
This topic is one of several in Access Group's WiseBorrower® Education Series.

Paying for School: An Introduction to Financial Aid

If you're thinking about going to graduate school but are worried about how you're going to pay for it, or you're confused by all the funding options that are available, rest assured. We can help. With a little explanation in plain English, we can tell you not only what these options mean, but what they mean to you.

There are a variety of financial resources available to graduate and professional school students, including scholarships, grants, fellowships, assistantships, and loans. These resources can all be classified as institutional, federal, or private funding.

Institutional Funds

Institutional funds are funds that schools themselves provide in the form of scholarships, grants, loans, and part-time employment. They may be available through your school and you may have to demonstrate financial need to be eligible for them. Talk to the financial aid staff to learn about the availability of and requirements for financial assistance offered by the schools you're considering.

In addition, many graduate students are offered teaching or research assistantships by their academic department to help pay for their education. A typical assistantship requires a half-time commitment (20 hours per week) and may offer additional benefits such as tuition discounts as well as worthwhile experience in the field of study. Paid internships also enable students to receive financial support while gaining practical work experience and, in some cases, academic credit.

Federal Loans

The U.S. Department of Education and the Department of Health and Human Services oversee financial assistance programs for students attending eligible schools. To be eligible for federal funding, you must be a U.S. citizen or permanent resident, enrolled at least half time, pursuing a degree or certificate. Federal student loans have low interest rates and flexible repayment options to eligible students.

If you want to apply for federal student aid, you must fill out the Free Application for Federal Student Aid (FAFSA) or the Renewal FAFSA. Both are available online at www.fafsa.ed.gov or at any college or university. The FAFSA collects information that is used to determine your expected contribution and financial need.

The most commonly used federal student loan is the **Federal Stafford Loan**. Some of the benefits of the Federal Stafford Loan over other types of loans include:

- *Lower interest rates than on most student loans or other kinds of consumer loans.*
- *Flexible repayment options to help borrowers more easily afford their monthly payments.*
- *Repayment is delayed until after you leave school, and offers a "grace period" of 6 months.*

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- *No credit check is required.*
 - *Interest may be deductible, up to a certain income level.*
 - *Unsubsidized loans do not require you to demonstrate financial need.*
 - *Options for postponing repayment of your loan are available for certain circumstances.*

Federal Stafford Loans are either subsidized or unsubsidized. The government pays the interest that accrues on the **subsidized** Federal Stafford Loans while you are in school, during the grace period, and during approved deferment periods. With **unsubsidized** loans, you are responsible for paying all interest that accrues. You can elect to pay that interest while you attend school, or have it accrue until you enter repayment, when it will be added to the original amount you borrowed.

You must demonstrate financial need to borrow the subsidized Federal Stafford Loan; all students, regardless of financial need, are eligible for the unsubsidized Federal Stafford Loan.

There are limits to how much you can borrow in the Federal Stafford Loan program. You can borrow up to a total of \$20,500 in Federal Stafford Loans each academic year, up to \$8,500 of which can be subsidized. Likewise, there is an aggregate (cumulative) limit of \$138,500 for graduate and professional students. This aggregate amount includes both undergraduate- and graduate-level Federal Stafford Loan borrowing. So, if you borrow a total of \$46,000 as an undergraduate (the maximum amount allowed for an independent undergraduate student), the maximum amount of Federal Stafford Loans you could borrow for graduate or professional school would be \$92,500.

Note: Higher limits on the unsubsidized Federal Stafford Loan may apply to certain health profession students. Ask your financial aid administrator for more information.

The **Federal PLUS Loan** is an unsubsidized education loan that has no grace period and goes into repayment as soon as the funds are disbursed to the borrower. It has the same deferment and forbearance options as the Federal Stafford Loan program. As such, graduate and professional students can postpone repayment using an In-School Deferment while enrolled at least half-time in a degree or certificate program of study.

In order to borrow a Federal PLUS Loan, the applicant cannot have adverse credit based on the review of at least one credit report from a national credit reporting agency. Lack of a credit history or insufficient credit history is not considered adverse credit. Current regulations define adverse credit as when at least one of the following applies to the applicant:

- *Currently 90 days or more delinquent on repayment of any debt;*
- *Has had debt discharged in bankruptcy during the past 5 years; or*
- *Evidence of a default, foreclosure, tax lien, repossession, wage garnishment, or write-off of a Title IV debt during the past 5-years.*

If the applicant has adverse credit, he or she can provide an endorser who does not have adverse credit in an effort to obtain a Federal PLUS Loan.

You may be offered one of several other federal loans if funds are available from your school and if you have sufficient financial need. Ask your financial aid administrator for more information.

Where to Find Federal Stafford Loans

If you are interested in applying for Federal Stafford Loans, you can contact your financial aid office for guidance on selecting a lender. Some schools participate in the Federal Direct Loan program. If this is the case, the federal government will serve as your lender. Other schools may have information on lenders to consider. Your school itself may also serve as the lender.

Private Student Loans

Private student loans are another source of funding that you may want to consider, particularly if you are not eligible for federal programs. These loans are available through a number of banks, lending agencies, and nonprofit organizations. Contact your financial aid administrator for more information.

Your eligibility for private loans varies by lender, school, and loan type, but you will have to pass a credit check for almost all of them, so make sure your credit record is clean. You should research private loans. Compare interest rates, fees, repayment options, and payment incentives when choosing a lender.

When you apply for a private student loan, your school will certify a specific amount you can borrow. You do not have to borrow the full amount. Remember, this is money you will have to pay back with your future earnings, so be conservative when deciding how much to borrow.

The funding you need to complete your graduate education is available to you through institutional, federal, and private financial aid resources. Once you have decided what school you will be attending and have been accepted into your program, your school should send you a packet of information about your financing options. Read through the information and visit your school's Web site. If you have questions, call your financial aid office.

Who Is Access Group?

Access Group is a nonprofit organization specializing in graduate and professional student loans. Our loan programs include subsidized and unsubsidized Federal Stafford Loans, Federal PLUS Loans, Federal Consolidation Loans, and a variety of private loans. For more information, visit our Web site at www.AccessGroup.Org.