

# **STUDENT DEBT**

## **MYTHS AND FACTS**

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THE COUNCIL OF  
INDEPENDENT COLLEGES

# *The Issue*

With student loan debt reaching approximately \$1.4 trillion,<sup>1</sup> critics are concerned that student loans may be the next financial bubble to burst. They cite students with loans of more than \$100,000 and ballooning loan default rates. They contend that borrowing for higher education may not be worth the financial risks, especially for students who attend private institutions. Some even argue that students should not incur debt to attend college.

What is the truth? This presentation examines a number of myths about college students' indebtedness and sets the facts straight with the most recent data available.

1. Federal Reserve Bank of New York Consumer Credit Panel/Equifax, *Quarterly Report on Household Debt and Credit*, Q2 2018.

## **MYTH**

Many students owe more than \$100,000 when they graduate.

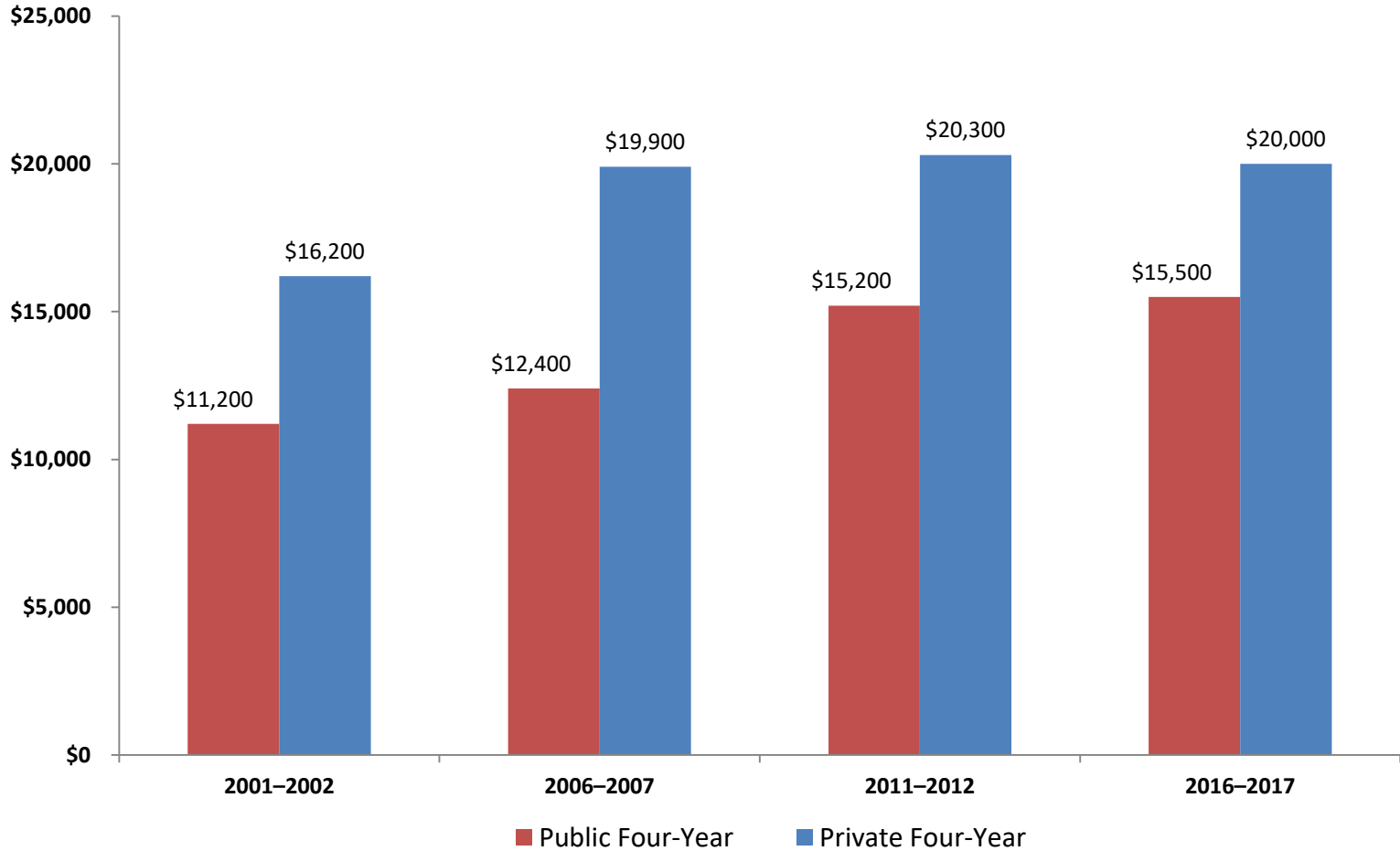
## **FACT**

In 2017, only 5 percent of all borrowers owed \$100,000 or more in student debt.<sup>1</sup> Further, as of March 2018, 40 percent of outstanding student loan debt was held by the 9 percent of borrowers owing more than \$80,000 in student debt.<sup>2</sup>

The average debt level of bachelor's degree recipients at private colleges and universities is \$20,000—less than the price of a modest automobile.<sup>3</sup>

1. Federal Reserve Bank of New York Consumer Credit Panel/Equifax, *2018 Student Loan Update*.
2. The College Board, *Trends in Student Aid 2018*, Figure 11.
3. The College Board, *Trends in Student Aid 2018*, Figure 15.

## Average Total Student Loan Debt per Bachelor's Degree Recipient



Source: The College Board, *Trends in Student Aid 2018*. All totals are expressed in 2017 dollars.

## **MYTH**

High levels of student debt make private colleges unaffordable.

