

The Process of Paying for College

With the cost of a college continuing to soar, it's arguably more important than ever to understand financial aid options such as grants, loans, and scholarships. The problem of the increasing costs is magnified by the financial difficulties the COVID pandemic has caused for families and students as many are struggling to come up with funding for college. This article will walk you through the process of paying for college and help you fully explore the options available to you.

What is the FAFSA?

The Free Application for Federal Student Aid (FAFSA) is a form those who are considering college should fill out to see how much funding they are eligible to receive. It's one of the single most important things a potential student can do to help pay for college.

It can help students find out how much grant money they can receive – that's money that doesn't have to be repaid. In addition, students can learn how much in federal student loans they may be able to expect.

The FAFSA will also allow students to get an idea as to how much their expected family contribution (EFC) is. That's the amount of money the federal government and colleges think a student's family should be able to pay annually for their college education. Knowing that figure can help a family and student plan for any shortfalls.

What is Free Financial Aid?

Just because student loans are available doesn't mean a student should blindly take them. First, they and their family should investigate any sources of free financial aid they can find. This might mean scholarships and other grants that come from sources rather than the federal government.

Students can start by asking their high school guidance counselor about any local or regional scholarship opportunities and doing online searches for other sources of free aid.

By making sure they read through and understand eligibility requirements, the application process, and deadlines, applicants will ensure they aren't wasting their efforts. The eligibility requirements, for instance, will let you know whether you would qualify for free money – some funding will only be available to certain students such as those with outstanding grades.

By exhausting all of the free financial aid options, it will better help students fathom how much they'll have to pay out of pocket. This will help keep their costs as low as possible so they're starting their post-college life in a stronger financial position.

What are Federal Student Loans?

[Federal student loans](#) are loans given to students by the federal government.

The government offers two types of loans -- direct subsidized and direct unsubsidized. Direct subsidized loans are need-based, depending upon a student's finances. The interest won't

begin to pile up while a student is still in school. Direct unsubsidized loans aren't decided by financial need and after the loans are disbursed, interest starts to build.

The amount in loans a student can borrow depends on whether they are a dependent or independent, what year of schooling they're in, and the loan type. Overall, dependent students can't borrow more than \$31,000, and independent students are [capped at \\$57,500](#) for their entire college experience.

Students should only borrow what they absolutely need.

To be eligible for loans, students must be U.S. citizens or otherwise qualify as a non-citizen, have a Social Security number, be a high school graduation or GED holder, and be accepted into a higher education institution.

What are Private Student Loans?

[Private student loans](#) can help a student afford college after they've exhausted all other financial options, such as free financial aid and federal loans.

Private loans are offered by banks, schools, and credit unions – not the government. These types of loans are usually more expensive than federal ones. Plus, payments often begin while a student is still in school. These lenders may require credit checks, cosigners, and not offer loan forgiveness programs.

It's a good idea to do some homework and compare options before agreeing to a loan.

To apply with a private lender, you'll fill out personal and financial information and select a repayment option. If you don't have a credit score or you have a low one, you'll need a cosigner to qualify for a loan. Most lenders will want the student to be a minimum of 18, a permanent resident or U.S. citizen, and meet any of their other eligibility requirements.

A private loan can be used for expenses such as tuition, fees, books, and room and board.

Bottom Line

With your future financial on the line, it pays to understand the estimated cost of college. Potential students should make sure to fill out the FAFSA and seek out other sources of free financial aid before exploring student loans.

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