
Get What You Pay For

I was afraid that the price of college would weigh me down for the rest of my life. This project showed me that this doesn't have to be the case. - Mark O.

As you've probably heard, the costs of college attendance (tuition, room, and board) have grown sharply over the past decade. But most people don't know that average grant aid, which students don't have to repay, has also increased dramatically, from \$3,620 per student in 1996-1997 to \$8,440 in 2016-2017.¹ With more financial aid available, we've seen an increase in students from low-income backgrounds attend colleges once considered much too expensive. But, there are still *many* students who don't know about all the financial aid opportunities available to them.²

Here's some important college application advice:

1. <https://trends.collegeboard.org/college-pricing/figures-tables/average-aid-student-over-time>
2. Long, B. "The New Financial Aid Policies: Their Impact on Access and Equity For Low-Income Students?" Harvard Graduate School of Education (2010). 15-16.

Wait until *after* you've received financial aid award letters to decide if a college is too expensive.

Highlight that. Share it with your neighbor. If you really want to attend a particular college, apply! Go for it. And if someone tells you that you won't be able to afford it, think about a few things:

1. Ask yourself, "is the person telling me this a college financial aid officer with my financial aid application in hand?" If not, they don't have all the information necessary to tell you what you can and cannot afford.
2. You are unique, and financial aid is different from student to student. It's very common for students to pay different prices for the same college.

In this chapter, I'll help you find out what students actually pay for college. But most importantly, we'll see a picture of how students are doing (during and after college) to understand if they're getting what they've paid for.

#1: GROSS PRICE VS. NET PRICE

The **gross price** for any college can be found easily by googling "University of ___ cost" and choosing the link that directs you to the college's website. Think of gross price like the ceiling; your cost of attendance won't be anything above that amount. The problem with this maximum price is that it's rarely what students, on average, actually have to pay. Frankie's story will quickly help you better understand what's going on here.

Frankie and Gross Price



Frankie goes into a grocery store to buy some cereal. The price tag on the cereal has two numbers: one is \$2.99, the other is the “Club Price” of \$1.99. Since Frankie is not a “Club” member, he does not get any discount and has to pay the gross price, \$2.99. Frankie feels sad. The End.

In college, the **net price** is like the “Club Price” in Frankie’s story. It’s what you’ll be asked to pay for tuition, housing, food, and other living expenses, after considering financial aid. Many students, especially those who don’t come from wealthy families, can qualify for huge discounts.³ If, after accounting for grants and scholarships, your net price is still too high, you can get a job, take out a loan, or find more scholarships to lower your cost. To summarize the math:

$$\begin{array}{r} \text{Tuition} \\ + \text{ Fees} \\ + \text{ Living Expenses (i.e., Room and Board)} \\ \hline = \text{Gross Price} \\ - \text{ Grants and Scholarships} \\ \hline = \text{Net Price} \end{array}$$

So, how can you get a good idea of your net price for any college before you actually apply?

1. First, you can use the [College Scorecard](#) to find the **average net price**, or as they call it, the “average annual cost.” On the College Scorecard, you’ll often find students, on aver-
3. As we’ll cover in later chapters, qualifying typically requires your parent(s) need to fill out their taxes to prove their income. You’ll also need to complete one or more forms like the FAFSA and possibly the CSS Profile, the CA Dream Act Application (for undocumented students), and any other scholarship applications you may qualify for.

age, actually pay much less than the gross prices. Keep in mind these are the averages; some students will still pay the full price (sometimes \$60,000), while others will pay less (maybe \$0) *for the same education at the same university*. It all depends on the financial aid a student receives.

2. Second, you can get a close estimate for your **personal net price** by finding a college’s net price calculator and filling out a few financial details.

We’re going to find the average net prices (#1 above) in the “Do Now” section of this chapter. In the next chapter, we’ll focus on using personalized net price calculators described in the second option.

The Private School Story

Stanford is one of those “exclusive private universities” with a gross price of over \$70,000 per year. That seems ridiculous, but this is what actually happens on campus:

1. The average scholarship from Stanford is over \$50,000.
2. If a student’s family earns less than \$65,000 per year, they are not expected to pay *anything* to attend Stanford! And, if their income is less than \$125,000, tuition is completely covered by the University – leaving them with room and board as their only significant expense.⁴

Not many students get into Stanford each year, but their financial aid policy shows how some “expensive” private schools become easily affordable when you consider financial aid.

#2: GRADUATION RATE

Labeling something “expensive” or “cheap” depends on what you’re buying.

