

STUDENT DEBT

MYTHS AND FACTS

Second Edition

April 2014



The Issue

Student loan debt is now approximately \$1 trillion, and the delinquency rate for student loans has increased to 10 percent.

Critics are concerned that student loans may be the next financial bubble to burst and that borrowing for higher education is not worth the financial risks, especially for students who attend private institutions.

What is the truth? This presentation examines a number of myths about higher education student finance and sets the facts straight.

MYTH

Many students owe more than \$100,000 when they graduate.

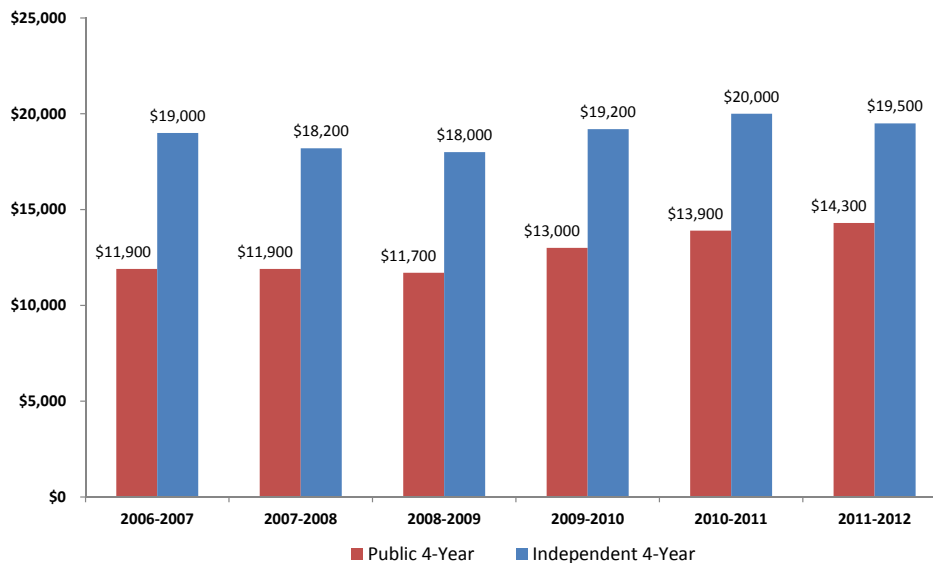
FACT

In 2012, only 4% of all borrowers owed \$100,000 or more in student debt.

The average debt level of bachelor's degree recipients at independent colleges and universities is \$19,500—less than the price of a modest automobile.

Council of Independent Colleges, April 2014

Average Total Student Loan Debt per Bachelor's Degree Recipient



Source: The College Board, *Trends in Student Aid 2013*. Note: All totals are expressed in 2012 dollars.

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MYTH

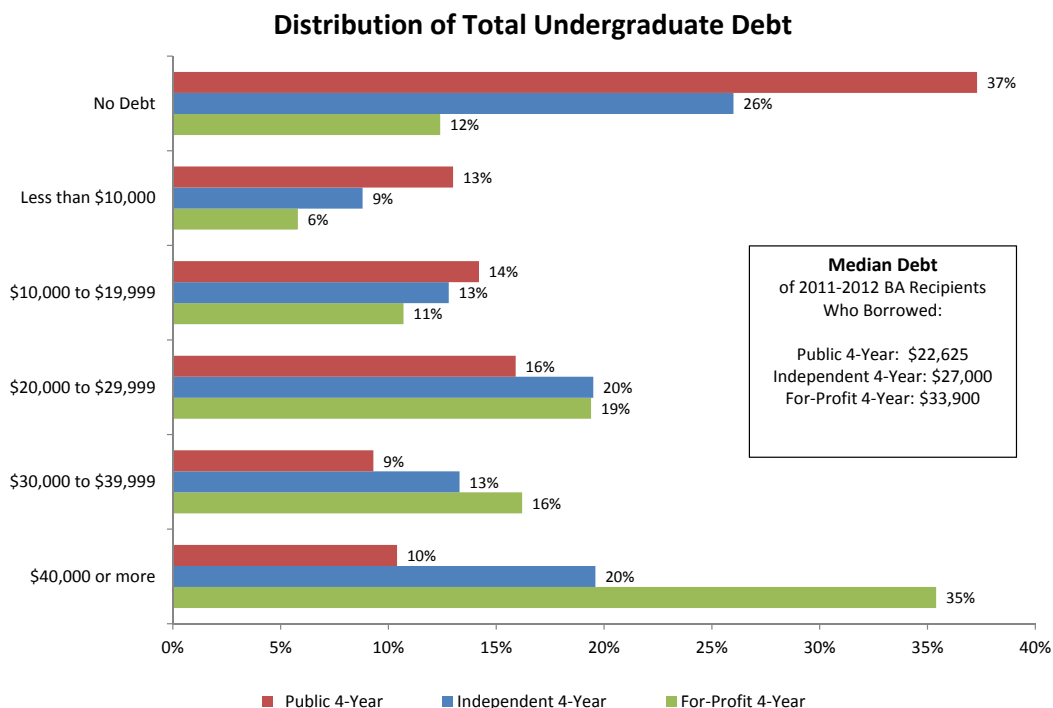
High levels of student debt make independent colleges unaffordable.