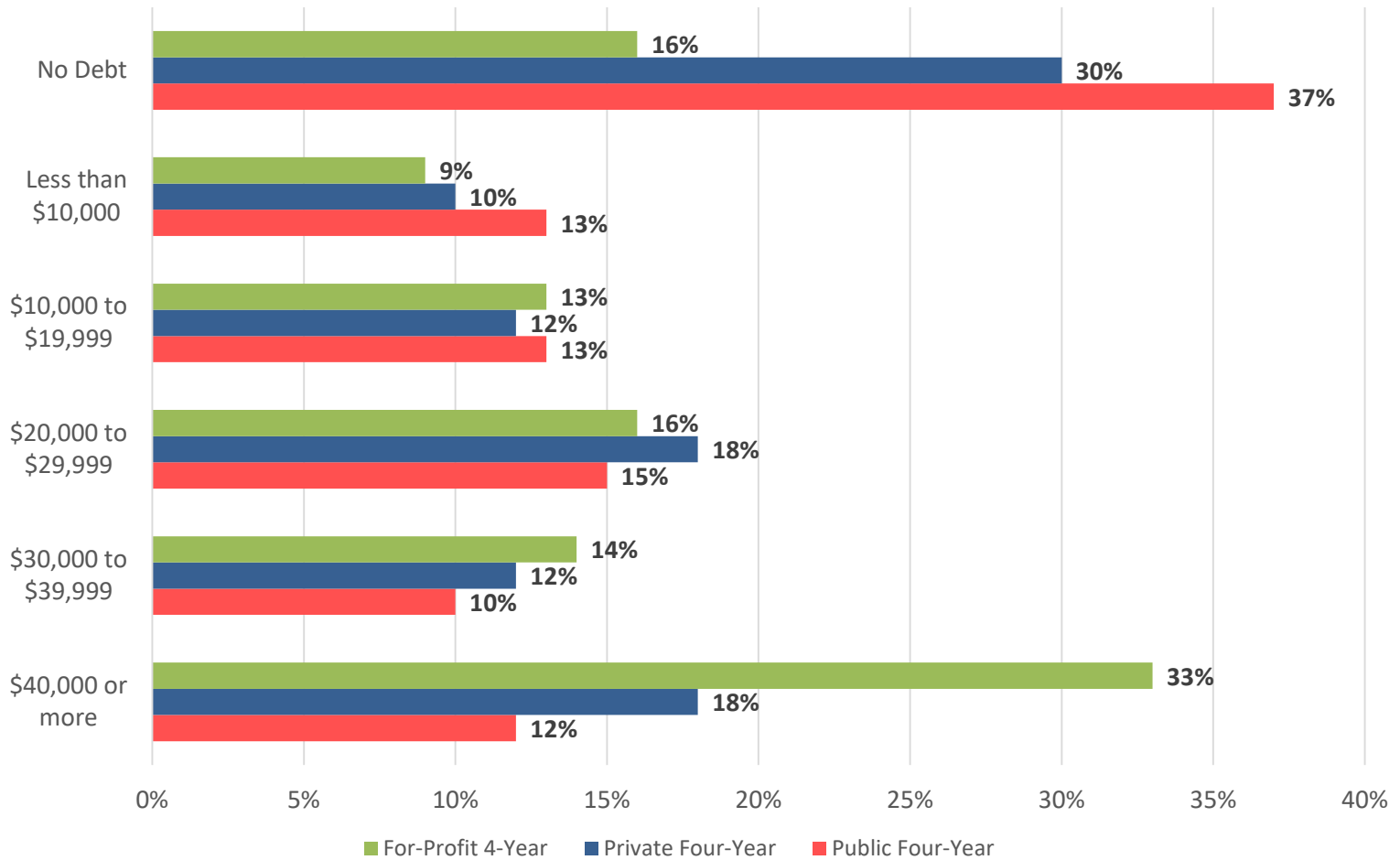
## **FACT**

Nearly three out of ten students who recently graduated with a bachelor's degree from a four-year private college or university had no educational debt.<sup>1</sup>

For those with debt, the difference between the average debt levels for graduates of public versus private institutions is only \$4,500.<sup>2</sup>

1. The College Board, *Trends in Student Aid 2018*, Figure 16 (2015–2016 bachelor's degree graduates).
2. The College Board, *Trends in Student Aid 2018*, Figure 15 (2016–2017 bachelor's degree graduates).

## Distribution of Total Undergraduate Debt, 2015–2016



Source: U.S. Department of Education, National Center for Education Statistics, 2015–16 National Postsecondary Student Aid Study (NPSAS:16). Analysis by the Council of Independent Colleges.

## **MYTH**

The problem with high levels of debt is even worse because students don't pay back their loans.

