



Chapter 4. Getting Financial Aid for Education



There are many ways to get additional money to pay for education and training. Vocational rehabilitation can provide financial assistance to help with tuition and other necessary work-related expenses. Federal loans and grants are also available to those who qualify. Many private organizations and companies provide scholarships available to those who meet specific criteria. As stated in Chapter 3, competitions and contests are also a good way to get money for additional education. This chapter provides many resources to help locate and access these financial aid opportunities

A. The Basics of Loans



Few students can afford to pay for college without some financial assistance. The typical undergraduate completes college with \$16,500 in student loans. Graduate and professional students borrow even more.

Grants, scholarships, work-study programs, and other forms of gift aid can greatly supplement a student's savings but should never be counted on as the only

way to cover the full cost of a college education. Many students find they must supplement their savings with government and private loans. Federal education loan programs offer lower interest rates and more flexible repayment plans than most consumer loans, making them an attractive way to finance education.

A loan is a form of financial aid that must be repaid, with interest. (Scholarships, on the other hand, do not have to be repaid.) Your main loan options are discussed below.

Student Loans (Also Called Stafford and Perkins Loans)

The federal loan for students is called the Stafford Loan and has two variations.

1. If the Stafford Loan is administered by the Federal Family Education Loan Program (FFELP), the funds are provided by private lenders, such as banks, credit unions, and savings and loan associations. These loans are guaranteed against default by the federal government.
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2. If the school you want to attend is a “Direct Lending School,” your Stafford Loan is administered by the Federal Direct Student Loan Program. Funds for “direct loans” are provided by the U.S. government directly to students and their parents through their schools.

Stafford Loans allow dependent undergraduates to borrow up to \$2,625 their freshman year, \$3,500 their sophomore year, and \$5,500 for each remaining year (independent students can borrow an additional unsubsidized sum of \$4,000 for each of the first two years and \$5,000 for each remaining year). Graduate students can borrow \$18,500 per year, although only \$8,500 of that is subsidized. Many students combine subsidized loans with unsubsidized loans to borrow the maximum amount permitted each year.

Stafford Loans have variable interest rates (based on 91-day T-bill rate plus 1.7% during school, with an additional 0.6% increase upon graduation) capped at 8.25% or less, depending on yearly adjustments. All lenders offer the same rate for the Stafford Loan, although some give discounts for on-time and electronic payment.

To apply for a Stafford Loan, you must submit the Free Application for Federal Student Aid (FAFSA).

Even though the unsubsidized Stafford Loan is available to all students regardless of financial need, you must still submit the FAFSA to be eligible. You can receive a subsidized loan and an unsubsidized loan for the same period.

The Perkins Loan is awarded to undergraduate and graduate students with exceptional financial need. This is a campus-based loan program, with the school acting as the lender using a limited pool of funds provided by the federal government. The Perkins Loan is the best student loan available. It is a subsidized loan, with the interest being paid by the federal government during the in-school and nine-month grace periods. There are no origination or guarantee fees, and the interest rate is 5%. There is a 10-year repayment period.

The amount of Perkins Loan you receive will be determined by the financial aid office. The program limits are \$3,000 per year for undergraduate students and \$5,000 per year for graduate students, with cumulative limits of \$15,000 for undergraduate loans and \$30,000 for undergraduate and graduate loans combined.

Institutions participating in the Expanded Lending Option (ELO) may offer higher loan limits for the





Perkins Loan. To participate in the ELO, a school must have a default rate no higher than 15 percent. The annual loan limits are increased by \$1,000 each and the cumulative limits increased by \$5,000 and \$10,000, respectively. The Perkins Loan also offers better cancellation provisions than Stafford Loans or Parent Loans for Undergraduate Students.

Parent Loans for Undergraduate Students (Also Called PLUS Loans)



Parents of dependent students can take out loans to supplement their child's aid package. The federal Parent Loan for Undergraduate Students (PLUS) lets parents borrow money to cover any costs not already covered by the student's financial aid package, up to the full cost of attendance. Like the Stafford Loan, PLUS loans are either FFELP (provided by private lenders, such as banks) or direct (provided by the government).

