



College Coach.

*A Bright Horizons Solution at Work*

# Paying for College

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***Disclaimer: This PowerPoint presentation is one part of a comprehensive offering that includes a live presentation. The information contained in these slides cannot be considered the sole source of information when researching saving or paying for college.***

***The information provided within about financial aid policies, taxation, and other regulations related to education finance is considered up-to-date, but may change. Please note that while all colleges are expected to follow federal and state rules when administering government sponsored financial aid, they may set their own rules when administering their own funds.***

**Program Date: September 14, 2011**

# Workshop Agenda

- The Sticker Price vs. The Actual Price
- Applying for Financial Aid:  
Need and Non-Need Based Processes
- How Do Colleges Determine Need Based Financial Aid Eligibility?
- What Funds are Available from the College?
- Financing an Undergraduate Education

# Vocabulary

## *The Basic Formula*

### **COA: Cost of Attendance (Budget)**

*Includes tuition, room, board, fees,  
books, supplies, transportation,  
personal expenses*

### **EFC: Expected Family Contribution**

*Measure of what a family is expected to  
contribute over a year*

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## **Need-Based Financial Aid Eligibility**

# Estimated Cost of Attendance

<b>Estimated Expense</b>	<b>Fixed or Variable</b>	<b>Public In State</b>	<b>Private</b>
<b>Tuition &amp; Fees</b>	Usually Fixed May vary by major	\$1,000 - \$17,000	\$15,000- \$45,000
<b>Room &amp; Board</b>	Variable Student's choice can greatly increase or decrease costs	\$6,000 – \$14,000+	\$6,000 – \$14,000+
<b>Books &amp; Supplies</b>	Variable	\$0 – \$1,500+	\$0 – \$1,500+
<b>Personal Expenses</b>	Variable	\$0 – \$2500+	\$0 – \$2500+

# Fixed and Variable Costs

- Manage Variable Costs
  - ◆ Decisions your child makes can increase or decrease your actual costs relative to the published Cost of Attendance
    - ◆ Start the conversation now
- Don't Spend What You Don't Have to Spend
  - ◆ Health Insurance
    - ◆ Consider opting out of the college's health insurance plan if you can keep your child on your employer's plan
  - ◆ Car Insurance
    - ◆ You may be able to get a discount on your car insurance if your child moves far enough away for school or gets good grades
    - ◆ Don't take your child off your car insurance!
  - ◆ Books
    - ◆ Look for used copies or electronic versions
    - ◆ Consider renting

# The Financial Aid Process

Student identifies  
Colleges



Student applies  
for Admission



Student completes  
all applications for  
Financial Aid

Colleges offer a  
Financial Aid  
award based on  
eligibility

Colleges notify  
student of  
Acceptance

FAFSA/PROFILE  
information is sent  
directly to the colleges  
from the Central  
Processors

Family compares  
offers

Student requests  
more  
assistance  
*(if needed)*

Student Accepts  
the Acceptance!

# Financial Aid Applications

## *The Basics*

- The Student is the Applicant
  - ◆ If you have more than one student in college at the same time, each must file his or her own application
- Each Year is Different: Apply Every Year
  - ◆ The application catches increases and decreases in income, and changes in sibling's concurrent college enrollment
- The Application Process is Centralized
  - ◆ Most of the information shared with the colleges is sent to a central processor (or two) which sends the data to the colleges the student authorizes
- Colleges May Have Their Own Processes
  - ◆ Review each college's instructions carefully in case they want something unique

# The Forms You Need to Know

## *Federal and State Forms*

- Free Application for Federal Student Aid (FAFSA)
  - ◆ Primary application for federal and general state aid
  - ◆ Available on-line at [www.fafsa.gov](http://www.fafsa.gov)
  - ◆ Year specific: your child will re-file the FAFSA each year they are in school
- CSS Profile at [www.collegeboard.com](http://www.collegeboard.com)
  - ◆ Required by some private colleges and scholarship agencies, and some public colleges from Early Decision applicants
  - ◆ May also involve the **Non-Custodial Profile** application
- Institutional Application
  - ◆ Usually part of admissions packet (individual to each school)
  - ◆ Schools may request tax returns, W-2s, bank statements, and other documents

