

NATIONAL STUDENT LOAN SURVEY

Life After Debt:

Results of the National Student Loan Survey

FINAL REPORT

February 1998

Dr. Sandy Baum, Professor of Economics
Skidmore College

Diane Saunders, Vice President Public Affairs
Nellie Mae

This study was sponsored by Nellie Mae

NELLIE MAE is the largest nonprofit provider of education loan funds in the nation, and a major philanthropic contributor to educational programs serving low-income, disadvantaged youth.

NELLIE MAE

50 Braintree Hill Park, Suite 300
Braintree, Massachusetts 02184
781-849-1325
www.nelliemae.com

Table of Contents

Forward	Page i
Executive Summary	Page iii
Introduction	Page 1
Part 1: Survey Background	Page 7
Part 2: Borrower Debt Levels	Page 9
Average Total Debt	Page 9
Average Monthly Payments	Page 13
Borrower Income	Page 13
Monthly Payment to Income Ratios	Page 14
Monthly Payment to Income Ratios by School Type	Page 15
Total Debt to Total Annual Income	Page 16
Borrowers Opting for Lower Payments	Page 17
Part 3: Attitudes Towards Debt	Page 18
Perceptions of Burden	Page 18
If You Had to Do It Over...How Much Would You Borrow	Page 19
Non-education Loan Debt Burden	Page 20
Part 4: Perceptions of Loan Benefits and Access Issues	Page 21
Loans and Access to Higher Education	Page 21
Loan Investment Related to Personal Growth	Page 24
Paying for Higher Education	Page 24
Part 5: Debt and Lifestyle Choices	Page 25
Career and Employment Issues Related to Borrowing	Page 26
How Borrowing Affects Decision-Making	Page 27
Part 6: Undergraduate Borrower Responses by School Type	Page 29
Part 7: High-Risk Groups	Page 31
Low Income Borrowers (Pell Grant Recipients)	Page 31
Minority Student Borrowers	Page 32
Vocational/Technical Borrowers	Page 34
Non-Degree Holders	Page 35
Graduate Professional Borrowers	Page 36
Part 8: Debt Counseling and Understanding of Accumulation	Page 38
Part 9: Repayment Attitudes and Behaviors	Page 39
Ease of Repayment	Page 39
Opinions of Student Loan Servicer	Page 39
Parental Help with Repayment	Page 40
Repayment Option	Page 40
Use of Funds if No Student Loan Payment	Page 40
Part 10: Open-Ended Comments from Borrowers	Page 40
Part 11: Comparisons with Earlier Studies	Page 42
Part 12: Conclusion	Page 44

Table of Contents, continued

Part 13: Recommendations	Page 45
References	Page 48
Appendix A: Comparison of California, Massachusetts, New York and New England Borrowers Against All Borrowers	Page 49
Appendix B: Survey Instrument	Page 50

Listing of Tables

Table 1:	Demographics of NASLS Respondents	Page 8
Table 2a:	Borrower Debt Levels and Monthly Payments	Page 9
Table 2b:	Borrowing Activity and Debt Distribution	Page 10
Table 3:	Average and Median Debt by Field of Study	Page 11
Table 4:	Percentage of Borrowers in Debt Categories by Highest Degree Earned	Page 12
Table 5:	Borrower Income Levels	Page 13
Table 6a:	Monthly Student Loan Payment to Income Ratios by School Type	Page 15
Table 6b:	Monthly Student Loan Payment Exceeds 15% of Income, by Program of Study	Page 16
Table 7:	Total Student Loan Debt-to-Income Ratios and Percent with Debt Exceeding Annual Income	Page 16
Table 8:	Selected Borrowers Preference for Lower Payments	Page 17
Table 9a:	Perceptions of Burden	Page 18
Table 9b:	Burden Level Attributed to Repayment of Student Loans	Page 19
Table 10:	Respondents Who Would Borrow Less in Hindsight	Page 20
Table 11:	Non-education Loan Debt: Percentage of Borrowers in Monthly Payment Categories	Page 21
Table 12:	Perceptions of Benefits of Loans	Page 22
Table 13:	Satisfaction that Education “Invested In” through Borrowing was Worth it for Personal Growth	Page 24
Table 14:	Types of Resources for Covering Higher Education Costs	Page 25
Table 15:	Are the Benefits Worth It for Borrowers?	Page 25

Listing of Tables, continued

Table 16:	Career Changes Related to Borrowing	Page 26
Table 17:	Satisfaction that Education “Invested In” through Borrowing was Worth it for Career Opportunities	Page 27
Table 18:	Perception of Impact of Loans on Lifestyles	Page 28
Table 19:	Home Ownership by Student Loan Debt Level	Page 29
Table 20:	Undergraduate Data by Institution	Page 30
Table 21:	Pell Recipients (low income students) Debt and Attitudes versus Non-Pell Recipients	Page 32
Table 22:	Student Borrower Responses by Race	Page 33
Table 23:	Vocational/Technical Borrower Responses	Page 34
Table 24:	Non-degree Holder Responses	Page 35
Table 25a:	Distribution of Graduate Debt Levels for Law, Business, and Medical Science Students	Page 36
Table 25b:	Business, Law and Medical Graduate Students	Page 37
Table 26:	Percentage of Borrowers by School Type who Agree or Disagree that Debt Counseling Prepared Them for Repayment	Page 38
Table 27a:	Comparison of 1987, 1991 and 1997 Nellie Mae Student Loan Debt Surveys	Page 42
Table 27b:	Comparison of 1987, 1991 and 1997 Nellie Mae Student Loan Debt Surveys	Page 43

###

Life After Debt: Results of the National Student Loan Survey

Forward

In the mid-1960s, the Higher Education Act of 1965 (HEA) revolutionized post-secondary education in the United States. While in the 1940s the G.I. Bill began to provide access to higher education for veterans, the HEA was the first comprehensive step by the federal government to provide equal access to a college education for *all* Americans.

