

**GREAT WAYS**  
to cut the price of a  
bachelor's degree



# SHRINKING THE COST OF COLLEGE

by Lynn O'Shaughnessy

AUTHOR OF THE COLLEGE SOLUTION

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# Shrinking the Cost of College: Great Ways to Cut the Price of a Bachelor's Degree



By Lynn  
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## INTRODUCTION

# How Do You Shrink the Cost of College?

If you don't know how to shrink the cost of college, you will find the answers in this workbook.

Billions of dollars of aid are available to students who attend college. About two out of three full-time college students receive grants and scholarships, to attend school. At private colleges, a whopping 85% receive scholarships or grants.

However, it's not always the most deserving families who receive the greatest assistance, but the ones who understand how the process works and where the money is. Most people look in the wrong place for help when they begin contemplating the looming college tab.

The purpose of this workbook is to help you cut college costs by making you a smart consumer.

Here is a small sampling of what you'll discover in this workbook that will help you shrink college costs:



*Most people look in the wrong place for help when they begin contemplating the looming college tab.*

1. The identity of dozens of schools that offer the best financial aid packages.
2. Where you'll find the biggest source of scholarship cash.
3. Why 85% of students at private schools receive merit scholarships and how your child can too.
4. Why college sticker prices are meaningless and what that means for you.
5. How teens can win academic scholarships despite mediocre SAT/ACT scores.
6. Where you can find the list of 850+ colleges that don't require test scores.
7. How to attend out-of-state public universities for in-state prices.
8. Why saving for college hurts less than 4% of families, who seek financial aid.
9. How to use state education compacts to cut out-of-state tuition.
10. Why the most expensive colleges can be cheaper than your own state universities.
11. Why you might qualify for financial aid even if you're affluent.
12. Identify a key number -- your Expected Family Contribution -- and why it is critical to shrinking college costs.
13. How students can win college money by living in a distant zip code.
14. How students can capture scholarships by leveraging their gender.
15. Why actual college prices are sharply lower than published ones.
16. Where to find schools that load their award packages with grants rather than loans.
17. A toll-free number to ask financial aid questions.
18. Pinpoint schools that give scholarships to nearly everyone.
19. Learn how to use the Common Data Set and why it is valuable.
20. Use a free federal database to investigate any school in the country.
21. Why it can be cheaper to have two children in college than one.
22. Learn why federally mandated net price calculators are invaluable.

This workbook contains dozens of tips to shrink the cost of college, so let's get started...

## CHAPTER 1

# Where To Find Money For College

There are four main places where you can capture scholarships and grants:

- Colleges.
- Federal government.
- State government.
- Private scholarships.

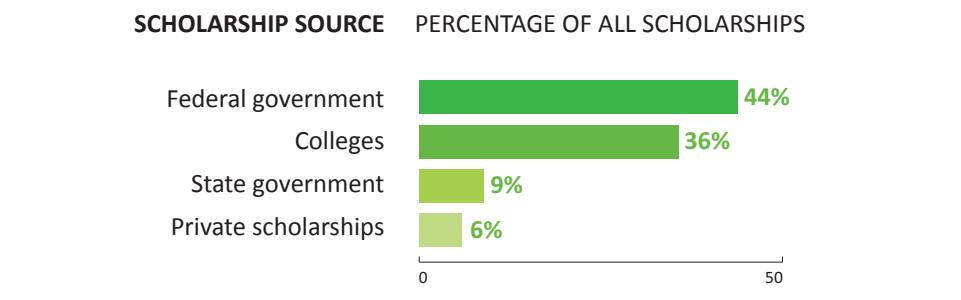
Most families assume that private scholarships represent the biggest source of cash, but that is wrong. The biggest sources of aid come from the federal government and the colleges themselves.

## Source of Scholarships

Here is the percentage breakdown of where scholarships or grants originate:



*The biggest source of aid comes from the colleges themselves.*



## Bottom Line:

In this workbook, you will learn:

1. How each of these four grant sources can provide money for college.
2. Which students qualify for these grants.
3. How you can increase your chances of obtaining money from these sources.

## CHAPTER 2

# College Sticker Prices Are Meaningless

Here is perhaps the most important lesson that you will learn in this workbook:

### **College sticker prices are meaningless.**

Why? It's simple. Most students receive scholarships and grants from one or more of the four primary sources of college assistance (See Chapter 1). Smart families rarely pay full price and neither should you.

What counts is not a college's published sticker price, but what the *net* price will be for your child after any grants and scholarships are deducted.

While tuition prices have indeed been rising above inflation for many years, the net price has been largely holding steady because of scholarships, as well as federal tax benefits, such as the American Opportunity Tax Credit, which are available to many families.

### **The Real Cost of Tuition**



*Smart families  
rarely pay full price  
and neither should  
you.*

	PUBLISHED TUITION	AVERAGE GRANTS AND TAX BENEFITS
Private colleges	\$28,500	\$15,500
State university	\$8,244	\$5,750
Community college	\$2,963	\$3,770

Despite the importance of pinpointing a college's net price, most families focus on the sticker price. According to a College Board study, 59% of students reported that the sticker price decides whether they look at a particular school.

### **Bottom Line:**

1. Don't begin the college process believing that you must pay a college's sticker price. Smart families often don't need to pay full price.
2. In reality, some of the most expensive and prestigious schools can be the cheapest because of scholarships and grants. In some cases, a private school can pencil out to be the same cost or cheaper than a state school because of tuition discounts.
3. To find affordable colleges and universities, it's best to cast a wide net and not assume initially that any colleges are out of your price range.
4. An excellent way to obtain the *net price* of a college is to use the institution's net price calculator, which all schools must post on their websites. You'll learn more about net price calculators in Chapter 12.

## CHAPTER 3

# College Grants & Scholarships

Private and state universities and colleges routinely discount their prices to students by awarding their own scholarships and grants.

Let's take a look at private institutions first and then state schools.

The merit awards or tuition discounts that you can find at private colleges are significant. Students of all income levels are eligible for these discounts.

**The average tuition discount at private schools is 51%.**

Here's an example of how these price cuts works:

<b>Private tuition sticker price:</b>	\$35,000
<b>Average tuition discount:</b>	51%
<b>Actual tuition cost:</b>	\$17,150



*The average tuition discount at private schools is 49.1%.*

### Private University Discounts

The vast majority of students attending private colleges and universities receive a tuition discount. In fact, **85%** of students pocket one.

### Why Do Private Colleges Discount So Heavily?

The practice of discounting might seem puzzling to you. Why not just charge a lower price for everyone and skip the tuition breaks? Here are the main reasons why private colleges and universities are offering such significant and widespread discounts:

1. Private schools must compete with less expensive state schools and their discounts help them remain competitive.
2. Private colleges use grants to compete among themselves for attractive prospects. One reason why they crave attractive students is because schools believe these teenagers will help them move up in the *US News & World Report's* college rankings.
3. Parents tend to think that the more expensive a college is, the better the institution. Consequently, colleges will raise their tuition just to stay in line with their competitors' price and then discount their tuition to students they covet.
4. As a general rule, the less selective the school, the greater the discounts must be to attract a new freshman class.

## State University Discounts

The price cuts that state universities offer are not as high as private colleges and universities, but the tuition isn't as expensive either.

Many state universities cut the price for students who need financial help attending colleges, as well as give price breaks to wealthy students. State institutions award affluent students with merit money for the same reason that private colleges do.

As a general rule, these affluent students are more likely to have attended top public and private high schools that have prepared them well for college. These students are also more likely to have earned higher GPAs and test scores, which count in *US News'* college rankings system. Once in college, they are also more likely to graduate in four years.

State universities are just as interested in improving their college rankings as private schools.

## Percentage of Merit Aid Not Connected To Financial Need

State flagship universities	50%
Other state universities	55%

According to the Education Trust, a nonprofit think tank, flagship public universities in all 50 states were recently awarding an average grant of \$4,158 to students in the top income quintile. In contrast, the students in the bottom quintile received an average grant of \$4,910. That's not much of a difference.

Here is a small sampling of schools scattered across the country that shows their average institutional scholarships and the percentage of students who receive them. As you can see from these sample discounts, state universities typically offer their discounts to a smaller percentage of their student body.

## State University Grants

	% Receiving Grants	Average Grant
Clemson University (SC)	58%	\$6,675
Georgia Tech University	25%	\$6,545
Indiana University	51%	\$6,212
Ohio State University	73%	\$5,515
Rutgers University (NJ)	46%	\$7,610
Penn State University	28%	\$5,805
San Diego State University	23%	\$4,357
Stony Brook University (NY)	30%	\$2,742
UCLA	52%	\$8,311
University of Arizona	69%	\$4,817
University of Colorado	41%	\$4,879
University of Florida	19%	\$3,192
University of Illinois	38%	\$4,966
University of Maryland	25%	\$3,302
University of Michigan	42%	\$9,433
University of Minnesota	74%	\$3,129
University of New Mexico	58%	\$2,715
University of North Carolina	25%	\$4,481
University of North Dakota	46%	\$2,007
University of Oregon	56%	\$2,319
University of Texas	48%	\$3,859
University of Washington	19%	\$5,067
University of Wisconsin	40%	\$4,370

## Private College Examples

	% Receiving Grants	Average Grant
Beloit College (WI)	97%	\$19,276
Bennington College (VT)	80%	\$23,342
Brigham Young U. (UT)	42%	\$3,383
Chapman University	80%	\$20,482
College of Wooster (OH)	98%	\$22,601
Denison University (OH)	95%	\$21,413
Drew University (NJ)	94%	\$20,582
Harvard University (MA)	66%	435,758
Illinois Wesleyan University	97%	\$15,690
Kalamazoo College (MI)	93%	\$17,599
Lynchburg College (VA)	97%	\$13,774
Loyola Marymount (CA)	84%	\$16,935
Mount Holyoke (MA)	82%	\$28,322
Northwestern University (IL)	56%	\$27,129
Pomona College (CA)	54%	\$32,640
Rhode Island School of Design	33%	\$19,258
Rhodes College (TN)	94%	\$18,312
Rice University (TX)	57%	\$25,523
St. Leo University	100%	\$8,061
St. Olaf College (MN)	87%	\$19,482
Swarthmore College (PA)	53%	\$32,262
Trinity University (TX)	90%	\$15,145
University of Rochester(NY)	89%	\$22,455
Willamette University (OR)	93%	\$21,460
Yale University (CT)	59%	\$35,700

## Bottom Line:

- As you can see in the examples, state universities generally offer smaller scholarships to a lower percentage of students. Private schools, which face price pressure from public universities, must offer larger grants to fill their freshmen slots.
- One reason why the published tuition price at private colleges has soared is because the schools turn around and use the extra revenue to award grants to the students they really want.
- Many colleges give the majority of their students merit awards. Notable exceptions are the most elite schools, such as Yale, Harvard and Swarthmore, where many students pay full price. The 47% of students attending Swarthmore who don't receive grants are wealthy. It's the same story at any of the Ivy League schools. The most elite schools don't need to provide scholarships to wealthy students because these students will eagerly attend these big name schools without a price break.

## To Do List:

- Obtain your own statistics on grants for any private or state institution by visiting the federal College Navigator. You'll learn how to use the College Navigator in Chapter 24.
- You can find a summary of aid policies of the 50 states by Googling a Brookings Institute report entitled, *Beyond Need and Merit: Strengthening State Grant Programs*.

## CHAPTER 4

# Cutting the Price of Out-of-State Public Schools

Students who would like to attend a public university outside their own state are often discouraged because of the high out-of-state tuition for nonresidents. Often the out-of-state tuition for these students is two to three times greater at state universities, which are squeezing nonresidents for more money as state government support dwindles.

The total cost for the most expensive schools for nonresidents is now exceeding \$50,000.

### Most Expensive State Universities for Outsiders

According to *US News & World Report*, these are the 10 most expensive state universities for nonresidents:

1. University of Michigan
2. University of Virginia
3. University of California, Irvine
4. University of California, Davis
5. College of William and Mary (VA)
6. University of California, Santa Barbara
7. University of California, Santa Cruz
8. University of California, San Diego
9. University of California, Riverside
10. University of California, Berkeley



*The most expensive schools for nonresidents are now costing more than \$50,000.*

### 5 Ways to Shrink the Cost of Out-of State Tuition

There are plenty of public universities, however, that are willing to cut their tuition for smart outsiders.

Here are five ways to cut the costs of attending a public university outside your state:

## 1. Ask about a school's tuition price breaks.

Some popular state universities will offer a cheaper tuition for top out-of-state students with impressive test scores and grade point averages. A few of the universities in this category include:

Indiana University	University of Iowa
Michigan State University	University of Minnesota
Montana State University	University of Missouri
Ohio State University	University of Oklahoma
Penn State University	University of Michigan
Purdue University	University of South Carolina
Rutgers University	University of Tennessee
University of Alabama	University of Vermont
University of Arizona	University of Wisconsin
University of Arkansas	University of Wyoming
University of Colorado	

In contrast, some state institutions, such as the University of California campuses and the University of Washington, are now accepting more out-of-state and foreign students, but they are not dispensing merit awards to them. These California institutions and other prestigious state universities elsewhere are accepting more outsiders simply because they need the extra revenue.

## 2. Widen your horizon.

Many out-of-state students aren't going to secure a price cut from an elite flagship like the University of Michigan. There are lots of schools, however, that will extend a discount to all comers. Some of the state schools slashing out-of-state prices are located in areas that have experienced a drop in college-age residents. Ask state universities if they offer price breaks to nonresidents.

## 3. Look across the border.

Schools positioned on state borders will sometimes extend price breaks to students who live just across the state line. A few schools in this category include University of Toledo (OH), Youngstown State University (OH) and East Stroudsburg University (PA) and Rhode Island College. Once again, ask schools in bordering states that interest you if they offer these price breaks.

