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Funding Your EDUCATION

Education After High School

Education beyond high school is a big investment of time, money, and effort. You'll need to figure out how to pay for your education. The U.S. Department of Education offers a variety of student financial aid programs, which this publication describes.

You'll also need to carefully evaluate the schools you're considering. Just because a school participates in our federal student aid programs doesn't mean we've endorsed the quality of education the school offers. We don't approve a school's curricula, policies, or administrative practices, except as they relate to how the school operates the federal student aid programs.

Note: When we refer to "school" in this publication, we mean a two- or four-year public or private educational institution, or a career or trade school.

What Questions Should I Ask a School?

Some basic questions you should ask when considering a college or career school are

- Does the school offer the courses and type of program I want?
- Do I meet the admissions requirements?
- Does the school offer a high quality education?
- Does the school offer services I need and activities I'm interested in?
- What are job placement rates for students who have recently graduated?

Most of this information is covered in a school's catalog or in its introductory brochures. Also, the reference section of your local library can provide information about colleges and career schools.

You can find a lot of information on the Internet; many colleges and career schools have Web sites. If you know someone who attends or attended a school you're considering, ask that person his or her opinion of the school. For specific suggestions on what to find out at the schools you're considering, see page 12.

You're paying for a high-quality education. Make sure you get it.

Paying School Costs

How Can I Find Sources of Aid to Help Me Pay for School?

About two-thirds of all student financial aid comes from the U.S. Department of Education grant, work-study, and loan programs you'll read about here. We award aid for these programs based on your demonstrated financial need; your grades or class ranking are not considered.

- You don't have to pay back grants (unless, for example, you withdraw from school and owe a refund).
- Work-study allows you to earn money for your education.
- Loans allow you to borrow money for school. You must repay any money you borrow.

See pages 7-11 for more detailed information on the federal student aid programs. You can also go to our Web site: www.studentaid.ed.gov.

You can learn about state aid programs by contacting your state higher education agency (see the inside back cover of this publication for a list of phone numbers), and you can learn about other programs by checking with your high school counselor or the college or career school you plan to attend. You might also want to use a search engine on the Web using key words such as "financial aid," "student aid," or "scholarships." Also, check the reference section of your local library using the same words.

What About Scholarship Search Services that Contact Me?

Many private scholarship search services provide sources of financial assistance. You should be aware that we do not evaluate those services. If you decide to use a service, check its reputation by contacting the Better Business Bureau or a state attorney general's office.

How Can I Tell These Search Services Aren't Scams? Are There Any Signs I Should Look For?

Estimates show that families lose millions of dollars to scholarship fraud every year. The College Scholarship Fraud Prevention Act provides protection against fraud in student financial assistance. The Federal Trade Commission (FTC) cautions students to look for these telltale lines:

- "The scholarship is guaranteed or your money back."
- "You can't get this information anywhere else."
- "I just need your credit card or bank account number to hold this scholarship."
- "You've been selected by a 'national foundation' to receive a scholarship" or "You're a finalist" in a contest you never entered.

Be careful when searching for information on student financial assistance. Make sure information and offers are legitimate. Don't fall prey to fraud.

To file a complaint, or for more information, call 1-877-FTC-HELP (1-877-382-4357). The TTY number is 1-866-653-4261. Or, visit www.ftc.gov/scholarshipscams.

Applying for Financial Aid

You complete an application to be considered for federal student aid. Applying is free, and you can even apply before you've been accepted to a school.

But I Hate Filling Out a Bunch of Forms.

All you need for federal student aid is one form: the *Free Application for Federal Student Aid* (FAFSA). In fact, schools and states often use FAFSA information in awarding nonfederal aid.

You can apply electronically, using *FAFSA on the Web*, from your home computer or from a computer at a central location like your high school, your local public library, or your local educational opportunity center. *FAFSA on the Web* can be found at www.fafsa.ed.gov, or you can access it at www.studentaid.ed.gov. At that site, click on the FAFSA logo in the left column.

If you don't have Internet access, you can get a paper FAFSA—in English or Spanish—from your local library or high school, the college or career school you plan to attend, or from our Federal Student Aid Information Center:

Federal Student Aid Information Center
PO Box 84
Washington, DC 20044
1-800-4-FED-AID (1-800-433-3243)
TTY: 1-800-730-8913

Your college or career school can give you any other forms you might need for school or state aid.

If you use a paper FAFSA, just mail it in the pre-addressed envelope that's in your FAFSA packet. Or, before mailing it, you could check to see if your school, or a school that interests you, offers the option of submitting your FAFSA information for you electronically.

When Can I Apply?

For 2004-2005, you can apply *beginning* January 1, 2004. Don't transmit your electronic FAFSA or sign, date, or mail your paper FAFSA before that date. If you do any of these things, your application will be rejected. For information on deadlines you must meet, see page 6.