The HEA ultimately provided loan and grant assistance to families with financial need to assist in covering tuition costs. Yet over time, fiscal and political concerns reduced the federal government's ability to continue to commit the same levels of grant assistance to low and middle income students. During the 1980s, financial aid became heavily weighted towards loans, despite the colleges' and states' attempts to replace lost federal grant aid with institutional aid. The decade also saw the largest percentage increases in tuition the system had ever experienced, while family income stagnated. The cost to attend a public university in 1980 consumed 9.9 percent of median family income, increasing to 13.5 percent by 1995.* For private universities, the cost of attendance as a percent of median income rose from 24.1 percent in 1980 to 40.8 percent by 1995.*

By the mid-1980s the move toward loans to finance a larger percentage of higher education costs began to fuel concern among the higher education community, loan providers and the general public about the effect of debt on students once they graduated and entered the job market. Research on the subject through the early 1990s found that, for the most part, student loan borrowers had reasonable debt levels, and that the investment made through borrowing was well worth it for both personal and career reasons. The majority of student borrowers said that loans were very important in allowing them to continue their education after high school, and that if they had to do it over again, they would borrow about the same amount. In other words, the "pain" of repayment was worth the gain both economically and otherwise.

* "College Costs, Income Trends, and Future Undergraduate Enrollment: Special Tables," Dr. Samuel M. Kipp, III, Kipp Research and Consulting, Sacramento, CA (from NCES, *Digest*, and the Census Bureau)

As the decade of the 1990s moves closer to the new millennium, it is again appropriate to re-examine what is known about the levels and impact of student loan borrowing, and what has changed in recent years. Anecdotally, many stories are heard about recent graduates being overburdened by loan debt, changing careers, delaying home purchases or waiting longer to start families. But what really has changed over the last 7 or 8 years, and how are borrowers faring financially and socially post-graduation?

The results of the National Student Loan Survey (NASLS), the third in a series sponsored by Nellie Mae** over the last decade, will help the community gain a perspective on the current situation based on the responses of student loan borrowers in their early years of repayment. A diverse group of borrowers responded to the survey, each with their own set of financial, work, family, social and community issues. Whereas a \$15,000 student loan debt might be manageable for one borrower, another individual at the same income level may have a different set of circumstances -- such as providing financial help to parents or siblings -- which are not reflected in the results of this type of survey, but which nonetheless make that size of debt burdensome. In other words, the data, while helping to answer the question, do not provide an exhaustive understanding of how borrowers are handling their student loan repayment. Moreover, this survey of borrowers cannot shed light on the extent to which the need to borrow may discourage college attendance for some potential students.

The resurgence of research on student loan debt over the last year will help interested parties reconsider policies, expectations and programs regarding student borrowing and its role in providing higher education opportunities. Nellie Mae's recommendations are detailed in the back of this report. We welcome your comments and insight as we work to take these statistical results and fashion them into practical solutions which increase access to postsecondary education and help student loan borrowers understand and better manage their debt.

Lawrence W. O'Toole
President & CEO
Nellie Mae

** *Massachusetts Higher Education Assistance Corporation, now called American Student Assistance, sponsored the 1987 and 1991 surveys with Nellie Mae.*

Life After Debt: Results of the National Student Loan Survey

Executive Summary

- While there are **pockets of burden** among certain borrower groups, the majority of student loan borrowers are still able to successfully repay their student loans without a significant impact on their consumer and social behavior (e.g., buying homes, buying cars, getting married, having children, moving out their parents' home).
- 76% of respondents said that student loans were extremely or very important in **allowing them to continue their education** after high school. 76% said that the investment they made in their education through borrowing **was worth it for personal growth** (9% disagreed); and 64% said that the investment they made in their education through borrowing was **worth it for the career opportunities** it provided. 66% of borrowers said that while repaying loans is unpleasant, the **benefits are worth it**.
- **Borrowers who report the greatest levels of burden are:** (1) those who borrowed large amounts but make lower than average salaries, such as art and music students (50% of whom have overall debt higher than current salary); (2) Professional and some graduate students, particularly those who went to law school, whose debt levels are high enough to make even their relatively high starting salaries appear inadequate; (3) some African-American students who disproportionately report that student loan debt changed their career plans or prevented them from attending graduate school.
- **Average total debt** has increased significantly since the last Nellie Mae study in 1991, but the average has been pulled up by a few borrowers, primarily graduate students, with very high debt. Average debt in 1997 (for a sample consisting of 65% undergraduates and 35% graduate students) is \$18,800 (compared to \$8,200 in 1991). Median total debt (half higher, half lower) is \$13,000.
- **Average undergraduate student loan indebtedness** is \$11,400. Borrowers who last attended public four-year institutions had an average of \$10,900 in undergraduate student loan debt; those at private four-year institutions had an average of \$15,300; public two-year students had an average of \$5,900; and vocational/technical students had average indebtedness of \$6,200.
- **Average indebtedness of graduate students** overall (including undergraduate debt) is \$31,700 (with about one-third of this representing undergraduate debt). Broken down, borrowers who last attended graduate school had an average of \$24,500 in debt, while professional school students (e.g., law and medical) had an average of \$48,500 in student loan debt.
- Average **percentage of borrowers' monthly income** which goes towards student loan payment is 12% (median is 8%).

