



# Paying for College Guide

What you need to know



## Facts & tips:

- How Do Families Pay for College?
- How To Apply for Financial Aid
- Minimizing Education Debt
- Scholarships & Other Resources
- Senior Year Timetable

PHILIP B. SCOTT  
Governor



State of Vermont  
OFFICE OF THE GOVERNOR

Dear Students and Parents:

As many Vermonters know, education and training after high school is now vital for those seeking a good-paying job and rewarding career. For most Vermonters, access to financial aid is essential to completing the education programs that will help them reach their career and life goals.

VSAC has published this guide with you in mind. This is an essential workbook that will familiarize you with the types of financial aid available, the applications you need to complete, and tools to keep you on schedule and in control of the process.

There are resource links to help you estimate how much your family will be expected to contribute and to compare college costs and financial aid offers. This guide also describes federal tax benefits available to offset the costs, as well as methods families use to cover the difference between available financial resources and the expenses that still need to be paid.

As Governor, supporting education and workforce development is a priority as we work to create greater opportunities for Vermonters. VSAC, which has been helping Vermont families plan and pay for their education since 1965, plays an important role in assisting Vermonters attain those educational opportunities. As Vermont's own public nonprofit dedicated to serving students, they're here for you as you pursue your education goals. VSAC offers a variety of career and college-planning resources, online tools, publications, and statewide workshops and presentations.

Once you've decided where you'll study, VSAC can help you explore financing options. In addition to overseeing the state's 529 college savings plan, VSAC administers the Vermont state grant program, more than 100 public and private scholarships and the private Vermont Advantage education loan for students and parents.

Visit [www.vsac.org](http://www.vsac.org) for more information, or e-mail VSAC at [info@vsac.org](mailto:info@vsac.org); they're here to help.

Very truly yours,

A handwritten signature in black ink, appearing to read "Phil Scott", written over a light-colored rectangular background.

Phil Scott  
Governor of Vermont



# Paying for College:

for students attending college in 2020–2021

This booklet was produced by the Vermont Student Assistance Corporation, a nonprofit state agency established by the Vermont Legislature in 1965 to help Vermont students save, plan, and pay for education or training after high school.

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## Access these VSAC resources and many more tools & resources

### **Financial aid applications & details online** at [www.vvac.org/applications](http://www.vvac.org/applications)

- FAFSA
- CSS Profile®
- Vermont grant applications
- Unified Scholarship Application for all VSAC-assisted scholarships

### **Grants & scholarships** at [www.vvac.org/financialaid](http://www.vvac.org/financialaid)

- state grants for full-time and part-time degree programs
- state grants for non-degree courses to improve employability or to try a college class
- information on more than 100 scholarships for Vermont residents

### **Education loans for students & parents** at [www.vvac.org/loans](http://www.vvac.org/loans)

- for out-of-state students attending Vermont colleges
- for Vermont residents attending eligible colleges in Vermont, across the U.S., or abroad

### **Vermont's 529 college savings plan** at [www.vheip.org](http://www.vheip.org)

- a Vermont state income tax credit
- federal and state tax-free earnings and withdrawals

### **Free career & education planning resources**

- free online tools for career exploration and planning
- free college planning events to guide families through the college search, selection, and application process
- free financial aid presentations at schools and other locations
- Financial Aid Forms nights at select high schools
- for adult learners—career exploration and financial aid specifics at [www.vvac.org/adultlearners](http://www.vvac.org/adultlearners)

[www.vvac.org](http://www.vvac.org) • [info@vvac.org](mailto:info@vvac.org)

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# Understanding the Investment in College

Even with higher tuition and other costs, a college degree is still a very good investment. Education beyond high school can mean:

- more job opportunities
- higher salaries and other financial benefits
- a sense of accomplishment and the satisfaction of personal growth

Still, for most Vermont families cost has become a primary factor in the college search—and one that should be considered long before receiving financial aid offers in the spring of senior year. Many families find that having applied to a particular college, they then had to eliminate that school based on cost, after having been admitted. Taking a few steps early on in your college search may help you avoid having to make a similarly difficult decision.

## Step 1: Move the Money Conversation Up Front

Successful college financing involves finding that spot where good planning, parent expectations, and student expectations all intersect. Having conversations about money early on in the college search process will go a long way toward making decisions that will work for everyone involved. For tips on starting the conversation in your family, visit [www.vvac.org/plan/paying-for-college/create-financial-plan](http://www.vvac.org/plan/paying-for-college/create-financial-plan).

## Step 2: Don't Look at "Sticker Price." Research "Net Price" Instead.

When you're looking at schools, your first inclination may be to rule out schools with high tuition, but schools with high tuition often have large endowments that enable them to provide a lot of financial aid in grants and scholarships (types of financial aid that don't have to be paid back). This is why "sticker price" (the total yearly cost of a college—including tuition, books, room, board, and fees) may not accurately tell you whether your family can afford a particular school.

The "net price" will be more helpful. Net price starts with the sticker price and then *subtracts grants and scholarships* that families like yours might receive. Net price is a more accurate indication of what the student might actually be expected to pay to attend a school.

**Every college website has its own net price calculator (NPC), where you can enter information about yourself to receive an estimate of what you might pay after taking grants and scholarships into account.**

**When looking at colleges, be sure to use each school's net price calculator as part of your search.**

To find college net price calculators, go to [www.collegenavigator.gov](http://www.collegenavigator.gov).

**Note: The net price you find for any particular school is simply an estimate of your cost of attendance. It isn't a formal offer of admission or aid.**

### Why use net price calculators?

Net price calculators can help you find out what families like yours paid after taking grants and scholarships into account. This can help widen your college choices beyond those schools that you think you can (or can't) afford. You may find that a few colleges you thought were too expensive might be affordable; or you may find that schools with a lower sticker price expect you to pay more than you can afford.

### Step 3: Consider All of Your Options

College is going to be one of the biggest investments you make in your life, so as a family you'll want to understand the financial impact of your choices, based on your own values and priorities. Be as practical as possible and remember that a good investment is one you can afford (no debt is good debt if you can't pay it back). In the long run, the quality of your education—and what you make of it—will depend on the work you put into it, the campus resources you take advantage of, and the level of your motivation.

### The Bottom Line

Communicate as a family, look at the real costs early on in the process, and use the net price calculator for each school in order to ensure that you have affordable choices.



#### LEARN MORE ABOUT COLLEGE COSTS:

Visit [www.vsac.org/plan/financial-planning-for-college](http://www.vsac.org/plan/financial-planning-for-college) for:

- a list of questions to help determine how your family will plan to pay college costs
- tips for using net price calculators in your college search

And at [www.vsac.org/pay](http://www.vsac.org/pay), you'll find

- suggestions for lowering college costs
- details on filling out the FAFSA
- information on state grants and scholarships

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# How Do Families Pay for College?

How do families come up with the money necessary to pay college costs? Families typically pay for college using a combination of:

- **savings**—perhaps a savings account intended for college (see page 23). Even small amounts can reduce the need for borrowing. High school isn't too late to start; in fact, parents, students, and grandparents or other relatives can contribute to college savings even while a child is in college.
- **current income**—often in the form of a tuition payment plan that enables families to spread out payments over the academic year (see page 24)
- **future income**—education loans or other borrowing, with a plan to use future earnings to repay the loans (see pages 16–18)

If family resources are limited, help for college expenses is available in the form of:

- **grants**—outright gifts of money generally offered based on a family's level of financial need (see page 4)
- **work-study programs**—jobs offered by colleges, usually in offices or departments on campus, to provide students with income up to a specific dollar amount each semester (see page 5)
- **scholarships**—gift aid that students search for individually and compete against other students to win. Scholarships are awarded based on a wider variety of criteria than most people think. (For more on scholarships, see page 22.)

College financing may be available in the form of:

- federal education loans for students and parents
- VSAC education loans for students and parents
- other financing, including loans from your college

In addition, funding may be available based on your special circumstances:

- **merit aid**—offered by some colleges for talents or traits they may be looking for in students
- **workplace, military, or community service benefits**—tuition benefits or loan repayment assistance that may be available based on family employment, military or community service, or your employment in certain areas after graduation.

## What do college costs include?

**Tuition:** This is the cost of your education. It may vary based on your academic program and number of credit hours.

**Room and board:** This covers living arrangements and meal plan. Some schools offer only one option; other schools offer choices. Living at home can reduce or even eliminate these expenses.