FACT

One quarter of students who graduated with a bachelor's degree from a four-year independent college or university did not have any educational debt.

For those who borrowed, the difference between the median debt levels for graduates of public versus independent institutions is only \$4,375.

Council of Independent Colleges, April 2014



Source: U.S. Department of Education, National Center for Education Statistics. National Postsecondary Student Aid Study, 2011-2012 (NPSAS:12). Analysis by the Council of Independent Colleges.

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MYTH

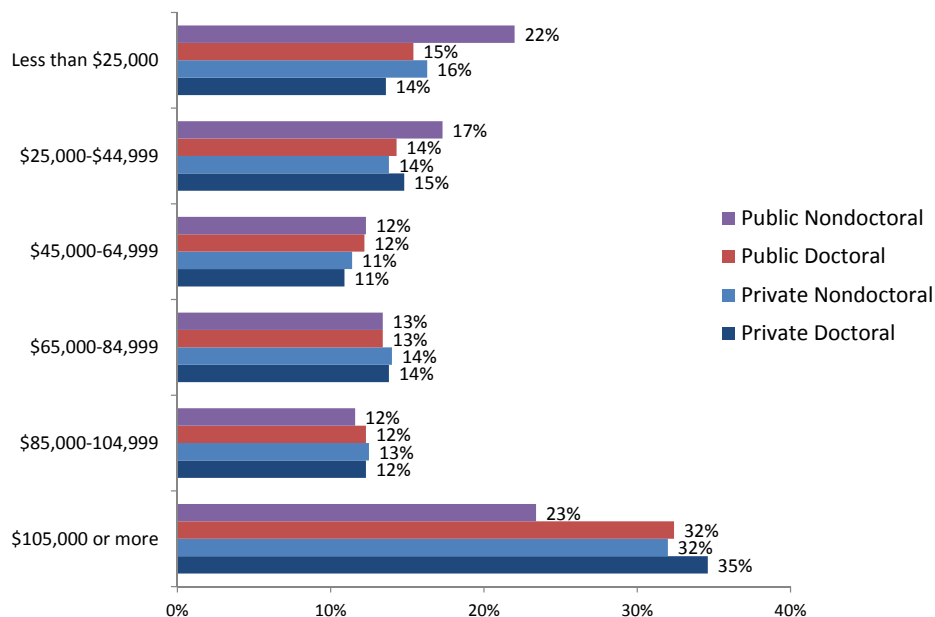
Only wealthy families can afford to send their children to independent colleges.

FACT

Independent colleges enroll students of all financial backgrounds, and at about the same percentages as public institutions for low- and middle-income students.

Council of Independent Colleges, April 2014

Student Enrollment by Family Income



Source: U.S. Department of Education, National Center for Education Statistics. National Postsecondary Student Aid Study, 2011-2012 (NPSAS:12). Analysis by the Council of Independent Colleges.

