



## HOW AMERICA PAYS FOR COLLEGE 2009

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

Annual NYSFAAA High School Guidance Counselor Workshop

November 20, 2009

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## BACKGROUND

### Study Objective

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

### Process

- ▶ Second annual survey and report
- ▶ Quantitative telephone research conducted March-April 2009
  - 800 undergraduates enrolled AY 2008-09, ages 18-24
  - 804 parents of undergraduates
- ▶ Gallup random sampling methodology used to reach participants
- ▶ Composite of how the 'typical' family pays for college is a mathematical representation created by Gallup.

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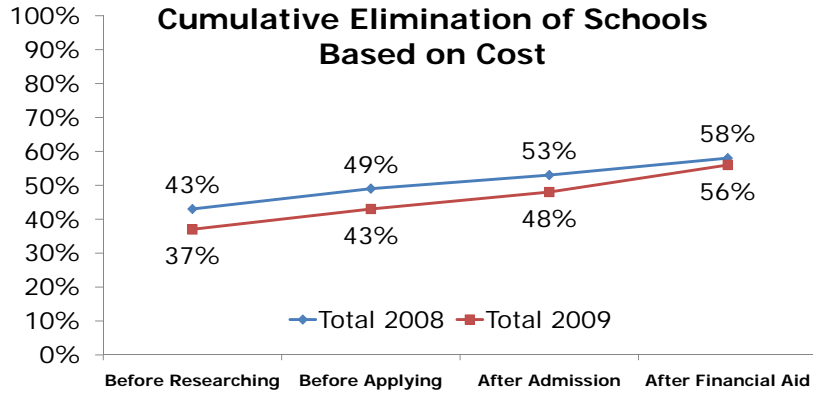
## HOW MUCH DOES COST MATTER?



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## SCHOOL SELECTION

- ▶ Most families take cost of attendance into account when choosing a school, but four out of ten do not.



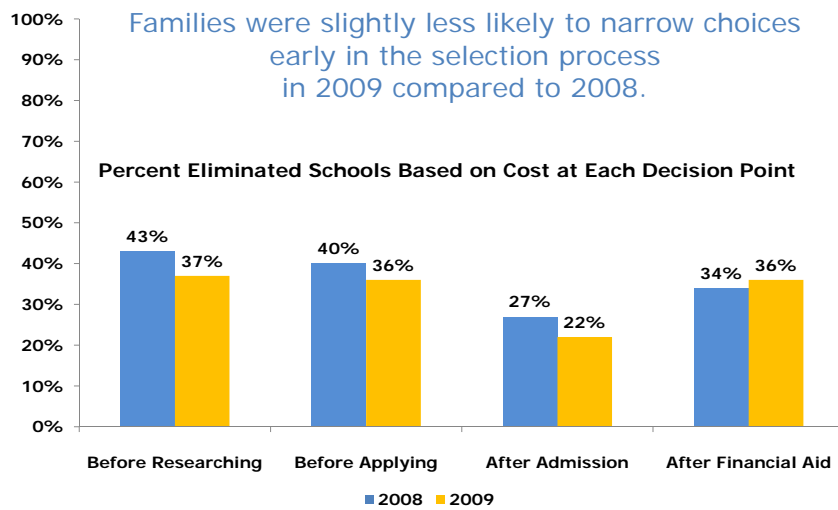
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## SCHOOL SELECTION

Families were slightly less likely to narrow choices early in the selection process in 2009 compared to 2008.



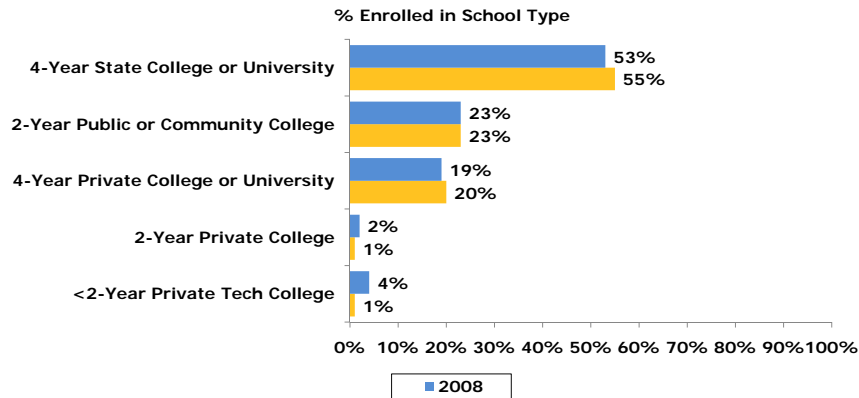
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## SCHOOL SELECTION

- ▶ More than three-quarters of students continue to be enrolled in lower-cost public institutions.



