STUDENT DEBT

MYTHS AND FACTS

Third Edition

August 2016

THE COUNCIL OF INDEPENDENT COLLEGES

The Issue

With student loan debt reaching approximately $1.3 trillion, critics are concerned that student loans may be the next financial bubble to burst. They cite students with loans of more than $100,000 and ballooning loan default rates. They contend that borrowing for higher education may not be worth the financial risks, especially for students who attend private institutions. Some even argue that students should not incur debt to attend college.

What is the truth? This presentation examines a number of myths about college students' indebtedness and sets the facts straight with the most recent data available.

MYTH

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

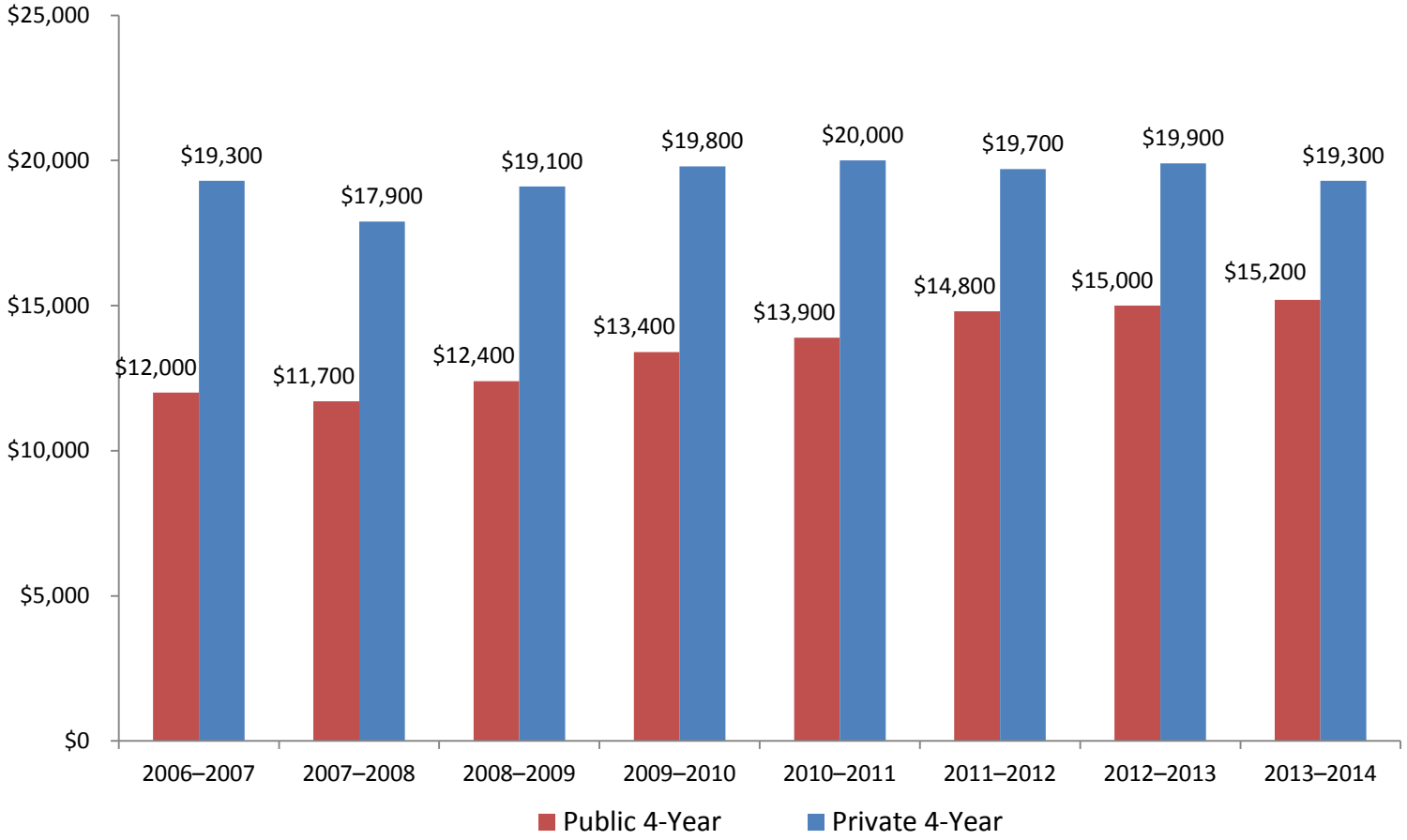
FACT

In 2014, only 4 percent of all borrowers owed $100,000 or more in student debt.[1]

The average debt level of bachelor's degree recipients at private colleges and universities is $19,300[2]—less than the price of a modest automobile and the same level as in 2006–2007. Meanwhile, debt at public institutions continues to rise.

1. A. Haughwout, D. Lee, J. Scally, and W. van der Klaauw. 2015. *Student Loan Borrowing and Repayment Trends, 2015*. Federal Reserve Bank of New York.
2. The College Board, *Trends in Student Aid 2015.*

Average Total Student Loan Debt per Bachelor's Degree Recipient



Source: The College Board, *Trends in Student Aid 2015*. All totals are expressed in 2014 dollars.