- About 40% of students who did graduate work in medicine, law or business have **student loan debt levels exceeding their current salaries**. 25% of undergraduates who attended four-year private institutions, compared to 21% of those who attended four-year public institutions, have student loan debt greater than their current incomes.
- Some **borrowers reported that they had delayed certain activities** because of their student loan payments, and these percentages have increased since 1991. In 1997, 40% of borrowers said that their debt had caused them to delay buying a home, up from 25% in 1991; 31% said that they had delayed purchasing a car due to their student loan indebtedness, compared to 16% in 1991; 22% said that their student loans had caused them to delay having children, up from 12% in 1991. Car ownership does, in fact, appear to be slightly affected by debt levels. But this is not the case for home ownership, which is determined by income, age, living with a spouse or partner, and the presence of children. Similarly, debt levels have no measurable impact on whether or not borrowers are married or have children.
- Only 17% of respondents "strongly agreed" or "agreed" that they **had significantly changed their career plans because of their student loan debt**. Students who attended certain types of schools did report a higher incidence of changing careers because of debt; 21% of vocational/technical students and 21% of professional school students (medical, law, business) "strongly agreed" or "agreed" that they had significantly changed their career plans due to debt. Twenty-six percent of black borrowers "strongly agreed" or "agreed" that they had significantly changed career plans, compared to 16% for whites and 19% for Hispanics.
- **Non-white students** who did *not* complete a degree were significantly more likely than white students to say that **loans had prevented them from staying in school**. About 70% of black, Hispanic and Asian/Pacific Islander borrowers gave this response compared to 43% of whites. However, there is no significant correlation between debt levels and responses to the question about importance of loans in preventing students from staying in school.
- **Lower income students** (those who had received Pell grants) were more likely than other undergraduate respondents to have debt exceeding \$20,000 (16% of Pell recipients were at this level compared to 12% of other undergraduates). Half of the Pell recipients in the study said that their undergraduate debt had prevented them from attending graduate school, compared to 40% of the overall undergraduate population. However, Pell Grant recipients do not report feeling significantly more burdened than other borrowers by student loan repayment.
- Over one quarter (26%) of survey respondents said that they had used **credit cards** to help pay for tuition.
- Respondents have higher **non-education loan debt** than student loan debt, and feel equally burdened by both forms of debt. 97% of respondents had non-education loan debt, with an average monthly payment of \$1,000 (median =\$700).

###

Life After Debt: Results of the National Student Loan Survey

Introduction

The objective of the National Student Loan Survey (NASLS) was to determine both borrower indebtedness levels for all education loans (federal and private), and the effect which debt has on decision making, lifestyles and consumer behavior. For example, does student loan debt cause borrowers to drop out of college, cancel plans for graduate school, change career plans, delay the purchase of a home or car, inhibit marriage or plans for a family, or force borrowers to live with parents after graduation?

Because Nellie Mae also conducted similar surveys in 1987 and 1991, there are comparative data which track changes in both borrower attitudes and behavior. While the study shows significant increases in borrowers reporting that they delayed decisions and activities, the evidence does not support the idea that major life decisions are affected by debt levels. Rather, they are determined by age, income, marital status, or possibly factors not gathered through this type of survey.

What is very apparent is that, individually, students are borrowing at higher levels than seen in the past, with some using greater proportions of their incomes for the monthly student loan payment than is considered reasonable by most financial standards.

A majority of borrowers report that student loans provided critical access to higher education. For the most part, borrowers are satisfied with the education they received and feel that their investment, through loans, was worth it both for personal growth and for career preparation.

While the chapters which follow in this report provide the survey results, conclusions and recommendations, the information below provides both background and a context from which to view the data.

Summary of Factors Affecting Debt Level

There are many factors which affect how much individual undergraduate or graduate students borrow during their postsecondary careers. The relative importance of these factors is different for each student, so the order below is not related to significance.

- 1. Tuition Costs and Family Income Increases:** If tuition rises more rapidly than income, the imbalance can lead to increased borrowing to make up the difference.

2. **School Type:** tuition levels obviously vary by school type. Although higher cost private institutions often provide larger grants to students than publics, the NASLS results show that 4-year private school loan borrowers have, on average, about \$4,400 more in debt at graduation than their 4-year public school counterparts (\$15,300 versus \$10,900).
3. **Student Status and Demographic Changes :** "Independent" students -- meaning those 24 or older, no longer claimed as dependents, or graduate students, among other groups -- tend to borrow at higher levels than their dependent counterparts. These students are generally "out of the nest" and no longer receiving parental help to pay for college, but covering tuition on their own. With the College Board reporting in 1996 that almost 50% of all undergraduates are over the age of 24, this means more students are borrowing at higher levels.

