



Planning Ahead for College Costs: Financial Help

Home Economics • Cooperative Extension Service • Oklahoma State University

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A college education is a major investment for the family. Often families find it difficult to save enough money once a family member decides to enter college. Increasing college tuition costs in Oklahoma also make it more difficult for families to save for the entire cost of an education.

In Oklahoma, costs for in-state tuition, room, board and fees for four years at state supported universities average \$16,000 to \$18,500. Due to low savings rates and the increasing cost of education, many Oklahoma students are relying on grants, loans, scholarships and work-study to pay for part of their education. This publication introduces sources of financial aid and eligibility requirements.

Federal Aid

The U.S. Department of Education offers five major student financial aid programs. These are: Pell Grants, Supplemental Educational Opportunity Grants (SEOG), College Work-Study (CWS), Perkins Loans, and Stafford Loans. To be eligible for federal aid the student must meet the following general requirements:

- * Be enrolled at least half-time as a regular student in a degree program.
- * Be a U.S. citizen or an eligible non-citizen.
- * Meet the government need requirements.
- * Not be in default on any student loans.
- * Not owe a refund on a Pell Grant or a Supplemental Education Opportunity Grant.

- * Certify that specific items on the student aid report are correct.
- * Sign a statement of educational purpose guaranteeing to use the federal aid funds only for educational related expenses.
- * Register with the selective service if the student is a male, born on or after January 1, 1960, and is at least 18 years old.

If a student meets all of the above requirements, application packets for grants and loans can be obtained from high school counselors or university financial aid offices.

Pell Grants

Pell Grants help needy undergraduates finance their education. Pell Grant award amounts vary from year to year. For example, in 1988-89 a student could receive up to \$2,100 per year. The amount a student receives depends on student need, the cost of education at the institution and the students enrollment status. Pell Grant award eligibility lasts for five years of undergraduate study from the time the student receives his/her first grant. Pell Grants do not have to be repaid.

Supplemental Educational Opportunity Grants (SEOG)

Supplemental Educational Opportunity Grants are awards made by universities financial aid offices to undergraduate students with great financial need. A maximum of \$4,000 per year is awarded depending on student need, amount of aid the student is already receiving and availability of SEOG funds. Like the Pell Grant, the SEOG does not have to be repaid.

Perkins Loans (formerly National Direct Student Loans)

Perkins Loans are low-interest loans for both graduate and undergraduate study. Loan amounts depend on financial need and loan fund availability. A student, who has completed less than two years of college, may borrow up to \$4,500 per year. A total of \$9,000 is allowed for all undergraduate study. A total of \$18,000 is allowed for graduate study, including any amount borrowed for undergraduate study. Students sign a promissory note agreeing to begin repaying the loan six to nine months after graduation or dropping below half-time student status. Interest charges begin when the repayment period begins. Payment periods are usually 10 years. Monthly payment amounts depend upon the size of the loan. The following chart shows typical monthly payments and total interest charges for three different five percent loans over a 10 year period.

| Total Loan Amount | Number of Payments | Monthly Payments | Total Interest Charges | Total Repaid |
|-------------------|--------------------|------------------|------------------------|--------------|
| \$4,500 | 120 | \$47.73 | \$1,227.60 | \$5,727.60 |
| 9,000 | 120 | 95.46 | 2,455.20 | 11,455.20 |
| 18,000 | 120 | 190.92 | 4,910.40 | 22,910.40 |

Students failing to make loan payments are required to repay the entire amount immediately, including interest and penalty charges, or they can be sued. The institution can ask the Federal Government to collect the loan by withholding tax refunds and applying them toward the loan balance. The school may also contact the credit bureau and report non-payment of a loan.

Repayment of the loan is deferred for up to three years if the borrower joins the Peace Corps or Action programs, is serving in the Armed forces, or is temporarily totally disabled. Repayment can also be deferred for up to two years if the borrower is serving in an eligible internship. For mothers of preschool age children who are working at a salary that is no more than \$1.00 over minimum wage, repayment can be deferred for up to one year.

Part of the Perkins Loan is cancelled for service as a Peace Corps or Vista volunteer, full-

time teaching of handicapped or designated low-income children, or working with the Head Start program. The Department of Defense will repay a portion of the loan for selected specialties in the U.S. Armed Forces.

Stafford Loan

A Stafford Loan, formerly Guaranteed Student Loan (GSL), is a low-interest loan made by a bank, credit union, or savings and loan association. The loan is insured by the state and the federal government. A five percent origination fee is deducted from each loan. Depending upon need, a student may borrow up to \$2,625 a year for the first and second year of undergraduate work, \$4,000 a year for the third, fourth and fifth year of study, and \$7,500 a year for graduate study. The total Stafford debt for undergraduate study cannot exceed \$17,250. The total Stafford debt for graduate study can not exceed \$54,750, including any undergraduate Stafford's. A student may not borrow more than the cost of education at their school, minus any other financial aid received and family contributions received. The repayment period begins from six to 12 months after graduation, leaving school, or dropping below half-time status.

