

PAYING FOR THE TRIP

College Costs, Financial Aid & What the Family Pays

College is expensive and it is almost certain that the student and his/her family will have to pay at least some of the cost. The good news is that there are more than sufficient financial resources for any student to be able to afford higher education. At the very least, there are student and parent loans that provide enough money, and time to repay, to bring the most expensive college education within reach of most families. For those with limited means, **financial aid is available** to cover some, if not all of what you need, and more financial aid is usually available at the colleges that cost the most.

If you are like many students, family resources may not be enough and you will have to supplement them with some sort of financial aid. That means, you must apply for aid **at the same time** you are applying for admission. College decisions on admission and aid are made separately, usually in two different offices; one rarely, if ever, affects the other. That means that applying for aid will not have anything to do with your chances for admission. It also means that getting admitted does not guarantee a favorable aid decision.

Paying for college involves:

- Determining college cost
- Figuring out what you can or will be expected to pay
- Evaluating the financial aid decision
- Paying the bill – financial aid and other resources

DETERMINING COLLEGE COST (BUDGET)

Colleges publish a budget that they use to determine what it will cost for a student to attend the institution. The budgets at the colleges you are exploring may be different, so look at the college's publications or ask for help at the college's financial aid office. Remember that you may not know how much you will actually have to pay until you go through the financial aid process. Remember that, thanks to financial aid, few families pay the full cost.

One way or another any student can afford to go to college; given the lifetime earnings advantage that education provides, most students can't afford not to go to college.

SHORTCUT

Use the **College Cost Worksheet** on page 35 to compare the "sticker price" of the colleges that interest you. Refer also to the **College Planning Calendar** on pages 32-33.



Tips for completing the FAFSA:

- *NEW* The FAFSA4CASTER is available to student's in their junior year in high school (www.fafsa4caster.ed.gov) This site provides background information on financial aid programs, and allows families to estimate their aid eligibility for planning purposes. Some of the information will automatically transfer to the FAFSA to save time the following year, including your PIN.
- Get a FAFSA PIN @ www.fafsa.ed.gov
- Complete the online FAFSA as soon after January 1st as possible. The bulk of your information comes from your federal tax returns, so fill out the FAFSA as soon as your tax returns are completed. If your tax returns will not be completed for some time after January 1st, you can estimate the amounts and make corrections later.
- The Federal deadline for completing the 2008-2009 FAFSA is June 30th, 2009, however state and college deadlines are much earlier (May 1, 2008 or sooner).
- Beginning in 2008 the Department of Education will no longer be mailing paper FAFSA's to high schools. They are encouraging all families to fill out the FAFSA online. However, paper applications will still be made available upon request.

PC = Parent Contribution
SC = Student Contribution
EFC = Expected Family Contribution (PC + SC)
College Cost – EFC = Need

WHAT WILL I BE EXPECTED TO PAY?

Rules of the Road – The Financial Aid Process

The financial aid process requires providing information first to the federal government (the U.S. Department of Education) and then to any of the schools you are considering attending. The process is straightforward if you allow sufficient time to complete each step and follow the directions that are given. The federal government uses a single form and a standard formula to determine how federal and most state financial aid will be distributed. The first step in the financial aid process is filling out the **Free Application for Federal Student Aid, or FAFSA**; you can choose the preferred method online (at www.fafsa.ed.gov) or the paper application. This is the federal government's way of obtaining information about your family circumstances, income and assets.

Except for what is called merit aid, i.e. awards given in recognition of certain talents (academic, athletic, musical, etc.) it is assumed that the student and his/her parents are responsible for paying college costs. Those who provide financial aid use your aid application to measure what the family is expected to pay. This is called the **Expected Family Contribution (EFC)** and it is the sum of what parents can contribute from their income and assets (**PC**) plus what the student can pay from his/her income and assets (**SC**). The **EFC** is subtracted from the college cost to determine how much financial aid you will need to attend that college (**College Cost - EFC = Need**). You can go online (see **Resources** on page 29) and estimate your **EFC** using one of the online guides before going through the financial aid process.

