



FINANCIAL PLANNING

College Prep

Contents

- **Types of Student Loans**
- **Repayment Options**
- **Scholarships, Grants, Work-Study Jobs**
- **FAFSA**
- **Student Budget**
- **Trade Schools and Other Options**

7 Types of Student Loans

- **1. Subsidized Federal Loans**
- **2. Unsubsidized Federal Loans**
- **3. Parent PLUS Loans**
- **4. Private Student Loans**
- **5. Unsecured Personal Loans**
- **6. Peer-to-Peer Loans**
- **7. Family and Friends Loans**

1. Subsidized Federal Loans

Perhaps the most commonly used student loans, **subsidized federal loans are available to students who demonstrate financial need.** To apply for these loans, **you must complete** a Free Application for Federal Student Aid (also known as **FAFSA**).

When you get a **subsidized federal loan, the U.S. Department of Education pays the interest on your loan while you're in school at least half-time and for the first six months after you leave school.** If the federal government ever passes legislation to forgive or defer some student loan debt, that would only apply to federal loans (like subsidized, unsubsidized and PLUS loans).





2. Unsubsidized Federal Loans

Not all federal loans are based on financial needs. **Unsubsidized federal loans are available to students without demonstrating financial need.** The college or university you attend determines the amount for which you're eligible. You also must complete the FAFSA to apply for unsubsidized loans.

With these loans, the borrower is responsible for paying interest throughout the life of the loan. If you don't pay interest while in school, it will accumulate and be added to the principal of the loan (meaning you will end up paying interest on the interest).

3. Parent PLUS Loans

Parents or step-parents who are willing to take on debt to help finance their children's education can apply for Parent PLUS loans, which are also backed by the federal government.

With Parent PLUS loans, **the parents are expected to make payments on the loan while their children are in school.** Some parents may assume that if they take out a federal loan for their child's education, the payments will transfer to their child after his or her graduation. However, with a Parent PLUS loan, the parent who takes out the loan is always legally responsible for repaying the loan; the loan responsibility will never transfer to the student. However, if your parents are willing to take on a Parent PLUS loan for you, it may be a good idea to offer to take over the payments after you complete your degree.

4. Private Student Loans

The federal government isn't the only organization providing student loans. **Private student loans are available from a number of financial institutions. These loans are not backed by the government and do not have the same forbearance and deferral options as federal loans.**

With private loans, interest rates and terms can vary considerably and are set by the private financial institution. If you choose to seek a private student loan, shop around to look for the best rate and payback terms that work for you.

Keep in mind that student loans, whether private or federal, cannot be cancelled in the event of a bankruptcy.



5. Unsecured Personal Loans

- You can use an unsecured personal loan to pay for college expenses, but in most cases, you'll have to pay higher rates. **Unsecured loans usually require higher rates than loans that are secured by the federal government or by an asset, such as a home or car.**
- **When you take out a student loan, the funds are sent directly to your educational institution, but with a personal loan, the money will go directly to you.** That means you have a greater responsibility to use the money wisely. If the loan is intended for education, it's important to be careful to spend the borrowed funds only on education and not to take more than you need. Otherwise, you could be repaying that loan—and high interest—for a long time.



6. Peer-to-Peer Loans

Through sites like Lending Club and Prosper, **you can borrow money from individual investors to pay for your education.** The practice of one individual loaning money to another individual is known as peer-to-peer (P2P) lending.

With a peer-to-peer lending site, you can request the funds you need and the interest rate and timeline you want. Then you have to wait and see if any investors are interested in funding your loan. If you and an investor (or group of investors) agree on loan terms, your loan may get funded.

Keep in mind that these investors are in the business of loaning money in order to make a profit, so you may not get an interest rate that is as low as a government-backed loan. However, **P2P lending can be helpful for funding educational endeavors that don't qualify for other loans, such as going to an unaccredited school.**

7. Family and Friends Loans

This is a type of P2P loan, but the money is coming from someone you know, such as a family member or friend. Because this person or group of people may have a vested interest in your success, they may be more willing to offer agreeable terms.

If you choose to borrow from friends or family, be sure to put the terms of the agreement in writing and insist on paying interest. When friends or family members genuinely want to help you—and you're committed to fulfilling your end of the deal and repaying the loan in a timely manner—this type of loan can work out. But if one party fails to fulfill their part of the agreement, such a loan can negatively affect personal relationships.

For people who need help funding their college education, there are plenty of loan options available. It's wise to study the options and understand the pros and cons of each one before borrowing money for college.