# Comparing the Forms

<b>FAFSA</b>	<b>CSS Profile</b>
Available January 1 of each year for the next academic year	Available in September for the next academic year
Free to file <a href="http://www.fafsa.gov">www.fafsa.gov</a>	Not Free <a href="http://www.collegeboard.com">www.collegeboard.com</a>
Completed by custodial family Non-custodial parent(s) do not provide information	Completed by custodial family Non-custodial parent(s) may be asked to provide information
Required by all colleges that administer federal and state aid	Required by many private colleges, some scholarship agencies, and a few public colleges

# Additional Applications

## *Finding Opportunities*

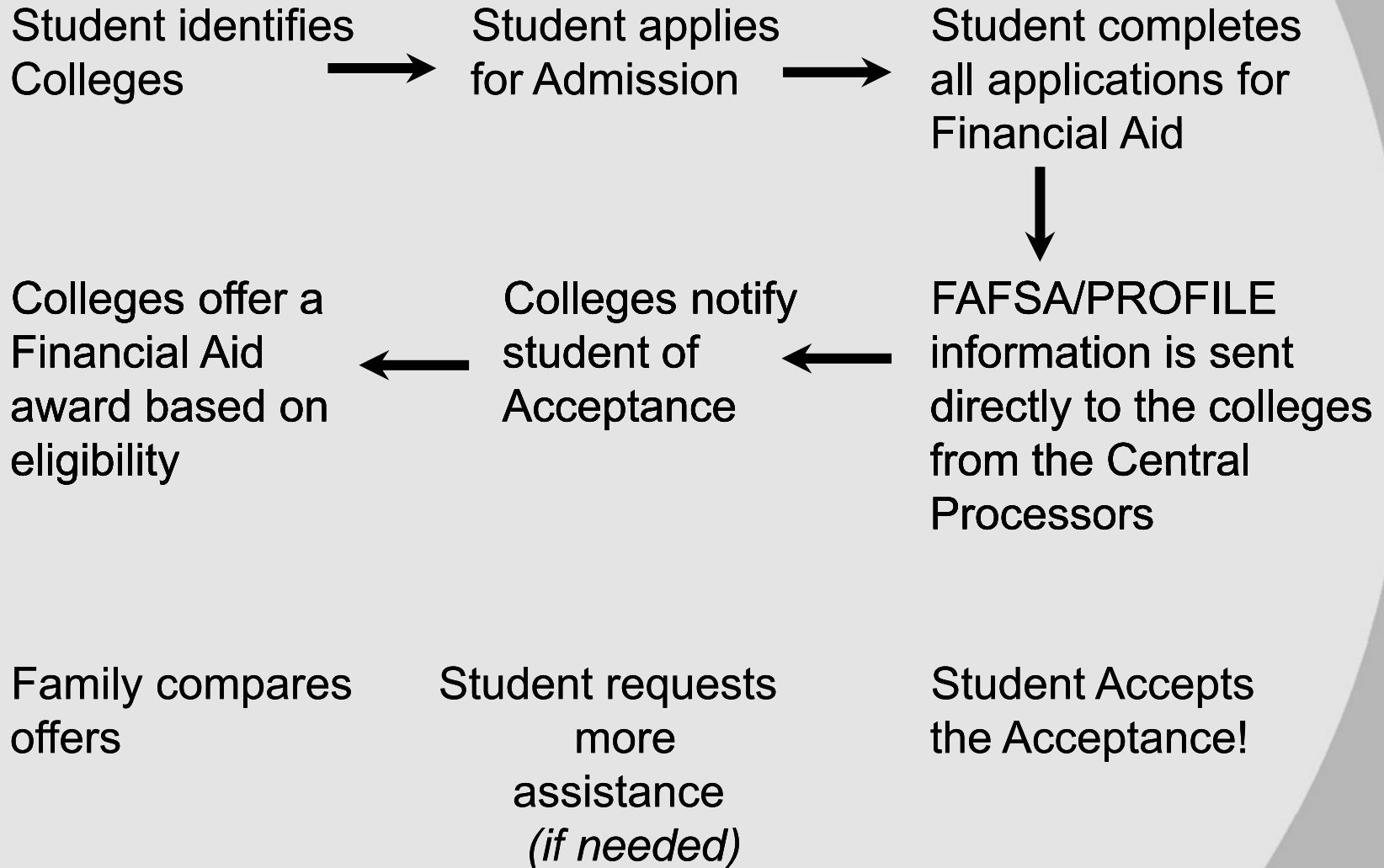
- Private Scholarship Sponsors
  - ◆ Start looking early and search every year
  - ◆ Search the Web for free:
    - ◆ [www.collegeboard.com](http://www.collegeboard.com)
    - ◆ [www.scholarships.com](http://www.scholarships.com)
    - ◆ [www.finaid.org](http://www.finaid.org)
  - ◆ Carefully review web site privacy policies
- State Financial Aid and Financing Programs
- The Colleges
  - ◆ Review the admissions materials
  - ◆ May require a separate applications
  - ◆ May be need-based or recruitment based
    - ◆ [www.meritaid.com](http://www.meritaid.com)

