



# Financial Aid

Paying for College and University

**ACT**<sup>®</sup>



# Table of contents

## Chapter 1

Financial Aid 101 \_\_\_\_\_ 4

What is financial aid? Why is it important? Who gets it? Where do you get it?  
How do you get it?

## Chapter 2

Sources of Financial Aid \_\_\_\_\_ 9

Each year, more than \$120 billion in financial assistance is available to students enrolling in college and university. Learn where it comes from and how you can get your share.

## Chapter 3

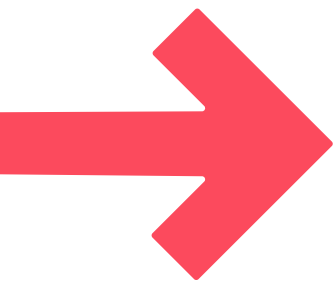
Applying for Financial Aid \_\_\_\_\_ 16

Navigating the financial aid market can be complicated. From understanding the FAFSA to avoiding scholarship scams, learn from experts around the industry.

## Chapter 4

Estimating College Costs \_\_\_\_\_ 19

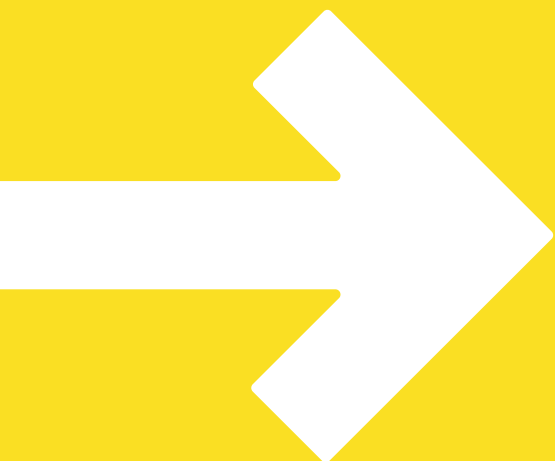
A college that appears less expensive in year one may not be your least expensive option. Learn how to calculate your college costs and determine your lowest-cost choice.



# Introduction

**Financial planning** for college can be a difficult and complicated task. From finding scholarships to understanding student loans, it's easy to get frustrated. However, it's important to figure out what it will cost and how you'll pay for it. By taking the time to learn more about the process, you can improve your experience.

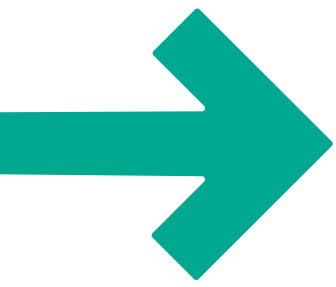




# **Chapter 1**

## Financial Aid 101: The Basics





# Chapter 1

## Financial Aid 101: The Basics

### **What is financial aid?**

Financial aid is money given or loaned to you to help pay for the cost of your higher education. So, don't be discouraged if the cost of continuing your education seems too high at first. Financial aid can help you achieve your education goals.

### **Why is financial aid important?**

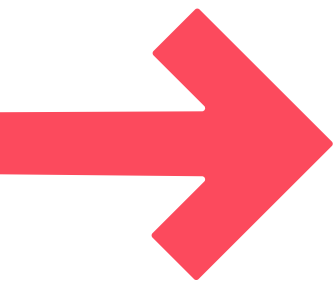
Financial aid is an important way to offset the cost of college. For many students it may be the only way to pay for and attend a college or university. With proper planning and cost comparison, higher education can be affordable for you.

### **Where do I find financial aid?**

Financial aid can come from many different places, including:

- State government
- Federal government
- Nonprofit organizations
- Private companies or institutions
- Colleges and universities
- Community programs
- Religious organizations
- Parents' and students' employers





# Chapter 1

## Financial Aid 101: The Basics

### Who qualifies for financial aid?

Most students enrolled in higher education qualify for and depend on financial aid—in fact, 85% of students at 4-year institutions and 78% of students at 2-year institutions receive financial assistance (National Center for Education Statistics). However, not all financial aid has the same requirements for eligibility and is separated into two categories: need-based and merit-based.

