

Types of Financial Aid

There are three ways you can get money for college – scholarships, student loans, and employment.

Grants and Scholarships

Grants and scholarships are financial aid awards that never need to be paid back. Needless to say, these are the most sought after types of aid. These awards may be based on financial need or academic and extracurricular merit. Almost all federal and state grants are based solely on need.

Needy students are awarded about \$75 billion in federal, state, and institutional aid every year. Private scholarships from foundations and individuals also provide a significant pool of money. There are several free scholarship search websites available, so you should never have to pay a fee to apply for a scholarship. Avoid unsolicited offers that require a fee or personal information (like your Social Security number) to help you get money for college.

Education Loans

Federal loans are borrowed directly from the federal government.

Federal Direct Subsidized Loans are awarded based on financial need, and if you qualify, interest is not charged before graduation or leaving school. Direct Unsubsidized Loans are not need-based and interest is charged from the time you receive the money until it is paid in full. You can usually defer any payments while you are in school, but the interest on unsubsidized loans will continue to accrue so you will ultimately owe more than what you originally borrowed. If you qualify, subsidized loans could save you thousands of dollars in interest over the life of the loan.

Another federal loan available is the Direct PLUS Loan. Parents of dependent undergraduate students may be eligible to borrow money for their child's education and independent graduate students may also be eligible to borrow for their own education.

Private student loans are becoming more common as there are limits to the amount students can borrow through the federal programs. Private loans may be a good option for filling the gap between the maximum government loans and the cost of attending school. Seek private loans only after maxing out federal loans however.



Repayment of student loans, federal and private, typically begins within 6 months of graduation or after dropping below half time enrollment if you've chosen to defer payments. There are other options available, including immediate repayment and interest-only payments while in school.

Work Study and Part-time Employment

Work-Study programs provide jobs for students with demonstrated financial need. These jobs are often on campus and range from career-related positions, such as research assistant for a professor, to cashier positions at the campus bookstore. Off-campus jobs are sometimes awarded as well. Not all schools offer work-study jobs to students.

The pay for work-study jobs is at least minimum wage, and earnings are limited to the amount established in each student's award letter. Work-study programs are administered by each school's financial aid office. If you qualify for need-based aid, work-study may be an option you should explore.

Many students also maintain a part-time job that's unrelated to a financial aid program.

Service Programs

Service programs provide aid to students based on the type of work they do either before or after college. Examples include military service, AmeriCorps, the Peace Corps, and Teach for America. Benefits range from a few thousand dollars working for AmeriCorps to a practically free college education for military officer training. Service programs are typically NOT need-based, and spots in some programs can be very competitive – so explore these options early.

Be sure to explore all forms of financial aid – not just loans.