

Paying for College

By Karen Denney

Cost of Attendance (COA)

- **Direct Costs** (college bills for)
 - Tuition & Fees
 - Room & Board
- **Indirect Costs** (college does not bill for)
 - Books
 - Personal expenses
 - Travel

Average COA 2020-2021

\$26,820 Public (in-state)

\$43,280 Public (out-of-state)

\$54,880 Private

1 - Textbooks Campus bookstores are usually more expensive; check out www.amazon.com/primestudent, www.textbooks.com, www.alibris.com or other textbook services.

Resources

- **Estimate Your Federal Student Aid** (sophomore/junior year) <https://studentaid.gov/aid-estimator/>
- **FAFSA** (senior year) www.fafsa.ed.gov
- **Net Price Calculator** (estimates your cost at a college) www.collegeraptor.com/college-search/
- **College Scorecard** (compare colleges) <https://collegescorecard.ed.gov/>

2 - Saving & Investing

Save \$25 per week for 18 years = \$23,400 out-of-pocket
EARN interest (say 6%) ends up being **\$42,000**

Borrow \$42,000 in loans at the age of 18
PAY interest (say 7%) ends up repaying **\$60,000**



How do college savings options compare?

There are a number of investment accounts you can use to help save for a child's education which differ in features and benefits. The following are three types of accounts that many families consider:

1	529 College Savings	These are tax-advantaged plans designed to pay for qualified higher education expenses. Qualified distributions are federal income tax free.
2	Uniform Gifts to Minors Act/ Uniform Transfers to Minors Act (UGMA/UTMA) Accounts	Custodial accounts invested in the child's name. Funds may be used for any expense for child's benefit, not just school, and the child ultimately controls the account once the age of majority is reached. A portion of withdrawals are taxed at the child's rate.
3	The Coverdell Education Savings Account	Formerly known as the Education IRA, is not offered by Fidelity. It offers tax benefits but has a maximum contribution limit of \$2,000 per year.

Texas Tuition Promise Fund Locks in current undergraduate tuition rates at Texas public colleges

Scholarship Lady
of Central Texas

3 - Graduate on time

Only 41% of American college students graduate in 4 years thus driving up the COA for those additional years. **College Scorecard** (U.S. Dept of Ed) - the graduation rate is the share of students who graduated within 8 years of entering that school for the first time.

- Know major BEFORE starting college
- Get a DEGREE PLAN before registering for any classes and take only the classes listed
- Take at least 15 credit hours in the fall & 15 credit hours in the spring, or if taking less, use summer school to catch up

4 - High School Opportunities to earn College Credit

- Early College HS
- Dual Credit
- Advanced Placement
- International Baccalaureate
- Texas Bioscience Institute
- OnRamps

5 - Exams for College Credit

ACT/SAT

- ▶ Good scores may possibly exempt a student from introductory classes



Modern States

<https://modernstates.org/>

- A new, high-quality path to free college credit launched in 2017
- Their goal is to make college more accessible and affordable dubbed “*Freshman Year for Free*”
- Offers free online college courses taught by college professors which prepare students for the introductory (CLEP) exams and the \$89 test fee is paid by Modern States

CLEP EXAMS by College Board (remote testing now available)

- ▶ Credit by 90-minute exam & accepted at 2,900+ colleges
- ▶ Each college sets its own minimum exam score for granting credit
- ▶ (\$89 per test)



DSST by Prometric (not just for the military anymore)

- ▶ Credit by 2-hour exam & accepted at 1,900+ colleges
- ▶ Each college sets its own minimum exam score for granting credit
- ▶ (\$100 per test)



6 – FAFSA

- It is now a Texas Graduation Requirement starting with Class of 2022
- It is the first step in applying for financial aid (federal, state, institutional funds)
- It determines a student's EFC – Expected Family Contribution (the minimum amount the family may pay for one year of college...not necessarily what they are actually willing to pay)
- Students may be eligible for Work Study, Grants, and/or federal loans
- Opens Oct 1 the year prior to attending
- The sooner it is completed, the better...since there are deadlines (federal, state, institutional)
- Students should continue to complete the FAFSA each year they plan to attend college
- Even some scholarships require the FAFSA

Texas Application for State Financial Aid (TASFA) for Texas residents who are not U.S. citizens to be eligible for state and institutional financial aid, but not federal aid.

