



GALLUP®

**How America Pays for College:**  
Sallie Mae's National Study of College Students and Parents

August 20, 2008

---

# How America Pays for College

---

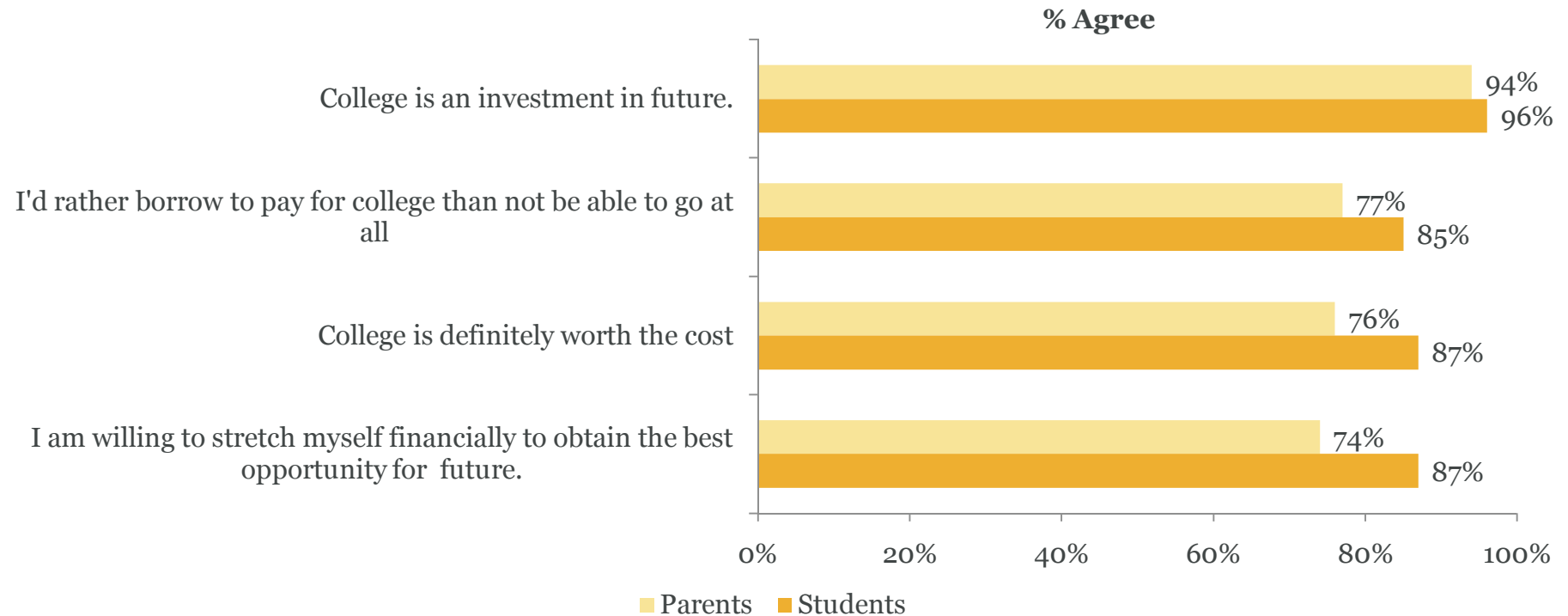
Primary Objective: Determine how American families are paying for college and measure attitudes about paying for college

Methodology: During May 2008, 1,404 telephone interviews conducted with students and parents of students 18-24 currently attending an institution of higher learning