**NEED-BASED FINANCIAL AID** may be offered to you by the state government, US federal government, and/or colleges and universities based on your family's ability to pay for college. This is calculated by analyzing your family's income and assets to create an Expected Family Contribution (EFC). Then, your financial need is determined by comparing the result to the cost of the college you plan to attend. So, if you choose to attend a local community college, your financial need may be small, while if you choose to attend a higher-priced college, your financial need may be large. Need-based financial aid is typically given in the form of grants (which do not have to be repaid) and loans (which do have to be repaid).

**MERIT-BASED FINANCIAL AID** is usually offered without regard to your financial need and is usually awarded based on academic achievement or for special talents, such as in the arts, athletics, or other areas of unique accomplishment. Merit-based financial aid is typically given in the form of a scholarship or award.



# Chapter 1

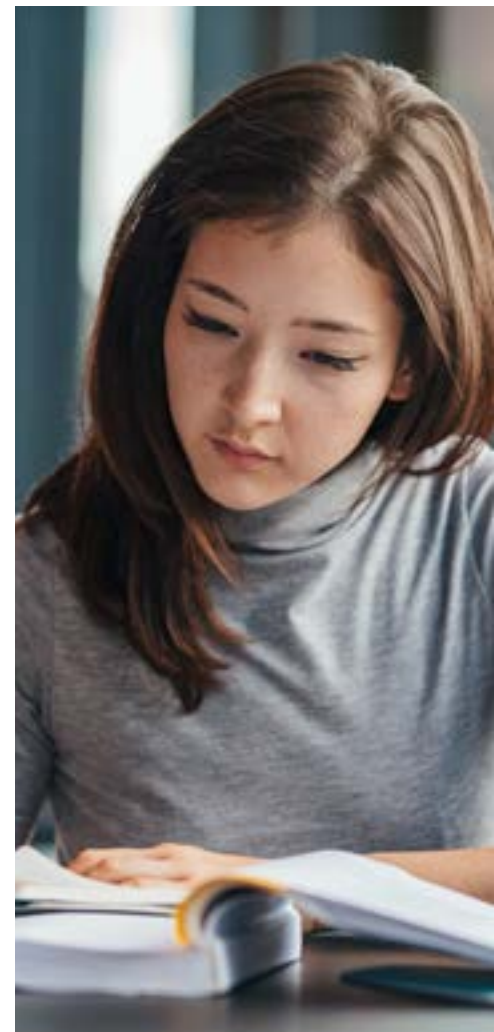
## Financial Aid 101: The Basics

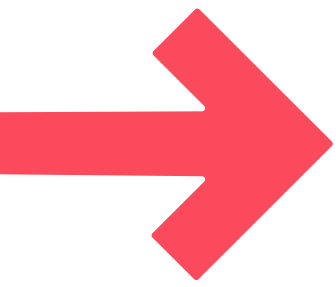
### How do I apply for financial aid?

The first step is to complete the Free Application for Federal Student Aid (FAFSA). This application provides you with access to state and federal aid as well as financial assistance from many colleges. Forms are available at the FAFSA website, high school counselor offices, or by calling the Federal Student Aid information hotline (800.433.3243).

### TO EXPLORE ALL OF YOUR FINANCIAL AID OPTIONS, YOU SHOULD:

- Search for state financial aid programs using the National Association of Student Financial Aid Administrators (NASFAA) [state map](#).
- Ask employers, clubs, associations, or other local groups if they offer scholarships.
- Talk to the financial aid office at the college you plan to attend.
- Ask your high school counselor if they know of any grant or scholarship opportunities.
- Use the Internet to search for scholarships, using tools such as the US Department of Labor's free scholarship [search tool](#), [scholarships.com](#), and [CollegeNET](#).
- Consider joining [Tallo](#).
- Opt in to the [ACT Educational Opportunity Service \(EOS\)](#) while registering for the ACT test. EOS connects you with more than 1,500 colleges, universities, financial aid and scholarship agencies, and other educational organizations at no charge.





# Chapter 1

## Financial Aid 101: The Basics

### When do I apply for financial aid?

It's never too early to start exploring financial aid options. In some cases, funds may be limited and administered on a first-come, first-served basis.

Seniors should complete and submit your FAFSA as soon as possible after it becomes available on October 1. Check the FAFSA website for final deadlines. You must resubmit the FAFSA each year you are enrolled in a college or university.

