

Make the College Connection

A college planning guide for high school students and their parents

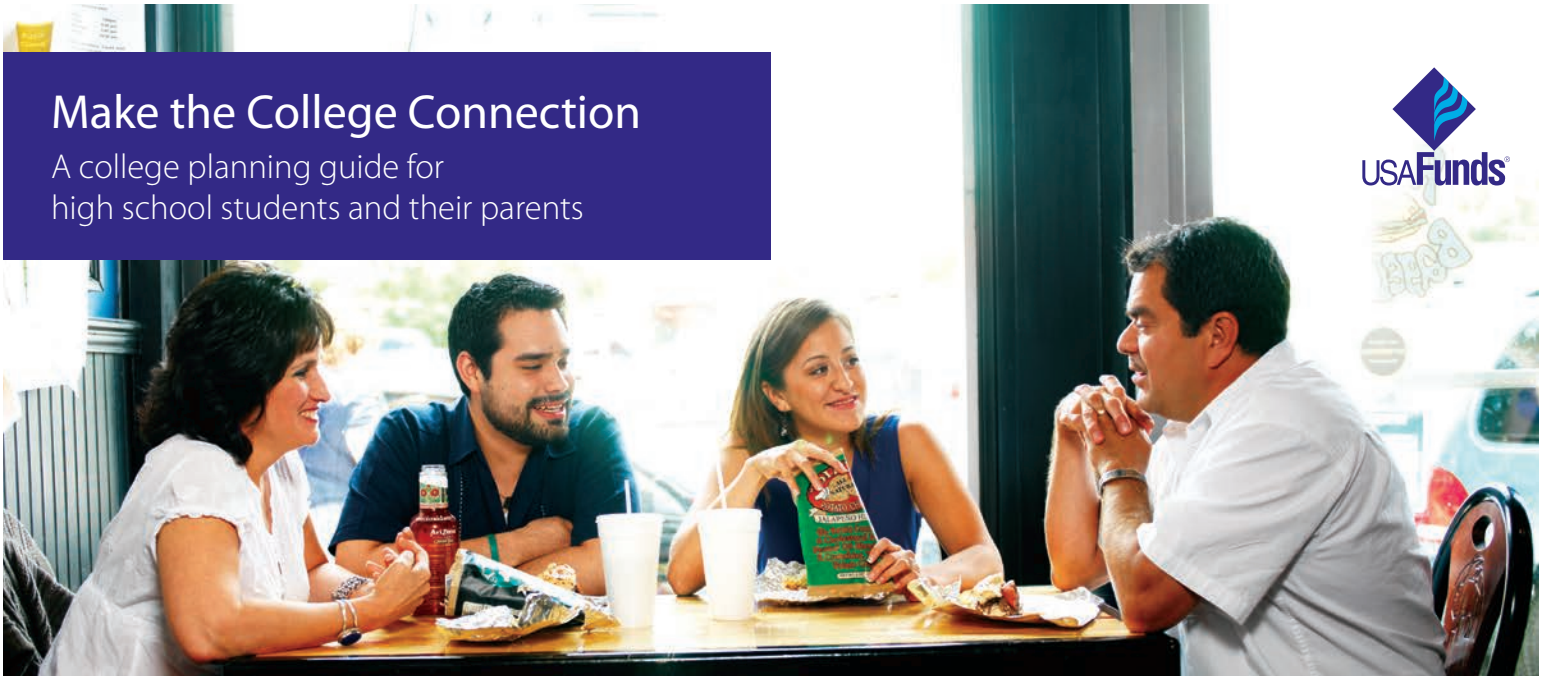


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If you are a high school student or the parent of a student who is considering additional education beyond high school, this guide offers an overview of the college planning process. Topics covered include the following items:

- **The value of higher education.**
- **Factors to consider in selecting a college, university or other postsecondary education program.**
- **Basic advice for assembling the finances to pay for college.**

After reading through this guide, you'll want to turn to other resources for additional information. Key resources include your high school counselor and the financial aid and admissions staff at colleges that interest you. More information is available online — on sites such as the Students section of www.usafunds.org — and from books and publications in your high school library or the public library.