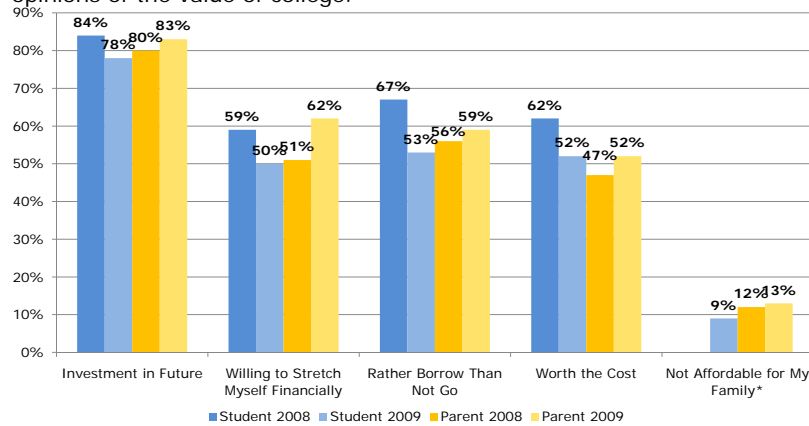
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## VALUE OF EDUCATION

- ▶ Students appear to be more cost-conscious when considering value.
- ▶ Parents are more willing to stretch financially and have somewhat higher opinions of the value of college.



\*Not asked of students in 2008

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## SEEKING LOW COST FUNDING

- ▶ Three-quarters of families (75%) with undergraduates aged 18-24 filed a FAFSA.
- ▶ More than half (51%) of students from these families received some gift aid (grants and/or scholarships); average total amount among all recipients was \$8,000.
- ▶ More than three-quarters (76%) used personal assets (income, savings and other investments) to pay for some portion of costs.
- ▶ Relatives' and friends' contributions covered about 6% of the total costs of college.
- ▶ Most families (58%) funded the 2008-09 academic year without borrowing.

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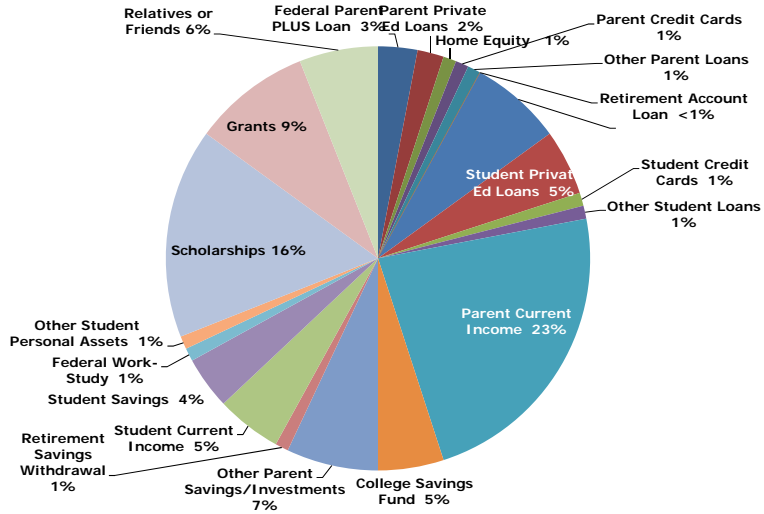
## HOW DID FAMILIES PAY FOR COLLEGE IN AY 2008-09?



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### AVERAGE % OF TOTAL COST PAID FROM EACH SOURCE



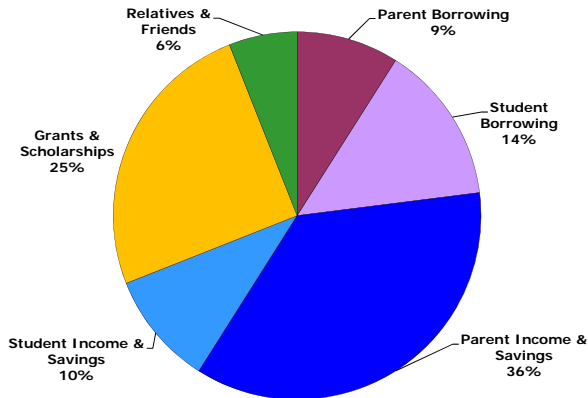
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### AVERAGE % OF TOTAL COST PAID FROM SOURCE GROUP