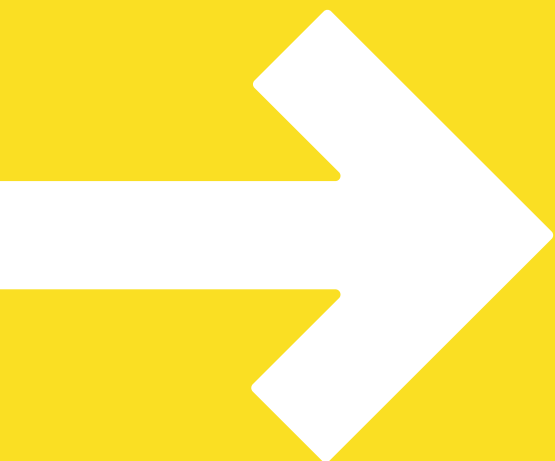
**Completing the FAFSA application on October 1 helps with first come, first-served dollars.**

Submitting your applications for financial aid and scholarships, as well as your ACT scores, early can make a critical difference in the financial support you receive for college. Apply early to ensure you are considered for first-come, first-served aid.

Scholarship and grant deadlines may differ from the FAFSA deadlines. You should take extra care to mark these deadlines on your calendar.







## **Chapter 2** Sources of Financial Aid



# Chapter 2

## Sources of Financial Aid

### Federal Student Aid Programs

The FAFSA is used to determine your eligibility for the following programs and to create your financial aid package. Financial aid packages typically include funds from more than one of the following sources. Every year, more than \$120 billion is available in federal student aid through grants, work-study, and loans.

**FEDERAL STUDENT GRANT PROGRAM** Below are the major grant programs available through the federal government. Grants are considered “free money” and do not need to be repaid.

- **FEDERAL PELL GRANT:** The Pell Grant program is the largest federal grant program available to students. These grants are awarded based on financial need. The money may be used toward tuition, room and board, books, or other educational costs.
- **FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANT (FSEOG):** These grants are provided to a limited number of undergraduates based on the significance of their financial need.
- **TEACHER EDUCATION ASSISTANCE FOR COLLEGE AND HIGHER EDUCATION GRANT:** These TEACH grants are for students who plan to teach in a high-need field at the elementary or secondary level. Students must agree to serve for a minimum of four-years as a full-time teacher that serves low-income students. If a recipient does not complete the service requirements, the grant will be converted to a loan that must be repaid.
- **IRAQ AND AFGHANISTAN SERVICE GRANT:** These grants are for students whose parent or guardian was a member of the U.S. armed forces and died as a result of performing military service in Iraq or Afghanistan after 9/11. There are additional financial need and age qualifications.



# Chapter 2

## Sources of Financial Aid

**FEDERAL STUDENT LOAN PROGRAM** The US Department of Education offers loans to eligible students to help cover educational costs at a four-year college or university, community college, trade, career, or technical school. Below are the major loan programs available through the federal government. Loans are borrowed funds that you must repay with interest.

- **DIRECT SUBSIDIZED LOANS:** These loans are available to undergraduate students with financial need. The US Department of Education pays the interest for your loan while you are enrolled at least half-time, for the first six months after you leave school, and during periods of deferment (a suspension of payment allowed under certain conditions).
- **DIRECT UNSUBSIDIZED LOANS:** These loans are available to undergraduate and graduate students—with no requirement to demonstrate financial need. For unsubsidized loans, you are responsible for paying the interest at all times. If you choose not to pay the interest while you are in school, the interest will accrue and be added to the loan – which means your loan balance will continue to grow while you are enrolled.
- **DIRECT PLUS LOANS:** These loans are available to the parents of dependent students and are intended to cover the difference between the cost of attendance and all other financial aid. Financial need is not required. Parent borrowers are expected to begin repayment after the loan is fully dispersed, but may choose to defer payments while students are in school.

**FEDERAL WORK-STUDY** This program provides part-time employment for eligible students in exchange for funds intended for educational expenses. Jobs should be related to your program of study and the amount you earn cannot exceed your total federal work-study award. The program is coordinated through financial aid offices at participating colleges and universities. Each school will have its own process for job placements and may be limited to a first-come, first-served basis.



