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FINANCING YOUR DREAMS

A Guide to the Financial Aid Process



Members of the Brazos Group of Companies

Lending for Learning®

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Dear Students and Parents,

You can almost hear “Pomp and Circumstances” playing in the background... along with visions of mortar boards and diplomas.

And all the while, you’re also experiencing the anticipation of furthering your education. Ah yes... college!

That’s where EFSI can help! We can help you understand the many financial alternatives available that can make your college education affordable. As a not-for-profit lender, we’re committed to providing education financing solutions for students and their families.

Through the use of this guide, you will learn how scholarships, grants, work-study programs and low-interest loans can help you finance a college education.

No matter what your education financing needs are, we’re here to help.

Congratulations and our Best Wishes!

Your friends at,



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**Take control
of the
application
process...**



help!

How Am I Going To Pay for College?

Relax! It's a lot easier than you might think. At EFSI, we understand that, at first glance, the price of higher education can seem overwhelming.

This free guide has been developed to help you understand the process and can provide valuable assistance through the financial aid process. The following pages will outline all of your many higher education funding options, from grants and scholarships to work-study and low-interest student loans with flexible repayment options.

If, after reviewing our handy, free guide, **Financing Your Dreams**, you still have general questions about student financial aid, head first to your Student Aid Advisor in the Financial Aid Office at any of the universities, colleges, trade or technical schools to which you are applying for aid. For questions concerning specific loan programs or services offered by EFSI, please visit us on the Web at:

www.efsi.net

In the meantime, what are you waiting for? Keep reading. You've got student aid questions. EFSI has the answers!



As soon as you begin applying to colleges, consult your school's guidance counselor for information and assistance with the forms and applications you must submit. Contact the financial aid administrator at each college for information about scholarships and grants, including the forms required for each.

Will I Qualify?

Good news! Contrary to popular perception, nearly everyone qualifies for some form of student financial aid these days. It is true that grants and work-study funds tend to go to more needy students. But, even the wealthiest students now qualify for low interest Federal loans which offer far more advantageous repayment terms with lower interest rates than loans available privately. The only way to know for sure is to apply!

Steps in the Financial Aid Process:

1. Determine the cost of attending the college(s) of your choice. This is the total amount of your college expenses. Some are already set (tuition, room & board, and fees) while others will have to be estimated (books and supplies, personal miscellaneous expenses, and transportation). Your financial aid administrator will have a handle on all these expenses, so it's a good idea to ask for help.
2. Check out local scholarship opportunities and other sources of "gift" aid.
3. Complete the **Free Application for Federal Student Aid (FAFSA)** that is available in paper form from your high school or college. Or a better option is to complete the FAFSA online and submit it electronically to the U.S. Department of Education. The Internet address for FAFSA on the Web is www.fafsa.ed.gov. The FAFSA is used to determine the key element in any financial aid application: financial need.

4. Submit the completed FAFSA for processing as soon as possible after January 1.

These factors will help determine the kind and amounts of aid for which you may qualify:

- Parents' Income and Assets
- Medical Expenses
- Family Size
- Age and Number of Working Parents
- Number of Children in College
- Extraordinary Expenses or Special Circumstances
- Student's Income and Expenses

Note: Remember that you must reapply for financial aid every year, either by completing a "New" or "Renewal" FAFSA. Also, be sure to check with your school to see what steps you should take to continue receiving aid.

5. Your college may require that you fill out additional financial aid forms for campus-based aid.
6. Federal, state, local, and school education funds for which you qualify are gathered by the financial aid administrator and awarded to you as a financial aid package.
7. Apply for one or more of the education loans that are available to help you. Applications for these loans can be obtained online at www.efsi.net.

How and When Do I Apply?

The first step is to apply using the **Free Application for Federal Student Aid (FAFSA)** which is used for all forms of Federal financial aid including: Pell Grants, Supplemental Education Opportunity Grants, Federal Family Education Loans (FFEL), Perkins Loans and College Work-Study. Details concerning each of these programs are provided in this brochure. In addition, several state and private student aid funding agencies and organizations also use the FAFSA when awarding aid.

What Kind of Aid Is Out There?

Student Financial Aid comes in all shapes and sizes from a variety of sources including: the Federal government, individual states, directly from colleges and universities as well as from numerous other public and private agencies and organizations. Whatever the source, however, all forms of college aid fall into four basic categories:

Grants - Gift aid which does not have to be repaid and is generally awarded based, at least in part, on financial need.

