New America | Education Policy Program

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Policy Brief
The Student Debt Review

Analyzing the State of Undergraduate Student Borrowing

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Photo Credit
The front cover photo shows graduates at the University of Denver Commerncement Ceremony in 2011. It is used under a Creative Commons Attribution NonCommercial ShareAlike 2.0 license, which is available here: http://creativecommons.org/licenses/by-nc-sa/2.0/. The photo was originally posted on the University of Denver Flickr page at http://www.flickr.com/photos/uofdenver/5804360653/.

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The Big Picture

$29,400 is a lot of money. Forty percent of working-age adults earn less than that in a year.[1] It is nearly 80 percent of the average income for a young adult in the United States.[2] For bachelor's degree graduates who leave college with loan debt, it is also the average tab they can expect to pay back over the next few decades.

The $29,400 figure is from the latest release of the quadrennial National Postsecondary Student Aid Study (NPSAS), a national survey of student financial aid conducted by the U.S. Department of Education.[3] The most recent iteration of the study, which was released in fall 2013, presents a predictably dire picture of college students in the 2011-12 academic year—nearly 70 percent of students who graduated with a bachelor's degree in 2012 took out debt for their education, and those with loans owed $29,400 on average. That represents an increase of nearly 20 percent in real terms over just four years. And it is a record high in both the percentage borrowing and average amount owed.

However, topline numbers only provide a limited snapshot of underlying trends. In reality, students pursuing different types of credentials, and attending different public and private institutions, experience greatly varying levels of debt. Moreover, aggregate debt figures can mask or exaggerate variation at the extremes of the data. For these reasons, we set out to examine the fall 2013 NPSAS release, and compare it to previous NPSAS data, in the pages that follow.

Our In-Depth Review of NPSAS Data

In order to remain consistent throughout the report, we consider the borrowing and debt levels of a particular type of student: individuals who either self-reported, or showed based upon institutional records, that they had graduated, or were expecting to graduate, with a certificate, associate degree, or bachelor's degree, in a given NPSAS survey year. These students are refered to as "completers." We did not review the debt levels of dropouts, which is a very real concern, but best tracked through a different set of Department data.[4] Debt amounts include the cumulative amount of both federal and private student loans borrowed. All debt levels are presented in real 2012 dollar amounts. Further background information is included on page 12.

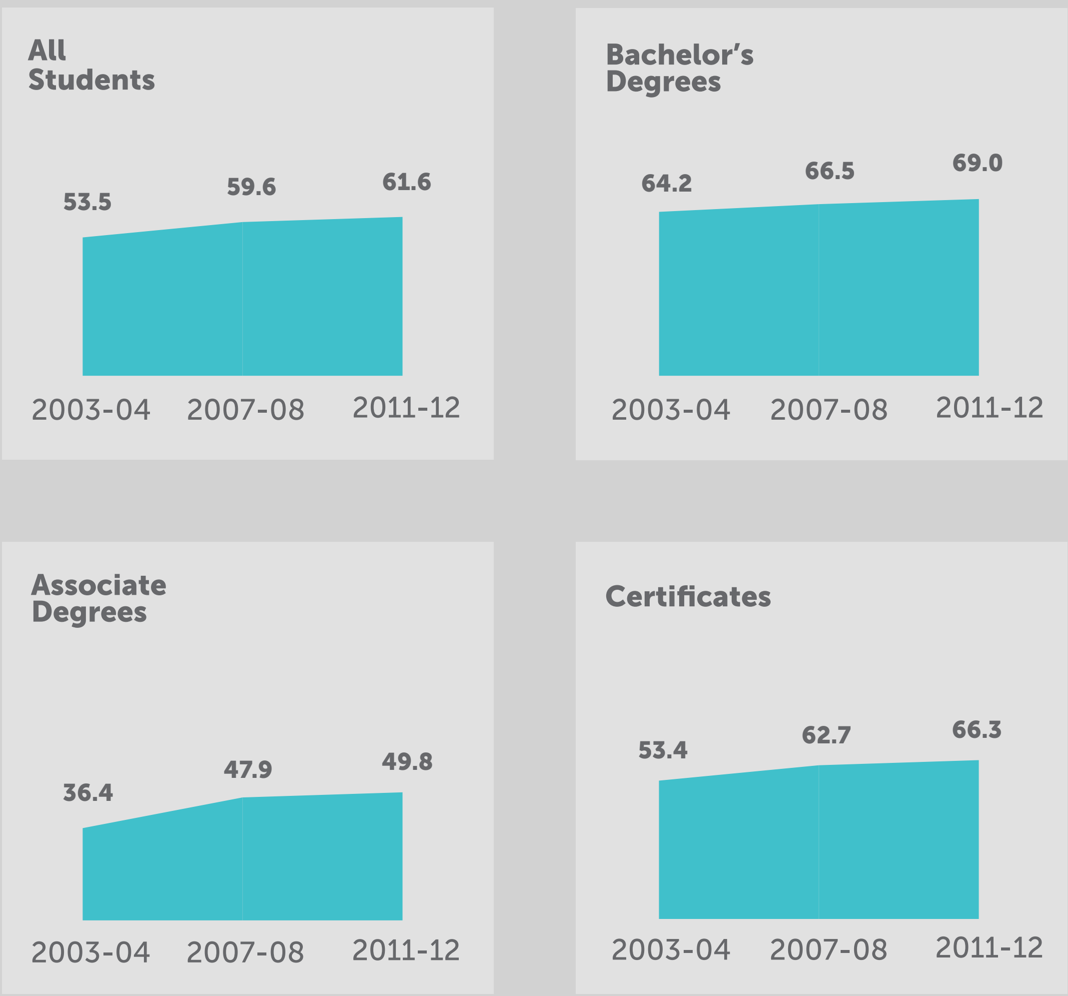
Our analysis found that even in real terms, the average indebted graduate left school owing more than their peers did four and eight years earlier. That is true regardless of the type of credential earned or school attended. But significant variations show up in borrowing amounts depending on the type of school a student attended and what credential they attained. The debt situation is worst for bachelor's degree graduates (although this group borrows the most money anyway because of longer programs of study), while associate degree earners saw much smaller increases in debt. Graduates in the top 25 percent or higher of indebtedness saw significant jumps in their debt levels. And although the borrowing rate at for-profit colleges dipped slightly over the past four years - a fact that has been cited as a positive development - the amount of debt for those who do have student loans has increased sharply.