**Books and supplies:** To reduce costs, students can buy used books online or at the campus bookstore. Some online companies rent books by the semester or year, further reducing costs.

**Fees:** Various fees are often charged for on-campus products and services. These may include lab fees; orientation fees; fees for clubs, concerts, films, and cultural events; or fees for particular campus initiatives such as upgraded recycling programs or wireless services. These fees will differ from school to school.

**Other costs:** These may include transportation, computer costs, and personal living expenses.

# Major Financial Aid Programs

Programs	Who is eligible to apply?	How much are awards?	How are they awarded?	How do I apply?
<b>Vermont Incentive Grant</b>	<ul style="list-style-type: none"> <li>Full-time undergraduate Vermont residents enrolled or accepted for enrollment in eligible degree programs who have not already received bachelor's degrees.</li> <li>Vermont residents enrolled or accepted for enrollment as a medical student in the M.D. program at the Larner College of Medicine at the University of Vermont or a doctor of veterinary medicine program.</li> </ul>	<ul style="list-style-type: none"> <li>Eligible students received from \$1,000 to \$12,300 for the 2019–2020 academic year.</li> </ul>	<ul style="list-style-type: none"> <li>Based upon financial need; applications are accepted on a first-come, first-served basis.</li> </ul>	<ul style="list-style-type: none"> <li>Go to <a href="https://fafsa.ed.gov">https://fafsa.ed.gov</a> to complete the Free Application for Federal Student Aid (FAFSA). Then complete a Vermont grant application, available online through your MyVSAC account at <a href="http://www.vsac.org">www.vsac.org</a>. A paper version is available from VSAC.</li> </ul>
<b>Vermont Part-Time Grant</b>	<ul style="list-style-type: none"> <li>Vermont residents enrolled or accepted for enrollment in eligible undergraduate degree programs who have not already received bachelor's degrees and are taking fewer than 12 credit hours.</li> </ul>	<ul style="list-style-type: none"> <li>Eligible students received from \$500 to \$9,200 for the 2019–2020 academic year.</li> </ul>	<ul style="list-style-type: none"> <li>Based upon financial need and number of credit hours taken.</li> </ul>	<ul style="list-style-type: none"> <li>Same procedure as for Vermont Incentive grant.</li> </ul>
<b>Vermont Non-Degree Grant</b>	<ul style="list-style-type: none"> <li>Vermont residents who are not enrolled in high school and are enrolled in non-degree courses that will improve employability or encourage further study.</li> </ul>	<ul style="list-style-type: none"> <li>Amounts vary; contact VSAC.</li> </ul>	<ul style="list-style-type: none"> <li>Based upon financial need and cost of course.</li> </ul>	<ul style="list-style-type: none"> <li>Go to <a href="http://www.vsac.org/grants">www.vsac.org/grants</a> to complete a non-degree grant application, available online through your MyVSAC account. A paper version is available from VSAC.</li> </ul>
<b>Federal Pell Grant</b>	<ul style="list-style-type: none"> <li>Undergraduates who are enrolled or accepted for enrollment in eligible degree programs and have not already received bachelor's degrees.</li> </ul>	<ul style="list-style-type: none"> <li>2019–2020 awards ranged from \$657 to \$6,195 for eligible students.</li> </ul>	<ul style="list-style-type: none"> <li>Based upon financial need.</li> <li>For an early estimate of eligibility, go to <a href="https://studentaid.ed.gov/sa/fafsa/estimate">https://studentaid.ed.gov/sa/fafsa/estimate</a>.</li> </ul>	<ul style="list-style-type: none"> <li>Go to <a href="https://fafsa.ed.gov">https://fafsa.ed.gov</a> to complete a Free Application for Federal Student Aid (FAFSA).</li> </ul>

## Scholarships

VSAC's scholarships booklet provides details on more than 100 scholarships for Vermont residents, other scholarship resources, and tips on scholarship scams. Request one from your guidance office or e-mail [publications@vsac.org](mailto:publications@vsac.org) to request a copy.

Begin gathering materials in the fall; all VSAC-assisted scholarships have a mid-February application deadline.

Search for nationwide scholarships at:

- <https://bigfuture.collegeboard.org/pay-for-college>
- [www.cappex.com/scholarships](http://www.cappex.com/scholarships)
- [www.fastweb.com](http://www.fastweb.com)

# Campus-based Financial Aid Programs

The following programs are federal financial aid programs offered through your college. Many colleges also offer their own loan, grant, and scholarship programs. Check with your financial aid office for information.

Programs	Who is eligible to apply?	How much are awards?	How are they awarded?	How do I apply?
<b>Federal Supplemental Educational Opportunity Grant (FSEOG)</b>	<ul style="list-style-type: none"> <li>Same criteria as for Pell grant.</li> </ul>	<ul style="list-style-type: none"> <li>Grants range from \$100 to \$4,000 a year. Not available at all schools.</li> </ul>	<ul style="list-style-type: none"> <li>Based upon financial need and availability of funds at the school. Priority given to Pell grant recipients.</li> </ul>	<ul style="list-style-type: none"> <li>Consult your college catalog for financial aid deadlines and forms that may be required in addition to the Free Application for Federal Student Aid (FAFSA).</li> </ul>
<b>Federal Work–Study Program (FWS)</b>	<ul style="list-style-type: none"> <li>Undergraduate or graduate students who attend or plan to attend approved post-high school degree programs.</li> </ul>	<ul style="list-style-type: none"> <li>Depends upon the number of hours the student works. Not available at all schools.</li> </ul>	<ul style="list-style-type: none"> <li>Based upon financial need and availability of funds at the school.</li> </ul>	<ul style="list-style-type: none"> <li>Same procedures as for Pell grant and FSEOG.</li> </ul>

# Education Loan Programs

For any federal education loan, you must complete the Free Application for Federal Student Aid (FAFSA). For instructions, see pages 7–8.

Programs	Who is eligible to apply?	How much can be borrowed?	How are they awarded?	How do I apply?
<b>Federal Direct Loan</b> (subsidized and unsubsidized)	<ul style="list-style-type: none"> <li>Undergraduate and graduate students enrolled or accepted for enrollment at least half time in eligible programs at eligible institutions.</li> </ul>	<ul style="list-style-type: none"> <li>Combined subsidized and unsubsidized base limits for all students:                             <ul style="list-style-type: none"> <li>\$5,500 first year</li> <li>\$6,500 second year</li> <li>\$7,500 third, fourth, and fifth years</li> <li>\$20,500/year graduate (unsubsidized only)</li> </ul> </li> <li>Independent undergrads and some dependent undergrads may qualify for an additional amount <i>up to</i> \$5,000 in federal Direct Unsubsidized loans, depending on year in school.</li> <li>Cumulative limits:                             <ul style="list-style-type: none"> <li>Dependent: \$31,000</li> <li>Independent: \$57,500</li> <li>Graduate: \$138,500</li> </ul> </li> <li>Fees are deducted from loan proceeds at time of disbursement.</li> </ul>	<ul style="list-style-type: none"> <li>Subsidized Direct loans are based upon financial need. Borrower is not charged interest while enrolled at least half time, or during grace period or deferment.</li> <li>Unsubsidized Direct loans are based upon cost minus financial aid. Student is responsible for interest from disbursement date.</li> <li>Repayment begins six months after student is no longer enrolled at least half time.</li> </ul>	<ul style="list-style-type: none"> <li>Follow school procedure to request a federal Direct loan, and sign and submit a Federal Direct Loan Master Promissory Note.</li> </ul>
<b>Federal Direct PLUS Loan</b> (for <b>parents</b> of undergraduate students)	<ul style="list-style-type: none"> <li>Parent or stepparent* of dependent undergraduate students enrolled or accepted for enrollment at least half time in an eligible program.</li> </ul> <p><i>* If stepparent information is used to calculate expected family contribution</i></p>	<ul style="list-style-type: none"> <li>Up to cost of education minus financial aid.</li> <li>Fees are deducted from loan proceeds at time of disbursement.</li> </ul>	<ul style="list-style-type: none"> <li>Credit approval required.</li> <li>Repayment begins following final disbursement. May defer payment while dependent student is enrolled at least half time, and for six months following, upon request.</li> </ul>	<ul style="list-style-type: none"> <li>Follow school procedure to request a federal PLUS loan, and sign and submit a Federal Direct PLUS Loan Application and Master Promissory Note.</li> </ul>
<b>Federal Direct PLUS Loan</b> (for <b>graduate &amp; professional students</b> )	<ul style="list-style-type: none"> <li>Graduate and professional students enrolled or accepted for enrollment at least half time in eligible programs.</li> <li>Must apply for maximum federal Direct unsubsidized loan first.</li> </ul>	<ul style="list-style-type: none"> <li>Up to cost of education minus financial aid.</li> <li>Fees are deducted from loan proceeds at time of disbursement.</li> </ul>	<ul style="list-style-type: none"> <li>Credit approval required.</li> <li>Repayment begins following final disbursement. May defer payment while enrolled at least half time and for six months following.</li> </ul>	<ul style="list-style-type: none"> <li>Follow school procedure to request a federal PLUS loan, and sign and submit a Federal Direct PLUS Loan Application and Master Promissory Note.</li> </ul>
<b>VSAC education loans</b> (for <b>students &amp; parents</b> )	VSAC's Vermont Advantage loans, with rates lower than federal PLUS, are available for undergraduate or graduate students, and for parents of undergraduate or graduate students. A credit review is required. For details, go to <a href="http://www.vsac.org/loans">www.vsac.org/loans</a> . To compare loans, visit <a href="http://www.vsac.org/compare">www.vsac.org/compare</a> .			

