

# Preparing for College

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These materials should be used in conjunction with the website: *www.collegeboard.com*

This site allows you to:

- College Board Tests → Sign up for & Prepare for standardized tests (PSAT & SAT)
- Plan for College → Why go to college? How to prepare in High School for college
- Find a College → Search for colleges that you like; search by size, location, major, more
- Apply to College → Learn how to apply to colleges; Help writing essays
- Pay for College → Calculate your expenses and find grants and loans

## A Schedule for Preparing for College

<b>Freshman Year</b>
Fall: Get involved in extracurricular activities.
Spring: Is your course schedule appropriate for college?
Summer: Work to save money for college.
<b>Sophomore Year</b>
Fall: Keep your grades up!
Spring: Start studying for the PSATs.
Summer: Think about future careers- can you visit a workplace? Talk to parents of your friends about their careers. Work and save some money.
<b>Junior Year</b>
Fall: October take the PSAT; start thinking about what you want to do in the future.
Spring: Start visiting some colleges; Do well on your exams! Prepare for the SAT.
Summer: visit colleges; ask for applications; prepare an application essay; study for the SAT by taking practice exams and improving your weaknesses.
<b>Senior Year</b>
Fall: Take the SAT; apply to schools.
Spring: Acceptance letters arrive around April; you often must decide before May.
Summer: Get ready for your big transition!

# Educational Options: Pros, Cons, & Examples

Educational Option	Estimated Cost	Examples	Pros & Cons
<b>Community College</b>	\$3,920	Prince George's Community College	<b>Pros:</b> <ul style="list-style-type: none"> <li>• Less expensive</li> <li>• Improve your grades before transfer to 4-year</li> <li>• Some professions only require 2-year degree</li> </ul> <b>Cons:</b> <ul style="list-style-type: none"> <li>• Can feel a little like high school if you stay at home and keep the same friends</li> </ul>
<p>Two-year Associate degrees from a Community College give you the same preparation you would expect in the first two years of a more expensive 4-year Bachelors degree program. For this reason, students who do well in community college often transfer into 4-year schools. There are several reasons to attend a community college:</p> <ul style="list-style-type: none"> <li>• It's a less expensive option.</li> <li>• They are more tailored to working students who live at home.</li> <li>• It's a safety for students whose grades are not high enough to get into the 4-year school of their choice; once they improve their GPA they find more 4-year options open to them.</li> <li>• They tend to offer a variety of 'real-world' applied courses that give students the skills needed for many technical professions.</li> </ul>			

4-year Public	\$7,314 \$8,005	Towson University UM College Park	<b>Pros:</b> <ul style="list-style-type: none"> <li>• Inexpensive</li> <li>• Extensive facilities</li> <li>• Access to top scholars</li> </ul> <b>Cons:</b> <ul style="list-style-type: none"> <li>• Most prestigious public schools tend to be larger</li> <li>• Easy to get 'lost' in a big school</li> </ul>
<p>Public schools are less expensive than private schools, but that doesn't necessarily make them any less prestigious or rigorous. Maryland has a variety of public schools that range in size from massive (College Park: 26,000 students) to tiny (St. Mary's College of Maryland: 2000 students). If you are a self-starter who knows what you want, it is possible to get access to an excellent education. However, many of the most prestigious state schools are also quite large. It can be hard to get guidance at a large school if you don't actively seek it out. It is harder to 'fall between the cracks' at a small school.</p>			

4-year Private	\$37,300 \$38,600	Duke University Hamilton College	<b>Pros:</b> <ul style="list-style-type: none"> <li>• often more 'networking' opportunities for future careers</li> <li>• more attention to individuals</li> </ul> <b>Cons:</b> <ul style="list-style-type: none"> <li>• more expensive</li> </ul>
<p>Private institutions tend to place a greater emphasis on service to their customers, the students, than do public schools. This can manifest itself in shorter lines at registration, and greater emphasis on student counseling. Although private schools often hold a special cache in people's minds, they are often no more exclusive than many public institutions. Finally, private schools tend to offer more scholarships to offset their higher tuition and to maintain the diversity of their student body.</p>			

