

Conquering College Costs

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September 23, 2017

Handouts

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Sticker Price Reduction

1. Direct Student Loan – file the FAFSA
2. Campus Employment – file the FAFSA
3. Pell Grant – low EFC
4. MAP Grant – attend school in Illinois, low EFC
5. College Grant – lower EFC than college cost; college discretion
6. Academic Scholarship – apply and submit test score and transcript; college discretion
7. Athletic Scholarship – register with NCAA or NAIA Eligibility Center; college discretion
8. Talent Scholarship – college discretion (resume and relationship)
9. Competitive Academic Scholarship – test, college discretion
10. Legacy and/or sibling scholarships
11. Independent Scholarship – apply and assessed by organization
12. ROTC/Military – some military commitment
13. Tuition exchanges
14. Pathway to residency
15. Appeal process

The Planning Phase

1. Determine Reasonable Parent Borrowing
2. Determine Your Affordability Threshold
3. Learn Your EFC number (fafsa4caster); test score; GPA
4. Understand College Categories

- Flagship State Schools (in and out of state)

- Non-flagship State Schools (in and out of state)

- Highly Selective Privates

- Mid-Size Privates

- Traditional Privates

- Commuter options (back up)

- Community College (back up)

5. Pick colleges in each category; use their net price calculators; compare the results net price

6. Establish your:

- Financial reach schools

- Financial fit schools

- Financial back up schools

Assessing Your Yearly College Affordability

Questions You Should Ask Yourself

Tax Credits

If your income is 80k or less (filing singly) or 160k or less (filing jointly), you might be eligible to pay \$2500 less in federal taxes per child/per year who attends college. This tax savings can be a resource to use to pay for college with no change to lifestyle.

If your income is between 80k to 90k, or 160k to 180k if you file jointly, the tax reduction still exists but it is less than the 2500 maximum. Check with your tax filer to determine these savings.

Cash Flow

How much per month do you believe you could contribute for college out of cash flow? Can you make lifestyle changes to maximize this contribution? Are there expenses that you have now for your child going to college that will no longer be there? The more you can do to contribute for college out of cash flow, the less you have to take from savings or borrowing.

Current Payments

Do you have any current, ongoing monthly payments that will fall off during the time your child attends college? (car loans, credit cards?) Is this money that can be used to pay for college?

Savings

Have you been making ongoing contributions to a college savings account? If so, calculate that monthly contribution into your affordability. How much per year could you take from this college savings account to fund college?

Parent Borrowing

Are you willing to engage in reasonable parent borrowing? If so, do your research on the types of parent loans available? (Equity from a home, retirement loan borrowing, alternative student loans with parent co-signing)? The most common parent loan used is the Parent Loan to Undergraduate Students (PLUS). This is a 10 year note-paid monthly by the parents with payments beginning soon after installment is received.

Check current rates, tax advantages (if any), terms, etc. to determine which parent loan option is right for you.

Once you add all of this up from above, you have determined your yearly **college affordability threshold**.

Explanation of College Categories

Flagship State Schools – the premiere state supported university in each state; most states have one- some have more than one (U of I, U of Michigan, U of Wisconsin-Madison, Michigan State, Ohio State, University of Kansas, University of Alabama)

Non-flagship State Schools – all other state schools (Ill State, Western IL, Eastern IL, Grand Valley State, Central Michigan, Truman State, Iowa State, U of Wisconsin schools other than Madison)

Highly Selective Privates – the most selective colleges and universities in the country (Ivy league, Northwestern, University of Chicago, Notre Dame, Washington U in St. Louis)

Mid-size Privates – private universities that are not small colleges (Loyola, DePaul, Marquette, U of Dayton, Grand Canyon, U of Tampa, St. Louis U, Creighton, Butler, Bradley, Lewis)

Traditional Privates – largest number of colleges are in this category; usually thought of as the small colleges (St Xavier, University of St. Francis, St Mary's Minn, St Ambrose, Loras)

Commuting Option – any four year school in your geographic area which will allow you to save on room and board costs

Community College Option – the community college in your district that will allow you to obtain an associate's degree and transfer to a four-year college or university

Sample Family	Student's ACT 26 /SAT 1250	Student's GPA 3.6/4.0	Family EFC 19000
<u>Type and Name of School</u>	<u>Appx. Sticker Price</u>	<u>Appx Net Price (using NPC)</u>	<u>Out of pocket cost</u>
Flagship (in state) U of I	32,500	32,500	
Flagship (out of state) Michigan St	54,000	46,000	
Flagship (out of state) Ohio St	44,000	44,000	
Non-flagship (in state) Southern Edwardsville	25,000	20,000	
Non-flagship (in state) Western IL	26,000	23,000	
Non-flagship (out of state) Truman St	28,000	23,000	
Non-flagship (out of state) Central Michigan	24,000	19,500	
Mid-size private U of Tampa	42,000	26,000	
Mid-size Private Grand Canyon U	32,000	24,000	
Mid-size private DePaul	54,000	41,000	
Traditional private Saint Mary's MN	44,000	24,000	
Traditional private Saint Xavier	44,000	25,000	
Traditional private Loras College	41,000	25,000	
Traditional private Saint Ambrose	43,500	28,500	