Throughout this guide, we use “college” in a generic sense to cover many different postsecondary education options, including four-year and two-year colleges and universities, career schools, vocational/technical programs and distance education.

This publication was developed by USA Funds®, a nonprofit corporation that supports access to education. USA Funds is committed to helping deserving students realize their dreams of higher education and a brighter future. Here's to your bright future!



The compelling case for college

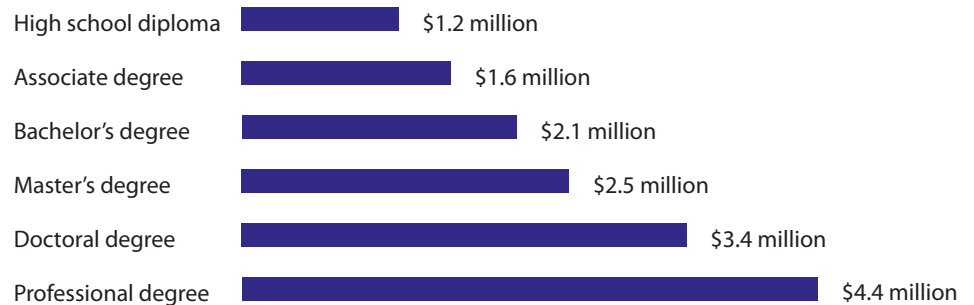
College requires a significant investment of your time and money. In return, most students reap significant rewards that grow throughout their lifetime. For example, college graduates have the potential for significantly higher annual and lifetime earnings than high school graduates do. Consider the following information based on data from the U.S. Census Bureau:

- ♦ Average annual earnings for people with bachelor's degrees (\$57,181) were nearly 86 percent higher than for high school graduates (\$31,286).
- ♦ Average lifetime earnings were 75 percent higher for those with a bachelor's degree (\$2.1 million) than for those with only a high school diploma (\$1.2 million).

In addition, the average unemployment rate for college graduates is significantly less than the jobless rate for those with no college experience. College graduates tend to have a broader and better selection of job opportunities than do high school graduates. Broader employment options contribute to increased job satisfaction and upward mobility for college grads.

As you weigh the cost of pursuing a higher education, keep in mind that the return on your investment will be substantial. College may not be a good investment for students who drop out before completing their studies, however. These students typically incur greater costs than benefits from a higher education. College is a serious commitment, and you should plan accordingly.

Average lifetime earnings



Source: U.S. Census Bureau

Selecting a college

Higher education options

One of the great strengths of American postsecondary education is the broad diversity of higher education programs. There are options for higher learning to meet the needs, and pocketbooks, of nearly every student and family. Among the choices are the following:

- ♦ **Four-year state or private colleges and universities.** These institutions offer bachelor's degree (four-year) programs, and many also offer advanced degrees, including master's, doctoral and professional degree programs, such as medicine and law. State colleges and universities receive direct financial support from state government. These subsidies help offset some tuition costs and other expenses. State institutions typically offer the broadest range of academic programs. Although private or independent colleges and universities do not receive direct financial support from state government, many have endowments that permit them to offer more generous financial aid to help offset higher tuition costs. Private colleges may offer smaller class sizes and closer contact with faculty than a large state university offers.

