



# **PAYING FOR COLLEGE: COST AND VALUE**

*Findings from How America Pays for College*

*Sallie Mae's National Study of College Students and Parents*

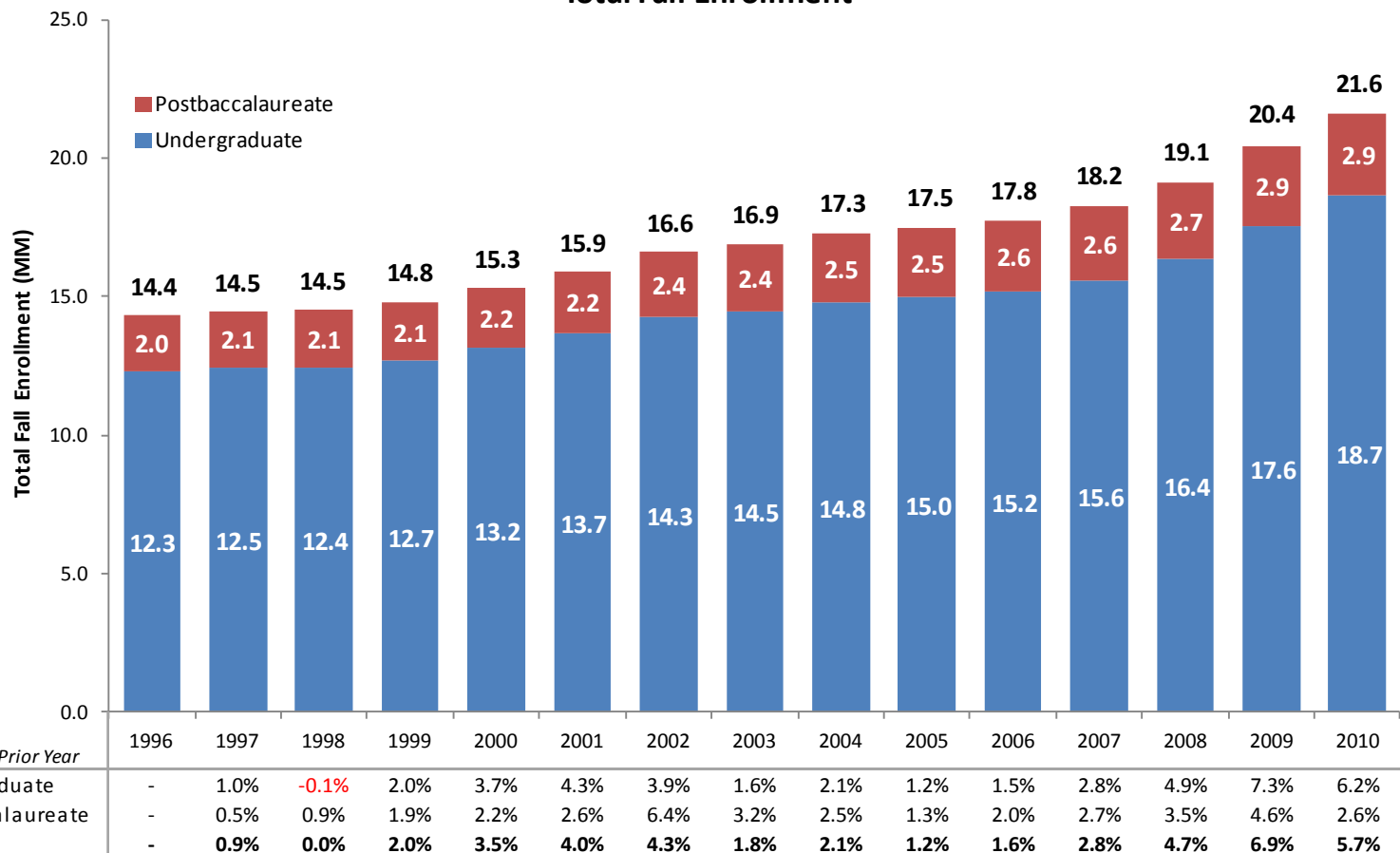
Sarah E. Ducich, Senior Vice President for Public Policy, Sallie Mae

