



FINANCING COLLEGE - Educator Guide



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FINANCING COLLEGE

LESSON OVERVIEW

With college a looming expense for many high school students and recent graduates, researching colleges and how to finance an education enables students to fully assess their choices. This lesson explores different ways to finance a college education, from building savings to **financial aid** and **loans**. Emphasizing research to build knowledge is the key component of this lesson as students employ strategies of weighing costs, benefits, and options to make prudent personal choices regarding higher education.

TOPIC: Financing College

SUBJECT CONNECTIONS: Math, English
Language Arts

TIME REQUIRED: 80 minutes (*excluding Extended Exploration activities*)

LEARNING OBJECTIVES:

Students will be able to...

- Identify the costs of college
- Understand student loan management
- Research and compare different college financial aid choices
- Discuss the earning potential of a degree in relationship to its cost

SUPPLIES:

- Projector (for teacher presentation slides)
- Access to the Internet (**optional**)
- Sticky notes and poster board (**optional**)

PREPARATION:

- Make copies of student handouts
- Set up projector with presentation slides

Answer Key 10
Glossary with key vocabulary..... 21

STUDENT HANDOUTS:

(*found in Student Guide*)

- **College Planning Prep**
- **Federal Student Aid Options**
- **Comparing Choices**
- **College ROI (Return on Investment)**

TEACHER PRESENTATION SLIDES:

- **What Is Your Skill and Will?**
- **Cost of College**
- **The Financial Aid Process (6)**

ESSENTIAL QUESTIONS:

- *How much does college cost?*
- *How can I pay for college?*
- *What types of financial aid are available and how do I learn more about them?*

ASSESSMENT ACTIVITIES:

PRE-ASSESSMENT:

- **College Planning Prep** handout

POST-ASSESSMENT:

- **College Tips** activity
- **Comparing Choices** handout
- **College ROI** handout

MONEY SMART PORTFOLIO:

- **College Planning Prep** handout
- **Federal Student Aid Options** handout
- **Comparing Choices** handout
- **College ROI** handout

INSTRUCTION STEPS

WARM UP

COLLEGE PLANNING PREP [15 MINUTES]

Open the lesson by sharing the *What Is Your Skill and Will?* slide. Ask students what the famous quote from Muhammad Ali means to them. What is the “skill” and “will” he refers to? Engage students in thinking about their own “wills” for their future. What do they want to accomplish? What type of career do they see for themselves? Next, ask students to contemplate the “skills” needed to meet their goals. What type of training and education goes into achieving your vision? Guide the discussion to explain that going to college is one way to help build your skills and achieve your goals.

MONEY SMART TIP!

Refer back to Lesson 1, *Working Hard for the Money*, and have students review the career options they researched.

Help students understand that, whereas pursuing a college degree can be both time-consuming and expensive, college graduates usually see a **return on their investment (ROI)** and benefit from long-term payoffs (for example: more career options, better promotion opportunities, higher earnings, and lower unemployment on average). Explain that continuing your education beyond high school is a large investment that takes a lot of planning and research. Whether they are interested in going to a college or university, community college, trade, career, or technical school, or entering the workforce, tell students that it is never too late to think about how to pay for expenses.

Next, distribute the *College Planning Prep* handout. Give students time to complete the activity, and invite volunteers to share their thoughts for each piece of the concept map. Lead the discussion by showcasing that there are many different elements to consider when planning for college, including the size of school students are interested in, how to finance a degree, and what type of extracurricular activities they may want to participate in. Planning for college includes a variety of components that all need to be considered equally.

GUIDED EXPLORATION

COST OF COLLEGE [35 MINUTES]

Display the *Cost of College* slide and review the different expenses that are part of preparing a budget for college. Ask students why they think it’s important to consider costs beyond just tuition and have them explain why they think it is important to budget living expenses as part of a college prep plan. Explain that, if you are moving out on your own for the first time, expenses may be much different than what you are used to. Likewise, attending college may also bring new expenses into the budget by way of books and technology needed to perform schoolwork.

