

Grade 12

Go Further!

It's Time to Apply to College!

The following list identifies the main components of the college application process. Each component is explained in this booklet.

- Application form
- Fees or fee waivers
- Letters of recommendation
- Deadlines
- Application essay
- College interview
- High school transcript
- Financial aid form(s)
- Standardized test scores (SAT, ACT)
- Decisions



Application Forms

The application form asks you to provide personal information such as your name and address, your family information, your academic interest (the field of study you are considering for college), and so forth. Here are some important tips:

- If you are completing a paper application, type or print in black ink.
- Make sure to **KEEP A COPY**. Save or print out online college applications for your records.
- Submit your application **BEFORE THE DEADLINE!** For a way to keep track of your deadlines, use the “College Planning Chart” on page 35.
- It's a good idea to ask your guidance counselor to review your completed applications before you send them.



College application Q&A (Questions and Answers)

Q: How do I get an application for the colleges I want to apply to?

A: Call or write the college's admission office, or visit the college's website.

Q: What are the parts of a college application?

A: The college application usually includes most or all of these parts:

- 1) application form
- 2) recommendation forms
- 3) application essay
- 4) high school transcript
(sent by your guidance counselor)
- 5) standardized test scores
- 6) financial aid form(s)
- 7) fees or fee waivers
- 8) interview

Q: How do I make sure I fill out the application correctly?

A: Read the instructions carefully and fill it out completely! In many cases, your application will not be considered if you have not followed the instructions correctly.

Q: Can I submit my application on the Web?

A: Most colleges allow you to submit their applications online. Many prefer this method. The individual college's websites will explain this process. You will still need to submit grades, transcripts, and letters of recommendation by mail. Check with your high school guidance office to see how it handles this process. Colleges will usually send you an acknowledgement by email when you apply online. If you do not receive this acknowledgement, call the admission office a few days after submitting the application.

Q: What is the Common Application?

A: The Common Application is a form developed and widely accepted by nearly 300 participating colleges and universities. If you apply to colleges that accept it, you only have to complete one application rather than several. By visiting <https://www.commonapp.org>, you can download a copy of the Common Application and view a list of the colleges that accept it.