# College Awarded Scholarships

## *Recruitment Based*

- Funds awarded by colleges to increase the likelihood that a student will choose to enroll
- Based on characteristics of your child that make him or her “competitive” with other students in the college’s applicant pool
  - ◆ Above average achievements in academics, art, athletics, etc
  - ◆ Ethnic, gender, geographic, religious, etc. diversity
  - ◆ Interest in an new or unpopular degree program
- May have “strings” attached
  - ◆ Minimum GPA requirement
  - ◆ Specific course of study requirement
  - ◆ Extra-curricular activity participation

# The Financial Aid Process



# The Expected Family Contribution

- Parent Contribution From Income
- Parent Contribution From Assets
- Student Contribution From Income
- Student Contribution From Assets
- Number of Undergraduate Children in the Family

# Income in the Financial Aid Formula

## *Parental Income Drives the Formula*

- Income is Calculated by Adding Back Untaxed Income to the Parental AGI
- Allowances for Taxes and Living Costs are Made
  - ◆ Federal and other taxes
  - ◆ A standardized allowance for housing, food, medical costs, and all other family spending
    - ◆ The standard allowance for a family of four is **\$24,970!**
- 22% - 47% of the remaining income is considered available
  - ◆ The larger the family income, the greater the last dollar assessment rate
- Expenses Don't Count!

# Assets in the Financial Aid Formula

## *Student Assets vs. Parent Assets*

- Retirement Assets Don't Count
- Parental Savings Don't Hurt Much!
  - ◆ Assets owned by the parents reduce financial aid eligibility by no more than 6%, and usually a lot less
  - ◆ Home equity is included only by about 800 private colleges
- Student Savings Hurt A Lot!
  - ◆ Most colleges assume the student will spend **20%** or **25%** of their own savings every year, and reduce financial aid accordingly!

# Siblings as Undergraduates

## *“Overlap” Can Increase Eligibility*

- The EFC is Student Specific
- Public Colleges Split the Calculated Parents' Contribution Evenly Among Concurrently Enrolled Undergraduates
- Some Private Colleges Use a Different Split
  - ◆ Two in College: Each gets 60% of the Calculated PC
  - ◆ Three in College: Each gets 45% of the Calculated PC
  - ◆ Four or More: Each gets 35% of the Calculated PC
- Eligibility Increases as each Individual Student's EFC Decreases

# What Is Financial Aid?

***The Financial Aid Philosophy:*** Parents & Students have the primary responsibility for financing college costs. Parents in the same circumstances should be able to afford the same amount for college; those in different circumstances, different amounts.