## Chapter 2

# Sources of Financial Aid

### State Aid Programs

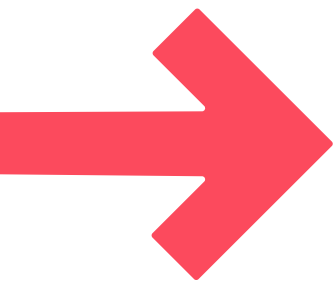
Almost every state provides financial aid (both need-based and merit-based) to their students by offering at least one scholarship or grant. Need-based programs may be identified for you when you submit your FAFSA. Merit-based programs, however, have additional requirements and are awarded based on your academic achievement or for special talents. Find your state's financial aid programs using the [NASFAA state map](#).

Merit-based financial aid programs in many states award students for their academic achievement not only in the classroom but also on college entrance exams.

**The majority of students who take the ACT test more than once improve their score.**

Increasing your score by just one point on the ACT test can be the difference between a small scholarship and a larger one. The majority of students who take the ACT test more than once improve their score. By taking the ACT test at least twice, you increase your chances of paying for college with more funds that don't have to be repaid.





## Chapter 2

# Sources of Financial Aid

### Grants

Grants are free money awards (gift aid) for students with financial need or who meet other certain conditions. Grants may provide a few hundred dollars or a full ride. Many students qualify, but those with the most need are eligible for the most funding from the state and federal government.

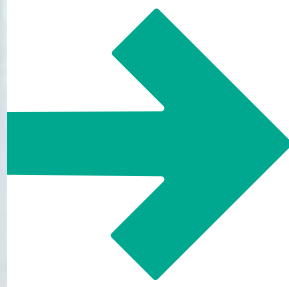
### Scholarships and Awards

As a major source of gift aid, scholarships are a great resource to pay for your postsecondary education. They may cover the entire cost of your college education or be a small one-time award and are often awarded on merit rather than financial need. No matter the amount, scholarships are worth applying for to help lower the cost of your education.

#### TO FIND SCHOLARSHIPS:

- Use US Department of Labor's [search tool](#)
- Visit [scholarships.com](#) and [CollegeNET](#)
- Browse the websites for the colleges and universities you are interested in attending





## Chapter 2

# Sources of Financial Aid

### Student Loans

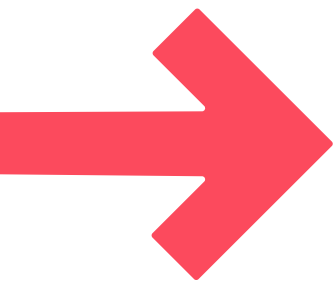
Student loans provided by the federal government are one of the largest sources of financial aid in the country and must be repaid. Educating yourself on the definitions, interest rates, and terms of these loans is critical to financial stability in your future.

#### IMPORTANT QUESTIONS TO ASK BEFORE ACCEPTING ANY LOANS:

1. Is this loan subsidized or unsubsidized?
2. What is the interest rate?
3. Will this loan increase each year?
4. When do I have to start repayment?
5. What is the monthly repayment amount?

If you accept student loans as part of your financial aid package, you'll be required to attend loan entrance counseling and sign a promissory note.