- ♦ **Community colleges.** These colleges typically offer associate degree (two-year) programs. The cost of attendance is generally much lower than the cost at four-year institutions. In addition, admission requirements typically are not as stringent for community colleges as for many four-year colleges and universities. As a result, some students spend their first two years at a community college and later transfer to a four-year institution. Community colleges also offer continuing education programs, as well as technical training programs in cooperation with local businesses.
- ♦ **Career, vocational and technical schools.** Schools in this category are distinguished by a focus on specific degree, certificate or training programs. Examples include schools that specialize in computer programming, business administration, graphic design and cosmetology.
- ♦ **Distance education.** Many postsecondary institutions offer courses that are delivered in whole or in part via the Internet, CD, television or by correspondence. Students learn at their own pace and according to their own schedule.
- ♦ **Student success.** Consider the percentage of entering students who actually graduate from the college and how long it takes most full-time students to graduate. You should ask college officials about the success their graduates have in finding employment, and the types of jobs their graduates hold. You also should inquire about the job placement services offered by the college.
- ♦ **Campus environment.** Consider the quality of the libraries, laboratories, computer centers, academic support services and campus housing. Check out opportunities for social interaction through sororities or fraternities, clubs and other student organizations, sports and arts. If you have an interest in community service, find out if the school has volunteerism programs. Be sure to look into safety and security on campus and in the larger community.
- ♦ **Cost.** In addition to determining the college's cost of attendance, find out about the amount and types of financial aid that a typical student receives.
- ♦ **Special interests.** Although most colleges are coeducational, you may choose to attend an all-male or all-female college. If religious instruction is important to you, consider a college sponsored by your denomination. Students who are members of ethnic minority groups may benefit from the support services offered by a minority-serving college. If you are interested in a military career, investigate whether the college offers a Reserve Officer Training Corps program, or consider one of the service academies.

Factors to consider in selecting a college

Cost is only one of many factors that you should consider in selecting the higher education program that meets your needs. The following is a list of factors that you should consider.

- ♦ **Size.** Colleges range in size from tens to tens of thousands of students. Typically, a smaller college offers smaller classes and the opportunity for greater interaction with faculty. Faculty members at smaller colleges may be focused on teaching more than research. Larger colleges generally offer broader academic choices and activities. Although large lectures are more common at larger colleges, these lectures may be led by faculty members who are leading authorities in their field.
- ♦ **Academic program.** Find out whether the college offers a strong program in your fields of interest. If you haven't yet determined your major field of study, consider the strength of the college's general liberal arts and sciences program. If you have a strong interest in a particular career field, make sure that the college offers the required certificate or degree programs necessary to enter your chosen field. You also may want to investigate opportunities that the school offers for internships, fieldwork, research or study abroad.
- ♦ **Location.** Consider whether you want to attend a college near your home or one in a different section of the country. You also might have a preference for a college in a major metropolitan area or a campus located in a small town.
- ♦ **Admission standards.** Some colleges are very selective about the students that they admit; others have open admissions policies and admit all high school graduates on a first-come, first-served basis.

After you've considered these criteria, visit www.usafunds.org and select "Students." The Choosing a College section offers a link to the College Search service, which is a free service to help you match your personal preferences — including school location, public vs. private institution, entrance difficulty, admissions test score, campus setting, enrollment, cost and majors — with nearly 4,000 accredited colleges and universities nationwide.

Narrow your list of potential colleges

Once you have generated a list of potential colleges, narrow it down to a manageable number — no more than six to eight colleges to which you will apply. There are a variety of resources to help you eliminate schools that don't meet your interests. These resources include: college websites, college brochures and catalogs, college guides from your school counselor or from the school library or public library, college fairs, conversations with family members or friends, and on-campus visits. When visiting campuses, talk with students and representatives from academic programs, and check out the various facilities.

Using these resources, make your final list of the colleges that most closely meet your interests. In developing this list, consider the likelihood of your being admitted and your ability to afford the cost of attendance. Include on your list one or two schools that interest you, but that would be a stretch for you from a cost or admissions standpoint. Even if you've settled on one college, it's wise to have some backup schools on your list.

Applying for admission

After you've decided which colleges are on your "apply to" list, determine each college's preferred method of application for admission: customized application, common application or online application. You may need to fill out individual applications for each school, but there will be some common elements. Be sure to submit your application well in advance of the deadline and supply all of the information requested by the college.

Paying for college

Expected Family Contribution

Families are expected to contribute a share of their financial resources to pay for their children's higher education. This contribution can come from savings and investments, or from the parents' or student's current income.