STUDENT LOAN REPAYMENT OPTIONS



PLAN	ELIGIBLE LOAN TYPES	ELIGIBILITY REQUIREMENTS	MONTHLY PAYMENT DETERMINED BY	REPAYMENT TIMEFRAME	NOTABLE ITEMS
Standard	Direct and FFEL Loans	N/A	Total debt, interest rate and length of repayment Equal payments over repayment term	UP to 10 years	This is the default repayment plan Payments will be higher than other repayment plans but will result in less interest over time
Graduated	Direct and FFEL Loans	N/A	Total debt, interest rate and length of repayment Payments will begin lower and increase every two years throughout the repayment term	Up to 10 years	Initial payments will never be less than the amount of interest that accrues and subsequent increases will never be more than three times greater than the prior payment
Extended	Direct and FFEL Loans	Borrowers must have a minimum of \$30,000 in FFEL or Direct loans to extend loan repayment	Total debt, interest rate and length of repayment Two options: equal monthly payments over repayment term or graduated payments that begin lower and increase over time every five years	Up to 25 years	Longer repayment term will result in greater interest paid

PLAN	ELIGIBLE LOAN TYPES	ELIGIBILITY REQUIREMENTS	MONTHLY PAYMENT DETERMINED BY	REPAYMENT TIMEFRAME	MARRIED BORROWERS	NOTABLE ITEMS
Income-Contingent	Direct Loans (Consolidation loans that repaid Parent PLUS are eligible)	N/A	The lesser of: 20% of discretionary income or a 12-year fixed payment (adjusted according to income)	25 years Remaining debt forgiven after 25 years of qualifying payments*	Joint tax return = Combined debt + combined income Separate tax return = Your debt + your income (Plus option for joint repayment)	Verification of income and family size required annually No cap on the monthly payment amount
New Income-Based	Direct Loans	Must demonstrate financial hardship New borrower on or after 7/1/2014 (with no outstanding balance on any prior Direct or FFEL loans)	Generally 10% of discretionary income Never more than the 10-year Standard Repayment amount	20 years Remaining debt forgiven after 20 years of qualifying payments**	Joint tax return = Combined debt + combined income Separate tax return = Your debt + your income	Verification of income and family size required annually Payments can be as low as \$0/month
Income-Based	Direct and FFEL Loans	Must demonstrate financial hardship	Generally 15% of discretionary income Never more than the 10-year Standard Repayment amount	25 years Remaining debt forgiven after 25 years of qualifying payments**	Joint tax return = Combined debt + combined income Separate tax return = Your debt + your income	Verification of income and family size required annually Payments can be as low as \$0/month
Pay As You Earn (PAYE)	Direct Loans	Must demonstrate financial hardship New borrower as of 10/1/2007 and Direct Loan disbursement on or after 10/1/2011	Generally 10% of discretionary income Never more than the 10-year Standard Repayment amount	20 years Remaining debt forgiven after 20 years of qualifying payments; amount**	Joint tax return = Combined debt + combined income Separate tax return = Your debt + your income	Verification of income and family size required annually Payments can be as low as \$0/month
Revised Pay As You Earn (REPAYE)	Direct Loans	N/A	Generally 10% of discretionary income No cap on the monthly payment amount	20 years (undergraduate) 25 years (graduate) Remaining debt forgiven after 20 years of qualifying payments (undergraduate-level borrower) or 25 years of qualifying payments (graduate-level borrower) **	Combined debt + combined income	Verification of income and family size required annually Payments can be as low as \$0/month No cap on the monthly payment amount

Types of Income-Driven Repayment Plans

	REPAYE	PAYE	IBR	ICR
Repayment Estimate	10% of discretionary income	10% of discretionary income	10% of discretionary income for new borrowers	20% of discretionary income
Loan Term	20–25 years	20 years	20–25 years	25 years
Eligibility	Direct loans and FFEL	Direct loans and direct consolidation loans	Direct loans and FFEL	Any federal loan

*Information has been simplified for web, talk directly to your loan officer to determine which plans you qualify for.

Source: Federal Student Aid

Financial Aid Package
Scholarships
MPN
Grants
Award
Verification
Financial Aid
IRS DDT
FAFSA
Loans
Financial Aid
IRS DDT
Loan Counseling
Enrollment
Self-help
FAFSA
FAFSA ID
Loans
Award
EFC
Urgent Need
EFC
Gift Aid
Yearly Study
Retention
Self-help
MPN
EFC
FSA ID
Grants
Financial Aid
Award
Indirect Costs
CSS Profile
Retention
Urgent Need
CSS Profile
Loans
Enrollment
Gift Aid
Indirect Costs

Financial Aid

Scholarships

Loans

Work Study

Grants

FAFSA

EFC

CSS Profile

Enrollment

Gift Aid

Retention

Self-help

MPN

IRS DDT

FAFSA

Verification

Financial Aid

IRS DDT

Loan Counseling

Enrollment

Self-help

FAFSA

FAFSA ID

Loans

Award

EFC

Urgent Need

EFC

Gift Aid

Yearly Study

FSA ID

Grants

Financial Aid

Award

Indirect Costs

CSS Profile

Retention

Urgent Need

CSS Profile

Loans

Enrollment

Gift Aid

Indirect Costs

Find and apply for as many scholarships as you can—it's free money for college or career school!



