Session #BC4

Need Analysis and Packaging (Operational Basics of Title IV)

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U.S. Department of Education
FSA New Financial Aid Administrator Pre-Conference Training

December 2, 2019

Course Objectives

- Calculating an Expected Family Contribution (EFC)
- Developing a Cost of Attendance (COA)
- Awarding Aid
- Federal Pell Grants
- William D. Ford Federal Direct Loans (Direct Loans)
- Notifying Applicant

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EFC and COA

- COA – EFC = Need for subsidized aid
- COA – EFA = Unsubsidized aid

- What is a COA?
- What is an EFC?
- What is EFA?

Acronym Soup?

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Calculating an EFC

EFC

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EFC Facts

- A student's EFC is the same at any school
- EFC could change during the year as a result of verification and corrections
- EFC could change from year to year because of changes to the tables and family data
- The only official EFC is one calculated by the CPS found on the ISIR/SAR

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Several EFC's are Provided on ISIR

- ***Always*** use the Primary EFC for federal student aid programs

- **For Pell Grants**
  - ***always*** use the nine-month EFC
- **For all other federal student aid**
  - use the EFC that corresponds to the actual period of enrollment

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COA Activity

- Circle the items that are not allowed to be included in a COA
- One minute

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Cost of Attendance (COA)

- Defined in Sec. 472 of the Higher Education Act (HEA)
  - Only expense items specified in the HEA can be included
  - More than just direct costs

This is not something that ED provides for you. You are responsible for determining the reasonable expenses needed to complete <u>each</u> of your school's programs.

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Pell COA vs. COA for other FSA Programs

- Pell COA = cost for a full-time student for a <u>full academic year</u>
  - Always use for calculating Pell Grants

- COA for other FSA Programs = costs associated with the period of attendance

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EFC and COA Revisited

- COA – EFC = Need for subsidized aid
- COA – EFA = Unsubsidized aid

- What is a COA?
- What is an EFC?
- What is EFA?

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Packaging Examples

- Subsidized Aid

COA	$10,500
– EFC	1,000
= Need	$ 9,500

- Unsubsidized Aid

COA	$10,500
– EFA	9,500
= Unsubsidized Eligibility	$ 1,000

Student receives a $5,145 Pell Grant and a $3,000 Scholarship, a $1,355 Subsidized Loan

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Key Concepts and Definitions

- Academic Year (34 CFR 668.3)
  - Semester, Trimester, Quarter, or Clock-Hours
- Week of Instructional Time (34 CFR 668.3(b))
- Program Length (34 CFR 668.8)
- Award Year (34 CFR 600.2)
- Payment Periods (34 CFR 668.4)
- Standard Term, Nonstandard Term, Non-Term Credit-Hours, and Clock-Hours (*Federal Student Aid Handbook*, Volume 3)

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Activity

- Academic Year Definitions & Program Length Activity
  - Answer for your school
- COA – EFC = Need activity fill in the blanks
  - Two minutes for both

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Federal Programs:

- Pell Grant
  - *FSA Handbook* 3-43
- Iraq and Afghanistan Service Grant
  - *FSA Handbook* 3-62
- Campus Based Programs: FSEOG & FWS
  - *FSA Handbook* 6-1
- TEACH Grants
  - *FSA Handbook* 3-85
- Direct Loans
  - *FSA Handbook* 3-91

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Awarding Aid

Pell Grants and Direct Loans

Pell Grant Formulas

- Credit-hour Programs
  - Formula 1, 2, or 3
- Clock-hour Programs
  - Formula 4

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Pell Formula 1 and 3

Formula 1 Summary

Standard-term, credit-hour programs, with 30 weeks of instructional time (or waiver applies). For a program with a traditional academic calendar, the program:

- must have an academic calendar that consists, in the fall through spring, of two semesters or trimesters, or three quarters (note that summer may not be a standard term);
- must have at least 30 weeks of instructional time in fall through spring terms;
- must not have overlapping terms; and
- must define full-time enrollment for each term in the award year as at least 12 credit-hours and must measure progress in credit-hours.