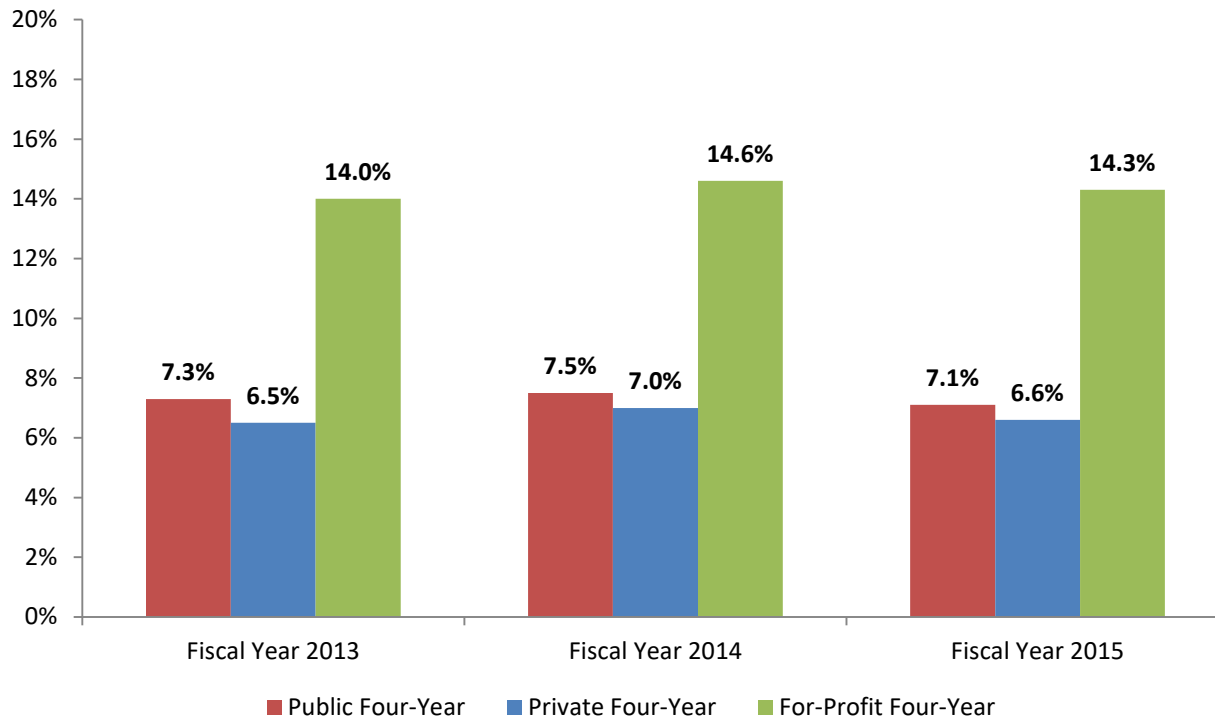
## **FACT**

Students who graduated from private colleges are less likely to default on their student loans than those who attended for-profit and public institutions.

According to the most recent data, only 6.6 percent of private college students defaulted on their loans compared with 14.3 percent of students at for-profit institutions.<sup>1</sup>

1. U.S. Department of Education Office of Federal Student Aid Programs, *Comparison of FY 2015 Official National Cohort Default Rates to Prior Two Official Cohort Default Rates* (Calculated August 18, 2018).

## Three-Year Student Loan Cohort Default Rates (2013–2015)



Source: U.S. Department of Education Office of Federal Student Aid Programs, *Comparison of FY 2015 Official National Cohort Default Rates to Prior Two Official Cohort Default Rates* (Calculated August 18, 2018). Note: Default rates are for four-year institution attendees.



## ***MYTH***

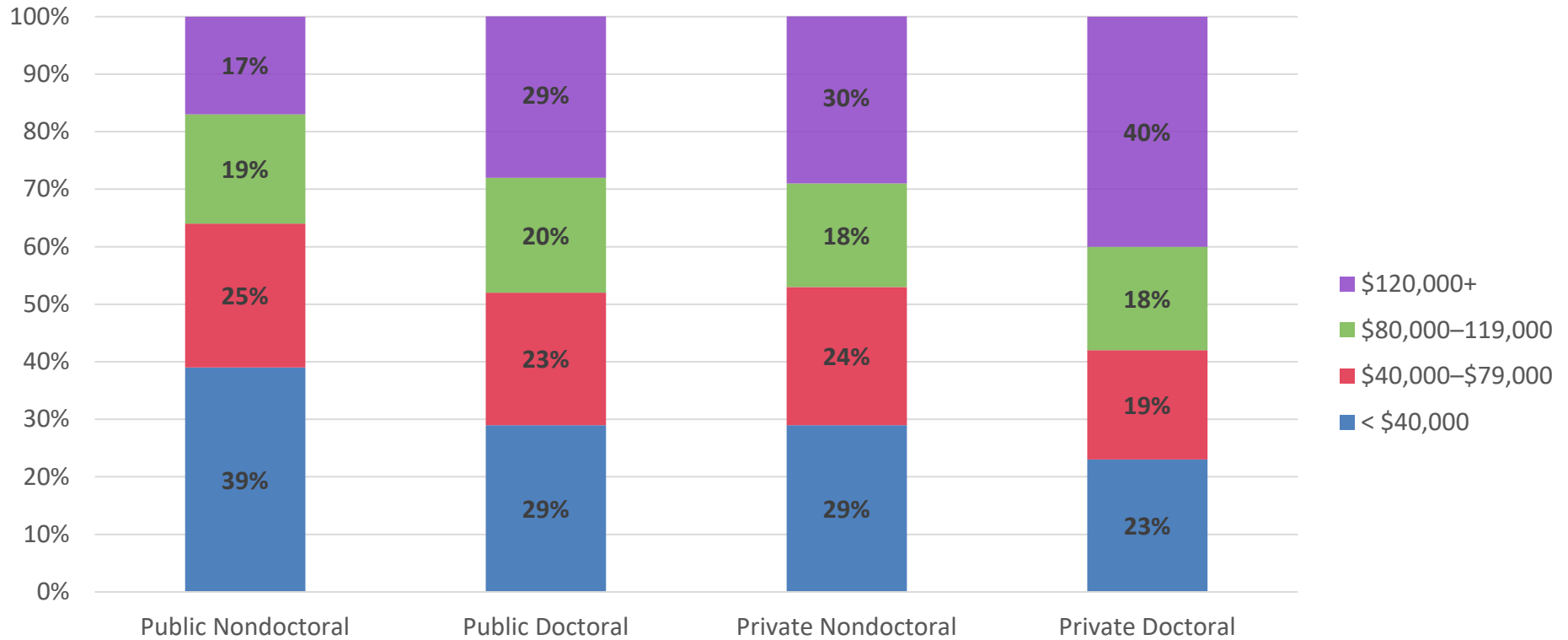
Only wealthy families can afford to send their children to private colleges.

## ***FACT***

Private colleges enroll students of all financial backgrounds. In fact, 29 percent of undergraduates at private nondoctoral institutions are from families whose incomes were less than \$40,000.<sup>1</sup>

1. Source: U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS), 2016. Calculation by the Council of Independent Colleges.

## Student Enrollment by Family Income Level at Four-Year Institutions, 2016



Source: U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS), 2016. Calculation by the Council of Independent Colleges.