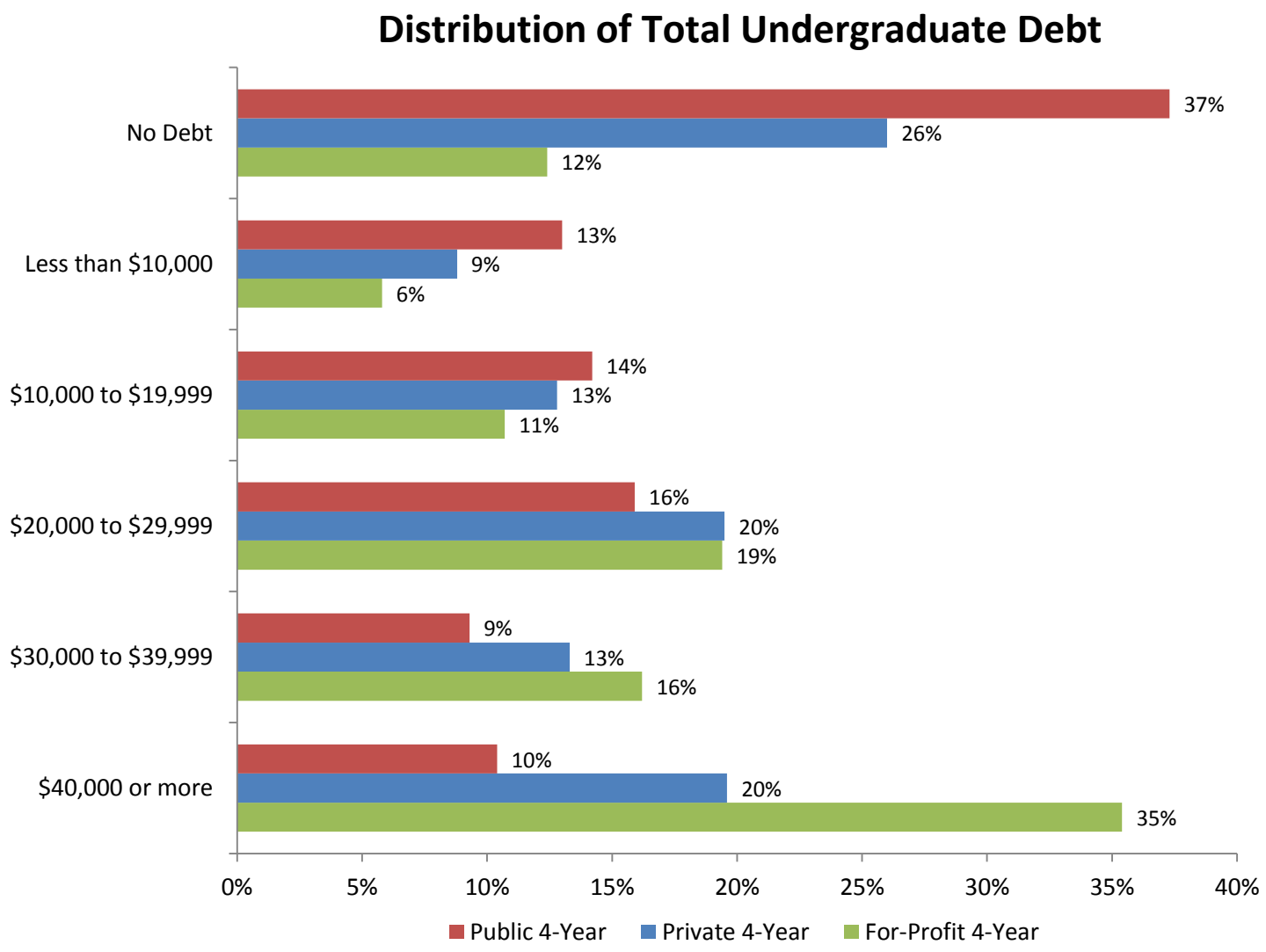
MYTH

High levels of student debt make private colleges unaffordable.

FACT

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

For those with debt, the difference between the average debt levels for graduates of public versus private institutions is only $4,100.



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.