## 4. Explore state residency requirements.

It can be tough establishing residency in another state while attending college, but it's not impossible. At some schools, such as Washburn University (KS), Northern Michigan University and Southern Illinois University, students can apply for in-state tuition after attending the school for six months. The University of Missouri, which is known for its journalism school, is a flagship that has a lenient state residency requirement.

FinAid.org maintains a list of state residency requirements. Here is the link: <http://www.finaid.org/otheraid/stateresidency.phtml>.

## 5. Check out regional reciprocity compacts.

Look for out-of-state schools that observe a reciprocity agreement with institutions in your state. Thanks to one of these agreements, you may pay the same price as a resident or capture a significant discount. Often out-of-state residents end up paying 150% of the in-state tuition price.

### Four Regional Education Compacts

**Western Undergraduate Exchange (WUE) states:** Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, North Dakota, Oregon, South Dakota, Utah, Washington and Wyoming.

**Academic Common Market states:** Alabama, Arkansas, Delaware, Georgia, Kentucky, Louisiana, Maryland, Mississippi, Oklahoma, South Carolina, Tennessee, Virginia and West Virginia. Texas, Florida and North Carolina only participate through their graduate programs.

**Midwestern Higher Education Compact states:** Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio and Wisconsin.

**New England Board of Higher Education.** The 78 public colleges and universities in the following six states participate in the tuition discount program: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont.

### Bottom Line:

1. Non-resident students can receive tuition breaks from some flagship universities, but typically non-residents need to be stellar students. Flagships are typically only interested in extending in-state tuition or scholarships to students with top grades and standardized test scores.
2. Beyond the flagships, many state universities will give nonresidents, who are smart, but not at the top of the academic heap, a cut in price.
3. Schools participating in educational compacts may have their own requirements for who receives a tuition discount. Some institutions, for instance, will only offer the discount to students pursuing certain majors or who have high grade point averages.
4. Some flagship universities will provide a free ride to National Merit finalists regardless of where they live.

### To Do List:

1. Call a university's admission or financial aid office to ask about merit awards for out-of-state students. You can also find information about out-of-state scholarships on a university's website.
2. Take a look at the list of state universities that are participating in your regional compact. Use Google to find the websites of the regional compacts.
3. If you are interested in regional compact schools, contact the institutions or look on their websites to see what the eligibility requirements are beyond state residency.
4. Pay attention to out-of-state tuition prices if your child doesn't win a discount. They can be real deal breakers.

## CHAPTER 5

# Federal Government Grants

The federal government awards its grants strictly on the basis of financial need. A large portion of the federal government's financial aid is in the form of loans. The most common are Stafford Loans, which are designed for undergraduate students. Parents can borrow through federal PLUS Loans.

### Pell Grants

The federal government awards its need-based grants through its Pell Grant program. The biggest cash awards are given through Pell Grants.

The federal government awards these grants strictly on the basis of need. The maximum Pell Grant award is currently \$5,500.

These federal college grants are largely reserved for poor and lower middle-income families. To qualify for the maximum Pell Grant, a four-person household can't make more than \$23,000. It's rare that a family of four with an income of \$50,000 would qualify for even a partial Pell Grant.



*The majority  
of the federal  
government's  
financial aid is in  
the form of loans*

To be eligible for a Pell Grant, you must file the Free Application for Federal Student Aid or FAFSA. This is the federal financial aid form that colleges across the country require if a family desires financial aid.

The FAFSA is available beginning January 1 of every year. The first time you will file the FAFSA is when your teenager is a senior in high school.

### Other Federal Grants

#### Federal Supplemental Educational Opportunity Grant

Recipients receive between \$100 and \$4,000 a year depending on a student's financial need and funding at the student's college. Recipients must be eligible for a Pell Grant.

#### Teach Grant Program

Provides an annual grant to students who intend to teach at elementary or high schools that serve poor families. Recipients must teach at these low-income schools for at least four years.

## Bottom Line:

1. The only federal financial aid that many families receive will be in the form of loans. Most federal grants are reserved for low-income and lower middle-income families.
2. Your child won't be eligible for need-based financial aid from colleges or from your state unless you complete the Free Application for Federal Student Aid (FAFSA).

## To Do List:

1. You can learn more about all federal grants, as well as other federal financial aid by visiting the Federal Student Aid website at: <http://studentaid.ed.gov/>
2. If you have financial aid questions, call the Federal Student Aid Information Center at (800) 4-FED-AID.

## CHAPTER 6

# State Grants and Scholarships

Many states provide college grants to families. Often states have formulas that dispense grants based on such factors as a student's grade point average, class rank and SAT/ACT scores.

Some states limit their own state aid to middle-class and low-income students, who need financial help to attend colleges, while others help any students, even wealthy ones, who qualify academically.

In California, for instance, the state imposes income and grade-point-average requirements for its *Cal Grants* that are given to students attending four-year colleges and universities. To qualify for a Cal Grant for a four-year school, a student must have at least a 3.0 GPA. As for income eligibility, a family of four won't qualify for a Cal Grant with an income above \$80,100.

In some states, state college grants are awarded to students solely on the basis of merit. In Georgia and Florida, for instance, students can capture large state scholarships even if their parents are wealthy.

Don't assume that these state grants are only good for public universities. Many states, including California, provide state grants to their residents who attend private colleges within their borders.

  
*Don't assume that these state grants are only good for public universities.*

### To Do List:

1. To learn more about state grant programs in your state, contact your State Higher Education Agency. You can find the contact info for the agencies in all 50 states on the US Department of Education's website. Visit the website of the appropriate state agency.
2. Your teenager could also contact the college counselor at his or her high school to discover what the requirements are for state grants.

## CHAPTER 7

# Private Scholarships

The fourth source of free college cash is private scholarships. Unfortunately, most families incorrectly believe that private scholarships are the biggest source of free college money.

The average private scholarship is worth about \$2,500. Typically these scholarships, whether a teenager snags one from the Rotary Club, a union, a community foundation or some other organization, aren't renewable. Considering the cost of college, \$2,500 won't go far.

Roughly 6% of college students receive private scholarships. There are only about 250 private scholarships that will cover all college costs.

### Private Scholarship Surprise

Here is an often-overlooked downside to private scholarships:



*The average private scholarship is worth about \$2,500.*

If your child wins a private scholarship, a college could reduce his or her financial aid package by the amount of the award. So if your child wins a \$2,000 private scholarship for left-handed, red-haired tuba players, the college could reduce the aid package by \$2,000.

Why is a student penalized for winning a private scholarship? Federal rules require that a college consider outside scholarships when calculating a financial aid package. Let's say that a family's Expected Family Contribution (See Chapter 8) is \$20,000 and the cost of the college is \$30,000. The school offers \$10,000 in financial aid to bridge the gap. If a student wins a \$2,000 scholarship, the school would shrink its financial aid package by \$2,000.

Faced with this circumstance, some schools will reduce the loans in the financial aid package by \$2,000, while other institutions would cut the grant aid by \$2,000. Some will reduce both the grant and the loan.

What a school does will sometimes depend on how much it wants a particular applicant.

### Bottom Line:

1. Most private scholarships will only offset a small percentage of your college costs.
2. Rather than spend inordinate amounts of time chasing private scholarships, teens should devote those extra hours to earning stellar grades so they can qualify for larger scholarships from the colleges themselves. That's where the big money is.

## To Do List:

1. To find private scholarships, visit scholarship sites. My favorite site is ScholarPRO. Here are five that you might want to explore:

[ScholarPRO.com](#)  
[CollegeBoard.com](#)  
[FastWeb.com](#)  
[Petersons.com](#)  
[Scholarships.com](#)

2. Check your library and with your high school counselor for local and regional scholarships. It's easier to win scholarships on a local level.
3. Ask schools on your list what their policies are regarding combining private scholarships and financial aid.

## CHAPTER 8

# Who Qualifies for Financial Aid?

"My family makes too much money to qualify for financial aid."

Many parents believe this statement, but plenty of them are wrong. In reality, most families qualify for some sort of financial aid.

This financial aid myth is a stubborn one because parents don't understand how financial aid needs are determined.

Parents commonly believe that the value of their houses, their retirement accounts and their college savings will automatically disqualify them from need-based aid. You will learn later how these sorts of assets rarely hurt a family's chances for financial aid.

The vast majority of families do qualify for financial aid. Even if you earn a six-figure income, your child could be eligible for aid at many expensive colleges and universities.

Your chances of receiving need-based aid will rise with the price of the school. A family that makes too much money to receive aid from a relatively inexpensive state institution could qualify for tens of thousands of dollars at pricey private schools.



*In reality, most families qualify for some sort of financial aid.*

## Why You Need Your Expected Family Contribution

To get a rough idea of where you stand, you should use a simple financial aid calculator that will produce your **Expected Family Contribution (EFC)**.

The EFC is what colleges will expect a family to pay, at a minimum, for one school year. Your EFC will help colleges, as well as the federal and state governments, determine if you need help in paying for your child's education.

The smaller your EFC -- it can be as low as \$0 -- the better the odds of a family receiving need-based financial aid. There is no ceiling on how high an EFC can be. The more wealth and income you have, the higher your EFC.

## Obtain Your Expected Family Contribution

To get started, head to [CollegeBoard.org](https://CollegeBoard.org) and type **EFC calculator** into the search engine in the site's upper right hand corner. This calculator will generate an estimate of your EFC.

The EFC calculator will ask whether you want to obtain your EFC using the federal or institutional methodology or both:

### Formula

Select the formula method to use

- Federal Methodology (FM)
- Institutional Methodology (IM)
- Both FM & IM

Fill in the circle for *both* methodologies since at this point you don't want to limit your school choices.

The vast majority of colleges and universities in this country only use the federal methodology. You will learn what your official federal EFC is when you submit your **FAFSA** or **Free Application for Federal Student Aid** during your child's senior year in high school.

About 250 selective mostly private colleges require an applicant to complete the **CSS/Financial Aid PROFILE**, which uses the institutional formula. Here is the PROFILE link: <https://profileonline.collegeboard.com/>

The EFC generated by the institutional formula can be different from the federal EFC because it drills deeper into a family's finances.

### EFC Questions

If you have the documents you need, the EFC calculator should only take a few minutes -- if that -- to complete. Here are the types of questions it will ask:

- Number of people in household.
- Marital status of parents.
- Age of parents.
- Age of children.
- Number of children in college.
- Adjusted gross income from the most recent calendar year.
- Income taxes paid for most recent calendar year.
- Any claimed education tax credit.
- Medical expenses.
- Cash, savings, checking total.
- Non-retirement investments.
- Business equity.

Plug in the required figures. The calculator will produce an estimated EFC for the federal methodology and another EFC for the institutional methodology.

### EFC Questions

To illustrate how handy the EFC calculator is I used a hypothetical 55-year-old couple, which has a total gross adjusted income of \$150,000. Their teenage son had earned \$2,000 a summer job and had \$500 in the bank.

The family has \$100,000 in home equity and \$50,000 in college accounts and taxable assets. (The EFC formulas don't consider a family's assets in qualified retirement accounts such as 401(k) and 403(b) plans, as well as Individual Retirement Accounts.) The couple also has a 16-year-old daughter.

Here are the EFC calculator results:

#### Federal Methodology (FM) Results

Parents' Contribution for Student =	\$31,326
-------------------------------------	----------

Student's Contribution =	\$100
--------------------------	-------

Total Estimated FM Contribution =	\$31,426
-----------------------------------	----------

#### Institutional Methodology (IM) Results

Parents' Contribution for Student =	\$25,802
-------------------------------------	----------

Student's Contribution =	\$1,925
--------------------------	---------

Total Estimated IM Contribution =	\$27,727
-----------------------------------	----------

Okay so what do these figures mean?

Let's take the federal EFC estimate first. This family would be expected to pay, at a minimum, \$31,426 for one year of their son's college education. If the school cost less than that amount, the student would receive no need-based financial aid.

In this situation, however, a student could qualify for a merit scholarship from the school, which is not tied to need.

If the student was applying to an expensive private school that uses the institutional methodology he could be in line for significant need-based aid.

Sometimes the EFC using both methodologies will be similar, but sometimes there will be variations.

#### Bottom Line:

1. You should not assume that your family wouldn't qualify for financial aid. Many families are eligible for financial aid.
2. An affluent family may qualify for need-based aid at an expensive private college, but receive nothing from a state school. Consequently, it's important not to dismiss private colleges as unaffordable until you've done further number crunching.
3. One of the most critical things you can do as you explore college possibilities is to get a preliminary idea of what your financial obligations will be. A great way to measure this is to obtain your EFC through the online calculator at the College Board.
4. Don't wait until your child is a high school senior to use an EFC calculator. It's best to get a ballpark idea of what your EFC will be as early as your child's freshman year in high school. Using the calculator will give you a good idea of how much money you will need for college.

## To Do List:

1. Obtain your EFC by using the College Board calculator.

This is my estimated federal EFC: \_\_\_\_\_

This is my estimated institutional EFC: \_\_\_\_\_

2. Plug new numbers into the EFC calculator if your financial situation changes due to a divorce, death, disability, job loss or the care of an elderly parent.
3. Check to see if any private colleges that might interest your child use the CSS/Financial Aid PROFILE. Google the term *PROFILE* and you'll find the home page and the list of member schools.
4. Keep in mind that the EFC produced by the institutional methodology can vary since schools may tweak their own formulas.

## CHAPTER 9

# Financial Aid and Divorce

In the financial aid process, many schools treat students with divorced parents differently. Some teenagers of divorced parents may end up qualifying for need-based aid even if they wouldn't have qualified if their parents had stayed together.