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MYTH

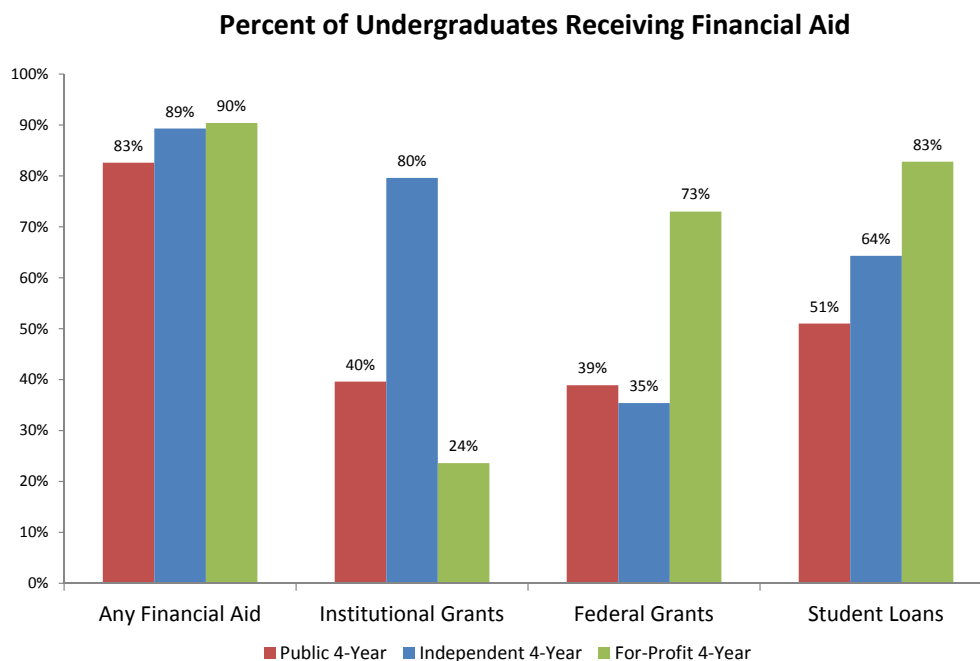
It is very difficult to receive financial aid at independent colleges.

FACT

A larger proportion of students at independent colleges receive financial aid than do students at public institutions.

Students enrolled at independent colleges are twice as likely to receive grants from their institutions as students enrolled at public institutions, and more than three times as likely as students at for-profit institutions.

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Source: U.S. Department of Education, National Center for Education Statistics, *Digest of Education Statistics 2012*.

Note: Percentages for first-time, full-time undergraduates during academic year 2010-2011. "Any Financial Aid" category includes state and local grants.

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MYTH

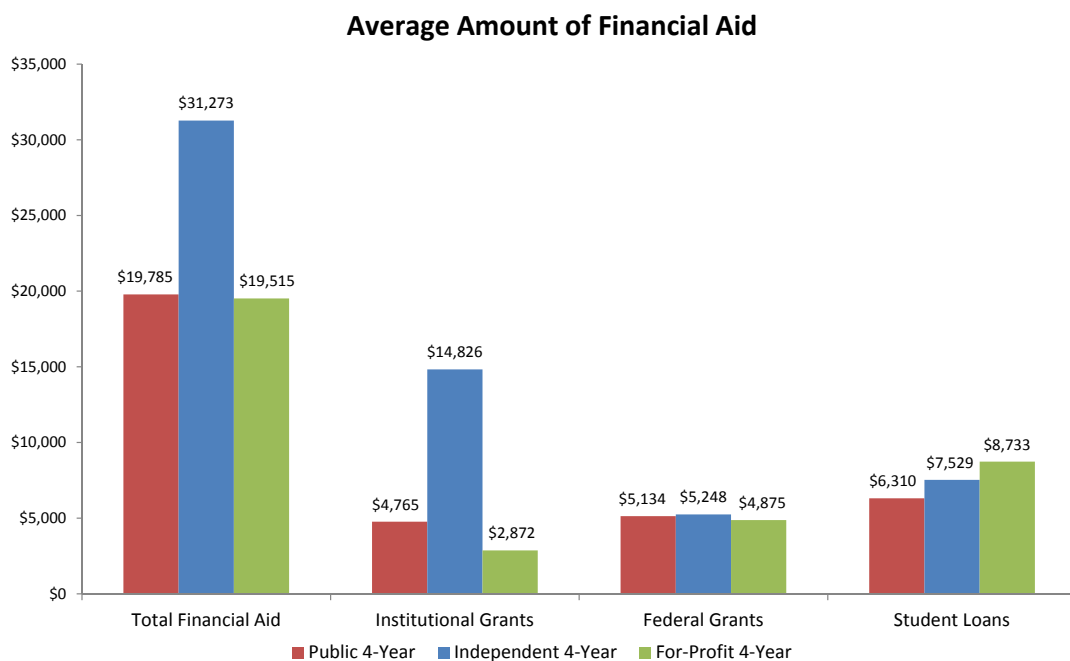
Students at public institutions get more financial aid than students at independent colleges and universities.