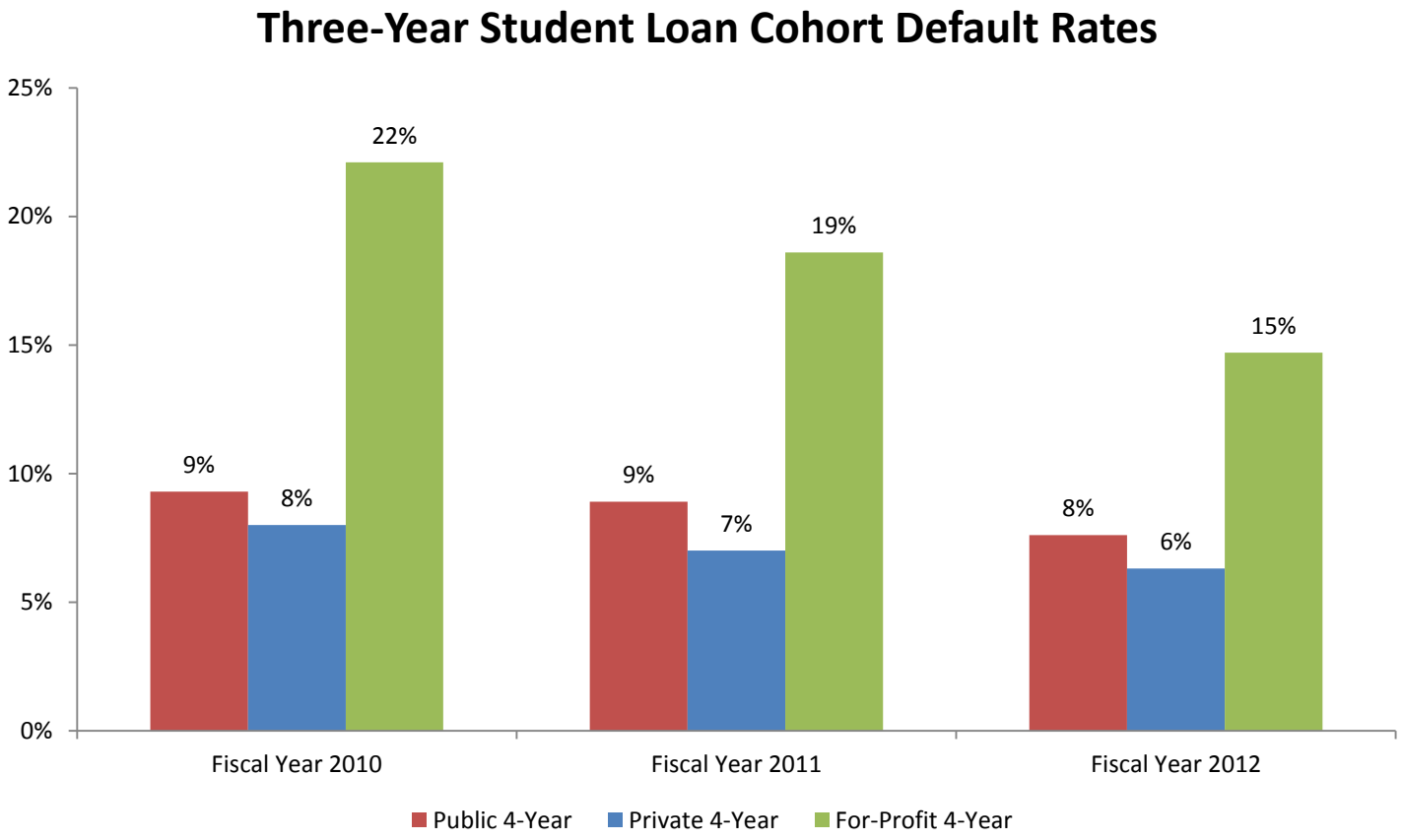
MYTH

The problem with high levels of debt is even worse because students don’t pay back their loans.

FACT

Students at private colleges are less likely to default on their student loans than those who attend for-profit and public institutions.

In the most recent year, only 6 percent of private college students defaulted on their loans, less than half the rate of students at for-profit institutions.



Source: U.S. Department of Education, Federal Student Aid, Default Management, Three-Year Official Cohort Default Rates for Schools, 2016. Note: Official cohort default rates calculated August 8, 2015. Analysis by the Council of Independent Colleges.

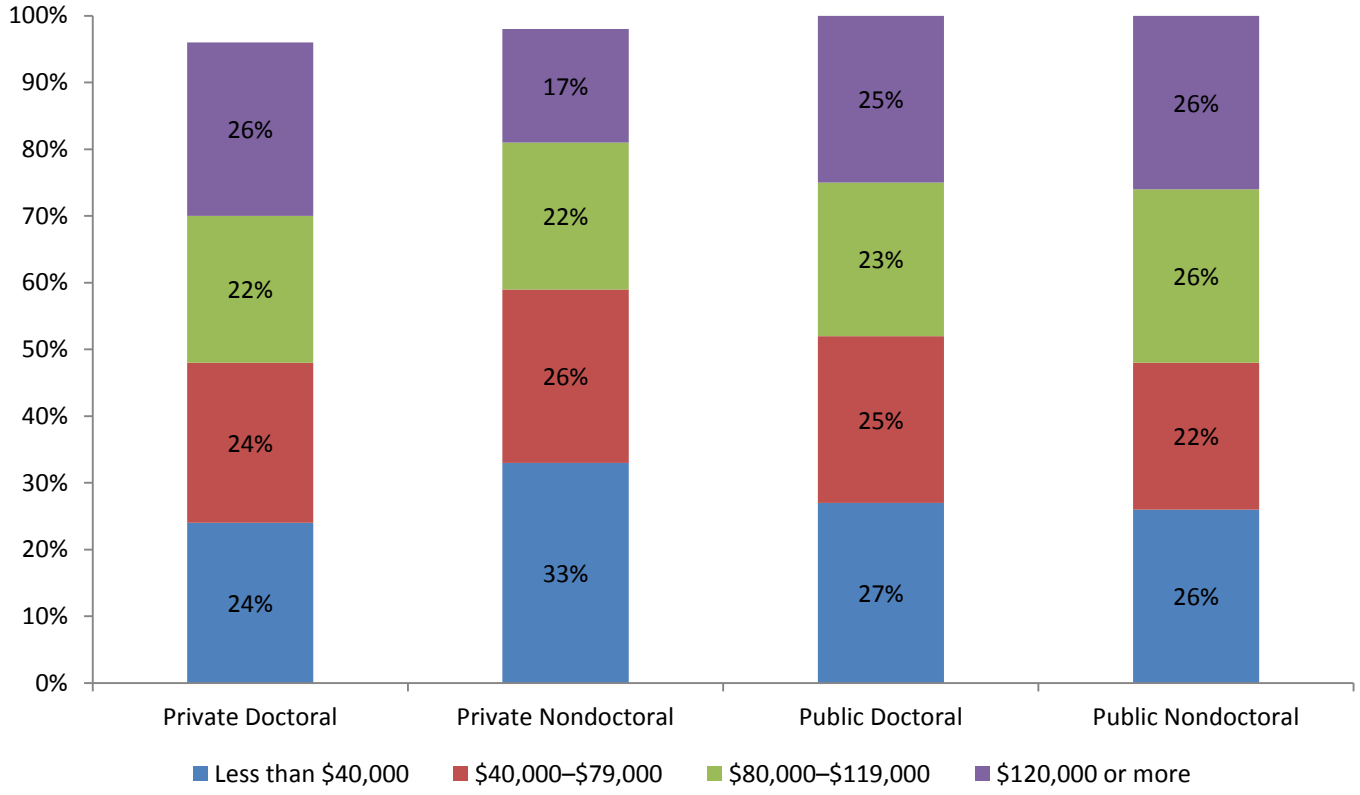
MYTH

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

FACT

Private colleges enroll students of all financial backgrounds. In fact, private nondoctoral colleges enroll a larger proportion of low-income students than do public institutions.