How Do They Do That? – How the EFC is Determined

The federal government and colleges use a formula to distribute financial aid that is intended to treat financial aid candidates consistently. Here is how it works:

- The **EFC** is determined through a federal formula using the **FAFSA** (this is called the **Federal Methodology** or **FM**.)
- Colleges with their own financial aid funds may use the **FM** or their own formula to determine a family's **EFC** (this is called the **Institutional Methodology**, or **IM**.) The **EFC** for college funds may be different from the **EFC** for federal/state aid; it might be higher, but it might also be lower.
- Both formulas attempt to determine what the parents and student can reasonably contribute toward the cost of education.
- The **EFC** for both federal and institutional aid is based on:
 - Number in household
 - Number of wage-earners in family
 - Number in college
 - Taxed and untaxed income
 - Federal and state income taxes
 - Investments (savings, real estate, business or farm equity)
- The amount of debt outstanding is generally not a factor in calculating the **EFC**.

Both the **FM** and the **IM** recognize that only a part of a family's income and assets will be available for education, so some allowances, primarily for parents, are built into the formulae:

- Taxes are deducted from available income.
- Part of a parent's income is set aside for such things as living costs, working expenses, emergencies, Income Protection Allowance, etc.
- Parts of the parent's assets are also protected under the Asset Protection Allowance. The amount subtracted depends upon the age of the older parent, recognizing that as you age you will have to call upon more of your savings. The value of retirement funds is also excluded in most cases. In the **FM**, a family's home or family farm is also not included.
- Any **EFC** is likely to be a function of family income, with very little coming from parent assets. Once a family of any given size has reached an income level where taxes and basic living expenses are covered, the rate of contribution in the **EFC** starts to go up. Here is an **estimate** of the total amount expected from parents at various income levels (the table will hold for most families of 2 to 6 members with **one** child in college):

Total Income	Contribution Percentage	Amount
\$0–\$30,000	0–5%	\$0–\$1,500
\$30,000–\$50,000	5–10%	\$1,500–\$5,000
\$50,000–\$100,000	10–17%	\$5,000–\$17,000
above \$100,000	17%–22%	\$17,000 or more

- Because some assets are not counted and there is an allowance against the ones that are, the rate of contribution on assets overall is low, on the order of 2%–4% (maximum 5.64% contribution rate on unprotected assets.)
- Student assets can be treated in various ways depending upon amount, source of funds and restrictions on use (maximum 20% contribution rate.)
- You can estimate **EFC** for yourself using **EFC** calculators, such as those listed in **Resources** on page 29.
- There is also an Income Protection Allowance for student income (currently \$3,000 for dependent students, but will increase starting in 2009 to \$6,000 in 2012) Refer also to page 25.

You will be notified of your EFC in a document called the **Student Aid Report (SAR)**, which you should receive about one month after completing the FAFSA. You should review the **SAR** for accuracy; any necessary changes can be made on the **SAR** and it can be resubmitted. **SAR** data also goes to the colleges you listed in the FAFSA, as well as your state's grant program, if applicable.

How The Financial Aid Award Is Determined

If you receive a letter providing you with a financial aid award, it is likely to be called a **Financial Aid Package**. It is a combination of different types of financial

A Short Walking Tour of the Financial Aid Process

- Fill out the **Free Application for Federal Student Aid (FAFSA)**. File it as soon as possible after January 1st. File any other aid applications required (**CSS-PROFILE** or college forms).
- Your **Student Aid Report (SAR)** will arrive about one month after you file the **FAFSA**. It will contain your **EFC**. Use the **SAR** to correct mistakes, add colleges, etc.
- The **SAR** data and the **EFC** will also go to the colleges you have named on the **FAFSA**. They will use it, and possibly their own **EFC** calculation, to determine your need.
- Colleges put together a **Financial Aid Package** – or award letter – for you. The award may or may not meet your full need.
- Make your own decision about attending a college and accepting the aid package. Call the college aid office if you have questions or need help.



