

How To Make College Affordable



A Resource For Navigating The
Financial Aid Process Before College

Last Updated: January 27, 2016

saltmoney.org

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Part One: Introduction

An education is one of the most important investments you can make. However, if you're like most students thinking about attending college, you've probably noticed the cost seems pretty overwhelming. Well, here's a little secret: the amount a school costs isn't always the amount you have to pay.

At Salt[®], we help thousands of students figure out a plan to access, attend, and pay for college every year, no matter their background or financial situation. We created this eBook to show you how to make your dream of a college education a reality—without going broke in the process.

In the pages that follow, we'll share funding options that can help you pay less than a school's sticker price and manage the amount you do pay, as well as links to detailed information and useful tools that can help you learn more. Read them all from start to finish, or jump around to the information that you're most interested in learning about. It's all up to you!

If you have any questions, [contact us](#) to get personalized answers from an experienced Salt counselor—or ask for help at your local college access center. There are college access programs in every state. You can find a center near you by searching online for “college access networks in (your state).” Just keep in mind, there is no right or wrong way to pay for college. It's all about what works best for you and your family.

Part Two: Federal Financial Aid

One of the easiest ways to make college more affordable is by taking advantage of financial aid.

The government provides the majority of financial aid in the United States, so federal financial aid is a logical starting point if you need help paying for college. The government only requires you to fill out one form to apply for financial aid, and there are a few different types of federal aid you could be awarded.

Let's explore what those types of aid are, what makes them different from one another, and what you need to do to apply.

What You'll Learn In This Section:

- How to apply for federal financial aid.
- The three main types of federal aid you can receive.
- Which types of federal aid you don't have to pay back.

Federal Financial Aid Basics

The government provides federal financial aid to help United States citizens and [eligible non-citizens](#) pay for college. Federal aid is primarily awarded based on your level of financial need, not your grades or extracurricular activities. However, some federal aid is also available regardless of your financial need.

To apply for federal financial aid, you have to fill out the [Free Application for Federal Student Aid \(FAFSA\)](#). (Check out [Part Four](#) for more details about the application process.) The [information you provide on the FAFSA](#) determines how much and what kind of federal aid you may be offered.

There are three different types of federal financial aid:

- **Federal grants:** This is free money for college that you don't have to pay back. There are four types of federal grants currently available, and there are specific eligibility criteria for each. In addition to meeting the eligibility requirements, you need to fill out the FAFSA and demonstrate financial need to qualify for any of these. Check out these links to learn more about each type of federal grant:
 - [Pell Grants](#)
 - [Federal Supplemental Opportunity Grants \(FSEOG\)](#)
 - [Teacher Education Assistance for College And Higher Education \(TEACH\) Grants](#)
 - [Iraq and Afghanistan Service Grants](#)

Note: You can also apply for non-federal grants—which states, schools, and individual organizations provide. Non-federal grants all have different eligibility requirements, application processes, and deadlines. Contact your school's financial aid department to learn about any grants they may offer, and [check out](#)

[this map](#) to find out about the state grants available in your area. You can use [Salt's scholarship search](#) to find grants offered by organizations.

- **Federal student loans:** This is money for college that you borrow from the government. You must pay this money back, but there are several flexible [repayment options](#) available to help make your payments affordable. See [Part Three](#) to learn more about the types of federal loans that are available and how you can make them affordable.
- **Federal work-study:** This is money for college that you earn by working part time (usually on campus or at a local community organization) while you attend school. Since you work to earn your work-study funds, you don't have to pay this money back. If you're eligible, you just need to find a position through your college's employment office. You'll be paid directly for the hours you work.

Learn More

- [Federal Pell Grants](#) (official FSA website)
- [Federal Pell Grant Program](#) (official U.S. Department of Education website)
- [Federal Student Aid \(FSA\)](#) (official FSA website)
- [Federal Supplemental Educational Opportunity Grant \(FSEOG\)](#) (official FSA website)
- [Free Application For Federal Student Aid \(FAFSA\)](#) (official FAFSA website)
- [Iraq and Afghanistan Service Grants](#) (official FSA website)
- [Salt's Scholarship Search](#) (Salt Tool)
- [State Financial Aid Programs Map](#) (official NASFAA website)
- [Teacher Education Assistance for College And Higher Education \(TEACH\) Grants](#) (official FSA website)
- [The Quick Guide To College Financial Aid](#) (Salt infographic)
- [Types Of Federal Student Financial Aid](#) (Salt video)
- [U.S. Department of Education \(ED\)](#) (official ED website)

Part Three: Student Loans

If you need to borrow money to help cover your college costs, you aren't alone. More than half of all students use student loans at some point during their college careers.

The idea of borrowing thousands of dollars at a time may sound overwhelming to you. After all, you're going to have to pay your loans back eventually. That's why it's important for you to know what you're getting into from the start.

To make the whole process easier to deal with, let's go through some details about the different types of loans you may qualify for, as well as the options you have for repaying them.

What You'll Learn In This Section:

- The most important details about the student loans you may borrow.
- The key differences between federal and private loans.
- What to do if you have trouble repaying your student loans.

Get To Know Your Student Loans

When used wisely, student loans can help make higher education possible for people who wouldn't be able to afford it otherwise. But, with the benefits of borrowing for college comes responsibility.

When you take out loans, you're making a promise to pay them back later, with added interest. You can make your borrowing experience less expensive and stressful by keeping these three things in mind before you sign on the dotted line:

1. Understand the key details of the different types of loans available to you.
2. Choose only the loans that best meet your needs.
3. Borrow the minimum amount of loans you need to finance your education.

Federal Student Loans

The federal government loans money directly to students who need help paying for college. They offer a variety of loans with different interest rates and borrowing limits. Federal loans also come with flexible repayment options and other benefits.

