



# HOW AMERICA PAYS FOR COLLEGE 2017

Presenter: Laura Dickerson, Director, Business Development

Date: May 2018



# Contents

Background

Influences on attending college

How families paid for college in 2016-17

How much families paid for college

Differences by selected segments

Planning and cost sensitivity

Summary

# Background

## Study Objective

Determine how American families are paying for college

- Trend over time the behaviors and attitudes related to the purchase and value of higher education

## Methodology

Tenth annual survey and report

Quantitative telephone interviews conducted March-April 2017

- 800 undergraduates enrolled AY 2016-17, ages 18-24
- 800 parents of undergraduates
  - Data is weighted on a number of demographic factors sourced from the Current Population Survey (CPS); the National Center for Education Statistics (NCES) provided additional information for enrollment and college weights.

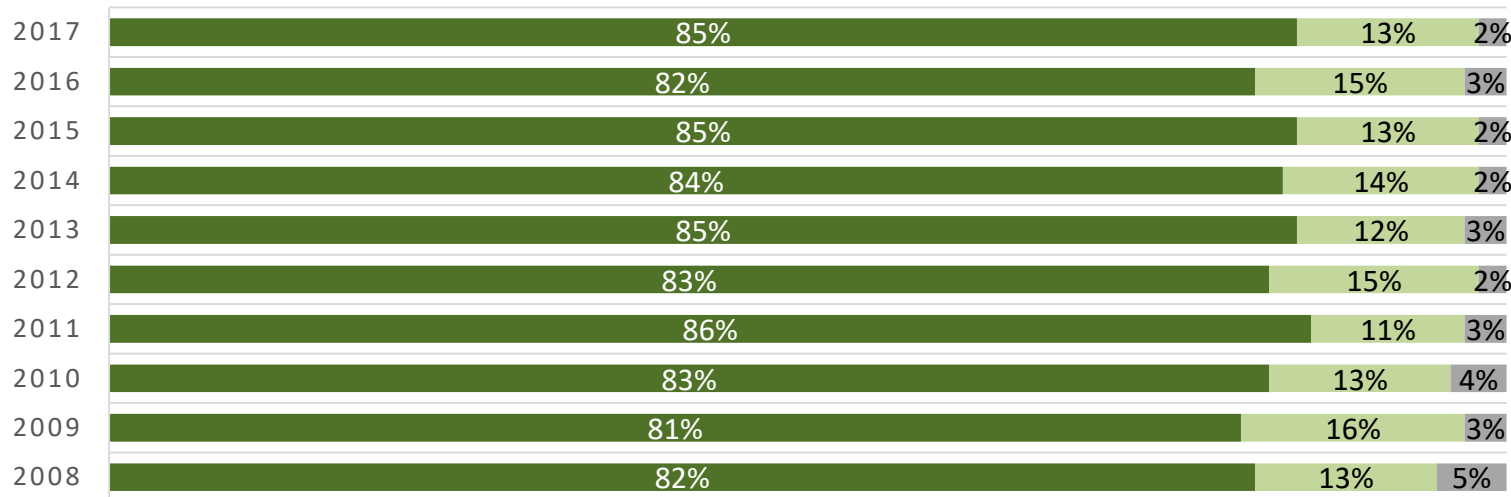
Composite of how the ‘typical’ family pays for college is a mathematical representation created in 2008 and applied consistently each year.

**WHY STUDENTS  
CHOOSE TO  
ATTEND**

# Nearly 100% of families consistently believe college is an investment

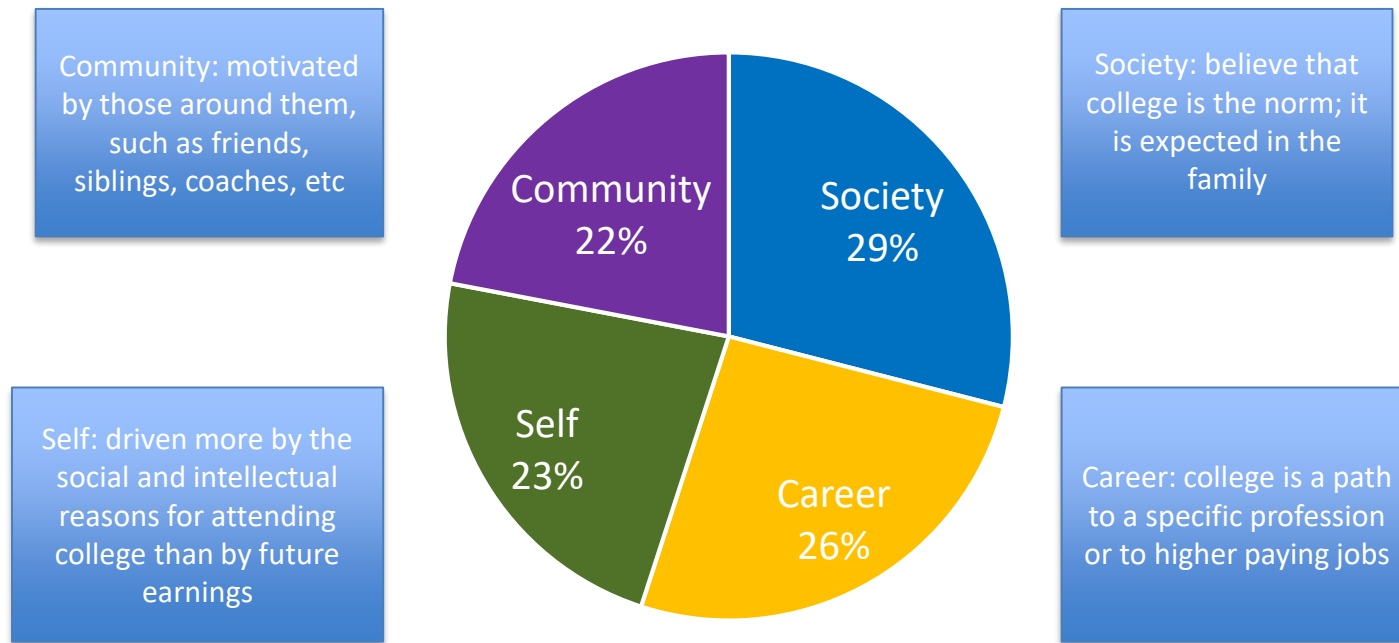
## College is an Investment in the Future

■ Strongly Agree   ■ Somewhat Agree   ■ Neither/disagree



# Influences on desire to attend college

Proportion of Families in Each Influencer Category



### Community-influenced more likely

- Decided to attend college in high school rather than at an earlier age
- First-in-family to attend college
- Chose college due to location
- Not to pursue bachelor's degree
- Not to plan on attending grad school

### Society-influenced more likely

- Parents attended college
- Believe that college cost correlates to the quality of education received
- Spend more on college
- Have a plan to pay for college
- Parents contribute more income & savings

### Self-influenced more likely

- Not to have a plan to pay for college
- Choose a college based on personal reasons
- Rely more on scholarships & grants
- Lower student borrowing