Not all award letters treat **UNSUBSIDIZED** Stafford loans and **PLUS** loans the same.

Use the **College Aid Comparison Worksheet** on pg. 35 to be sure you are comparing apples to apples when reviewing aid packages.

SHORTCUT

If you are comparing awards from different colleges use the **College Aid Comparison Worksheet** on page 35.

During the 2006-2007 Academic Year, about \$131 billion in financial aid was distributed to undergraduate students in the form of grants, work study, federal loans and federal tax credits and deductions.

CAUTION

Be sure you ask about aid renewal!

aid and it may include funds from the federal and state governments, the college and other organizations. It is based on your financial need as well as how much aid money the institution has available. Every school has its own guidelines for putting together a package. Some will begin by awarding every student the maximum Stafford Loan amount and then providing other aid based upon need and availability. Other schools will award **gift-aid** first, followed by workstudy and educational loans. Some may meet your calculated need, others may not. There may be a gap that the college cannot cover.

EVALUATING THE FINANCIAL AID DECISION

You should hear from the college at the time of admission or shortly thereafter. Regardless of the various terms used, a financial aid award has only two parts: (1) **gift-aid** and (2) **self-help**. **Gift-aid** may be called scholarships, grants, tuition waivers, or by other names, and it may come from many different sources, but it is money you receive free of any obligation on your part. **Self-help** can be loan aid (which you must repay) or employment (where you get paid only if you work), and is often a combination of both. In either or both cases, the responsibility for the **self-help** assistance is yours.

What Happens Now?

When you receive a financial aid award letter you can accept it as is, reject it entirely, accept some parts and reject others, or you can request a reevaluation of the aid award. Before making your decision, do the following:

- Read all letters carefully. Make sure all information is up-to-date and accurate.
- Provide any new or additional information, or report any changes in your family circumstances to the financial aid office as soon as possible. Information about differences in income, assets, family size, number in college are most significant.
- Return everything on time. Do not miss any deadlines – it may affect your award.
- Accept, decline or appeal the offer. If you accept the offer, sign it and promptly return it to the financial aid office. If you decline or question an offer, find out more about appealing it.
- Find out how and when financial aid money will be disbursed. Most schools credit your financial aid award against your college bill. You will have to pay the college bill before aid funds will be given to you for any other expenses. Sometimes, **private** scholarships will be sent to you directly or they may be sent to the college for the financial aid office to disburse. Find out how your school will treat new scholarship money. A lot depends upon whether the college award meets your full need or leaves a gap.
- Take particular care with all of the conditions for **renewal** of your award. Financial aid awards can and often do change from year to year depending upon need, performance and other factors. In most cases you must apply for aid every year.

What Do I Do if the Aid Package Isn't Enough?

If the aid package you have been offered will not work, notify the aid office. Financial aid officers are there to help. They may be able to consider recent changes in your family's circumstances, such as job loss, divorce or unexpected medical expenses. At the very least, they may be able to offer suggestions to help.

As the aid calendar moves into late spring, and students who applied for aid enroll elsewhere or decline their packages, additional aid may become available. If you have new information, it may help the aid administrator offer a better package. You are forming what will probably be a multi-year partnership. You may not have to accept their first offer, but do not assume threats or arrogance will sweeten the deal. Yet, persistence with a justifiable aid request can pay off. There are some things you can do to make certain this partnership works to your (and the college's) advantage:

- Get to know the staff in the aid office. Know the names of people, and if possible, get to know an aid officer that you can make your point of contact.
- Give good, complete information on all the forms you fill out and supplement anything else you think they need to know with a letter.
- If your information changes, tell them as soon as possible. You will have to document these changes.
- Include your social security number on all written contact with them.
- Do not hide information. If found out, which is likely, it can hurt your chances of getting more aid, what aid you have been awarded could be reduced and it may have legal consequences.
- At some point during the aid process, you are likely to have to verify some of the information you have given previously. Estimates early on are acceptable, but actual income and asset data later on will be taken into account, and that could mean an increase or decrease adjustment in your initial award.
- If you are a parent sending a child to college, make certain that he/she understands what has been filed. If the aid office has a question, they will contact the student. It is best for all concerned if the student and parents share all the financial information from the very start of the aid process.

