

Personal Financial Literacy

Unit 15 – Paying for a Post-Secondary
Education



OKLAHOMA
Education



Oklahoma

COUNCIL ON ECONOMIC EDUCATION



Jonah, Ross, and Taylor

- Jonah, Ross, and Taylor are getting ready to graduate from high school.
- Jonah is headed to a technical school to get certified as a medical assistant. His parents have been saving for him to go to school, but he's exploring other financial aid options to help out.
- Ross is headed to a university out of state to eventually get his law degree. He has a great scholarship but may need more funds to cover all of his costs.
- Taylor is going to the local community college to start her degree in business. She hopes to qualify for a scholarship and get a job on campus but is prepared to apply for loans as needed to pay for her education.
- Who needs to complete the FAFSA (Free Application for Federal Student Aid)? Why?

Post-Secondary Education

- A post-secondary education is any schooling, training, or education they have after leaving high school.
- People with advanced levels of education tend to make higher wages than those with minimal training.
- Additional training or education has additional costs – and can be quite expensive.
- Almost all students today use some time of financial aid to help pay those expenses.

FAFSA

Free Application for Federal Student Aid (FAFSA):

- A federal form required each year to apply for federal student aid.
- A free service provided by the federal government.
- Used to determine your “expected family contribution” (EFC) to identify the types of aid you are eligible to receive.
- Available at [FAFSA.gov](https://fafsa.gov)
- Beginning with the 2024-2025 school year, students must complete and submit a Free Application for Federal Student Aid (FAFSA) in order to graduate from a public high school.*

A Note of Caution

- Be sure you understand exactly **what you are eligible to receive, who will receive those funds** (do they go directly to the institution or to you), **what funds (if any) need to be repaid, and when repayments begin** before accepting any type of financial aid. Once signed, you have committed to abide by those terms, which can have long-reaching impact on your financial future.

Financial Aid Package

- Includes everything you are eligible to receive
 - Scholarships, Grants, Student Loans, and Work-Study Funds
- You not have to accept everything offered in the package.
 - For example, if your scholarships and grants cover your expenses, you may not want to accept any student loans and the debt that comes with them.

Scholarships

- Cash rewards that may go directly to you or to the school to cover almost any education-related expenses such as tuition, fees, books, and housing.
- May be provided by the institution where you plan to attend or by other entities, including individual donors, local civic or community organizations, and professional groups.
- Generally require an application and selection process to determine if you meet the criteria: grade point average, financial need, your major or area of study, leadership abilities, athletic abilities, other high school/community extra-curricular activities, etc.

Scholarships (cont'd.)

- Do not require repayment (except in very unusual situations).
- Check with your high school counselor and the school you want to attend to learn more about scholarship availabilities and application processes.
- Scholarships available for almost anything (even making a prom costume out of duct tape!)

Grants

- Similar to scholarships.
- Generally offered by federal or state governments.
- Based on financial need or a combination of need and grades
- Available federal grants include the Pell Grant and the Federal Supplemental Educational Opportunity Grant (FSEOG).
- The Oklahoma Promise Scholarship program, administered by the Oklahoma State Regents for Higher Education, offers tuition funds to offset the cost of a college education for Oklahoma families earning less than \$60,000. To qualify, you must meet certain academic and conduct standards while in high school.

Loans

- One of the most common options for financing post-secondary education opportunities.
- Require repayment with interest.
- Amount, interest rates, qualification, and repayment options vary.
- Both federal and private lenders.

Federal vs Private Student Loans

Federal student loans

- Available from the U.S. Department of Education.
- Cover a wide range of educational costs at relatively low, fixed interest rates and have flexible repayment options.
- One of the best options.
- Federal Student Loans Available (<https://studentaid.gov/understand-aid/types/loans>).

Private student loans

- Available from private lenders such as banks, credit unions, and some state agencies.
- Do not provide the same flexibility as federal student loans and should be used cautiously.
- Tend to charge higher interest rates, which increases the cost of borrowing.

The Federal Work-Study Program

- Provides funds to approximately 3,400 educational institutions to hire eligible students for part-time employment.
- The types of jobs, the hours worked, and wages vary.
- Participants may be employed by the institution itself; a federal, state, or local public agency; a private nonprofit organization, or a private for-profit organization.
- Information on work-study is available from each school's financial aid office, and jobs are generally posted on the institution's web site.
- Being eligible for work-study does not guarantee participants a job; it only makes them eligible for apply for job openings.

Other Potential Sources of Financial Aid

Depends upon individual circumstances.

- **Military Benefits:** If you serve or have served in the military or are the spouse or child of a service member, you might be eligible for some form of military-specific financial aid.
- **Employee Benefit Programs:** Some employers provide financial assistance for their employees or family members of their employees.

Other Potential Sources of Financial Aid (cont'd.)