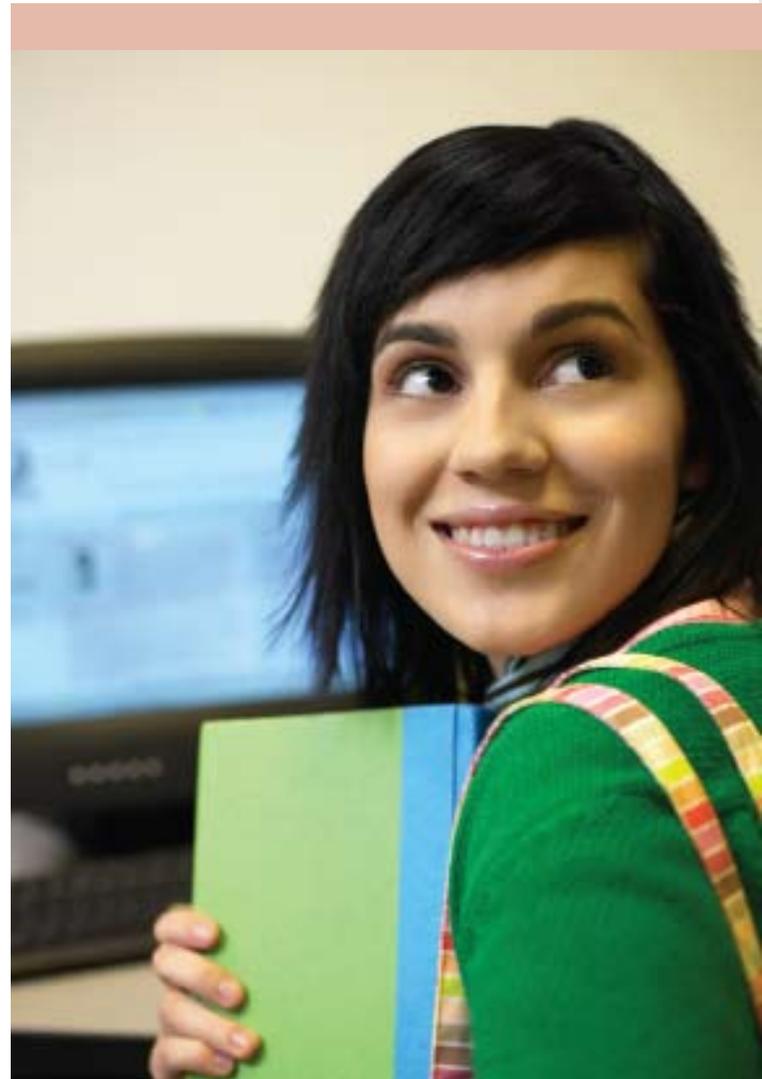
Grade 12



Letters of Recommendation

Recommendations from guidance counselors, teachers, and others help the admission committee learn things about you that test scores and grades don't reflect. The number and type of recommendations you need varies from college to college. Usually, you will need recommendations from your guidance counselor and at least one teacher. If you need another recommendation, ask an adult you respect (not a family member), such as a coach, a work supervisor, or a clergyman. Also, some scholarships require recommendations as well. Check to see if your college requires letters of recommendation—not all colleges do. Here are some tips for getting great recommendations:

- Give teachers, counselors or others plenty of time to complete the recommendation forms.
- Select teachers with whom you have a good relationship and in whose classes you performed well. If a teacher hesitates to give you a recommendation, ask another teacher.
- If you do not know your guidance counselor well, make an appointment with him or her to discuss your plans. This way, she or he will know more about you when it's time to write your recommendation.
- Don't hesitate to ask a teacher or other recommender to include specific projects, awards or honors you have received in their letter.
- Send a thank you card to people who write your recommendations, letting them know you appreciate their help.
- Sometimes the recommender returns the letter to you, and you must mail it with your application. In other cases, the recommender mails the letter. If this is the case, you should provide the recommender with a stamped envelope that is addressed to the college (or scholarship program).



Application Essay

Many colleges ask you to write an essay (also known as a personal statement) for several reasons:



- To assess your writing skills, which are very important for college success.
- To determine the seriousness of your application—a sloppy, quickly written essay indicates that you don't take the application seriously.
- To learn more about aspects of your experiences and personality that your grades and recommendations might not reveal.

Essay topics

Application essay topics try to discover what makes you unique—such as experiences you have had and what you have learned from them. They also show what you care about and the kind of person you are. The following may be good subjects for your application essay:

- Family history—your feelings toward your ancestors, heritage, and parents.
- Events or people that have been important to you, and why.
- A challenging or interesting experience you have had, and what you learned from it.
- An obstacle you've faced in your life and how you dealt with or overcame it.
- Your goals, ambitions, or dreams.
- What you hope to learn or gain in college, or what other students in college can learn or gain from you.
- Issues of personal, local or national concern.

Essay tips

Here are some ways to make sure your essay is the best it can be:



- For many students, the essay is the most challenging part of the application. Start early.
- If you are applying to several colleges, compare the essay requirements. If they ask the same question or they allow you to select your own topic, you may be able to use the same essay for several colleges.
- Write a rough draft first.
- Use good essay structure. See the box on page 26.
- Personalize your essay. Show how the topic you are writing about relates to you.
- Put your thoughts into your own words and use language that suits you/conveys your personality. Don't use slang, but also don't use words you wouldn't normally use.
- Ask someone else to proof read and give you an opinion about your essay. Make sure they double-check your grammar, spelling, and punctuation.
- Be sure to follow essay guidelines.

Grade 12

Ask yourself the journalistic questions “who, what, when, where, and why?”

- Who:** Who are the people who have influenced how you feel about this topic? How did those people influence you?
- What:** What do you know about the topic? What experiences have you had in relation to this topic?
- When:** When were you introduced to the topic? At what point in life did the topic have an impact on you?
- Where:** Where did you experience this topic?
- Why:** Why is the topic important to you? Why do you feel the way you do about this topic?

EXAMPLE. Joe is asked the following essay question for his college application: “What careers are you considering pursuing after college, and why?” Joe wants to be a respiratory therapist, and he uses the journalistic questions to develop his essay. He thinks about the respiratory therapist who helped his sister who has asthma and what he admired about that person (who). He remembers the times his sister was in the hospital and how he felt about it (where and what). He thinks about when he first decided he wanted to be a respiratory therapist (when), and why he thinks he will be a good one (why).