Your eligibility is determined one award year at a time, so you must reapply each year you're in school. The results of your 2004-2005 application are good only for the 2004-2005 award year (July 1, 2004 to June 30, 2005, and any summer terms your school considers part of that award year).

After you've applied for the first time, you might be able to apply more easily and quickly in subsequent award years by completing a Renewal FAFSA. Generally, you would fill out just the information that has changed from the previous award year. The Renewal FAFSA is also available at *FAFSA on the Web*.

What Should I Have or Know Before I Fill Out an Application?

You need to have a Social Security Number (SSN). You'll need this number to apply for federal student aid. We use your SSN to verify your information and locate your records. If you don't have an SSN yet, you should apply for one at your local Social Security office. You can find out more about applying at www.ssa.gov.

You should have a PIN. If you use *FAFSA on the Web*, having a PIN (your personal identifying number) allows you (and your parents, if they have a PIN and you're a dependent student—see the right-hand column) to "sign" your FAFSA electronically at the time you submit it. That way, the student aid process can be completed totally online. Your electronic signature holds the same legal status as a written signature, *so don't give out your PIN to anyone*. You can request a PIN at www.pin.ed.gov.

You'll need to supply your name (as it appears on your Social Security card), your Social Security Number, date of birth, and mailing address. After that information has been verified with the Social Security Administration, a PIN will be generated. You'll receive your PIN either through regular mail or e-mail, if you provide your e-mail address.

A PIN has other uses besides allowing you to complete a FAFSA online. So, even if you complete a paper FAFSA, you should request a PIN because you can use it to

- access your processed FAFSA data, contained in your Student Aid Report (SAR)—see page 4;
- make corrections to your application information;
- electronically sign a master promissory note (for a federal student loan);
- complete your Renewal FAFSA; and
- access all your applicant data records online. You can, among other things, check your student loan history.

You'll need to know whose information to report on the FAFSA. Because our aid is awarded based on financial need, you'll have to know whether to report your and your parents' financial information or just yours. Your dependency status will determine whose information you report. Most students who are entering college or a career school straight from high school are considered "dependent students."

For the 2004-2005 academic year, you're a dependent student *unless* one of the following is true:

- You were born before January 1, 1981.
- You're married as of the day you apply (or separated but not divorced).
- You are or will be enrolled in a master's or doctorate program (beyond a bachelor's degree) at the beginning of the 2004-2005 school year.
- You have children who receive more than half their support from you.
- You have dependents (other than your children or spouse) who live with you and who receive more than half their support from you and will continue to receive more than half their support from you through June 30, 2005.
- Both your parents are deceased, or you are or were (until age 18) a ward/dependent of the court).
- You're a veteran of the U.S. Armed Forces. (A "veteran" includes students who attended a U.S. service academy and who were released under a condition other than dishonorable. For more detail on who is considered a veteran, see the explanatory notes on the FAFSA.)

If you do *not* fall into one of the categories mentioned above, you're dependent, and you'll report both your and your parents' financial information on the FAFSA. This information will be considered when your federal student aid eligibility is determined.

If you *do* meet at least one of the listed criteria, you're independent and report only your financial information (and your spouse's if you're married).

In special or unusual circumstances, a college's or career school's financial aid administrator might determine that an otherwise dependent student should be considered independent. Please see page 6 for more on this topic.

If you're dependent and your parents are divorced or separated, you'll need to complete the FAFSA using information about the parent you lived with for the greater amount of time during the 12 months preceding the date of application. If you didn't live with either parent, or if you lived with each parent an equal number of days, use information about the parent who provided the greater amount of financial support during the 12 months preceding the date of application.

If the parent you receive financial support from was a single parent who is now married, or if the parent you receive support from is divorced or widowed and has remarried, your stepparent's financial information is required on the FAFSA. This does not mean your stepparent is obligated to give financial assistance to you, but his or her income and assets represent significant information about the family's resources. Including this information on the FAFSA helps us form an accurate picture of your family's total financial strength.

What Does the Application Ask For?

Because the FAFSA asks for your family's financial information, you'll need your parents' 2003 U.S. income tax return if you're a dependent student. If you filed a return, you'll need yours, too. Referring to the tax forms makes it easier to answer the FAFSA questions, which require information from specific lines on the U.S. income tax forms. If you haven't completed your tax form in time to use it when filling out the FAFSA, you can estimate your answers, but you'll have to correct them later. Bank statements, W-2 forms, records of untaxed income (Social Security or welfare, for example), and business or farm records also will be helpful.

Save all the forms you refer to when completing the FAFSA because you might need them later if your school asks you to show that the information on your FAFSA is correct. If the information is incorrect, you won't get aid until you make corrections. It's a good idea to keep a photocopy of your completed FAFSA or a printout of your application from *FAFSA on the Web*.