There's more to know about federal loans, though. For example, who's allowed to borrow each type? And when do you need to begin repaying? Here's that information for the four most popular loan types for undergraduate students. Follow the links for more details:

- **Subsidized Stafford loans** are awarded by the government to undergraduate students with financial need. To qualify, you must be a U.S. citizen or eligible non-citizen who is enrolled in school at least half time. The government pays the interest on subsidized Stafford loans while you're in school and during your grace period. Your first payment on this type of federal loan is due 6 months after you leave school or drop below half-time enrollment.

- **Unsubsidized Stafford loans** don't require you to have any financial need, but you still have to complete the FAFSA and be a U.S. citizen or eligible non-citizen who is enrolled in school at least half time to receive them. This type of federal loan accrues interest while you're in school—so the amount you owe when you leave school will be more than the amount you borrowed. You can prevent this (and save some money) by making interest-only payments while you're in school. You'll have to begin repaying these loans 6 months after you leave school or drop below half-time enrollment.
- **Perkins loans** are awarded by your school to students with financial need. To qualify for this type of federal loan, you must be a U.S. citizen or eligible noncitizen who is enrolled in school at least half time. Perkins loans come with some unique benefits, including exclusive forgiveness and deferment options. Also, you have a 9-month grace period after you leave school or drop below half-time enrollment before your first payment is due, and you can repay using either standard repayment or graduated repayment. The federal government pays the interest on these loans while you're in school and during your grace period, and the school that awards you your Perkins loans will determine your payment amounts and the frequency of your payments (monthly or quarterly). Check with your college for more information on repaying Perkins loans.
- **Parent PLUS loans** are loans that biological and adoptive parents, legal guardians, and stepparents (including legally married same-sex parents and stepparents) of dependent undergraduate students can borrow to help cover your college costs. You need to complete the FAFSA before your parent can apply, but your family doesn't need to demonstrate financial need to receive a PLUS loan. To be approved, you and your parent must be U.S. citizens or eligible non-citizens while you're enrolled in school at least half time. Your parent needs to have good credit, as well. If your parent borrows this type of federal loan, he or she is responsible for repaying it—not you—and it can't be transferred to you at a later date. Also, PLUS loans aren't subsidized, so they begin accruing interest as soon as they're disbursed, but your parent can postpone payment until after you leave school or drop below half-time enrollment.

Your Options For Repaying And Postponing Federal Student Loans

Paying your loans back as quickly as possible will reduce the total amount of interest you have to pay over the life of your loans, but not everyone is able to do that.

The federal government knows that every student loan borrower deals with a unique set of financial circumstances. That's why there are a number of different options to help borrowers manage the process of paying back federal loans. There are even ways to temporarily pause your payments and, in some cases, eliminate your debt altogether if you qualify.

You don't need to choose a repayment plan until you leave school or drop below half-time enrollment, but it's important to think about your repayment before you decide how much to borrow. Below is some basic information about the options that are currently

available for repaying, postponing, and eliminating federal student loans. These repayment options are for Stafford loans, Grad PLUS loans, and federal Consolidation loans. Keep in mind that Parent PLUS loans and consolidation loans that include Parent PLUS loans are not eligible for all of these repayment options. For more details, just follow the links:

- [Standard repayment](#) is the federal student loan repayment plan you'll be automatically enrolled in if you don't select a different option. This plan gives you 10 years (or 120 months) to repay your loans. Your payments will cost approximately the same amount each month throughout that period.
- [Graduated repayment](#) allows you to start with lower payments that increase over time. This plan gives you 10 years (or 120 months) to repay your federal student loans. To ensure that your loan is still paid repaid within that period, your payments increase every couple of years and eventually become bigger than they would be under the standard repayment plan.
- [Extended repayment](#) gives you up to 25 years to repay your loans, but this option is only available if you owe more than \$30,000 in federal student loans. If you use this option, you can decide if your payments will be for a fixed amount each month (as they would be under standard repayment) or if they'll start out lower and increase over time (as they would under graduated repayment).
- [Income-based repayment](#) (IBR) has very specific eligibility requirements, but if you qualify, your payments will generally be lower than they would be under standard, graduated, or extended repayment. For new borrowers, as of July 1, 2014, IBR caps your monthly federal loan payments at no more than 10% of your discretionary income. Your payment amounts will change as your income changes, and you'll have up to 20 years to repay. After that time, any remaining balance is forgiven (but you'll have to pay income tax on the forgiven amount).
- [Pay As You Earn](#) (PAYE) also has very specific eligibility requirements and allows for your monthly payments to be lower than they would be under standard, graduated, or extended repayment. If you qualify for this plan, your payments will be capped at no more than 10% of your discretionary income. Your payment amounts will change as your income changes, and you'll have up to 20 years to repay. After that time, any remaining balance is forgiven (but you'll have to pay income tax on the forgiven amount).
- [Revised Pay As You Earn](#) (REPAYE) has less strict eligibility requirements than PAYE and IBR, while still allowing your monthly payments to be lower than they would be under standard, graduated, or extended repayment. If you choose this plan, your payments will be capped at no more than 10% of your discretionary income. Your payment amounts will change as your income changes, and you'll have up to 20 years to repay the federal loans you used for your undergrad education, and up to 25 years to repay any federal loans you borrowed for grad or professional school. After that time, any remaining balance is forgiven (but you'll have to pay income tax on the forgiven amount). If you work for a public or nonprofit employer, your balance may be forgiven after 10 years and 120 eligible payments, and this amount wouldn't be taxable.

