

Step 2: Select the Right School – Questions to Ask

Once you have a sense of direction for your future career and major, the next step is to select the right school. Remember, for many careers, what students do throughout their academic lives is more important than which school they attended. See Step 5 for more details. And as the 'College Implosion' continues to escalate (an estimated 50% of current schools will not be in business 5 to 8 years from now), it is more important than ever before to ask the right questions and access specific resources *before* registration to ensure your investment in higher education is protected.

What's the total cost? – Given recent increases, it's important today to look at the total cost of college. This includes tuition, fees, and room and board. Also explore costs before/after grants and scholarships – both for one year and all four years – based on family income. You'll also need to estimate your [SAT](#) or [ACT](#) scores if you don't have them. See the Department of Education's [College Scorecard](#), [College Raptor](#), or [CollegeBoard](#). Each offers unique information to help in your college search. [PayScale](#) can help you calculate college cost and 20-year ROI. Here are two more tools to compare costs and financial aid at specific schools: [CFPB: Compare Costs & Financial Aid](#) and [FinAid.org](#). You can also compare actual college acceptance letters at [TuitionFit](#).



Caution: Don't forget to consider travel expenses and other fees covered in the Step 2 video in your costs. 64% of students run out of money every semester because of unanticipated expenses. Plus, many schools include access to student loans in their financial 'aid' numbers and sales materials. Dig a little deeper to find out if it's truly free money or simply the ability to incur more debt.



Example: Michael was recruited by a regional for-profit college based on the fact that he'd receive financial aid. Once he registered, he was told that his family made too much money to qualify, so the only aid he'd receive was student loans. Unfortunately, he dropped out after the first year, but still has \$33,000 in student loans to repay...but no college degree or skills to obtain a good job.



Caution: Most students are unaware that *subsidized* (the government pays it) student loan interest doesn't last forever. For first-time borrowers, the clock is ticking on the time the government will pay interest on their loans. Switching majors, taking too long to graduate, etc., can trigger thousands of dollars of interest on top of the loan amount borrowed. **Note:** There's a brief 'pause' on the timing of subsidized loans due to COVID.

Solution: Stay current on the latest guidelines at [Rules for Subsidized & Unsubsidized Loans](#).

What's the graduation rate? – Identifying the percentage of students who actually graduate is a key statistic. Students who begin, but fail to graduate will find it difficult to get a good job, and often, repayment of their student loans – at least their private loans – will fall on their parents or grandparents, whoever co-signed on that loan.

Again, you can find College graduation rates and ROI at [PayScale-College ROI](#).

Example: Joan went to Baker College in Auburn Hills, MI, for two years, incurring over \$12,000 in student loan debt, only to learn that the percentage of students who graduate – in *six years* – is only 11%. She has since switched schools, but lost time and a lot of money by not researching this statistic before registering.

How long does it take the average student to graduate? – The Department of Education reports that 60% of first-time students take six years (or more) to complete a 4-year degree. This can add tens of thousands to the cost of college. Go to [this site](#) to evaluate the graduation rates at the schools you are considering.

Also, consider the pros and cons of a three-year program as more schools add this option. We'll cover other options in Step 4.

Example: The Kirks estimate they saved over \$40,000 by comparing the length of time it takes the average student to graduate at various schools. Their twin daughters both graduated in four years, rather than the five or six years it took most of their friends.

What is the school's ROI? – Many college students today are questioning the real value – or *Return on Investment (ROI)* – of their education. Evaluating the ROI of a particular school means that based on the cost of the education at that school, the average student will be able to earn enough to make that investment worthwhile.



The [PayScale: ROI Report](#) offers a summary of the ROI for many colleges, based on the total cost of the school, graduation rate, typical years to graduate, average loan amount, and the median wages for a graduate at that school versus a high school grad. They then spread this cost over 20 years to arrive at the 'Net 20-year ROI'. Keep in mind that this is the overall ROI of a school, which is helpful, but you need to identify your *personal* ROI as well, which is covered in Step 3.

What's the student loan balance for the average grad? – The level of debt ties back to the cost of

the school, how long it takes students to graduate, and how much of the total cost is covered by grants and financial aid (other than student loans). Locate some of the best and worst states with student debt at this [site](#), but go [College Scorecard](#) to see the actual debt levels at specific schools. Note: Be sure to click on the 'Federal Student Loan' box to see the amount for parent PLUS loans, which can often double or tripple the actual debt. Neither of these numbers include private student loans.

What's the three-year cohort default rate? – Experts are predicting up to 50% of the colleges and universities operating today could close within 5-8 years. One reason is a high student loan default rate (referred to as a *three-year cohort default* rate). A high rate often means former students have been unable to repay their debt because they dropped out, the school was too expensive, it took too long to graduate, or they were unable to obtain a good job upon graduation. Once the default rate gets too high, the Department of Education will shut off funding, which forces schools to close, leaving students with worthless credits and degrees. Go here to see the [Cohort Default Rate Database](#), using the school's [OPE-ID](#) to access the information.

How are the schools rated? – There are dozens of *Best Of* lists, from generic ratings like the *Best Schools* in the *Midwest* or schools with the prettiest campuses, to more specific lists such as the *Top Undergrad Schools for Video Game Design* (best schools for specific fields/industries). Carefully review the scoring system used to create these lists; in some cases, they are so subjective, they may not be of much value, but *any* information will help you become a more informed consumer. When thousands of dollars are at stake and your future career is at risk, it will pay to dig into the details. [The Best Schools](#) and [U.S. News: Best Colleges](#) are just two of the many sources to explore. You can also Google 'Best School Rankings' to uncover the latest articles and lists.

Is the school accredited? – No matter which school you select, make sure it's [accredited](#) *and* that the credits will transfer if you need or want to switch to another school or obtain a higher degree.

How financially secure is the school? – This is one of the most important questions to ask today. New regulations and overwhelming debt loads have caused more schools to struggle to stay afloat, especially after the recent shutdown. COVID will continue to have a huge impact on the financial security – and closings – of colleges and universities. More than 500,000 students have been locked out of schools that closed due to financial troubles over the past 5 years. Most students lost time and money, were unable to transfer their credits, and recent grads were left with worthless diplomas.

The Department of Education's *Heightened Cash Monitoring (HCM) List* identifies schools that may be in financial trouble. See the [List \(pdf\)](#) before registering for a specific school. Also review it every semester to evaluate whether you want to remain or transfer to another school before it's too late. Also learn more about for-profit schools that may be misleading students and parents at this new [FTC site](#).



Example: Abby is one of thousands of students affected when Corinthian Colleges closed. She graduated a year before the school closed, but with the school's credibility in question, she hasn't been able to find a job. Fortunately, she may be eligible for some debt relief for **\$27,500** in *federal* student loans, but probably not on **\$48,000** in *private* student loans. The bigger issue here is that she spent four years – and incurred a lot of debt – on a worthless degree.

What are the chances that I will graduate? – If your average SAT score is 200 points lower than the average student at the school you select, what's going to happen when professors grade on a curve? Barely qualifying to get into a school sets some students up for failure, and could be a major reason they eventually drop out. Go to CollegeSimply's [Colleges by Admission Test Score](#) or use CollegeBoard's Big Future [Test Scores & Selectivity](#) filter to find a school that matches your scores.

Answering these questions can quickly help you and those who are helping with these decisions avoid major problems, as well as identify a school that will be the best investment for your unique goals. Remember, there are more comprehensive College Planning tools available, but many can cost thousands of dollars. This will get you started as you evaluate these essential questions. Talk to your financial advisor if you want to create a more comprehensive College Plan.