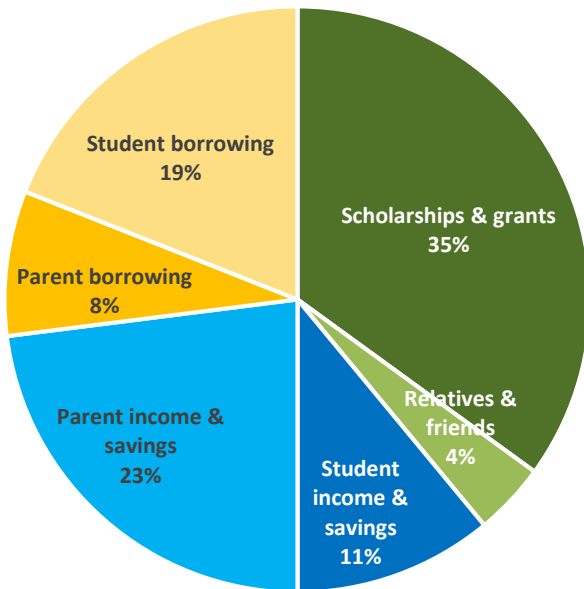
### Career-influenced more likely

- Choose college based on academic program followed by cost
- Students seek ways to reduce costs,
  - Accelerate time to degree
  - Work more hours
  - Pay a higher portion of college costs from their own income & savings

# HOW FAMILIES PAID FOR COLLEGE



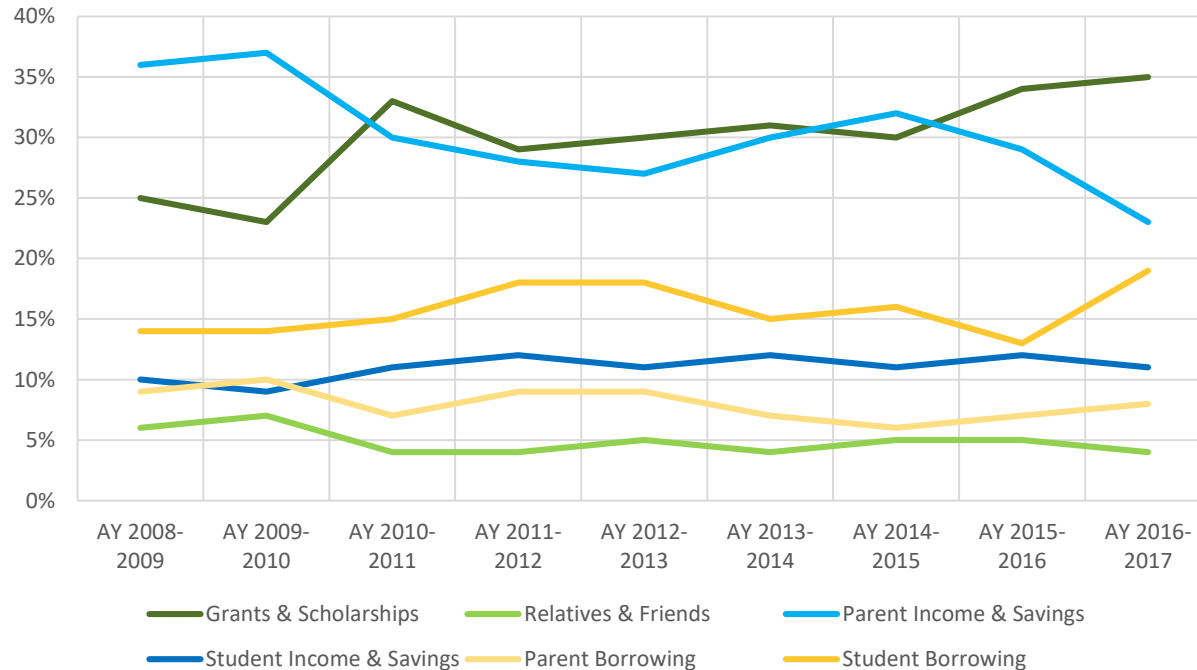
# Resources America uses to pay for college



- Grants and scholarships constitute the largest portion of funding used to pay for college
- Borrowed money covered more than one-quarter of costs
- Students and parents covered a similar share (30% and 31%) from their combined income, savings, and borrowing

# Fluctuations in resource use over time

Proportion of Costs Paid by Source Type, Over Time

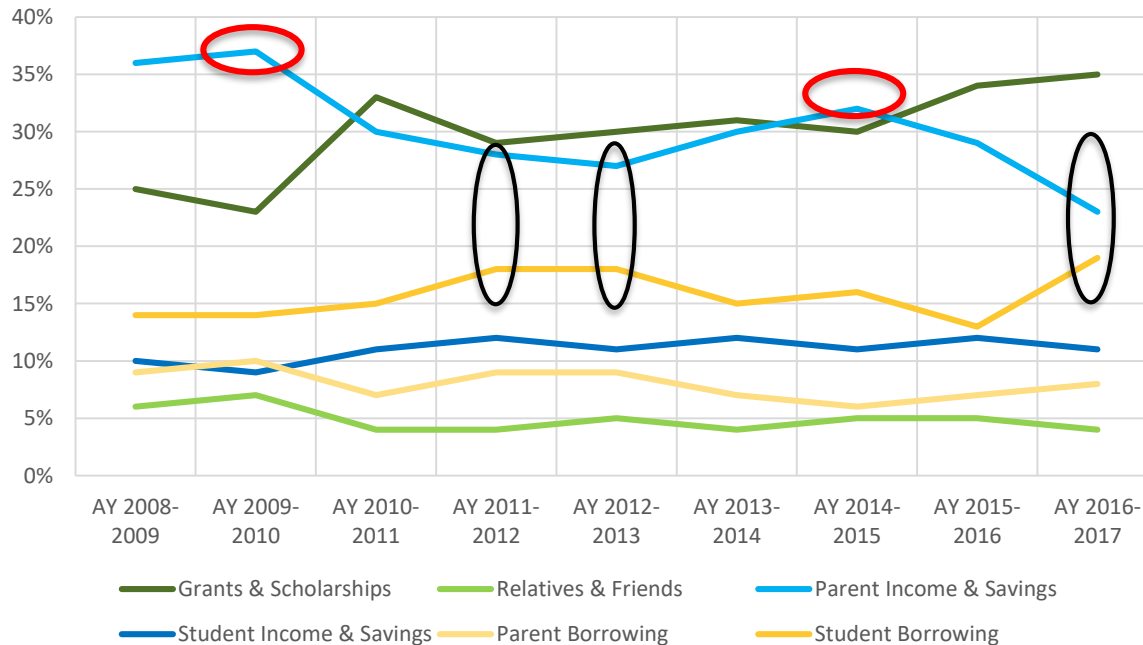


Grants & scholarships cover the largest share of college costs (35%).

Unlike other resources, their use has steadily increased.

# Role of parent income and savings

Proportion of Costs Paid by Source Type, Over Time



The top spending years, 2009-10 and 2014-15, are also years when parent income & savings contributions increase.

When parent income & savings decrease, student borrowing increases.