## ***MYTH***

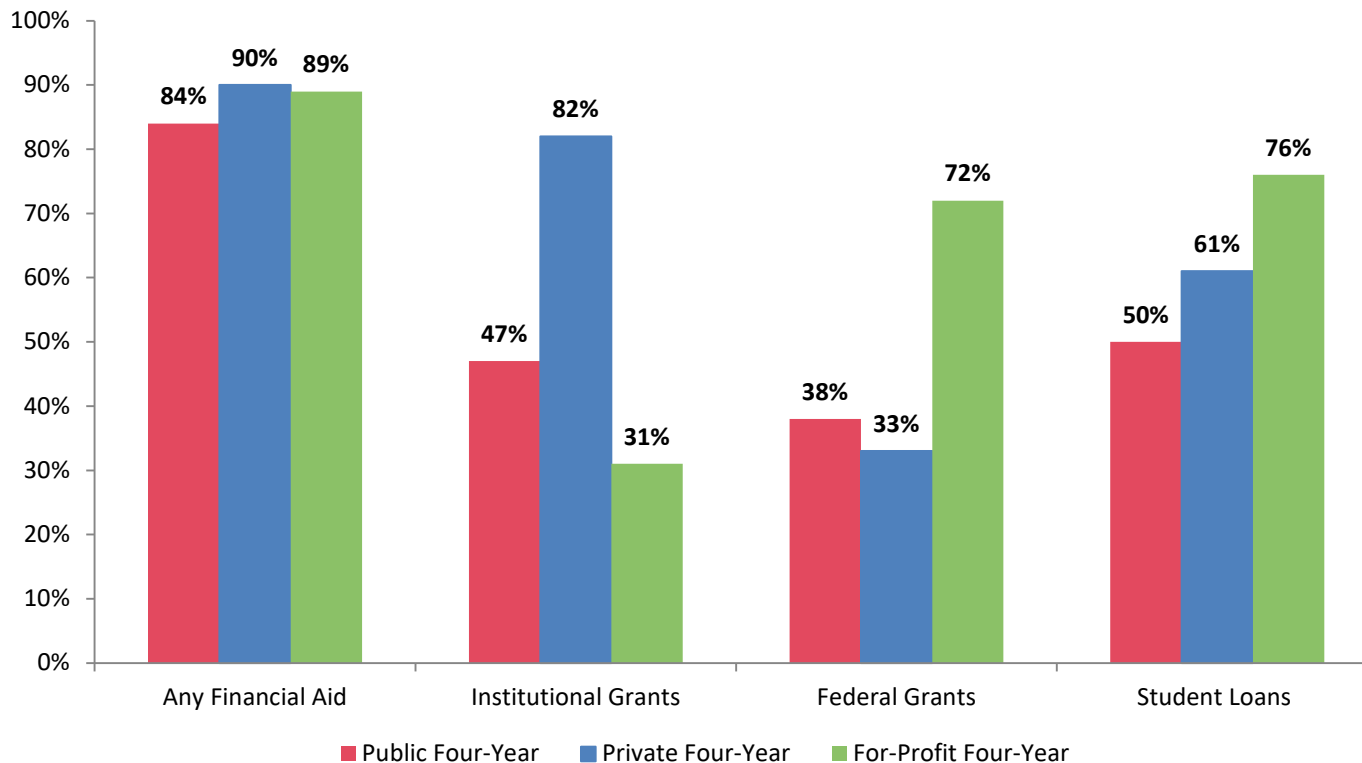
It is very difficult to receive financial aid at private colleges.

## ***FACT***

More of the students enrolled at private colleges receive financial aid than do students at public institutions.

Four out of five students enrolled at private colleges receive scholarships and grants from their college.

## Percentage of Undergraduates Receiving Financial Aid by Sector in 2014–2015



Source: U.S. Department of Education, National Center for Education Statistics, *Digest of Education Statistics 2016*.

Note: Percentages for first-time full-time undergraduates during 2014–2015. Any Financial Aid category includes aid listed as well as state and local grants.

## ***MYTH***

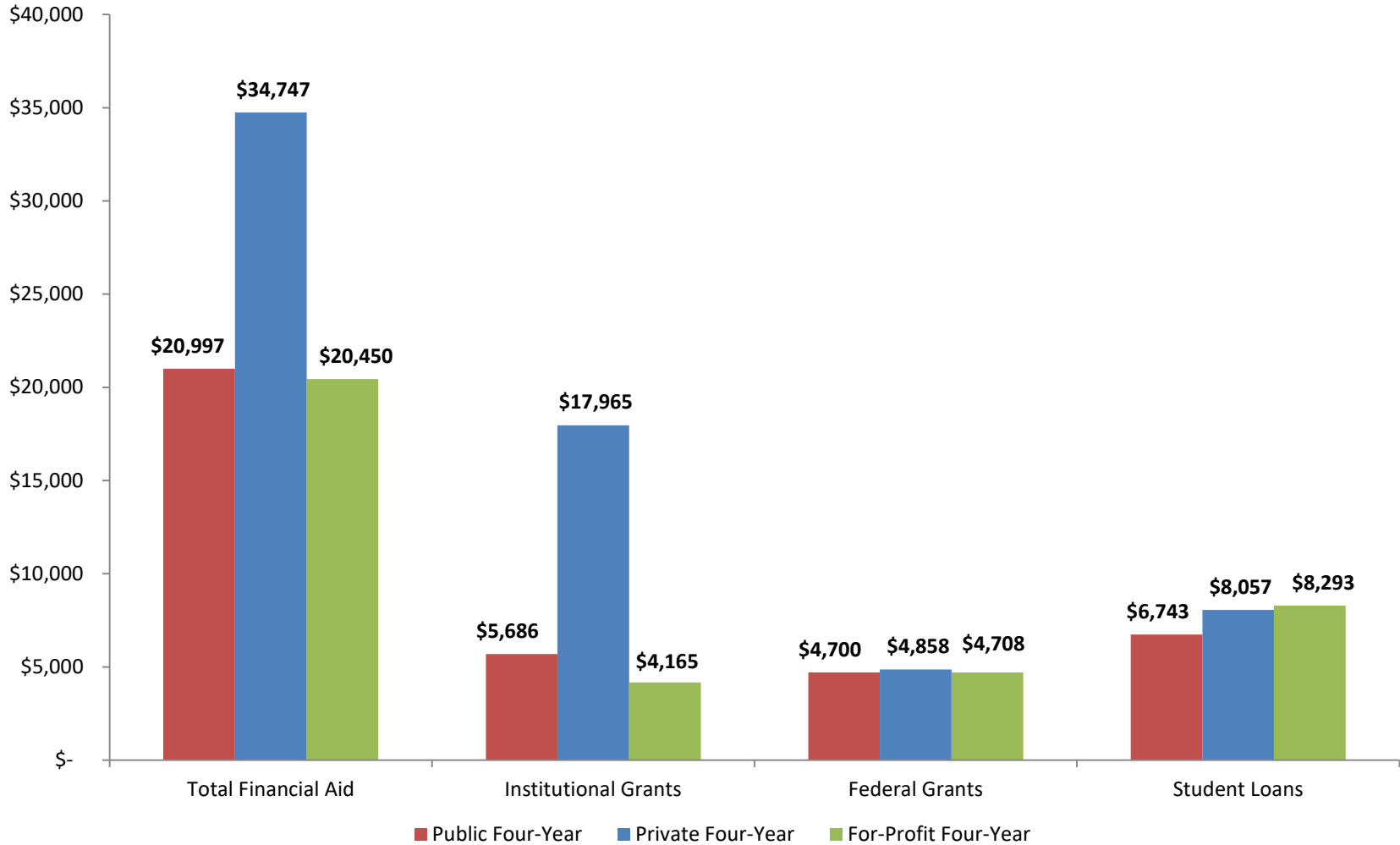
Students at public institutions receive more financial aid than do students at private colleges and universities.