Historically Black Colleges	\$6,042 \$15,010 \$20,358	UM Eastern Shore Howard University Morehouse College	<b>Pros:</b> <ul style="list-style-type: none"> <li>• often provide a network of graduate contacts</li> <li>• Offer a proud sense of tradition and history</li> </ul> <b>Cons:</b> <ul style="list-style-type: none"> <li>• Smaller schools will necessarily offer a more narrow range of courses</li> </ul>
<p>There are as many different types of Historically Black Colleges (HBC) as there are reasons for attending. Recently many of Maryland's public HBCs have been chosen as 'growth centers' by the state and have received influxes of money for new buildings and facilities. On the other hand, the smaller HBC's can provide warm, welcoming environments with an intellectual atmosphere. Graduates of some private HBCs report excellent 'networking' opportunities that come with a degree from a prestigious institution. UM Eastern Shore combines the low tuition of a public school with the warm environment of a small campus, while allowing you to take advantage of the larger facilities and wider course selection of nearby Salisbury State.</p>			

## More Educational Options

<b>Taking a 'Gap Year'</b>		
<p>Some students decide to take a 'gap year' and work while they apply to colleges. Is this the right option for you? Consider your options. Unless you have a large bank account, you'll have to find a job that pays enough to cover your living expenses. This can be done, but it is tricky with just a HS diploma. On the other hand, going to college when you don't want to can be a waste of time and money. Realize that it's normal not to know what you want to major in, and not to have a future career picked out when you graduate from high school. There is time to figure that stuff out in college. However, if you have a detailed plan, a good job, and your living arrangements all worked out, then a 'gap year' between HS and college can be a good opportunity to save additional money, retake the SATs, and establish a 'track record' of good grades by taking a course or two at the local Community College before applying again to your favorite colleges. Remember, a 'gap year' is not the same as 'taking a year off' - its <i>work</i> living in the 'real world'!</p>		<p><b>Pros:</b></p> <ul style="list-style-type: none"> <li>• Save more money for college</li> <li>• Prepare for and retake standardized tests</li> </ul> <p><b>Cons:</b></p> <ul style="list-style-type: none"> <li>• Losing track of larger goals</li> <li>• Anxiety about future can lead to decision to 'do nothing'</li> </ul>

<b>Graduate School</b>		
<p>Graduate school is not needed, and may not even be advantageous for most professions. Still, in some professions, like medicine, law, and teaching, graduate degrees are required. Fortunately, it is early for you to think about graduate school. Graduate school tends to be much easier to pay for than an undergraduate education. First, loans are easier to come by based on your potential future income. And in most professions, employers will encourage you to go back for a graduate degree while you continue to work for them. Many employers will even PAY for you to go back to school! How do you know that you are capable of attending graduate school? If you develop a desire to go into a profession that requires a graduate education, and you are willing to work to achieve that dream, then you can do it. And there are plenty of people willing to help you along the way.</p>		<p><b>Pros:</b></p> <ul style="list-style-type: none"> <li>• Don't need to decide now!</li> <li>• Often paid for by employer</li> <li>• Easier to work &amp; get a graduate degree at same time</li> </ul> <p><b>Cons:</b></p> <ul style="list-style-type: none"> <li>• Employers like experience AND then graduate degrees</li> </ul>

# The Expected Family Contribution (EFC) calculator

collegeboard.com has several other useful calculators.

To calculate your Adjusted Gross income, complete the following worksheet and hit the "Continue" button. We'll automatically add the calculation to your form and close this window.

Adjusted Gross Income (AGI) Worksheet	
Wages, salaries, tips	\$ 0
Interest income	\$ 0
Dividend income	\$ 0
Net income (or loss) from business, farm, rents, etc.	\$ 0
Other taxable income	\$ 0
Adjustments to income	\$ 0

Continue

To calculate your Untaxed Income, complete the following worksheet and hit the "Continue" button. We'll automatically add the calculation to your form and close this window.

Untaxed Income Worksheet	
Child support received for all children	\$ 0
Deductible IRA and/or Keogh payments	\$ 0
Payments to tax-deferred pension	\$ 0
Housing, food, and other living allowance	\$ 0
Tax-exempt interest income	\$ 0
All other untaxed income	\$ 0

Continue

Use these ? links for explanations of how to fill in each box.

Click here to move to the next step.

If you log in, you can save your work for later. This is great if you want to play around with the values later.