What if I Need Help Filling Out My Application?

If you apply using *FAFSA on the Web*, help is built into the program while you're completing the form. You can also "chat" live online with someone if you have questions. For additional help, you can go to www.studentaid.ed.gov/completefafsa.

You can also contact the Federal Student Aid Information Center with questions on either the paper or electronic FAFSA (see the inside front cover for contact information). You can get the help you need for free from one of these sources; you don't have to pay for assistance.

How Can I Find Out the Status of My Application After I Submit It?

If you applied through *FAFSA on the Web,* you'll get a confirmation notice after you click on "Submit My FAFSA Now."

If you file a paper FAFSA, you can mail the postcard that comes with the FAFSA packet. We'll stamp the postcard with the date we received your FAFSA and mail the postcard back to you. We'll process your FAFSA within four weeks of the date you mail it.

You can also check on your application by contacting the Federal Student Aid Information Center.

What Happens After My Application is Processed?

Generally, you'll receive a Student Aid Report (SAR) (if you applied with a paper FAFSA) or a SAR Information Acknowledgement (if you applied using *FAFSA on the Web*). But, if you provided your e-mail address on your paper or electronic application, you'll instead get back an e-mail that contains a secure link so you can access your SAR on the Web. You'll get this link in three to five days. If you don't have, or provide, an e-mail address, you'll get a SAR within four weeks or a SAR Information Acknowledgement within two weeks.

Assuming you're a dependent student, if you applied electronically and your parents provided their e-mail address, they will also receive an e-mail when your FAFSA has been processed. They won't receive your data, but they'll know your status. If either you or they forgot to sign your FAFSA, the e-mail your parents receive will include information about how to sign.

What Do I Do with My SAR?

Review it *carefully* to make sure the data it contains is correct and complete. If it is, and your SAR contains your Expected Family Contribution (EFC) (see the next page), your school will use your SAR as the basis to pay you federal—and possibly nonfederal—student aid funds. (Schools you list on your FAFSA will receive your SAR information electronically.)

If you need to make corrections, you can use your PIN (see page 3) to make them online at the *FAFSA on the Web* site, even if you didn't apply electronically. If you received a paper SAR, you can put your corrected answers on the SAR, sign it, and mail it back, although this is a slower process. If you misplace your SAR, you can call the Federal Student Aid Information Center for a duplicate.

You can check the information on a SAR Information Acknowledgement, but you can't use it to make corrections. You'll make corrections through *FAFSA on the Web*, using your PIN. Your school might be able to process corrections electronically for you; check with your school.

Make sure you keep a photocopy of your SAR containing the corrections.

Eligibility Criteria

Eligibility for federal student aid is based on financial need and on several other factors. The financial aid administrator at the college or career school you plan to attend will determine your eligibility.

Here are some of the criteria you must meet:

- Demonstrate financial need (except for certain loans)
- Demonstrate by one of the following means that you're qualified to enroll in postsecondary education:
  - Have a high school diploma or a General Education Development (GED) Certificate
  - Pass an approved ability-to-benefit (ATB) test
  - Meet other standards your state establishes that we have approved
  - Complete a high school education in a home school setting approved under state law
- Be working toward a degree or certificate in an eligible program
- Be a U.S. citizen or eligible noncitizen
- Have a valid Social Security Number
- Register with the Selective Service if required (you can use the paper or electronic FAFSA to register)
- Maintain satisfactory academic progress once in school

A law suspends aid eligibility for students who have been convicted under federal or state law of selling or possessing drugs. If you have a conviction for these offenses, call the Federal Student Aid Information Center (see the inside front cover) to find out how this law applies to you. Even if you're ineligible for federal aid, you should still complete the FAFSA because you might be eligible for nonfederal aid from states and private institutions.

If you have a question about your citizenship status, contact the financial aid office at the college or career school you plan to attend.

How Will I Know What I'm Eligible For?

The information you report on the FAFSA is used to calculate your Expected Family Contribution, or EFC, which is a measure of your family's financial strength. The EFC is used to determine your eligibility for federal student aid. The formula for the EFC calculation is established by law.

If your EFC is below a certain number, you'll be eligible for a Federal Pell Grant (see page 7), assuming you meet all other eligibility requirements. The amount of your Pell Grant depends on your EFC, your cost of attendance (which the financial aid administrator at your college or career school will figure out), and your enrollment status (full time or less than full time).

For our other aid programs, the financial aid administrator at your college or career school takes your cost of attendance and subtracts your EFC, the amount of a Federal Pell Grant (if you're eligible), and aid you'll get from other sources. The result is your remaining financial need:

Cost of Attendance
— EFC
— Federal Pell Grant Eligibility
— Aid From Other Sources

= Financial Need

What is Cost of Attendance?

