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To support the community by promoting **scholarship programs** sponsored by BHESC, with online borrower **debt counseling** and other education financing related **benefits**, and above all to make the student loan experience **simple, customer-friendly** and **easy to manage**.



ACADEMIC FINANCE CORPORATION

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REACH GOALS.



## EDUCATION FINANCING

A GUIDE TO THE  
FINANCIAL AID PROCESS



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AFC is the leading student loan origination company of Brazos\*, the #1 not-for-profit holder of FFELP loans in the USA. As a not-for-profit lender, we reinvest our resources into programs that enable us to put our customer's needs FIRST. AFC participates in and promotes scholarship programs sponsored by BHESC.

#### HOW AM I GOING TO PAY FOR COLLEGE?

Relax! It's a lot easier than you might think. We understand that paying for college can seem overwhelming. This free guide has been developed to help you with the financial aid process. The following pages will outline the many higher education funding options available to you, from grants and scholarships to work-study and low-interest student loans.

If you still have questions after reviewing *Financing Your Dreams*, head to the Financial Aid Office at any of the universities, colleges, trade or technical schools to which you are applying for aid.

In the meantime, what are you waiting for? Keep reading. You've got financial aid questions. We've got the answers!



\*Brazos is a term used to refer to a group of not-for-profit corporations that contract with and are managed by Brazos Higher Education Service Corporation, Inc. (BHESC).

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## WHAT DIRECTION SHOULD YOU GO?

# Help!

### WILL I QUALIFY?

Good news! Contrary to popular belief, nearly every student qualifies for some form of financial aid. It is true that eligibility for grants and work-study funds are based on financial need, as determined by review of the FAFSA (see pg. 3). But even the wealthiest students now qualify for low interest Federal loans which offer far more attractive repayment terms than private loans. The only way to know what types of funding you might be eligible for is to apply!

Once you begin applying to colleges, consult your high school's guidance counselor for information and assistance with the forms and applications you must submit. Contact the financial aid administrator at each college for information about scholarships and grants, including the forms required for each.

### STEPS IN THE FINANCIAL AID PROCESS:

Determine the cost of attending the college(s) of your choice. This is the total amount of your college expenses. Some are already set (tuition, room & board, and fees) while others will have to be estimated (books and supplies, personal miscellaneous expenses and transportation). Your financial aid administrator will have a handle on all these expenses, so it's a good idea to ask for help.

Complete the [Free Application for Federal Student Aid \(FAFSA\)](#) online and submit it electronically to the U.S. Department of Education at [www.fafsa.ed.gov](http://www.fafsa.ed.gov). Paper FAFSA applications may be available at your high school guidance office. The FAFSA is used to determine the key element in any financial aid application: financial need.

Submit the completed FAFSA for processing as soon as possible after January 1. The factors listed below will help determine the types and amounts of aid for which you may qualify:

- Parents' Income and Assets
- Medical Expenses
- Family Size
- Age and Number of Working Parents
- Number of Children in College
- Extraordinary Expenses or Special Circumstances
- Student's Income and Expenses

Note: Remember that you must reapply for financial aid every year, either by completing a "New" or "Renewal" FAFSA. Also, be sure to check with your school to see what steps you should take to continue receiving aid.

Your college may require that you fill out additional financial aid forms for campus-based aid.

Federal, state, local, and school education funds for which you qualify are gathered by the financial aid administrator and awarded to you as a financial aid package. Check out local scholarship opportunities and other sources of "gift" aid.

Apply for one or more of the education loans that are available to help you. Applications for these loans can be obtained online.

## WHAT KIND OF AID IS OUT THERE?

**Student Financial Aid** comes in all shapes and sizes from a variety of sources including: the Federal government, individual states, directly from colleges and universities as well as from numerous other public and private agencies and organizations. Whatever the source, however, all forms of college aid fall into four basic categories:

**Grants** - Grants are gift aid which does not have to be repaid and is generally awarded based on financial need.

**Work-Study** - The Federal Work-Study Program (FWS) is a federally funded source of financial assistance used to offset education costs. Eligible colleges administer the program, which provides jobs for eligible students. A full time student can expect to work up to 20 hours a week (on or off campus), at a salary based on local market conditions and current minimum wage standards.



### FINANCIAL AID

**Loans** - Funds that are borrowed and must be repaid with interest. As a general rule, repayment terms and interest rates for educational loans are usually far more favorable than for traditional consumer loans.