- 684 college students
- 720 parents of college students

# The Value of College Education

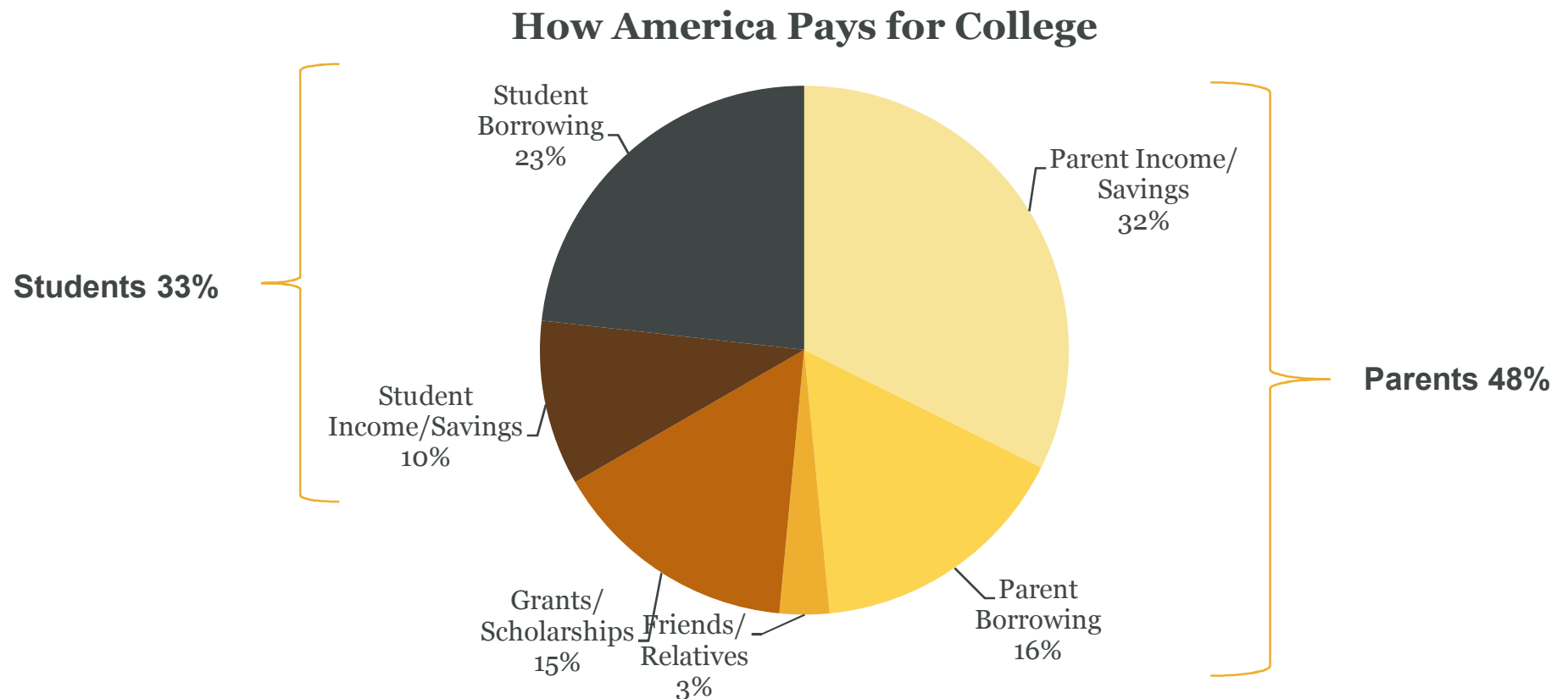
- American college families see great value in college education
  - Three-quarters (74%) of parents and 87% of students are willing to stretch financially to obtain the best opportunity for the student
  - 77% of parents and 85% of students would rather borrow than not send the student to college



\* 'Agreed' percentages are based on combined '4' and '5' responses on a 5-point scale where a '5' means Strongly Agree and '1' means Strongly Disagree.