Student Enrollment by Family Income Level at Four-Year Institutions in 2012



Source: U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS), 2012. Tabulation prepared by the Pell Institute and PennAHEAD, 2015 Revised Edition, for *Indicators of Higher Education Equity in the United States: 45 Year Trend Report.* Note: Totals may not equal 100 percent due to rounding.

MYTH

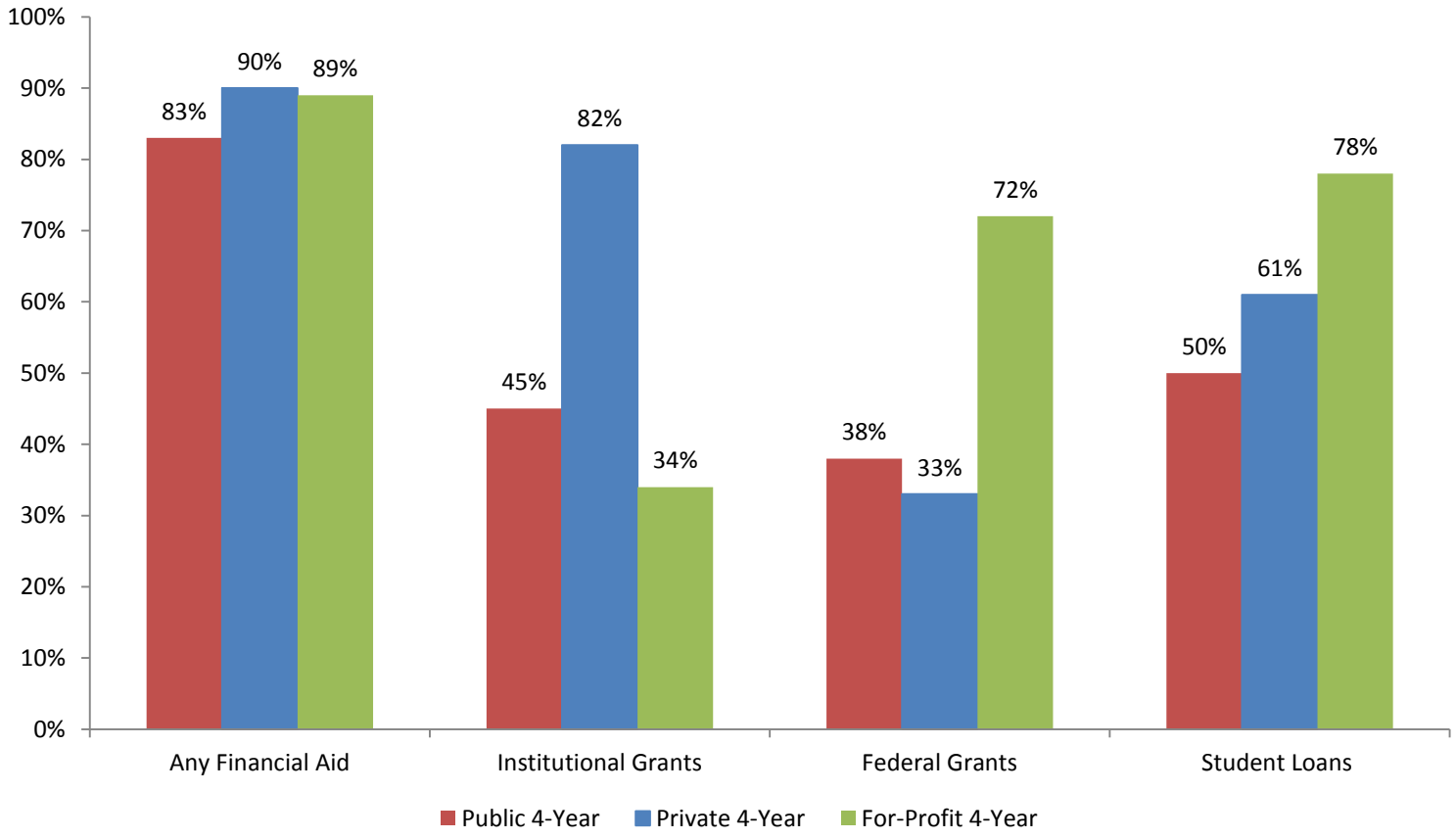
It is very difficult to receive financial aid at private colleges.

FACT

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

Students enrolled at private colleges are almost twice as likely to receive grants from their college as are students enrolled at public institutions.

Percentage of Undergraduates Receiving Financial Aid



Source: U.S. Department of Education, National Center for Education Statistics, *Digest of Education Statistics 2015*.
Note: Percentages for first-time, full-time undergraduates during academic year 2013–2014. "Any Financial Aid" category includes aid listed as well as state and local grants.