To illustrate how schools treat families of divorce differently, I'm using a real example of a teenager, whom I'll call Sophia.

Sophia was a high school senior with a near perfect high school GPA, who also did very well on the SAT. She split her time between her mom, who makes a six-figure salary, and her father, who is underemployed and earns far less.

### Applying to FAFSA Schools

The best way for Sophia to have gotten the highest financial aid packages possible would have been to apply to schools that just use the FAFSA or Free Application for Federal Financial Aid.

  
*Some teenagers of divorced parents may end up qualifying for need-based aid even if they wouldn't have qualified if their parents had stayed together.*

The FAFSA only asks about the income of the *custodial* parent. For financial aid purposes, the custodial parent is the one whose residence the child lived at for more than 50% of the year.

So if Sophia lived with the dad six months and a day and the mom the rest of the year, the dad would fill out the FAFSA. He would include his income, but not his ex-wife's. There is no guarantee that FAFSA schools won't require their own supplemental financial aid documents that would pick up the ex-wife's income, but often this is not the case.

In addition, the FAFSA doesn't care if the parent filling out the application owns a house. This is a big plus for families with home equity.

If the custodial parent remarries, the income and assets of the new spouse must be included in the FAFSA. This is required even if a couple has signed a prenuptial agreement stipulating that a husband or wife will not be providing money for college.

### CSS Financial Aid/ PROFILE

Sophia, however, applied to schools that use an additional financial aid document – CSS/Financial Aid PROFILE – that delves far deeper into the family's finances. Most PROFILE schools, nearly all of them private institutions, also want to know about the finances of the non-custodial parents. These schools also ask about home equity.

## Colleges on Sophia's List

Here were some of the PROFILE schools that Sophia applied to:

Reed College	Boston College
Sarah Lawrence	Fordham University
Boston University	

Because Sophia was required to share her mom's high income on the financial aid form, her aid packages dropped significantly in value. After providing both parents' income on the PROFILE, she received financial aid packages worth \$15,000 to \$18,000 a year from schools that charge \$50,000+. The financial aid, while appreciated, left a potential college tab that was still far more than what this family could afford.

Beyond applying to FAFSA schools, where the financial aid packages would have been much higher, Sophia could have checked the PROFILE schools that don't ask about the non-custodial parent's income.

You can find these schools by looking at the list of PROFILE colleges and universities on the College Board's website. When I looked at the PROFILE list, here are some of the prestigious schools that I saw that don't use the non-custodial parent forms:

Bentley University	Gettysburg College
Bucknell University	Lewis and Clark College
Carnegie Mellon	Whitman College
DePauw University	College of Wooster

If Sophia had applied to schools that didn't ask about the finances of her mom, Sophia would have obtained more financial aid.

## Bottom Line:

1. If money is an issue, determine how colleges on your child's list treat financial aid when an applicant's parents are divorced.

## To Do List:

1. If your child is interested in applying to schools that use the PROFILE, look at the member list to see which ones do not request financial information from the non-custodial parent.

Here is the link for the PROFILE's home page: <https://profileonline.collegeboard.com/>. Once on the page, click on the link that will direct you to the *list of colleges, universities, and scholarship programs*.

## CHAPTER 10

# Compare Your EFC With Cost of College

In Chapter 8, you learned how to obtain a preliminary Expected Family Contribution (EFC). By itself, your estimated EFC will not provide the answer to whether you will qualify for financial aid.

You won't know if you'll qualify for assistance without also possessing the price of a particular college. That's because you will subtract your **EFC** from a college's **cost of attendance**. This equation will generate what's called your **demonstrated financial need**.

Your demonstrated financial need is the figure that represents the amount of money that you would require from outside sources to help with the cost of college.

Each school will generate its own cost of attendance that typically includes:

- **Tuition and fees.**
- **Room and board.**
- **Transportation.**
- **Books.**



*You will subtract your EFC from a college's cost of attendance.*

## Obtaining a College's Cost of Attendance

Here's an easy way to find the cost of attendance at any college:

1. Head to the College Board's website.
2. Type the name of any college into the *College Search* box.
3. Once at a school's profile click on the *Paying* link.

## EFC Examples

To illustrate how you can obtain your demonstrated financial need figure, I'm using a private institution and a state university as examples.

### Georgetown University

In this example, the parents have an EFC of \$21,000 and their child has been accepted to Georgetown University.

You can get a good idea of Georgetown's cost of attendance by clicking its *Paying* link on the left hand side of the school's profile.

	On Campus	Off Campus	At Home
Tuition and fees	\$42,870	\$42,870	\$42,870
Room and board	\$13,836	--	\$2,248
Books and supplies	\$1,200	\$1,200	\$1,200
Estimated personal expenses	\$1,832	\$1,352	\$1,352
Transportation expenses	\$650	\$1,290	\$650
<b>Estimated Total</b>	<b>\$60,388</b>	<b>\$46,712</b>	<b>\$48,320</b>

When you add up Georgetown costs, the tab comes to \$60,388.

In this example, you'd subtract the family's \$21,000 EFC from Georgetown's cost:

\$60,388	Georgetown's costs
- <u>\$21,000</u>	Family's EFC
<b>\$39,388</b>	<b>Demonstrated financial need</b>

In the Georgetown example, the hypothetical family could be eligible for up to \$39,388 in financial aid.

## San Diego State University

Now let's use the same EFC of \$21,000 and see if the family would qualify for aid at the lower cost San Diego State University. Here are the state university's costs for the 2011-2012 school year:

	On Campus	Off Campus	At Home
Tuition and fees	\$6,578	\$6,578	\$6,578
Room and board	\$11,549	\$10,533	\$3,863
Books and supplies	\$1,661	\$1,661	\$1,661
Estimated personal expenses	\$2,694	\$2,810	\$2,897
Transportation expenses	\$1,338	\$1,714	\$1,379
<b>Estimated Total</b>	<b>\$23,820</b>	<b>\$23,296</b>	<b>\$16,378</b>

In this example, you'd subtract the family's EFC from San Diego State's costs:

$$\begin{array}{rl}
 \$23,820 & \text{San Diego State's costs} \\
 - \$21,000 & \text{EFC} \\
 \$2,820 & \text{Demonstrated financial need}
 \end{array}$$

The family's EFC is nearly identical to the cost of San Diego State. There would be no chance for need-based financial aid.

## Bottom Line:

1. By itself, your EFC figure is meaningless. You won't know if you will qualify for financial aid without comparing it to the cost of a particular college.
2. At an expensive private school, far more families will qualify for need-based aid than at a modestly priced state university.

Just because a family demonstrates a high amount of need doesn't mean the student will receive enough assistance. Most schools, except for the most elite, do not meet 100% of need.

## CHAPTER 11

# EFC and Cost of Attendance Worksheet

After obtaining your preliminary EFC, the next step is to determine your own demonstrated financial need for various colleges. Remember, your demonstrated financial need will vary based on the school's price tag.

### Bottom Line:

1. By itself, your EFC number is meaningless. You won't know if you would qualify for financial aid unless you subtract your EFC from a school's cost of attendance to obtain your demonstrated financial need.
2. If you have a low EFC and a high demonstrated financial need, you will want to look for schools that provide generous need-based financial aid packages. The most valuable schools are the ones that stuff their financial aid awards with grants rather than loans.
3. **If you are wealthy and have a high EFC and little or no demonstrated financial need, you should aim for schools that provide scholarships for affluent students. The vast majority of schools in this country fit into this category.**



*Your demonstrated financial need will vary based on the school's price tag.*

### To Do List:

1. Select at least two colleges and calculate your demonstrated financial need.

**← College No. 1 →**

College: \_\_\_\_\_

Tuition & fees: \_\_\_\_\_

Room & board: \_\_\_\_\_

Books & supplies: \_\_\_\_\_

Personal expenses: \_\_\_\_\_

**TOTAL COSTS:** \_\_\_\_\_

Your EFC: \_\_\_\_\_

TotalCostsminusEFC=\_\_\_\_\_ DemonstratedFinancialNeed

**← College No. 2 →**

College: \_\_\_\_\_

Tuition & fees: \_\_\_\_\_

Room & board: \_\_\_\_\_

Books & supplies: \_\_\_\_\_

Personal expenses: \_\_\_\_\_

**TOTAL COSTS:** \_\_\_\_\_

Your EFC: \_\_\_\_\_

TotalCostsminusEFC=\_\_\_\_\_ DemonstratedFinancialNeed

## CHAPTER 12

# The New College Cost Calculators

One of the most infuriating aspects of the college admission process is this: families usually won't know what a college is going to cost until they receive their financial aid package.

Often this critical information doesn't arrive until the spring, which gives families little time to digest the information and select a school by the deposit deadline -- usually May 1.

### It's About Time

These spring surprises should now be far less common. Thanks to a federal mandate, colleges and universities across the country have installed cost calculator on their websites. These so-called net price calculators are a tremendous boon to families.

Thanks to these calculators, a family can obtain a reasonable idea of what a college will cost their household after any merit awards or need-based grants are subtracted. The calculator will provide a dollar figure after a family inputs such information as a teenager's GPA, test scores and class rank, as well as a family's income and other financial information.

Using a calculator, the cost of a \$50,000 college, for some families, might shrink to \$20,000 or \$10,000 or lower. For other families, the cost really will be \$50,000.



*Thanks to a federal mandate, colleges and universities across the country have installed cost calculator on their websites.*

### Cost Calculators: The Good & Bad

Not all net price calculators are equally helpful.

Some consumer advocates lobbied for simple calculators so that they wouldn't discourage families, especially low-income parents, from using the tool. That's a big reason why the calculator template offered by the federal government asks fewer questions than many calculators created by outside firms or by the schools themselves.

Some of the simpler calculators won't include merit aid calculations. Consequently, affluent families, who use these calculators, might assume that they have to pay full price even though their children might qualify for merit (non-need-based) aid that's given to wealthier applicants.

There are so many different types of calculators - from very basic ones to sophisticated ones - that families won't be comparing apples to apples.

## Bottom Line:

1. Net price calculators produce a dollar figure that should be close to what you pay after grants/scholarships are deducted from the price tag.
2. You can use these cost calculators to steer clear of stingy colleges and universities that provide lousy financial aid packages. These schools excel at producing graduating classes that are burdened with debilitating debt.
3. Higher-income families have been three times more likely than low-income households to use net price calculators to determine what the actual price of a college would be.
4. The more questions that a net price calculator asks, the more likely it will be accurate. Be careful of calculators that ask only a handful of questions.

## To Do List:

1. Be careful when inputting your information into a calculator. If the outcome seems wrong, try again. Ask a school's financial aid office if you aren't sure what information is needed.
2. Ask schools if their calculators include merit aid.
3. Don't use the cost calculators exclusively. You'll also want to talk with staffers in the financial aid offices.
4. It can be hard to find net price calculators on some schools' websites. If you are experiencing trouble, try Googling the term net price calculator and the name of the institution.

## CHAPTER 13

# How Generous Is This College?

If you expect to receive financial assistance, and most families will, you should look for schools that provide healthy financial aid packages.

Many colleges brag about their financial aid policies, but plenty of them are stingy. It's important that you be able to pinpoint schools with attractive aid policies, as well as those that aren't generous.

When measuring a school's financial aid generosity, this is the first question you must ask:

### What percentage of financial need does this school usually meet?

Colleges with gold-plated financial aid policies will meet most or even 100% of a student's demonstrated financial need. Here's an example of a college that meets 100% of a student's need:

<b>Family's EFC:</b>	\$15,000
<b>Cost of school:</b>	\$50,000
<b>Family's demonstrated need:</b>	\$35,000
<b>College's financial aid package:</b>	\$35,000

The vast majority of colleges aren't wealthy enough to provide students with 100% of their financial aid needs. About five-dozen institutions promise to meet 100% of a student's demonstrated need. In the next chapter, you will see the list of 59 colleges with excellent aid policies.

  
*Many colleges brag about their financial aid policies, but plenty of them aren't generous.*

The schools with the best financial aid policies are often referred to as *no-loan schools*. They are called no-loan schools because they do not include loans in their financial aid packages for families with certain income levels. Instead the institutions use grants, which don't have to be repaid, and typically a work-study opportunity for students.

### Bottom Line:

1. Elite schools tend to provide greater aid packages. Schools, such as the Ivy League universities, have endowments that can be in the billions of dollars.
2. Don't assume that all wealthy schools provide excellent financial aid packages. New York University, for instance, is a wealthy institution that offers mediocre financial aid. According to the latest available statistics, this extremely popular school only meets 69% of the typical student's financial needs and that includes loans. NYU's yearly tab will easily exceed \$59,000. For many students attending NYU will pose a real financial hardship.

## CHAPTER 14

# What are the Nation's Most Generous Colleges?

The most generous schools in the country are also among the most selective.

Schools like Yale University, Princeton University, Amherst College, Pomona College, University of Pennsylvania and Haverford College are extremely hard to get into, but if your child is accepted into one of these schools -- and needs financial aid -- you've struck gold. That's because these institutions are committed to meeting 100% of a student's demonstrated financial need.

Of course, if a college met 100% of a student's need with education loans it wouldn't be a great deal. Many of the colleges on this list, however, are considered no-loan schools. The institutions in this exclusive group don't include loans in their financial aid packages for families of a certain income level, which varies from school to school.

**Here's an example:** Your child gets into Swarthmore College in Pennsylvania and your EFC is \$20,000. Recently, Swarthmore's cost of attendance was about \$58,000. So the gap between what you would be expected to pay and what Swarthmore costs would be about \$38,000. Swarthmore would provide a financial aid package that would include \$38,000 worth of grants and typically a work-study job.

Most of the schools on the following list, which was compiled by *US News & World Report*, provide financial packages that are limited to grants and work-study, while others include only a modest loan.