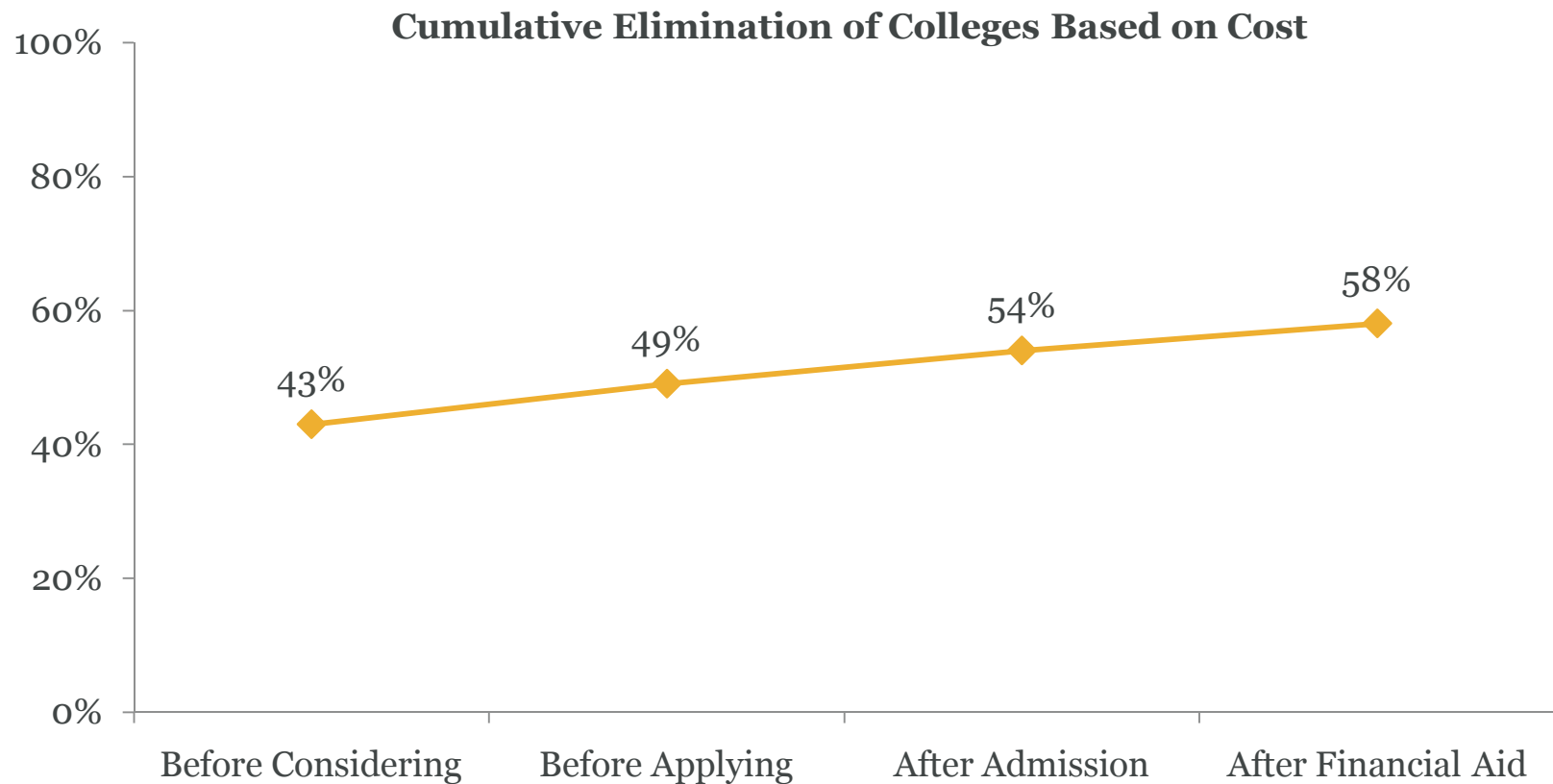
# How America Pays for College

- Average cost total attendance in 2007-2008 = \$14,628
  - Ranging from \$27,679 for 4-year private to \$5,263 for 2-year public
- Funding comes from a variety of sources provided by both parents and students