MYTH

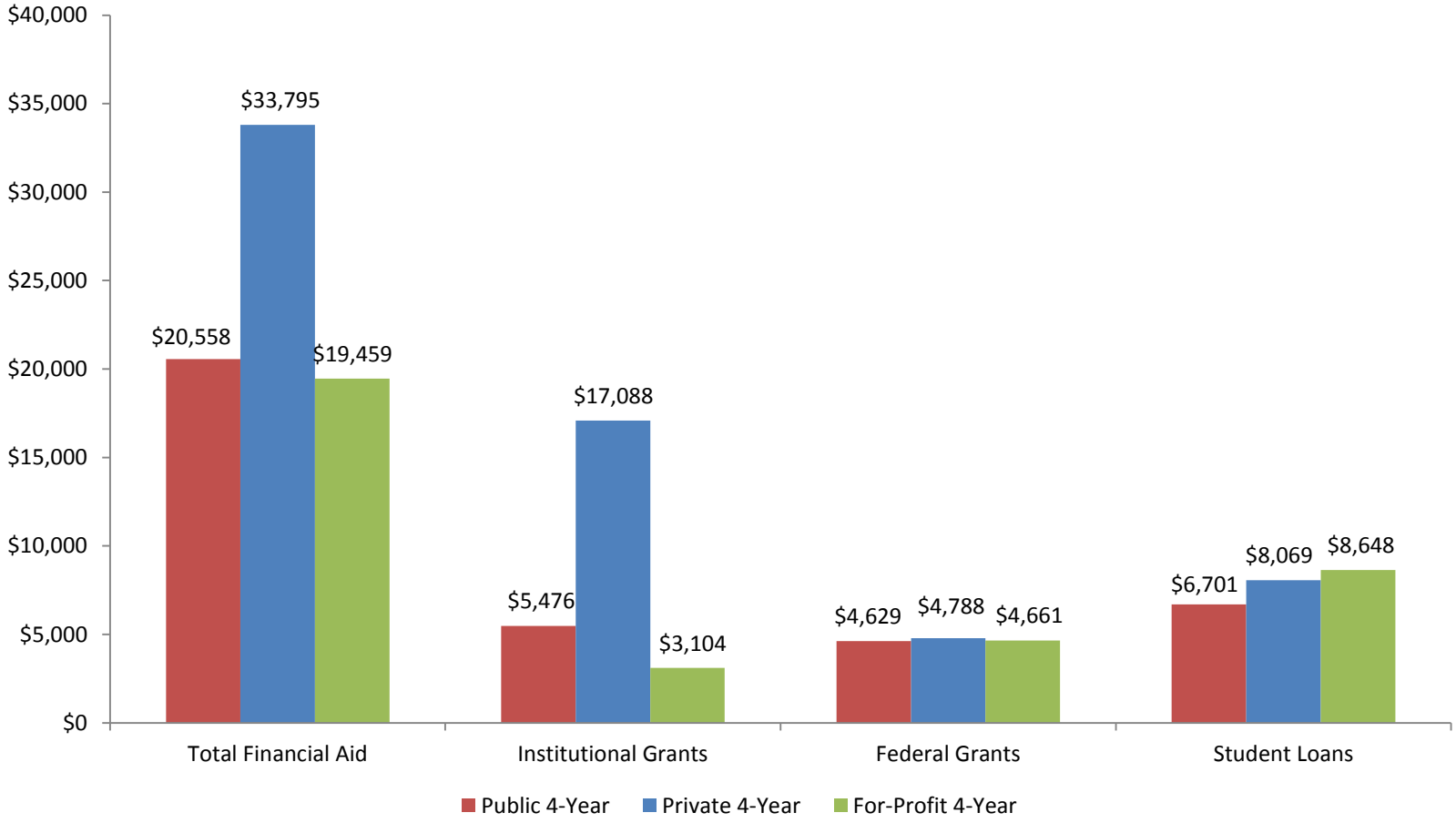
Students at public institutions receive more financial aid than do students at private colleges and universities.

FACT

Students receive more financial aid at private colleges. They receive over three times ($17,088 versus $5,476) the amount of institutional aid as do students at public institutions and over five times ($17,088 versus $3,104) as much as students at for-profit institutions.

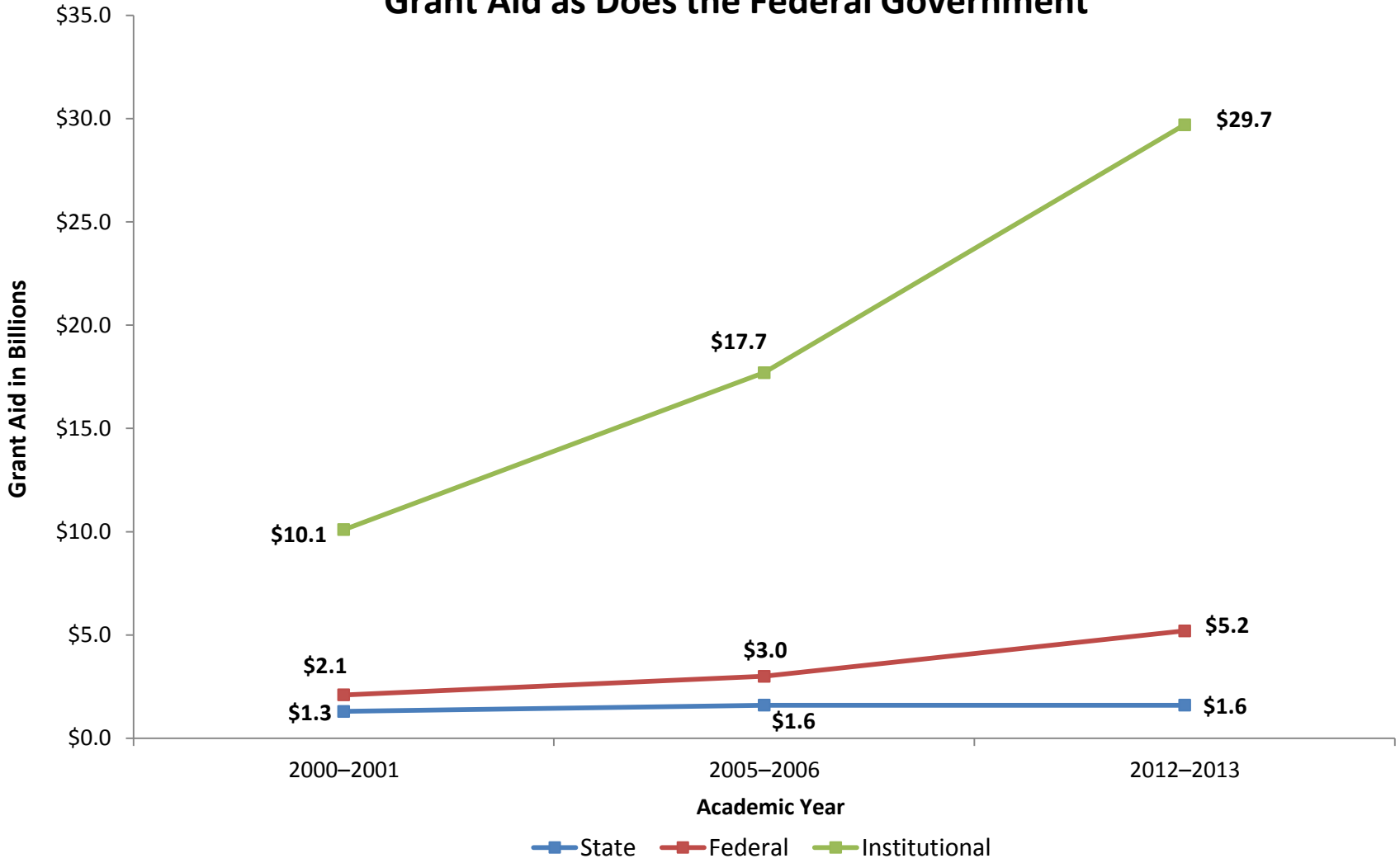
Private colleges give students nearly six times as much institutional grant aid as does the federal government.