- [**Income-contingent repayment**](#) (ICR) uses your adjusted gross income (AGI), family size, and the total amount of your federal student loan debt to determine your monthly payments, and it's only available for Direct loans. Your payment amounts will change as your income changes. If you still have a loan balance after 25 years, that remaining amount will be forgiven (but you'll have to pay income tax on the forgiven amount).
- [**Federal Consolidation**](#) allows you to combine multiple federal education loans into one loan. If you use this option, you'll only have to make a single monthly payment for your federal student loans, instead of multiple payments. Check out [this infographic](#) to learn about the pros and cons of consolidating your federal loans.
- [**Deferment**](#) lets you take a break from paying your loans for a limited amount of time if you're dealing with certain challenging circumstances (like unemployment or an economic hardship). If you qualify for deferment, the federal government will pay the interest on subsidized federal loans while the payments are being postponed.
- [**Forbearance**](#) allows you to postpone your loan repayment for a limited amount of time, like deferment. There are two big differences, though. One is that you may qualify for forbearance even if you don't qualify for a deferment. The other is that interest continues to grow on your loans during forbearance—even subsidized loans. If you have a choice, it's usually best to apply for deferment first.
- [**Loan discharge and forgiveness**](#) may be able to help you eliminate some or all of your federal student loan debt under certain circumstances. Forgiveness and discharge programs have very specific eligibility requirements, so use [this Salt eBook](#) to find out if you qualify.

Repayment Problems

You must repay your loans whether you finish your degree or not. However, with all of the options to repay your federal loans, you should be able to find one that helps make the payments affordable for you.

If you don't repay your student loans, they'll go into [delinquency and eventually default](#). This can negatively affect your credit score and your ability to get credit cards, car loans, additional education loans, a mortgage, and even a job. Not knowing where to send loan payments is one of the many reasons why borrowers end up in default (check out [this infographic](#) for others, so you can make sure it doesn't happen to you).

If you can't afford your student loan payments, contact the organization that sends you your student loan bills to find out what options you have to avoid default. They will likely be willing to work with you to reduce your payments under a different payment plan, or temporarily postpone your payments with a deferment or forbearance.

Private Loans

If you need to borrow money for school, federal loans are your best bet. That's because they offer more borrower-friendly benefits than private loans (or "alternative loans").

However, if you've exhausted all of your federal aid and scholarship options, and you still need more money to pay for school, private loans may be able to help you fill the gap. (Skip ahead to [Part Five](#) to learn more about scholarships.)

Before you borrow private loans, be aware that they generally come with higher interest rates, less flexible repayment plans, fewer options for borrowers who have trouble repaying, and very few options for forgiveness or discharge.

If you need to borrow private loans, you may be able to do so directly through a financial institution (like a bank or credit union), your school, or your state. Start by asking your college's financial aid office if they recommend any private lenders. Then, [shop around](#) for the best deal possible.

Check with your own bank and other local banks and credit unions to find out if they offer private student loans with lower interest rates than the ones your school recommends. Check out the [Better Business Bureau](#) (BBB) to review any complaints about the private lenders you're considering. The [Consumer Finance Protection Bureau](#) (CFPB) can also show you how private lenders stack up against one another.

Learn More

- [100+ Ways To Get Rid Of Your Student Loans \(Without Paying Them\)](#) (Salt eBook)
- [Better Business Bureau](#) (official BBB website)
- [Consumer Finance Protection Bureau](#) (official CFPB website)
- [Everything You Need To Know About Student Loan Interest Rates](#) (Salt article)
- [How REPAYE Differs From Other Income-Driven Repayment Plans](#) (Salt article)
- [How Student Loan Interest Rates Affect Your Monthly Payments](#) (Salt article)
- [How To Cut Student Debt Before, During, And After College](#) (Salt article)
- [How To Get Your Student Loan Payments Back On Track](#) (Salt infographic)
- [How To Shop Around For A Private Student Loan](#) (Salt article)
- [Postponing Repayment With Deferment](#) (Salt article)
- [Postponing Repayment With Forbearance](#) (Salt article)
- [Understanding Delinquency And Default](#) (Salt article)

Part Four: Applying For Financial Aid

Now that you know some of the essential information about the types of financial aid available to you, it's time to learn how to apply. This whole thing may seem overwhelming at first, but it's actually pretty straightforward when you know the steps you need to follow and what to expect.

Let's walk through the process to make sure you don't miss anything along the way—especially your deadlines.

What You'll Learn In This Section:

- Which financial aid forms you may need to fill out, where to find them, and when they're due.
- What types of financial documentation you may need to submit with your financial aid applications.
- The seven questions you should ask yourself to figure out which school's financial aid offer is the best one for you.

How To Apply For Financial Aid

Use [this timeline](#) and the following checklist to stay on top of your financial aid deadlines:

- ☐ Determine if you're eligible for federal student aid (see the [next section](#) for more information on how to do this).
- ☐ Register for the [College Scholarship Service \(CSS\) Financial Aid Profile](#) if any of the schools you're applying to require it.
- ☐ Determine whether you need to fill out the FAFSA as a [dependent or independent student](#), and gather the appropriate financial and income tax information for yourself and your parents (legally married same-sex partners are considered parents for FAFSA purposes).
- ☐ Complete and submit the FAFSA at fafsa.ed.gov.
- ☐ Complete and submit any school-specific financial aid applications, if they are required.
- ☐ Once you receive your Student Aid Report (SAR), make any required changes and resubmit it, if necessary.
- ☐ [Analyze and compare your financial aid offers](#) to distinguish between free money (like grants and scholarships) and the aid you have to pay back (like student loans).
- ☐ Once you've selected which school you'll attend, indicate which financial aid award items from their agreement you'd like to accept and decline, then return the agreement to them. Just remember to not borrow more money than you need.

- Notify your college's financial aid office of any private scholarships or funding you will be receiving.

Eligibility Requirements For Federal Student Aid

To receive federal student aid, you must be either a U.S. citizen with a Social Security number (SSN) or an [eligible non-citizen](#) who is enrolled, or is planning to enroll, in a higher education program that leads to a degree.

If you're a male between 18 and 25 years old, you must also be registered for the Selective Service. Don't worry if you haven't done this yet. You can register when you fill out the FAFSA.

An Important Note About Deadlines

If you're applying to several schools that require you to complete your financial aid applications by different dates, you should submit the CSS Profile (if any of your schools require it) and the FAFSA **on or before the first deadline date**.

For example, let's say you're applying to a school that requires you to submit your FAFSA and CSS Profile applications by February 1. If another school you're applying to requires the forms by February 15, and a third school requires them by February 28, then submit all your applications by February 1 to avoid missing any deadlines.

