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The Reality

When it comes to paying for college, the reality is that most students will need to apply for student loans to help cover all of their tuition and school related expenses. We've all heard student loan horror stories, but if you educate yourself and learn how to borrow smart, you can get the education you want at a price you can afford, without accumulating an unmanageable amount of debt.

This guide will help you understand grants and scholarship, federal student loans, and private student loan options, as well as provide tips on things like calculating your loan interest and building good credit.

You've got this!

LET'S GET STARTED!

Borrow for Your Future Career

Balancing your debt to your future income

Choosing a college can be tough. A lot of emphasis is placed on “the college experience,” including what each college has to offer outside of programs of study, like social activities, location, etc. But if you’re in a position where you are going to have to borrow money to make your college dreams a reality, one of the most important things you should consider is the ratio of your college debt to your future potential income.

What does this mean?

We all know that the cost of college can vary widely: state schools vs. private schools, two-year programs vs. four-year programs, living at home while in school vs. living in a dorm, etc.

When you compare financial aid offers from the schools you’ve been accepted to, the aid that is offered, as well as the net price of receiving an education from a specific college or university, can vary widely. One key point to consider when deciding which school is the best fit for you, is the average salary someone earns in the career you hope to ultimately pursue.



To illustrate this, let's get hypothetical for a minute...

Ashley dreams of being a high school English teacher in Dallas, TX. She knows that the salary range for that position is \$35,827 to \$66,241 (courtesy of [payscale.com](https://www.payscale.com)), with the median salary being \$50,343.

It's safe to guess that in the first several years of her career, she will likely earn a salary closer to the lower end of this range. Ashley also knows that she will need to earn a bachelor's degree, complete an approved educator program, and pass teacher certification exams. She's just received her acceptance letters to college and has some tough decisions to make.



College A

Ashley loved the campus at College A. It's three hours from home, so she will have to live on campus. It's a private school with a great reputation. But it comes with a price tag of \$35,000 per year. This only covers tuition, room, and board. She will also need a car to travel home for long weekends and holidays, as well as get around the city. There is the added cost of \$5,000 for books, supplies and setting up her dorm room. College A indicates that their total cost of attendance is \$40,000 per year.

If she just calculates her cost of attendance, and the costs don't change over the next four years, her education will cost \$160,000. She is receiving \$800 in Pell grants per year and a scholarship that covers \$3,000 per semester. Over four years, that's \$27,200 in grants and scholarships (i.e., money she won't have to pay back.)

Subtracting the total amount received in grants and scholarships from the total cost of attendance, Ashley will have to come up with \$132,800, which she plans to pay for with federal and private student loans.

If she is able to borrow the \$132,800 in federal and private student loans, she will need to begin repayment 6-months after she graduates from school. Her loans have a 5% interest rate, and under a 10-year repayment plan, her monthly payment will be approximately \$1,409.

College B

Ashley was also accepted to College B. It's in her hometown, and her parents have said she is welcome to live at home rent free while attending. She can also keep her current job at the local grocer. College B is a state school. Tuition at College B (minus room and board which Ashley will not have to pay) is \$12,000 per year. College B indicates that their cost of attendance (which includes funds for books, fees, transportation costs, etc.), for a commuting student is \$14,000 per year. If the cost of tuition doesn't change over the next four years, Ashley will pay \$56,000 for her degree, including books, fees, and transportation costs, etc. She is receiving \$800 in Pell Grants and \$1,200 per semester in scholarship money from the college, totaling \$8,000 in grants and scholarships over four years.

Subtracting total amount received in grants and scholarships from the total cost of attendance, Ashley will have to come up with \$48,000. If she attends College B she will sign up for their tuition payment plan, and pay \$5,000 per year from the money she earns at her part-time job (totaling \$20,000 over four years). In this case, she will only need to borrow \$28,000 through federal and private loan sources.

If she is able to borrow \$28,000 in federal and private student loans, she will need to begin repayment 6-months after she graduates from school. Her loans have a 5% interest rate, and under a 10-year repayment plan, her monthly payment will be approximately \$297.

What Should Ashley Do?

College A is Ashley's dream college. Her sister went to College A for aerospace engineering and she loved it. Her sister's starting salary was \$80,000 when she began working as an engineer.

Ashley really likes College B too. As a teacher, her starting salary will probably be *half* of what her sister earns. If she chooses College A, she will have more than \$100,000 to pay back in student loans and will be earning a relatively small income in comparison to her debt. If she chooses College B, she will still have to pay \$48,000 for her education, but because she will be able to keep her job at the grocery store and put the money she earns toward college costs, she will only need to borrow about \$28,000.

So which college should Ashley choose? There is no right or wrong answer to this question, but as an adult, Ashley needs to consider if the average pay for the job she dreams of is enough to cover the debt she will take on in order to pay for her education.

When it comes to college and borrowing for school, don't be blinded by the college experience that you want. Take the time to consider the college experience you can afford.



TIP: When using student loans to pay for college, consider your future earnings to keep your borrowing within your means. It can be tempting to go to the school of your dreams, but you should be realistic with yourself about what you can afford.

Financing College

Know your financial options to pay for school

It can seem like an overwhelming topic, especially for first time college students and parents. If you're feeling lost in the process and find the college financing talk confusing, you are definitely not alone! And all those students and parents that seem to have it "together"—it probably took them hours, weeks, and months to figure it all out.

When you start the process, it's always helpful to understand the basics.

That's where we'll start.

What should I consider when finding the right college?

There has always been an emphasis on finding the right academic fit, for good reason. But determining if the college is an appropriate financial fit is equally important. Financial fit is critical because choosing a school that will require you, or your parents, to take out loans can have a long-term financial impact.

When researching schools, take into consideration each school's [cost of attendance](#). You can also use the [Federal Student Aid Estimator to help determine the actual cost](#) of attending a certain school. This doesn't mean you can't try for your dream school, but being informed about the cost is part of the process in determining the right school.

There are several different ways you can finance college, but if you're looking for where to start, here are some of the most common ways.

- Federal student aid offered by the government
- State funds offered by the state where you reside
- Institutional/school funds offered by each specific college
- Banks and credit unions who offer educational lending options like private student loans
- Savings plans and accounts
- Military benefits which can provide educational benefits to service members, veterans, or their dependents
- Scholarships from public and private sources



What Are My College Financing Options?

Understanding financial aid lingo

Getting a handle on financing options starts with understanding the lingo.