Average Amount of Financial Aid



Source: U.S. Department of Education, National Center for Education Statistics, *Digest of Education Statistics 2014*.
Notes: Percentages are for first-time, full-time undergraduates in aid programs during academic year 2013–2014. "Total Financial Aid" category includes aid listed as well as state and local grants. Analysis by the Council of Independent Colleges.

Private 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.*

MYTH

All students enrolled at private 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.

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

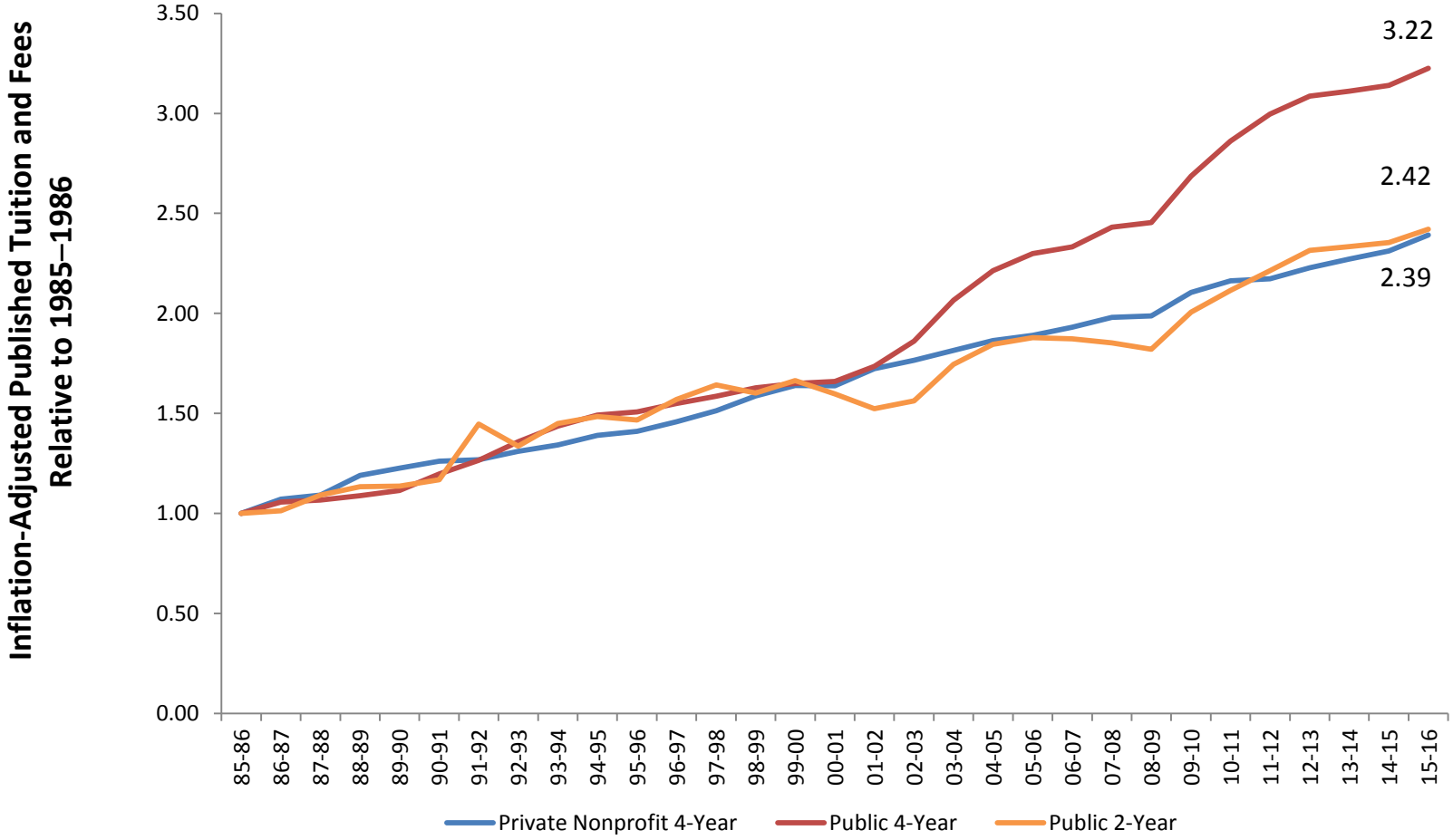
Average Net Price as a Percentage of the Total Costs by Family Income

Source: U.S. Department of Education, National Center for Education Statistics, Student Financial Aid, Academic Year 2013–2014; 2014–2015 constant dollars are represented. Note: Aid consists of federal Title IV grants and other federal state, local, or institutional sources. Analysis by the Council of Independent Colleges.