PLUS loans have variable interest rates (based on 52-week T-bill rate plus 3.10 percent) capped at 9%. Repayment begins 60 days after the funds are fully disbursed, and the repayment term is up to 10 years. Some lenders offer a slight discount for automatic payment plans.

PLUS loans are the financial responsibility of the parents, not the student. If the student agrees to make payments on the PLUS loan but fails to make the payments on time, the parents will be held responsible.

Private Loans (Also Called Alternative Loans)



Private loans, also known as alternative loans, help bridge the gap between the actual cost of your education and the limited amount the government allows you to borrow in its programs. Private loans are offered by private lenders, and there are no federal forms to complete.

Some families turn to private loans when the federal loans do not provide enough money or when they need different repayment options. For example, a parent might want to defer repayment until the student graduates, an option that is not available from the government parent loan program.

Lenders provide different types of private loans for undergraduate and graduate studies.

Loan Consolidation

Consolidation loans combine several student or parent loans into one bigger loan from a single lender, which is then used to pay off the balances on the other loans. Consolidation loans are available for most federal loans, including FFELP (Stafford, PLUS, and SLS), FISL, Perkins, Health Professional, NSL, HEAL, Guaranteed Student, and direct loans. Some lenders offer consolidation loans for private loans as well.

Consolidation loans often reduce the size of the monthly payment by extending the term of the loan beyond the 10-year repayment plan that is standard with federal loans. Depending on the loan amount, the term of the loan can be extended from 12 to 30 years. The reduced monthly payment may make the loan easier to repay for some borrowers. However, if the term of a loan is extended, the total amount of interest paid is increased.

In certain circumstances (for example, when one or more of the loans was being repaid in less than 10 years because of minimum payment requirements), a consolidation loan may decrease the monthly payment without extending the overall loan term beyond 10 years. In effect, the shorter term loan is extended to

10 years. The total amount of interest paid increases unless the borrowers continue to pay the same monthly payment as before, in which case the total amount of interest paid decreases.

The interest rate on consolidation loans is the weighted average of the interest rates on the loans being consolidated, rounded up to the nearest one-eighth of a percent and capped at 8.25%. Some graduate students have found it necessary to consolidate their educational loans when applying for a mortgage on a house.

Consolidation simplifies the repayment process but does involve a slight increase in the interest rate. Students who are having trouble making their payments should consider some of the alternate repayment terms provided for federal loans. Income-contingent payments, for example, are adjusted to compensate for a lower monthly income. Graduated repayment provides lower payments during the first two years after graduation. Extended repayment allows the term of the loan to be extended without consolidation. Although each of these options increases the total amount of interest paid, the increase is less than that caused by consolidation.

B. The Basics of Scholarships

Scholarships are a form of aid to help you pay your undergraduate tuition. Unlike loans, they do not have to be repaid. Generally, scholarships are reserved for students with special qualifications, such as academic, athletic, or artistic talent. Depending on your particular skills, you may find that you qualify for a variety of scholarships.

Scholarships are also available for students who are interested in particular fields of study, members of underrepresented groups, live in certain areas of the country, or demonstrate financial need. Scholarships for graduate students are known as fellowships.

Scholarships that sound too good to be true usually are. Learn how to recognize and protect yourself from the most common scholarship scams. The most important tip: If you have to pay money to get money, it is probably a scam.

Students who are awarded scholarships often need additional financial assistance. See “The Basics of Loans” section above for information on student and parent loans.

Many thousands of scholarships, in hundreds of fields, are awarded each year. The fastWEB database (www.fastweb.com) is one place to begin your search.

FastWEB is the Internet’s first, largest, and fastest free scholarship search service. You can even submit a preliminary application to some of the scholarships listed on fastWEB directly through fastWEB’s E-Scholarships program. FastWEB has awards from more than 10,000 sources, making it much larger than the other databases. It also has the tightest match criteria, meaning that students will not be shown awards for which they do not qualify. FastWEB’s database is updated daily.

You may also want to search one of the other free scholarship databases. Do not waste your money on fee-based scholarship-matching services. You will not get any better information than you can get from the free services available on the Web. You’ll notice a significant amount of overlap among the databases—they all use similar methods to compile their listings—but each database includes a few awards not listed in other databases.

