

High School Families: Important Financial Outline For College

It's Not Too Early To Start Planning...

Merit Aid and Need-Based Aid are available in various amount depending on the college

Colleges view financial applications differently than others and can make determinations independently

Amounts of free money vary and your awards will differ from one school to the next

Almost all financial award offers include loans for the student through the U.S. Dep. of Ed.

There are two main formulas used to determine financial need.

1. Federal Formula (FAFSA)
2. Institutional Formula (FAFSA + CSS Profile)

Contact the individual financial aid offices at the college to get accurate information on their rules and advice.

HERE'S WHAT YOU CAN DO NOW TO GET READY

1) Utilize Free Resources Focused On College Costs:

- “College Scorecard” <https://collegescorecard.ed.gov/>
- College Navigator: <https://nces.ed.gov/collegenavigator/>
- Federal Student Aid Estimator: <https://studentaid.gov/announcements-events/estimator-coming-soon>

2) Use Individual University Net Price Calculators (NPCs) to predict both need-based and merit-based aid:

- NPC's mimic real financial aid applications to provide individualized estimates of aid if you meet the criteria for eligibility. Institutions that award merit aid may ask about the student's academic profile.
- The federal government urged institutions to provide calculators to help estimate what your family could be eligible to receive from the school. It uses basic data entries and are not always accurate awards but a good start.
- Look into additional data sets some colleges offer that provide a "second opinion" on what your cost for that college should be. "MyinTuition Quick Cost Estimator" can be a helpful resource.
- Eventually you may find these reports helpful when you get to the final stage of committing to a college and need to appeal an award offer.
- Mistakes Commonly Made By A Parent When Using Calculators:
 - i. Including the tuition paid for current junior (if any)
 - ii. Including students' sibling/s or parent/s in graduate school, or graduating college this year
 - iii. Indicating the parent as a college student, even if parent is taking courses at an institution of higher learning
 - iv. Not knowing how to indicate parent voluntary contributions to a tax-deferred account (most often 401k) – can be found only in box 12 of your W-2 form, and do not appear in your tax return.
 - v. Including asset values that may not be necessary such as retirement accounts or primary residence.
- Self-employed and International families may get inaccurate results. You should contact financial aid offices directly to ask them for any help with financial aid estimates and their calculators.
- Families with Divorced/Separated Parents should carefully read NPC instructions: some colleges will want the NPC for only one parent, some

may want both parents, some may want step-parents included, some may not.

i. Informative article for divorced/separated families here: <https://www.mefa.org/applying-financial-aid-parents-divorced/>

PAYING FOR COLLEGE

3) Simulate your own net cost calculations on your family finances.

- Savings: How much, if any, can you contribute from savings? Per month, per year?

- Cash flow/Parent earnings: How much, if any, can you squeeze out of your monthly cash flow? (per month, per year?)
Colleges usually allow monthly payment plans instead of paying all at once.

- Student Earning: How much could student work and earn towards college costs while they're a student (especially in summer?) Some schools will expect the college student to pay around \$2,000 per year for their education regardless of their employment status.

- Parent Borrowing: If your family is considering loans to help pay, how much can the parent realistically borrow for four years of undergraduate education?
 - i. How much monthly payment can you afford? If you borrow \$140,000 (cost of a UC school, living on campus for 4 years) your monthly payment will be \$1,505.53 for 10 years.

 - ii. Do you plan to help pay for future schooling for yourself, student, or other children? The vast majority of graduate (Master's, MD, JD, etc) programs have very little scholarships to offer and are mostly loan based.

 - iii. Is parent willing and able to co-sign additional loans for student beyond federal student loans? (usually with higher interest rate, less flexible repayment)

 - iv. Consider the parent loan program through the Dept. of Ed. Compare it with potential home equity and other private/alternative loan options (Consider interest rates, repayment flexibility, customer service, etc).

