

COLLEGE PLANNING

Financial Aid

There are three types of financial aid: **scholarships and grants, loans, and federal work-study**. Most aid packages consist of a combination of all of these.

Financial Aid Estimator Tool – FAFSA4casterSM www.fafsa4caster.ed.gov

The FAFSA4caster provides students with an early estimate of their eligibility for federal student financial assistance. Students considering furthering their education beyond high school can use this FREE tool to:

- Calculate their eligibility for federal financial aid, including grants
- Reduce the time it will take to complete the Free Application for Federal Student Aid (FAFSASM), the qualifying form for all federal student financial aid

Non-federal financial assistance programs and requirements often vary from school to school. Always check with your school before applying for financial aid.

Obtain your Federal FAFSA PIN

Your PIN acts as your electronic signature on the FAFSA. It also serves as your identifier to give you access to your personal information in various U.S. Department of Education systems. It's like the personal ID number you get from your bank, so you should not give it to anyone. Both the student and parent need to apply for a PIN.

Financial aid applications you'll need to file are:

FREE APPLICATION FOR FEDERAL STUDENT AID (FAFSA)

Filling out the FAFSA is the first step in the financial aid application process. It is used to determine federal student financial aid, such as Pell Grants, federal student loans, and work-study. Submit the FAFSA in time to meet school and state aid deadlines. Apply online by going to www.fafsa.ed.gov. Get free information and help from the U.S. Department of Education at www.fafsa.ed.gov or 1-800-4-FED-AID (1-800-433-3243). Free help is available anytime during the application process. You should never have to pay for help. Most states and many colleges also use information from the FAFSA to award their own financial aid. www.fafsa.ed.gov

CSS/FINANCIAL AID PROFILE[®]

The CSS/Financial Aid PROFILE[®] is a Web-based financial aid application required by some colleges and universities in addition to the FAFSA. Colleges that require the CSS/Financial Aid PROFILE[®] use it to determine your eligibility for institutional aid. If you are required to file the CSS/Financial Aid PROFILE[®], it must be filed online. Before you begin filing, you must register to become a member. After you complete the application, you will receive an acknowledgement report online. <https://profileonline.collegeboard.com/>

In order to be eligible for any need-based Federal Student Aid programs you must complete the FAFSA.

INSTITUTIONAL APPLICATIONS

Some colleges and universities may require their own application form as well. Check the college's admissions website viewbook or catalog, or call their financial aid office to find out if an institutional aid application is required.

FIND YOUR FEDERAL SCHOOL CODES

Each college and university has a unique 6-digit federal school code which is used to forward your financial aid application to the colleges you are applying to. You may have your information sent to as many as 10 colleges and universities on your FAFSA. www.fafsa.ed.gov Keywords: Federal School Codes

APPLY FOR FINANCIAL AID.

Once you have your PIN and Federal School Codes, you're ready to apply. You may file the FAFSA online or you may download a paper application. Online applications automatically check for most errors and speed processing time.

DEADLINES

The FAFSA site at www.fafsa.ed.gov lists many state deadlines and tells you how to find yours if it's not listed. For a college's FAFSA deadline, check the school's website or contact its financial aid office. If you want to be considered for aid from your state or college, you must meet its FAFSA deadline. If you plan to go to college in the fall, your state financial aid deadline is probably going to be between March and May; and your college financial aid deadline could be as early as February.

Review your **Student Aid Report (SAR)**—the result of your FAFSA. You will receive your SAR by e-mail or by mail. If necessary, make changes or corrections and submit your SAR for reprocessing. Your complete, correct SAR will contain your Expected Family Contribution (EFC)—the number used to determine your federal student aid eligibility. If you do not receive your SAR within three weeks of submitting your FAFSA, go to www.fafsa.ed.gov and select "Check Status of a Submitted FAFSA;" or you may call 1-800-4-FED-AID.

EXPECTED FAMILY CONTRIBUTION (EFC)

Students and their families are expected to contribute to the cost of college to the extent that they're able. Use this 2011-12 School Year Expected Family Contribution (EFC) Calculator to estimate how much your family will be expected to contribute, http://apps.collegeboard.org/fincalc/efc_welcome.jsp. After all, you can't make a realistic plan to cover your share if you don't have an idea what your share could be.

Gain insight into your financial aid eligibility. If you're unable to contribute the entire cost of college, financial aid is available to bridge the gap. That's how the financial aid system works. The difference between the total cost and your EFC is considered your "financial need" and the amount of aid you're eligible to receive.

