HOW AMERICA PAYS FOR COLLEGE 2014
Sallie Mae’s National Study of College Students and Parents

Conducted by Ipsos Public Affairs

Alternate Text Files are available upon request; please contact Erick Jones at erick.jones@ung.edu or call 706-867-3308.

APRIL 2015
Study Objective

► Determine how American families are paying for college
  – Trend over time behaviors and attitudes related to the purchase and value of higher education

Methodology

► Seventh annual survey and report
► Quantitative telephone interviews conducted April-May 2014
  – 800 undergraduates enrolled AY 2013-14, ages 18-24
  – 801 parents of undergraduates
► Composite of how the ‘typical’ family pays for college is a mathematical representation created in 2008 and applied consistently each year.
  – The composite illustrates the proportion of funding by category that pays for all college costs across all families.
Media coverage

“Families Borrow Less for College”

“Changes in How America Pays for College”

“Americans borrow less than 25 percent of college costs in 2013 - study”

“Report: Americans borrowing less to pay for college”

“Families say ‘no’ to expensive colleges”

“Parents and Students Borrow Less for College”

“Families borrowing less for college, report finds”

“Families are finding alternatives to student loans”

“Know Before the Bell: Wall Street Jitters and Millennials’ Spending Habits”

“Students and parents borrowing less to pay for college”

“The Changes In How Americans Pay For College”

“Kids getting smarter about college saving”

“4 Steps to Make College More Affordable”

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Family Attitudes Related to College Value and Cost
College is an investment

- Belief in the value of college is unwavering
- Families continue to make choices to control their costs
- Families are not ‘sharing’ responsibility for payment as much they think they should
Values and attitudes toward attending college

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Agree</th>
<th>Somewhat Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attend for Exp Despite Earnings</td>
<td>35%</td>
<td>24%</td>
</tr>
<tr>
<td>Degree Important Now</td>
<td>66%</td>
<td>18%</td>
</tr>
<tr>
<td>Investment in Future</td>
<td>84%</td>
<td>14%</td>
</tr>
<tr>
<td>Rather Than Borrow Not Go</td>
<td>52%</td>
<td>28%</td>
</tr>
<tr>
<td>Willing to Stretch Financially</td>
<td>56%</td>
<td>30%</td>
</tr>
<tr>
<td>American Dream</td>
<td>46%</td>
<td>37%</td>
</tr>
<tr>
<td>Expected in Family</td>
<td>43%</td>
<td>23%</td>
</tr>
<tr>
<td>Earn More Money</td>
<td>60%</td>
<td>28%</td>
</tr>
<tr>
<td>Needed for Occupation</td>
<td>69%</td>
<td>18%</td>
</tr>
<tr>
<td>Consider not Attend Due to Cost</td>
<td>20%</td>
<td>11%</td>
</tr>
<tr>
<td>Plan to Pay for All Years</td>
<td>20%</td>
<td>18%</td>
</tr>
<tr>
<td>Contingency Plan</td>
<td>22%</td>
<td>18%</td>
</tr>
</tbody>
</table>

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Average annual amount paid for college, by school type, over time

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>4-yr private</th>
<th>4-yr public</th>
<th>2-yr public</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007-2008</td>
<td>$30,930</td>
<td>$38,651</td>
<td>$17,200</td>
<td>$6,510</td>
</tr>
<tr>
<td>2008-2009</td>
<td>$34,855</td>
<td>$46,208</td>
<td>$19,432</td>
<td>$7,661</td>
</tr>
<tr>
<td>2009-2010</td>
<td>$39,434</td>
<td>$41,545</td>
<td>$24,097</td>
<td>$9,989</td>
</tr>
<tr>
<td>2010-2011</td>
<td>$34,532</td>
<td>$34,532</td>
<td>$21,889</td>
<td>$11,963</td>
</tr>
<tr>
<td>2011-2012</td>
<td>$39,434</td>
<td>$41,545</td>
<td>$20,902</td>
<td>$10,053</td>
</tr>
<tr>
<td>2012-2013</td>
<td>$34,855</td>
<td>$34,855</td>
<td>$21,178</td>
<td>$10,668</td>
</tr>
<tr>
<td>2013-2014</td>
<td>$34,855</td>
<td>$46,208</td>
<td>$20,882</td>
<td>$11,012</td>
</tr>
</tbody>
</table>
Enrollment by school type, over time

