

**Using Tuition Payment Plans to Your Advantage:
What to do when the bill is due
by Jonathan C. West, Director, College Funding Group, LLC**

Paying for college is something that many families put off until the last possible moment. You don't need to do that. You can take advantage of the nearly free payment plans offered by most schools to reduce your outlay to a manageable level. This paper will outline the details of how the payment plans work, and give you tips for using them successfully.

What are tuition payment plans?

Tuition payment plans are a way to spread the cost of college over a number of equal payments, instead of having to pay the total amount due up front at the beginning of the semester.

What costs do payment plans include?

College charges come in two varieties: direct costs paid directly to the school and indirect costs paid to others. For students living on campus, direct costs will include tuition and fees and room and board. The college determines these direct costs and they can be included in a payment plan. Indirect costs paid to others will include books, supplies, spending money, dorm room needs, transportation, and other similar charges. You determine how much you pay for these and they cannot be included in a payment plan.

The payment plans will take the direct costs and spread them out in equal payments over the cost of a semester or the full year. Semester plans are usually four or five payments; annual plans are more likely ten or twelve payments. The college will have details of their specific plan on its website.

How do the plans work?

Generally speaking, the college will take the amount you owe them and divide it into a series of equal monthly payments. The amount you choose to put on the payment plan can be up to the total of your direct costs less any financial aid. You can choose a smaller amount, but you will have to pay the difference up front.

There is significant variety from school to school in how the payment plans work. There is no shortcut around reading the details yourself. For example, most schools offer a choice of drafting a checking account or using a credit card. The bank account drafts are generally free; the credit card charges usually come with a third-party fee of at least 2.75%. Visa cards are not accepted by many schools.

You may be able to use a debit card to provide access to your checking account instead of the ACH payment option, but this will depend on the school's plan. The money will come out of

your checking account either way, but there may be slight differences, especially in the case of overdraft charges. You may also have different consumer rights.

Not all bank accounts can be drafted electronically, so you will want to see if yours can. See our TIPS section below on our suggestions about what account to use.

Interestingly, some plans are automatic--the authorized amount comes out of your account on the same day every month and once enrolled, you don't need to do anything else (except be sure the money is in the account.) Other plans are manual--you need to make the payment yourself by the due date each month. This is an important distinction so be sure you understand the rules of how payments are made in your plan.

What do payment plans cost?

There is generally a fee for taking part in the payment plan, and the fee is charged up front. It will come out of your bank account or be charged to your credit card when you sign up. Semester plan fees are generally \$30-\$40 per semester; annual plan fees range from \$60-\$100.

Are they a good deal?

First, let's start with whether or not the payment plans are a good deal financially? Unquestionably, yes. Effectively, the school is lending you the money and charging you 0% interest. (The small up-front fee can be considered interest, but it is miniscule.)

Do not use the credit card option because there is an extra fee for using that, not to mention the likely credit card interest and charges. Paying for college using a credit card is a terrible idea. Paying for college using a payment plan is a fantastic idea.

What is an authorized payer, and how do you sign up?

Colleges know that, for many families, the bill needs to get to the parents, not the student. However, they do not automatically send bills to parents. In order to get the bills, the student must set up the parent (or other individual) as an authorized payer on behalf of the student. This step has to be done first before parents can go online and set up the payment plan.

Questions to answer

As you review the details of your college's plan, here are some questions to gather the answers to:

- How often, and on what dates, do you make payments under the payment plan for your school?
- Are the payments automatically drafted from your account, or are you required to authorize a draft each time?

- What are the fees?
- What happens if your bank account does not have sufficient funds to cover the draft?
- How often does the college send invoices, and how are the invoices sent?
- How do you make changes to your payment plan in mid-semester?

Security concerns

Signing up for a payment plan that drafts your bank account means giving permission for a third party to access your account. Be sure you are aware of, and comfortable with, the terms and provisions of such access before you grant it. Most colleges use third party vendors like Nelnet, SallieMae, or Tuition Management Systems so it is really the security of these vendors that you are concerned with.