There are also many competitions in the various arts disciplines that provide scholarships to the winners. See the “Competitions and Contests” section in Chapter 3 for more information.

Listed below are some basic resources for finding scholarships in the arts. Some of the scholarships listed are for individuals with disabilities only. For additional resources, please see the section on competitions and contests in Chapter 3, as well as the general resources listed in the following section on “Resources for Finding Financial Aid and Scholarships.”

The Media Access Office

4640 Lakershim Blvd., Suite 301 North Hollywood,
CA 91602

Telephone: (818) 752-1196

TTY: (818) 509-5614

E-mail: Gail Williamson at gailmao@aol.com

The Media Access Office offers the following scholarships: the Christopher Reeve Acting Scholarship for an actor or actress 18 or older who has a disability, the Saban Young Actor Scholarship for an actor or actress under 18 who has a disability, the Norman Lear Scholarship for a stand-up comedian with a disability, and the Loreen Arbus Scholarship for a student filmmaker with a disability who attends California State University at Northridge.

National Foundation for Advancement in the Arts

800 Brickell Avenue, Suite 500

Miami, FL 33131

Telephone: (305) 377-1147 or 1-800-970-ARTS

Fax: (305) 377-1149

E-mail: nfaa@nfaa.org

Web site: www.nfaa.org

The National Foundation for Advancement in the Arts was founded in 1981 as a nonprofit arts organization. Its mission is to identify emerging artists and assist them at critical junctures in their educational and professional development. The organization also attempts to raise appreciation for, and support of, the arts in the United States. It provides information on grants, scholarships, and fellowships as well as other professional development information and assistance.

C. Resources for Finding Financial Aid and Scholarships

College Board's FUND FINDER

Web site: www.collegeboard.org/fundfinder/html/ssrchttop.html

The College Board's FUND FINDER scholarship database, also known as the ExPAN Scholarship Search,

lists scholarships and other types of financial aid programs from 3,300 national, state, public, and private sources. The database is updated annually.

FastWEB

Web site: www.fastweb.com

This Web site helps students find scholarships for college. It matches each student's background with eligibility requirements of scholarships around the country at no charge.

Federal Student Aid Information Center

TTY: 1-800-730-8913

Telephone: 1-800-4-FED-AID

Web site: www.ed.gov/offices/OSFAP/students/

This hotline and the Web site provide quick answers to questions about federal financial aid. Calls are taken Monday through Friday from 9:00 am to 8:00 pm EST.

FinAid! The Smart Student Guide to Financial Aid

Web site: www.finaid.org

This comprehensive Web site offers information on loans, scholarships, and military aid. The Web site can answer all sorts of questions on applying for and finding money for college. It has a great section on

tips for successfully filling out and filing financial aid applications.

Peterson's COLLEGEQUEST

Web site: www.collegequest.com/college

Peterson's Award Search makes it quick and easy to find the right scholarships for you. The database presents 800,000 awards from about 2,000 sources in 69 academic subject areas, with the same complete descriptions found in Peterson's *Scholarships, Grants and Prizes* book. Peterson's is the most trusted name in education and careers publishing.

Sallie Mae/CASHE

Web site: www.scholarships.salliemae.com

Sallie Mae's Online Scholarship Service offers free access to the College Aid Sources for Higher Education (CASHE) database. The database lists private sector awards from more than 3,600 sponsors.

D. A PASS Can Help Pay for School

Maybe you need to go back to school before you can get a job but do not have the money. A PASS can help.

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A plan for achieving self-support, or PASS for short, is a written document approved by the Social Security Administration that describes how you intend to achieve a specific work goal. This plan allows you to set aside money or other things to help you with obtaining stable employment if you have a disability. If you are currently on SSI, a PASS can allow you to keep more of your SSI payment. If your income is too high, setting up a PASS may help you qualify for SSI benefits.

A PASS can help pay for just about any expenses that will assist you with reaching a work goal. Some of these include the following:

- tuition and fees
- books and supplies needed for school or training
- supported employment services and job coaching
- attendant care or child care expenses
- assistive technology for school or work
- transportation to and from school or work
- uniforms, special clothing, and safety equipment

These are only examples. You might have other expenses, depending on your goal.

For more information about PASS, see Chapter 10.