## ***FACT***

Students receive more financial aid at private colleges. They receive over three times the amount of institutional aid compared to students at public institutions (\$17,965 versus \$5,686) and more than four times (\$17,965 versus \$4,165) the amount received by students at for-profit institutions.

Private colleges give students more than seven times as much grant and scholarship aid as does the federal government.

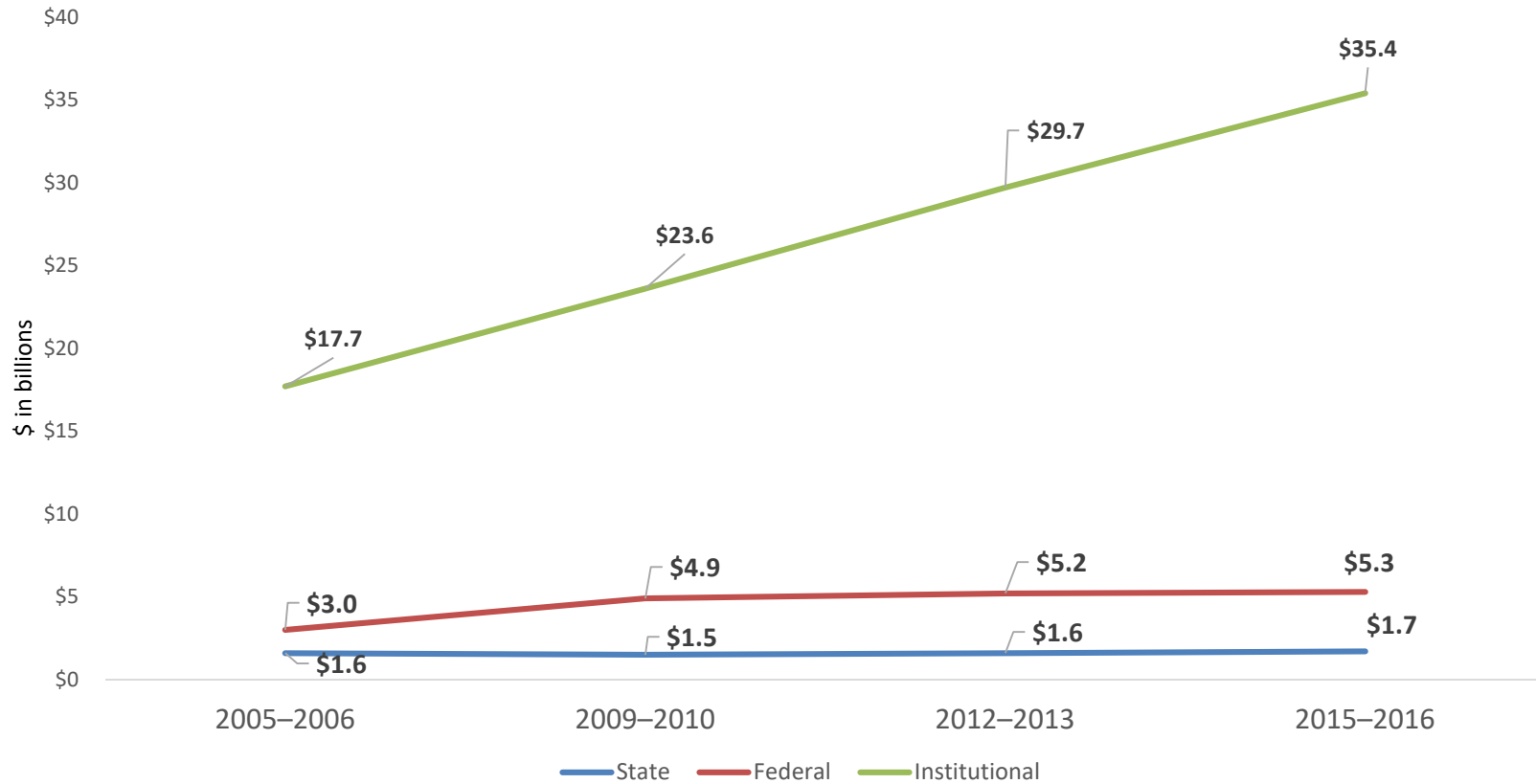
## Average Amount of Financial Aid



Source: U.S. Department of Education, National Center for Education Statistics, *Digest of Education Statistics 2016*, Table 331.20.

Notes: Percentages are for first-time, full-time undergraduates in aid programs during academic year 2013–2014; amounts are in 2015–2016 constant dollars. “Total Financial Aid” category includes aid listed as well as state and local grants. Analysis by the Council of Independent Colleges.