Financial Literacy Seminar Series, George Washington School of Business

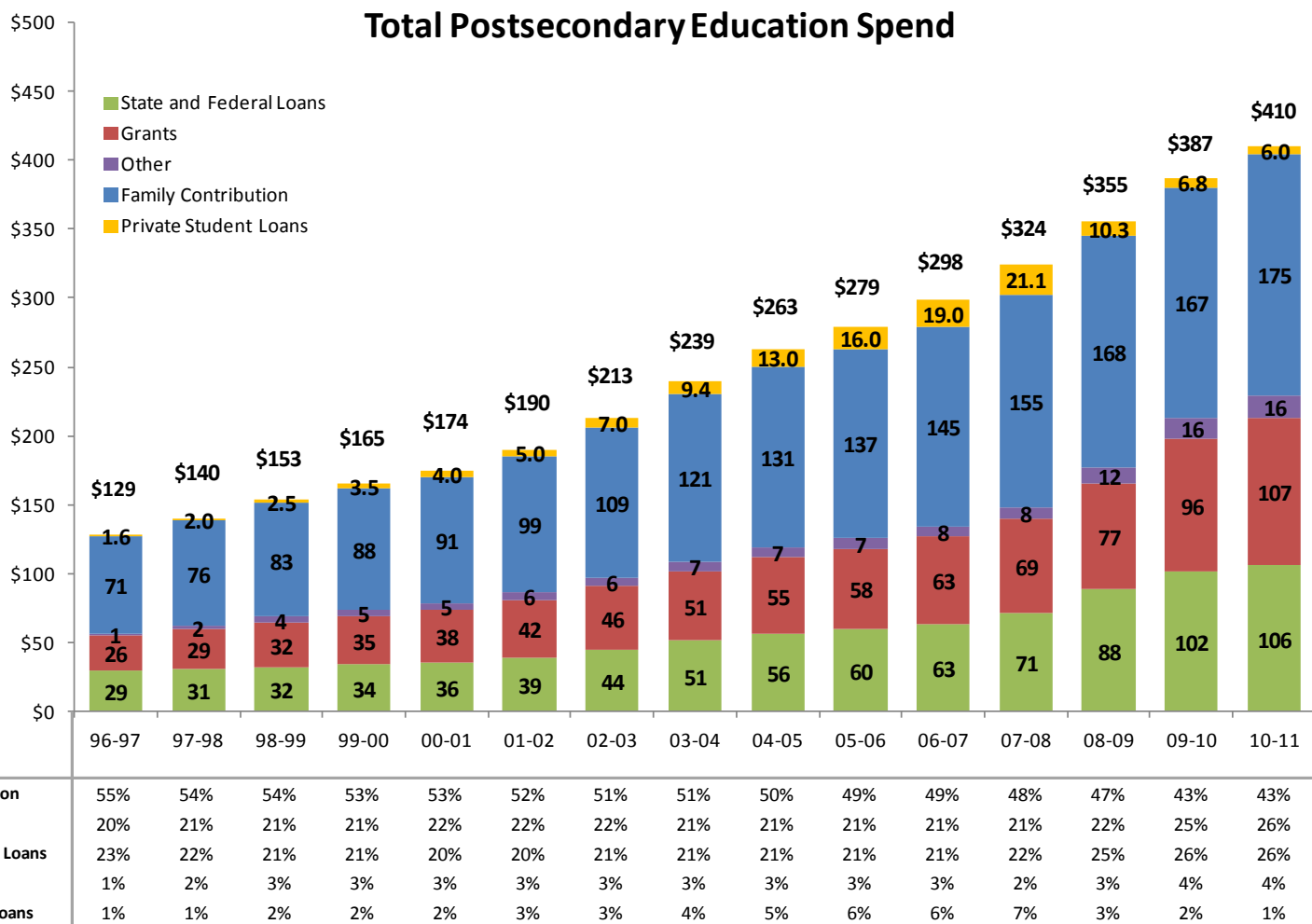
November 1, 2012

# Rising Enrollment

## Total Fall Enrollment

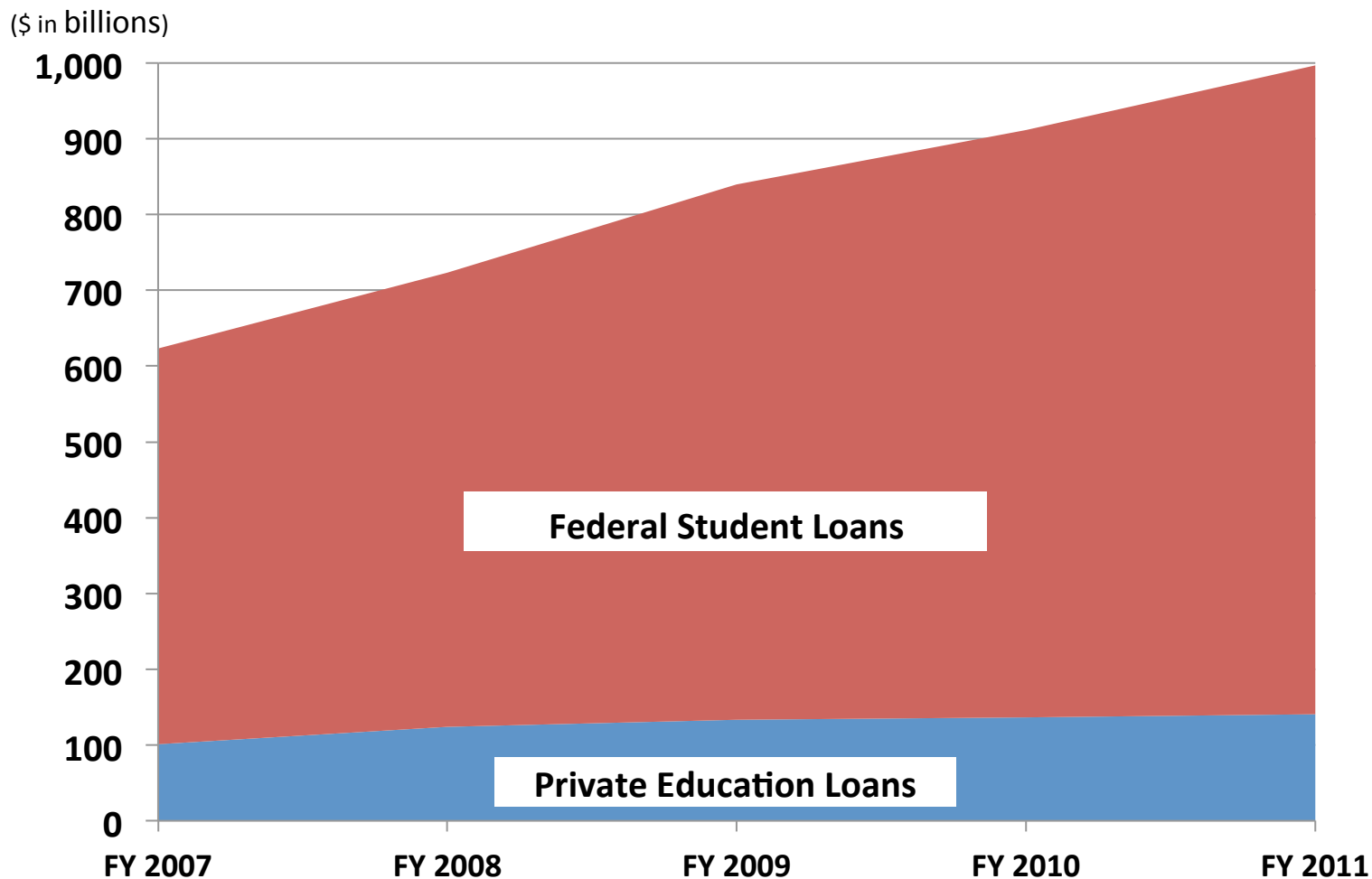


# Americans Spent \$3.7 Trillion on Education in 15 Years



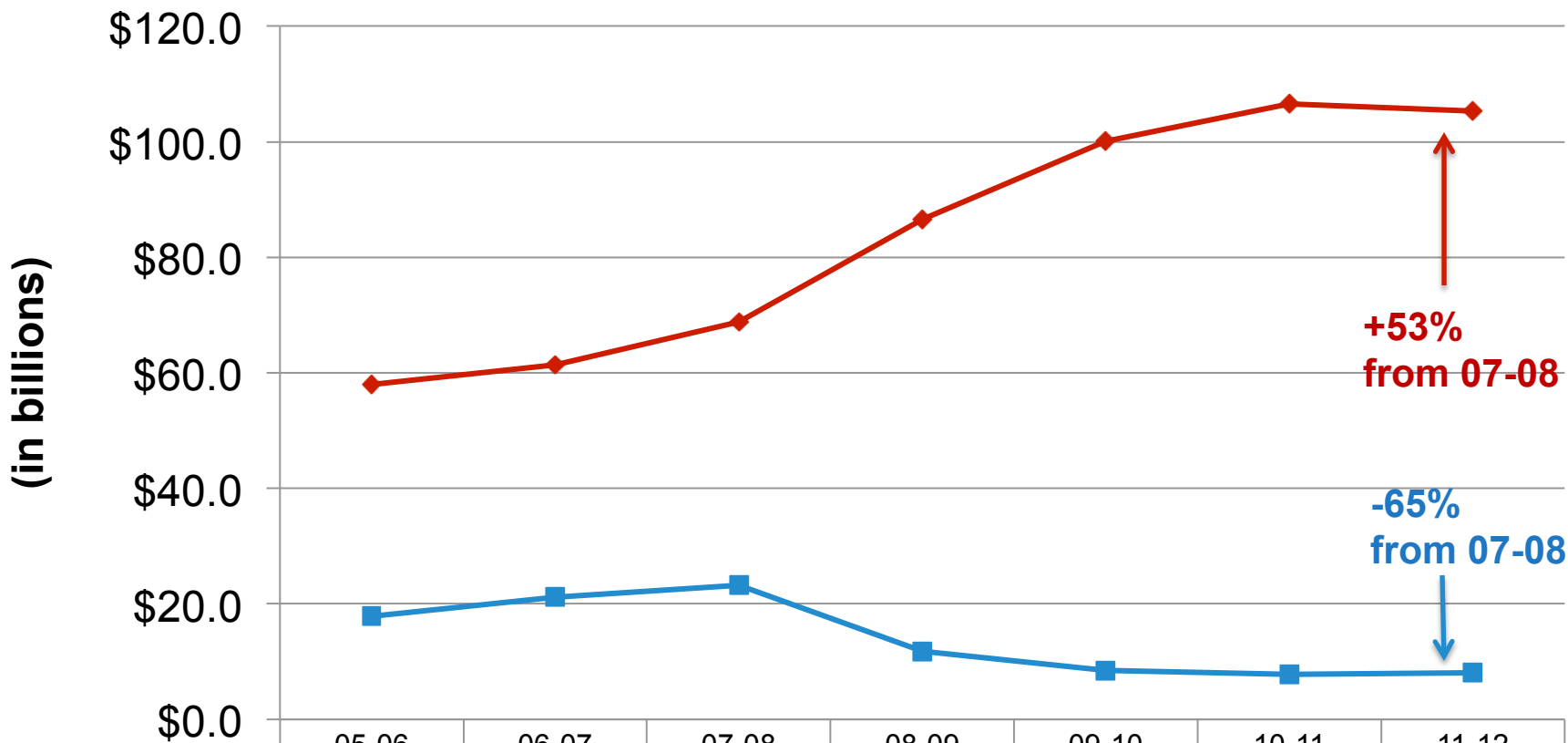
Sources: College Board, 2011 Trends in Student Aid, McKinsey & Company

## More than 85% of All Education Loans are Federal Loans



Source: Department of Education Annual Performance and Accountability Reports, FY 2006 to FY 2011, Notes to the Principal Financial Statements, Credit Programs note; Federally-owned FFELP is calculated based on receivables in purchase program and participated loans sold to the Department; private education loan volume from Consumer Finance Protection Agency, "Private Student Loans," July 2012

## Post-Credit Crisis: Private Education Loan Originations Sharply Decline While Federal Originations Surge

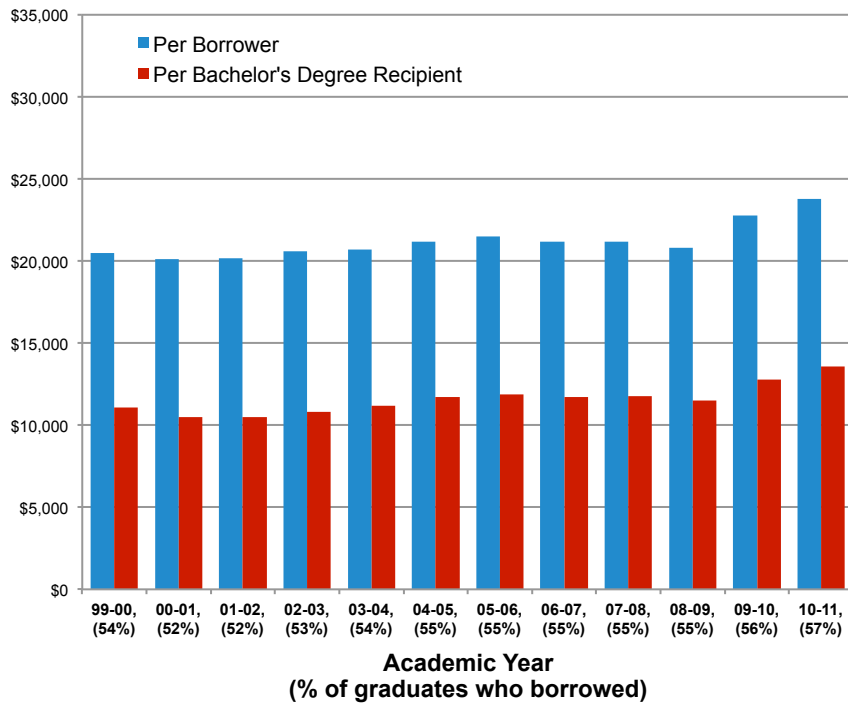


	05-06	06-07	07-08	08-09	09-10	10-11	11-12
Federal Loans	\$58.0	\$61.4	\$68.8	\$86.5	\$100.1	\$106.5	\$105.3
Non-federal loans	\$17.8	\$21.1	\$23.2	\$11.9	\$8.5	\$7.8	\$8.1