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# How Do We Apply for **Financial Aid**?

The most important fact to remember about financial aid is that it is available as a supplement to assist students who would not be able to continue their education without help. The primary responsibility for paying for college lies with the family. Before financial aid is considered, the ability of the parent(s) and the student to pay college costs is evaluated.

Financial aid is available from:

- **the federal government**
- **state government**—Vermont grants and scholarships through VSAC
- **your college**
- **private programs**—usually sponsored by special-interest groups, local businesses, or religious organizations

Since circumstances differ from household to household and since many factors are considered when offering financial aid, some families will be eligible for more need-based aid than other families. In addition, some colleges will provide more need-based aid than others. Some families will not qualify for need-based aid, due to their financial situation.

## **Step 1: Complete the Free Application for Federal Student Aid (FAFSA).**

The FAFSA is the application for federal financial aid. It's used to determine eligibility for federal grants, work-study programs, and education loans. In addition, schools and VSAC require the FAFSA to determine eligibility for their own aid.

To submit the FAFSA online, you'll first need to set up an account with Federal Student Aid (FSA). At <https://studentaid.gov/fsaid> you can create an FSA ID that has a user name and a password.

Your FSA ID confirms your identity when you access your financial aid information and electronically submit FSA documents. It will also:

- enable you to log into all FSA borrower sites (for example, <https://studentloans.gov>, where students can receive loan counseling).
- serve as your electronic signature
- enable you to make online corrections and additions to the FAFSA
- provide you with access to prefilled online forms in future years

**Building a financial aid package for college involves applying for multiple kinds of aid from multiple sources. Very few students will be able to pay for college entirely through financial aid. Aid is meant as a way to *supplement* college expenses. Students should plan on applying for grants, scholarships, and education loans in order to create a package that will adequately cover college costs.**



***Watch now.***

If you're a dependent student, *both you and one parent will need an FSA ID*; and only the ID "owner" should their ID. In other words, parents should not use their student's ID; nor should students use their parent's ID.

Once you have your FSA ID, go to <https://fafsa.ed.gov>, log on, and begin the FAFSA.

**Note:** *If you apply between October 1 and June 30, two FAFSAs will be available—one for the current school year and one for the upcoming school year. Be sure to fill out the correct form.*

## The FAFSA: Four Things You Need to Know

- Every student should fill out a FAFSA, even if you don't know what your plans after high school are.
- Even if you think your family income may be too high to qualify you for need-based aid, fill out the FAFSA for federal education loans.
- Filling out the FAFSA does not obligate a parent to pay for college. It simply makes your student eligible for financial aid.
- The application is free, so you should never pay to fill it out. Use the federal site at <https://fafsa.ed.gov>.



### TO LEARN MORE ABOUT THE FAFSA:

Go to [www.vsac.org/fafsafirst](http://www.vsac.org/fafsafirst) to use the resources available.

## Step 2: Complete a Vermont grant application.

The Vermont grant, administered by VSAC, is for any Vermont resident obtaining his or her first bachelor's degree and enrolled full time or part time in a degree program (or for someone enrolled as a medical student in the M.D. program at the Larner College of Medicine at the University of Vermont or in any doctor of veterinary program). VSAC-assisted scholarships that consider financial need often also require that you complete a Vermont grant application. You can file both the FAFSA and the Vermont grant application online at [www.vsac.org/grants](http://www.vsac.org/grants) on or after October 1, 2019, for the 2020–2021 academic year.

Vermont grant applications are processed on a first-come, first-served basis for as long as funds are available. Apply early!

**Note:** *If you apply between October 1 and June 30, there may be two applications available—one for the current school year and one for the upcoming school year. Be sure to fill out the correct form.*

## Step 3: Complete other forms that may be required.

- college financial aid application and/or the CSS Profile® (check your college catalog or website for requirements)
- VSAC Unified Scholarship Application for VSAC-assisted scholarships listed in VSAC's scholarships booklet
- other scholarship applications

For help in finding scholarships, request the VSAC scholarships booklet or go online to [www.vsac.org/scholarships](http://www.vsac.org/scholarships).

# Q&A

## When are financial aid applications due?

Deadlines vary by college and by provider (you can find financial aid deadlines on each college website). Make sure you keep track of dates. Our checklist at [www.vsac.org/financialaidchecklist](http://www.vsac.org/financialaidchecklist) will help.

## Which year's income is used to determine how much my family will be expected to contribute?

Income from two years prior to the year of application. For example, 2018 income will be considered for the 2020–2021 college year.

If you're attending college . . .	then submit the FAFSA . . .	using tax info from . . .
July 1, 2019–June 30, 2020	<b>Oct. 1, 2018–June 30, 2020</b>	2017
July 1, 2020–June 30, 2021	<b>Oct. 1, 2019–June 30, 2021</b>	2018

## Must I be accepted for admission before I apply for financial aid?

No. You can apply for financial aid when you apply for admission, but in order to receive financial aid you must be an admitted student.

## My family saved enough to pay for my first year of college. Should I still apply for aid?

Yes, because you still may be eligible for financial aid. Contact VSAC and your college to find out what kinds of aid may be available for future years.

## Will I have to fill out the FAFSA every year?

Yes, but it'll be much easier after the first year; after entering the FSA ID you created the first year, some of your data from the previous year will appear on the new form. You can revise the information for the new college year and submit the update online.

## Do we need to report home value and debt?

You do not have to report your home value on the FAFSA; however, VSAC may require this information for Vermont grant applications, and your school may ask for it as well.

## What if we don't know how much our home is worth?

It's worth the current market value, or the amount it could be sold for today. Make the best estimate you can, based on the current market value of similar houses in your area that have recently been sold.

**Most undergraduate students will be considered dependent students for the purposes of financial aid, meaning that both your income and your parent's income will be considered. However, there are situations in which parent income is not needed.**

**To see whether or not you're a dependent student, go to <https://studentaid.ed.gov/sa/fafsa/filling-out/dependency#dependency-questions>.**

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# How Is Our **Eligibility Determined?**

The federal expected family contribution (EFC) is a dollar figure used to determine your eligibility for financial aid. The EFC is based on a family's financial situation, which may change from year to year. In order to be considered for financial aid, students must fill out a FAFSA every year they're attending college.