Grade-Level Modifications:

Beginner: Review the principles of budgeting from Lesson 3, *Can You Pay Your Bills?*, and have students reiterate the basic building blocks of a budget.

Advanced: Challenge students to create a projected budget for each of the expenses included on the *Cost of College* slide.

Next, ask students how they think it is possible to pay for college expenses. In addition to saving and working to pay for education, explain that financial aid can also help offset the costs of college. Display the (6) *Financial Aid Process* slides (<https://www.studentaid.ed.gov/sites/default/files/financial-aid-process.png>). Review each of the steps with students and discuss the differences between **scholarships, grants, and loans**.

- **Scholarships:** money for college that you will not be expected to repay. Scholarships sponsored by colleges are often designated for students who satisfy certain merit-based criteria, such as excellent academic or athletic performance.
- **Grants:** money for college that you are not expected to repay. Often awarded based on need.
- **Loans:** money borrowed that must be repaid with interest.
- **Work-Study Programs:** money earned for college by working to help pay for educational expenses.

MONEY SMART TIP!

Expand the discussion of loans to include repayment information. Have students contemplate the terms of loans and ramifications of making payments late or missing payments altogether. Connect back to Lesson 7, *Capacity, Character, Collateral, and Capital*, to reiterate the impacts loans can have on credit.

Engage students in a discussion next about the **Free Application for Federal Student Aid (FAFSA)**, which is an application for federal student financial aid such as Pell grants, student loans, and college work-study programs. Explain that filling it out is the first step in order to apply for federal student aid. Help students understand that many states and schools also use FAFSA information to award their financial aid.

Distribute the *Federal Student Aid Options* handout and divide the class into small groups. Assign each group a different a financial aid item to research and then have groups present their findings to the class.

MONEY SMART TIP!

Show students the FAFSA form and how to fill it out. Encourage students to share this information with their parents and to complete one if they haven't done so already. <https://fafsa.gov/>

INDEPENDENT EXPLORATION

Note: These activities are more independent than the Guided Exploration activities and may be used as homework assignments, collaborative group work, or independent study.

COMPARING CHOICES [25 MINUTES]

Distribute the **Comparing Choices** handout and have students work individually or in small groups to research and record the different costs associated with the three colleges in the sample scenario. Next, encourage students to research and compare three colleges of their own choice (or use three colleges or universities in your area).

MONEY SMART TIP!

The *Comparing Choices* handout works well as a homework assignment to offer students additional time to research and reflect on their college choices. Additionally, share with your students the resources from the Consumer Financial Protection Bureau's Know Before Your Owe Student Loans Project, which includes information on understanding loans and grants, as well as comparing financial aid packages from multiple institutions (<http://www.consumerfinance.gov/students/knowbeforeyouowe/>). Additionally, discuss with your students the seriousness of making student loan decisions and inform them that even in a bankruptcy, student loans are not released.

Invite volunteers to share the expenses they researched, and reiterate the importance of looking at college costs not just from a tuition point of view, but also to include other expenses such as books, transportation, housing, and food.

Next, explain that comparing costs is important in making a college decision, but so is considering the ROI (return on investment). If you spend a certain amount of money to attend college, how much money will you be able to earn in your lifetime as a result of the money spent? Invite volunteers to share their thoughts and then distribute the **College ROI** handout.

WRAP UP

TAKE-HOME PAY [5 MINUTES]

Close the lesson by asking students to write down one tip on a sticky note or piece of paper about how to prepare for college costs. Have students give you their sticky notes as a ticket out of class and then compile them on a poster board or classroom wall to create a comprehensive college planning resource.

EXTENDED EXPLORATION

Note: Use the following ideas to extend financial literacy concepts throughout the school year within core content areas through English Language Arts, Math, Social Studies and Economics, and Technology activities, projects, and discussions. Duration of activities will vary.