- Student Loans
  - ◆ Money that must be repaid
  - ◆ Borrowed by student
  - ◆ Interest free while the student is enrolled
- Work Study
  - ◆ The opportunity to work on campus
- Grants, Scholarships
  - ◆ Free gifts
  - ◆ Do not have to be repaid

# Federal Subsidized Direct Loan

## *For Students with Financial Aid Eligibility*

- Annual Limits Based on Class Level Attained
  - ◆ Subsidized Amounts
    - \$3,500** for first-year students                      **\$4,500** for sophomores
    - \$5,500** for juniors    **\$5,500** for seniors
  - ◆ Also Available: Unsubsidized Amounts
    - \$2,000** per year
- Fixed Interest Rates for 2011-2012
  - ◆ Subsidized portion when in repayment: 3.4%\*
  - ◆ Unsubsidized Amounts: 6.8% at all times
- *Origination/Guarantee Fees*
  - ◆ 1% of amount borrowed
- *Repayment Period*: usually 10 yrs, look for other options

\*The 3.4% rate applies to Federal Direct Subsidized Loans disbursed during the 2011-2012 academic year. The rate is scheduled to be 6.8% in 2012-2013 and beyond.

# College Work Study

## *Need-Based Work Opportunities for Students*

- Earnings do not impact future financial aid eligibility
- The opportunity for students to work on the college campus
- Work Study eligible students may have priority for on campus hiring, and access to networking and career advancement that other students lack
- Student will get a paycheck if they work
  - ◆ Work Study is not a promise of funds: the student has to find a job and earn the money
- Awarded in dollars, but earned by the hour
  - ◆ Check with the financial aid office to find out how many hours a week the student will need to work to earn their work study allotment

# College Awarded Grants

## *Grants Awarded by the Colleges*

- **Federal and State Grants**

- ◆ **Federal** Grants are available mainly to students with the lowest EFCs. Few students with fully employed parents will receive them
- ◆ Many **states** use grants to encourage students to pursue education in high need fields, such as nursing, teaching, criminal justice, pure science, and law enforcement, or simply to remain within the state for their education

