

FINDING AFFORDABLE COLLEGES

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ABOUT THIS PRESENTATION

- “Good Financial Aid planning is not necessarily good tax planning”. I am not a financial planner and I am not offering financial advice.
- The purpose of this presentation is to prepare families to become better consumers by teaching the vocabulary, timelines, and context of how financial aid is offered.
- What I will do is provide you with the tools to evaluate colleges to see which would be the most generous for your child.

THE CHALLENGE

- College tuition costs have increased over the last 20 years 439% , medical care 251%, median family income 147%, consumer price index 106%
- Average COA at Harvey Mudd College in 2019-20 is \$79,539

WHAT IS FINANCIAL AID?

- Financial Aid is money that the government and other organizations give you or lend you so you can pay for college.
- To qualify for financial aid you have to apply.

TWO CATEGORIES OF FINANCIAL AID

- Two Categories of Student Financial Aid
 - Gifts (Scholarships and Grants)
 - Self-help (Loans and Campus Jobs)

SOURCES OF FINANCIAL AID

- Colleges and Universities (47%)
- The Federal Government (Is no longer the largest source – 32%)
- State Governments
- Private Organizations, such as companies, clubs and religious organizations (6%)
- Banks and lending companies

BASIS OF FEDERAL, STATE, COLLEGE AND UNIVERSITY FINANCIAL AID PROGRAMS AND CALCULATIONS

- It is the family's responsibility to pay for higher education expenses to the extent it is able.
- "Financial aid" programs have been designed to make up the difference between the family's ability to pay for college and the cost of a college education.
- Parents should sit down and talk with their child about finances and what the family can afford for education early.

TYPES OF FINANCIAL AID APPLICATIONS

- □ **FAFSA/FOTW** (Free Application for Federal Student Aid) / FAFSA on the Web).
- Must apply every year.
- Available **October 1st** of senior year (at 12:01 AM).
- □ **CSS/Financial Aid Profile**
- Due as early as October 1 of the senior year.
- Not required by all schools.

THE FAFSA PROCESS

- Families can file the FAFSA as early as October 1st of the student's senior year.
- Families will use the prior-prior year's tax return.
- The class of 2020 will use 2018 tax information as their base year.
- The base year for current juniors (class of 2021) is 2019.

MAXIMIZING FINANCIAL AID

- Be mindful of any financial moves that you make sophomore year in high school through senior year.
- Your aim should be to minimize the appearance of assets and income during the “base year”.
E.g. Pay off credit card debt or a car loan.
- Contribute more to a retirement fund.



CALCULATING "NEED"

BASIC EQUATION OF "NEED"

Cost of Attendance (COA)

- Expected Family Contribution (EFC)

= Student's Financial Need (eligibility)

COST OF ATTENDANCE (COA)

- Tuition and fees
- Room and board
- Books and supplies
- Transportation
- Miscellaneous personal expenses
- May cover cost of computers or also include other extraordinary expenses

ESTIMATED FAMILY CONTRIBUTION (EFC)

- Calculated from information provided on the FAFSA.
- Families are evaluated by their present financial situation.
- Parents are responsible for helping to pay for a dependent child's education.
- Students share the responsibility of helping pay for their educational costs.

EFC (CONTINUED)

- Both the federal methodology and the institutional methodology do not consider retirement savings as an asset.
- The federal methodology does not include home value as an asset while the institutional methodology does.
- Both the federal and institutional methodologies do not factor in credit card debt.

FORMS: FAFSA ON THE WEB (FOTW)

- Internet application used by students and parents to complete electronic FAFSA at: www.fafsa.gov.
- Sophisticated on-line edits and skip logic so that errors are less likely to be made.
- On-line help is available for each question.



FAFSA (CONTINUED)

- Student and one custodial parent should get a FSA ID – combination of username and password
- Information on size of family, taxed and untaxed income, number in college, age of older parent, assets outside the home, etc.
- For verification, families can use the IRS Data Retrieval Tool (DRT).

