

12 College Financial Aid Terms Defined

By SCHOLARSHIP AMERICA
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Navigating the college financial aid process can be daunting even for the most highly educated among us. What are the differences among grants, scholarships, and loans? What does FAFSA stand for and who should complete it? And how does work–study actually work?

Your college education is an extremely important—and often extremely expensive—investment. Before you shell out thousands of dollars for an advanced education, give yourself a basic education of postsecondary financial aid. To help, we've put together a quick reference guide on common—and often confusing—financial aid terms. From award letters to tuition reimbursement, we've got you covered.

Award letter: Arriving in your mailbox around mid- to late April, your award letter basically outlines your financial aid package from the college(s) to which you applied. But be careful: Colleges aren't required to follow a standard format for award letters, and crucial information is sometimes missing or misleading—such as the cost of attendance! Colleges sometimes vastly underestimate the cost of transportation and textbooks, or make the financial aid package look more generous than it actually is. (To find out how much you'll end up paying for tuition at your college, U.S. News offers a list of net price calculators.) Web address is: www.usnews.com/education/best-colleges/features/net-price-calculator

Expected Family Contribution (EFC): This is the measure of your family's financial strength, and how much of your college costs it should plan to cover. This is calculated based on a specific formula, which considers taxed and untaxed income, assets, and benefits, as well as the size of your family and the number of family members attending college during the year. Your expected family contribution is calculated based on your FAFSA results.

FAFSA (Free Application for Federal Student Aid): You've probably heard of the FAFSA, but do you know what it is and just how important it can be for you and your family? Filling out the FAFSA is one of the first steps in the financial aid process, and determines the amount that you or your family will be contributing to your postsecondary education. The results of the FAFSA determine student grants, work–study, and loan amounts. We recommend that everyone fills out the FAFSA; it only takes about an hour to complete, and you may be surprised with the results.

Federal student aid: The largest form of student aid in the country, federal aid programs come in the form of government grants, loans, and work–study assistance and are available to students at eligible postsecondary institutions (colleges, vocational schools, and graduate schools).

Financial need: This is the amount of a student's total cost of attendance that isn't covered by the expected family contribution or outside grants and scholarships. A student must demonstrate financial need to be eligible for need–based financial assistance programs.

Grants: Did someone say free money? Unlike loans, grants– which can come from the

state or federal government, from the college itself, or from private sources—provide money for college that doesn't have to be paid back. We'll take this opportunity here to remind you again to fill out the FAFSA; many grants determine eligibility by looking at your FAFSA results.

Loans: If scholarships and grants don't cover the entire cost of your tuition, you may have to take out a student loan to make up the difference. Federal student loans don't have to be paid while you're in college, and there are also a variety of loan forgiveness programs out there post-graduation. The rates and terms are generally more flexible than private loans.

Room and board: Everyone needs to sleep and eat. If you plan to do it on campus, those fees are part of your total cost of attendance.

Scholarships: There really isn't much difference between a scholarship and a grant, though the general consensus is that scholarships are primarily awarded for academic merit (good grades) or for something you have accomplished (volunteer work or a specific project); however, there are many need-based scholarships out there, as well. Like grants, scholarships don't have to be repaid.

Tuition: College tuition is the "sticker price" of your education, and does not include room and board, textbooks, or other fees. Colleges often calculate tuition based on the cost of one credit, or "unit." For example, a college may charge \$350 per credit for an undergraduate class. Many times colleges will simplify this by providing a flat fee for tuition; you're often required to take a minimum amount of credits and cannot exceed a maximum amount of credits. "True cost" is a little misleading, since there are other costs on top of tuition.

Tuition reimbursement: Tuition reimbursement, also sometimes called "tuition assistance," is increasing in popularity. Some employers will refund you the cost of your tuition if you're studying a work-related area. Tuition reimbursement can cover as little as one or two courses, or can cover up to the entire cost of your education.

Work-study/work award: The Federal Work Study program provides funds to eligible students (see FAFSA above) for part-time employment to help finance the costs of postsecondary education. In most cases, the school or employer has to pay up to 50 percent of the student's wages, with the federal government covering the rest. You could be employed by the college itself; or by a federal, state, or local public agency; a private nonprofit organization; or a private for-profit organization.

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Web sites to check out:

www.fafsa.ed.gov: Free Application for Federal Student Aid

www.finaid.org: search for sscholarships that matches your profile, calculators for college cost, tips for filling out FAFSA, other types of aid, etc.

www.fastweb.com: scholarships matched by talents, abilities and interests

www.scholarships.com: scholarships matched by talents, abilities and interests