- **4-Year Public**
  - 2010: 52%
  - 2011: 46%
  - 2012: 45%
  - 2013: 46%
  - 2014: 41%

- **4-Year Private**
  - 2010: 21%
  - 2011: 22%
  - 2012: 23%
  - 2013: 22%
  - 2014: 22%

- **2-Year Public**
  - 2010: 4%
  - 2011: 4%
  - 2012: 3%
  - 2013: 2%
  - 2014: 3%

- **2-Year Private/other**
  - 2010: 0%
  - 2011: 10%
  - 2012: 20%
  - 2013: 30%
  - 2014: 34%
Cost-saving choices

- 68% eliminated colleges due to cost at some point during the selection process
- 77% attend college in their home state
  - 61% chose a school close to home to reduce transportation costs
  - 54% live at home
  - Of those not living at home, 41% added a roommate
- 28% have accelerated their course work
- 66% of students reduced their personal spending
Shared responsibility: what families say, and what they do

Who should be responsible for paying for college?

- Student only: 20%
- Parent only: 11%
- Gov't/Other: 9%
- Student/parent shared: 60%

Who paid this year?

- Student only: 31%
- Parent only: 31%
- Student/parent shared: 38%

*includes gov’t/other financial aid
Parent Economic Worries, 2014 vs 2010

- Funds Will Deplete Before College Completion±: 16% (2014), 16% (2010)
- Income Will Decrease Due to Job Loss*: 23% (2014), 33% (2010)
- Schools Will Raise Tuition: 29% (2014), 49% (2010)
- Student Won’t Find Summer Job: 13% (2014), 27% (2010)
- Loan Rates Will Increase: 27% (2014), 38% (2010)
- Value of Savings Will Be Lower: 15% (2014), 33% (2010)
How Families Paid for College
Trends in funding

- Parent out-of-pocket contributions paid a larger share of cost this year
  - Savings and income increased after three years of declines
- Majority of families seek financial aid
- Borrowing decreased this year
How the typical family pays for college, funding source share

- Student Borrowing 15%
- Parent Borrowing 7%
- Parent Income & Savings 30%
- Grants & Scholarships 31%
- Relatives & Friends 4%
- Student Income & Savings 12%

*Numbers are rounded*
How the typical family pays for college, year-over-year

Funding Source Share

- **AY 2009-2010**
  - Grants & Scholarships: 23%
  - Parent Income & Savings: 37%
  - 46%

- **AY 2010-2011**
  - Grants & Scholarships: 33%
  - Parent Income & Savings: 30%
  - Relative & Friends: 11%
  - 41%

- **AY 2011-2012**
  - Grants & Scholarships: 29%
  - Parent Income & Savings: 28%
  - Relative & Friends: 12%
  - Student Income & Savings: 4%
  - 40%

- **AY 2012-2013**
  - Grants & Scholarships: 30%
  - Parent Income & Savings: 27%
  - Relative & Friends: 11%
  - Student Income & Savings: 5%
  - 38%

- **AY 2013-2014**
  - Grants & Scholarships: 31%
  - Parent Income & Savings: 30%
  - Relative & Friends: 12%
  - Student Income & Savings: 4%
  - 42%

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How the typical family pays for college, year-over-year