**Schools like  
Yale University,  
Princeton  
University, Amherst  
College, Pomona  
College, University  
of Pennsylvania and  
Haverford College  
are extremely hard  
to get into, but  
if your child is  
accepted into one of  
these schools -- and  
needs financial aid --  
you've struck gold.**

## 59 Top Schools for Financial Aid

Amherst College (MA)	Boston College (MA)
Bates College (ME)	Brown University (RI)
Bowdoin College (ME)	Cal Tech (CA)
Bryn Mawr College (PA)	Clairemont McKenna (CA)
Carleton College (MN)	Colgate University (NY)
Colby College (ME)	Columbia University (NY)
College of the Holy Cross (MA)	Cornell University (NY)
Dartmouth College (NH)	Davidson College (NC)
Duke University (NC)	Emory University (GA)
Franklin Olin College of Eng. (MA)	Georgetown U. (Wash. DC)
Gettysburg College (PA)	Grinnell College (IA)
Hamilton College (NY)	Harvard University (MA)
Harvey Mudd College (CA)	Haverford College (PA)
Macalester College (MN)	Massachusetts Institute of Technology (MA)
Middlebury College (VT)	Mount Holyoke College (MA)
Northwestern University (IL)	Oberlin College (OH)
Occidental College (CA)	Pitzer College (CA)
Pomona College (CA)	Princeton University (NJ)
Scripps College (CA)	Rice University (TX)
St. Olaf College (MN)	Smith College (MA)
Swarthmore College (PA)	Stanford University (CA)
Trinity College (CT)	Thomas Aquinas College (CA)
University of Chicago (IL)	Tufts University (MA)
University of Pennsylvania	University of North Carolina
University of Virginia	University of Pennsylvania
Washington and Lee U. (VA)	University of Richmond (VA)
Wellesley College (MA)	Vassar College (NY)
Williams College (MA)	Washington University (MO)
Barnard College (NY)	Wesleyan University (CT)
	Yale University (CT)

### Bottom Line:

1. The vast majority of private and public colleges and universities can't provide the sort of sweet deal that the schools on this list offer.
2. To increase their chances for excellent financial aid, teenagers need to focus on being the best students possible. It's the top students who can gain admittance to the most elite institutions.

## CHAPTER 15

# Grants versus Loans

When evaluating the generosity of a school, here's an important question to ask:

### What is the college's average breakdown of loans versus grants?

It's best to focus on schools that stuff their aid packages with grants rather than loans. As a practical matter, nearly all schools will also use loans in their packages so you will want to pay attention to the percentage of loans versus grants.

Here are a few examples of the average percentage breakdown of grants versus loans/work-study jobs at schools throughout the country:



*It's best to focus on schools that stuff their aid packages with grants rather than loans.*

	Grants	Loans/Wk-Study
Amherst College	92%	7%
Boston Conservatory	61%	39%
Butler University	64%	36%
Creighton University	67%	33%
Davidson College	89%	11%
Drake University	57%	43%
Emerson College	53%	47%
Indiana University	45%	55%
Grinnell College	88%	12%
Grove City College	60%	40%
Mount Holyoke	82%	18%
Pomona College	92%	8%
Rice University	91%	11%
Stanford University	92%	8%
SUNY U. at Binghamton	69%	31%
Taylor University	63%	37%
University of Illinois	48%	52%
University of Massachusetts	57%	43%
University of Miami	72%	28%
University of Texas	50%	50%
Whitman College	83%	17%
Washington U. St. Louis	85%	15%
Penn State University	39%	61%

## Bottom Line:

1. The most elite institutions tend to have the best packages. Beyond this small cohort, the break down of grants and loans will vary significantly.

## To Do List:

1. Check out the breakdown of loans vs. grants of schools on your list. You can find these statistics by calling up a school's profile on the College Board's website.

After pulling up the profile, click on the school's *Paying* tab. You'll see a pie chart with a breakdown of scholarships and loans. The site doesn't mention that the loan percentage also includes work-study compensation.

## CHAPTER 16

# Why Saving for College Won't Hurt Financial Aid Chances

While many families will qualify for financial aid -- especially if they apply to private schools -- you might be worried that saving for college has ruined your chances for financial aid. It's a very common anxiety.

Here are four reasons why most parents don't need to worry:

### **1. It's rare that parents are penalized for their savings.**

Parents' savings rarely impact financial aid awards. In fact, **less than 4%** of families who complete financial aid forms are penalized for their savings.

If your family makes less than \$50,000, the household's assets aren't even considered in the FAFSA formula. What's more, even families earning a higher income enjoy an asset allowance so typically none of their net worth will hurt their chances for financial aid.



*Parents' savings rarely impact financial aid awards.*

### **2. Colleges don't care how much you've saved for retirement.**

This is true whether your child ends up applying to a state university or a private college. The FAFSA doesn't even ask about retirement assets, whether the cash is in 401(k) plans, Individual Retirement Accounts, SEP-IRAs or other qualified retirement plans. Even if you've saved \$10 million for retirement it shouldn't hurt your chances for financial aid.

Schools that use the CSS/Financial Aid PROFILE, which is the financial aid application for about 250 private schools, rarely penalizes parents for their retirement savings.

### **3. Parents can also shelter non-retirement money.**

The financial aid formulas will also let you shield some of your non-retirement money. You might be surprised at how much money the federal formula allows you to protect. It's all based on the age of the oldest parent.

Let's say the oldest parent is 55. According to the federal chart, the family would be able to shield \$53,400 in college account money, as well as any other cash laying around in taxable accounts such as brokerage accounts. When the oldest parent is 45, the asset allowance drops to \$41,300.

The allowance would be lower, however, if there is only one parent in the household.

**Table A5: Education Savings and Asset Protection Allowance**  
for EFC Formula Worksheet A (parents only)

Age of older parent as of 12/31/2012*	Allowance if there are two parents	Allowance if there is only one parent	Age of older parent as of 12/31/2012*	Allowance if there are two parents	Allowance if there is only one parent
25 or less	\$0	\$0	45.....	\$41,300	\$14,200
26.....	2,400	800	46.....	42,300	14,500
27.....	4,900	1,700	47.....	43,400	14,900
28.....	7,300	2,500	48.....	44,400	15,200
29.....	9,700	3,400	49.....	45,500	15,600
30.....	12,200	4,200	50.....	46,600	16,000
31.....	14,600	5,100	51.....	48,000	16,300
32.....	17,000	5,900	52.....	49,200	16,700
33.....	19,500	6,800	53.....	50,700	17,100
34.....	21,900	7,600	54.....	51,900	17,500
35.....	24,300	8,500	55.....	53,400	17,900
36.....	26,800	9,300	56.....	54,700	13,500
37.....	29,200	10,200	57.....	56,300	18,900
38.....	31,600	11,000	58.....	58,000	19,400
39.....	34,100	11,900	59.....	59,700	19,900
40.....	36,500	12,700	60.....	61,400	20,400
41.....	37,500	13,000	61.....	63,100	20,900
42.....	38,400	13,300	62.....	65,000	21,500
43.....	39,300	13,600	63.....	66,800	22,100
44.....	40,300	13,900	64.....	68,700	22,700
			65 or over...	71,000	23,300

\*Determine the age of the older parent listed in FAFSA/SAR #63 and #67 as of 12/31/2012.

If no parent date of birth is provided, use age 45.

The PROFILE's formula also includes an asset allowance, but it's not based on the age of the oldest parent. It's more heavily weighted towards the number of children in the household — whether or not they are in college.

#### 4. Even super savers aren't penalized heavily.

Even parents who have saved a significant amount of money in college accounts or taxable, non-retirement accounts will typically see a minimal impact on their chances for need-based financial aid.

Here's an example using hypothetical 50-year-old parents:

The parents have saved \$100,000 that's divided between a 529 plan and a taxable brokerage account.

When you subtract their allowance of \$46,600 (see federal table), the family will have \$53,400 subject to financial aid calculations.

Colleges, however, don't say: Oh goodie, you can spend that entire \$53,400 on a child's education! No, the financial aid formula only assesses the parents' assets at a maximum rate of 5.64%. Keep in mind that 529 plans are considered parent assets -- not a child's.

The calculation would go like this:

$$\$53,400 \times 5.64\% = \$3,012$$

The figure \$3,012 would be the amount that would be tacked on to the family's EFC, which is the amount of money that a family, at a minimum, is expected to pay for college.

So saving \$100,000 would only reduce this family's financial aid's amount by \$3,012. It hardly seems worth worrying about.

### Bottom Line:

1. Saving for a child's college years rarely hurts financial aid considerations. It's always good to save for college.
2. Retirement assets, such as IRA's and 401(k) plans, aren't counted in financial aid calculations.
3. Teenage assets weigh more heavily on financial aid calculations. A student's assets are assessed at 20% for financial aid purposes. Schools using the PROFILE will assess student assets at 25%. Students, however, usually do not have an appreciable amount of money to make a difference in changing the size of a financial aid package.

### To Do List:

1. Take an inventory of your net worth. How much money do you have in retirement accounts versus taxable and college accounts that will be assessed for financial aid purposes?
2. Check the federal table in this chapter to see what your federal savings and asset allowance would be.

## CHAPTER 17

# Awarding Merit Money to Wealthy Students

If your family is wealthy, your child will not qualify for need-based financial aid. You can determine if you'll be ineligible for need-based assistance by calculating your Expected Family Contribution. (See Chapter 8.)

Wealthy families, however, are hardly out of luck. The vast majority of private and state colleges and universities offer merit scholarships and grants to well-off students.

### Merit Aid Exception for Wealthy Students

There are probably only three dozen or so colleges in the country -- if that many -- that do not dispense merit awards to affluent students. The most notable are the Ivy League schools. These universities don't have to award merit scholarships to wealthy students because rich teenagers will attend these schools even if they don't receive a price cut.

### Why Colleges Give Merit Awards to Affluent Students

  
*Colleges believe affluent students can help them raise their academic profile, which they hope will increase their US News & World Report rankings.*

1. Many private colleges give preferential treatment to students from wealthy families because they can help a school's bottom line by paying closer to full fare. This practice can then allow a college to give more aid to less fortunate kids.
2. Colleges believe affluent students can help them raise their academic profile, which they hope will increase their *US News & World Report* rankings. These students often begin college with higher test scores and grade point averages, which are statistics that influence *US News'* college rankings.
3. The competition for affluent students is fierce. Consequently, hundreds of private colleges, which are positioned below the Ivy League, have to offer tuition breaks to attract these coveted students.
4. With more families requiring financial help during these difficult economic times, affluent families can be in even greater demand. Many private colleges will put a cap on the number of students, who have a high financial-aid need, which they will accept. When a college has run out of aid money, it will accept students from wealthy households.

## Checking for Merit Aid for Rich Students

- If your family will not qualify for financial aid be sure to check whether schools on your child's list include institutions that provide merit scholarships to affluent students. Not doing so could cost you tens of thousands of dollars.

### Here's an example:

A wealthy teenage girl gets into Georgetown University, an elite school with a high college ranking. This school does not provide merit scholarships for rich students. Consequently, the annual tab for tuition and room/board would be nearly \$57,000.

The same teenager gets into American University, also in Washington, DC, which isn't as high in the college rankings. This school costs about \$53,400 for tuition/room and board. American's average merit scholarship for wealthy students is \$19,686 a year. That makes the four-year scholarship worth \$59,072.

	FOUR YEAR COST	SCHOLARSHIP	WHAT YOU PAY
Georgetown U.	\$228,000	\$0	\$228,000
American U.	\$213,600	\$59,072	\$154,528

Ultimately, this family would have to ask itself whether Georgetown is worth an extra \$73,472. It's the family's call, but they should understand the financial implications before a child applies to any colleges.

### Bottom Line:

- The more elite the institution, the less likely it awards merit scholarships to rich students. When a school with a high college ranking does dispense merit awards, the amount is usually quite small. Schools that fit into this category include Stanford and Northwestern universities, as well as Bowdoin and Carleton colleges.

### To Do List:

- To determine if a school provides merit scholarships for wealthy families, check its Common Data Set or the merit aid statistics available at [COLLEGEdatabase.com](http://COLLEGEdatabase.com). (See Chapters 22 and 23 for information on the Common Data Set and COLLEGEdatabase.)
- Examine a college's profile on CollegeBoard.com. Click on the school's *Paying* link and then click on the *Policies & Stats* link.

On the right-hand side of the page, you'll see a category called *Average Non-Need-Based Aid*. Check to see what the dollar amount is. Non-need-based aid is higher-ed jargon for merit scholarships for rich students. The higher the figure, the greater the average merit award will be.

## CHAPTER 18

# Increasing Your Chances for Grants & Scholarships

How can your child increase his or her chances of getting cash from colleges?

The best way that students can ensure that they snag an award is to boost their GPA. When colleges and universities decide who will earn the biggest aid and merit packages, it's often a student's GPA that is the most important factor.

A recent study by the National Association for College Admission Counseling polled private and state universities across the country to see what criteria were most important when handing out grants and scholarships. Here are the results:

### Most Important Scholarship Criteria for Private Schools

1. High school grades 75.8%
2. SAT/ACT 73.8%
3. Talent (music, artistic etc) 44.4%
4. Class rank 39.9%
5. Athletic ability 19.4%
6. Legacy status 11.7%



*The best way that students can ensure that they snag some of this serious cash is to boost their GPA.*

### Most Important Scholarship Criteria for Public Universities

1. SAT scores 83%
2. High School grades 79%
3. Class rank 47%
4. Talent 30%
5. Athletic ability 29%
6. Legacy status 11%

### Other Scholarship Criteria...

Colleges will compare your child's transcript in the context of what his or her high schools offered in regards to honors and Advanced Placement classes.

