

STUDENT GUIDE to AFFORDABLE COLLEGES

Don't let the sticker price fool you. Colleges – even private, independent ones – can be more affordable than you think. The guide explores the real costs that go into a college education, and ways students (and parents) can save thousands with the right research and know-how.

ABOUT THE AUTHOR



MARYALENE LAPONSIE

Maryalene LaPonsie has been reporting on the trends in higher education and online learning for nearly five years. She holds a bachelor in arts degree from Western Michigan University.

EXPERT SOURCES AND PARTNERS

Glen Thomas

Vice President for Enrollment Management

Debra A. Evans

Senior Associate Director of Student Financial Services

Debby Hohler

Spokesperson, Upromise

Chanel Greene

Manager of the Office of Financial Aid

Don St. Clair

Vice President of Enrollment and University Marketing

Robert Mendenhall

University President

Mark Kantrowitz

Author of Filing the FAFSA

Vice President, Edvisors Network

INTRODUCTION

If you are starting a college search for the first time, you may be feeling sticker shock. After all, the College Board reports that average tuition and fees can be more than \$30,000 at a private, four-year college. Even community colleges and public universities can run thousands each year. Yet that doesn't mean a college degree is out of reach. A better understanding of post-secondary cost structures, financial aid packages, the scholarship landscape and cost-of-living on and off campus can help students and their families save thousands of dollars over the course of four years. The following guide offers a comprehensive look at what really comes out-of-pocket when paying for college, and how to minimize the outflow of funds both during and after graduation.

Specifically, this guide explores:

- [Tips and advice from experts](#). How professionals in college costs and financial aid think about higher education and money.
- [How tuition costs are calculated](#) and why you'll probably never pay the published price
- The [other college expenses](#) you may be overlooking
- [What forms of financial aid are available](#) and how to maximize your award package
- [What "net price" really means](#)
- [Why return on investment can be just as important as tuition](#) when evaluating college options

Whether you are the parent of a high school student or an adult returning to the classroom, this guidebook is designed to not only answer the questions you have regarding college cost and affordability, but also the ones you didn't know you should be asking.

THE REAL COST OF COLLEGE

Far too many families simply look at just tuition and room and board when calculating the cost of college. Yet higher education experts caution there is so much more that needs to be considered by families when deciding whether a particular college or university meets their budget.

Tuition

Tuition is typically the first – and sometimes only – thing families think about when looking at college costs. Rates vary considerably depending on the type of school and its funding sources. Public institutions, for example, receive government funding that help keep their tuition lower. Private institutions, on the other hand, may have to rely on private donors or endowment funds to supplement their tuition rates.

The following chart uses data compiled by the College Board for average published tuition rates for the 2013-2014 school year. Keep in mind that these aren't necessarily the rates you'll pay, but we'll talk more about that when we discuss the difference between sticker price and net price.

Type of degree program	Average annual tuition and fees
Public two-year (in-state tuition)	\$3,264
Public four-year (in-state tuition)	\$8,893
For-profit (includes many online schools)	\$15,130
Public four-year (out-of-state tuition)	\$22,203
Private four-year	\$30,094

Room and Board

After tuition, room and board is the largest expense most college students incur. Like tuition, these rates can vary significantly. The following chart uses data from the College Board to show average room and board costs for students in the 2013-2014 school year:

Type of degree program	Average annual tuition and fees
For-profit (includes many online schools)	NA
Public two-year (in-state tuition)	\$7,466
Public four-year (in-state tuition)	\$9,498
Public four-year (out-of-state tuition)	\$9,498
Private four-year	\$10,823

In addition, room and board fees can vary by housing options available at a specific institution. For example, suites or rooms with air conditioning may have a higher price than standard rooms.

While some schools require freshman to live on campus, older students may have the option to live off-campus. When weighing your living arrangements, ask yourself:

- What amenities are included in the price?
- Is a meal plan included with campus room and board?
- Do I have to pay utilities?
- Will I have a roommate?
- If living off campus, how far is the drive to class and how much is parking?
- If living on campus, can I have a vehicle?