Also, your state may have a different deadline than the schools you're applying to for determining if you are eligible for state grant aid. If you want to be considered, be sure to apply prior to your state's deadline. All state deadlines are listed on the FAFSA form.

Filling Out The FAFSA

If you're applying for federal loans, grants, and/or work-study, you need to fill out the FAFSA. All colleges and universities require it for students requesting financial aid.

You don't need to wait until a school accepts you or until you've filed your tax returns to complete the FAFSA. This year's form (for the 2016-2017 school year) becomes available on January 1 and requires you to provide your 2015 income and tax information; however, this will change to October 1 for the 2017-2018 school year, so you can file even earlier. That application will require your 2015 income and tax information as well. This is because the FAFSA will start using the "prior prior" year's information beginning with the 2017–2018 academic year.

The sooner you submit your application, the better your chances for getting the most financial aid possible, as some aid has limited funds. You can [complete your FAFSA online](#) as soon as you determine your dependency status and gather the appropriate financial information for yourself and your parents. Remember the FAFSA is free. You should never pay to complete the FAFSA.

Most students heading off to college consider themselves to be fairly independent. However, the government has [clear rules about dependency status](#) when it comes to financial aid. Your status determines how you complete your FAFSA and how much

financial aid you're eligible to receive. In fact, the federal government considers most students under the age of 24 to be dependent. If that's the case for you, you'll have to provide financial documentation for your parents' income and their signature on the FAFSA. You only need to provide your own information and signature if you qualify to file as an independent student.

Get started by filling out the [online FAFSA form](#). It includes step-by-step directions to help you complete the application. Just click the "Start A New FAFSA" button on the home page to begin. You can save your information and come back as often as you need to.

Here are six additional tips to help you along the way:

1. Request a [Federal Student Aid \(FSA\) ID](#) for you and your parents. This is required for filling out the FAFSA.
2. [Use this checklist](#) from the FSA website to ensure that you have all of the documents you'll need to complete the FAFSA.
3. If you worked last year and were required to file taxes, you'll need to provide your own W-2s and income tax information (either a 1040, 1040A, or 1040EZ form) on the FAFSA. You and your parents can use the [IRS Data Retrieval Tool](#) to access accurate tax return information and transfer it directly into your FAFSA.
4. Determine if one or both of your parents need to provide financial and tax information on your FAFSA (legally married same-sex partners are considered parents for FAFSA purposes). Here's how:
 - If you live with your biological or adoptive parents, you need to provide both of your parents' W-2s and income tax forms, even if they aren't currently married (this includes same-sex parents who are not legally married).
 - If you live with one biological or adoptive parent who isn't currently married, you need to provide the W-2s and tax forms of the parent that you lived with for more than 6 months during the past year.
 - If your parents are divorced and you lived with each of them for an equal amount of time during the past year, you need to provide the W-2s and tax forms of the parent who provides at least 50% of your support. You do not need to submit information about the parent who provided you less than 50%.
 - If you live with one biological or adoptive parent and one stepparent, you need to provide the W-2s and tax forms from both the parent and stepparent you live with (this includes same-sex stepparents if they are legally married). You do not need to submit information about the parent you don't live with.
5. If you or your parents haven't filed your taxes yet, you can complete the FAFSA, using [tax information from 2 years prior](#). You'll have the opportunity to update this information later on your SAR. It's important that you remember to complete this update. Your financial aid award is only an estimate until your school receives your updated information. Beginning with the 2017-2018 FAFSA, using tax information from 2 years prior will become the norm.

6. On the FAFSA, you can list up to 10 schools where you'd like your FAFSA information automatically sent (you can add more schools later, if needed). Be sure to list all of the school codes for the schools you're applying to. You can find a list of all of the schools in the United States and their codes [here](#).

What To Expect After Completing The FAFSA

Once you submit your FAFSA, the federal government uses the information you provide to determine how much they think that you and your family can afford to pay for college each year. This amount is called your expected family contribution (EFC).

Your EFC is included on your SAR, which you'll receive in the mail (or via email if you include an email address on your FAFSA). You can correct or update your information on the SAR if:

- You estimated your income information on the FAFSA.
- You reported your financial information incorrectly on the FAFSA.
- You've been selected for [verification](#) (the process schools use to confirm that the information on your FAFSA is accurate).

The schools you apply to also receive your EFC. They use it to calculate your financial need based on their cost of attendance (COA) and your EFC. This calculation is actually pretty simple:

$$\text{School's COA} - \text{Your EFC} = \text{Your Financial Need}$$

As you can see, each school determines how much aid you need by subtracting the amount you can afford from the amount it costs to attend that school. For example, if the COA for a particular school is \$20,000, and your EFC is \$5,000, your remaining financial need is \$15,000. This means you can't get more than \$15,000 in need-based financial aid to attend that school for that year.

Each college then offers you a financial aid award package to help cover your financial need. These packages may include federal and state grants, federal student loans, work-study, or a combination of these. Some colleges and universities may also award their own institutional grants and loans.

If the amount you're awarded doesn't cover your entire balance, you're responsible for covering any remaining amount. However, if your family's financial situation changes dramatically between the time you submit the FAFSA and the time you receive your SAR, your school's financial aid office may be able to reduce your EFC. For example, if your parent loses his or her job during that time period, contact your school's financial aid office to explain how your situation has changed. In certain circumstances, financial aid offices may have the authority to revisit your EFC—you can request that they do so in cases like this.

Additional Financial Aid Forms

While all schools require that you complete the FAFSA to apply for financial aid, you may also have to fill out additional paperwork to be considered for institutional aid and other funding.

A number of colleges, universities, and some scholarship programs require that you complete the CSS Profile or their own institutional financial aid applications. You may not be eligible to receive any financial aid from your school without completing the paperwork in full, though you will still be eligible for federal aid if you complete the FAFSA process. Contact your college's financial aid office to find out their specific application requirements.