Other programs offered in standard terms may use Formula 1 if they start the terms for different cohorts of students on a periodic basis (for example, monthly). These programs:

- must have an academic calendar that consists exclusively of semesters, trimesters, or quarters;
- must have at least 30 weeks of instructional time in any two semesters or trimesters or any three quarters;
- must start the terms for different cohorts of students on a periodic basis (for example, monthly);
- must not allow students to be enrolled in overlapping terms and the students must stay with the cohort in which they start unless they withdraw from a term (or skip a term) and re-enroll in a subsequent term.
- must define full-time enrollment for each term in the award year as at least 12 credit-hours and must measure progress in credit-hours.

Step 1: Determine Enrollment Status

Full-time, three-quarter-time, half-time, or less-than-half-time

Step 2: Calculate Pell COA

Full-time, full academic year costs.

Step 3: Determine Annual Award

If the student's enrollment status is full-time, the annual award is taken from the full-time payment schedule (Scheduled Award). If the student's enrollment status is 3/4-time, 1/2-time, or less-than-1/2 time, the annual award is taken from the appropriate part-time payment schedule.

Step 4: Determine Payment Periods

Payment period is the academic term.

Step 5: Calculate Payment for a Payment Period

$$\frac{\text{Annual Award}}{\text{2 for programs with semesters or trimesters; 3 for programs with quarters}}$$

OR

For alternate calculation:

$$\frac{\text{Annual Award}}{\text{Number of terms in the award year}}$$

Formula 1

Formula 3

Credit-Hour Programs

For standard terms, the minimum enrollment standards are:

Full-time: 12 semester hours per semester/trimester
12 quarter hours per quarter
3/4-time: 9 semester hours per semester/trimester
9 quarter hours per quarter
1/2-time: 6 semester hours per semester/trimester
6 quarter hours per quarter
Less-than-1/2-time: less than half of the workload of the minimum full-time requirement.

Formula 3 Summary

Any term-based, credit-hour programs; may include those qualifying for Formulas 1 and 2.

Step 1: Determine Enrollment Status

Full-time, three-quarter time, half-time, or less-than-half-time.

Step 2: Calculate Pell COA

Full-time, full academic year costs.

Cost for program or period not equal to academic year prorated. Two fractions are compared:

$$\frac{\text{Hours in program's definition of academic year}}{\text{Hours to which the costs apply}}$$

$$\frac{\text{Weeks of instructional time in program's definition of academic year}}{\text{Weeks of I.T. in the enrollment period to which the costs apply}}$$

The entire cost is multiplied by the lesser of the two fractions to determine Pell COA.

Step 3: Determine Annual Award

If the student's enrollment status is full-time, the annual award is taken from the full-time payment schedule (Scheduled Award). If the student's enrollment status is 3/4-time, 1/2-time, or less-than-1/2-time, the annual award is taken from the appropriate part-time payment schedule.

Step 4: Determine Payment Periods

Payment period is the academic term.

Step 5: Calculate Payment for a Payment Period

$$\frac{\text{Weeks of instructional time in the term}}{\text{Weeks of instructional time in the program's academic year definition}}$$

A single disbursement can't exceed 50% of the annual award.

Pell Formula 4

Formula 4 Summary

Clock-hour programs and credit-hour programs without terms, residential portion of non-term correspondence programs.

Step 1: Determine Enrollment Status

At least half-time or less-than-half-time.

Step 2: Calculate Pell COA

Full-time, full academic year costs.

Cost for program or period not equal to academic year prorated. Two fractions compared:

$$\frac{\text{Hours in program's definition of academic year}}{\text{Hours to which the costs apply}}$$

$$\frac{\text{Weeks of instructional time in program's definition of academic year}}{\text{Weeks of instructional time in the enrollment period to which the costs apply}}$$

The entire cost is multiplied by the lesser of the two fractions to determine Pell COA.

Step 3: Determine Annual Award

Always taken from full-time payment schedule (equal to Scheduled Award). Does not mean students are always considered full-time.

