

Successful Start and the Office of Student Services Present:

# **INTRODUCTION TO FINANCIAL AID**

# AGENDA

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- Financial Aid Timeline – Applying for Financial Aid Award
- Types of Financial Aid
- Understanding your Financial Aid Award
- Loan Repayment Options
- Deferment/Forbearance
- Additional Financial Aid Resources
- Questions

# **FINANCIAL AID TIMELINE- APPLYING FOR FINANCIAL AID**

# FALL SEMESTER OF SENIOR YEAR IN HS

## ✖ November

- + Proofread, photocopy, and submit your completed college applications.
- + Familiarize yourself with each school's financial aid information.
- + See if each school offers any private awards or scholarships, and find out about their application processes.

## ✖ December

- + Expect a reply from any schools that you have sent early decision applications to.
- + Check on your applications and recommendation letters, and confirm that your test scores went to the right schools.
- + Gather your parents' and your own financial and tax information, and download a Free Application for Federal Student Aid (FAFSA).



# SPRING SEMESTER OF SENIOR YEAR IN HS

## ✖ January

- + Complete and submit the FAFSA—it's best to submit the application as soon as possible after January 1. If you are waiting for tax information, you can estimate income figures based on the previous year.
- + Turn in your completed school-specific financial aid applications.
- + Fill out and submit any grant and scholarship applications you collected.
- + Ask your high school to send a transcript of the previous semester to any schools that require them.

# SPRING SEMESTER OF SENIOR YEAR IN HS

## ✕ February

- + Expect to receive your Student Aid Report (SAR) within 4 weeks of submitting your FAFSA.
- + Make any necessary changes and resubmit your SAR if necessary.
- + Contact your schools' admissions and financial aid offices to make sure they have everything they need.
- + Keep your grades up!

# SPRING SEMESTER OF SENIOR YEAR IN HS

## ✕ March/April

- + Expect to receive all of your admission decisions by April 15.
- + Look through your acceptance packages carefully. Some schools may require you to submit forms or complete and sign an acceptance letter to make your admission official.
- + Review your financial aid and scholarship offers. Take note of the amount of “free” aid, such as grants and scholarships. Try to accept a package that features fewer loans and lower out-of-pocket costs.



# SPRING SEMESTER OF SENIOR YEAR IN HS

## ✕ March/April cont'd

- + Remember, it is OK to accept just parts of a financial aid offer. For example, if you decide to live at home, you can accept grants and work-study but turn down the loans offered for room and board.
- + Some schools may offer a payment plan as an alternative to borrowing the full amount of loans. This option may be worth considering if it is possible for you and your family.
- + If you are on the waiting list for your favorite school, call or write its admissions office and let them know you are still interested.



# SPRING SEMESTER OF SENIOR YEAR IN HS

## ✕ May

- + Take Advanced Placement (AP) exams for any AP subjects you studied in high school. If you do well, you may be able to earn college credit and save money on tuition. Make sure your score reports are sent to your college.
- + Fill out your loan applications.
- + Have your high school guidance office send your final transcript to your new school.
- + Contact your school to find out when your fees for tuition and room and board are due.

# TYPES OF FINANCIAL AID

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- ✕ Money you don't repay

- + Grants

- ✕ Federal

- ★ Pell Grant – For the 2010-11 award year (July 1, 2010 to June 30, 2011), the maximum award is \$5,550.

- ✕ State

- ✕ Institutional

- + Scholarships

- ✕ Fastweb or The Scholarship Page

- + Employment aid

# TYPES OF FINANCIAL AID

## ✖ Money you repay

- + Stafford loans are the most common loans students receive. They can be either subsidized or unsubsidized.
- + Perkins loans are low-interest loans that a school lends to students who demonstrate extreme financial need.
- + PLUS loans can cover expenses not met by other financial aid. These can be taken out by dependent students' parents or by graduate students.
- + Private loans are not federal aid—however, they can help students ineligible for federal aid or those who do not receive enough aid.



# TYPES OF FINANCIAL AID- STAFFORD LOANS

DEPENDENT STUDENTS (WHOSE PARENTS WERE NOT DENIED A PLUS LOAN)	SUBSIDIZED LOANS	ADDITIONAL LIMIT FOR UNSUBSIDIZED LOANS	TOTAL LIMIT FOR STAFFORD LOANS
FIRST-YEAR UNDERGRADUATE (FRESHMAN)	\$3,500	\$2,000	\$5,500
SECOND-YEAR UNDERGRADUATE (SOPHOMORE)	\$4,500	\$2,000	\$6,500
THIRD-YEAR UNDERGRADUATE AND BEYOND (JUNIOR AND SENIOR)	\$5,500	\$2,000	\$7,500

