

## Families of Juniors: Before you Apply, Know What To Expect Financially

### YOU SHOULD KNOW NOW....

- Every school has a different amount of money to give (both need-based and merit-based)
- You'll likely have very different financial aid offers from every school
- **Income is the biggest factor in need-based aid eligibility, not assets (SAVINGS WILL NOT "HURT" YOUR CHANCES FOR AID).**
- The majority of these financial aid offers for U.S. students will include federal student loans (considered an "award")
- The financial aid application process can be vastly different at different schools
- Individual college financial aid offices (websites, phone, & email) are the best resource for accurately answering questions
- **International students** – Only some schools provide need or merit-based financial aid. An excellent list providing information on many schools is here: <http://www.personalcollegeadmissions.com/financial-aid-nonresident>

### HERE'S WHAT YOU CAN DO NOW TO PREPARE:

- 1) **Use College Search Tools Focused on Cost:** Along with other recommended search tools (College Board, Princeton Review, etc), the following websites use AVERAGE estimates (in U.S. Dollars - USD) of how much financial aid to expect based on family income ("need-based aid"), as well as AVERAGE student debt and salaries upon graduation:
  - a. "College Scorecard" <https://collegescorecard.ed.gov/>
  - b. College Navigator: <https://nces.ed.gov/collegenavigator/>
  - c. These websites estimate aid for family incomes in USD ranging between \$0 - \$110,000, but some schools (usually private, more selective) may provide need-based aid for higher incomes.
- 2) **Use College/University Net Price Calculators (NPCs) to predict both need-based and merit-based aid:**
  - a. **Net price calculators are like a "mini" financial aid application** that provides individualized estimates of aid if you meet the criteria for eligibility. Schools that award merit aid may also ask for student grades & test scores.
  - b. **College websites are required to have [Net Price Calculators](#)**, usually linked from both financial aid and admission websites, to help estimate what your family could be eligible to receive from the school. Googling the school's name with "net price calculator" also can help.
  - c. Some schools also have what's called a "**MyinTuition Quick Cost Estimator**". If a school has both, you should do both for the most accurate estimate.
  - d. If you're confused or wonder how accurate the results are, take screenshots of *both* your input *and* results and email the financial aid office. It is crucial to take your time and thoroughly read instructions for each question.
  - e. **Beware common mistakes:**
    - i. DO NOT include tuition or fees paid for your current high school junior (if any)
    - ii. DO NOT include students' sibling/s or parent/s in graduate school, or graduating college this year
    - iii. DO NOT include parent as a college student, even if parent is taking courses
    - iv. **DO INCLUDE** parent voluntary contributions to a tax-deferred account (most often 401k, which can be found only in box 12(d) of your W-2 form, and do not appear in your tax return).
    - v. **DO INCLUDE** value of rental or secondary property **as an asset**, instead of including it in your home value.
  - f. **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.
  - g. **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/>
- 3) **Run your own personal "net price calculator" on your family finances.**
  - a. **Savings:** How much, if any, can you contribute from savings? Per month, per year?
  - b. **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.
  - c. **Student Earning:** How much could student work and earn towards college costs while they're a student (especially in summer?)
  - d. **Parent Borrowing:** If family is considering borrowing 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?
    - 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:** Federal student loans are limited to U.S. citizens, are between \$5,500 - \$7,500 per year, have a low interest rate (between 4-6%) and offer more flexible repayment options. They are not credit-based; they are 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).
- 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).
  - Determine monthly loan payment on all predicted loans for 4 years**
    - Use a Loan calculator: <http://www.bankrate.com/calculators/college-planning/loan-calculator.aspx>
  - Figure out your annual salary estimate after you graduate**
    - Salary estimate websites:
      - <http://www.learnearnretire.com/blog/salary-survey-starting-salaries-by-academic-major-2016>
      - <https://www.bls.gov/bls/blswage.htm>
      - [www.salary.com](http://www.salary.com)
  - 2 General Rules of Thumb:**
    - Don't borrow more than your expected total salary upon graduation
    - Keep your monthly payment no more than 10% of your expected monthly income
  - Total up estimates from #3 (Your personal/family net price calculator) and #4 (Student borrowing) to "pre-qualify" yourself for a certain annual (or monthly) affordable contribution to college. Remember almost all colleges allow monthly payment plans instead of one or two large payments a year.**
- 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 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 (see below)?
  - 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 – some have fall deadlines!)**
    - Your public high school guidance office, community non-profit organizations, and public library
    - 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. There are *many* websites but they can generate a *lot* of unwanted emails.

**LINGO TO KNOW (If it sounds too good to be true it probably is)**

**100% Need-based aid** = Family must "demonstrate" financial need to receive aid *according to the college's definition of your need.*

**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)

**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.*

**Full tuition scholarship** = *Tuition only, not including fees, room, meal plan, books, etc.* State schools have low tuition and high fees.

**Need blind:** Financial need is not considered when determining admission. **Need aware/sensitive** means ability to pay may be a factor.

**Read more:**

How Much College Can You Really Afford?: <https://www.fidelity.com/viewpoints/how-much-college-can-you-afford>

What Your Family Can Afford For College : <https://www.mykidscollegechoice.com/2017/05/09/what-can-your-family-afford-for-college/>

What To Know About Financial Aid: <https://www.nytimes.com/2014/04/13/education/edlife/what-you-dont-know-about-financial-aid-but-should.html>

College Board Financial Aid Information: <https://bigfuture.collegeboard.org/pay-for-college>

Federal Student Aid Website: <https://studentaid.ed.gov/sa/types>

Will My Admission Chances Increase If I Do Not Apply for Aid? <http://time.com/money/4435764/boost-financial-aid-college-admission/>

The Truth About Need Sensitivity from Oberlin (applicable to other need-aware schools): <https://www.oberlin.edu/blogs/need-sensitivity>