Filling Out The CSS Profile

The CSS Profile is similar to the FAFSA, but it asks even more in-depth questions about your family's financial situation. You can [*fill out the CSS Profile online*](#), and you don't have to wait until you've submitted the FAFSA to do so. If at least one of the schools you're applying to requires the CSS Profile, you can complete this step as early as October 1 of the previous year to make sure that you meet their deadline. (See the [*note about deadlines*](#) earlier in this chapter.)

Here's what you'll need [*if you're required to fill out the CSS Profile*](#):

- Copies of your family's W-2s and tax forms for the past 2 years
- All financial statements, including:
 - Mortgage statements
 - Stock, bond, and mutual fund information
 - Checking and savings account information
- Any other statements reflecting additional income or unusual family expenses

The CSS Profile has a \$25 registration fee (payable online by credit or debit card). That fee allows you to register, complete the application, and send your information to one school or program. There's a \$16 fee for each additional school or program that you select to receive your CSS information. Fee waivers are available for eligible applicants. If you qualify, your registration and reporting fees for up to eight schools or programs may be waived.

Comparing Award Packages

Once you complete the required financial aid forms, you'll receive an award letter from each school that accepted you. When deciding which to attend, it's important to determine which one will be the most affordable by [*comparing all of your award packages*](#).

Many schools use their own unique format for financial aid award letters, which can make it tricky to compare packages from different schools. However, close to 3,000 schools now use a standardized [*Financial Aid Shopping Sheet*](#) to communicate their

award packages to potential students. Here are seven questions to help you figure out which school's award is best for you, no matter what award letter format you receive:

1. How much of each financial aid package is made up of loans?

Borrowing less money now means paying back less money later.

2. Which college offered the most grants and scholarships?

More free money means you'll have less to pay out of pocket or borrow in loans.

3. Which schools offered packages that meet your entire financial need?

These schools are generally the most affordable, unless your award is predominantly made up of loans.

4. Of the schools that offered packages that meet your entire financial need, which is made up of the fewest loans?

Again, try to maximize your free money and minimize loans.

5. Are you being offered federal loans or a combination of private and federal loans?

Federal loans typically have more favorable terms and more flexible repayment options than private loans.

6. Are you comfortable with the fact that you'll have to repay these loans if you borrow them?

Borrowing student loans is usually at least a 10-year commitment. Make sure that you are prepared for that before you sign up.

7. Would this award work better for you if you declined some or all of the loans?

You have the right to decline any or all of the aid you're offered, so only borrow the amount that you really need.

If you still need help figuring out which financial aid package is the best one for you, try our [Financial Aid Comparison Tool](#). This apples-to-apples comparison of your financial aid award letters should help you separate the numbers from the jargon.

Before You Borrow

You probably won't have to start repaying your student loans for at least a couple of years after you borrow them—which makes it a little too easy to just borrow now and think about it later. Don't make this mistake. Here are 11 important questions to ask yourself before you sign on the dotted line:

1. What's the total [amount I can afford to borrow and repay](#)?
2. How much am I borrowing with this loan?

3. Is the loan I'm about to borrow a federal or private loan?
4. If it's a federal loan, what type is it?
5. Do I need a cosigner for the loan? If so, can the cosigner be released after a certain number of years or payments?
6. Is the interest rate fixed (does it stay the same throughout the entire repayment term) or variable (is it subject to change each month or year)?
7. Am I responsible for paying the interest while I'm still in school?
8. Approximately how much will I owe each month when I start repaying this loan, and how long is the repayment term?
9. What is the actual amount of money that I'll receive, and how much (if any) of this loan will be deducted for fees?
10. When will my repayment period begin, and is there a grace period before I have to begin repayment?
11. Is there a penalty for prepaying?

Knowing these details about your loans up front can save you some serious money (and frustration) in the future. If you're unsure about any of these questions, or if you just want more information, [this article](#) explains where you can find answers.

Don't forget: [Salt](#) is always here to help, too!

Learn More

- [Answering Common Questions About The FAFSA](#) (Salt article)
- [College Scholarship Service \(CSS\) Financial Aid Profile Application](#) (official CSS Profile website)
- [Choosing The Right College For You And Your Budget](#) (Salt article)
- [Deconstructing Your Financial Aid Award Letter](#) (Salt article)
- [FAFSA School Code Search](#) (official FSA website)
- [Free Application for Federal Student Aid \(FAFSA\)](#) (official FAFSA website)
- [Get Your FSA ID](#) (official FSA website)
- [How To Determine If You're A Dependent Or Independent Student](#) (Salt article)
- [IRS Data Retrieval Tool For FAFSA](#) (official IRS Data Retrieval Tool website)
- [Required FAFSA Documents Checklist](#) (official FSA website)
- [The Salt Financial Aid Comparison Tool](#) (Salt Blog post)

- [Understanding Your Financial Aid Award Letter](#) (Salt video)
- [Video: How Prior-Prior Year Helps Students](#) (official NASFAA website)
- [What Is FAFSA Verification](#) (Salt article)
- [What To Do If Your School Requires The CSS Profile](#) (Salt article)
- [Your Month-By-Month Guide For Getting Financial Aid](#) (Salt article)

Part Five: Scholarships

It takes a bit of work to earn scholarships, but they're [well worth the time and effort](#). You can start applying for scholarships before you even enter high school, and you can continue until you're done with college or graduate school.

Generally, you have to fill out an application, write an essay, and ask for some letters of recommendation to apply for scholarships—which is a small price to pay for all the [free money you could earn](#) as a result.

Let's jump into some of the ways you can find scholarships, as well as what you'll need to do during the application process.

What You'll Learn In This Section:

- The various ways you're qualified to win scholarships.
- Six places where you can find scholarships in your hometown (and even more on the Web).
- How to enter a scholarship competition in just six steps.

What Are Scholarships?

