

Are You (or Your Child) Going to College Anytime Soon?

How to Pay Less and Graduate Sooner

As winter turns to spring - and some parts of the country didn't really have a winter – high school seniors and their parents can begin to look ahead to what's next. And high school juniors and their parents can save a LOT of money by doing the right things now to prepare for college.

Congratulations – you're only a semester (or three) from graduating, and about to make one of the biggest decisions of your life: what's next? For many, the next step is to attend college, but many students and their parents aren't sure how to proceed, or how to pay for college. That's where we can help. We're the National Association of State Student Grant and Aid Programs (NASSGAP), consisting of the 50 state agencies, along with the District and the territories, whose mission is to ensure that students are able to pursue their educational dreams. Last year, NASSGAP members provided almost \$9 billion in grants and scholarships to over 4 million college students.

But we do more than just provide grants and scholarships. Each NASSGAP member has a website that provides a wealth of information and resources on selecting an educational path and finding the means to pay for higher education. You can find information for the state agency in your state of residence on this page:

<http://www.nassgap.org/membershipdirectory.aspx> - and if you are heading to college in another state, you may want to find our member agency in that state as well.

But enough about us – let's talk about you and going to college. Here's your game plan for going to college in 2012 and beyond:

- Seniors and parents - Complete the FAFSA and the equivalent state grant or scholarship application as soon as possible – if you're going to college this fall, do it NOW.
- Juniors (and seniors with a free summer ahead) - See if you can take classes that will help you earn college credit now, making your path to college graduation shorter – and far less expensive.
- Don't borrow more than you have to, and carefully evaluate your education loan options. Ask the Financial Aid Administrator at your college for assistance.
- Check out the Net Price Calculators for the schools you're considering and compare their relative value and cost.

Complete the FAFSA

Goal #1 for students and for parents of graduating seniors: fill out the Free Application for Federal Student Aid (FAFSA) if you have not already done so. Do it here:

<http://www.fafsa.ed.gov/> - the site is available starting in early January, although you may need to go back and update some information once your (or your parents') tax return is final. But do it now – the FAFSA is, as the name says, FREE and you can qualify for

up to \$5,550 in Pell Grants as well as subsidized (0% interest rate while you are in school) Stafford and other federal loans.

Also, filling out the FAFSA is often a prerequisite (get used to that word, it comes up a lot in college) to getting state aid. Typically, the information you need to complete the FAFSA covers most of what you will need to complete the state grant application as well. In the hour or two (and sometimes even less) it takes to complete the FAFSA and state application, you can qualify for up to \$10,000 or more in grants and scholarships from federal and state programs. If I'm not mistaken, that's the best hourly rate you've ever been paid in your life, so get on the FAFSA now.

By the way, do not pay a "service" to complete the FAFSA for you; it will take up just as much of your time providing them the information they (or you) need to complete the FAFSA, you lose control of the process, and you've just given your personal information to a complete stranger. Save your money!

In case you need motivation to complete the FAFSA now, many state programs offer some or all of their grants and scholarships on a first come, first served basis. Once the money is gone, it's gone until next year. Do it now – it's okay to click on the links above to get started and finish the rest of this article later!

Earn College Credit Now

How else can you reduce the cost of attending college? How about starting while you're still in high school (i.e., when it's still free!)? By taking challenging courses at your high school - and this especially applies for high school juniors (and younger students) who still have plenty of coursework remaining – you can prepare for Advanced Placement (AP) testing, which can earn you college credit. If you can earn credits for a few courses you take in high school, you could cut a semester off your time in college, which could easily save you \$10,000 or more – and help minimize student loan debt.

In many states, dual enrollment is an option in which high school students can also enroll in a local college, receiving both high school and college credit for the course work completed. So goal #2 is to earn as many free college credits as you can. High school seniors can still take AP tests to earn credits for coursework they've completed – and you might look into taking a college class this summer to get a rolling start for the fall.

Another option for earning college credits before you enroll is the College Level Examination Program (CLEP). Similar to AP, a qualifying score on a test gets you college credits. CLEP is designed to provide college credits for those who can demonstrate what they have learned through job experience, home schooling, or in everyday activities. As an example, if you speak more than one language, you could earn college credit for that skill.