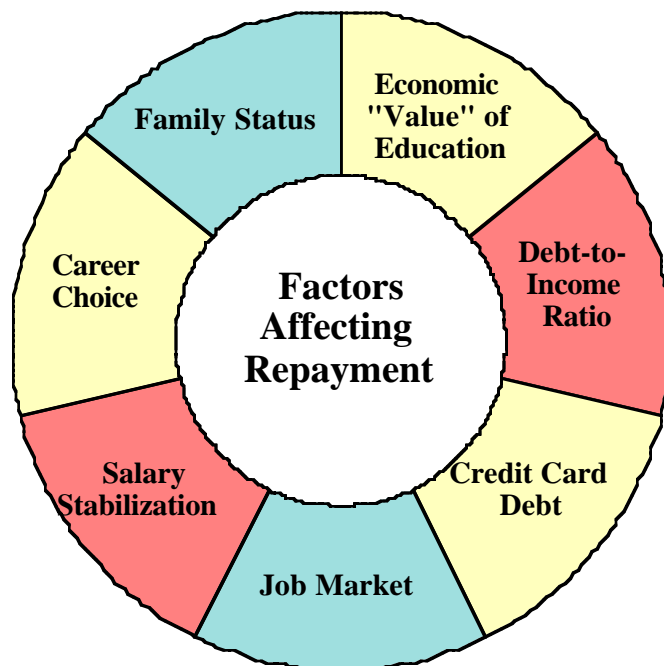
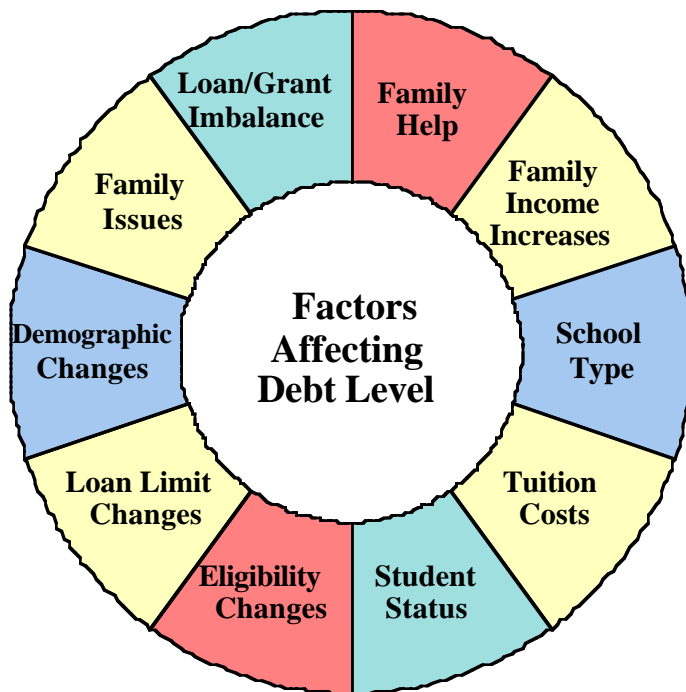
First-generation college students, who often are low income and Pell Grant recipients, are also, on average, borrowing more than other undergraduates since their families are less able to assist in covering tuition costs. While low income students often receive grant assistance, at 4-year institutions this does not cover as great a percentage of tuition as it did in the past, and thus additional borrowing is necessary.

4. **Eligibility and Loan Limit Changes:** in 1992 the reauthorization of the Higher Education Act (HEA) created the unsubsidized Federal Stafford Loan, available to students at all income levels; prior to this only students assessed to have "need" were provided with a Stafford. The '92 HEA also increased annual and cumulative loan limits for students. This opportunity for middle and upper-middle income students to borrow caused some "intergenerational" shift in responsibility for financing college and led to increased student borrowing. Whereas in the past parents may have taken out a home equity loan, cashed in investments, used more current income, savings or other sources to cover tuition costs, now they have the option to share the borrowing with their children.

Additionally, parents are themselves facing **greater levels of personal consumer indebtedness**, with the accompanying higher monthly payments, as well as increased concerns about retirement savings. With parents tending to have children at later stages in their lives, the tug of war between financing college and retirement will potentially become a greater issue in the next few years.

Higher loan limits since 1992 may have also **influenced students' decision making**, with some choosing to work less, attend a higher cost institution, live in more expensive housing or seek less help from relatives.

5. **Family Support:** changes in family structure also influence the amount students are borrowing. For example, **parental divorce**, especially near the time a student begins college, can lower a mother's or father's ability or willingness to help with expenses and make the need assessment process more complex. This can leave a financial gap that a student must make up, often with borrowing.



“Loan fear” also influences the willingness to borrow on the part of some parents and students. Members of some ethnic groups appear to have particularly high resistance to debt¹. The same may be true of lower-income families who have no experience with long-term debt. Some young people from these backgrounds may be discouraged from attending college because of the need to borrow. Others may be forced to take on more debt because of their parents’ inability or unwillingness to do so; or some may choose to attend school sporadically when they can afford to pay for it out of pocket, or through some other means than borrowing.

Having **several students in college at once**, or being in college themselves, can also limit parents' ability to assist with tuition costs, thus leaving more of the borrowing responsibility on the individual student.

- 6. Loan/Grant Imbalance:** whereas in the 1970s and early '80s, Pell grants covered a large share of the cost of attendance for low and lower-middle income students, with the peak being over 80% in the late 1970s at four-year public institutions, this has diminished in recent years. Now the Pell grant covers only about 40 percent of the cost of attendance at four-year public institutions². Thus, the lowest income undergraduate students with the greatest need and the least credit experience in their families are borrowing more on average than middle and upper income students.