PAYING THE BILL: COLLEGE COST - FINANCIAL AID = WHAT YOU PAY

The Financial Aid Part – Federal Student Aid

Federal student aid consists of grants, loans and work-study. You don't have to pay back grants, work-study allows you to earn money for your education while you are attending school, and loans allow you to borrow money for school under various federal loan programs. To get any need-based federal aid you must submit the Free Application for Federal Student Aid (FAFSA). Federal student aid programs include the following:

Federal Pell Grants (Pell) – The amount of Pell Grant (up to \$4,310 for the 2007-2008 school year) you can get depends upon your **FM** calculated need (as evidenced by your EFC), the cost of attending your school, your status as

Important Tips for Students and Parents

- Communicate with the financial aid office by telephone. Visits are hard to arrange when the time between receiving an award letter and making your decision to accept or reject the college offer is limited.
- If you have received a merit-based award, you may be able to negotiate. If the award is need-based, you cannot negotiate, but you can discuss the need calculation; you will have to demonstrate that you need more aid, otherwise the answer will be no. Colleges have to live with a budget just as you do. The rules of equity that govern need-based aid require that the aid office calculate need for you in the same way they measure need for all other students.
- Concentrate on the college you want to attend. Trying to get colleges to bid against each other probably will not work and, even if it does, resentment and a reluctance to make changes later on when they may be more important is often the consequence.

In order to be eligible for any need-based federal student aid programs you must complete the FAFSA.



SHORTCUT

Don't forget tax benefits!

Many people are unaware of the federal tax benefits available for education related expenses. See page 38 for a summary of these benefits.

The Federal Government added two new grant programs for 2008—Teacher Education Assistance for College and Higher Education (TEACH) Grants and College Access Challenge Grants.

either a full-time or part-time student, your plans to attend school for a full academic year or less, and making satisfactory academic progress in your course of study. Pell grants come directly from the federal government; your school disburses the funds. Refer also to projected Pell Grant increases on Page 25.

Academic Competitiveness Grant (ACG) – The ACG is available for first year students who graduated from high school after January 1, 2006 (up to \$750) and for second year students who graduated after January 1, 2005 (up to \$1,300). Students must: be enrolled full-time, be a Federal Pell Grant recipient, have completed a rigorous secondary school program of study, and have a cumulative 3.0 GPA (for second year students).

National Science and Mathematics Access to Retain Talent (SMART) Grant

– The National SMART Grant will provide up to \$4,000 for each of the third and fourth years of undergraduate study to full-time students who are eligible for a Federal Pell Grant, and majoring in physical, life, or computer sciences, mathematics, technology, or engineering or in a foreign language determined critical to national security. The student must have maintained a cumulative 3.0 GPA in coursework required for the major.

Campus Based Aid – The following federal aid programs are called campus-based because federal funds are given to schools, which agree to contribute funds of their own or match the federal money. The financial aid office at each participating school awards and administers the aid based upon your financial need and the (EFC) funding level at that school. Campus-based funds are limited at many schools and once they are gone no more awards can be given for that year. For the most part, the students with the most need get campus-based aid first.

Federal Supplementary Educational Opportunity Grants (FSEOG) –

FSEOG's are grants (from \$100 to \$4,000) for students with exceptional need.