**The primary function of the FAFSA is to create a dollar figure—your expected family contribution (EFC).**

**Each college will receive this figure from your FAFSA; however, colleges will vary widely in the way they treat this amount and calculate their aid packages for you.**

## **How is the EFC calculated?**

The EFC is calculated using a formula established by the federal government. The formula considers:

- your family's total income—includes adjusted gross income of parent(s) and student, plus untaxed income such as child support received, contributions to qualified retirement plans, or tax-exempt interest income
- your family's net assets (total assets minus debts against those assets)—includes your family's cash on hand in savings and checking accounts; investments such as stocks, bonds, and certificates of deposit; trust funds; and equity in a real estate business or an investment farm
- your family size
- the number of family members in college (excluding parents)
- the age of the older parent

Factors generally not considered in the EFC:

- consumer debt
- rent or mortgage payments
- siblings' private primary/secondary school costs\*
- home equity\*
- equity in a family-owned and -controlled small business or family farm\*
- retirement accounts\*
- for divorced/separated parents, financial information of parent with whom student doesn't live\*

*\* Not considered for federal aid, but may be considered for state or institutional aid.*

## Special Circumstances That Could Affect Your EFC

Sometimes special circumstances affect a family's ability to contribute to higher education costs. These include:

- emergency or unexpected expenses
- unusually large medical or dental expenses not covered by insurance
- reduced income due to unemployment, job change, or retirement

If there are special circumstances you want colleges or VSAC to consider when they review your financial aid application, send a letter to each college financial aid office, and to the VSAC Grant Program, describing your situation in detail. Be as specific as possible and include dollar amounts of the items you're discussing.

## Assets and Your EFC

The EFC calculation protects a portion of parent assets. The amount of the protection allowance depends on the age of the parent in a single-parent household or the age of the older parent in a two-parent household.

Parent savings can increase the expected family contribution, but any increase is usually minimal compared with:

- any decrease in financial aid that may be affected by savings
- the interest you may have to pay on education loans if you don't have savings for college

For low-income families, parent assets might be ignored altogether.

Student assets are treated differently in the calculation. If you're a dependent student, your share of the EFC will include 20 percent of your savings and any other assets used in the formula.

## Assets: The Bottom Line

**The effect of savings—even substantial savings—on your EFC is less than many people believe. Parents who haven't saved may have a lower expected family contribution, but they will likely need to borrow more to meet college costs.**

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# We've Applied for Financial Aid. **Now What?**

After you've submitted your FAFSA and a Vermont grant application, the U.S. Department of Education, the VSAC Grant Program, and the colleges you listed on your FAFSA will notify you of the status of your applications and your eligibility. Watch for your Student Aid Report (SAR), your Vermont grant notification, and financial aid notification from the colleges to which you've been accepted.

## Bottom line

**For each school you've applied to, the amount you'll need to pay will equal the school's cost of attendance minus the financial aid it's offering you.**

**$\frac{\text{cost of attendance} - \text{financial aid offered}}{\text{what you'll need to pay}}$**

## Student Aid Report (SAR)

After you file your FAFSA, you'll receive your SAR. (If you provided an e-mail address on your FAFSA, a secure link to your SAR will be e-mailed to you. Otherwise, you'll receive your SAR in the mail.)

The SAR is a compilation of all the data you provided on your FAFSA. When you receive your SAR, review it carefully and follow the instructions to update information or add schools. Your SAR is also accessible online at <http://fafsa.ed.gov> using your FSA ID (see page 7).

When your SAR is sent to you, the information on it is made available to the colleges you listed on the FAFSA. The SAR will indicate your family's EFC, and each college will receive this same figure. However, colleges will vary widely in the way they use this figure. Each college will create a financial aid package for you that may include federal grants, an estimated Vermont grant, a work-study offer, federal education loans, and any grants or loans the school can provide.

## Vermont Grant Notification

To determine your eligibility for a state grant, VSAC uses the data from your FAFSA and your Vermont grant application. Once VSAC has received all required information and has processed your application, your Vermont grant eligibility will be determined. Make sure to set up a MyVSAC account (click the green MyVSAC button in the upper right corner of the home page at [www.vsac.org](http://www.vsac.org)), where you can check on the status of your application and your grant information.

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# What Should We Look for in **Our Offers?**

Starting in February of your senior year in high school, you'll begin to receive financial aid offers from the colleges you've been accepted to (see examples on pages 14–15). Each college will contact you with details regarding its individual offer, which is tailored to your family's particular circumstances.

Compare the various aid packages carefully to determine the one that best meets your needs. Make sure you understand all of the obligations associated with each type of offer. Contact the school or VSAC if you have questions or need clarification.

## **What will our financial aid offer look like?**

On the following two pages are sample financial aid offers. They may look different each year. Some schools will send your offer through the mail, while others will provide it online; therefore, not all offers will look exactly like the ones shown. Take your time to review all of your offers, as they're likely to list different combinations of grants and loans.

Look at the final amount you'll have to pay. Most families don't have this amount readily available, so they meet it through tuition payment plans, additional loans for students, or loans for parents.

## **Should I accept all the money included in the offer?**

When you receive your financial aid offer, start by accepting the grants and scholarships you're eligible for—and be sure you understand any conditions and/or requirements for receiving these funds. Then accept the loans with the most comfortable terms, starting with the federal Direct subsidized (if offered) and unsubsidized loans (see pages 16–17).

If you're offered work–study, you won't receive that money up front; you'll have to earn it by working during the school year. Accept this part of the offer if you want to work while you're attending college.

Some colleges offer other loans, which you can decline if the terms aren't favorable. Contact the financial aid office to find out exactly what the terms are and compare them with other financing, such as the VSAC Advantage loan for students.

### **Before you accept aid**

- Obtain a breakdown of tuition, room, board, and fees; also ask for estimates for travel, books, and personal expenses for one year of college.
- Know the actual amount (cost of attendance minus financial aid) you'll have to pay for one year of college. Use this amount to estimate your costs for all four years.
- Determine the amount of financial aid that doesn't have to be repaid (grants and scholarships).
- Find out whether grants and scholarships will be renewed each year, and know the steps you need to take for renewal.
- Know the amount of work–study you've been offered and the conditions under which you'll have to fulfill work–study obligations.
- Identify the student loans for which you're eligible.
- Research and compare the loans that parents can use to cover education costs (see pages 16–18).
- Know the interest rates, terms, monthly repayment amounts, and total repayment amounts of the loans in your package.

## Sample Financial Aid Offers

Vermont colleges may try to estimate your Vermont grant award, but VSAC will notify you as to the exact amount after you've submitted an application.

Direct student loans are federal education loans in the student's name. Visit [www.vsaac.org/loans](http://www.vsaac.org/loans) to learn the differences between Direct Subsidized and Unsubsidized student loans.

Federal work-study funds represent an employment opportunity. Be sure to check with your college to see when and how you receive your job placement. **Remember:** The best jobs go very quickly, so sign up promptly.

Ask if there are any conditions and/or requirements for "free" funds from grants, scholarships, or other sources. These may include maintaining a certain grade point average, a service commitment, or work in a specific field after graduation.

SAMPLE  
XYZ College

March 17, 2020

Dear Terry:

We are pleased to assist you in financing your education. All financial aid offered is considered to be a supplement to the resources of your family, yourself, and aid received from outside sources. The financial aid process is complex and, at times, confusing. We encourage you to contact our staff for assistance.

College budget		Resources	
Tuition & fees	46,650	Parent contribution	0
Room & board	9,320	Student contribution	1,885
Books & supplies	1,000	Family contribution	1,885
Miscellaneous	500		
Transportation	500		
Loan fees	0		
<b>Budget totals</b>	<b>57,970</b>	<b>Need (budget - resources)</b>	<b>56,085</b>

  

Aid source	Fall	Spring	Total
XYZ College grant			
Federal Pell grant	20,030	20,030	40,060
Vermont grant	2,172	2,173	4,345
Federal Direct Subsidized loan	1,350	1,350	2,700
Federal Work-Study	1,750	1,750	3,500
	850	850	1,700
<b>Budget totals</b>	<b>26,152</b>	<b>26,153</b>	<b>52,305</b>

Your eligibility for financial aid may have been determined using estimated information. Our office will require the following information before an aid offer can be finalized:

- Parent(s)' 2018 W2 statements
- Parent(s)' 2018 federal tax transcript
- XYZ College verification worksheet (see next page)

Watch carefully for the words *estimated* and *tentative*. These words indicate that the offer has not been finalized and could change once your application is complete.

Your college may require that you accept or decline your offers. Read all instructions carefully. You may be able to accept some parts of the package by the college deadline and decide later about loan options.

### What about a federal PLUS loan?

Some colleges will include a PLUS loan in the financial aid offer; others may not. PLUS loans are federal education loans for parents of dependent students. Each PLUS loan is in one parent's name. The parent, not the student, is obligated for repayment.

If a PLUS loan does appear in your offer, you can choose to take less or you can decline it completely. If it isn't included, you still may be eligible at any time during the year.