Summary of Factors Affecting Repayment

There are a variety of factors which determine how burdened a borrower is after graduation, and influence how manageable repayment is:

- 1. Debt-to-Income Ratio:** perhaps most critical is the ratio of a borrower's debt to his/her income. For example, a student who has a high debt level but also earns a high salary -- thus achieving a reasonable debt-to-income ratio -- is not at-risk. But those who borrow more than average and have lower than average salaries tend to be more burdened, and are likely to see their debt affect the financial, social and employment aspects of their lives.

While there has been no official benchmark set recently by the financial aid community, in 1986 the National Association of Student Financial Aid Administrators (NASFAA) said that anything beyond an 8% monthly student loan payment to monthly income ratio would begin to be burdensome. Today it is frequently suggested that a payment-to-income ratio above 10-12% is likely to cause hardship. The critical level is obviously affected by expenses not typically counted as debt, such as providing financial help to other family members, covering medical expenses out-of-pocket, and other untracked costs which tap into monthly income.

¹Steelman, Lala Carr and Powell, Brian. (1993, October). Doing the Right Thing: Race and Parental Locus of Responsibility for Funding College. *Sociology of Education*, Vol. 66, No. 4, pp. 223-244.

²The College Board, Trends in Student Aid: 1987 to 1997.

2. **Credit Card Debt:** the other debt which students carry with them after graduation also influences their burden level. Currently the average credit card balance for undergraduates in school is just over \$2,200; for graduate students this average is \$5,800³. Graduating with both high student loan and credit card debt can hinder a borrower's ability to obtain other credit, such as a car loan, and influence living arrangements, and other consumer activities.
3. **Career Choice:** the career track a student has pursued can also influence the ability to easily manage student loan repayment. For example, art and music students stood out in the NASLS as having high debt-to-income ratios, since many went to higher cost institutions but tend to earn lower than average salaries right out of school. Students in business and engineering, in contrast, seem to have less difficulty with repayment because they have higher salaries, which allow them to manage their debt more easily.
4. **Job Market:** the availability of employment in a student's chosen field also affects the burden level. For example, currently borrowers graduating with computer science degrees are entering a very attractive job market, even being offered signing bonuses in some cases. But in the early 1990s this field had limited opportunities for graduates, forcing them to take positions in unrelated fields, often at lower incomes than they had anticipated.
5. **Salary Stabilization:** the extent to which recent graduate salaries rise at the same level as their borrowing can make repayment more or less challenging. For example, between 1984 and 1997, medical students' borrowing increased by 248% while their starting salaries only increased by 68%⁴. This is the type of imbalance which increases a debt-to-income ratio, and makes repayment more burdensome. Fortunately, after a period of many years of slow starting salary growth for recent graduates in many fields, a recent upturn has likely lessened the imbalance between student loan debt and starting salaries for many borrowers. Starting salaries for 1997 were expected to increase by an average of almost 4% from the preceding year⁵.
6. **Economic "Value" of Education:** in Nellie Mae's three debt studies completed over the last 10 years, students who feel the most burdened generally did not gain economic value from their higher education. Borrowers who dropped out before completing their degrees, or who borrowed for short-term training programs at vocational/technical schools -- only to find a closed job market and/or a minimum wage position -- did not gain an ability to earn a reasonable salary from their incomplete education. Thus, they hold the debt, but not the education which could afford them a better job, financial benefits and a greater ability to repay their loan(s).
7. **Family Status:** borrowers who have a higher level of family income, usually from the additional earnings of a spouse/partner who does not also have student loan debt, can lower the debt-to-total income ratio, thus making repayment more manageable.

³Blair, Alan. (1997, Spring). The Changing Credit Environment. Nellie Mae study.

⁴Stockwell, Anne. (1997). *The Guerrilla Guide to Mastering Student Loan Debt*. New York: HarperPerennial.

⁵The Education Resources Institute, and The Institute for Higher Education Policy. (1997, August). *Now What? Life After College for Recent Graduates*. Boston/Washington, DC: Author.

But families in which both spouses/partners have debt, or who also have children -- and thus higher expenses -- can have a more difficult time managing student loan repayment. In cases of divorce, income can also decline while student loan debt load remains the same, causing greater burden on the individual.

In short, any imbalance between student loan debt load and other factors -- such as income, expenses, other debt, education, or employment -- can increase the likelihood of greater burden on the individual borrower.

With these factors in mind, the results of the National Student Loan Survey which follow will help readers place the study results in perspective, and, we hope, lead to innovative solutions at your college campuses, lending institutions, agencies or homes that will begin to lessen the burden for the most at-risk populations.

###

IMPORTANT NOTE ON MARGIN OF ERROR

It is important to note that the NASLS sample may not be nationally representative because of the geographical distribution of the borrowers surveyed. Moreover, like any statistics describing a sample, all of the numbers reported here should be viewed as estimates and considered to have a margin of error. For yes/no questions in this survey, that margin of error is about 3 percentage points in each direction. Since 76% of the sample said loans are very or extremely important in allowing them to continue their education after high school, we can conclude with 95% certainty that in the population, between 73% and 79% of borrowers feel this way.

