

Financial Aid 101

Figuring out financial aid can be one of the most complicated parts of the entire college application process. Simply knowing the types of financial aid are available to students can go a long way toward helping you understand your options.

Need-Based Aid Need-based aid is money awarded based on the ability of you and your family to pay for college. The first step to applying for most need-based aid is to fill out the Free Application for Federal Student Aid (FAFSA), available at www.fafsa.ed.gov. All federal aid, including grants and loans, is based on FAFSA. Most colleges use it as a guide for awarding their own need-based grants and scholarships. Some private scholarships are also based on your financial circumstances.

Merit Aid This type of financial aid, generally awarded as a scholarship, recognizes your individual achievements and accomplishments in academic, athletic, artistic or other areas. Money received as merit aid does not need to be paid back. Many states sponsor merit-aid programs for residents who meet minimum requirements for GPA and test scores. Most colleges offer merit-based aid for students with strong academic track records as well as leadership qualities, community involvement or other talents and interests. Unlike competitive scholarships, which are typically one-time awards, merit aid can often be renewed for several years, providing the student meets academic benchmarks. Merit aid is also often less competitive than other awards that choose a single "winner." Most often, merit aid goes to any student who qualifies.

Scholarships Simply put, scholarships are "free" money for college, meaning you don't have to pay it back. They can come from any number of sources, including colleges, the government, corporations, individuals, religious groups, non-profits, civic organizations, employers and professional organizations. Most are awarded based on specific criteria, such as your academic performance, extracurricular activities, community involvement, ethnic heritage or religious affiliation. Some scholarships are also need-based. Regardless of the criteria, there are typically many applicants for only one award.

Grants Like scholarships, grants give you money for college that doesn't have to be repaid. Most are need-based and are awarded by the government, be it at the state level or through a federally sponsored program such as the Pell Grant. Grants can also be given based on your academic performance or the major or career you're pursuing. These are often sponsored by private organizations, companies or other institutions, including the college you plan to attend. Depending on the source, grants might come with a few extra conditions, like what degree program you pursue or even what type of job you take when you graduate.

Student Loans Loans for college incur interest and eventually have to be repaid. But since the federal government caps the interest rate charged on student loans, they are usually very affordable. Plus, many programs don't require you to start paying back your loan until after you graduate. When you fill out the Free Application for Federal Student Aid (FAFSA) you'll find out what federal student loan programs you qualify for. Some, like a Perkins loan, are need-based, while others, including unsubsidized Stafford loans and Parent PLUS loans, don't consider need at all. If you still need more money after exhausting federal opportunities, you can also investigate private student loans offered through banks and credit unions, although the conditions for private loans may be different than federally sponsored loans.

Work-Study Work-study programs literally let you work your way through college, with financial aid given in exchange for work, typically at a job on campus. Funding for work-study programs can come from the federal or state government or directly from your college.