Financial Aid Awards Review

Guidance presented in the 2020 webinar series in support of College Decision Day
Who is Moneythink?

OUR WORK

Moneythink harnesses the power of people and technology to bring transparency to college costs so that all students are equipped to invest in their futures.

ABOUT THIS GUIDE

Getting into college is already difficult enough! And colleges primarily leave it up to students to figure out how much their degree will cost and how they’re going to pay for it. This guide is a step-by-step look at how students, families, and their college access advisors can navigate the complex process of college enrollment and degree financing. Unlike other tools, Moneythink analyzes awards to get at an estimated bottom line cost and decide if the remaining gap makes a school Affordable, Somewhat Affordable, or Not Affordable. We want students to know their bill and make a sound plan to pay so they can show up on campus ready to focus on their education and not on their finances.
“When the colleges sent me the award, I was like ‘What the heck is this?!’

Moneythink tells you how much aid you are getting, how much you are paying, and how affordable it is going to be — I think it is really helpful.”

MONEYTHING STUDENT /
San Francisco State University ‘23
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Overview

Moneythink’s definition of Affordability prioritizes the needs of Pell-Eligible students. For Non-Pell students, affordability may look different. This may include being able to get financial support from family and savings to help cover the cost of college.

Unlike other tools, Moneythink analyzes awards to find out the Estimated Bill and determine the affordability of a college without including loans and work-study to find the leftover GAP that students and families are responsible for. Only then do we decide if the college is in fact:

- AFFORDABLE
- SOMEWHAT AFFORDABLE
- NOT AFFORDABLE

Our labels are calculated based on how much a student will need to work and take out in loans to cover all the direct costs of attending that college (the estimated bill due to the College for the year).
“Affordable”

Affordable schools are the best rating that Moneythink gives to schools you are considering. Although your grants and scholarships may not fully cover all your college costs, filling that gap will still be manageable. At these schools you can afford to pay your tuition, housing, and personal expenses with a healthy mix of work, loans, and family contributions.

**Work**

Although you may have to work during the school year, you shouldn’t have to work so many hours that it’s hard to find time to focus on school.

**Loans**

Although you may have to take out loans, you shouldn’t have to take on so much debt that repaying them after graduating from college becomes difficult.

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"Somewhat Affordable"

Somewhat Affordable schools are the middle rating assigned by Moneythink. These schools could still be an option for you, but in order to afford them you would need to stretch your work, loans, and family contribution to potentially unsafe amounts.

**Work**

You are likely to need to work so many hours during the school year that focusing on school will be challenging.

**Loans**

You are also likely to need to take out a larger amount of student loans to cover your costs. This means you will need to have a job immediately after graduating so you can start paying back your loans in full each month.

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**The GAP is manageable** even if grants and scholarships may not fully cover all Direct Costs.

Less than $7,000 per year

**The loan burden is limited** so you’re not taking on so much debt that repaying them after graduation is difficult.

Less than $5,500 per year

**The work commitment is low** so you aren’t expected to work so many hours that it’s hard to find time to focus on school.

0 - 10 hours a week

**These schools can be an option** but to afford them you need to stretch work, loans, and family contributions to potentially unsafe amounts.

$7,000 - $11,000 per year

You will likely need to take out larger amounts of student loans.

$5,500+ per year

Likely need to **work so many hours making it challenging to focus on school** and keep up strong grades.

10 - 20 hours a week
“Not Affordable”

Not Affordable schools are the worst rating given by Moneythink. If you attend an unaffordable school, you are going to struggle to cover your bill even if you are working, have support from family, and are taking out federal and/or private loans.

**Work**

You will need to work during the school year, and will need so many hours to cover your costs that working may become distracting. You will spend as much (if not more) time working each week than being in class and studying.

**Loans**

The loans that you’ll need to cover your costs will have very expensive monthly payments and can take over a decade to pay off. Students at unaffordable schools are at the most risk of defaulting on loans, which hurts their credit scores.

- **More than $11,000 per year**
  - At these schools you are going to **struggle to cover the bill** even with work, family support, and loans.
  - The large amount of loans you take out will have **very expensive monthly payments and can take over a decade to pay**, risking default.
  - **$5,500++ per year**
    - **Working as much as you’re studying.** You will need to work during the school year at levels that may be distracting and detrimental to your academics.
    - **20+ hours a week**
What If Your College Isn’t “Affordable”?