Where you decide to live may also depend on where the school is located. Below are some of the common attributes of rural, suburban and urban schools:

Rural schools	Most campuses are self-contained. Socialization often happens on campus since there may be limited entertainment options off campus.
Suburban schools	Campuses may be self-contained, but there may be a larger city nearby offering off-campus work and entertainment opportunities.
Urban schools	May be more integrated into the surrounding area. Urban campuses may rely on public transportation, and students may regularly go

Books, Fees and Technology

Beyond tuition, some schools charge numerous fees: lab fees, student activity fees and technology fees, among others. Some schools require students to have a specific laptop or electronic device.

In addition, students in certain majors might have added expenses. For example, health care students might need to buy medical tools and scrubs. Art students may need specialty supplies. Plus, some careers require internships or licensure that can add extra student costs on top of what the college degree costs.

Lastly, don't forget textbooks, which can add up to \$1,200 a year at a four-year institution, according to the College Board. However, some schools are working to bring down the cost of textbooks. At Peirce College in Philadelphia, for example, many books are stocked in the library for students to borrow instead of buy. Other schools are experimenting with putting textbooks online for easy and inexpensive access.

Out-of-Pocket Expenses

Some families may forget that college is not all-inclusive. While paying tuition may get you on campus, there is a laundry list of incidental expenses that must be paid throughout the year.

When making a school budget, families should be sure to plan for the following expenses:

- Cost of traveling to and from school for breaks
- Cost of commuting if living at home
- Insurance, including renters, car and health
- Home furnishings and dorm décor
- Social activities
- Meal plans or groceries
- Sorority or fraternity costs
- Mobile phone
- Personal products
- Laundry
- Summer storage of college furniture

The Cost of Incompletion

Finally, we come to college costs that families rarely consider, but that are unfortunately all too common. These are the costs associated with failing to complete a course of study or taking more time than expected to complete a degree.

A 2013 study from the National Center for Education Statistics found only 59 percent of freshman enrolling in a bachelor's degree program at a four-year institution graduate within six years. At community colleges, only 30 percent of incoming students will graduate with a degree within three years.

Even among those who graduate, students may make costly mistakes. They may transfer schools or switch majors, both of which can cost time and money. What's more, those who take six years to earn a four-year degree are spending thousands of dollars more than intended.

With those statistics in mind, below are strategies that can help increase your chances of success:

- Take AP classes in high school to earn college credit in advance.
- Research a school's graduation rate. At a four-year institution, are most students graduating in four, five or six years?
- Research what majors are offered at a school so that you can decide early on a major and stick with it.
- Don't take a year off. While tempting to take a break from school, continuous enrollment helps give you the momentum to complete your degree.
- If you are struggling in a class, see your instructor at the first sign of trouble.
- Look for schools offering a graduation guarantee. Schools such as Vanguard University and University of Nebraska-Lincoln guarantee students selecting a major their first year will graduate within four years. If they don't, years five and six may be tuition-free.

Resources

[College Cost Calculator](#)

If a student is more than a year or two away from college, tuition prices could be significantly more than today's published prices. Use this calculator from Sallie Mae to find out what to expect for future tuition costs.

[College Affordability and Transparency Center](#)

Maintained by the U.S. Department of Education, this website is a clearinghouse of information regarding college prices. You can find out the average cost for specific degree programs, learn which institutions have the highest and lowest tuition and discover which colleges have runaway tuition rates.

[My College Planning Team](#)

Although not all the services offered by My College Planning Team are free, the site's blog provides an abundance of useful information regarding college affordability. Chicago-area residents can also attend free workshops hosted by the firm.

“ While we always encourage families to start saving as early as possible, it is never too late. There are always things you can do to save money.

– Debby Hohler, spokesperson for Upromise

TYPES OF FINANCIAL AID

Paying for college can be a challenge. Fortunately, there is plenty of financial aid available for both private and public institutions.

Financial aid is typically broken down into two categories: merit and need-based. Merit aid is based upon a student's academic achievement. Some states may award grants to students who have achieved a certain score on standardized tests. Likewise, private scholarships may take into consideration an applicant's grades, community service or other attributes when awarding aid.