A scholarship is a monetary award that you don't need to pay back. Most are merit-based, meaning they're awarded to students who demonstrate outstanding talents or achievements. You already know that the smartest of the smart kids and the top athletes receive scholarships to help cover their college costs—but they aren't the only ones who can earn free money for school.

Trust us: There are scholarships out there for just about everyone. Check out [this infographic](#) to find out some little-known facts about scholarships, and learn why it's worthwhile to apply—even if you don't have a 4.0 GPA or a flawless jump shot.

Here are seven different [things that could make you eligible](#) for a scholarship:

1. Pursuing a specific field of study or occupation
2. Having a special skill or talent
3. Affiliating with a race, ethnicity, or religion
4. Demonstrating leadership or community service
5. Performing outstanding academic, athletic, or extracurricular achievements
6. Overcoming significant challenges
7. Having financial need

How To Find Scholarships

There's a ton of free money out there if you know where to find it. Just remember, the scholarship process takes time—so start applying at least a full year before the start of

the school year that you hope to use the money for. Here are six places where you can start looking and asking questions now:

1. **High school counselors and college advisers:** Ask about scholarships that other students have received and find out whether or not you may be eligible for them. They may also know if there are any specific scholarships that you would have a good chance of winning.
2. **Libraries:** Public and college libraries have entire books that list scholarship opportunities. Many libraries also maintain files of newspaper clippings and brochures on local scholarships that won't necessarily be listed in books or on the Web.
3. **Family members:** Your great uncle or second cousin may be affiliated with a group that offers scholarships. Ask if they belong to a civic group, union, alumni organization, veterans' association, religious organization, or company that provides scholarships.
4. **Chamber of commerce:** Many local Chambers of Commerce keep lists of businesses and civic organizations that award scholarships to area residents.
5. **Community and faith-based organizations:** Check with your local branch of the YMCA and Boys and Girls Club to find out if they provide scholarships. If you're a member of a church, temple, or mosque, ask about scholarships there, too.
6. **Your college or university:** Contact your school's financial aid office to find out if they offer any scholarship opportunities that require separate applications.

Many other businesses and corporations, community service organizations, religious groups, foundations, and even individuals sponsor scholarships. The schools you're applying to probably offer scholarships, too! The key is to ask.

Your Scholarship Resources

Most scholarships require you to compete for the funds they offer. Sometimes, thousands of other people enter to earn the same prize you're after. Chances are you won't win every scholarship you apply for, so it's a good strategy to cast a wide net and enter as many as you can. Here are five trustworthy websites to start your scholarship search:

1. [Salt](#)
2. [The College Board](#)
3. [College Toolkit](#)
4. [Fastweb](#)
5. [FinAid](#)

The Web is the fastest and easiest way to locate and apply for scholarships—and speed and convenience are critical when you're entering multiple competitions. Just [beware of](#)

[scams](#) and know that you should *never* have to pay for information about any type of financial aid—including scholarships.

Applying For Scholarships

Once you've found some scholarships that you're interested in, all you have to do is apply. There are no firm standards for what the application process may include, but you can find the specifics you need on each scholarship's website. Here are the six steps you'll generally need to follow:

1. **Check the criteria.** Make sure you meet the eligibility requirements and you have enough time to apply before the deadline. Eligibility and deadline information should be clearly listed on the scholarship's website.
2. **Request a letter from your references.** Many scholarships require at least one recommendation letter from a teacher, coach, youth group leader, or someone else who knows you well. Give them enough information about the scholarship to write a thoughtful recommendation—and enough time to submit it before the deadline.
 - a. Don't know whom to ask for a recommendation letter? A teacher, coach, or community leader who knows you would be good; your mother wouldn't. (Check out [this infographic](#) for more ideas.)
3. **Request your school transcripts.** Some scholarships have a minimum GPA requirement, and you'll need to provide your transcripts when you apply to prove that your grades are good enough. Don't leave this until the last minute. Some schools may need time to print your official transcript.
4. **Write your essay.** Most scholarship competitions have an essay component. Essays help the judges understand who you are and why you're applying for this scholarship. Sometimes the essay question will be specific to the scholarship. Other competitions may ask you to provide a personal statement—which you can use to [apply for multiple scholarships](#).
 - a. Be sure to focus your essay on what motivates you and what you're really passionate about. Watch [this video](#) for some more tips on how to make your essay stand out from the crowd.
5. **Fill out the application form.** Almost every scholarship competition requires an application form where you'll list some basic information about yourself—like your achievements, community service, club memberships, and other activities. Depending on the scholarship, the application could be an online, downloadable, or paper form.
6. **Submit your application before the deadline.** Once you've double-checked your spelling and grammar in your essay and made sure there are no errors on your application, it's time to apply. Just follow the scholarship's instructions to submit all of your required materials.

[Learn More](#)

- [4 Ways To Spot A Bad Scholarship](#) (Salt article)
- [Are Scholarships Worth The Time And Effort?](#) (Salt infographic)
- [College Board's Scholarship Search](#) (official College Board website)
- [College Toolkit's Scholarship Homepage](#) (official College Toolkit Website)
- [Fastweb's Scholarships](#) (official Fastweb website)
- [FinAid's Scholarships](#) (official FinAid website)
- [How To Write A Winning Scholarship Essay](#) (Salt Video)
- [Little Known Scholarship Facts](#) (Salt infographic)
- [Salt's Scholarship Search](#) (Salt tool)
- [Scholarship Matchmaker](#) (Salt infographic)
- [Write One Essay ... Apply For Lots Of Scholarships](#) (Salt infographic)

Part Six: Additional Ways To Pay for School

If the financial aid package and scholarships you receive aren't enough to cover your college-related costs, you still have more options. You may be able to use tax benefits, a monthly tuition payment plan, credit cards, or even your personal budget to make up the difference.

Let's talk about how you could put some of these lesser-known options to work for you.

What You'll Learn In This Section:

- Four ways the government helps students during tax season.
- Some tips for stretching your money so you can pay for college.
- What type of credit card to use if you're going to charge your tuition bill.