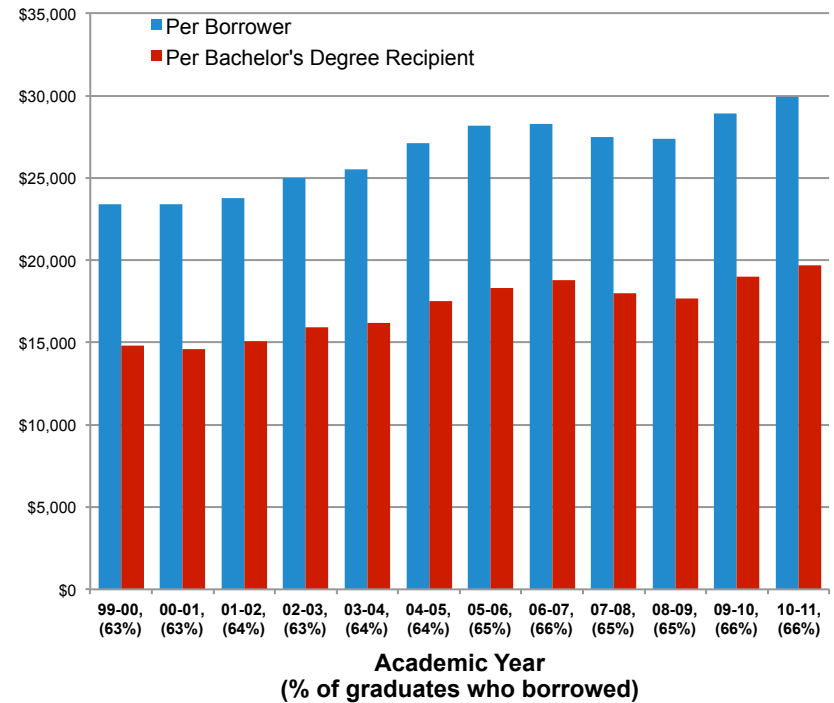
◆ Federal Loans   
 ■ Non-federal loans

# Borrowing by Degree Recipients

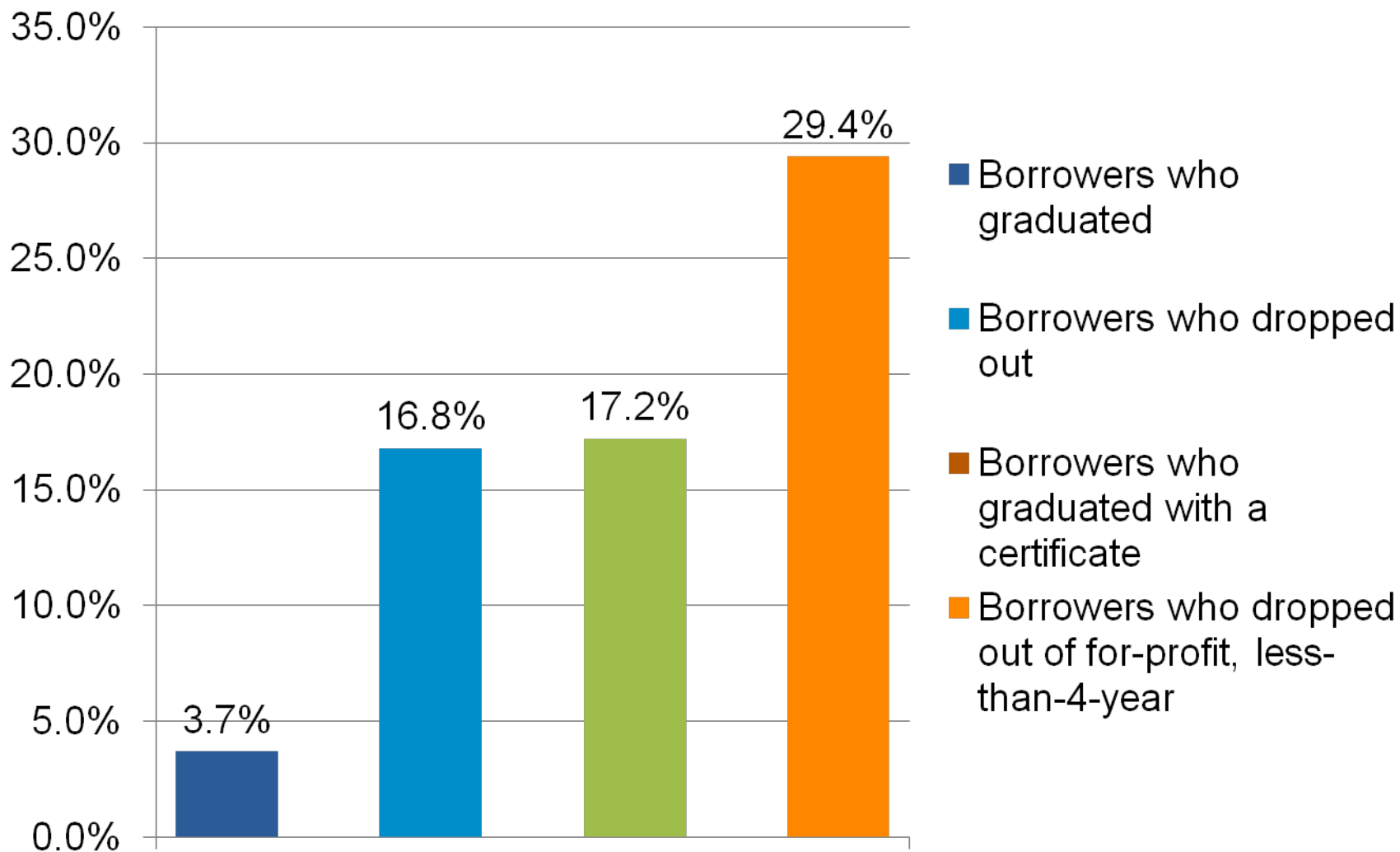
### Average Debt– Public 4-Year



### Average Debt– Private NFP 4-Year

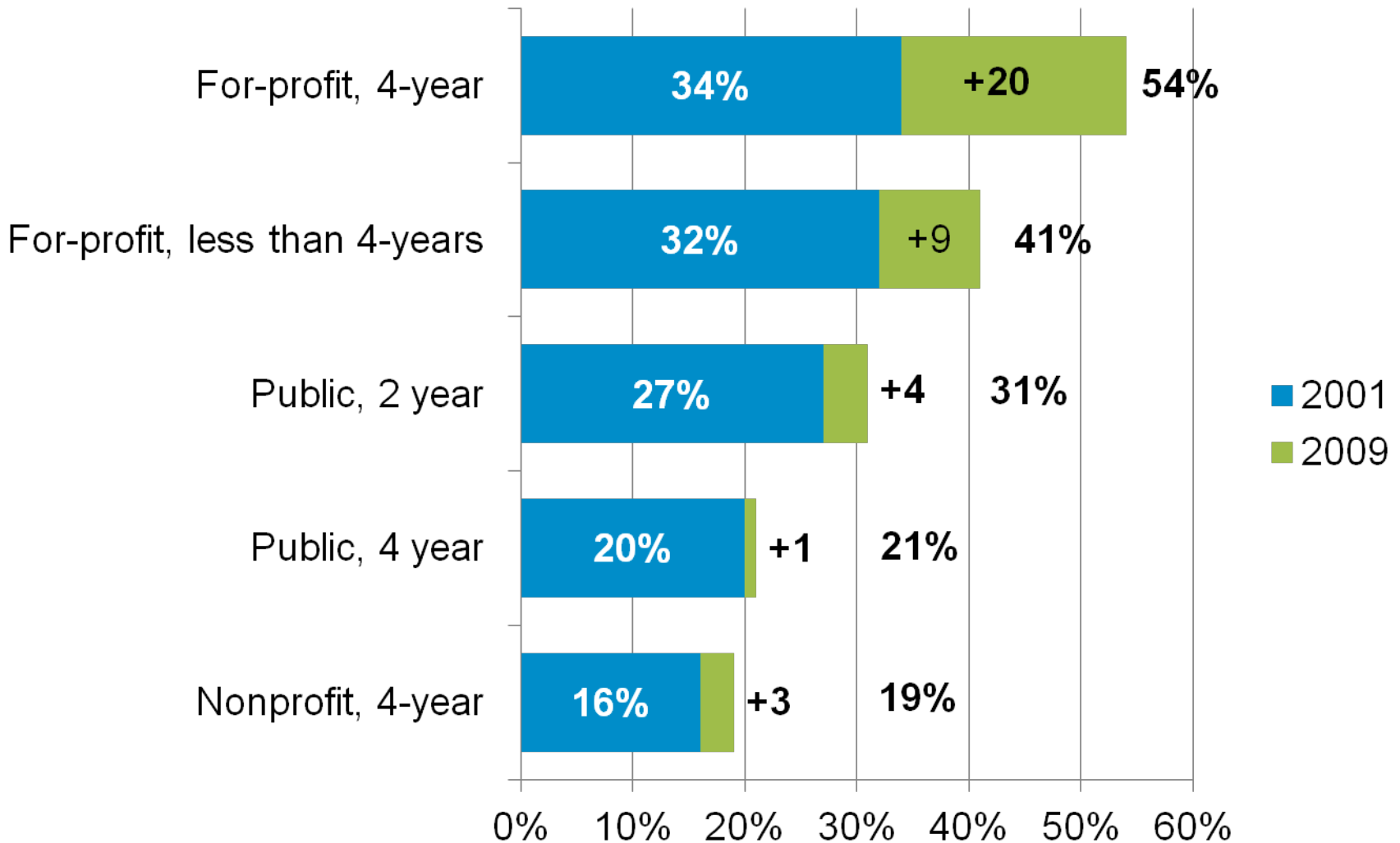


## Graduation Lessens the Chance of Default



Source: Education Sector, Degreeless in Debt

More borrowers dropped out by 2009 than by 2001  
The for-profit sector saw the highest increases