On the other hand, need-based aid depends on your family's finances. To determine the level of need-based aid to award, schools use the following process:

1. A **cost of attendance** is calculated. This cost includes tuition and fees, room and board, books, supplies, transportation, daycare if applicable and a reasonable amount for living expenses.
2. Your **expected family contribution** is calculated. The contribution is determined using a formula created by the federal government. It takes into account your family size as well as its taxable and nontaxable income and any assets.
3. The expected family contribution is subtracted from the cost of attendance to determine how much need-based financial aid you are eligible for.

To pay for the expected family contribution, you may use income, savings or investments such as a 529 Plan or a Coverdell Education Savings Account.

Types of Aid Available

Financial aid may come from many sources, but it will arrive in one of three forms.

Scholarships and grants: These provide free money that doesn't need to be repaid. Scholarships are typically merit based and granted by private organizations and foundations. Grants are need-based and most commonly provided by the government. Pell Grants and Educational Opportunity Grants are two popular federal grant programs.

Loans: College loans may fall into one of the following categories: Perkins, Stafford, Plus and private. The first three are federal loan programs while the last option comes from non-governmental sources.

- **Perkins:** Need-based loans that tend to offer the best interest rate and repayment terms. However, not every school participates in the Perkins program.
- **Stafford:** These loans may be subsidized or unsubsidized, meaning the government may cover the cost of interest while you are in school.
- **Plus:** Federal loans available to parents of students.
- **Private:** Credit-based loans offered by banks and private lenders. Interest rates and repayment terms can vary significantly and may not be as favorable as government programs.

Work study: Federal work study programs provide money to colleges to employ students on campus. Even if they are approved for work study aid, students should know it is not guaranteed. They still need to apply and qualify for a job at their school.

Resources

[Federal Student Aid](#)

This is the official government portal regarding financial aid. You can learn about the types of aid available, find eligibility requirements and estimate loan repayments.

[Upromise](#)

Upromise is a free rewards program that lets users earn shopping rebates that can be used for college expenses. Earnings can be deposited into a 529 Plan or a high yield savings account or may be redeemed by check.

[Sallie Mae Scholarship Search](#)

Students can use this free scholarship search site run by Sallie Mae, a student loan provider, to sort through more than three million college scholarship programs. Answer some brief questions, and the site will search for the programs for which you're eligible.

[Scholarships.com](#)

Students can register for this free website to search approximately 2.7 million scholarship opportunities. Privately run, the website will match users to appropriate scholarships and also provides recruitment services.

“ A good rule of thumb is that total student loan debt at graduation should be less than the annual starting salary.

– Mark Kantrowitz, author of Filing the FAFSA and senior vice president of Edvisors Network

STICKER PRICE VS. NET PRICE

With the vast amount of financial aid available, education experts say virtually no one pays the published tuition price, otherwise known as the sticker price. Instead, students have a lower out-of-pocket cost once you factor in discounts and financial aid. This lower price is the net price and reflects the actual cost of their education.

The following chart highlights average net prices for the 2013-2014 school year according to the College Board:

Type of institution	Net price
Public two-year (in-state)	-\$1,550
Public four-year (in-state)	\$3,120
Private non-profit four-year	\$21,460

As you can see, community college students tend to receive so much financial aid, their net price ends up being negative. Of course, these are only averages and your actual net price will differ depending on your income and eligibility for merit-based aid. What's more, these figures are for tuition and do not include the cost of room and board.

Still, the net price figure demonstrates how surprisingly affordable it can be to earn a degree. Even prestigious, Ivy League schools that have a reputation for exorbitant tuition rates can have very low net prices.

For example, Princeton University has a published tuition rate of \$40,170 for 2013-2014. However, U.S. News and World Report says nearly 60 percent of students receive need-based financial aid, and the average need-based scholarship or grant award is \$37,166. That makes the net price for these students only \$3,004.

Net Price vs. Net Cost

A 2011 law requires colleges and universities receiving certain federal money to include a net price calculator on their website. Other schools may promote their net price as an incentive to prospective students.

Mark Kantrowitz, author of *Filing the FAFSA* and senior vice president of Edvisors Network, says students and families need to be sure they are comparing apples to apples. Some colleges may advertise a net cost which may be different from a net price.

The net cost includes loans which must be repaid and don't actually reduce the final price tag associated with a degree. According to Kantrowitz, all schools will have a similar net cost, but net prices will vary significantly depending on the generosity of the school.

