



# *Financial Aid 101*

*Your Guide to Understanding the basics  
of the Federal and Institutional Financial aid System and Available Aid.*

## *Are You Eligible For Federal Financial Aid?*

Eligibility for most of the Federal student aid programs is based on **FINANCIAL NEED**. However, in addition to having financial need, the Federal student aid programs require that a student recipient:

- Have a high school diploma, a General Education Development (GED) certificate, or pass an independently administered examination approved by the Department of Education.
- Enroll as a regular student in an eligible degree or certificate program.
- Attend a college that participates in the Federal student aid programs.
- Be a U.S. citizen or eligible non-citizen.
- Have a valid Social Security Number.
- Make satisfactory academic progress.
- Register with the selective service, if required.
- Must not owe a refund on a Federal grant or be in default on a Federal educational loan.
- Sign a Statement of Updated Information, Anti-Drug Abuse Act Certification, Educational

Purpose.

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In order to qualify for Federal financial aid, the above criteria must also be met. The college of your choice may also have other specific requirements for use in determining eligibility for institutional aid. Be sure to ask the financial aid officer at each school you are considering what, if any, requirements the college has in addition to those outlined above.

# *What is Financial Need?*

The Higher Education Act of 1965, the law that governs student aid, states that it is the parents' responsibility to educate their children beyond the 12th grade. However, more importantly, the law also states that if a family can demonstrate NEED, then the government will assist in paying for such an education.

The term NEED is not to be confused with "NEEDY", which most people think they have to be to qualify for Federal, State and Institutional financial aid.

It is very important that you know and understand the formula to demonstrate NEED and how this formula affects you. **CFSI's Financial Aid 301** demonstrates this formula. It is the framework that will determine how much aid you will receive at a given college.

## *2010-11 Federal Student Aid Programs*

Federal Student Aid Programs include grants, loans and part-time employment. Eligibility for most of these programs is based upon the "demonstrated financial need" of the student applicant and the applicant's family. However, financial need is not an eligibility criterion for the Federal Stafford Unsubsidized Student Loan or the Federal Parent PLUS loan. Therefore, most Federal student aid applicants will be eligible for some form of financial assistance through the federal student aid programs regardless of demonstrated financial need. In order for eligibility to be determined federal student aid applicants must file a Free Application for Federal Student Aid (FAFSA) each year that college is attended.

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### *Federal Pell Grant*

For many students this provides a "foundation" for financial aid to which aid from other sources may be added. It is the government's largest grant program in terms of cost and is for undergraduates only. It is presumed to be the first source of aid to the student; therefore it does not consider other sources of aid.

The amount of a Federal Pell Grant award is based on Family Contribution as determined by EFC Methodology. A grant will be decreased directly in relation to Family Contribution so that together the grant and the Family Contribution do not exceed the cost of attendance. If the student's Family Contribution exceeds 4720 in 2010 -2011, the student will not receive a Federal Pell Grant award. **The Federal Pell Grant is an entitlement and therefore everyone who qualifies will receive the grant. The Pell Grant limits are from \$890 to \$5,500 for the 2010 - 2011 school year.**

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### *Federal Supplemental Education Opportunity Grant (SEOG)*

Again, this is a grant or free money. It is a grant to help first-time undergraduates with exceptional financial need as determined by the school. **Students may receive up to \$4,000 a year with a minimum grant of \$100.** It allows for an additional \$400 a year for students in study-abroad programs that are more expensive than their college costs. There is no aggregate limit on the amount of FSEOG that can be received.

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### *(TEACH) Teacher Education Assistance for College and Higher Education Grant*

Just began in 2008, **this program awards up to \$4,000 per year to students who intend to teach full-time in a private elementary or secondary school that serves students that are from a low-income family.** Certain schools have chosen to participate in this program and some schools will not. To be eligible, you must attend an institution that has chosen to participate and meet certain academic and other requirements. If not used properly, this grant can convert into an unsubsidized Stafford loan.

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## Academic Competitiveness Grant

**An eligible student may receive this grant of up to \$750 for the first academic year of study and up to \$1300 for the second academic year of study.** The student must be a US Citizen, a federal Pell Grant recipient, be enrolled full-time in a degree program, be enrolled in a first or second academic year of the program of study, and have completed a rigorous secondary school program of study (after January 1, 2006, if a first year student, and after January 1, 2005 if a second-year student. Furthermore, a second-year student must have at least a cumulative 3.0 grade point average

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## National SMART Grant

An eligible student may receive this grant of up to \$4000 for each of the third and fourth academic years of study. **To be eligible for each academic year, a student must be a US citizen, be a federal Pell Grant recipient, be enrolled full-time in a degree program, be enrolled in a four-year degree-granting institution and be majoring in physical, life, or computer science, engineering, mathematics, technology, or a critical foreign language and have at least a cumulative 3.0 grade point average** in the coursework required for the student's major.

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## Federal Work Study (FWS)

This is a great way to supplement the high cost of college. **The college will make available a job for undergraduate students who will be paid by the hour at least at the current Federal minimum wage.** The job may be on or off campus, students must be paid at least once a month and students cannot earn more than \$300 above their total FWS award.

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## Federal Perkins Loan

The Federal Perkins Loan is a "need based", revolving loan fund utilizing both federal and institutional funds. This award is a loan and must be repaid by the borrower. The federal government pays the interest while the student is in school at least half-time, during a nine-month grace period, and during periods of deferment. This is the first of the loan programs and it has very favorable terms. The amount students may borrow depends on the institution they attend. At institutions with low default rates (below 15%) and approval of the Secretary of Education, students may borrow more than at other institutions. Your college is the lender of this program. Payment is owed to the colleges that make the loan.

