



# College Financing

## WORRIED ABOUT PAYING FOR COLLEGE?

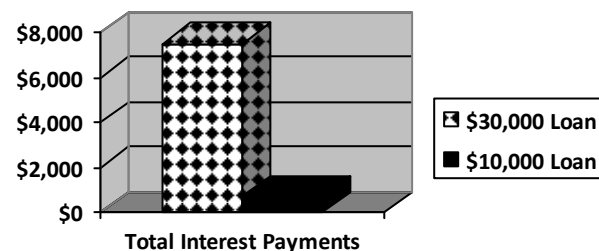
Worried about paying for college or training classes after high school? You are not alone! College debt recently exceeded credit card debt as the largest non-mortgage (or non-home loan) debt in the United States.

**The average college student now graduates with \$30,000 in debt!**

If that is not bad enough, let's look at the total cost of that loan with interest. At a typical 4.5% interest rate with \$300 monthly payments, you would be paying this debt for 10 years and end up paying \$7,500 in interest!

What if you could reduce your debt to \$10,000 by obtaining more scholarships, selecting more affordable options or obtaining work/study? This would cut your interest costs to just \$700 over 3 years!

**Total Interest Payments on College Loans at 4.5% APR**



**College costs are high but the cost of NOT going to college is MUCH higher! Average graduates make over \$1,000,000 more over their lifetime than non-graduates. (See page 6) That's way more than the average \$30,000 loan!**

**College is worth it! Be smart in choosing and paying for college!**

## CHAPTER SIX: PAYING FOR COLLEGE

### WHAT DO YOU NEED TO KNOW TO REDUCE YOUR COSTS?

#### SCHOLARSHIPS/ GRANTS VS. LOANS: WHAT IS THE DIFFERENCE?

**SCHOLARSHIP/GRANT** = sum of money given to support a student's academic pursuits

**LOAN** = a sum of money that is borrowed and expected to be paid back with interest

**INTEREST** = extra funds charged to a borrower for the benefit of using the lenders money

**BOTTOM LINE: SCHOLARSHIP/GRANT ARE FREE – LOANS NEED TO BE PAID BACK WITH INTEREST**

**WORK STUDY** = a program in place in many colleges that lets students hold part-time jobs while in school in order to subsidize the cost of education

**UNMET NEED** = Unmet need is any 'financial need' or expected costs that will need to be paid AND are still left after all financial aid (grants, scholarships, loans, work study) have been offered

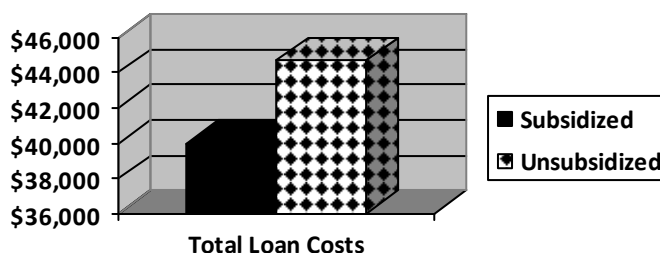
**BOTTOM LINE: BE CAREFUL OF UNMET NEED! PLAN AHEAD! YOU WILL HAVE TO COME UP WITH THESE FUNDS SOMEHOW!**

#### SUBSIDIZED VS. UNSUBSIDIZED LOANS: WHAT IS THE DIFFERENCE?

**SUBSIDIZED LOANS** = generally based on financial need, interest on these loans is paid by the government during college.

**UNSUBSIDIZED LOANS** = not based on financial need, interest grows or accrues during college. (Interest can sometimes be deferred or payment delay until after college but the student is responsible for the interest costs even from the time period during college.)

Difference in Interest on \$40,000 Subsidized  
vs. Unsubsidized Loan  
at 4.5% for 4 years



#### Obtaining Unsubsidized vs. Subsidized Loans Matters!

If you have an unsubsidized loan for \$10,000 each year for 4 years of college, your loan will generate \$4,700 in interest over these 4 years. If you obtained a subsidized loan, the government will pay your interest saving you - \$4,700!

# CHAPTER SIX: PAYING FOR COLLEGE

## HOW CAN I SAVE ON COLLEGE COSTS?

- 1) **Start searching for scholarship EARLY and try MANY scholarship sources!** Small or less well known scholarships can sometimes be much easier to win and have fewer applicants than more well known scholarships.
  - a. Think about YOUR unique talents or interests. There are often scholarships for your specific major, your college or for certain clubs or service learning experiences you may have obtained.
  - b. Just **setting your saving goal (Chp 1) with Young Illinois Saves or completing the Plan2Achieve learning modules in (Chp 3)** qualifies you to apply for our scholarships.
  - c. Make sure that you **take advantage of special opportunities for students that are in the Department of Children and Family Services system. See your Get Goal'd guide (education section) for more information.**
- 2) **Fill at FAFSA AS SOON AS it become available. Learn more at [www.FAFSA.gov](http://www.FAFSA.gov)!** This absolutely most a critical step! The early bird gets the worm with this one. The date you apply matters. Gather as much information as you can in advance. (Students with name changes or lost identification records have had challenges in the past.)
- 3) **Consider work-study!** With work-study (see definition above), students are able to help earn funds to pay for college on campus. Jobs are often more flexible with students' schedules and can also help you build your resume. However, if you receive notification of work-study on your award letter, **be sure to find out how to apply for these on campus. Work-study can be competitive and a position is generally not guaranteed!**
- 4) After seeking grants, scholarships and work study opportunities, **look for subsidized student loans next.** (See definitions and graph highlighting cost savings on page 50.) **Then consider unsubsidized student loans.** (Even unsubsidized loans are more cost effective than having to turn to non-student loans for assistance.)
- 5) **Carefully review your award letters and consider your options**
  - a. Be sure to consider the overall cost of each college option – especially any money you must borrow! **Less expensive options such as in-state colleges or spending 2 years at community college save many students thousands of dollars!**
- 6) **Make a budget for college at [www.CollegeBudgetBuilder.org](http://www.CollegeBudgetBuilder.org)!** Be sure to manage your financial aid well, keep your grades and complete any other requirements for scholarships, aid and work study.



### **Rule of Thumb:**

*A general rule of thumb is that total debt for college should not exceed the student's expected annual salary during the first year following graduation.*

## CHAPTER SIX: PAYING FOR COLLEGE

### FINANCIAL AID JEOPARDY: PAYING FOR COLLEGE!

- ▶ Question: To have the most access to funds for college complete the **FAFSA** early!
- ▶ Question: A **scholarship** is a sum of money that a student is given to pay for college that they do NOT need to pay back.
- ▶ Question: College loans must be paid back with **interest** (or extra money a borrower must pay to a lender for the benefit of getting the loan).
- ▶ Question: A **subsidized** college loan must be paid back BUT the government pays the interest on the loan



#### Need help?

Visit these sources to learn more about paying for college and get answers to your scholarship & loan questions!

United States Department of Education, [www.studentaid.ed.gov](http://www.studentaid.ed.gov)  
& [www.FAFSA.ed.gov](http://www.FAFSA.ed.gov)

Illinois Student Assistance Commission, [www.isac.org](http://www.isac.org)  
(Access one on one help in Illinois here!)