What happens if the school you are really set on going to is not affordable? We've put together some things to think about.

Double-check your work
Affordability scores are only as accurate as the information put into it!

Did you receive scholarships from a church, business, or program like Millennium Gates Scholars? If you are going out of state, did you get a tuition fee waiver? If you catch anything you missed, be sure to update your affordability calculations.

Talk to your parents
Your parent(s) may be able to help you brainstorm ideas to raise more money, or potentially even help you cover your remaining costs themselves. The best way for you to alleviate stress for your family is to be informed about what you need and to tell them as early as possible.

6 Tips for talking to your family about college costs
For many, talking to your parent(s) about money can feel weird, uncomfortable, or even a little stressful. However, talking to your family about how much they could contribute to your education is critical in determining which schools will be affordable for you.
1 — Talk to the them early

You might feel tempted to wait because you don't want to trouble your parent(s). The best thing you can do to reduce their stress about your college costs is give them plenty of time to prepare. Delaying this conversation can create a very big stressor for families because it may be too late to adequately prepare or consider other options.

2 — Be the one to initiate

Some students feel it is not their place to start this conversation, and may wait for their parent(s) to initiate the discussion. But in reality, you are the one who is ultimately responsible for managing your college expenses. Since your college finances will affect your own future, it is your responsibility to seek out the help and support that you need. Start by being proactive in seeking out your family's support and guidance.

3 — Use your financial fit report to de-stress your parents

Not knowing your college financial situation is stressful for you and your parent(s). You have the ability to bring peace of mind to your family by presenting them with your options and the cost of each. The affordability calculations that we walk through in this guide are great resource for helping you and your parent(s) understand how much you would have to pay out-of-pocket for each college. Show your parent(s) your calculations and affordability ratings for your chosen schools, and talk openly about what your options would be for covering those gaps.

4 — Be realistic

When it comes to money, it is easy for unforeseen issues to get in the way of our plans, and college planning is no exception. Make a backup plan with your parent(s) by asking yourselves “What will we do in August if we don't have enough saved?” Will you take out more loans or maybe cut costs somewhere else? Having a backup plan will ensure that, come August, you are able to afford and attend school.

5 — Let go of the guilt

Some students feel guilty because they do not want to ask their parent(s) for money. This conversation isn't necessarily just about asking your parent(s) for money — it's about working together to understand your options. You have nothing to feel guilty about. One way to feel better about this is by letting your parent(s) know that you appreciate their help in decision-making, regardless of how much or whether they can contribute financially.

6 — Use these conversation starters

If you are deciding where to go to college:

Hey, I've been doing some work to figure out which college would be the most affordable for me. Can we find a time this week to sit down and look at it together? I want to hear what you think about it.
If you have already decided where you are going to college:

I have some information to help me plan for affording college. It shows the financial choices I have to make, like how much I’ll have to work or take out in loans to cover my costs. I want to get your help in looking through it. When would be a good time this week?

If you aren't sure how to ask your parent how much money they can contribute:

There is still some of my college costs that I have to cover myself. Just so that I know what my options are, I want to ask what you think you can cover. No matter what that amount is, it’s just good to know so that we can plan better.

**Keep in mind that you will have this gap each year**

You will have to repeat the process of finding enough money to cover your bills and living expenses at school every year, and college tuition rises annually! It can be easy to focus on just making it through your first year but remember that you will be faced with this challenge every single year.

If you are unable to close the gap between your college costs and the money you have available at any point in your college career, you will not be able to continue school until you are able to make your payments on time.

**Consider switching to another college**

It may not be too late to switch to a more affordable college. Look at the other colleges you have been accepted to, think about what you are looking for in your college experience, and do some research to see if those other colleges could be a good fit.

If you have your heart set on one college, it can feel hard to consider any other option. But going to a college that is not affordable puts you at serious risk of dropping out.

The easiest way to get this started is to use the tips in this guide to calculate the affordability of your second-choice school to use as a comparison of your financial
We've seen it all. Award letters sent to the wrong address, never mailed at all, or delivered electronically without so much as a heads-up! And let's not forget how easy it is to misplace a piece of paper. Let's start with the basics first.