Your cost of attendance is basically the sum of

- your actual tuition and fees (or the school's average tuition and fees);
- the cost of room and board (or living expenses for students who don't contract with the school for room and board);
- the cost of books, supplies, and miscellaneous expenses (including a reasonable amount for a personal computer); and
- an allowance for transportation.

Other costs can be included, such as those related to a disability. Check with the schools you're considering for more information.

I Think I Have Special Circumstances. Are Those Considered in Determining How Much Aid I Can Receive?

A financial aid administrator can consider special or unusual circumstances. As mentioned on page 3, the financial aid administrator at your college or career school can change your status from dependent to independent if he or she believes there's a good reason to do so. You'll have to provide documentation to justify the change. The decision to change or not to change your dependency status is based on the aid administrator's judgment, however, and it's final. You can't appeal the decision to the U.S. Department of Education.

In some cases, your financial aid administrator might adjust your cost of attendance or the information used to calculate your EFC to take into account special circumstances you might have. These circumstances could include your family's unusual medical expenses, tuition expenses, or unemployment. Again, the aid administrator's decision to consider special circumstances is final and cannot be appealed to us.

Important Deadlines

Make sure you know the deadlines you need to meet in the student financial aid application process. Missing a deadline could prevent you from receiving some or all of the aid you're eligible to receive.

What Deadlines Do I Have to Meet?

FAFSA

Whether you apply electronically or by mail, we must receive your paper FAFSA or your *FAFSA on the Web* transmission by June 30, 2005, for the 2004-2005 school year. If we don't, your application will not be processed, and you won't get any federal student aid for the 2004-2005 award year.

School and State Deadlines

Schools and states often set deadlines early in the calendar year that students must meet to receive certain types of funds, including aid from the federal "campus-based" program funds (see the next page for information on these programs). Be sure to check the FAFSA for the list of deadlines for state aid. You can also call your state higher education agency for more information. The inside back cover of this publication lists telephone numbers for state agencies. Make sure you know your state and school deadlines so you won't miss out on any aid.

SAR Deadline

Your correct, complete application information must be at your school by your last day of enrollment in 2004-2005 or by September 16, 2005, whichever is earlier. Make sure you know your last day of enrollment! If you don't list the school you plan to attend on your FAFSA, the school will not receive your application data electronically. In that case, you must submit a valid paper SAR to the school's financial aid office by the deadline we've just mentioned.

Verification Deadline

Your application might be selected for a process called verification. If you're selected, you might need to go to the financial aid office and provide documentation that all the information reported on your application is correct. You might need to provide additional information if your school requests it. Check with your school to find out its verification deadline. The sooner you verify your information, the sooner you'll be able to receive financial aid, if you're eligible.

Federal Student Aid Programs

Federal Pell Grants

A Federal Pell Grant, unlike a loan, does not have to be repaid. Pell Grants are usually awarded to undergraduate students who have not earned a bachelor's or professional degree. (In some cases, however, a student enrolled in a post-baccalaureate teacher certification program might receive a Pell Grant.)

How Much Can I Get?

Pell Grants for the 2004-2005 award year (July 1, 2004 to June 30, 2005) will depend on program funding. The maximum Pell Grant for the 2003-2004 award year was $4,050. The amount *you* get will depend not only on your financial need, 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. You can receive only one Pell Grant in an award year, and you can't receive Pell Grant funds from more than one school at a time.

If I'm Eligible, How Will I Get the Pell Grant Money?

Your school can apply Pell Grant funds to your school costs, pay you directly (usually by check), or combine these methods. The school must tell you in writing how much your award will be and how and when you'll be paid. Schools must disburse funds at least once per term (semester, trimester, or quarter). Schools that do not use semesters, trimesters, or quarters must disburse funds at least twice per academic year.

Campus-Based Aid Programs

The Federal Supplemental Educational Opportunity Grant (FSEOG), Federal Work-Study (FWS), and Federal Perkins Loan programs are called campus-based programs because they're administered directly by the financial aid office at each participating school. Not all schools participate in all three programs.

How much aid you receive from each program depends on your financial need, on the amount of other aid you receive, and on the availability of funds at your college or career school. Unlike the Federal Pell Grant Program, which provides funds to every eligible student, the campus-based programs provide a certain amount of funds for each participating school to administer each year. When those funds have been awarded, no more awards can be made from that program for that year.

What are Federal Supplemental Educational Opportunity Grants (FSEOGs)?

These grants are for undergraduates with exceptional financial need. Pell Grant recipients with the lowest EFCs will be the first to get FSEOGs, which don't have to be paid back. You can get between $100 and $4,000 a year, depending on when you apply, your financial need, and the funding at the school you're attending. FSEOGs are awarded only to undergraduate students who have not earned a bachelor's or professional degree.