Step 4: Determine Payment Periods

Length of payment period measured in credit or clock-hours. Minimum of 2 equal payment periods required for programs shorter than an academic year, or 2 equal payment periods in each full academic year (or final portion longer than half an academic year) for programs longer than or equal to an academic year.

Step 5: Calculate Payment for a Payment Period

Annual award multiplied by the lesser of:

$$\frac{\text{The number of credit or clock-hours in the payment period}}{\text{The number of credit or clock-hours in the program's academic year}}$$

OR

$$\frac{\text{The number of weeks of instructional time in the payment period}}{\text{The number of weeks of instructional time in the program's academic year}}$$

Note: A single disbursement can't exceed 50% of the annual award.

Clock-Hour and Non-Term Programs

What do all of the Pell formula's have in common?

- They all have the same five steps
- You can find them all in Volume 3 of the *FSA Handbook* and 34 CFR 690
- In the end a Pell Grant amount will be calculated
  - Yes, really…

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Five Calculation Steps

Step 1: Determine enrollment status

Step 2: Calculate Pell Grant COA

Step 3: Determine annual award

Step 4: Determine payment periods

Step 5: Determine payment per payment period

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Calculation Walk-Throughs

- Pell Formula 1 walk through
  - Calculate a Pell Grant Activity
  - 5 minutes
- Pell Formula 4 walk through
  - Calculate a Pell Grant Activity
  - 5 minutes

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Pell Required Recalculations

- If student's EFC changes
- If student didn't begin attendance in all classes to support enrollment status the award was based upon (34 CFR 668.21)
- If student's enrollment status changes from one term to another

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Crossover Payment Periods & Clock-Hour/Nonterm

- Payment period that includes June 30 **and** July 1
- Aid may be paid from *either* award year
  - The payment period must be assigned to and paid from **one** award year
  - Student must have valid SAR/ISIR for assigned year and have remaining eligibility
- Any aid drawn down for crossover period may pay all costs associated with the period (even if paying from next award year)
- May use different award year for Pell than for other Title IV aid

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Crossover Payment Periods – Credit-Hour

- Institution has flexibility in how crossover gets assigned
  - Always assign crossover payment period as "header" or "trailer"

    or
  - Assign crossover payment period on case-by-case basis to best meet needs of students
- Student cannot receive Pell from both award years in same payment period

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Direct Loans

- Background & Introduction
- Three Required Elements = Booked Loan
  - Direct Loan origination record
  - Master Promissory Note
  - Direct Loan disbursement record

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EFC and COA Must Reflect the Loan Period

- Loan amounts for periods that are not equal to one academic year must be prorated
- The EFC that most reasonably corresponds to the number of months in the loan period must be used to award the loan
- The COA that reflects the costs incurred during the loan period must be used

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150% Direct Subsidized Loan Limit

- Law limits subsidized loan borrowing
- Student may receive subsidized loans for 150% of the length of the student's current educational program
  - Aggregate subsidized loan limit still applies
- Law includes potential loss of subsidy for each borrower, after 150% point is reached

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Direct Loan SAY/BBAY1 or BBAY3

- Clock-Hour & Non-term Programs
  - Borrower Based Academic Year 3

- Credit-Hour Programs
  - Scheduled Academic Year
  - Borrower Based Academic Year 1

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Federal Direct Loans

- Subsidized Loans
  - Only for undergraduates
- Unsubsidized Loans
  - For undergraduates, graduates, and professional students
- PLUS Loans (unsubsidized)
  - For parents of dependent students
  - For graduate/professional students

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Federal Direct Loan Awarding Principles

- Students are subject to annual and aggregate loan limits
- Student may not be eligible to borrow the full amount due to other aid in their aid package
- School MUST award subsidized before awarding unsubsidized
- Base Amount may be all subsidized, all unsubsidized, or a combination
- Annual Loan Limit includes the Base Amount and the Additional Unsubsidized Amount

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Eligibility for Direct Loans