**What do we mean by awards?**

Your Financial Aid Award is the single most important document you could get right now. This award will usually be given to you after your college has sent you an acceptance letter, and it may come in the mail, e-mail, or in your college’s student portal.
The financial aid award will list how much money the college, the state, and the federal government is able to provide for you in grants, scholarships and/or loans.

**How do I find my Financial Aid Award letter?**

If you have not yet received your financial aid award, the following steps might help you make sure you haven’t missed it.

**Check your personal and college email**

1. Open the email account that you listed when you applied to college. If you’ve already been given an e-mail address for the college you were accepted at, check this account too.
2. In the search function, type in the name of the college or university you applied to followed by “+ financial award.” (Example - “San Jose State University + financial award.”) You can also try searching for messages containing “financial aid” from that school.
3. Look through these emails from your school for information about your award notification.
4. If you find an email saying that you need to submit additional documents or are selected for verification, know that you’ll need to complete some extra steps. Being selected for verifications doesn't mean you did something wrong! Verification is a hassle but it is just one of those things you have to do on the way to college.
5. Completing this process will ensure you receive all the potential financial aid you are eligible for and that you get your financial aid on time.

**Check your mail**

Ask your family members or housemates if any mail has arrived addressed to you from your school.

**Check your college portal or student account**

1. Even if your school sends an email or mail notification, many schools will also list your award in your college portal.
2. Log into your college portal or student account on your college’s website.
3. Look for a section labeled financial aid (or something similar, as the title varies by campus) and click there.

**Call the college’s Financial Aid Office**

If none of the options above help you locate your award notification, you can always call the school. Not sure what number to call or what to say? You can do a Google search or go on the College website to find their Financial Aid Office number or guides they may post on viewing your financial aid. If you have access to your High School or College Access Advisor reach out to them for further support.
Using Awards to Calculate Your Cost of Attendance

At the end of the day, colleges are primarily leaving it up to students and families to figure out how much college is going to cost and how they’re going to pay for it. Luckily, Moneythink has your back.

Why use this method?

Award letters can vary considerably from college to college, DESPITE federal guidance from the Department of education. Problems with awards we’ve heard from our students and encountered in our work include:

• More than 143 unique phrases to describe federal loans.
• Less than 33% of award letters differentiate between aid & loans, making it difficult to know what families actually need to pay.
• Misleading and vague information around Parent PLUS Loans and Work-Study.
• Only 40% of awards included a calculation of what students would need to pay above and beyond the aid, and there were 23 different ways of calculating the remaining costs.
• 30% of letters include grants, but don’t include college costs
We've reviewed how Moneythink thinks about affordability. Now we'll walk through how you can analyze the award letters you've received to get at the true, bottom-line costs for each college.

**Step #1: Collect all college costs**

As you search for and collect these numbers, use this hierarchy of where to get college cost information from:

1. Award Letters
   This reflects the most up to date cost from the school directly
2. College Website
   Some colleges don't update this till late in the Spring / Summer
3. College Board or other College Access sites

### Direct Costs / College Bill

- ★ Tuition
- ★ Fees
- ★ Housing & Meals (Board)  
  If living at home or off campus housing this is not a cost paid to the college but students should plan to budget for this in the Indirect Costs / Life Budget column

**Moneythink Direct Cost Tip:** Make sure to research campus housing and meal fees early to take advantage of securing affordable housing options early. Which have potential savings of $2,000+ in your costs factors for the year.

### Indirect Costs / Life Budget

- ★ Personal
- ★ Books
- ★ Transportation
- ★ Laptop **
- ★ Health Insurance **
- ★ Emergency Fund **

Moneythink recommends students plan to have this fund ($500) for emergencies or unexpected costs coming up

**Not required for all students and can be customized to student and award letters they receive**

**Moneythink Tip:**

- Take a look at on campus housing and meal costs and look to take advantage of securing affordable housing options early.
  
  This can have potential savings of $2,000+ or more in cost for the year.

- As you search for College Costs, keep in mind not all award letters will show indirect costs estimates.
  
  When this is the case, make sure you search on the college websites for these numbers, College Board or other College Access sites.

- If you are unable to find indirect cost estimates for your specific college below are conservative estimates made by Moneythink.
  