If you're eligible, your school will credit your account, pay you directly (usually by check), or combine these methods. Your school must pay you at least once per term (semester, trimester, or quarter) or at least twice per academic year if the school doesn't use traditional terms.

What is Federal Work-Study?

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.

How Will I be Paid?

You'll be paid by the hour. Your school must pay you directly at least once a month. You'll be paid at least the current federal minimum wage, but you might earn more, depending on the type of work you do and the skills required. The amount you earn can't exceed your total FWS award. When assigning work hours, your employer or financial aid administrator will consider your award amount, your class schedule, and your academic progress.

What Kinds of Jobs are There in Federal Work-Study?

If you work on campus, you'll usually work for your school. If you work off campus, your employer will usually be a private nonprofit organization or a public agency, and the work performed must be in the public interest. Your school might have agreements with private for-profit employers for Federal Work-Study jobs. If so, your job must be relevant to your course of study (to the maximum extent possible). If you attend a career school, there might be further restrictions on the jobs you can be assigned.

What About Federal Perkins Loans?

A Federal Perkins Loan is a low-interest (5 percent) loan for both undergraduate and graduate students with financial need. Your school is your lender, and the loan is made with government funds. You must repay this loan to your *school*.

Your school will either pay you directly (usually by check) or apply your loan to your school charges. You'll receive the loan in at least two payments during the academic year.

How Much Can I Borrow?
You can borrow up to $4,000 for each year of undergraduate study, depending on when you apply, your financial need, and the funding level at the school.

Other than Interest, is There a Charge for This Loan?
No, there are no other charges. However, if you don't repay your loan as scheduled, you might have to pay a late charge plus any collection costs.

So, When Do I Pay It Back?
If you're attending school at least half time, you have nine months after you graduate, leave school, or drop below half-time status before you must begin repayment. This is called a grace period. If you're attending less than half time, check with your college or career school to find out how long your grace period will be. At the end of your grace period, you must begin repaying your loan. You may be allowed as many as 10 years to repay the loan in full. Periods of deferment and forbearance (see the next paragraph) do not count as part of this 10-year period. Your monthly payment amount will depend on the size of your debt and the length of your repayment period.

What if I Have Trouble Repaying the Loan?
Under certain circumstances, you can receive a deferment or forbearance on your loan. During a deferment, no payments are required and interest does not accumulate. During forbearance, your payments are postponed or reduced. Interest continues to accumulate, however, and you are responsible for paying it.

Can It Ever be Canceled?
A Federal Perkins Loan can be canceled under certain specific circumstances, such as your death or a total and permanent disability. You also might qualify to have your loan canceled because of the work you do once you leave school (teaching in a low-income school, for example).

For more information on deferment, forbearance, or cancellation, read our publication, *The Student Guide*. You can access the guide at www. studentaid.ed.gov/pubs or call 1-800-4-FED-AID (1-800-433-3243) for a copy.

Stafford Loans

Stafford Loans are made through either our Federal Family Education Loan (FFEL) Program or our William D. Ford Federal Direct Loan (Direct Loan) Program. Some schools participate in both programs. You can receive both FFELs and Direct Loans, but not both types for the same period of enrollment at the same school.

Under the Direct Loan Program, the funds for your loan come from us and are delivered to you through your school. Funds for your FFEL will come from a bank, credit union, or other lender that participates in the program.

The terms and conditions of both loans are similar. The amounts you may borrow are the same whether you get a Direct Stafford Loan or a FFEL Stafford Loan. The major differences between the two programs are the source of the loan funds and certain repayment provisions.

How Can I Get a FFEL or Direct Stafford Loan?

For either type of loan, you must fill out a FAFSA. After your FAFSA is processed, your school will review the results and will inform you about your loan eligibility. You'll also have to sign a promissory note, which is a binding legal document that lists the conditions under which you're borrowing and the terms under which you agree to pay back the loan.

If your EFC (see page 5) indicates you demonstrate financial need, you can borrow a "subsidized" FFEL or Direct Loan to cover some or all of that need. If you're eligible for a subsidized loan, we pay the interest while you're in school at least half time, for the first six months after you leave school, and during a period of deferment (but not during forbearance). The amount of your subsidized loan cannot exceed your financial need.

You might be able to borrow loan funds beyond your subsidized loan limit or even if you don't have demonstrated financial need. In that case, you'd receive an "unsubsidized" loan. Your school will subtract the total amount of your other financial aid, if any, from your cost of attendance to determine the amount for

an unsubsidized loan. For this loan type, you're responsible for the interest from the time the loan is disbursed until it's paid in full. You can pay the interest while you're in school (or during a period of deferment or forbearance—see page 11), or you can allow the interest to accumulate and be added to the principal amount of your loan. Note that if interest accumulates, the total amount you repay will be higher than if you paid the interest all along.

You can receive a subsidized loan and an unsubsidized loan for the same enrollment period as long as the loans don't exceed the annual loan limit.