# TYPES OF FINANCIAL AID

## ✕ Parent PLUS Loans

### + Loan Limits

- ✕ Parents can borrow up to the total cost of attendance at the student's school (as determined by the school), minus all other aid received.
- ✕ These loans have no annual or total borrowing limit

### + Interest Payment

- ✕ Interest accrues upon disbursement of loan funds and can be paid monthly or quarterly.
- ✕ The borrower can choose to allow interest to accrue while in school, but interest will be capitalized, which means it is added to the principal (the base amount borrowed).
- ✕ Payments can begin 60 days after loan fully disbursed

### + Interest Rate

- ✕ Interest rate is fixed at 8.5% for Federal Family Education Loan Program PLUS loans. Direct PLUS loans have a fixed interest rate of 7.9%

# TYPES OF FINANCIAL AID- PERKINS LOAN

## ✕ Perkins Loans

### + Loan Limits

- ✕ Undergraduates can borrow up to \$5,500 a year, for a maximum of \$27,500

### + Interest Payment

- ✕ Interest is paid by the federal government while the borrower is:
  - ✕ In school.
  - ✕ In a grace period.
  - ✕ In an approved deferment period.

### + Interest Rate

- ✕ Interest rate is fixed at 5%

# TYPES OF FINANCIAL AID- PRIVATE LOANS

- + Also called “alternative loans.”
- + Unlike federal loans, they are not guaranteed by a government agency and are independent of a school’s financial aid structure.
- + Either the borrower or a parent can take out a private loan.
- + These loans have a variety of interest rates, payment structures, and lengths of time to repay.
- + Private loans do not have many of the repayment and deferment options that are available with federal loans.
- + Private loans may be an important option if the borrower does not qualify for other forms of aid.



# UNDERSTANDING YOUR FINANCIAL AID AWARD

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## ✕ Follow these 5 easy steps

- + **Find any “free” aid—grants and scholarships.** This is money that you do not need to pay back.
- + **See if you received work-study.** You usually can’t deduct work-study from the school’s tuition bill, but you can use this money to pay your living expenses.
- + **Review the loans awarded to you.** Pay attention to the types of loans offered to you—especially to see if they are subsidized or unsubsidized. Some schools may offer private loans, and these may not have the same benefits as federal or school loans. Remember, any money you borrow must be repaid.
- + **Figure out how much additional money you will need.** Your award letter will list your estimated family contribution. Your school may be able to help you find alternative student or parent loans if you can’t meet that contribution.
- + **Evaluate financial aid awards.** Determine which package makes the most sense for you—keeping in mind that you can decline any part of any package.

# WHAT TO EXPECT ONCE YOU GRADUATE

# GRACE PERIOD

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- ✖ All Stafford loans receive one six month grace period
  - + If you graduate May 15, your first payment will be due November 15
  - + If you consolidate during your grace period, you lose the remainder of the grace
- ✖ No payments required
- ✖ Begins the day after you withdraw, graduate or drop below half time



# REPAYMENT

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- ✖ Loans must be paid in full even if you:
  - ✖ Do not finish school
  - ✖ Are not satisfied with school or program
  - ✖ Do not find a job after graduation
- ✖ Make sure servicer knows how to find you – must pay even if you don't receive a bill
- ✖ If you have trouble repaying, don't ignore it. Contact ASA or your servicer to discuss your options!

# REPAYMENT OPTIONS

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# STANDARD REPAYMENT

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- ✖ Minimum monthly payment is \$50.
- ✖ Monthly payment will be more than \$50 to ensure loan is repaid within 10 years
- ✖ Keeps finance charges to minimum
- ✖ Most cost effective repayment option – you pay the lowest amount of interest

# INCOME-SENSITIVE REPAYMENT

- ✖ Monthly payment is adjusted annually so payment is between 4 and 25 percent of gross monthly income
- ✖ Payment may be as low as \$5 per month
- ✖ Maximum repayment period is 10 years, however the lender/holder may extend the term up to 5 additional years in certain cases



# GRADUATED REPAYMENT

- ✖ Payments start smaller, \$30 is the minimum monthly payment, and gradually increase throughout repayment
- ✖ Good alternative if you anticipate your income will increase in the future
- ✖ Maximum repayment term is 10 years; however, the lender/holder may extend the term up to 4 additional years in certain cases

# EXTENDED REPAYMENT

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- ✖ For borrowers with more than \$30,000 in loan debt
- ✖ Payment amounts can either be fixed or graduated
- ✖ Maximum repayment term is 25 years
- ✖ Minimum monthly payment is \$50
- ✖ Extends repayment term
- ✖ More expensive because extending your term increases the time you pay interest

# INCOME-BASED REPAYMENT

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- ✖ Borrowers could choose to elect for a period of up to 10 years to have payments limited to the monthly amount by which the borrower's annual adjusted gross income exceeds 15% of the poverty line.
- ✖ After 25 years remaining debt is forgiven



