

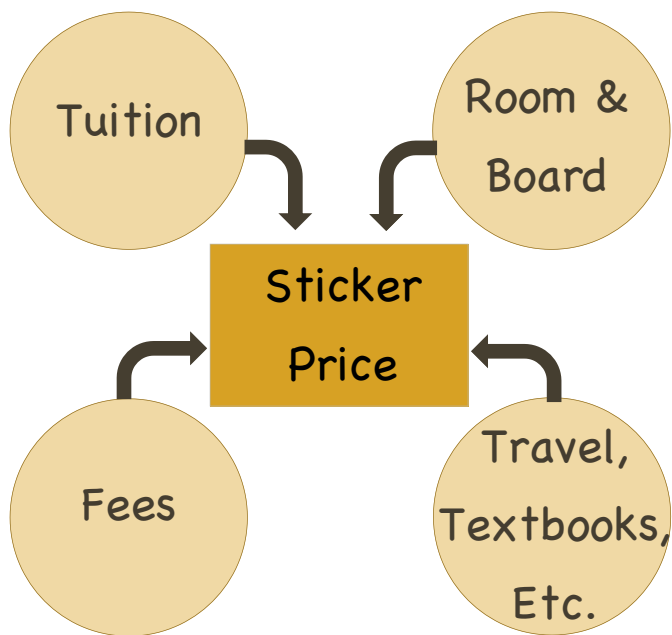


# How Do I Pay for College?

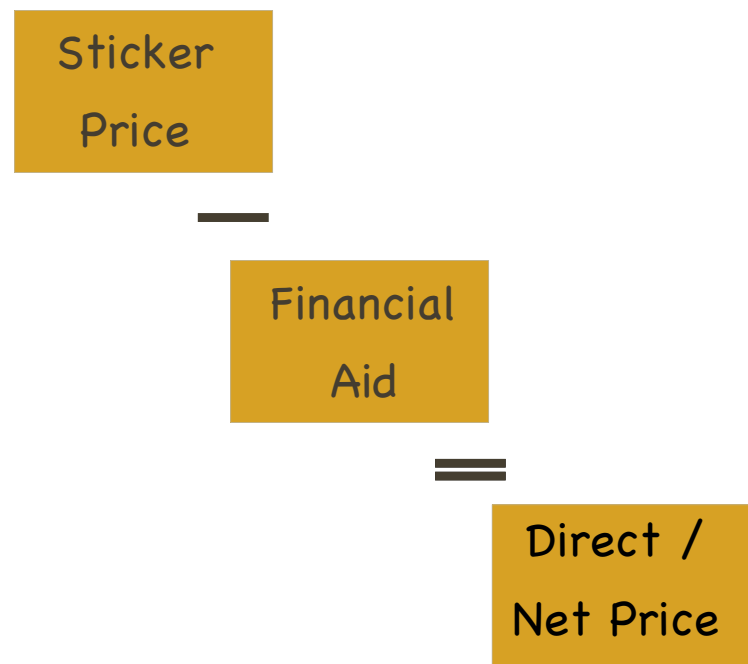
## Breaking Down College Costs

Navigating the financial side of higher education can be scary and confusing. So much jargon. So many options. Not *enough* options! The first thing to know?

Sticker price vs. Net price.



Sticker Price is what colleges broadcast as the estimate cost of attendance, including tuition, room and board, student fees, and travel, textbook, insurance, etc. costs. This is **NOT** what you will pay.



The Net Price is what YOU pay after financial aid.

Now that you're familiar with sticker price and net price, go to <https://collegescorecard.ed.gov> and look up any college of your liking. Click on "more details" about your college, and then scroll down to the Costs tab. This gives you an estimate of your net price by family income.

You can also go to any college website and use the net price calculator (typically housed under financial aid) which gives you a customized cost estimate that takes into account your personal finances!

Okay, but what exactly is "Financial Aid"? "Financial aid" is often a blanket term that covers all the other means of paying for college aside from one's savings. There are basically 4 different components of financial aid:

Grants, Scholarships, Work Study, and Loans

## GRANTS

This is money that does not have to be paid back. The biggest program disburses Federal Pell Grants to low-income students. The annual maximum varies. You must submit the FAFSA to be eligible. The state of PA offers multiple grants to students through PHEAA. Colleges themselves may offer grants, too!