# Scholarships and grants support 7 in 10 students

	% families using scholarships	% costs funded by scholarships	% families using grants	% costs funded by grants
Total	49%	20%	47%	15%
School type				
4-year private	70%	25%	52%	15%
4-year public	54%	18%	46%	13%
2-year public	29%	12%	47%	23%
Income				
Low-income	45%	17%	58%	22%
Middle-income	52%	21%	52%	17%
High-income	51%	22%	20%	7%
Region				
Northeast	59%	19%	44%	14%
Midwest	57%	22%	51%	15%
South	47%	20%	52%	15%
West	38%	21%	42%	16%

86% of families filed the FAFSA

70% of families say the student applied for a scholarship

Among families who used scholarships:

- 87% obtained one from the college
- 75% obtained one from private companies /community groups
- 65% obtained one from state gov't

# 42% of families borrowed in 2016-17

- 14% of parents borrowed
- 36% of students borrowed
  - Among student loan borrowers
    - 72% used only federal student loans
    - 5% used only private student loans
    - 22% used both

Borrowers  
don't  
necessarily  
borrow every  
year

Prior year borrowing*	Yes	No	Not sure	Expect to borrow next year <sup>‡</sup>	Yes	No	Not sure
Borrowers 2016-17	51%	44%	5%	Borrowers 2016-17	68%	20%	12%
Non-borrowers 2016-17	7%	91%	2%	Non-borrowers 2016-17	16%	70%	15%

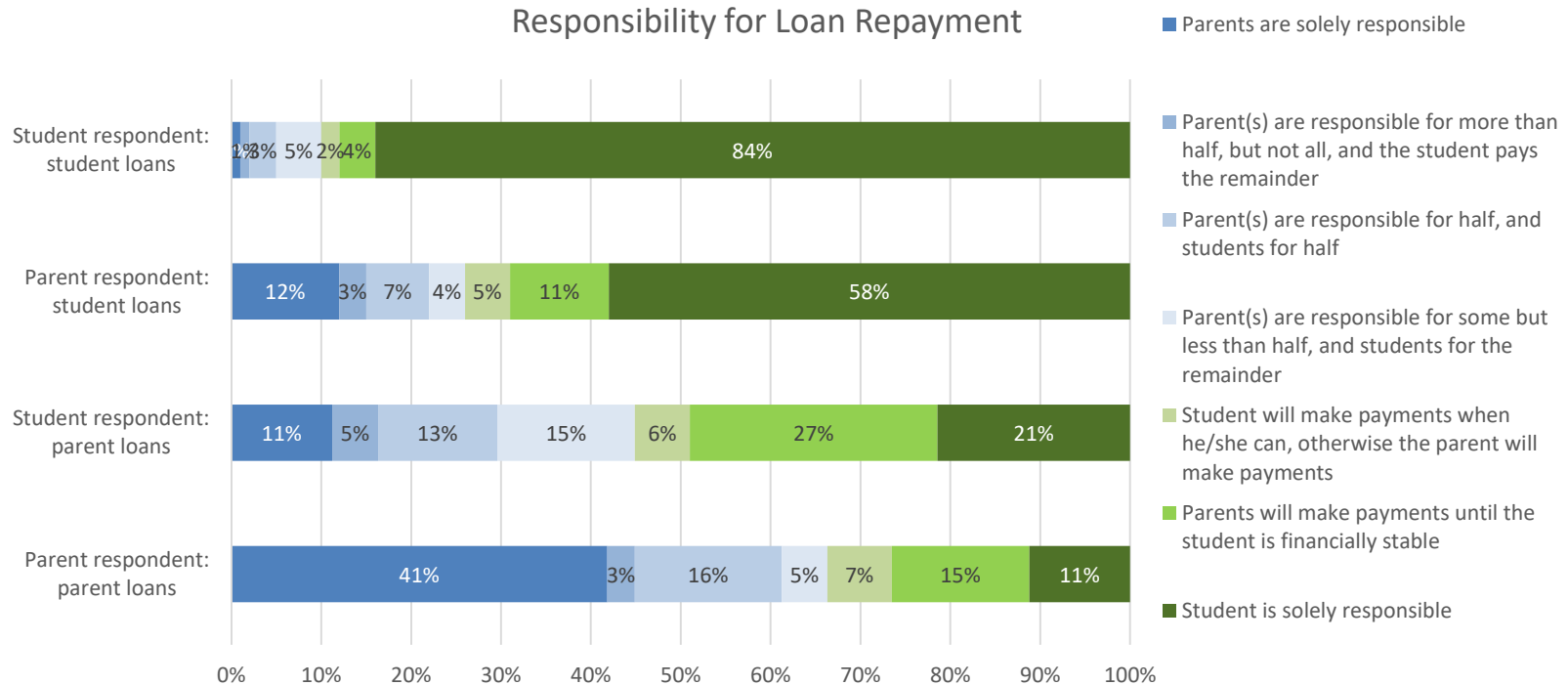
\*excludes families of freshmen

<sup>‡</sup>excludes families of seniors

## Borrowers: higher spending, lower certainty

	Borrowers	Non-borrowers
Average amount spent	\$31,082	\$17,356
Attend 4-yr private colleges	36%	11%
Attend college out of state	30%	17%
Attend college full time	93%	85%
Live away from home	60%	41%
Pursuing a bachelor's degree	76%	62%
Planning to attend grad school	63%	55%
Had a plan to pay	35%	42%
Considered not attending due to cost	36%	27%
Confidence in paying-for-college decision	41%	63%