Tax Benefits

Some tax benefits for higher education can make college a bit more affordable. As a college student, you may be able to use these to offset your cost of attendance when you file your income taxes.

Here's a quick overview of how four of these benefits worked for tax year 2014 (check out [this article](#) for more details):

1. **The American Opportunity Credit** allows families to claim a tax credit of up to \$2,500 per student per year for the first 4 years of school as the student works toward a degree.
2. **The Lifetime Learning Credit** allows families to claim up to \$2,000 per student per year for any college or career school tuition and fees, as well as for books, supplies, and equipment that's required for the coursework and had to be purchased from the school.
3. **A tuition and fees deduction** covers 100% of the costs you have to pay to enroll/attend an eligible educational institution up to \$4,000, depending on your adjusted gross income. You may be eligible for this benefit if you paid for qualified education expenses and you don't have a tax filing status of "married filing separately."
4. **A student loan interest deduction** is a tax deduction of up to \$2,500 for the interest you paid on loans for your higher education. If you qualify, this deduction is available for all education loans, including student, parent, federal, and non-federal loans.

Your eligibility for these benefits and the amounts you could receive are determined based on your annual income, the amount of qualified tuition and fees you paid, and the amount of certain scholarships and allowances subtracted from your cost of tuition.

For more information about all of the current regulations and requirements for tax deductions and credits, check out [IRS Publication 970](#).

This overview of tax credits and deductions is provided as a guide only and should not be used as tax advice. Remember, it's always a good idea to check with a tax professional to be sure you're claiming benefits correctly.

Monthly Tuition Payment Plans

Most schools offer an option for you to pay your tuition in monthly installments. These payment plans allow you to either divide the amount of money you owe into monthly payments instead of paying the entire balance at once or to pay a certain amount per month that you can afford and borrow the rest. This gives you longer to pay off your total balance and the flexibility to pay a more affordable amount each month.

The best part is that these plans are usually interest-free—which can save you some serious money in the long run. However, some monthly tuition plans do come with fees or finance charges. Before you sign up, be sure to ask about any costs that you may incur. Also, if you wind up using this option, it's important to stay on top of your payments. If you fall behind, your school could block you from registering for classes the next semester.

If a monthly tuition payment plan sounds like it could be helpful to you, check with your college to find out if they offer this option.

Credit Cards

We absolutely do not recommend using credit cards to pay for your college tuition. However, we understand that some people do use this option. Before you swipe your card, it's critical that you weigh the pros and cons.

To use a credit card, you need to have a credit limit that allows you to charge several thousand dollars. Most college-aged people don't have that kind of credit ... but your parents might. Be sure to talk to them about this before you make any decisions.

Even if you or your parents have a credit card with a limit that will cover your tuition, you still don't want to charge it on just any old card. Using a credit card to buy anything is really the same as taking out a high-priced loan. With interest rates that are generally higher than student loans, credit cards are one of the most expensive ways to borrow money. If you decide to pay for school with a credit card, use one with a 0% promotional interest rate, and make sure that rate will last long enough for you to pay off your debt before the promotion ends.

One potential perk of using a credit card (besides keeping you in school) is that the cardholder could earn reward points or cash back for the tuition charge. A potential downside, however, is that not all schools accept credit cards for tuition payments. In some cases, those that do take plastic may charge a convenience fee.

Budgeting

If you need more money to pay for college, you may not need to look any further than your own income and expenses to find it. A personal budget is an important tool to help

you understand your personal finances—and it could help you discover that you actually have more money than you thought.

[Creating your budget](#) is easier than you may think. Basically, you just need to take a look at your recurring expenses, your discretionary spending, and your income, and then organize this information on a [budget worksheet](#).

Once you've done that, try to identify any purchases you can eliminate or cut back on to save some money each month. You may even find that you can free up enough cash to pay for some of your college costs that aren't covered by your financial aid award.

Learn More

- [3 Ways You Can Close Your Tuition Gap](#) (Salt article)
- [4 Education Tax Credits And Deductions For College Students](#) (Salt article)
- [Everything You Need To Design Your First Budget](#) (Salt article)
- [Publication 970](#) (official IRS website)
- [Salt's Budget Worksheet](#) (Salt PDF)
- [Tax Benefits For College Students](#) (Salt article)
- [The Limits Of Rewards Cards](#) (Salt article)

Appendix: Glossary

Adjusted Gross Income (AGI): The income you earn in a year that is eligible to be taxed after certain deductions have been accounted for. You need to know your AGI to apply for federal financial aid, because it helps determine how much money (grants or loans) you can receive. Your AGI also determines if you're eligible for certain student loan tax benefits. Your AGI is usually lower than your total income, so make sure you use the right number when you fill out your FAFSA. You can find your AGI on your most recent tax return.

Award Letter: A letter you receive before your semester begins that details the types of financial aid you are eligible for. This includes details about the student loans, grants, and scholarships you've been awarded. You'll receive an award letter every year you attend school if you apply for financial aid.

Consolidation: A single, new loan that borrowers take out to replace their existing student loans. Consolidation loans make it easier to keep track of all your payments by cutting down the number of loans you have. Keep in mind that you can't consolidate your federal loans with your private loans unless you consolidate them with a private lender, which will eliminate all of your federal student loan benefits like deferment, discharge, and loan forgiveness. You may consolidate different private loans together, but there aren't many lenders out there willing to do this.

Cost Of Attendance (COA): An estimate of all the educational costs your school thinks you'll need while you're there. This includes tuition and fees, as well as other expenses including room and board, health insurance, books, and transportation.

Credit Rating (Credit Score): An indicator of your ability to repay your debt. Your rating takes into account how well you've paid back any debts you've had in the past and how much debt you currently have. Lenders use this credit score to determine whether you're eligible to receive certain types of education loans, like PLUS loans and private loans. Your score is also used to establish your interest rate for credit cards, mortgages, auto loans, and more.