1 Borrowing Rates

Even back in 2003-04, more than half of college completers had to borrow some money to cover costs. Subsequently, however, the percentage of completers borrowing has steadily increased: from 53.5 percent in 2003-04 to 61.6 percent in 2011-12. At the same time, the number of students has grown by about 5 million. Taken together, these trends yield a sizable increase in the annual number of undergraduate students graduating with debt: from approximately 1.6 million in 2003-04, to approximately 2.4 million in 2011-12.[5]

Regardless of the type of credential earned, the borrowing rate for graduates increased steadily over the last decade, as the figure below shows. As a result, nearly 70 percent of bachelor's degree recipients today take out loans. Those with certificates are the next most likely to borrow: two in three graduated with debt in 2011-12, although the increase from 2007-08 was not statistically significant. While students earning associate degrees are the least likely to borrow, half do take out loans - up from one-third in 2003-04.

Percent of Completers Borrowing, by Year



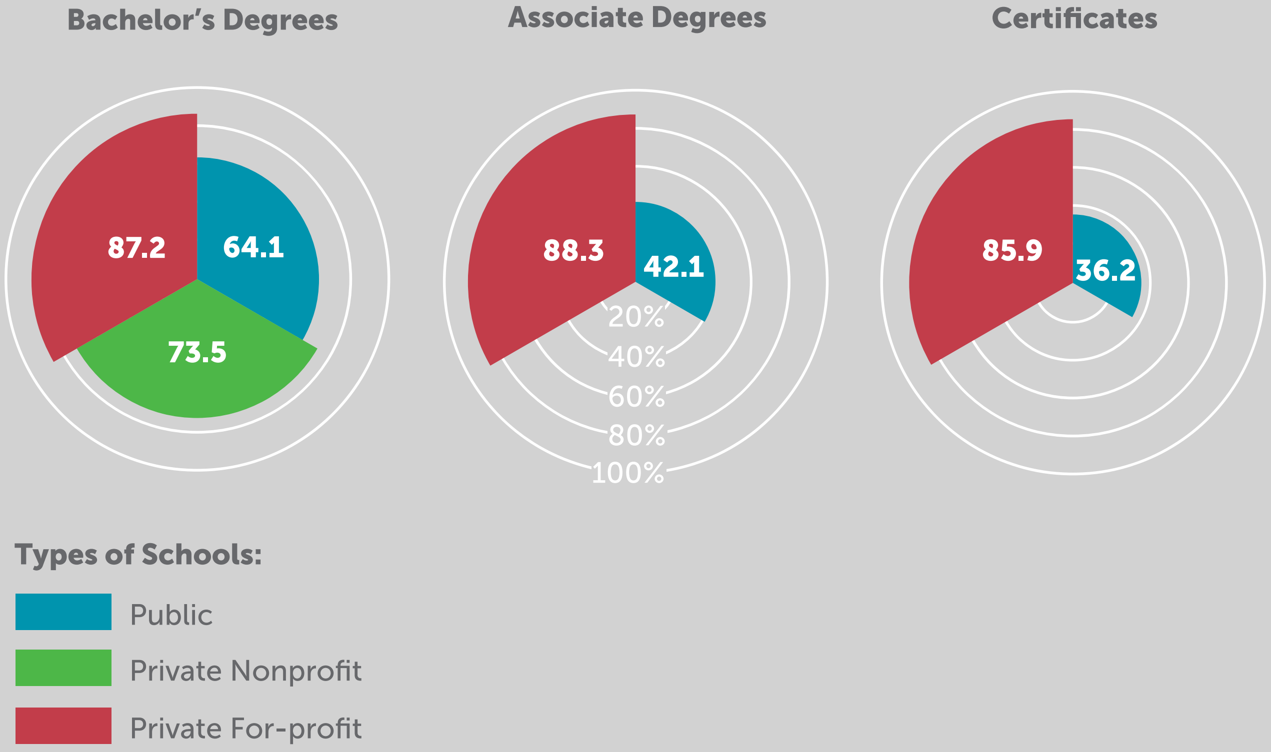
Note: Changes from period to period for all completers, and for bachelor's degree completers, are statistically significant at the p=.05 level. Certificate and associate degree changes from period to period are statistically significant from 2003-04 to 2011-12.

Even with the increase in overall borrowing rates, there is still significant variation depending on the type of school a graduate attended. The figures below delineate the NPSAS survey data by credential and institution type for 2011-12. They show that 42 percent of students earning an associate degree at a (4-year or 2-year) public college borrow. This is less than half the rate of students seeking similar degrees at private for-profit colleges, where nearly nine in ten students graduate with debt.

Bachelor's degree graduates are least likely to borrow if they attended a public college, with 64 percent taking on debt, compared to 74 percent at private nonprofit colleges and 87 percent at private for-profit colleges.

Similar rates of borrowing take place among certificate graduates: 86 percent attending private for-profit colleges take on debt, compared with 36 percent at public institutions.

Percent of 2011-12 Completers Borrowing, by Credential and Institution



2 Borrowing Amounts

Graduating students not only borrowed more frequently over the last decade: they also took on more debt, a trend that has accelerated in recent years. In real terms, between 2003-04 and 2007-08 average debt loads for completers increased marginally (although with statistical significance). However, over the next four year, average debt loads rose by over $3,300 in real terms. This includes a particularly large dollar spike in debt for bachelor's degree borrowers: debt levels were up by over $4,700, or 19 percent, between 2007-08 and 2011-12.

Associate degree completers who borrowed also saw an increase of more than $3,100, or 23 percent, over that same timeframe. This likely indicates that while familial wealth and better economic times in 2007-08 may have helped insulate graduates from borrowing to pay for tuition increases, continued price hikes paired with the economic recession led to substantial amounts of additional indebtedness.

Larger loan balances also translate into greater monthly payments for students. A borrower

Average Cumulative Borrowing by Completers with Debt

In 2012 Dollars

Note: All changes from period to period are statistically signifiacnt. See page 12 for details about monthly payment estimates.

