLAN:** A college savings plan that lets you pay for college at today's current prices although the student will be attending college in the future.

**PRINCIPAL:** The amount borrowed plus the amount capitalized.

**PROMISSORY NOTE:** A contract between a borrower and a lender that includes the terms and conditions under which the loan is being made and will be repaid.

**SATISFACTORY ACADEMIC PROGRESS (SAP):** An eligibility requirement to receive federal aid. Satisfactory academic progress standards are established by each school.

**SERVICER:** An organization that administers and collects education loan payments on behalf of the loan holder.

**STATEMENT OF EDUCATIONAL PURPOSE:** A legal document in which the student agrees to use financial aid for educational purposes only.

**STUDENT AID REPORT (SAR):** The report confirming financial information from the FAFSA. Students make any needed changes to information provided in the FAFSA on the SAR. The information on the SAR is sent to the financial aid offices at colleges and universities selected by the student.

**TRANSCRIPT:** A report listing the courses a student has taken and the grades earned in each course.

**TUITION:** The amount of money colleges charge for classes, instruction, and facilities use.

**UNDERGRADUATE STUDENT:** A degree-seeking student at a college or university who has not earned a first bachelor's degree.

**UNMET NEED:** The gap between demonstrated financial need and financial aid package.

**VARIABLE INTEREST RATE:** An interest rate that changes periodically.

**VERIFICATION WORKSHEET:** A form sent by the school to select students for verification of the information the student provided on the FAFSA.

**WORK-STUDY:** A program awarded by the college and funded by the federal government or the school, through which students work part-time to help fund their education. Some states may also offer this program.



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