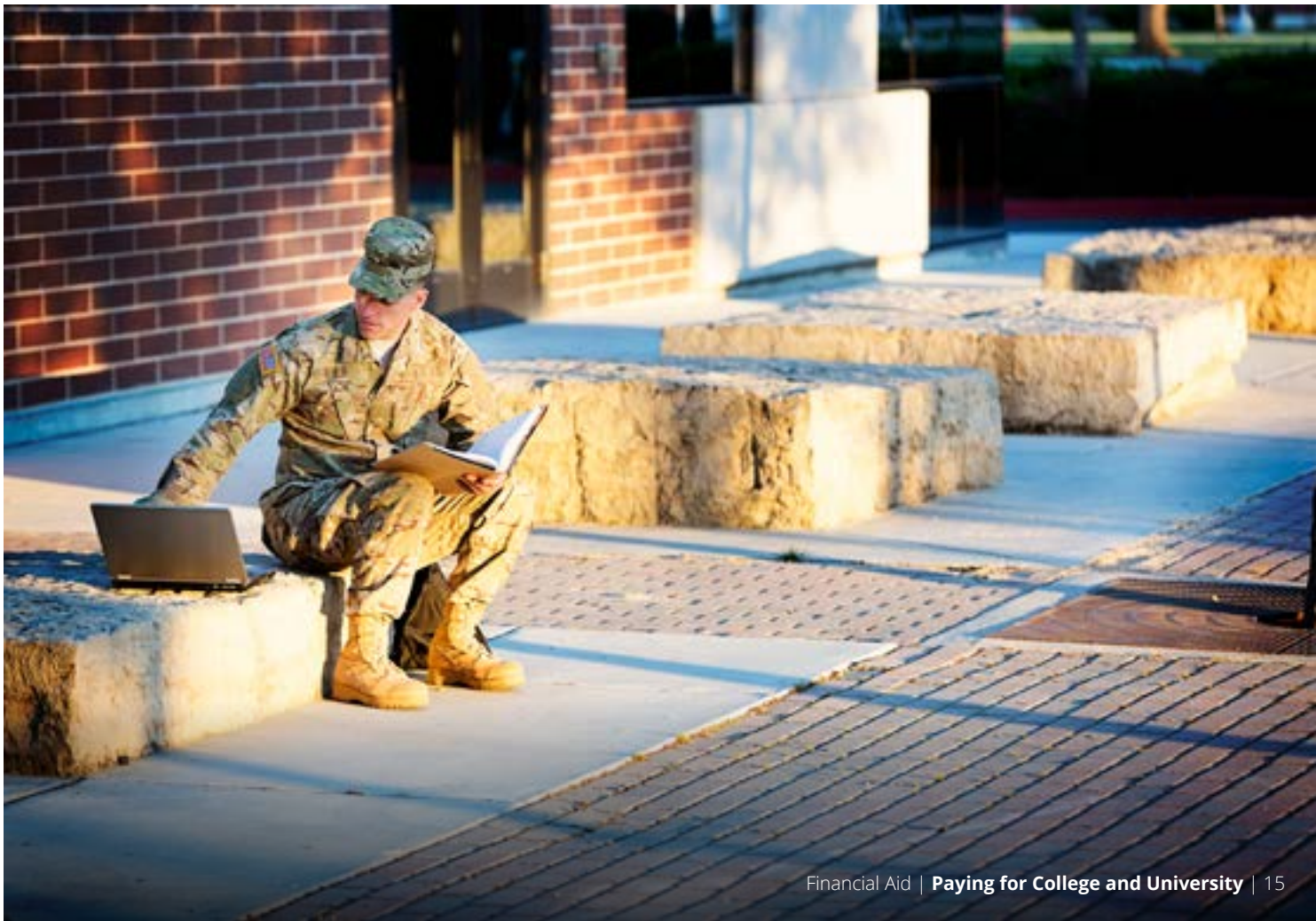
# Chapter 2

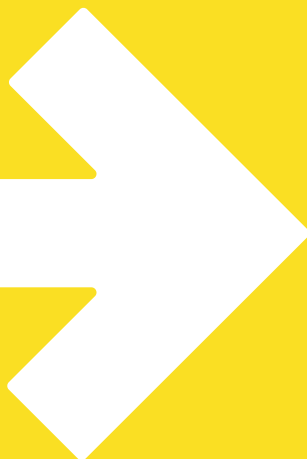
## Sources of Financial Aid

### Military Programs

The military offers several options to help you pay for college:

- **RESERVE OFFICERS TRAINING CORPS (ROTC)** provides money while you're in college. After graduation, you enter military service as an officer.
- **VETERANS**—a variety of education and training programs are available to those who have served in the military. Check with the [Veterans Administration's website](#) for details.

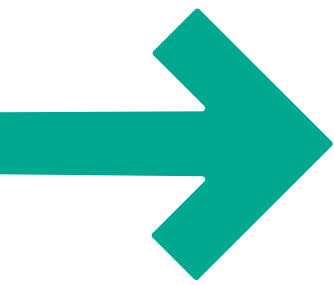




## **Chapter 3**

### Applying for Financial Aid





# Chapter 3

## Applying for Financial Aid



### Completing the FAFSA

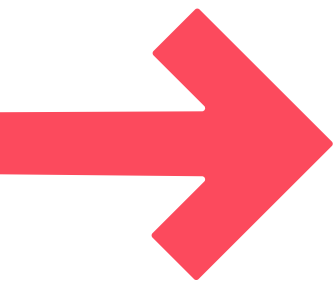
The US Department of Education [Free Application for Federal Student Aid](#) connects students with more than \$120 billion in federal student aid each year. By completing the FAFSA, you may be eligible to access some of these funds for your education.

