

Affording a Graduate Education

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PAYING FOR SCHOOL

There are several ways to pay for a graduate school education:

- **PERSONAL/FAMILY RESOURCES**
- **WORK**
- **SCHOLARSHIP/GRANTS**
- **STUDENT LOANS**

While most graduate students end up financing their graduate education with student loans, you would be well advised to consider these options in the order listed above.

PERSONAL/FAMILY RESOURCES

The traditional model for financing an undergraduate education makes the assumption that the student and/or family will be responsible for paying for that education, to the extent that they are capable. As a graduate student, the federal government considers you financially independent from your parents, and therefore your parent's financial situation will not be taken into account when you apply for financial aid. Nevertheless, you should still consider your personal resources, and talk with members of your extended family about any assistance they might give you. Remember, assistance does not have to mean that they simply give you money for your education (although that would be nice!) It could also mean a low interest or interest-free loan while you are in school. Typically this will be the best kind of loan that you could receive to finance your education. This can be a tremendous way to finance your education, and many times members of your extended family are honored to be able to participate with you in this investment. It will be in everyone's best interest for you to put the terms of this kind of loan in writing.

In addition, you will want to consider your own financial resources. If you are going directly from an undergraduate program, you may not have funds set aside for a graduate education. If you are returning to school after several years of work, you may have some savings that could minimize the amount you must borrow. At the same time, you may have accumulated some debt, including ongoing financial obligations (car payments, mortgage, credit cards) that will make financing a graduate education extremely difficult. Reviewing your personal and family resources should include an assessment of your assets and your liabilities, to determine how those factors might assist or impede you in financing your graduate school education.

WORK

One attractive option for financing your graduate program may be to have your place of employment pay the cost of your education. While this may be an option to some part-time students in graduate programs in business administration or education, many people will not have this option. Obviously, if you are able to pursue your graduate education on a part-time basis and your place of employment will assist you with the cost, you will want to give this option serious consideration. However, many graduate programs require students to be registered full-time. As a result, you will need to consider what options are available to you.

In some cases it is not always in your best interest to attend school on a part-time basis; in other instances, it can prove to be very beneficial.

In addition to having your place of employment pay for school, or reimburse you for those costs, you may simply choose to work part-time and attend school part-time, earning enough to cover your living expenses and perhaps a portion of tuition costs.

Many schools participate in the Federal Work Study program sponsored by the federal government. You will want to check with the financial aid office at your institution to find out whether or not this might be an option for financing a portion of your graduate education. Working a few hours a week at the school could easily pay for some of your living expenses, in addition to the other benefits of working at the school and in a field related to your educational program.

SCHOLARSHIPS/GRANTS

The majority of scholarship and grant funding in the country goes to undergraduate students. However, there is scholarship and grant money available for graduate students. The difference in definition between loans, grants, and scholarships is important to consider. Grants are outright monetary gifts that do not have to be repaid. Typically, grants are awarded based on need, while scholarships are awarded based on merit. However, you may find grants for a specific purpose without financial need being considered. Scholarships, like grants, do not require repayment. They are often referred to as merit scholarships, typically awarded on the basis of academic excellence, research ability, or some other specific eligibility criteria. Financial need is sometimes used in the selection process of some scholarship programs, particularly those awarded from institutional funds. Those scholarships are referred to as need-based scholarships. You should not be overly concerned about whether assistance is designated as a scholarship or a grant; in either case, it is a gift and does not need to be repaid! By way of contrast, loans must be repaid, usually with interest, and over a specified period of time.

Grants and scholarships are available through a variety of sources and can be identified via several methods. Some grants and scholarships may be available directly through your school; you will want to check with your school to learn what kinds of assistance might be available directly through them. Many institutions have at least a limited number of merit scholarships based on the admission application information. One significant form of scholarship aid for some graduate students will be a research assistant or teaching assistant position that might be available at your institution.

Grants and scholarships are also available from private sources. By taking the initiative to research availability and by following through with the application process, a student may receive outright gift money in the form of grants and scholarships from these sources. Finding potential assistance may be as easy as talking with upper-class students about assistance they have received and keeping alert to potential sources when reading newspapers or magazines. Another good approach is to spend a few hours browsing the internet looking for resources that support graduate students and their education. Generally it is more effective to apply for grants and scholarships that have specific eligibility criteria satisfied by the student. A focused search will save time and give greater chance of success.

Conducting a search may uncover information about scholarship search organizations, which, for a fee, provide a listing of potential scholarships. IDAPP strongly advises students never to use any scholarship service that charges a fee.

www.fastWEB.com

The largest, most complete scholarship search database available on the Internet is www.fastWEB.com. FastWEB provides access to a searchable database of more than 600,000 private sector scholarships, fellowships, grants, and loans. When using FastWEB, applicants fill out a detailed profile about

themselves through a series of on-line questions. After receiving their profile, FastWEB responds within a few minutes with a list of awards that match the individual student's profile.