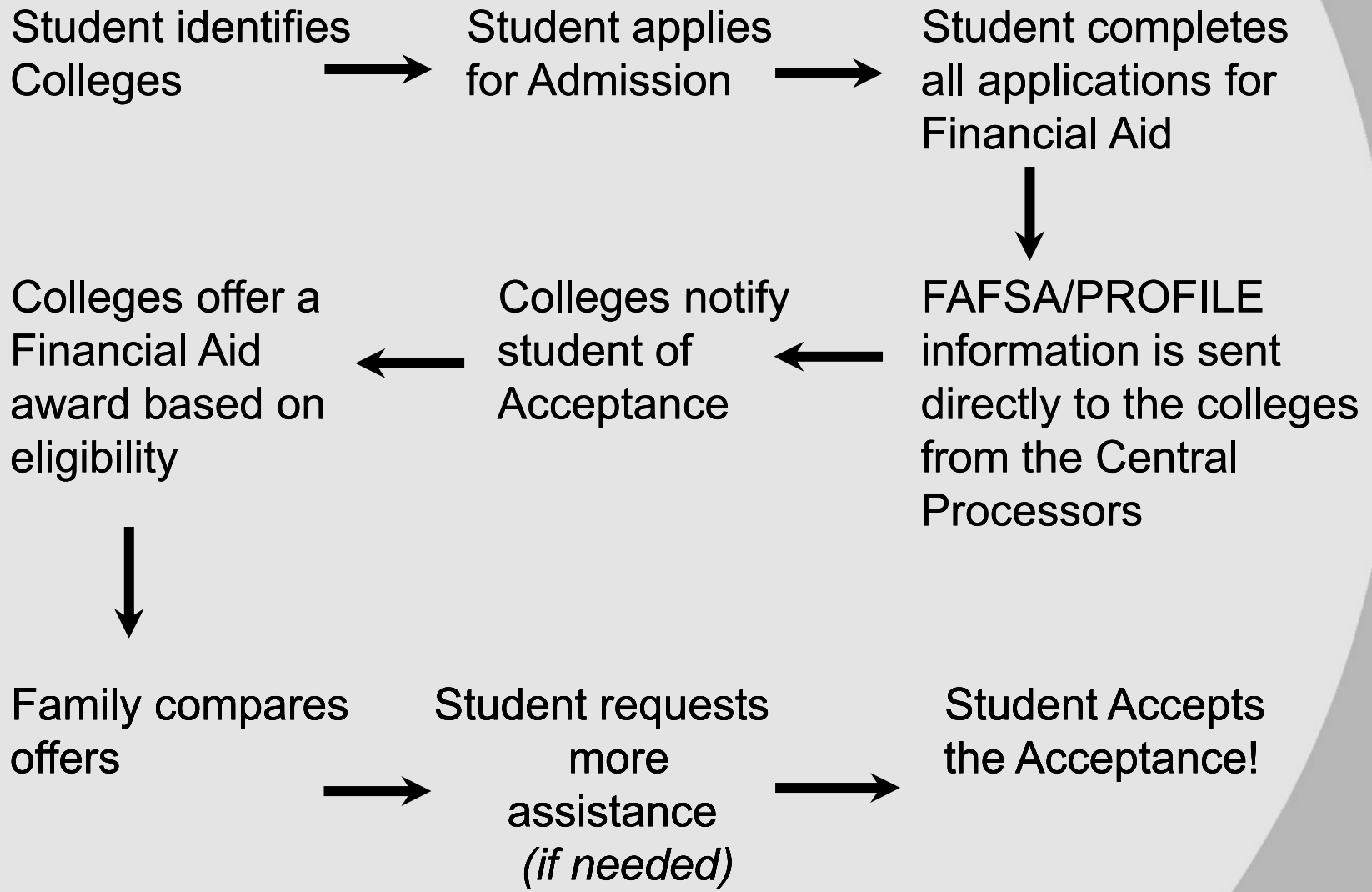
- **Forgivable Loans/Scholarship Loans**

- ◆ State and Private loans that convert to grants if the borrower gains employment in the specific field the loan is designed to support

- **College Need-Based Funds**

- ◆ Awarded to students who meet the college's criteria for financial aid eligibility, to supplement federal and state funds

# The Application Process



# Vocabulary

## *Eligibility verses Award*

- The data from the financial aid applications generate the Expected Family Contribution (EFC)
- The EFC is subtracted from the Cost of Attendance (COA) to determine need-based *eligibility*
- The college *awards* financial aid funds up to the student's eligibility
- The college is not obligated to award full eligibility!

COA	\$47,000
- EFC	\$22,000
<b>ELIGIBILITY</b>	<b>\$25,000</b>
- COLLEGE AWARDED AID	\$20,000

***GAP: \$5,000***

# Getting More Money

- Appeals
  - ◆ Requesting additional financial aid based on “special circumstances” or changes in financial status
  - ◆ Requesting a correction if there are mistakes in the application, or the application was misinterpreted
- Negotiation
  - ◆ Requesting additional funds based on the student’s desirability to the college, not ability to meet the family’s obligations

# Federal Unsubsidized Direct Loan

## *For Students Ineligible for Need-Based Aid*

- Entitlement for US Citizens and Permanent Residents
- Annual Amounts Based on Class Level Attained
  - \$5,500** for first-year students      **\$6,500** for sophomores
  - \$7,500** for juniors      **\$7,500** for seniors
- Fixed Interest Rates
  - ◆ Unsubsidized Amounts: 6.8%
- Origination/Guarantee Fee
  - ◆ 1% of amount borrowed
- *Repayment Period*: usually 10 years, but other options available
- Colleges may not *automatically* award this loan