Here are a few terms you'll likely hear.

Scholarships and grants

Sometimes referred to as "gift aid." The best thing about scholarship and grants, they don't need to be repaid!

Loans

If you receive loans as part of your financial aid offer, you should keep in mind that these funds need to be repaid. Sometimes schools will group loans in a category known as "non-gift aid."

The most important take away from loans is that they, over time, can be expensive and will require years of repayment. You should be aware, if you have to borrow for your first year, there is a high chance that you will need to borrow for the rest of your time in college. And if that is four years or more, it can add up.

Loans can be issued from a number of sources:

- The federal government under the Federal Direct Loan program
- State programs
- School-offered programs
- Private lenders in the form of private student loans

Student work-study

Work-study allows you to work part-time while you're enrolled in school. If your school participates, there will be a list of jobs you can choose from. Although the amount of funds you can earn may seem small, they can still be put to good use! Work-study programs may be funded by the federal government or by the school you are attending.

College savings plans

A college savings plan, like a 529 plan, can be a college savings plan or a prepaid tuition plan – these are tax-advantaged savings plans designed to encourage saving for future college costs. These types of plans require saving, and are usually started by parents or family members when a child is young. If college is still a few years in the future, now is a great time to talk to a financial professional about starting a 529 college savings plan.

Military benefits

There are military benefits which are offered to service members, veterans, and their dependents. Some well-known types of military education benefits include the GI Bill, the Post-9/11 GI Bill, and Army ROTC scholarships, and as part of the federal student aid package, additional grants such as the Iraq and Afghanistan Service Grant or additional Federal Pell Grant funds.

For more information, please visit the [U.S. Department of Education's site](#) which discusses the different types of programs available.

It's best to familiarize yourself with the types of financing options available. As you discuss the options which will be made available to you at each school, start identifying what types of aid are grants and scholarship, loans, and work-study. If you think you may need additional help when paying your tuition bill, check out some [Last Minute Help for College Tuition](#).

Understanding Student Loan Interest

What is student loan interest?

Loans aren't free. When you borrow money, you will not just pay back the amount you borrowed; lenders will charge you interest.

The simplest way to think of it is interest is the cost you pay to borrow money. Whether you have federal student loans or private student loans you will be charged interest until that loan is repaid in full. That means, when you are done paying off the loan, you will have repaid the original amount you borrowed (known as your original principal), plus a percentage on the amount you owe (interest).

Interest can be handled in a few different ways, depending on the type of loan you have.

Student loan interest rates

Interest rates for federal student loans

Currently, federal student loans have a fixed interest rate—meaning the interest rate stays the same for the entire life of the loan—and they apply that rate using the **simple daily interest formula**.

Interest rates for private student loans

Private loans can have either a variable interest rate (meaning it may change based on the overall economy/market) or a fixed interest rate (meaning it will stay the same over the life of the loan). In addition, the interest can be applied to your loan with the **simple interest formula** or a **compounding interest formula**.



NOTE: If you have a private loan, or are researching private loans, you will encounter a wide range of interest rates. This is why it's important to research more than one lender to determine the interest rates and repayment terms of each private loan. Also note that lenders typically impose a cap—or ceiling—on variable interest rates which provides an assurance that your rate will not exceed the established, maximum rate. But this will vary by lender.

Regardless of whether you take out a federal student loan or a private student loan, and whether your interest is accrued (adding up) with the simple daily interest formula or the compound interest formula, you will be charged interest every day.

How does interest work exactly, and what is its impact on my student loan?

Federal Student Loans

If you have a **subsidized loan**, there are certain periods of time, like when you are in-school or during a grace period, the Department of Education pays the interest. When you are not in one of those approved periods, your interest will accrue daily. If you have an **unsubsidized loan**, your interest will accrue daily, even when you are in school and during a grace period.

Whether you have a subsidized or unsubsidized loan, the simple daily interest formula will be used to calculate how much interest you will be charged.

Your loan servicer will keep track of your total interest as it adds up. There are certain times when the lender can add the accumulated interest to your principal balance in a process known as capitalization. This will increase the total amount of your principal balance, and any future interest charges will be based off of this new amount.

Capitalization is important to understand. Your lender will capitalize any time your loan changes its loan status—like going from in-school deferment into repayment. For example, if you weren't making payments on your unsubsidized loans while enrolled in school, interest was accumulating. Once you enter repayment that accumulated interest is added to your principal. This new balance will become the outstanding principal balance of your loan.

There are some “best practices” to consider when you enter repayment and have the ability to choose your repayment plan. If you can afford it, it's best to choose a plan that will cover more than your monthly interest charges. There are repayment plans that base your monthly payments on your income, but that may not be enough to start seeing a decrease in how much you owe.

Although some of those income-driven plans will have an interest subsidy for a certain period of time, it may make you feel like your payments aren't bringing down your loan balance. This is because payments are applied to the interest you owe first and the principal balance second.

Interest can create a significant cost to your loan. Here's an example of the simple interest formula:

Say you have an unsubsidized loan balance of \$5,500 that you borrowed with a fixed interest rate of 5%, and you want to know how much it is costing you, per day, to borrow this money.

You would multiply \$5,500 by .05 (5%) and divide by 365. The total of this calculation, is your daily cost.

$$\text{\$5,500} \times 0.05 / 365 = 0.753$$

If you do not make payment to bring down your principal loan balance (and assuming you have not had any interest capitalized), this is the cost of your loan over time.

- **The 30-day cost of this loan is \$22.60.**
- **The 90-day cost of this loan is \$67.81.**
- **The 180-day cost of this loan is \$135.62.**
- **The annual 365-day cost of this loan is \$275.**
- **The 1,460-day (4-year) cost of this loan is \$1,100.**
- **The 2,005-day (approx. 4 years and 6 months) cost of this loan is \$1,509.****

**This is not an uncommon scenario for a loan someone borrowed their freshman year of college.

Private Student Loans

Since private loans come from private lenders, each private loan will have its own terms and conditions. While a private lender may use the simple daily interest formula, they will most likely use a compound interest formula to determine the daily cost of your loan.

A **compound interest formula** calculates the cost of your loan by applying your interest rate to your principal (the original amount you borrowed) as well as any interest that has built-up on your loan. In other words, the cost of your loan will be assessed on not only the original amount you borrowed, but any outstanding interest as well.

In order to get more information about the effect of interest on your loan, you should contact your lender (or the lender you hope to work with). Many lenders even offer repayment calculators to help you understand the cost of a loan.