Each entry includes information about deadlines, eligibility requirements, award amounts, and contact information for the award provider. Also included are links to suggested form letters that can be printed out, signed, and mailed to receive additional information from the organization. FastWEB keeps student profiles on file for at least a year and will update the student's FastWEB mailbox with any new scholarships that may be applicable to him/her.

In addition to FastWEB, other general information on scholarships can be identified through conducting an Internet search. Useful Web sites that may help with this process are listed in the last section of this publication.

SCHOLARSHIPS REDUCE LOAN DEBT

A scholarship or grant not only lessens a student's debt by the dollar value of the award itself, but it also has a compounded effect by reducing overall loan repayment obligations. For example, every \$1,000 in gift aid received yearly while in school (assuming a four-year program, or \$4,000 total) results in an equal reduction in loan debt (\$4,000 total loan principal over four years). The savings are significantly more than the original \$4,000 because an interest-bearing loan is typically repaid over 10 or more years. If an unsubsidized loan were obtained each year (with an 8.25% interest rate) instead of the gift aid, the cost of repaying this loan over time would be \$7,100 over 10 years; \$9,870 over 20 years; \$11,400 over 25 years; and \$13,000 over 30 years.

This example illustrates the impact that taking a few hours to research scholarships and grants might have on overall debt management and loan repayment obligations after graduation.

SERVICE-OBLIGATION SCHOLARSHIPS

A number of students in the health professions receive assistance in financing their graduate education by accepting scholarships with a service-obligation instead of borrowing from one of the traditional loan programs. By doing so, these students agree to serve a specified period of time following completion of their education. This service may take place in a branch of the military, or in a particular state. It is important to research the positive and negative points of service-obligation programs before accepting them.

Questions students should ask when deciding whether to accept this type of scholarship assistance are the following:

- X What choice will I have in whether I complete a military or civilian residency program?
- X What choice will I have in where I am placed to complete my service obligation?
- X What is the penalty if I do not fulfill the service obligation?
- X What happens if I become permanently disabled or otherwise unable to obtain a graduate license prior to fulfilling the service obligation?
- X What if I decide to take a leave of absence from school for personal reasons? What will happen to my scholarship?
- X What will happen to my scholarship if I encounter academic difficulty or am dismissed from my school?

Some of these scholarships are federal service obligation programs, sponsored by the Army, Navy, and Air Force, which offer scholarship programs for students in the health professions. Others are offered by states or other agencies; you should check with the financial aid office at your school to learn about these options.

STUDENT LOANS

The final option for financing your graduate education should be through student loans. As a general rule, apart from a loan from a family member, the terms of a federal student loan will be better (and will offer greater flexibility) than any other commercial loan you could take. The various student loans that may be available to you will be discussed in a later section. While this is by far the most common way for students to finance their education, we encourage you to pursue this option **ONLY** after you have thoroughly explored the above alternatives. IDAPP is a national leader in the student loan industry and will be happy to assist you with student loans once you have exhausted the previous options for financing your education.

APPLYING FOR FINANCIAL AID

You may wish to begin the financial aid application process at the same time you submit your application for admission to a graduate program. Some graduate programs may establish their own deadline for applying for financial aid, which could be as many as eight months prior to the time you begin the program. However, since most financial aid for graduate programs comes in the form of student loans, you may be able to initiate the application process much closer to the time you begin your studies. If your program sets a deadline for applying for financial aid, you will want to make certain to meet that deadline. Typically, schools or programs that set earlier deadlines may have their own financial resources (scholarships or grants) to distribute to students. You will want to contact the financial aid office at each of the schools to which you are applying, to make certain that you are aware of any relevant deadlines, and to familiarize yourself with the documents they require in order to complete your financial aid application.

Many schools have their own financial aid application which they will expect you to submit in order for them to determine your eligibility for financial aid. Again, make certain you are aware of the requirements of your chosen school or program.

In addition to any institutional application form, every graduate student (who is a U.S. citizen or Permanent Resident) is required to complete a *Free Application for Federal Student Aid (FAFSA)* before they can be considered for a federal student loan or for Federal Work Study funds. The U. S. Department of Education offers graduate students aid through the Office of Student Financial Assistance (SFA). This aid includes Federal Stafford Loans, Federal Perkins Loans, and the Federal Work Study Program. Eligibility for each of those programs is determined by a school's financial aid office, only after the student has completed the FAFSA.