- ▶ Parents pay the lion's share of total cost: 36% from income and savings; another 9% from borrowed money



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## SOURCES OF PERSONAL CONTRIBUTIONS

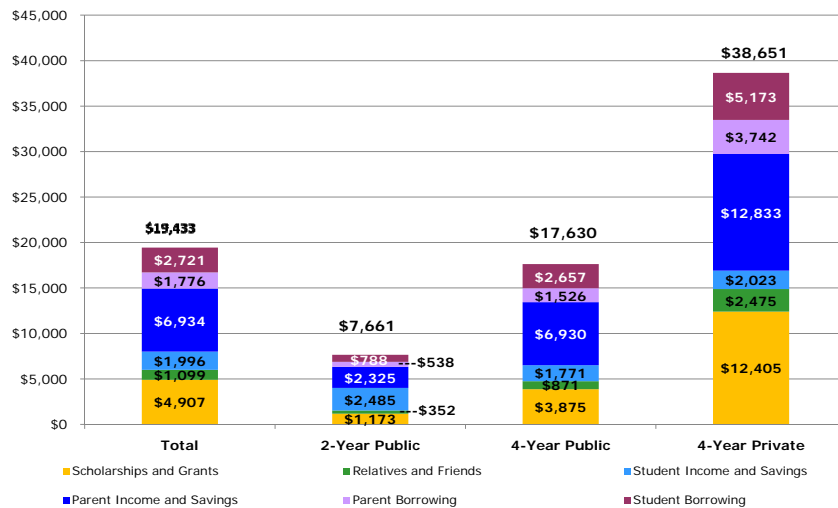
- ▶ A greater percentage of parents than students contribute personal assets, and they contribute higher average amounts.

Percent of Families Utilizing Each Source and Average Amount Used

	% of Total Families	Average Amount **
<b>Any Parent Sources</b>	59%	\$9,581
Current Income	55%	\$7,175
College Savings Plan (529)	11%	\$7,312
Retirement Savings Withdrawal	3%	\$5,318
Other Savings or Investments	14%	\$7,776
<b>Any Student Sources</b>	42%	\$3,708
Savings	26%	\$2,369
Current Income	25%	\$3,791
Federal Work-Study	5%	\$1,893
Other Savings or Investments	2%	\$5,749

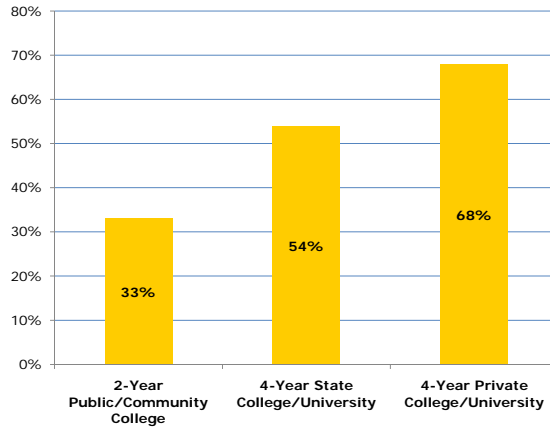
\*\* Among those who used each source

## AVERAGE COSTS PAID FROM SOURCE GROUP



## AVERAGE % OF STUDENTS USING GRANTS OR SCHOLARSHIPS, BY SCHOOL TYPE

- ▶ Students attending four-year private colleges are most likely to use grants and/or scholarships.



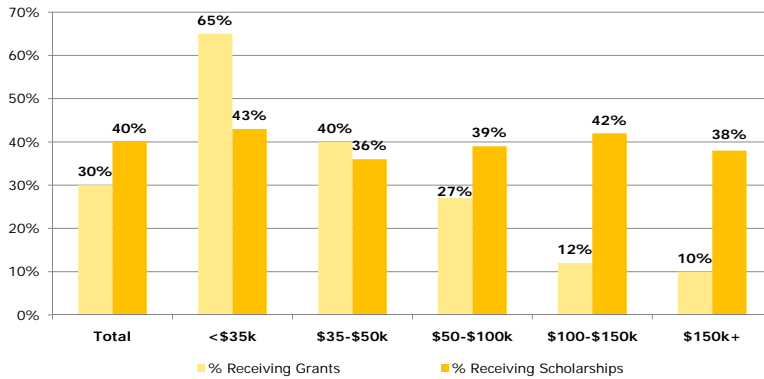
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## ALLOCATION OF GRANTS & SCHOLARSHIPS

- ▶ Use of grants bears a strong relationship to family income with lower income having highest usage rates
- ▶ In contrast, approximately four in ten families in every income group reported using scholarships



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# WHAT IS THE ROLE OF BORROWING?

