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## Your Complete Guide to Financial Aid

Figuring out how to pay for college is often the most difficult part of the application process. Just as the need for a college education is rising, the cost of tuition is skyrocketing. Between 2003 and 2013 alone, the cost of tuition rose by 79% above inflation. Since 1982, [the cost has increased by a total of 500%](#). As a result, about 40% of soon-to-be college students end up turning down their first-choice school and [going for a cheaper option](#).

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One major reason for such drastic increases in college costs is a lack of funding from state and local governments. As more and more funding is being taken away from universities and colleges, [upping tuition rates is an easy way to make up the difference](#).

Other factors have also contributed to this, such as the [‘recreation parks arms race’](#) to attract students and rise up college rankings.

## **Is the Price Worth the Education?**

Current tuition rates are enough to cause some students to wonder if it’s even worth going to college. After all, who wants to end up with piles of student debt at the beginning of their career?

However, despite the price, the numbers show us that attaining a secondary degree is generally worth it—even after taking the potential debt into account.

First of all, the pay gap between degree holders and non-degree holders is forever widening. Those who hold a Bachelor’s degree earn an average of \$2.27 million throughout their lifetime compared to \$1.55 million for those who completed some college and \$1.3 million for high school graduates with no college education.

As of 2017, unemployment rates for the 25+ demographic also show that [getting a college degree is generally the way to go](#). The unemployment rate among graduates with a Bachelor’s degree or higher was 2.5% while the rate rose to 5.3% for those with only a high school degree and to 7.7% for high school dropouts.

## **How Does the Cost of School Affect Me?**

The rising cost of tuition tends to have a heavy impact on middle- and low-income families as well as on students who are tasked with figuring out how to pay for college

on their own. Studies show that middle-income families often earn too much for federal need-based aid but too little to pay out-of-pocket, presenting a challenging situation.

[If a student's intended program or school are out of their budget](#), they'll likely need to adjust and attend a more affordable school. This can be discouraging because it forces students to stray from their initial goals.

### **What Can I Do About It?**

Luckily, when it comes to figuring out how to pay for college, there are various options available. Whether you decide to take advantage of federal aid and scholarships, take out student loans, enter a work-study program, or a combination of them all, help is available. The key is deciding which option is the best for you and your situation.

So, let's start with the basics!

### **What is Financial Aid?**

In short, financial aid is money to help you pay for college. It can come in a variety of forms, such as grants, scholarships, work-study, and federal and private loans, as well as from a number of sources, including the federal government, the state government, nonprofits, and private organizations.

A great tool to help you figure out how much financial aid you'll need in order to attend school is the [Financial Aid Calculator](#). It calculates the difference between the cost of the school and your expected contribution, which comes from the FAFSA (see below).

## What is the FAFSA?

Now let's dive into the holy grail of all financial aid forms—the [FAFSA](#) (Free Application for Federal Student Aid). The FAFSA is used primarily to determine the financial aid you're eligible to receive from the federal government, but many schools also use it when determining their own financial aid packages.

The good news is that the form is relatively simple and only takes around 30 minutes to fill out. In order to complete it, you'll need to have a few things on hand, including:

- Your Social Security Number (SSN)
- Your Alien Registration Number (for non-U.S. Citizens)
- Your or your parents' federal income tax returns (these can often be transferred into the form automatically)
- Records of untaxed income (if applicable)
- Investment records (if applicable)

Shortly after submitting the FAFSA, students receive an electronic or paper copy of their Student Aid Report (SAR). The SAR lists basic information about a student's financial aid eligibility as well as their answers to the questions on the FAFSA. The key number and indicator of your financial aid eligibility is the Expected Family Contribution (EFC). It is an estimate of the amount of money your family can contribute towards your education. We'll talk more about how it's used below.

The FAFSA becomes available to students each year on October 1st. Once it's available, it's recommended that students fill it out as soon as possible to avoid missing any deadlines and to ensure they have enough time to plan for how to pay for college. Some schools also grant financial aid awards on a first-come, first-served basis. For more information, check out the video below.

## University-Based Aid

Many schools also use the FAFSA to determine [how much financial aid to award their students](#). As part of this, they take three factors into account: enrollment status (part-time or full-time), cost of attendance, and EFC. Generally, they subtract the EFC from the cost of attendance to determine your financial need and present you with scholarships, grants, and more. Awards can differ wildly from school to school since each institution has its own requirements and a different amount of funding available.

Alternatively, some private colleges and universities use the [CSS Profile](#) to determine financial aid eligibility. The CSS Profile is provided by the College Scholarship Service, which is the financial aid sector of College Board. Unlike the FAFSA, the CSS Profile asks questions related to the specific school or program that the student is applying for and takes additional factors into account, including minimum student contribution. Financial aid officers are also able to weigh in on individual student circumstances. The CSS Profile can be completed online and has an application fee of \$25 USD.