Here are other criteria:

## Gender

About 57% of college students are female. At many private colleges, the student population is 60% female or more. Some college administrators believe that a tipping point is reached when women make up more than 60% of a student body. Consequently, when that happens both female and male applicants will sometimes cross a school off their lists.

To keep a school from becoming too lopsided, some admissions offices will make it easier for young men to gain admission. Jennifer Delahunty Britz, the dean of admissions and financial aid at Kenyon College, a prestigious liberal arts college in Ohio, generated a huge storm of controversy years ago when she admitted this reality in an op-ed piece in *The New York Times*.

On the flip side, women can enjoy an advantage at schools that specialize in engineering and technology. Recently, for instance, Harvey Mudd College, which has a strong engineering bent, accepted 15.3% of male applicants and 40.7% of female applicants.

You can locate a school's gender admission statistics in a college's Common Data Set. See Chapter 22 to learn what a Common Data Set is.

## Geography

Geography can also influence awards. A student from a different region may enjoy a better chance at admission and a larger award than someone who lives 100 miles away.

Being a student from outside New York state was worth an average of \$2,000 a year in merit money per student for a recent freshmen class at the University of Rochester.

Colleges and universities crave geographic diversity. They want to brag that they have students from all 50 states, as well as some foreign countries. Having a student body that hails from across the country and the world can provide for a richer educational experience.

## Income Level

As I mentioned in Chapter 17, a student from an affluent family will sometimes enjoy a better chance at obtaining a scholarship from private schools than other applicants. Why? Because giving a partial scholarship to a well-off student will be cheaper for a college than providing a huge financial aid package to a low or middle-income student.

## Bottom Line:

1. At private schools, the decision on whether a student will receive a scholarship is typically a more holistic decision. An admission office will look at many factors including those that have nothing to do with academics. Students can take advantage of this by playing up their strengths. For instance, a student might have a better chance at obtaining a large scholarship at a school that is two or three time zones away -- due to geographic diversity -- than if he looked in his own state.
2. State universities are less likely to take a holistic approach to admissions. With so many applicants, state institutions are more likely to rely heavily on grades and standardized test scores for admission decisions.
3. Because grades can be so important in a college's scholarship decisions, it makes more sense for teenagers to concentrate on improving their high school grades (study harder!) than to spend much time looking for modest outside private scholarships.

## CHAPTER 19

# Scholarships Aren't Just for "A" Students!

Colleges used to reserve scholarships for only a handful of students in each crop of high school seniors. Teenagers who were National Merit Scholarship winners or valedictorians tended to monopolize scholarships from colleges. That hasn't been the case for many years.

At plenty of schools, "B" students and even "C" students can win price cuts from colleges. Students who don't test well on the SAT or ACT can also capture tuition breaks. At some private colleges, nearly everyone receives some type of price break.

### SAT-Optional Schools

Many parents worry that their teenagers, who performed poorly on the SAT or ACT, won't qualify for generous grants. At hundreds of schools, however, this will not be a deal breaker.

A growing number of colleges don't care if your child gets a bad SAT or ACT score. In fact, there are roughly 850 schools that don't mandate SAT or ACT scores as part of their college admission process. This represents about a third of all accredited bachelor-degree granting institutions.

The number of schools making the SAT and ACT scores optional is growing slowly as critics question the usefulness and fairness of these standardized tests. Among the test-optional schools are about a third of the nation's top 100 liberal arts colleges.

  
*Students who don't test well on the SAT or ACT can also capture tuition breaks.*

Here are some prominent test-optional liberal arts colleges:

Bates College	Smith College
Lewis and Clark College	Mount Holyoke College
Pitzer College	Furman University
Lawrence University	College of the Holy Cross
Dickinson College	Muhlenberg College
Connecticut College	Lake Forest College
Wheaton College (MA)	Denison College
Juniata College	Knox College
Franklin & Marshall College	Gettysburg College

Sarah Lawrence College went a step farther than the schools on the list. The private school in New York has not wanted to see any SAT or ACT scores from applicants. The school, however, recently said it would accept these scores.

Test-optional policies are rare among selective universities because there is typically a greater emphasis on the numbers -- grade point averages, test scores and class rank.

Because universities, and particularly public institutions, receive much larger volumes of applications than colleges, they don't have the luxury of using a holistic admission practice.

Selective universities that have adopted test-optional policies include American University, DePaul University, New School, Worcester Polytechnic, University of Arizona and Wake Forest University

### Bottom Line:

1. Teenagers who do poorly on the ACT and SAT can still qualify for admittance at excellent colleges and universities through test-optional policies.
2. At less selective schools, which are where the majority of college students attend, mediocre test scores will often not be a problem.

### To Do List:

1. Check the latest list of all the test-optional schools at [FairTest.org](http://FairTest.org).
2. Fill in your child's grade point average and class rank:

**Grade Point Average:** \_\_\_\_\_

**Class Rank:** \_\_\_\_\_

If your child has taken the ACT or SAT, fill in scores here:

**SAT scores:**

1st attempt: Math: \_\_\_\_\_ Verbal \_\_\_\_\_ Writing\_\_\_\_\_

2nd attempt: Math: \_\_\_\_\_ Verbal \_\_\_\_\_ Writing\_\_\_\_\_

**ACT scores:**

**Composite score:** 1st attempt: \_\_\_\_\_ 2nd attempt: \_\_\_\_\_

## CHAPTER 20

# Beware of Reach Schools

By now you appreciate that colleges routinely discount their prices to many students. But how do you ensure that your child captures a healthy piece of the pie?

You can start by ignoring the advice that high school counselors have been dispensing for decades: apply to a few reach schools.

Applying to reach schools will often jeopardize the college grant money that a student receives. Here's why: Colleges have a finite amount of money to award to freshmen applicants so they typically reserve their best offers to the high school seniors that they covet the most.

### Beware of Gapping....

If your child isn't in the top 25% to 33% of a college's applicant pool, he or she is more likely to be gapped. When gapping occurs, the school accepts the student, but the financial aid or scholarship award can be so inadequate that the applicant will usually attend a different school.



*Applying to reach schools will often jeopardize the college grant money that a student receives.*

In some cases, the gap between what a family can afford and what the school offers can be tens of thousands of dollars. Often the students in this category are middle- and low-income students who are in the bottom half academically of the accepted students.

### Notable Reach School Exceptions

There are at least two circumstances when getting into a reach school may not hurt your chances for financial aid or merit aid.

1. A few dozen of the nation's most elite schools will routinely meet the financial aid need of any of its accepted students with grants rather than loans. (See Chapter 14.) Your child could be the last kid accepted into a school like Amherst or Brown, but he or she would still receive a great financial aid package.
2. Some private schools actively pursue minority students to help diversify their campuses. These schools can provide attractive financial aid packages to minority applicants even if their academic profiles aren't as strong as the majority of accepted students.

## Bottom Line:

1. To capture the biggest financial aid or merit awards from colleges, it's important to find schools that are a good academic match. When teenagers barely get into a reach school — they are at or near the bottom of the incoming freshmen class — they almost surely will be gapped at the vast majority of private schools.

## To Do List:

1. Check your child's standardized test scores and GPA with the stats of the students attending the schools on your teenager's list. You can find test and GPA figures by checking the profile of a school on the College Board's website and at the federal College Navigator (Google the name.)

## CHAPTER 21

# Resource No. 1: College Board

[www.CollegeBoard.com](http://www.CollegeBoard.com)

In the next five chapters, I share valuable resources that you can use when researching colleges and universities.

First up is the College Board's website. This website is a quick and easy resource for anyone interested in getting financial aid statistics on any college or university.

To get started, type the name of a school into the **College Search** box on College Board's home page.

### College Search

Search by college name:

🔍


*This website is a quick and easy resource for anyone interested in getting financial aid statistics on any college or university.*

You will be directed to a variety of statistics on the school. Click on **Paying** to find any school's financial aid stats.

I'm going to use **Washington University in St. Louis** to show you what can discover about any school's financial aid policies.

### Washington University's Annual College Costs

When you land on the school's financial aid page, you'll find the costs up at the top:

On Campus	
Tuition and fees	\$43,705
Room and board	\$13,580
Books and supplies	\$1,110
Estimated personal expenses	\$1,950
Transportation expenses	\$1,294
<b>Estimated Total</b>	<b>\$61,639</b>

## Financial Aid Statistics

As you know by now, the published prices are meaningless. What I find more enlightening are the statistics that reveal how generous a school is.

The College Board recently underwent a facelift to appeal more to teenagers so the layout of the school profiles is in larger type and spread across the page, which isn't conducive to screen shots. Users, however, do have the ability to print the entire profile for any school, which is how I got Washington University's financial aid statistics that I am sharing below.

Financial Aid Distribution & Stats	
% of scholarship / grants:	85.0%
% of loans / jobs:	15.0%
% of freshmen with need who received financial aid:	57.0%
% Applied for need-based aid:	68.0%
% Judged to have need:	59.0%
% that had need fully met:	58.0%
% need met:	100.0%
Average 1st year financial aid package:	\$33,505.00
Avg non need-based aid:	\$8,803.00
Avg need-based scholarship or grant award:	\$31,747.00
Avg need-based loan:	\$5,311.00

## Interpreting the Statistics

Looking at Washington University's stats, I can tell that this is a generous school. The school's typical aid package includes 85% scholarships/grants and 15% loans and work-study.

The school meets 100% of a student's demonstrated financial need, which is excellent. Only the most elite schools can cover the full need of its students. The typical need-based loan is \$5,311, which is not unmanageable. The average need-based grant is \$31,747.

Washington University is one of the very few elite schools that also provides merit aid to affluent students. Ivy League schools, for example, do not provide grants to wealthy students. These institutions typically only dispense need-based aid.

In contrast, Washington University's average merit award for affluent students, referred to as *non-need based aid*, is \$8,803. What the College Board numbers don't tell us is how many wealthy students receive those merit scholarships. This statistic is located in a school's Common Data Set, but Washington University does not release this document to the public.

Most elite schools that enjoy a high college ranking from *US News & World Report* give few merit scholarships to rich teenagers because these students will come to highly ranked schools without a carrot.

What I don't like about the statistics is Washington University's decision not to release the average indebtedness figure of their graduating students. That's usually a worrisome sign. The average student borrower in this country graduates with about \$23,000 in college loans.

## Bottom Line:

1. As a practical matter, applicants that a school covets usually enjoy a better chance of receiving a larger financial aid package or a merit award. By using the College Board website and other tools in the next few chapters, you can obtain a good idea about the generosity of a school.

## To Do List:

1. When you and your child begin exploring colleges, check the financial aid and merit award stats at the start of the process.
2. Select colleges that your teenager is interested in and find the College Board's financial aid statistics for each school. You can locate the statistics by heading to the school's profile and clicking on the *Paying* link and the *Policies & Stats* link.
3. If you are seeking financial aid, pay close attention to the percentage of need that a school says it meets. The closer to 100% the better, but most schools can't provide that level of support. If your child can get into a school that meets 90% of need, for instance, that can make college less costly than a school that only meets 75% or 80%.

## CHAPTER 22

# Resource No. 2: Common Data Set

While the College Board is a good resource to obtain financial aid statistics for a school, it doesn't share how many teens receive need-based aid or merit scholarships from a particular school. That's important because you want to assess your child's odds of getting a price break.

You can obtain these figures by using the **Common Data Set**.

The Common Data Set was dreamed up years ago as a way to satisfy collegiate publishers like *US News & World Report* and the *College Board*, which have voracious appetites for higher-ed statistics. Rather than answering every publisher's questions, schools complete a lengthy standardized form each year and typically post the document on their websites. (This form hasn't stopped the publications from asking additional questions.)

The easiest way to find a college's Common Data is to Google the name of the institution and *Common Data Set*. Many colleges make their Common Data Set available on their websites. You may also be able to find a Common Data Set by Googling the name of the school and *Institutional Research*.



*The easiest way to find a college's Common Data is to Google the name of the institution and Common Data Set.*

What's nice about the Common Data Set is that every school uses the same format. Consequently, UCLA's Common Data Set looks exactly like the Common Data Set of Temple, Vanderbilt, University of Texas or any other four-year college or university in the country. Once you understand one, you can understand them all.

The Common Data Set provides valuable information in these and other areas:

- The characteristics that a school looks for in applicants
- Freshmen admission statistics
- Transfer admission statistics
- Academic offerings
- Student life
- Faculty and class size
- Annual expenses
- Degrees conferred
- Financial aid

## Common Data Set and Financial Aid

In the Common Data Set's financial aid section, you'll find the number of students who applied for aid at a particular school and how many received need-based assistance. You'll also find the breakdown of loans and grants for the average student, as well as what percentage of financial need the college typically met. This financial aid information is valuable for students who will qualify for financial aid packages.

The Common Data Set also reveals whether a school provides merit aid to affluent kids. In the CDS, you'll see this referred to as *non-need-based aid*.

Looking at Princeton's Common Data Set in the following table, for example, you'll discover that the university doesn't give merit aid to wealthy students. Princeton left its non-need-based aid line items (H2A-n) and (H2A-o) blank. This means the school gives \$0 to wealthy students. You can also see that Princeton does not award athletic scholarships.

H2A		First-time Full-time Freshmen	Full-time Undergrad (incl. Fresh)	Less Than Full-time Undergrad
H2A	n) Number of students in line who had no financial need and who were awarded institutional non-need-based scholarship or grant aid (exclude those who were awarded athletic awards and tuition benefits)			
H2A	o) Average dollar amount of institution non-need based scholarship and grant aid awarded to students in line n			
H2A	p) Number of students in line a who were awarded an institutional non-need based athletic scholarship or grant.			
H2A	q) Average dollar amount of institutional non-need-based athletic scholarships and grants awarded to students in line p			

## Example: UC Berkeley Common Data Set

I'm using the University of California, Berkeley, to give you a closer look at what you can find in a Common Data Set's financial aid section.

