

Paying for College: How to Cover College Expenses

When it comes time to pay for college expenses, sifting through all of the information on scholarships and grants, financial aid, and loans doesn't have to leave you feeling overwhelmed. We've broken it down to help you better understand your options and get you started.

Financial Aid: Filing the FAFSA

Filing a FAFSA (Free Application for Federal Student Aid) is the starting point for most student financial assistance programs. Many states and schools also use the FAFSA as part of their application process for non-federal aid. It's always in the best interest of students to go through the process of filing for the FAFSA, even if you think your family makes too much money.

To apply, go to: www.fafsa.ed.gov

Free Money: Grants and Scholarships

Grants and scholarships are attractive ways to pay for college because the money doesn't need to be paid back. Most grants and scholarships are available through the federal government, state agencies, and private organizations and are awarded at no cost to the student or their family. To be eligible for government grants and some school-specific scholarships, applicants must submit a FAFSA.

To see a list of federal grants and scholarships, visit:

www.studentaid.ed.gov/types/grants-scholarships

Student Loans

After maxing out scholarships and grants, you may want to consider loans to meet any shortfall in education funding.

Federal student loans are available through the Federal Direct Loan (Direct Loan) Program. Students and parents should always explore federal loans before looking to private student loans.

Private student loans are something to consider if the personal savings, financial aid, scholarships, and lower-cost federal loans of the applicant are insufficient in covering the total cost of college.

For more information, visit: www.direct.ed.gov

Other Ways to Close the Gap

For additional help in covering the costs of college, there are a few other options, like:

- Federal Work-Study Programs
- Military Service (e.g. Reserve Officers' Training Corps)
- Tuition Payment Plans
- Community Service
 - AmeriCorps
 - Learn and Serve America
 - Peace Corps

How Much to Borrow

According to the 2015 *How America Pays* Report, 41% of families had to borrow to pay for college during the 2015-2016 academic year¹. Some things to know and consider before borrowing:

- **Finance your student's education, not their lifestyle.**

Student loans are intended to finance school expenses, not spring break.

- **Borrow less than your student expects to make their first year out of college.**

While it's not guaranteed that they will earn this amount, the first year's salary can be estimated through the U.S.

Department of Labor at:

www.bls.gov/bls/blswage.htm

- **Be aware of the future debt-to-income ratio of your student.**

Think of debt-to-income ratio as the percentage of future earnings that will be spent on monthly payments for paying back their student loans.

For more information about paying for college visit:

www.bigfuture.collegeboard.org/pay-for-college

¹ The Sallie Mae "How America Pays for College" 2016 national survey, conducted by Ipsos, is based on extensive interviews with 1,600 undergraduate college students, ages 18 to 24, and parents of undergraduates, about how they paid for college in academic year 2015-2016.

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