FINANCIAL AID AWARD LETTER

After you submit your application for financial aid, you will receive an award letter from the college(s) to which you applied. This letter spells out the details of your financial aid package. A financial aid package is a collection of different types of financial aid from multiple sources. It is intended to help you fill the gap between your ability to pay (EFC) and college costs. After you receive the award letter, you may be asked to return a signed copy of the letter, or acknowledge electronically, in which you accept or reject each source of financial aid.



*Not all award letters treat UNSUBSIDIZED Stafford loans and PLUS loans the same. Use the **College Aid Comparison Worksheet on pg. 35** to be sure you are comparing apples to apples when reviewing aid packages.*

TYPES OF AID

Federal Work-Study (FWS) provides part-time jobs for undergraduate and graduate students with financial need, allowing them to earn money to help pay education expenses. The program encourages community service work and work related to the recipient's course of study.

GRANTS are "gift aid" that do not need to be repaid.

FEDERAL PELL GRANT

A Federal Pell Grant, unlike a loan, does not have to be repaid. Pell Grants are awarded usually only to undergraduate students who have not earned a bachelor's or a professional degree. (In some cases, however, a student enrolled in a post-baccalaureate teacher certification program might receive a Pell Grant.) Pell Grants are considered a foundation of federal financial aid, to which aid from other federal and nonfederal sources might be added.

How much can I get?

The maximum Pell Grant award for the 2011-2012 award year (July 1, 2011 to June 30, 2012) is \$5,550. The amount you get, though, will depend not only on your financial need based upon your Expected Family Contribution (EFC), but also on your costs to attend school, your status as a full-time or part-time student, and your plans to attend school for a full academic year or less. Note: The maximum award amount is given for any Pell Grant eligible student whose parent or guardian died as a result of military service in Iraq or Afghanistan after Sept. 11, 2001. You must be under 24 years old or enrolled at least part-time in college at the time of your parent's or guardian's death.

<http://studentaid.ed.gov> Keyword "Pell Grant"

The Teacher Education Assistance for College and Higher Education (TEACH) Grant Program provides grants of up to \$4,000 per year to students who intend to teach in a public or private elementary or secondary school that serves students from low-income families. <http://studentaid.ed.gov> Keyword "TEACH Grant"

Federal Supplemental Educational Opportunity Grant (FSEOG)

The Federal Supplemental Educational Opportunity Grant (FSEOG) program is for undergraduates with exceptional financial need. Pell Grant recipients with the lowest Expected Family Contributions (EFCs) will be considered first for a FSEOG. Just like Pell Grants, the FSEOG does not have to be repaid. You can receive between \$100 and \$4,000 a year, depending on when you apply, your financial need, the funding at the school you're attending, and the policies of the financial aid office at your school. <http://studentaid.ed.gov> Keyword "FSEOG Grant"

Iran and Afghanistan Service Grant

A student who is ineligible for a Pell Grant and whose parent or guardian was a member of the U.S. Armed Forces and died as a result of service performed in Iraq or Afghanistan after September 11, 2001 may be eligible to receive the Iran and Afghanistan Service Grant. The grant award is equal to the amount of a maximum Pell Grant for the award year - not to exceed the cost of attendance for that award year. <http://studentaid.ed.gov> Keywords "Federal Grants"

Institutional Grants

Colleges provide institutional grants to help make up the difference between college costs and what a family can be expected to contribute through income, savings, loans, and student earnings. Other institutional grants, known as merit awards or merit scholarships, are awarded on the basis of academic achievement. Some merit awards are offered only to students whose families demonstrate financial need; others are awarded without regard to a family's finances. Some grants come with special privileges or obligations. You'll want to find out about the types of grants awarded by each college you are considering.

The State of Maine Grant Program

The State of Maine Grant program is a need-based program that provides grants to undergraduate students. This program is funded primarily by funding from the State of Maine, but also receives supplemental funding from the NextGen® College Investing Plan. Any Maine resident who files the FAFSA by May 1 is automatically considered for the grant. There are no other application forms required. www.famemaine.com Keyword "State of Maine Grant Program"

Scholarships are "gift aid" that do not need to be repaid.

Scholarships may be based on your financial need, background, achievements, talents, abilities, or special interests. It's satisfying to receive a scholarship or grant, but these highly sought-after sources of aid can rarely cover the complete cost of a college education. It's wise to consider them a supplement to your savings and loans.

