

How Much Are College Students Borrowing?

by Patricia Steele and Sandy Baum

New data from the U.S. Department of Education's National Postsecondary Student Aid Study reveal that while many students are accumulating high levels of debt, these students remain the exception. Between 2003-04 and 2007-08, debt levels increased rapidly for students in the for-profit sector and for all of those earning certificates and two-year degrees. However, the increase was relatively small for bachelor's degree recipients in public and private four-year colleges.

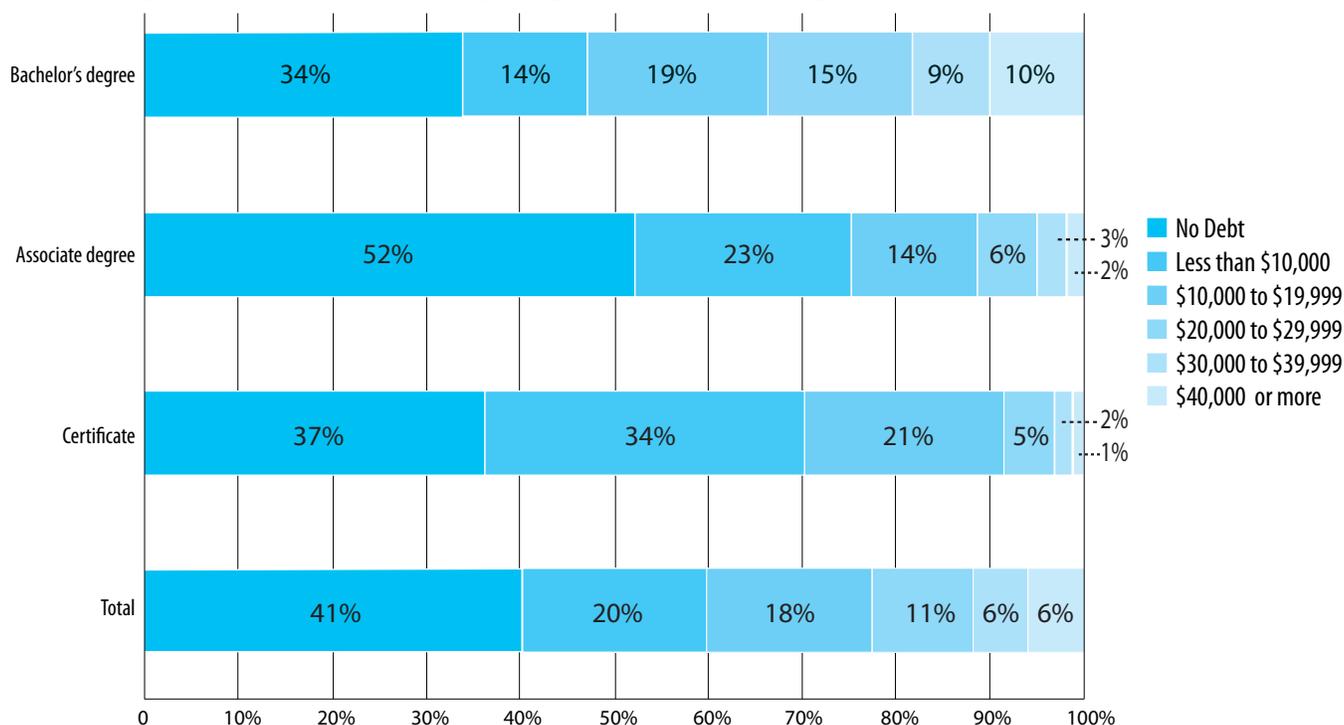
Because averages do not tell the story of most individual borrowers, it is important to understand the distribution of debt levels among college graduates. While the typical debt levels of college graduates are manageable for those who successfully enter the workforce, there is growing concern about the minority of students who borrow much more than average and who end up with unduly burdensome repayment obligations. The new federal Income-Based Repayment program offers considerable protection for those who rely only on federal loans, but these benefits do not extend to nonfederal loans.

