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What's the Difference Between Federal and State Financial Aid?

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You may know the difference between the words "federal" and "state," but that alone doesn't tell you what the specific differences between federal and state financial aid might be. It sounds simple enough:

- **Federal financial aid** is financial aid awarded by the federal U.S. government.
- **State financial aid** is financial aid awarded by the government of a particular state, like California or Minnesota.

Financial aid is financial aid, right? Does it really matter if it's coming from the federal government or from a state government? As it turns out, there can be many differences, including the way you apply for the financial aid, the amount you can receive and where you should be looking for it.

Differences between Financial Aid

There are four main sources of financial aid:

- U.S. government
- Individual state governments
- Private organizations
- Your college or university

All four can offer a helping hand when it comes to [paying for college](#). However, the federal government and individual states are usually the most robust financial aid resources. This can be especially true for students attending public colleges, which do not always have huge endowments to help subsidize tuition and housing expenses.

For students, **the major difference between federal and state financial aid** is that the federal government offers a standardized set of awards and has an equally standardized application procedure for getting them. Meanwhile, state financial aid can dramatically vary in terms of what kinds of awards are offered, the eligibility requirements, the application procedures and potential deadlines.

About Federal Financial Aid

In order to find federal grants, loans and work-study programs, a student first needs to complete the **Free Application for Student Aid** (FAFSA) at <https://studentaid.ed.gov/sa/fafsa>. This application helps the U.S. government determine how much financial aid they can award each student, based on financial need.

To be eligible for federal financial aid, a student must:

- Be a U.S. citizen or an eligible noncitizen
- Have a valid Social Security Number
- Be attending an accredited education program at least half time

Do you need help filling out the FAFSA? Check out our [Ultimate Guide to the FAFSA](#) for tips, advice and frequently asked questions about the FAFSA application process.

About State Financial Aid

According to the National Association of Student Financial Aid Administrators, nearly every state offers at least one grant or scholarship program to residents. Some even extend the offer to students who are simply attending school in that state.

In addition to grants, states may offer fellowships, specialized loan programs, state tax incentives, tuition exchange programs or tuition reduction benefits, some of which are more generous than federal aid awards. For example:

- Georgia's HOPE Scholarship Program covers all or a large portion of the cost of tuition at any public college (or a smaller portion of tuition costs at pricier private institutions) for residents with a 3.0 GPA or above for up to 127 semester (or 190 quarter) credit hours.
- California's CalGrant program offers qualified residents nearly \$12,200 per year that can be applied to tuition, housing or books costs.

Unlike federal programs, which allow students to submit one application for most aid awards, state initiatives may each require a separate application. They may also require students to file for federal financial aid before applying for state aid.

Where to Look for State Financial Aid

A great place to start looking for state financial aid is your state's board of higher education. Your state's higher education board should have information on what awards are available in your area and the application procedures to earn them. You can also check out what's available in your state on the [NASFAA website](#).

Also check out tuition exchange and reciprocity agreements. Many states maintain agreements with nearby states that allow students to attend school across the border without incurring full out-of-state costs. There are four main statewide reciprocity programs:

- [Tuition Break](#) for New England residents
- [Midwestern Higher Education Compact](#) for the Midwest
- [Academic Common Market](#) for Southern states
- [Western Undergraduate Exchange](#) for the Western region, including Alaska and Hawaii

Several states, however, also maintain independent contracts with border states.

Looking for more information on state financial aid? Check your state in our "[Search by State](#)" section for information on state-specific financial aid, costs for out-of-state students and more.