



THE FINANCIAL AID PROCESS

Paying for College



**Illinois
Student
Assistance
Commission**

The Illinois Student Assistance Commission (ISAC) is committed to helping students pay for their education beyond high school. ISAC is an agency of the State of Illinois that administers scholarship, grant, loan and prepaid tuition programs. We are a one-stop trusted source for college information – we can help you plan for, find and apply to, and finance your college education.

FINANCING COLLEGE

Now that you're planning to go to college, there are a lot of things to think about and many questions you need to ask. Probably the biggest questions are, "How much will it cost?" and "Can I afford it?" To get the answers to these questions, you first need to learn some of the basics. Families have the primary responsibility to pay for higher education, but sometimes a family's resources are not enough to pay all college expenses. To help close the gap, different types of financial aid are available to help meet direct educational costs (such as tuition,

fees and books) and indirect costs (things like personal living expenses, food, housing and transportation). You can also receive financial aid to attend many different types of schools, such as technical, trade or vocational schools, not just colleges and universities. Money for college can be found through a variety of sources. You can improve your chances of receiving financial aid by doing research, planning carefully and applying early. Check into financial aid opportunities early in your college selection process, even before you make a final decision about what college to attend. Use this brochure to learn about the financial aid process and some of the available programs. If you're still in high school, your guidance counselor is an important source of both college admission and financial aid information. If you're already out of high school, talk with an admission and/or financial aid counselor at the college you're thinking of attending.

TYPES OF FINANCIAL AID

There are two basic types of financial aid.



Gift Aid

Gift aid is usually in the form of scholarships and grants and is assistance that does not have to be repaid. Scholarships might be awarded based on academic achievement, athletic ability, artistic talent or ethnic background, just to name a few. Grants are usually awarded based on a family's financial need or limited ability to meet the costs of college.

Self-help Aid

Self-help aid includes work opportunities and loans and is a form of aid that requires you to take a bit more responsibility. Work-study programs allow you to earn money while you're in college through a job the college helps you find. Student loans are also considered financial aid and offer low interest rates, grace periods (periods during which no payments are due) and manageable repayment terms. Loans are financial aid that must be repaid and should always be considered as a last resort for paying for college. Make sure you've explored all other financial aid opportunities before you decide to borrow, and only borrow what you need. Not paying back money you borrow has very serious consequences that can last a lifetime.

Sources of Financial Aid

Financial aid come from a variety of sources.

Federal Financial Aid Programs

Federal financial aid programs are administered by the U.S. Department of Education (ED) and include programs such as:

- Federal Pell Grants – funds for undergraduate college costs, like tuition, fees, room, board and living expenses; eligibility is based on financial need.
- Academic Competitiveness Grant (ACG) and National Science and Mathematics Access to Retain Talent (SMART) Grant – available for academically talented undergraduate students (ACG – freshmen and sophomores; SMART – juniors and seniors) receiving Pell grants, and for SMART grants, majoring in certain subjects in the science and math fields.

- Federal Work-Study (FWS) – on- and off-campus jobs paying at least the federal minimum wage; eligibility is based on financial need.
- AmeriCorps – a national network of service programs that provide money for college expenses or to repay student loans in exchange for serving in their organizations.

Find out more about each of these programs through ED's Federal Student Aid Web site for students, accessible through **collegezone.com** or directly at **studentaid.ed.gov**; the AmeriCorps site at **americorps.org**; or from your high school counselor or college financial aid advisor.

Federal Loan Programs

ED also offers several different loan programs. When borrowing a student loan, you will be required to sign a legally binding promissory note promising to repay the money. Most student loan programs give you a period of time (a grace period) after you leave college before you begin repayment. That way, you have time to find a job or make the decision to continue your education.

Here are some brief descriptions of the loan programs offered by the federal government:

- Federal Perkins Loan – a need-based, low-interest loan for undergraduate and graduate students who show exceptional need and are attending at least half time. The college is considered the lender for Perkins loans.

- Federal Stafford Loan – subsidized (need-based) and unsubsidized, low-interest loans for undergraduate and graduate students attending at least half time.
- Federal PLUS Loan – low-interest loans for parents borrowing on behalf of dependent students attending at least half time, and for graduate/professional students borrowing on their own behalf.

ISAC provides Federal Stafford and Federal PLUS loans through the Federal Family Education Loan Program (FFELP). FFELP is a partnership between lending institutions, colleges, the federal government and ISAC. Colleges may choose to participate in the Federal Direct Loan Program under which ED forwards the money to the college, which delivers it to the student.