Distribution of Debt Levels

Figure 1 shows that among all of the students who completed a degree or certificate in the 2007-08 academic year, 41 percent graduated with no debt. This was the case for 34 percent of bachelor's degree recipients, 52 percent of associate degree recipients and 37 percent of those receiving certificates. On the other end of the spectrum, those who borrowed in excess of \$40,000 made up 6 percent of all 2007-08 degree/certificate recipients and 10 percent of those who completed bachelor's degrees. About one-third of 2007-08 bachelor's degree recipients had total loan debt exceeding \$20,000.

Figure 1 shows how total debt levels are distributed across all graduates, but Table 1 shows the distribution of debt levels among just those who borrowed. It also shows the differences in debt levels across sectors. For example, in the public four-year sector, 10 percent of borrowers receiving a bachelor's degree had total debt levels exceeding \$40,000, but 22 percent of borrowing graduates of

Figure 1. Percentage Distribution of Loan Debt Among Undergraduate Certificate and Degree Recipients, 2007-08



Source: National Postsecondary Student Aid Study (NPSAS) 2007-08

Note: Includes U.S. citizens and residents. PLUS loans, loans from friends and family, and credit card debt are not included. Components may not sum to 100 percent due to rounding.

private four-year institutions, and 25 percent of borrowing graduates of for-profit institutions were in this category. Among four-year public college graduates with debt, 25 percent had loans totaling less than \$10,000 when they received their bachelor's degree in 2007-08. The same was true of 14 percent of private four-year graduates with debt, but only 4 percent of those who borrowed and received

their bachelor's degrees in the for-profit sector. Very few recipients of certificates or associate degrees accumulate debts totaling as much as \$40,000, and 61 percent of associate degree recipients and 69 percent of certificate recipients from two-year public colleges who borrowed owed less than \$10,000 when they completed their studies.

Table 1: Percentage Distribution of Loan Debt Among Borrowers by Sector, 2007-08

	Less than \$10,000	\$10,000 to \$19,999	\$20,000 to \$29,999	\$30,000 to \$39,999	\$40,000 or more	
Total	33%	29%	18%	10%	9%	100%
B.A. Private Four-Year	14%	27%	24%	14%	22%	100%
B.A. Public Four-Year	25%	31%	23%	10%	10%	100%
B.A. For-Profit	4%	13%	24%	35%	25%	100%
A.A. Public Two-Year	61%	25%	8%	3%	2%	100%
A.A. For-Profit	22%	35%	24%	13%	6%	100%
Certificate Public Two-Year	69%	22%	5%	4%	0%	100%
Certificate For-Profit	51%	37%	9%	3%	1%	100%
All Certificates	54%	34%	8%	3%	1%	100%
All Associate Degrees	48%	28%	14%	6%	3%	100%
All Bachelor's Degrees	21%	29%	23%	13%	15%	100%

Source: NPSAS 2007-08

Note: Includes U.S. citizens and residents. PLUS loans, loans from friends and family, and credit card debt are not included. Components may not sum to 100 percent due to rounding.

What Percentage of Students Borrow?

Table 2 indicates that in 2007-08, 66 percent of bachelor's degree recipients graduated with debt, including 62 percent who had federal loans and 33 percent who had borrowed from nonfederal sources. A much larger fraction of graduates of for-profit institutions relied on private loans.

The proportion of all graduates with student debt increased from 54 percent in 2003-04 to 59 percent in 2007-08. However,

among students earning bachelor's degrees, the increases were concentrated among those who attended for-profit institutions, where the share of students borrowing increased from 85 to 96 percent. Among students earning associate degrees the share of students borrowing increased 8 percentage points in both the public two-year and for-profit sectors between 2003-04 and 2007-08. For students who completed a certificate, the percentage borrowing increased from 18 to 30 percent in the public two-year sector, and from 85 to 90 percent in the for-profit sector.