Avoid scholarship scams. The website www.finaid.com tracks scholarship scams and offers valid resources as well.

You should never have to pay money to get money.

Financial Aid Acronyms

APR - Annual Percentage Rate

COA - Cost of Attendance

DL - Direct Lending —
William D. Ford Federal
Direct Loan Program

EFA - Estimated Financial Aid

EFC - Expected Family
Contribution

FAFSA - Free Application for
Federal Student Aid

FWS - Federal Work Study

MPN - Master Promissory
Note

PC - Parent Contribution

SC - Student Contribution

SAR - Student Aid Report

Scholarship applicants should follow a few basic rules:

- Follow directions carefully.
- Be sure that you meet the criteria outlined in the scholarship.
- Write a good essay on the topic the scholarship asks for.
- Meet all deadlines – allow extra time for your outside recommendations to also meet the deadline.

STUDENT LOAN OPTIONS

Always start with your Federal Perkins and Stafford education loans and other traditional financial aid resources prior to considering an alternative or private education loan. Borrowers are advised to borrow the minimum amount needed.

How to Tell a Perkins from a PLUS

Most students receive a loan as part of their financial aid package. Unlike scholarships and grants, **loans need to be repaid—with interest**. Not all loans are alike and it's easy to get confused. But borrowing responsibly and minimizing the total amount you'll have to repay begins with getting to know the different types of loans.

The table below provides an overview of Federal loans plus private, or alternative loans.

Loan	Need-Based & Subsidized?	Sponsor	Borrower	Interest Rate	Fees
Perkins	Yes	Federal government	Student	5% (fixed)	0%
Subsidized Stafford	Yes	Federal government	Student	3.4% (fixed), UNDERGRAD effective July 1, 2011 6.8% (fixed), GRAD/PROF.	1%*
Unsubsidized Stafford	No	Federal government	Student	6.8% (fixed)	1%*
Parent PLUS	No	Federal government	Parent	7.9% (fixed)	4%*
Grad PLUS	No	Federal government	Grad Student	7.9% (fixed)	4%*
Private (Alternative)	No	Banks, colleges, foundations, state agencies	Usually student with creditworthy parental cosigner	Usually higher than federal rates; variable or fixed	Varies by Lender

* An origination fee is deducted from your loan disbursement. The origination fee is 1% on Stafford Loans and 4% on PLUS Loans. However, as a Direct Loan Borrower, you receive an up front interest rebate equal to 0.5% of a Stafford Loan and 1.5% of a PLUS Loan. The up front interest rebate reduces your origination fee however to retain the interest rebate, you must make the first 12 consecutive payments of your Direct Loan on time. If you do not make the first 12 consecutive payments of your Direct Loan on time, the interest rebate will be added back to your loan. This rebate will discontinue for loans with a 1st disbursement on/after 7/1/12.

How Loans Differ

What does subsidized mean? Why are need-based loans preferable? Learn about key loan characteristics.

Need-Based vs. Non-Need-Based

Loans can be divided into two main categories: those that are based on need and those that are not. Need-based loans are awarded only to students whose families have financial need. Demonstrating financial need begins with completing the Free Application for Federal Student Aid (FAFSA). By doing so, you'll also make sure you're considered for other types of financial aid like grants (money you don't have to repay) and student employment.

Need-based loans typically have better terms, so consider them first. They usually share these advantages:

- They have lower interest rates than other forms of credit.
- You won't have to make any payments on the principal until after you leave school.
- They're subsidized. In other words, you save money because the government pays the interest while you're in school and for up to six months after graduation. This benefit makes the loan much less expensive for you. If you qualify, always borrow a subsidized loan first.

Non-need-based loans are designed to help families pay their share of college costs if they can't afford to do so from savings and current income.

Federal vs. Private (Alternative)

Federal loans make up about 45 percent of the total aid awarded to undergraduates each year. They're usually less expensive than private loans.

Private loans are offered by banks and other financial institutions as well as some colleges, universities, and private foundations. Some state agencies also provide student loans. Be sure to check into the agencies in the state of your residence as well as the state you will be attending school in, as many state agencies offer private loans with terms that are similar to and in many cases more favorable than the Federal PLUS loan. Generally, neither private nor state loans are subsidized or based on need.