The takeaway

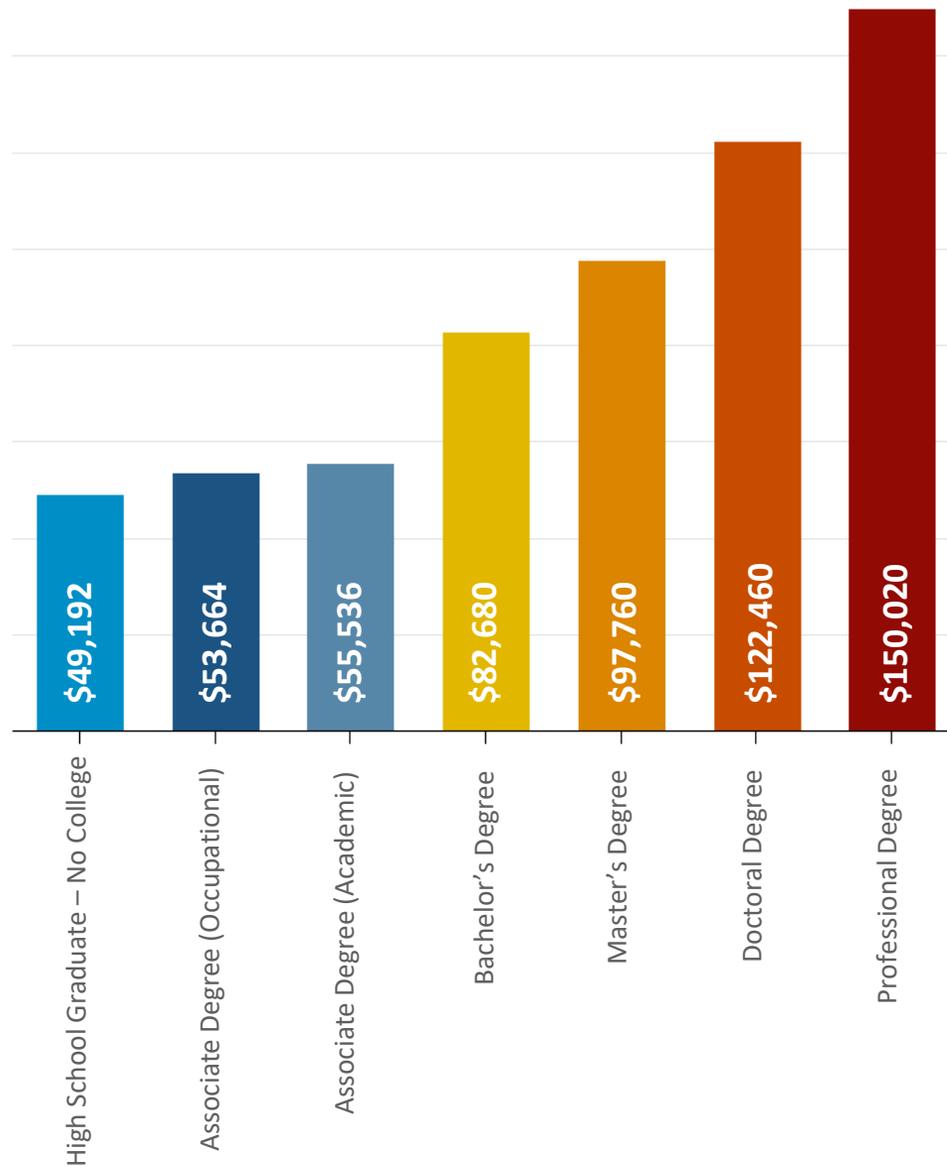
If you are looking to finance your college education, you should understand what type of earning potential you will have once you graduate. Everyone has different dreams, goals, and earning potential. Some people want to make six-figure-plus incomes, while others have a dream job that typically comes with a more modest salary. These two types of individuals should not be considering the same amount of loan debt.

Loans cost money, and there is a reason why there is such an emphasis of borrowing within your means. Understand the financial commitments you are making, and how interest accrual impacts the overall amount you will need to repay.

9 questions to ask yourself if you are a graduating senior

- 1 How many colleges should I apply to?
- 2 What are the pros and cons of taking a gap year?
- 3 What type of college is best if I don't know what I want to major in?
- 4 Will a public college, private college, or ivy league school be best for me?
- 5 What is the most important factor to consider when I select a college?
- 6 How much can I pay out of pocket?
- 7 Can I work my way through college and graduate with no debt?
- 8 Should I live at home or on campus?
- 9 Will applying for financial aid affect my chances of being admitted?

Is attending college worth the cost?



Source: [Federal Student Aid an Office of the U.S. Department of Education's Facebook](#)

Pursuing an education increases your chances for earning a higher income throughout your lifetime and decreases your chances of unemployment.

Education Level	Unemployment Rate
Less than high school diploma	5.6%
High school graduates, no college	4.1%
Some college, no degree	3.7%
Associate degree	2.8%
Bachelor's degree	2.2%
Associate degree	2.0%

Source: [Bureau of Census for the Bureau of Labor Statistics. Current Population Survey 2018](#)

Annual Loan Limits: Direct Stafford Loans

Stafford loans are offered to both undergraduate and graduate or professional students at participating institutions. Students are limited in the amount they can borrow each year, and in total (aggregate limit).

Subsidized loans accrue interest, but the government will pay for it while the student is enrolled at least half-time, during the loan's grace period, and during periods of authorized deferments.

Unsubsidized loans, which are offered to undergraduate and graduate students regardless of financial need, will accrue interest which the borrower will be responsible to pay.

