

HOW AMERICA PAYS FOR COLLEGE

Sallie Mae's National Study of College Students and Parents
Conducted by Gallup

September 2008

Background

Objective

- To determine how American families are paying for college
 - Also measures attitudes and perceptions of parents and enrolled students about cost, value of education and impact of decisions, including borrowing

Process

- Quantitative telephone research conducted May 2008
 - 684 undergraduates enrolled AY2007-08, ages 18-24
 - 720 parents of undergraduates
- Ten qualitative interviews – joint parent/student
- Population sample using Gallup procedures
 - Results for some variables weighted per US Census Bureau data
- Composite of how the 'average' family pays for college is a mathematical representation created by Gallup

Why go to college?

- More than two-thirds of parents and students agreed with practical considerations:
 - a better quality of life (71%)
 - more money (68%)
 - ability to attain career goals (71%)
- An overwhelming majority of parents (96%) and students (94%) agreed that college is an *investment* in the student's future.
 - Three-quarters of parents (74%) and 87% of students are willing to stretch financially to obtain the best opportunity for the student.
 - And, 77% of parents and 87% of students agreed that they would rather borrow for college than not be able to go at all.
 - A majority of respondents (60%) said student loan debt is acceptable debt.

Why go to college?

"I would have to say that overall, going to college is probably the best decision that I've made... I'm a better person completely because of the experiences and the knowledge I've been able to gain through attending college..."

(A., parent, Utah)

Is cost a factor before enrolling?

"... it [cost] basically was the biggest factor to narrow down where I ended up going."

(P., undergraduate, Utah)

"I'm not sure it [cost] actually did enter the picture, or at least not for me it didn't. I don't know about my mother."

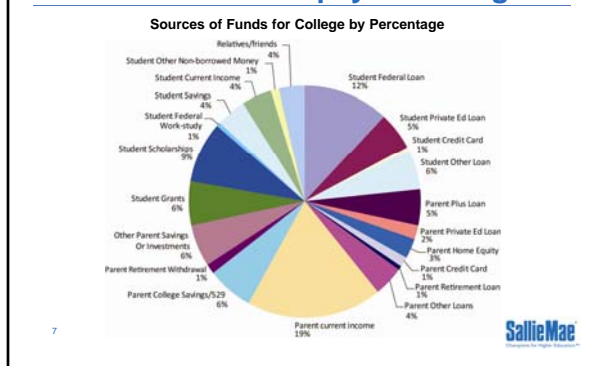
(M., undergraduate, Connecticut)

When do families eliminate schools?

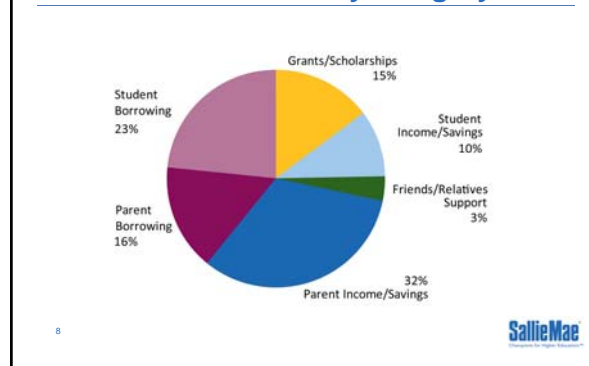
Cost decision points

Stage	Students (%)	Parents (%)
Before Considering	46%	40%
Before Applying	53%	47%
After Admission	57%	50%
After Financial Aid	63%	54%

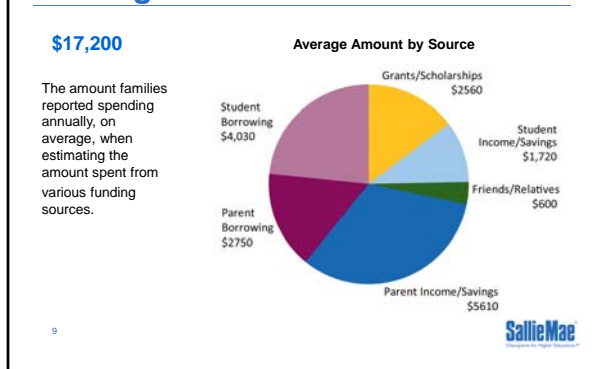
How does America pay for college?