Parents, pause before accepting PLUS so you can **compare other loan options**. Education loans are not created equal, and loans from nonprofit state agencies such as VSAC may offer families better rates than the federal PLUS loan. For help, visit [www.vsac.org/compare](http://www.vsac.org/compare).

SAMPLE  
College Financial Aid Offer  
2020–2021 Academic Year

Terry Student  
Any Old Road  
Hometown, VT 05555

111-11-1111  
March 15, 2020

Dear Terry:

We are pleased to offer you the financial aid indicated below. Please accept or decline each offer by circling the A or D after each offer. Please sign, date, and return this notification by May 1.

	Fall	Spring	Total	A	D
College grant	\$ 500	\$ 500	\$ 1,000	A	D
Federal Pell grant	1,922	1,923	3,845	A	D
Federal Supp. Ed. Opportunity grant	500	500	1,000	A	D
Federal Work-Study	750	750	1,500	A	D
Estimated Vermont grant	1,400	1,400	2,800	A	D
Estimated Federal Direct Subsidized loan	1,750	1,750	3,500	A	D
Estimated Federal Direct Unsubsidized loan	1,000	1,000	2,000	A	D
Estimated Federal Direct PLUS loan	4,857	4,857	9,714	A	D
	<b>\$12,679</b>	<b>\$12,680</b>	<b>\$25,359</b>		

I have read the enclosed information, and I accept this financial aid package as indicated above.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

There may be more favorable loan options available to you. Be sure to research and compare rates and terms.

Financial aid offers may need to be signed and dated by the applicant and returned by a certain deadline. Follow all instructions!

**Don't say "YES" to any college until you compare the complete offer with the cost of attendance. Include estimated out-of-pocket expenses (travel, books, personal items), as well as costs for tuition, fees, room, and meal plans.**

Your *total offer* may consist of grant, loan, and work-study funds. Read the fine print on the offers and on additional forms that are included! Identify the funds that are gifts and the funds you'll be expected to repay.

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# How Do We Know **Which Loans to Choose?**

Your financial aid offer is likely to include a variety of education loans, and you can choose which ones to accept or decline.

All loans are borrowed money that will need to be repaid—even if you don't graduate—so it's important to choose carefully. Loans are legally binding agreements, so read the fine print. Understand exactly what you're agreeing to, now and in the future, before you sign.

## Know before you sign

- **Watch for hidden costs.**
- **Ask for a full fee schedule up front.**
- **Look for no or low origination fees.**
- **Never apply without knowing what you might pay and determining all possible interest rates.**

## Students, accept these loans first

If you're eligible, certain federal loans are your best options because they don't require you to make payments as long as you're enrolled in school at least half time. These loans also offer benefits like flexible repayment plans (like making monthly payments based on your income or deferring payments during periods of hardship).

The financial aid office at each school will determine whether or not you're eligible for federal loans, based on the information reported on the FAFSA. Before considering any other types of education loans, students should first accept the maximum in these federal student loans:

### **Federal Direct Subsidized loans**

These loans are available to students enrolled at least half time who demonstrate financial need. These loans do not accrue interest while a student is in school at least half time, in grace period, or in a deferment period.

### **Federal Direct Unsubsidized loans**

These loans are available, regardless of financial need, for students enrolled at least half time. The interest on federal Direct Unsubsidized loans *does* accumulate while a student is in school, in grace period, or in deferment; unpaid interest is then added to the principal balance. After the Direct Subsidized loan (if it's offered to you), this is usually the next best option for undergraduate students.

Once you've accepted grants, scholarships, and the federal student loans, then it's time to consider additional loans. This is where you really need to make choices.

## Students & parents, compare these loans

### Federal Direct PLUS loans for parents

Some schools will include a PLUS loan in a student's financial aid offer; others won't. Parents, it's your choice whether or not to borrow some or all of the amount offered. Federal PLUS loans have flexible repayment options, such as deferment during periods of hardship, but PLUS loans—unlike federal Direct loans for students—may have higher interest rates than available alternatives.

If, as a parent, you're denied a PLUS loan, your student may receive an additional amount of up to \$5,000 in federal Direct Unsubsidized loans.

Pause before borrowing the PLUS, and shop round for a loan with the best rate and other benefits for your situation.

### Non-federal loans

Nonprofit agencies like VSAC, commercial lenders such as banks, and your college may all offer alternative loans. These loans don't have the same terms as federal loans. Each lender sets its own terms. Before you choose, compare these loans with the federal PLUS parent loan:

- **Loans from nonprofit state agencies**—Organizations like VSAC often offer student and parent loans with lower rates than federal PLUS. Most, like VSAC, offer in-state service and support. Visit [www.vsac.org/compare](http://www.vsac.org/compare) for a comparison between VSAC's fixed-rate Vermont Advantage education loans and the federal PLUS.
- **Loans from your college**—Some colleges offer their own loan programs, which they may list as part of your financial aid offer. You can choose to accept or decline all or part of these loans. Be sure to compare these loans with other loans you're considering.
- **Loans from commercial lenders**—Commercial lenders can include large national banks, online-only lenders, credit card companies, or credit unions. Be sure to research these loans carefully because their options will vary widely.

**TIP**

#### GET THE GUIDE:

VSAC's *My Education Loans* is a no-nonsense guide that breaks down the complex world of education loans. Download the loan guide at [www.vsac.org](http://www.vsac.org) or e-mail [publications@vsac.org](mailto:publications@vsac.org) for a printed copy.

### What to consider

#### Interest rates

A fixed-rate loan is a wise choice. Loans with variable rates and no maximum will likely cost significantly more over the life of the loan.

#### Fees

Look for no or low origination fees.

#### Repayment

Many loans offer options that allow you either to start making payments immediately or to defer payments. Deferring payment means a longer repayment period; and while longer repayment periods mean lower monthly payments, they also mean that you'll pay more interest over the life of the loan.

Also find out whether you'll be eligible for periods of reduced payment or temporary suspended payment if you experience economic hardship.

#### Budgeting

Use online calculators to get a sense of your monthly payments. For links to online tools, see page 20.

## Education Loans: A Comparison

	Federal Direct <i>unsubsidized</i> loan for students	Federal Direct PLUS loan for parents	Vermont Advantage Student Loan	Vermont Advantage Parent Loan
<b>Repayment</b>	Students won't have to start repaying Direct loans until six months after leaving school, attending less than half time, or graduating. Flexible repayment options are available.	Repayment begins following final disbursement. Upon request, may defer payment while borrower or dependent student is enrolled at least half time, and for six months following dependent student's enrollment. Flexible repayment options are available.	Repayment begins following final disbursement, or it may be deferred, depending on the option the student chooses (immediate repayment, interest-only repayment, or deferred repayment).	Repayment begins following final disbursement, or it may be delayed, depending on the option the parent chooses (immediate repayment or delayed repayment).
<b>Responsibility</b>	These loans are in the student's name and will appear on the student's credit report. Students are responsible for repayment.	These loans are in the parent's name. They cannot be transferred to the student.	These loans are in the student's name with a cosigner. Cosigner release may be available upon request to borrowers who meet VSAC's credit criteria after 48 months of active repayment.	These loans are in the parent's name. They cannot be transferred to the student.
<b>Credit</b>	Students don't need a credit record to get a federal Direct loan. A Direct loan appears on the student's credit report and can help a student establish a good credit record.	A credit review of the parent is required. If approved, the loan appears on the parent's credit report. Parents who believe they'll be denied should still apply, because small credit issues can often be resolved. If a parent doesn't qualify for a PLUS loan, the student may be eligible for additional unsubsidized Direct loan funds.	A credit review of the cosigner is required. The loan appears on the student's and cosigner's credit reports.	A credit review is required for the parent borrower, and the loan appears on the parent's credit report.
<b>Fees</b>	Based on the date of the first disbursement and set each year by the federal government.	Based on the date of the first disbursement and set each year by the federal government.	Based on cosigner's credit: 0% cosigner excellent credit 3% cosigner better credit 5% cosigner good credit	Based on parent borrower's credit: 0% excellent credit 3% better credit 5% good credit
<b>Tax</b>	Interest paid may be tax-deductible.	Interest paid may be tax-deductible.	Interest paid may be tax-deductible.	Interest paid may be tax-deductible.
<b>Lowering payments</b>	Numerous options for lowering payments include income-driven repayment, consolidation, and others. Temporary periods of reduced payment during economic hardship may be available.	Loans can be consolidated to extend the term and reduce the monthly payment. Temporary periods of reduced payment during economic hardship may be available.	Temporary periods of reduced payment during economic hardship may be available.	Temporary periods of reduced payment during economic hardship may be available.
<b>Death or disability</b>	If the student borrower dies or becomes permanently and totally disabled, the federal Direct loan may be forgiven.	If the parent borrower or the student dies, the PLUS loan is forgiven. If the parent borrower becomes permanently and totally disabled, the PLUS loan may be forgiven.	Loan debt is cancelled completely if the student borrower becomes totally and permanently disabled or dies. If the cosigner becomes totally and permanently disabled or dies, the cosigner is removed from the loan.	Loan debt is cancelled completely if the parent borrower or the student becomes totally and permanently disabled or dies.