GRADUATE/PROFESSIONAL STUDENT

Unsubsidized Loans Only

\$20,500 annual limit

HEALTH PROFESSIONAL STUDENT

Unsubsidized Loans Only

\$40,500 annual limit

DEPENDENT UNDERGRADUATE

Year	Subsidized Maximum	Maximum Total In Subsidized and Unsubsidized
Year 1	up to \$3,500	up to \$5,500
Year 2	up to \$4,500	up to \$6,500
Year 3+	up to \$5,500	up to \$7,500

INDEPENDENT UNDERGRADUATE*

Year	Subsidized Maximum	Maximum Total In Subsidized and Unsubsidized
Year 1	up to \$3,500	up to \$9,500
Year 2	up to \$4,500	up to \$10,500
Year 3+	up to \$5,500	up to \$12,500

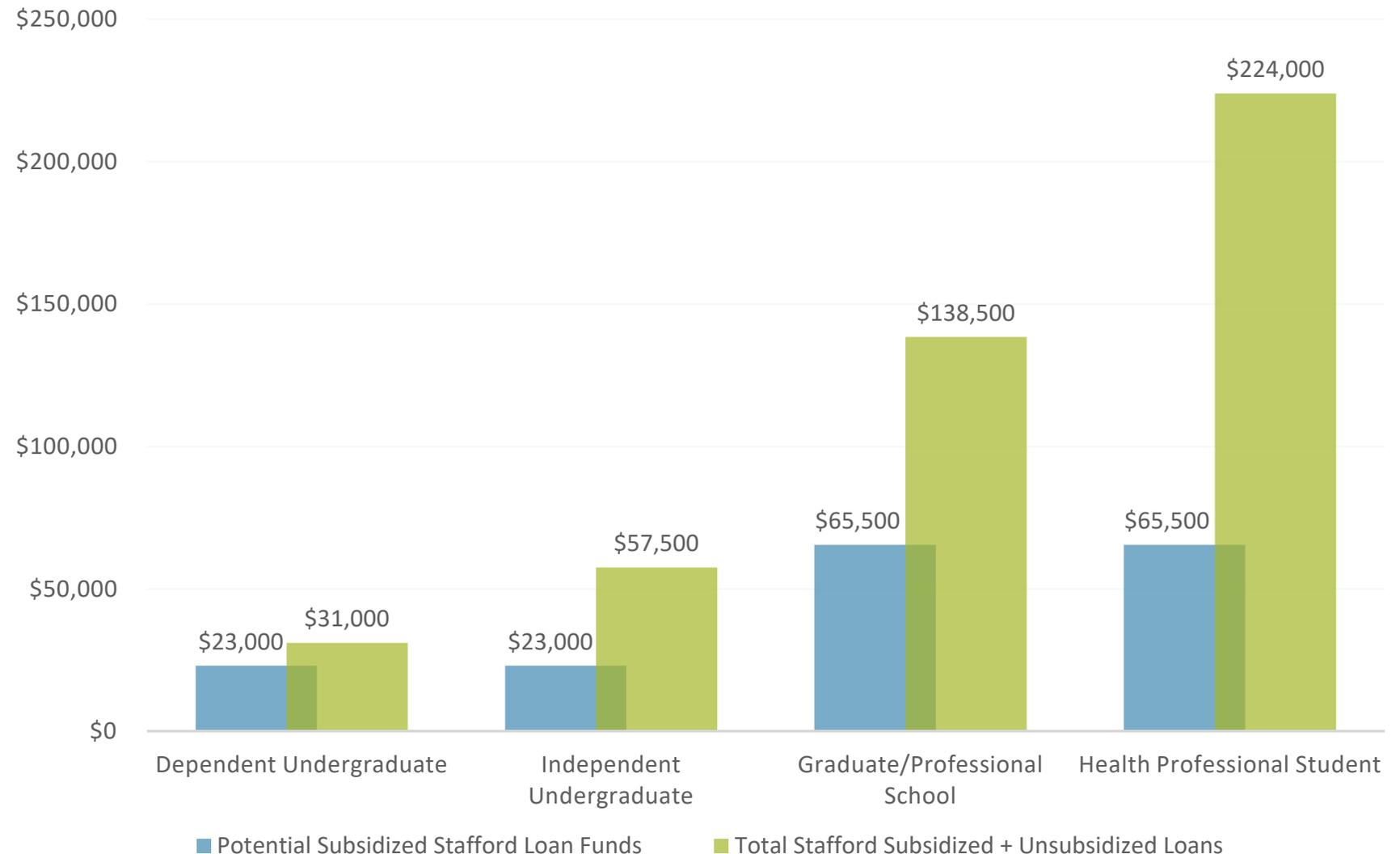
*And dependent undergraduate students whose parents have been denied a parent plus loan.

Aggregate Loan Limits: Direct Stafford Loans

If the total amount you receive over the course of your education reaches the aggregate loan limit, you are not eligible to receive additional loans.

However, if you repay some of your loans to bring your outstanding loan debt below the aggregate loan limit, you could then borrow again, up to the amount of your remaining eligibility under the aggregate loan limit.

Source: <https://studentaid.ed.gov/sa/types/loans/subsidized-unsubsidized#how-much>



Filing the FAFSA[®] and Making Changes

Along with submitting your college applications, you should have completed the [Free Application for Federal Student Aid \(FAFSA[®]\)](#).

While filing the FAFSA, you were asked to list specific schools on your application. That school list is important. The U.S. Department of Education will only share your FAFSA information with the schools you have listed.

The FAFSA isn't only used to determine federal financial aid. It is also used by states and many schools to award state and institutional aid. Many schools participate in federal financial aid, but they can only award you those funds if you completed the FAFSA.

Can you change your school list?

It's not uncommon for students to add or remove a school after they've filed the FAFSA. It's important to update your school list if you've applied to additional schools, because schools need this information to determine your financial aid offer.

One thing to double-check with your school list—did you list them in the correct order?

Although the FAFSA doesn't have a listing requirements, some states have requirements for state aid eligibility. To see if this is an issue you should be concerned about, double-check your state requirements on the U.S. [Department of Education's site](#). If you made a mistake, don't stress! You will just need to notify your state agency.

How to change your school list

Assuming you filed the online FAFSA, you can always [log-in to your FAFSA](#) and add or remove schools from your list. And if you're adding a state school, just keep in mind [your state may have an order preference](#), so you may need to notify your state agency in order to ensure your eligibility for state aid.

NOTE: If you filed a paper FAFSA via mail and would like to add a school, [visit this page](#) from the U.S. Department of Education to learn how to update your school list.

School Acceptance and Financial Aid Offers

Chances are you've applied to more than one college. When you start to receive acceptance letters, you'll begin to compare each institution to determine which one is the right fit. The right fit is not only a decision based on the academic opportunities or student life offered by each school, but should also include an evaluation of financial aid they are offering you, as well as the total cost to attend the schools.

Schools will include your financial aid offer your first academic year with their acceptance package, or send it shortly thereafter. Each school will send you an offer based on their tuition, fees, and your financial aid. Each school's offer will be different so do not assume that they will all be the same.

Some takeaways and things to consider while reviewing your financial aid offers.