**FRESHMEN:** 4,412  
**FRESHMEN APPLYING FOR FINANCIAL AID:** 3,071  
**FRESHMEN DETERMINED TO HAVE NEED:** 2,152  
**FRESHMEN RECEIVING NEED-BASED GRANTS:** 1,968  
**FRESHMEN WHOSE NEED WAS FULLY MET:** 363  
**AVERAGE PERCENTAGE OF NEED MET:** 82%  
**AVERAGE NEED BASED GRANT:** \$17,502  
**AVERAGE LOAN:** \$4,117

On the next page is a snapshot of a portion of the actual Common Data Set for UC Berkeley:

<b>First-time Full-time Freshmen</b>	
a) Number of degree-seeking undergraduate students (CDS Item B1 if reporting on Fall 2011 cohort)	4,412
b) Number of students in line a who applied for need-based financial aid	3,071
c) Number of students in line b who were determined to have financial need	2,152
d) Number of students in line c who were awarded any financial aid	2,152
e) Number of students in line d who were awarded any need-based scholarship or grant aid	1,968
f) Number of students in line d who were awarded any need-based self-help aid	1,869
g) Number of students in line d who were awarded any non-need-based scholarship or grant aid	702
h) Number of students in line d whose need was fully met (exclude PLUS loans, unsubsidized loans, and private alternative loans)	363
i) On average, the percentage of need that was met of students who were awarded any need-based aid. Exclude any aid that was awarded in excess of need as well as any resources that were awarded to replace EFC (PLUS loans, unsubsidized loans, and private alternative loans)	82%
j) The average financial aid package of those in line d. Exclude any resources that were awarded to replace EFC (PLUS loans, unsubsidized loans, and private alternative loans)	21,728
k) Average need-based scholarship or grant award of those in line e	17,502
l) Average need-based self-help award (excluding PLUS loans, unsubsidized loans, and private alternative loans) of those in line f	6,588
m) Average need-based loan (excluding PLUS loans, unsubsidized loans, and private alternative loans) of those in line f who were awarded a need-based loan	4,117

Looking at these statistics, nearly 49% of UC Berkeley freshmen (2,152 out of 4,412 students) qualified for some type of financial aid. Compared with private schools, it's harder to obtain need-based financial aid at state schools because the costs are lower.

The average student had 82% of his/her need met, but this percentage included a loan. Only 363 students out of 2,152 who required aid got their full need met.

While just over half the freshmen weren't eligible for need-based aid, the Common Data Set can tell you how many students received merit scholarships, which have nothing to do with family income.

Looking at UC Berkeley's Common Data Set, I can pinpoint how many freshmen received merit scholarships from the school. As you'll see the number of students, who received merit scholarships (Line n) from UC Berkeley is quite low:

Just 254 freshmen (5.7% of the class) at UC Berkeley received a merit scholarship.

	<b>First-time Full-time Freshmen</b>
n) Number of students in line a who had no financial need and who were awarded institutional non-need-based scholarship or grant aid (exclude those who were awarded athletic awards and tuition benefits)	254
o) Average dollar amount of institutional non-need based scholarship and grant aid awarded to students in line n	6,773
p) Number of students in line a who were awarded an institutional non-need-based athletic scholarship or grant	62
q) Average dollar amount of institutional non-need-based athletic scholarships and grants awarded to students in line p	26,036

### Bottom Line:

1. Unless you're willing to pay full price for a college, it makes sense to determine whether a school will give your family a price break before you or your child falls in love with any particular school.
2. Unfortunately, most families never check out the financial aid practices of colleges and universities. This oversight all too often leads to surprises (and tears) when aid packages arrive in the mail during the spring of a child's senior year in high school.

### To Do List:

1. Locate the Common Data Sets of schools on your teenager's list and check out the aid statistics. If you are having trouble locating the document, try Googling the name of the school and *institutional research*. Not all schools make their Common Data Sets publicly available.
2. The Common Data Set has other valuable information such the academic factors that an institution uses when evaluating applications. You'll find how a school rates 19 different admission factors in Section C: First-Time, First-Year (Freshman) Admissions. I discuss admission factors in great detail in the second edition of my book, *The College Solution: A Guide for Everyone Looking for the Right School at the Right Price*.

## CHAPTER 23

# Resource No. 4: COLLEGedata

[www.collegedata.com](http://www.collegedata.com)

COLLEGedata is a valuable resource to consult when researching a school's financial aid practices. The site uses the raw data from the Common Data Sets, which you learned about in the previous chapter, and organizes the numbers in a user-friendlier format.

I often turn to COLLEGedata rather than checking Common Data Sets. I especially like this free resource for evaluating how generous a school is.

To get started, click on the *Search for Colleges* hyperlink on the home page. You will be directed to a page where you will see this search box:



*COLLEGedata is a valuable resource to consult when researching a school's financial aid practices.*

**Match by Name** [Help](#)

Enter a college or university name.

**College Name** ?

CLEAR ➡ FIND ➡

Next type in the name of any school. In this example, I'm using the University of Notre Dame. When you call up the school's page you will see six categories at the top including Money Matters. Click on that category.

When you do, you will see the cost of Notre Dame:

Overview	Admission	Money Matters	Academics	Campus Life	Students
<b>TUITION AND EXPENSES</b>					
Cost of Attendance		<b>\$55,055</b>			
Tuition and Fees		<b>\$41,417</b>			
Room and Board		<b>\$11,388</b>			
Books and Supplies		<b>\$850</b>			
Other Expenses		<b>\$1,400</b>			
Payment Plans		<b>Installment plan</b>			

What I find more illuminating on this page, however, are the financial aid statistics. You can find them below:

### Freshmen

Financial Aid Applicants	<b>1,457 (70.5%) of freshmen</b>
Found to Have Financial Need	<b>1,080 (74.1%) of applicants</b>
Received Financial Aid	<b>1,080 (100.0%) of applicants with financial need</b>
Need Fully Met	<b>1,057 (97.9%) of aid recipients</b>
Average Percent of Need Met	<b>99%</b>
Average Award	<b>\$35,326</b>
Need-Based Gift	<b>Received by 1,048 (97.0%) of aid recipients, average amount \$28,953</b>
Need-Based Self-Help	<b>Received by 868 (80.4%) of aid recipients, average amount \$5,374</b>
Merit-Based Gift	<b>Received by 715 (66.2%) of aid recipients</b>
Merit-Based Gift	<b>Received by 47 (2.3%) of freshmen without need, average amount \$13,617</b>

As you can see, Notre Dame meets nearly all the financial need of the freshmen who have demonstrated that they need assistance with their college costs. The average percentage of need that the school meets is 99%. It can't get much better than that.

The average grant in a Notre Dame package is \$28,953. The school does include a loan in its package, which is under the *need-based self-help category*.

If you are affluent (you don't qualify for financial aid) and are hoping that Notre Dame gives you a merit scholarship, the chances are remote. You can assess your chances by looking at the last line item -- merit-based gift. Only 47 wealthy students (2.3% of the freshmen class) received a merit scholarship that was not tied to need. The average amount was \$13,617.

### To Do List:

- When researching the generosity of a school, use the tools at COLLEGEdatabase. The website obtains its figures from the Common Data Sets of the institutions it covers. (See Chapter 22 for more on Common Data Sets.)

## CHAPTER 24

# Resource No. 3: Federal College Navigator

The federal College Navigator is another helpful resource to pinpoint generous schools. The College Navigator, which few people know about, taps into a vast college database that the U.S. Department of Education maintains.

The College Navigator produces information on colleges and universities in these 12 categories:

- General Information
- Tuition, Fees and Estimated Student Expenses
- Financial Aid
- Net price
- Enrollment
- Admissions
- Retention and Graduation Rates
- Programs/Majors
- Varsity Athletic Teams
- Accreditation
- Campus Security
- Loan default rates



*The College Navigator, which very few people know about, taps into a vast college database that the U.S. Department of Education maintains.*

To find the College Navigator just Google the term.

What you'll find most helpful on the site's home page is the search box on the left hand side:



The screenshot shows the homepage of the College Navigator. At the top, there's a search bar labeled "Name of School" with a placeholder "Type name of school here". Below it is a dropdown menu for "States" with options like "No Preference", "Alabama", and "Alaska", and a "Use Map" button next to a small map of the United States. Further down are fields for "ZIP Code" and "Miles from". On the right, there's a "Browse for Programs" button with a book icon. The "Programs/Majors" section shows "0 Items Selected". Below that are sections for "Level of Award" (with checkboxes for Certificate, Bachelor's, Associate's, and Advanced) and "Institution Type" (with checkboxes for Public, Private non-profit, Private for-profit, 4-year, 2-year, and < 2-year). At the bottom, there's a "MORE SEARCH OPTIONS" link, a large orange "Show Results" button with a right-pointing arrow, and links for "Guide Me" and "Clear Search".

## Ohio State University Example

To illustrate what College Navigator can do, I'm using Ohio State University, one of the nation's largest public universities, as an example.

After I typed Ohio State University into the *Name of School* search box, here is what I saw:

**Ohio State University-Main Campus**  
190 N. Oval Mall, Columbus, Ohio 43210

**General information:** (614) 292-6446  
**Website:** [www.osu.edu](http://www.osu.edu)  
**Type:** 4-year, Public  
**Awards offered:** Bachelor's degree, Postbaccalaureate certificate, Master's degree, Post-master's certificate, Doctor's degree - research/scholarship, Doctor's degree - professional practice  
**Campus setting:** City: Large  
**Campus housing:** Yes  
**Student population:** 56,064 (42,082 undergraduate)  
**Student-to-faculty ratio:** 19 to 1

[Expand All](#) | [Collapse All](#)

[+ GENERAL INFORMATION](#)

[+ TUITION, FEES, AND ESTIMATED STUDENT EXPENSES](#)

[+ FINANCIAL AID](#)

[+ NET PRICE](#)

[+ ENROLLMENT](#)

[+ ADMISSIONS](#)

[+ RETENTION AND GRADUATION RATES](#)

[+ PROGRAMS/MAJORS](#)

[+ VARSITY ATHLETIC TEAMS](#)

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[+ COHORT DEFAULT RATES](#)

I clicked Ohio State's *Financial Aid* link and this is what I found:

UNDERGRADUATE STUDENT FINANCIAL AID, 2010-2011				
<b>Full-time Beginning Undergraduate Students</b>				
TYPE OF AID	NUMBER RECEIVING AID	PERCENT RECEIVING AID	TOTAL AMOUNT OF AID RECEIVED	AVERAGE AMOUNT OF AID RECEIVED
Any student financial aid <sup>1</sup>	5,436	82%	—	—
Grant or scholarship aid	4,688	70%	\$35,363,581	\$7,543
Federal grants	1,345	20%	\$6,211,014	\$4,618
Pell grants	1,344	20%	\$5,144,200	\$3,828
Other federal grants	1,217	18%	\$1,066,814	\$877
State/local government grant or scholarships	788	12%	\$1,130,226	\$1,434
Institutional grants or scholarships	4,613	69%	\$28,022,341	\$6,075
Student loan aid	2,925	44%	\$19,486,825	\$6,662
Federal student loans	2,903	44%	\$15,619,664	\$5,381
Other student loans	325	5%	\$3,867,161	\$11,899

▪ <sup>1</sup> Includes students receiving Federal work study aid and aid from other sources not listed above.

I realize it's going to be tough to see this screen shot, so I'll point out some relevant numbers.

First I saw that **82%** of Ohio State freshmen (5,436 students) received some type of financial aid and **70%** of them received grants. Obviously grants are the best kind of aid to get because it's free money.

Twenty percent of the freshmen received a Pell Grant, which is most often given to those with incomes below \$30,000.

What I always find most interesting in any school's financial aid data is this line: *Institutional grants or scholarships*. This represents a school's own money that it gives to its students. Sixty nine percent of Ohio State freshmen received a grant and the average amount was **\$6,075**.

Clearly the flagship's sticker price is meaningless for more than two out of three students.

## College Navigator and Net Price

Another step to take when evaluating a school on College Navigator is to look at its net price in different income ranges.

I'm going to use two other schools -- Gettysburg College, a highly regarded liberal arts college located near the site of a famous Civil War battle, and Penn State, a noted flagship, to illustrate what you can find if you check out the College Navigator's *net price* statistics.

Looking at the net price of schools via the College Navigator is an excellent way to dispel misconceptions about the costs of individual institutions. Net price refers to what a typical family will pay after any grants/scholarships are deducted from the tab. It's the net price and not the published price that is important. As I've mentioned earlier in this workbook, most schools provide awards to many of their students.

### Gettysburg College

#### Average Net Price by Income Level

\$0 - \$30,000	\$10,203
\$30,001 - \$48,000	\$11,516
\$48,001 - \$75,000	\$15,115
\$75,001 - \$110,000	\$27,426
\$110,001 and higher	\$32,962

### Penn State

#### Average Net Price by Income Level

\$0 - \$30,000	\$16,839
\$30,001 - \$48,000	\$18,836
\$48,001 - \$75,000	\$23,238
\$75,001 - \$110,000	\$27,426
\$110,001 and higher	\$28,606

For many students, Gettysburg is a cheaper school than Penn State. You might find that amazing considering the tuition and room/board at Gettysburg is \$54,000 versus roughly \$25,000 for Penn State.

The numbers, however, don't lie. Gettysburg would typically cost \$15,115 for a family making \$75,000 in income versus \$23,328 at Penn State. The typical cost of Gettysburg would be \$10,203 for the poorest families versus \$16,839 for Penn State.

Penn State will be a slightly less expensive alternative for wealthy students. Even wealthy families, however, can receive a price break from Gettysburg.

