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What You Need to Know About Financial Aid

If you've worried about the staggering costs of paying for college, take a breath. Students across the country ask the question, "Will I get financial aid?" Every year, the U.S. Department of Education awards about \$150 billion to help millions of students just like you.

If you're wondering about how to get more financial aid, NerdScholar prepared a primer on the topic. It will give you the tools to break down the application process and make the best decisions.

Basically, financial aid is money that will help you pay for college. To apply for aid, start by completing the **Free Application for Federal Student Aid (FAFSA)**. Colleges will use this application to put together your financial aid package. NerdScholar's [FAFSA Tool](#) can help you answer questions you have along the way. Filling out FAFSA can be a simple process as long as you and your parents (if applicable) are prepared with the necessary documents.

There are two more important acronyms that you need to know about – ECA and EFA. The **Estimated Cost of Attendance (ECA)** describes how much it will cost you to attend your school. That figure will include everything from tuition, room and board, textbooks and personal expenses. You should take this estimate to help you figure out your individual living expenses while in school.

Estimated Family Contribution (EFC) explains how much your family is expected to pay for college. The estimate is calculated based on taxed/untaxed income, your parents' jobs, assets and benefits, family size and how many of your siblings are currently enrolled in college.

Subtract your EFC from your ECA and you will get an idea how much financial aid you need. Discuss both of these estimates with your parents and financial aid office. Going over these figures will help you understand your financial need and what you should accept to pay from college.

Now, let's break down your financial aid options. **Loans** are money that a student borrows to help pay for college. They must be repaid over time (with interest). There are two federal student loan programs. The **Federal Perkins Loan Program** is a campus-based program that provides low-interest loans. The amount of the award depends on the student's financial need, the amount of other aid the student receives and the availability of funds at his/her college.

The **William D. Ford Federal Direct Loan Program** allows students and parents to borrow money at low interest rates directly from the federal government. The program includes **Direct Stafford Loans** and **Direct PLUS Loans**. Subsidized loans are based on financial need and are available only to undergraduate students. The federal government pays the interest on subsidized loans while the borrower is in college and during deferment. Unsubsidized loans are

based on the student's education costs and other aid received. The borrower must pay all accrued interest on unsubsidized loans. The low-interest rate on federal student loans is extremely valuable over time. It is important to note that borrowing any money, low-interest or not, requires repayment many years after graduation.

Grants are typically awarded on the basis of need. **Federal Pell Grants** are usually awarded to undergraduate students who have not yet earned a bachelor's degree. Pell Grants are based on a combination of financial need, college costs and enrollment status. **Federal Supplemental Educational Opportunity Grants (FSEOG)** are awarded to undergraduate students with exceptional financial need. The amount of the award is determined by the college's financial aid office, and depends on the student's financial need and the availability of funds at the college. Federal Pell Grants and FSEOG do not need to be repaid.

Specific grants are also available for students who intend to teach in a public or private elementary or secondary school, as well as students whose parents or guardians were members of the Armed Forces and died as a result of performing military service in Iraq or Afghanistan after Sept. 11, 2001.

Federal Work-Study Programs are campus-based and provide part-time jobs for students with financial need. Your school will provide work hours based on your award amount, class schedule, and academic standing. These programs provide valuable work experience, however they cut into free time and extracurricular activities.

Your **state government** may also be able to provide aid. Some states offer scholarships, grants, loans and more to state residents. Visit the websites for your state of residence, as well as the states of the colleges to which you are applying.

Colleges may also provide aid. Students should contact the financial aid offices at the colleges they are considering for more information. Some colleges offer merit scholarships to qualified students who have also shown that they can't afford the college's full price.

Some states, local governments, colleges, community organizations, private employers and other organizations award **scholarships** based on academic ability or other factors. Scholarships do not need to be repaid. The NerdScholar [Search Tool](#) is an online search engine that provides all the information you need. While scholarships are plentiful, they are also competitive. Invest time and energy into the application process so that you don't leave any money on the table.

Finally, if grants, scholarships and federal aid loans still leave you with a gap in your college costs, consider **private loans**. If you need to go this route, borrow responsibly. Private loans have higher borrowing limits, but they also have high interest rates.