  Housing and meal costs reflect more alignment for California students, these amounts can vary for different regions of the country. We
encourage students to estimate their own housing and meal budget specific to their circumstances.

<table>
<thead>
<tr>
<th>Moneythink Indirect Cost Estimates</th>
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</thead>
<tbody>
<tr>
<td>Housing &amp; Food*</td>
</tr>
<tr>
<td>N/A</td>
</tr>
<tr>
<td>Living On-Campus</td>
</tr>
<tr>
<td>$4,786</td>
</tr>
<tr>
<td>Living With Family</td>
</tr>
<tr>
<td>$15,084</td>
</tr>
<tr>
<td>Living Off Campus</td>
</tr>
</tbody>
</table>

*Housing and food cost students contribute towards living at home or cost when living on their own off campus estimated numbers are more relevant in California so would need to be adjusted to specific region and student circumstance

**Costs like Laptop and Health Insurance will be based on individual student circumstance, some students already have a laptop or will utilize computers on campus, thus wont need to account for this cost.

***For students who do not have Health insurance through family their college may require them to get one through the school. UC and private college insurance can be around $2,400 for the school year.

### Step #2: Identify all gift aid

Gift aid includes any and all free money — like federal grants and institutional scholarships.

<table>
<thead>
<tr>
<th>What to look for: “free money” or any money that does not need to be paid back!</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal ?</td>
</tr>
<tr>
<td>★ Pell &amp; SEOG Grant</td>
</tr>
<tr>
<td>★ Veteran Affairs Grants &amp; Tuition Waivers</td>
</tr>
<tr>
<td>Institutional Grants &amp; Scholarships ?</td>
</tr>
<tr>
<td>★ Merit-based</td>
</tr>
<tr>
<td>e.g. Academic, Athletics &amp; Arts, Leadership</td>
</tr>
<tr>
<td>★ Need-based</td>
</tr>
<tr>
<td>State Grants ?</td>
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<tr>
<td>★ Cal Grant</td>
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<tr>
<td>★ EOP Grant</td>
</tr>
<tr>
<td>Outside Scholarships ?</td>
</tr>
<tr>
<td>★ Sent directly to the College upon enrollment</td>
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</tbody>
</table>

What should not be included when calculating Gift Aid!

Federal Loans, Parent PLUS Loans, Work Study; any money that needs to be paid back or is not guaranteed but has to be earned like work study or on campus employment.

For most cases you will be able to find this information on each of your Award Letters from all the colleges that send you one. However, in some cases you may find that your award letter is missing State Grants. For the Cal Grant, for example:

1. Log into WebGrants to check on your Cal Grant to make sure you have been awarded Cal Grant A or B
2. Make sure you have completed steps to receive that Grant — making sure your High School certified your GPA requirement.
3.0 GPA Cal Grant A
2.0 GPA Cal Grant B

3. If it has not shown up on your award letter but is showing up on WebGrant that you have been awarded or if you see any discrepancies on Federal / State Aid that is not accurately reflected on your award letters, reach out immediately to the financial aid office of that college.

**Step #3: Calculate the GAP**

Calculate the GAP is what Moneythink refers to as the bottom line cost.

When Calculating the GAP left for students and families to pay, we do not consider the loans or work-study in the award letters because we want to know how big of a GAP is left after accounting for all the Direct Cost due to the College — Gift Aid “free money”.

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**Direct Costs = **

**Gift Aid / “Free Money” = **

**Remaining GAP**

<table>
<thead>
<tr>
<th>Costs</th>
<th>College Cost</th>
<th>Gift Aid</th>
<th>Student Financial GAP</th>
</tr>
</thead>
<tbody>
<tr>
<td>*Tuition</td>
<td></td>
<td>Name</td>
<td>$0.00</td>
</tr>
<tr>
<td>Fees</td>
<td></td>
<td>Federal Grants</td>
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<tr>
<td>Housing</td>
<td></td>
<td>State Grants</td>
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<tr>
<td>Meals</td>
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<td>Institutional Grants</td>
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<tr>
<td><strong>Total Direct Costs</strong></td>
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<td>Outside Scholarships</td>
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<tr>
<td><strong>Personal</strong></td>
<td></td>
<td>Total Gift Aid</td>
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<tr>
<td><strong>Books</strong></td>
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<td></td>
</tr>
<tr>
<td><strong>Transportation</strong></td>
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<tr>
<td><strong>Total Indirect Costs</strong></td>
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<tr>
<td><strong>Total Cost of Attendance</strong></td>
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</table>