# CONSOLIDATION

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- ✖ You may combine all your federal student loans into one new loan
- ✖ Your new maximum repayment term is based on the total loan amount and can be 10 to 30 years
- ✖ Fixed interest rates - weighted average of all loans, rounded up to nearest  $1/8\%$
- ✖ This option may lower your monthly payments, however if you extend your term, you will pay more in interest
- ✖ Additionally, your guarantor may change when you consolidate
- ✖ Many pros and cons – research all options before committing



# ESTIMATED STANDARD REPAYMENT SCHEDULE

AMOUNT BORROWED	NO. OF PAYMENTS	MONTHLY PAYMENT	TOTAL REPAID
\$1,000	22	\$50	\$1,056.25
\$3,000	72	\$50	\$3,575.69
\$5,000	120	\$55.51	\$6,661.24
\$7,000	120	\$77.71	\$9,325.92
\$9,000	120	\$99.92	\$11,990.15
\$11,000	120	\$122.12	\$14,654.82
\$13,000	120	\$144.33	\$17,319.05
\$15,000	120	\$166.65	\$19,983.72
\$17,000	120	\$188.73	\$22,648.40
\$19,000	120	\$210.94	\$25,312.63
\$21,000	120	\$233.14	\$27,977.30
\$23,000	120	\$255.35	\$30,642.53
\$25,000	120	\$277.55	\$33,306.21

# CONSEQUENCES OF DEFAULT

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Default may greatly affect your ability to obtain employment, automobile loans, mortgages, credit cards, etc. while it is on your credit report.

Sampling of other negative effects:

- +Wage garnishment (up to 15%)
- +Federal and state taxes may be seized
- +Loss of professional license
- +Legal action
- +Loss of eligibility for federal student aid and other benefit programs

# DELINQUENCY AND DEFAULT

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## Delinquency

- ✗ Failure to make payments when due
- ✗ Even one day late is delinquent!
- ✗ Adversely affects credit
- ✗ May result in late fees
- ✗ Could eventually lead to default

## Default

- ✗ Continued failure to repay loans (typically 270 days of non-payment)
- ✗ Adversely affects credit
- ✗ 18% or more in collection costs

# DEFERMENT

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- ✖ Payments may be suspended for period of time
- ✖ Must apply for a deferment with servicer
- ✖ Must meet eligibility criteria – servicer will determine if you qualify

## Common reasons:

- ✖ At least half-time at eligible school
- ✖ Graduate fellowship program
- ✖ Rehabilitation training program
- ✖ Unable to find full-time employment
- ✖ Economic hardship
- ✖ Military



# FORBEARANCE

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- ✖ Temporary delay or adjustment to monthly payments (6-12 months in length)
- ✖ Must apply for forbearance with servicer
- ✖ Does not adversely affect credit
- ✖ Accrued interest will be capitalized at end of forbearance

Common reasons:

- ✖ Financial hardship, illness, internships, disasters

# CANCELLATIONS

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Loans may be discharged/cancelled for the following:

- ✖ Death
- ✖ Total and Permanent Disability
- ✖ Closed School
- ✖ False Loan Certification
- ✖ School failed to repay a refund

Servicer must be contacted in order to have loan canceled.

# FORGIVENESS

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Loans may be forgiven in part. Some common reasons:

- ✖ Americorps (visit [www.americorps.org](http://www.americorps.org) for more information)
- ✖ Military personnel
- ✖ Teacher Loan Forgiveness
- ✖ Full Time Child Care Provider

Contact servicer or [www.studentaid.ed.gov](http://www.studentaid.ed.gov) for more information

# ADDITIONAL FINANCIAL AID RESOURCES



# FINANCIAL AID RESOURCES

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- ✖ Researching Colleges / Universities
  - + [www.collegeboard.com](http://www.collegeboard.com)
  - + [www.college.gov](http://www.college.gov)
- ✖ Resources on College Financing
  - + [www.studentaid.ed.gov](http://www.studentaid.ed.gov)
  - + [www.fafsa.ed.gov](http://www.fafsa.ed.gov)
  - + [www.asa.org](http://www.asa.org)
  - + [www.nhheaf.org](http://www.nhheaf.org)
  - + [www.collegegoalsunday.org](http://www.collegegoalsunday.org)
  - + [www.finaid.org](http://www.finaid.org)
- ✖ Resources on Scholarships
  - + [www.fastweb.com](http://www.fastweb.com)
  - + [www.scholarship-page.com](http://www.scholarship-page.com)

# QUESTIONS?

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- ✕ [www.bc.edu/successfulstart](http://www.bc.edu/successfulstart)
- ✕ [successfulstart@bc.edu](mailto:successfulstart@bc.edu)