Other Factors to Consider

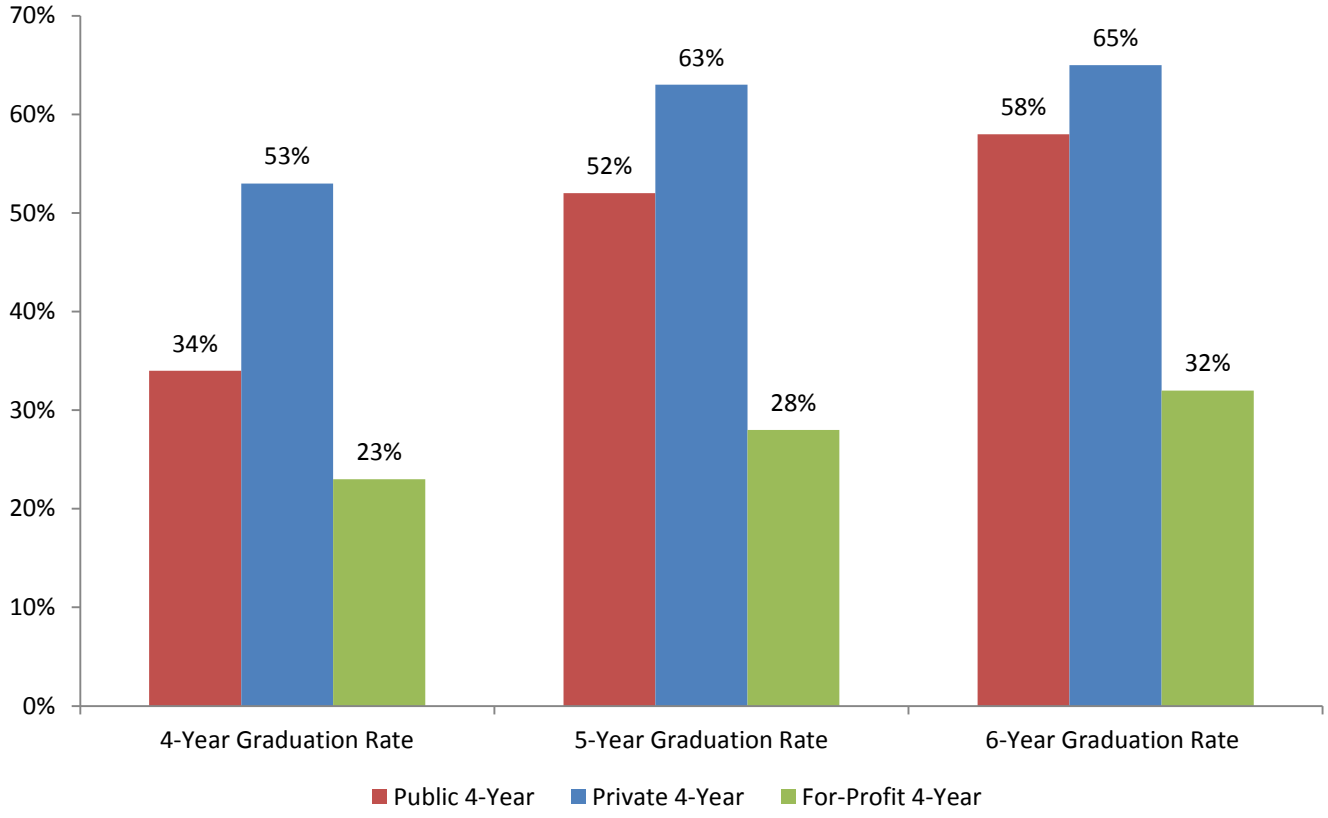
- Over the past decade, tuition and fees at public institutions have increased twice as fast as at private colleges.
- The graduation rates at private colleges are higher than those at public and for-profit institutions, even for low-income students.
- Students at private colleges graduate much sooner (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.

Change in Inflation-Adjusted Published Tuition and Fees 1985–1986 to 2015–2016



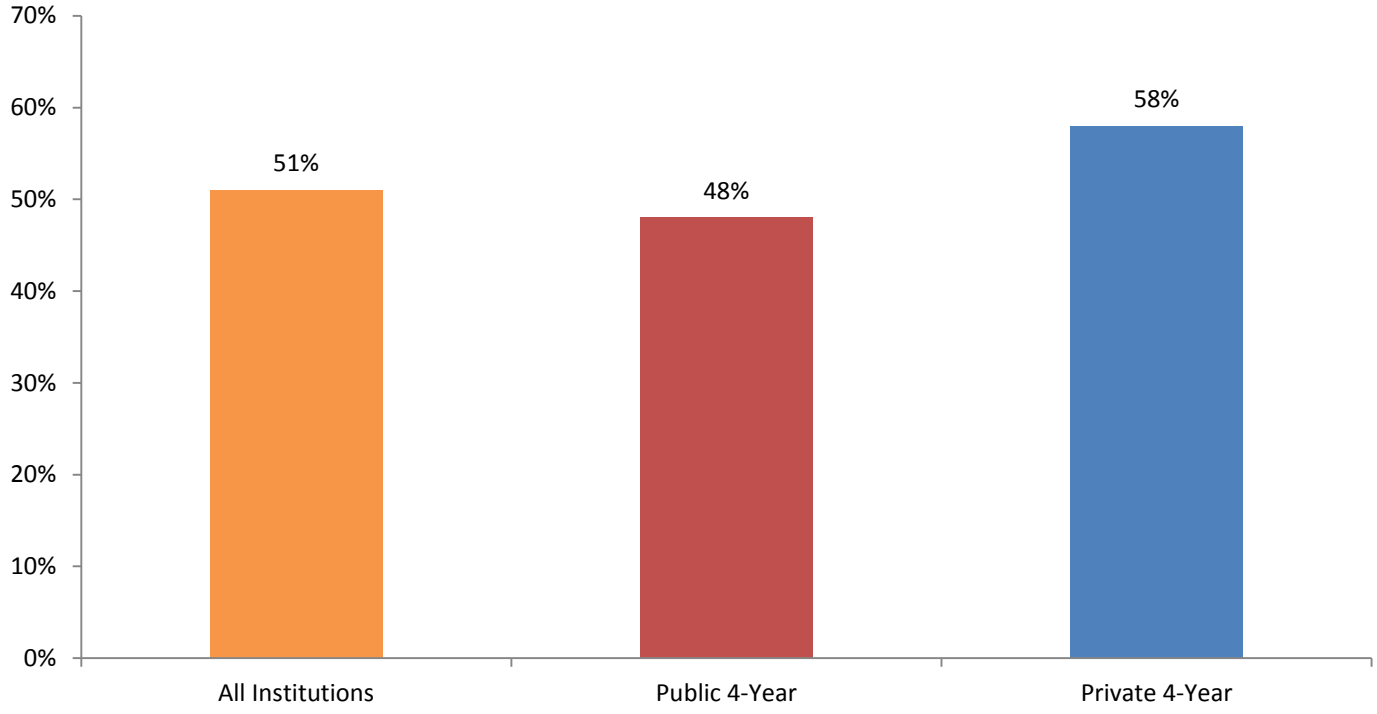
Source: The College Board, *Trends in College Pricing 2015.* Note: Values for published tuition and fees by sector, adjusted for inflation, as a percentage of 1985–1986 published prices.