*Tuition - will vary depending on In-State vs Out-of State vs Tuition Waivers that are unique to each student.
**Students can have influence over Indirect Costs but general should anticipate the cost provided on Award Letter or Estimates provided

Once we have we have the GAP amount $$ left this gives us the parameters Moneythink uses to define Affordability of a college. Now assign your GAP number an affordability label. This will allow you to easily compare the financial costs of attending each school. You may be surprised!

**Affordable**

GAP = $7,000 or less (per year)

The GAP is manageable even if grants and scholarships may not fully cover all Direct Costs.

**Somewhat Affordable**

GAP = More than $7,000 - $11,000 (per year)

These can be an option but you’ll need to stretch work, loans, and family contributions to potentially unsafe amounts.

**Not Affordable**

GAP = More than $11,000 (per year)

At these schools you are going to struggle to cover the bill even with work, family support, and loans.
How many loans should I accept?

In general, Moneythink recommends taking out no more than $5,500 per year in loans while in college. For most students, this means accepting up to $3,500 in Federal Direct Subsidized loans and $2,000 in Federal Direct Unsubsidized loans.

If you take out up to $5,500 per year in these loan types, you’ll have to make about $54,600 in your first year after graduating college. You’ll be able to reasonably pay off the loan by paying $360 per month for 10 years after graduating.

However, some students find themselves needing a little more money to cover any gaps in college costs. And luckily, many degrees could land you a job making more than $54,600 immediately after college.

(Considering a school where you would need to take out more than $5,500 per year in loans?)
Moneythink's tips continue on page 22.)

You'd probably be surprised by how much money the average student at your college makes after graduating.

Not sure how loans work? Keep reading for our guide on the different types of loans available to you!

How do I know which loans I can get?

Check the Financial Aid section of your college's portal website to see a list of the loans you qualify for. Read the loan titles carefully because they can be confusing.

Federal subsidized and unsubsidized student loans are the best loans on the market for their low interest rates and forgiving terms to repay.

About $5,500 per year: $3,500 subsidized and $2,000 in unsubsidized

Speak with the financial aid office to see if this can be increased before looking at other loans

Once you max out these loans, alternative loan options get more expensive and harder to get. You or your parent will have to pass a credit check to be eligible, and the interest rates can be double or even triple those of the federal loans.

How do I accept my loans?

Your first college bill will likely be due in July or August — if you plan to use loans to cover part of that bill, you should accept your loans a few weeks before your bill is due. (See page 23 for our guide to getting your loans on time.)

What if I'm a DREAMer?

As a DREAMer, you will not have access to the first three kinds of loans mentioned in this guide: Subsidized Loans, Unsubsidized Loans, & Parent PLUS Loans. In general, your only option may be private loans.

There is one important exception to this! Some colleges are trying to be supportive of DREAMers and may choose to offer you a special kind of loan that is student friendly. If your college is offering you something like this, it likely has better interest and repayment options than a private loan so you should probably take out these loans before considering private loans.

Different types of loans

Federal Direct Subsidized Loans

Lender: These loans are offered by the federal government to help families afford college.
**Federal Direct Unsubsidized Loans**

- **Lender:** These loans are offered by the federal government to help families afford college.
- **Responsible for repayment:** Student
- **Interest:** These loans **start accruing interest while you are in college** which means the amount you have to repay will grow while you are in school. The good thing about Federal Direct Unsubsidized Loans is that they also have very low fixed interest rates (4.53% in 2019-20).
- **Repayment timing:** Start repaying 6 months after graduating from college or 6 months after leaving college.
- **Deferral:** Because they are federal loans, you can apply for Deferral or Forbearance that temporarily “pauses” your payments after graduation if you enter into graduate school, a government-run volunteer organization like AmeriCorps, the military, or have economic hardship.
- **Application process:** No additional application needed. You applied for these loans automatically when you filled out the FAFSA.