Tips

1. Get started early by creating the necessary authorized payers on your student account. Research the payment plan details for your college, using the information in Appendix A and details on the college's website. Be sure you have a good understanding of how your specific plan will work before you enroll. You don't have to rush through the setup.
2. Do not depend on the college's system to remind you of upcoming payments. Create a system of reminders outside of the payment plan to be sure you do not miss any important dates or payments.
3. If you are using the ACH bank draft method, you can use a checking account or a savings account that allows automatic payments to be processed. If you are not sure, call your bank and ask if the account you want to use allows for ACH drafts.
4. Most plans offer a "free period" early in the summer when you can enroll without making an initial payment. After a certain date, the "free period" is gone, and upon enrollment, the first payment is due. Check the details so you know if your account will be drafted immediately or at a future date, and if it is the latter, be sure you know on what date the draft will occur.
5. Some families find it helpful to use a new, separate bank account for payment plans. If you will have parent PLUS loans to consider, this strategy can make significant sense. Take some time to set up a family plan to fund this new account to cover the payment plan and PLUS loan payments and you can have clear records and a more stable funding plan to pay for college. If you are interested in learning more about how such a plan might work for your family, please contact us.
6. Finally, use a worksheet to determine how much money to pay to the college under the payment plan. Start with the direct costs for next year, those direct costs are tuition and fees and room and board. Large schools have many options for room and board so be sure you are using the correct charges. Next, deduct any financial aid items you have accepted, whether

they are loans, grants, scholarships, or work study. Important: if you are using Direct loans or Parent PLUS loans, be sure to net out the loan fee from the loan amount. If you are fortunate enough to have an outside scholarship that will be paid to the school, deduct that also. The resulting balance will be the amount you can put on the payment plan.

Advanced Tips

College Funding Group offers guidance to families about paying for college, including how to use payment plans most effectively. We would be happy to discuss your concerns with you. We can be reached at info@collegefundinggroup.com or 804.855.2500. To subscribe to our free, monthly newsletter about paying for college, please visit our website, <http://www.TheCollegeCompanion.com>.

Fall semester

College	2012-13 Direct Costs			due date for payment in full	# of pmts	Payment Plan Start date	Link to site
	Tuition & Fees	Room & Board	Total				
Christopher Newport	\$ 10,572	\$ 9,728	\$ 20,300	08/16/12	10	06/18/12	CNU Payment Plan
William & Mary	\$ 13,570	\$ 9,180	\$ 22,750	08/10/12	10	07/15/12	W&M Payment Plan
George Mason	\$ 9,620	\$ 9,250	\$ 18,870	08/27/12	4	07/15/12	GMU Payment Plan
James Madison	\$ 8,808	\$ 8,408	\$ 17,216	08/31/12	4	07/05/12	JMU Payment Plan
Longwood	\$ 10,890	\$ 8,448	\$ 19,338	08/10/12	4	08/01/12	Longwood Payment Plan
Norfolk State	\$ 6,860	\$ 8,130	\$ 14,990	08/10/12	12	05/15/12	Norfolk State Payment Plan
Old Dominion	\$ 8,434	\$ 8,890	\$ 17,324	08/27/12	4	August	ODU Payment Plan
Radford	\$ 8,590	\$ 7,881	\$ 16,471	08/24/12	5	06/05/12	Radford Payment Plan
Mary Washington	\$ 9,246	\$ 10,238	\$ 19,484	mid-August	10	06/05/12	UMW Payment Plan
UVA	\$ 12,225	\$ 9,440	\$ 21,665	08/22/12	5	06/05/12	UVA Payment Plan
VCU	\$ 10,012	\$ 9,570	\$ 19,582	08/22/12	4	08/22/12	VCU Payment Plan
VMI	\$ 13,835	\$ 7,733	\$ 21,568	08/01/12	10	06/20/12	VMI Payment Plan
Virginia Tech	\$ 10,923	\$ 7,254	\$ 18,177	08/10/12	4	mid-August	Va Tech Payment Plan

Notes:

Old Dominion's plan details will be announced later this summer.
VCU's plan payment dates are irregularly spaced.

Remember:

Plans that show 5 or fewer payments are Fall semester only. A similar plan will cover the Spring 2013 semester.

Several plans have enrollment dates of June 1st but you can still enroll after that date. Contact the college for details if it is not clear on the website.
For example, most plans allow you to participate even after the Start date by making a catch-up payment to get you on schedule.

Some plans offer options to make fewer payments of a larger amount.

All information reported as of 5/31/12.

Source: reported by colleges