ENGLISH LANGUAGE ARTS

- **Writing Prompts:**
 - Do student loans help or hurt the U.S. economy? Choose a position and support your argument.
 - What is your opinion of for-profit schools? Do you agree or disagree with a profit-driven model for offering college education? Explain your reasoning.
- **Suggested Readings:**
 - *What's Holding You Back?* student profiles with videos, by the College Board: Read about and watch videos (approximately 1 minute each) of real college students and their experiences on the path to college.
<http://youcango.collegeboard.org/stories/all>
 - *How Much Will College Cost in 25 Years?* Read and investigate the future of college costs.
<http://archive.freep.com/article/20140913/FEATURES01/309130060/college-cost-in-25-years>

MATHEMATICS

- **Activity/Project Ideas:**
 - Have students calculate and analyze the impact of inflation on higher-education costs. How much will college cost five years from now? Ten years? Fifty years?

SOCIAL STUDIES AND ECONOMICS

- **Discussion Topics:**
 - Explore the connection between education and earnings. Ask students: *If you go to college does that guarantee economic success? Why or why not?*
 - Discuss different positions on what role the government should play in supporting higher education, such as levels of federal financial aid, interest rates on federal loans, and for-profit institution regulations.

TECHNOLOGY

- **Online Resources:**

- *Center for Student Opportunity*: A web resource that helps empower first-generation college students. <http://www.imfirst.org/center-for-student-opportunity/>
- *College Savings Calculator*: An online calculator that calculates how much to save for college. <http://www.360financialliteracy.org/Topics/Paying-for-Education/Saving-for-College/College-Savings>
- *The College Board*: A web resource that helps students reach success and opportunity through college. Resources include college planning, college searches, and preparing for college entrance exams. <https://www.collegeboard.org/>
- *Federal Student Aid*: a comprehensive resource on federal financial aid for college, including preparing for college, qualifying for aid, and applying for and managing loans. <https://www.studentaid.ed.gov/>
- *College Scorecard* by the US Department of Education: Make informed decisions by reviewing college affordability and assessing personal factors such as location, size, and programs offered. <https://collegescorecard.ed.gov>.
- *Compare and Pay for College*: A web resource housing information on comparing colleges, obtaining financial aid, and searching for scholarships. <http://www.nerdwallet.com/nerdscholar/compare-colleges-and-pay>
- *Know Before You Owe, Student Loans Project* by the Consumer Finance Protection Bureau: Information on understanding loans and grants, as well as comparing financial aid packages from multiple institutions. <http://www.consumerfinance.gov/students/knowbeforeyouowe/>
- *Paying for College* by the Consumer Finance Protection Bureau: An online tool to help consumers make informed financial decisions about how to pay for college by comparing financial aid offers and understanding loan repayment options. <http://www.consumerfinance.gov/paying-for-college/>

- **Activity/Project Ideas:**

- Have students use spreadsheet software to create a college budget. Students may start with a template at <http://office.microsoft.com/en-us/templates/my-college-budget-TC102347374.aspx>.

ANSWER KEY

for Student Handouts

LESSON 12: HALLS OF KNOWLEDGE

Student Handout: *College Planning Prep*. Answers will vary. Use handout to assess student ability to articulate preferences for each section.

Student Handout: *Federal Student Aid Options*

Pell Grant:

How does it work? A Federal Pell Grant, unlike a loan, does not have to be repaid. Federal Pell Grants usually are awarded only to undergraduate students who have not earned a bachelor's or a professional degree.

How much money is it for? Amounts can change yearly. The maximum Pell Grant award is \$5,645 for the 2013–14 award year (July 1, 2013, to June 30, 2014). For the 2014–15 award year (July 1, 2014, to June 30, 2015), the maximum award will be \$5,730. The amount you get, though, will depend on your financial need, your cost of attendance, your status as a full-time or part-time student, and your plans to attend school for a full academic year or less. You may not receive Pell Grant funds from more than one school at a time.