The size of the payment depends upon the amount borrowed, but a minimum payment of \$50 per month is usually required. Ask the lender about the monthly payments before the loan is made.

If the loan is not repaid, the student may be required to pay the entire amount immediately. Credit bureaus will be notified of the default. The IRS may withhold income tax refunds and apply them toward the loan.

Repayment of the loan may be deferred for the same reasons as those listed for the Perkins Loans.

PLUS Loans (Parent Loans for Undergraduate Students)

PLUS loans are made to parents of undergraduate students. Loans are made by a lender such as a bank, credit union or savings and loan association. Interest rates on PLUS loans made after July 1, 1987 are variable and are adjusted each year. Parents may borrow up to

\$4,000 per year with a total of \$20,000 per dependent child who is at least a half-time student.

Borrowers do not have to show need to receive a PLUS loan, but they may undergo a credit analysis.

There is no origination fee for a PLUS loan, but an insurance premium of 3% is usually required. Interest payments begin 60 days after the loan begins unless the lender agrees to let the interest accumulate.

Health Education Assistance Loans (HEAL)

HEAL provides loans for students engaged in health-related study. Students studying medical, osteopathic, dental, veterinary, optometric or podiatric medicine may borrow up to \$20,000 per year. Students in the field of pharmacy, chiropractic, health administration, clinical psychology, public health or allied health may borrow up to \$12,500 per year. HEAL loans charge interest at a variable rate. Interest may be added to the principal to be repaid after the student completes his or her studies.

Oklahoma Tuition Aid Grants (OTAG)

Oklahoma residents enrolled in at least six hours of in-residence course work may be eligible for OTAG grants. Grant awards are based on demonstrated financial need. The amount of the grant is determined by academic classification, enrollment status, need and the availability of funds.

State Aid

To find out more information on student loans and State aid to students, contact:

Oklahoma State Regents for Higher Education
500 Education Building
State Capitol Complex
Oklahoma City, OK 73105

PLUS/Stafford/SLS Loans
(405) 521-8262

Oklahoma Tuition Aid Grant (OTAG)
(405) 525-8180

Scholarships

Students from many different economic backgrounds may qualify for a variety of scholarships.

Sources of scholarships may include:

1. Student's major department or college.
2. Local civic groups.
3. Corporations which sponsor contests.
4. Unions.
5. National Merit Scholarships - based on PSAT/NMSQT test scores.

College Work-Study

College work-study provides jobs for needy graduate and undergraduate students. The financial aid office is responsible for the work-study program. The job can be on or off campus. If a student works on-campus the student will work for the school. If the student works off-campus, the job will usually involve work that is in the public interest. Work-study pays at least minimum wage. The number of hours the student works is determined by the wage rate and the amount of the CWS award.

Cooperative Education

Cooperative education combines work experience in the student's major area with higher education. A formal agreement is made between the university, an off-campus employer and the student. The time it takes to complete a degree is usually extended by one to two years due to the work program. The student usually works one semester and attends classes the next semester.

To find out which schools offer cooperative education programs write for a free booklet, Undergraduate Programs of Cooperative Education in the United States and Canada, from the National Commission for Cooperative Education, # 60 Huntington Avenue, Boston, MA 02115.

Sources of Information

Send for any of these free publications.

Applying for Financial Aid
American College Testing Program
P.O. Box 168
Iowa City, IA 52243

The Student Guide: Five Federal Financial Aid Programs

Consumer Information Center
P.O. Box 100
Pueblo, CO 81009

The following books may be available at your high school counselor's office, the public library or at bookstores.

How to Find Out About Financial Aid: A Guide to Over 700 Directories

Gail Ann Schlacter, Ed.
Reference Service Press
Suite B-308, 10 Twin Dolphin Drive
Redwood City, CA 94065

Scholarships, Fellowship & Loans

S. Norman Feingold & Marie Feingold, Eds.
Bellman Publishing Company
P.O. Box 164
Bethesda, MD 02174

Chronicle Student Aid Annual

Chronicle Guide Publications
P.O. Box 1190
Moravia, NY 13118

College Scope: National College Directory

National College Service LTD.
Suite 210, 16220 S. Fredrick Road
Gaithersburg, MD 20877

Paying for Your Education: A Guide for Adult Learners

The College Board
P.O. Box 586
New York, NY 10101

The College Handbook 1988-89

The College Board
P.O. Box 886
New York, NY 10101

Comparative Guide to American Colleges

James Cass & Max Birnbaum
Harper & Row
10 E. 53rd Street
New York, NY 10022

The College Planning/Search Book

American College Testing Program
P.O. Box 168
Iowa City, IA 52243

Adapted from:

The Student Guide: Five Federal Financial Aid Programs.

United States Department of Education, 1988.

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