# Additional cost to students: parent loans\*

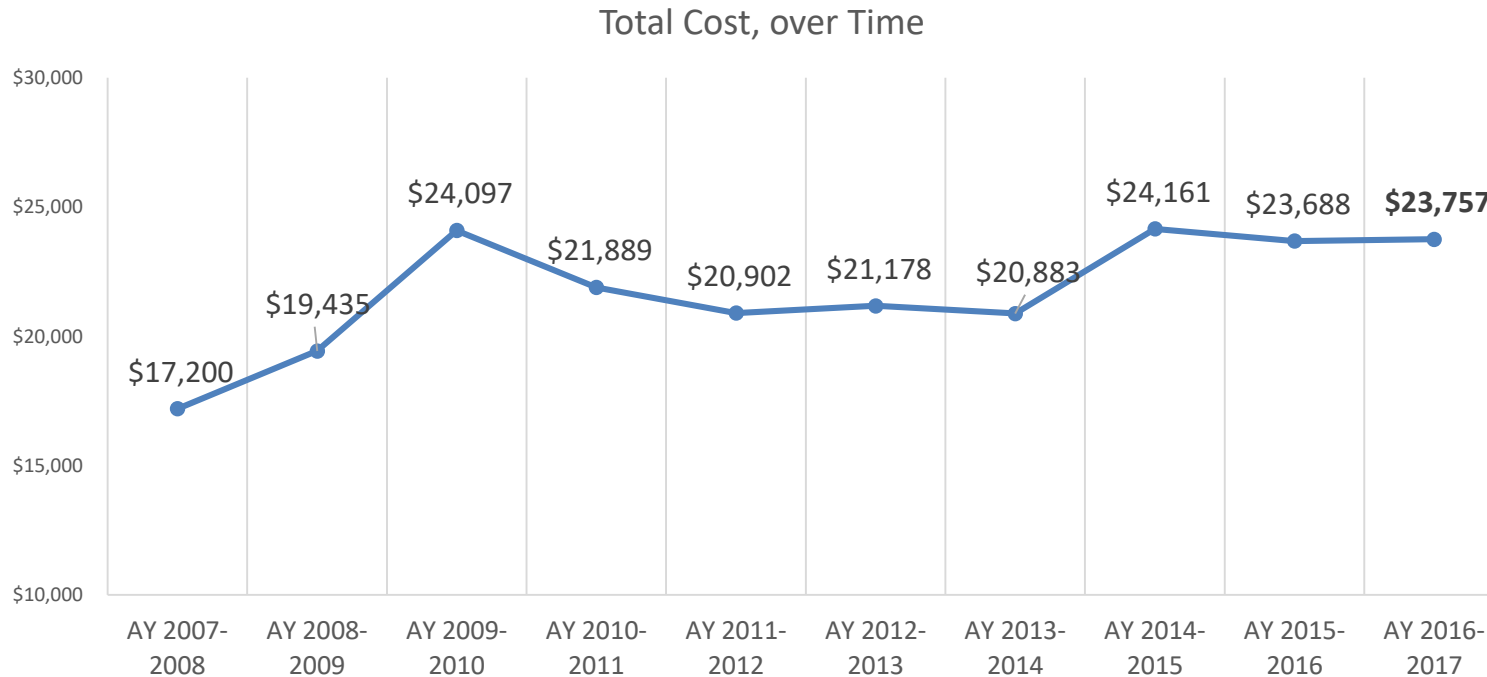


\*any money borrowed by the parent and used to pay for college

# HOW MUCH FAMILIES PAID FOR COLLEGE

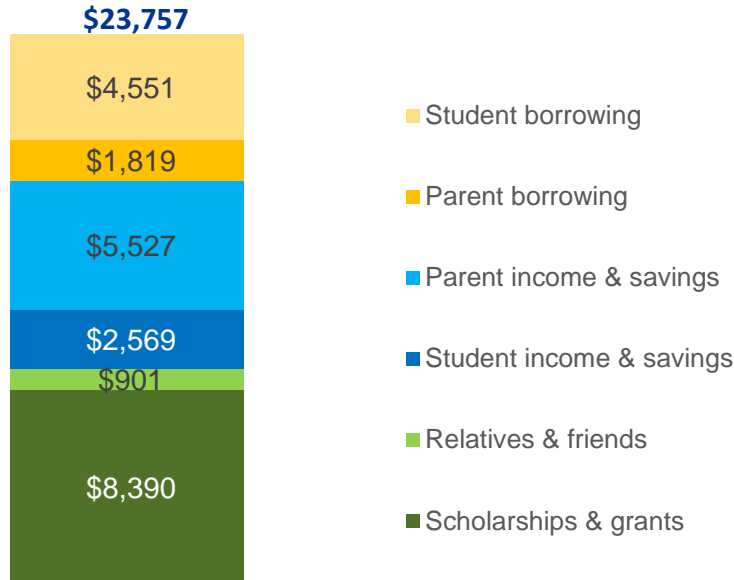


# Annual cost of college over 10 years



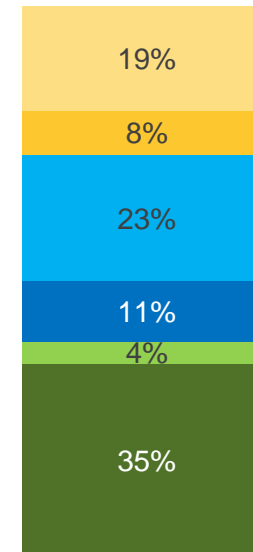
# 2016-17 average college price tag was \$23,757

How the Typical Family Pays for College,  
Average Amount Used from Source



AY 2016-2017

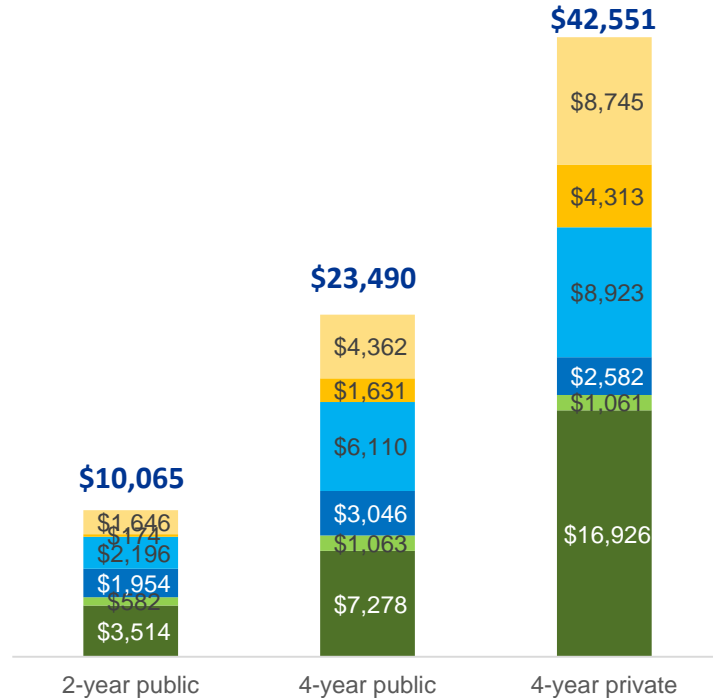
How the Typical Family Pays for College,  
Funding Source Share