# Private (Alternative) Student Loans

- Loans offered specifically for students by banks
  - ◆ Students may borrow from private lenders up to the Cost of Attendance minus any other funds awarded *from all sources*
  - ◆ Colleges usually must certify that the student will enroll and that the loan will cover educational costs the student is expected to incur
- Few students can borrow private loans alone
  - ◆ Banks require the student to provide a credit-worthy co-borrower who will back the student's repayment of the loan
  - ◆ The co-borrower's credit may determine if the student may have the loan, and what interest rate and origination fees the student gets
  - ◆ Co-borrowers are as responsible for repaying the loan as the student is

# Parent Loans: Education Specific

## *Credit Based Financing Options*

- State Student and/or Parent Loans
  - ◆ Sometimes available to residents of a state for education anywhere, or to nonresidents with students enrolled in the state's colleges
  - ◆ May have better terms than the federal Direct PLUS Loan
  - ◆ Usually have stricter underwriting than the federal Direct PLUS Loan
- Federal Direct Parent PLUS Loan
  - ◆ Approval is based on the credit history of the borrower
  - ◆ Effective 2011-2012, the student must file the FAFSA before the parent can access the Federal Direct PLUS Loan
  - ◆ Parents can borrow up to student's cost of attendance minus other education financing received by the family
    - ◆ **Fixed Interest Rate:** 7.9% for loans originated after July 1, 2010
    - ◆ **Loan Fee:** 4% of amount borrowed

# Parents Loans: General

- Home Equity Loans
  - ◆ May have lower interest rates than educational loans
  - ◆ Interest is tax deductible for many taxpayers
- Home Equity Lines of Credit
  - ◆ Usually short repayment cycles, so may not offer significant monthly cash flow outlay reduction
  - ◆ Interest is tax deductible for many taxpayers
- 401k or other Pension Loan
  - ◆ Most plans limit the borrower to one loan at a time
  - ◆ Five year repayment period does not provide for significant reduction in monthly cash flow outlay
  - ◆ Interest payments are taxed twice
  - ◆ For most parents, *should be the loan of last resort!*

# It's Not Too Late

*Start Your Loan Planning Now...*

<b>Amount Borrowed</b>	<b>Interest Rate</b>	<b>Length of Loan</b>	<b>Monthly Payments</b>	<b>Total Payoff</b>
<b>\$20,000</b>	7.9%	10 years	<b>\$242</b>	\$28,992

*Saving \$242 per Month Now:*

<b>Entering Year</b>	<b>2015</b> 9 <sup>th</sup> graders	<b>2014</b> 10 <sup>th</sup> graders	<b>2013</b> 11 <sup>th</sup> graders	<b>2012</b> 12 <sup>th</sup> graders
<b>Saved for College*</b>	\$12,103	\$8,986	\$5,931	\$2,936

\*Values reflect a rate of return of 2% with interest compounding monthly. Assumes twelve payments are made at the beginning of each month, paid over a full year

# Final Tips

- Sign Up for a “Payment Plan”
  - ◆ Most Colleges offer a way to spread payments over the semester
- File an Application “Just in Case”
  - ◆ The student may get an incentive grant, or student loan they were not expecting
- Apply to a Financial Safety School
  - ◆ Make sure at least one school the student applies to is affordable to you, if possible
- Be Polite and Persistent
  - ◆ The financial aid officer is part of the college’s admissions team. They can facilitate your child’s attendance, or get in its way
- Pay the College Directly
  - ◆ Don’t give the student money to pay the college!
- Don’t Guess!
  - ◆ Call and ask your Financial Aid Officer questions

# How We Can Help

- Talk about your existing plans to pay for college
- Explore ways to maximize your eligibility
- Identify your best financing options
- Plan the best ways to use 529 Plans, Prepaid Tuition Plans, and other savings
- Learn about federal tax breaks for education

**College Coach Help Desk**

Call: 866-914-5807

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Thank You