7 - Education Tax Benefits

— Claim your Education Tax Benefits

- **American Opportunity Tax Credit (AOTC)**—This credit allows an annual maximum credit of \$2,500 per student for four years of undergraduate education. To qualify for the full credit, your modified adjusted gross income (MAGI) must be \$80,000 or less (\$160,000 or less for married filing jointly).
- **The Lifetime Learning Credit (LLC)**—This credit allows a maximum of \$2,000 per year per *tax return* (not per student), but it can apply to undergraduate, graduate or professional degree courses, with no limit on the number of years. You can claim the credit if your MAGI was less than \$59,000 (\$118,000 if you filed jointly)

8 - Scholarships

Merit Scholarships (awarded by the institution)

- **Automatic**
 - Guaranteed if the institution's criteria is met (GPA/Class Rank & Test Scores)
 - Usually renewable, but must meet requirements (GPA & # of credit hours)
- **Competitive**
 - Awarded based on merit: academics, test scores, community service, extra curricular, leadership, athletics, music...
 - More likely to receive if in the top 25% academically at that institution

Not all colleges give merit aid (namely Ivy League schools)

For colleges that do offer merit aid, not all offer automatic scholarships.

Private/Outside Scholarships (awarded by businesses, clubs, agencies, and organizations)

- Local (less competition)
- State
- National
- International



Preparing for Scholarships

Scholarship committees look for the **BEST** candidate by comparing:

- GPA
- Test Scores
- Community Service
- Leadership Experiences
- Letters of Recommendation
- Essays

9 - Service Commitment Programs

Programs that help upfront, but require some sort of commitment of service **AFTER** college graduation:

- ROTC
- National Health Service Corps
- TEACH

Programs that require commitment of service **BEFORE** they will assist:

- AmeriCorps
- Peace Corps

10 – Veteran Member Benefits

- Post 9/11 GI Bill
 - Fry Scholarship
 - Dependents Educational Assistance Program
 - Yellow Ribbon Program
- Hazelwood (Texas veteran)

- Seek other financial aid (FAFSA, scholarships)
 - Meet with VA rep (see your local college)
 - Service member must initiate
 - Use for college with higher COA
- Check out VA benefits <https://www.va.gov/education/>

11 – Appeal for more Aid

- Apply to more than one college
- Compare financial aid offers
- Write an Appeal Letter
 - To Admissions Office for more merit aid
 - To Financial Aid Office for more need-based aid

12 – Consider Colleges Abroad (Many public colleges in Germany are tuition free)

- [University of Cologne](#)
- [Ludwig Maximilians University Munich](#)
- [Goethe University Frankfurt](#)
- [RWTH Aachen University](#)
- [University of Münster](#)
- [Ruhr University Bochum](#)
- [University of Duisburg-Essen](#)
- [Universität Hamburg](#)
- [FAU Erlangen-Nürnberg](#)
- [Technical University of Munich \(TUM\)](#)
- [University of Würzburg](#)

13 – Community College for Basics

- **Tuition cost is lower**
Compare a 3-credit course
 - \$285 Central Texas College (\$95 per credit hour)
 - \$1,500 UT Austin (average \$500 per credit hour for 12+ hours)
 - \$2895 UMHB (\$965 per credit hour)
- **No room and board if living at home**
- **Many students can take on a part-time job**



IMPORTANT: Check with the 4 yr college **BEFORE** taking your basics to make sure you need it and that they transfers for your degree!

