

Financial Strategies

Paying for Postsecondary Education



Pennsylvania Higher Education Assistance Agency

Your Presenter

Dan Wray

Higher Education Access Partner

South Central Region

PA Higher Ed Assistance Agency

dwwray@pheaa.org

Trends in Higher Ed Finance



Student Trends

- Student loan burden: \$1.1 Trillion & growing
- Students ask, “Is College worth the money?”
- Student Loan Balances up 55% Since 2005
- 34% of recent college grads live with parents
- Far too many underemployed

Higher Education Trends

- Colleges not holding the line on cost increases for tuition, fees, room, board (up 5 - 8% per year).
- Costs are up 1120% in the past 30 years.
- State budgets are strapped; colleges, school districts, counties, local municipalities, and families all feel the pinch as it trickles down.
- Grants and scholarships not keeping up with costs.
- Federal student loan annual borrowing limits not keeping up, either.

What Students *Aren't* Doing

1. Find your spark
2. Find the right major
3. Find the right school
4. Graduate on time
5. Keep borrowing in line

Smart Borrowing Tip

Don't borrow more to get your education than you can reasonably expect to make during your very first year in the workforce.

(Keeps loan payment $< 12\%$ of gross earnings.)

Solutions in Higher Ed Finance



What Students *Can* Do

1. EducationPlanner
2. O*Net Online
3. Big Future
4. My Smart Borrowing
5. Net Price Calculator

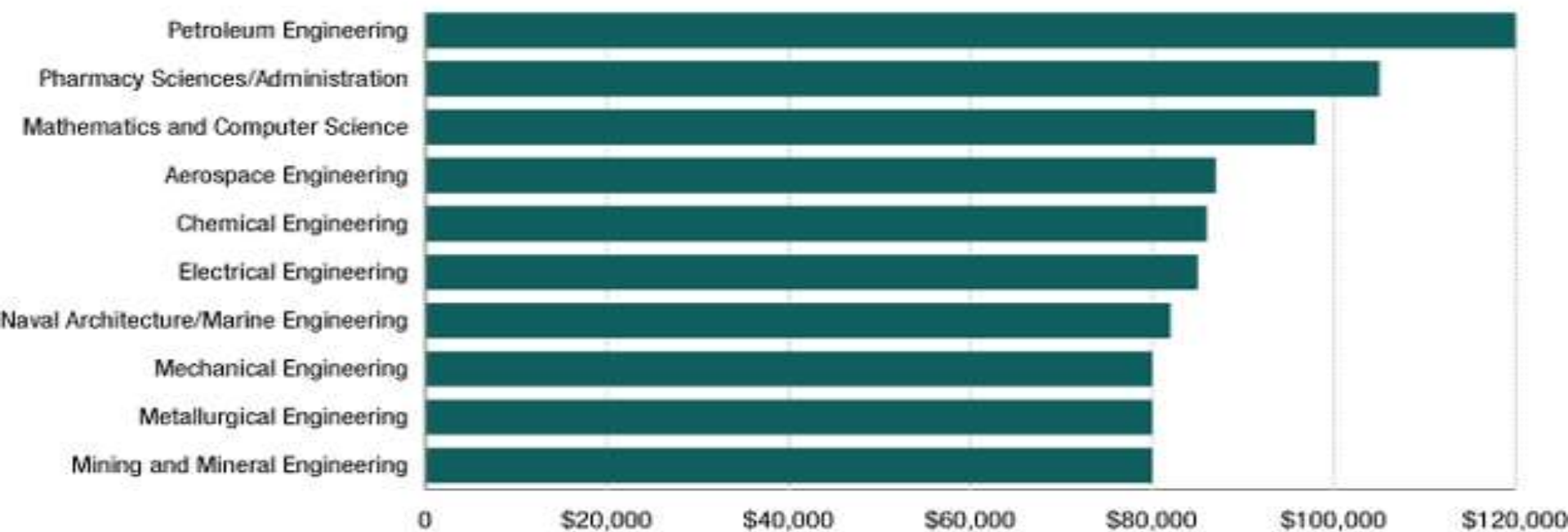
Determining Affordability

- Sticker price is important
- NET PRICE is more important.
- Tuition costs in PA range from \$2,500 to more than \$40,000....PLUS room and board. Calculate out-of-pocket cost.
- In higher education there is no direct correlation between cost and quality.
- Be open minded and diverse in college searches.
- Determine how much you can afford to borrow.