The margin of error for figures such as average debt, income, or debt/income ratio depends on how much variation there is in the distribution of each of these. Average debt is \$18,800 plus or minus \$1,200. The average monthly payment to income ratio is between 11% and 13%, with 12% being the best estimate. While we do not report these margins of error in our tables, all of the numbers included should be interpreted as good approximations.

Life After Debt: Results of the National Student Loan Survey

Part I: Survey Background

The effect on student access is arguably the most serious potential impact of the increasing reliance on education loans, but the effect of debt on those who do choose to borrow is also of considerable concern. The 1997 National Student Loan Survey (NASLS) was designed to collect data on the experiences of students currently repaying their loans. Information on the perceptions of the borrowers about the effect of loans on their educational opportunities and their later options, as well as on the actual lifestyle patterns of borrowers, is included. While the data cannot effectively address the question of access, since only those who actually borrowed are included, they do allow comparisons of the attitudes and behaviors of those who borrowed only minimally and of those who are more heavily in debt.

NASLS was conducted by Nellie Mae, a non-profit student loan originator and secondary market for federal and private education loans. The results discussed here are based on the 1,098 usable responses to a survey sent to 2,500 borrowers whose loans are owned by Nellie Mae and serviced at USA Loan Services. The response rate was just under 50% after discarding bad addresses and undeliverables. While the population surveyed includes borrowers across the country, it is not a strict national representation of all borrowers, as it is heavily concentrated in Massachusetts, New York and California (62% of the total population surveyed), and includes a higher proportion of 4-year students, particularly from private institutions. All of those surveyed began repayment between 1993 and 1996, and completed the survey during the spring and summer of 1997.

While the borrower base has broadened geographically since similar surveys were conducted in 1987 and 1991 (Baum and Schwartz, 1988; Pedalino et al, 1991), the demographics and the breakdown between those who studied only at the undergraduate level and those who also went to graduate school (approximately 65% and 35%, respectively), as well as school type attended remain similar enough for some longitudinal comparisons to be made.

Table 1 reports basic demographic data for the sample. A quarter of the respondents are first generation college students, meaning that their parents had never attended a postsecondary institution. 40% of the respondents borrowed for only one or

two years during their post-secondary education; 20% borrowed for three or four years; and 40% for five or more years. Just over half of the respondents have earned a bachelor's degree; 19% have a master's degree; 10% an associates degree; 8% a certificate; 5% a professional degree; 2% a Ph.D.; and almost 6% have no degree.

**Table 1:
Demographics of NASLS Respondents**

n=1098			
Gender	Male= 38%	Female = 62%	
Age			
24 or younger	20%	31-35	14%
25-26	26%	> 35	17%
27-30	24%		
Race			
White	83%	Asian/Pacific Islander	4%
Black	5%	Other	3%
Hispanic	5%		
School Type Last Attended			
Vocational/Technical	10%	Private 4-year	30%
Public 2-year	6%	Military	1%
Private 2-year	3%	Graduate School	23%
Public 4-year	21%	Professional School	7%
State of Residency			
Massachusetts	37%	Connecticut	7%
New York	13%	New Hampshire	7%
California	13%	Other	13%
Year Left School			
1992 or before	9%	1994	34%
1993	22%	1995	34%
Parent's Educational Level			
Both HS or less	25%	At least one parent Bachelors	53%
Both Bachelors or higher	20%		
Marital Status			
Spouse	36%	Single	55%
Partner	9%		
Children			
None	74%	One or more	26%
Living Arrangements			
Own home	23%	Live with parents	17%
Rent	54%	Other	7%
Current activity			
Working full-time	74%	Unemployed	5%
Working part-time	8%	Working, not for pay	2%
Full-time & part-time	11%		

Part 2: Borrower Debt Levels

Average Total Debt

Since Nellie Mae's last study was completed in 1991 (The New England Student Loan Survey, Pedalino et al, 1991) the **average total debt level** for student loan borrowers rose from \$8,200 to \$18,800 in the 1997 NASLS survey, an increase of 129%. This includes borrowing for both undergraduate and graduate education, with the ratio of graduate students to those who studied only at the undergraduate level (approximately 35% and 65%, respectively), as well as the distribution across school type attended almost identical in the two studies. (See Tables 2a and 2b.)

**Table 2a:
Borrower Debt Levels and Monthly Payments**

	Average	Median
Total Debt	\$18,800	\$13,000
Undergraduate Debt Only	\$11,400	\$ 9,500
Graduate Debt Only (for those who borrowed for graduate or professional study)	\$21,000	\$13,800
Total Monthly Payment	\$198	\$150
Undergraduate Monthly Payment	\$ 161	\$ 134
Graduate Monthly Payment	\$ 271	\$ 200
Monthly Payment for Non-Education Debt (all borrowers)	\$1,000	\$ 700
Total Monthly Payment/Income	12%	8%
Monthly Payment/Income (Undergraduate debt only)	11%	7%
Monthly Payment/Income (for those who borrowed for Graduate study)	14%	8%
Total Debt/Income	91%	50%
Debt/Income (Undergraduate debt only)	68%	41%
Debt/Income (for those who borrowed for Graduate study)	139%	83%
Debt By School Type		
Public 2-year	\$ 5,900	\$ 5,800
Vocational/Technical	\$ 6,200	\$ 5,400
Public 4-year	\$10,900	\$ 9,600
Private 4-year	\$15,300	\$13,900
Graduate School (\$13,500 graduate + \$11,000 undergraduate)	\$24,500	\$18,300
Professional School (\$36,000 graduate + \$12,500 undergraduate)	\$48,500	\$35,600

This average total debt level is not representative of the typical borrower - the median is \$13,000 (half higher, half lower than this amount). The significant increase during that six year period is probably due in large part to higher borrowing by graduate and professional students, which brought up the average significantly. Because the earlier studies completed by Nellie Mae did not examine undergraduate and graduate borrowing separately, no precise data on this phenomenon are available.