- A school must determine if
  - The student is eligible for a Federal Pell Grant before awarding any loans, AND
  - A student is eligible for subsidized loans before awarding unsubsidized loans
- A student must
  - Meet *all* of the general eligibility requirements, AND
  - Be enrolled at least half time

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Direct Loan Amounts Chart

- It's in your handout

For DEPENDENT Students *excluding* students whose parents cannot obtain a PLUS Loan	Annual Base Amount may be all Subsidized, all Unsubsidized, or a combination	Annual Unsubsidized Amount, above Base Amount	Annual Loan Limit
First-year undergraduate	$3,500	$2,000	$5,500
Second-year undergraduate	$4,500	$2,000	$6,500
Third-year and beyond undergraduate	$5,500	$2,000	$7,500
Preparatory coursework for enrollment in an undergraduate program	$2,625	0	$2,625
Preparatory coursework for enrollment in a graduate or professional program	$5,500	0	$5,500
Teacher certification course work	$5,500	0	$5,500
For INDEPENDENT Students *and* Dependent students whose parents cannot obtain a PLUS Loan	**Annual Base Amount may be all Subsidized, all Unsubsidized, or a combination**	**Annual Unsubsidized Amount, above Base Amount**	**Annual Loan Limit**
First-year undergraduate	$3,500	$6,000	$9,500
Second-year undergraduate	$4,500	$6,000	$10,500
Third-year and beyond undergraduate	$5,500	$7,000	$12,500
Preparatory coursework for enrollment in an undergraduate program	$2,625	$6,000	$8,625
Preparatory coursework for enrollment in a graduate or professional program	$5,500	$7,000	$12,500
Teacher certification coursework	$5,500	$7,000	$12,500

Graduate and Professional Students

As defined in 34 CFR 668.2, a Graduate or Professional student is one who:

1) Is not receiving Title IV aid as an undergraduate student for the same period of enrollment;
2) Is enrolled in a program or course above the baccalaureate level or is enrolled in a program leading to a professional degree; and
3) Has completed the equivalent of at least three years of full-time study either prior to entrance into the program or as part of the program itself.

Annual Loan Limit—all Unsubsidized	$20,500

Direct Loan Aggregate Loan Limits

	Subsidized only	Total Aggregate Subsidized and Unsubsidized combined
Dependent Undergraduates	$23,000	$31,000
Independent Undergraduates	$23,000	$57,500
Graduate & Professional Students	$65,500	$138,500

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Disbursement by Payment Period Required

- *FSA Handbook* Volume 4

Disbursement by Payment Period Required
(except as provided in the discussion following this chart)

Program Type	Direct Loan	Pell, TEACH, & FSEOG
Credit-hour programs offered in standard terms & nonstandard term programs offered in terms that are substantially equal in length.	Term	Term
Credit-hour programs offered in nonstandard-terms that are not substantially equal in length.[1]	The payment period is the **successful completion**[2] of: • half of the weeks of instructional time in the academic year/program less than an academic year; and • half of the credit-hours in the academic year/program less than an academic year. For the remainder of a program equal to or less than half of an academic year, the payment period is the remainder of the program.	Term
Clock-hour programs and non-term credit-hour programs.	The payment period is the **successful completion**[2] of: • half of the weeks of instructional time in the academic year/program less than an academic year; and • half of the clock/credit-hours in the academic year/program less than an academic year. For the remainder of a program equal to or less than half of an academic year, the payment period is the remainder of the program.	The payment period is the **successful completion**[2] of: • half of the weeks of instructional time in the academic year/program less than an academic year; and • half of the clock/credit-hours in the academic year/program less than an academic year. For the remainder of a program equal to or less than half of an academic year, the payment period is the remainder of the program.

[1] If a program is offered in a combination of standard and nonstandard terms and the program does not qualify to use a Scheduled Academic Year, or "SAY" (see Chapter 5 for details on SAYs and Borrower Based Academic Years—BBAYs), then for Direct Loan purposes, the program is subject to the disbursement requirements that apply to nonstandard programs that are not substantially equal in length.
[2] **Successful completion** means that the student has earned a passing grade or otherwise received credit for the credits or clock-hours in the payment period.