# Eliminating Colleges Based on Cost

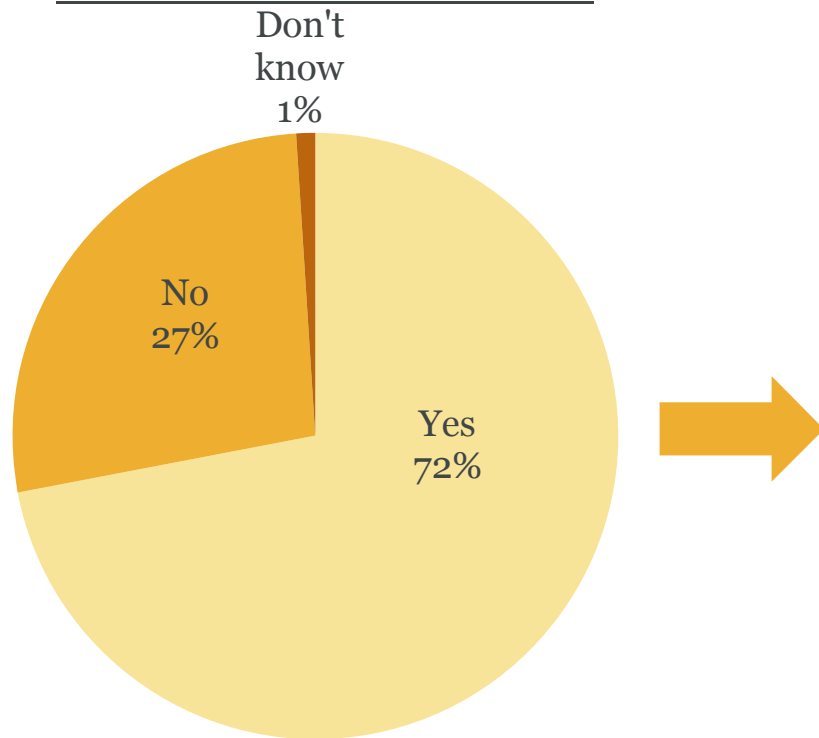
- Four-in-ten families (42%) did not rule out colleges based on cost during any stage of the college search/application/decision process



# Non-Borrowed Funding

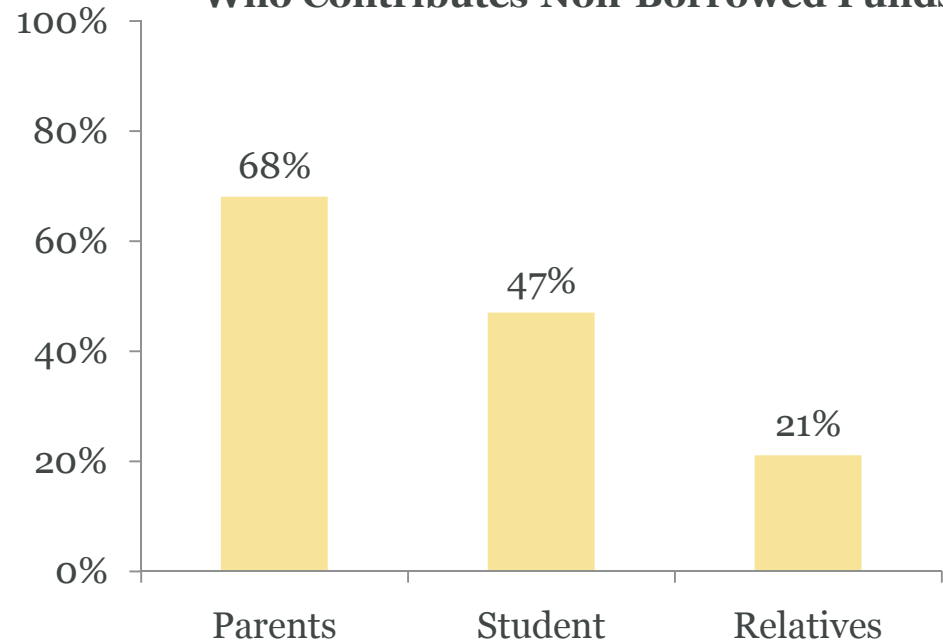
- About three-fourths (72%) of families used non-borrowed funds for college in 2007-08
  - 39% used only non-borrowed funds

## Used Non-Borrowed Funds



- In these families, two-thirds of parents and half of students contribute

## Who Contributes Non-Borrowed Funds



# Sources of Non-Borrowed Funds

- Current income is the most common source of non-borrowed funds, especially for parents
- College Savings Plans or other savings also comprise a major portion of non-borrowed funds