Good essay structure

I. Introduction

- thesis statement (the main topic of your essay)

II. Support Point #1

- topic sentence introducing first support point
- explanation of first support point
- example of first support point

III. Support Point #2

- topic sentence introducing second support point
- explanation of second support point
- example of second support point

IV. Support Point #3

- topic sentence introducing third support point
- explanation of third support point
- example of third support point

V. Conclusion

- review of support points one, two, and three
- reemphasize thesis statement



High School Transcript

High school transcripts are records kept by the school of courses, grades, standardized test scores and activities. Most college applications require an official copy of your transcript. Ask your guidance counselor to send an official copy of your transcript to each of the colleges to which you apply.

The admission committee is interested in your records from all four years of high school. Colleges prefer students who challenge themselves by taking demanding courses and who show improvement over the four years. Although the college admission committee will only have part of your 12th grade records on the transcript when you apply, many accept you on the condition that you continue to do well during your last semester. So be sure to keep your grades up!

Standardized Test Scores

Most colleges require that you take the SAT or ACT. If English is not your first language, you may be required to take the Test of English as a Foreign Language (TOEFL) instead of, or in addition to, the SAT or ACT. See page 18 for descriptions of these tests. Test registration booklets and review books with sample questions are available at your school guidance office, at educational organizations, and at the library. When you register for these tests, you should indicate the colleges to which you would like the scores sent. (If you choose a new college after you take the test, you can have your scores sent by submitting an Additional Report Request form.)

The SAT Subject Tests are required by many four-year colleges. Check with the colleges where you are applying to find out if they require the SAT Subject Test.

Fees and Fee Waivers

Colleges and testing agencies charge application fees to cover the costs of processing applications and administering tests. If you cannot afford the fees, it may be possible to obtain a fee waiver, which gives you permission to submit the application or registration form without the fee. You must meet certain income guidelines to be eligible. Check with your guidance counselor or an educational organization for more information.

About Those Deadlines

Be sure to keep a record of application and deposit deadlines. The information below is a guide only. You should always check with the college or university you are interested in for its specific deadlines.

Rolling admission: These colleges consider applications as soon as they are received. These colleges generally have a later application deadline (around March 15) or no deadline at all (as in the case of community colleges). It is still important to apply early in order to receive the maximum amount of financial aid.

Regular admission: These schools usually have a deadline of February 1, and all students are notified of a decision at the same time, usually April 1.

Early decision: Students with a strong interest in one college apply early (usually in November) with the agreement that if accepted, they will attend that college. A nonrefundable deposit will be required.

Early action: Students apply early and receive an early decision, but are not required to enroll at that college or to make a deposit prior to May 1st.

Candidates' reply date: The date (after you've been accepted) by which you tell the college you plan to attend. You must send a reply card and a deposit. For most colleges, this date is May 1st (or the date mentioned in your acceptance letter). Send the deposit several days before the deadline to be sure it is received on time, and call to confirm the college received it!

If it is a hardship to send the deposit, contact the college immediately and explain your difficulty. If you wait, you risk losing your place in the freshman class.

Grade 12

The College Interview

Some colleges require, and many recommend, that you have an interview as part of your application process. Some colleges offer one-on-one interviews, which are great opportunities for you to make a positive impression. The interviewer could be an admission counselor, a professor, or an alumnus or alumna (a graduate of the college). The interview usually takes place on the college campus. After the interview, the interviewer will write a description of his or her impression of you and include it in your application.

Some colleges offer group interviews with other students applying to the college, giving you an opportunity to learn about the college and ask questions. Check with your college to see what they require regarding the interview.

Preparation

- Make the appointment well in advance.
- Learn as much as you can about the college in advance.
- Practice for the interview. See “Interview Role Play” below for some ideas.
- Come prepared to ask questions. See “Questions You Can Ask” below for some ideas.

The day of the interview

- Look neat, clean, and well-groomed.
- If possible, bring your parent(s) or guardian(s)—this is an ideal time for them to ask questions about financial aid or other concerns. The interviewer will generally invite them to join you after the interview.
- Arrive on time—or early to be sure you find the right building, have time to park, etc.
- Look the interviewer in the eye and give him or her a firm handshake.



Interview role play

Below are some questions you might be asked in a college interview. Ask a friend or a family member to help you practice by acting as the interviewer and asking the questions below in a kind and friendly manner. The interviewer will usually try to make you feel at ease. When you answer, provide details, rather than one-word answers, and remember to look at the interviewer and smile. You may want to record this practice interview so that you can hear how you sound.

