



INDEPENDENT INVESTOR

Timely Insights for Your Financial Future

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Federal and State College Financial Aid Programs

The cost of financing a college education can be daunting to many families. Although most colleges agree that the family should be the primary support vehicle, financial assistance does exist. In addition to private sources such as trade unions, fraternal or service organizations and professional associations, there are numerous state and federal aid programs available.

The good news is that a family does not have to be in a low-income bracket to qualify for many current aid programs. Most need-based programs take into account family living expenses, the number of children in the family and how many children are in college.

Federal Programs

The federal government administers several major financial assistance programs. Some are direct assistance programs; that is, the assistance goes directly to the student. Other programs are administered through the college that the student attends--funds are sent directly to the college, which in turn dispenses the money to the student in accordance with federal guidelines.

Pell, Academic Competitiveness, and National SMART Grants

The Pell Grant (formerly the Basic Educational Opportunity Grant Program) was named for Senator Claiborne Pell, who sponsored the legislation that established the program. A Pell Grant is based solely on financial need. The amount of the award is based on student need (within certain limits) and on how much money Congress appropriates to the program each year. It is important to apply for a Pell Grant even if you think you won't qualify, since many college and state aid programs require it. Just check the proper box on the financial aid application.

The Academic Competitiveness Grant (ACG) provides need-based grants for the first two years of undergraduate study to full-time students. The National Science and Mathematics Access to Retain Talent (SMART) Grant is available during the third and fourth years of undergraduate study to full-time students who are majoring in physical, life, or computer sciences, mathematics, technology, or engineering or in a foreign language determined critical to national security. These two grants are for U.S. citizens who are eligible for the federal Pell Grant, and who have successfully completed a rigorous high school program, as determined by the state or local education agency and recognized by the Secretary of Education.

Stafford Student Loans

The Stafford Student Loan (formerly the Guaranteed Student Loan) is a federally subsidized loan program that allows the student to borrow from private lenders and the government at lower interest rates. Families with high incomes are eligible for the program if certain needs tests are satisfied. The loan is insured either by the federal government or a state agency.

Banks and other lending institutions voluntarily take part in the loan program. Repayment of principal and interest is deferred until six months after a student graduates or leaves school, and

standard repayment is made over a 10- to 30-year period, depending upon the amount owed. An undergraduate may borrow up to certain limits each school year under the program. The government pays the interest for all undergraduate and graduate school years and for six months after the last class.

PLUS Loans for Undergraduates

PLUS loans are available to parents of dependent undergraduate students, and to graduate or professional students who reach their Stafford Loan limits. Repayment of a PLUS loan begins 60 days after parents receive the money, and lenders typically establish a repayment period of 10 to 25 years. Graduate students may defer payment while in school at least half-time.

Supplemental Education Opportunity Grant

A Supplemental Education Opportunity Grant (SEOG) is a grant to a student with demonstrated financial need. The money is sent by the federal government directly to the colleges, which determine the award amount and dispense the money to the students. (These are in addition to Pell Grants.) The Department of Education allocates a specific amount of money to each participating college. Once distributed, there are no additional sums. Applications are made through the academic institution's office of financial aid. Early application is strongly recommended.

College Work-Study Program

The College Work-Study Program is a program administered by each participating college to provide employment for students who demonstrate financial need. The federal government grants funds to colleges for this purpose. Students normally obtain employment under this program as part of an overall financial aid package. They generally work 12 to 15 hours per week during school sessions, and up to 40 hours a week during vacation periods. Examples of college employment include library clerks, faculty aides, maintenance workers and cafeteria workers. The awards are determined by the colleges, and once a student has earned the full award amount, employment is terminated for that academic year.

Application is made through the college financial aid office. Eligibility is based solely on financial need. Students must be enrolled at least half-time in an accredited college and maintain good academic standing while employed. These earnings will not reduce the student's financial aid eligibility, however funds are limited, so apply early.

The Perkins Loan

Perkins Loans (formerly National Direct Student Loans) are administered by colleges that also act as lenders. Eligibility is based on the student's calculated need. Although the interest rate is low, funds are limited and students should submit the financial aid application early. A student will pay no interest while still in school. There is a nine-month grace period after leaving college. Repayment is stretched out over 10 years.

State Programs

State governments also offer a variety of assistance programs. But most state assistance is available only to state residents attending schools within that state. Some states do make exceptions and permit state residents to attend out-of-state schools. A few states allow nonresidents to receive assistance while attending a school within the state or have reciprocity arrangements with other states.

Many states have special programs for teachers and National Guard enlistees. Others offer work-study programs and special academic supplements. Application procedures vary from state to state. While most states allow the student to use one of the same need analysis application forms used by the federal programs, some states require separate application forms that must be completed for state programs. Students may find out about state programs and requirements through their high school guidance counselor, college financial aid office or a state agency.

It is important to begin early and thoroughly investigate all potential sources of financial aid. Your child's college placement office can be a good starting point for information on financial aid sources.

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