FACT

Students at independent colleges receive three times the amount of institutional aid as do students at public institutions, and five times as much as students at for-profit institutions.

Independent colleges give students nearly six times as much institutional grant aid as does the federal government.

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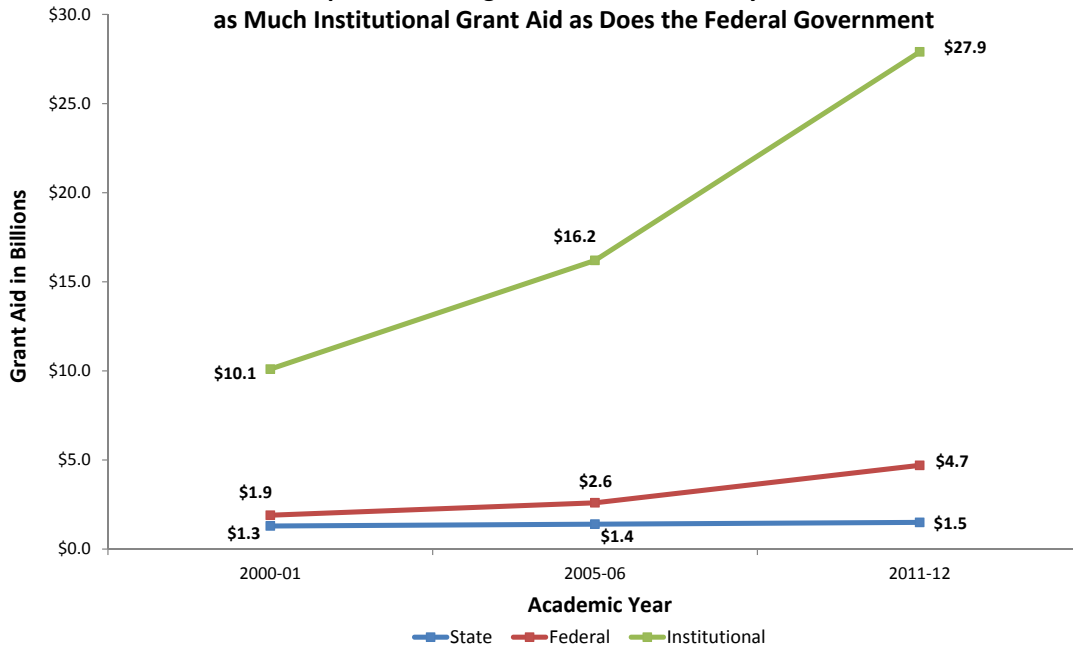
Source: U.S. Department of Education, National Center for Education Statistics, *Digest of Education Statistics 2012*.

Note: Percentages for first-time, full-time undergraduates in aid programs during academic year 2010-2011. "Total Financial Aid" category includes state and local grants. Analysis by the Council of Independent Colleges.

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In fact,

**Independent Colleges Give Students Nearly Six Times
as Much Institutional Grant Aid as Does the Federal Government**



Source: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System, finance component, various years. Note: Data represents grant aid awarded to students at Title IV, degree-granting, U.S. private nonprofit, four-year institutions. Analysis by the National Association of Independent Colleges and Universities, *Private Colleges: FactFile*.