- Loan Forgiveness Programs: Some career options *may* reduce or “erase” student loan debt
 - Examples: public service, military, doctors, nurses, veterinarians, public interest law and teaching, or volunteer work through AmeriCorps.
- Fellowships and Internships:
 - Fellowships are similar to scholarships or grants; usually associated with students attending graduate school for a masters or doctorate.
 - Internships may be offered as part of your classwork in specific fields of study.

Saving for College

Reduce the need for loans by saving for your post-secondary education

- “College Savings Plans” or “529 plans”
 - Offer a tax deduction when you or someone you know sets up the plan in accordance with the state guidelines
 - Provides funds to pay for a variety of educational expenses at any eligible public or private college, university, or vocational school anywhere in the U.S.
 - Information on the Oklahoma 529 College Savings Plan (OCSP) is available at <https://www.ok4saving.org>.
- Banks, credit unions, brokerage firms, and other financial institutions
 - Can be used to pay any expenses, but do not provide the same tax benefits as 529 Saving Plans.

Lesson Summary

- It is never too early to start thinking about ways to pay for your post-secondary education. Whatever decisions you make now can have long-term impact on your personal goals and financial security later in life.
- It is also wise to assume you will need some type of financial aid to complete your post-secondary education, so completing the FAFSA is your key to getting started.
- The cost and the available financial aid is only one factor to consider about a post-secondary education. Other factors include available classes, majors, or courses; travel time and distance from home; the “college experience” with extra-curricular activities; job placement after completion; family traditions, and many others. Like most purchases, however, the ability to pay often becomes the primary deciding factor.

Lesson

Student Loans



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Jonah, Ross and Taylor

- Jonah, Ross, and Taylor have completed the FAFSA process and met with their financial aid offices to determine what they are eligible to receive.
- Jonah and Taylor are both eligible to receive loans, scholarships, and work-study.
- Ross is only eligible for scholarships and loans because his parents earn too much money for a work-study position.

Jonah

- Jonah and his parents decide it is best to get loans because he can complete his certification in two years, live at home, drive the same car, and use the money he saved to help him get a car and a place to live after graduation.
- He can continue his part-time job to help pay for other expenses.
- He can also apply for whatever scholarships are available at the school for additional assistance.

Taylor

- Taylor and her parents decide that she should get an apartment with her friends close to campus to reduce her cost of commuting, look for a job on campus, and apply for loans and scholarships to pay any additional expenses.
- She is also considering getting a credit card to use for her books and living expenses to reduce the amount borrowed on student loans.

Ross

- Ross and his parents decide that he will live on campus and use his scholarships to cover his tuition, fees, books, and living expenses and his parents will help provide other funds needed for the first year.
- They will re-assess their decision at the end of his freshman year to decide their best option for the next year.

Jonah, Ross and Taylor

- Which of the friends is making the best decision?
- What would you do differently?
- What are some of the costs and benefits of getting student loans to pay for post-secondary education?

Student Loans

- Having a student loan is very similar to borrowing money for any other purpose
 - They require you to repay what you have borrowed plus interest.
 - However, the process and the terms are somewhat different for students because payments on some of these loans can be deferred as long as you are in school.
- Taking out a student loan is an investment in your future as long as you make good choices about how much to borrow and how to use what you borrow.

Student Loans (cont'd.)

- Overspending and over-borrowing can have a long-term impact on your financial future as you struggle to make those loan payments on top of paying for your living expenses.
- Keeping loans to a minimum will help ensure you have sufficient funds as you start your new job or career after completing your degree or certification.
- While you can obtain federal and private loans to pay for your education, most experts recommend getting federal loans because they tend to offer better options than private loans or even using credit cards.

Benefits of Federal Student Loans

- The interest rate on federal student loans is usually lower than the interest on private loans and much lower than interest rates on most credit cards.
- You do not need a credit check or a co-signer to get most federal student loans.
- You do not have to begin repaying your federal student loans until after you leave college or become a part-time student.

Federal vs Private Student Loans

Federal Student Loans	Private Student Loans
You don't need to get a credit check for most federal student loans (except for PLUS loans). Federal student loans can help you establish a good credit record.	Private student loans may require an established credit record. The cost of a private student loan will depend on your credit score and other factors.
You do not need a co-signer to get a federal student loan in most cases.	You may need a co-signer.

Federal vs Private Student Loans (cont'd.)

Federal Student Loans	Private Student Loans
Interest may be tax deductible.	Interest may not be tax deductible.
Loans can be consolidated into a Direct Consolidation Loan.	Loans cannot be consolidated into a Direct Consolidation Loan.
If you have trouble repaying your loan, you may be able to temporarily postpone or lower your payments.	Most do not offer forbearance or deferment options

Federal vs Private Student Loans (cont'd.)

Federal Student Loans	Private Student Loans
Several re-payment plans are available, including an option to tie your monthly payment to your income.	Repayment options tend to be more traditional; check with your lender about your re-payment options.
No pre-payment penalty fee.	May or may not have pre-payment penalty fees.
A portion of your loans may be forgiven if you work in public service.	It is unlikely that your lender will offer a loan forgiveness program.