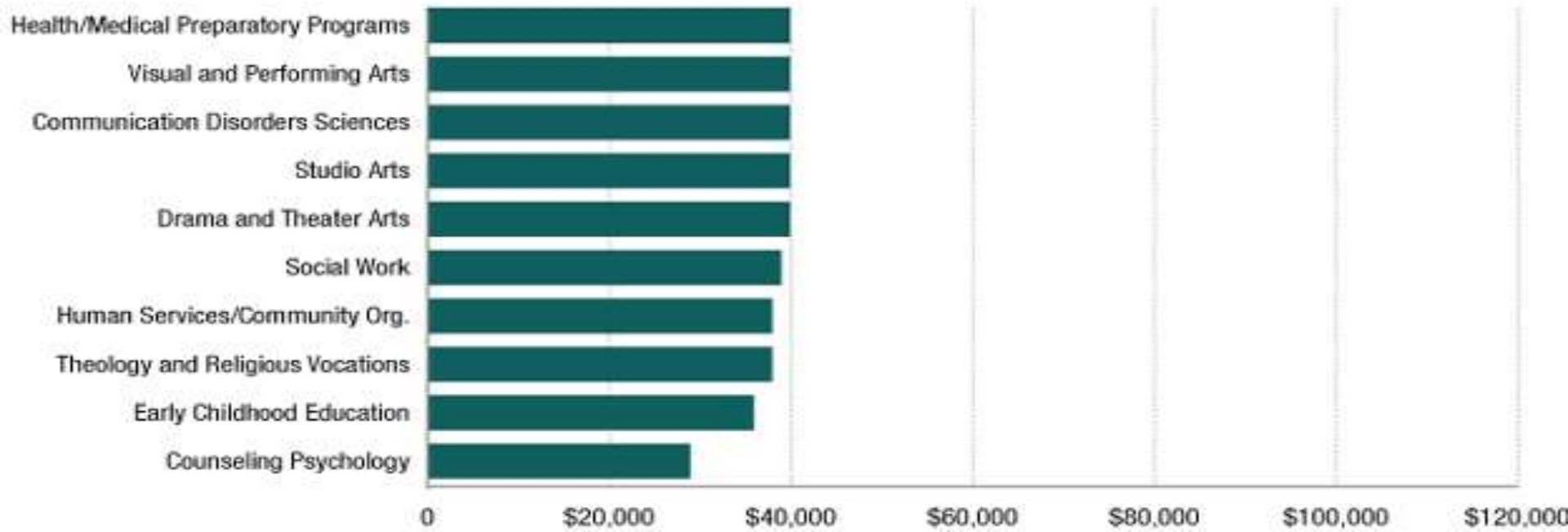
Things To Talk About (now)

- Keep borrowing in line with future earning power
- How much debt can you take on?
- Are there options for cutting costs?
- Give yourself a low-cost alternative
- How much will you work?
- How many years will college take?

Majors With The Highest Earnings



Majors With The Lowest Earnings



Reduce the Need for Financial Aid

- Graduate on Time
 - 4 year for Bachelors Degree / 2 year Associates Degree
- Research and find the right school and major
 - Minimize transfer and change of major
- Earn college credits while in high school through AP courses, Vo-Tech, and dual enrollment
- Consider options for cutting costs (commute, take summer classes, buy used books, make smart meal plan choices)
- 2 + 2 Strategy (2 years at a Community College then transfer credits to a 4 year school)
- 3 + 2 (Master's Degree)

Financial Aid Sources



What Is Financial Aid?

Financial aid consists of funds provided to students and families to help pay for postsecondary educational expenses

- Grants/Scholarships (free money)
- Self-Help (work, savings, etc.)
- Loans

Where Does the \$\$ Come From?

- ❖ Federal Government
- ❖ State Government
- ❖ School/Colleges

- ❖ Private Scholarship Sources:
 - HS Counselors
 - Clubs and organizations
 - Employers
 - Internet scholarship searches

The Focus

Focus on free money:
Grants and
Scholarships

The Equation

Cost of Attendance
Minus Free Money
Equals “Actual Cost”

Covering “Actual Cost”

Actual Cost must be paid with:

- Yesterday's Money (savings)
- Today's Money (work, grants)
- Tomorrow's Money (loans)

How to Cover the Actual Family Contribution

- Savings
- 529 Plans
- Scholarships
- Grants – Federal and State
- Tuition Payment Plans
- Federal Student Loans
- Institutional Loans
- Private Education Loans

Scholarships



Attitude

- Take on the attitude of a telemarketer... Lots of inquiries, but it only takes a few “hits” to make some money.
- Writing essays and interviewing: can be time consuming!
- Every \$5,000 in scholarships can avoid more than \$50/month in student loan payments --- for 10 years!