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MYTH

All students enrolled at independent colleges pay the same high tuition (irrespective of family income).

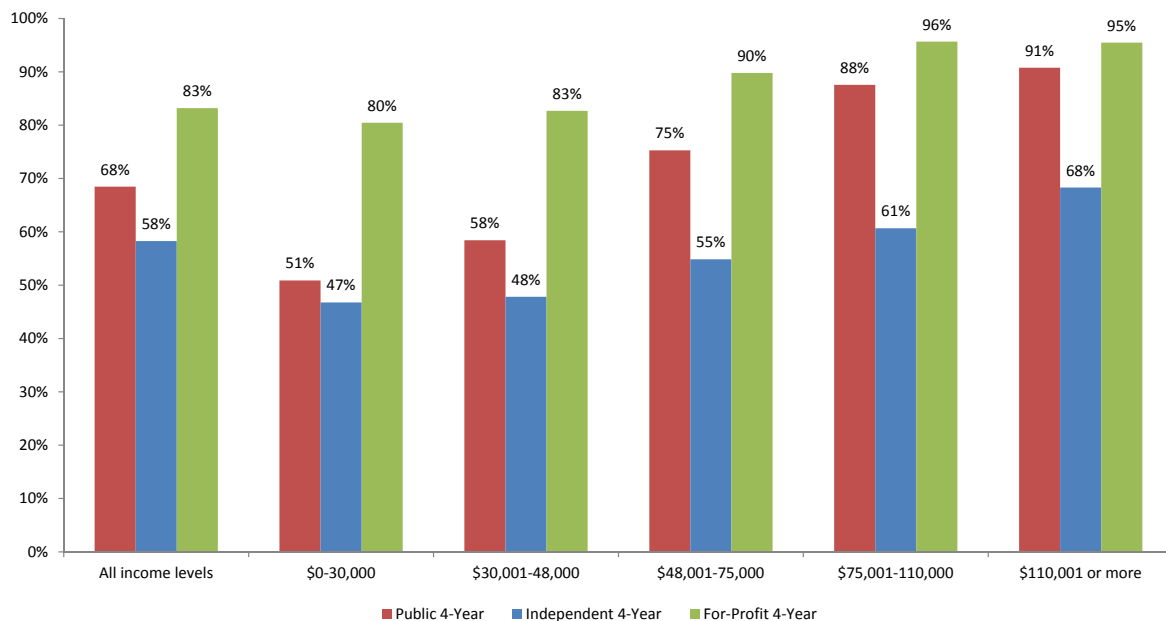
FACT

On average, the actual amount students pay at private colleges is less than 60 percent of the total cost of tuition, fees, room and board.

Students with lower family incomes pay a much lower percentage of the total costs.

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Average Net Price as a Percentage of Total Costs by Family Income