Who is eligible to receive it? Undergraduate students; in some cases, however, a student enrolled in a post-baccalaureate teacher certification program might receive a Pell Grant. You are not eligible to receive a Federal Pell Grant if you are incarcerated in a federal or state penal institution or are subject to an involuntary civil commitment upon completion of a period of incarceration for a forcible or nonforcible sexual offense. Where can we learn more about it? <https://studentaid.ed.gov/types/grants-scholarships/pell>

Perkins Loan:

How does it work? Perkins Loans are low-interest federal student loans for undergraduate and graduate students with exceptional financial need. Not all schools participate in the Federal Perkins Loan Program. You should check with your school's financial aid office to see whether your school participates.

How much may be borrowed? Funds depend on your financial need and the availability of funds at your college. The amount you can borrow depends on your financial need, the amount of other aid you receive, and the availability of funds at your college or career school. You should apply for federal student aid early to make sure you are considered for a Perkins Loan. Due to limited funds, not everyone who qualifies for a Perkins Loan will receive one. If you are an undergraduate student, you may be eligible to receive up to

\$5,500 a year. The total you can borrow as an undergraduate is \$27,500. If you are a graduate or professional student, you may be eligible to receive up to \$8,000 per year. The total you can borrow as a graduate student is \$60,000, which includes amounts borrowed as an undergraduate.

What are the terms of the loan? The interest rate for this loan is 5 percent. Your school is the lender; you will make your payments to the school that made your loan or to your school's loan servicer. There are no other charges beyond the interest rate. However, if you skip a payment, if your payment is late, or if you make less than a full payment, you might have to pay a late charge plus any collection costs.

Who is eligible to receive it? Available to undergraduate, graduate, and professional students with exceptional financial need.

Where can we learn more about it? <https://studentaid.ed.gov/types/loans/perkins>

Direct Loan:

How does it work? Direct Loans are low-interest loans for students and parents to help pay for the cost of a student's education after high school. The lender is the U.S. Department of Education (the Department), though most of the contact will be with your loan servicer.

How much may be borrowed? The maximum amount you can borrow each year in Direct Subsidized and Unsubsidized Loans depends on your grade level and on whether you are a dependent student or an independent student.

What are the terms of the loan? Interest rates for Direct Subsidized and Unsubsidized Loans for undergraduates with a first disbursement date between July 1, 2014, and June 30, 2015, are 4.66 percent. Interest rates for Direct Unsubsidized Loans for graduate students are 6.21 percent. Interest rates for Direct PLUS Loans are 7.21 percent.

Who is eligible to receive it? Available to undergraduate and graduate students. Where can we learn more about it? <http://www.direct.ed.gov/>

College Work-Study Programs:

How does it work? Provides funds for part-time employment to help needy students to finance the costs of postsecondary education.

How much do you earn? Hourly wages are at least the federal minimum wage.

What kinds of jobs are available? Community service jobs, including: reading tutors for preschool-age or elementary school children; mathematics tutors for students enrolled in elementary school through 9th grade; literacy tutors in a family literacy project performing family literacy activities; or emergency preparedness and response.

Who is eligible for this program? Available to undergraduate, vocational, and graduate students enrolled or accepted for enrollment at participating schools.

Where can we learn more about it?

<http://www2.ed.gov/programs/fws/index.html> Student Handout: *Comparing*

	University of Michigan	Indiana State University	Butler University
Tuition/Fees	\$39,122	\$8,098	\$33,138
Housing/Meals	\$9,752	\$8,772	\$10,830
Books/Supplies	\$1,048	\$1,170	\$1,000
Transportation	\$0	\$0	\$0
Misc. Education Costs	\$2,054	\$2,186	\$2,500
Total Expenses	\$51,976	\$20,226	\$47,468

Which university will be the most expensive for Mariel to attend? Why do you think this is?
University of Michigan, because Mariel will pay much more for out-of-state tuition.

If you were Mariel, which school would you pick, and why? Answers will vary.

Based on your research, which college do you think you would like to attend, and why?
Answers will vary. Use handout to assess student ability to compare data and make an informed choice.

What other factors go into deciding which college to attend? Answers will vary, but encourage students to think about other benefits and drawbacks of different college choices, such as marketability to employers and internship opportunities.