## SCHOLARSHIPS

Like grants, they do not have to be paid back. Unlike most grants, some scholarships are based on merit (GPA, class rank, etc.) than need, and there can be conditions attached such as being in the top 10%, keeping good grades, or having a connection to a certain organization.

## WORK STUDY

The Federal Work Study program arranges part-time campus jobs to help students pay tuition or living expenses.



## LOANS

These provide money for school that **YOU** and possibly your parents have to pay back. There are two kinds...

### FEDERAL STUDENT LOANS

Backed by the U.S. gov., these tend to have the lowest interest rates available and offer flexible repayment options. The FAFSA is required to access them. There are 2 common types:

### PARENT PLUS LOANS

These higher-interest loans for parents have less flexible repayment options. They're used to fill gaps when a student's financial aid & savings don't cover costs. Borrowing limit is the cost of attendance minus the student's financial aid. **These should be a last resort!!**

### DIRECT (STAFFORD) LOANS

These have the lowest fixed interest rate although there's a cumulative borrowing limit. Repayment of these loans start 6 months after graduation & it's flexible

### PRIVATE STUDENT LOANS

These tend to have the highest interest rates and the least flexible repayment options, and **should be considered only as a last resort.**

### SUBSIDIZED

The gov. pays the interest while you're in school. Demonstrated financial need required.

### UNSUBSIDIZED

You are responsible for interest that accrues during school. These don't require you to demonstrate financial need.



# Student Loans 101



## How Do I Get a Federal Direct Student Loan?



Complete & Submit the  
FAFSA



Based on FAFSA results,  
your college will send your  
financial aid offer, which  
may include federal direct  
loans.



Before you receive your  
loan funds, you must  
complete entrance  
counseling – a tool to  
ensure you understand  
your obligation to repay  
the loan.



After completing entrance  
counseling, you have to  
sign a Master Promissory  
Note which indicates your  
agreements to the terms of  
the loan (like repaying).

**Pro Tip:** Think about how the amount of your loans will affect your future finances, and how much you can afford to repay. Your student loan payments should only be a small percentage of your salary after you graduate.

## How Much Can I Borrow?

Year	Dependent Students (except students whose parents are ineligible for PLUS loans)	Independent Students (& dependent students whose parents are ineligible for PLUS loans)
<b>First-Year Undergraduate Annual Loan Limit</b>	\$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
<b>Second-Year Undergraduate Annual Loan Limit</b>	\$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
<b>Third-Year and Beyond Undergraduate Annual Loan Limit</b>	\$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
<b>Subsidized. &amp; Unsubsidized Aggregate Loan Limit</b>	\$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

Your school determines the loan type(s) and the actual loan amount you are eligible to receive each academic year. As you can see, there are limits on the amount in sub. & unsub. loans that you be eligible to receive each academic year (annual loan limit) and the total amounts that you may borrow for undergraduate study (aggregate loan limits).

For example, as a dependent student entering my freshman year of college, I can only borrow \$5,500 in federal student loans (if I need more \$ to cover my costs, I'd have to take out a private loan with a bank)

## Do Federal Direct Student Loans Have Interest Rates? If so, What are the Rates?

YES



4.53%

(for Sub. & Unsub.)

Remember, the government pays the interest that accrues on your subsidized loan ONLY while you're in school.

You're responsible for the interest that accrues on your Unsubsidized loans (which increases what you will have to repay)

## When Do I Have To Repay My Loan(s)?



After you graduate, leave school, or drop below half-time enrollment, you will have a six-month grace period before you are required to begin repayment. During this period, you'll receive repayment information from your loan servicer through a session called Exit Counseling which reminds you of your repayment obligations and educates you on repayment plans that suit your lifestyle. Then, you'll be notified of your first payment due date.

While in college, you can also make payments towards your loan(s) if you so desire – especially if you want to keep your Unsubsidized loan down (basically make interest payments!)



For more information:

Loans: <https://studentaid.ed.gov/sa/types/loans/subsidized-unsubsidized#how-much>

Entrance/Exit Counseling: <https://studentloans.gov/myDirectLoan/counselingInstructions.action>