Average Amounts

<table>
<thead>
<tr>
<th>Year</th>
<th>Grants &amp; Scholarships</th>
<th>Relatives &amp; Friends</th>
<th>Parent Income &amp; Savings</th>
<th>Parent Borrowing</th>
<th>Student Income &amp; Savings</th>
<th>Student Borrowing</th>
</tr>
</thead>
<tbody>
<tr>
<td>AY 2009-2010</td>
<td>$5,692</td>
<td>$5,692</td>
<td>$7,124</td>
<td>$5,692</td>
<td>$7,124</td>
<td>$5,692</td>
</tr>
<tr>
<td>AY 2010-2011</td>
<td>$2,392</td>
<td>$956</td>
<td>$2,555</td>
<td>$2,392</td>
<td>$956</td>
<td>$2,392</td>
</tr>
<tr>
<td>AY 2011-2012</td>
<td>$2,189</td>
<td>$1,573</td>
<td>$5,955</td>
<td>$2,189</td>
<td>$1,573</td>
<td>$5,955</td>
</tr>
<tr>
<td>AY 2012-2013</td>
<td>$2,092</td>
<td>$1,832</td>
<td>$5,727</td>
<td>$2,092</td>
<td>$1,832</td>
<td>$5,727</td>
</tr>
<tr>
<td>AY 2013-2014</td>
<td>$2,082</td>
<td>$1,505</td>
<td>$6,288</td>
<td>$2,082</td>
<td>$1,505</td>
<td>$6,288</td>
</tr>
</tbody>
</table>

AY 2009-2010: $24,097
AY 2010-2011: $21,889
AY 2011-2012: $20,902
AY 2012-2013: $21,178
AY 2013-2014: $20,882
How the typical family pays for college, by school type

Average Amounts

<table>
<thead>
<tr>
<th>School Type</th>
<th>AY 2012-2013</th>
<th>AY 2013-2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>2-Year Public</td>
<td>$10,668</td>
<td>$11,012</td>
</tr>
<tr>
<td>4-Year Public</td>
<td>$19,796</td>
<td>$21,072</td>
</tr>
<tr>
<td>2-Year Private</td>
<td>$1,573</td>
<td>$2,310</td>
</tr>
<tr>
<td>4-Year Private</td>
<td>$3,792</td>
<td>$8,502</td>
</tr>
</tbody>
</table>

Funding Source Share

<table>
<thead>
<tr>
<th>School Type</th>
<th>AY 2012-2013</th>
<th>AY 2013-2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>2-Year Public</td>
<td>15%</td>
<td>19%</td>
</tr>
<tr>
<td>4-Year Public</td>
<td>16%</td>
<td>16%</td>
</tr>
<tr>
<td>2-Year Private</td>
<td>16%</td>
<td>13%</td>
</tr>
<tr>
<td>4-Year Private</td>
<td>15%</td>
<td>9%</td>
</tr>
</tbody>
</table>
Role of financial aid

► 21% of families reported using only out-of-pocket funds this year (parents, students, relatives)—no borrowing and no scholarships or grants

► 81% of families filed a FAFSA
  – Freshmen: 84%
  – Among those who did not file a FAFSA, 15% report applying for some type of financial aid

► 66% of families reported using some type of grant or scholarship
  – 80% report receiving something from school
  – 75% report receiving something from a non-profit
  – 61% report receiving something from the state
Frequency of use of each source type, year-over-year
Proportion of families where the student borrowed AY2013-14

- Student loans: 29%
- Federal only: 22%
- Both federal & private loans: 6%
- Private only: 1%
- No student loan in 2013-14: 71%
Attitudinal Personas
Values and attitudes toward attending college

- Attend for Expected Earnings: 35%, 24%
- Degree More Important Now: 66%, 18%
- Investment in Future: 84%, 14%
- Rather Than Borrow: 52%, 28%
- Willing to Stretch Financially: 56%, 30%
- American Dream: 46%, 37%
- Expected in Family: 43%, 23%
- Earn More Money: 60%, 28%
- Needed for Occupation: 69%, 18%
- Consider not Attending Due to Cost: 20%, 11%
- Plan to Pay for All Years: 18%, 18%
- Contingency Plan: 22%
The persona analysis revealed correlations between:

- The value placed on college and how prepared families are to pay for it
- Willingness to stretch financially and school choice
- Preparedness and spending amount
Paying-for-college personas

- American Dreamers: 28%
- Procrastinators: 26%
- Determineds: 28%
- Reluctant Borrowers: 18%
How the typical family pays for college, by persona type

Average Amounts

<table>
<thead>
<tr>
<th>Persona Type</th>
<th>Average Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procrastinators</td>
<td>$18,283</td>
</tr>
<tr>
<td>American Dreamers</td>
<td>$19,520</td>
</tr>
<tr>
<td>Reluctant Borrowers</td>
<td>$19,998</td>
</tr>
<tr>
<td>Determineds</td>
<td>$25,247</td>
</tr>
</tbody>
</table>

Funding Source Share

- **Student Borrowing**
  - Procrastinators: 20%
  - American Dreamers: 21%
  - Reluctant Borrowers: 16%
  - Determineds: 6%

- **Parent Borrowing**
  - Procrastinators: 6%
  - American Dreamers: 8%
  - Reluctant Borrowers: 7%
  - Determineds: 8%

- **Parent Income & Savings**
  - Procrastinators: 15%
  - American Dreamers: 19%
  - Reluctant Borrowers: 33%
  - Determineds: 47%

- **Student Income & Savings**
  - Procrastinators: 3%
  - American Dreamers: 14%
  - Reluctant Borrowers: 13%
  - Determineds: 9%

- **Relatives & Friends**
  - Procrastinators: 41%
  - American Dreamers: 36%
  - Reluctant Borrowers: 5%
  - Determineds: 5%

- **Grants & Scholarships**
  - Procrastinators: 10%
  - American Dreamers: 26%
  - Reluctant Borrowers: 24%
  - Determineds: 24%

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Procrastinators

- Most likely to have considered not attending college at all due to cost
- Low degree of planning
- Strong disagreement with ‘college expected in our family’
- Less likely to be high-income
- Parents less likely to contribute
- Students rely more heavily on self-contributions, borrowing and other financial aid
- Most likely to enroll in 2-year public college (42%)
- Spend the least
American Dreamers

- Emotional and aspirational values drive decision to attend
- More likely to be low-income, Hispanic and first-in-family
- Strong agreement with ‘willing to stretch financially’
- Less likely to enroll in 2-year publics (29%)
- Rely on federal loans, work-study and grants
- Spend more than Procrastinators, about the same as Reluctant Borrowers
Characteristics of personas (3)

- Reluctant Borrowers
  - Believe in the value of higher education
  - Less willing to finance cost through borrowing
    - Less willing to ‘stretch’ financially
    - Borrow less than Procrastinators and American Dreamers while spending more
  - Less likely to be middle-income
  - Have a plan to pay, and a contingency plan
  - Higher than average enrollment in 2-year public colleges (40%)
Characteristics of personas (4)

- **Determineds**
  - Advocates for higher education
  - Willing to take any necessary steps to ensure student takes advantage of higher education opportunities
    - Not attending due to cost is not a consideration
  - More likely to be high-income
  - They have a plan to pay
  - They are most likely to be enrolled in 4-year colleges and least likely to be enrolled in 2-year publics (28%)
  - They spend the most—25% more than other families—on college
Regional Differences
Key differences in behavior by region of the country

► **Northeast**
  – More likely to plan
  – Spend the most
  – Highest rate of parents contributing to pay college costs

► **South**
  – Lowest 4-yr private college enrollment
  – Highest usage rate of scholarships/grants
  – Highest proportion of first-in-family

► **Midwest**
  – Highest rate of FAFSA filing
  – Students most likely to contribute to their own education both through borrowing *and* out-of-pocket

► **West**
  – Lowest rate of parent contributions
  – Lowest overall spending
  – Highest rate of enrollment in 2-yr public colleges
Planning attitudes and behaviors differ by region

Planning, by Region

- Always planned to borrow (among borrowers)
  - West: 30%
  - Midwest: 30%
  - South: 30%
  - Northeast: 30%