## Independent Colleges Give Students More than Seven Times as Much Aid as Does the Federal Government



Source: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System, Finance component, various years. Data represent grant aid awarded to students at Title IV, degree-granting, U.S. private nonprofit four-year institutions. Analysis by the Council of Independent Colleges.

## ***MYTH***

All students enrolled at private colleges pay the same high tuition (irrespective of family income).

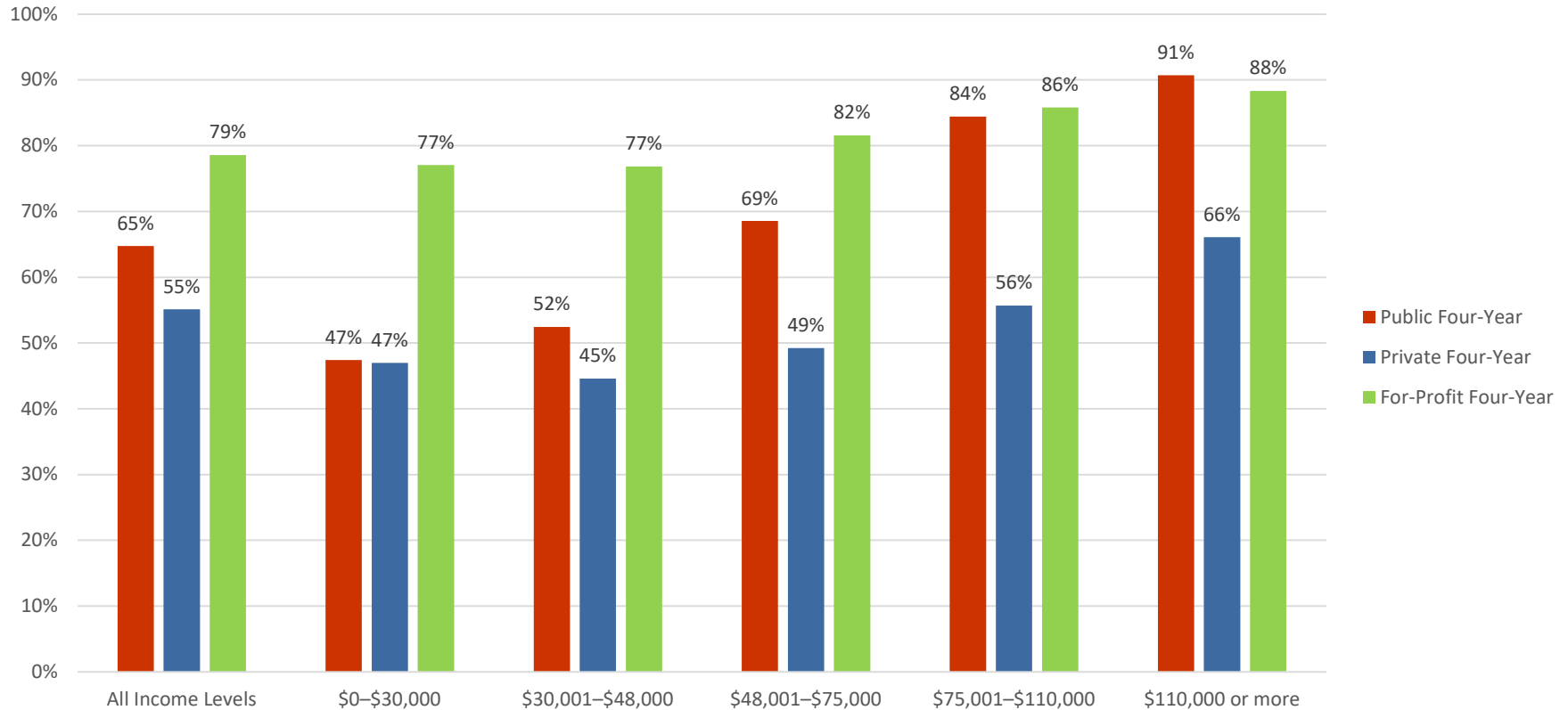
## ***FACT***

On average, the actual amount students pay at private colleges is less than 60 percent of the total cost of tuition.

Students with lower family incomes pay a much lower percentage of the total costs.