What kinds of scholarships are available?

Some scholarships for college are **merit-based**. You earn them by meeting or exceeding certain standards set by the scholarship-giver. Merit scholarships might be awarded based on academic achievement or on a combination of academics and a special talent, trait, or interest.

Other scholarships are based on **financial need**.

Many scholarships are geared toward particular groups of people; for instance, there are scholarships for women or graduate students. And some are available because of where you or your parent work, or because you come from a certain background (for instance, there are [scholarships for military families](#)).

A scholarship might cover the entire cost of your tuition, or it might be a one-time award of a few hundred dollars. Either way, it's worth applying for, because it'll help reduce the cost of your education.

How do I find scholarships?

You can learn about scholarships in several ways, including contacting the **financial aid office** at the school you plan to attend and checking information in a public library or online.

But be careful and avoid scams. Make sure scholarship information and offers you receive are legitimate; and remember that you don't have to pay to find scholarships or other financial aid.

Try these free sources of information about scholarships:

- the financial aid office at a college or career school
- a high school or TRIO counselor
- the U.S. Department of Labor's [FREE scholarship search tool federal agencies](#)
- your [state grant agency](#)
- your library's reference section
- foundations, religious or community organizations, local businesses, or
- civic groups organizations (including professional associations) related to your field of interest
- ethnicity-based organizations
- your employer or your parents' employers

When do I apply for scholarships?

That depends on each scholarship's deadline. Some deadlines are as early as a year before college starts, so if you're in high school now, you should be researching and applying for scholarships during the summer between your junior and senior years. But if you've missed that window, don't give up! Look at scholarship information to see which ones you can still apply for now.

How do I apply for scholarships?

Each scholarship has its own requirements. The scholarship's website should give you an idea of who qualifies for the scholarship and how to apply. Make sure you read the application carefully, fill it out completely, and meet the application deadline.

Federal grants are money to help pay for college or career school.

The federal government provides grants for students attending college or career school. Most types of grants, unlike loans, are sources of financial aid that generally do not have to be repaid.

A photograph of wooden blocks spelling 'GRANTS' on a desk. In the background, there is a small green plant in a white pot and a blue calculator. The scene is set on a light-colored wooden surface.

GRANTS

Types of Grants

The U.S. Department of Education (ED) offers a variety of federal grants to students attending four-year colleges or universities, community colleges, and career schools. Check out the grant programs for more details and to learn how to apply:

- [Federal Pell Grants](#)
- [Federal Supplemental Educational Opportunity Grants \(FSEOG\)](#)
- [Iraq and Afghanistan Service Grants](#)
- [Teacher Education Assistance for College and Higher Education \(TEACH\) Grants](#)



Federal Work-Study jobs help students earn money to pay for college or career school.

Undergraduate and graduate students with work-study jobs will work part-time on or off campus while enrolled.

Federal Work-Study provides part-time jobs for undergraduate and graduate students with **financial need**, allowing them to earn money to help pay education expenses. The program encourages community service work and work related to the student's course of study.

Federal Work-Study Quick Facts:

- It provides part-time employment while you are enrolled in school.
- It's available to undergraduate, graduate, and professional students with financial need.
- It's available to full-time or part-time students.
- It's administered by schools participating in the Federal Work-Study Program. Check with your school's **financial aid office** to find out if your school participates.



Free Application For Federal Student Aid

What Is the FAFSA?

The Free Application for Federal Student Aid, known as the FAFSA, is the official form to apply for federal financial aid to [pay for college](#). It is also used by many states, individual colleges, and universities in making their financial aid decisions. Specifically, the FAFSA determines who will receive aid in the form of loans, scholarships, and grants based on the information collected from the application.

KEY TAKEAWAYS

- The Free Application for Federal Student Aid (FAFSA) is used by the federal government to determine a family's eligibility for grants, work-study, and loans to pay for college.
- States, individual colleges and universities, and private scholarship programs also use information from the FAFSA to make financial aid decisions.
- Applications for FAFSA open in October of the prior year to enrollment and close in June of the academic year.
- Funding is often granted on a first-come, first-serve basis, with students applying in June typically eligible only for loans.