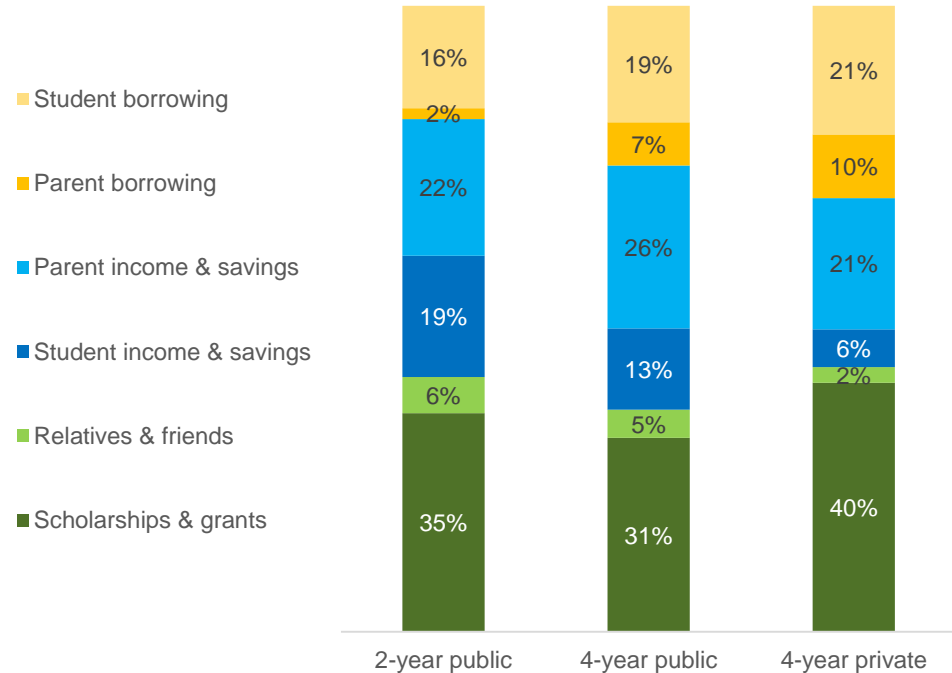
AY 2016-2017

# Typical cost and resources vary by school type

How the Typical Family Pays for College,  
Average Amount, by School Type

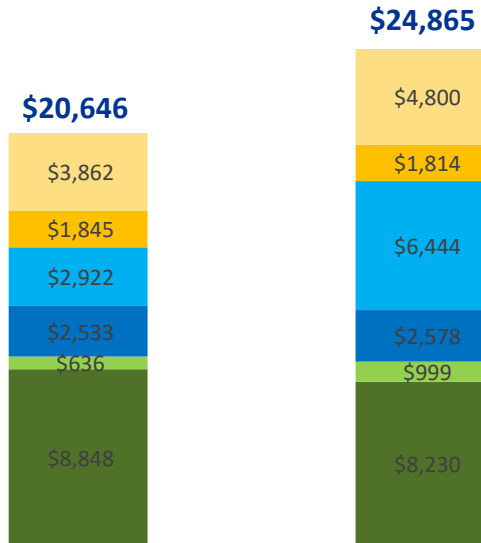


How the Typical Family Pays for College,  
Funding Source Share, by School Type



# First-in-family students spend less on college

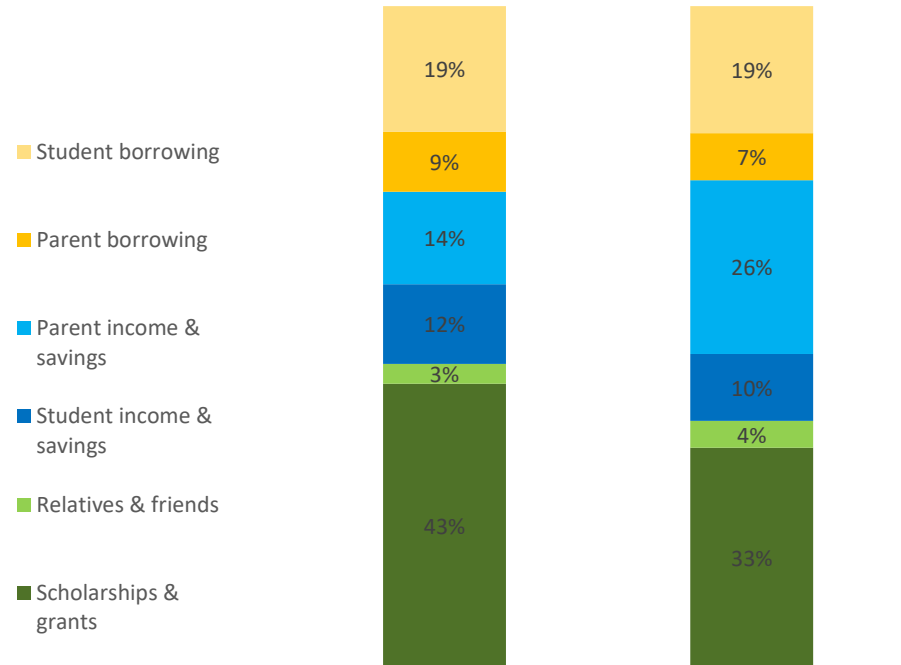
How the Typical Family Pays for College,  
Average Amount Used from Source, by First-in-  
Family Status



First in family

Second generation

How the Typical Family Pays for College,  
Funding Source Share, by First-in-Family Status



First in family

Second generation

# First-in-Family Characteristics

Report lower household incomes than second-generation families.

- As a result - a higher proportion of first-in-family students
  - attend community college
  - attend school in state
  - live at home

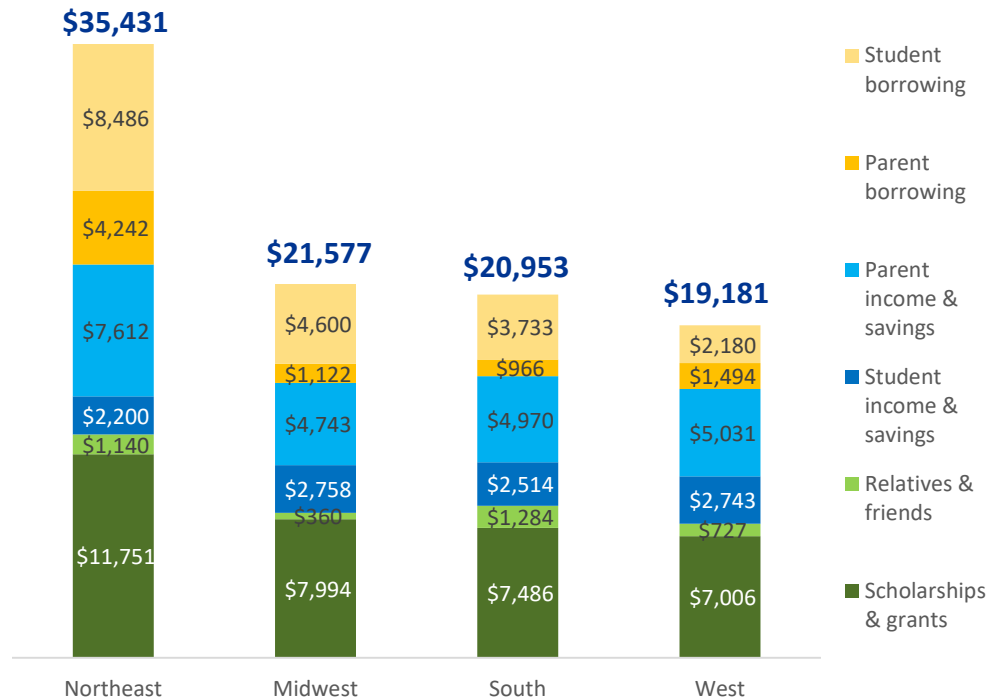
First-in-family students:

- Influenced more by a teacher or guidance counselor
- Financial aid package was a primary driver in their school choice.
- Practical payoff of a career opportunity is a stronger influence on them compared to second generation students.

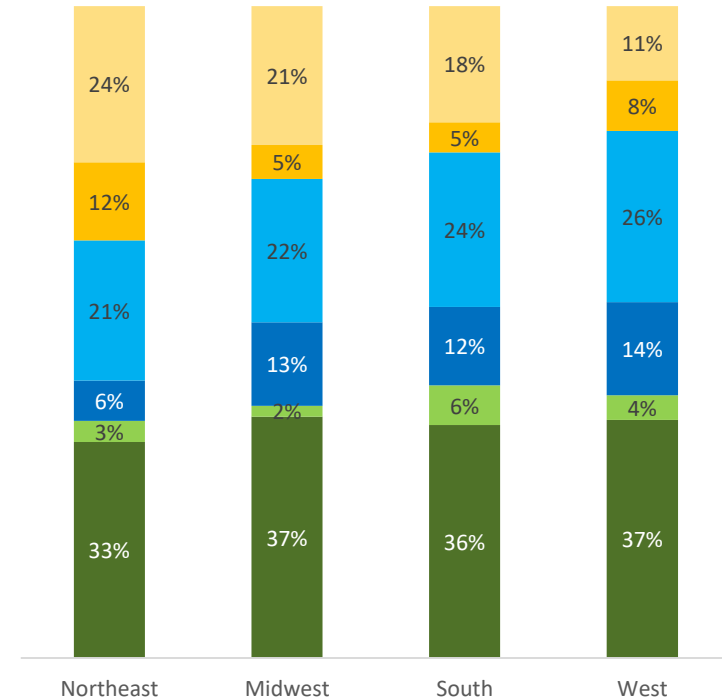
Household income	First generation	Second generation
<\$35,000	50%	30%
\$35k - \$100,000	48%	44%
>\$100,000	2%	26%

# Northeast families are different

How the Typical Family Pays for College, Average Amount Used from Source, by Region



