

Where you apply matters: How to be financially smart from the start

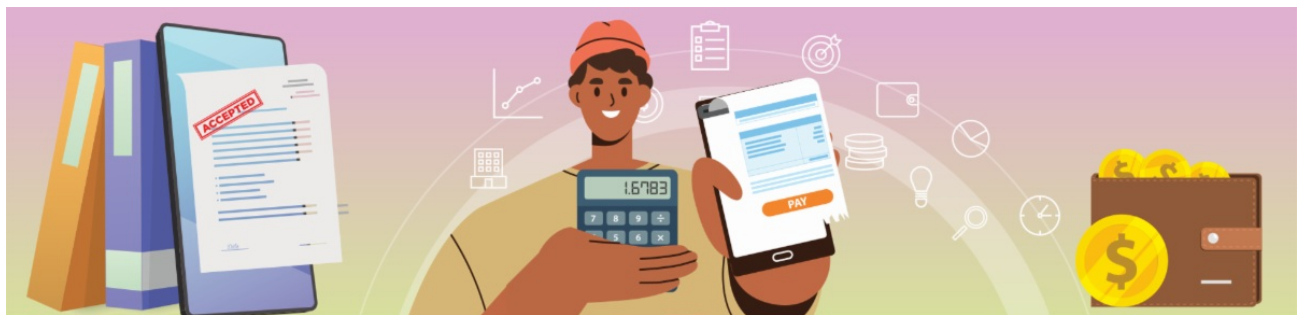
With over 4,000 different colleges and universities in the United States alone, how can you know which ones are the best choice for your future – and for your financial situation? This edition of the College Money Matters Newsletter won't make that selection for you, but it will give you some good strategies on how to gain the quality education you deserve, while still keeping things affordable.

In this edition:

- Why paying for college is different from most things we buy
- How to have “the talk”: Establishing boundaries for college costs
- Financial aid: Free money vs. long-term loans
- Why it pays to apply to different types of colleges
- Scholarships: Where to look and why to apply early



This newsletter offers insights and info from College Money Matters – a non-profit organization dedicated to helping high school students and their families make informed decisions about applying, choosing and paying for college.



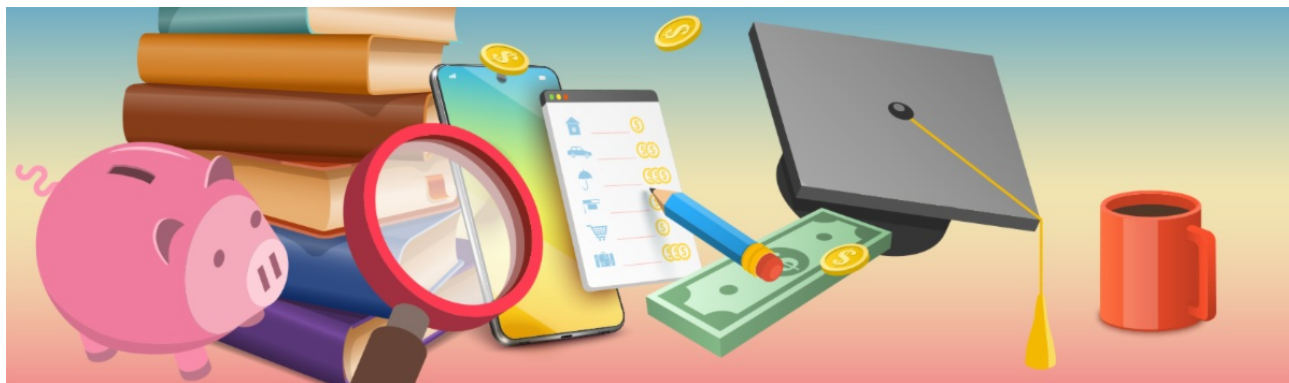
Why paying for college is different from most things we buy

How many things have you purchased where you don't know what they'll cost? With colleges, you send in your application and then usually wait three or four months to learn whether you've been accepted or not and how much you will have to pay. And by then,

you've probably run out of time to apply to other schools.

The reason this happens is because most colleges have to balance between students who can pay the full amount of tuition and housing and students that they want to admit, but who can't afford to pay as much. These students are offered financial aid, which includes grants, scholarships, and loans.

It's good to remember, though, that loans are only "aid" in that they let you pay back the amount you borrowed over time – they don't save you money. In fact, because of the way interest works, they cost you more money. Often lots more. So what can you do? Read on to find out.



Have “the talk”: Establish the boundaries for college costs

There's no question that many people feel awkward talking about money. What's more, many parents feel terrible about putting limits on their child's dreams. So how can a high school junior or senior have any idea of what's a realistic amount to pay for college?