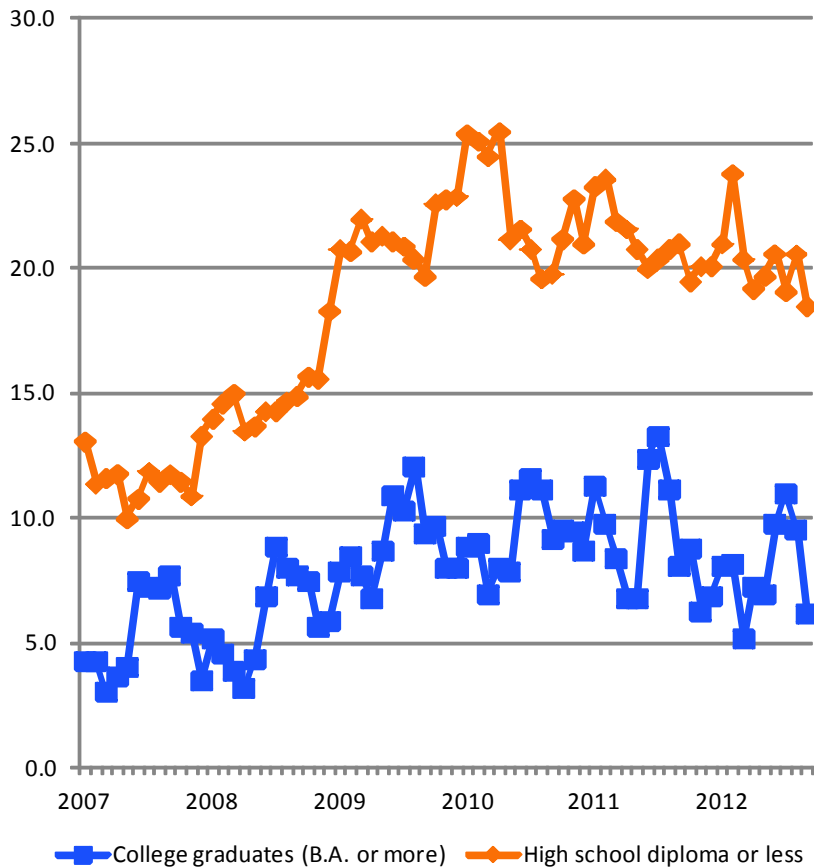


Source: Education Sector, Degreeless in Debt

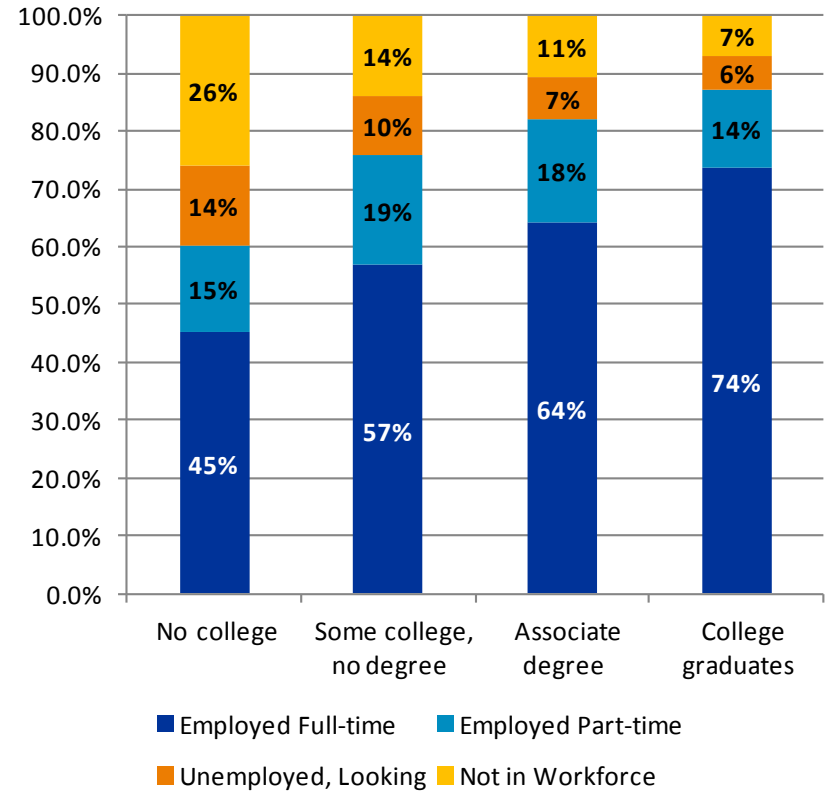


# College Degree Greatly Enhances Likelihood of Employment for Young Adults

## Unemployment Rates for 20-24 Year Olds

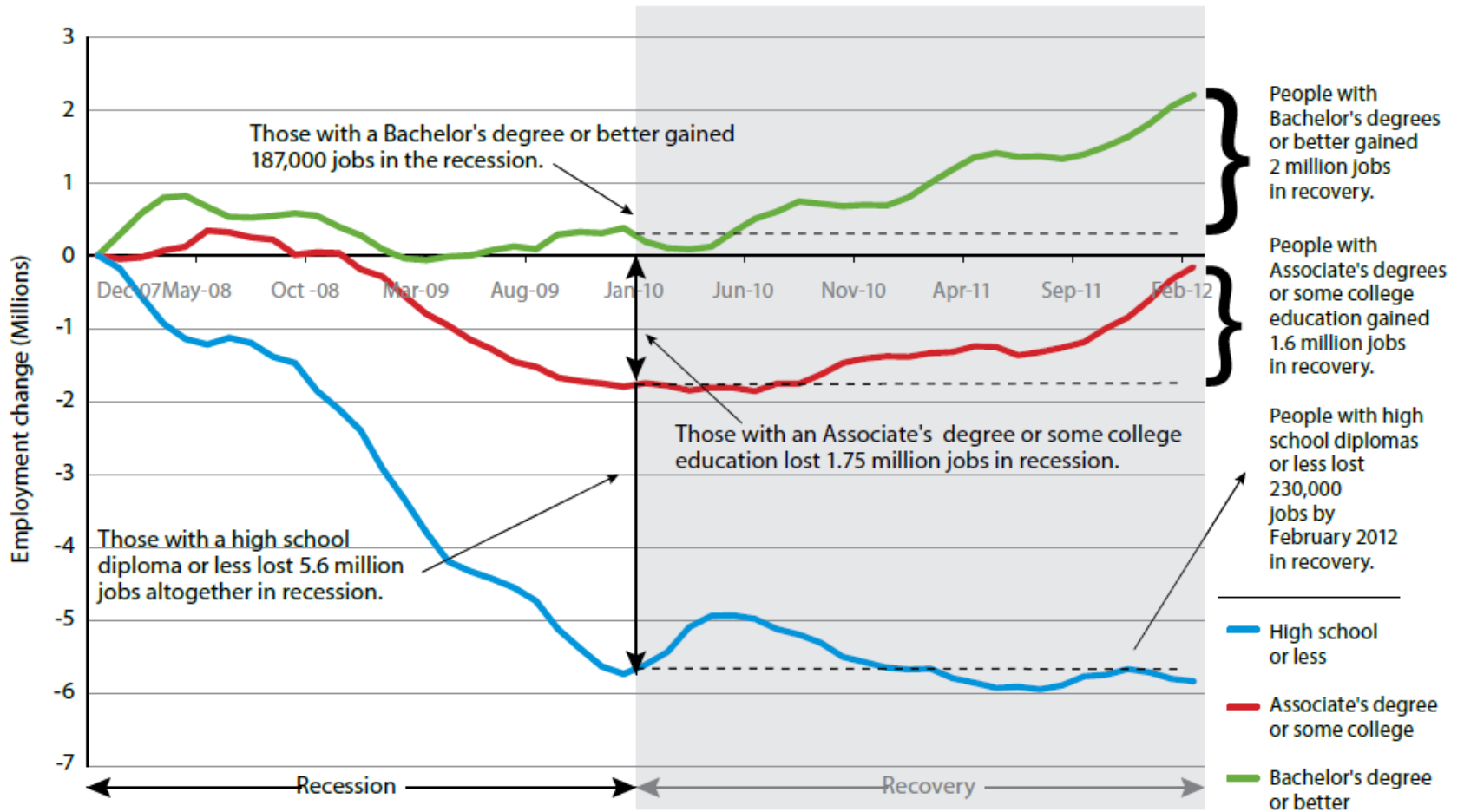


## Employment Status for All Non-Enrolled, 20-24 year olds September 2012



Source: Bureau of Labor Statistics. Current Population Survey, September 2012

# College Degree Recipients Weather Recession Better Than Less Educated

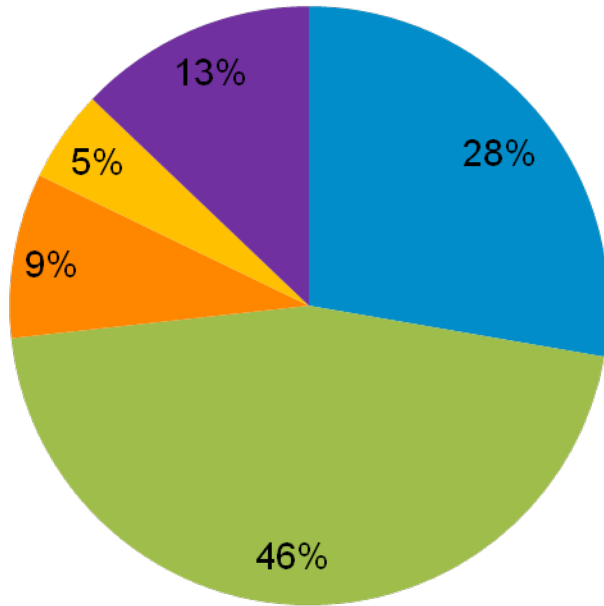


Source: Georgetown Public Policy Institute, Center on Education and the Workforce, "The College Advantage: Weathering the Economic Storm,"

# Recent Graduates & The Great Recession

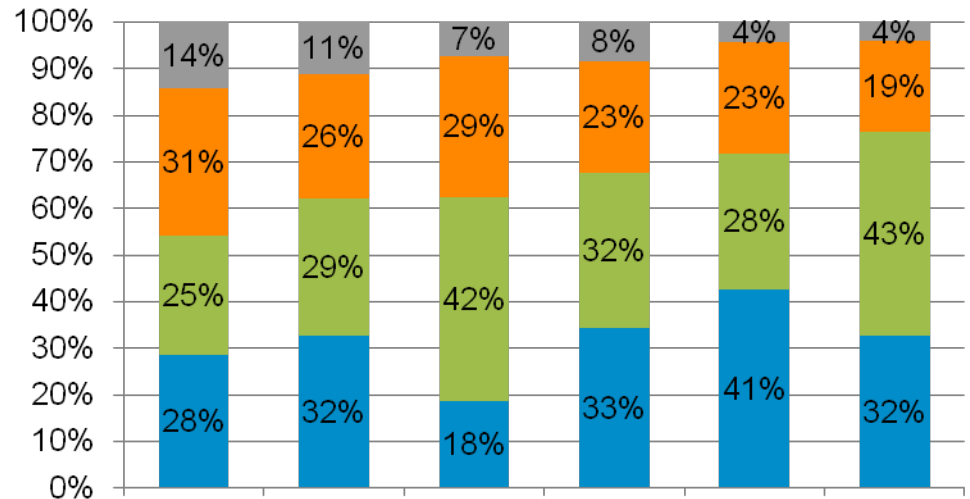
## Of those who graduated between 2006 -2011

Progress Students Have Made Paying Off Debt



- Less Than One-Quarter
- One-Quarter
- One-Half
- Three-Quarters
- All of It

Confidence in the Next 10 Years That...



- Already there
- Next few years
- A number of years off
- 10 years or more/never

# A SNAPSHOT OF HOW AMERICA PAYS FOR COLLEGE 2012

The national study, *How America Pays for College*, paints a picture of the commitment and resourcefulness of undergraduate college students and parents as they make the investment in higher education.



AMERICAN FAMILIES  
ARE SAYING...

## Background

# Study Objective

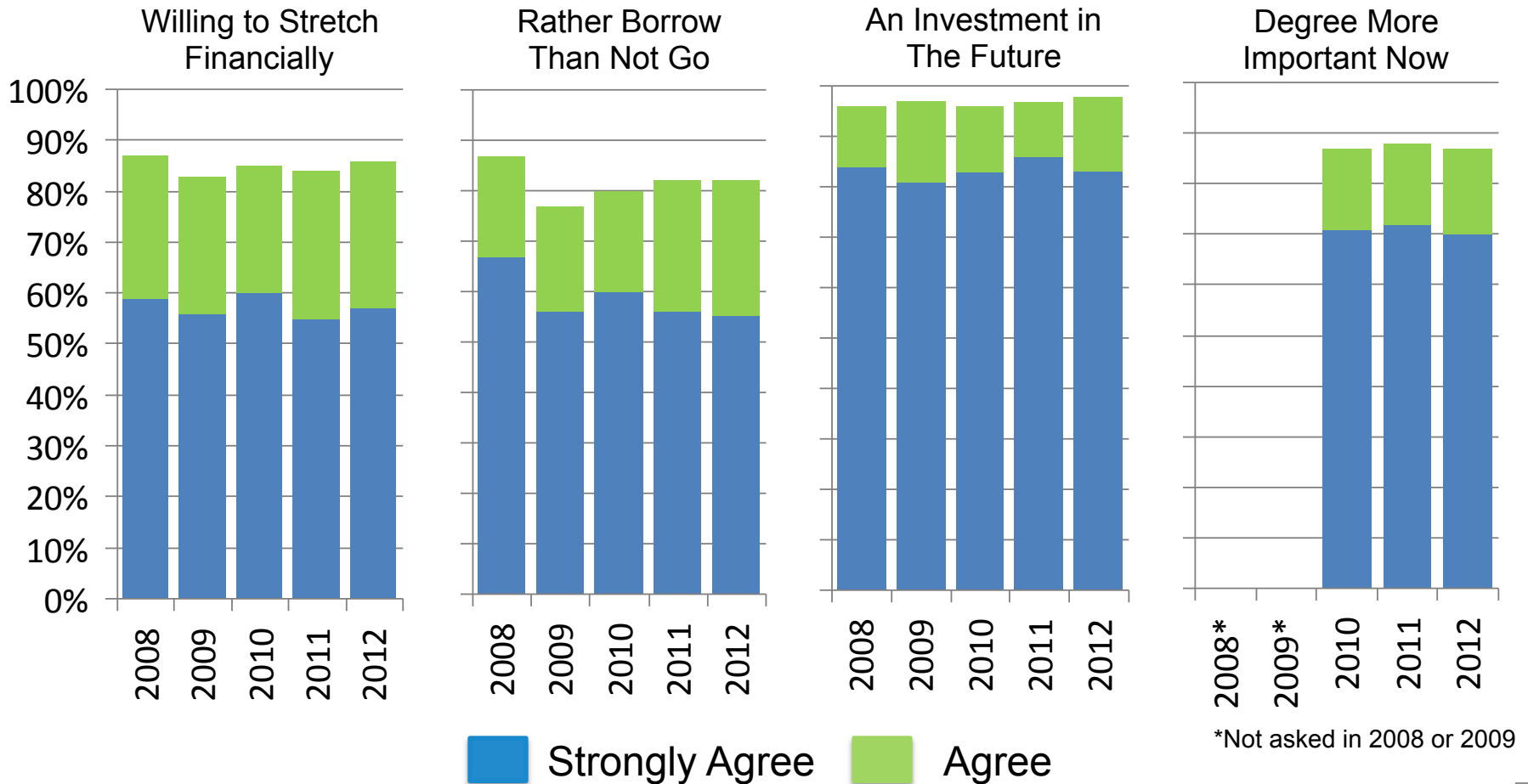
- ▶ Determine how American families are paying for college
  - Trend over time behaviors and attitudes related to the purchase and value of higher education

