

WAYS TO PAY FOR COLLEGE

Helping your mentee make the decision to go to college is just one piece of the puzzle. The other piece—and a very important one—is making sure they understand that there are alternate ways to pay for a college education.

Underrepresented students often think college is not an option for them because they think they can't afford it. College can be expensive. However, there are several available funding options for young people and their parent(s)/guardian(s).

This section includes an overview of available funding options and key information about the financial aid process that you can share with your mentee and their parent(s)/guardian(s). Reading this section will not make you a financial aid guru. It is designed to help you be a well-informed resource person who can point individuals in the right direction, one that includes college as an attainable goal.

Remember, it's not your job to apply for these funding options, or to fill out financial aid forms for your mentee. These applications often ask for sensitive information, such as Social Security Number and income or tax information. Provide this information to your mentee and encourage them to share it with their parent(s)/guardian(s). Also, make sure to make your mentee and their parent(s)/guardian(s) are aware of deadlines, contact information for the financial aid department of the college, and events such as "College Goal Sunday" that could assist them with completing these forms.

OVERVIEW OF FUNDING OPTIONS:

- Family and Personal Savings
- Scholarships
- Grants
- College Work Study Programs
- Working and Paying As You Go
- Loans: Private and Bank
- Loans: State and Federal
- Federal and State Financial Aid

FAMILY AND PERSONAL SAVINGS

Some families prepare for their children's college education by establishing a savings fund. The best way to do this is to start a savings account as soon as possible, right after a child is born, but it's never too late to begin saving. A good way for families to save for college is through a 529 Savings Plan. The plans are named after Section 529 of the Internal Revenue Code and are administered by state agencies and organizations.¹ There are two types: pre-paid tuition plans and savings plans that offer tax advantages.

- Prepaid tuition plans allow individuals to pre-purchase future college tuition at current tuition rates. For more information about the Michigan pre-paid tuition plan—Michigan Education Trust (MET)—families can call 1-800-MET-4-KID or visit the website, www.setwithmet.com. The Michigan program allows parents, grandparents, businesses, and others to pre-purchase undergraduate tuition for a child residing in Michigan for any public university or college, including 28 public community colleges.
- Savings plans that offer tax advantages allow individuals to contribute to investment accounts in which earnings grow tax free (federal and state) and remain tax free if distributions are used to pay for qualified higher education expenses. For information about the Michigan Education Savings Plan (MESP), families can call 1-877-861-MESP or visit their website at www.misaves.com.

SCHOLARSHIPS

Scholarships are offered by a wide range of organizations for countless reasons. Scholarship awards can be as little as \$25 or cover all tuition and expenses for four years of college at one of the nation's most expensive institutions. Finding them and applying for them can seem overwhelming; therefore, it is beneficial to talk to high school counselors and the financial aid office of your mentee's college of interest. The internet is also a free source of scholarship information. The search seems daunting, but encourage your mentee not to give up the search, it will be worth it.

Young people should begin searching in the **fall of their junior year**, even if they cannot apply for the scholarships until they are seniors. They should keep a file of scholarship application requirements and forms and a calendar of deadlines. Doing this will give them plenty of time to hone their application information and any necessary application essays.

Below are a few of the many FREE websites available to help students find scholarships. While searching for scholarships, it's important that students not fall for scams requesting fees.

- Visit www.fastweb.com for a free search engine that will match the student to potential scholarships; search the site for some unique scholarship opportunities.
- Go to www.educationplanner.com, and click on "Paying for College." Then click on "Scholarship Search" under "Find Money for College." Students can generate a list of available scholarships.
- The Federal Student Aid website has a scholarship search tool: www.studentaid2.ed.gov click on "MyFSA" and then click "Financial Aid and Scholarship Wizard"

¹ The College Savings Plan Network. What is a 529?

Here are some suggested Internet search categories for potential scholarships:

- Scholastic Achievement (grades, honor society membership, etc.)
- Race
- Gender
- Economic Need
- Religious Affiliation
- Organizations parent(s)/guardian(s) may be affiliated with (sororities, fraternities, the Rotary Club, etc.)
- The state in which students live
- The high school students attended
- Sports students participated in
- Community service students participated in
- The college a student wants to attend
- The field/major a student intends to pursue
- Disabilities or handicaps students may have
- Special talents students may have, like art or music
- Whether students' parent(s) have served in any branch of the military

GRANTS

Grants are similar to scholarships as free money to help pay for a college education. They are usually issued by colleges, non-profit organizations, or government agencies and given to individuals based on financial need, whether they meet certain criteria or in response to a commitment to complete a particular project or study a particular field. Project-based grants require the submission of a proposal and evidence that the project was completed. Most of the time, grants are tax free and do not have to be repaid, unless in special circumstances when an individual does not keep a commitment.