This is exactly why College Money Matters suggests that well before the first application goes out, parents and their college-bound teenagers should have an honest conversation (or several) about how much money the family can realistically provide from savings, income, and borrowing, without going into too much debt.

It's better for parents to set the parameters early than to discover later on that while they may have had the best of intentions, they borrowed too much and now have to do things like make other sacrifices, send their next child to a less desirable school, or delay retirement. And for students who'll be paying back their own loans, it's just as important to know what's a reasonable amount to pay or borrow for college in light of what they expect their future income might be.

For more information, check out these links:

<https://collegemoneymatters.org/of-dreams-and-dollars-how-to-have-that-talk-about-paying-for-college/>

<https://collegemoneymatters.org/is-there-a-right-amount-to-borrow/>

<https://collegemoneymatters.org/how-student-loans-work/>



Financial aid: Free money vs. long-term loans

When students and their families think about how much they can afford for college, the idea of financial aid usually enters the picture early on. But it's very important to know that not all financial aid is "free." In fact, most of the financial aid offered to students today is in the form of loans, not scholarships or grants. To help make that clear, here's a brief chart that sums things up, in general:

Type of Financial Aid	Cost to student or family
Scholarship	Does not have to be paid back
Grant	Does not have to be paid back
Scholarships from a school based on financial need	Does not have to be paid back
Scholarships from a school based on a skill or talent or career direction	Does not have to be paid back (assuming you enter that career)
Scholarships from a school for other reasons	Does not have to be paid back
Scholarships or grants from your state	Does not have to be paid back
Federal Student Loan	Must be paid back, plus interest
Loan offered by a college or university	Must be paid back, plus interest
Loans from private lenders	Must be paid back, plus higher interest
Government loans for students with financial need	Must be paid back, plus interest
Government loans for students without financial need	Must be paid back, plus interest
Your savings	Does not have to be paid back, but may involve making financial sacrifices in other areas
Pell Grants	Does not have to be paid back (but you have to maintain good grades)

For more information, use these helpful links:

<https://collegemoneymatters.org/your-state-may-help-you-pay-for-college/>
<https://collegemoneymatters.org/warning-your-financial-aid-package-may-include-loans/>
<https://collegemoneymatters.org/the-top-5-things-to-know-about-your-college-acceptance-letter/>



Why it pays to apply to different types of colleges

When applying to college, the most important thing is to diversify. In other words, don't put all your eggs in one basket. Make sure you apply to different types of schools, as outlined below:

Types of schools

- **Private college or university:** A school supported mainly by the tuition paid by its students and donations made by its alumni.
- **State college or university:** A school funded largely by the taxes paid by the residents of its home state. There are two main categories:
 - In-state school – Public college or university located in the state where the student is a resident
 - Out-of-state school – Public college or university located in a different state than where the student is a resident
- **Community College:** Two-year schools that help provide an easier-to-afford basis for a 4-year degree.
- Note: There are also schools, usually heavily advertised, that fall under the category of For Profit colleges. But many are not accredited, and we strongly recommend that you avoid them. This link tells you why:

<https://collegemoneymatters.org/for-profit-schools-a-warning/>

It's okay to apply to expensive schools

Many college-bound students have a “dream school” they'd like to go to, and these are often the more expensive kind. However, you may find that the school will provide you with scholarships or grants that help lower the cost of your education there, and maybe even make it affordable.

It's smart to apply to less selective schools

It should be plain to see that the more desirable the college, the more competition there will be among students for scholarships. But if you apply to some less selective schools, they might want to bring in someone just like you!

Have a financial safety school

You probably know it's good to apply to an “academic safety school” in case you don't get accepted to your top choice. But you should also have a “financial safety school” that you know is in your price range, just in case the other schools that accept you wind up being more than you can afford.

To learn more, try these helpful links:

<https://collegemoneymatters.org/how-many-schools-should-you-apply-to/>
<https://money.com/colleges-that-meet-full-financial-need/>



Scholarships: Where to look and why to apply early

Most people start looking for scholarships in March; but the main deadline dates are October, December, and March – so you need to start early! You can keep applying for scholarships during your college years as well, so keep a list of prospects you can apply to. Here are some key things to keep in mind:

- Fill out the FAFSA as soon as possible – Note: If you're going to college for the 2024-25 school year, your FAFSA form will be available in December of 2023
- Check your state's official website for special scholarships provided to residents
- Apply early for government grants

For a number of helpful options, use our interactive online guide to scholarships and grants: <https://collegemoneymatters.org/scholarships-and-grants-interactive/>

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Your contribution will help more families take a more affordable approach to college.

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