4. Read more here: <http://financialaid.stanford.edu/undergrad/how/parent.html>

- \$10 for one piece of printer paper? Super expensive.
- \$10,000 for a Ferrari? Super cheap.

But shouldn't I choose the cheapest college because they're offering the *same* product (a bachelors or associates degree) at *different* prices? That idea is a bit like thinking tickets to the NBA finals should cost the same as CIF finals. Or tickets to Taylor Swift should cost the same as your talent show. If you dive deeper, you'll see that each college has a different environment with different resources, costs, and benefits.

One of the most important differences you need to investigate when looking at a college is their **graduation rate**.⁵ Graduation rates can vary from the low single digits (5% means that only 5 out of every 100 students graduate!) to nearly 100%. On average, across the country, graduation rates within three years at community colleges are 32%, and graduation rates within six years at 4-year colleges are 60%.⁶ This should be obvious, but when you pay for college, you want to have a good chance at graduating.



The *length of time* it takes to graduate is also something you want to consider when thinking about graduation rates as a whole. If a community college “only” costs you \$5,000 per year, but you take seven years to graduate, your final college costs total \$35,000. That’s a

5. I'll show you a simple way of finding graduation rates at any college in the "Do Now" section at the end of this chapter.

6. Data retrieved 2019 https://nces.ed.gov/programs/coe/indicator_ctr.asp

much higher cost than what you first estimated.⁷ On the other hand, let's say you went to a State school and paid \$8,750 per year. If you graduate within four years, you will pay the same total amount as the scenario before (\$35,000), and you can start working three years sooner! Graduating sooner means tuition payments stop, and earning full-time-money begins. 25 to 34-year-old workers with bachelor's degrees make **66% more per year** (about \$20,000) compared to those with high school diplomas.⁸

Let me be clear: I'm not saying that more expensive colleges *always* offer better opportunities to graduate. Students at the University of Phoenix (a private, for-profit school) pay high net prices (often close to \$20,000 per year) but have one of the lowest (6% at one of its campuses) graduation rates I've found. If one school is \$8,750 per year with a 65% graduation rate, and another is \$5,000 per year with a 25% graduation rate, choosing the \$8,750 school *may* be the best option for you. You need to look at more than just the dollar cost!

If you're wondering, the reasons for low graduation rates vary widely.⁹ Can students easily register for classes they need? Does it have a learning environment that feels supportive? Do students have access to free or affordable tutoring? Do academic advisors have enough time to spend helping each student understand what they need? Just remember that **if you don't graduate, you won't receive a refund.**

No matter where you go, you should create a timeline and a plan for how you'll reach your goals in school. Remind yourself of the reasons you're there, and that it's okay to make mistakes. Make changes to your plan as you go, and hold yourself accountable. Find a family member, friend, mentor, professor, anyone who's been there before and can support you along the way.¹⁰

7. You'll also have a higher *opportunity cost*, meaning for all that additional time you're in school, you'll miss out on earnings from a full-time job.

8. 2014 data. https://nces.ed.gov/programs/coe/indicator_cba.asp

9. <https://www.publicagenda.org/files/theirwholelifesaheadofthem.pdf>

10. For more on succeeding in college, read Extra #1 towards the end of this book.

Transferring

Many community college students expect to transfer to a 4-year college for their last two years of schooling. Yes, you'll likely save some money taking your general education classes at a community college, but don't assume it's easy to transfer when you want. Plans to transfer are not carried out successfully as often as you might expect. Out of popular community colleges in southern California, transfer rates varied from 8% at LACC to 22% at San Diego Mesa (the absolute best rate of all the community colleges I researched).¹¹

#3: LOAN DEFAULT RATE

As I've already suggested: going to college should result in earning a degree, which should then result in a job that provides an income. So, if a student borrows money for college, they *should* be able to use some of their income to repay what they borrowed. This repayment period begins soon after students graduate or drop below half-time enrollment.¹² Unfortunately, some students don't repay this money, meaning they **default** on their loans. Defaulting is not good for students — it affects their ability to borrow in the future, among other things. And, it's not good for the college — the education they're providing isn't benefiting students as expected.

To understand what a “low” or “high” loan default rate looks like, check out the following table showing a variety of private/public colleges. Keep in mind: at each of these colleges, there are students from low, middle, and high-income upbringings.