FAFSA RESOURCES

- The U.S. Department of Education maintains a list of trending FAQs about the FAFSA.
www.studentaid.gov
- FAFSA hotline: (800) 433-3243
- Email contact: FederalStudentAid
CustomerService@ed.gov
- FAFSA YouTube Videos
- Khan Academy Video: FAFSA Walkthrough

CSS PROFILE

- ❑ Individual colleges ask for information including home equity, income and assets from non-custodial parents, etc.
- ❑ Not used for awarding federal financial aid – only aid from the colleges/universities.
- ❑ Cost - \$25 for application and one college, \$16 for additional colleges; fee waivers available.
- ❑ www.profileonline.collegeboard.com

CSS PROFILE RESOURCES

- CSS Profile Video Tutorial is a step-by-step tour on how to complete the PROFILE provided by the nonprofit Khan Academy.
- Once you open up the Profile you will see a red button entitled, *Click here* before you begin. When you click on this link, it will bring up another page with lots of detailed instructions on how to complete the Profile

WILL SAVING FOR COLLEGE HURT YOUR EFC?

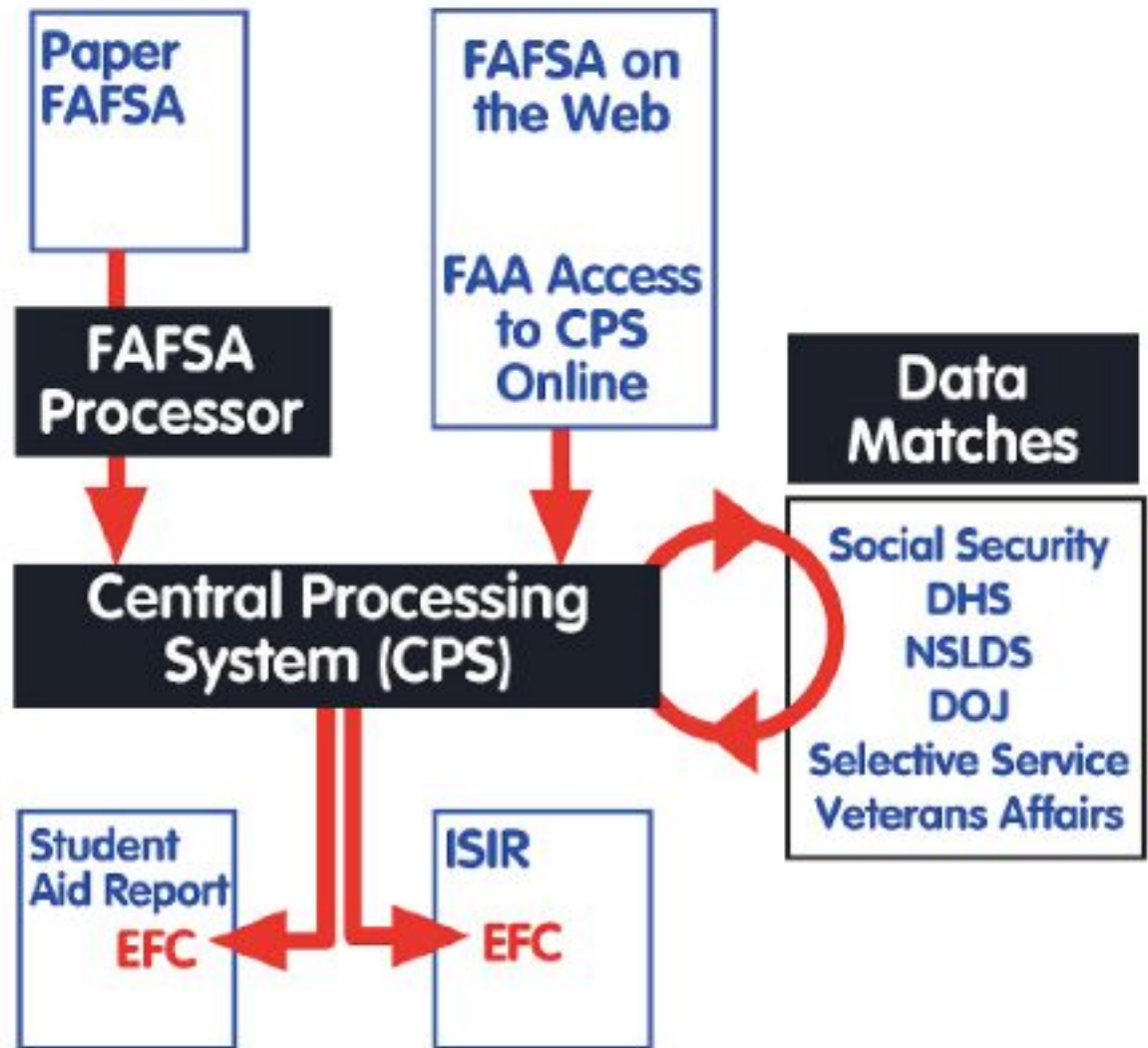
- The federal aid formula doesn't count assets such as home equity, retirement funds, or if you own your own business employing less than 100 employees.
- Parent's assets are assessed at 5.64%. This means that for every \$10,000 a family has in a 529 plan, need-based aid would be reduced by \$564.