Default: When repayment is required monthly, federal Direct and FFELP loans enter default status if your payments are more than 270 days past due. Private loans, other federal student loans, and loans requiring payment less frequently may have different timeframes for default. A loan can also go into default if you fail to meet other terms of the promissory note or written agreements with the loan holder, which causes the loan holder to believe you no longer intend on honoring your obligation to repay the loan. Refer to your loan's promissory note to determine its default timeframe.

Deferment: A period of time in which you can postpone your loan repayment if you meet certain eligibility requirements. Federal subsidized loans do not accrue interest while in deferment.

Direct Loan Program (William D. Ford Federal Direct Loan Program or DL): The most common way to get federal loans. As of June 30, 2010, all federal Stafford loans and PLUS loans are part of the DL program. For DL loans, the federal government lends money directly to students (instead of going through a private bank as FFELP loans once did).

Disbursement: The process that occurs when your school receives your financial aid money and applies it to your tuition bill and school-related fees. If you consolidate your student loans, the disbursement is the money sent to your old loan holders to pay off your old loans.

Discretionary Income: The amount of money you have left over after paying for your basic expenses. You may need to provide this information when applying for certain student loan repayment plans that determine your monthly payment amounts based on how much you earn. The government defines discretionary income in different ways for different repayment plans.

Expected Family Contribution (EFC): The federal government's best guess of how much money you, your spouse, and your family need to contribute toward your education during an academic year. Your EFC is calculated based on the information you provide on your FAFSA

Federal Work-Study Program (Work-Study): A program that provides undergraduate and graduate students with part-time employment during the academic year to help cover school-related expenses.

Free Application For Federal Student Aid (FAFSA): The application you need to fill out to apply for any form of federal student aid, including loans, grants, or scholarships. You complete it online.

Financial Aid Package: The entire combination of grants, scholarships, loans, and work-study funding you receive from all sources (federal, state, institutional, and private). Your financial aid package is detailed in the financial aid award letter you receive each academic year.

Financial Need: Your cost of attendance minus your EFC. This determines your eligibility for financial aid such as Stafford loans, work-study, grants, and scholarships.

Fixed Interest Rate: An interest rate that doesn't change—unlike a variable interest rate, which can change based on certain economic or legislative factors.

Forbearance: A way to postpone your student loan payments or reduce them. Unlike deferment, interest accrues on loans while they're in forbearance, which increases the total amount you owe.

Grants: A type of financial aid that you do not have to repay. You may be able to qualify for grants based on your academic or your financial need.

Half-Time Enrollment: Your potential enrollment status if you take less than a full course load. If you aren't taking a full course load, check with your school to find out if you're enrolled half time or less. Not every school uses the same standards, and your enrollment status can impact how much financial aid you can receive and when your first loan payment is due.

Interest: The fee a lender charges you for borrowing money. It's a percentage of the amount you owe that accrues and gets added to your principal balance on a regular basis (usually either daily or monthly).

Loan Forgiveness: The process that occurs when the federal government cancels a loan's remaining balance or a portion of the balance. You must meet specific eligibility requirements to qualify for any form of loan forgiveness.

Merit-Based Aid: Money for college—usually in the form of scholarships or grants—that schools and other organizations award based on your academic and extracurricular achievements, not your financial need.

Need-Based Aid: Financial aid awarded to students who demonstrate financial need as determined by the college they attend or plan to attend.

Part-Time Enrollment: Your enrollment status if you take less than a full course load. Not every school uses the same standards, so check with your school to find out your enrollment status.

PLUS Loans: Federal student loans that give borrowers enough money to meet their school's cost of attendance, minus any other aid they receive. There are two types of PLUS loans: Parent PLUS and Grad PLUS. Eligible parents of dependent students can borrow Parent PLUS loans to help cover their children's college costs (this includes same-sex, legally married stepparents). Graduate students can use Grad PLUS loans to help pay for the cost of their advanced degrees.

If your parents take out a Parent PLUS loan, there is no way to transfer ownership of that loan to you. So, if they sign the paperwork, they'll ultimately be the responsible for paying it. They'll also have to sign into their own NSLDS account to view the details of that loan.

PLUS loans take your credit rating into account, so you may need an endorser to qualify.

Repayment Period: The length of time you have to repay your student loans. The standard repayment period for Stafford loans is 10 years, but if you need to pay less each month, you can extend this through other repayment plans. In general, the longer you take to repay your loans, the more you'll wind up paying in interest over the course of your repayment period.

Repayment Plan (Repayment Schedule): Your formal agreement with your servicer that details how you'll repay your student loans. Your repayment plan determines how much you pay each month, when you make your payments, and how long you have to complete your repayment.

Scholarships: Money you're awarded to attend an academic institution. You don't have to repay scholarships—they're free money.

Student Aid Report (SAR): A list of all of the financial and personal information that you and your family included on your FAFSA. You and your school both get a copy of the SAR. After you receive it, you may be able to make corrections or changes to your personal or financial information before your final award is processed.

Subsidized Loans: Federal student loans that the government pays the interest on while you're in school and during approved deferment periods. They will also pay this interest during your grace period if you borrowed these loans before July 1, 2012 or as of July 1, 2014. PLUS loans are never subsidized, and Stafford loans can either be subsidized or unsubsidized.

U.S. Department of Education (ED): The federal department that funds all Title IV financial aid programs and operates the DL program. It is also responsible for federal policy for all levels of education.

Unmet Need: The difference between your financial need and the amount of financial aid you receive.

Unsubsidized Loans: Federal student loans that are not based on financial need. You're responsible for paying all interest that accrues on your unsubsidized loans—including interest that accrues while you're in school and during your grace period and deferment periods. PLUS loans are always unsubsidized, and Stafford loans can be either unsubsidized or subsidized.

Variable Interest Rate: An interest rate that can change during the life of the loan. Variable rates for federal student loans are usually updated once each year. Most private loans have a variable interest rate. Federal loans distributed after June 30, 2006, have fixed interest rates.

About Salt

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