Of course, price is hardly the only factor when choosing schools, but it's good to obtain an idea in advance of looming costs.

## Bottom Line:

1. The College Navigator is particularly helpful to see what percentage of students receive any type of financial assistance from a school.
2. At some schools, the vast majority of the student body receives some type of price break.

## To Do List:

1. Pay attention to the percentage of students who receive institutional grants and what the amount is.
2. Check the net prices for income ranges to get a rough idea what cost your family could expect.

## CHAPTER 25

## Resource No. 5: College Results Online

[www.collegeresults.org](http://www.collegeresults.org)

Want to reduce the cost of college? Graduate in four years!

About 35% of students who attend four-year colleges and universities graduate in the traditional eight semesters. Fewer than 60% of four-year college students graduate in six years.

College Results Online, which is a service of the nonprofit Education Trust, provides graduation rates of colleges and universities across the country.

Most families don't realize that the grad rates they see in college publications are often *six-year* figures. I don't know any parents, however, who want their child to linger in college for 12 semesters.

At **College Results Online** you can plug in the name of any school and obtain its four, five and six-year graduation rates. Equally handy, you can instruct the site to compare any school's grad track record with its peers. You can also designate the software to generate a list of institutions within specified states and regions that will include grad rates and other statistics.



*At College Results Online you can plug in the name of any school and obtain its four, five and six-year graduation rates*

Here is what the search function looks like:

**CHOOSE A COLLEGE**

View College Now ▾

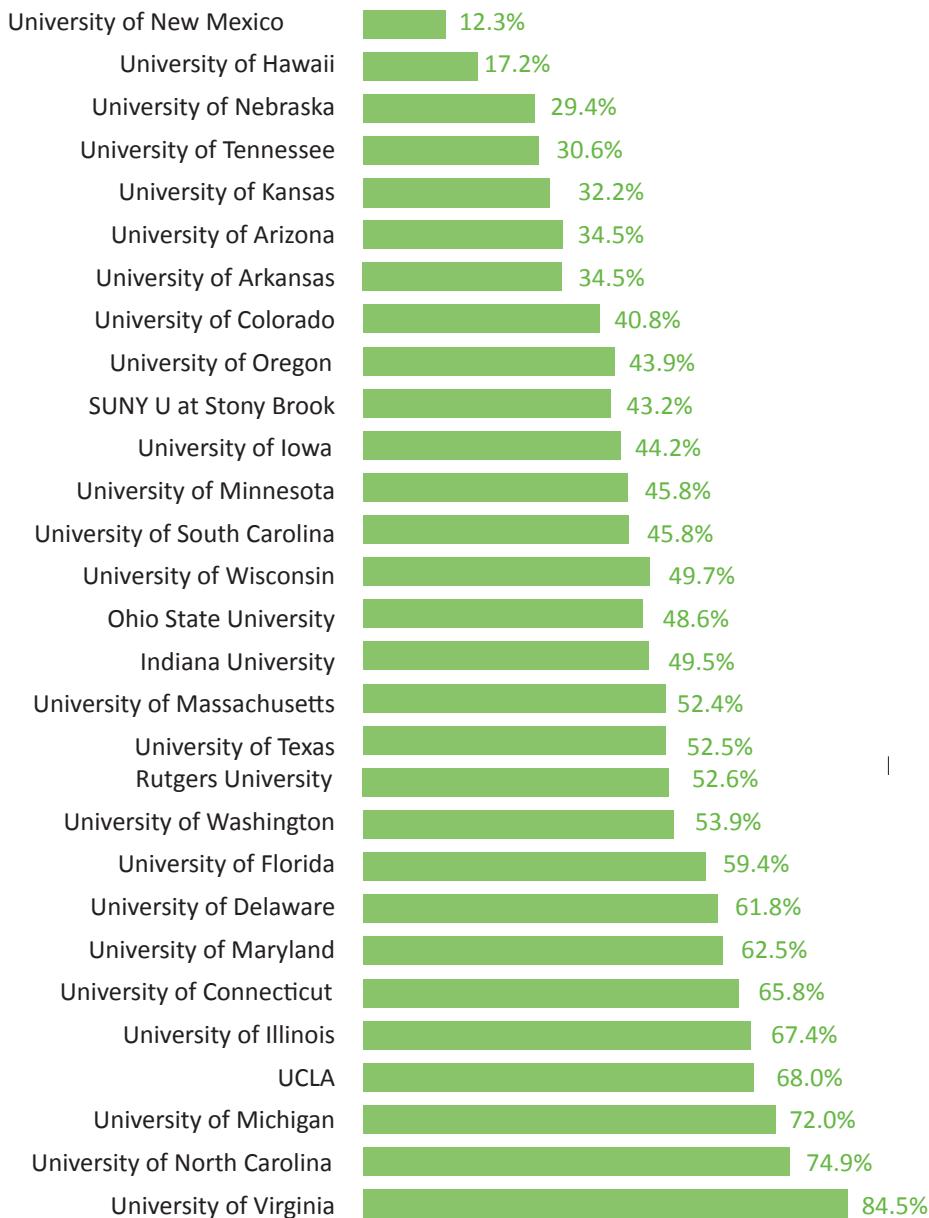
Type in all or part of the name of a specific college to see its graduation rates and related information along with information about a comparison group of 15, 25 or 50 similar colleges.  
[View more search options >>>](#)

## 4-Year Grad Rate at University of Missouri

I'm using the University of Missouri in Columbia, my alma mater, as an example. Mizzou's six-year grad rate was recently 69.4% and its four-year rate was 43.1%. Both sound mediocre, but it's helpful to compare those stats with its peer schools.

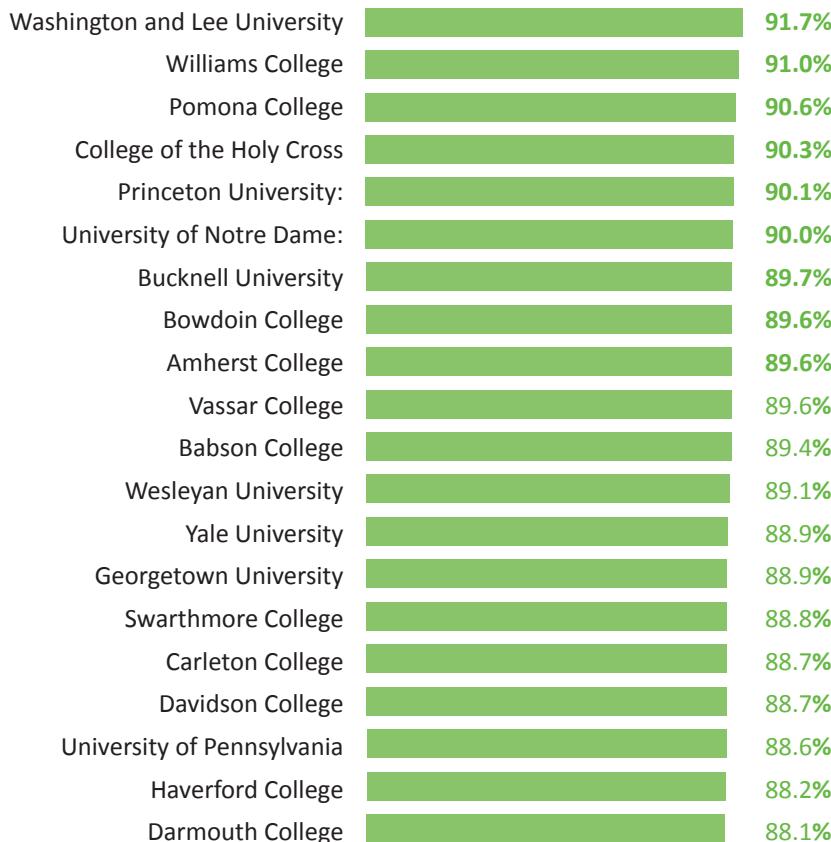
Here are four-year grad rates of some of Mizzou's flagship peers:

**Universities Four-year grad rates**



## Private Colleges and Universities With the Best 4-Year Grad Rates

Using data from College Results Online, I compiled the private schools with the best four-year grad rates.



### Bottom Line:

1. Examine the four-year grad rates when evaluating schools and you could save yourself an extra year or two of college costs.
2. Graduation rates at private schools (particularly selective ones) are often higher than state institutions, but grad rates within peer groups can differ significantly.

### To Do List:

1. Using College Results Online, list the four-, five- and six-year graduation rates of schools on your child's radar.
2. Develop your own lists of schools by graduation rate on College Results Online. You can select your own criteria, such as size of school, private vs. public, location by state or region, freshman retention rate and much more. To use this feature, click on the Advanced Search link in the upper right-hand corner of the home page.

To generate the list of private schools with the best four-year grad rates, I stipulated that I wanted four-year, private schools with at least 500 students.

## CHAPTER 26

# 4 Reasons to Apply for Financial Aid

Regardless of income, most families should apply for financial aid. Here are four key reasons why:

### 1. It's free.

The FAFSA won't cost you anything but the time it takes to complete it. It's not a time-consuming document if you gather your tax and investment records before you fill it out. It's best to use the FAFSA worksheet before you complete the official documents. [Google FAFSA worksheet](#) to find it.

### 2. You may qualify for financial aid.

Most people are clueless about whether they are eligible for financial aid or not. The biggest factors that determine eligibility are the family's income and the price of the school. You might not qualify for financial aid if your child is going to attend a state university, but you might if he's got his heart set on an expensive private college.



*Most people are clueless about whether they are eligible for financial aid or not.*

Don't worry that your home equity or your retirement accounts will hurt your chances for financial aid. The FAFSA doesn't even ask about your primary home or your Individual Retirement Accounts and other qualified retirement cash.

Even if you don't qualify for grants from the federal government — the big program is the Pell Grant — states and schools themselves offer need-based grants.

### 3. More children can boost your chances of financial aid.

Parents can make higher salaries and still qualify for need-based aid if they have two children in college at once. That's because the federal financial aid formula looks kindly on families with multiple children in college simultaneously.

The Expected Family Contribution will drop with each additional child in college. The EFC is important because it represents what a college will expect a family to pay, at a minimum, for one year of college for one child. So if a family's EFC is \$10,000 and the college costs \$30,000, the family may qualify for up to \$20,000 in financial aid.

An easy way to roughly calculate the EFC for multiple children is to divide your EFC for one child by the number of students who will be in college at the same time. So if your EFC is \$50,000 for one child in school, with two it would drop about 50% to \$25,000 for each student. With three children in college, you'd divide \$50,000 by 3 to get an EFC of \$16,666 for each child. The lower a family's EFC, the more likely the household will qualify for financial aid.

This rule of thumb isn't going to be perfect because of the underlying federal financial aid methodology, but it will get you close to the right answer.

## 4. You can obtain federal student loans.

Without filing the FAFSA, you can't borrow through the federal government, which offers the best student loan terms. For some people, a home equity line of credit will be the best way to borrow for college because the rates are low, but federal loans are the next best thing. Private loans should often be avoided or used sparingly.

### Bottom Line:

1. Having two or more children in college at once will significantly increase your chances for need-based financial aid. Not qualifying for need-based aid for one child doesn't mean you wouldn't for multiple children.
2. Your child wouldn't be able to borrow through federal loans unless you complete the FAFSA.

### To Do List:

1. You can file the FAFSA beginning January 1 of your child's senior year in high school.
2. If your child intends to apply to colleges and universities that use the CSS/Financial Aid PROFILE, you will also need to complete this form. You can find the PROFILE on the College Board's website. You can fill out the PROFILE before January 1 of your child's senior year in high school by estimating your taxes.
3. Ask schools where your child intends to apply what their financial aid deadlines are. If your child intends to apply to schools through early decision or early action, the deadlines will probably be in the fall for the PROFILE submission.

## CHAPTER 27

# Financial Aid Nuts & Bolts

If you intend to seek financial aid, you will have to complete at least one financial aid application when your child is a senior in high school. The FAFSA is the financial aid form that schools universally use.

Here are five steps to take before filling out the FAFSA:

1. **Obtain your FAFSA PIN.** A parent and the student both need a FAFSA PIN (personal identification number) before they can complete the aid document. You can obtain the PINs months before you need it.
2. **Circle January 1 on your calendar.** That's the first day that families can fill out the FAFSA for the school year that begins in the fall.
3. **Print out the FAFSA worksheet.** By reviewing the worksheet, you'll know what documents you'll need when you tackle the real FAFSA application online. Just Google: *FAFSA on the Web Worksheet* to find it.
4. **Register for the CSS /Financial Aid PROFILE.** If your child is applying to private institutions that require the PROFILE, you will have to register at [CollegeBoard.com](https://CollegeBoard.com).
5. **Ask about deadlines.** Check with schools to determine their deadlines for financial aid. You don't have to wait until January 1 to fill out the financial aid application for PROFILE schools. But if you start this early, you will have to estimate your income since you will not have completed your latest tax return.
6. Keep in mind that if your child is applying *early decision or early action*, your PROFILE deadlines could be in the fall of your teenager's senior year in high school.

  
*You don't have to wait until January 1 to fill out the financial aid application for PROFILE private schools.*

## CHAPTER 28

# What's Inside a Financial Aid Award?

Many families hope they qualify for financial aid, but they don't know what kind of assistance is available. When you receive a financial aid letter from a college, the assistance you see will come from these three primary sources:

1. Federal aid
2. State aid
3. Institutional aid from colleges

### Federal Financial Aid

When a college is putting together a financial aid package for a student, it starts with federal aid first. As mentioned earlier, most federal financial aid comes in the form of loans.