How Much Can I Borrow?

If you're a dependent undergraduate student (see page 3 for a discussion of dependency status), each year you can borrow up to the following amounts if your period of study for that year is at least an academic year in length:

- $2,625 if you're a first-year student
- $3,500 for the second year of study
- $5,500 for the third and fourth years of study (each)

If you're an independent undergraduate student or a dependent student whose parents applied for but were denied a PLUS Loan (a parent loan—see the right-hand column), each year you can borrow up to the following amounts if your period of study for that year is at least an academic year in length:

- $6,625 if you're a first-year student (no more than $2,625 of this amount may be in subsidized loans)
- $7,500 for the second year of study (no more than $3,500 of this amount may be in subsidized loans)
- $10,500 for the third and fourth years of study (each)—no more than $5,500 of this amount may be in subsidized loans

These amounts are the maximum yearly amounts you can borrow in both subsidized and unsubsidized FFELs or Direct Loans, individually or in combination. You can't borrow more than your cost of attendance minus the amount of any Pell Grant you're eligible for and minus any other financial aid you'll get. So, you might receive less than the annual maximum amounts.

So, How Will I Get the Loan Money?

For both the Direct Loan and FFEL programs, you'll be paid through your school in at least two installments. No installment may exceed one-half of your loan amount. Your loan money must first be applied toward tuition and fees, room and board, and other school charges. If funds remain, you'll receive them by check or in cash, unless you give the school written authorization to hold the funds until later in the enrollment period.

If you're a first-year undergraduate student *and* a first-time borrower, your school cannot disburse your first payment until 30 days after the first day of your enrollment period. This practice ensures you won't have a loan to repay if you don't begin classes or if you withdraw during the first 30 days of classes.

What's the Interest Rate on Stafford Loans?

The interest rate is variable (adjusted annually) but does not exceed 8.25 percent. For July 1, 2003 to June 30, 2004, the interest rate for loans in repayment was 3.42 percent. The interest rate is adjusted each year on July 1. You'll be notified of interest rate changes throughout the life of your loan.

When Do I Pay Back My Loan?

After you graduate, leave school, or drop below half-time enrollment, you'll have a six-month grace period before you begin repayment. During this period, you'll receive repayment information, and you'll be notified of your first payment due date. You're responsible for beginning repayment on time, even if you don't receive this information, however.

Payments are usually due monthly. You'll have a choice of repayment plans; see the next page.

PLUS Loans (Parent Loans)

PLUS Loans to meet students' education costs are available through the FFEL and Direct Loan programs. Parents who have an acceptable credit history can borrow a PLUS Loan to pay the education expenses of a child who is a dependent student enrolled at least half time in an eligible program at an eligible school. (See page 3 for a discussion of dependency status.)

How Do My Parents Get a Loan?

For a Direct PLUS Loan, your parents must complete a Direct PLUS Loan application and promissory note, contained in a single form you'll get from your school's financial aid office.

For a FFEL PLUS Loan, your parents must complete and submit a PLUS Loan application, available from your school, lender, or your state guaranty agency. After the school completes its portion of the application, it must be sent to a lender for evaluation.

To be eligible to receive a PLUS Loan, your parents generally will be required to pass a credit check. A parent can't be turned down for having no credit history—only for having an adverse one. If your parents don't pass the credit check, they may still be able to receive a loan if someone, such as a relative or friend who is able to pass the credit check, agrees to endorse the loan. An endorser promises to repay the loan if your parents fail to do so. Your parents may also qualify for a loan without passing the credit check if they can demonstrate that extenuating circumstances exist. You and your parents must also meet other general eligibility requirements for federal student financial aid.

How Much Can My Parents Borrow?

The yearly limit on a PLUS Loan is equal to your cost of attendance minus any other financial aid you receive. If your cost of attendance is $6,000, for example, and you receive $4,000 in other financial aid, your parents may borrow up to $2,000.

Who Gets My Parents' Loan Money?

Your school will receive the money in at least two installments and will make at least two disbursements. No disbursement will be greater than half the loan amount.

Your school might require your parents to endorse a disbursement check and send it back to the school. The school will then apply the money to your tuition and fees, room and board, and other school charges. If any loan money remains, your parents will receive the amount as a check or in cash, unless they authorize that it be released to you. Any remaining loan money must be used for your education expenses.

What's the Interest Rate?

The interest rate is variable (adjusted annually) but does not exceed 9 percent. For the 2003-2004 award year, the interest rate for PLUS Loans in repayment was 4.22 percent. The interest rate is adjusted each year on July 1. Your parents will be notified of interest rate changes throughout the life of their loan. Interest is charged on the loan from the date of the first disbursement until the loan is paid.

When Do My Parents Begin Repaying the Loan?