Applications are available on October 1. To ensure you receive the maximum amount of assistance, submit your FAFSA as soon as possible after it opens.

The FAFSA will ask you to provide your name, Social Security number, date of birth, address, and questions about your financial situation. It will also help you determine if you must provide information about your parents. This will be used to figure out which documents you need to complete the application.

You only need to complete one FAFSA regardless of how many schools you're considering. The FAFSA includes a section for you to list the schools where you would like your information sent.

If you provided a working email address when you applied, you'll get an email within a few days with a link to your FAFSA results—the [Student Aid Report](#). Within a few weeks, you'll receive a paper version of your report and may begin to receive financial aid offers from colleges you listed on the application.



# Chapter 3

## Applying for Financial Aid

### Applying for Grants

By completing the FAFSA, you'll be considered for grants from the state and federal government as well as the colleges and universities of your choice. Some state and collegiate grants require separate applications and may have merit- or demographic-based criteria. You may also find grants from private organizations and local groups.

### Applying for Scholarships

Every scholarship has unique requirements, and applications aren't all the same. Carefully review each scholarship's website and guidelines to be sure you meet all of the requirements and submit your application prior to the deadline. Pay close attention to whether scholarships are renewable or a one-time award.

Private scholarships can affect your final financial aid package because your assistance can't equal more than your cost of attendance. You should contact the financial

aid office at your chosen schools to inform them of any private scholarships to be applied to the cost of attendance.

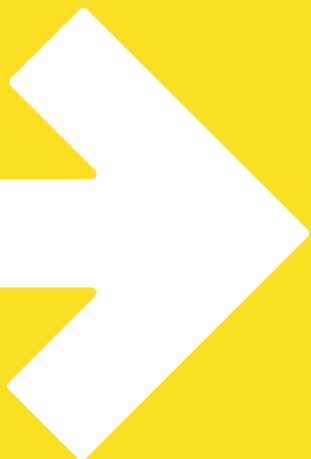
Find out how each school will apply these scholarships. Some may reduce student loan offers, while others may reduce the grants or scholarships they offer you.

### AVOIDING SCHOLARSHIP SCAMS

Every year, families lose money at the hands of deceptive scholarship companies that offer you access to private funding.

#### A SCHOLARSHIP MAY BE A SCAM IF THEY TELL YOU:

- The scholarship is guaranteed or your money back
- You can't get the information anywhere else
- They will do all of the work
- They need your credit card or checking account number in advance
- The scholarship will cost money



## **Chapter 4**

### Estimating and Comparing Cost



# Chapter 4

## Estimating and Comparing Cost

### Your Financial Aid Package

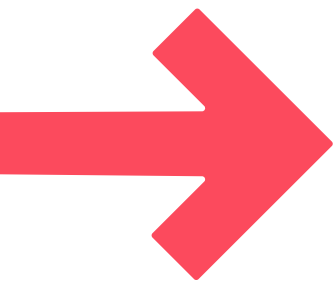
After you've submitted your ACT scores and completed your FAFSA, the financial aid office at each of the schools you have been accepted to will send you a letter (either paper or electronically) outlining the financial assistance they can provide you. This package will include grants, scholarships, loans, and work study programs from state and federal government, school, and private sources.

#### FOUR THINGS TO LOOK FOR IN YOUR AWARD:

- **COST OF ATTENDANCE:** The amount of money the college or university charges for tuition and fees. This may also include other educational costs such as books, supplies, and living expenses.
- **SCHOLARSHIPS AND GRANTS (GIFT AID):** The more, the better. Gift aid is money that does not have to be repaid. Keep in mind that there may be academic requirements, work study obligations, or additional fulfillments.
- **LOANS:** Federal and college loans can be critical to your ability to earn a higher education. It is important to keep in mind that this money must be repaid and that the terms (interest rate, payment schedule, etc.) can be complicated.
- **NET COST:** This is the gap between what financial aid covers and the cost of attendance. It's your remaining out-of-pocket balance. Net Cost is NOT what college will cost you, as financial aid often includes loans. Do not use net cost alone to compare which college or university is the least expensive.

As you review your financial aid package, pay special attention to which funds are gift aid and which are loans. You do not have to accept all of the items included in a financial aid package.