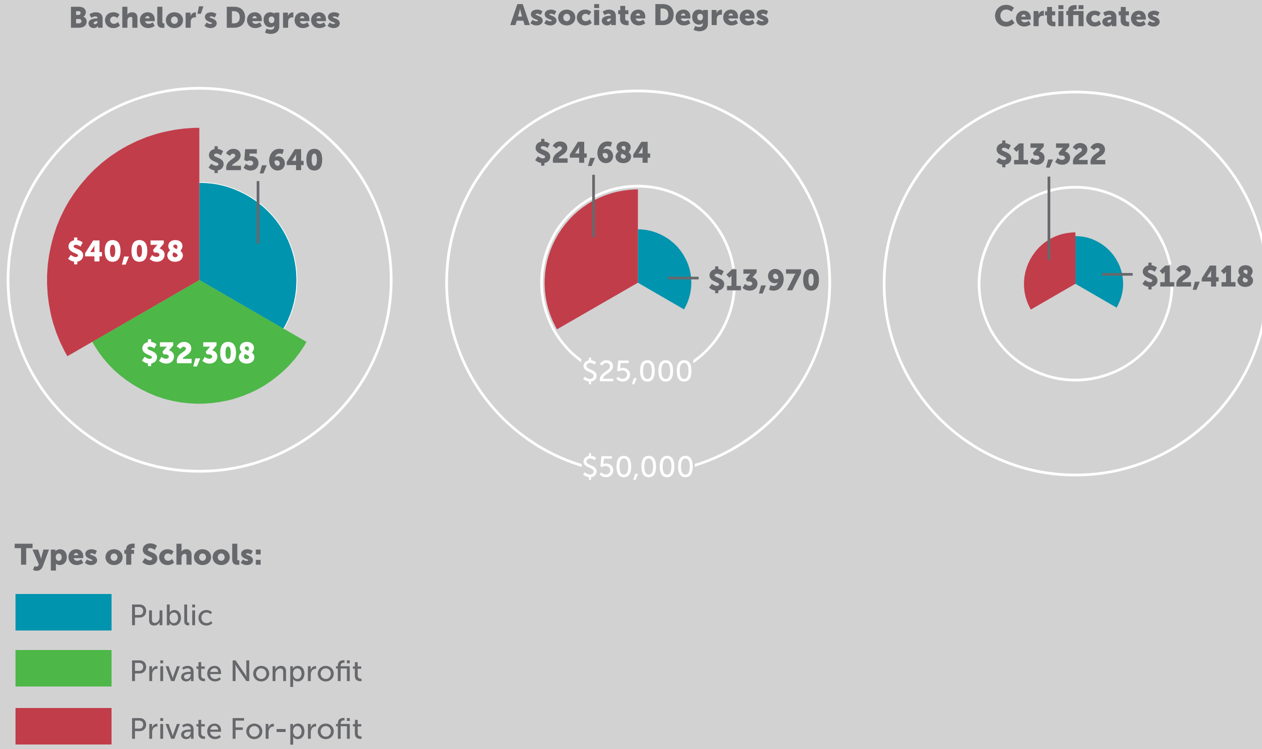
who earned a bachelor's degree in 2011-12 would pay an estimated $79 more a month (about $948 a year) in real dollars than 2003-04 graduates. Completers who borrowed to earn a certificate saw the smallest dollar increase in their monthly payments, but that estimated $46 change represents a nearly 50 percent rise over a period of eight years.

As with borrowing rates, average cumulative loan amounts for completers with debt varies greatly by institution and credential. Bachelor's degree completers with loans from public colleges had average debts of $25,640 in 2011-12 - about $7,000 and $15,000 less than the average borrowing by completers from private nonprofit colleges, and private for-profit colleges, respectively.

Certificates have the least diversity in average borrowing amounts for those with loan debt, ranging from just about $12,000 at public colleges to about $13,200 at private for-profit colleges.

Average 2011-12 Borrowing by Completers with Debt

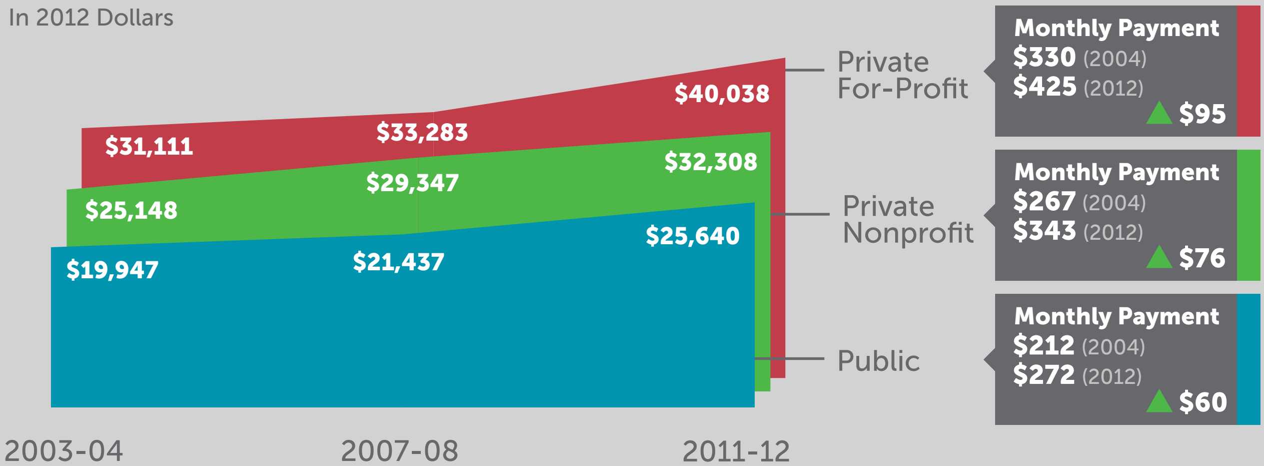
In 2012 Dollars



While the average borrowing amounts for completers with debt has increased across every type of credential and sector, the dollar increase for those at public colleges is lower than it is for completers attending other types of schools. As the figure below shows, 2003-04 indebted bachelor's degree recipients from public colleges took out $5,201 less on average than similar individuals at private nonprofit colleges, and $11,164 less than those at private for-profit colleges. In 2011-12, the gap across sectors among bachelor's degree recipients with debt had grown to $6,668 between public and private nonprofit colleges and $14,398 between public and private for-profit colleges. That these gaps have widened is particularly remarkable given the significant growth in the debt of public college graduates during this time period: completers earning a bachelor's degree at public institutions held $5,693, or 29 percent, more debt in 2011-12 than their peers graduating from public colleges in 2003-04.