Scholarship Search Tips

- Start Searching Early
- Use FREE Scholarship Search sites
- Don't ignore scholarships with smaller award amounts
- Don't miss deadlines
- Search for Scholarships every year
- Check corporate websites such as Target, Walmart, Kentucky Fried Chicken, as they all have scholarship programs and you don't have to work there to get them

Scholarship Opportunities for Everyone

- Scholarships for Average Students
- Variety of less competitive scholarships
- Community Service Scholarships
- Video contests
- Creativity
- Ethnicity
- Unusual scholarships
 - » Based on Last Name
 - » Seussville: Oh, The Places You'll Go! College Scholarship
 - Patrick Kerr Skateboard Scholarship
 - Tupperware Home Parties Scholarship

For more visit: <http://www.finaid.org/scholarships/>

State-By-State List of Scholarships for Single Parents

Find a Genuine Single Parent Scholarship Program in Your State

By Jennifer Wolf

Free Single Parents Newsletter!

Before you [apply for a single parent scholarship](#) program, take the time to find out which schools and organizations offer their own scholarships for single mothers and fathers right in your own area. The following organizations, colleges, and universities in the United States currently offer scholarships for single parents:

[States A-I](#) | [States M-Z](#)

Alabama

Ads

Mom: \$10,000 Scholarship

www.scholarships4moms.net

No GPA, No Essay, No Stress! Apply Now. Takes Only 1 Minute.

Debt Relief Grants? PA

www.pennsylvania debt relief.org

PA residents. Get debt relief without a grant. Free debt analysis

Obama Grants For Moms

www.articlesbase.com

Jacksonville State

University Wellness-

Anniston Single Parent's Continuing Education Scholarship

- Available to single parents attending JSU
- For more information, call the JSU Continuing Education program at (256) 241-3399



Earn your degree with a single parent scholarship program in your state.

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Ads

2014 Grants for Women

www.newusafunding.com

Women Funding Released all the Time Deadlines Approaching. Apply Now

Free Grants For College

evermanbusiness.com/GovtGrants

Make Your College Education Happen. Qualify For Free Government Grants!

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Obama Grants For Moms

www.articlesbase.com

Obama Offers Scholarships & Grants For Mothers To Go Back To School



Debt Relief Grants? PA

- This needs-based scholarship is for single mothers

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The Scholarship Coach

by SCHOLARSHIP AMERICA



Where to Find Scholarships for Single Moms

Many places offer nontraditional students financial assistance for higher education.

By Scholarship America

Sept. 29, 2011

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Scholarship America® is a national organization that helps students get into and graduate from college through three core programs: Dollars for Scholars®, DreamkeepersSM® and Scholarship Management Services®. More than \$2.7 billion in scholarships and education assistance has been awarded to more than 1.8 million students since 1958. Their scholarship administration expertise has helped nearly 1,100 communities and more than 1,100 corporations develop and implement local scholarship programs. Got a question? Email marketing@scholarshipamerica.org or follow them on [Twitter](#) and [Facebook](#).

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While it was once rare to see women in college classrooms, these days there are more women than

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Financial Aid 101

Federal, State, and College
Financial Aid Programs



Federal Programs

Pell Grant (2014-15 max award \$5,730) *

Campus-based aid – amounts determined by FAO

- FSEOG..... up to \$4000
- Perkins loan..... up to \$5500
- Federal work-study..... FAO determines

For most programs, student must be enrolled at least half-time.

* Goes to most financially needy students

Other Federal Programs

Please check out this web site to see
all federal aid sources:

<http://studentaid.ed.gov/types#federal-aid>

PA State Grant

- PA State Grant*
 - Full-time, in PA.....up to \$4,363
 - Part time, in PA.....1/2 of the FT award
- Out of state..... Up to \$600 in DE, MA, ME, OH, RI, VT, WV, and DC
- All other states....up to \$400 (NJ, NY, and MD = \$0)
- Amount determined in part by the cost of the school

* Must be at least half-time to be eligible

Other State Programs

- State Work-Study - job related to major
- Educational Assistance Grant (EAP) – National Guard
- Chafee Education and Training Grant – administered by the Department of Public Welfare
- Blind or Deaf Beneficiary Grant
- Postsecondary Educational Gratuities Program (PEGP)
- Partnerships for Access to Higher Education (PATH)
- Pennsylvania Targeted Industry Program (PA –TIP)

