

University of California Financing Guide for Parents & Students

Learn how students and families at all income levels can afford a world-class UC education.



You can do it and we can help.

Can I afford a UC education?

Yes. And there are ways we can help you invest in your future.

You already know that preparing yourself academically for college takes planning and effort. So does managing the cost of your college education.

The University of California is committed to helping all academically eligible students attend, regardless of their economic circumstances.

This guide will explain the financial tools available to help students and families at all income levels put a world-class UC education within reach.

Why should I choose UC?

Your education is an investment in your future. Unlike most products or services you buy that depreciate over time, a UC degree will increase in value by opening doors. UC graduates enjoy high acceptance rates at graduate and professional schools. And, as you can see, a bachelor's degree can significantly increase your earning power in the job market.

Increase your annual earning power with a UC degree.

LEVEL OF EDUCATION	No High School Diploma	High School Diploma	Bachelor's Degree	Master's Degree	Doctorate
Average annual income	\$22,100	\$30,056	\$54,714	\$64,532	\$81,380
Unemployment rate	10.6%	5.2%	2.7%	2.2%	1.2%

Source: Bureau of Labor Statistics 2001

What does it really cost to attend?

Almost everyone thinks first of fees or tuition when considering the cost of a college education, but this is only part of the overall cost of attending a university. There are also living expenses like food, housing, books and supplies, and transportation — all of which will exist regardless of the type of college you choose to attend.

Most families pay less than the average costs listed at right because they receive some form of financial assistance.

LIVING SITUATION	Annual UC Fees*	Living Expenses**	Estimated Total Cost of Attending UC (2002-03)
On campus	\$3,860	\$12,950	\$16,810
Off campus	3,860	11,710	15,570
With parents	3,860	7,380	11,240

*Be sure not to confuse annual UC fees with overall cost (you will not receive a bill from UC for \$16,810, for example).

**The total cost includes expenses you are already paying for whether you go to UC or not, such as food, housing and transportation.

How do I pay for it?

Use a financial partnership to cover your costs.

Financing a UC education requires a partnership involving the University, you and your parents. When it comes to covering your costs of attending, each partner has important responsibilities:

What is my responsibility?

Parents will be expected to contribute based on their financial circumstances as reported on the Free Application for Federal Student Aid, or FAFSA. For very low-income families, there may be **no** parent contribution required.

Students will be expected to work and to borrow at manageable levels through low-interest student loan programs.

UC will cover the remaining costs with grants from a variety of sources. Grants do not have to be repaid. Each campus will determine your total grant eligibility and fill it using federal, state and UC's own grant programs.

ANNUAL PARENT INCOME	Simon's family \$25,000	Sara's family \$45,000	Serena's family \$65,000
Expected from parents	\$ 0	\$ 2,680	\$ 7,520
Student wages From part-time job during school year (12hrs/wk@ \$7.30/hr)	2,900	2,900	2,900
Student savings From full-time work during summer	690	690	690
Student loan Low interest	3,960	3,960	3,960
Grant aid Does not have to be repaid	9,260	6,580	1,740
Estimated costs (2002–03) Living on campus	16,810	16,810	16,810

How the partnership works

Here are examples of how three students and their families, along with the University, might cover the costs of attending UC for one year.*

Grant aid reduces the costs of attending UC. Lower- and middle-income families may find that grants will make a UC education manageable for them. Nearly half of all undergraduates receive grant and scholarship assistance, averaging \$6,400 a year.

Save, Save, Save! Middle- and upper-income families should try to save money before college to meet the expected parent contribution. *Remember, the parent contribution is not expected at one time, but is paid over the course of the year as expenses are incurred.*

*Examples throughout this brochure and on our Web site are meant to be instructive and are not guarantees of financial aid. Nor are they guaranteed to represent actual costs incurred at UC by all students.

What do students need to do?

Choose the right tools for you to meet your share of the costs.

Creating a financial partnership among parents, students and the University requires a significant investment by all involved. As a student, you benefit most from your education, so it makes sense that you help cover its costs.

How do I contribute?

In addition to applying for financial aid and searching out scholarships, most students who receive financial aid are expected to work part time and/or take out low-interest student loans.

STUDENT LOANS

An investment in your future

Before panicking at the prospect of borrowing money, consider that student loans, unlike car loans or credit card debt, buy you something that will *increase* in value. And student loans are designed to make repaying them manageable.

Take one of our sample students, Simon, from page 3 and assume that he borrows the same amount each year (\$3,960).

10-YEAR LOAN REPAYMENT SCHEDULE	
Yearly loan amount for Simon	\$ 3,960
Total debt	15,840
Monthly income (average after taxes)	2,393
Monthly loan payment *	192
Monthly income to live on	2,201

*Repayment starts six months after graduation.