1. If you are accepted into a school and do not receive a financial aid offer, confirm that you listed the school on your FAFSA. If you did not, make sure to update your application.
2. If you are accepted into a school that is listed on your FAFSA and you do not receive a financial aid offer, or your offer doesn't include [federal student aid](#) (like Federal Pell Grants or Federal Direct Loans), make sure to reach out to that school's financial aid office. They can help explain your financial aid offer and determine if there are any remaining steps in your financial aid process.
3. Don't assume that financial aid offers will be the same from each school, it is actually likely that each school will have a different financial aid offers.
4. Federal financial aid offers may not be final. Make sure to contact the financial aid office if you need further assistance, or if you've had a significant change in your financial status since you completed the FAFSA.
5. Wait to receive all your financial aid offer letters before you make a decision about which school is both, the best academic, and the best financial fit for you and your family.

Understanding Your School's Financial Aid Offer

Once colleges have sent out their acceptance letters, and financial aid offices have provided their financial aid offers to the incoming class, it's time to sit down and really consider your options. Financial aid offers include how much financial assistance a college is offering each student and should play a role in your decision on which school to attend.

But here's the thing about financial aid offers from each school...no two are the same.

As you read through each offers, you will probably find just as many differences as you do similarities. Your choice of college can have a big financial impact on your life, and you can't make an informed decision if you don't understand the financial aid offer. So, what does it all mean, and how do you compare each school's offer when they look so different?

What is a financial aid offer?

A **financial aid offer** is the total amount of monetary assistance a school is offering you. It may include aid from a variety of sources, so take some time to review the [financial aid basics](#) before you start analyzing.

When it comes time to compare, you may be shocked to see that each financial aid offer may present information in different formats and include different information. Some may have your (school determined) cost of attendance clearly identified, while others may not. And terminology may differ from school to school, even if they are referring to the same types of aid.

It can seem like comparing apples to oranges, but don't get overwhelmed. Start by reviewing each offer and identifying the pieces you may understand, such as federal grants, federal loans, or state financial aid. If you're still struggling to get a clear picture of what aid you are being offered, set up an appointment to talk to the financial aid office. Give yourself time to understand the financial side of your education before making any commitments.

How was my financial aid offer determined?

If you applied for federal financial aid by completing the FAFSA®, the U.S. Department of Education calculated your [Expected Family Contribution \(EFC\)](#). Although it's often thought to be the amount your family should be able to contribute, it's not the amount your family is *expected* to pay. The EFC is only one consideration used by schools to determine how much aid you are eligible for (especially need-based aid).

Your school will take your EFC and subtract it from your school's [Cost of Attendance \(COA\)](#) to determine your financial need. Once your financial need is determined, the school will identify the types and amounts of need-based aid you are eligible for.

COA – EFC = Financial need*

*This is the maximum amount of need-based aid you would be eligible for from that particular school. Need-based aid may vary from school to school.

After your need-based aid is determined, your school will determine how much non-need-based aid you are eligible for, and attempt to provide you as much of the remaining amount as they can. To determine the maximum amount of non-need-based aid you are eligible for, your school will subtract the total amount of aid you've received from all sources (including your need-based aid, scholarships, and other grants) from your COA.

COA – All aid received = Eligibility for need based aid



What Is the Best Way to Compare My Financial Aid Offers?

If you received your financial aid offer electronically, go old school and print it out. Gather all of your offers and lay them out on a table. For each one, go through these steps.

Step 1: Identify your grants and scholarships

Grants and scholarships you do not need to be repaid. The more grants and scholarships you have, the better!

Part of the challenge could be identifying grants and scholarship in your financial aid offer. However, there are some common federal grants you can look for on your financial aid offer.



TIP: Comparing financial aid offers will take a little extra work, but will help you make an informed decision.

Federal Pell Grant ([Pell Grant](#)). This is a need-based grant available to undergraduate students who have yet to earn a bachelor's degree. You may receive this grant based on your financial need, your school's cost of attendance, and your enrollment status.

Federal Supplemental Educational Opportunity Grant ([FSEOG](#)). This is a grant available to undergraduate students with exceptional need who have not earned a bachelor's degree. If your school participates in this federal aid program, and you meet its eligibility criteria, you can receive between \$100 to \$4,000 a year.

The Teacher Assistance for College and Higher Education Grant ([TEACH Grant](#)). This grant is available to undergraduate and graduate students who are enrolled in TEACH-grant-eligible programs, at TEACH-grant-participating schools.

[The Iraq and Afghanistan Service Grant.](#) This grant is available to students who are not Pell-eligible because they have less financial need than is required by the Pell Grant (but meet all other criteria). This grant is available to students whose parent or guardian died as a result of military service in Iraq or Afghanistan after the events of 9/11.

Step 2: Identify loans

Loan money you will need to repay. Identify these funds and understand that this money isn't free. It will take some work to repay it.

Identifying loans can be a challenge if the school doesn't have a clear labeling system.



Common Types of Federal Student Loans

There are a variety of loans made available through federal student aid.

Direct Subsidized Loan. This is a need-based loan only made available to undergraduate students. The interest rate is fixed, and interest will be paid by the federal government while you are enrolled at least half-time, during your grace period and other periods of approved deferment. The annual [loan limit](#) is based on a student's academic year (freshman, sophomore, etc.). The aggregate amount is based on the total amount, and [how long you have received this type of loan](#).

Direct Unsubsidized Loan. This is a non-need-based loan, and is available to both undergraduate and graduate students. The interest rate is fixed, and unlike a Direct Subsidized Loan, interest will start to add up from the date the loan is disbursed (meaning you will be accruing interest while you are enrolled). The [annual and aggregate loan limits](#) will be based on your academic year, as well as academic level.

Direct Parent PLUS Loan. This is a non-need-based loan, available to the parents of undergraduate students for the student's education. This loan requires a credit-dependent check and has a fixed interest rate, and a parent will be [able to borrow up to the student's COA](#). If a parent is denied, a PLUS loan, the dependent undergraduate student will be eligible for independent undergraduate Stafford loan limits.

Direct Grad PLUS Loan. This is a non-need-based loan, available to graduate students attending a graduate or professional school. This loan requires a credit check. The loan has a fixed interest rate, and a student is [able to borrow up to their COA](#).

Step 3: Identify your work-study

This a need-based award that you have to earn by working part-time, and is available to both undergraduate and graduate students.

Employment opportunities are managed through your college, and jobs can be on or off campus.

This award is managed through the college and is based on available funds at each school.