- Why are you interested in this college?
- How do you expect college to be different from high school?
- How would you describe yourself as a student? How would you describe yourself as a person?
- What is your strongest subject in school? Weakest? Favorite?
- How do you spend your summers?
- What extracurricular activities are you involved in, and what have you gained from your involvement?
- What are you interested in studying in college and why?
- What books have you recently read, and what did you learn from them?
- Which of your high school accomplishments are you most proud of, and why?

SPECIAL NOTE: If there are weaknesses in your transcript, such as poor grades or low SAT scores, the interview is the time to explain them. Let the interviewer know how you have improved or plan to improve in these areas. Also, if you didn't have an opportunity to mention a special honor or talent on your application, you can mention it now.

Questions you can ask

- At the end of the interview, you will have the opportunity to ask some questions. You should ask at least three. Think about some questions you really want to know about the college, and write them down if you need to. Skip questions the interviewer has already answered. Here are some possibilities:
- What is the student/faculty ratio? (Generally, the smaller it is, the more individualized attention you can expect.)
- What is the average class size?
- What types of internships are available for someone with my major?
- By what year must a student decide on a major?
- How difficult is it to change majors?
- What courses are required for freshmen?
- Are there exchange programs with other colleges, or study abroad programs?
- How available are the professors for outside help or discussion?



High School Athletes

If you are considering playing intercollegiate sports in college, you need to know that Division I and Division II schools mandate that students complete the NCAA® Clearinghouse Eligibility Form and meet specific eligibility requirements. See your guidance counselor for more information. Also, visit <https://www.ncaaclearinghouse.net/NCAA/common/index.html> and read the Guide for the College Bound Athlete. (Division III schools do not have these requirements. Check the colleges you are interested in to determine their competitive level.)

Grade 12

Financial Aid

One of the biggest concerns students have is whether they can afford college. The purpose of financial aid is to make it possible for students of all incomes to attend college.



Financial aid is money to help a student meet the costs of college attendance based on financial need. Financial need is the difference between the cost of attendance (COA) at a college and the expected family contribution (EFC) that a student and/or the student's family is expected pay.

For example:

\$10,000 (COA)

– \$4,000 (EFC)

= \$6,000 (Eligibility for Financial Aid)

The cost of attendance for a college includes:

- tuition and fees
- books and supplies
- room and board (that is, housing and food)
- personal expenses (such as laundry, recreation, toiletries, etc.)
- travel or transportation to and from the college



Types of financial aid

Need-based aid is awarded to students who demonstrate financial need as determined by the federal and state government and the college they attend.

Merit-based aid is awarded to students who demonstrate outstanding academic achievement or special talent in the performing arts, athletics, or other areas.



TERI publishes an excellent booklet on college financial aid titled *Making College Affordable*. This resource explains the different types of aid available to students, how to apply for aid, scholarships and loans, and ways to manage education debt responsibly. To request a copy, please call 1-877-ED-AID-4U (1-877-332-4348) or visit www.tericollegeplanning.org.

Financial aid resources

Financial aid packages are combinations of grants/scholarships, work-study, and loans that colleges award to students who are eligible for financial aid.

Grants and scholarships are the most desirable types of financial aid because they do not have to be repaid. Generally, grants are awarded based on need and scholarships are awarded based on several factors, such as academic performance, extracurricular activities, athletic achievement, and volunteer work. Usually, but not always, grants and scholarships are sent directly to your college.

Federal Work-Study is what is referred to as “self-help” aid. It is need-based, but it must be earned through work-study jobs on campus or in community agencies. If you receive federal work-study in your financial aid package, you can apply for a job through your college’s work-study office. Sometimes work-study money is used for your tuition, but usually colleges expect that you will use the money for your out-of-pocket college expenses (such as books and transportation).

Loans are also “self-help” aid. A loan is money that is borrowed, usually at a very low interest rate, by the student or the family to pay for college costs. This money must be repaid to the lender after the student leaves college. Loans are available through the federal and state government, colleges, banks, and private loan companies. You should explore federal loan options before considering private loan options. Private loans are used to supplement federal student loans when federal loans are not sufficient to cover the full cost of education.