Generally, the first payment is due within 60 days after the loan is fully disbursed. There is no grace period for these loans. Interest begins to accumulate at the time the first disbursement is made, so your parents will begin repaying both the principal and interest while you're in school.

Stafford and PLUS Loan Questions

Before you or your parents borrow, make sure you understand all the terms of the loan. The following questions and answers will give you an additional understanding of FFELs and Direct Loans.

Other than Interest, is There a Charge for These Loans?

You or your parents will pay a fee of up to 4 percent, deducted proportionately from each loan disbursement. A portion of this fee goes to the federal government to help reduce the cost of the loans. Because of this deduction, you'll receive slightly less than the amount you're borrowing. Also, if you or your parents don't make loan payments as scheduled, you or they might be charged late fees and collection costs.

How are the Loans Repaid?

There are several ways to repay the loan. The choices are

- A 10-year plan with a minimum monthly payment of $50;
- A graduated plan with a monthly payment that starts out low and then increases gradually during the repayment period;
- An extended plan that allows you to repay your loan over a longer period; or
- A plan that bases the monthly payment amount on how much money you make. (Direct PLUS Loan borrowers are not eligible to repay their loans under this plan.)

You'll receive more information on these plans during exit counseling, which your school will provide.

What if Someone Has Trouble Repaying?

Under certain circumstances, you can receive a deferment or forbearance on your loan. During a deferment, no payments are required. If you have a subsidized loan, the federal government pays the interest that accumulates during the deferment. If your loan is unsubsidized, you'll be responsible for the interest on the loan during the deferment. Your parents will be responsible for the interest on their PLUS Loan if they have a deferment. No borrower can receive a deferment if the loan is in default (that is, if he or she has not repaid the loan according to its terms).

During forbearance, payments are postponed or reduced. The government does not pay any interest during forbearance; you're responsible for paying it on your student loan—whether it's subsidized or unsubsidized—and your parents are responsible for paying it on their PLUS Loan.

Deferment and forbearance periods don't count as part of your repayment period. For more details on deferment and forbearance, you can go online to www.studentaid.ed.gov or read our publication, *The Student Guide* (which also explains our loan programs and the loan application process in greater detail). You can access the guide online at www.studentaid.ed.gov/pubs. You can also get a print version; check with your college or career school or call our Federal Student Aid Information Center at 1-800-4-FED-AID (1-800-433-3243).

If you apply for a deferment or forbearance, you *must* continue to make payments until you're notified the request has been granted. If you don't, you might end up in default. Defaulting on a student loan has very serious consequences. Listed below are some of them:

- You will be ineligible for deferments on your loans.
- You will be ineligible for additional federal student aid.
- Your credit record will be damaged, which can interfere with buying what you need, like a car.
- Legal action can be taken against you.

Can the Loans Ever be Canceled?

A FFEL or Direct Loan can be canceled under the following conditions:

- The borrower dies, or the student dies on whose behalf a parent borrowed.
- The borrower becomes totally and permanently disabled, based on a physician's certification.
- The student is a full-time teacher for five consecutive years in a designated elementary or secondary school serving students from low-income families. (This cancellation does not apply to PLUS Loan borrowers.)
- The loan is discharged in bankruptcy (however, cancellation is possible only if the bankruptcy court rules that repayment would cause undue hardship).
- The student's school closes before the student completes the program.
- The school falsely certifies the loan.
- The school does not make a required return of loan funds to the lender. In this case, a portion of the FFEL or Direct Loan—up to the amount the school was required to return—can be canceled.

NOTE: Even if you drop out of the program of study at the school, don't like the school or the program of study, or don't obtain employment after completing the program of study, you must repay your loan(s). No cancellation is available for these reasons.

Contacting Us

Help is always available to you, and it's free. In addition to talking with your high school counselor or the financial aid office staff at the school you plan to attend, you can access our Web site or call our Federal Student Aid Information Center (see the inside front cover for more information).

What Kind of Help Can I Get from the Federal Student Aid Information Center?

The Federal Student Aid Information Center staff can

- assist you in completing the FAFSA;
- explain federal student aid eligibility requirements;
- explain the process of determining financial need and awarding aid;
- tell you whether a school participates in the federal student aid programs;
- tell you a school's student loan default rate;

- send you federal student aid publications;
- tell you whether your FAFSA has been processed; and
- send you a copy of your Student Aid Report.

Reducing the Cost of School

There are several ways to reduce the amount that going to a college or career school will cost, so you can try to avoid borrowing too much.

Tax Breaks

You or your parents might qualify for a Hope tax credit or Lifetime Learning tax credit. IRS Publication 970, *Tax Benefits for Higher Education*, explains these credits and other tax benefits. Certain borrowers can also take a tax deduction for student loan interest. This benefit applies to all loans used to pay for postsecondary education costs. The maximum deduction is $2,500 a year. For more information, you can go to the IRS Web site at www.irs.gov, or call the IRS at 1-800-829-1040. TTY callers can call 1-800-829-4059.