WILL SAVING FOR COLLEGE HURT YOUR EFC?

- There is a parent asset allowance, so chances are a parent's assets wouldn't result in any reduction in aid eligibility. The older the parent the higher the asset allowance.
- The federal formula assesses the student's savings at a high rate – 20%. (Remember the parent assets are accessed at 5.6%).

GENERAL APPLICATION PROCESS

Federal
Application
Processing
System



EFC CALCULATORS

www.finaid.org

Click on *Calculators*

Click on *Expected Family Contribution
Aid Calculator*

www.collegeboard.org

Click on *Students*

Click on *Get Help Paying for College*

Click on *Tools and Calculators*

EFC CALCULATORS FOR PRIVATE/PUBLIC SCHOOLS

- If you apply to only state or public schools, you should end up with one EFC.
- Students who also apply to private schools, however, could possess more than one EFC, as some private schools use their own methodology to determine a family's EFC.

NEED AND ELIGIBILITY DEPEND ON COST

Private 4-year

COA \$49,000
- EFC \$12,000
= Need \$37,000

Public 4-year

COA \$25,000
- EFC \$12,000
= Need \$15,000

Public 2-year

COA \$16,068
- EFC \$12,000
= Need \$4,068

HOW COLLEGES "PACKAGE" FINANCIAL AID



STUDENT AID REPORT (SAR)

- Received electronically or paper.
- Summarizes FAFSA information.
- Displays the EFC: Estimated Family Contribution

AWARDING AND PACKAGING

- Award letters may vary in composition.
 - Listing of awards and amounts.
 - COA, EFC, need and unmet need.
 - Period of enrollment covered.
- Response may or may not be required.
- Compare offers.

WHAT YOU ACTUALLY HAVE TO PAY

- Most financial aid awards are made up of a combination of “gift aid” (scholarships and grants) and “self help aid” (loans and work-study).
- Gift aid reduces your college cost, dollar for dollar. Self-help aid does not reduce your college cost. You either have to pay back the money or you have to work for it.

WHAT YOU ACTUALLY HAVE TO PAY

- Further, many colleges simply don't have enough financial resources to fully meet the need of every student.
- So, your true out-of-pocket, or "**net cost**", comes from three sources : your EFC, your self-help aid (loans, work study), and your unmet financial need.

**SELECTING SCHOOLS
STRATEGICALLY TO GAIN
THE BEST FINANCIAL
AID PACKAGE**



WHAT IS "NET PRICE"?

- 6 out of 10 families rule out some colleges because of sticker price, yet many do not know that the "Net Price" is typically far lower.
- The actual, final or "Net Price" you will pay for a college is the difference between the published price (tuition and fees) to attend that college, minus any grants, scholarships for which you may be eligible.

HOW DO NET PRICE CALCULATORS WORK?

- A college's net price calculator asks you questions about family's finances and may also ask questions about your GPA, test scores, etc.
- It uses your answers to figure out how much money in grants/ scholarships the college is likely to award you.
- It then subtracts that number from the full cost of attendance to estimate how much the college might really cost you.

WHY ARE NET PRICE CALCULATORS IMPORTANT?

- They give you the best idea of what you'll pay for a particular college.
- When you look at the net price instead of the published price, colleges you thought were out of your reach may turn out to be affordable.
- A college with a high published price might offer its students a lot of financial aid – so it might actually be cheaper than a college with a low published price.