Student vs. Parent

Most loans, with the notable exception of the Federal Parent PLUS, are intended for student borrowers. However, parents usually play an important role as cosigners when students take out private loans, agreeing to repay the loan if the student doesn't.

Interest Rate

The lower the interest rate, the less expensive the loan, and the less you'll repay. One advantage of government loans is that they tend to have lower interest rates than private loans, and the rates are usually fixed while most private loans tend to have rates that change periodically.

Loan Options

Each type of loan is described below. All Federal Student Loans are now part of Direct Lending (DL) through the William D. Ford Federal Direct Loan Program. All Loans made from the DL program are funded by the Federal Government.

Federal Perkins Loans are awarded by colleges to students with the highest need, using limited pools of money provided by the government and by prior borrowers in the form of repayments. The interest rate is very low—5 percent—and you don't make any loan payments while in school. Undergraduates can borrow up to \$5,500 a year, totaling not more than \$27,500 overall.

Federal Subsidized Stafford Loans are also need-based loans. Currently, the fixed interest rate is 3.4 percent for undergraduate and 6.8% for grad/prof. The government pays the yearly interest while you're in school. Undergraduates with the greatest need can borrow up to \$3,500 for their freshman year. This limit rises as they progress through school.

Federal Unsubsidized Stafford Loans are sponsored by the government but are not based on financial need. The interest rate is fixed at 6.8 percent. If you're an independent student or a dependent student and your parents are denied a PLUS loan, refer to the independent undergraduate loan limits.

ANNUAL AND AGGREGATE LOAN LIMITS

The following chart provides maximum annual and aggregate (total) loan limits for Subsidized and Unsubsidized Direct Stafford Loans.

YEAR	Dependent Undergraduate Student (except students whose parents are unable to obtain PLUS Loans)	Independent Undergraduate Student (and dependent students whose parents are unable to obtain PLUS Loans)	Graduate and Professional Degree Student
FIRST YEAR	\$5,500—No more than \$3,500 of this amount may be in subsidized loans.	\$9,500—No more than \$3,500 of this amount may be in subsidized loans.	\$20,500—No more than \$8,500 of this amount may be in subsidized loans.*
SECOND YEAR	\$6,500—No more than \$4,500 of this amount may be in subsidized loans.	\$10,500—No more than \$4,500 of this amount may be in subsidized loans.	
THIRD AND BEYOND (each year)	\$7,500—No more than \$5,500 of this amount may be in subsidized loans.	\$12,500—No more than \$5,500 of this amount may be in subsidized loans.	*For loan periods beginning on/after 7/1/12, grad/prof students are not eligible for Subsidized Loans.
MAXIMUM TOTAL DEBT FROM STAFFORD LOANS WHEN YOU GRADUATE (aggregate loan limits)	\$31,000—No more than \$23,000 of this amount may be in subsidized loans.	\$57,500—No more than \$23,000 of this amount may be in subsidized loans.	\$138,500—No more than \$65,500 of this amount may be in subsidized loans. The graduate debt limit includes Stafford Loans received for undergraduate study.

Note: These annual loan limit amounts are the maximum yearly amounts you can borrow in both subsidized and unsubsidized loans. You can have one type of loan or a combination of both. Because you can't borrow more than your cost of attendance minus any other financial aid you'll get, you may receive less than the annual maximum amounts. Also, the annual loan limits assume that your program of study is at least a full academic year.

Private or alternative loan programs come in all shapes and sizes. Terms and conditions can vary widely so shop carefully. The terms on the private loans are often similar to the PLUS loans, except that they are not guaranteed by the federal government and typically require both the student and the parent to sign for the loan.

The Maine Educational Loan Authority (MELA) offers a private loan (The Maine Loan[®]) to undergraduate and graduate students who are either residents of Maine or attending a school in Maine. The Maine Loan is Maine's low-cost alternative education loan and currently offers a 7.75% fixed interest rate, the option to defer principal while the student is in school, and flexible repayment terms.

Visit www.mela.net
or call 1-800-922-6352
for more information.



Use the **College Aid Comparison Worksheet** on p. 35 to compare the financial aid packages from colleges that interest you.

Unsubsidized Staffords can be used to help pay the family share of costs. You're responsible for paying interest on the loan while in school, unless you, like most students, choose to have the interest added to the principal during your years at school. This is known as capitalizing the interest. If you do that, however, you'll be borrowing the amount of the interest as well, and that means you'll end up repaying more money.

