

The National College Planning Summit

Grants, Scholarships & Loans – What You Need To Know!

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***** IMPORTANT UPDATES***** *Since this interview was originally broadcast, the FAFSA is now available starting October of the Student's Senior Year in High School. Also, the amount awarded in Pell Grants and the Interest Rate on Direct Student Loans changes annually. Go to www.studentaid.gov for the most current information.*

1. What are the differences between Grants, Scholarships and Loans?

- a. **Grants** are usually Need Based Aid that you receive from the government or other sources. This is money that you do not have to repay.
- b. **Scholarships** are usually Merit Based Aid. They are awarded based on the student's merit - such as grades, athletic ability or fine arts skills. Scholarships are awarded and do not need to be repaid.
- c. **Loans** are what you borrow to pay for college expenses. These come from a variety of sources, and must be paid back.

2. Where do Grants and Scholarships come from?

- a. Some the most popular grants come from the Federal Government. These include:
 - i. Pell Grant
 - ii. Federal Supplemental Education Opportunity Grant
 - iii. Teacher Education Assistance for College and Higher Education Grant
- b. State Government
 - i. Check with your individual state.
 - ii. Some states have grants which may be used by a resident as long as they are attending a college in their resident state.
- c. Private or Nonprofit Organizations
 - i. Chamber of Commerce, Employer Scholarships, VFW, or Corporate Scholarships.
 - ii. Many private entities and companies offer grants to a student if the student is majoring in a specific discipline, or if the student fits into a certain portion of the population based on background, gender, or ethnicity.

3. What can you tell us about Pell Grants?

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- a. These are grants for lower income families.
 - b. The amount of aid you can receive depends on your financial need, the cost of attendance at your college and your status as a full or part-time student and your plan to attend school for the full academic year.
 - c. In order to know what your amount is, you first need to complete your FAFSA for every year you plan to attend college.
 - d. Families with incomes under \$40,000 are the most likely to receive Pell Grants.
 - e. The maximum award for the current year 2015-2016 is \$5,775. This amount varies depending on funding for the program.
 - f. The US government awarded Pell Grants to more than 8 million students at a cost of over \$30 billion.
- 4. What can you tell us about the Federal Supplemental Education Opportunity Grant? (FSEOG)**
- a. The FSEOG is a grant for students with exceptional financial need. Usually, students with an Expected Family Contribution of zero are the first to receive aid.
 - b. The amount awarded is between \$100 and \$4,000 per year.
 - c. Each college receives a certain amount of FSEOG funds from the US Dept. of Education.
 - d. Apply early, because once the funds are awarded for the year, the money is gone.
- 5. Finally, what can you tell us about the Teacher Education Assistance for College and Higher Education Grant, called TEACH, for aspiring teachers?**
- a. Up to \$4,000 annually for undergrads who will serve for a minimum of 4 years as a full-time teacher in a high need field that serves low income students.
 - b. \$2.9 billion awarded in 2014 for the TEACH Grant program.
- 6. According to the US Federal Reserve, student loan debt is approximately \$1.2 trillion – greater than US credit card debt. Can we go over the three types of Student Loans?**
- a. Federal Student Loans which are funded by the Federal Government.
 - b. Federal Parent Loans which are also funded by the Federal Government.
 - c. Private Education Loans which are funded by banks, credit unions and other financial institutions.
- 7. Let's start with Direct Subsidized and Direct Unsubsidized Loans - these loans used to be called Stafford Loans and some of our listeners may have heard that name before. Can you give us an overview of Direct Subsidized Loans?**

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- a. These loans are for students with financial need.
- b. Your college determines the amount you can borrow & it cannot exceed your financial need.
- c. The US Dept. of Education pays the interest on the Direct Subsidized Loans under the following conditions:
 - i. You are in school at least half-time.
 - ii. During the grace period – which is the first 6 months after you leave school.
 - iii. During a period of deferment - which is an authorized postponement of loan payments.
 - iv. The current interest rate for these loans is 4.29%.

8. Can you give us an overview of Direct Unsubsidized Loans?

- a. Direct Unsubsidized Loans are available to undergraduate students; there is no requirement to demonstrate financial need.
- b. Your school determines the amount you can borrow based on your Cost of Attendance and other financial aid you receive.
- c. You are responsible for paying the interest on Direct Unsubsidized Loans during grace periods and forbearance.
 - i. The interest will accrue and be added to the principal amount of your loan.
 - ii. This means that your loan balance will grow while you are in college.