It's also worth discussing the differences between [Need-Aware and Need-Blind colleges](#) and universities (some schools also use a blend of both approaches).

[While each has its pros and cons](#), a student's academic and financial status often determines how they are affected.

Need-Blind schools don't consider students' financial need during the application process. While this sounds positive, it can result in schools giving out some not-so-great financial aid packages. Need-Aware schools, on the other hand, do take financial need into account. While this often results in better financial aid packages overall, it can also lead to wealthier students being chosen over financially needy students when limited spaces are available.

Now that we've covered all the background info, let's dive deeper into the different types of financial aid available!

## **Government Grants**

When it comes to figuring out how to pay for college, grants and scholarships are arguably the best way since they both offer free money with no strings attached! But what's the difference?

To begin, [grants are generally awarded by the federal government](#) and are based on financial need.

The main grants that the U.S. government currently offers are the Pell Grant and the Federal Supplemental Educational Opportunity Grant (FSEOG). Both apply to participating public and private universities as well as four-year and two-year degree programs and some vocational training programs.

The Pell Grant is awarded to undergraduate students who demonstrate financial need and the maximum amount of the award varies from year to year. For the 2018-2019 school year, students can receive up to \$6,095.

The Federal Supplemental Educational Opportunity Grant (FSEOG) is a campus-based aid program (i.e. it's administered directly by each school's financial aid office rather than the government itself) that offers additional aid to students with a high amount of financial need. Award amounts range from \$100 to \$4,000 and students with an Expected Family Contribution of 0 are given highest priority. Participating colleges and universities receive a set number of FSEOG funds from the federal government each year, meaning that the number of awards, award amounts, and award availability vary by school.

In order to apply for government grants, all students need to do is complete the FAFSA each year. They'll automatically be considered for any grants and federal student aid that they qualify for and will be notified in their award letter.

## **Scholarships**

Scholarships are also free money to help you pay for college and are generally offered by nonprofits, individuals, corporations or universities and colleges. Anyone can apply for scholarships and deadlines vary throughout the year, meaning there are always some available!

Luckily, figuring out how to find scholarships is an easy task. The first step to finding excellent scholarship opportunities is to talk to your guidance counselor or financial aid

advisor. They should have the most up-to-date information on local scholarships, allowing you to start your search off on the right foot.

After discussing possibilities with your advisor or counselor, continue your search online with [Going Merry!](#) Inspired by what the Common App has done for college applications, we make the scholarship application process much simpler by allowing you to apply directly to scholarships through our site. Simply fill out your profile, then we'll match you with the scholarships that are best for you and let you apply directly. You can even upload documents, like letters of recommendation or transcripts, and reuse them for every application.

The best part about scholarships is that they're available to all sorts of people in all different situations. [Whether you're transferring schools](#), majoring in marketing, or just looking for [scholarships that only apply to residents of your state](#), there's something for you! Most scholarship applications take some time to complete, but if you're short on time you can also consider scholarship sweepstakes. Check out our [list of essay-free scholarships](#) for an idea of where to get started!

For more information, check out our [step-by-step guide on applying for scholarships](#).

## **Work-Study**

[Work-Study](#) is a type of financial aid that provides you with a part-time job while you're enrolled in school. Part-time or full-time undergraduates, graduates, and professional students that express financial need and attend a participating school are eligible. [Over 3,400 schools participate in the federal work-study program](#). To find out if your college



or university is eligible for work-study, contact the financial aid office or visit the financial aid website.

Through this program, students earn at least minimum wage though they can only work a limited number of hours. While the amount of hours per week varies depending on the job, [most student employers only require 10 to 20 hours per week](#). Jobs can be on- or off-campus and, if possible, are related to the student's field of study—meaning you can get some relevant work experience under your belt at the same time!

In general, undergraduates are paid by the hour while graduate and professional students are either paid by the hour or paid a fixed salary.

## **Student Loans**

Student loans strike fear into the hearts of college students all over and they're often the least-desired option when deciding how to pay for college....and for good reason! Who wants to be welcomed by thousands of dollars of student debt after graduation? Not many.

But realistically, student loans don't have to be the enemy. While you should always try to get financial aid from other sources first, student loans can make higher education a real possibility for many people in cases where it wasn't before.

Here's a step-by-step guide through the different types of loans and all of the important information that you should know about them. First, let's talk about federal versus private loans.

## Federal Loans

Federal loans are, unsurprisingly, issued by the federal government. When you're considering taking out student loans, it's a wise choice to target federal loans first since they offer more benefits than private ones.