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# How Can We Minimize Our Education Debt?

At all stages of the college search and decision process, there are ways that students and families can minimize education debt.

## When You're Considering Schools

As we noted on page 2, there are two prices for every college degree: the *sticker price* and the *net price*. The sticker price is the figure that most schools list in their brochures and on their websites. The net price is that very same number after subtracting scholarships and grants.

Whether you're beginning to build your college list or narrowing down a list you've already made, don't make the mistake of ruling out schools with a high sticker price. Instead, go to [www.collegenavigator.gov](http://www.collegenavigator.gov) to research the net price of schools on your list. This will help you make more accurate judgements about schools that may be affordable.

### Additional things you can do:

- **Apply for all available grants and scholarships.**
- **Plan to use savings and current income.** Explore tuition payment plans; by spreading payments out over the course of the academic year, you may be able to minimize what you need to borrow.
- **Consider cutting expenses.** How much can both student and parent economize? Where might you both be able to cut expenses during the college years?
- **Calculate your payments.** In planning ahead, try to estimate the full cost of attendance for the number of years you'll be in school. Once you have an idea of the total you'll need to borrow, these online tools can help you estimate monthly payments so you can keep your borrowing to a manageable level.

<https://bigfuture.collegeboard.org/pay-for-college/loans/parent-debt-calculator>—parents can estimate the amount of education debt they can reasonably afford.

[www.vsaac.org/calculator](http://www.vsaac.org/calculator)—students can estimate monthly loan payments based on the interest rate of each loan. Ideally, student loan payments should consume no more than 10–15% of a new graduate's starting income.

<http://mappingyourfuture.org/paying/debtwizard>—students can estimate what they might be able to afford to borrow based on expected future earnings, and learn about the salaries they may need to earn in order to afford their loan payments.

### What you need to know about borrowing

Loans are serious, long-term commitments, and students are obligated to pay back both the principal and interest even if you don't finish school or feel you are using your degree.

Student loans appear on your credit report, and failure to pay on time will have an impact on your ability to borrow money in the future.

Students, spend some time at [www.vsaac.org/loans](http://www.vsaac.org/loans) to learn the basics of education loans and [www.vsaac.org/interest](http://www.vsaac.org/interest) to learn about the ways that capitalization will affect your loans.

Some education loans offer a variable interest rate, which changes over time and can increase quickly. Others—like federal student loans and VSAC’s Vermont Advantage loans— offer fixed interest rates that stays the same over the life of the loan. While variable rates may seem great at first, they can end up costing a lot more over time.

## When It’s Time to Borrow

- **Borrow less than the limit.** It’s tempting—and easy in the short term—to borrow the loan you’re offered or to borrow the maximum you’re allowed to borrow each year, but don’t think of loans as free money; you’ll need to plan to repay every dollar you borrow, with interest.
- **Compare your options before signing on a loan.** This can save you money on payments that may be with you for 10 or 15 years.

A lower interest rate is generally a good thing, but how much does it matter in real dollars—in both the amount you’ll pay per month and the total over the entire term of your loan?

You may be surprised. Here are examples that show the different amounts you could expect to pay, based on three possible rates.

### Comparing interest rates on a \$15,000/15-year loan\*

	Monthly payment	+	Interest paid over 15 years	=	Total
5%	\$120	+	\$6,402	=	\$21,559
7%	\$137	+	\$9,370	=	\$24,590
9%	\$156	+	\$12,412	=	\$27,694

*\* This comparison example is based on a loan amount of \$15,000, with no fees, paid over 15 years. The rates featured are three possible fixed interest rates you may find in the college loan marketplace today and do not reflect the offerings of a particular lender.*

## After you borrow

Aside from borrowing as little as possible and finding the best loan terms you can find, the best way to keep student debt from growing is to try to pay the interest on loans while the student is in school.

On Direct unsubsidized student loans, the interest accumulates even while a student is enrolled in school. This is also true of most education loans, except for federal Direct subsidized loans.

If you don’t pay any interest on your education loans while enrolled in school, your interest will “capitalize.” It will be added to your loan balance once you enter repayment, which will significantly increase your balance. Future interest calculations will be based on this new (and larger) loan balance, which will mean higher interest charges over the repayment period of your loan.

## Federal Direct Unsubsidized Loan Payment Estimates

The charts below show the difference between paying interest while you're enrolled or allowing it to add up and become part of your loan balance. All figures are rounded to the nearest whole dollar.

### \$10,000 original amount borrowed; **pay interest while enrolled**

Interest rate	Monthly payments for 4 years	Interest added to loan balance	Loan balance after college	Monthly payments for 10 years	Total payments
6%	\$50	\$0	\$10,000	\$111	\$15,722
7%	\$58	\$0	\$10,000	\$116	\$16,733
8%	\$67	\$0	\$10,000	\$121	\$17,759
9%	\$75	\$0	\$10,000	\$127	\$18,801

### \$10,000 original amount borrowed; **make no payments while enrolled**

Interest rate	Monthly payments for 4 years	Interest added to loan balance	Loan balance after college	Monthly payments for 10 years	Total payments
6%	\$0	\$2,400	\$12,400	\$138	\$16,520
7%	\$0	\$2,800	\$12,800	\$149	\$17,834
8%	\$0	\$3,200	\$13,200	\$160	\$19,218
9%	\$0	\$3,600	\$13,600	\$172	\$20,673

Other ways to reduce the interest you pay:

- Make your payments on time.
- Pay a little extra with each monthly payment.
- Avoid extending your repayment term.
- Avoid deferring your interest payments.
- Avoid defaulting on your loan.

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# What about Scholarships?

## Scholarship tips

- It's best to begin your search for scholarships 12 months before the start of the new college year.
- There's a lot of material to collect for scholarship applications (essays, recommendation letters, etc). Keep track of the required materials, as well as the deadlines. Plan to submit everything before the deadlines!
- Carefully determine that you meet the specific criteria for each scholarship. You don't want to devote a lot of time applying for a scholarship only to find out that your application wasn't accepted because you didn't match the criteria.
- Check with the financial aid offices at the schools to which you're applying; find out how outside scholarships may affect your financial aid package (for example, scholarships may reduce the amount a family has to pay out of pocket; or they may reduce loans, work-study, or grant aid).

Scholarships are worth applying for, mainly because they're gifts of money that do not need to be repaid. They're provided by any group, any individual, or any organization that wants to offer financial support to students who want to further their education or training.

Students who apply for scholarships must meet specific eligibility requirements and must compete against others who meet these requirements. Even though you'll be competing against other students who apply, don't count yourself out for scholarships!

First of all, even if a scholarship is based on academic achievement, you may not have to be the best student in your class; you simply need to be the best student applying for that scholarship. Likewise, if a scholarship is based on financial need, your need will be compared only to the need of other applicants within that scholarship pool.

Second, scholarships are offered for all sorts of reasons, not just athletics and academics. For example, there are Vermont scholarships for:

- students who want to pursue agriculture
- students who want to become dental hygienists
- students who are the first in their families to attend college
- female residents of Orange County
- students who are interested in dairying
- students who want to become teachers
- children of ambulance or first-response squad members

### TIP

#### FIND INFORMATION ON SCHOLARSHIPS AT:

- your high school guidance office
- VSAC's scholarships booklet (application details for more than 100 scholarships for Vermont residents, along with reputable websites that provide national scholarship searches)
- **[www.vsac.org/scholarships](http://www.vsac.org/scholarships)**
- your local library
- your college or university

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# What Other Resources **Should We Consider?**

## **College Investment and Prepaid Tuition Plans**

Every state offers at least one of two types of tuition plans—savings plans and prepaid plans. Both programs are known as 529 plans because they are described in Section 529 of the Internal Revenue Code. Both offer attractive federal tax benefits for people who want to save for college. Contributions to 529 plans come from after-tax money, and withdrawals for allowable qualified higher education expenses are exempt from federal income taxes.