# Process

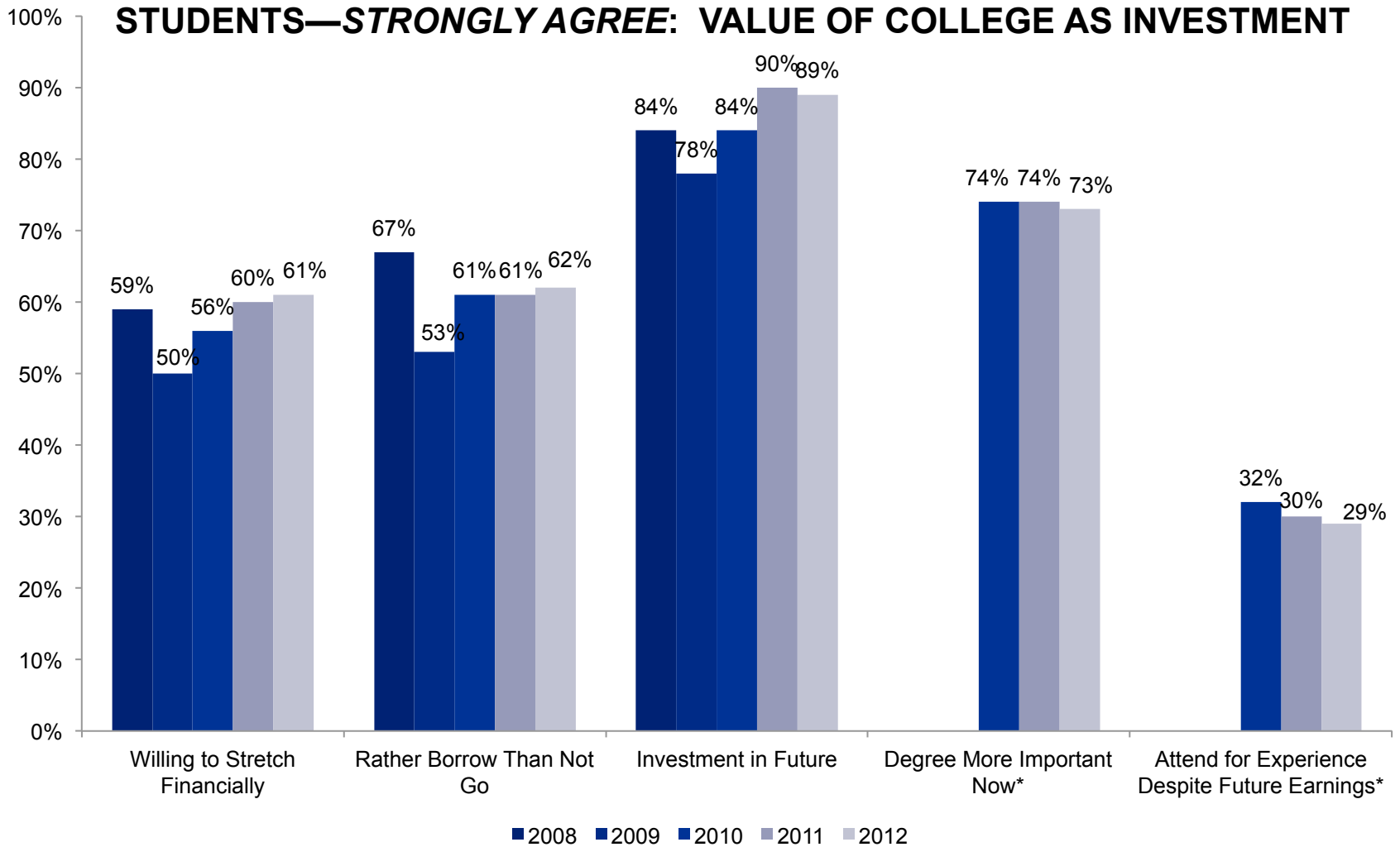
- ▶ Fifth annual survey and report
- ▶ Quantitative telephone research conducted April-May 2012
  - 801 undergraduates enrolled AY 2011-12, ages 18-24
  - 800 parents of undergraduates
- ▶ Composite of how the 'typical' family pays for college is a mathematical representation created in 2008 and applied consistently each year

# HOW AMERICA PAYS FOR COLLEGE: 2012 KEY FINDINGS

## VALUE OF COLLEGE AS INVESTMENT

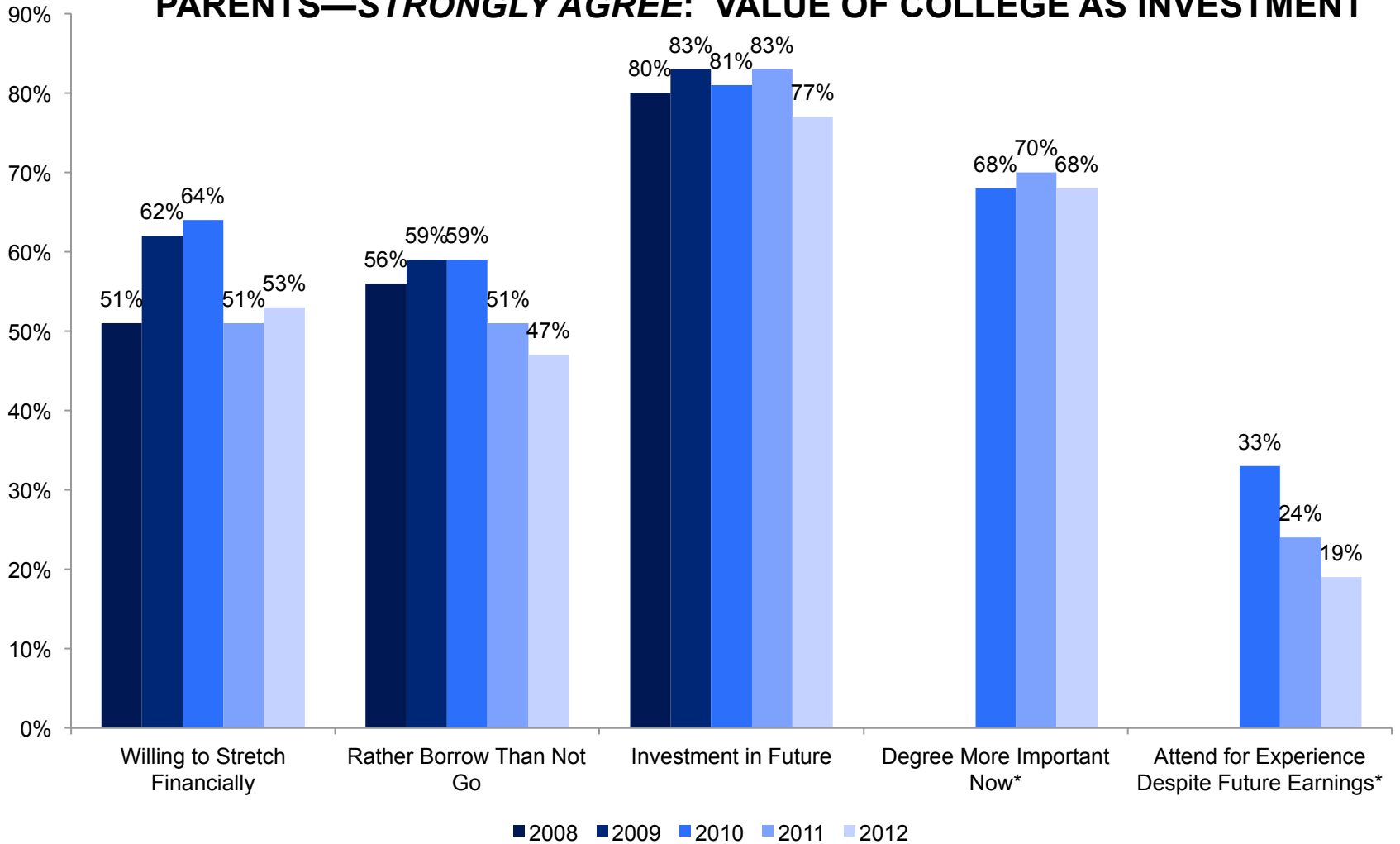


# HOW AMERICA PAYS FOR COLLEGE: 2012 KEY FINDINGS



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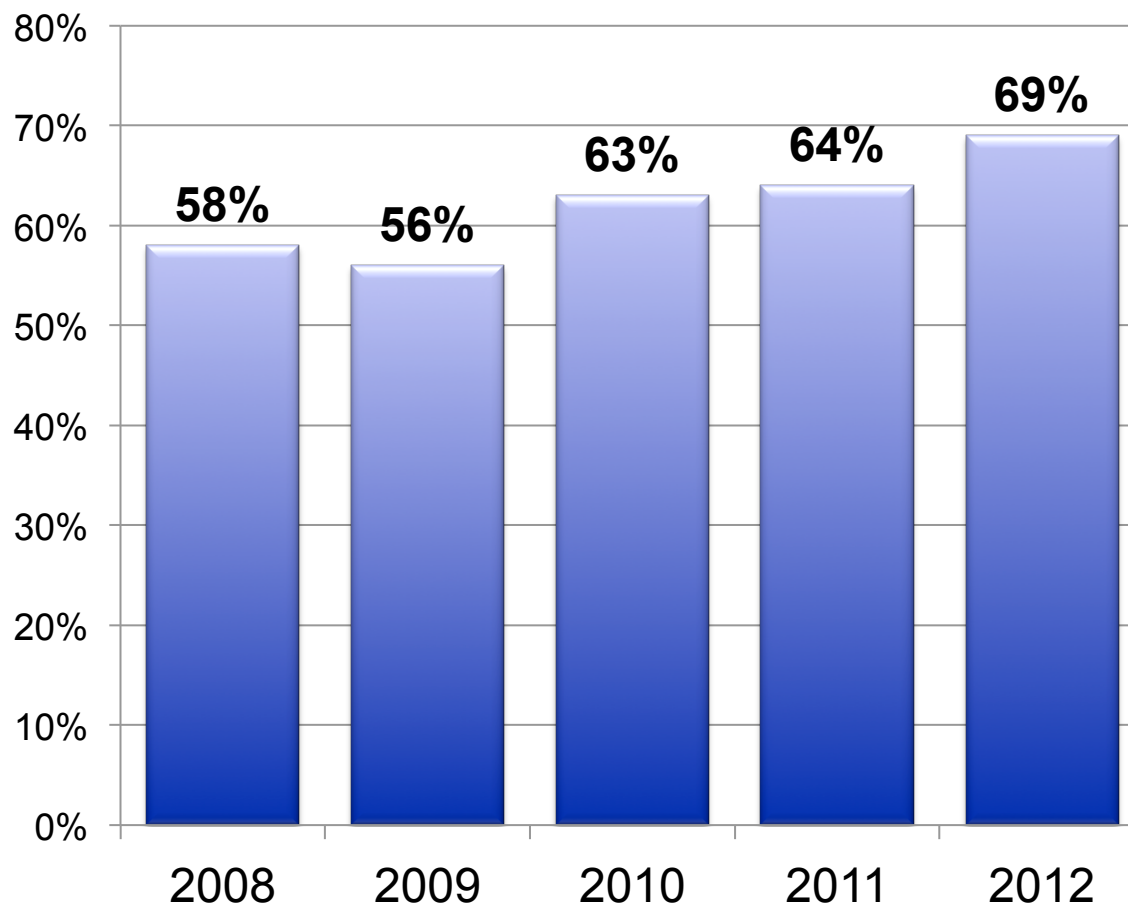
## PARENTS—*STRONGLY AGREE*: VALUE OF COLLEGE AS INVESTMENT