Work-Study - The Federal Work-Study Program (FWS) is a federally funded source of financial assistance used to offset education costs. Eligible colleges administer the program, which provides jobs for eligible students. A full-time student can expect to work up to 20 hours a week (on or off campus), at a salary based on local market conditions and current minimum wage standards.

Loans - Funds that are borrowed and must be repaid with interest. As a general rule, however, repayment terms and interest rates for educational loans are usually far more favorable than for traditional consumer loans.

Scholarships - Scholarships can be offered by the school, by local/community organizations and by private national institutions (i.e., The National Merit Foundation). As with grants, scholarships do not have to be repaid. However, unlike grants, scholarships are generally awarded based on some combination of academic criteria, organizational or group memberships or participation in sporting or other extracurricular activities.



What Are Federal Pell Grants?

Federal Pell Grants are targeted to undergraduate students with very high need. The amount of your Pell Grant is determined by the size of your Expected Family Contribution (EFC), the school's Cost of Attendance, your enrollment status, e.g., half-time or full-time, and whether you attend for part or all of the school's academic year.

As with all grants, Federal Pell Grants do not have to be repaid. However, unlike other Federal grant programs, Pell Grants are considered an Entitlement Program which means that the Federal government awards the funds regardless of which eligible school you decide to attend.

The maximum Pell Grant eligibility varies each award year based on available Federal funding. Pell Grant award amounts can change yearly. The minimum award for those who qualified was \$400. Remember, even if your need is not high enough to qualify for a Pell Grant, you may still be eligible for other forms of financial aid.

What are Federal Supplemental Educational Opportunity Grants?

The second largest educational grant program, after Pell Grants, is the **Federal Supplemental Educational Opportunity Grant (FSEOG)** program. These grants are reserved for undergraduate students with the greatest financial need, i.e., those with the lowest EFCs. Priority is given to students who also qualify for a Pell Grant.

Unlike with Federal Pell Grants, where the Federal government guarantees to provide funding for all qualifying students regardless of which eligible school they attend, FSEOG funding is far more limited. Participating schools receive a predetermined amount of FSEOG funds for the award year. Once those funds are used up, no additional awards can be made.

The maximum FSEOG award is \$4,000 per year. The minimum award for those who qualify is usually no less than \$100. The amount you actually receive will depend on your financial need, the amount of other aid received and the availability of funds at your school.

Quick Reference:

How much money is available to a first year dependent student?

		GRANT	SUBSIDIZED LOAN	UNSUBSIDIZED LOAN	NEED BASED	CREDIT BASED
PROGRAM	MAX					
Pell Grant	\$4,050	•			•	
FSEOG Grant	\$4,000	•			•	
Work-Study	No max				•	
Perkins Loan	\$6,000		•		•	
Stafford Loan	\$2,625		•		•	
PLUS Loan	Cost of Attendance			•		•
Private Student Loan	\$50,000			•		•

What Is Federal Work-Study?

Federal Work-Study provides part-time jobs to both undergraduate and graduate students as part of their financial aid package. The amount of any Work-Study funds you are offered will depend on your financial need, the amount of other aid you receive, the school's available funds and, of course, the number of hours you're willing or able to work.

Work assignments are typically selected from either campus owned and operated facilities or community-based service agencies or organizations. Salaries vary depending on your work assignment, but will never be less than the prevailing minimum wage. However, you will generally only be allowed to work until the point you have earned the full amount of your Work-Study award.

In addition to the Federal program, some states also offer similar Work-Study programs. Even if you do not qualify for the College Work-Study funds, your school may have other part-time work opportunities available.

What Are Federal Perkins Loans?

Federal Perkins Loans are very low interest (5%) loans that are available to both undergraduate and graduate students with high financial need. Although the Federal government provides the majority of the funds for these loans, the school does contribute a smaller portion of its own institutional funds toward making these loans. The school also serves as the actual lender and, as such, repayment will be made to your school.

The maximum Perkins Loan award is \$4,000 per year for undergraduates and \$6,000 per year for graduate students. The amount, if any, you receive from a Perkins Loan will depend on your financial need, the amount of other aid you receive and the availability of funds at your school.