The Expected Family Contribution is calculated according to a federal government formula that takes into account factors including the student's and parents' income and net assets, family size, and the number of family members in college. You can estimate your EFC by using an online calculator, such as the one found under Funding College in the Students section of www.usafunds.org.

Students and parents provide the information used to calculate the EFC by completing the Free Application for Federal Student Aid. Information that you supply on the FAFSA helps determine eligibility for federal financial aid programs and for other sources of student aid for college. File the FAFSA as soon as possible after Jan. 1 of the year in which you are seeking financial aid, and be mindful of two other deadlines: The college that you plan to attend may have a deadline for filing the FAFSA, and your state may have a deadline to qualify for state grant and scholarship programs. Miss either of these deadlines, and you could reduce the amount of financial aid that you might receive. You don't have to wait for an official acceptance to a college to file a FAFSA.

The preferred method of filing the FAFSA is to use the online version at www.fafsa.gov. This version normally produces more accurate results and more rapid processing than you're likely to get if you file a paper FAFSA. It's beneficial to have completed your federal income tax return prior to completing the FAFSA because tax data can be automatically populated into the application for you.

As the name implies, the FAFSA is a free application. There is no charge for filing this form. For a fee, some companies offer assistance in completing the FAFSA, but financial aid professionals in many states offer free help sessions to assist parents and students in completing the FAFSA.

You will have to file the FAFSA — usually an abbreviated "renewal" version of the form — for each subsequent academic year in which you request financial aid to pay college expenses.

In addition to the FAFSA, some colleges require that you complete the CSS/Financial Aid PROFILE. Colleges use this form to determine your eligibility for the college's own financial aid programs. You also may be required to complete additional paperwork to qualify for individual financial aid programs.

As you are completing these forms, it's a great idea to keep copies together in one place. You'll need to refer to these forms again in the future.

Cost of Attendance

When comparing the costs of several colleges, consider not only tuition and fees, but also other expenses that you will incur as a student. Your total cost of attendance also includes housing and meal expenses, such as room and board; books and supplies; transportation costs; personal expenses, such as clothing, laundry, hair care and entertainment expenses; and miscellaneous expenses.

To determine your eligibility for financial aid, each college establishes annual average Costs of Attendance for its students. Costs vary widely by individual colleges. To give you an idea of the average costs, the College Board estimates that, for the 2011–2012 academic year, the average annual costs for resident undergraduates attending a four-year public college were \$17,131, and the annual costs of attending a four-year private college averaged \$38,589.

Your actual cost of attending a college likely will vary from these figures, and you have some control over your higher education expenses. For example, an out-of-state student attending a state university will pay higher tuition rates than a resident of that state. If you live with your family and commute to campus, your housing costs may be lower, but your transportation costs will be higher than if you lived on campus. The costs of your books and supplies depend largely on your course of study. The expenses over which you have the greatest control include those for personal and miscellaneous items. It's a great idea to make a budget of your expected annual college costs and stick to a budget during your college years.



Here are some of the expenses you might have as a student. Use this table to set up a budget to help keep your spending under control. To help you estimate reasonable costs for your budget, meet with a financial aid administrator at the school you plan to attend.

My monthly budget

Educational expenses

Tuition and fees \$ _____
 Books \$ _____
 Lab fees \$ _____
 Health insurance \$ _____
 School supplies
*(copying, pencils, test forms, online services,
 notebooks, computer paper, calculators)* \$ _____

Housing

Room and board,
 mortgage/association fees \$ _____
 Electricity, gas, oil \$ _____
 Phone \$ _____
 Water, sewage, garbage \$ _____

Food

Groceries \$ _____
 Fast food \$ _____
 Campus meal plan \$ _____
 Beverages \$ _____

Other living expenses

Personal care (hair, toiletries) \$ _____
 Laundry and dry cleaning \$ _____
 Clothing/shoes/hats \$ _____
 Gifts \$ _____
 Monthly membership dues/
 subscriptions \$ _____

Transportation

Car payments \$ _____
 Gas and oil \$ _____
 Normal car maintenance \$ _____
 License and registration fees \$ _____
 Auto insurance \$ _____
 Campus parking fees \$ _____
 Bus, taxi, subway, carpool \$ _____
 Train or plane ticket home \$ _____