9. Whose name is on either the Direct Subsidized or Direct Unsubsidized Loans – the student or the parent?

- a. It will be the student's name and on the student's credit report.

10. Is a co-signer required?

- a. No, students who receive these Federal Loans do not need a co-signer because they are easy to apply for and do not require credit history.

11. What are the loans limits for Direct Loans?

- a. \$5,500 Freshman
- b. \$6,500 Sophomore
- c. \$7,500 Junior
- d. \$7,500 Senior
- e. Cumulative total of \$31,000.
- f. Of this amount only \$23,000 can be Subsidized Loans.

12. What is the current interest rate?

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- a. Loans disbursed after July 1, 2015 through June 30, 2016 is 4.29%.
- b. The current loan origination fee is 1.068% for loans disbursed after October 15, 2015.
- c. Generally, the repayment term is 10 years.

13. What are Federal Perkins Loans?

- a. These are low interest student loans for undergraduate students with exceptional financial need. They are in the name of the Student.
- b. The interest rate is 5% and there is no loan origination fee.
- c. Not all colleges participate in the Federal Perkins Loan Program – so check with the Financial Aid Office to see if your college participates.
- d. Your school is your lender.
- e. You may receive up to \$5,500 per year and the maximum you can borrow as an undergraduate is \$27,500.
- f. If you are attending college at least half-time, you have nine months after you graduate before you must begin repaying.

14. What are Direct Parent Plus Loans?

- a. These are loans in the name of the Parent used to pay for college.
- b. The maximum amount of the loan is the Cost of Attendance (which is determined by the school) minus any other financial assistance received.
- c. The lender is the US Dept. of Education.

15. Are Direct Parent Plus loans hard to qualify for?

- a. No, the borrower must not have an adverse credit history such as loan defaults or bankruptcy.
- b. Parent Plus Loans DO NOT use the parent's FICO score to determine loan eligibility.

16. What is the Current Interest Rate?

- a. Loans disbursed after July 1, 2015 and before July 1, 2016 is 6.84%.
- b. There is a loan origination fee of 4.272%.
- c. Loans must be repaid starting 60 days after disbursement, however, the family can request a deferment as long as the student is enrolled at least half time.
- d. The repayment term can be between 10-25 years.

17. How do I apply for Federal Student Loans?

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- a. Fill out the FAFSA each year and fill it out early. The FAFSA is available starting January 1. Go to www.fafsa.gov
- b. In my opinion, it may be beneficial for students to have some student loans – some “skin in the game,” so that they avoid becoming professional students.

18. Besides filling out the FAFSA, what do I have to do to receive my loan money?

- a. Entrance Counseling – a mandatory information session which takes place before you receive your first Federal Student Loan that explains your rights and responsibilities as a student borrower.
 - i. Students must do this & generally this is done online at www.studentloans.gov.
- b. Master Promissory Note - a legal document in which you promise to repay your loan and accrued interest and fees to the US Dept. of Education.
 - i. It also explains the terms and conditions of your loans, how interest is calculated, when interest is charged, variable repayment plans and deferment and cancellation provisions.
 - ii. Additionally, you are agreeing to repay your loan even if:
 1. You don't complete your education.
 2. Can't get a job.
 3. Didn't like the education you received.
- c. Exit Counseling - Additionally, you will have to complete exit counseling once you have graduated or no longer attend school.

19. In addition to Federal Student Loans there are also Private Student Loans. What can you tell us about Private Loans?

- a. Private Loans are available from banks, credit unions, other financial institutions and sometimes the colleges themselves.
- b. They are designed to fill the shortfall after exploring federal student aid.
- c. You can borrow what is needed up to the Cost of Attendance minus any other financial aid received.
- d. Private Loans are not sponsored or guaranteed by government agencies and do not require completion of the FAFSA.
- e. Private Loans are credit-based and often require a co-signer.
- f. Underwriting requirements, interest rates and terms can vary from lender to lender.
- g. If you consider Private Loans, there are different ways to go about getting them.

20. Are Federal Direct Loans better than Private Loans?

- a. Stafford Loans are good, use Parent Plus Loans as a loan of last resort because of the interest rate.
- b. I recommend private loans through banks or a home equity loan.