11. <https://nces.ed.gov/collegenavigator/>

12. More on student loans in Chapter 6.

College	Loan Default Rates	Those in default out of total borrowers
Pomona College	0%	0 of 64
UC Irvine	1.8%	82 of 4,548
Cal State Fullerton	3.7%	219 of 5,835
Orange Coast College	11%	47 of 427

Do people default on their loans just because they don't want to pay? Unlikely. The main reason they can't make payments on their loans is that they don't have enough income. Translation: they don't have a job. Or at least one that pays them enough.

You might think, "Whatever, if I don't pay them back, it's not my problem." Unfortunately, it *is* your problem. Borrowing money from a bank is not the same as asking your friend to buy you a bag of chips and "forgetting" to pay them back.

When you borrow from a bank, you're building a reputation for paying businesses and lenders back – it's called your **credit history**. Your credit history helps calculate your credit score, which tells those who might lend you money in the future if you're reliable, or not.

You'll need a good credit history to do any of the following:

- rent (many) apartments
- buy a house
- get a car loan
- get a credit card
- start a business

Credit histories aren't easily forgotten, so defaulting on your student loans can hurt you for YEARS down the road. And, if you're telling yourself you never want to borrow money in the future, you're not leaving yourself with many options. None of us know the decisions we'll want to make 20 years from now; we shouldn't limit

ourselves. Also, depending on the type of loan you have, defaulting might cause your wages to be “garnished.” Have you ever watched “Operation Repo” where people take cars from others who haven’t paid them back? Well, the same thing can happen to the money in your paycheck — some of it can be sent automatically to your lender before it goes into your pocket.¹³ More on loans, interest rates, and credit in Chapter 6.

CHAPTER RECAP

1. Don’t limit your options to colleges you “think” are affordable until after you’ve received college acceptances with financial aid letters.
2. Some students will still pay the full price (sometimes \$60,000), while other students will pay significantly less (maybe \$0) for the same university depending on the grants and scholarships offered to them.
3. Be sure to look up graduation rates and loan default rates before choosing a college. It may make sense to pay a higher price for college if you’re going to have a better chance of graduating and getting a job that pays you for your higher level of education!
4. As you plan for college, it’s essential you have a realistic expectation of how many years it will take you to graduate.

ESSENTIAL QUESTIONS

1. What concerns do you have about paying for college?
2. What benefits would a college diploma give you?
3. Have you ever paid a higher price for something because it

13. Read more about the consequences of default here: <https://studentaid.ed.gov/sa/repay-loans/default#consequences>

brings you greater benefits?

DO NOW

3.a. Google “Cost of Attendance {University Name}” to find the gross price of each school you want to research. Remember to look at the price listed directly on the school’s website. It should include tuition, fees, supplies, room and board, and personal expenses. *If the school is out-of-state, be sure to look at “non-resident” tuition.*

My Focus Schools	Gross Price

Average Net Prices, Graduation Rates, Loan Default Rates

If you get lost and need a visual presentation of the research required in the following assignments, check out this video: <https://www.youtube.com/watch?v=9-wAKF1MMJk>

3.b. Go to the [College Scorecard](#), type in the name of a college, then once on its homepage click the “Costs” drop-down menu to find the average net price (they call it the “Average Annual Cost”). Be aware, if you’re looking at a public school where tuition is different for residents and non-residents, the average cost listed here is for *in-state residents*. These Average Annual Costs also include Room (housing) and Board (food) expenses.

The “By Income” table provides even more useful information since you can estimate your net cost based on which income bracket applies to you.¹⁴

14. In Chapter 5, you will use a Net Price Calculator to determine your personal net price at different universities!

The College Project

My Focus Schools	Average Net Price

3.c. On the [College Scorecard](#), click the “Graduation & Retention” drop-down menu. Keep in mind, the graduation rate listed here is within 150% of “normal time” – six years at a four-year university and three years at a community college. To find graduation rates within normal time, and separated by gender or race/ethnicity use the [College Navigator](#).

My Focus Schools	Graduation Rate	Retention Rate

3.d. Type each college into the “Name of School” search bar into the [College Navigator](#). Click the “Cohort Default Rates” drop-down menu to find the default rates and the number of former students in default for the past three years.

My Focus Schools	Loan Default Rates	Those in default out of total borrowers

3.e. Write a 50-100 word response to the information you just

gathered. How did the data make you feel about your schools? Is there a connection between the cost and loan default rates of each school? What do you think these numbers mean for students? And what about graduation rates? I encourage you to do any additional research on the College Navigator and Scorecard that you think might help you understand more about your focus schools. Finally, of all these elements, which do you think is most important?