Applying for financial aid

- The Free Application for Federal Student Aid (FAFSA) is required of all students applying for financial aid. It can be filled out after January 1 of the current year, even if you have not yet applied or been accepted to a particular college. You can obtain the FAFSA from a high school guidance office or a college financial aid office, or you may complete it online at www.fafsa.ed.gov. You must list the colleges where you plan to apply on the FAFSA. These are items needed to complete the FAFSA:
 - The most recent federal tax forms for students and their parent(s) (IRS Form 1040, 1040A or 1040EZ), W-2 forms, and records of prior yearly earnings
 - Current bank statements
 - Records of non-taxed income, such as Transitional Aid to Families with Dependent Children (TAFDC), Social Security, and Veterans’ benefits
 - Records of business, farm, stocks, bonds, and other investments
- The College Scholarship Service (CSS) Profile[®], which can be filled out after September 1st of the current school year, is required by some private colleges in order to consider a student for any scholarships or grant money the colleges may offer. Students should check with their individual colleges. You can find the CSS Profile[®] at www.collegeboard.com.
- You should check with the colleges where you are applying to find out if they require their own financial aid form and the deadline for submission.

Grade 12

What happens after you apply for financial aid?

Approximately three weeks after your FAFSA has been processed, you will be sent a Student Aid Report to verify the information you submitted. If there are any errors, you can make the corrections on the Student Aid Report (SAR) and send it back to the processing center, or visit <http://www.fafsa.ed.gov> to make the necessary changes. If you estimated your earnings and taxes when you originally filed the FAFSA, include the actual figures on the Student Aid Report once your taxes are complete.

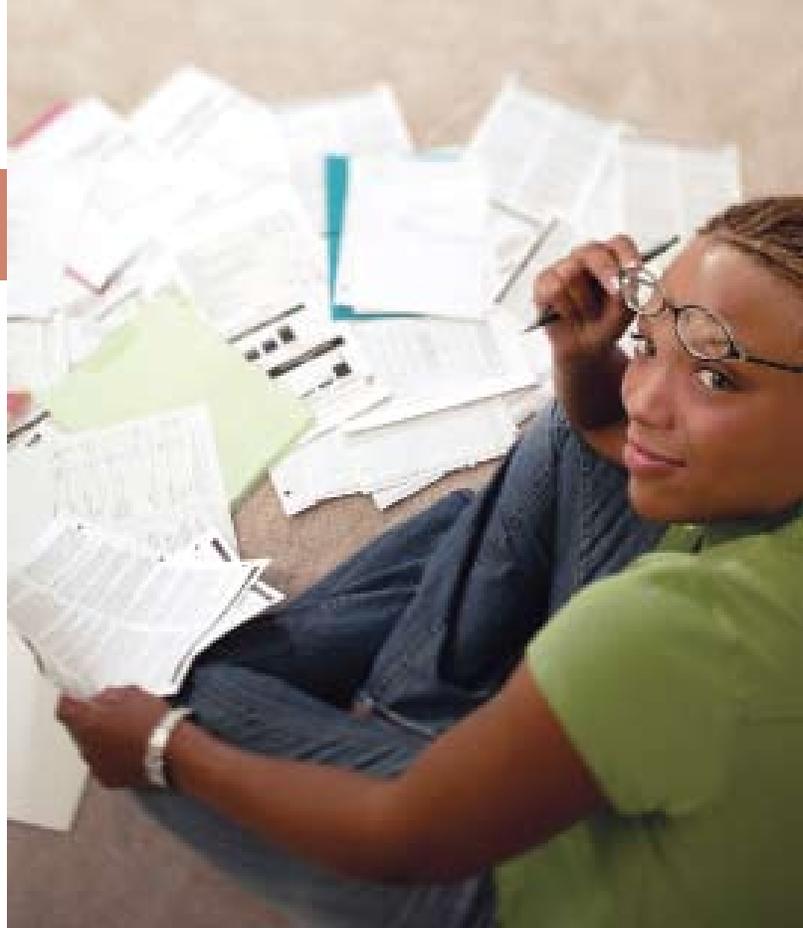
The financial aid package

If you complete all your financial aid applications by the required deadlines, you will receive a financial aid package (also called a financial aid award or offer of financial assistance) from each of the colleges that accept you. The financial aid package often arrives with your acceptance letter, or a few days later. This package will tell you if you are eligible for any federal, state, and college money available to you in the form of grants, scholarships, loans, and work-study. You will need to sign and return the letter to the college to let it know that you are accepting its financial aid award.



Apply On Time!