A common type of work-study is [Federal Work-Study](#).

Step 4: Calculate your net price

The true cost of college is reflected in the net price—the difference between total COA and grants and scholarships. You don't factor in any federal or private student loans, or work-study, when calculating net price. That's why it's important to identify and separate your total received in grants and scholarships from your loans and work-study amounts when comparing financial aid offers.

How to calculate net price

$$\text{COA} - (\text{Scholarships} + \text{Grants}) = \text{Net Price}$$

The net price is the amount YOU need to come up with, whether that is through loans, work-study, or a payment plan. Net price is the amount you want to use when comparing offers from different institutions.

Note: some schools have their own formulas for determining net price, and they may not classify the types of aid in the same way. If you receive a financial aid offer that provides you with the net price, don't hesitate to do your own calculation or call the school for clarification. This will help ensure you are comparing apples to apples.

EXAMPLE

College	Cost of Attendance	Total Received in Scholarships and Grants	Loans	Work-Study	Net Price
College A	\$40,000	\$25,000	\$10,000	\$2,500	\$15,000
College B	\$30,000	\$5,000	\$10,000	\$1,000	\$25,000
College C	\$60,000	\$30,000	\$10,000	\$4,000	\$30,000

Step 5: Compare Financial Aid Offers

Once you have determined your net price, have an honest conversation with yourself and your family. Here are some questions to consider:

- What is a realistic amount I can afford? (Consider current out-of-pocket expenses as well as any student loans you may need to repay.)
- What is a reasonable amount of student loan debt for me and my family?
- What methods can I use to limit the amount of loans I will need?
 - Does my school offer tuition payment plans so I can avoid borrowing?
 - Could I work part-time (including during summer) to help with costs?
- Can I afford to pay this for another one to four years, or more? (Your financial aid offer is only for your first academic year, and your program is likely longer than that.)

Tips for Comparing Financial Aid Offers

- 1** Make sure you classify grants and scholarship, loans and work-study appropriately.
- 2** When you aren't sure how to classify an award amount, ask your financial aid advisor!
- 3** If the school doesn't list cost of attendance, or it's missing components, ask your financial aid advisor for the details.
- 4** Don't assume all schools calculate their net price the same way.

Remember, this financial aid offer is only for the first academic year at your school. You will have to do this every year you're enrolled in college. If you borrow this year, you will likely need to borrow for future years. Take the time to compare financial aid offers; your future self will thank you!

There are a lot of considerations when it comes to choosing a college.

Understanding your financial aid offers can help you make the best decision for your education and financial future. For more information, check out these [financial aid offer examples](#), and our previous [blog on tips to cover tuition](#).

After evaluating your financial aid offers and choosing the best academic and financial fit, you may find that you still have a financial aid gap. Meaning, the amount of aid you'll receive in scholarships, grants and federal student loans isn't enough to cover your cost of attendance.

Discovering you have a financial aid gap can be scary, but there are a few things you can do to try and fill in those gaps.

To determine your financial aid gap subtract your total financial aid award from the cost of attendance. The remainder is your financial aid gap i.e., money you will still need to come up with to pay for college.



NOTE: Not everyone will have a financial aid gap.



How to Get More Financial Aid

If you find yourself with a financial aid gap, there are strategies available to you for reducing or eliminating that amount.

1. Contact your financial aid office.

You want to make sure you have the best financial aid offer possible. Make it a priority to have a conversation with them.

Ask the following questions:

- Did I complete all the available financial aid applications? Sometimes schools will require more than just the FAFSA®, they may require the CSS Profile™ or another institutional aid application.
- Are there any other financial aid opportunities for students who are having trouble covering the cost of attendance, even after being awarded financial aid? See if your school offers any additional assistance to students in extenuating circumstances of financial need, and ask what information you will need to provide to demonstrate need.

Also, don't forget to mention if you and your family have had significant changes to your income since you filed the FAFSA. You may be able to submit a financial aid appeal.

2. Review your school's tuition payment plans.

You may not have the money to cover your financial aid gap upfront, but that doesn't mean you can't do it over time. Many schools offer a tuition payment plan to help families cover the costs of college. If you find a plan that makes sense, you can avoid borrowing additional funds for college.

3. Search for grants and scholarships.

[Scholarships and grants](#), can come in many different forms from many different sources. If you are still enrolled in high school, set up a meeting with your high school advisor or college counselor. Ask them if there are any opportunities through the community or local organizations for scholarships. Not every opportunity is widely publicized.

If you have some time, do a scholarship search to see if there are any last minute scholarships you can apply to. A scholarship matching tool like, [StudentScholarshipSearch.com](#), will help you identify scholarships you may be eligible for.

There are scholarships that are awarded seasonally, as well as scholarships that are awarded on a rolling basis. Keep your eye on opportunities and deadlines, and apply throughout the year. Scholarships aren't just for graduating seniors, so remember to search for opportunities all throughout your college career.

Always keep an eye out for grants and scholarships. Don't stop looking just because you figured out how to pay for one year.

4. Financing College – Discuss additional loan options with your family.

The reality is, sometimes taking out additional loans may be your only option to cover your financial aid gap. When you need to borrow additional funds, you should always have an open and honest conversation with yourself and your family. Here are two additional loan options to consider.

[Direct Parent PLUS Loans](#): This is a loan made available through the federal student aid programs. The loan would be made to a parent who is helping their dependent child pay for their education. Parents will be the borrowers and the ones who will be required to repay the loan ([there may be opportunities in the future to refinance the loans into the child's name.](#))

[Private student loans](#): Private student loans can be made available to help cover financial aid gaps. They will require a credit check to qualify, and due to lack of work and credit history, many students will need a cosigner. This can be an option for you or your parent, or perhaps an aunt, uncle, or grandparent if that applies to your situation.

There is always a word of caution when it comes to borrowing. If you are borrowing for your first year, there is a high probability you will need to borrow for each additional year you attend college. That can really add up. Think about your future. Only borrow what you truly need to borrow, and what you can realistically afford to pay back.



Financial aid gaps can make families feel defeated, but there are still ways to achieve your dreams. Be ready to discuss all options with your financial aid office, and your high school counselor. Use all of the resources made available to you to discover the best strategy for covering your financial aid gap.

5. Get creative.

What happens if you've taken steps to find additional aid, and you still have a financial gap you can't fill? It doesn't mean the end of the road. It just means that you may need to find creative ways to achieve your higher education goals.