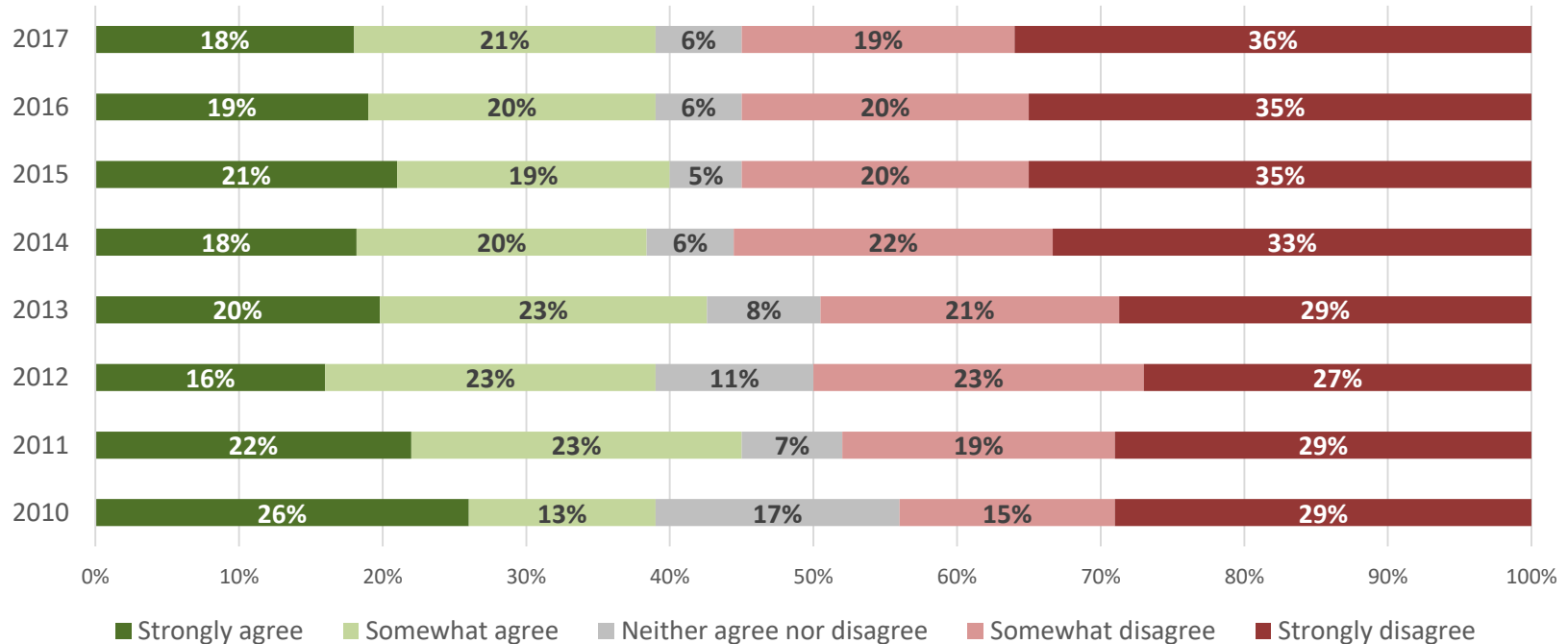
How the Typical Family Pays for College, Funding Source Share, by Region



# PLANNING

# The proportion of families with a plan to pay for college has changed

Agree they had a plan to pay for college





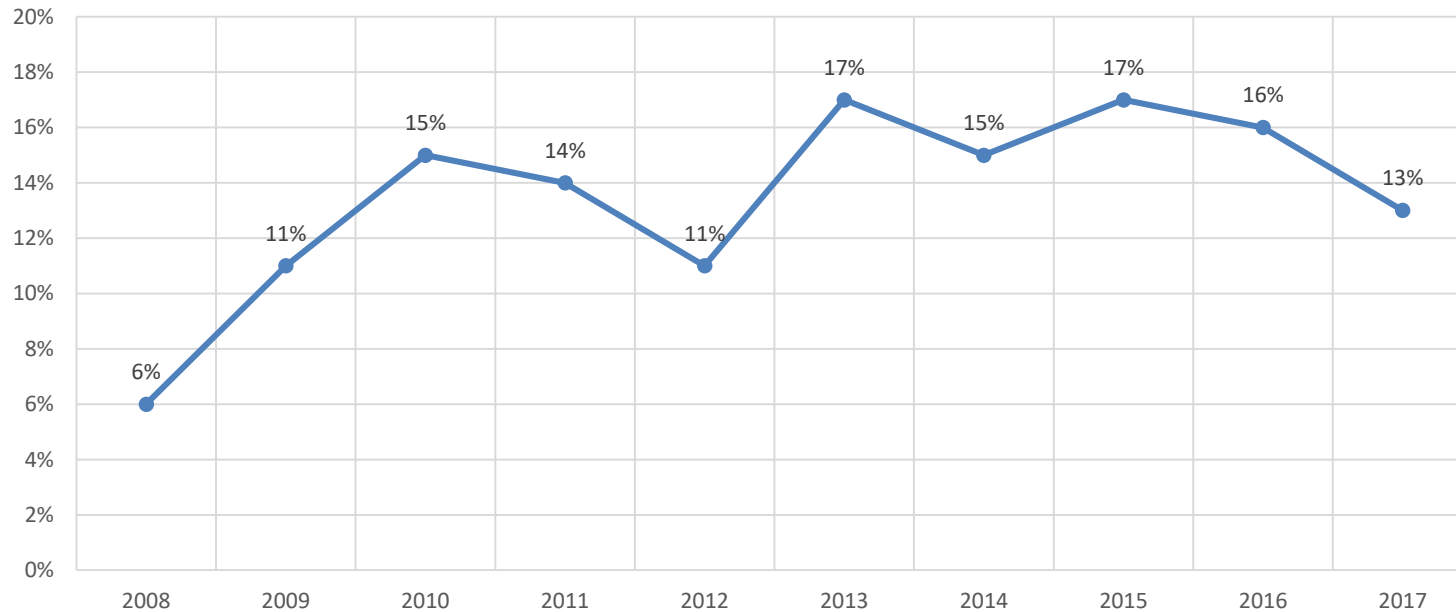
# Planning to pay for college starts with ...

## Saving

Resources used	Planners	Non-Planners
Use federal loans	25%	39%
Parent income & savings	55%	39%
529 plan funds	26%	5%
Other parent savings	14%	5%

# Families paying with 529 plans isn't growing

Used college savings plan (529) to pay for college



# Planning is more than saving ...

- Budgeting
- Identifying available financial resources
- Creating a hierarchy of funding resources
- Researching college costs
- Setting spending limits
- Researching financial aid eligibility
- Investing in child's skills and talents (scholarship eligibility)
- Advanced Placement or dual community college enrollment classes in high school