Average Borrowing by Bachelor's Degree Completers with Debt, by Year and Institution

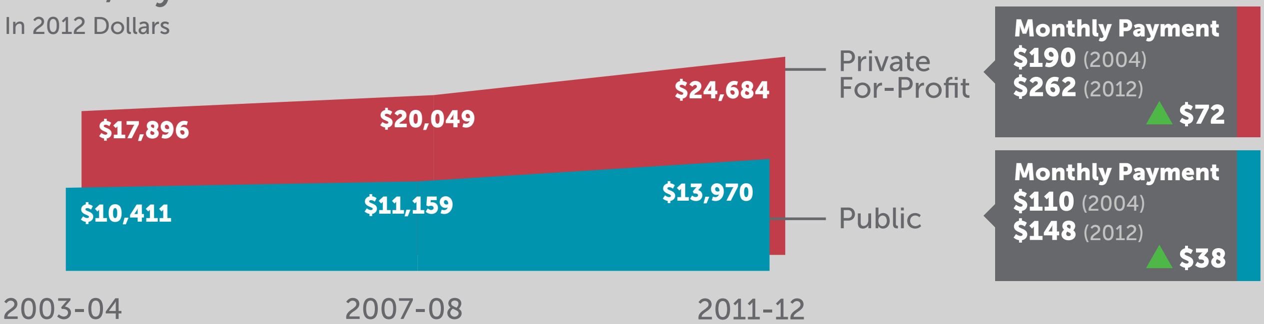
In 2012 Dollars



Note: All changes from period to period for public and nonprofit figures are statistically significant at the p=.05 level. Only the change from 2007-08 to 2011-12 for for-profits is statistically significant.

Average Borrowing by Associate Degree Completers with Debt, by Year and Institution

In 2012 Dollars



Note: Only changes from 2007-8 to 2011-12, and 2003-04 to 2011-12, are statistically significant at the p=.05 level.
See page 12 for details about monthly payment estimates.

3 At the Extremes

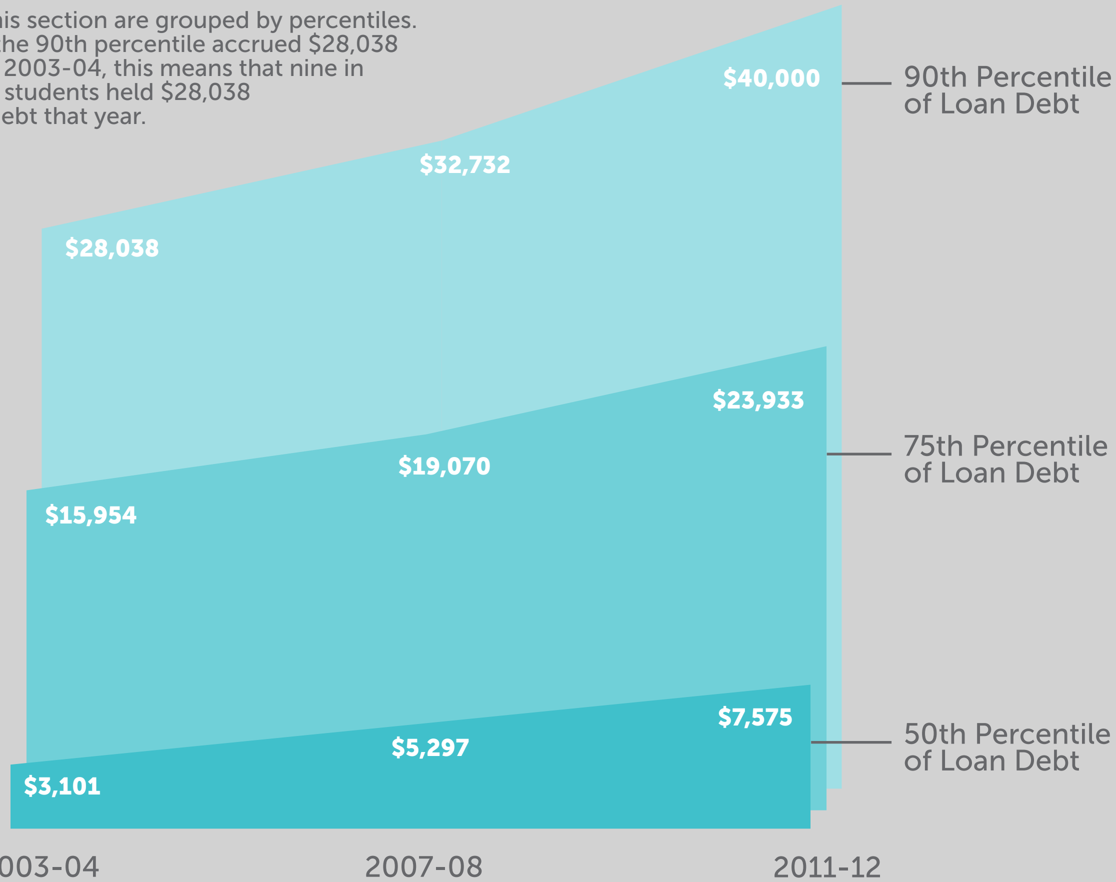
Average debt figures present a single-point snapshot of loan levels, but students experience a range of indebtedness. Knowing more about the distribution of student debt could help show how much of the issue is driven by borrowers at the extremes, who pull up average figures, and how much it is an across-the-board issue. It also presents a way to take into account the experiences of all students, not just the subset that borrows. Accordingly, data presented in this section include all completers, regardless of whether they borrowed. (This is also why the median loan debt in many cases is lower than earlier figures.)