USING NET COST TO COMPARE AWARDS FROM DIFFERENTLY PRICED COLLEGES

	COA	EFC	Self-Help Aid Loans	Gift Aid	Unmet Need – Gap	Net Cost
A	\$15,000	\$2,000	\$4,000	\$5,000	\$4,000	\$10,000
B	\$30,000	\$2,000	\$4,000	\$20,000	\$4,000	\$10,000

DO COLLEGES MEET 100% OF NEED??

SOMETIMES

College	COA	% Need Met	Merit Aid	Average Package	Grants	Loans
Reed College	\$75,470	100%		\$43,844	84%	16%
Occidental University	\$76,600	100%	54%	\$48,092	78%	22%
Trinity University	\$58,840	98%	51%	\$40,226	86%	14%
Beloit College	\$61,784	95%	67%	\$45,818	81%	19%
Whitman College	\$69,532	92%	56%	\$40,226	84%	16%

SELECTING SCHOOLS STRATEGICALLY TO GAIN THE BEST FINANCIAL AID PACKAGE

- Use the online Expected Family Contribution (EFC) calculators to determine, at a minimum, what you will have to pay at any school.
- Start using Net Price Calculators. Regardless of your EFC, your job is evaluating schools to see which would be the most generous.
- Students should typically aim for colleges where they would be in the top 20% to 25% of the applicants.

HELPFUL WEBSITES

- College Board Big Future**
- College Navigator**
- College Data**
- PayScale**

GEOGRAPHIC DIVERSITY

- Applying to a college that doesn't normally attract students from your state, could give you the edge in admission and merit money.
- Most students don't take advantage of this hook.

OUT-OF-STATE SCHOLARSHIPS

- Many public universities are not offering merit money to out-of-state students.
- Some out-of-state schools, however, are bargains and offer low tuition for everyone. E.g. University of North Dakota and North Dakota State University (WUE – 75% of admits are from out-of-state)

WESTERN UNDERGRADUATE EXCHANGE PROGRAM (WUE)

- Scholarships for non-residents at in state tuition and a half.
- WUE states: AK, AZ, CA, CO, HI, ID, MT, NV, NM, ND, OR, SD, UT, WA, WY
- Each college sets their own WUE policies
- More than 150 colleges offer WUE \$\$

WUE SAVINGS SCENARIOS

- Northern Arizona University
 - Resident tuition: \$10,390
 - Non-resident: \$24,654
 - WUE tuition: \$15,585
 - Savings: \$9,069
- Montana State University
 - Resident tuition: \$7,278
 - Non-resident: \$24,992
 - WUE tuition: \$10,917
 - Savings: \$14,075

HONORS COLLEGES

- Clark Honors College – University of Oregon
- Barrett Honors College – Arizona State University
 - Has their own 9 acre honors campus
 - WUE scholarship and additional merit money
- Arizona Honors College – University of Arizona
 - Generous merit-based aid

THE OREGON PROMISE

- 2.5 GPA or higher.
- Apply within 6 months of graduating high school/completing the GED.
- Be an Oregon resident for at least 12 months prior to enrolling in community college.
- Apply for FAFSA/ORSAA
- \$1,000 to \$3,687 per year/\$50 per term co-pay

WHAT IF AID ISN'T ENOUGH?

APPEAL!

- Call college and ask how they calculated aid
- Know your EFC before you call
- Explain your circumstances
- Have an idea of how much more aid is needed to attend
- Ask if there is a particular procedure to appeal

DON'T QUALIFY FOR NEED-BASED AID

- The average tuition discount for freshmen at private schools is 54%.
- 36% of private colleges give merit aid.
- Two types of merit aid: 1) guaranteed – based on GPA and test scores (grid), 2) competitive aid – involves application, essay, and/or interview
- Many colleges have early scholarship deadlines dates: 10/15, 11/1, 11/15, 12/1

..... **ADDITIONAL RESOURCES**

- www.collegeaffordability.com
- *The College Solution* by Lynn O'Shaughnessy
- Department of Education website: Financial Aid Toolkit and College Score Card

QUESTIONS?