

Economics

Copeland

Week 5 & 6

Apr 27 – May 8

## Financial Aid

- Many families cannot afford to pay for college, so they acquire loans and other financial aid.
- FAFSA was created by the U.S. Department of Education and managed by the Office of Federal Student Aid
- To be considered for Financial aid, one must complete a FAFSA form.
- Around 14 million FAFSA forms are submitted each year and account for about \$80 billion.
- Free Application for Federal Student Aid FAFSA
- January is the best time to fill out your FAFSA form, because of tax information

## Financial Aid

- To qualify for financial aid, you must:
  - Be a U.S. Citizen
  - Have a valid Social Security number
  - Have a high school diploma or GED
  - Be registered with the U.S. Selective Service
  - Promise to use federal aid only for edu. Purposes
  - Not owe refunds on any federal student grants
  - Not have defaulted on any student loans
  - Not have been found guilty of the sale or possession of illegal drugs



## Financial Aid

- Documents you need to complete the FAFSA form:
  - Most recent income tax return
  - Current bank statements
  - Investment records
  - Records of any untaxed income
  - Driver's license
  - Social Security number
  - Alien registration or permanent resident card (if not a citizen)



**STUDENT  
FINANCIAL  
AID**

## Student Loans

- About half of all financial aid is in the form of loans
- Most student loans, you must start paying back nine months after you graduate
- Most common student loans:
  - Direct Subsidized Loan
  - Direct Unsubsidized Loan
  - Direct PLUS Loan (Parent Loans for UGS)
  - Direct Consolidation Loan
  - Federal Perkins Loan Program



## Subsidized and Unsubsidized Loans

- **Direct Subsidized Loan**
  - The school determines how much you need based on your financial need
  - Fixed Interest rates
  - The U.S. DOE pays on the interest while your in school at least part time
    - Up to 6 months after you leave
    - While your loan is in deferment
- **Direct Unsubsidized Loan**
  - There are no requirement to demonstrate financial need
  - Fixed Interest Rates
  - You are responsible for paying the interest while you are in school
  - If you choose not to, your interest will accumulate and be added to the principle of your loan

## PLUS Loan & Consolidation Loan

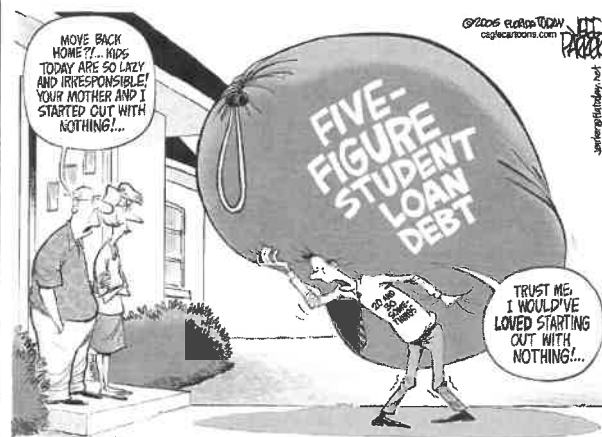
- **PLUS Loan**
  - Are for Graduate student or Parent who borrow for their child
  - Fixed interest rate
  - School determines how much money one can get base on financial need for school
- **Consolidation Loan**
  - A loan that combines two or more federal education loans into a single loan
  - A Direct Consolidation Loan allows the borrower to make a single monthly payment.
  - The DOE does not require and application fee.

## Federal Perkins Loan Program

- Interest Rates are 5%
- Not all schools participate in this program
- The school lends you the money and you repay the school
- Funds depend on financial need



## Student Loan Debt





Name: \_\_\_\_\_

Date: \_\_\_\_\_

## **Financial Aid**

1. If families cannot afford to pay for college, what alternative do families turn to, to pay for college?
2. What does the acronym FAFSA stand for?
3. Around \_\_\_\_\_ million FAFSA forms are submitted each year and account for about \_\_\_\_\_ billion.
4. List Three things you need in order to qualify for financial aid.
5. List Three documents you need to complete a FAFSA form.
6. After receiving a student loan, how long do you have before you are required to start paying it back?
7. What is a Subsidized Loan?
8. What is a Direct Unsubsidized Loan?
9. What is a PLUS Loan?
10. What is a Consolidation Loan?
11. What is a Federal Perkins Loan Program?
12. Which loan is the best loan, and the only loan Mr. Copeland, would like for you to receive?