## Average Net Price as a Percentage of Total Costs by Family Income



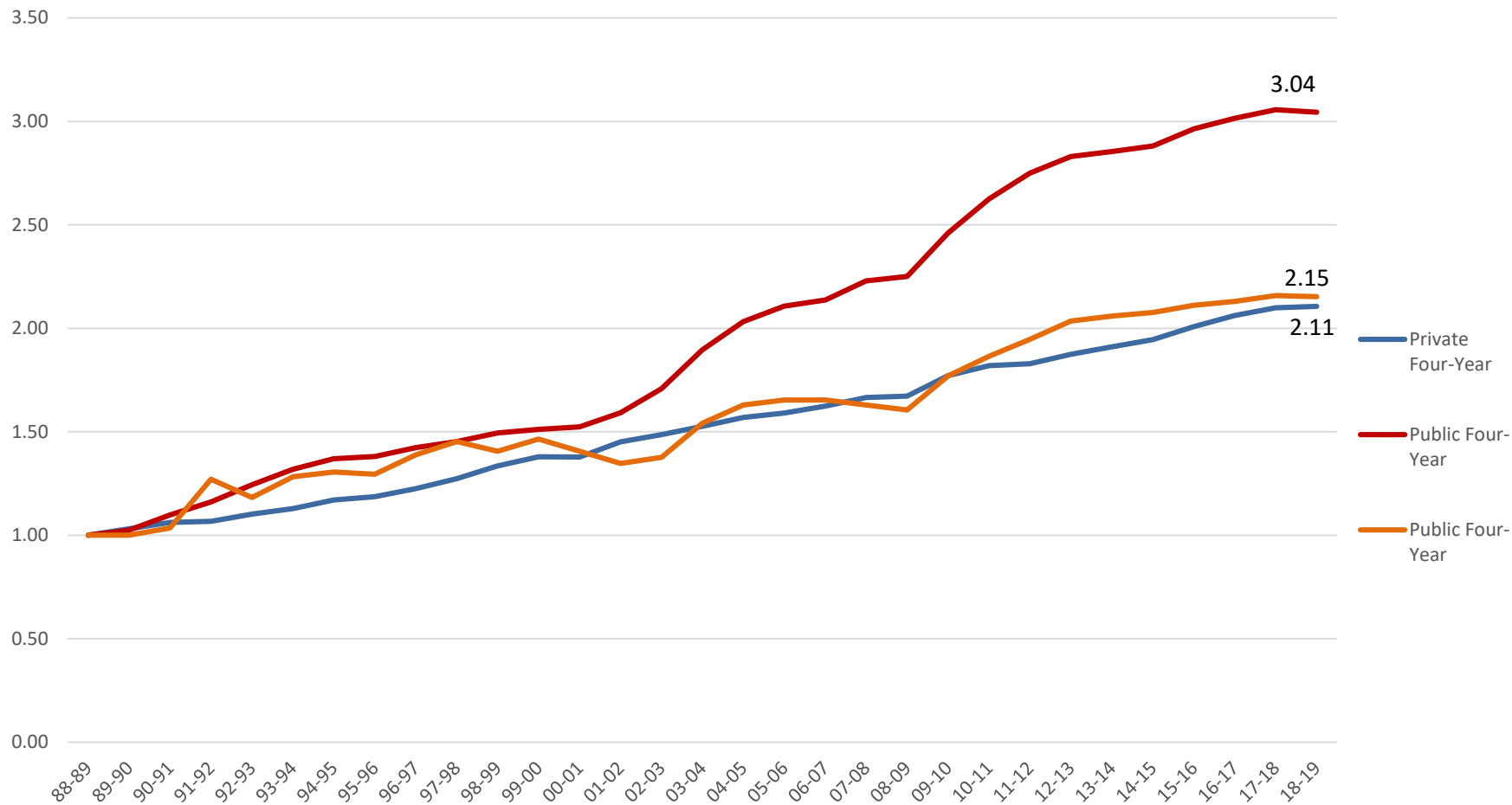
Source: U.S. Department of Education, National Center for Education Statistics, Student Financial Aid, Academic Year 2015–2016; 2016–2017 constant dollars are represented. Note: Aid consists of federal Title IV grants and other federal, state, local, or institutional sources. Analysis by the Council of Independent Colleges.

# ***Other Factors to Consider***

- Over the past ten years, the average yearly increase in tuition and fees at private colleges was 2.3 percent versus 3.1 percent at public institutions.<sup>1</sup>
- The graduation rates at private colleges are higher than those at public and for-profit institutions, even for low-income students.
- Students at private colleges graduate much sooner (about ten months earlier) than do their peers at public institutions and 48 months earlier than students at for-profit institutions— which means fewer years of paying tuition and a quicker start at earning a salary.

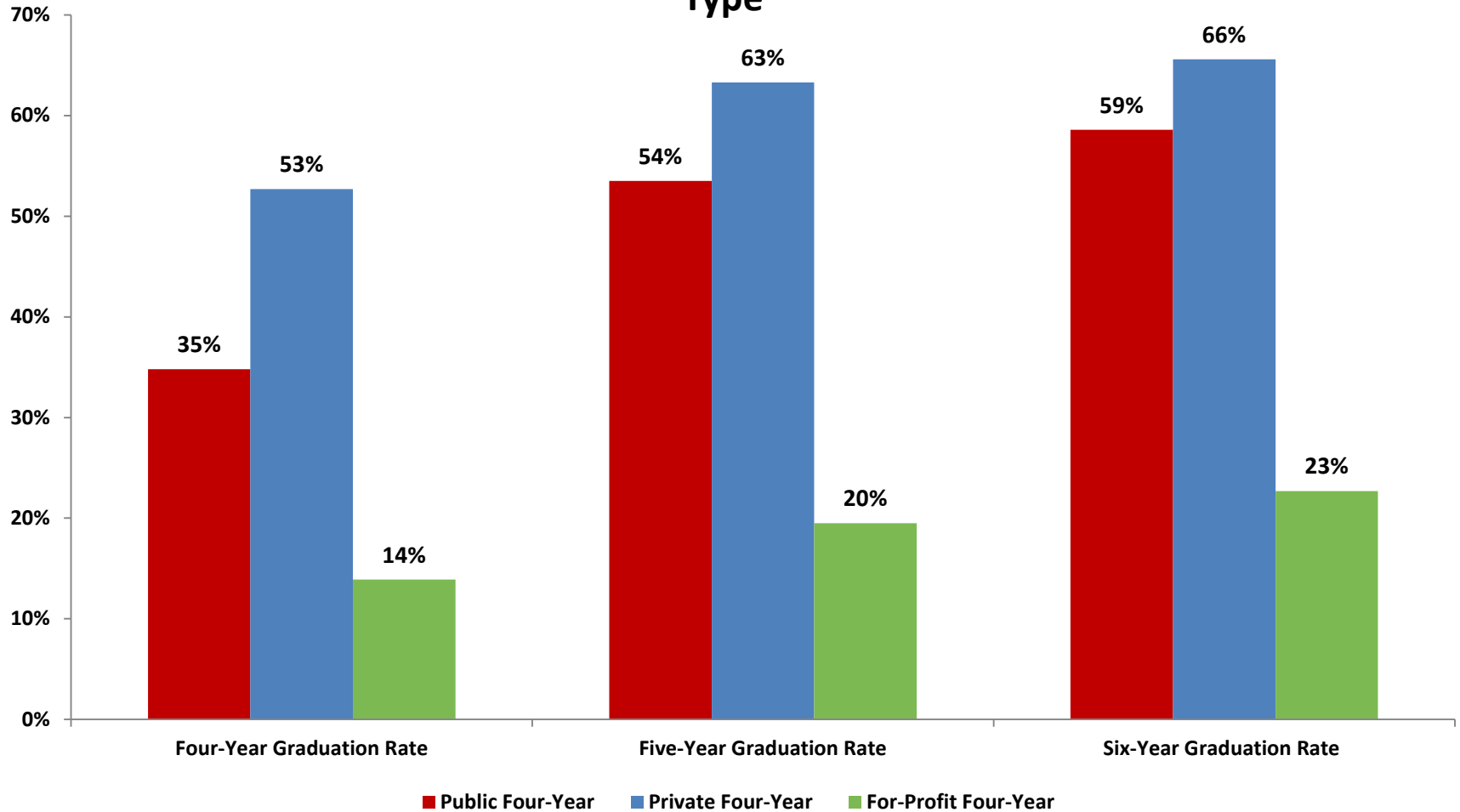
1. Source: The College Board, *Trends in College Pricing 2018*, Figure 4A.