To be eligible for aid from SFA, graduate students must meet the following criteria:

- be enrolled at least half-time in a degree or certificate program
- be a U.S. citizen or eligible non-citizen
- have a valid Social Security Number
- have financial need (except for the Unsubsidized Federal Stafford Loan)
- make satisfactory academic progress
- certify that they will use federal student aid only for educational purposes, that they are not in default on any federal student, and that they do not owe money back on a federal student grant

- register with the Selective Service System (if required)

The FAFSA covers a twelve-month period from July 1 through June 30 of the following year. For a student planning to begin a graduate program in late August 2003, they would complete a 2003-2004 FAFSA any time after January 1, 2003. For students beginning a graduate program at a different time of year, it will be important to contact the financial aid office at your school so that you complete the appropriate FAFSA. You will need some information from your most recently completed tax return in order to complete the FAFSA. For the 2003-2004, the most recently completed tax return would be for 2002. If you do not have a copy of your tax return, you can contact the Internal Revenue Service at 1-800-829-1040 to request a transcript of your tax return. As a matter of policy, you should always keep a copy of your most recently submitted tax return. While IDAPP is not in a position to provide tax advice, you should retain copies of all documents submitted to the Internal Revenue Service for a period of at least three years. You should contact the IRS or your accountant for further information about your individual tax return. If you have not yet completed a tax return for the year needed on the FAFSA, you may provide estimated information to complete the FAFSA. If you will not be filing a tax return, simply follow the instructions on the FAFSA regarding your income for the year in question. You should NOT mail your tax return with your application, if you apply by mail.

You should make a copy of your original paper application, if you apply by mail, and you should print out a copy of your electronic application, if you apply via the internet. Make certain that you get confirmation on the internet that you have submitted your application electronically. Occasionally students print out a copy of their application and assume that they have finished the process, even though they never complete the final step of submitting it electronically.

Currently, more than one-half of the applications that the federal processor receives are submitted electronically. While you can pick up a paper copy of a FAFSA from your own undergraduate financial aid office or from the financial aid office of your prospective institution, your application will be processed more quickly and more accurately if you submit it via the internet (www.fafsa.ed.gov). You should never, ever pay for an organization or individual to assist you in filling out a FAFSA; if you have questions about the application, call 1-800-4FEDAID (1-800-433-3243), or contact the financial aid office of your prospective school.

One of the significant advantages of filing your application electronically is the speed with which all transactions take place. Once you submit your application (whether on paper or electronically) you will receive a Personal Identification Number (PIN) from the Department of Education. If you have questions about a PIN, the website is www.pin.ed.gov. With your PIN, you will be able to access your SFA program records electronically. One of the most important records that you will need until you have paid your loans in full will be with the National Student Loan Data System (NSLDS), which has information about all the student loans you take. Your PIN will also allow you to make electronic corrections to your SAR, and to access and submit a Renewal FAFSA in subsequent years.

Your eligibility for state and federal grants and loans are determined by completing the FAFSA. Unfortunately, as a general rule there are very few state grants or loans for graduate students. This means that you can usually ignore any state deadlines that appear on the first page of the FAFSA, which apply almost exclusively to undergraduate students. As a graduate student, you are also ordinarily no longer eligible for any federal grants (such as the Pell grant or SEOG grant). Graduate students complete the FAFSA almost exclusively in order to have their eligibility determined for a federal student loan.

Within a few weeks after submitting the FAFSA, you will receive a Student Aid Report (SAR) from the federal processor. If you file electronically through FAFSA on the Web, your application will be processed within 72 hours. If you file electronically and provide an email address, you should receive a SAR with a matter of a few days. The SAR confirms information reported on your application and will provide you with an Expected Family Contribution (EFC), the amount you are expected to contribute towards your education. Bear in mind that "family" only means you (and your spouse, if you are married).

Once you receive your SAR, you should review it carefully to see if the information on the report accurately reflects the information you provided. There are several ways to make corrections on your SAR; follow the directions on the SAR you receive (either electronically or via the U.S. mail). However, as graduate students, you may wish to contact your financial aid office before making corrections. Often, your school will prefer to make any necessary corrections electronically.

It is possible that your SAR will indicate that you need to provide further information before your eligibility for financial assistance can be determined. Follow the directions on your SAR, and contact either your financial aid office or 1-800-4-FED-AID (1-800-433-3243) if you have further questions. If your application was selected for a process called verification, your financial aid office may request signed copies of your federal tax return or other necessary documents. No further action can be taken on your application for aid until you provide all the necessary documentation to your school, so you will want to respond as quickly as possible to any request from your school or program for further documentation. You should be aware that there are schools that routinely request a signed copy of the most recent federal tax return for every student who applies for financial aid.

Occasionally, students decide that they do not want to take the time to provide the information on the FAFSA, and they decide to pursue a private educational loan instead. While this may seem a more convenient way to obtain a student loan, you need to remember that the terms of a federal student loan are always going to be better than any other kind of commercial or private educational loan. State agencies and the federal government guarantee federal student loans. Governmental support provided for these loan programs makes their terms most beneficial for students. They also have deferment provisions that are not ordinarily a part of commercial loans. You should plan to discuss this matter with your financial aid office before deciding not to pursue a federal student loan. While you will want to keep your student loan borrowing to a minimum, if you choose to borrow, you will want to take full advantage of federal student loans before considering any commercial, educational loans.