It is very important to apply early, since financial aid is given on a first come, first served basis. The sooner you apply, the better your chances are of receiving the best award package.



Financial Aid Package Appeals

If you are dissatisfied with your financial aid package, you can appeal to the Financial Aid Office by sending a written appeal explaining the reasons you need additional financial aid. Listed below are the circumstances that may be considered in a Financial Aid Appeal:

- If you and your family have circumstances that were not addressed on the Free Application for Federal Student Aid (FAFSA) or circumstances have changed since the calendar year
- Unexpected/unplanned loss of income
- Unusual medical/dental expenses not covered by insurance

If you file an appeal, you must thoroughly document the reason for the appeal. Once the Financial Aid Appeals Committee reviews your appeal, you may gain increased eligibility for Pell Grant, state grant funds, and/or additional loan funds. The financial aid officer at the college can help you understand your financing options.



Outside Scholarships

In addition to financial aid, which is awarded by the federal and state governments, colleges, and universities, outside scholarships are an excellent way to cover your college costs. There are thousands of scholarships available that base their awards on criteria such as a particular talent or skill, interest in a certain career, or membership in an ethnic, religious, or civic group. Page 19 of the Grade 11 section of this booklet and page 42 in the Resources section include several strategies and resources for learning about scholarships. These resources are all free. You do not have to pay for help in searching for scholarships.

CAUTION: Many scholarship scams try to take advantage of students searching for money to attend college. The Federal Trade Commission cautions students to watch for these telltale warning signs of scholarship scams:

- “The scholarship is guaranteed or your money back.”
- “The scholarship will cost some money.”
- “I need your credit card or bank account number to hold this scholarship.”
- “You’re a finalist” in a scholarship contest you never entered.
- “You can’t get this information anywhere else.”



Grade 12

College Admission Decisions

College admission decisions are usually made by a committee. After the admission committee decides which students to accept, they send out a letter to each applicant informing him or her of the decision.

What are the possible answers and what should you do?

YES—Congratulations! You are accepted to the college.

- Inform the college whether or not you plan to attend by the deadline noted in the acceptance letter.
- Send a deposit. When you accept an admission offer, you send a deposit to the college to hold your place.
- If you cannot afford to pay the deposit by the deadline, contact the college and ask about the possibility of a deadline extension.

NO—You are not accepted to the college.

- Don't get discouraged. Rejection for admission isn't necessarily an indication that you lack the ability to succeed at the college. Often, colleges receive more qualified applications than they have space for.
- If you really want to attend the college, contact the admission office and ask about the possibility of

attending another college and transferring after a year or two.

WAIT LIST—This means you are qualified to enter the college but there is not enough room in the freshman class. Not all students who are accepted to the college decide to attend. In some cases, this opens up enough space for the college to accept students from the wait list.

- If you really want to attend this college, ask for guidance from your parent(s), teacher(s), counselor(s), and the college to make a wise decision about whether to wait to see if the college will accept you at a later date.
- If you were accepted at another college, you may want to pay your deposit to hold a spot at that college. Please note that if you are accepted and choose to attend the wait-list school, you will lose the deposit sent to the first college.

DEFERRED DECISION

—At colleges that use the rolling admission system, some applicants are clearly at the top of the applicant “pool” and are accepted right away. Others may be denied admission immediately. Many students in the middle, however, are “deferred” until a later date when a larger percentage of the applications have been received. At that point, these students receive a definitive decision.

- If you really want to attend this college, contact the college to find out when a more definite decision will be made.
- Once you know this date, you may choose to wait to see if you'll be admitted. However, if you are accepted to another college in the meantime, you might choose to enroll at the second college in order not to lose your spot.

Note: If you decide not to attend a college that has accepted you, let them know as soon as possible that you are declining their offer of acceptance. That opens up a space for another student.

12th Grade Check List

Check each item as you go.

- Complete the College Planning Chart on the next page.
- Celebrate your acceptance to college!



Glossary

Admission committee—The group of people at a college that reads all applications and decides which students to accept.

Alumnus/alumna/alumni—A graduate of a particular college. An alumnus is a male graduate; an alumna is a female graduate; and “alumni” is the plural of alumnus, but it is used to refer to male and female graduates collectively.

Faculty—The teachers and professors at a school or college.

COA (Cost of Attendance)—expected cost of attending a particular school.

EFC (Expected Family Contribution)—The amount the Federal Government determines your family should be able to contribute to your education.