### **529 college savings plans**

These are investment accounts created to save for a specific student's college expenses. Federal tax benefits equal or exceed those of other education saving options. With the Vermont Higher Education Investment Plan (VHEIP), tax breaks include a Vermont income tax credit on contributions to the plan and a Vermont income tax exemption on earnings used for qualified higher education expenses. You can use the proceeds from this kind of plan to cover expenses at thousands of eligible public and private colleges in the United States, and even some abroad.

Qualified expenses include costs for:

- postsecondary tuition and fees
- certain room and board charges
- required books and supplies

For more information, call 800-637-5860 or visit [www.vheip.org](http://www.vheip.org).

Section 529 of the Internal Revenue Code now permits the use of up to \$10,000 per year for private K–12 school tuition without federal income tax penalties; however, Vermont law does impose state income tax penalties and recapture of the Vermont VHEIP income tax credit on such withdrawals.

### **529 prepaid plans**

These are plans that enable parents to lock in current tuition rates for attendance at specific colleges and universities. Vermont does not offer a 529 prepaid plan, but individual colleges and universities may participate. Contributions to 529 prepaid plans are not eligible for the Vermont tax credit. Additionally, earnings may be subject to Vermont income tax.

**The Vermont Higher Education Investment Plan (VHEIP) is Vermont's official 529 plan. As such, it's the only 529 plan that qualifies not only for a Vermont income tax credit on contributions, but also for a Vermont income tax exemption on earnings when withdrawals are used for qualified higher education expenses.**

**For additional information, call 800-637-5860 or visit [www.vheip.org](http://www.vheip.org).**

### **Other assistance from the military**

#### **ROTC scholarships**

Reserve officer training scholarships are available through the U.S. Army, Air Force, and Navy. Students who receive scholarships from the military will be obligated to serve either in the reserves or on active duty after graduating from college.

#### **Assistance in return for active duty**

Active duty military service offers numerous programs to help students earn or pay for a college degree. For information about these programs, contact a local armed forces recruiter. Students who borrow federal student loans may qualify for repayment assistance from the U.S. Army's loan repayment program.

## **Tuition Payment Plans**

Many colleges offer tuition payment plans that enable families to pay in installments and reduce their need for loans. Some colleges offer this option with no interest charges or for a flat fee. Contact the colleges at which you are accepted to find out if they offer this type of plan (or another arrangement) that can help make paying for college less of a burden on family finances.

## **Vocational Rehabilitation Programs**

The U.S. Department of Education's Rehabilitation Services Administration provides grants to state vocational rehabilitation agencies to help individuals with disabilities obtain employment and live more independently. Students must meet state eligibility criteria, and aid must be coordinated with student aid from other sources in order to prevent duplicating benefits. For information, visit a state vocational rehabilitation agency.

## **Veterans Benefits**

Below you'll find brief descriptions of the major benefits programs administered by The U.S. Department of Veterans Affairs. For details, call 888-550-2769, visit a recruiting office, or see <https://goarmy.com/benefits/education-benefits.html>.

### **Montgomery GI Selected Reserve (MGIB-SR)**

The MGIB-SR program provides education and training benefits to eligible members of the Selected Reserve, including the Army Reserve, Navy Reserve, Air Force Reserve, Marine Corps Reserve, Coast Guard Reserve, the Army National Guard, and the Air National Guard. Eligibility for this program is determined by the Selected Reserve components, and VA makes the payments. For more information, visit [https://benefits.va.gov/gibill/mgib\\_sr.asp](https://benefits.va.gov/gibill/mgib_sr.asp).

### **Survivors and Dependents Assistance**

Two GI Bill programs offer education assistance to survivors and dependents of veterans. For information, visit [https://benefits.va.gov/gibill/survivor\\_dependent\\_assistance.asp](https://benefits.va.gov/gibill/survivor_dependent_assistance.asp).

### **Veterans' Educational Assistance Program (VEAP)**

VEAP is available if you elected to make contributions from your military pay to participate in this education benefit program. The government matches your contributions on a 2-for-1 basis. Details are available at <https://benefits.va.gov/gibill/veap.asp>.

### **Reserve Educational Assistance Program (REAP)**

REAP provides education assistance to members of the Reserve components called or ordered to active duty in response to a war or national emergency declared by the president or Congress. For details, visit <https://benefits.va.gov/gibill/reap.asp>.

### **National and community service**

Through the AmeriCorps service program, the federal government provides education funding in exchange for service. Individuals can use the funds to pay current or future education expenses or to repay federal education loans. For information, use the web form at <https://questions.nationalservice.gov>, visit <https://www.nationalservice.gov/programs/ Americorps>, or call 800-942-2677.

### **Health professions**

The U.S. Department of Health and Human Services administers several programs for students who are preparing for careers in health professions. For information, visit <https://bhw.hrsa.gov/loansscholarships> or call 877-464-4772.

### **Tax incentives**

Tax incentives are available to help families meet qualified education costs. Some of the incentives involve savings plans that allow earnings to grow tax-free. Other incentives benefit families with students enrolled in college or other higher education programs.

Another incentive benefits families with student or parent education loans (interest on the loans is deductible within certain guidelines). The chart on the next page summarizes various tax incentives. The plans can be complicated, with the details of one affecting details of another. You may wish to seek advice from a tax expert as you consider the benefits of any of these plans.

See the summary on page 26 for more information.

## Savings and investment plans for education expenses

These are subject to phasing out of benefits as income reaches a certain threshold. See IRS Publication 970 for details at [www.irs.gov/pub/irs-pdf/p970.pdf](http://www.irs.gov/pub/irs-pdf/p970.pdf).

PLAN	SAVINGS AND TAX TREATMENT	RESTRICTIONS
<b>Vermont Higher Education Investment Plan</b> Vermont's 529 program	<ul style="list-style-type: none"> <li>Annual state income tax credit of up to \$250 per taxpayer/per beneficiary (up to \$500 if married, filing jointly).</li> <li>Contributions are not tax-deductible, but earnings are tax-deferred.</li> <li>Withdrawals are tax-free if used for qualified higher education expenses.</li> </ul>	<ul style="list-style-type: none"> <li>Cannot claim American Opportunity tax credit or lifetime learning credit for same expenses for which a 529 program distribution was used.</li> <li>State tax benefits are not available for contributions later used to pay for private K-12 school tuition.</li> </ul>
<b>Coverdell Education Savings Account (ESA)*</b>	<ul style="list-style-type: none"> <li>Contributions of up to \$2,000 per year per child are allowed.</li> <li>Contributions are not tax-deductible, but earnings are tax-deferred.</li> <li>Withdrawals are tax-free if used for qualified education expenses.</li> </ul>	<ul style="list-style-type: none"> <li>Cannot claim American Opportunity tax credit or lifetime learning credit, or tuition and fees deduction, for same expenses for which an ESA distribution was used.</li> <li>For guidelines, see IRS Publication 970 (<a href="http://www.irs.gov/pub/irs-pdf/p970.pdf">www.irs.gov/pub/irs-pdf/p970.pdf</a>).</li> </ul>

## Tax incentives for higher education

INCENTIVE	SAVINGS AND TAX TREATMENT	RESTRICTIONS
<b>American Opportunity credit</b>	<ul style="list-style-type: none"> <li>Tax credit of up to \$2,500 per student for first four years of college.</li> </ul>	<ul style="list-style-type: none"> <li>Generally not available to higher middle-income families. <b>Form 1098-T</b> required.</li> <li>For details, see <a href="http://www.irs.gov/pub/irs-pdf/p970.pdf">www.irs.gov/pub/irs-pdf/p970.pdf</a>.</li> </ul>
<b>Lifetime learning credit</b>	<ul style="list-style-type: none"> <li>Tax credit of up to \$2,000 per family for an unlimited number of years.</li> </ul>	<ul style="list-style-type: none"> <li>Generally not available to higher middle-income families. <b>Form 1098-T</b> required.</li> <li>For details, see <a href="http://www.irs.gov/pub/irs-pdf/p970.pdf">www.irs.gov/pub/irs-pdf/p970.pdf</a>.</li> </ul>
<b>Education loan interest deduction</b>	<ul style="list-style-type: none"> <li>Tax deduction up to \$2,500 for interest paid on student or parent education loans.</li> </ul>	<ul style="list-style-type: none"> <li>Generally not available to higher middle-income families.</li> <li>For details, see <a href="http://www.irs.gov/pub/irs-pdf/p970.pdf">www.irs.gov/pub/irs-pdf/p970.pdf</a>.</li> </ul>
<b>Education Savings Bond Program</b>	<ul style="list-style-type: none"> <li>Interest on certain savings bonds may be tax-free if bond is used to pay education expenses.</li> </ul>	<ul style="list-style-type: none"> <li>Generally not available to higher middle-income families.</li> <li>For details, see <a href="http://www.irs.gov/pub/irs-pdf/p970.pdf">www.irs.gov/pub/irs-pdf/p970.pdf</a>.</li> </ul>

## IRA investments that can be used for education expenses

Financial planning experts do not recommend depleting retirement savings for education. Speak to a financial advisor before using retirement funds for other purposes.