Generally, you will not be charged interest on your Perkins Loan nor be required to begin repaying the loan until nine months after you have graduated, withdrawn or dropped below half-time enrollment status. This nine-month delay before beginning repayment is referred to as a grace period. You will be given up to 10 years to repay your Perkins Loan with a minimum monthly payment of \$40. However, the exact time frame for repayment and the amount of your monthly payments can vary widely based on your total indebtedness.



Did you know?
The average return on investment for a bachelor's degree is 20 times the cost of that education.

Can EFSI Help With Education Loans?

If you don't receive sufficient Federal Pell Grant, FSEOG, Work-Study, Perkins Loan, or scholarships to meet all of your educational expenses, EFSI can help with a variety of low-interest educational loan options, including:

- Subsidized and Unsubsidized Federal Stafford Loans
- Federal PLUS Loans

What are Federal Stafford Loans?

Federal Stafford Loans are by far the most common form of student financial aid and are available to both undergraduate and graduate students who are enrolled on at least a half-time basis. These loans, along with PLUS (Parent) Loans, are part of a group of loan programs referred to as Federal Family Education Loans (FFELP). Stafford Loans come in two different forms: **Subsidized Stafford Loans** and **Unsubsidized Stafford Loans**. Though there are differences between the two, both subsidized and unsubsidized Stafford Loans are education loans provided by lenders like EFSI, banks, credit unions, savings and loans, and other lending institutions. It is not unusual for a student to receive both subsidized and unsubsidized loans as part of their financial aid package.

• How much is Stafford Loan interest?

The interest rate on Subsidized and Unsubsidized Federal Stafford Loans is 6.8%. Remember, however, the interest on subsidized Stafford Loans is paid for you by the Federal government until you've actually entered repayment at the end of your six month grace period. (See NOTE "Statutory Changes" on pg. 11)

• Are there any Stafford Loan fees?

There are two types of fees associated with borrowing a Federal Stafford Loan. An Origination Fee, which is equal to 2% of the loan principal*, is paid to the Federal government. Guaranty agencies may also charge an Insurance Fee (or Default Fee) of up to 1%. Both fees will be deducted proportionately from each loan disbursement.

* Effective July 1, 2006

Federal Stafford Loan Limits

First Year Undergraduate Student

- one academic year in length
- 2/3 academic year in length
- 1/3 academic year in length

	DEPENDENT STUDENT*				INDEPENDENT STUDENT			
	Sub+Unsub	Subsidized	Unsubsidized	Total Amount	Subsidized	Unsubsidized	Total Amount	
1 yr.	\$2,625	\$2,625	+	\$4,000	=	\$6,625		
2/3 yr.	\$1,750	\$1,750	+	\$2,500	=	\$4,250		
1/3 yr.	\$875	\$875	+	\$1,500	=	\$2,375		

Second Year Undergraduate Student

- one academic year in length
- 2/3 academic year in length
- 1/3 academic year in length

	Sub+Unsub	Subsidized	Unsubsidized	Total Amount
1 yr.	\$3,500	\$3,500	+	\$4,000 = \$7,500
2/3 yr.	prorated	prorated	+	\$2,500 = prorated
1/3 yr.	prorated	prorated	+	\$1,500 = prorated

Third Year and Remaining Undergraduate Student

- one academic year in length
- less than an academic year

	Sub+Unsub	Subsidized	Unsubsidized	Total Amount
1 yr.	\$5,500	\$5,500	+	\$ 5,000 = \$10,500
<1 yr.	prorated	prorated	+	prorated = prorated

Graduate or Professional Student

	Sub+Unsub	Subsidized	Unsubsidized	Total Amount
	N/A	\$8,500	+	\$10,000 = \$18,500

*For dependent students whose parents cannot borrow under the PLUS program, the amount a student can borrow under the unsubsidized program is the same as for an independent student.

Maximum Aggregate Loan Amounts Federal Stafford Loans

Dependent Undergraduate Students	\$23,000 (Sub + Unsub)
Independent Undergraduate Students	\$46,000 (Sub + Unsub)
Graduate or Professional Students	\$138,500 ** (Sub+Unsub)

**These limits include any Federal Stafford Loans received as an undergraduate student.

What Are Federal PLUS Loans?

Federal PLUS Loans, along with Stafford Loans, are part of a group of loan programs referred to as Federal Family Education Loans. PLUS Loans are available to the parents or legal guardians of dependent undergraduate students to assist with financing their student's educational costs.