Below is an example of the types of grants available to help students pay for college:

- Michigan Grants, like the Children of Veterans Tuition Grant, the Michigan Educational Opportunity Grant, the Michigan Tuition Grant, and the Tuition Incentive Program www.mi.gov/mistudentaid.
- Grants, such as the Pell Grant, a need-based grant for low-income students, the Academic Competitiveness Grant, etc. All federal grants require the completion of the federal financial aid form (FAFSA) www.fafsa.ed.gov.
- The federal Teach Grant program for undergraduate and graduate students who plan to pursue a teaching career and who agree to teach in a low-income area and/or a high-need field for a specified period of time following graduation www.studentaid.ed.gov Click on "Federal Student Aid Programs" and then "Grants".
- Students should also search for grants available for particular ethnic groups, such as African Americans, Hispanics, Asian Americans, Irish Americans, Jewish Americans, Italian Americans, and Native Americans; for women; for individuals from particular religious groups; for first-generation college students; for high-needs fields; for specific fields, such as engineering, math, and science; and for students whose family members have been in the military.

COLLEGE WORK STUDY PROGRAMS

College work study programs are paying jobs offered to certain students based on their financial needs as part of federal, state, or college-based financial aid packages. Students usually work on campus or locally for at least the current minimum wage. How much students earn is based on their pay rate and the number of hours they work.

WORKING AND PAYING AS YOU GO

One way students can pay for their college education is to attend part-time and pay as they go. In other words, students take a limited number of classes per term (about two), possibly live at home to keep expenses minimal, and pay the tuition for their college classes out of their earnings.

This method may not work for everyone because it takes much longer to get a 2-year or 4-year degree by going to school part time. However, the benefits of getting a degree outweigh the additional time it might take to get one. For example, it's still better to take six years or more to get a 4-year degree than not to get one at all. Additionally, students will not have post-secondary debt.

If students are considering paying for their own college education, they may want to begin at a two-year community college and then transfer to a 4-year college. To make sure that a community college is the cheaper alternative, students should check the costs of all schools they are interested in attending. Sometimes a 4-year college can cost the same as a two-year college. Additionally, if a student decides to go the community college route first, he/she should check the transferability of their courses to the 4-year school they plan to attend. Contact the registration office at the community college AND the one at the 4-year school to ensure credit transfer. Some community colleges have transfer partnerships with local 4-year colleges, making the transition between schools easier for students.

LOANS: PRIVATE AND BANK

Students and their parent(s)/guardian(s) should exhaust all of their federal and/or state loan options *before* seeking private loans. Loans from private lenders, such as banks, credit unions, and other financial institutions, may be the easiest but are the least cost-effective way to finance a college education. These loans are offered to students and/or their families based on their credit ratings and current interest rates. Some loans made directly to students may be deferred. If a student does not have a credit history, he/she may need a cosigner to get the loan.

The benefit of applying for such loans is that no FAFSA is required, and students can borrow up to 100% of the cost of college (assuming they qualify for the loan) less any other aid they have received from other sources. However, these types of loans are usually less beneficial than federal or state loans or programs because they are based on an individual's credit rating and are less flexible, i.e., they usually do not have the range of repayment options available under federal or state loans, such as income-based repayment plans, additional deferment if a student returns to school, and loan forgiveness.

Encourage students to visit the “Federal Aid First” website for a discussion of the benefits of federal loans versus private loans; the address is www.federalstudentaid.ed.gov/federalaidfirst/index.html.

What type of Loan is best for me, Federal or Private?

- Federal Aid First: www.federalstudentaid.ed.gov/federalaidfirst/index.html
- Next Student: www.nextstudent.com
- The Project on Student Debt: www.projectonstudentdebt.org

LOANS: STATE AND FEDERAL

If students have applied for other sources of funds, such as scholarships, grants, and state and federal financial aid, and still have financial needs when it comes to paying for college, they should apply for low-interest state and federal loans. Following are some important things to know about these loans:

- Some loans are offered directly to students; others are available to students’ parent(s)/guardian(s).
- All loans must be repaid, but those offered directly to students can have deferred payment options. Often the repayment does not begin until after students have graduated from college, about six to nine months after graduation. Such loans also include a range of repayment options, such as income-based payment plans, additional deferment options for when students return to school, and loan forgiveness.
- Payments on loans made to students’ parent(s)/guardian(s) usually begin shortly after all funds have been distributed. These loans, although offered at reduced rates, are not deferred.
- Subsidized federal loans are ones where the government pays the interest on the loan and are based on financial need. Unsubsidized loans are ones where the student is responsible for the interest accrued on the loan and are not need-based.
- Most federal loans are available to students and their parent(s)/guardian(s) regardless of income level or credit history.

