

# Financial Aid 101

Financial aid is simply money that helps pay for college. There are two categories and three kinds of financial aid. The first category is gift aid. Gift aid, sometimes called a scholarship or a grant, is the best kind of financial aid – it's free money that doesn't have to be paid back. Generally, gift aid is awarded for one of three reasons:

**1. Need.** The student has qualified as having financial need, usually as determined by the Free Application for Federal Student Aid ([FAFSA](#)), or the [CSS Profile](#).

**2. Merit.** The student is being rewarded for some particular accomplishment (like good grades), skill (like football), or ability (like being a great violinist). Colleges use these incentives to get students they *really* want to attend their schools.

**3. Employment benefit.** The student or the parent qualifies for tuition assistance through an employer. Many universities, for example, give employees' children a break on tuition.

The other category of financial aid is self-help aid, meaning it doesn't come for free. The most common type of self-help aid is a student loan. Loans are debts that must be paid back. Some loans, such as federal [Stafford](#) and [Perkins loans](#) for students, are considered financial aid because taxpayers subsidize the rates so that students can borrow at a lower cost than they would get from a bank. A few charities and schools are even offering college loans at 0%. The federal government calls its [PLUS loans](#) for parent's financial aid. But some parents with good credit can borrow more cheaply from banks than from the PLUS program.

The other type of self-help financial aid is a work-study job. The federal government subsidizes some [campus and nonprofit jobs](#) for students. Generally, work-study jobs are awarded only to students that the college has determined have financial need. The jobs (like working in the school library) typically don't pay especially well and students may find better-paying jobs off-campus. But work-study jobs have other advantages. Earnings from them don't reduce the student's future financial aid awards like other job earnings do. Also, their schedules are typically designed to be practical for students and they are typically on campus, which is very convenient. Work study jobs are usually limited to fewer than 15 hours a week; note that various studies show that students who work between 5-15 hours a week actually get better grades than those who don't work at all or work more hours.