**Table 2b:
Borrowing Activity and Debt Distribution**

	Percentage
Respondents Who Borrowed For:	
Only undergraduate	66%
Only graduate	5%
Both undergraduate & graduate	30%
Number of Years Borrowed	
1 year	22%
2 years	18%
3 years	12%
4 years	8%
5 years	23%
6 years	5%
7 years	8%
8 years or more	4%
Distribution of Total Debt	
< \$5,000	13%
\$5,001 - \$10,000	23%
\$10,001 - \$15,000	22%
\$15,001 - \$20,000	14%
\$20,001 - \$30,000	14%
\$30,001 - \$50,000	8%
>\$50,000	6%
Distribution of Undergraduate Debt	
0	5%
\$1- \$5,000	20%
\$5,001 - \$10,000	27%
\$10,001 - \$15,000	22%
\$15,001 - \$20,000	13%
\$20,001 - \$30,000	9%
\$30,001 +	4%

The NASLS found that **average undergraduate debt** is \$11,400 and the median is \$9,500.⁶ 13% of respondents have undergraduate debt exceeding \$20,000, while 28% have total education debt this high. Among those who borrowed only for undergraduate study, 53% accumulated less than \$10,000 in debt, while 36% of all respondents had debt this low.

Debt levels vary significantly **by type of school attended** (see Table 2a), with four-year private students borrowing more than other undergraduates, with an average of \$15,300 in debt. Four-year public school borrowers have an average of \$10,900 in debt; vocational/technical students had average indebtedness of \$6,200; and public two-year students an average of \$5,900. Those who attended graduate and professional school have a total average of \$31,700 in debt, which includes \$10,600 of undergraduate borrowing. Those who attended graduate professional schools to study medicine, law or business have particularly high debts, with an average of \$45,500 in total.

Total debt by field of study ranges from a low of \$7,500 for technical/trade areas to a high of \$48,500 for law school borrowers (see Table 3). Fields of study with the highest levels of borrowing include law students, who are 4% of the NASLS population,

**Table 3:
Average and Median Debt by Field of Study**

Area of Study	Average Debt	Median Debt
Technical/Trade	\$ 7,500	\$ 7,500
Social Science	\$14,700	\$12,500
English/Humanities	\$15,700	\$12,500
Technical Science	\$16,400	\$12,500
Education	\$16,800	\$12,500
Arts/Music	\$16,900	\$16,250
Business	\$17,900*	\$12,500*
Natural Science	\$18,200	\$12,500
Health/Medical	\$25,200*	\$12,500*
Law	\$48,500**	\$48,000**
*Includes both borrowers who went to graduate school and those who only completed an undergraduate degree. **Primarily professional school debt.		

⁶ These figures represent undergraduate debt for all respondents. Debt levels for those with *only* undergraduate debt are slightly higher (mean = \$12,100, median = \$10,500). The two groups are different because the group of all undergraduate borrowers includes those who went to college at an earlier date. Those who did not go on to graduate school are also systematically different in that many of them did not complete a B.A., and they are also more likely to come from low-income families.

but 17% of the borrowers with debt greater than \$30,000; medical students are 15% of the survey, but 26% of those with debt over \$30,000. A total of 74% of borrowers with debt above \$30,000 went to graduate/professional school. Contrasting with this are social science students who make up 13% of the survey population, but only 5% of those with debt above \$30,000. 81% of those with debt less than \$10,000 did not go to graduate school. Also see Table 4 for debt by degree type obtained.

Average debt levels did not vary significantly **by racial/ethnic group**. Black and Hispanic borrowers had average total debt of \$16,300 and undergraduate debt of \$10,800. This compares to \$18,900 in total debt and \$11,600 undergraduate debt for white borrowers, who tend to come from higher income families, attend higher cost institutions and have more years of higher education.

A small proportion of respondents, 16%, had **spouses with undergraduate debt**. Only 7% of this population have spouses with undergraduate debt exceeding \$10,000. 8% of the respondents reported that they have spouses with graduate debt, with 2% having spouses with graduate debt exceeding \$20,000. In other words, the phenomenon of borrowers with high education debt levels marrying others with high debts does not appear to be pervasive.

Confirming the well documented idea that loan default is not associated with high debt levels, **delinquent borrowers** in the NASLS were more likely to have total average debt less than \$10,000, with 48% in this range, versus 36% of borrowers in good standing.