## Change in Inflation-Adjusted Published Tuition, 1988–1989 to 2018–2019



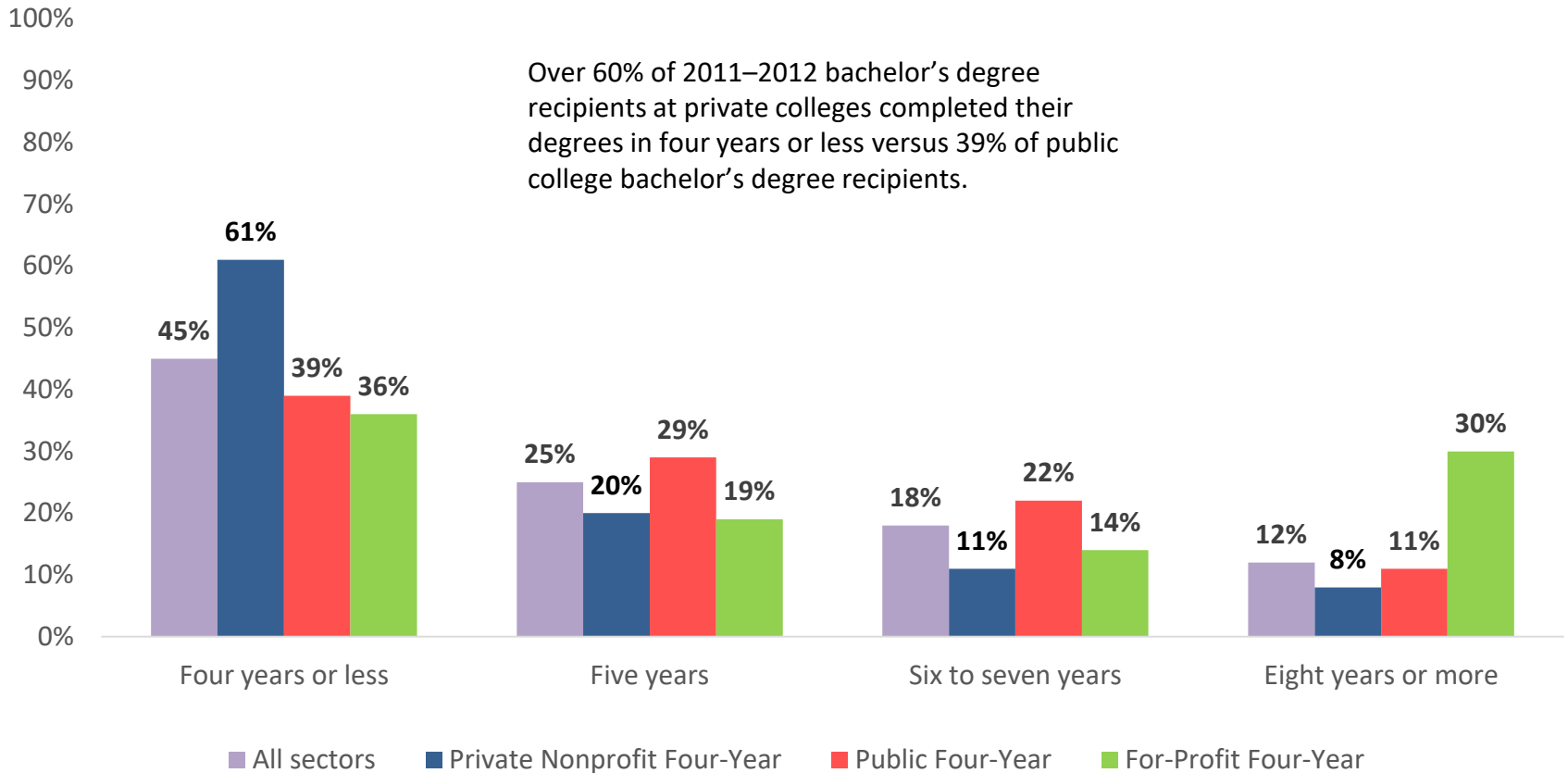
Source: The College Board, *Trends in College Pricing 2018*, Figure 4B, page 13. Note: Values for published tuition and fees by sector, adjusted for inflation, relative to 1988–1989 published prices. 1988–1989 = 1.0. Figure shows published tuition and fees by sector, adjusted for inflation, relative to 1988–1989 published prices (e.g., a value of 3.04 means the tuition and fee price is 3.04 times as high as in 1988–1989 after adjusting for CPI increases).

## Four-Year, Five-Year and Six-Year Graduation Rates by Institutional Type



Source: U.S. Department of Education, National Center for Education Statistics, Digest of Education Statistics 2016. Note: Percentages are for entering cohort of 2009. Analysis by the Council of Independent Colleges.

## Time to Degree by Institutional Type



Source: Urban Institute, “Time between First Postsecondary Enrollment and Degree Completion, Among 2011–12 Bachelor’s Degree Recipients, by Sector,” calculated from National Postsecondary Aid Study (NPSAS), 2012. Presentation by Council of Independent Colleges.



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**For additional information about these facts and others that describe the quality and affordability of independent colleges, please see:**

[www.cic.edu/resources-research/charts-data](http://www.cic.edu/resources-research/charts-data)

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