Deposit—When a student decides to enroll at the college, the student or his/her parent(s) pay the deposit to hold the student's place in the incoming class. This fee is almost always non-refundable.

The College Planning Chart

Use this chart to help you meet your college application deadlines and make sure your applications are complete. You may make copies if needed.

Fill in the top row with the names and telephone numbers of the colleges where you are applying.
In the chart boxes, fill in the appropriate dates

College Name & Admission Office/Financial Aid Office Phone Numbers			
Received college application			
Application deadline			
Essays completed			
Application form completed			
Application mailed			
Called college to confirm application was received			
Letters of Recommendation			
Asked (person #1) _____ for letter			
Writer mailed form or returned it to me			
Sent writer a thank-you note			
Asked (person #2) _____ for letter			
Writer mailed form or returned it to me			
Sent writer a thank-you note			
Asked (person #3) _____ for letter			
Writer mailed form or returned it to me			
Sent writer a thank-you note			
High School Transcript			
Gave transcript form to counselor			
Form mailed by school			
Gave midyear school report form to counselor			
Form mailed			
Test Scores			
Signed up for tests (SAT, SAT Subject Tests, ACT, AP)			
Date of tests			
Requested score reports sent to colleges			
Financial Aid Forms			
Financial aid application deadline			
FAFSA form mailed			
Registered for CSS PROFILE®, if required			
CSS PROFILE® form completed			
College has own financial aid form? (Yes/No)			
College's financial aid application deadline			
College's financial aid application mailed			
Acceptance			
Deadline to enroll (candidate's reply date)			
Letter sent to other colleges declining acceptance offer			

Borrowing Responsibly

Education Loan Debt: The most valuable debt you'll ever have!



The benefits

There are many benefits to borrowing for college. First, taking out a student loan may open the doors to an education that you may not be able to afford otherwise. As we've already discussed in this guide, an undergraduate or master's degree substantially raises your projected lifetime earnings.

Repaying your student loan on time can also be an excellent way to build up good credit. (We'll talk about the importance of a clean credit history a little bit later.) An up-to-date student loan payment history can be one of your first opportunities to show potential creditors (agencies that lend you money to buy things) that you can handle the responsibility of borrowing money.

The responsibilities

With the benefits of borrowing for college comes responsibility. Remember that loans are a promise—you promise to pay later for goods, services, or money that you receive now. The original amount you borrow is called the principal, and the amount you are charged to use the borrowed money is called interest.

Loans must be repaid whether or not you complete your educational program, and whether or not you receive passing grades or fail. The amount you pay back depends on the amount you borrowed. Most student loans are repaid on a monthly basis once you are out of college. If you do not repay the loan, your loan will go into default.

Think carefully about how much money you will borrow while going to school. Limit the amount you borrow to just tuition and fee costs or needed living expenses. It's better to live on a student's budget while you're actually in school than to be forced to live like a student after graduation due to high student loan payments! Here are some cost-cutting alternatives that can replace or reduce the amount you have to borrow:

- Co-operative education. Work while you go to school.
- A part-time job.
- Tuition payment plans: pay tuition in monthly installments.
- Living at home/commuting to class.
- Becoming a Residence Assistant and receive free or reduced room and board.
- Cooking at home.
- Military service.
- Private scholarships.

Things to know before you borrow

Before you sign on the dotted line, know:

- **The type of student loan you're taking out.** There are several different education loan programs. Some are backed by the federal government, while others are administered by private lenders. Loan programs in eligibility requirements differ including, credit check requirements, the maximum amount you can borrow, interest rates, and repayment terms. Know all the facts before you take out that loan!
- **The interest rate.** Is it fixed (stays the same throughout the whole repayment) or variable (changes each month or year)? Will you be responsible for paying the interest? During college or after graduation? Do you need to make payments of interest and/or principal?
- **The total amount** you are able to borrow.
- **What your approximate monthly payments will be.** How long is the average repayment term?
- **How much will be deducted from your loan for fees**—what is the actual amount you'll receive?

Debt Management: Why it's so important.

Chances are you will incur debt during your life. In today's society, purchasing a home, a car, or a college education may require you to borrow money from a lending institution and then repay it over time. When used wisely, a loan can be a good investment in your future. Therefore, the trick is not necessarily to avoid debt altogether, but rather to learn how to manage your debt so it doesn't manage you!