The figure below shows median student debt - i.e. debt at the 50th percentile - has more than doubled in real terms from 2003-04 to 2011-12. Meanwhile, a 2011-12 graduate in the 90th percentile of loan debt borrowed nearly $12,000 more in real terms than a graduate at the same percentile in 2003-04. At the 75th percentile, the increase is closer to $8,000.

Average Amount Completers (with and without debt) Borrowed by Percentile of Loan Debt, by Year

In 2012 Dollars

Note: Data in this section are grouped by percentiles. If graduates at the 90th percentile accrued $28,038 in loan debts in 2003-04, this means that nine in ten completing students held $28,038 or less in loan debt that year.



Note: All changes from period to period are statistically significant at the p=.05 level.

Borrowing trends also vary significantly by credential type, as set out felow in figures A, B, and C. Median debt for bachelor's degree graduates increased by more than $6,700 from 2003-04 to 2011-12. A quarter of bachelor's degree graduates now owe $31,700 or more. The 90th percentile of debt for a bachelor's degree graduate jumped by more than $7,300 over four years and is up over $13,500 since 2003-04.

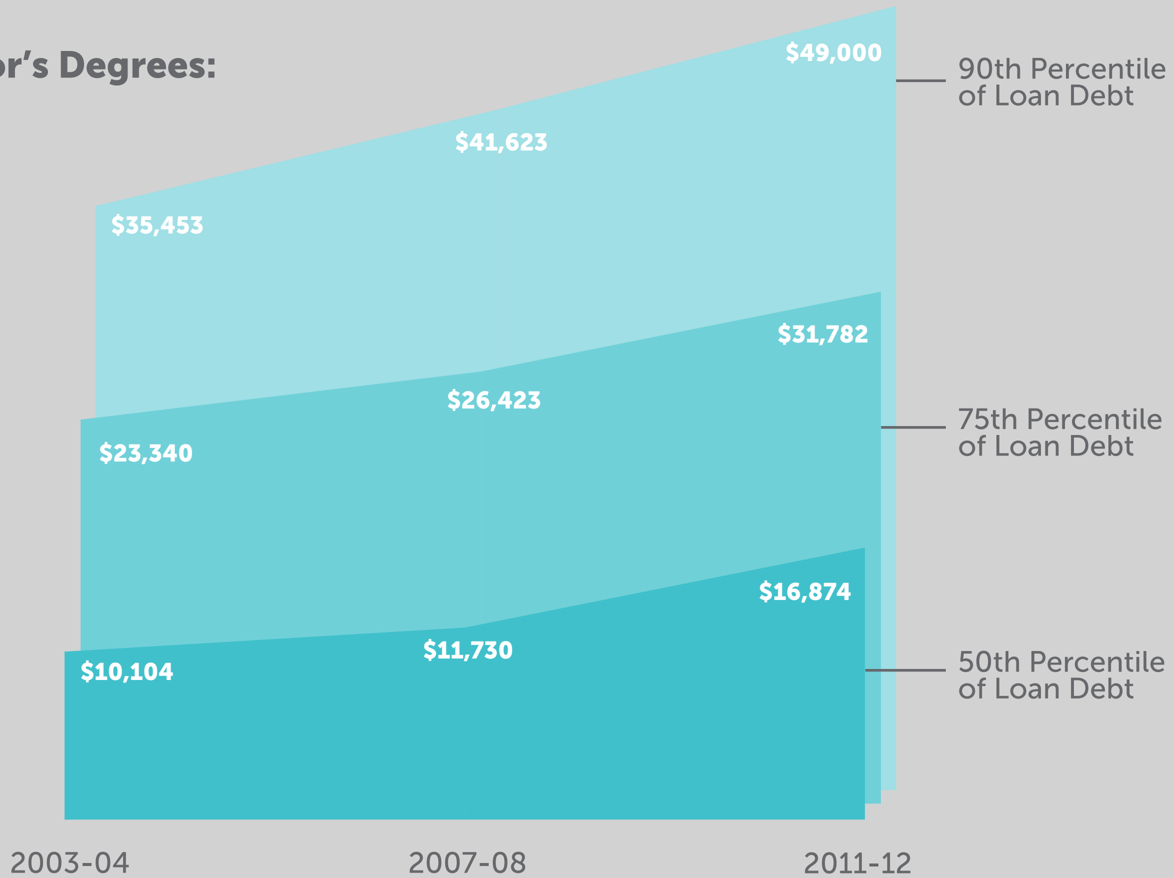
On a more positive note, attending a community college is supposed to be an affordable option for students, and with a consistent median debt of $0, it appears to be staying that way for most enrollees.

Pages 10-11 set out percentile debt figures by degree and institution type. Especially noteworthy are disparities in borrowing between public and private for-profit colleges: for instance, while the 75th percentile debt level for associate degree completers at public colleges has more than doubled since 2003-04, it nevertheless remains less than half of the *median* debt level for students earning similar credentials from private for-profit institutions. The results are very similar for students completing certificate programs, where even the 75th percentile debt level at

Average Amount Completers (with and without debt) Borrowed By Credential, Percentile of Loan Debt, and Year

In 2012 Dollars

Figure A **Bachelor's Degrees:**



public institutions is quite low. On the other hand, while certificate completers at private for-profit institutions still leave with more debt than their peers at public institutions, the amount borrowed has not grown nearly as much in dollar terms as it has for graduates with other types of credentials.

Given the variation in borrowing patterns by type of credential and institution attended, a diverse range of factors appear to drive increases in borrowing. For students earning associate degrees and certificates, the flat median debt levels for students at public colleges suggest that increases in average debt could be driven by more students borrowing to attend private for-profit colleges. The picture for bachelor's degree completers seems to be different: the median debt level for students completing that credential increased at all types of institutions, suggesting that the growth in average debt levels could be a result of more students taking out larger amounts of debt. In that situation, efforts to reduce or check growth in debt should cast a broader focus on borrowing than similar efforts for associate degree or certificate completers.

Figure B
Associate Degrees:

(Note: 50th percentile of loan debt is $0.)