BUDGET FOR COLLEGE STUDENTS



Income

	Per Month	Per Semester	Per Academic Year
Job			
Family Contribution			
Grants/Scholarships			
Loans			
Savings			
Misc. Income			
Total Income			

Fixed Expenses

	Per Month	Per Semester	Per Academic Year
Tuition and Fees			
Rent/Housing			
Utilities			
Cable/Internet			
Laundry			
Groceries/Meal Plan			
Car Payment			
Car Insurance and Registration			
Gas/Transportation			
Car Servicing			
Parking			
Credit Card Payments			

Fixed Expenses (continued)

	Per Month	Per Semester	Per Academic Year
Cell Phone Plan			
Books and Supplies			
Prescriptions and Medical Expenses			
Other			
Total Fixed Expenses			

Variable Expenses

	Per Month	Per Semester	Per Academic Year
Eating Out			
Entertainment			
Clothing			
Cabs/Rideshare			
Gym/Hobbies			
Personal Grooming			
Other			
Total Variable Expenses			

Totals

	Per Month	Per Semester	Per Academic Year
Total Income			
Total Expenses			
Difference (Income - Expenses)			

College or Trade School?

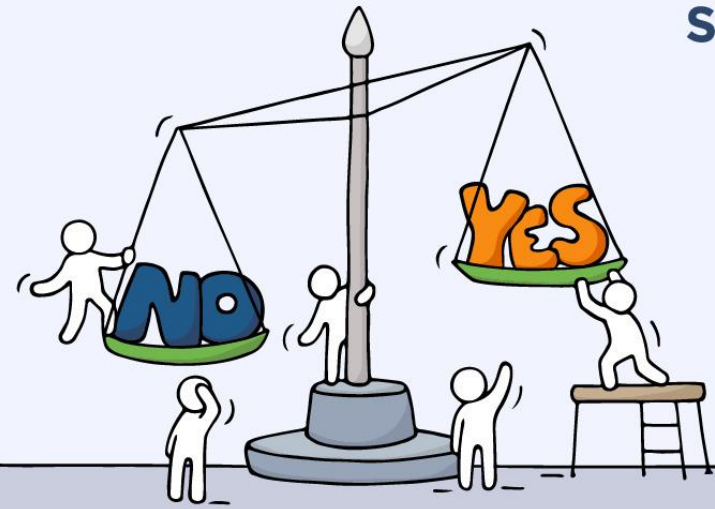


Research these areas to make an informed decision:

- 1) Areas of Study/Career Choices
- 2) Estimated Time of Completion
- 3) Cost/Student Loan Estimates
- 4) Earning Potential

Trade School Vs. University: 3 Key Differences

6 Weeks To 2 Years Diploma Or Certification Program	4 Years Degree Program
Fees Are Comparatively Less	Fees Are Comparatively Higher
Training Is Specific To The Chosen Topic	Training Of Broader Topics, But More Focused To One Major Topic



CHOOSE SKILLED TRADES OR 4-YEAR COLLEGE?

\$87,800

is the average cost of a degree from a public, four-year college, paying in-state tuition.

Only 63%

of four-year college students graduate by the end of year six.

Almost 75%

of trade school graduates enter careers related to their field of study.

2 years (OR MUCH LESS)

is all it takes to earn many degrees and certificates in the skilled trades.

[1.] National Student Clearinghouse Research Center [2.] EducationData.org [3.] National Center for Education Statistics

COMPARING INCOMES



TRADE SCHOOL

QUALIFIED
ELECTRICIAN



\$55,590
avg per year

HVAC
TECHNICIAN



\$47,380
avg per year

SOME BLUE
COLLAR JOBS



as high as
\$100,000

COLLEGE

BACHELORS
DEGREE



\$55,590
avg per year

ENGLISH
DEGREE



\$47,380
avg per year

ENGINEERING
DEGREE



\$61,819
avg per year

TRADE SCHOOL VS. COLLEGE

WHICH IS RIGHT FOR ME?

TRADE SCHOOL



TIME

2 years or less



COURSEWORK

Specialized



DEMAND FOR GRADS

Increasing



JOB AUTOMATION

Lower risk



BEST FOR SOMEONE WHO...

- Knows his or her desired career path
- Is looking to join the workforce in 1-2 years

COLLEGE



TIME

4+ years



COURSEWORK

General



DEMAND FOR GRADS

Decreasing



JOB AUTOMATION

Higher risk



BEST FOR SOMEONE WHO...

- Wants to explore several different fields/focus areas
- Has the time and finances to dedicate to a longer program