<https://collegecost.ed.gov/netpricecenter.aspx>

Review of Steps to Find Financial Reaches, Financial Fits, Financial Back-ups

1. Determine reasonable student borrowing; determine reasonable parent borrowing; avoid excessive borrowing at all costs
2. Determine your yearly college affordability without excessive borrowing
3. Go to fafsa4caster and learn your EFC; use your child's transcript to determine their GPA; know or forecast their ACT or SAT test score
4. Choose college in each category (preferably 2 or more in each); use their net price calculators and determine your approximate net price at each school – create a net price chart
5. Match your yearly affordability with these net prices and map out the financial reach schools, financial fit schools, and of course the financial back-ups
6. Discuss these options with your child and explain to them the danger of applying only to financial reach schools
7. Make multiple college applications and work diligently on every possible way to reduce sticker price as outlined in the handout and through this seminar
8. Complete the execution phase

<https://fafsa.ed.gov/FAFSA/app/f4cForm?execution=e1s1> (FAFSA4caster)

<https://collegecost.ed.gov/netpricecenter.aspx> (Net Price Calculator Center)

The Execution Phase

1. Complete the FAFSA – after October 1
2. Complete the CSS Profile (only if applying to highly selectives)– after Oct 1
3. List all colleges where student has interest on FAFSA
4. Appeal if appropriate
5. Complete verification process if requested
6. Await award letters
7. Compare each college's out of pocket cost
8. Determine merits of conversation with number one college choice
9. Make final college decision (May 1)
10. Research parent loan options (if borrowing is determined)
11. Have student hunt for campus employment (summer)
12. Have student take online loan class
13. Have student sign promissory note
14. Establish payment plan with college choice

College Borrowing

Very few families are able to pay for college without some borrowing. Although our seminar encourages families to avoid excessive borrowing, reasonable borrowing is often needed.

Below are the many and varied ways that families can borrow money to pay for college.

- 1) **The Direct loan** – a student loan and not a parent loan. All financial obligation to repay the loan is the students, either when they leave college or graduate. There are multiple methods of repaying including the standard method (10 years, monthly, beginning 6 months after graduation). Maximums are \$5500 in freshman year, \$6500 in sophomore year, \$7500 in each of junior and senior years, \$4000 if student attends a 5th year. Current interest rate is 4.45%. All undergraduate students are eligible once FAFSA is filed.
- 2) **Perkins loan** – student loan available (via the college) to families with excessive financial need. Interest rate is 5%. Eligibility and maximums are determined by college.
- 3) **Home loan borrowing** by either refinancing, establishing a home equity loan, or establishing a line of credit against the home is a method used by some parents to finance college costs. Interest rates, fees, and features are based on the amount of equity in one's home, the credit rating of the borrower, and the entity (bank or mortgage company) providing the loan.
- 4) **Borrowing against one's retirement plan.** Some 401k and/or 403b plans allow for borrowing options. This method typically demands that the repayment on the loan occur during a five-year period.
- 5) **The Parent Loan to Undergraduate Students (PLUS)** – loan most often used by parents to fund education. Current interest rate is 7%. Payment (principal and interest typically begins soon after disbursement of loan with repayment occurring monthly during a ten year window.
- 6) **Alternative Student Loan** – loans made available by private lenders to supplement the direct loan option when needed. Although these are student loans, typically a co-signer is required.

Price comparisons are done in two ways.

During the Planning Phase a family can make price comparisons using the following method:

- 1) Find example colleges in all categories
- 2) Find the net price calculator for each of those example colleges
- 3) Calculate your net price at each school
- 4) Create a comparison chart
- 5) Apply to financial reaches, financial fits, and financial backups

During the Execution Phase a family can make price comparisons using the following method:

- 1) List all colleges of interest when filing the FAFSA
- 2) Complete all necessary requirements for each of those colleges
- 3) Receive your award letters
- 4) Compare out of pocket costs

To obtain your net prices using net price calculators, know the following:

Your EFC number (using fafsa4caster)

Your composite ACT or SAT score (use best composite and best superscore)

Your cumulative GPA (use weighted and unweighted)

To determine financial fits, each family has to determine what they can afford without excessive borrowing!

Thank you to our college partners for 2017-2018

University of Tampa (mid-size private)

<http://www.ut.edu/financialaid/calculators/>

Truman State University (non-flagship state)

<http://www.truman.edu/admission-cost/net-price-calculator/step-1/>

Saint Xavier University (traditional private)

http://www.sxu.edu/admissions/financial_aid/

Grand Canyon University (mid-size private)

<https://www.gcu.edu/rsvp/NPC/npcalc.htm>

Loras College (traditional private)

<http://www.loras.edu/financial-aid/netpricecalculator/>

Saint Mary's Minnesota (traditional private)

<http://www.smumn.edu/admission/undergraduate/financial-aid/net-price-calculator/npc>

Central Michigan University (non-flagship state)

<https://netconnect.cmich.edu/netpricecalculator/>

Saint Ambrose University (traditional private)

[http://www.sau.edu/Undergraduate Admissions/Costs and Financial Aid/Cost Calculator/First Year or Transfer Student Calculator.html](http://www.sau.edu/Undergraduate_Admissions/Costs_and_Financial_Aid/Cost_Calculator/First_Year_or_Transfer_Student_Calculator.html)