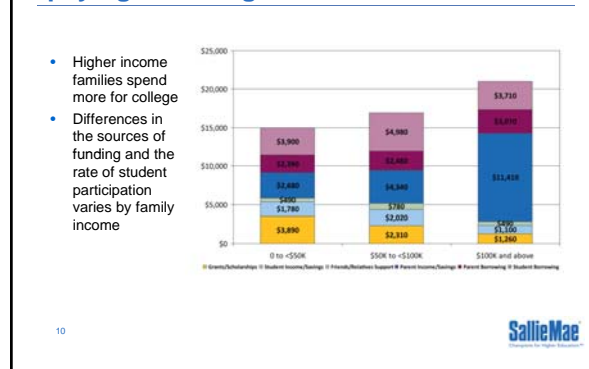
Percent of total cost by category



Average dollars contributed



What effect does family income have on paying for college?



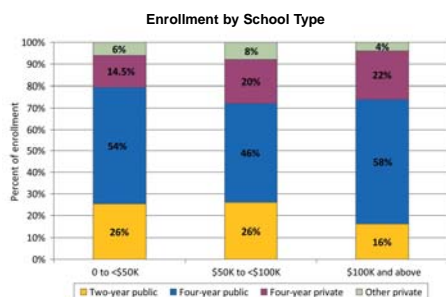
How does funding differ by income level?

- Payment from parent current income and savings sources in higher-income families is more than 2.5 times that of middle- and 4 times that of lower-income families.
 - Parent savings and income in higher-income families accounts for 54% of total cost of attendance compared to 26% in middle- and 18% in lower-income families
 - Students from higher-income families contributed much less from their combined income, savings, and gift aid.
 - Student combined income, savings and gift aid in higher-income families accounts for 11% of total cost of attendance compared to 26% in middle- and 37% in lower-income families
 - Lower-income families reported that their students received higher amounts in grants and scholarships than other families.
 - Middle-income families reported a higher average contribution from students' current income and savings than other families.
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What about differences in borrowing?

- Parent borrowing paid approximately 15% toward total cost for each group, but...
 - Parents in higher-income families borrowed "other loans," home equity loans and private education loans more so than Federal PLUS loans
 - Middle-income families reported parent borrowing of \$2,480 with the highest average amount borrowed from Federal PLUS loans and the lowest average amounts from private education loans and home equity loans.
 - Middle-income students reported the highest average amounts borrowed, \$4,980 — about one-third more than the amounts borrowed by lower-income and higher-income families.
 - Lower-income students borrowed an average of \$3,900; higher-income students borrowed \$3,710.
 - Middle-income families reported the most use of federal student loans. Higher-income families reported the least use of federal student loans and the least from "other loans," but the most from private education loans.
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Why do middle-income students borrow more?



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Individual family strategies

"...my parents definitely allotted us a certain amount and they told us ahead of time this is how much they're going to pay every year and we have to make up the difference"

(K., undergraduate, Wisconsin)

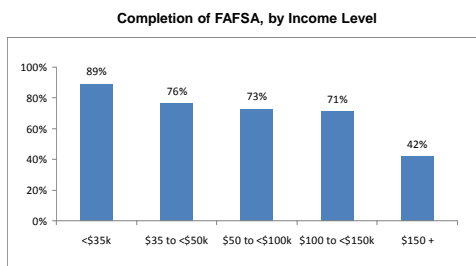
"...I would take two classes at the absolute most, then take a quarter off to save my money and then go back..."

(E., undergraduate, Georgia)

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Do families apply for federal financial aid?