And, for the first time in FFELP history, PLUS loans (formerly only for parent borrowers) are now being made available to graduate and professional students. As part of the Deficit Reduction Act of 2005, the Graduate PLUS Loan program allows graduate and professional students to borrow the PLUS.

Graduate students can borrow PLUS to supplement the subsidized and unsubsidized Federal Stafford Loan funding that is current available. Student borrowers are still encouraged to first borrow the maximum (based on eligibility and determination of need) in Stafford Loans before borrowing the PLUS.

Generally, the student must be enrolled on at least a half-time basis in an eligible degree or certificate program. While PLUS Loans are not based on financial need, the borrower must have a good credit history. As with Stafford Loans, low-interest PLUS Loans are made by lenders like EFSI, banks, credit unions, savings and loans, other lending institutions, and in some instances directly by the Federal government.

• Are there PLUS borrowing limits?

Unlike with Stafford Loans, there are no specific PLUS Loan annual and aggregate borrowing limits. The only restriction is that borrowers in any given award year are not allowed to borrow more than the student's total Cost of Attendance less the amount of other aid received by the student during that period.

• What is the interest rate on PLUS Loans?

The interest rate on Federal PLUS Loans is fixed at 8.5%.

• Are there PLUS Loan fees?

There is an Origination Fee equal to 3% of the loan principal that is paid to the Federal government. Guaranty agencies may also charge an Insurance Fee (or Default Fee) of up to 1% which is paid directly to the applicable guaranty agency. Both fees will be deducted proportionately from each PLUS Loan disbursement.

Note: Statutory Changes

Because of statutory changes in the way the interest rates have been calculated over the years, student borrowers with outstanding Stafford Loans first disbursed prior to July 1, 1998, and parent borrowers with outstanding PLUS Loans first disbursed prior to October 1, 1998 may have their interest rate calculated somewhat differently. If this applies to you or your parents, contact your lender or the campus Financial Aid Office for additional details.

Who Can Apply?

Students/parents who meet the following basic requirements may be eligible to apply for Federal Stafford and PLUS Loans through a lender participating in the Federal Family Education Loan Program (FFELP).

- Student and/or parent borrowers must be U.S. citizens or eligible non-citizens.
- Student and/or parent borrowers must have a valid Social Security Number.
- The student must be enrolled or accepted on at least a half-time basis (usually defined as six credit hours or more). Enrollment must be in a degree or certificate program at a participating undergraduate school, graduate school, community college, vocational, trade, business or professional school in or outside the U.S. A participating school is one which has entered into an agreement with the U.S. Secretary of Education for participation in Student Loan Programs.
- The borrower is not in default on any other student or parent loan, and does not owe a refund on an educational grant.
- The student is currently in academic “good standing.”



If a Federal PLUS Loan is approved, the lender will forward the first disbursement of your loan proceeds directly to your school via Electronic Funds Transfer (EFT) or check. It is the school's responsibility to verify your enrollment status in order to apply the loan proceeds against your student account balance.

The entire process boils down to these Six Simple Steps:

1. The school's financial aid office sends you a Financial Aid Award Notice that indicates the types of gift and self-help aid you may be eligible to receive. It also certifies the type(s) and amount(s) of Federal Stafford Loan(s) you are eligible to borrow. Decide what portions of the Financial Aid Award Notice you wish to accept.
2. If you choose to apply for Federal Stafford Loans, you must complete and submit a Federal Stafford Loan Master Promissory Note (MPN) that you receive from your school (or if your school uses electronic processing, you may receive a pre-printed MPN from the lender or guaranty agency).
3. If you have questions regarding the completion of your MPN, please contact your school's financial aid office. Return your completed promissory note to the address indicated as soon as possible. Remember that a lender cannot disburse your student loan funds to your school until it receives your fully completed and signed MPN.
4. A guarantor will certify your eligibility and then “guarantee or insure” your loan for your lender. If you should ever default on your loan (not repay according to the terms outlined in your promissory note), the guarantor will pay your lender for the loan and will then collect the loan directly from you.
5. You will receive a Notice of Loan Guarantee and Disclosure Statement that will indicate the names, addresses, and phone numbers of your guarantor, lender, and school. It will also notify you of your interest rate, the amount of any loan origination and/or guarantee fees that may be deducted from your loan proceeds, and the disbursement dates that have been set by your school.
6. Your lender will then forward the first disbursement of your loan proceeds directly to your school via Electronic Funds Transfer (EFT) or check. It is the school's responsibility to verify your enrollment status and obtain authorization from you to apply the loan proceeds against your student account balance.



