

Understanding the Four Types of Financial Aid

There are four main types of financial aid for college students including grants, scholarships, loans, and work-study funds.

Grants

Grants are a type of financial aid that does not have to be repaid. Offered by the federal and state government, as well as by some institutions, grants may be merit-based, need-based or student-specific. Examples of student-specific grants might include grants for minorities, women, and students with disabilities. The competition for grants is usually fierce since no repayment is required. The federal government offers the following grants:

- **Pell Grants**– Pell grants are usually awarded to undergraduate students who have not earned a bachelor’s degree or professional degree. The amount of aid you receive depends on your financial need, the school’s cost of attendance, and other factors.
- **Federal Supplemental Educational Opportunity Grants (FSEOG)**– FSEOG are grants for undergraduate students with exceptional financial need. FSEOG are administered directly by the financial aid offices of participating schools.
- **Teacher Education Assistance for College and Higher Education (TEACH) Grants**– TEACH grants can help you pay for school if you plan to become a teacher and teach in high-need fields in low-income areas. In order to qualify for a TEACH grant, you must commit to teaching for a certain length of time.
- **Iraq and Afghanistan Service Grants**– Iraq and Afghanistan service grants provide money to students whose parent or guardian died during military service in Iraq or Afghanistan.

Scholarships

Like grants, scholarships do not require repayment. They are typically offered by individual institutions and private organizations and can be awarded based on a number of factors, such as academic performance, athletic ability, religious affiliation, and race, among others. In order to apply for a scholarship, you will often be asked to write an essay.

Loans

Offered by both the federal government and private institutions, loans are money that you borrow to attend college. You must repay your loans with interest. Loans provide students and families with immediate access to funds to help cover the cost of college.

-Federal Loans

The two main types of federal loans available for college students include:

- **Subsidized Loans**– Subsidized student loans are available for students who have demonstrated financial need. They have slightly better terms than unsubsidized student loans, because the US Department of Education pays your interest while you are in school and for a six month grace period after you graduate.
- **Unsubsidized Loans**– Unsubsidized loans are available to students regardless of financial need. Students are responsible for repaying interest during all periods.

There are also specialized student loans available, such as PLUS loans and Perkins Loans:

- **PLUS Loans** – PLUS loans are loans made to graduate or professional students and parents of dependent undergraduate students to help pay for expenses not covered by other financial aid options.
- **Perkins Loans**– Perkins loans are school-based loans for undergraduate and graduate students with exceptional financial need.

-Private Loans

Private loans are granted by private banks and may help to bridge the gap between the cost of your education and the amount of financial aid you receive from the government. Eligibility for private loans often depends on your credit score, and private loans tend to have higher interest rates than loans that the government offers. Students are encouraged to pursue all options for federal student aid before entering into a private loan.

Work Study

A work-study program is a work program where you can earn money that helps you pay for school. Work-study programs provide students with federally funded jobs on campus or at other approved locations. The campus facilities at many colleges and universities, including the student center, career center, athletic department, and residence halls, employ work-study students. However, the positions available and the pay offered vary widely.