One such benefit is that federal loans don't require a cosigner or guarantor. That means you can apply independently. And most importantly, interest rates are generally lower than with private loans, meaning you'll end up paying less in the long run. For the 2018-2019 school year, the interest rate is 4.45% for undergraduate loans and 6% for graduate and professional loans. [These interest rates are fixed for the life of the loan, so you always know the interest rate you'll be paying.](#)

When you receive a federal loan, it will either be subsidized or unsubsidized. Subsidized loans don't accumulate interest for the entire time you're in school while unsubsidized loans do. Unfortunately, students don't have much say in which type of loan they receive, since it's heavily based on financial need. Only students with financial need are eligible to receive subsidized loans while financial need is not a requirement to receive unsubsidized loans. [Federal interest rates are currently the same for both subsidized and unsubsidized loans.](#)

Loan amounts vary considerably based on a student's year in school and their level of financial need. Take a look at the table below to get an idea of your eligibility.

Year in School	Dependent Students (Except students whose parents are unable to obtain PLUS loans) Loan Limit	Independent Students (and dependent undergraduate students whose parents are unable to obtain PLUS loans) Loan Limit
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First Year Undergraduate	\$5,500 (Up to \$3,500 of this amount may be granted in the form of subsidized loans while the rest is granted in unsubsidized loans)	\$9,500 (up \$3,500 of this amount may be granted in the form of subsidized loans)
Second Year Undergraduate	\$6,500 (up to \$4,500 of this amount may be granted in the form of subsidized loans)	\$10,500 (up to \$4,500 of this amount may be granted in the form of subsidized loans)
Third Year & Beyond Undergraduate	\$7,500 (up to \$5,500 of this amount may be granted in the form of subsidized loans)	\$12,500 (up to \$5,500 of this amount may be granted in the form of subsidized loans)
Graduate or Professional Students	All graduate and professional students are considered to be independent	\$20,500 (unsubsidized only)

\*Source: <https://studentaid.ed.gov/sa/types/loans/subsidized-unsubsidized#eligibility>

**PLUS loans** are another type of loan that students should be aware of. They are a federal loan offered to independent students or parents of dependent students and are intended to make up for any gaps between the cost of attendance and financial aid. PLUS loans can be a convenient option for covering the remaining cost of tuition as they have fixed interest rates and virtually no borrowing limit. However, keep in mind that PLUS loans do require a credit check, an origination fee (i.e. a fee for processing

the loan), and payments are expected to begin immediately (although deferment is an option).

Lastly, [Perkins Loans are for students who demonstrate high financial need](#). While the Perkins loan is a federal program, loans are granted to students by individual schools (about 1,700 schools participate in the program). When paying back the loan, students make payments either directly to the school or to the school's loan servicer. Like other federal options, an advantage of Perkins Loans is that their interest rates are fixed. The current level is 5% and the size of the loan depends on the amount of funds available at each individual school.

Many students prefer federal loans because of the flexible payment plans available. When paying back student loans, most monthly payments are based on a 10- or 15-year payment plan, but sometimes the monthly payments are just too high for new graduates. Federal loans work with you to find the best payment plan for your situation.

The best way to determine which payment plans you qualify for is to talk to your student loan servicer. They'll be able to provide you with the most up-to-date information and guide you on the repayment plan that's best for your situation.

One of the most common repayment plans is income-based repayment and the process of switching plans is quick and painless. Students need to submit their most recent tax information to determine their eligibility. Each year that they'd like to continue with the income-based payment plan, they simply need to recertify by sending their latest tax records.

To see if you qualify for income-based repayment, check out the [Department of Education's Repayment Estimator Tool](#). If the calculated cost of your payment is lower

under an income-based repayment plan than it is under the standard repayment plan, you likely qualify and should discuss options with your student loan servicer.

Contrary to popular belief, it is possible to discharge student loans if you go bankrupt (although it's much more difficult than with traditional loans). In order to have loans discharged, it's required to file for Chapter 7 or Chapter 13 bankruptcy and prove that loan repayment would impose undue hardship on you and your dependents during an adversary proceeding in bankruptcy court. However, what makes it difficult in practice is that [undue hardship has never been defined](#). For more information, [head over to the FSA website](#).

For the latest information on loan forgiveness options, [please visit the Federal Student Aid Loan Forgiveness page](#).

## **Private Loans**

Private loans are often used as the last option after all other financial aid options have been exhausted. While they can be helpful in providing that little extra bit of money needed to fund your education, they shouldn't be your first choice when deciding how to pay for college.

Private loans are issued by banks, credit unions, or private companies and the rules, interest, and repayment terms can vary wildly depending on the lender. Some private loans also have variable interest rates, meaning that your interest, and your loan payment as a result, can increase.

Another downside to private loans is that they're based on credit, so a cosigner or guarantor is generally necessary.

## Frequently Asked Questions

*Should I apply for aid even if I don't think I qualify?*

Yes! The FAFSA is a free form and you never know what type of student aid is available to you until you apply...you might be pleasantly surprised! Thirty minutes of your time could save you thousands of dollars on your tuition bill and make paying for college much simpler. To apply for Federal Student Aid, [head over to the FAFSA website](#).