Federal Grad PLUS Loans

Graduate and professional degree students are now eligible to borrow under the Federal PLUS Loan Program up to their cost of attendance minus other estimated financial assistance. The interest rate through the Direct Loan Program (DL), is fixed at 7.9 percent.

Federal PLUS Loans are sponsored by the government but are not based on need. Generally, parents can borrow up to the total cost of education, minus any aid received. Federal PLUS Loans through the Direct Loan Program offer a fixed interest rate of 7.9 percent.

Private (alternative) education loans are not subsidized or based on need. Although some colleges lend money to parents, private loans are most often intended for students. Still, a parent is usually a cosigner, since good credit tends to be a requirement. If the student defaults on the loan, the parent is responsible for repaying it.

Private education loans are available from three types of institutions:

- Some private state organizations and foundations have loan programs with quite favorable borrowing terms. Maine's program, The Maine Educational Loan Authority (MELA) was established in 1988 to assist students and their families to achieve their higher education goals by providing a supplemental or alternative student loan program. With education costs rising at rates higher than many people can afford, MELA's goal is to help students bridge the gap between the full cost of a college education and traditional sources of financial aid. www.mela.net
- Banks and other financial institutions usually offer loans that carry a higher interest rate than federal loans.
- Some colleges and universities have their own loan funds. Interest rates may be lower than federal student loans.

Comparing Alternative Student Loan Programs Prior To Selection

- How long has the lender been in business and where are they located?
- Does the lender have a good reputation for customer service?
- Does the loan have a variable or fixed interest rate?
 - A variable interest rate can change as frequently as every 30 to 90 days. Find out how your interest rate is calculated and how often your rate may change.
 - Make sure to research what interest rate you qualify for since lenders often advertise their lowest rate, but not everyone will qualify for that rate.
 - Find out the maximum variable interest rate that you can be charged for your loan.

- A fixed interest rate remains consistent throughout the life of the loan and provides stability with respect to your monthly payment. Find out the current interest rate.
- What are the fees associated with the loan and do the fees vary depending on your credit score?
- Are there annual and/or aggregate loan limits?
- What are the repayment options and do the rates and fees vary depending on which option you choose?
- Defer principal and interest:
Make no payments while continuously enrolled in school. Interest is capitalized at repayment. Principal and interest repayment begins six months after graduation or when you are no longer enrolled in school.
- Interest only:
Repay only your interest while continuously enrolled in school. Interest only payments may begin within 60 days of the first disbursement date. Repayment of principal and interest will begin six months after graduation or when you are no longer enrolled in school.
- Immediate repayment of principal and interest:
Repay principal and interest in a monthly amount beginning no more than 60 days after the final disbursement date.

The disclosure requirements for private education loans have changed the process of applying for and receiving private education loans. The process takes longer from application to disbursement, and **you the borrower have additional responsibilities beyond the application**, including acknowledgement of the new disclosure statements and completion of the Self-Certification Form. If you are planning to finance all or part of your cost of education with a private alternative, education loan, **you should start the application process as early as possible** to avoid any potential repercussions that could result in delay of receiving your loan.

Contact the college's financial aid office to learn what other state loan programs may be available to you.

Private Loan Disclosure Rules and an example of how the "Self-Certification Process" works.

The intent of the Borrower Self-Certification Form was to better educate students on the costs included in financial aid calculations and how to reduce the overall expenses involved in covering these costs. To do this, the Department of Education now requires students to visit the Financial Aid Office to discuss availability of Federal, State, and institutional aid that may be lower in cost than what many Private loan lenders offer.

After all signatures are obtained on the Promissory Note, borrowers are asked if they would like to:

- (A) Complete the Borrower Self-Certification now or
- (B) Wait until the school has certified their loan application

If a borrower chooses to certify now, a blank Self-Certification Form is presented online for them to complete using information obtained separately from the institution.

If borrowers choose to wait until the School Certification form is received, the lender will send a School Certification request to the Financial Aid Office. When that information is received back, the borrower is sent an email inviting them back online to review and E-sign a pre-populated Borrower Self-Certification form.

Upon receipt of the Approval Disclosure, the School Certification, and the Borrower Self-Certification, the Final Disclosure is sent to the borrower, allowing them three days from receipt to cancel the loan. If they do not exercise this right to cancel, the funds are then disbursed according to the date requested by the Financial Aid Office.