Our recommendation: These are the safest kind of loan. If you take out any loans, take out these first before considering any other loan.
Federal Parent Plus Loans

**Lender:** These loans are offered by the federal government to help families afford college.

**Responsible for repayment:** It is legally the parents’ responsibility to repay these loans and they can’t be transferred to the student later in life.

**Interest:** These loans start accruing interest immediately which means the amount you have to repay will keep growing until the whole loan is repaid. They have a higher interest rate (7.08% for 2019-20) than federal direct loans and have higher added fees.

**Repayment timing:** Parents are expected to start repaying these loans while you are still in college, and must apply for a special deferral if they can’t start repaying until you graduate.

**Deferral:** Unlike federal direct loans, PLUS loans have fewer deferral and forbearance options (for example, repayment cannot be paused if the student enters AmeriCorps).

**Application process:** Your parent must fill out an application and have a good credit score to receive a Parent PLUS loan.

Our recommendation: Always maximize your Federal Direct Subsidized and Unsubsidized loans before considering this type of loan.

Here are a few tips if you are considering taking out Parent PLUS Loans:

- Before taking out Parent PLUS Loans, check with the Financial Aid Office to see if you can get more Federal Unsubsidized Loans. Schools don’t always list the maximum amount of loans you are eligible for on your portal website so you may be able to get more than you think.

- If your parent’s application for Parent PLUS Loans gets rejected, the school may offer you additional Federal Direct Unsubsidized Loans instead.

Private Loans

**Lender:** Private loans are offered by banks and loan agencies, not the government.

**Responsible for repayment:** It depends on the loan, but typically students will either need a parent to co-sign the loan or the parent would have to take out the loans themselves. If a parent takes out a private loan, they can typically transfer this loan to their student late in life.

**Interest:** The interest rates on private loans are usually based on your parents’ credit score or your own, so the lower your credit score, the higher your interest rate. Private loans interest rates vary widely, ranging anywhere from about...
6%-18%. However, unlike with federal loans, the interest rate for private loans can be either fixed or variable. If it is variable, it can increase unexpectedly over time.

**Repayment timing:** Private loans monthly repayments typically start immediately after taking out the loan.

**Application process:** You or your parent must research loan providers and fill out an application.

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Our recommendation: These are one of the riskiest loan options.

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Here are a few tips if you are considering taking out Private Loans:

- Always maximize your Federal Direct Subsidized Loans, Federal Direct Unsubsidized Loans, and Parent PLUS Loans before considering this type of loan.
- Before taking out Private Loans, check with the Financial Aid Office to see if you can get more Federal Unsubsidized Loans. Schools don’t always list the maximum amount of loans you are eligible for on your portal website so you may be able to get more than you think.

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**Payday Loans**

- **Lender:** Payday lenders
- **Responsible for repayment:** Typically, you have to be 18 years old and have an income in order to get a payday loan.
- **Interest:** If you do the math, the interest rates on payday loans can be as high as 400%!
- **Repayment timing:** Typically these loans are meant to be for two weeks. Payday lenders have access to your bank account and will automatically pull money from your account when your next paycheck arrives.
- **Application process:** Typically these loans are not hard to get but you will need to give the lender access to your bank account.

Our recommendation: You should absolutely avoid taking out these loans.

These loans are often a trap that leave you stuck in debt for a very long time. These lenders are known for trying to take advantage of people who are desperate for cash.

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**Credit Cards**

- **Lender:** Credit card company
- **Responsible for repayment:** Credit card holder
Interest: The better your credit score, the lower your interest might be. In general, interest is around 16.5%.

Repayment timing: Credit card bills arrive monthly. You have to make a minimum payment each month but it is strongly recommended that you don't carry over a balance into the next month.

Application process: Fill out an application for a credit card with your credit score and get approved.

Our recommendation: Using a credit card should be one of the last options you consider.

Credit cards have a higher interest rate than federal loans and may have a higher interest rate than some private loans. Maximize federal loans and research private loans.

What if I need even more loans than Moneythink recommends?

Our general rule of thumb for loans is to take out no more than $5,500 per year while in college. There are a few things you should consider before you decide to take out more loans — check them out below.

Majors with higher pay can take longer to complete school and start earning money

Medical doctors and lawyers make a lot of money but it can take 8 to 12 years of school before they start earning a salary. Even if you don’t want to be a doctor or a lawyer, the need for graduate school is common in many careers. This means that not only will it take you longer to start working and earning a salary, but you may need additional loans to pay for graduate school.