State of Illinois Financial Aid Programs

State of Illinois financial aid programs also offer money for college. In fact, ISAC administers one of the largest state grant programs in the country – the Monetary Award Program (MAP). In addition to MAP, ISAC administers several other programs. For instance, there's a specialized program for freshman students whose families have limited resources for college, four programs designed especially for those planning to become educators, two programs for those serving or who have served in the military and others.

Learn about all of ISAC's programs and decide which one(s) is best for you. Our Web site, **collegezone.com**, provides information about each of the programs, including eligibility requirements, application deadlines, loan amounts and repayment options, as well as other college-planning details such as

financial aid sources, types of colleges and degrees, and scholarship search services and their potential dangers. We also publish a number of program brochures, including *Financing College*, *Federal Stafford Loan Guide* and *Federal PLUS Loan Guide*.

Institutional Aid and Private Sources

Colleges, universities and other higher education institutions also offer financial assistance to their students. The financial aid office on campus is the best place to find out about financial aid, which in addition to grants and scholarships, might also include work, internships, cooperative education and loans.

Many agencies, associations and organizations (for example, corporations, civic, religious and philanthropic groups, and associations connected with your field of interest) provide money for college students.

There are different eligibility requirements, award amounts, application forms and deadlines, so be sure to research them carefully. Some scholarships may require you to qualify by showing special talents or abilities.

You may hear about using scholarship search services, many of which are available on the Internet, to locate financial aid opportunities. While most of these services are legitimate and can offer valuable information to families seeking financial aid, others may be fraudulent and charge a lot of money for little information. Please view with caution any service that requires you to pay more than a nominal fee. Access to reputable scholarship search services can be gained through **collegezone.com**, as well as cautionary information about possible scams.

HOW TO APPLY FOR FINANCIAL AID

Nearly everyone going to college should apply for financial aid. Never assume you're too poor to attend college or too rich to receive some type of financial aid. Don't look at just the price tag of a college – you're likely to get sticker shock! Instead, you'll need to find out how much financial aid you may be eligible to receive at a particular college to help meet the expenses.

Free Application for Federal Student Aid (FAFSA)

- The first step in applying for both federal and state need-based assistance is the completion of the *Free Application for Federal Student Aid* (FAFSA). You can complete the FAFSA electronically (FAFSA on the Web) at **fafsa.ed.gov** or on paper (paper forms are available at high school counseling or college financial aid offices). Filing your FAFSA electronically requires a Personal

Identification Number (PIN) from ED, which can be accessed online through **collegezone.com**. The information you report on the FAFSA – income, asset and family information – is used to calculate your family’s financial need and to determine your eligibility for the following programs:

- Federal Pell Grant
- Federal ACG and SMART Grants
- State of Illinois Monetary Award Program
- State of Illinois Silas Purnell Illinois Incentive for Access Program
- Federal student loan programs

The FAFSA can’t be submitted prior to January 1st before you enter college in the fall, but can be completed before you have made a final decision about which college to attend. On the FAFSA, you can list four to six different colleges that you might be thinking about attending and have your information sent to them.

Other things to know about applying for financial aid:

- The information reported on the FAFSA is confidential and is used only to determine financial aid eligibility.
- You may be asked to submit documentation such as income tax returns to the financial aid office to verify the information reported on the FAFSA.
- The college you will be attending may require supplemental applications or forms to apply for institutional assistance.
- Apply early – limited dollars are awarded on a first-come, first-served basis.
- Some federal, state and/or private programs may require separate applications.
- Keep track of all application deadlines.
- Complete the entire application and provide any additional documentation requested.
- Keep a copy of everything you submit.

DEPENDENCY STATUS

The questions you answer on the FAFSA will determine whether you are considered a dependent or independent student. This determination will impact the amount and types of financial aid for which you will qualify. If you are dependent, you must report your parents' income and assets along with your own when filling out the FAFSA. If you are considered independent, you report only your (and your spouse's, if you're married) income and assets. You will automatically be considered an independent student if you fit into at least one of the categories listed on the next page. Otherwise, you will be considered a dependent student for financial aid purposes.

Independent students fit into at least one of the categories listed below:

- born before January 1, 1985 (for the 2008–09 academic year)
- married
- graduate or professional student
- have legal dependents other than a spouse, for whom you provide more than 50% of their support
- orphan or ward of the court (or were until age 18)
- veteran or currently serving on active duty for other than training purposes

DETERMINING FINANCIAL NEED

The U.S. Department of Education calculates financial need using a formula established by Congress called Federal Methodology. This need analysis formula, using information you reported on the FAFSA, determines the amount you and your family are expected to contribute toward your college education, which is called the expected family contribution (EFC). Because it's based on family information, your EFC remains the same regardless of the college you attend.