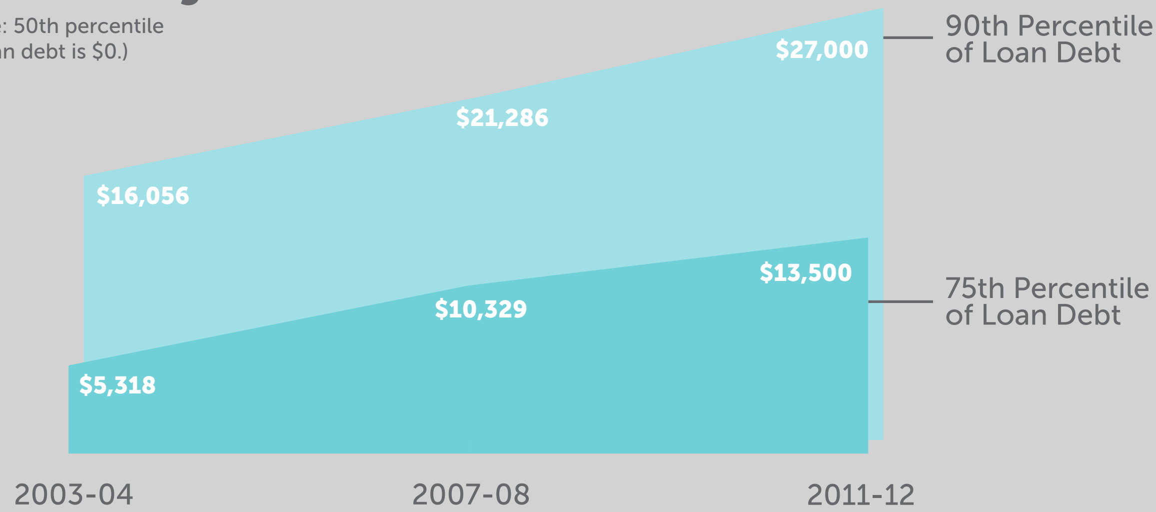
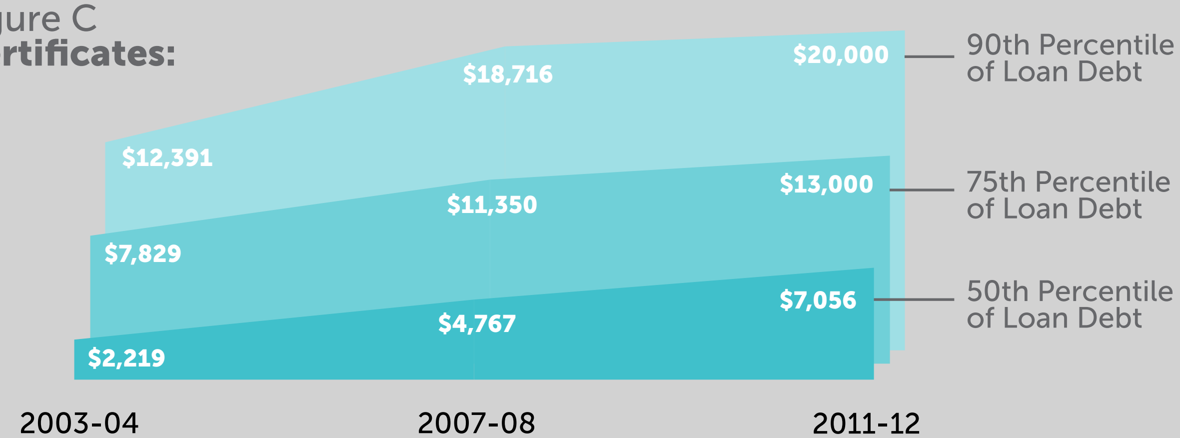


Figure C
Certificates:

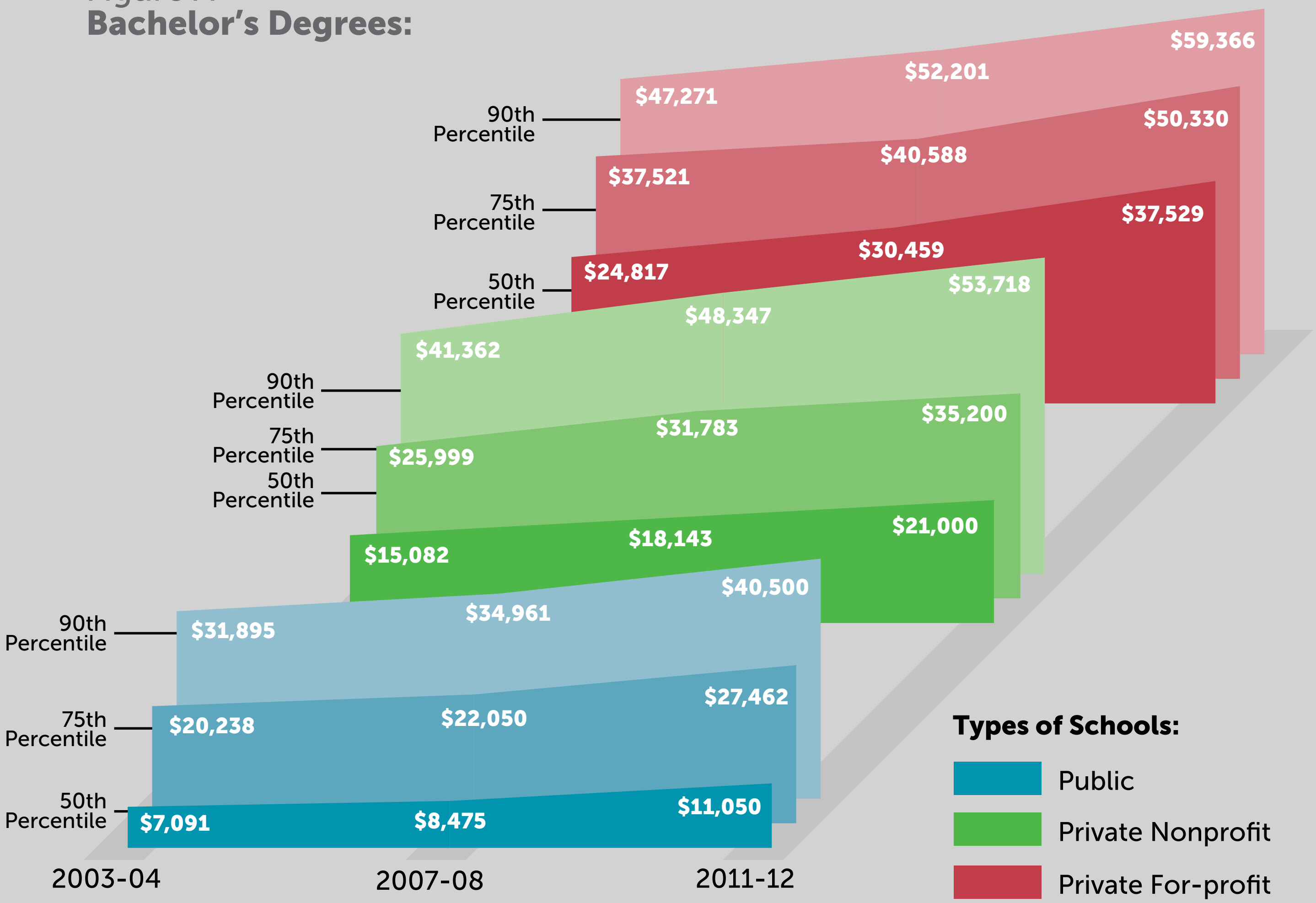


Note: All figures are statistically significant at the p=.05 level except for period to period changes in loan indebtedness for certificate completers at the 90th percentile.

Average Borrowing by Completers (with and without debt) by Degree, Institution Type, and Percentile of Loan Debt

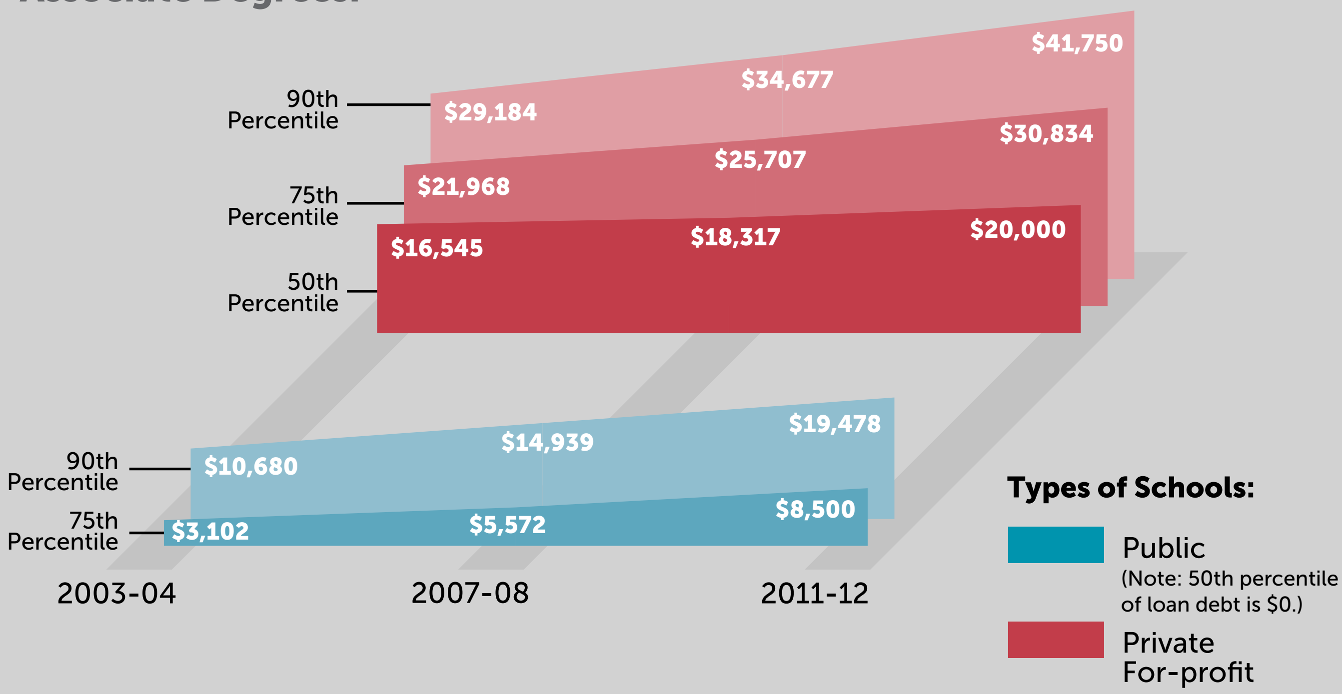
In 2012 Dollars

Figure A
Bachelor's Degrees:



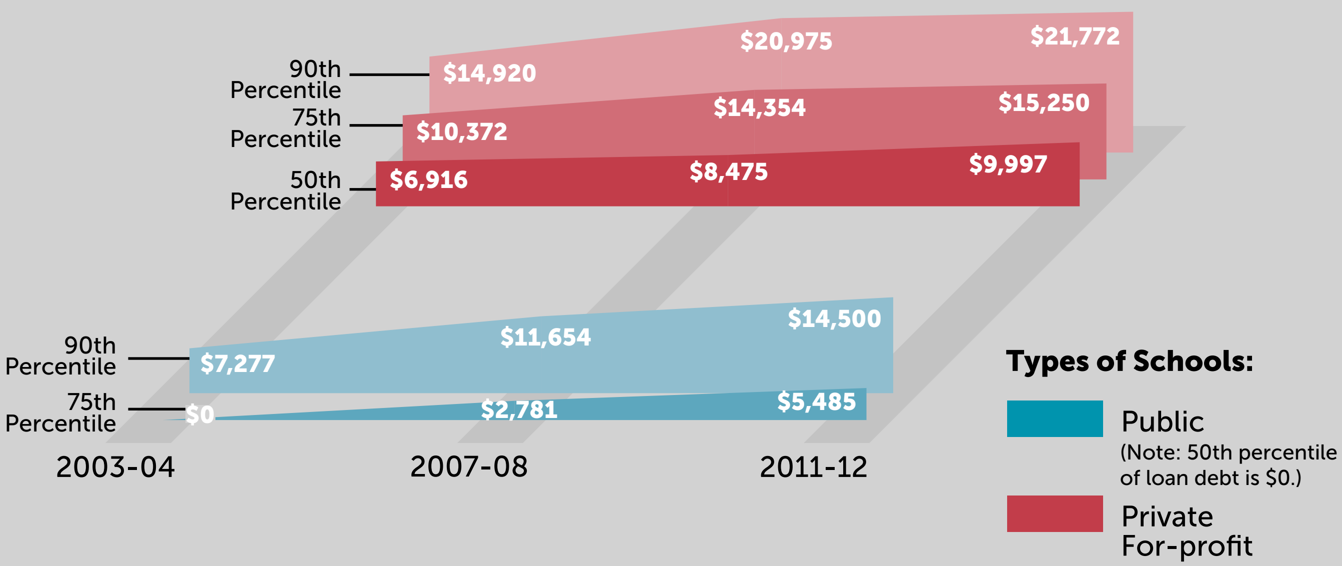
Note: All changes from period to period are statistically significant at the p=0.5 with the following exceptions: (1) For public institutions, the period from 03-04 to 07-08 for 90th percentile debt. (2) At private nonprofit institutions, the period from 2007-08 to 2011-12 for 90th percentile debt. (3) At private for-profit colleges, the period from 03-04 to 07-08 for both 75th and 90th percentile debt.

