

Financial Aid Reference Guide

Chapter 1.2: Paying for Post-Secondary Education

This reference guide provides essential information about financial aid options for post-secondary education. It explains different funding sources, their characteristics, and how they fit into a comprehensive education financing strategy. Use this guide to understand the financial aid landscape and develop a personalized approach to funding your education.

The Funding Priority Pyramid

Financial aid experts recommend pursuing education funding options in the following order to minimize cost and debt:



This pyramid approach prioritizes funding sources that don't require repayment (scholarships and grants) before moving to options that require work or repayment with favorable terms (work-study, federal loans), and finally to more expensive options (private loans).

Key Financial Aid Types

Scholarships

Monetary awards based on merit, talent, identity, affiliation, or other criteria that do not require repayment.

Key Characteristics:

- Can be based on academic achievement, talent, leadership, or specific characteristics
- Available from schools, private organizations, corporations, and foundations
- May be one-time awards or renewable for multiple years (with continued eligibility)
- Often require separate applications and may have unique deadlines
- Competition varies widely depending on eligibility requirements

Application Strategy: Apply for many scholarships, focus on local opportunities with less competition, and tailor applications to highlight your unique qualifications.

Grants

Need-based financial aid that does not require repayment, primarily awarded based on financial circumstances.

Key Characteristics:

- Primarily awarded based on financial need (as determined by FAFSA/EFC)
- Available from federal government, state agencies, and institutions
- Federal Pell Grants (up to \$7,395 for 2024-2025) are the largest grant program
- Other federal grants include FSEOG and TEACH Grants
- State grants vary widely by location and typically require state residency

Application Strategy: Complete the FAFSA early to maximize eligibility for all need-based grants; research state-specific grant programs.

Work-Study

Federal program providing part-time employment opportunities to help students earn money for education expenses.

Key Characteristics:

- Provides part-time jobs for undergraduate and graduate students with financial need
- Available on-campus or with approved off-campus employers
- Students earn at least federal minimum wage, paid directly to the student
- Hours are typically limited and designed to accommodate class schedules
- Jobs often relate to a student's course of study or provide community service

Application Strategy: Indicate interest in work-study on your FAFSA, then apply for specific positions early once accepted into the program.

Federal Student Loans

Government-provided education loans with fixed interest rates and favorable repayment terms compared to private loans.

Key Characteristics:

- Direct Subsidized Loans: For undergraduate students with financial need; government pays interest while in school
- Direct Unsubsidized Loans: Available regardless of financial need; interest accrues while in school
- Parent PLUS Loans: For parents of dependent undergraduate students
- Graduate PLUS Loans: For graduate/professional students
- Income-driven repayment plans and potential loan forgiveness available

Application Strategy: Complete the FAFSA to determine eligibility, borrow only what you need, and understand the full terms before accepting.

Private Student Loans

Education loans from private lenders (banks, credit unions, online lenders) with terms based on credit history.

Key Characteristics:

- Credit-based approval process often requiring a cosigner for students
- Variable or fixed interest rates typically higher than federal loans
- Fewer repayment protections and no forgiveness programs
- May offer higher loan limits than federal programs
- Terms and features vary significantly between lenders

Application Strategy: Consider only after exhausting federal loan options, compare offers from multiple lenders, and carefully review all terms and conditions.

Federal Student Aid Comparison

Feature	Direct Subsidized	Direct Unsubsidized	PLUS Loans	Private Loans
Eligibility	Undergrad with need	All students	Parents/Grad students	Credit-based
Interest Rate (2024-25)	5.50% fixed (undergrad) 7.05% (grad)	5.50% fixed (undergrad) 7.05% (grad)	8.05% fixed	Variable/Fixed (typically 4-14%)
Interest Subsidy	Yes (while in school)	No	No	No
Loan Fees	1.057%	1.057%	4.228%	Varies (0-5%)
Annual Limits	\$3,500-\$5,500	\$5,500-\$20,500	Up to cost of attendance	Up to cost of attendance
Repayment Plans	Multiple federal options	Multiple federal options	Multiple federal options	Limited options
Forgiveness Options	Multiple programs	Multiple programs	Limited programs	Generally none

The FAFSA: Your Gateway to Financial Aid

The Free Application for Federal Student Aid (FAFSA) is the primary form used to determine eligibility for federal financial aid, as well as many state and institutional aid programs.

Key FAFSA Terminology

- **Expected Family Contribution (EFC):** Calculated amount your family is expected to contribute toward education costs based on financial information provided
- **Student Aid Report (SAR):** Document summarizing your FAFSA information and indicating your EFC

- **Cost of Attendance (COA):** Total cost of attending a specific institution, including tuition, fees, room, board, books, transportation, and personal expenses
- **Financial Need:** The difference between the COA and your EFC, determining eligibility for need-based aid
- **Verification:** Process where schools confirm the accuracy of information provided on the FAFSA

FAFSA Tips

- **File early:** The FAFSA opens October 1 each year - submit as soon as possible as some aid is first-come, first-served
- **Use the IRS Data Retrieval Tool:** Automatically transfers tax information to reduce errors
- **Create an FSA ID before starting:** Both student and parent (if dependent) need separate FSA IDs
- **List multiple schools:** You can send your FAFSA to up to 10 schools at once
- **Update after major changes:** If your financial situation changes dramatically, contact financial aid offices about professional judgment reviews

Financial Aid Timeline

October 1

FAFSA becomes available for the upcoming academic year. Complete and submit as soon as possible.

November-February

Research and apply for private scholarships. Many deadlines fall within this period.

January-March

Institutional priority deadlines for FAFSA submission. Check specific dates for each school.

March-April

Financial aid award letters arrive from colleges. Compare offers carefully.

May 1

National College Decision Day - deadline to accept admission and financial aid at most schools.

June-August

Complete entrance counseling and sign loan agreements if accepting federal loans.

Evaluating Financial Aid Offers

When comparing financial aid packages from different institutions, consider these factors:

- 1. Net Price vs. Sticker Price:** Calculate your actual out-of-pocket cost after all grants and scholarships are applied
- 2. Gift Aid vs. Self-Help Aid:** Identify how much of the package is free money (grants/scholarships) versus loans and work-study
- 3. Renewable vs. One-Time Awards:** Determine if scholarships and grants are guaranteed for multiple years and what conditions must be met
- 4. Loan Terms:** Compare interest rates, fees, and repayment options for any loans included
- 5. Total Debt Projection:** Calculate the total borrowed amount over your entire program and estimated monthly payments
- 6. Cost of Living Differences:** Consider how location affects overall expenses beyond tuition

Financial Aid Resources

- **Federal Student Aid Information:** studentaid.gov
- **FAFSA Application:** fafsa.gov
- **Scholarship Search Engines:** Fastweb, Scholarships.com, BigFuture
- **Net Price Calculators:** Available on all college websites
- **Financial Aid Comparison Tool:** Consumer Financial Protection Bureau
- **Loan Simulator:** Federal Loan Repayment Simulator