It is imperative that students and their guardians read all of the loan stipulations and repayment options when applying for this type of funding. Students can find out about state and federal loan programs by visiting the Michigan Student Aid website: www.michigan.gov/mistudentaid. To find out information about federal loans only, students should visit the FAFSA website, www.fafsa.ed.gov.

Before making a decision about applying for a loan, students and their parent(s)/guardian(s) may want to read information from the Project on Student Debt, a non-profit organization working to increase public understanding of loans as means to pay for college. The Project's goal is to identify cost-effective solutions that expand educational opportunities, protect family financial security, and advance economic competitiveness. For more information, visit: www.projectonstudentdebt.org.

FEDERAL AND STATE FINANCIAL AID

Applying for state and federal financial aid is the first thing young people should do when there is a gap between how much college costs and how much their families are able to contribute to those costs.

Michigan Financial Aid

- To find information about the type of state financial aid programs and how to apply for those programs, students should visit their high school guidance counselors or visit the state student aid website, “Paying for College, Student Financial Aid,” at www.michigan.gov/mistudentaid.
- Michigan Education Savings Plan: www.misaves.com A savings plan offering tax advantages for individuals who contribute to investment accounts used to pay for qualified higher education expenses
- Michigan Education Trust (MET): www.setwithmet.com A pre-paid tuition plan for parents, grandparents, businesses, and others to pre-purchase future undergraduate tuition at current rates
- Tuition Incentive Program (TIP): A state program that funds the first two years of college and beyond for eligible students. www.michigan.gov/documents/FactSheetTIP_161201_7.pdf

Federal Financial Aid

- Getting federal financial aid begins with completing the Free Application for Federal Student Aid (FAFSA). Types of federal aid include grants, work-study programs, and low-interest loans.

The FAFSA (Free Application for Federal Student Aid)

This section of the toolkit is designed to provide mentors with a basic understanding of the FAFSA and the application process.

All federal financial aid is tied to the correct and timely completion of the Free Application for Federal Student Aid (FAFSA). Information from the FAFSA is used to determine whether students are eligible for grants, work study programs, and low interest loans. Students applying for state of Michigan aid do not need an additional application to be considered for those programs, except for those eligible for the Children of Veterans Tuition Grant, which has a separate application process.

Federal aid is available for students planning to attend 4-year colleges, two-year colleges, and other career-focused schools. **It is critical that students not assume they will be ineligible for aid based on where they want to go to college or their financial resources; there is no harm in applying.**

The Federal Student Aid Website

The website (www.fafsa.ed.gov) is an excellent resource for federal student aid, on the website, students can:²

- Find information on federal student aid.
- Use “MyFSA” (a free, personalized student portfolio) to create a folder to record their interests, careers, and college search process, to help them decide on a career and locate schools offering majors in that field. They can track their progress in the college planning and application process by applying to schools online, access other sources of nonfederal aid, and store their personal information to populate fields for FAFSA on the Web.
- Apply online using FAFSA on the Web, the online version of the FAFSA.
- Obtain a Federal Student Aid PIN to sign their FAFSA on the Web. Make sure to keep your Federal Student Aid PIN in a safe place, you will need this number again.
- Use FAFSA4caster to get an early estimate of their eligibility for federal student aid and to get an early start in the financial aid process. When they’re ready to apply for aid, much of the information they enter in FAFSA4caster will populate FAFSA on the Web.
- Look up the status of their federal student loan.

Completing the Paper-Based FAFSA

Students and their families do not have to complete the FAFSA online. Paper-based copies of the form can be obtained by calling the Federal Student Aid Information Center at 1-800-4-FED-AID (1-800-433-3243) or by downloading a PDF version of the form from www.federalstudentaid.ed.gov. The paper-based version of the form includes the same information as the online version. Students can open the PDF file, complete it on their computers, and print it out; or they can print out the form and complete it by hand. Completed forms should be mailed to the address provided on the form.