Lower-Cost Schools

If you plan on working toward a bachelor's degree, you might want to consider starting out at a two-year community college and then transferring to a four-year school. Community colleges are partially funded by local and state taxes and are therefore usually less expensive than four-year schools. (Some four-year schools are also partially funded by local and state taxes and can be less expensive.) You'll want to make sure the courses you take at your community college will transfer to the four-year school you want to attend and that those courses will count toward your bachelor's degree.

Working Or Volunteering

You can work part time to pay for some of your costs. If you do, make sure you save enough time for studying and be sure your work and school schedules don't conflict.

AmeriCorps is a program that allows participants to earn education awards in return for national service.

For more information, contact the Corporation for National Service:

Corporation for National Service
1201 New York Avenue, NW
Washington, DC 20525
1-800-942-2677
www.americorps.org

The U.S. Armed Forces also offer financial aid opportunities if you choose to serve. For more information on recruitment incentives, visit the U.S. Department of Defense Defenselink Web site at www.todaysmilitary.com. Under "What Do You Need?," select "Learn about benefits and rewards," and go to "College Help." You can also contact your local recruiter for information.

Taking the Next Step

Before enrolling, make appointments to visit the colleges or career schools you're considering. Bring a list of questions to ask school representatives. Your education is a major investment, so find out as much information as you can before you enroll.

What Information Do I Need to Get from a School?

You should ask about the school's accreditation, licensing, student loan default rate, and campus security.

- Find out the school's loan default rate (the percentage of students who attended the school, took out federal student loans, and later failed to repay their loans on time). You might not be able to get aid from some of our programs at a school that has a high default rate.
- Talk to high school counselors, local employers, and your state higher education agency (see the list of agencies and their phone numbers on the inside back cover of this publication). You can also see if any complaints about the school have been filed with the local Better Business Bureau or the consumer protection division of the state attorney general's office. You can search for Better Business Bureau offices at www.bbb.org.

Find out the school's job placement rates (the percentage of students who are placed in jobs relevant to their courses of study).

- If the school advertises its job placement rates, it must also publish the most recent employment statistics, graduation statistics, and any other information necessary to back up its claims. This information must be available at or before the time you apply for admission to the school. Also, check with local employers to see whether they have hired graduates from the school.

Find out about financial aid at the school.

- You have the right to receive the following information from the school:
  - what the location, hours, and counseling procedures are for the school's financial aid office;
  - what financial assistance is available, including federal, state, local, private, and institutional financial aid programs;
  - what the procedures and deadlines are for submitting applications for each available financial aid program;
  - how the school selects financial aid recipients;
  - how the school determines your financial need;
  - how the school determines each type and amount of assistance in your financial aid package;
  - how and when you'll receive your aid;
  - how the school determines whether you're making satisfactory academic progress, and what happens if you're not (whether you continue to receive federal financial aid depends, in part, on whether you make satisfactory academic progress); and
  - if you're offered a Federal Work-Study job, what the job is, what hours you must work, what your duties will be, what the pay will be, and how and when you'll be paid.

Find out about the school's refund policy.

- If you enroll but never begin classes, you should get most of your money back. If you begin attending classes but leave before completing your course work, you might be able to get part of your money back.

Find out about the school's return-of-aid policy.

- If you receive federal student aid from any program mentioned in this publication (except for Federal Work-Study), and you withdraw from school, some of that money might have to be returned by you or your school. Also, even if you don't finish your course work, you'll have to repay the loan funds you received, less any amount your school has returned to your lender.

Find out the school's completion and transfer-out rates.

- If many students withdraw from a school, it might not be a good sign. A school is required to disclose to current and prospective students the percentage of its students who complete the school's programs and the percentage of students who transfer out of the school.

You also might want to compare your expected debt for attending the school with the money you expect to earn once you complete the educational program. If you borrow money to pay for all or a portion of your education, you'll need to earn or have access to enough money to repay your debt. Check the Web or visit the library to learn more about the careers you're interested in pursuing. The U.S. Department of Labor publishes the *Dictionary of Occupational Titles*, which includes a list of career choices and information on typical wages or salaries for many occupations. The Labor Department also publishes the *Occupational Outlook Handbook*, which gives job descriptions, including starting salaries and annual income averages. You can find the *Dictionary of Occupational Titles* online at www.oalj.dol.gov/libdot.htm. You can find the *Occupational Outlook Handbook* online at www.bls.gov/oco.

Make sure you get the information you need and check out all your options as you prepare for education after high school—and don't wait until the last minute to get started! Know what to expect from the schools you're considering and get your FAFSA in early in the award year to see if you qualify for federal student aid. Be smart—be ready.

Notes

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