Table 2: Percentage Borrowing Among Certificate and Degree Recipients, 2003-04 and 2007-08

	Degree Recipients with Any Education Loan	Degree Recipients with Federal Loans	Degree Recipients with Private Loans	Degree Recipients with Any Education Loan
	2003-04	2007-08		
All Students/All Sectors	54%	55%	30%	59%
Bachelor's Degree	65%	62%	33%	66%
Public Four-Year	62%	58%	28%	62%
Private Four-Year	72%	69%	42%	72%
For-Profit	85%	94%	64%	96%
Associate Degree	37%	43%	22%	48%
Public Two-Year	30%	33%	15%	38%
For-Profit	90%	97%	60%	98%
Certificate	54%	58%	34%	63%
Public Two-Year	18%	24%	12%	30%
For-Profit	85%	85%	51%	90%

Source: NPSAS 2003-04, NPSAS 2007-08

Note: Includes U.S. citizens and residents. PLUS loans, loans from friends and family, and credit card debt are not included. The percentage borrowing nonfederal loans and federal loans alone is not available as a cumulative variable in the NPSAS 2003-04.

Median Debt Levels

Table 3 shows that among those who borrow, in proportionate terms median debt levels increased most between 2003-04 and 2007-08 among those earning certificates and associate degrees, who typically accumulate about half as much debt as those earning four-year degrees. The next largest percentage increase was for bachelor's degree recipients in the for-profit sector, whose median debt level among borrowers increased \$6,091 in inflation-adjusted dollars over five years, from \$26,562 in 2003-04 to \$32,653 in 2007-08. After adjusting for inflation, the increases were relatively small among public four-year college graduates, where the median debt of the 62 percent who borrowed was \$17,700 in 2007-08, an increase of 4 percent from four years earlier. A similar pattern occurred among private four-year college graduates, where the median debt of the 72 percent who borrowed was \$22,375 in 2007-08, an increase of 5 percent from four years earlier.

Education debt levels grew much more rapidly between 2003-04 and 2007-08 among bachelor's degree and certificate recipients in the for-profit sector than they had in the preceding four years. However, the rate of debt-level growth among four-year private college graduates has slowed considerably in recent years.

The distinction between federal and nonfederal loans reported in Table 2 is important. The interest rates on federal student loans are limited by law, provisions for economic hardship are in place, and as of July 1, 2009, borrowers can take advantage of the Income-Based Repayment plan. This new program ensures that required federal education debt payments will never exceed 15 percent of the borrower's discretionary income and that any remaining debt will be forgiven after 25 years.

Table 3: Median Loan Debt of Borrowers Among Undergraduate Certificate and Degree Recipients, in Constant (2008) Dollars, 2003-04 and 2007-08

	Median Loan Debt of Borrowers 2003-04	Median Loan Debt of Borrowers 2007-08	Percent Increase 2003-04 to 2007-08	Dollar Increase 2003-04 to 2007-08
All Students/All Sectors	\$13,663	\$15,123	11%	\$1,460
Bachelor's Degree	\$18,973	\$19,999	5%	\$1,026
Public Four-Year	\$16,990	\$17,700	4%	\$710
Private Four-Year	\$21,238	\$22,375	5%	\$1,137
For-Profit	\$26,562	\$32,653	23%	\$6,091
Associate Degree	\$8,493	\$10,000	18%	\$1,507
Public Two-Year	\$6,230	\$7,125	14%	\$895
For-Profit	\$16,815	\$18,783	12%	\$1,968
Certificate	\$7,503	\$9,000	20%	\$1,497
Public Two-Year	\$4,531	\$6,534	44%	\$2,003
For-Profit	\$7,503	\$9,744	30%	\$2,241

Source: NPSAS 2003-04, NPSAS 2007-08

Note: Includes U.S. citizens and residents. PLUS loans, loans from friends and family, and credit card debt are not included.