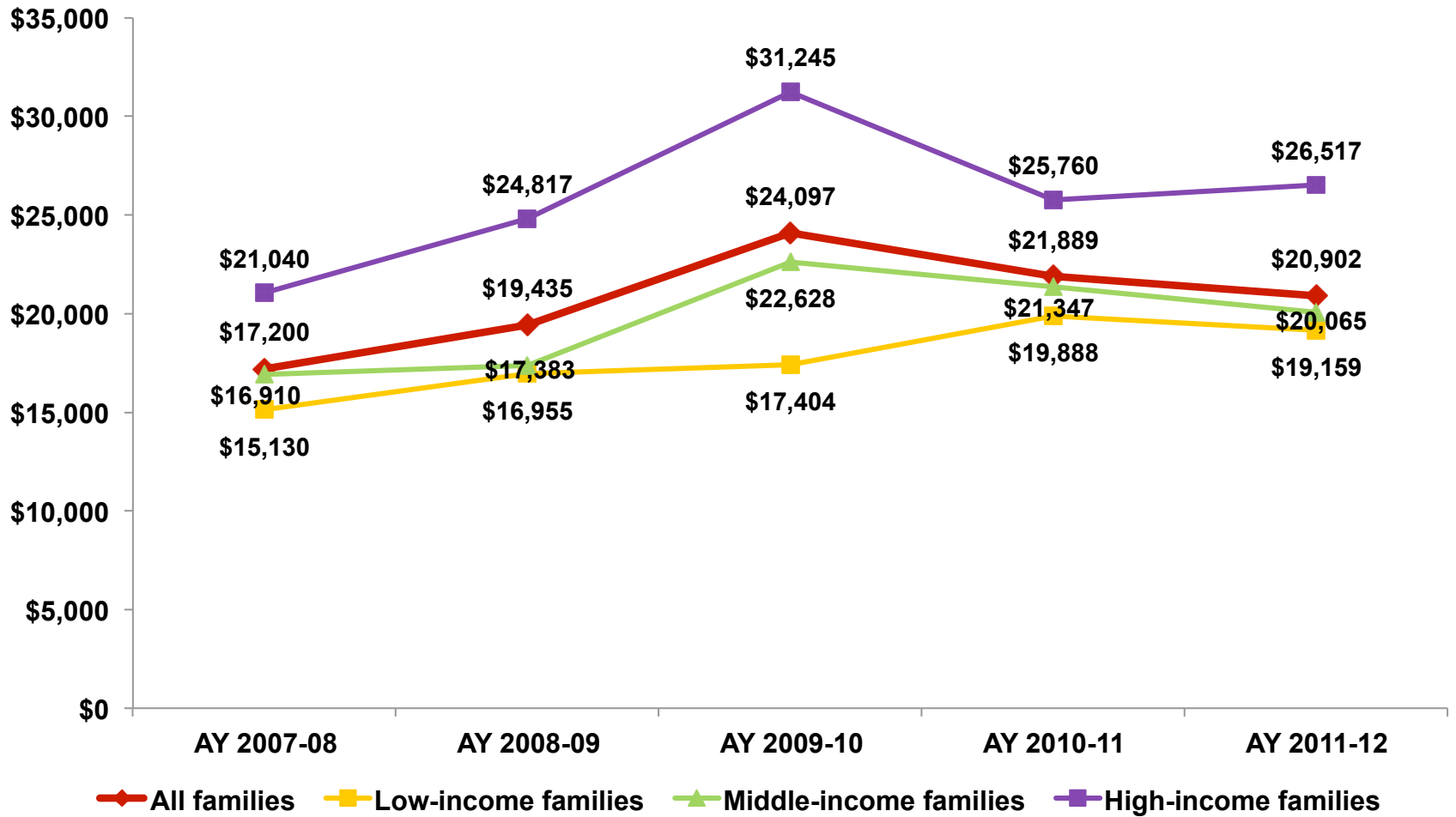
## HOW AMERICA PAYS FOR COLLEGE: 2012 KEY FINDINGS

### COST CONSIDERATION: SHARE OF FAMILIES THAT CONSIDER COST AT SOME POINT IN APPLICATION/DECISION PROCESS



# HOW AMERICA PAYS FOR COLLEGE: 2012 KEY FINDINGS

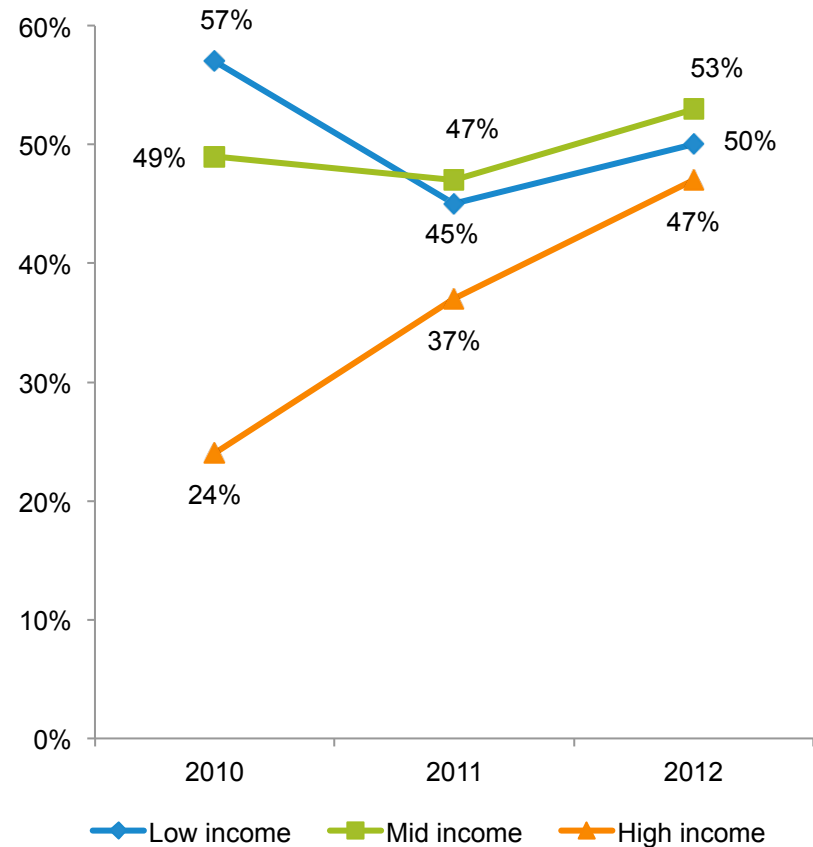
## Average Amount Spent on College



## Cost-saving measures

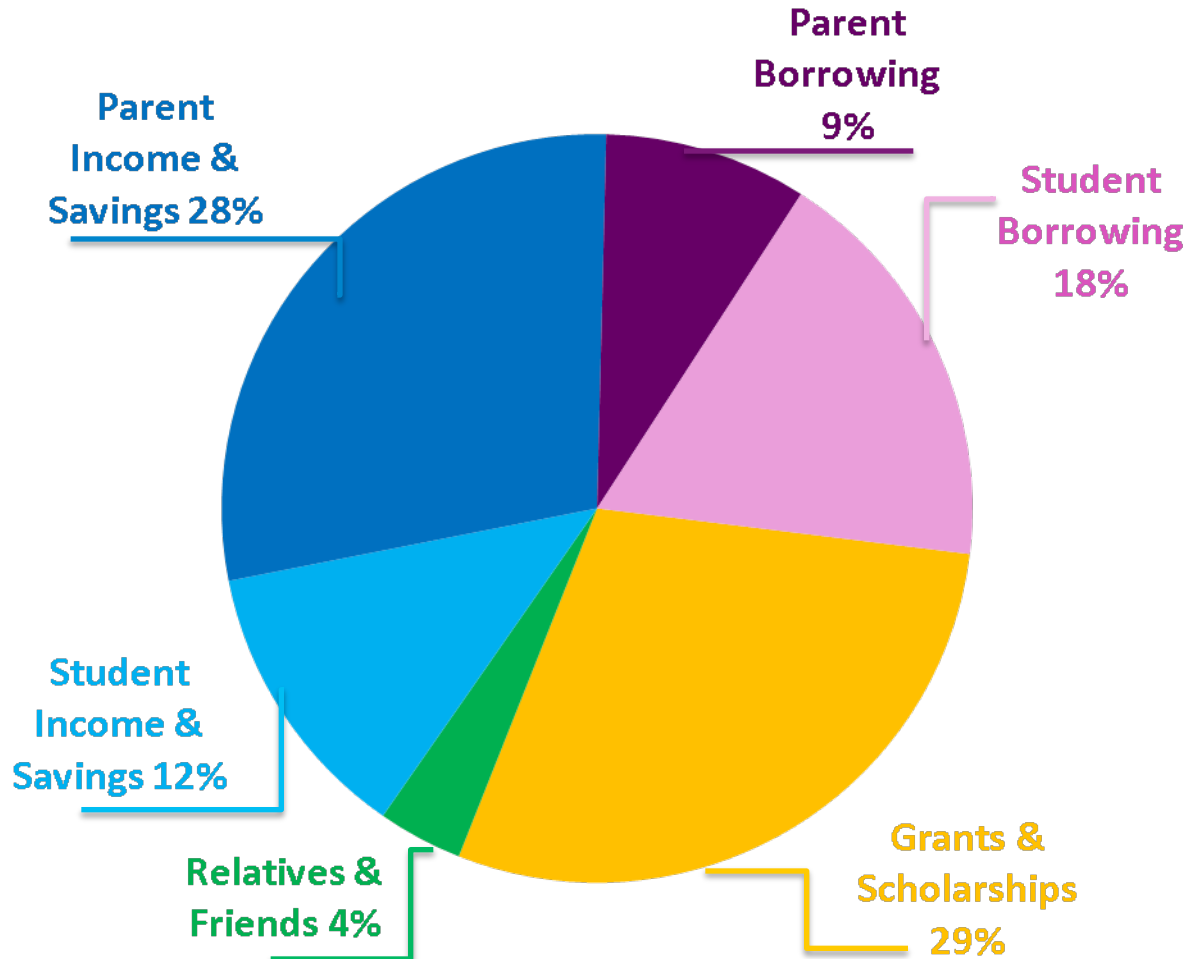
- ▶ 97% of families took at least one cost-saving measure including:
  - Student lived at home
  - Student added roommates
  - Students reduced personal spending
  - Families taking income tax credits or deductions