**Scholarships** - Scholarships can be offered by the school, by local/community organizations and by private national institutions (i.e., The National Merit Foundation). As with grants, scholarships do not have to be repaid. However, unlike grants, scholarships are generally awarded based on some combination of academic criteria, organizational or group memberships or participation in athletic or other extracurricular activities.

## FEDERAL PELL GRANT

**Federal Pell Grants** are targeted to undergraduate students with very high financial need. The amount of your Pell Grant is determined by the size of your Expected Family Contribution (EFC), the school's Cost of Attendance, your enrollment status, and whether you attend for part or all of the school's academic year. As with all grants, Federal Pell Grants do not have to be repaid. However, unlike other Federal grant programs, Pell Grants are considered an Entitlement Program which means that the Federal government awards the funds regardless of which eligible school you decide to attend.

The maximum Pell Grant eligibility varies each award year based on available Federal funding. Pell Grant award amounts can change yearly. The minimum award for those who qualified was \$400. Remember, even if your need is not high enough to qualify for a Pell Grant, you may still be eligible for other forms of financial aid.

## FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS (FSEOG)

The second largest educational grant program, after Pell Grants, is the **Federal Supplemental Educational Opportunity Grant (FSEOG)** program. These grants are reserved for undergraduate students with the greatest financial need. Priority is given to students who also qualify for a Pell Grant. Unlike Federal Pell Grants where the Federal government provides funding for all qualifying students regardless of which eligible school they attend, FSEOG funding is far more limited. Participating schools receive a predetermined amount of FSEOG funds for the award year. Once those funds are used up, no additional awards can be made. The maximum FSEOG award is \$4,000 per year. The minimum award for those who qualify is usually no less than \$100. The amount you actually receive will depend on your financial need, the amount of other aid received and the availability of funds at your school.

## FEDERAL WORK-STUDY

**Federal Work-Study** provides part-time jobs to both undergraduate and graduate students as part of their financial aid package. The amount of any Work-Study funds offered will depend on your financial need, the amount of other aid you receive, the school's available funds and the number of hours you're willing or able to work.

Work assignments are typically selected from either campus owned and operated facilities or community based service agencies or organizations. Salaries vary depending on your work assignment, but will never be less than the prevailing minimum wage. However, you will generally only be allowed to work until the point you have earned the full amount of your Work-Study award.

In addition to the Federal program, some states also offer similar Work-Study programs. Even if you do not qualify for the College Work-Study funds, your school may have other part-time work opportunities available.

### QUICK REFERENCE

How much money is available to a first year dependent undergraduate student?

Program	Max	Grant	Subsidized Loan	Unsubsidized Loan	Need Based	Credit Based
Pell Grant	\$4,310	•			•	
FSEOG Grant	\$4,000	•			•	
Work-Study	No Max				•	
Perkins Loan	\$4,000		•		•	
Stafford Loan	\$3,500		•		•	
*PLUS Loan	Cost of Attendance			•		•
Private Student Loan	Cost of Attendance			•		•

\*Includes GradPLUS

## FEDERAL PERKINS LOANS

**Federal Perkins Loans** are very low interest (5%) loans that are available to both undergraduate and graduate students with high financial need. Although the Federal government provides the majority of the funds for these loans, the school contributes a small portion of its own institutional funds toward making these loans. The school also serves as the actual lender and, as such, repayment will be made to your school.

The maximum Perkins Loan award is \$4,000 per year for undergraduates and \$6,000 per year for graduate students. The amount, if any, you receive from a Perkins Loan will depend on your financial need, the amount of other aid you receive and the availability of funds at your school. Generally, you will not be charged interest on your Perkins Loan nor be required to begin repaying the loan until nine months after you have graduated, withdrawn or dropped below half-time enrollment status. This nine-month delay before beginning repayment is referred to as a grace period. You will be given up to 10 years to repay your Perkins Loan with a minimum monthly payment of \$40. However, the exact time frame for repayment and the amount of your monthly payments can vary widely based on your total indebtedness.

