

## Paying For College

Paying for a college education represents a major financial commitment. Financial assistance in the form of grants, scholarships and loans is available through both public and private sources. Be sure to complete all applications early, so you receive the most funding for which you qualify. In addition to the following list of possible ways to finance your education, consider your own resources. You may be able to help yourself by putting money back from graduation gifts and from your summer job.

## Scholarships

While scholarships can be awarded on the basis of financial need, many reward talents such as academics, leadership, music or athletics. Scholarships can be competitive and have early deadlines, so plan ahead and submit the best scholarship application possible. The great thing about scholarships is that they do not have to be repaid.

## Grants

Federal grants are available for the neediest students, and provide aid that does not have to be repaid. They are often combined into a single financial aid package by institutions. Types of grants include:

**Pell Grant**-The Pell Grant program provides grants to low-income undergraduates to help them pay for college.

**Supplemental Educational Opportunity Grant (SEOG) Program**-The SEOG program provides grants to low-income students, and generally helps supplement the aid they receive from Pell Grants and other sources. Early eligible federal aid applicants usually share in this grant.

**State Student Incentive Grant (SSIG) Program** -This program, which provides incentives for states to award grants to college students, has played a significant role in encouraging every state to create and maintain its own student grant program. Applying for aid early helps ensure you will receive this funding if you are eligible.

**Institutional Grants** - Grants from institutional sources are the second most common type of aid available to students. Nearly 20 percent of available aid comes from colleges and universities.

## Federal Loan Programs

These loans are guaranteed by the federal government, and are designed to give students flexible repayment options. The two programs are the **Federal Family Education Loan (FFEL) Program** and the **William D. Ford Direct Student Loan Program**. Both programs provide the following 3 types of loans:

**Subsidized Stafford Loans** — These low-interest (currently no more than 8.25 percent) loans are based on financial need. The federal government pays the interest while you are in school and during certain grace and deferment periods

**Unsubsidized Stafford Loans** — These loans are offered at the same low rates as subsidized Stafford Loans, but the federal government does not pay interest for you during the in-school, grace, and deferment periods.

**PLUS Loans** — These loans are available to parents of dependent undergraduate students, and have an interest rate of no more than 9 percent. The federal government does not pay interest during deferment periods.

## Perkins Loan Program

This program provides low-interest (5 percent) loans to undergraduate and graduate/professional students who demonstrate financial need. Loans are provided through a fund consisting of new federal capital contributions (FCC), institutional contributions, and loan repayments from prior borrowers. This loan is repaid directly to the school.

## Federal Work-Study (FWS) Program

This program provides part-time jobs to students who use the earnings to finance their educational programs. Apply early for federal aid to help ensure you will be awarded work-study if you are eligible.

## Alternative Loans

Alternative loans provide a source for financing costs of your education not covered by other forms of financial aid. These loans may require an established credit history or a co-signer. First apply for financial aid through the school you are attending. If you do not receive sufficient funding for the cost of attendance, then consider alternative financing.

## Military/ROTC

**Montgomery GI Bill** - The Montgomery GI Bill is offered by all military services—the Army, Navy, Air Force, Marine Corps, the Coast Guard including their Reserves as well as the Army National Guard and the Air National Guard. The bill is good at any approved two- or four-year college, university, or vocational/technical school. The GI Bill currently provides up to \$34,200 for college after one tour of active duty and up to \$10,152 if you serve part-time in the Reserve or in the National Guard.

**College Funds** - If you qualify for the College Fund Programs after you have completed your tour of active duty, you can increase tuition support from the Army or Navy up to \$50,000 when combined with the Montgomery GI Bill. With the Marine Corps and Coast Guard, your maximum tuition support—when combined with the GI Bill—is \$30,000.

**ROTC (Reserve Officers Training Corps) Scholarships** - With ROTC, you're guaranteed a job right after graduation as an officer in the U. S. Military. There are many types of college scholarships in two-, three-, and four-year lengths, covering varying amounts of tuition, fees, and incidentals—up to 100 percent—but remember that specific scholarship terms vary by military service.

## College Savings Plans/Prepaid Tuition Plans

A prepaid tuition plan is a college savings plan that will rise in value at the same rate as college tuition. Parental savings plans are different from prepaid tuition plans in that there is no guarantee that the amount saved will equal the amount of tuition in the future; however there are tax advantages to these savings plans.

## Education IRA's

Penalty-free withdrawals are permitted from IRAs for undergraduate and graduate education. In addition, new "Education IRAs" can be funded with annual, nondeductible contributions of up to \$500 per child.

## Tax Benefits for College Students

In addition to financial aid, students and their families have access to several federal tax benefits that help lower their college expenses. These benefits were passed as part the Taxpayer Relief Act of 1997. The majority of the education tax benefits are provided through the *Hope Scholarship* and *Lifetime Learning* tax credits.

***Hope Scholarship Tax Credit*** -The Hope Scholarship tax credit allows students, or their parents or guardians, to claim up to \$1,500 per student per year for out-of-pocket tuition and fee expenditures.

***Lifetime Learning Tax Credit*** -The Lifetime Learning tax credit allows college students or their families to claim up to 20 percent of qualified out-of-pocket tuition expenditures per year.

***Deduction for Student Loan Interest*** -This deduction for student loan interest allows borrowers to deduct interest paid on any loan used for college expenses. This deduction is available to all qualified taxpayers, regardless of whether they take the standard deduction or itemize their deductions.