### Undergraduates Living at Home



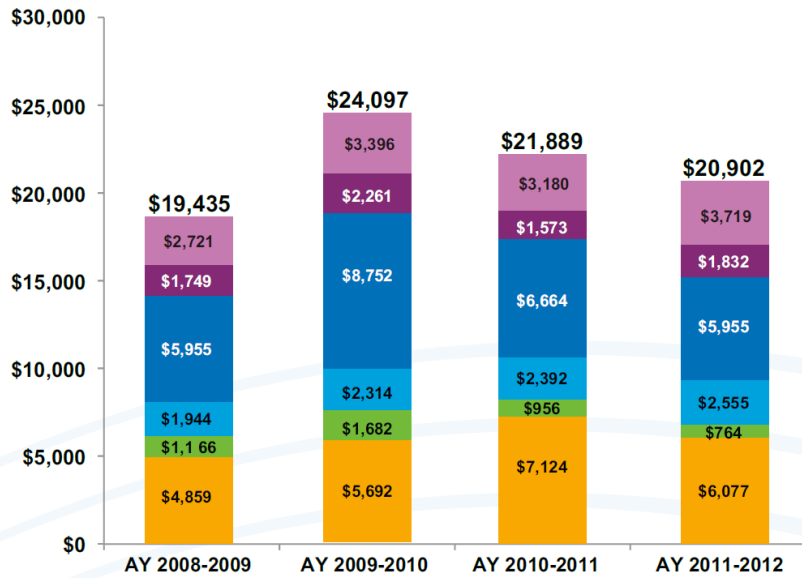
## HOW AMERICA PAYS FOR COLLEGE

### FUNDING UNDERGRADUATE EDUCATION

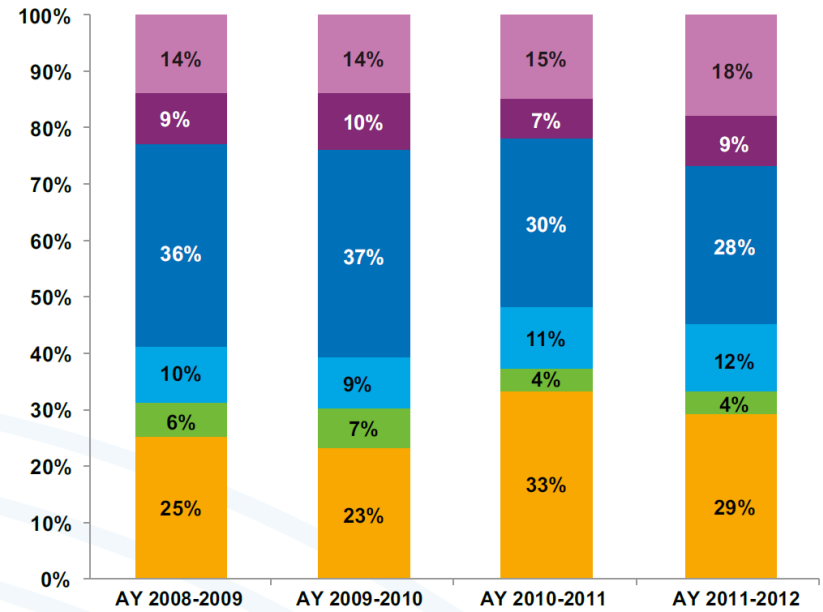


# HOW AMERICA PAYS FOR COLLEGE: 2012 KEY FINDINGS

### Average Amounts



### Funding Source Share

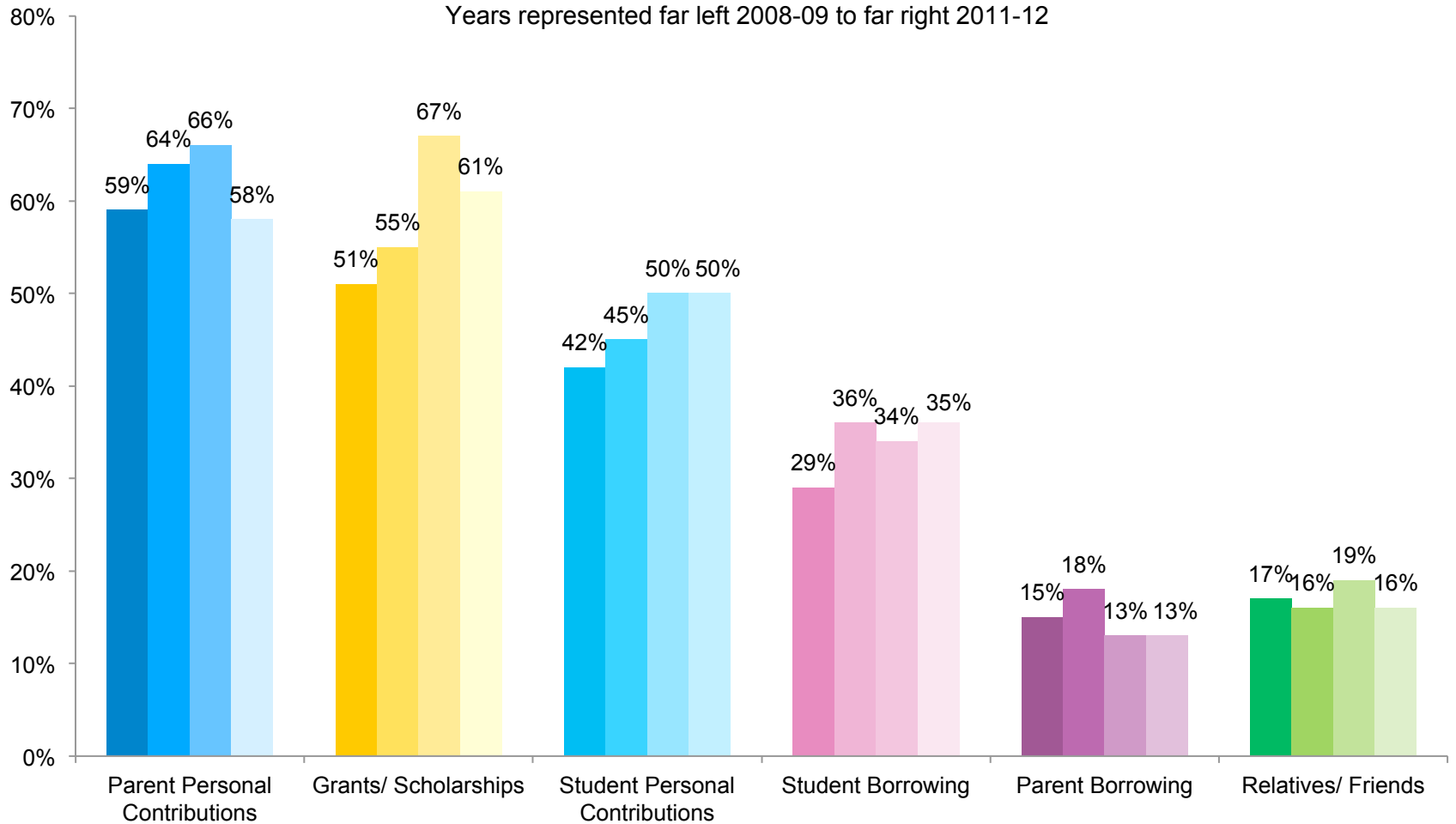


- Student Borrowing
- Parent Income and Savings
- Relatives and Friends
- Parent Borrowing
- Student Income and Savings
- Grants and Scholarships

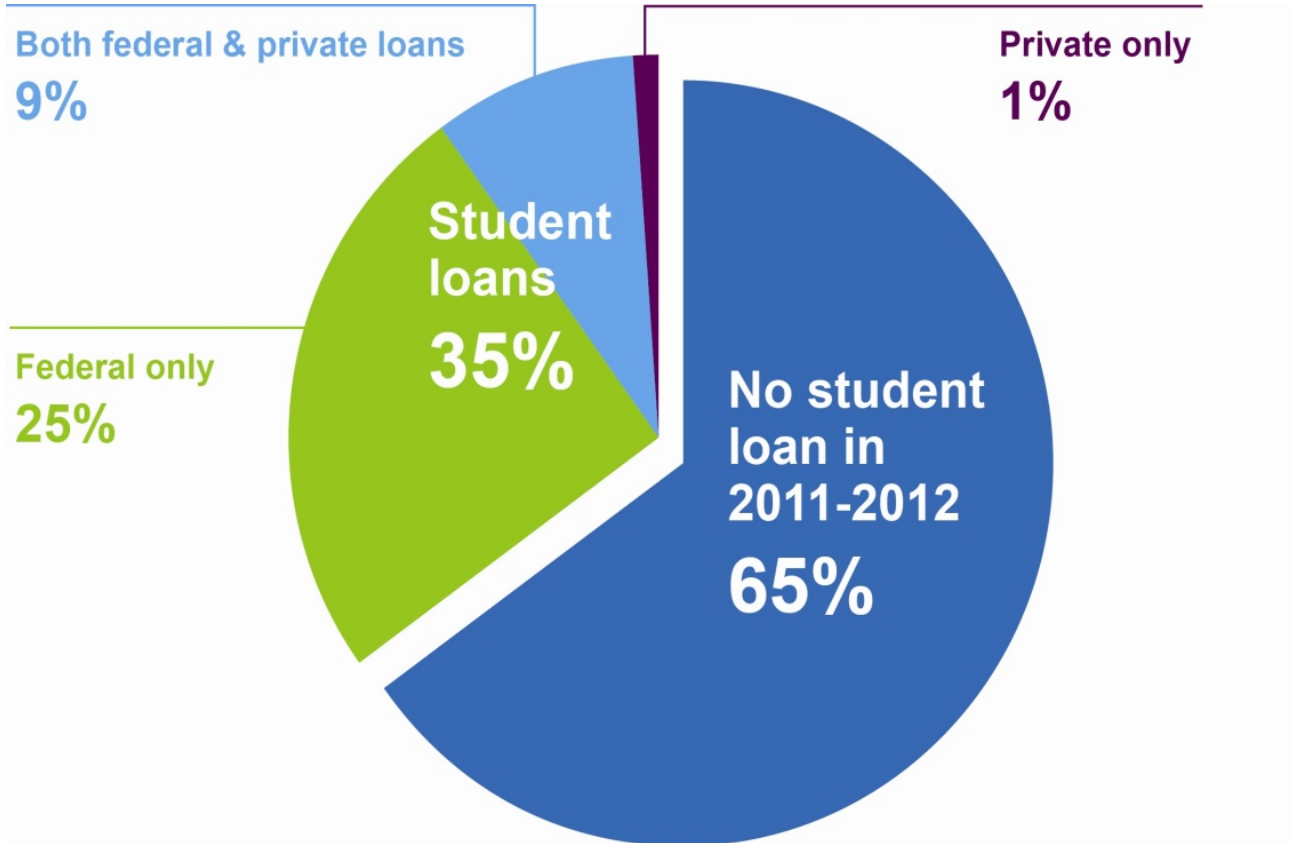
# Families rely on scholarships and grants more than other resources