Credit Cards vs Private Student Loans

- Using credit cards to pay for your post-secondary education is somewhat similar to private loans.
 - You generally pay much higher interest rates than on federal loans.
 - You will not be able to defer your payments.
 - Your interest will not be tax deductible.
- Private loans would tend to be a better option than credit cards because they may have lower interest rates.

Rights and Responsibilities

- Regardless of the options you choose, racking up debt with frivolous spending and poor choices will create future problems for you to overcome.
- Being aware of the differences in your obligations to repay what you have borrowed is an important factor in financing your post-secondary education.
- Federal student loans cannot be discharged if you file bankruptcy; you are still required to repay them. In some cases, private student loans are eligible for discharge as are credit card bills.

Tips for Using Student Loans

- Keep track of how much you are borrowing.
 - Think about how the amount of your loans will affect your future finances and how much you can afford to repay.
 - Your student loan payments should be only a small percentage of your salary after you graduate so it is important not to borrow more than you need for your school-related expenses.
- Research starting salaries in your field. Avoid borrowing large sums for low paying career options.

Tips for Using Student Loans (cont'd.)

- Understand the terms of your loan and keep copies of your loan documents.
 - When you sign your loan papers, you are agreeing to repay the loan according to the terms of the loan even if you do not complete your education, cannot get a job after you complete the program, or you did not like the education you received.
- Make payments on time.
 - You are required to make payments on time even if you do not receive a bill, re-payment notice, or a reminder.
 - You must pay the full amount required by your re-payment plan; partial payments do not fulfill your obligation to repay your student loan on time.

Tips for Using Student Loans (cont'd.)

- Keep in touch with your loan servicer.
 - Notify your loan servicer when you graduate; withdraw from school; drop below half-time status; transfer to another school; or change your name, address, or social security number.
 - Contact your servicer if you're having trouble making your scheduled loan payments. Your servicer has several options available to help you keep your loan in good standing.

Lesson Summary

- A student loan is a legal obligation like any other loan, you are required to repay it with interest and meet all terms or conditions of the contract you signed.
- Just because the payments on federal loans may be deferred until later does not excuse you from keeping your legal obligations.
- While federal student loans require you to accumulate future debt, they tend to have several advantages over using private loans or credit cards to finance your college education or any post-secondary certification programs.

Lesson Summary (cont'd.)

- Continuing your education after graduating from high school is important, but so are the choices you make when deciding how to pay for it.
- Most importantly, remember you can reduce your overall debt of continuing your education by starting a savings plan to pay those costs and making good grades to help you qualify for scholarships.

Final Note

- It would seem that Jonah and Ross are making a better decision than Taylor.
- Using credit cards to pay for college expenses is generally not a good plan unless she has sufficient income to repay the total amount charged each month. She would probably be better off in the long run to use student loans to finance the balance of her college education.

Vocabulary

College Fees

Fees assessed to students for certain courses of instruction or academic services in addition to tuition. These services may include, but are not limited to, campus technology, library services, clubs and organizations, special instruction, testing, laboratory supplies, or other services provided by the institution.

Financial Aid

Money provided to the student and/or parents to help pay for the student's education. Major forms of financial aid include gift aid (grants and scholarships) and self-help aid (loans and work-study).

Financial Need

The difference between the college's cost of attendance and the expected family contribution, minus any other financial aid received, is the student's financial need. Financial aid packages are based on the amount of financial need calculated or determined.

Free Application for Federal Student Aid (FAFSA)

A federal form required each year to apply for federal student aid. Forms are available online at [FAFSA.gov](https://fafsa.gov). The information provided on this form is used to determine the student's expected family contribution (EFC), which allows financial aid offices to identify the types of aid the student is eligible to receive.

Grants

Aid usually based on financial need that does not need to be repaid.

Loans

Money borrowed to fund post-secondary education; must be repaid with interest.

Post-Secondary Education

Any level of education after high school, including education obtained from colleges, universities, trade schools, seminaries, technology institutes, and any other facility that offers an academic degree or certificate.

Scholarships

Financial awards given for a variety of reasons, such as good grades, special talents, or career plans; they do not have to be repaid.

Tuition

A fee for instruction, especially at a college, university, or private school.

Work-Study Programs

Provide students with part-time jobs during the school year as part of their financial aid package. The jobs are often located on campus.

Deferment

A postponement of payment on a loan that is allowed under certain conditions and which interest does not accrue on the loan.

Consolidation Loan

A federal loan made by the U.S. Department of Education that allows you to combine one or more federal student loans into one new loan.

Federal Student Loan

A loan funded by the federal government to help pay for your education. A federal student loan is borrowed money you must repay with interest.

Forbearance

A period during which your monthly loan payments are temporarily suspended or reduced.

Student Loan Lender

The organization that made the loan initially; the lender could be the borrower's school; a bank, credit union, or other lending institution; or the U.S. Department of Education.

Work Study

A federal student aid program that provides part-time employment while you are enrolled in school to help pay your education expenses.

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