# Benefits: more options, greater peace-of-mind

## Options

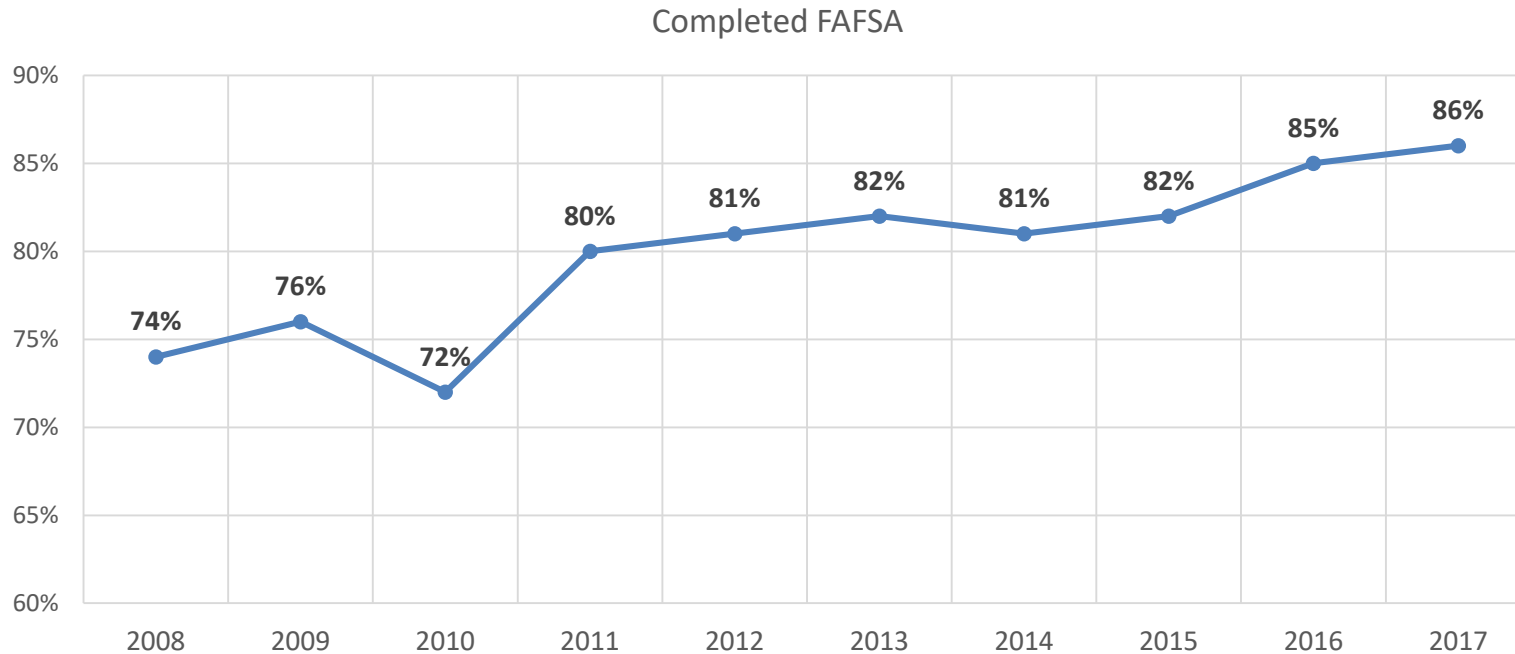
- Spent 26% less on the college experience
- Higher incidence of four-year college enrollment (75% vs 59%)
- Parent income & savings contributed 3 times more
- Student borrowed one-third less
- Student is less likely to work while in school

## Peace-of-mind

- More confident in paying for college decisions (63% vs 46%)
- Less worried about external economic factors, e.g. loan rates rising or scholarship money being less available