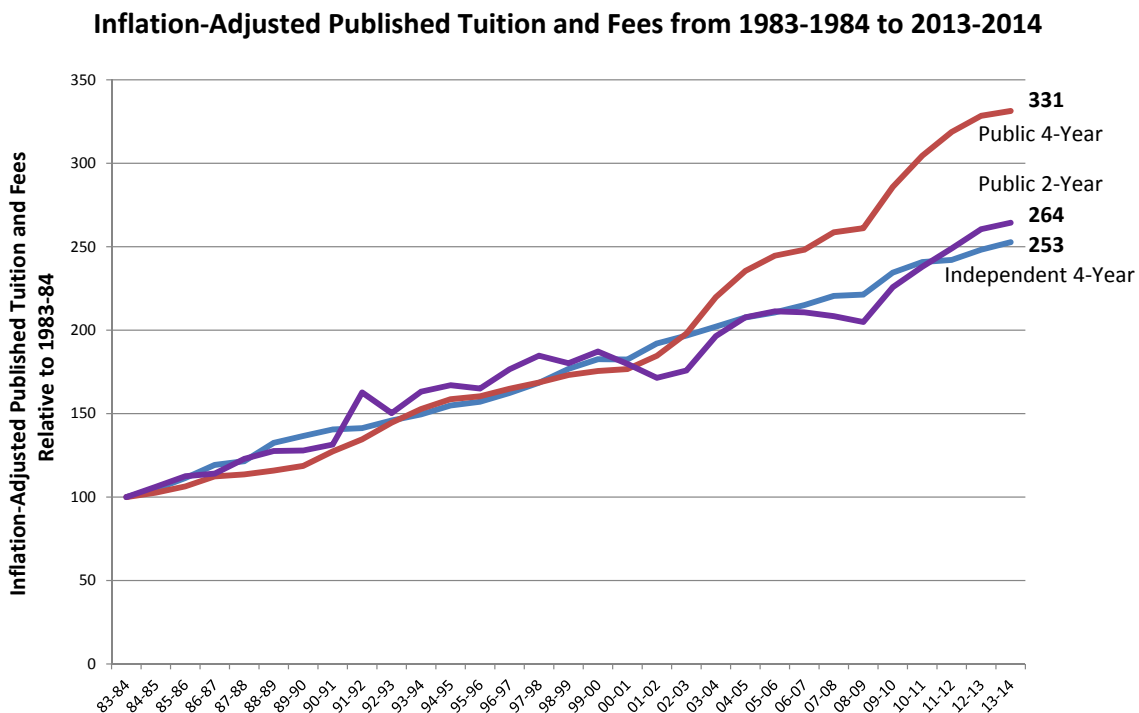
Source: U.S. Department of Education, National Center for Education Statistics, *Student Financial Aid, Academic Year 2011-12: First Look (Provisional Data)*. Analysis by the Council of Independent Colleges. Note: Total costs include tuition, fees, and room and board on campus for first-time, full-time undergraduates.

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Other factors to consider:

- Over the past decade, tuition and fees at public institutions have increased twice as fast as at independent institutions;
- The graduation rates at independent colleges are much higher than those at public and for-profit institutions, even for low-income students;
- Students at independent colleges graduate much sooner (about ten months earlier) than do their peers at public institutions and 48 months earlier than students at for-profit institutions—which means fewer years of paying tuition and a quicker start at earning a salary; and
- Graduates of independent colleges are far less likely to default on their student loans.

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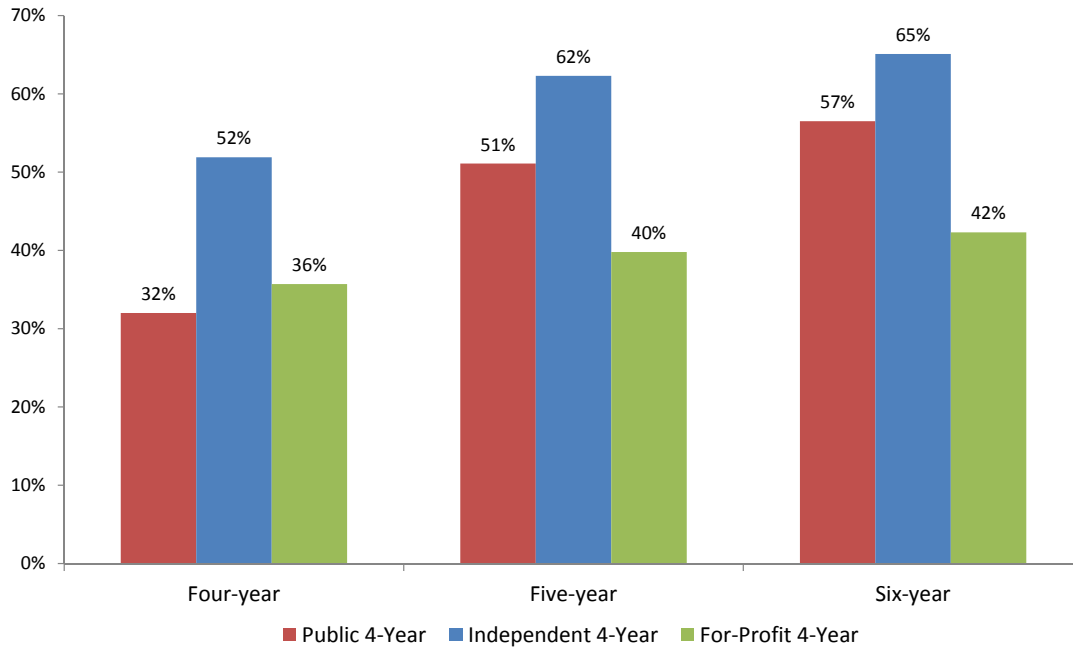


Source: The College Board, *Trends in College Pricing 2013*, Figure 5, page 14.

