Advanced Level

Paying for Higher Education
Receiving a Higher Education

Pros
- Access to higher paying jobs
- Lower chance of being laid off from a job

Cons
- Cost

Plan Ahead!
Eight times as many students drop out of degree and certificate programs due to finances and debt than grades!

What are other pros and cons of higher education?
Reduce Costs by Planning Ahead

What are ways you can reduce the total cost of higher education?

- Start saving early!
- Take advanced placement courses or pass college-level exams
- Avoid needing remediation classes in college
- Begin career pathway planning early
- Live at home
- Work part-time
- Attend a community or junior college first
- Consider in-state and public universities
- Carefully evaluate the cost of attendance and financial aid packages
Meet Imani:
About to graduate from high school

Imani’s Goal:
Become a lawyer or politician

Imani has little saved to pay for higher education

Based on Imani’s grades and college entrance placement scores she may need remediation courses

Imani has learned that a bachelor’s and professional degree to become a lawyer could cost as much as $301,118

Your mission: Explore ways to help Imani pay for her education
Imani’s Plan

1. Go **out-of-state** to earn a two-year associate degree, bachelor degree and professional degree

   Anticipated total cost: $241,458

2. Attend **in-state** schools to earn her associate and bachelors degrees *while* living at home; go to an out-of-state college for a professional degree

   Anticipated total cost: $178,294

3. Go to **in-state** schools for *all* degree programs

   Anticipated total cost: $95,536
“Through careful research, I’ve been able to get the potential cost of my dream career from $301,118 down to $95,536. That would make my debt-to-income ratio 11.7% if I take 20 years to repay loans. But this is still a LOT of money...”

What can Imani do to lower her total cost even more?

What methods can Imani use to pay for her education?
Three Types of Higher Education Financial Aid

- Private loans
- Federal Student Loans
- Scholarships, Grants, Work-study Earnings

Money you do **not** have to repay

Higher Cost
Money You Do Not Have to Repay

- Scholarships
- Grants
- Work-study Earnings

You do not have to repay if all requirements are met.
Scholarships

Typically an application process
May have requirements before, during, and after the scholarship is awarded

Can be based on...

Who you are
Examples: gender, race, military background

What you do
Examples: academic achievements, interests, community service

What your plans are
Example: your certificate or degree program
Scholarship Sources

Potential Major or College
Guidance Counselors
Financial Aid Office
Employer
Clubs and Organizations
Affiliations

You should never have to pay for a scholarship - watch for scams!

What are sources of scholarships in your community?
Your mission: work in small groups to identify at least three scholarships Imani is eligible for based on her special circumstances and extra-curricular activities.
## Grants

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Federal Student Grants

Who

• Typically awarded to students with financial need

How

• Complete the **Free Application for Federal Student Aid (FAFSA)**

Examples:
• Federal Pell Grant
• Federal Supplemental Educational Opportunity Grant
• Teacher Education Assistance
Work-Study

- Provides part-time jobs to students with financial need
- Administered by the school (eligibility determined by FAFSA)
- Earnings may be used to help pay educational expenses
Low-Cost Financial Aid
Federal Student Loans

Characteristics include:

- Lower and fixed interest rates
- Generous repayment plans
- No prepayment penalties
- No credit checks (except for PLUS Loans)

Eligibility determined by FAFSA application
Types of Federal Loans

- **PLUS Loan**
  - Loan is unsubsidized (you pay all interest)
  - Offered to graduate students and parents of undergraduate students

- **Direct Unsubsidized Stafford Loan**
  - Financial need is not required
  - Borrower is responsible for all interest costs

- **Direct Subsidized Stafford Loan**
  - Must demonstrate financial need
  - U.S. Dept. of Education pays the interest while you are in school and during grace and deferment periods

- **Federal Perkins Loan**
  - Must demonstrate financial need
  - Your school is the lender

Highest Interest Rates

Lowest Interest Rates
High-Cost Consumer Loans
Private Loans

Sources

Depository Institutions

Higher Education Institutions

State Agencies

You pay 100% of the interest — often a higher rate than a federal loan
FAFSA Forecaster

FAFSA Forecaster = free financial aid calculator that provides an early estimate of federal student aid eligibility

Your mission: work in small groups using the FAFSA Forecaster to estimate Imani’s potential financial aid and expected family contribution
Why Everyone Should Complete the FAFSA...

Gives you access to the largest source of financial aid!

- Determines how much your family can afford to contribute
- Applies to a variety of types of post-secondary institutions
- Determines what types of aid you qualify for
- Used by states and post-secondary institutions to determine aid
To Receive Federal Student Aid, You Must...