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Loan Activity

- Find the errors
- Four minutes

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Federal Direct PLUS Loans

- For parents of dependent undergraduates
- For graduate/professional students
- School must offer Unsubsidized Direct Loans before awarding PLUS to a graduate/professional student
- There is no annual/aggregate limit – but PLUS loan amount added to other EFA must not exceed COA
- PLUS loans *may replace* EFC because they are unsubsidized
- Borrowers must have no adverse credit

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Increased Unsubsidized Loan Limits

- For dependent undergraduates whose parents are unable to obtain PLUS loans:
  - Due to adverse credit
  - Due to exceptional circumstances
- Student may receive additional unsubsidized loans in the same amounts as independent undergraduate limits
- Eligibility extends for <u>current academic year</u>

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Prorating Annual Loan Limits

- Annual loan limits must be prorated when:
  - the student is enrolled in a program that is shorter than a full academic year, or
  - the student is enrolled in a remaining period of study shorter than a full academic year
- Prorated loan limits are then used in the awarding process to determine student eligibility
- Proration is not required for PLUS loans, graduate students, teacher certification, and preparatory coursework

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Notifying the Applicant

The Financial Aid Offer

April 15, 2019 Financial Aid Offers: Recommendations

- Avoid calling your financial aid offer an “award” and avoid calling it a “letter”
- Avoid issuing a financial aid offer that does not include cost of attendance
- Avoid listing the cost of attendance without breaking it down into clear components
- Avoid listing grant and/or scholarship aid, loans, and work-study together

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April 15, 2019 Financial Aid Offers: Recommendations

- Avoid listing student loans without clarifying the source (federal, state, institutional, or private)
- Avoid listing Parent PLUS loans with student loans
- Avoid issuing a financial aid offer without CRITICAL next steps
- Avoid issuing a financial aid offer without net cost calculated

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College Financing Plan (formerly known as Shopping sheet)

- September 5, 2019 Electronic Announcement
- https://www2.ed.gov/policy/highered/guid/aid-offer/index.html

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College Financing Plan Template

MM / DD / YYYY

University of the United States (UUS)

Student Name, Identifier

Expected Family Contribution

Based on FAFSA As calculated by the institution using information reported on the FAFSA or to your institution.	**$X,XXXX** / yr
Based on Institutional Methodology Used by most private institutions in addition to FAFSA.	**$X,XXXX** / yr

Total Cost of Attendance 2020-2021

	On Campus Residence	Off Campus Residence
Tuition and fees	$X,XXXX	
Housing and meals	$X,XXXX	$X,XXXX
Books and supplies	$X,XXXX	
Transportation	$X,XXXX	
Other education costs	$X,XXXX	
Estimated Cost of Attendance	**$X,XXXX** / yr	**$X,XXXX** / yr

Scholarship and Grant Options

Scholarships and Grants are considered "Gift" aid - no repayment is needed.

Scholarships	
Merit-Based Scholarships	
Scholarships from your school	$X,XXXX
Scholarships from your state	$X,XXXX
Other scholarships	$X,XXXX
Employer Paid Tuition Benefits	$X,XXXX
Total Scholarships	**$X,XXXX** / yr

Grants	
Need-Based Grant Aid	
Federal Pell Grants	$X,XXXX
Institutional Grants	$X,XXXX
State Grants	$X,XXXX
Other forms of grant aid	$X,XXXX
Total Grants	**$X,XXXX** / yr

College Costs You Will Be Required to Pay

Net Costs (Cost of attendance minus total grants and scholarships)	**$X,XXXX** / yr

Loan and Work Options to Pay the Net Costs to You

You must repay loans, plus interest and fees.