Note: Values for published tuition and fees by sector, adjusted for inflation, as a percentage of 1983-1984 published prices.

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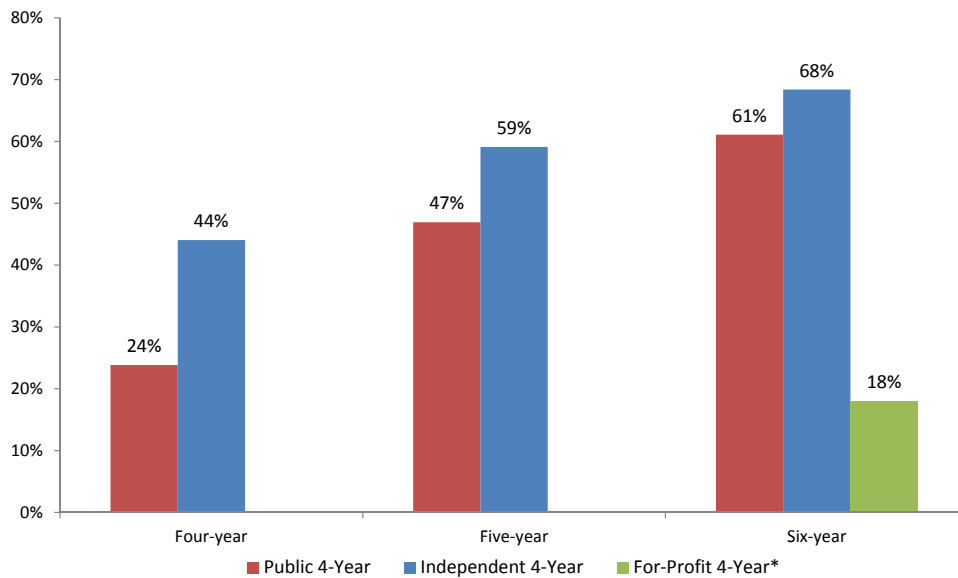
Four-Year, Five-Year, and Six-Year Graduation Rates by Institutional Type



Source: U.S. Department of Education, National Center for Education Statistics, *Digest of Education Statistics* 2012.
 Note: Percentages are for entering cohort of 2005.

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Four-Year, Five-Year, and Six-Year Graduation Rates of Pell-Eligible Students by Institutional Type

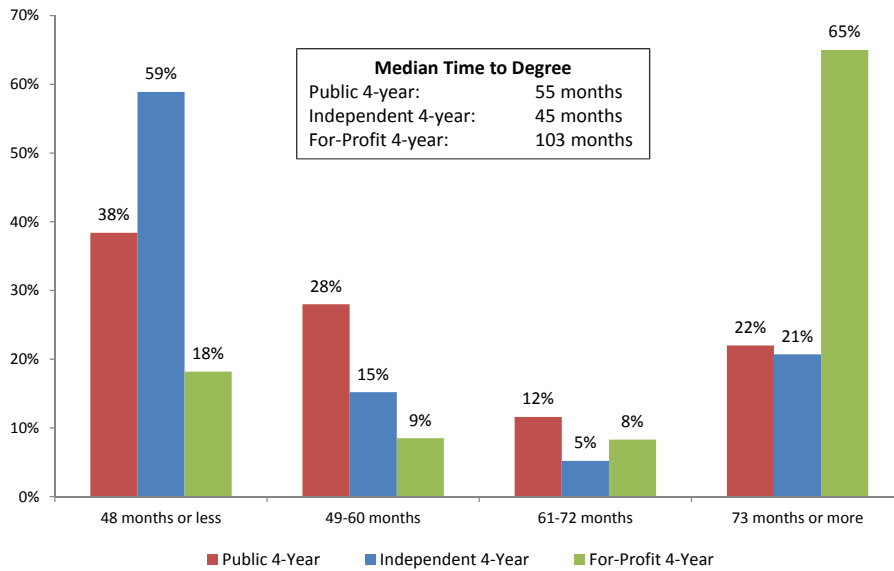


* Four-year and five-year graduation rates for for-profit 4-year institutions are not available.