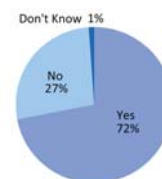
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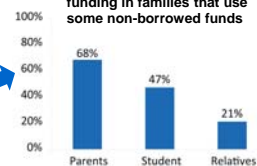
Use of non-borrowed funds

Almost three-quarters of families use some non-borrowed funds
 • 39% used non-borrowed funds exclusively

Percent of Families Using Some Non-Borrowed Funds



Who provides the non-borrowed funding in families that use some non-borrowed funds



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Use of non-borrowed funding sources

Sources of Non-Borrowed Funds

	Source	% of Payers*	% of Total Families	Average Amount**
Parent	Current Income	87%	38%	\$5,815
	College Savings Plan (529)	19%	9%	\$7,964
	Retirement Savings Withdrawal	7%	3%	\$4,763
	Other Savings or Investments	26%	12%	\$5,907
Student	Savings	56%	19%	\$2,689
	Scholarships	51%	17%	\$6,166
	Current Income	50%	17%	\$3,226
	Grants	43%	14%	\$5,135
	Federal Work-Study	9%	3%	\$2,249
R/F	Other Non-Borrowed Money	14%	4%	\$2,981
	Relatives or Friends	--	12%	\$3,485

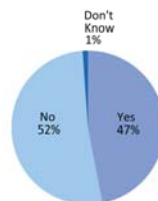
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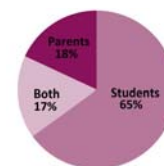
Use of borrowed funds

Less than half of families used borrowed funds to pay for college in 2007-08
 • 14% said they used only borrowed funds

Percent of Families Using Some Borrowed Funds



Who Borrows in Families that Borrow?



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Use of borrowed funding sources

Sources of Borrowed Funds

	Source	% of Borrowers*	% of Total Families	Average Amount**
Parent	Federal PLUS Loans	36%	6%	\$10,701
	Private Education Loan	22%	4%	\$6,910
	Home Equity Loan or HELOC	20%	3%	\$10,853
	Credit Cards	19%	3%	\$5,822
	Retirement Account Loan	5%	1%	\$6,299
	Other Loans	33%	5%	\$9,894
Student	Federal Student Loan	77%	28%	\$5,075
	Private Education Loan	23%	8%	\$7,694
	Credit Cards	8%	3%	\$2,542
	Other Loans	23%	8%	\$7,922

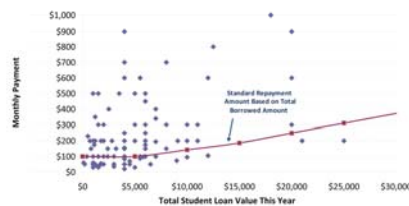
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Who's thinking about the future?

- When borrowing, 70% of families did not consider student's post graduation income, or it did not make a difference
- Students who borrowed didn't estimate monthly payments accurately

Estimated Monthly Repayment



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Why do some families decide to have students borrow?

"Well, I guess he [student] knew from the get-go that my wife and I were going to pay for...a good majority of it... we put it upon him to pay for books so that way he had... some involvement with it."

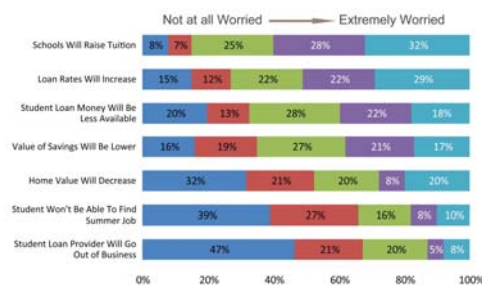
B., parent, Nebraska

- Primary drivers for choosing student loans (vs. parent borrowing):
 - Lack of available funds (70%)
 - The need for the student to take responsibility for college costs (65%)
 - Lower interest rates (61%)

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Thinking ahead, what worries families when considering paying for college?



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The full report

"How America Pays for College" is available for free download at

www.SallieMae.com/HowAmericaPays

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