## Living on Your Own: A Realistic Budget

The following budget is for a Towson University student living near campus. TU estimates annual room and board as \$8,306 for on-campus and \$1,600 for living with your parents, plus \$950 for books, about \$1,800 in personal expenses, \$1,900 transportation, and \$7,314 in tuition and fees. How much do you think you can survive on?

Item	other cost	Monthly cost		Annual Total	Notes
<b>Housing</b>					
Rent: 1 bedroom		\$750-900	x12		\$500 deposit; parents co-sign; Cheaper with housemates!
Rent: 2 bedroom		\$850-1100	x12÷2		
Gas & Electric Bill		\$200	x12		Sometimes included in the rent
Telephone bill		\$50	x12		
Cable bill		\$60	x12		
Pre-paid cell	\$25/130min				T-mobile Pay as you go
Internet access		\$60	x12		
Tele/Cable/internet		\$100	x12		Why watch TV? Have fun instead!
Campus Housing	\$2,527/sem		x2		Roommate; utilities incl.;
Campus Meal Plan	\$1,892/sem		x2		
Eating out	\$28/day				
Cook your meals	\$8/day				It can be much cheaper to cook for yourself: potatoes, cabbage, etc.
Eating cheaply		\$200	x12		
Alternate living expenses (not rent)		\$500	x12		Rate suggested by the IRS for a single individual
<b>Transportation</b>					
Car: 2003 Civic, 60k	\$8,500				
insurance	\$6,400/yr				Less for females; more if tickets; minimal coverage, \$500 deductible a guess!
Maintenance	\$1,000/yr				
Gas	\$1,206/yr				20k mile/yr→low; 29mi/gal; \$1.75/gal
Alt. accounting method: insur. +maint. +gas	\$0.50/mile				
Campus Parking	\$240/yr		x1		
Walking (free exercise!)					Free shuttle bus to campus
<b>Health Care</b>					
Health Insurance					Parents' plan may cover you.
Medical Bills					On campus health center
<b>Entertainment</b>					
<b>Clothing</b>					
Books	\$500/sem				
Tuition	\$7,314/yr				Towson University tuition & fees
<b>Work</b>					
Resident Assistant		+\$100	x2		Includes room, meal plan & stipend; freshmen not eligible.
Part-time job (20hr/wk)	+\$7-9/hr				
Paid Internship	\$10/hr				Easier to find in some fields than others; learn about your career!

# Working with Loans and Credit Cards

College is expensive, and most people are not able to pay for all of their tuition and living expenses out of savings or income. That is where loans come in. Understanding how loans work is crucial to using credit effectively without being swamped with debt. First, some definitions:

Principal: this is the amount of money that you borrow in the first place.

Interest: this is money that you pay to borrow the principal. It is expressed as a percentage of the principal, and can be calculated, or ‘compounded’ every day, every month, or every year.

Effective Annual Rate: This is an easy way of comparing interest rates between loans. It expresses the interest as an annual rate that is compounded once a year.

## Calculating Interest

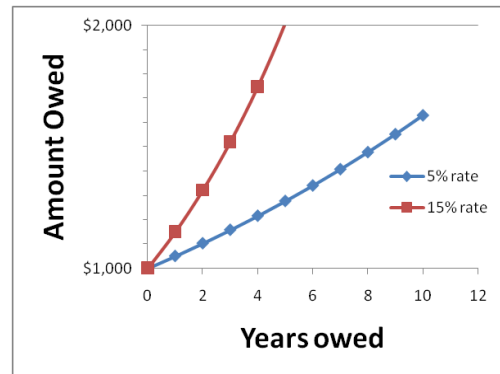
To calculate the amount of interest that you owe on a loan, use the formula:

$$\text{amount owed} = \text{principal} \times (1 + \text{EAR})^{\text{number of years}}$$

So, if you borrow \$1,000 at an Effective Annual Rate of 5%, you will owe \$1,157.63 after 3 years.

$$\$1,157.63 = \$1,000 \times (1 + 0.05)^{3\text{yrs}}$$

Now imagine if you were to calculate the amount you owed over ten years (see the diagram to the right). It is hard to see, but the line curves upwards slightly. In other words, the longer you wait to pay back your loan, the quicker that you owe more money!