**Sources of Non-Borrowed Funds**

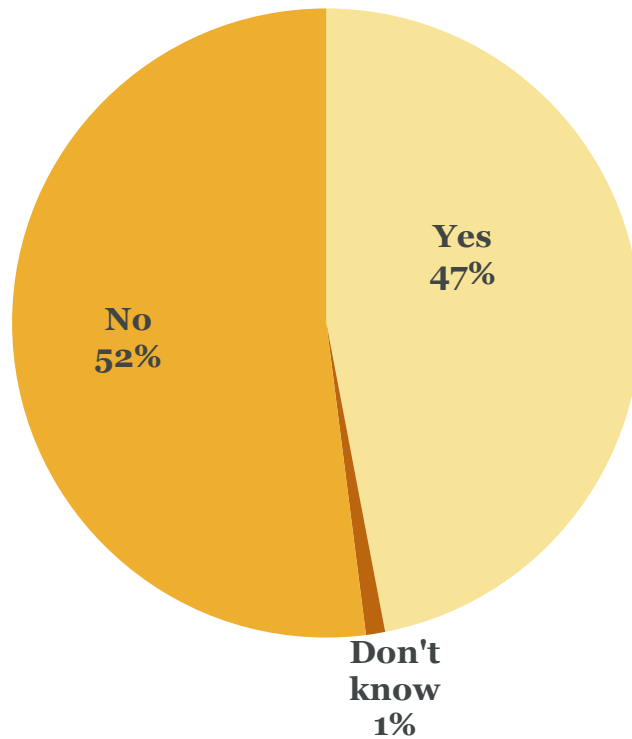
	Source	% of Total Families	Average Amount*
Parent	Current Income	38%	\$5,815
	College Savings Plan (529)	9%	\$7,964
	Retirement Savings Withdrawal	3%	\$4,763
	Other Savings or Investments	12%	\$5,907
Student	Savings	19%	\$2,689
	Scholarships	17%	\$6,166
	Current Income	17%	\$3,226
	Grants	14%	\$5,135
	Federal Work-Study	3%	\$2,249
	Other Non-Borrowed Money	4%	\$2,981
R/F	Relatives or Friends	12%	\$3,485

\* Among those who used each source.

# Borrowed Funding

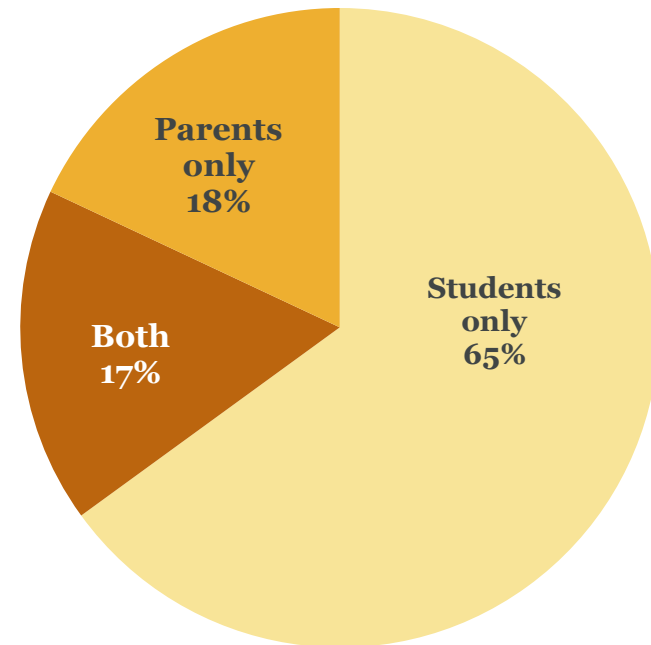
- Almost half (47%) the families borrowed for college in 2007-08
  - 14% used only borrowed money

**Used Borrowed Funds**



- Students are sole borrowers in two-thirds of "borrowing" families

**Who Borrows**



- 70% of families did not take into account student's expected post-graduation income in borrowing decisions

# Sources of Borrowed Funds

- Federal loans are the most common source of borrowed funds
  - Students use federal loans more often than parents, but parents borrow twice as much
- Few families use home equity loans or lines of credit, but among those who do, there is heavy reliance on them
  - Average of \$10,853
  - Of these, 73% plan to use home equity as a source this year