Families will also want to look at their financial aid award to determine whether scholarships and grants will continue throughout their education. Some schools are very generous with freshmen awards, but that money may not be available to upperclassmen which can increase the net price of college over time.

How to Maximize Your Financial Aid Package

To make the most of available financial aid, our experts agree filing the Free Application for Federal Student Aid – known as the FAFSA – as soon as possible is the best bet. Even if you don't plan to use federal aid, schools may require the form for their own scholarship and grant programs.

Many schools have a limited amount of money available and filing the FAFSA earlier helps ensure the pot of money won't be gone by the time you apply. At the same time, if you are using estimated tax information, try to be as accurate as possible. If your actual income is significantly different than the estimates you used on the FAFSA, it could negatively affect the aid you receive.

Families should be careful not to take any action, such as cashing in investments, which could artificially inflate their annual income. If you have significant assets in the bank and are carrying debt, you may want to use that money to pay off loans or credit cards since money in the bank can lower a student's need-based aid.

Also, if you are receiving private scholarships, check with the school to see how that impacts your financial aid award. Some schools may adjust your need-based grant while others will make you keep the grant intact and reduce your student loans instead. Obviously, the school that lets you keep the grant and cuts the loan is the better choice financially.

Resources

[Net Price Calculator Center](#)

Run by the Department of Education, this website lets you search by school name and then be taken to that institution's net price calculator. On the calculator page, enter basic demographic, income and asset information to learn the average net price for students with a profile similar to yours.

[The College Board's Net Price Calculator](#)

The College Board has compiled its own list of schools with a net price calculator on their sites. You can search for schools by name or by state and follow a link directly to that particular institution's calculator. The College Board site also includes additional financial aid information and resources.

[How American Pays for College 2013](#)

This annual report published by Sallie Mae provides some interesting insight into how families are covering their out-of-pocket costs. You can learn how other families are paying for college and compare how your costs stack up.

[Free Application for Federal Student Aid](#)

Students can apply for federal student aid on this form. The website lets you start a new FAFSA or manage your existing application.

“ *I cannot think of any place where the sticker price is the price you pay.*

– *Chanel Greene, Manager of the Office of Financial Aid*

“ *There are times when an independent college with good financial aid won't cost any more than a public school or community college.*

– *Glen Thomas, Vice President for Enrollment Management*

RETURN ON INVESTMENT

When talking about college affordability, it is important to also consider the return on your investment.

The return on investment – or ROI – is what you get in exchange for your degree. Typically, we talk about ROIs in terms of the income you can earn as a result of your education. In other words, will you make enough money to pay off your loans and live the lifestyle you want after graduation?

PayScale.com has calculated the financial ROI for more than 1,000 schools nationwide. They considered the price of the school and then determined graduates earning potential over the course of a 30-year career. According to their calculations, the following schools have the best ROI. The 2012 cost represents the average price of a degree from the institution.

School	2012 cost	30 year net return on investment
Harvey Mudd College	\$221,700	\$2,113,000
California Institute of Technology	\$213,000	\$1,991,000
Polytechnic University of New York University	\$214,300	\$1,622,000
Massachusetts Institute of Technology	\$215,700	\$1,606,000
SUNY – Maritime College	\$90,530	\$1,586,000

Meanwhile, the following schools came in at the bottom of the PayScale.com analysis. These schools had such low ROIs that you may actually lose money by going there.

School	2012 cost	30 year net return on investment
Valley Forge College	\$114,100	-\$178,000
Miles College	\$92,280	-\$136,000
University of Maine at Presque Isle	\$79,330	-\$124,000
Florida Memorial University	\$116,100	-\$114,000
Springfield College	\$174,400	-\$101,000

The low ROI at some of these colleges may not be a reflection of the school's quality but rather its educational focus. Some majors are associated with much higher ROIs than others. At Valley Forge College, one of the most popular majors is religious studies, a field that's not associated with high-paying jobs. Meanwhile, the schools with the highest ROIs seem to focus on engineering fields.