He will graduate from UC with \$15,840 in debt. It sounds daunting, but as you can see, if he earns an average starting salary for a UC graduate, he will easily be able to meet his \$192 monthly loan payment.

STUDENT EMPLOYMENT

Balancing work and study

Many parents and students worry that a job will jeopardize academic performance.

Studies have shown, however, that part-time work need not interfere. UC undergraduates generally work 10-20 hours per week during the school year. It is up to you to strike a balance between working and borrowing that is manageable for you.

Of course, saving for college expenses before you enroll — by working during the summer, for example — will reduce your need to work and borrow during the academic year.

Each campus has a student employment office to help you find a part-time job on or around campus. Many students choose to work on campus, often in fields that interest them. Campus employers (and many off-campus ones) are willing to work around students' academic schedules.

SCHOLARSHIPS

Reduce your need to work and borrow

A variety of scholarships are available based on a student's academic record, background, special talents or activities and interests.

Students apply automatically for the University's scholarships by applying for admission. Many organizations outside the University offer scholarships, too.

For more on scholarships, see our Web site at <http://www.ucop.edu/pathways/finaid>.

For a UC graduate earning an average starting salary of \$38,000, a typical 10-year loan repayment schedule is manageable.

What should parents do?

Use a combination of sources to help your student afford college.

How much is expected of parents?

The amount expected from parents depends on the family's ability to pay. The University uses a uniform federal formula to determine how much parents should contribute, taking into account current income, assets, family size, how many family members attend college, how close parents are to retirement, and many other important factors.

WAYS TO COVER THE PARENT CONTRIBUTION

- Earnings** Use current money from a paycheck.
- Savings** Draw on savings built over time in an interest-bearing account (see chart below).
- Borrowing** Low-interest, government-backed PLUS loans are available for credit-worthy parents. Parents can borrow up to the total cost of college attendance, minus other financial aid. For more details, see our Web site at <http://www.ucop.edu/pathways/finaid>.
- Payment Plans** Many campuses offer deferred payment plans that spread the cost of fees, tuition and on-campus housing over several months to lighten the burden. Talk to campus financial aid offices about this option.
- Tax Benefits** After-the-fact support comes in the form of federal tax breaks (Hope and Lifetime Learning Credits) that benefit those whose parents pay for tuition and fees. Talk to a tax expert about eligibility for these benefits (and visit the U.S. Department of Education Web site at www.ed.gov/offices/OSFAP/Students/taxcuts/index.html).

Most parents find they need to use a combination of sources to provide the expected contribution.

SAVINGS

Saving more means borrowing less

Middle- and upper-income families may find it challenging to meet the contribution set by the federal formula if they try to use current earnings alone.

Parents can take out educational loans if they have not saved, but it is much better to plan ahead.

The chart at right shows how much a family can save if they begin setting aside a small amount per week when a student is in the seventh grade, and when a student is in the 10th grade.

AMOUNT SAVED		Starting in 7th grade	Starting in 10th grade
Saved per week	Saved per year	Total saved with interest*	Total saved with interest*
\$10	\$ 520	\$ 3,464	\$ 1,655
20	1,040	6,929	3,311
35	1,820	12,126	5,794
50	2,600	17,322	8,277
75	3,900	25,984	12,416

*Examples based on a 3% interest rate.

Setting aside a small amount per week quickly adds up. Regardless of when you start, the important thing is that you save.

What is UC's role?

We're committed to keeping college accessible and costs reasonable.

A 2002 study by the James Irvine Foundation found that UC campuses enroll a higher percentage of low-income students than any other top public or private U.S. university. Even those who do not qualify for financial aid will find that we provide a high-quality education for significantly less than comparable private institutions.

How does UC help?

As a partner in financing your education, we have two important responsibilities: We **assemble your financial assistance plan**, which may include state and federal grants, scholarships, loans and student employment; and **provide enough grant support** to keep the amount you need to borrow or work to a level that enables you to steadily progress toward completing your degree and still meet your repayment obligations after graduation.

UC provides some form of financial assistance — including grants, scholarships, loans and work-study — to 60 percent of undergraduates.

The average award in 2002 was \$9,700.

FREQUENTLY ASKED QUESTIONS

Q. What if my parents can't help me pay for school?

A. Your family should still file the Free Application for Federal Student Aid, or FAFSA, between January 1 and March 2 of your senior year in high school. If your parents' income is low, they will have a smaller — or even no — contribution expected. If they do have an expected contribution, remember that this amount is not "due" at one specific time but can be contributed to your educational costs in a variety of ways, such as helping pay fees each quarter, buying books or providing monthly funds for living expenses.

Q. What if we have unusual circumstances, such as a student who is being raised by grandparents, or a parent who loses a job, etc.?

A. There is an appeals process at all colleges and universities for families who feel that their circumstances have not been considered in full or have changed since their aid applications were filed.