*Do I need to be accepted into a university or college to apply for financial aid?*

No. You can apply for financial aid at any time you want, regardless of if you've been accepted into a school or not. However, you do need to be enrolled and accepted in order to receive the financial aid. Applying early can be a great option and provide you with a clearer picture of how to pay for college.

*Is the FAFSA a one-time thing or do I need to reapply every year?*

The FAFSA is based on the previous year's tax records, so it's necessary to fill it out once a year to qualify for financial aid. Luckily, it's quick and easy and should become even easier after the first time.

*When do I need to start repaying my student loans?*

Most federal loans allow a six-month grace period after graduation (except the Perkins loan which allows a nine-month grace period). In other words, you'll be required to start paying back your federal loans six months after graduation. Private loan repayment terms vary, so it's best to check with your lender for the most accurate information.

*Where can I get more info about financial aid?*

The Federal Student Aid Information Center (FSAIC) is the best place to get the most up-to-date information on financial aid. Reach out to them with one of the methods below:

[Federal Student Aid Website](#)

[FAFSA Website](#)

Phone: 1-800-4-FED-AID (1-800-433-3243)

Phone (if hearing impaired): 1-800-730-8913

Mail:

Federal Student Aid Information Center

PO Box 84

Washington, DC 20044

## **Financial Aid Glossary**

Let's face it, financial aid terms can be confusing and unclear. We put this glossary together to turn you from clueless into a financial aid expert.

Cosigner → A second person (i.e. not the original borrower) who also signs for a loan and assumes the same amount of financial responsibility for the loan. Having a cosigner can often help make loans possible for those with bad or no credit.

Deferment → Allows you to stop making your monthly federal loan payments for a determined amount of time.

Expected Family Contribution (EFC) → A number that represents your family's ability to help you pay for college. It's determined by a number of factors, including taxed and untaxed income, family size, and the number of family members in college. It's used in determining financial aid eligibility on the FAFSA.

FAFSA → The Free Application for Federal Student Aid. It's a free form used by the federal government and many universities to determine if you qualify for financial aid and, if so, how much.

Federal Supplemental Educational Opportunity Grant (SEOG) → A need-based grant offered by the federal government for students with the greatest need of financial aid.

Financial Aid → Financial assistance to help students and their families pay for school.

[Financial Aid Calculator](#) → A free tool that allows you to estimate your Expected Family Contribution (EFC) before completing the FAFSA. This tool can simplify the process of deciding how to pay for college.

Forbearance → Like deferment, forbearance allows you to stop making your monthly loan payments for a determined amount of time. The difference is that deferment doesn't always require you to pay interest, but forbearance does.



Grants → Money for college, generally awarded by the federal government, that doesn't need to be paid back.

Guarantor → Similar to a cosigner, a guarantor agrees to pay for a loan if the original borrower defaults or is unable to pay. Having a guarantor can help make loans possible for those with bad or no credit.

Loan Forgiveness → Options for saying goodbye to student loans in exchange for non-profit, government, or volunteer work. For more information on current requirements, [visit the FSA website](#).

Payment Plans → Options for repaying your student loans based on income or other factors. To find out which payment plan is best for you, [check out this article](#) or discuss options with your student loan servicer.

Pell Grant → A need-based grant offered by the federal government for undergraduate students who express financial need.

PLUS Loan → An unsubsidized loan offered by the federal government to students' parents. It's intended to cover remaining education costs not covered by other forms of financial aid. This loan is available only to parents of dependent undergraduate students or independent graduate/professional students and, as of 2018, the interest rate is 7.0%.

Tuition → The amount of money a university, college, or institution charges students for education.

Scholarships → Money for college, generally awarded by corporations, nonprofits, schools, or individuals, that doesn't need to be paid back.

Student Debt → The type of debt that is accumulated from taking out federal or private loans in order to attend a college, university, or institution.

Student Loans (Federal) → Financial assistance in the form of a loan from the federal government. Student loans accrue interest and must be paid back.

Student Loans (Private) → Financial assistance in the form of a loan from a private provider. Student loans accrue interest and must be paid back.

Subsidized Loans → A type of federal student loan in which the federal government pays the interest while the student is in school or while the loan is in deferment.

Unsubsidized Loans → A type of federal student loan in which interest begins accruing as soon as the loan is taken out.

Work-Study → A type of federal student aid that provides students with part-time jobs while in school.

## Useful Resources

- [Information about the cost of attending school](#)
- [FAFSA](#)
- [Information about Federal Student Aid and deciding how to pay for college](#)
- [Information about private student loans](#)
- [Financial Aid Calculators](#)
- [Information about repaying student loans](#)