Federal Perkins Loans (Perkins) – A Perkins Loan is a low-interest, fixed rate (5%) loan for both undergraduate and graduate students with exceptional financial need. Your school administers this program as a lender using government funds and some of its own money. You can borrow up to \$4,000 per year as an undergraduate. No payments are required while you are attending school at least half-time (this is called a “**deferment**” period). Repayment to your school begins nine months after you graduate, leave school, or drop to below half-time status. No interest is charged on your loan until you reach repayment. Perkins loans are often used in combination with Stafford Loans.

Federal Work Study (FWS) – FWS provides part-time jobs for undergraduate and graduate students with financial need, allowing them to earn extra money to help pay for education and discretionary expenses. Your school must pay you directly and at least monthly. The amount you earn cannot exceed your total FWS award amount. When assigning work hours, your school will consider your award amount, your class schedule and your academic progress.

Stafford and PLUS Loans

In addition to Pell and the campus-based aid programs, the U.S. Department of Education administers a group of loan programs that are often described as guaranteed loans. The loans are insured by the federal government. If the

borrower should die, be permanently and totally disabled or is otherwise incapable of paying the loan back, the federal government pays the balance of the loan principal and interest on the borrower's behalf. These programs consist of **Stafford Loans** (for students) and **PLUS Loans** (for parents and graduate students). There are two versions of Stafford and PLUS Loans: the Federal Family Education Loan Program (FFELP) and the William D. Ford Direct Loan Program (Direct Loans). Under the Direct Loan Program the school you attend gets money directly from the federal government and lends it to you. The funds for the FFEL Program come from a bank, credit union or other lender that participates in the program. Schools generally participate in one or the other but usually not both. Eligibility rules and loan amounts are identical under each plan, but repayment plans and borrower benefits may differ.

Smart Borrowing

Unfortunately, most students today will need to take out some form of loans in order to pay for college. Here are a few tips to follow for smart borrowing:

- Complete the FAFSA on time! You will not be eligible for any Federal or State programs (including Federal student loans) if you do not submit this form on time.
- Make sure you exhaust all "gift aid" before turning to any student loans. Remember gift aid (scholarships, grants, etc.) does not need to be paid back while student loans do, regardless of the type.
- If you have to borrow take advantage of need based loans, if available, first. These will be included in your award letter from your school and include Perkins Loans and Stafford Loans.
- If additional funds are still needed, review the terms of PLUS loans and Private Loans carefully. There are pros and cons to each type of loan, and significant differences between lenders.
- Many schools will provide a list of "Preferred Lenders" for you to choose from for Federal Student Loans as well as Private Loans. Although the Financial Aid Office has the best intentions in selecting it's Preferred Lenders, those lenders may not necessarily be the best options for every student. For example, if you are attending an out of state school, your school typically would not list a program that is available only to Maine residents on their Preferred Lender List, even though the terms of those programs may be better. You have the choice to select any lender you like, regardless of whether it is on your school's Preferred Lender List or not. If you select a lender that is not one of your school's Preferred Lenders, talk to the Financial Aid Office or the lender about the application process, as it may be different.
- In selecting a lender, do your homework! Make sure you understand exactly what the interest rate and fees are on your loan before you select a lender. If a lender offers any discount programs, review the terms carefully. Are they automatic benefits or only if certain events are met, such as electronic payments or a certain number of on-time payments? Although the interest rate for Federal loans are set by the Government, the borrower benefits and fees vary widely from lender to lender. Be careful with Private Loans that advertise rates "as low as", since most borrowers will not qualify for the best rate offered.

On September 27, 2007 President Bush signed into law The College Cost Reduction and Access Act of 2007. This legislation makes some of the most significant changes to the Federal Financial Aid System in the last 20 years. These changes include:

- Reducing the interest rate on Subsidized Stafford Loans starting with loans first disbursed on 7/1/08

Current	6.80%
7/1/2008	6.0%
7/1/2009	5.6%
7/1/2010	4.5%
7/1/2011-6/30/2012	3.4%

- Increase maximum Pell Grant available (subject to final bill approval)

Current	\$4,310
2008/2009	\$4,800
2009/2010	\$4,800
2010/2011	\$5,000
2011/2012	\$5,000
2012/2013	\$5,400

- Increase the Income Protection Allowance for Dependent Students

Current	\$3,000
2008/2009	\$3,000
2009/2010	\$3,750
2010/2011	\$4,500
2011/2012	\$5,250
2012/2013	\$6,000

For more information on federal financial aid, call the Federal Student Aid Information Center at 1-800-433-3243 or visit www.studentaid.ed.gov.

