

LESSON SIX: STUDENT WORKSHEET

HOW FINANCIAL AID WORKS AND HOW IT MAKES COLLEGE AFFORDABLE FOR YOU

Financial aid is intended to make up the difference between what your family can afford to pay and what college costs. Over half of the students currently enrolled in college receive some sort of financial aid to help pay college costs.

Financial aid is any type of assistance used to pay college costs (grants/scholarships, loans and work) that are based on financial need. There are three main types of financial aid:

- **Grants and Scholarships**

Also called gift aid, grants don't have to be repaid and you don't need to work to earn them. Grant aid comes from federal and state governments and from individual colleges. Scholarships are usually awarded based on merit.

- **Loans**

Most financial aid comes in the form of loans, aid that must be repaid. Most loans that are awarded based on financial need are low-interest loans sponsored by the federal government. These loans are subsidized by the government so no interest accrues until you begin repayment after you graduate.

- **Work**

Student employment and work-study aid helps students pay for education costs such as books, supplies, and personal expenses. Work-study is a federal program which provides students with part-time employment to help meet their financial needs and gives them work experience while serving their campuses and surrounding communities.

FINANCING OPTIONS

There are a variety of financing options available for families who are concerned about their ability to meet their family share of costs. These alternative sources of aid, most often in the form of loans, can help families cover financial aid "gaps," or unmet need in a financial aid package. See your school counselor visit www.collegeboard.com, www.fafsa.ed.gov or www.act.org.

- **Tuition Tax Credits**

A tax credit is an amount of money you can subtract from your federal tax bill. It is a dollar-for-dollar reduction of the amount you owe. If you have family members in college, and your income doesn't exceed certain limits, you may apply for a credit of up to \$1,500 per year. For more information, go to Tuition Tax Credits. Visit collegeboard.com or see your counselor.

- **In a Nutshell**

The financial aid system is based on the goal of equal access — that anyone should be able to attend college, regardless of financial circumstances