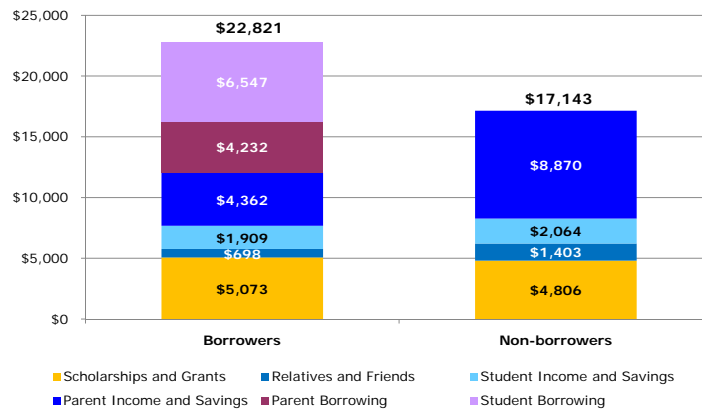


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## AVERAGE COSTS PAID FROM SOURCE GROUP, BY BORROWING STATUS

- ▶ Families who borrow to pay for college choose schools that cost 33% more than families who don't borrow.
- ▶ Borrowed dollars are equal to twice the cost difference.



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## AVERAGE PERCENT OF FAMILIES USING BORROWING SOURCES AND AVERAGE AMOUNTS BORROWED

- Federal student loans are, not surprisingly, the most common source of borrowing.

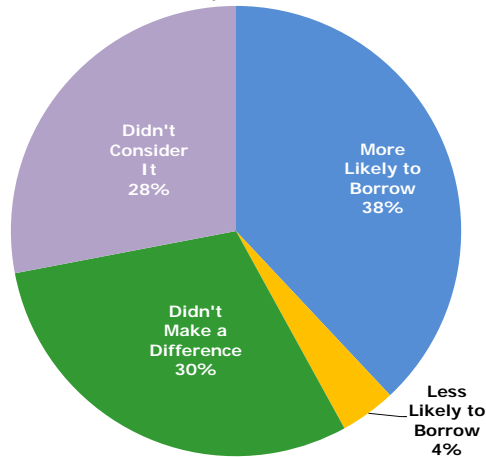
### Sources of Borrowed Funds

	2009		2008	
	% of Total Families	Average Amount**	% of Total Families	Average Amount**
<b>Any Parent Sources</b>				
Federal PLUS Loans	8%	\$7,664	6%	\$10,701
Private Education Loan	5%	\$8,401	4%	\$6,910
Home Equity Loan or HELOC	3%	\$8,028	3%	\$10,853
Credit Cards	5%	\$3,886	3%	\$5,822
Retirement Account Loan	1%	\$5,471	1%	\$6,299
Other Loans	3%	\$5,762	5%	\$9,894
<b>Any Student Sources</b>				
Federal Student Loan (Stafford or Perkins)	25%	\$5,327	28%	\$5,075
Private Education Loan	12%	\$7,516	8%	\$7,694
Credit Cards	5%	\$2,812	3%	\$2,542
Other Loans	2%	\$5,819	8%	\$7,922

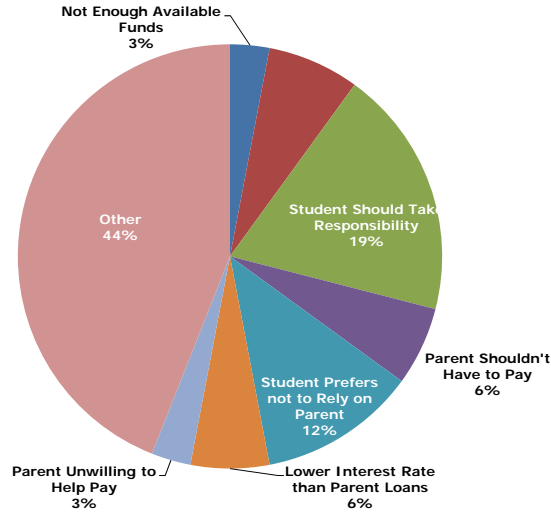
\*\* Among those who used each source

## EFFECT OF EXPECTED STUDENT POST-GRADUATION INCOME ON BORROWING DECISIONS

- For most families in which the student borrowed, expected post-graduation income had little impact on the decisions to borrow.