Stafford Loans – Whether your Stafford Loan comes from the FFEL Program or the Direct Loan Program it will show up as a **Subsidized Stafford Loan**, an **Unsubsidized Stafford Loan** or a combination of the two. A **Subsidized** loan is awarded on the basis of financial need. The government pays (subsidizes) the interest on your loan while you are in school and for the first six months after you leave school (grace period). An **Unsubsidized** loan is available to any student, without regard to need, up to the annual limit, provided your financial aid does not exceed your cost of attendance. You are responsible for paying all interest on an **Unsubsidized** loan from the date the loan is disbursed until it is paid in full.

The current limits are shown below and are effective for any loan originated on or after July 1, 2007.

FFEL & DIRECT LOAN PROGRAMS	SUBSIDIZED STAFFORD LOAN	UNSUBSIDIZED STAFFORD LOAN	PLUS LOAN
NEED BASED	YES	NO	NO
CREDIT REQUIRED	NO	NO	YES
RESPONSIBLE BORROWER	STUDENT	STUDENT	PARENT OR PROFESSIONAL/ GRADUATE STUDENT
D E P E N D E N T S T U D E N T			
BORROWING LIMIT			
FRESHMAN	\$3,500	\$3,500*	COST OF ATTENDANCE LESS OTHER FINANCIAL AID
SOPHOMORE	\$4,500	\$4,500*	
JUNIOR/SENIOR	\$5,500	\$5,500*	
GRADUATE STUDENTS	\$8,500	\$8,500*	
<small>* combined subsidized and unsubsidized limit</small>			
I N D E P E N D E N T S T U D E N T			
BORROWING LIMIT			
FRESHMAN	\$3,500	\$7,500*	N/A
SOPHOMORE	\$4,500	\$8,500*	N/A
JUNIOR/SENIOR	\$5,500	\$10,500*	N/A
GRADUATE STUDENTS	\$8,500	\$20,500*	N/A
<small>* combined subsidized and unsubsidized limit</small>			

You can choose to pay the interest while you are in school or defer it and let it be added to your loan balance when you go into repayment. If you choose this option, (i.e. capitalize the interest) you will increase the total amount you will have to pay over the life of the loan.

Your school's aid officer will use the EFC to determine your eligibility for a **Subsidized Stafford Loan**, an **Unsubsidized Stafford Loan** or a combination of the two for any given year, but the total amount cannot exceed the borrowing limits in the chart on page 26. All Stafford loans disbursed from July 1, 2008 – June 30, 2009 will carry a fixed interest rate of 6%.

PLUS Loans – Parents with an acceptable credit history can borrow a PLUS loan to help pay for education expenses related to a dependent undergraduate student. PLUS loans are only in the parent's name. All PLUS loans disbursed from July 1, 2006 to June 30, 2009 carry a fixed interest rate of 8.5%. Repayment of both principal and interest generally begins within 60 days after the loan is fully disbursed. Deferments may be granted under certain circumstances. PLUS loans are also available for

graduate and professional students (in the student's name) using the same eligibility as for parents.

State Aid – Most states also have financial aid in the form of grant and loan programs; you apply for them at the same time that you apply for federal programs through the FAFSA. In Maine, students may find state financial aid through the Maine State Grant Program, the Robert C. Byrd Honors Scholarship Program, and the Educators for Maine Program. Call the Finance Authority of Maine (FAME) at **1-800-228-3734** or visit **www.famemaine.com** for more information.