- Be a U.S. citizen or documented legal resident
- Be a high school graduate or have a GED
- Males 18-25 must be registered with the Selective Service
- Be enrolled or accepted to an eligible post-secondary program
- Confirm that you are not in default on a federal student loan
- Confirm that you will only use the money for educational purposes
- Have no drug convictions while receiving aid
- Maintain satisfactory academic progress
- Age, race and field of study do not impact eligibility
When Do I Fill Out the FAFSA?

- Federal: January 1 – June 30
- State: Date listed on FAFSA website
- Post-secondary: Contact the financial aid office deadline information

As soon as it is available!

Some aid is awarded on a first come, first served basis

The FAFSA Form must be completed each academic year!
Who Decides How Much Aid I Will Receive?

Amount determined by post-secondary institution

Your Expected Family Contribution

Your Year in School

Your Enrollment Status

The Cost of Attendance at your post-secondary Institution
Need-Based Aid

Awarded if you have financial need and meet other criteria

Cost of Attendance – amount it will cost you to go to school

Expected Family Contribution – estimate of the parents’ and/or student's ability to contribute to post-secondary expenses

Financial Need

Does not change between post-secondary institutions
Non-Need-Based Aid

Cost of Attendance - Financial Aid Awarded = Non-Need Based Aid

Examples: Direct Unsubsidized Loan and Federal PLUS Loan
Important to know whose information must be reported

- Dependent – must report your and your parent/guardian's information
- Independent – must report your and your spouses (if applicable) information

FAFSA website has a checklist to help you determine your dependency status
What it is

• Four digit number used to identify you on the FAFSA website

How it is used

• Used as your electronic signature (legally binding)

How to get one

• Created online at www.pin.ed.gov

If filing as a dependent – student and parent/guardian need a PIN
Identification Documents
- Social Security Number, Drivers License, Alien Registration Card (if not a U.S. Citizen)

Federal Tax Information from Previous Year
- W-2s, Federal 1040 Forms, Foreign Tax Return

Records of Untaxed Income from Previous Year
- Child support, interest income, veterans benefits, etc.

Current Asset Information
- Bank statements, investments, real estate, etc.

If filing as a dependent - documents are needed for student and parent/guardian
FAFSA Application Process

Complete the FAFSA

1. **Online at** www.fafsa.ed.gov
2. **Answer all questions completely and accurately**
3. **Identify between 1 and 10 schools**
4. **An “IRS Data Retrieval Tool” is available to automatically complete your FAFSA**
5. **If you have not filed your taxes, estimate the amount and then update the FAFSA when tax information is available**

**Organize information in advance by completing the “FAFSA on the Web” worksheet**
FAFSA Application Process

Sign and Submit

1. Sign using your PIN
2. If you are a dependent, your parent/guardian must also sign
3. Application not submitted until the confirmation page appears
FAFSA Application Process
Review Your Student Aid Report

- Summary of the FAFSA data you submitted
  What it is

- When it will be received
  • 3 days-3 weeks after submitting the FAFSA

- Review closely and report any errors immediately
  What you need to do

• Review closely and report any errors immediately

Funded by a grant from Take Charge America, Inc. to the Norton School of Family and Consumer Sciences Take Charge America Institute at the University of Arizona
FAFSA Application Process
Determine Your Aid Eligibility

Post-secondary institutions will determine your eligibility for aid

Institution will send you an award letter outlining your aid package (must be eligible for aid and offered admission)

Institution may request more information

Must meet deadlines
Evaluate aid offered by each school to determine which is the most affordable

1. Determine the Net Price
   - Cost of Attendance
   - Grants and Scholarships
   - Net Price – amount you must pay

2. Evaluate student loans
   - Understand what you are responsible for paying and by when

3. **Only accept what you really need**
FAFSA Application Process

Support is available!

- Free Application for Federal Student Aid
  www.fafsa.ed.gov

- Post-secondary Institution Financial Aid Office

- College Goal Sunday
  www.collegegoalsundayusa.org

- Federal Student Aid
  http://studentaid.ed.gov
When It’s Not Free Money!

Student loans must be repaid!

- Implications of Defaulting
- What You Can Do
- If You Are in Trouble...
If You Default on Your Student Loan...

- Your loan balance will be due in full, immediately
- You may be sent to collections and pay fees
- Your wages may be garnished and tax refunds seized
- Lose deferment and forbearance options
- Lose future eligibility for aid
- Your credit report will be negatively impacted affecting other financial areas
If You Find Yourself in Trouble...

**Defer**
- Many lenders offer a grace period before you must begin paying

**Consolidate**
- Consolidate several loans into one loan that has a lower interest rate and monthly payment

**Renegotiate Repayment Terms**
- See if options are provided such as lower payments that increase over time or income-based payments
Your Goals:

1. Complete the FAFSA to be eligible for financial aid
2. Apply for as many loans and scholarships as possible
3. Never borrow more than you need
4. Be sure you can afford to pay back your loan