Figure B
Associate Degrees:



Note: All changes from period to period for public institutions are statistically significant at the p=0.5 from period to period. Most of the figures from period to period at for-profit institutions are not statistically significant. The exceptions are 75th and 90th percentile debt from 2007-08 to 2011-12 and 2003-04 to 2011-12.

Figure C
Certificates:



Note: At public institutions, the changes from period to period at the 75th percentile are all statistically significant at the p=0.5 level, but the 90th percentile figure for 2011-12 has a high standard error and none of those figures are statistically significant from period to period. At private for-profit colleges, changes from 2007-08 to 2011-12 are not statistically significant for 75th and 90th percentile data, but all other figures are statistically signficiant.

Summary

Student debt is not a new concern. But it is a complex story, the details of which vary greatly depending on the type of college a student attends, and the credential they earn. Using the last four quadrennial NPSAS surveys, this report examines how different students, pursuing different credentials, experience debt differently. It shows gradual, across-the-board growth in student debts across different institutions and credentials between 2003-04 and 2007-08, and much faster increases in borrowing between 2007-08 and 2011-12. It also finds, in that time period, that the number of undergraduate students with debt increased from 1.6 million to 2.4 million, and that the typical bachelor's degree completer with student debts now pays approximately $79 more every month in repayments. Finally, it shows especially rapid rises in student debt at private for-profit colleges: bachelor's degree graduates at these institutions, for instance, now pay $95 more each month than their peers in 2003-04, and $153 more than students earning the same credential at public colleges.

About the Figures in this Report

All figures presented in this report come from the National Postsecondary Student Aid Study (NPSAS). This is a quadrennial sample of all undergraduate students conducted by the National Center for Education Statistics (NCES), which is part of the Department of Education's independent research arm, the Institute of Education Sciences. These data represent a national sample of about 95,000 undergraduates. Data presented in this report are from the 2003-04, 2007-08, and 2011-12 NPSAS administrations.

This report focuses only on students that earned a certificate, associate degree, or bachelor's degree in the NPSAS administration year. Whether a student completed is not verified by transcript data. Instead, it is based upon either self-reported information or sometimes institutional records indicating that the student already has or is expected to earn a credential in the NPSAS administration year. As a result, it is possible that students may say they are going to graduate but in fact not end up doing so or that a student ends up graduating who did not indicate that they would. The rate at which actual completion status differs from the reported status is not known. When NCES attempted to check the completion status of reported bachelor's degree graduates from the 2007-08 NPSAS it found that 83.6 percent of those who said they graduated had done so, 5.9 percent had not, and 10.5 percent did not have any transcript data to verify the accuracy of their claim. None of the estimates have been adjusted to account for possible differences in reported versus actual completion.[6]

All loan amount figures in this report are reported in real 2012 dollars, and represent the cumulative amount borrowed in federal and private loans for undegraduate education.

Figures are adjusted for inflation using the Personal Consumption Expenditures Price Index. Tests for statistical significance were conducted using the one-tail t-Test Tool available on PowerStats, a free online resource for data analysis hosted by NCES data. Standard errors for loan amounts were also adjusted for inflation prior to running the t-test.

Instead of breaking figures down by sector of college, this report uses an institution's control and type of credential earned. This formulation avoids problems with institutions that may be identified as a four-year institution but primarily grant associate degrees.

Monthly payment estimates assume borrowers are on the standard 10-year repayment plan with a fixed annual interest rate of 5 percent.

Notes

[1] Figures are for adults between the ages of 25 and 64 and come from "Selected Characteristics of People 15 Years Old and Over By Total Money Income in 2012, Work Experience in 2012, Race, Hispanic Origin, and Sex," Current Population Survey, 2013 Annual Social and Economic Supplement, U.S. Census Bureau, http://www.census.gov/hhes/www/cpstables/032013/perinc/pinc01_1_1_1.xls .

[2] Young adults are defined as individuals between the ages of 25 and 34. Ibid.

[3] "National Postsecondary Student Aid Study," Institute for Education Sciences, U.S. Department of Education, http://nces.ed.gov/surveys/npsas/ (accessed January 23, 2014).

[4] The Beginning Postsecondary Students Study, which is also administered by the National Center for Education Statistics tracks starting college students for at least six years after entry, which makes it easier to see what happened to students who dropped out.

[5] "Total 12-month enrollment in degree-granting institutions, by control of institution and state or jurisdiction: Selected years, 2004-05 through 2010-11," Digest of Education Statistics, Table 257, U.S. Department of Education, 2012, http://nces.ed.gov/programs/digest/d12/tables/dt12_257.asp.

[6] See Table 5 in "2008/09 Baccalaureate and Beyond Longitudinal Study Full-Scale Methodology Report," Institute for Education Sciences, U.S. Department of Education, http://nces.ed.gov/pubs2014/2014041.pdf, Page 12.

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