Institutional or Collegiate Aid – Many schools will have their own aid funds available to provide incoming students with financial aid opportunities. These resources may consist of gift-aid (grants, scholarships, or the college's willingness to discount tuition rates to certain students) and/or self-help (college loans and jobs). College aid can be substantial enough to significantly reduce the cost of education for eligible students. To receive these funds, students may be asked to fill out additional financial aid forms such as the College Scholarship Service (CSS) Profile, or a school's in-house form.

Tuition Break – If you are interested in pursuing a program of study that is not offered at a Maine public college or university, you may be eligible to receive a discounted out-of-state tuition rate at another New England public college or university, through the New England Board of Higher Education's Tuition Break program. Visit www.nebhe.org/tuitionbreak to find out which programs and colleges qualify.

Private Scholarships – Outside sources of aid can include scholarships from local, state and national sources. Many scholarships are available through high schools, civic groups, companies, foundations, churches, organizations and individuals. You should check with your guidance office for scholarship information. You should also check the MES web site (www.mesfoundation.com) and the Maine Community Foundation web site (www.mainecef.org) for information on their scholarships. You can search for scholarships available in Maine on the Finance Authority of Maine's web site (www.famemaine.com).

Employers may also offer assistance. If you are working, check with your employer for tuition assistance or scholarships. If you are a dependent student, ask your parent or legal guardian to check their personnel office for the availability of awards.

Many national scholarship databases and search engines are available online, and are usually free of charge. Plugging in "scholarship" in any search engine will reveal them. There are a small number of students that actually apply for scholarships in comparison to the number of scholarships that are out there, so your chances of receiving an award may be better than you think.

CAUTION

SCHOLARSHIP SCAMS

There are some scams out there, so be careful. If you have any doubts about a scholarship, see your guidance counselor or Adult Education counselor. The web site www.finaid.com tracks scholarship scams and offers one good place to turn. Here is what to watch out for:

- There is an application fee.
- They guarantee "winnings".
- Everyone is eligible.
- It's an unsolicited opportunity.
- There are typing and spelling errors.
- There is a P.O. box for a return address.
- You must respond quickly.
- They make unusual requests for personal information.
- They ask for money.

Don't send any!

Scholarship applicants should follow a few basic rules:

- Follow directions carefully.
- Be sure that you meet the criteria outlined in the scholarship.
- Write a good essay on the topic the scholarship asks for.
- Meet all deadlines – allow extra time for your outside recommendations to also meet the deadline.

Private loan programs come in all shapes and sizes. Terms and conditions can vary widely so shop carefully. The terms on the private loans are often similar to the PLUS loans, except that they are not guaranteed by the federal government and typically require both the student and the parent to sign for the loan. The Maine Educational Loan Authority (MELA) offers a private loan (**The Maine Loan**[®]) to undergraduate and graduate students who are either residents of Maine or attending a school in Maine. The Maine Loan offers one of the lowest interest rates in the country (6.35% through 5/31/08), the option to defer both principal and interest while the student is in school, and flexible repayment terms.

Visit www.mela.net or call 1-800-922-6352 for more information.

Did You Know?

Starting in 2008, students earning an associate's or bachelor's degree in Maine, who agree to live and work in Maine after graduation may be eligible for a state income tax credit for the amount of student loan payments made each year through Opportunity Maine (subject to a cap).

The What You Pay Part – Dealing With Your Bill

Now that you know what your college will cost and how much financial aid (if any) you will receive, what is left is what you will have to pay for that college year (see The College Aid Comparison Worksheet, pg. 35, specifically lines 6 and 8).

The first step is to decide how much the parents will pay and how much the student will pay. In the final analysis, those who provide need-based aid assume that the family is responsible for paying for college. The aid you receive is intended to supplement family efforts, not replace them. As a general matter, whatever parents choose not to pay will become the student's responsibility. In either case, eligibility for federal aid will not change and colleges for the most part will not use their own funds as a substitute for any family resource in the EFC. There can be exceptions in some cases when family circumstances "require" an adjustment and where a "choice" by the family is not at issue. Guidance from the financial aid officers at your college is essential in these situations. In such cases loan aid is often used to give families time and flexibility in paying for college; additional gift aid may be possible but usually available only as a last resort.