This loan is for both undergraduate and graduate students (**Up to \$4,000 a yr for undergrads and up to \$6,000 for grads**). The interest charged on this loan is only 5 percent and the funds depend on financial need and availability at the college. Remember, not all colleges participate in the FPL program. If students enter their grace period and then re-enter school before the grace period expires, then they receive a new complete grace period when they again enter less than half time status. Students then have up to ten years to repay the loan.

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## Federal Stafford Loan

**A low interest loan made to students who have at least half-time status.** The interest rate for this loan is currently 6.8% fixed. The Federal government pays the interest on the loan until the loan enters its repayment phase. Federal Stafford Loans are made either by a bank, other lending institutions or the Department of Education by way of the individual colleges. They have an origination fee of 3%. The lender may also charge an insurance premium not to exceed 1% of the principal. The Federal Stafford Loan is an entitlement and therefore anyone and everyone who qualifies will receive it.

**REPAYMENT OPTIONS:** Students have a six-month grace period after graduation or after dropping below half-time status to begin repayment of the loan. The Federal Stafford Loan provides graduated, extended and income sensitive repayment options that the borrowers have to be offered six months prior to the beginning of repayment. The borrower may prepay all or part of a loan at anytime without penalty.

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## *Federal Unsubsidized Stafford Loan*

The Unsubsidized Federal Stafford Loan has the same loan limits and interest rate as need-based Federal Stafford Loans, but the interest is not paid by the government while borrowers are in college. The government deducts a loan origination fee of 3%, and an insurance premium not to exceed 1%.

A student may receive an Unsubsidized Federal Stafford Loan, even if he or she does not demonstrate financial need. The Unsubsidized loan cannot exceed the student's cost of attendance minus other aid. Thus, the Unsubsidized Federal Stafford Loan is essentially allowed to replace a student's expected Family Contribution.

A Federal Stafford Loan is "unsubsidized" so the student is responsible for the interest that accumulates while enrolled in school. Only loan principal is deferred for the Unsubsidized Stafford Loan. Payments of interest must be made during the in-school period, the grace period and during periods of deferment. Or, interest may be allowed to accrue and be capitalized and added to the loan principal when payment begins, thus increasing the principal.

The maximum amount of an Unsubsidized Federal Stafford Loan is the same for the subsidized Federal Stafford Loan. It is possible for a student to qualify for a combination of subsidized and unsubsidized loan. In this case, the maximum loan amount applies to the total of the two loans. For example, a first year student receiving a \$1,625 need-based Federal Stafford Loan could also receive a \$1,000 un-subsidized loan.

If you're a dependent undergraduate student each year you can borrow up to:

- \$5,500 (for loans first disbursed on or after July 1, 2010) if you're a first-year student enrolled in a program of study that is at least a full academic year. No more than \$3,500 of this amount can be in subsidized loans.
- \$6,500 (for loans first disbursed on or after July 1, 2010) if you've completed your first year of study and the remainder of your program is at least a full academic year. No more than \$4,500 of this amount can be in subsidized loans.
- \$7,500 (for loans first disbursed on or after July 1, 2010) if you've completed two years of study and the remainder of your program is at least a full academic year. No more than \$5,500 of this amount can be in subsidized loans.

If you're an independent undergraduate student each year you can borrow up to:

- \$9,500 (for loans first disbursed on or after July 1, 2010) if you're a first-year student enrolled in a program of study that is at least a full academic year. No more than \$3,500 of this amount may be in subsidized loans.
- \$10,500 (for loans first disbursed on or after July 1, 2010) if you've completed your first year of study and the remainder of your program is at least a full academic year. No more than \$4,500 of this amount may be in subsidized loans.
- \$12,500 (for loans first disbursed on or after July 1, 2010) if you've completed two years of study and the remainder of your program is at least a full academic year. No more than \$5,500 of this amount may be in subsidized loans.

## *Federal Plus Loan*

Only eligible parents of eligible dependent undergraduates may borrow through the Federal PLUS Loan Program. The amount parents may borrow is the student's Cost of Attendance minus the Estimated Financial Aid to be received during the loan period. Parents must begin repaying both principal and interest within sixty days after the loan is disbursed. The lender charges interest on the loan from the date the first disbursement is made until the loan is paid in full.

For 2010-2011, the variable rate for these PLUS Loans (in both the Direct and FFEL programs) is 5.01percent. Interest is charged on a PLUS Loan from the date of the first disbursement until the loan is paid in full.

Parents will pay a fee of up to 4 percent of the loan, deducted proportionately each time a loan disbursement is made. For a FFEL PLUS Loan, a portion of this fee goes to the federal government, and a portion goes to the guaranty agency (the organization that administers the PLUS Loan Program in your state) to help reduce the cost of the loans. For a Direct PLUS Loan, the entire fee goes to the government to help reduce the cost of the loans. Also, parents may be charged collection costs and late fees if they don't make their loan payments when scheduled.

For PLUS loans made to parents that are first disbursed on or after July 1, 2010, the borrower has the option of beginning repayment on the PLUS loan either 60 days after the loan is fully disbursed or wait until six months after the dependent student on whose behalf the parent borrowed ceases to be enrolled on at least a half-time basis.

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