## WHY HAVE THE STUDENT BORROW?

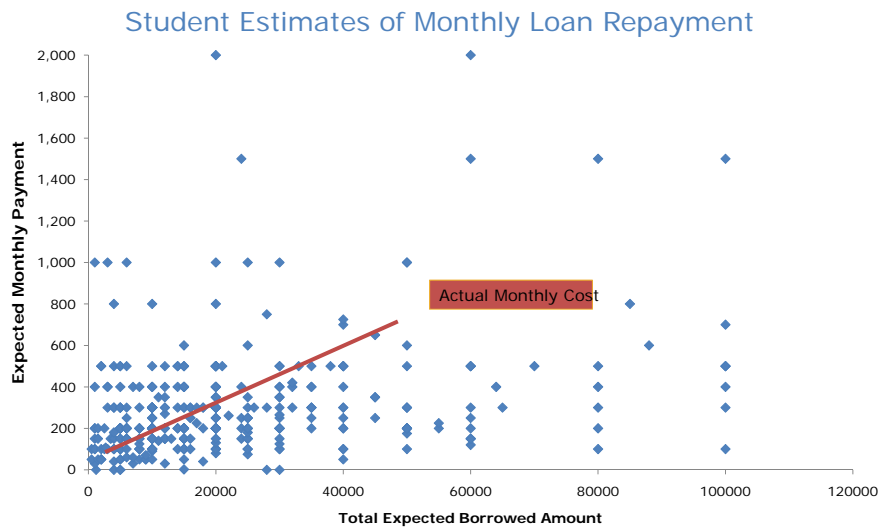


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## HOW WELL DO STUDENTS CORRELATE AMOUNT BORROWED AND REPAYMENT?



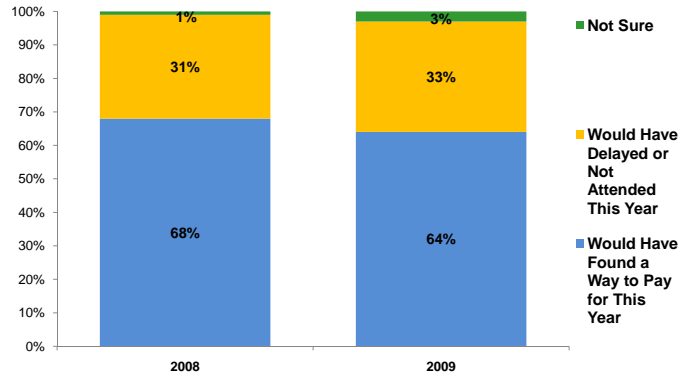
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## IF LOANS WERE NOT AVAILABLE

Course of Action Without Loans among Students with Education Loans, 2008 vs. 2009



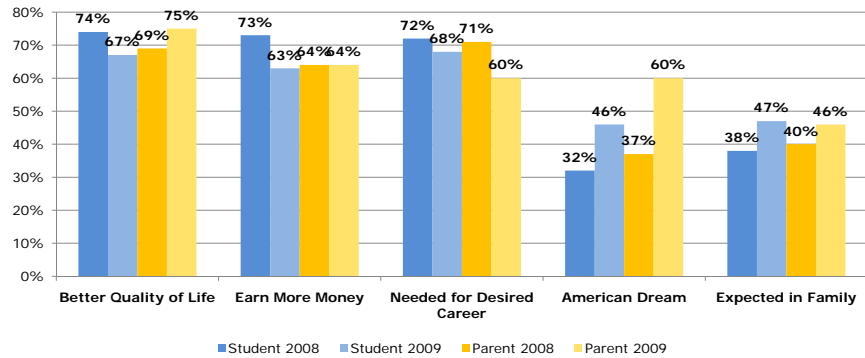
## HOW ARE FAMILIES MOTIVATED TO CONTINUE EDUCATION?



## WHY GO TO COLLEGE?

- ▶ Among both students and parents, practical considerations continue to drive higher education enrollment decisions.