Source: U.S. Department of Education, National Center for Education Statistics, *Beginning Postsecondary Students (BPS 04/09)*. Analysis by the Council of Independent Colleges. Note: A "Pell-eligible student" is defined as any student who had accumulated Pell grants greater than zero by 2009. Graduation rates are calculated based on students who stayed at their first institutions from 2004 through 2009.

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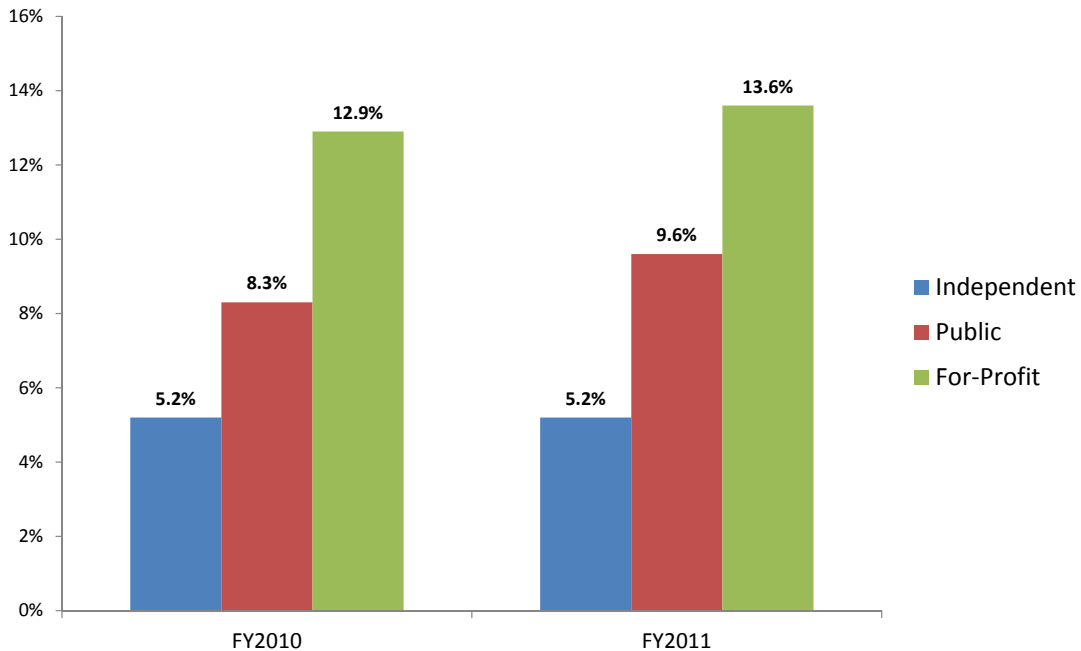
Time to Degree by Institutional Type



Source: U.S. Department of Education, National Center for Education Statistics, *2008–09 Baccalaureate and Beyond Longitudinal Study (B&B:08/09): First Look*. Note: Percentages are for 2007–2008 first-time bachelor’s degree recipients; time to degree is calculated by number of months from enrollment in postsecondary education to degree attainment for first-time bachelor’s degree recipients.

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Federal Student Loan Default Rates by Sector



Source: U.S. Department of Education, “Default Rates Continue to Rise for Federal Student Loans,” September 30, 2013.
 Note: Percentages represent two-year cohort default rates (CDR).

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THE COUNCIL OF
INDEPENDENT COLLEGES

For additional information about these facts and others that describe the quality and affordability of independent colleges, please see:

www.cic.edu/MakingtheCase

For questions, please contact:

Laura Wilcox, Vice President for Communications

lwilcox@cic.nche.edu

(202) 466-7230