4) Student Borrowing: These loans are limited to U.S. citizens, are between \$5,500 - \$7,500 per year, have a low interest rate (between 2.75-5.3%) and offer more flexible repayment options. They are only available by completing the main application for financial aid, the Free Application for Federal Student Aid (FAFSA). The U.S. national average 4-year federal student loan debt is approximately \$30,000, meaning roughly a \$300 monthly payment after graduation (to repay in 10 years).

- **Student Loan Limits Through Stafford Loan Program:**
 - **Freshman = \$5,500**
 - **Sophomore = \$6,500**
 - **Junior = \$7,500**
 - **Senior = \$7,500**
- If you must borrow beyond federal student loans, first consider parent borrowing options above. Then shop around private/alternative lenders (usually higher interest rate, less flexible repayment, and require credit-worthy cosigner).

KNOW WHAT YOUR FUTURE EARNING POTENTIAL IS

Figure out your annual salary estimate after you graduate

Salary estimate websites: <https://www.payscale.com> / www.salary.com

CONSIDERATIONS / RECOMMENDATIONS:

- i. Don't borrow more than your expected total salary upon graduation
 - ii. Keep your monthly payment no more than 10% of your expected monthly income
- 5) Ask questions of the schools in which you're most interested:
- Is the total cost of attendance on the Net Price Calculator accurate? Are there any other fees we should be aware of?
 - How do merit-based awards at your school work (if they're offered)? Do I have to apply separately?
 - What are the GPA requirements to keep merit-based scholarship from year-to-year?

- Does your school meet 100% need? If not, is there an average “gap” that financial aid may not cover?
- What is average debt upon graduation? Does this include private loans and/or parent loans?
- How does your school handle outside scholarships?
- Does financial aid stay similar each year if my family situation doesn’t change much?

6) What about merit (non-need-based) scholarships?

- Colleges/Universities that offer their own institutional merit scholarships are competitive and amounts vary widely – you must be an above-average candidate for the college to offer you merit aid, and research each school’s policies.
- The most selective schools offer only need-based aid, NOT merit aid.
- Other private outside scholarships rely on your self-motivation, organization and time management to find and apply
- There are many national private scholarships – you’re more likely to be successful with lesser-known, more local scholarships. NEVER PAY to apply for scholarships!
- The vast majority of scholarships are around \$500 - \$1,000 or so per year, and many have a need-based component
- How to find and apply (start early – many have fall deadlines!)
 - i. Your public high school guidance office, community non-profit organizations, and public library
 - ii. Websites: Common Application, College Board Scholarship Search, Naviance (if available), Bureau of Labor Statistics Scholarship Search, College Greenlight, JLV College Counseling, Peterson’s Scholarship Search, Unigo Scholarship Search, Fastweb.

Jargon Used By Colleges You Should Know:

- A. 100% Need-based aid = Family must “demonstrate” financial need to receive aid according to the college’s definition of your need.
- B. Meets 100% Full Demonstrated Need = According to college’s definition of your need, they will “meet” your need with types of financial aid that may include loans and work expectations. (Ex. If you demonstrate 50% need, they could give you 40% scholarships & 10% loans)
- C. No Loan Policy = A few selective schools advertise no loans for anyone, some advertise no loans for low-income only. You may still have to borrow loans if the college determines you have less than 100% financial need but you cannot afford your expected contribution.
- D. Full tuition scholarship = Tuition only, not including fees, room, meal plan, books, etc. State schools have low tuition and high fees.
- E. Need blind: Financial need is not considered when determining admission.
- F. Need aware means they do consider ability to pay a factor.
- G. Financial Gap “Unmet Need” = the amount a college is unable to provide assistance for and adds to the amount the family must contribute

General Rules Of Thumb:

1. Better to have money saved in the parents name vs. saving in the child’s name
2. Out of state public schools do not offer as much to reduce tuition as other institutions can
3. Colleges consider loans to be financial aid
4. A student will almost always be considered a dependent for financial aid purposes even if they have a job and file their own taxes.

*Rules differ for **international students** and rarely are need based awards available. Some institutions offer merit aid*

- - International students – Only some schools provide need or merit-based financial aid.