Now imagine if you borrowed the same amount on a credit card. Credit cards typically charge 14% ‘A.P.R.’ (a different way of expressing the interest rate), which can translate into an E.A.R. of around 15% if compounded daily. Notice how quickly the line curves upwards. After only five years, you will owe more in interest than you borrowed in the first place!

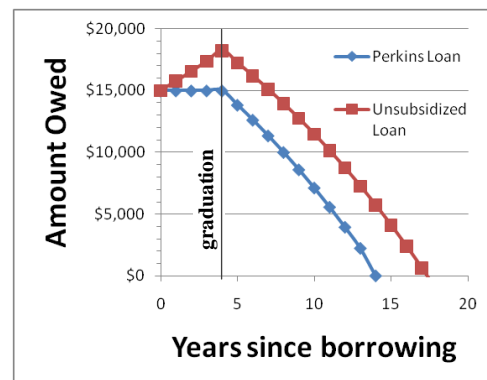
## Paying off a Credit Card Loan

From the examples above, it is clear that you can quickly owe a lot of money if you do not make any payments. The best option is to pay everything back immediately. Credit cards often won’t charge interest if you pay your full balance by the end of the month. What happens if you only pay back *some* of the loan? Credit cards often set a ‘minimum payment’ that you must meet. However, ‘paying the minimum’ can be an expensive option. Much of your minimum payment goes towards the interest, and only a small portion goes to paying down the principal. By only making the minimum payment, you’ll spend more on interest than you originally borrowed!

## Paying for a Federal Student Loan

In contrast to a credit card, Federal loans charge much lower interest rates, often as low as 5%. Many Federal loans give you ten years after graduation to pay them off. This gives you time to find a job after school, and spreads the payments out over time so that your monthly payment is lower. Some Federal loans are subsidized, meaning that the government pays for the interest on your loan while you are still in school, so that if you borrow \$1,000 as a freshman, you’ll still only owe \$1,000 when you graduate.

The diagram to the right compares two loans for \$15,000. One is a Federally subsidized ‘Perkins Loan’, which charges 5% interest only AFTER graduation, and has a set payment schedule of \$151 per month for ten years after graduation. I’ve compared this to an unsubsidized loan where the 5% interest accrues immediately upon signing the loan. If the student makes the same monthly payments towards the unsubsidized loan it can take up to three more years to pay off the loan!



# How Financial Aid Works

And How It Makes College Affordable for You



Financial aid is intended to make up the difference between what your family can afford to pay and what college costs. Over half of the students currently enrolled in college receive some sort of financial aid to help pay college costs.

## In a Nutshell

The financial aid system is based on the goal of equal access—that anyone should be able to attend college, regardless of financial circumstances. Here's how the system works:

- Students and their families are expected to contribute to the cost of college to the extent that they're able.
- If a family is unable to contribute the entire cost, financial aid is available to bridge the gap.

## Who Decides How Much My Family Is Able to Contribute?

The amount your family is able to contribute is frequently referred to as the Expected Family Contribution, or EFC. The figure is determined by whomever is awarding the aid—usually the federal government or individual colleges and universities.

The federal government and financial aid offices use need formulas that analyze your family's financial circumstances (things like income, assets, and family size) and compare them proportionally with other families' financial circumstances.

## What the EFC Figure Means for Most Families

First, most families can't just pay the EFC out of current income alone. But, not to worry—the formulas assume that families will meet their contribution through a combination of savings, current income, and borrowing.

Second, financial aid is limited. The formulas therefore measure a particular family's ability to pay against other families' ability to pay.

## Three Main Types of Financial Aid

Financial aid is any type of assistance used to pay college costs that is based on financial need.

### *Grants and Scholarships*

Also called gift aid, grants don't have to be repaid and you don't need to work to earn them. Grant aid comes from federal and state governments and from individual colleges. Scholarships are usually awarded based on merit.

### *Loans*

Most financial aid comes in the form of loans, aid that must be repaid. Most loans that are awarded based on financial need are low-interest loans sponsored by the federal government. These loans are subsidized by the government so no interest accrues until you begin repayment after you graduate.

### *Work*

Student employment and work-study aid helps students pay for education costs such as books, supplies, and personal expenses. Work-study is a federal program which provides students with part-time employment to help meet their financial needs and gives them work experience while serving their campuses and surrounding communities.