Don't Over-borrow

Unfortunately, most of us are unable to save enough to entirely pay for college without taking out loans. While Pell and state grant programs can cover the full cost of many

community colleges, at most four year colleges, you'll often need some combination of loans, savings, and income to complete the college funding picture. In addition to the website for your state (that you found in the NASSGAP directory above), the US Department of Education also provides a wealth of resources to help pay for college: <http://studentaid.ed.gov/PORTALSWebApp/students/english/index.jsp> or <http://studentaid.ed.gov/PORTALSWebApp/students/spanish/index.jsp> depending on your (or your parents') language preference.

So let's talk about a key issue – let's call it goal #3: don't over-borrow:

- Only borrow what you can reasonably expect to repay. A good rule of thumb is that you should borrow less (and hopefully much less) than your projected first year's salary. Not your dream salary, but maybe the average or median for students graduating from your college with your major.
- Evaluate, especially if you are going away to college, what family expenses will be reduced, and use that money to pay for room and board expense at college. Don't automatically borrow, and don't automatically take the maximum.
- Be very careful with PLUS loans to parents. Parents can borrow up to the full cost of attendance (including books, fees, room, board, as well as tuition), but they're not the ones getting an education. Can they really afford to pay it back? Before taking out PLUS loans, parents should evaluate whether, after taking out 4-5 years worth of PLUS loans to get you to graduation, they will be able to afford the monthly payments. The goal is not to get you through the first year of college; it's to get you the diploma. Don't start borrowing if you can't afford to borrow through graduation. And parents shouldn't borrow at the expense of their retirement plans.
- Be equally careful in evaluating private student loans. Typically, a private loan is to the student but requires a parent or other credit-worthy cosigner. Many states offer very attractive loan programs with low fixed rates. Some may require that you complete a financial literacy course and/or may require that you take out Stafford loans first. Both of these requirements are excellent ideas for most consumers, especially if you qualify for a subsidized Stafford loan. Be sure to check out whether your state agency offers low-cost loans before you borrow from a bank or other lender.
- Keep in mind also that today's interest rates are **HISTORICALLY LOW**. If you take a variable rate private loan from a bank, are you **SURE** you will be able to afford the loan payment a few years down the road when interest rates normalize? While no one expects interest rates to rise to the levels of the early 1980's (about 20% for short-term rates), if you take a 20 or 30 year average, interest rates would be several points higher than they are today; your payment could more than double.
- When a parent cosigns a private loan for a student, both the student and parent are responsible for repaying the loan and both will have their credit scores damaged if the loan is not repaid in a timely manner.
- Before you borrow anything from anyone, student and parent(s) should sit down and discuss who can afford to pay what and when to ensure that any loan burden

is fairly and affordably split among student and parent. Student (and parent) education loans, both federal and private, are not dischargeable in bankruptcy in most situations, so be sure to discuss and understand the student/parent/family plan for how the four to five years worth of loans it will take to get you to graduation will be paid back over the next 10-20 years.

Searching for and Comparing Colleges: Net Price Calculators

Finally, this year colleges are required to offer a Net Price Calculator (NPC) on their websites. The goal of this calculator is to assist prospective students and their parents in understanding how much financial aid might be available to them at that institution, and therefore, what the net cost to the student would be.

Because many institutions (colleges) are able to offer “institutional” aid and scholarships, you may find that there are substantial differences in net cost at two colleges with the same posted cost of attendance, or even that a school whose tuition seems much higher than another school may turn out to have a lower net cost because of the scholarships they provide to selected students.

So goal #4 is to do a little research and find out how much a college will cost you – each student is different and colleges give each student an individualized grant, scholarship and loan award package. The NPC is your chance to find out what your package might look like and how much college will actually cost you.

Two things to keep in mind:

- Most full-time students take at least four or five years to graduate – make sure you have a financial plan that will get you to graduation.
- Distinguish between grants and scholarships on the one hand, and loans on the other. While Stafford, Perkins, and (sometimes) PLUS loans are presented in “award” letters, they must be paid back, so they are much less of an award than grants and scholarships – although loans are a critical tool for paying for college. If you need to, go read “Don’t Over-borrow” again.

While you’re researching the college, you might also look for information on graduation rates and employment rates for graduates in your projected major field of study.

To sum it all up, a little extra effort now can save you a lot of money over the next several years, so plan ahead with your classes and your finances to make the path to graduation as smooth and affordable as possible.