Whether paying all of the cost or only part of it, families have only two resources they can all upon: income and assets. And, there are only two ways to pay the bill; now (within one year) or later (through borrowing). A conscious decision about the now part is essential; it will help determine the amount both parents and student will draw from yearly income and how much they will draw from assets (i.e., savings). The amount you choose should be realistic in terms of current living expenses and sustainable, that is something you can live with on a monthly basis for one or more college years.

Paying later almost always involves borrowing. How much to borrow, who will do the borrowing, and who will repay the loans should reflect the family decision about how much the parents will pay and how much the student will pay. The good news is that the money you will need is readily available, interest rates are relatively low, and the length of time to repay is long enough to bring monthly payments to manageable levels. The interest paid may even be deductible for tax purposes. In addition to the federal student loan programs listed on pages 24-27, there are also a number of private loan (or alternative loan) programs available to help families with the bill.

When reaching your decisions about who pays what and how, it is important to keep a number of things in mind:

- When considering how much to pay from income, parents should factor in any of the educational credits and deductions that are available. See page 38 for a summary of education related federal tax benefits. They reduce the amount of federal tax you pay, leaving that much more of your income for college bills.
- Remember, the amount your child borrows under any Federal financial aid loan programs is money that he or she will have to repay from future income.

- There is no bill from the college for books, supplies, travel and personal expenses. They show up on a day-to-day basis, but they are part of college cost and should be considered in family financial planning. The total of such expense is rarely less than \$1,500-\$2,000 and it can go higher. Many students use campus earnings to pay these expenses because the money comes in much the same way it goes out. If so, it should count in the distribution of who pays what.
- Even if a student intends to use money saved from a summer job to help with the college bill, it would be wise to set aside \$300-\$600 for expenses that will come up at the beginning of the term. Money from campus jobs and refunds from college bills are usually not available for the first month or so and will not help with immediate cash expenses.
- Financial aid, at least gift-aid and loans, are almost always used to pay college charges first (i.e., tuition, room and board, etc.). These funds may not be available to cover personal expenses, including housing and food for off-campus living.
- Yearly college bills can be paid annually, but usually show up by semester. Each college has its own payment rules, but most want their money within 30 days of presenting the bill. Colleges usually offer or sponsor payment plans that give families flexibility from semester to semester and out to twelve months or more. Read what the college says about payments carefully. Make payment arrangements early on. An unpaid bill at course registration time can mean no classes, no room key and no food at the dining hall.
- It is common practice for colleges to require a deposit for enrollment, housing, dining service, etc. several months before the first term starts. If you fail to pay the deposit, or are late, you may lose the service. It can be several hundred dollars or more and you may not be able to use financial aid to pay it.
- Avoid using credit cards for payment of college bills. The rates are higher and debt can pile up quickly. Long-term student loans are always a better deal, and the interest may be tax deductible.

RESOURCES

Calculate college costs

www.collegeboard.com
 www.famemaine.com
 www.finaid.org
 www.princetonreview.com

EFC determination help

www.collegeboard.com
 www.finaid.org

FAFSA

www.fafsa.ed.gov
 www.fafsa4caster.ed.gov
 www.studentaid.ed.gov

Financial Literacy

www.mymoney.gov
 www.360financialliteracy.org

Financing your education

www.collegefinancialplanning.com
 www.ed.gov
 www.famemaine.com
 www.kiplinger.com
 www.mela.net
 www.mesfoundation.com
 www.smartmoney.com
 www.studentaid.ed.gov

Scholarship searches

www.collegeboard.com
 www.famemaine.com
 www.fastweb.com
 www.mainecef.org
 www.mesfoundation.com
 www.lunch-money.com