## Don't Rule Out Colleges with Higher Costs

Say your EFC is \$5,000. At a college with a total cost of \$8,000, you'd be eligible for up to \$3,000 in financial aid. At a college with a total cost of \$25,000, you'd be eligible for up to \$20,000 in aid. In other words, your family would be asked to contribute the same amount at both colleges.

# Financial Aid Myths

*Don't Believe Everything You Hear*



Literally billions of dollars in financial aid is available to those who need help paying for college. Yet lots of misinformation clouds the facts about what type of aid is available and who is eligible. Here are some myths dispelled for students confronting the process of securing financial aid.

## **College Is Just Too Expensive for Our Family**

Despite the media hype about rising college prices, a college education is more affordable than most people think, especially when you consider college graduates earn an average of \$800,000 more over their careers than high-school graduates. The average yearly tuition and fees at a four-year public institution in 2008-09 is just \$6,585. There are some expensive schools, but high tuition is not a requirement for a good education.

## **There's Not a Lot of Financial Aid Available**

In fact, more than \$143 billion of student financial aid is available. Most students receive some form of aid. Less of this aid now comes in the form of grants, however; most aid is awarded through low-interest loans or institutional and other grants. You should consider carefully the financing packages you've been offered by each college to determine which makes the most financial sense.

## **My Parents' Income Is Too High to Qualify for Aid**

Aid is intended to make a college education available for students from many different financial situations. College financial aid administrators often take into account not only income, but also other family members in college, medical expenses, and other factors. Aid is awarded to many families with incomes they thought would disqualify them.

## **My Parents Saved for College, So We Won't Qualify for Aid**

Saving for college is always a good idea. Since most financial aid comes in the form of loans, the aid you are likely to receive will need to be repaid. Tucking away money could mean you have fewer loans to repay, and it won't mean you're not eligible for aid if you need it. A family's share of college costs is calculated based mostly on income, not assets such as savings.

## **I'm Not a Straight A Student, So I Won't Get Aid**

It's true that many scholarships reward merit, but the vast majority of federal aid is based on financial need and does not even consider grades.

## **If I Apply for a Loan, I Have to Take It**

Families are not obligated to accept a low-interest loan if it is awarded to them. "In my opinion, everybody should apply for financial aid," says Shirley Ort, director of scholarships and student aid at the University of North Carolina, Chapel Hill. "Student loans are at all-time low interest rates." She recommends applying and comparing the loan awards with other debt instruments and assets to determine the best financial deal.



### **Working Will Hurt My Academic Success**

Students who attempt to juggle full-time work and full-time studies do struggle. But research shows that students who work a moderate amount often do better academically. Securing an on-campus job related to career goals is a good way for you to help pay college costs, get experience, and create new ties with the university.

### **I Should Live at Home to Cut Costs**

It's wise to study every avenue for reducing college costs, but living at home may not be the best way. Be sure to consider commuting and parking costs when you do this calculation. Living on campus may create more opportunities for work and other benefits.

### **Private Colleges Are Out of Reach for My Family**

Experts recommend deferring cost considerations until late in the college-selection process. Most important is finding a school that meets your academic, career, and personal needs. In fact, you might have a better chance of receiving aid from a private school. Private colleges often offer more financial aid to attract students from every income level. Higher college expenses also mean a better chance of demonstrating financial need.

### **Millions of Dollars in Scholarships Go Unused Every Year**

Professional scholarship search services often tout this statistic. In fact, most unclaimed money is slated for a few eligible candidates, such as employees of a specific corporation or members of a certain organization. Most financial aid comes from the federal government, though it's also a good idea to research nonfederal sources of aid.

### **My Folks Will Have to Sell Their House to Pay for College**

Home value is not considered in calculations for federal financial aid. Colleges may take home equity into account when determining eligibility for their institutional grant funds, but income is a far greater factor in this determination. No college will expect your parents to sell their house to pay for your education.

### **We Can Negotiate a Better Deal**

Many colleges will be sensitive to a family's specific financial situation, especially if certain nondiscretionary costs, such as unusually high medical bills, have been overlooked. But most colleges adhere to specific financial aid-award guidelines and will not adjust an award for a family that feels it got a better deal at another school. "We won't bargain, but we want to make sure we know the family's full financial picture," says Ort.