Q. What aid is available for foreign students or undocumented immigrants?

A. Aid for foreign students and undocumented immigrants is severely limited and largely consists of scholarships from non-University agencies. Students planning to apply with the INS to be permanent residents of the United States should begin the process several years in advance of college. Some undocumented students (as well as documented nonresidents of California) who attended a California high school for three years and graduated may be eligible to pay in-state UC fees. For more information, visit www.ucop.edu/sas/sfs/ppolicies/ab540faqs.htm.

Q. I was always taught that debt is bad, and now I'm being advised to take out loans?

A. Excessive debt IS bad. However, studies have shown that the financial benefits of a college degree easily compensate for the burden of student debt. Families should think about an education as an investment, one in which the returns will make it worth the borrowing. Merit-based scholarships can help students reduce the need to work and/or borrow.

The state of California invests more than \$9,000 per year in each UC student's education, directly reducing the cost for all families.

What's my next step?

Explore these online resources to learn more.

www.ucop.edu/pathways

Learn more about how to prepare for and apply to the University by visiting PATHWAYS, UC's online admissions information and application center.

www.ucop.edu/pathways/finaid/calculator

Estimate your grant eligibility and your parents' expected contribution by using our online financial aid calculator.

HOW TO APPLY FOR FINANCIAL AID

- Step 1** Fill out the **Free Application for Federal Student Aid (FAFSA)** and the **Cal Grant GPA Verification Form**.
- Step 2** File the forms between **January 1 and March 2** of your senior year in high school for priority consideration. File the FAFSA each subsequent year while you are at college.
- Forms** All UC applicants will receive a copy of both forms along with complete instructions and advice on how to complete them. Both forms are also available at high schools and public libraries. The FAFSA is available online at www.fafsa.ed.gov.

UC CAMPUS WEB SITES

- BERKELEY** www.berkeley.edu
FINANCIAL AID www.uga.berkeley.edu/fao
- DAVIS** www.ucdavis.edu
FINANCIAL AID faoman.ucdavis.edu
- IRVINE** www.uci.edu
FINANCIAL AID www.fao.uci.edu
- LOS ANGELES** www.ucla.edu
FINANCIAL AID www.fao.ucla.edu
- MERCED** www.ucmerced.edu
- RIVERSIDE** www.ucr.edu
FINANCIAL AID www.finaid.ucr.edu
- SAN DIEGO** www.ucsd.edu
FINANCIAL AID www.ucsd.edu/finaid
- SANTA BARBARA** www.ucsb.edu
FINANCIAL AID www.finaid.ucsb.edu
- SANTA CRUZ** www.ucsc.edu
FINANCIAL AID www2.ucsc.edu/fin-aid



Financial Aid Myths & Facts

Know the facts so you can make an educated choice.

Myth 1 | Only students with the best grades qualify for financial aid.

Fact: There are scholarships that are “merit-based,” awarded on a student’s academic performance. However, most financial aid, including grants and loans, is “need-based,” or awarded based on a family’s ability to pay for college.

Myth 2 | Only students from extremely low-income families qualify.

Fact: While it is true that most aid is reserved for needy families, there are forms of assistance available to help families meet their expected contribution, including low-interest parent or student loans. All families are encouraged to apply for aid, whether they think they qualify or not. Many are surprised to find they do.

Myth 3 | Each dollar we save hurts our student’s chances to qualify for grants.

Fact: The amount in a parent’s savings account is indeed used in the federal formula that determines the contribution expected from parents. However, a large portion of those savings are “protected” from consideration; only a small percentage of the remaining amount is assessed in the calculation of the parent contribution.

Myth 4 | Federal Pell Grants are the only form of free money for college.

Fact: There are several sources of “free money” for college, including the Cal Grant program and UC’s own grants and scholarships. Families do not need to know all the types of grants available. Instead, students can apply for all state, federal and UC aid by submitting the proper forms between January 1 and March 2 of their senior year of high school.

Myth 5 | If we haven’t saved, community college is our student’s only option.

Fact: While it certainly helps to have saved for your child’s education, there are other ways to pay for college. Families with lower incomes who have not been able to save will likely find that the expectation of them will be quite modest. For families that do not qualify for financial aid, low-interest parent or student loans and tuition payment plans can help.

Myth 6 | If our student goes to community college we are not eligible for aid.

Fact: Students are eligible for financial aid at both UC and community college. In fact, many community college students cheat themselves out of free money by not applying for financial aid. Students intending to go to community college before coming to UC should apply for the Cal Grant and all federal student aid in their senior year of high school.

Myth 7 | Saving through our bank account is the only way to save for college.

Fact: There are now several ways to save money for college, some of which are tax-sheltered. Educational IRAs are one method; California’s ScholarShare program is another. For more information on ScholarShare, visit www.scholarshare.com. The important thing is that families save, if possible, regardless of how they save.