Entertainment

Movies \$ _____
 Concerts \$ _____
 Sports events \$ _____
 Dining out \$ _____
 Health club memberships \$ _____
 Parties \$ _____
 Cable television \$ _____
 Theater and plays \$ _____
 Electronic equipment *(software, CDs)* \$ _____
 Sports/recreation equipment \$ _____

Child care and pet care

Day care \$ _____
 Baby/pet sitters \$ _____
 Medical/veterinary \$ _____
 Toys \$ _____
 Special foods \$ _____
 Clothes \$ _____
 Other \$ _____

Expecting the unexpected

Traffic tickets \$ _____
 Car repairs \$ _____
 Medication \$ _____
 Dental care \$ _____
 Library fines \$ _____

Total monthly expenditures

(sum of your expenses above) \$ _____

Monthly income

Wages and tips *(less taxes and deductions)*
 \$ _____
 Financial aid \$ _____
 Support from parents \$ _____
 Other income \$ _____
 Total monthly income
(sum of your income above) \$ _____

*(Subtract your total monthly expenditures
 from your total monthly income.)*

Ending balance \$ _____

Determining your financial need

After your FAFSA is submitted and processed, a federal contractor calculates your EFC and returns the results to you in a Student Aid Report. The same information also is transmitted to the colleges that you requested receive the information when you submitted your FAFSA.

Financial aid professionals at the colleges you have selected use this information to calculate your financial need. The key formula for determining financial need is as follows:

$$\text{Cost of Attendance} - \text{Expected Family Contribution} = \text{Financial Need}$$

The financial aid office will attempt to meet your financial need by developing a package of financial aid that may include a combination of grants, work-study and loans. You will be offered this award package to review, and you have the option to accept or reject the offer. Because financial aid resources are limited, the amount awarded to you might fall short of your financial need. Keep this “unmet need” in mind as you compare schools’ financial aid packages.

Sample award package

Financial Aid Program	Fall Award	Spring Award	Summer Award	Total
Federal Pell Grant	\$ 1,550	\$ 1,550		\$ 3,100
Federal Supplemental Educational Opportunity Grant	\$ 375	\$ 375		\$ 750
Subsidized Direct Stafford Loan	\$ 1,750	\$ 1,750		\$ 3,500
Total Awards	\$ 3,675	\$ 3,675		\$ 7,350

The awards noted are based on your status as a FULL TIME student with an anticipated cost of attendance including tuition, fees, room, board, books, supplies, transportation and miscellaneous expenses of: \$ 12,500
Your calculated Expected Family Contribution for the school year is: \$ 1,000

If you have unique family circumstances, or your family circumstances have changed since you filed the FAFSA, the financial aid administrator may have latitude to make adjustments. This flexibility is limited, however, and adjustments are made at the discretion of the financial aid office.

Sources and types of financial aid

There are three broad types of financial aid:

- ♦ **Grants and scholarships.** These are “free” sources of funding for college and don’t have to be paid back.
- ♦ **Work-study.** This aid is offered to a student in return for the student’s part-time work at on-campus or off-campus employment.
- ♦ **Loans.** This financial aid usually must be repaid, with interest.

Financial aid comes from several different sources:

Federal sources

The U.S. government is the largest source of financial aid for college, supplying 72 percent of all financial aid dollars in 2010-2011. To qualify for federal financial aid for college, you must complete the FAFSA for each year that you request financial aid to pay college expenses. Here are the major federal financial aid programs:

Grants

Pell Grant. Provides grants to low-income undergraduates to help them pay for college. Pell Grants also are available to qualified students enrolled less than half time.

Federal Supplemental Educational Opportunity Grant. Provides grants to low-income undergraduate students with exceptional financial need, to supplement aid received from Pell Grants and other sources.