Loan Options*	
Federal Direct Subsidized Loan (X.XX% interest rate)	$X,XXXX / yr
Federal Direct Unsubsidized Loan (X.XX% interest rate)	$X,XXXX / yr
Private Loan (X.XX% interest rate)	$X,XXXX / yr
Institutional Loan (X.XX% interest rate)	$X,XXXX / yr
Other Aid That Must Be Repaid	$X,XXXX / yr
In addition to the loans above, parents may also apply for the following:	
Parent Plus Federal Loan (X.XX% interest rate)	$X,XXXX / yr
Total Loan Options	**$X,XXXX** / yr

Work Options	
Work-study (Federal, state, or institutional)	$X,XXXX / yr
Hours Per Week	XX / wk
Other Campus Job	$X,XXXX / yr
Total Work Options	**$X,XXXX** / yr

For More Information

University of the United States (UUS)
Financial Aid Office
123 Main Street
Anytown, ST 12345
Telephone: (123) 456-7890
E-mail: financialaid@uus.edu

*** Loan Amounts**

Note that the amounts listed are the maximum available to you – you are allowed and encouraged to borrow less than the maximum amount.To learn about loan repayment choices and work out your Federal Loan monthly payment, go to: https://studentaid.ed.gov/repay-loans/understand/plans.

Other Potential Education Benefits

- **American Opportunity Tax Credit:** Parents or students may qualify to receive up to $2,500 by claiming the American Opportunity Tax Credit on their tax return during the following calendar year.
- **Military and/or National Service Benefits**

Next steps

Customized Information from UUS

Glossary

Cost of Attendance (COA): The total amount (not including grants and scholarships) that it will cost you to go to school during the 2020–21 school year. COA includes tuition and fees; housing and meals; and allowances for books, supplies, transportation, loan fees, and dependent care. It also includes miscellaneous and personal expenses, such as an allowance for the rental or purchase of a personal computer; costs related to a disability; and reasonable costs for eligible study-abroad programs. For students attending less than half-time, the COA includes tuition and fees; an allowance for books, supplies, and transportation; and dependent care expenses.

Expected Family Contribution: A number used by your school to calculate the amount of federal student aid you are eligible to receive. It is based on the financial information provided in your Free Application for Federal student Aid (FAFSA). This is not the amount of money your family will have to pay for college, nor is it the amount of federal student aid you will receive.

Federal Work-Study: A federal student aid program that provides part-time employment while the student is enrolled in school to help pay his or her education expenses. The student must seek out and apply for work-study jobs at his or her school. The student will be paid directly for the hours he or she works and the amount he or she earns cannot exceed the total amount awarded by the school for the award year. The availability of work-study jobs varies by school.

Grants and Scholarships: Student aid funds that do not have to be repaid. Grants are often need-based, while scholarships are usually merit-based. Occasionally you might have to pay back part or all of a grant if, for example, you withdraw from school before finishing a semester.

Loans: Borrowed money that must be repaid with interest. Loans from the federal government typically have a lower interest rate than loans from private lenders. Federal loans, listed from most advantageous to least advantageous, are called Direct Subsidized Loans, Direct Unsubsidized Loans, and Parent PLUS Loans. You can find more information about federal loans at StudentAid.gov.

Direct Subsidized Loan: Loans that The U.S. Department of Education pays the interest on while you're in school at least half-time, for the first six months after you leave school (referred to as a grace period*), and during a period of deferment (a postponement of loan payments).

Direct Unsubsidized Loan: Loans that the borrower is responsible for paying the interest on during all periods. If you choose not to pay the interest while you are in school and during grace periods and deferment or forbearance periods, your interest will accrue (accumulate) and be capitalized (that is, your interest will be added to the principal amount of your loan).

Parent Plus Loan: A loan available to the parents of dependent undergraduate students for which the borrower is fully responsible for paying the interest regardless of the loan status.

Private Loan: A nonfederal loan made by a lender such as a bank, credit union, state agency, or school.

Net Cost: An estimate of the actual cost that a student and his or her family need to pay in a given year to cover education expenses for the student to attend a particular school. Net price is determined by taking the institution's cost of attendance and subtracting any grants and scholarships for which the student may be eligible.

For more information visit https://studentaid.gov.

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Questions and Answers