



A Parent's Guide to Financial Aid

There is extensive financial aid available to help fund the cost of your child's college education, but the process of applying for aid can be daunting. The financial aid forms you obtain from the school your child wants to attend will help you through the application process step by step.

The most important form is the Free Application for Federal Student Aid (the FAFSA), which has very strict deadlines. In addition, some colleges and lenders require that you, rather than your child, fill out the forms. In most cases, a good place to start the search is through your child's high school guidance counselor or the college(s) your child is thinking of attending. The following information is designed to help you understand and research your financial aid options.



Grants

You may want to begin your search for cash with grants, which cost you nothing and do not have to be repaid. It is important to note that if your child is awarded a grant or scholarship, the college will deduct that amount from the financial aid it would otherwise give your child. (You can get free information about federal government programs by calling the Federal Student Aid Office at 1-800-433-3243.)

Pell Grants

These constitute the largest of the government programs. Grants generally range between \$400 and \$3,125. In general, families showing financial need are eligible for grants, although families with higher incomes may also be eligible under special circumstances.

Supplemental Education Opportunity Grants (SEOG)

For families exhibiting the greatest need, the SEOG offers grants ranging from \$100 to \$4,000 a year. SEOG funds are limited, so it is important to submit an application as early as possible.

State Programs

Most states provide grants based on a combination of merit and financial need. Contact your child's high school guidance counselor or state office of grants to learn what types of aid may be available and how to apply.

College Grants

Most institutions offer several kinds of grants based on need, scholastic achievement and/or talent in a special area. Some colleges give cash grants, while others offer tuition discounts.

Private Grants

Thousands of grants and scholarship programs are available to students with superior academic records, special interests and other qualifying characteristics. Check with employers and local, state and national organizations with which you or any member of your family may be affiliated. The local library is also an excellent reference.

Loans

The federal government is by far the single largest source of financial aid to college students, but there are also state government loans, college-sponsored loans, and commercial lending institutions that offer student loans. Qualifying for funding involves filling out multiple forms and providing a detailed profile of your financial situation to potential lenders. As with all financial aid applications, it is important to fill out the forms completely and submit them as soon as possible. (You can get free information from the Office of Federal Student Aid at 1-800-433-3243.)

Government Loans

Perkins Loans are designed for undergraduates and graduate students who have exceptional economic need. Perkins loans are extremely attractive because the interest rate is set at 5 percent. Repayment needn't begin until nine months after the student graduates, leaves school or drops below half-time status. Repayments can be stretched out over ten years, with payments of as little as \$30 a month. Loan amounts range from \$3000 per year for undergraduates, to \$5000 per year for graduate students.

Stafford Student Loans (formerly Guaranteed Student Loans) are available to virtually all students. Students demonstrating financial need may qualify for subsidized loans, meaning the government will pay the interest on the loans while the student attends school, as well as for a 6-month grace period after graduation. If the loan is unsubsidized (not need-based), interest accrues while your child attends school and repayment must begin immediately after graduation. The typical repayment term is five to ten years. Students can borrow up to \$2,625 per year as freshman, \$3,500 as sophomores, and \$5,500 a year as juniors and seniors. For graduate students the maximum is \$8,500 per year.

(Note: An important thing to remember about both the Perkins and Stafford loans is that the students, not the parents, are the borrowers and are therefore responsible for paying back the money.)

Parent Loans to Undergraduate Students (PLUS) and Supplemental Loans for Students (SLS) PLUS loans are made to parents. SLS loans are made to undergraduate and graduate students, allowing borrowing up to \$4,000 per year as freshman and sophomores, \$5,000 per year as juniors and seniors, and \$10,000 per year as graduate students.

However, combined PLUS loans, SLS loans and other financial aid cannot exceed the student's cost of attending school. Repayment of these loans must begin within 60 days of receiving the loan proceeds, and the loans can be repaid in five to ten years. Although repayment of SLS loans can be deferred while a student attends school, interest continues to accrue.

(Note: Recent legislation will affect student loan programs in several ways. Many loans that formerly were processed through banks and other lending institutions are now granted directly through the Department of Education. In addition, thousands of students will be able to pay off their government loans through work in a National Service Corporation, such as AmeriCorps and the National Health Service Corps.) Those entering this program could pay off as much as \$5,000 worth of student loans for every year of service up to \$10,000. (For the latest information on all of the federal loan programs described here, call 800-4-FED-AID.)

State Loan Programs

Most states offer their own loan programs, or "Capital Access Programs." The terms, interest rates, repayment schedules and amounts of loans vary widely from state to state. Visit your state government website or call your Employee Assistance Program (EAP) for information.

College Loans

Most colleges, seeking to fill the gaps created by federal and state programs, offer their own loan programs. Ask a school's financial aid officer about specific programs.

Commercial Loans

Several commercial lenders specialize in college lending. Some of the major players in this market include the following: College Board (800-927-4302), The Education Resource Institute (TERI) (800-255-8374), Nellie Mae (800-634-9308), and Sallie Mae (888-272-5543).

Federal Work-Study Program (FWSP)

FWSP provides part-time jobs for students enrolled at least half time in need of financial assistance in order to attend college. Students from higher-income families have a better chance of getting a part-time job under FWSP than of getting most kinds of grants. To learn more about these programs call the Federal Student Aid Office at 1-800-433-3243.

Cooperative Education

Cooperative Education includes work-integrated learning programs and/or internships. To learn more about these programs call the The National Commission for Cooperative Education (NCCE) at 617-373-3770.

Resources

National College Services (800-662-6275)

US Department of Education (800-621-3115)

Student Aid Info Center (800-433-3243)

The College Board Guide to Getting Financial Aid 2007 available on Amazon.com

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