IRA	TAX TREATMENT	RESTRICTIONS
<b>Traditional IRA</b>	<ul style="list-style-type: none"> <li>Withdrawals for qualified higher education expenses are allowed without 10% penalty, but are taxed as ordinary income.</li> </ul>	<ul style="list-style-type: none"> <li>For guidelines, see IRS publications 590 A &amp; B (<a href="http://www.irs.gov/pub/irs-pdf/p590a.pdf">www.irs.gov/pub/irs-pdf/p590a.pdf</a> and <a href="http://www.irs.gov/pub/irs-pdf/p590b.pdf">www.irs.gov/pub/irs-pdf/p590b.pdf</a>).</li> </ul>
<b>Roth IRA</b>	<ul style="list-style-type: none"> <li>Withdrawals for qualified higher education expenses are allowed without 10% penalty, but earnings are taxed as ordinary income.</li> </ul>	<ul style="list-style-type: none"> <li>For guidelines, see IRS publications 590 A &amp; B (<a href="http://www.irs.gov/pub/irs-pdf/p590a.pdf">www.irs.gov/pub/irs-pdf/p590a.pdf</a> and <a href="http://www.irs.gov/pub/irs-pdf/p590b.pdf">www.irs.gov/pub/irs-pdf/p590b.pdf</a>).</li> </ul>

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# Important Financial Aid Questions

## **What should we do if we expect our income to decrease?**

You should let the college financial aid office and the VSAC Grant Program know that your income will be lower. They may be able to review your eligibility using the lower income.

## **I have to make a deposit at the school, but I haven't received a financial aid offer yet. What can I do?**

If you haven't yet heard about your financial aid and your decision depends on the offer, call the college admissions office to request an extension on your deposit deadline.

## **I'm a dependent student, and my parents are divorced/separated. Which parent should complete the financial aid application(s)?**

The parent with whom you lived for the most time during the last 12 months. If you didn't live with either parent, or if you lived with each parent for an equal amount of time, the application should be completed by the parent who provided the most financial support for you during the last 12 months. If that parent is remarried, your stepparent's information must also be reported. If that parent hasn't remarried, the VSAC Grant Program and colleges might require financial information from the noncustodial parent.

## **I plan to go to school part time. Can I still get financial aid?**

Almost all programs are available to students who attend school at least half time, though some institutions give preference to full-time students. VSAC has grants for eligible part-time degree students taking fewer than 12 credits of course work per semester.

### **Can a Vermont state grant be used at an out-of-state school?**

Yes. A Vermont grant can be used at any school within the United States that's approved by the U.S. Department of Education, and at some colleges in Canada.

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# Questions for the **Financial Aid Office**

## **Will my aid package be the same next year?**

**Colleges adjust aid packages each year based on your current financial aid applications. Grants are based on financial need, which can change from year to year. You'll need to submit a FAFSA and a Vermont grant application every year you're in college.**

Aside from the fees on your website, are there other possible costs that I can expect?

What is the expected increase in costs each year?

Do you require information from both of my parents if they're divorced or separated?

How will outside scholarships (such as ones I may get at high school graduation) affect aid I receive from your college?

Will my financial aid needs have any effect on whether I'm admitted to your college?

What happens if my family circumstances worsen after you offer financial aid to me? Can the offer be reconsidered this year, based on a change in our situation?

Are there any special scholarships or loan programs at your college that I may be eligible for, and do I need to file separate applications for them? What are the deadlines?

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# Financial Aid **Timetable**

## Summer before senior year

- Explore college net price calculators at [www.collegenavigator.gov](http://www.collegenavigator.gov) to help you finalize your college list.

## September

- Print out our checklist at [www.vsac.org/finaidchecklist](http://www.vsac.org/finaidchecklist) to keep you on track through the application process.
- Gather financial information for financial aid applications.
- Check college websites to find out if you need to submit the CSS Profile® or other applications.
- Check college websites for financial aid application deadlines.
- Need help or more information? Check out the VSAC events in your area and plan to attend. Visit [www.vsac.org/events](http://www.vsac.org/events) for a calendar of events.

## October

- Submit the FAFSA at <https://fafsa.ed.gov>.
- Go to [www.vsac.org/grants](http://www.vsac.org/grants) to apply for a Vermont grant.

## November

- Pick up a VSAC scholarships booklet at your school and begin identifying and applying for scholarships that you're eligible for.

## February

- Watch for confirmations from colleges, VSAC, and FAFSA, along with requests for further information.
- The final deadline for VSAC-assisted scholarships is **February 12, 2020**. Submit your Unified Scholarship Application (USA) and supporting documents at [www.vsac.org/scholarships](http://www.vsac.org/scholarships) before midnight.
- Keep looking for scholarships.
- Visit [www.vsac.org/resources](http://www.vsac.org/resources) for *My Education Loans*, VSAC's guide to education loans—a must-read for any student planning to borrow to pay for college or training. To receive a printed copy in the mail, e-mail [publications@vsac.org](mailto:publications@vsac.org).

## March–April

- Watch for Vermont grant information.
- Watch for financial aid offers from colleges.
- Look for decisions regarding VSAC-assisted scholarships.
- Use VSAC's spreadsheet tool at [www.vsac.org/compareoffers](http://www.vsac.org/compareoffers) to compare college costs and financial aid offers.

## May

- May 1: College decisions (and deposit) usually due.
- Compare loan options at [www.vsac.org/VTadvantage](http://www.vsac.org/VTadvantage).

**Use this timetable to re-apply for financial aid each year you're in college.**

**For a more detailed month-by-month planning checklist that covers the admissions and financial aid process, go to [www.vsac.org/senioryear](http://www.vsac.org/senioryear).**

# VSAC can help you pay for college.

VSAC, a Vermont nonprofit, has been helping Vermont students of all ages save, plan, and pay for college or training since 1965. We're committed to helping families make informed decisions about paying for college.

- **Free financial aid presentations** at schools and other locations
- **State grants** for Vermont residents in undergraduate full- or part-time study and those taking non-degree courses or training to improve employability
- **Scholarships** for Vermont residents—more than 100 available
- **Vermont Advantage student and parent loans** for Vermont residents attending college in Vermont, across the U.S., or abroad, and for out-of-state students attending Vermont colleges. Compare our rates with the federal PLUS.
- **Online applications at [vsac.org](https://vsac.org)** that save you time and reduce errors—FAFSA, Vermont grant, VSAC-assisted scholarships, and CSS Profile®
- **Financial aid videos, tips, and resources** at [vsac.org/resources](https://vsac.org/resources)

## Contact us

ONLINE: [vsac.org](https://vsac.org)

CALL: **800-642-3177**

E-MAIL: [info@vsac.org](mailto:info@vsac.org)

**VISIT US: VSAC Resource Center**  
**10 East Allen Street**  
**Winooski, VT 05404**



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**Vermont Student Assistance Corporation** 10 East Allen Street PO Box 2000 Winooski, VT 05404

VSAC does not discriminate in employment or the provision of services on the basis of race, color, religion, national origin, sex, sexual orientation, gender identity, ancestry, place of birth, age, veteran or military status, genetic information, disability, or any other legally protected status. Please contact VSAC at 800-642-3177 or 655-9602 in the Burlington area (TDD for hearing impaired, 800-281-3341 or 654-3766) if auxiliary aids or services are needed for application or participation in VSAC services.