- First 2 years
- Summers

First 2 years
Summers

14 – Live Off Campus & get Roommates

Average cost of room and board

- \$10,440 at public colleges (≈\$1,000 per month)
- \$11,890 at private institutions (≈\$1,200 per month)

15 – Tuition Payment Plan

- Most colleges offer the opportunity to pay your tuition in monthly payments over the semester rather than all at once
- Sometimes it can be interest free, but most have minimal fees or other charges
- Go through the **Business Office**

16 – Become an RA Resident Assistant (RA) at the school's dormitory for possible perks

- Private room
- Reduction (or partial reduction) in dorm fee
- Earn income

17 – Loans (as a last resort)

An education loan is a form of financial aid that must be repaid, with interest.

\$10,000 in student loans = \$100 monthly payments for 10 years

RULE OF THUMB – Never borrow in total more than your 1st year's salary after graduating college

Federal Loans (FAFSA required)

- Student loans (Subsidized & Unsubsidized)
- Parent loans (PLUS loans)
- Consolidation loan lump all loans into one

Private Loans

- Student loans
- Parent loans



How are student loans disbursed?

Usually in two disbursements (beginning of fall and beginning of spring semesters)

- Entire loan is given to the college to cover direct costs (tuition & fees, dorm & meal plan)
- Remaining amount is given to student for indirect costs (off-campus housing, books, travel, personal)

Types of Federal Student Loans (all require the FAFSA)

- ▶ Federal Direct **Subsidized** (*government pays interest while student is in college*)
 - For undergraduate students with **financial need** (determined by FAFSA)
- ▶ Federal Direct **Unsubsidized**
 - For undergraduate or graduate students (financial need not required)
 - For student considered dependent per FAFSA, but does not provide parent info
- ▶ Federal Direct **PLUS Loan**
 - Parent PLUS for parents of undergrad college student (parent is responsible)
 - Grad PLUS for graduate students
- ▶ Federal Direct **Consolidation Loan**
 - Can combine all their **federal** student loans into one loan

Federal Student Loan Benefits

- Lower fixed interest rates
- No prepayment penalty
- No credit approval required
- No cosigner required
- Loan forgiveness (specific work requirements and must make loan payments for 10 years)
- Loan discharge
 - Closed School Discharge (2015 Le Cordon Bleu & Everest, 2016 ITT Tech, 2021 VISTA College)
 - Total and Permanent Disability Discharge
- Repayment options
- Suspension (payments postponed and no interest accrues)
 - COVID-19 Emergency Relief began April 2020 & extended through May 2022
- Deferment (payments put on hold for as long as you qualify; interest dismissed for subsidized loans)
- Forbearance (payments postponed for up to 12 months at a time; interest continues to accrue)
- Flexible repayment plans
 - 6-month grace period after graduating or dropping below half-time
 - Income-driven repayment plans
 - Consolidation option

Private Student Loans

- Usually require a cosigner
- A credit check is required
- Offer fixed or variable interest rates
 - Only choose variable if you can pay back loan within 5 years
 - Interest rate is based on credit score of student or cosigner
- Unsubsidized (interest accrues when college receives loan)

If Seeking Private Student Loans

- Shop around for best lender - Credible allows student &/or cosigner to complete one application to receive personalized offers from multiple lenders; doesn't impact credit score
 - Cost: Interest rate, fees, discounts/rewards
 - Eligibility Criteria: age, full-time/half-time enrollment, income, creditworthy cosigner
 - Flexibility: repayment options, deferments/forbearances, death/disability discharge, cosigner release
 - Customer Service: hours, availability, response time (read reviews)
- Apply for loans with multiple lenders to compare
 - You must complete an application with each lender to see actual rates
 - Shouldn't affect credit score too much if completing them within the same time frame

America's Loan Crisis

- **2/3** of student graduate from college with some sort of debt
- Average debt for 2020 graduate **\$30,120**
- Outstanding loan debt is more than 1.7 trillion dollars and is the second highest form of consumer debt behind mortgages