

Financial Aid Guide: Key Terms Defined

General Aid Terms:

After you submit your *FAFSA* (which will ask about *dependency status*), you'll receive back your *SAR*. Using information from your *SAR*, your college will send an *award eligibility letter* breaking down your *aid eligibility*. Your *financial need* is equal to your *COA* less *EFC*.

Free Application for Federal Student Aid (FAFSA): The form used to determine the amount of federal and state aid for which you are eligible.

Dependency Status: If you are a dependent student, colleges will count parent income and assets plus your finances in determining your aid eligibility.

Student Aid Report (SAR): The official notification sent after the FAFSA has been processed. This document will state your expected family contribution (EFC).

Award Eligibility Letter: List of aid that you are eligible to receive, including terms and conditions. You are not required to accept all aid.

Aid Eligibility: The total aid you are eligible to accept. Includes scholarships, grants, work-study and loans. Any offered aid is typically summarized in an award letter.

Financial Need: The difference between your cost of attendance and the EFC (see below).

Cost of Attendance (COA): This figure includes the total price of tuition, fees, room, board, books, supplies, transportation and personal expenses for one academic year of education (also known as the Student Budget).

Expected Family Contribution (EFC): A measure of your family's financial strength based on income, assets, family size, etc., submitted on the FAFSA. The EFC represents the amount of money the federal government believes your family can contribute toward one year of college. The amount you end up paying could differ from the EFC, depending on what resources are available at your college.

General Aid Types

Federal Aid: Aid that comes from the U.S. government. Usually disbursed through your college.

Gift Aid: Financial aid that does not need to be paid back:
- *Grants:* Typically based on financial need.
- *Scholarships:* Typically based on achievement or talent.

Loans: Funds that must be paid back, usually with interest. Federally-guaranteed student loans can be from a private lender (e.g., a bank) or from the federal government (administered by your college). Private loans are offered by commercial lenders with terms set by the lender, not the government.

Private Aid: Financial aid from non-government sources.

Federal Aid Programs

Pell Grant: Gift aid based on financial need. Eligibility depends on your FAFSA results. Current max/yr is \$4,050.

Federal Work-Study: Provides part-time job for students with financial need. Jobs are usually available on and off campus.

Perkins Loan: Fixed-interest loan (5 percent) through your college. You must demonstrate financial need. Current max per year for undergrads is \$4,000 (max. total: \$20,000).

Stafford Loan: Fixed-interest loan (6.8 percent). You can receive this loan from a private lender or your college. They can be subsidized (pay no interest while in school) or unsubsidized (interest accrues while in school).

Parent Loan for Undergraduate Students (PLUS): Fixed interest loan (8.5 percent for FFEL PLUS and 7.9 percent for Direct PLUS) parents can use for dependents in college.

Basic Loan Terms

Interest: An annual charge for borrowing money, expressed as a percentage of the loan balance. Interest rates are either variable (the rate can change) or fixed (the rate will not change).

Annual percentage rate (APR): The overall cost of borrowing money, expressed as an annual percentage of the loan balance. The APR combines the interest rate with the loan fees and also includes the effects of compounding.

Default: Failure to repay your loan; it may lead to legal action to recover the money and can affect your credit rating.

Delinquent: When at least one loan payment is late or missed. Serious delinquency may result in default.

Principal: The full amount borrowed. During repayment, it refers to the portion of the original amount still owed (not including interest).

Loan Fees: One-time charges to originate or guarantee a loan, expressed as a percentage of the loan balance.

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FastWeb Finance: ID Theft and Alternative Loans

Stay Secure: Prevent ID Theft

How can you protect yourself from being an ID theft victim?

- Shred and crosscut documents such as old statements, old credit cards and pre-approved credit card offers.
- Make sure you receive new credit or bank cards in a timely manner. If not, contact the issuer immediately.
- Don't post personal information on blogging, instant messaging and community websites. Identifying information such as your photo, home address, the school you attend or home and cell phone numbers can make you an easy target.
- Password protect all accounts with made-up words and change them frequently. Do not use your mother's maiden name as a password or confirmation. For passwords, use a combination of letters and numbers.
- Memorize your social security number (SSN) and passwords so they do not need to be written down.
- Never give out SSN, credit card or bank numbers to an unsolicited e-mailer or caller, even from parties that look legitimate (e.g., your bank or credit card company).
- Order your free credit report three times per year. Visit www.annualcreditreport.com or call: 877-322-8228 for more information. You are entitled to one free credit report per year from each of the three main credit bureaus (Equifax, Experian and TransUnion). Place a fraud alert on your file right away if you find fraudulent items on your report.
- Do not use your SSN as an ID number. Also, do not include SSN on your driver's license or school ID.
- Notify your credit card company if you are missing a statement in the mail. It may have been stolen.
- List all credit card, bank account and customer service numbers and a photocopy of the front and back of each card and keep them in a locked, safe place.
- Do not store bank or credit card account numbers on your computer.

What To Do If You're an ID Theft Victim

- ◆ Contact your bank and credit card issuers.
- ◆ File a report with your local law enforcement.
- ◆ File a report with the Federal Trade Commission at: www.consumer.gov/idtheft.
- ◆ Contact the main credit bureaus (Equifax, Experian, TransUnion) to place a fraud alert on your file.
- ◆ Notify your post office if mail was stolen.
- ◆ Notify your phone company if ID stolen over the phone.
- ◆ Notify the Social Security Administration (www.ssa.gov) if SSN was compromised.

Alternative Loan Guide

Consider an alternative loan* only if you've maxed out on free aid (scholarships and grants) and low-interest government loans. While alternative loans might be the difference between attending college or not, use them only as a last resort.

What is an alternative loan?

An alternative (also called a private) loan is a loan through a commercial lender (e.g., a bank). Eligibility is based on your creditworthiness and not on financial need.

When would I use an alternative loan?

Many bridge the gap between government or scholarship aid they are already eligible to receive and the cost of attendance.

How much should I borrow?

Avoid borrowing more than your anticipated first-year salary after college. For example, if you think your salary will start at \$40K per year, don't borrow more than \$10K per year.

Why you might want an alternative loan...

Variable interest rates: Because private loan providers offer variable rates, you may find a more competitive rate.

Credit-based, not need-based: You qualify for alternative loans based on credit history and score, not financial need.

Higher loan limits: You may be able to borrow more through an alternative loan vs. a federally-funded loan.

...and why you might not.

More expensive: Government loan interest rates are low, making it difficult for private loan providers to compete.

Hard to compare offers: The relationship between interest, fees, number of years and discount rates can be confusing.

Good credit is key: If you or your family's credit history is poor, the interest and fees you may end up paying more than the advertised rate.

Visit *FinAid's Alternative Loans page* for more information:

www.finaid.org/loans/privateloan.phtml

* Source: *FastWeb College Gold* (www.collegegold.com)

If you choose to take out an alternative loan for your education, be sure to report it to your College's Financial Aid Office.

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