See if you can earn core curriculum credits at a community college or state school and transfer them to your desired college. You will need to consult the financial aid office or registrar's office of the school that you would like to graduate from to discuss this option. They may have restrictions on how many credits you can transfer, and some schools may not allow you to defer enrollment while you attend another institution. If this is an option, you can potentially earn credits you need to graduate at a fraction of the price. Many community colleges have programs in place specifically for students intending to transfer to state universities.

Defer your enrollment to earn some money. Maybe it makes more sense for you to save a bit more for your college education. Take some time to work and save money. Not only can you get some real-life experience, but you may be able to avoid borrowing money for school!

Reevaluate your college choice. Was there another college with a more affordable price tag? It may not have been your first choice, but if your chosen school is just too expensive, your runner-up school may be a better fit.

It's Time to Get Ready for Your Academic Year

You've been accepted into college, and you've made the best academic and financial decision for you and your family.

You may have questions about how you receive your financial aid. And maybe you've already heard about aid "disbursements," but what does that even mean? You were awarded aid for the academic year, don't you just get that full amount?

The answer to this is yes, the aid you have been awarded is the total amount of money you will receive for the year. But, there are different methods (and rules) schools need to follow when it comes to how and when that money is disbursed.

What is a disbursement?

A disbursement is the payment of money from the source. In the case of financial aid, the payment of money comes from your aid source (the federal government, school, private student loan lender, etc.), and in most cases, will be paid directly to your school.

That's right, your school. Most financial aid sources will submit their payments directly to the school on your behalf. The aid goes to pay your direct costs owed to your school—like tuition and fees. Depending on the type of aid you were awarded, you may receive multiple disbursements which will add up to the full amount you were awarded for the year. Your school defines your payment schedule, and will disburse money based on those timelines. And it's not uncommon for different programs—bachelor's degree, associate degree, certificate program, etc.— at the same school to have different payment schedules.

Let's go through some of the types of financial aid to see some of their common disbursement rules.

Federal Loan Disbursements

With federal student loans (like a Direct Subsidized or Unsubsidized, Direct Graduate PLUS Loans or Direct Parent PLUS Loan), these can have a few more factors. But let's talk about the most common way this type of aid is disbursed, and just know that your school may, in rare cases, do it a bit differently.

Your award will likely be broken up into two or more disbursements—usually at the beginning of your academic year, in between semesters, or around the midpoint.

If you're a first-year, first-time federal student loan borrower (i.e., a first-time freshman with no federal student loan debt) your disbursement of your first federal student loan may be delayed 30 days from the start of your program. Although you may find this rule a bit frustrating, it is actually a protection for both you and your school.

If you're a first-time borrower of a federal student loan, you will be required to complete Entrance Counseling before you receive your first disbursement. This requirement will also apply to first-time borrowers of Direct Graduate PLUS Loans, and some Direct Parent PLUS loan borrowers. So, if you put off your entrance counseling, you could further delay the disbursement of your loan funds.

Your federal student loan disbursements don't necessarily need to be equal, but your school may keep them relatively equal. One common exception is if your school has a different course schedule (say shorter terms, or reduced ability to take classes) during the summer, your summer disbursement may be less than your disbursements for fall or spring semester.

Federal Work-Study

Federal work-study is a bit different from the grant and loan programs. You will have to work to earn this aid, and you will be paid directly by paycheck. There is a requirement that you are paid at least monthly for the hours you completed. So this aid is equivalent to earning a paycheck which you can then use to help with your expenses. A nice benefit of income earned from a federal work-study job is it won't affect your financial aid the next year.

Although you must report your income earned on your FAFSA, you can identify this income as earned under federal work-study, and will be exempt from your financial aid calculations.

Keep in mind, with federal work-study you are limited in the amount you can earn based on your award. Your school and/or employer should be keeping track and will let you know when you are getting close to earning your maximum amount through the federal work-study program.

You may be able to ask your financial aid office if your award can be increased, or even ask your employer if there is any way you can continue employment outside of the federal work-study program. If you continue your employment outside of federal work-study, any money earned as regular employment will need to be reported on your FAFSA. It will be counted as income on your FAFSA, will not be exempt from your financial aid calculations, and may impact your financial aid award next year.



TIP: Your college's financial aid office is a great place to get specific questions answered about your aid.

Federal Grant Disbursements

If you received a federal grant, like a Pell Grant or a Federal Supplemental Educational Opportunity Grant (FSEOG), you will likely receive your award in two or more disbursements; typically, one in the beginning of your academic year, and one around the midpoint.

If you were awarded an FSEOG, your disbursements may not be equal. And sometimes schools will do this to help you with some upfront costs at the beginning of your academic year (like fees that are charged only at the beginning of the year).

If you were awarded a Pell Grant, then your disbursements will be equal. For example, if you had an award of \$4,000 your first disbursement will be for \$2,000, and your second disbursement will be for \$2,000.

Other Financial Aid Disbursements

If you were awarded aid from non-federal sources, the disbursement rules may vary quite a bit. For example, a scholarship may give you your entire award upfront. Or the administrator of that scholarship may decide to break it down any way they want—especially with larger scholarships which may be set up to give you an award each year you are in school.

Other types of institutional or state aid will follow their own rules which may vary. But it's not uncommon for aid which has two or more disbursements to follow the federal aid schedule.

4 Tips for Managing Your Financial Aid Funds

For most types of federal student aid (with the exception of federal work-study), your aid disbursements will go directly to your school to pay for direct school expenses (i.e., what you owe your school) first. But sometimes your aid may over pay your account, which may result in a credit balance. Your school will review your account to determine if this credit balance should be refunded to you or your parents (if they took out a parent student loan to help with your education).

If you have financial aid refunded to you, you need to be careful with the way you manage it. Here are four tips.

1. Make sure you have enough money for everything you need.

Make a list of all your expenses, then go through and classify them as needs for school (like books, supplies, housing, etc.), and wants (dining out, cable). Look at how much money you are refunded, and make sure you have enough to cover your needs. Any refund you receive should be used to cover costs related to your education and living expenses (including those not directly billed by your college/university). This may include things like transportation and miscellaneous personal expenses. But refunds should not be used to splurge on items that are considered luxuries.

2. Understand the cost of the money being refunded.

Are these loan funds which are being refunded to you? If they are, [keep in mind there is a cost of borrowing money](#). If you are being refunded loan funds, you can ask your financial aid office if you can send back some of that money to your lender. If it's too late to do that, you can always make a payment.