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



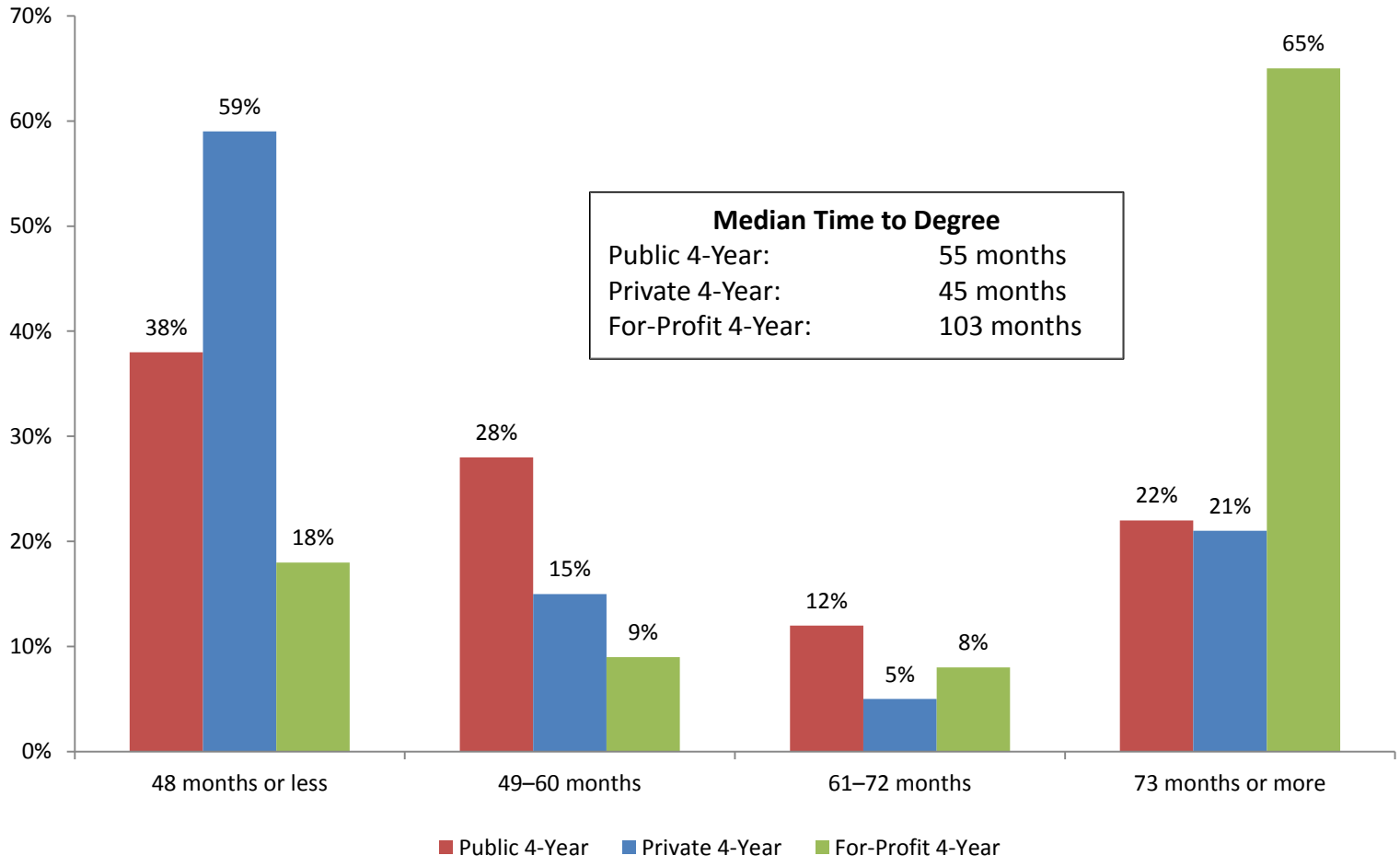
Source: U.S. Department of Education, National Center for Education Statistics, *Digest of Education Statistics 2015*.
Note: Percentages are for entering cohort of 2007.

Six-Year Bachelor's Degree Completion Rates for Students Who Receive Pell Grants



Source: The Education Trust, *The Pell Partnership: Ensuring a Shared Responsibility for Low-Income Student Success*, September 2015. Note: Calculations are based on students who graduated in 2013.

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*. Notes: 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.

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:

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