Here is the rundown of the main components of federal financial aid:



*Many families hope they qualify for financial aid, but they don't know what kind of assistance is available.*

#### Pell Grant

The biggest source of free federal cash is the Pell Grant. The maximum Pell Grant is currently \$5,500. Families that make under \$23,000 a year are eligible for the full Pell Grant. A family of four, which makes less than \$50,000 a year, will sometimes be eligible for a partial Pell Grant.

#### Federal Work Study

Students who have federal work-study opportunity in their financial aid packages are eligible for a campus job. Work-study students earn at least the current federal minimum wage. The federal government pays 75% of the wages and the school the rest. Work-study jobs aren't always a sure thing for every eligible student because there is a finite amount of money to support this program, which has become more popular during these hard economic times.

#### Perkins Loan

This is an excellent federal loan to find in a financial aid package. The interest rate on a Perkins Loan is currently 5% and recipients can borrow up to \$5,500 a year. Interest on this loan doesn't begin accruing for the student until after college graduation. The school determines who qualifies for this loan and acts as the lender.

## Stafford Loans

Schools will include Stafford Loans in financial aid packages and any students are eligible to borrow through the federal Stafford Loan program. Students are responsible for repaying these loans since they are in their names, but parents can repay the loans themselves.

There two kinds of Stafford Loans:

- **Unsubsidized Stafford**
- **Subsidized Stafford**

The subsidized Stafford is the best of the pair because the federal government pays the interest that accrues until the student graduates or leaves college.

The interest rate on the unsubsidized Stafford is 6.8%. The interest rate on the subsidized Stafford is 3.4%.

## PLUS Loan

This is the federal parent loan. The interest rate is a fixed 7.9%. Parents must also pay a fee of up to 4% of the loan amount. Parents can begin repaying the loan beginning 60 days after the loan is disbursed or wait until six months after the student has stopped attending school on at least a half-time basis. You will apply for the loan through your child's college.

If you own a home, using a home equity line of credit could be a cheaper way to go than a PLUS Loan, but keep in mind that the federal loan has a fixed rate, which can be advantageous.

## Beware:

If your financial aid package didn't include any federal assistance, you probably didn't complete the FAFSA. You can't receive federal or state need-based aid without filing the FAFSA.

## College Financial Aid

A large source of grants or scholarships comes directly from the colleges and universities themselves. As you've already learned, institutions provide need-based grants, as well as merit awards for more affluent students.

Awarding affluent families grants at state schools is a controversial practice since many higher-ed observers believe that state institutions should reserve their money for financially needy students.

Private colleges also award merit scholarships without regard to need. These institutions, however, reserve about 70% of their institutional cash to families with real financial need. Keep in mind that even many affluent families receive need-based aid if their children attend expensive schools.

Often colleges will notify students that they won a merit scholarship in their letters of acceptance. The acceptance letter could arrive weeks before the financial aid package shows up.

## Bottom Line:

1. About five dozen colleges and universities in this country will meet the full need of all their freshmen by giving them grants, as well as work-study opportunities. Even students, who are the last ones in the door at these schools, will be entitled to an excellent financial aid package if they require assistance.
2. Most schools will reserve their best financial aid and merit awards for the students whom they really want. Consequently, students should understand that acceptances into reach schools might result in disappointing awards from colleges.

## CHAPTER 29

# Negotiating for a Better Financial Aid Package

Okay. You've gone through the entire process. Your child has applied to schools, but what if one or more of the financial aid packages is too skimpy?

Can you negotiate for a bigger package? Absolutely. Colleges cost too much money for families to automatically agree to a six-figure commitment.

Here are some ways to increase your chances of securing more financial aid:

1. **Understand what a school's appeal process is.** Look on a college's website to see if the procedure is listed. When sending emails or letters to the aid office make sure you find out the right person to address the correspondence.
2. **Act immediately.** If you're going to negotiate, you should do so immediately after you receive the financial aid award. Colleges have only so much money and the early birds can enjoy a greater chance of obtaining a better award.
3. **Make a compelling case.** Share any change in your financial circumstances. Speak up. Especially, if there has been a layoff, high medical bills or you're now caring for an ailing parent.
4. **Try leverage.** If you've gotten better financial offers from other schools, you should share them with the college that presented the lower one. Provide a copy of the higher awards to the school that your child hopes to attend.
5. **Provide a number.** Try to be as specific as possible about what further financial aid you need. Don't just complain that the school costs too much. That's what stressed financial aid officers hear all day long. If you need another \$4,000 a year to make the commitment doable, say so.
6. **Be diplomatic.** Negotiating is okay, but be nice about it. You'd be surprised how often aid officers are mistreated – honey goes a long way.
7. **Try any argument.** If a school believes a little more money will seal a teenager's commitment it may fatten the offer for even a sketchy reason. One former college president told me that even a dubious reason, such as that an applicant's aunt attended the institution, can work.



*Try to be as specific as possible about what further student financial aid you need.*

## Bottom Line:

1. Colleges don't like to negotiate once they've completed a family's financial aid package, but many colleges will do it. School policies vary considerably on negotiating financial aid awards. Some schools are very upfront, such as Carnegie Mellon, which posted this statement on its Web site: "We are open to negotiating financial awards to compete with other institutions." Many schools will negotiate aid awards in order to ensure that their freshmen slots are filled.
2. Don't be surprised if your attempts to negotiate fail with financial aid offices at Ivy League schools and other elite colleges and universities. These institutions produce generous financial aid packages from the start and don't feel the need to sweeten the pot. Plus, there are plenty of eager applicants on their waiting lists.

## CHAPTER 30

# Students Borrowing for College

How much should your child borrow for college?

The typical college undergraduate leaves college with about \$23,000 in college loan debt. This figure does not include money that parents borrowed through the federal PLUS loan program or private sources, such as a home equity line of credit or by dipping into retirement accounts.

Is \$23,000 a reasonable amount of student debt? It depends on what type of student loans an undergraduate is using. This level of debt should be more manageable if the student only borrowed through federal student loans. For most students that will mean obtaining federal Stafford loans.

Federal student loans have built-in protections that private student loans, which are also called alternative student loans, don't

Federal student loans:

- Have fixed interest rates.
- Students receive the same rate regardless of credit scores.
- Offer student loan repayment plans based on grad's current salary.
- Offer a public service student loan forgiveness program.



*The typical college undergraduate leaves college with about \$23,000 in college loan debt.*

There is a limit, however, to how much cash a student can borrow through a federal Stafford loan. Here are the current maximum amounts that students can borrow:

<b>Freshmen:</b>	\$5,500
<b>Sophomores:</b>	\$6,500
<b>Juniors:</b>	\$7,500
<b>Seniors:</b>	\$7,500

I'd strongly suggest that when students are considering borrowing for college they should try to use federal loans. If they do, there is less chance of getting into financial trouble after graduation.

## Bottom Line:

1. Students should stick with federal student loans when borrowing for college.
2. After Stafford Loan amounts are exhausted, it's usually best to avoid private student loans that have higher and typically variable interest rates. Private loans don't offer the protections that federal student loans do.

There are some exceptions to the avoiding private loans. Families that enjoy high credit scores and plan to repay a private loan back aggressively can sometimes save money by going this route. These loans can be attractive for families that can capture the best interest rate.

## To Do List:

1. You won't know what rate you would obtain for a private student loan unless you actually apply. Don't just apply for one loan. Credit unions, which are new players in the college loan niche, can often offer the lowest interest rates. You can check out credit union loans at cuStudentLoans.org. You can explore other private student loans at AllTuition.com.

## CHAPTER 31

# How Much Should Parents Borrow for College?

How much should parents borrow for college?

Unfortunately, there is no one right answer to the question of how much parents should borrow. Parents, however, should certainly not jeopardize their retirement savings by assuming a big college debt.

One way to answer this question is to figure out what your monthly loan payments would be by using a loan calculator. Here is the link to a Parent Loan Repayment Calculator on the College Board website: <https://bigfuture.collegeboard.org/pay-for-college/loans/parent-loan-repayment>

  
*Unfortunately,  
there is no one  
right answer to  
the question of  
how much parents  
should borrow.*

## Parent Loan Repayment Calculator

If you are considering borrowing for your child's education, this worksheet will calculate your monthly repayments based on the repayment period (in years), annual interest rate, and loan principal amounts you enter.

Complete the following form to calculate your estimated monthly repayments based on your borrowing plans.

Do not use commas when entering dollar amounts (e.g., enter 2000 — not 2,000).

### Repayment Information

Number of years to repay your parent education loan

Enter 10 or fewer years for PLUS. For other loans, enter number of allowable repayment years.

Annual interest rate

%

Use 7.9% for PLUS or applicable interest rate for other loan programs.

After you take a look at what your monthly obligation would be, you should have a better idea of how much college debt you can handle.

### Bottom Line:

1. Be realistic about how much you should borrow for your child's college education. Just as importantly, make sure that your child doesn't borrow too much. Graduating from college with a huge debt can be debilitating and take years to recover.

My goal is to empower families with teenagers to make wise decisions about selecting colleges and making them more affordable.

I help families navigate the college admission process in a variety of ways:

## Speaking:

I give college presentations for high schools, nonprofits, companies and financial firms across the country. I cover such topics as financial aid, scholarships, how to find the best college values and more.

## The College Solution blog:

The blog contains a goldmine of advice that covers dozens of issues critical to families trying to make the right college choices.

## Coaching:

I provide a limited amount of college coaching for families, as well as small groups. I help families evaluate their college options to find the best academic and financial fits.

## Content Provider:

I write content for a variety of national publications, as well as other clients, about how to shrink the cost of college.

## Facebook & Twitter:

I provide college tips on The College Solution's Facebook page at [Facebook.com/TheCollegeSolution](https://www.facebook.com/TheCollegeSolution) and on Twitter at [Twitter.com/collegeblogs](https://twitter.com/collegeblogs).

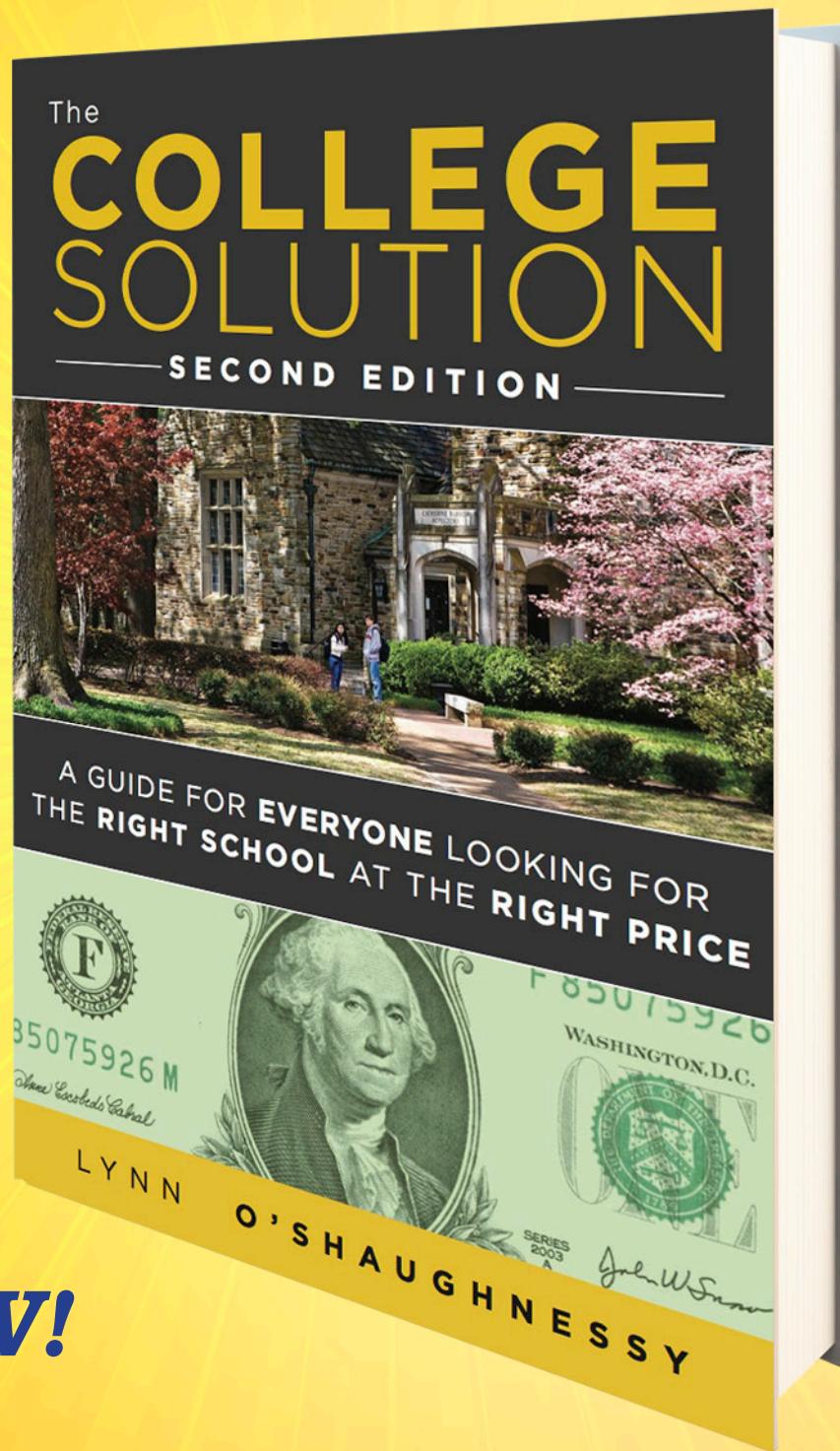
To learn more:

Visit my website at [TheCollegeSolution.com](http://TheCollegeSolution.com) or email me at [Lynn@TheCollegeSolution.com](mailto:Lynn@TheCollegeSolution.com).

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