3. If you don't have one, get a bank account.

If you can get a bank account, it will be easier to get your financial aid refunds from your school (many schools offer direct deposit options). And having a bank account will keep your money safe. You can pick any bank you want. You don't need to pick your school's bank or credit union. It's worth noting that many banks offer student accounts with no fees or minimum balance requirements. Also, there are online bank options as well.

4. Set up an emergency fund

If you do not already have an emergency fund, start one. Every person should have one, including college students. Even if the balance is relatively low (\$500-\$1,000), you'll be grateful you established one for life's incidentals or a big crisis that may hit. For example, if you needed to make a last-minute trip to deal with a family emergency, would you be able to quickly book airfare?

Questions About Your Financial Aid

If you are a bit confused about your financial aid package, and when you can expect disbursements, it's best to schedule an appointment with your financial aid office. They can explain each type of aid you have received, and let you know more about the disbursement schedules for each.

This is definitely one of the more confusing parts of financial aid. This is your education and your future. Questions are not uncommon, so don't be afraid to ask.



TIP: If you are getting non-loan funds back, like a grant or scholarship, do your best to budget. Keep it safely in a bank account and access it only when you need it. This will come in handy when unexpected needs arise.

Dear Parents, How Much Do You Pay for College?

We understand it is incredibly tough to go through the process of helping your kids not only pick a school, but also find ways to finance college. It can be completely overwhelming. And if you're feeling stressed, you are not alone in this one.

Average Amount Parents Pay for College

According to Sallie Mae's study, How America Pays for College, in the 2017-2018 academic years, parents paid for 34% of college costs from income and savings. On top of that, 53% of families needed to borrow money to help. And at the end of 2018, parents held \$89.8 billion in Federal Parent PLUS loan debt according the U.S. Department of Education's office of Federal Student Aid.

Are Parents Obligated to Pay for College?

When it comes to helping your child, there are a lot of things to consider. When you complete the FAFSA the expected family contribution calculation assumes that a parent will be contributing to their dependent (for FAFSA purposes) student's higher education costs, and therefore requires parental information to be provided (unless the student is determined to be an independent student for FAFSA purposes). Even if the expected family contribution includes parental information, that *does not require* a parent to contribute to their child's education at all.

As a parent, the amount you contribute, and/or borrow to help your kids pay for college is your decision. And every family handles this cost differently. The most important thing to do as a parent? Let your child know your ability/willingness to assist in paying for college. The earlier they understand that, the earlier they can start making plans to help pay for their own higher education.

Parent Options: How to Help Your Child Pay for College

As a parent you do have some options to help contribute to your child's education.

Income and Savings

Being able to use cash or savings from a college savings plan (like a 529 plan) would likely have required you to start saving over time. If you're the parent of a college-aged kid, and you have done this, that is fantastic! Now it's time to determine the best way to use those funds to help cover those college costs.

Parent PLUS Loans

Federal Parent PLUS loans are part of the federal student loan program, and are available to the parents of undergraduate, dependent students. This type of loan will require you to complete an additional application on [StudentLoans.gov](https://studentloans.gov) (just log into your account with your FSA ID). This federal loan will require a credit check to make sure you do not have adverse credit. If you have adverse credit, you would need to either find a cosigner or file a successful extenuating circumstances appeal.

The [Direct Parent PLUS](#) loans does come with a set origination fee and set fixed interest rate. Both the origination fee and interest rate are non-negotiable and not based on the strength of your credit (everyone borrowing a loan at the same time will have the same interest rate and fees). You can borrow up to your child's cost of attendance (of their chosen school) minus any other aid received.

Private Parent Student Loans

Think carefully before taking out a federal loan. As a parent, you have the option to borrow a [private parent student loan](#) in order to help your child(ren) pay for college. This type of loan is available to borrowers with strong credit, and will require a credit check from your chosen lender (yes, you get to pick the lender you want to work with). You may need to apply with a cosigner to qualify. In contrast to the federal loan option, private loans offer many competitive, and cost saving, features. If you're deemed to be eligible for a private parent student loan, your lender may offer zero to no loan fees and a competitive interest rate based on your credit. You can borrow up to your child's cost of attendance (of their chosen school) minus any other aid received.

Because this is not a federal student loan, this loan may not have the same type of repayment plans, opportunities for forgiveness, or other federal benefits provided with a federal student loan.



Financial Help for College Students: How a Parent Can Help Their Kids

As a parent, you may feel like much of the responsibility to pay for college is on your shoulders. Although you can offer to help, keep in mind that this is your child's higher education.

Here are three ways you can help contribute to your child's success

1. Finding Scholarships

Scholarships, no matter the amount, can really add up. But keep in mind, finding these can take some time and effort. The beauty of scholarships is you can apply for these before your child even starts looking at colleges, during the college application process, and while in college. Although each individual scholarship may have a deadline, there aren't any deadlines on when and how often your child can apply!

Some great places to look:

- Your child's high school or school district
- Local libraries
- Local companies
- Community organizations
- Scholarship matching sites like, Edvisors' [StudentScholarshipSearch.com](https://www.edvisors.com/student-scholarship-search)
- Sweepstakes scholarship opportunities, like Edvisors' [ScholarshipPointssm](https://www.edvisors.com/scholarship-points)

2. Encourage Part-Time Employment

It's your child's education, so it's okay to feel like they should be contributing. If they are of age, you may want to encourage them to take on a part-time job. And also, set some rules on how the money they earn should be used for personal expenses, and saving for college (for example, \$50 of every paycheck should go into the college account).

3. Saving Money

This one may seem obvious, but sometimes it's easy to forget to put a priority on saving money. Your child may be receiving high school graduation, birthday, or holiday gifts, and it's important for them to use this money wisely. Just like money earned from a part-time job, money received as gifts should also have a rule on how much (either a dollar amount or percentage) gets put in the college savings account.

When it comes to helping your child pay for college, the amount you want to contribute is your decision. Not all families are able to fund their child's education, and that's okay. Just remember to have those conversations with your child early on, so they know what to expect and to help them plan.



You've Made It!

We hope you have a better understanding of the financial aid process, and the various options that exist to cover the cost of college. Our goal is to take some of the guesswork and stress out of how to pay for college, and help you feel confident when it comes to navigating the financial aid and student loan process.

Remember, if you borrowed for your first year of school, you will likely need to borrow for each year you are enrolled. Knowing your options puts YOU in the driver's seat for the present, and the future!