Completing FAFSA on the Web

If possible, students and their families should complete the FAFSA online at www.fafsa.ed.gov because, according to government publication, *Funding Education Beyond High School: The Guide to Federal Student Aid, 2009-2010*:

- A FAFSA on the Web Worksheet can be downloaded and printed.
- The online application, FAFSA on the Web looks at the answers provided to previous questions and uses skip-logic to only display questions that apply to each person’s individual situation. This makes the application process shorter.
- FAFSA on the Web identifies potential errors right away and prompts on-the-spot corrections.
- There are online instructions for each question and live help is available for additional questions.

² U.S. Department of Education, Federal Student Aid. (2008). *Funding Education Beyond High School: The Guide to Federal Student Aid 2009-10*.

- Based on the information provided, screens appear to determine eligibility for various grants.
- Application information can be sent to up to ten schools; the paper form is limited to four.
- Once the application is submitted, the information is immediately sent to the U.S. Department of Education and will be sent a confirmation notice.
- The online application will be processed quickly, if students or their parent(s) provide electronic signatures using the PIN. The PIN is an electronic access code that serves as a personal identifier. Students and their parent(s) can apply for a PIN at www.pin.ed.gov.

When Should I Complete the FAFSA?

It depends. Students planning to attend college immediately after they graduate from high school should complete the FAFSA during January or February of their senior year. Because the FAFSA can also be used as a basis for aid for the planned college of attendance and for state aid, students have to be aware of all possible submission deadlines.

Applications can be submitted as early as January 1, and no later than June 30. States and colleges may have earlier deadlines, for example, in Michigan; the FAFSA is due by March 1. Colleges must have the students' complete and correct FAFSA information by the last day of their enrollment in the previous school year. Other dates may apply based on how students submitted their FAFSAs, electronically or by mail.

The FAFSA Deadlines for Some Michigan Colleges:

Students must check with college financial aid offices or websites to find out when to submit their FAFSAs.

Below are a few examples from Michigan colleges:³

- Central Michigan University: as soon as possible after January 1, but by February 15, for priority consideration for federal, state, and institutional aid
- Kirtland Community College: by semester enrollment, Fall (May 1), Winter (October 1) and Summer (April 1)
- Michigan State University: as soon as possible after January 1.
- Mott Community College: as soon as federal income tax forms (and spouse or parent's) tax forms are completed. If this is not possible, at least 6 weeks before the start of the semester students will begin attending college
- Oakland University: as soon as possible after January 1.
- Wayne State University: by February 15, for early consideration

The range of dates included above indicate that students must be diligent about contacting the financial aid offices of the colleges they plan to attend so they will not miss any important submission deadlines.

³ Dates obtained from college websites

What do I Need to Complete the FAFSA?⁴

For students and/or their parent(s)/guardian(s) to complete the FAFSA, they will need to have several records/documents on hand to fill out application questions. This information is used to determine families or individuals financial contributions to students' postsecondary education, referred to as the Expected Family Contribution (EFC). The EFC is a calculation based on income and assets and a pre-determined formula.

To complete the FAFSA, students and parent(s)/guardian(s) should have the following on hand:

- Social Security card
- Driver's license (if any)
- Permanent Resident Receipt Card (if applicable)
- W-2 forms and other records of money earned from the previous year
- Income tax return from the previous year (see the instructions on the FAFSA if the tax return has not been completed)
- Records of child support paid
- Records of taxable earnings from Federal Work-Study or other need-based work programs
- Records of the student's grant, scholarship and fellowship aid, including AmeriCorps awards, that were included in the student's (or the parent's/guardian's) adjusted gross income
- Current stock, bond, and other investment records
- Current business and farm records
- Current bank statements

Help for Completing the FAFSA

Students and their family members may need to seek help completing the FAFSA. It's critical that the form be completed correctly so students will be able to get all available aid.

Because of the critical nature of the document and the personal data that must be provided, it may not be likely for students and their parent(s)/guardian(s) to ask for your help to complete the FAFSA. However, they will need to know where to go to get professional help. The individuals and resources to help them successfully complete the form are some of the same ones they can go to for information about financial aid in general:

- College financial aid offices
- Information available on the Federal Student Aid website: www.federalstudentaid.ed.gov
- The Federal Student Aid Information Center at 1-800-4-FED-AID (1-800-433-3243)
- College Goal Sunday, a day when students and parent(s)/guardian(s) can visit local colleges or universities and get help filling out the form: www.micollegegoal.org

⁴ U.S. Department of Education, Federal Student Aid. (2009, August 16). Completing the FAFSA. Page 24.