Student Handout: *College ROI (Return on Investment)*. Deciding on a college includes a number of factors, including location, cost, and academic programs. Learn more about how to measure your potential return on investment by following the steps below. Answers will vary. Use handout to assess student ability to compare data and make an informed choice.



For Grades 9-12

FINANCING COLLEGE Student Guide

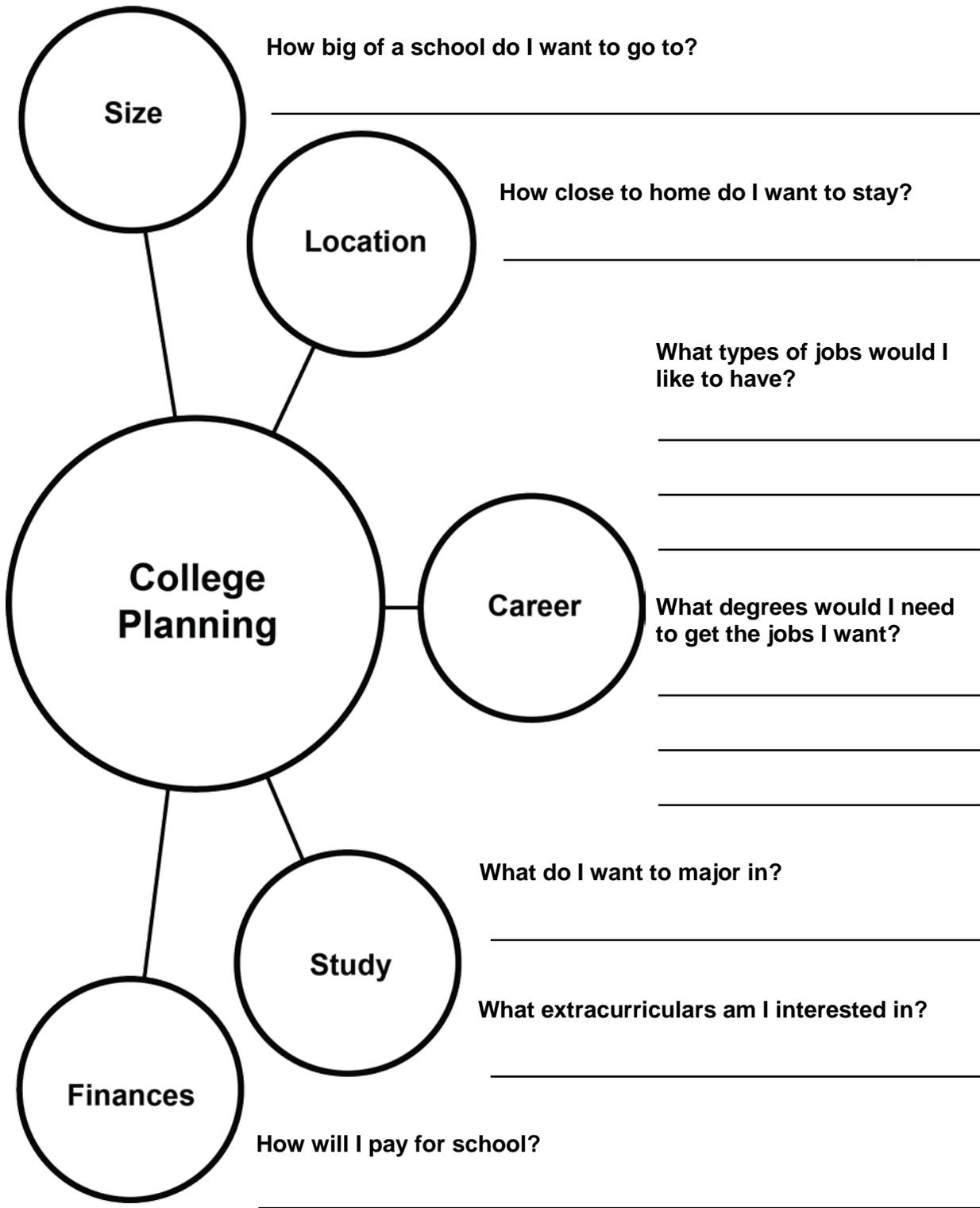


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- Student Handout 4: ***College ROI (Return on Investment)***

Name: _____



FEDERAL STUDENT AID OPTIONS

Name: _____

Working with your group, research the student aid option assigned by your teacher and record your findings in the chart below. Be prepared to present your research to the class and explain where we can find more information about your assigned aid.