Percent of Families Using Each Type of Funding Source, Year-over-Year

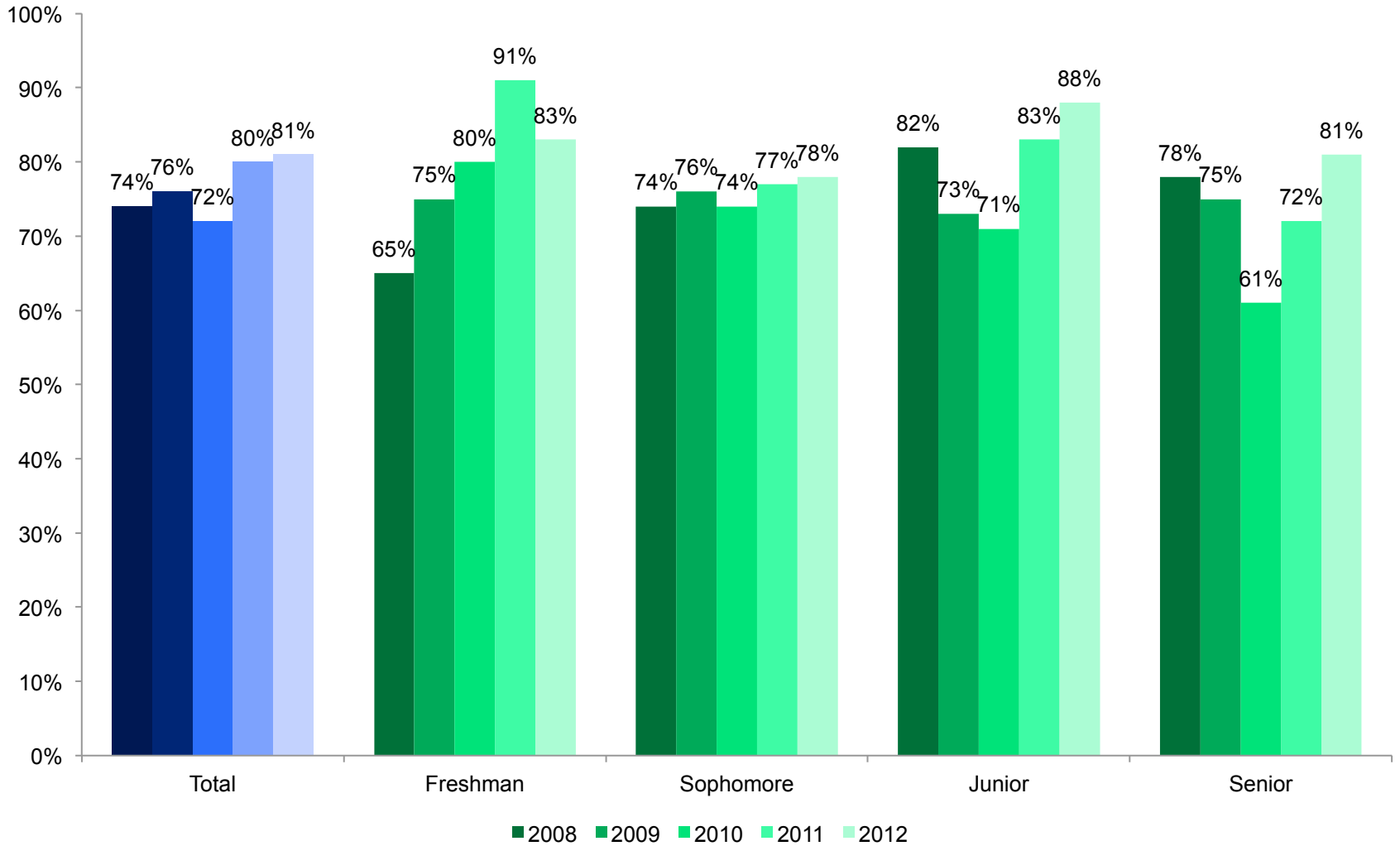
Years represented far left 2008-09 to far right 2011-12



## Student loan usage in academic year 2011-12



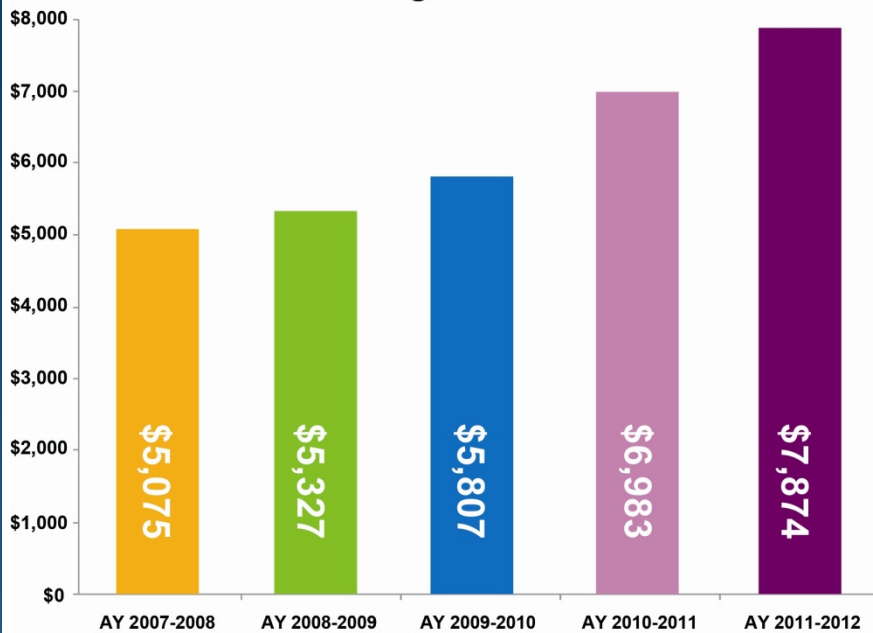
## More families completed the FAFSA



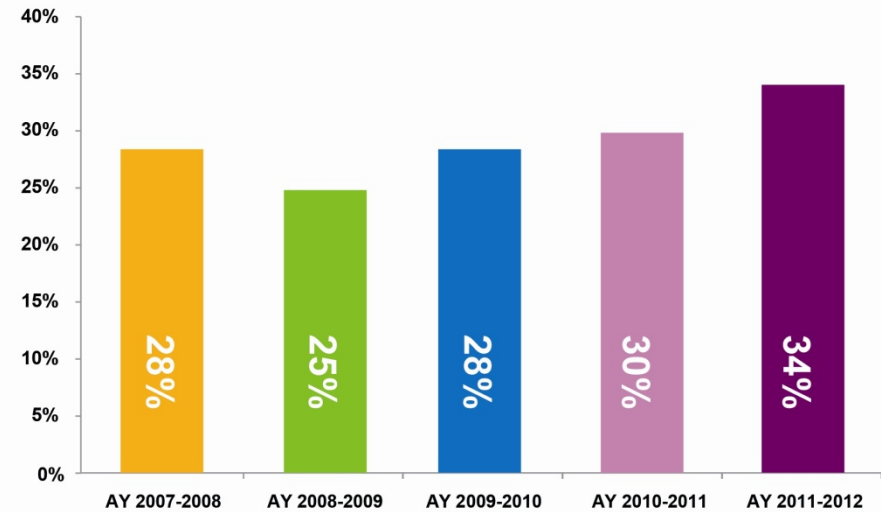


# Student use of federal student loans has increased over time

### Average Amount Borrowed

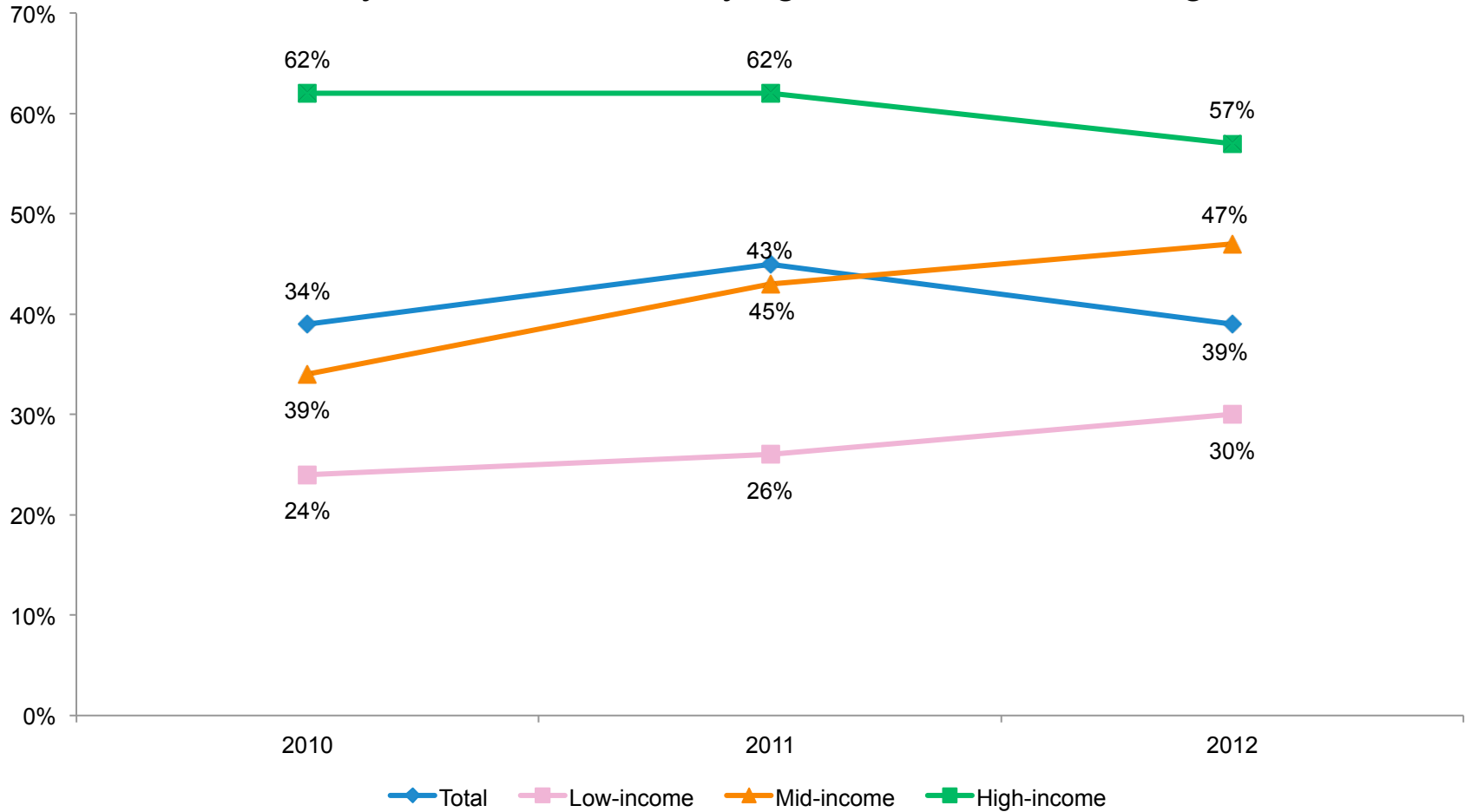


### Percent Who Borrowed



Fewer families have a plan for paying for all years of college

Family Had a Plan for Paying for All Years of College



**QUESTIONS?**