TEACH Grants. Awards annual grants of up to \$4,000 to students who agree to teach certain subjects in a low-income school following graduation. If you fail to fulfill your teaching obligation, your TEACH Grant may be converted to a loan, which you must repay.

Work-Study

Federal Work-Study. Provides part-time jobs to undergraduate, graduate or professional students who use the earnings to finance their education.

Loans

Students may borrow low-interest loans directly from the U.S. government under the William D. Ford Direct Loan Program. The program offers Stafford loans for students and PLUS loans for parents and graduate and professional students.

Stafford Loan. Available to undergraduate, graduate and professional students attending eligible schools on at least a half-time basis. Subsidized Stafford loans are available to undergraduate students who demonstrate financial need. The federal government pays the interest on a subsidized Stafford loan while the student attends college on at least a half-time basis and when the borrower is authorized to defer loan payments. Unsubsidized Stafford loans are available to students regardless of their financial need; however, the borrower is responsible for all interest that accrues on an unsubsidized loan. Annual and lifetime loan limits apply to Stafford loans, based on the student’s year in school and dependent or independent status.

PLUS Loan. Available to parents of dependent undergraduate students and also to graduate and professional students. A credit check is required. The annual PLUS loan limit is equal to the cost of attendance minus any financial aid.

Perkins Loan. Available to undergraduate, graduate and professional students with exceptional financial need. These loans are administered by the college. Undergraduates may borrow up to \$5,500 per year. Graduate students may borrow up to \$8,000 per year.

Student loans represent a blend of financial aid — because of government subsidies — and paying for college with your future earnings. Because your ability to repay your student loans depends on your future earnings, estimate the total amount of debt you can afford to repay based on your expected income after college. Most lenders recommend that your monthly student loan payments not exceed 8 percent to 10 percent of your gross monthly income. Use the table below to estimate an affordable monthly payment and the maximum amount of education debt you can afford to repay based on your expected annual income after graduation.

What’s the maximum student loan debt you can afford?

Annual Income	Range of Maximum Affordable Monthly Payments	Range of Maximum Affordable Student Loan Debt
\$15,000	\$100 – \$125	\$8,690 – \$10,862
\$20,000	\$133 – \$167	\$11,586 – \$14,483
\$25,000	\$167 – \$208	\$14,483 – \$18,103
\$30,000	\$200 – \$250	\$17,379 – \$21,724
\$35,000	\$233 – \$292	\$20,276 – \$25,345
\$40,000	\$267 – \$333	\$23,172 – \$28,965
\$45,000	\$300 – \$375	\$26,069 – \$32,586
\$50,000	\$333 – \$417	\$28,965 – \$36,207
\$75,000	\$500 – \$625	\$43,448 – \$54,310
\$100,000	\$667 – \$833	\$57,931 – \$72,413

Maximum affordable monthly payments assume that payments do not exceed 8 percent to 10 percent of your gross monthly income. Maximum affordable student loan debt is based on maximum affordable monthly payments over a term of 120 months and a fixed interest rate of 6.8 percent.

Federal Tax Benefits

Deductions and Credits. Federal income tax law provides several deductions and credits for taxpayers who have paid qualified higher education expenses, such as tuition and fees and student loan interest. For more information, visit the Internal Revenue Service website, www.irs.gov.

State sources

Many states sponsor grant and scholarship programs. To qualify for state sources of financial aid, you typically must file the FAFSA by your state’s deadline. States also sponsor tax-advantaged college savings programs, commonly known as 529 plans, which permit families to prepay future tuition at today’s rates or accumulate savings for college free from federal income tax. For more information about state sources of financial aid, contact your state’s scholarship agency, higher education commission or department of education. A good place to start is the website for your state government.

Colleges and universities

Many colleges and universities offer additional financial aid in the form of grants, scholarships or loans. For more information, contact the financial aid office of the college that you plan to attend.

Other sources

Private scholarships. Many corporations, religious organizations, membership associations and nonprofit organizations offer scholarships to their employees and their families, members, or the general public. The best way to determine if you qualify for one of these scholarships is to use a free scholarship search service, such as the one in the Students section of www.usafunds.org.