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- c. But for some families Parent Plus Loans are the only option.
- d. Depending on the financial strain on the family or the student, either Federal Direct or Private Loans can be best.

21. What is Federal Work Study?

- a. Federal Work Study are jobs which help students earn money to pay for college.
- b. Undergraduate students work part-time on or off-campus while enrolled.
- c. Your wages are considered part of your Financial Aid Package and are not counted toward the income you report on next year's FAFSA.
- d. It's a great way to get work experience.

22. Finally, let's talk about Private Scholarships such as the Chamber of Commerce, Non-Profit Organizations and other Corporate Scholarships. Are there any websites our listeners can visit to find these Scholarships?

- a. www.fastweb.com
- b. www.scholarships.com
- c. www.bigfuture.collegeboard.org (type in "scholarship" into the search box)
- d. www.zinch.com
- e. www.unigo.com
- f. www.careeronestop.org US Dept. of Labor website (type "scholarship" in the search box)
- g. Ask your High School Guidance Counselor for information about local scholarships – ask early in High School:
 - i. Local scholarships have fewer numbers of students applying.
 - ii. Local scholarships may have community service requirements – For example, the student may need to work in a local soup kitchen for two years.

23. If I receive any outside scholarship, will it affect my financial aid?

- a. Yes, you need to let the Financial Aid Office know about any scholarships received.
- b. The school may reduce the amount of Need or Merit Aid.
- c. It is still a good idea to apply for outside scholarships because you don't know if you will receive Need Based or Merit Aid.

24. How can families avoid the trap of relying solely on student loans?

- a. Make your student as attractive to the school as possible. Private schools have Merit Aid that they can award to students that they want. Merit Aid has nothing to do with the financial need of the family.

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- b. Here is how you can make your student attractive - NACAC (National Association of College Admissions Counselors) surveyed 3,000 College Admissions Counselors and asked, “What are you looking for when you review applications?” These are the top things colleges are looking for in applicants.
 - i. Good Grades and college prep courses
 - ii. Strength of HS Curriculum
 - iii. Scores of Standardized Tests (ACT & SAT)
 - iv. Grades in all classes
 - v. Essay
 - vi. Has the student showed interest in the University?

25. What typically makes up the Cost of Attendance?

- a. Cost of Attendance is how much the college costs for one year. Each school has their own Cost of Attendance and you can find it on each college’s website.
 - i. Tuition & Fees
 - ii. Room & Board
 - iii. Books & Supplies
 - iv. Transportation
 - v. Personal Expenses

26. How is your EFC determined and what does that mean for a student’s Financial Aid Package?

- a. The Expected Family Contribution is how much your family is expected to pay towards the cost of college.
- b. It is calculated on the FAFSA form.
- c. It is based on the parent’s income & assets and the student’s income & assets.
- d. It is a very complex calculation that takes into consideration income & assets, age of the oldest parent, number of members in the household, and more.
- e. FAFSA does not count the equity in the family home.

27. Is it possible to attend a Private College at Public College costs?

- a. Yes, but you must plan ahead!
- b. Make your student as attractive as possible to the College – good grades, outside activities – the things we just talked about.
- c. Private schools have to compete with Public Universities and they compete using their own funds and award Merit Scholarships to students they would like attend their university.
- d. Research colleges and find schools where your student will be attractive to the college.

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28. Can families with high incomes receive financial assistance to help pay for college?

- a. Yes, once again it has to do with Merit Aid.
- b. Merit Aid is awarded to students that the college wants to attend.
- c. Merit Aid has nothing to do with the Financial Need of the Family. Students from wealthy families can receive Merit Aid.

29. Do you have any final thoughts for our listeners today?

- a. Start planning early, even with 7th -8th graders – get them familiar with the college process.
- b. Don't wait until Junior or Senior Year to visit colleges – students should get a sense of what college is like.
- c. Look for Private Scholarships early – even before the student enters High School.

30. How do you work with families and how can they contact you?

- a. We work in all aspects of college planning:
 - i. Building the Student Resume
 - ii. Test Prep
 - iii. Career Planning
 - iv. Critique Essays
 - v. We make sure student apply to at least 6-8 colleges so they have multiple Financial Aid award letters.
 - vi. We fill out the FAFSA and show families how to lower their EFC, if possible.
- b. Basically, we handhold the students and the parents!
- c. Our Phone is 888-590-3668
- d. Our Website is www.parroscollegeplanning.com