- Used college savings plan
  - West: 12%
  - Midwest: 14%
  - South: 25%
  - Northeast: 32%

- My family has a contingency plan to pay for college in case unexpected events (such as parent job loss or medical emergency) occur
  - West: 33%
  - Midwest: 40%
  - South: 40%
  - Northeast: 51%

- Before my child/ I enrolled, our family created a plan for paying for all years of college
  - West: 36%
  - Midwest: 34%
  - South: 37%
  - Northeast: 47%
Frequency of use of sources, by region

Parent Income & Savings
Grants & Scholarships
Student Income & Savings
Student Borrowing
Parent Borrowing
Relatives & Friends

Northeast
South
Midwest
West

Frequency of use of sources, by region

0% 10% 20% 30% 40% 50% 60% 70% 80%

Parent Income & Savings
Northeast: 68%
South: 62%
Midwest: 69%
West: 54%

Grants & Scholarships
Northeast: 64%
South: 64%
Midwest: 64%
West: 50%

Student Income & Savings
Northeast: 57%
South: 52%
Midwest: 63%
West: 55%

Student Borrowing
Northeast: 34%
South: 40%
Midwest: 40%
West: 34%

Parent Borrowing
Northeast: 18%
South: 8%
Midwest: 11%
West: 7%

Relatives & Friends
Northeast: 25%
South: 18%
Midwest: 12%
West: 13%
Pronounced regional differences in private college and community college enrollment

Enrollment by school type, by region

Northeast
- 39% 4-Year Public
- 35% 2-Year Public
- 2% 2-Year Private/other

South
- 42% 4-Year Public
- 15% 2-Year Public
- 2% 2-Year Private/other

Midwest
- 40% 4-Year Public
- 27% 2-Year Public
- 3% 2-Year Private/other

West
- 41% 4-Year Public
- 16% 2-Year Public
- 2% 2-Year Private/other
How the typical family pays for college, average amount and share, by region

- **Northeast**
  - $5,430 (4%)
  - $2,564 (12%)
  - $8,895 (34%)
  - $15,706 (15%)

- **South**
  - $5,597 (21%)
  - $2,092 (8%)
  - $7,206 (38%)
  - $23,638 (17%)

- **Midwest**
  - $8,250 (35%)
  - $456 (2%)
  - $3,326 (14%)
  - $21,150 (15%)

- **West**
  - $6,665 (29%)
  - $668 (4%)
  - $3,982 (10%)
  - $19,150 (11%)

- **Total**
  - $5,430 (4%)
  - $2,564 (12%)
  - $8,895 (34%)
  - $15,706 (15%)
  - $5,597 (21%)
  - $2,092 (8%)
  - $7,206 (38%)
  - $23,638 (17%)
  - $8,250 (35%)
  - $456 (2%)
  - $3,326 (14%)
  - $21,150 (15%)
  - $6,665 (29%)
  - $668 (4%)
  - $3,982 (10%)
  - $19,150 (11%)

- **Grants & Scholarships**
  - Northeast: $26,092 (50%)
  - South: $2,017 (33%)
  - Midwest: $456 (10%)
  - West: $668 (12%)

- **Parent Borrowing**
  - Northeast: $17% (15%
  - South: $38% (4%
  - Midwest: $24% (8%)
  - West: $16% (4%

- **Student Income & Savings**
  - Northeast: $34% (34%)
  - South: $10% (11%)
  - Midwest: $14% (2%)
  - West: $4% (4%

- **Parent Income & Savings**
  - Northeast: $12% (12%)
  - South: $4% (4%)
  - Midwest: $8% (8%)
  - West: $4% (4%)

- **Relatives & Friends**
  - Northeast: $2% (2%)
  - South: $3% (3%)
  - Midwest: $2% (2%)
  - West: $4% (4%)

- **Student Borrowing**
  - Northeast: $15% (15%)
  - South: $15% (15%)
  - Midwest: $17% (17%)
  - West: $12% (12%)

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