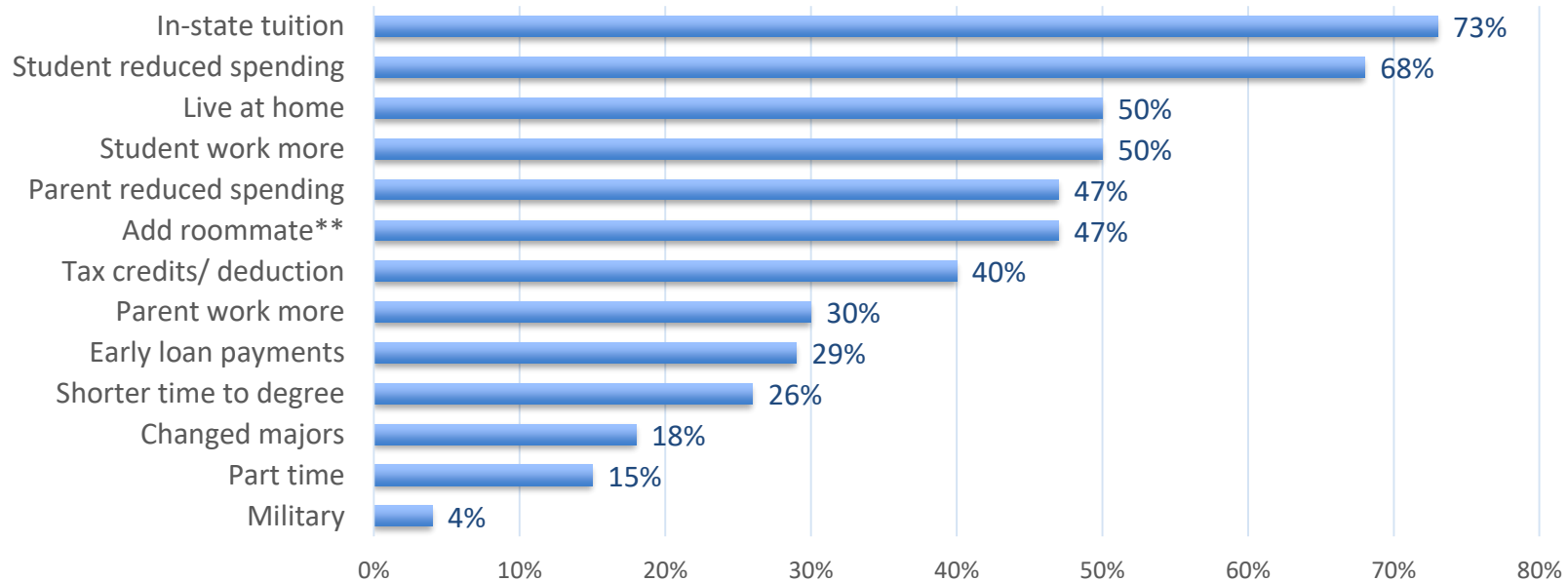
# SENSITIVITY TO COST

# More families are completing the FAFSA



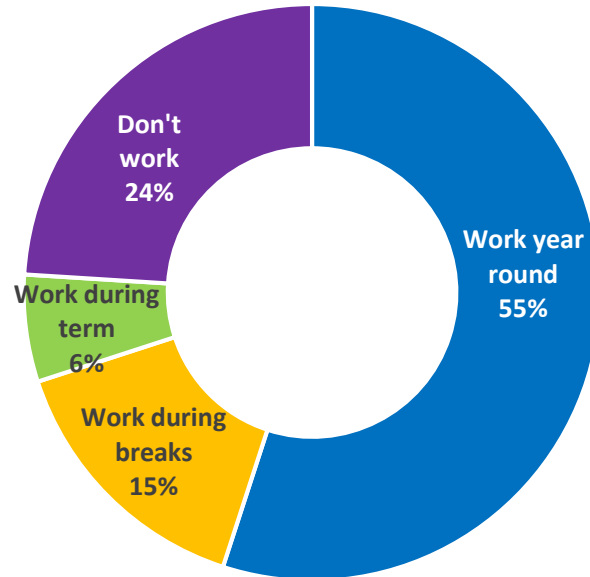
# Affordability measures

## Percentage who took each action



# Majority of students work to help pay for college

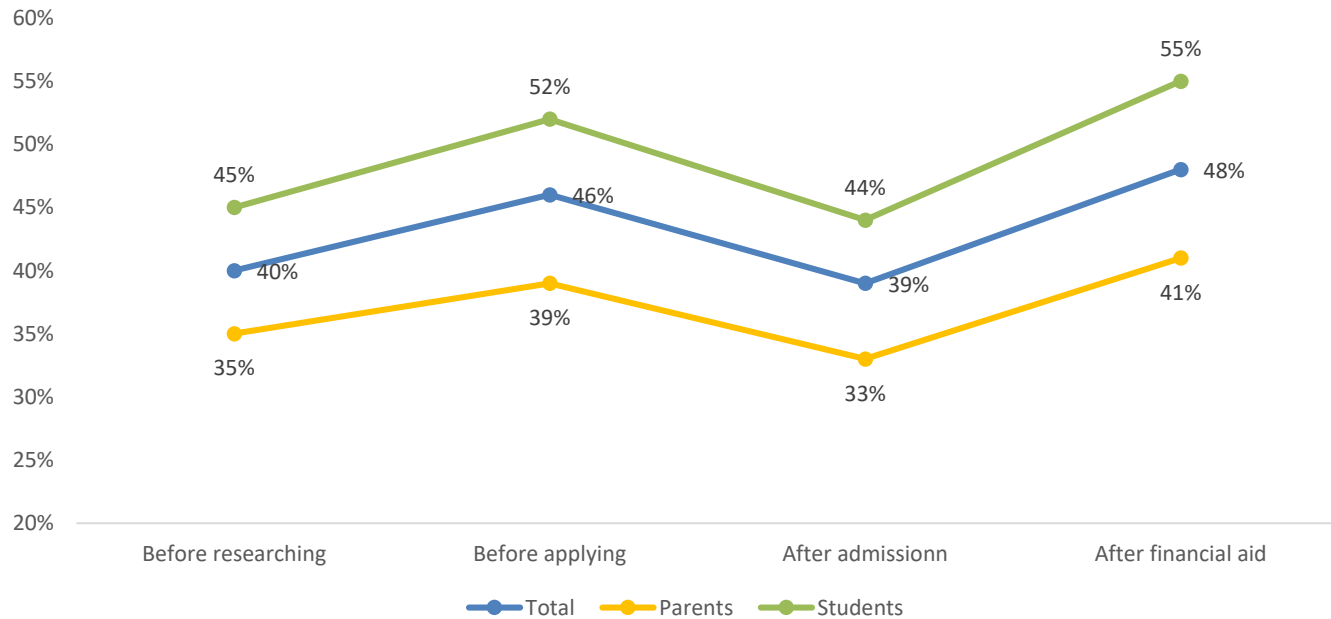
When students work





# Cost-driven elimination of colleges

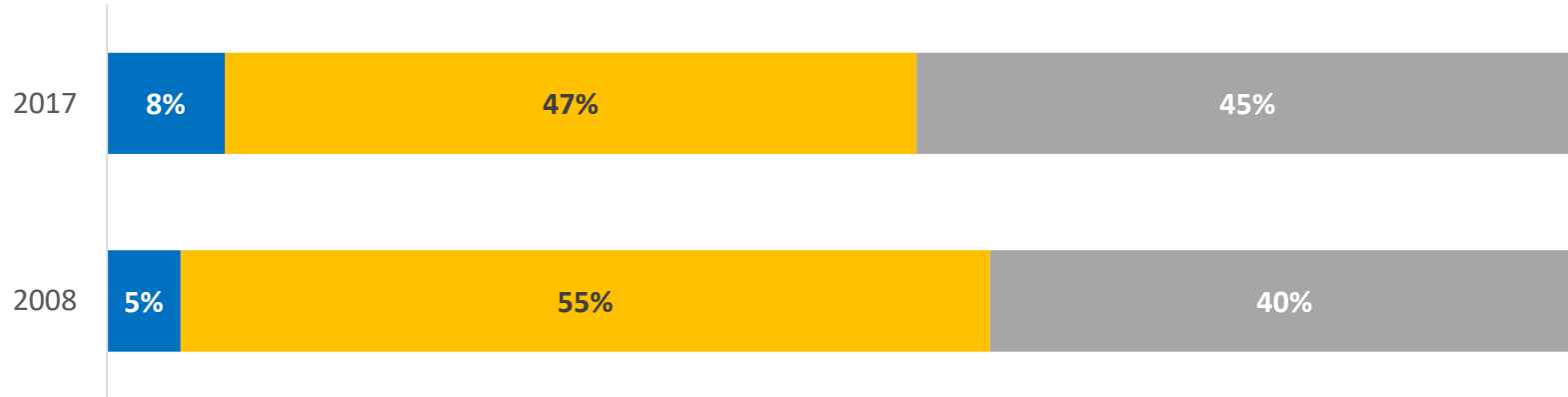
Elimination of Colleges at Each Step in the Application Process



# Fewer believe cost is indicative of quality

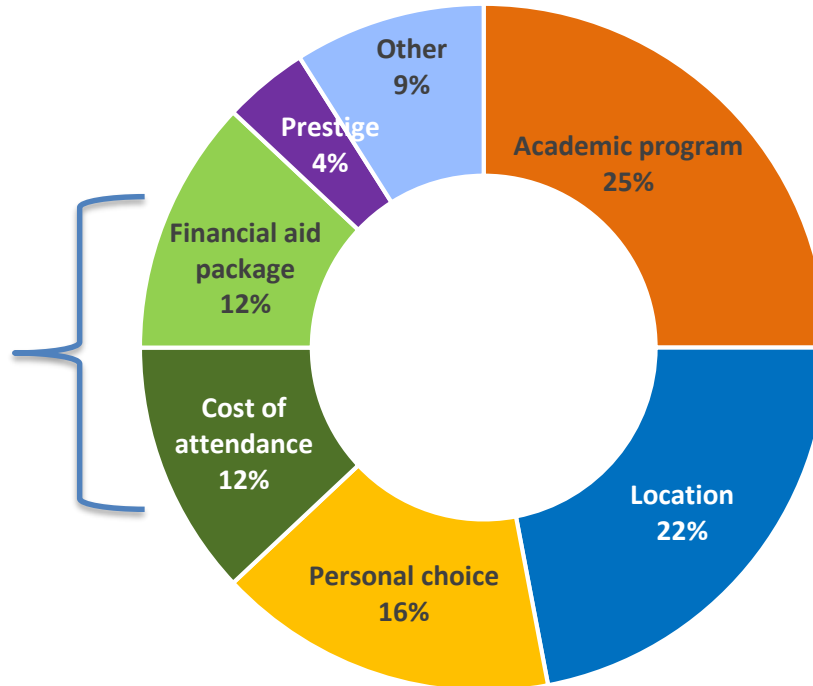
## Cost / Quality Relationship

- More expensive always offer a superior education
- More expensive sometimes offer a superior education
- The cost of attendance has no relationship to the quality of the education



# Final school choice

Basis for Final College Selection



Affordability is the deciding factor for nearly one-quarter of families

# Summary

- Students are influenced to attend college for a variety of reasons; those reasons affect the decisions they make in choosing a college, and in how to pay for it
- Grants and scholarships are a growing resource; as parent contributions waver, students are filling the gap
- Families are sensitive to cost, and seek ways to make college more affordable
- But only 2 in 5 families are forward thinking, creating a plan to pay for all years of college before the student is enrolled.
- The complete HAP survey: [www.salliemae.com/howamericapays](http://www.salliemae.com/howamericapays).

# Legal notice

The information contained in this presentation is not comprehensive, is subject to constant change, and therefore should serve only as general, background information for further investigation and study related to the subject matter and the specific factual circumstances being considered or evaluated. Nothing in this presentation constitutes or is designed to constitute legal advice.

For school use only. Not to be distributed to students.  
(MKT12909 09/2017)

**QUESTIONS?**