Suggested Timetable

DECEMBER

Contact the financial aid administrators of the colleges you apply to and ask for a FAFSA plus any other applications they require. Contact your State Student Assistance Agency to apply for state aid. Investigate local scholarship opportunities through your local guidance counselor. And ask about all application deadlines.

JANUARY

Submit your completed FAFSA (either by mail or on the Internet at www.fafsa.ed.gov) as soon after January 1 as possible. Be sure to indicate your interest in applying for state aid and the Federal Pell Grant. A copy of the results will automatically be sent to the Department of Education for the Federal Pell Grant, the State Student Assistance Agency, and the financial aid office of each school to which you are applying.

MARCH

Within four to six weeks, (or earlier if you complete your FAFSA on the Web) you will receive an acknowledgment of the information you submitted on your FAFSA, and you must make any necessary changes or corrections. Subsequently, you will receive a Student Aid Report (SAR) from the Department of Education indicating your eligibility for a Pell Grant. Sign the Student Aid Report and send it to your school's financial aid office, along with documentation for any state or private scholarship awards you receive.

Once your college's financial aid advisors have determined your financial need, they will work with you to build a financial aid package based on your eligibility for the federal programs in this guide.

MAY

You should receive an Award Notice from the financial aid office offering the financial aid package for which you qualify. Review it carefully, making sure you understand the terms and conditions of each program. Don't hesitate to discuss the award and its implications with the college financial aid administrator. To accept the award as offered, sign the letter and return it to the financial aid office immediately. At this time, you need to consider whether all of your education costs will be met by this financial aid package. If not, you can then turn to the Stafford Loan (if it is not already in your package). Or parents may want to consider a PLUS Loan.

Did you know?

The median earnings for year round workers ages 25 and up is:

Professional Degree	\$80,200
Master's Degree	\$55,300
Bachelor's Degree	\$46,300
High School Diploma	\$28,200

*Statistics as of 2000.
Source: U.S. Bureau of Labor Statistics
Occupational Outlook Quarterly 2002*

A Word of Advice...

Students should apply for a Federal Stafford Loan first, since the amount of the Federal PLUS Loan could reduce the amount you can borrow under the Federal Stafford Loan Program. The total of the Federal PLUS Loan combined with any other financial assistance you receive cannot exceed the cost of attendance.

FAQ'S

Below are some commonly-asked questions on financial aid for education.

Q What factors are included in the calculation for “Cost of Attendance?”

A For Federal Pell Grants, the Cost of Attendance is limited to tuition and fees, on-campus room & board, allowances for books, supplies and miscellaneous expenses. The campus-based and Stafford programs may also include travel expenses, child care and costs related to the needs of handicapped students.

Talk to the financial aid administrator at the college you plan to attend if you have any unusual expenses that may affect your Cost of Attendance, or your ability to pay the cost.

Q How is “Expected Family Contribution” (EFC) determined?

A Expected Family Contribution is one of the key elements used in determining financial need. To maintain fairness, the Federal government uses a preset formula taking into account assets, size of the family, income, and other special circumstances.

Q What is the definition of an “independent student,” and how does it differ from “dependent student?”

A When used with respect to financial aid, the term “independent” means a student who meets one or more of the following criteria:

- Is 24 years of age or older by December 31 of the award year;
- Is a graduate, professional, or married student;
- Has legal dependents other than a spouse;
- Is an orphan or ward of the court or was a ward of the court until the individual reached age 18;
- Is a veteran of the United States Armed Forces; or
- Is a student for whom a financial aid administrator makes a documented determination of independence by reason of other unusual circumstances.

Conversely, a “dependent” student is one who does not qualify as an “independent” student.

Are you ready?

We hope the information contained in this guide will give you a better understanding of the financial aid process. We have developed this guide using the best, most accurate and current information available. This material, however, is not intended to be a substitute for advice and information provided by your academic institution.

The loan products mentioned in this guide are available through EFSI. If you need further information, loan applications, or have additional questions, please call an EFSI Education Loan Specialist, or visit us on the Web.

www.efsi.net