PELL GRANT

How does it work?	
How much money is it for?	
Who is eligible to receive it?	
Where can we learn more about it?	

PERKINS LOAN

How does it work?	
How much may be borrowed?	
What are the terms of the loan?	
Who is eligible to receive it?	
Where can we learn more about it?	

FEDERAL STUDENT AID OPTIONS (continued)

DIRECT LOAN (SUBSIDIZED AND UNSUBSIDIZED)

How does it work?	
How much may be borrowed?	
What are the terms of the loan?	
Who is eligible to receive it?	
Where can we learn more about it?	

COLLEGE WORK-STUDY PROGRAMS

How do they work?	
How much do you earn?	
What kinds of jobs are available?	
Who is eligible for these programs?	
Where can we learn more about them?	

COMPARING CHOICES

Name: _____

MEET MARIEL

Mariel is 18 years old and from Indiana. She is heading to college soon and can't wait for dorm life! She loves meeting new people. She plans on majoring in biology, and hopes to earn her bachelor's degree.

THE PROBLEM?

While Mariel is so excited to start college, she is really torn on which college to attend. She has been accepted to University of Michigan, Indiana State University, and Butler University. To help her make a decision, research the costs associated with each category in the chart below and compare and contrast her three choices.

RESEARCH TIP

Use the Consumer Financial Protection Bureau's comparing college costs tool at <http://www.consumerfinance.gov/paying-for-college/compare-financial-aid-and-college-cost/>.

	University of Michigan	Indiana State University	Butler University
Tuition/Fees	\$	\$	\$
Housing/Meals	\$	\$	\$
Books/Supplies	\$	\$	\$
Transportation	\$	\$	\$
Misc. Education Costs	\$	\$	\$
Total Expenses	\$	\$	\$

Which university will be the most expensive for Mariel to attend? Why do you think this is?

If you were Mariel, which school would you pick, and why?

What other factors go into deciding which college to attend?

COMPARING CHOICES (continued)

YOUR TURN!

Now that you have helped Mariel research her college choices, pick three new colleges of your own to research, and complete the chart below. Remember to consider in-state versus out-of-state tuition costs and the cost of living in one geographical area versus another.

Use the Consumer Financial Protection Bureau's comparing college costs tool at <http://www.consumerfinance.gov/paying-for-college/compare-financial-aid-and-college-cost/>.

	School 1: _____	School 2: _____	School 3: _____
Tuition/Fees	\$	\$	\$
Housing/Meals	\$	\$	\$
Books/Supplies	\$	\$	\$
Transportation	\$	\$	\$
Misc. Education Costs	\$	\$	\$
Total Expenses	\$	\$	\$

Which college was the most expensive? Which was the least expensive?

Based on your research, which college do you think you would like to attend, and why?

COLLEGE ROI (RETURN ON INVESTMENT)

Name: _____

Deciding on a college involves a number of factors, including location, cost, and academic programs. Learn more about how to measure your potential return on investment by following the steps below.

STEP 1

Write down the names of three colleges or universities that you are interested in attending.

- 1) _____
- 2) _____
- 3) _____

STEP 2

Write down three different majors you are interested in pursuing.

- 1) _____
- 2) _____
- 3) _____

STEP 3

Using the college names and majors you wrote above, visit the College ROI Report at <http://www.payscale.com/college-roi/>. Review your 20-year net ROI for each academic area and school and then answer the following questions.

Which major and degree had the greatest ROI? Which had the lowest?

What was surprising to you about the different ROIs? What did you learn that you didn't know before?