Annual Borrowing Patterns

Many students borrow at some point in their college careers, but not every year. As a result, the proportion of students who graduate with debt is more than the proportion who borrow in any given year. In 2007-08, 54 percent of all full-time students took out a loan (50 percent took out federal loans and 19 percent took out private nonfederal loans). Because part-time students are less likely than full-time students to borrow, the percentage borrowing among all students is smaller. Thirty-nine percent of all students took out a loan (35 percent took out federal loans and 14 percent took out private loans) during the academic year. Among full-time students who borrowed, the \$7,809 average amount borrowed from private sources was higher than the average \$5,432 in federal student loans. Overall, 36 percent of the undergraduate borrowing among full-time students was nonfederal.

Borrowing patterns were quite different for different groups of full-time students. Dependent students were less likely than independent students to borrow from each source. Although their

average federal loan was less than that of independent students (\$4,781 vs. \$6,971), their average private loan was higher (\$8,411 vs. \$6,327). The proportion of borrowing that came from private sources was 41 percent for dependent students, compared to 25 percent for independent students.

Forty-three percent of full-time students in for-profit institutions borrowed private loans, compared to 28 percent in private four-year colleges, 15 percent in public four-year colleges and 7 percent in public two-year colleges. However, the highest average private loan amount borrowed was \$10,208 in the private four-year sector. Participation in the federal student loan program shows a similar pattern, with participation rates ranging from 88 percent in the for-profit sector to 20 percent among full-time two-year public college students. The average federal loan is highest for students in the for-profit sector. The proportion of borrowed funds coming from nonfederal sources was 45 percent for full-time students at private four-year institutions and 35 percent for those at for-profit institutions.

Table 4. Percentage Borrowing and Average Amounts Borrowed Among All Students and Among Full-Time Students by Dependency and Sector, 2007-08

	Percent Borrowing Any Loan	Percent Borrowing Federal Loans	Average Federal Loan per Borrower	Average Federal Loan per Student	Percent Borrowing Private Loans	Average Private Loan per Borrower	Average Private Loan per Student	Private Loans as Percentage of Total Borrowed
Total All Students	39%	35%	\$5,100	\$1,793	14%	\$6,522	\$931	34%
Total Full-Time Students	54%	50%	\$5,432	\$2,715	19%	\$7,809	\$1,502	36%
Dependency								
Dependent	50%	46%	\$4,781	\$2,212	18%	\$8,411	\$1,516	41%
Independent	65%	62%	\$6,971	\$4,297	23%	\$6,327	\$1,457	25%
Sector								
Public Four-Year	54%	50%	\$5,248	\$2,603	15%	\$6,990	\$1,078	29%
Private Four-Year	66%	62%	\$5,613	\$3,494	28%	\$10,208	\$2,895	45%
Public Two-Year	23%	20%	\$4,094	\$821	7%	\$4,416	\$287	26%
For-Profit	92%	88%	\$6,413	\$5,658	43%	\$7,123	\$3,071	35%

Source: NPSAS 2007-08

Note: Includes U.S. citizens and residents. PLUS loans, loans from friends and family, and credit card debt are not included. Private loan data in this table do not include state or institutional loans.

Limitations of the Data

Results from the NPSAS data for nonfederal student loans should be considered estimates. While the data are the best available estimates for a recent graduating cohort, there are limitations to their accuracy. Many of the NPSAS variables are verified through multiple sources, such as institutional records, government databases and student interviews. However, information on nonfederal loans comes primarily from student interviews. Assuming a student knows exactly what he or she has borrowed and the precise source of the loan

poses the first challenge. Verifying the responses with institutional records is the second challenge, because some institutions do not collect private loan data from students, and some private loans do not require institutional verification. The data are the most accurate that could be achieved given the challenges.