## WE CAN HELP WITH EDUCATION LOANS

You should accept and apply for all available scholarship opportunities and other sources of gift aid before applying for an education loan. However, if you don't receive sufficient Federal Pell Grant, FSEOG, Work-Study, Perkins Loan or scholarship funds to meet all of your educational expenses. We can help with a variety of low-interest educational loan options, including:

- Federal Stafford Loans
- Federal PLUS Loans
- Federal GradPLUS Loans

These loans are part of the Federal Family Education Loan Program (FFELP) and are provided by lenders like AFC, banks, credit unions, savings and loans, and other lending institutions.

## FEDERAL STAFFORD LOANS

Federal Stafford Loans are the most common form of student financial aid and are available to undergraduate and graduate students who are enrolled on at least a half-time basis.

Stafford loans come in two different forms: Subsidized and Unsubsidized.

- The subsidized Stafford loan is need-based and the government pays (or subsidizes) the interest on the loan while you are in school.
- The unsubsidized Stafford loan is not need-based and is available to all students regardless of need. The borrower is responsible for the interest that accrues on the loan while they are in school.

## ELIGIBILITY

- US. citizen or eligible resident non-citizen.
- Enrolled as a full-time or half-time student.
- Making satisfactory academic progress, as determined by your school.
- Not in default on any federal education loan.
- Registered with Selective Service (if you're 25 or younger).

## STAFFORD INTEREST RATE - 6.8% FIXED

Effective for loans disbursed on or after July 1, 2006.

## STAFFORD LOAN FEES

There are two types of fees associated with borrowing a Federal Stafford Loan. Both fees will be deducted proportionately from each loan disbursement.

- An **Origination Fee**, which is equal to 1.5% of the loan principal for the 2007-2008 academic year, is paid to the Federal government. Due to Federal legislation, the Origination Fee will be gradually reduced over the next three academic years as follows:
  - 1% in 2008-2009
  - 0.5% in 2009-2010
  - 0% in 2010-2011
- A **Federal Default Fee** of up to 1% is charged by the guaranty agencies.

## REPAYMENT TERMS AND PLANS

- Repayment begins 6 months after you leave school or drop below half-time enrollment.
- Standard Repayment: 10 year term, \$50 minimum payment.
- Graduated Repayment: Monthly payments start smaller and increase as repayment continues.
- Income Sensitive Repayment: Monthly payment is based on a percentage of your projected monthly gross income.
- Extended Repayment: Term can be extended to 25 years for loan balances over \$30,000.

## STAFFORD LOAN LIMITS

Year of Study	Subsidized Stafford Loan '07 - '08	Unsubsidized Stafford Loan '07 - '08
Year 1	\$3,500	\$4,000
Year 2	\$4,500	\$4,000
Year 3-5	\$5,500	\$5,000
Graduate	\$8,500	\$12,000
Aggregate Total		
Undergrad	\$23,000	\$46,000
Grad	\$65,500	\$138,500

## FEDERAL PLUS LOANS

Federal PLUS Loans are available to parents to supplement their dependent children's financial aid package.

## ELIGIBILITY

- Eligibility is not based on income or financial need.
- The borrower must be a parent of a full or half-time dependent undergraduate student.
- The borrower must be a U.S. citizen, national or eligible non-citizen.
- The parent borrower must have no adverse credit history which is determined by a credit check.

## PLUS BORROWING LIMITS

PLUS loan limits are the student's total cost of attendance less the amount of other aid received by the student during that academic period.

## PLUS LOAN INTEREST RATE - 8.5% FIXED

Effective for loans disbursed on or after July 1, 2006.

## PLUS LOAN FEES

- An **Origination Fee**, which is equal to 3% of the loan principal, paid to the Federal government.
- A **Federal Default Fee** up to 1% is paid directly to the applicable guaranty agency.
- Both fees will be deducted proportionately from each PLUS Loan disbursement.

## REPAYMENT

- Repayment begins 60 days after final loan disbursement.
- Parent PLUS loan borrowers can defer payments while the student is enrolled in school at least half time.
- 10 Year repayment term.

## THE FEDERAL GradPLUS LOAN

The **Federal GradPLUS Loan** is available to graduate and professional students to supplement other financial aid received.

The GradPLUS loan allows you to borrow up to the full cost of attendance less other financial aid received. Student borrowers are encouraged to first borrow the maximum (based on eligibility and determination of need) in Stafford Loans before borrowing the GradPLUS.

### ELIGIBILITY

- The borrower must be a graduate or professional student as certified by their school.
- Eligibility is not based on income or financial need.
- The borrower must be a U.S. citizen, national or eligible non-citizen.
- The borrower must have no adverse credit history which is determined by a simple credit check.