Before you decide to take out extra loans to finance your undergraduate costs, make sure you know how many total years of loans you’ll have before you start earning money to pay them back.

Students who stop school have to start repaying their loans

School can be difficult and life can be unpredictable. For this reason, many students leave school at one point or another in their college career.

However, if you have student loans and leave school for at least six months, you will have to start making your payments — even if you plan to eventually return to school. This can complicate students lives further and make it hard to eventually return to college.
Federal subsidized and unsubsidized student loans are the best loans on the market for their low interest rates and forgiving terms to repay. Once you max out these loans (about $5,500 per year), alternative loan options get more expensive and harder to get. You or your parent will have to pass a credit check to be eligible, and the interest rates can be double or even triple those of the federal loans.

What if I can't repay my loans?

Federal loans also offer various different repayment plan options, which can change your minimum monthly payment amount depending on how much money you are earning or how quickly you want to pay them off.

If you are not able to meet your minimum monthly payments, your loan could go into delinquency or default. This can really hurt your credit score. Worst case scenario, the government could start taking payments for loans that are in default out of your monthly paycheck.

Know you are not alone! Nearly 70% of college students took out student loans to help finance their degree in 2019. Having trouble paying off student debt is not uncommon, but that does not mean you should just stop making payments. What may seem like the easy solution in the short-term will actually make things worse.

There are many resources to help you deal with student loan debt in a constructive way. Educate yourself about your options. What the next steps are will be individual to your circumstances and goals. We recommend beginning with Credit Karma's article: "5 Options to Consider if You Can't Pay Your Student Loans" as well as the Department of Education's Blog Post: "3 Options to Consider if You Can't Afford your Student Loan Payment".

If you get really stuck, there are companies that help with managing your loans after college, such as:

- Student Loan Hero
- SoFi
- Earnest

5 Steps to getting your loans on time

Typically in July or August, you will receive a tuition bill for your first semester of college. To make sure that bill accurately shows how much you owe, be sure to accept loans as soon as possible.

1—Accept your grants & scholarships

Log into your school's online portal, go to the financial aid section, and accept your grants and scholarships.
2—Accept your work study

These are jobs you can only apply for if you have been offered and accept "work study" in your college's portal website or award letter. However, accepting does not guarantee you a job. These positions may be limited and can fill up quickly!

Some colleges may require you to fill out an additional application and/or info in the portal to “accept” work-study. Call the financial aid office if the steps for how to accept the work-study offered are unclear.

If you get a work-study position, you will be paid directly by the college (probably every two weeks) either through a paper paycheck or direct deposit to your bank account.
3—Accept your loans
You can increase or decrease the loan amount that you would like to accept.

Most of our students plan to take all or some of the subsidized & unsubsidized loans. This student did not accept their loans yet.

4—Do online loan counseling
Everyone who takes out federal loans has to complete a learning exercise to make sure they understand repayment responsibilities. Your answers don't impact how much you actually take out in loans.

For most schools, you can complete loan counseling on the Federal Student Aid Website. To log in to complete loan counseling, you will need your FSA ID. This is the same FSA ID that you created when you submitted your FAFSA online. The whole loan counseling process takes about 30 minutes.

Most of our students do not plan to take out Parent PLUS loans.
5—Sign an online Master Promissory Note

When you sign the Master Promissory Note (MPN), you're acknowledging that you understand you're responsible for any federal loans you take out in college. You aren't agreeing to how much you're taking out.

For most schools, you can sign the MPN on the Federal Student Aid Website. To log in, you will need your FSA ID. This is the same FSA ID that you created when you submitted your FAFSA online. The whole MPN signing process takes about 10 minutes.

The money will not arrive until you go through this! We recommend our students complete this process before their first scheduled loan distribution. Everyone who takes out federal loans is required to sign a Master Promissory Note (MPN).
How to Approach Outside Scholarships

So, as a student, how do you balance the understanding of your financial aid package with any scholarships you expect to receive now and before starting college?

