

From BSA College Handbook

*****IMPORTANT & REQUIRED READING ABOUT COLLEGE FINANCES*****

At BSA we are very interested in your success after high school. We want to help you find the post-secondary education that will prepare you for a great career and a successful life. The choices you make now will affect the path of your life.

One of the important choices you have to make has to do with money and debt. As education debt surpasses all consumer debt and as the cost of attending college continues to rise much faster than inflation, we are extremely concerned about the financial burden that students accept during college studies.

This debt will follow students and/or parents until it is paid, a process that can extend 30 years. **This debt cannot be expunged through bankruptcy.**

We want you to be an informed consumer of education.

Some facts:

- Maryland has the second-highest average student debt in the U.S. at \$33,660. (only D.C. students carry more)
- We predict that last year’s graduating class from BSA will have higher debt than average for Maryland students for four years of college.

Colleges fall into three rough categories in terms of their cost—

1. **Private schools** like Johns Hopkins or Juilliard
2. **Public schools in other states** like University of Virginia or Point Park University in Pennsylvania
3. **Public schools in our state** like University of Maryland or St. Mary’s College

This was the average cost of each of these three types for the BSA class of 2013 (Numbers represent the cost of 4 years of tuition, room and board):

<u>Type of School</u>	<u>Tuition, room & board</u>
Private schools	\$185,624
Public schools out of state	\$163,689
Public schools in Maryland	\$76,054

But, there are scholarships, right?

After all scholarships and grants (support you don’t have to pay back), the average cost for the BSA class of 2013 for 4 years of study was the following:

<u>Type of School</u>	<u>Out-of-pocket expense</u>
Private schools	\$107,490
Public schools out of state	\$79,294
Public schools in Maryland	\$41,162

Still more than state average debt and still a lot of money!

If you have to figure the monthly payments, put the amount you want to borrow in a loan calculator like the one found here: www.finaid.org/calculators/loanpayments.phtml. Here are the monthly payments and total cost for the out-of-pocket expenses above (30 years with a 6.8% interest rate)

<u>Type of School</u>	<u>Monthly Payment</u>	<u>Total Cost (principal & interest)</u>
Private schools	\$701	\$252,275
Public schools out of state	\$517	\$186,096
Public schools in Maryland	\$268	\$96,601

Again, we want you to be informed consumers. Please think about the long-term impacts of your financial options. Please think about balancing the **value and the cost of your college education**. PLEASE, PLEASE, PLEASE do not be seduced into going to a particular school if you will have to take out a large amount of loans to do so. Remember: If you want to go to graduate school (a necessity for many career choices), you will likely be taking on additional loans.

We strongly discourage students and families to take out more than \$50,000 TOTAL in college loans. Most scholarship and grant money diminishes over the course of your college career. Therefore, you can expect to receive the most 'free' money for your freshman year.

An example:

You apply to a college that costs \$50,000/year for tuition and room and board.

You are accepted and receive a 'generous' financial aid package for your freshman year.

It looks something like this:

- ▶ Scholarships (don't have to pay back): \$20,000
- ▶ Grants (don't have to pay back): \$10,000
- ▶ Loans (must pay back): \$20,000

Nice financial aid package, right? They are GIVING you \$30,000!!!

Not so fast.

First of all, remember that scholarship and grant money usually diminishes each year after freshman year. Secondly, if your parent(s) cannot pay that \$20,000 difference from savings, you will likely be taking out a MINIMUM of \$20,000 for at least four years (\$80,000 total).

What does that REALLY mean?

This is what it means:

In order to pay back \$80,000 to the federal government, you (or your parents) will be paying **\$521.54 a MONTH for 30 YEARS**. Because of interest, you will actually end up paying the government \$188,834.40.

So, how much is \$521.54 a month? That amount can pay for fairly inexpensive rent, two months of food for a family of four, or two car payments (for a Honda, not a BMW). Not to mention electric bills, phone bills, doctor bills, gasoline, clothes for your children, etc.

It means that taking out \$80,000 for a four year college education could substantially limit your opportunities and options for your future.

And what if you don't get a high paying job? What if you are in danger of becoming homeless, losing your car, or having the electricity shut off in the dead of winter? What if unforeseen tragedy strikes and you have to pay \$100,000 in medical bills? What if you simply CANNOT afford to pay off the loan?

IT DOES NOT MATTER.

Filing bankruptcy does not affect student loans. The government will garnish your wages (take money directly from your paycheck before you even see it) for as long as it has to.

Because of the enormous cost of college, we strongly encourage all students to apply to at least THREE Maryland state schools (read: more affordable). There are excellent options for students in Maryland. You may also consider going to community college for two years and then transferring to four-year school. You will still get a degree from the four-year college, and you will have saved a LOT of money. University of MD even has a partnership with four community colleges in the area called the Maryland Transfer Advantage Program (MTAP). If you go to one of these community colleges and complete your two years with a GPA of 3.0, you are almost guaranteed a spot at University of MD for your final two years.

You can find more information about MTAP here:

<http://www.admissions.umd.edu/requirements/MarylandTransferAdvantageProgram.php>

Currently, the Federal Stafford Loan has a fixed interest rate of 6.8% and the Federal PLUS loan has a fixed rate of 7.9%. Go to www.finaid.org/calculators/loanpayments.phtml for a loan calculator.