## Sources of Borrowed Funds

	Source	% of Total Families	% of Borrowers*	Average Amount**
Parent	Federal PLUS Loans	6%	36%	\$10,701
	Private Education Loan	4%	22%	\$6,910
	Home Equity Loan or HELOC	3%	20%	\$10,853
	Credit Cards	3%	19%	\$5,822
	Retirement Account Loan	1%	5%	\$6,299
	Other Loans	5%	33%	\$9,894
Student	Federal Student Loan	28%	77%	\$5,075
	Private Education Loan	8%	23%	\$7,694
	Credit Cards	3%	8%	\$2,542
	Other Loans	8%	23%	\$7,922

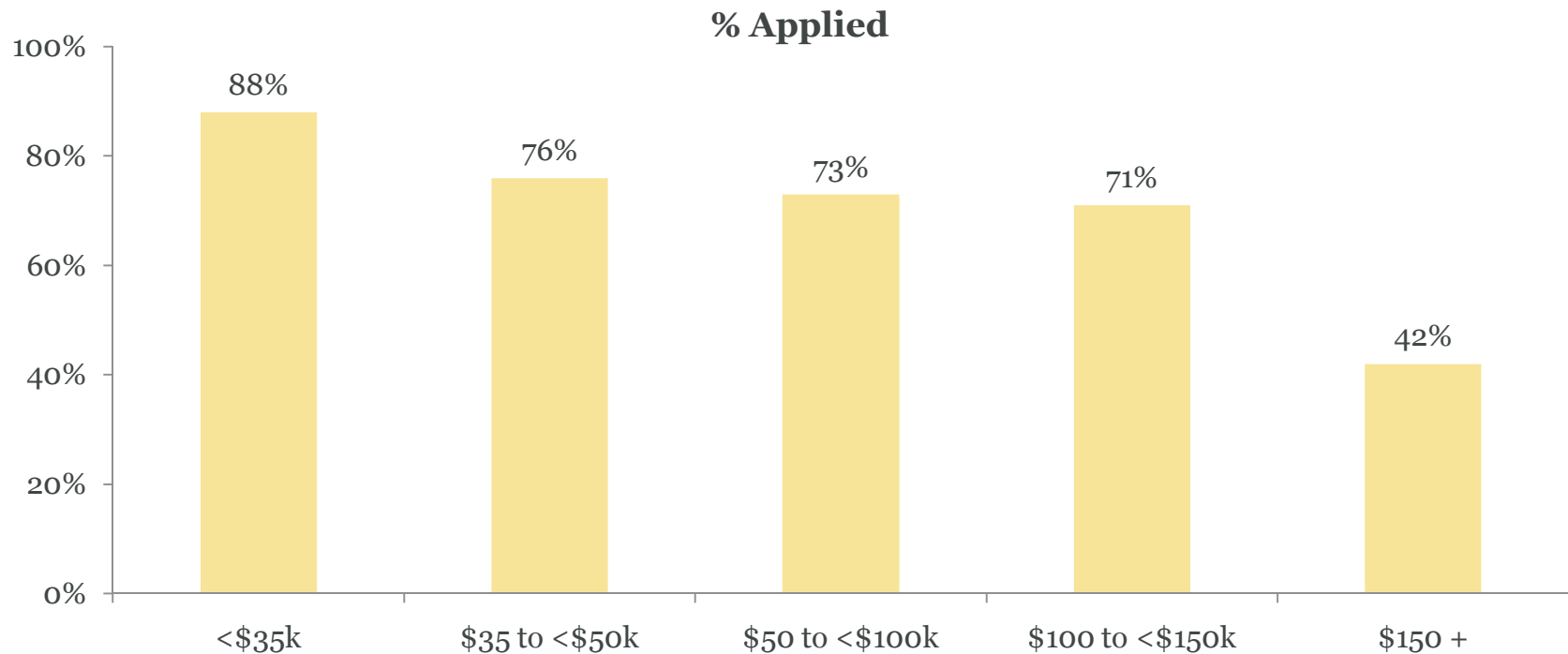
\*Among parents or students, respectively, who said they borrowed.

\*\* Among those who used each source.