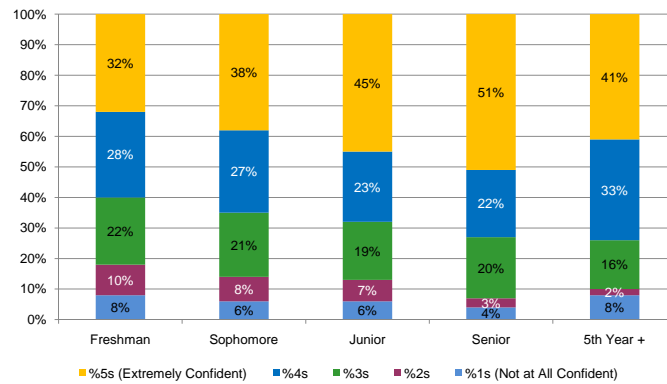
Percent Who Strongly Agree with Reasons, Year-over-Year



## CONFIDENCE IN ABILITY TO PAY THROUGH GRADUATION

- ▶ Confidence increased with each college grade level as the end of college approached until students exceeded the 4<sup>th</sup> year.

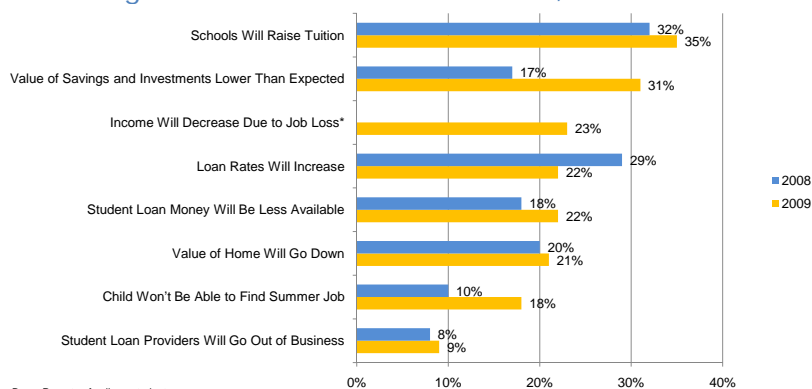
Confidence in Ability to Pay for College, by Student Grade Level



## PARENT ECONOMIC CONCERNS

- ▶ Despite confidence in ability to pay for college, current economic conditions increased worries among parents of college students.

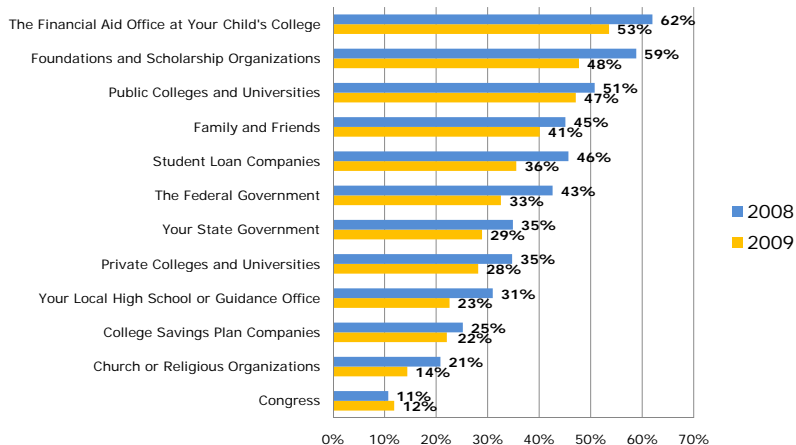
Change in Parent Economic Concerns, 2008 vs. 2009



Base: Parents of college students.  
\*Not asked in 2008

## PERCEIVED HELPFULNESS OF ORGANIZATIONS

- ▶ The Financial Aid Office continues to be a reliable resource for providing financial access to college.



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## How America Pays for College 2009: A national study by Gallup and Sallie Mae

Sallie Mae's "How America Pays for College 2009" study (PDF 3 MB), conducted by Gallup, finds American families are making the investment in higher education the smart way – by pursuing grants and scholarships more frequently than borrowing. Based on a nationally representative survey of college-going students and parents of undergraduates, the study found that:

- 58 percent of families invested in higher education last year without borrowing
- 67 percent are confident in their ability to continue to meet cost of college in current economy
- 51 percent received grants and scholarships
- 25 percent of students borrowed federal loans
- 12 percent of students borrowed private education loans
- 5 percent used credit cards to pay for college expenses

**How the average family pays for college**  
Average percentage of total cost of attendance paid for each source:

**GALLUP SallieMae**

How America Pays for College

- Study
- Highlights
- News Release

Related resource

- Education Investment Planner — Project the total cost, compare schools and build a plan to save your goal amount.

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