Scholarships and Financial Aid

You may have worked hard to apply to many scholarships, which is great! The more gift aid, the better! We'll dive into their importance, possible impacts on your financial aid package, and how to use that money towards college. But first, the main things to keep in mind:

- Unless you’ve won scholarships do not count that money when making a financial plan.
- If you are awarded a scholarship and the money will be given directly to you then we recommend not reporting that to the college and instead treating it as cash to pay for your school expenses.
- If you’ve been awarded a scholarship and it will be paid directly to the college, we recommend checking to see what your college's Scholarship Displacement Policy is and following up with the Financial Aid office directly to be sure.

What is Financial Aid Displacement?

This used to describe situations where a student has received an aid package from a college and
then tells the college they have won a private scholarship. Some colleges respond to this by reducing the amount of the college award by the size of the new scholarship — that's the displacement.

Note that colleges can't subtract from the federal Pell Grant — that will remain intact regardless of scholarship winnings.

**Why do colleges even practice scholarship award displacement?**

Basically, colleges interpret the fact that a student won a scholarship as evidence they have less demonstrated financial need.

If a student won a $1,500 scholarship, the college decides their need has gone down by $1,500. So it reduces its grant awards accordingly, perhaps to give them to another student with more financial need. Colleges can practice scholarship displacement if a student's scholarship assistance exceeds their financial need by $300 or more.

**What's the point of applying to scholarships if they won't make college more affordable?**

College financial aid administrators have flexibility in how they reduce the need-based financial aid package. The college's outside scholarship policy specifies how the college reduces the student's need-based financial aid when the student receives a private scholarship.

Keep in mind:

**About 4 out of 5 colleges will reduce unmet need first.**

The policy of most colleges is to have scholarship funds replace loans and work study before reducing any grant money. Less loans mean lower out of pocket costs, making the college even more affordable!

**About 1 out of 5 colleges will reduce the college's own grants first, replacing a grant with the scholarship.**

This is the case where a student would derive no financial gain from winning the private scholarship and the net price of attending that school will remain unchanged.

*(Summary of the NSPA Student Aid Policy Analysis: "Scholarship Displacement Survey Results")*

The good news is that 80% of schools won't cut into a student's grants if they any receive outside scholarships.
So pursuing scholarship money can still help reduce the need to borrow more in student loans! Students who have won significant amounts of private scholarship funding should consider each college’s outside scholarship policy when calculating the net price of the college’s financial aid award letter. This can affect the tradeoffs between college affordability when deciding enrollment.

What do families & advisors need to know?

As you can tell from the different ways of dealing with it, displacement can seem overwhelming for students and families navigating the world of financial aid. When it comes down to it, there are really three vital questions to ask:

1. **Does the college practice either partial or full displacement?**
   
   If the answer from the financial aid office is “no,” you’re in the clear.

2. **If displacement is practiced, will the college reduce loans first?**
   
   This is the best-case scenario if a school answers “yes” to the first question. If they’re going to reduce any part of the financial aid package, you want it to be the amount of loan aid, not grant aid. (That way, even though you’re losing out on some funds, they’re funds you’d have to pay back after graduation.)

3. **Does the student have to use the private scholarship for this year’s tuition?**
   
   Financial aid packages differ wildly, and so do private scholarship guidelines and restrictions. If your students find themselves facing the possibility of displacement, they should contact both the College and the Scholarship provider to explore options.

   *(Adapted from Scholarship America: "Financial Aid Displacement: What Families and Scholarship Providers Should Know")*

It may be possible to defer the funds to the following year when your need may change; it may also be possible to use the funds for books, room, and board or other fees not reflected in your aid package.

**Moneythink’s recommendation**

First, find out if the private scholarship you are awarded will be paid directly to you or if it will be paid directly to the college you end up enrolling at. Then:

**If the scholarship will be paid to you directly:**

Since this is not reported to the College we recommend treating this fund similarly to money from family, savings or money earned from a summer job.

This means treating it like cash and anticipating to use the funds to pay college bills and student personal expenses for the upcoming school year. No need to report this fund to your college thus, avoiding the potential of scholarship displacement.

**If the scholarship will be paid to your college:**
Reach out or search to see the college's policies on scholarship displacement.

If your college does practice displacement it may be best to get ahead of this. Contact the college's Financial Aid office to see the impact it will have on your financial award.

Speak with a Financial Aid officer and, if necessary, submit an appeal to have their policy of displacement first reduce loans and work-study before any grants (aka free money).