The EFC is a measure of your family's ability over time to absorb some of the educational costs; it is not a lump sum amount due at the beginning of a school year. Your family may actually end up paying more or less than this amount during the school year. The

financial aid office will use the EFC to help distribute need-based financial aid funds.

If you are a dependent student, your EFC includes a contribution from:

- parent income
- parent assets
- your income
- your assets

If you are an independent student, your EFC is made up of only your (and your spouse's, if you're married) income and assets.

Cost of Attendance

Next, the financial aid office must establish a cost of attendance (COA) for you. The COA is an estimate of expenses usually incurred by students attending that college. Common COA elements include things like tuition, fees, living expenses (room and board), books, supplies and transportation.

Your COA will differ from college to college due to the different types of colleges and the programs they offer. Also, a college may have more than one COA depending on the different programs of study and different living arrangements of its students.

At each college, the financial aid office will calculate your financial need by subtracting the EFC from the COA. Remember, your EFC will be the same at each college, but your COA will be different. As a result, your financial need will not be the same at every college. The charts on the next page show how financial need is calculated and how it will vary from college to college based on the COA.

To Determine Financial Need:

$$\text{COA} - \text{EFC} = \text{Financial Need}$$

Examples:

	College A	College B
COA (varies)	\$15,000	\$8,500
EFC (remains constant)	\$5,000	\$5,000
Financial need (varies)	\$10,000	\$3,500

$$\mathbf{\$15,000 - \$5,000 = \$10,000}$$

$$\mathbf{\$8,500 - \$5,000 = \$3,500}$$

Financial Aid Awards

The financial aid office at the college you decide to attend will combine different kinds of financial aid that you qualify for into an award “package” to help meet your financial need. Because each college has its own packaging policy, the types of financial aid offered to you will probably vary from college to college.

Following federal and state regulations and college policies, the final mix of your financial aid package may include any or all of the types of financial aid discussed in this brochure. Your financial aid package is typically sent to you in the form of an award letter from the college that lists the types and amount of aid available. Depending on your college, you may receive a paper copy or it may be sent to you electronically via e-mail. You may be asked to indicate which types of financial aid you wish to accept or reject, and to return the information by a certain date. Be sure to read and follow the instructions for accepting your

package; don't lose the financial aid that was offered to you by neglecting to reply.

Don't limit your college choices based on the price tag. Just because the cost of one college is very high doesn't mean that you may not be able to afford to attend that college. The financial aid package offered to you may make your out-of-pocket expenses at a higher cost college comparable to what you would pay at a less expensive college. Make sure you get a financial aid award offer from each college you're considering so you can compare what you must pay to attend these colleges. Remember, though, that your financial need may not always be completely met at any college, and it is the family's responsibility to cover the difference.

Applying for financial aid is an annual process. Your family's financial situation will likely change from year to year, as will the COA at a college. Also make sure to check application deadlines and procedures in case they've changed from previous years.

Other Financing Options

When the financial aid package offered to you is not enough to meet your college expenses, you may need to consider other options. Look into these other financial resources that may be available to you and your family.

Check on the availability of an installment payment plan at the college, which may allow you to spread your out-of-pocket payment over a period of time. Also find out if the college will give a discount if you prepay or if more than one family member attends the same college.

Loans from private educational organizations (also known as alternative loans) that offer flexible repayment options are available. Eligibility for these loans is often based on credit approval. Contact the financial aid office at the college you plan to attend for more information and be sure to ask about

interest rates and any fees that may be connected to this type of loan.

A home equity loan or home equity line of credit may be a choice. Your parents should contact their lender or financial planner to decide if this option is right for your family. Some families may consider a PLUS loan a better choice.

Although military service isn't for everyone, it does offer several educational benefits. The U.S. Armed Forces offer many programs to help students pay for higher education. Contact a local recruiter for more information if you're interested in joining the Armed Forces.

Finding The Answers

Have a question? Ask the experts. The financial aid process can be complex, and you may need to talk with a professional – your high school guidance counselor or a financial aid administrator. ISAC College Zone Counselors are also here to help you. You can direct questions to us through our toll-free number at 800.899.ISAC (4722) or e-mail at **collegezone@isac.org**. Spanish-speaking counselors and a variety of publications in Spanish are also available to assist families.

The choices you make about your college career are some of the most important in your life – be sure you’re making your decisions based on complete and accurate information.

ISAC College Zone Counselors

800.899.ISAC (4722)

collegezone@isac.org



Deerfield

1755 Lake Cook Road
Deerfield, IL 60015-5209

Springfield

500 W. Monroe, 3rd Floor
Springfield, IL 62704-1876

Chicago

James R. Thompson Center
100 W. Randolph, Suite 3-200
Chicago, IL 60601-3219

800.899.ISAC (4722)

collegezone@isac.org

collegezone.com



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