

Ten Top Financial Aid Myths – And the Facts to Debunk Them

1. MYTH: Only students with the best grades qualify for financial aid.

FACT: Not true. Scholarships that are “merit-based” are awarded based on a student’s academic performance. However, most financial aid, including grants and loans, is “need-based,” or awarded based on a family’s ability to pay for college.

2. MYTH: Since we haven’t saved anything for college, even if I might want to go to a four-year college or university, community/junior college is the only option.

FACT: You should go to community/junior college if you feel that is the best choice for you in terms of educational preparation – but not because you think you can’t afford to attend a four-year college or university. While it helps to have family savings set aside for college, there are other ways to pay for a college education. Families with lower incomes who have not been able to save will likely find that their expected contribution will be quite modest. And remember, low-interest loans are available to families and to students. Also, most colleges and universities offer tuition-payment plans, as well.

3. MYTH: I shouldn’t even consider my first-choice school because it costs too much. Only really rich kids go to elite schools.

FACT: Wrong. The rule of thumb is, that the higher the total costs, the easier it is to demonstrate eligibility for financial aid. In fact, several national studies show that the family incomes of students in private colleges are, on average, lower than the family incomes of students in large state universities. Remember, the stated costs at a school can be deceiving: aid is often available to offset some of those costs. Students should apply and then evaluate the financial award letter when it arrives.

4. MYTH: Only students from really low-income families qualify for financial aid.

FACT: While it is true that most aid is reserved for needy families, there are forms of assistance available to help many families meet their expected contribution, including low-interest loans that are available to parents and students. All families are encouraged to apply for aid, whether they think they qualify or not. Many are surprised to find they are eligible.

5. MYTH: Millions of scholarship dollars go unclaimed every year – I just need to pay a service to help find them.

FACT: Don’t be fooled! Professional scholarship search services would like students and families to believe this so that they can turn a profit. There are many ways for students and families to do the same research on the Internet or with help from high school counselors and the financial aid officers at colleges and universities.

6. MYTH: Who needs a college degree? I can park cars as a valet or wait tables and make good money right now! The cost of a college education just isn’t worth it.

FACT: The truth is that people with a college degree earn almost twice that of those with just a high school diploma. Over a lifetime, the gap in earnings potential between a high school diploma and a college degree is more than \$1 million! Remember, unlike most items that depreciate, or lose value over time (like a car, or a stereo), a college degree will increase in value.

7. MYTH: I’ve heard that college tuition and living expenses could be as much as \$30,000. Are all schools this expensive?

FACT: Only some. True, there are private colleges where tuition costs more than a new car. But Remember, Fact #3, that financial aid is largely proportional to the college's costs. Plus, here are some other relevant facts: 70 percent of all college students attend institutions where tuition and fees are less than \$8,000; and the average cost of tuition and fees at four-year colleges and universities nationwide is \$4,081.

8. MYTH: I am going to be the only student at my school on financial aid.

FACT: No way! More than 60 percent of full-time students at four-year colleges and universities receive some kind of financial aid. And at private colleges and universities, 75 percent of the students receive financial aid.

9. MYTH: I thought all debt was bad. I can't possibly take out thousands of dollars of student loans and not get into huge financial trouble later on.

FACT: Excessive debt is bad, and defaulting on any loan – including student loans – is disastrous. But studies show that the financial benefits of a college degree easily compensate for the burden of student debt. A degree will translate into higher earnings, making the loans easier to repay. Also, students have a grace period for six months after graduation before beginning to repay the loan. There also are many options for monthly payments. For students who go on to graduate or professional school, repayment on undergraduate loans can be deferred. Also the interest on student loans is always lower than for, say, credit card debt. It's best to think about a college education as an investment that will result in high returns, making borrowing worthwhile.

10. MYTH: As a star athlete, I know I will get an athletic scholarship.

FACT: Good luck! But remember, on average, only 1 percent of undergraduates receive athletic scholarships. Most student aid is awarded on the basis of financial need – not athletic talent (whether real or imagined).