# FAFSA Application

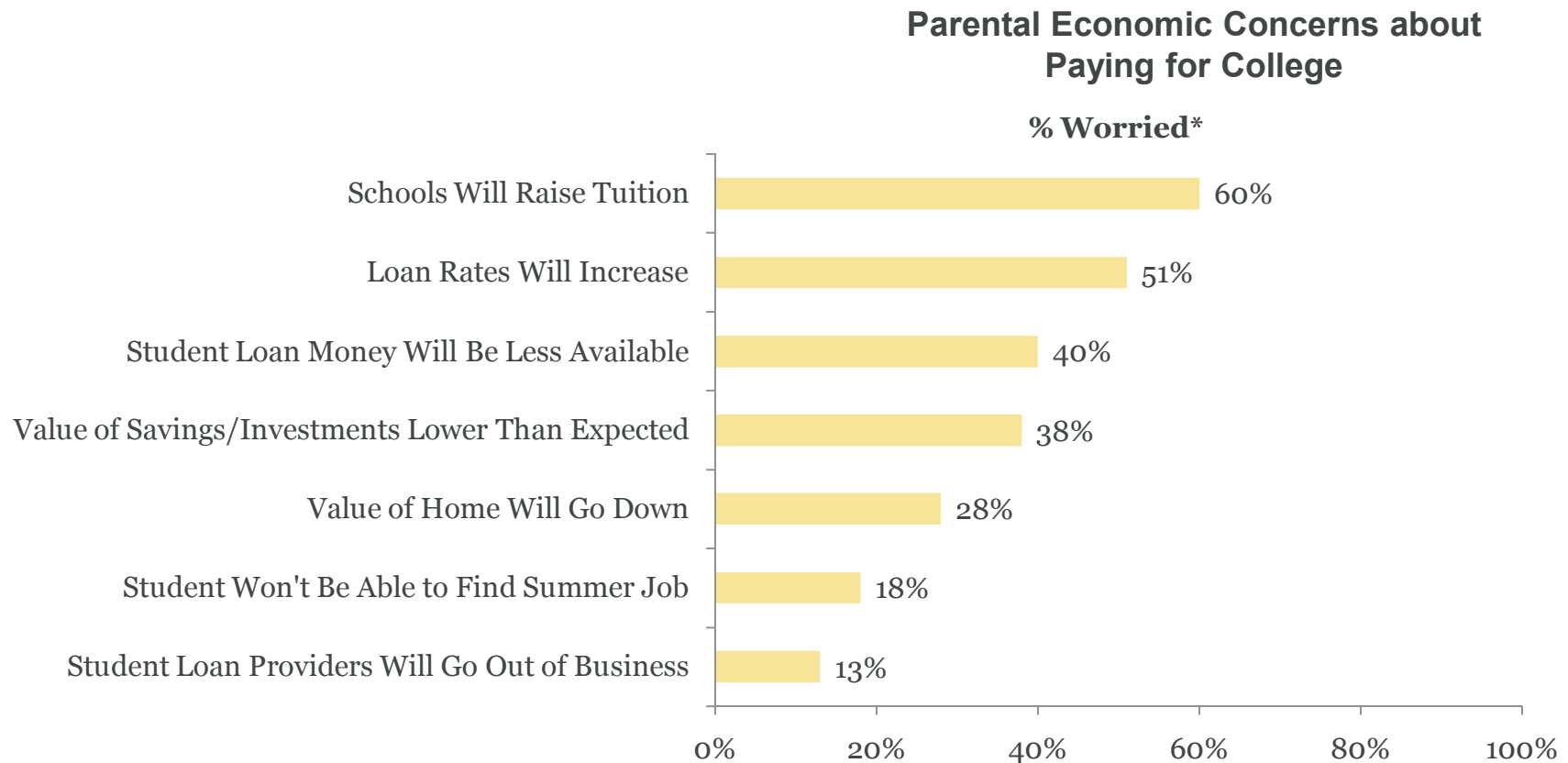
- One-quarter (25%) college families don't complete the FAFSA application
- Not surprisingly, application rates decline with household income
  - One-in-four families with incomes between \$35,000 and \$100,000 do not fill out an application

**Completion of FAFSA by Annual Household Income**



# Anxiety Over Paying for College

- Three in five (60%) college parents worry about rising tuition when considering college costs
  - Half (51%) worry about rising loan rates



\* 'Worried' percentages are based on combined '4' and '5' responses on a 5-point scale where a '5' means Extremely Worried and '1' means Not At All Worried.