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**SALLIE MAE, GALLUP RELEASE FIRST NATIONAL STUDY OF  
'HOW AMERICA PAYS FOR COLLEGE'**

*Many Families Do Not Consider Costs When Deciding How to Pay for College,  
Parents Worried Economy Will Affect Their Ability to Pay the Tuition Bill*

**RESTON, Va., Aug. 20, 2008** — College students and their parents see higher education as a critical investment in the future, but according to a national study of college-going families released today by Sallie Mae and Gallup, many overlook the cost of college as they select their school and do not consider post-graduation income as they decide whether and how much to borrow to pay for college.

The study of 1,400 undergraduate students and parents, “How America Pays for College,” reveals that:

- While 58 percent of families reported ruling out schools because of cost at some point during the application process, another 42 percent of families did not limit their search based on cost—even after reviewing financial aid packages.
- In total, 70 percent of students and parents said a student’s expected post-graduation income either was not considered or did not make a difference on their borrowing decisions.
- Sixty percent of parents are worried that institutions will raise tuition, followed by 51 percent noting concern that loan rates will increase. Significant percentages of parents also expressed anxiety that student loan money will be less available, their savings will decline, or the value of their homes will decrease.
- While credit card use for college expenses is relatively low in total (3 percent of students and 3 percent of parents charged part of their expenses) those who used credit cards to pay for college cited emergency cash flow problems as the No. 1 reason.
- Three percent of all families reported tapping home equity to contribute nearly \$11,000 toward their child’s college education last year. Nearly three-quarters (73 percent) of these parents plan to borrow against home equity again to fund their child’s education for the coming school year.
- While nearly nine out of 10 families (89 percent) with annual income below \$35,000 filled out the Free Application for Federal Student Aid (FAFSA), this number drops off considerably to only 76 percent for families with annual incomes between \$35,000 and \$50,000, and continues to fall as income rises.

“While the study once again illustrates the importance of a college education to Americans, it also points to areas of focus for all of us interested in higher education,” said C.E. Andrews, president, Sallie Mae, the nation’s leading provider of saving- and paying-for-college programs. “For example, too few parents and students are focusing on the total cost of college, not enough are using available college savings tools, too many are borrowing without considering how they will repay, and too many are not completing federal financial aid

forms that enable them to access free federal financial aid and lower-cost student loans. For our part, Sallie Mae is committed to making it easier for families to navigate the financial aid system. For example, we counsel customers to follow a ‘1-2-3 approach’ to paying for college so that they exhaust grants and scholarships, explore federal loans and fill any gap with private education loans.”

According to the “How America Pays for College” study, parents, on average, footed the largest portion of the college tuition bill, through current income and savings (32 percent of the total amount paid) and borrowing (16 percent), while the average student covered 33 percent of the cost, through borrowing (23 percent) and their own income and savings (10 percent). Scholarships and grants covered another 15 percent of the higher education price tag, with the remaining 3 percent contributed by relatives and friends. The most often used source was parents’ current income, rather than savings, with 38 percent of all families spending an average of \$5,815 last school year. Only 9 percent of families used college savings funds, such as a 529 plan, but of those who did, the average amount contributed, \$7,964, was the highest source of any personal contribution.

How America pays for college varies across income levels. Higher-income families paid much more from savings and income, and generally paid substantially more for college. Lower-income families received the most “gift aid,” such as scholarships and grants, while middle-income families borrowed the most, both in real dollars and as a percentage of their total college costs. The study suggests that middle-income families tend to borrow more to afford a higher-cost postsecondary institution.

Slightly less than half (47 percent) of all families borrowed money to pay for college, and federal student loans were the top source for both students and parents. Additional details on borrowing follow:

- Twenty-eight percent of all students used federal student loans, borrowing an average of \$5,075 last school year.
- Federal Parent PLUS Loans were used by 6 percent of all parents, at an average loan amount of \$10,701.
- Eight percent of all students and 4 percent of all parents used private education loans, with average amounts of \$7,694 and \$6,910, respectively.
- One percent of all parents borrowed from their retirement accounts. Another 3 percent of all families took an early withdrawal from their retirement savings to pay for college.

As part of the company’s longstanding commitment to financial literacy, Sallie Mae recently launched the Education Investment Planner ([www.SallieMae.com/plan](http://www.SallieMae.com/plan)), a free, comprehensive online tool that enables families to estimate the total cost of a college degree, build a customized plan to pay for college, and estimate the salary a graduate would need to keep repayment of student loans manageable. Sallie Mae’s Education Investment Planner helps families understand the total cost of college and how to pay for it without going beyond their means.

“How America Pays for College” is available for free download at [www.SallieMae.com/howAmericapays](http://www.SallieMae.com/howAmericapays).

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**SLM Corporation** (NYSE: [SLM](http://www.sllm.com)), commonly known as Sallie Mae, is the nation’s leading provider of saving- and paying-for-college programs. The company manages nearly \$172 billion in education loans and serves 10 million student and parent customers. Through its Upromise affiliates, the company also manages more than \$19 billion in 529 college-savings plans, and is a major, private source of college funding contributions in America with 9 million members and \$425 million in member rewards. Sallie Mae and its subsidiaries offer debt management services as well as business and technical products to a range of business clients, including higher education institutions, student loan guarantors and state and federal agencies. More information is available at [www.salliemae.com](http://www.salliemae.com). SLM Corporation and its subsidiaries are not sponsored by or agencies of the United States of America.

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