For details, see the PA Guide to Student Aid, or visit www.pheaa.org

Types of Federal Direct Loans

Undergraduate Students

- Subsidized
- Unsubsidized

Graduate students

- Unsubsidized
- PLUS Loan

Parents

- PLUS Loan



Interest Rates – Student Loans

Undergraduate – Subsidized and Unsubsidized:

- 3.86% for 2013-14
- Capped at 8.25%

Graduate – Unsubsidized:

- 5.41 for 2013-14
- Capped 9.50%

Alternative/Private Education Loans

- Nonfederal loans, made by a *lender* such as a bank, credit union, state agency, or a school.
- Student borrows in his or her own name
- Based on credit scoring and debt-to-income ratio
- Repayment may be deferred until education completed
- Fees, interest rates, loan amounts, and repayment provisions vary by lender and are generally higher than federal student loans
- **Co-signers usually required.** Some loan products have a co-signer release option
- Compare loans before making choice and read the fine print!

Don't Fear The FAFSA



The Free Application for Federal Student Aid (FAFSA)

- The FAFSA (Free Application for Federal Student Aid) is a federal form used to determine student eligibility for the following:
 - Federal programs, such as Pell Grants, work-study, and student loans
 - State programs, such as Pennsylvania State Grant, and other special programs
 - School programs, such as need-based grants and scholarships

Applying for Financial Aid

- ❖ Know what financial aid forms are required:
 - FAFSA (Free Application for Federal Student Aid) – federal aid, PA State Grant, college aid, and private scholarships
 - State Grant Form (SGF) required for first year students (and may be requested for subsequent years)
 - CSS Profile required by some postsecondary schools and scholarship organizations
 - Institutional financial aid forms

Who Is Independent?

- 24 or older on Jan 1st of award year (January 1, 1990)
- Veteran (includes active duty personnel)
- Working on graduate level degree
- Emancipated minor in legal guardianship
- Orphan, in foster care, or ward of the court at anytime when student was age 13 or older
- Have legal dependents other than spouse
- Student deemed homeless by proper authority
- ❖ (PA State Grant status can be different)

Whose Information Goes on the FAFSA?

- Divorced or separated parents (the parent the student lived with the most over the past 12 months. If equal, then the parent who provided more than 50% of student's support)
- Stepparents - yes
- Adoptive parents - yes
- Foster parents - no
- Legal guardians - no
- Anyone else the student is living with - no

Special Circumstances

- Recent death or disability
 - Reduced income
 - Recent Separation or Divorce
- ❖ Contact the school and ask for a special consideration AND Contact State Grant Division at PHEAA

Financial Aid 101

Forms Are Filed...
What's Next?



Financial Aid Award Letter

- Official notification from school about financial aid, terms, and conditions.
- Lists the type and amount of each award to be received
- Describes what must be done to accept or reject any award.
- Discloses students rights, responsibilities, and academic requirements.

Packaging Example

<u>Cost</u>	\$15,000	\$25,000	\$45,000
EFC	\$ 3,000	\$ 3,000	\$ 3,000
Need	\$12,000	\$22,000	\$42,000

Free Money	\$ 6,000	\$ 8,000	\$18,000
Loans	\$ 5,500	\$ 7,000	\$ 8,000
Work	\$ 0	\$ 2,000	\$ 3,000
<u>Total Aid</u>	\$11,500	\$17,000	\$29,000

Gap (Cost – Aid)	\$ 3,500	\$ 8,000	\$16,000
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Actual Cont.			
(Cost – Free Money)	\$ 9,000	\$ 17,000	\$27,000

Reviewing the Financial Aid Package

After reviewing their packages, students should be sure they know and understand the following:

- How much of the financial aid is **free money**?
- Which awards are based on need, and which are based on merit?
- Are there any conditions on the **free money**; in particular, is there a GPA requirement?
- Will awards change from year to year?
- Will institutional awards increase as tuition increases?
- Will loans be needed? If so, how much?

How Much Should I Borrow?

1. Estimate your full cost of school
2. Borrow only what you need
3. Research your earning potential
4. Think long term
5. Keep a healthy mindset about debt

Smart Borrowing Tip

Don't borrow more to get your education than you can reasonably expect to make during your very first year in the workforce.

(Keeps loan payment $< 12\%$ of gross earnings.)

Presenter Contact Info

Dan Wray
dwwray@pheaa.org



Questions?