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Salary.com did its own ROI survey and found the following eight majors will give you the biggest bang for your buck:

- English
- Marketing
- Engineering
- Biology
- Economics
- Human resources
- Information technology
- Math

Even within the same major, ROIs can vary significantly depending on the school. Notably, private non-profit schools seem to dominate the PayScale rankings. Of the ten business schools with the highest ROI, eight are private non-profits. The same is true for engineering majors. However, high ROI schools can be found in every sector: public, private and online.

Value That Can't Be Measured

In addition to the monetary benefits that come with a degree, there may be intangible benefits that can't be measured by a dollar sign.

Don St. Clair, vice president of enrollment management and university marketing for Woodbury University, notes the benefits of a degree many not become apparent until 10-20 years after graduation. He says students should remember higher education is about making life richer and more meaningful and not simply a conduit to a bigger paycheck.

Glen Thomas, vice president for enrollment management at Pine Manor College, agrees. He says students should remember most people hold multiple jobs in various areas throughout the course of their career. A college education can give students the skills and knowledge needed to smoothly move through these transitions.

Resources

[PayScale ROI Report](#)

This website provides comprehensive information on the ROI offered by nearly 1,500 schools nationwide. You can search by region, major and school type. Pay information is also available for specific occupations.

[College Affordability Initiatives](#)

This list, compiled by the National Association of Independent Colleges and Universities, lists affordability initiatives at institutions across the country. Ranging from tuition caps to tuition cuts, these initiatives may reduce costs and increase ROI.

[The College Payoff](#)

The Center on Education and the Workforce at Georgetown University has done extensive research on the value of higher education and how it translates into employment and income. Its report on The College Payoff may be particularly helpful to families researching the ROI for degrees in specific fields.

“ Your education should make your mid and late career more fulfilling as well as make your life richer. It's not just about the salary you earn.

– Don St. Clair, Vice President of Enrollment Management and University Marketing

PUTTING IT ALL TOGETHER

There is no denying a college degree can be a major expense, but it may also be the most valuable thing you ever possess. The right degree in the right field may result in a high-paying job that could mean millions over the course of your lifetime.

However, that doesn't mean you should go deep into debt for a degree. Instead, sit down with your family to develop a realistic budget of what you can afford. Don't forget to include expenses beyond simply tuition and room and board.

As you apply to schools, don't rule out any institutions immediately because of their published rates. Remember, most students pay a net price that is far below the sticker cost. You may be surprised at how affordable a prestigious, private school can be.

Once you begin to receive acceptance letters and financial award notifications, create a spreadsheet to record the net tuition price, room and board and other expected expenses. Also, note any special initiatives that can reduce tuition.

For example, Adelphi University offers a flat tuition rate for students who take 14-17 credits each semester. By taking more credits per semester, students can reduce their overall cost of tuition. Another example is Western Governors University which allows students to move quickly through classes in subject matter they already know.

Compare the totals on your spreadsheet to the budgeted amount you can realistically spend. Finally, use ROI information to make a final decision on which school in your budget offers the best value.

On campus, be sure to follow through and keep up on your studies to ensure you graduate on time and with your desired degree.

With a little planning and some research, college doesn't have to be an outrageous expense. It can be surprisingly affordable and an investment that will pay you back generously throughout your lifetime.

“Affordability can be an elusive thing. You have to think outside the box.”

– Debra A. Evans, Associate Director of Student Financial Services

GLOSSARY OF TERMS

529 plan: A tax-sheltered investment account for education savings.

Expected family contribution: Amount a family is expected to pay toward a student's higher education costs. The contribution is determined using a formula created by the federal government.

Free Application for Federal Student Aid (FAFSA): The application form for federal student aid. Some institutions may also use this form when determining eligibility for their own aid programs.

In-state tuition: Tuition rates charged by public institutions to residents of their state. Individuals typically must live in a state a certain amount of time before they are considered residents.

Merit based aid: Financial aid that is dependent upon student achievement or talent. Merit based aid generally comes in the form of scholarships.

Need-based aid: Financial aid based upon income and assets. Federal need-based aid may be offered as a grant, loan or work study.

Net price: The sticker price minus as scholarships or grants awarded to a student.

Out-of-state tuition: Tuition rates charged by public institutions to students who are residents of other states.

Return on investment (ROI): The payoff for earning a degree, typically calculated as the expected lifetime earnings for someone with a particular degree.

Sticker price: An institution's published tuition rate.