

Financial Aid Defined

General Aid Types

Federal Aid: Aid that comes from the U.S. government. This aid is usually disbursed through your college.

Gift Aid: Financial aid that does not need to be paid back:

- *Grants:* Typically based on financial need.
- *Scholarships:* Typically based on achievement or talent.

Loans: Funds that must be paid back later, with interest. A loan can be from a private lender (such as a bank) or your college (federal loans are guaranteed by the government).

Private Aid: Financial aid that comes from non-government sources.

Work-Study: Provides students with part-time employment year-round. More under "Federal Work-Study."

Federal Aid Programs

Pell Grant: Gift aid given based on financial need. How much aid you will be eligible to receive is based on your FAFSA results. Current max/yr is \$4,050.

Federal Work-Study: Provides jobs for students with financial need, allowing them to earn money to help defray college expenses. Jobs are available both on and off campus.

Perkins Loan: Fixed low interest (5 percent) loan through your college. You must demonstrate financial need. Current max/yr for undergrads is \$4,000 (max. total: \$20,000).

Stafford Loan: Variable interest rate loan. Stafford loans may be obtained from a private lender or your college. They can be either subsidized (no interest accrues while in school) or unsubsidized (interest accrues while in school).

Loan Terms

Annual percentage rate (APR): Amount of interest (fee for borrowing money) associated with a loan. APR can change or remain the same during the year and term of the loan. If the interest rate is *variable*, the rate can change; if it is *fixed*, the rate will not change.

Co-signer: A person besides the borrower who signs a credit agreement and is legally obligated to repay the loan if the borrower does not make payments.

Default: Failure to repay your loan. It may lead to legal action to recover the money and can affect your credit rating.

Delinquent: When at least one loan payment is late or missed. Serious delinquency results in default.

Disbursement: Release of funds by a lender to the borrower.

Grace period: The time between when you leave school and before repayment begins.

Principal: The full amount borrowed. During repayment, it refers to the portion of the original amount still owed (not including interest).

Promissory note: A contract between the borrower and lender that reflects the terms and conditions under which the borrower promises to repay the loan.

Financial Aid Terms

Dependency Status: Based on government standards, if you are considered a dependent student, colleges will consider parent financial resources when awarding financial aid.

FAFSA: Free Application for Federal Student Aid. The form the used to determine the amount of federal and state aid for which you are eligible.

Financial Need: The difference between your educational costs and the EFC (Expected Family Contribution: amount your family is expected to pay).

Financial Aid Package: The total financial aid you are offered, including scholarships, grants, work-study and loans. This information is typically summarized in an award letter. You may choose which aid you would like to accept.

Professional Judgment: Financial aid administrators may adjust your aid package and contribution when extenuating circumstances exist (e.g. loss of a parent, unemployment, unpaid medical expenses, etc.).

Verification: Review process in which the financial aid office requests documentation to verify the accuracy of FAFSA data (on average, about 1/3 of all applications are selected).

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