Learning the proper debt management skills early on in life will help you build a solid foundation for smart money use in the future. Similarly, understanding the different types of debt now will assist you to make wise choices when it comes to borrowing money down the road. For the purposes of this guide, there are two main types of debt: education loan and consumer.

Consumer debt

Now that we've examined education loan debt, let's turn to consumer debt. The most common forms of consumer debt are car loans, house mortgages, and credit cards. As a young adult preparing for college, you may encounter credit card offers before you even step foot on campus. It's important to know how credit cards work and their potential risks before applying.

How credit cards work

Credit cards work by lending you "money" to buy things you want. The credit card company pays the merchant and then charges you an interest rate, which may be high. The credit card also charges the merchant between 2.5% and 4% for the transaction.

The credit card company will send you a monthly bill that will show what you charged, the new amount you owe with the interest factored in, and a minimum monthly payment that you must pay.

Read the fine print

Credit cards are required by law to display a disclosure box in a credit card offer. This box will tell you the annual fee, interest rate, grace period, and many other things. This is the best way to tell if you are getting a good deal!

Example:

Annual Fee	None or no higher than 11%
Annual Percentage Rate	17.9% variable
Grace Period	25 days
Balance Calculation Method	Average Daily Balance
Other Fees	\$25 late payment fee \$25 over limit fee 3% cash advance fee

Risk of credit cards

Credit cards are the most expensive way to borrow. Although there are some advantages to credit cards, there are plenty of disadvantages. Here are a few reasons to be wary of credit cards:

- They can lead to excessive debt
- It can take you many, many years to pay off a balance
- The amount you pay off may be three or four times larger than the original amount you charged, due to interest and fees
- They may charge very high interest rates
- Card information may be stolen in a number of ways (over the phone, by being misplaced, over the Web, from your mail, etc.)
- Convenience checks sent in the mail provide another way to accumulate debt



How to avoid unnecessary debt (the true cost of credit cards)

Borrowing or purchasing goods using credit cards is really just a high-priced loan. The following is a list of tips to assist you in managing your credit cards:

- Have only one credit card, and choose one without an annual fee and with the lowest rate available.
- Use credit cards for emergencies only.
- Keep the receipts of anything that you do charge; each month, keep a running tally of what you owe.
- If you do use your credit card for an emergency purchase, be sure to pay your card's balance in full every month. If you can't, then stop making purchases using your card.
- Don't purchase on impulse with a credit card. Sale items are no longer a good deal if you can't afford to pay your credit card bill each month as the interest adds up!
- Don't charge more than you can afford to pay off within the next month.
- Check charge bills for accuracy; double-check your receipts against the billing statement.
- Don't live a lifestyle you can't afford. Live within your means while in school so that you can afford to live like a professional once you graduate.

The importance of budgeting



So how do you properly manage your debt so that you have a clean credit report? Budgeting, or carefully planning out how your income will cover your expenses, is one solution. Creating a budget is an integral part of successfully managing your debt.

Budgeting is not a static process. You must change and alter your budget as circumstances in your life change. On the following page is an example of a Budget Worksheet that can be used throughout the different stages of your life.

Income Source	Estimated Monthly Total	Estimated Annual Total
Total Annual Income	\$	\$
Constant Expenses		
Rent/mortgage		
Transportation:		
Auto payment		
Auto insurance		
Auto registration		
Utilities:		
Gas/electric/oil		
Water		
Telephone		
Student loan payment		
Renter's/home insurance		
Medical/dental/health insurance		
Estimated taxes*		
Variable Expenses		
Savings		
Retirement plan		
Credit card debt		
Child care		
Transportation:		
Auto gas		
Auto maintenance		
Public transportation		
Parking		
Entertainment		
Clothing:		
Clothes purchases		
Laundry/dry cleaning		
Holiday/special occasions		
Travel expenses		
Pet supplies		
Personal care/hygiene items		
Gym/club membership dues		
Cellular/mobile phone		
Food:		
Restaurants		
Snacks		
Groceries		
Utilities:		
Cable		
Internet access		
Other		
Total Expenses	\$	\$

*Estimated taxes when filing status is single—If annual income is: up to \$30,650, estimate 15% of salary; \$30,650 to \$74,200, estimate 25%; \$74,200 to \$154,800, estimate 28%; \$154,800 to \$336,550, estimate 33%; and \$336,550 or higher, estimate 35%.