Private education loans. Because these loans are not sponsored or guaranteed by government agencies, the costs typically are higher and the terms not as flexible as federal loans. Students and parents should borrow first from federal loan programs and take out private education loans only if necessary.

Tuition-payment plans. Some schools provide flexible payment options for students who cannot afford lump-sum tuition payments. Check with the financial aid office to determine if the college offers special installment plans, prepaid tuition plans that save you from increased costs each year and discounts for those who have a sibling at the same school.

U.S. Armed Forces. The military offers the following educational programs and ways to pay for school or reduce your costs:

- You can attend one of the military academies. These are four-year colleges that are tuition-free and offer bachelor’s degrees and a commission in the military after graduation.
- You can attend a college or career school and enroll in the Reserve Officer Training Corps Program, which will pay your tuition, fees and books and provide you with a monthly allowance.
- You can join the Armed Forces before you go to a college or career school and take advantage of the various GI bills, which provide financial support for education and training to those who served in the military. For more information, visit www.gibill.va.gov.
- If you enlist in the Armed Forces, you may be eligible to receive student loan repayment assistance of up to \$65,000. Each branch of the military has different terms for its college loan repayment assistance.
- You also can earn college credit for some military training, possibly reducing the number of classes you’ll have to take.
- As an active member of the military, you can take courses at a college or career school during your off-duty hours.

AmeriCorps. This service program, administered by the Corporation for National and Community Service, allows people of all ages and backgrounds to earn help paying for education in exchange for a year of national service. For more information, visit www.americorps.gov.

Tips for meeting college costs

Many families mistakenly believe that college costs are unaffordable and completely out of their control. In fact, when you consider the financial aid for which a student may qualify and take some additional steps as suggested below, college is within the reach of most American families. Here are some tips that can help you meet the cost of higher education and make the college connection.

1. Take Advanced Placement courses and tests in high school to place out of some college courses. This will help you graduate sooner and cut expenses.
2. If you're strapped for resources, consider attending a local community college for your first two years of higher education to take advantage of lower tuition and additional savings by living at home. Then you can transfer to a four-year institution to complete your studies.
3. If cash flow problems hinder your ability to pay tuition, ask if your college offers a tuition-payment plan that permits you to spread those payments over several months.
4. Check with your school's employment office for a part-time job. Balancing work and school schedules is important; you'll need to allow enough time for studies. Summer and holiday jobs also can help you pay for college.
5. Invest in state-sponsored college savings plans, known as 529 plans. They are free from federal income taxes if used later to pay for qualified college expenses. For more information, visit www.collegesavings.org.
6. After you arrive on campus, meet with your academic adviser to discuss your educational goals and to plan your program of study. By selecting a major early and sticking to your plan of study, you'll graduate on time and save thousands of dollars in college expenses.
7. Take some general education or elective courses over the Internet or at a local community college during summer breaks. Check with your school to make sure credits for these courses will transfer to help you fulfill your academic program requirements for graduation.
8. Explore accelerated degree programs, such as a three-year bachelor's degree.
9. Avoid financial aid scams. You don't have to pay for financial aid and scholarship information.
10. Spend wisely while on campus. Before making a purchase, check your budget. Can you really afford it, and do you really need it? Don't buy it unless you have the cash to pay for it. Avoid using credit cards except for emergencies.

Additional resources



The website of USA Funds, www.usafunds.org, provides information about planning and paying for college, scholarships, student loans and parent loans for higher education, including interest rates and other terms, applying for loans, tips for reducing the cost of borrowing for college, and repayment options.

For general information about federal student financial assistance programs, assistance in completing the FAFSA, and information and technical assistance for FAFSA on the Web, call (800) 4-FED-AID — (800) 433-3243, (800) 730-8913 (TTY number for hearing-impaired individuals), or visit www.studentaid.ed.gov.

The U.S. Department of Education offers a comprehensive guide to federal student aid programs at http://studentaid.ed.gov/students/publications/student_guide/index.html.

www.usafunds.org

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