# Chapter 4

## Estimating and Comparing Cost

### Estimating the Cost of College

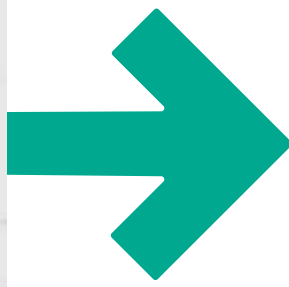
The cost of college is not limited to tuition and fees. When calculating the cost of attending any college or university, you should consider all expenses such as room and board, travel, and books and supplies.

Keep in mind that colleges, universities, and educational institutions may have different definitions of cost, including: sticker price, net cost, and net price.

- **STICKER PRICE**  
This is the cost posted on college or university webpages and materials.
- **NET COST\***  
This is the amount of money needed to pay for college after subtracting all financial aid.
- **NET PRICE\***  
This is the amount a college or university will actually cost you. It is the sum your educational expenses minus gift aid (money that doesn't have to be repaid). This is the amount you should use to compare offers.

\*Definitions based on those provided by the US Department of Education





## Chapter 4

# Estimating and Comparing Cost

### Comparing Your Offers

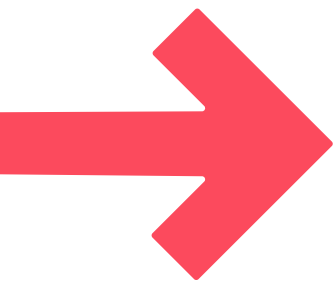
Comparing colleges and universities based on cost does not have to be difficult. Try outlining costs, gift aid, and loans in a side-by-side comparison.

**A college that appears less expensive in year one may not be your least expensive option.**

**IMPORTANT:** When calculating and comparing first-year college costs, multiplying by 4 (or more) does not reflect your cost of attendance through graduation. Yearly tuition and educational cost increases, one-time gift aid, program length or costs, loan terms, and other factors may influence your actual final cost. Contact college and university financial aid offices to get a more accurate estimate of your complete cost of attendance for the length of your program.

### HERE ARE SOME QUESTIONS TO ASK:

1. Will grant/scholarship amounts change annually?
2. Are the scholarships renewable?
3. What are the work-study requirements?
4. Am I guaranteed a work-study job?
5. How much has the costs of attendance increased over the last three years?



# Chapter 4

## Estimating and Comparing Cost



### Can I afford college?

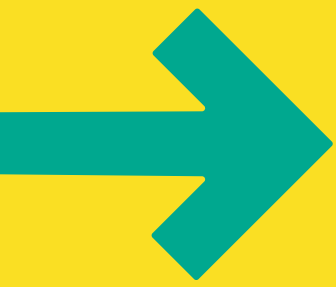
After analyzing the costs, if the gap between the price of college and what you can afford is too wide, there are several options to make higher education accessible.

- Attend the college with the lowest net price, often two-year and public state colleges.
- You can save on indirect costs by living at home or with a roommate or two, borrowing textbooks from the library or through a rental program, and minimizing travel.
- Choose a major that matches your interests. This will help you stay on track for graduation in four years.

Don't lose hope if financial aid and cost savings haven't covered everything. You still have options. Many colleges and universities will allow you to enter a tuition payment plan—spreading your tuition across several smaller payments. With smaller payments, you may be able to cover the costs with an afterschool and weekend job.

You may also consider private loans. Examine any private loan terms you are offered thoroughly and remember: these funds must be repaid. Higher education is a valuable investment in your future. With the right resources, you can be sure it is a wise one.





# Resources

Information about paying for college is available in an extraordinarily wide variety of places. Make sure the information you get comes from a reliable source. Here are the resources used to put together this eBook:

- [College Navigator](#)
- [CollegeNET](#)
- [Consumer Financial Protection Bureau college cost comparison tool](#)
- [Federal Student Aid - An office of the US Department of Education](#)
- [Formyourfuture.org](#)
- [Free Application for Federal Student Aid \(FAFSA\)](#)
- [National Association of Student Financial Aid Administrators state map](#)
- [National Merit Scholarship Corporation](#)
- [Scholarships.com](#)
- [US Department of Labor's free scholarship search tool](#)

*ACT provides links to other websites for informational purposes only. ACT is not responsible for the content on other sites, and links from ACT to other sites are not intended to imply endorsement by ACT.*

ACT<sup>®</sup>

Connect with us **act.org**