### GradPLUS LOAN INTEREST RATE - 8.5% FIXED

Effective for loans disbursed on or after July 1, 2006.

### GradPLUS LOAN FEES

- An **Origination Fee**, which is equal to 3% of the loan principal, paid to the Federal government.
- A **Federal Default Fee** up to 1% is paid directly to the applicable guaranty agency.
- Both fees will be deducted proportionately from each GradPLUS Loan disbursement.

### REPAYMENT

- Borrowers can defer payments while enrolled in school at least half-time.
- GradPLUS repayment begins 60 days after the final loan disbursement.
- 10 year repayment term

## THE SIX SIMPLE STEPS OF THE FINANCIAL AID PROCESS

1. The school's financial aid office sends you a Financial Aid Award Notice that indicates the types of gift and self-help aid you are eligible to receive. It also certifies the type(s) and amount(s) of Federal Stafford Loan(s) you are eligible to borrow. Decide what portions of which offers on the Financial Aid Award Notice you wish to accept.
2. If you choose to apply for Federal Stafford Loans, you must complete and submit a Federal Stafford Loan Master Promissory Note (MPN). You will either receive the MPN from your school or if your school uses electronic processing, you may be directed to a website to apply online.
3. If you have questions regarding the completion of your MPN, please contact your school's financial aid office. Return your completed promissory note to the address indicated as soon as possible. Remember that a lender cannot disburse your student loan funds to your school until it receives your fully completed and signed MPN.
4. A guarantor will certify your eligibility and then "guarantee or insure" your loan for your lender. If you should ever default on your loan (not repay according to the terms outlined in your promissory note), the guarantor will pay your lender for the loan and will then collect the loan directly from you.
5. You will receive a Notice of Loan Guarantee and Disclosure Statement that will indicate the names, addresses, and phone numbers of your guarantor, lender, and school. It will also notify you of your interest rate, the amount of any loan origination and/or default fees that may be deducted from your loan proceeds, and the disbursement dates that have been set by your school.
6. Your lender will then forward the first disbursement of your loan proceeds directly to your school via Electronic Funds Transfer (EFT) or check. It is the school's responsibility to verify your enrollment status and obtain authorization from you to apply the loan proceeds against your student account balance.



## RECOMMENDED TIMETABLE

### DECEMBER

Contact the financial aid administrators of the colleges you apply to and ask for a FAFSA and any other applications they require. Contact your State Student Assistance Agency to apply for state aid. Investigate local scholarship opportunities through your local guidance counselor. And ask about all application deadlines.

### JANUARY

Submit your completed FAFSA (either by mail or on the Internet at [www.fafsa.ed.gov](http://www.fafsa.ed.gov)) as soon after January 1 as possible. Be sure to indicate your interest in applying for state aid and the Federal Pell Grant. A copy of the results will automatically be sent to the Department of Education for the Federal Pell Grant, the State Student Assistance Agency, and the financial aid office of each school to which you are applying. Within four to six weeks, (or earlier if you complete your FAFSA on the Web) you will receive an acknowledgment of the information you submitted on your FAFSA, and you must make any necessary changes or corrections.

### MARCH

Subsequently, you will receive a Student Aid Report (SAR) from the Department of Education indicating your eligibility for a Pell Grant. Sign the Student Aid Report and send it to your school's financial aid office, along with documentation for any state or private scholarship awards you receive.

Once your college's financial aid advisors have determined your financial need, they will work with you to build a financial aid package based on your eligibility for the federal programs in this guide.

### MAY

You should receive an Award Notice from the financial aid office offering the financial aid package for which you qualify. Review it carefully, making sure you understand the terms and conditions of each program. Don't hesitate to discuss the award and its implications with the college financial aid administrator. To accept the award as offered, sign the letter and return it to the financial aid office immediately. At this time, you need to consider whether all of your education costs will be met by this financial aid package. If you need more financial resources, you can consider private, or alternative loans, or your parents may want to consider a PLUS Loan.

## Education Pays

### Median Annual Earnings in 2006

Professional Degree	\$76,648
Master's Degree	\$59,280
Bachelor's Degree	\$50,024
High School Diploma	\$30,940

Statistics as of 2006.

Source: Bureau of Labor Statistics, Current Population Survey