**Table 4:
Percentage of Borrowers in Debt Categories
by Highest Degree Earned**

Degree Type	\$10,000 or less in total debt % of borrowers	\$10,000 to \$20,000 in total debt % of borrowers	\$20,000 to \$30,000 in total debt % of borrowers	More than \$30,000 in total debt % of borrowers
No Degree	78%	15%	7%	0%
Certificate	72%	25%	1%	1%
Associate	67%	19%	8%	6%
Bachelor's	31%	46%	14%	9%
Master's	17%	35%	26%	22%
Doctorate	18%	35%	18%	29%
Professional	10%	12%	7%	71%

Average Monthly Payments

The average monthly payment for all borrowers is \$198 (median = \$150). For those who borrowed only for their undergraduate education the average monthly payment is \$161 (median = \$134), and the average for graduate and professional students is \$271 (median = \$200) (see Table 2a). There is considerable variance in the payment levels for student loans. Among those who borrowed for graduate/professional school, 25% have payments lower than \$102 per month, while another 25% have payments exceeding \$335; 10% of graduate/professional student borrowers pay \$600 or more per month. One-quarter of undergraduate borrowers pay as much as \$200 a month, with 10% reported payments of \$295 or higher.

Borrower Income

Out of the entire respondent pool, **average current income** is \$27,000 (See Table 5). Those with only undergraduate education average \$24,000, while those who went on for graduate study earn an average of \$32,000 per year. Among graduate and professional student borrowers, 23% reported incomes under \$20,000 and 16% reported incomes over \$50,000.

**Table 5:
Borrower Income Levels**

Borrower Annual Income (Gross)	Percentage
<\$10,000	11%
\$10,001 - \$20,000	23%
\$20,001 - \$30,000	29%
\$30,001 - \$40,000	19%
\$40,001 - \$50,000	10%
\$50,001 - \$70,000	6%
\$70,001 - \$100,000	2%
> \$100,000	1%
Annual Income by Gender	Average / Median
Female	\$25,000 / \$23,700
Male	\$31,000 / \$29,000
Annual Income by Level	Average
Undergraduate	\$24,000
Graduate	\$32,000

Incomes differ in the expected direction **by gender**, with men averaging about \$6,000 a year more than women. Thirty-nine percent of women compared to 26% of men make less than \$20,000 a year, while only 4% of women make over \$50,000 a year, compared to 15% of men.

There is no statistically significant difference in **average income levels by race**, with blacks and Hispanics earning an average of \$26,000 and whites earning an average of \$27,000. However, the pattern of the income distribution does differ. Twenty-three percent of Asians, 17% of Hispanics, and 15% of black borrowers make less than \$10,000, compared to 10% of whites. Somewhat surprisingly, 28% of black respondents earn more than \$40,000 a year, compared to 17% of whites, 18% of Asian-Americans and 21% of Hispanics. In other words, black borrowers are more likely to be at one end or the other of the income distribution, while white borrowers are more concentrated in the middle range, with incomes between \$20,000 and \$40,000.

Those who attended **two-year and vocational schools have significantly lower incomes** than others. 60% of vocational/technical students, 50% of public 2-year and 68% of private two-year students report incomes below \$20,000. The figures range from 24% to 36% for other school types. Fewer than 2% of the graduates of two-year and vocational schools have incomes exceeding \$50,000. About 4% of four-year graduates, 15% of graduate students and 28% of professional school students are in this high income category.

Those with the **lowest current earnings** are most likely to have accumulated low levels of undergraduate debt, with 30% of those with incomes below \$10,000 having borrowed less than \$5,000. Still, 10% of this income group report having borrowed over \$20,000. Likewise, those with the highest incomes were most likely to have borrowed extensively, with 20% of those with incomes over \$50,000 and 23% of those with incomes between \$40,000 and \$50,000 having borrowed over \$20,000; this compares to 13% for those with lower current incomes.

Monthly Payment to Income Ratios

Evaluating the affordability of debt payments requires, of course, comparing them to incomes. The **average ratio** of monthly education loan payment to current monthly income among respondents is 12% and the median is 8%. A third of the respondents have monthly payments that require less than 5% of their incomes and another 30% have ratios

between 5% and 10%. By most standards, these two-thirds are not overburdened by their debt. However, the other third who use more than 10% of their monthly incomes (and particularly the 13% of borrowers who have greater than a 20% payment to income ratio) may face more burden in managing their repayment. The distributions of total student loan debt, monthly payments as a percentage of current monthly earnings, and total debt as a proportion of current annual income are shown in Tables 2a and 2b; see Table 6 for greater detail.

Monthly Payment to Income Ratios by School Type

Differences in the distribution of monthly payment to monthly income ratios across racial groups and by gender are not significant, but by school type they are, as shown in Table 6a.

Table 6a:
Monthly Student Loan Payment to Income Ratios by School Type
(percentage of monthly income which is used towards monthly student loan payment(s) and percentage of borrowers in each category)

Monthly Student Loan Payment to Income Ratio	Voc/Tech Borrowers	Public/Private 2-Year Borrowers	Public 4-Year Borrowers	Private 4-Year Borrowers	Graduate School Borrowers	Professional School Borrowers
Up to 5%	48%	57/44%	39%	24%	29%	23%
5 to 10%	21%	21/22%	28%	36%	36%	17%
10 to 15%	14%	11/19%	17%	20%	17%	25%
15 to 20%	5%	5/11%	4%	9%	6%	10%
Greater than 20%	13%	5/4%	12%	12%	13%	25%

As noted in the Introduction, while there is no clear standard in the higher education community for "how much is too much" there is some consensus that monthly payment-to-income ratios exceeding 10-12% range are cause for concern. From this perspective, while the majority of borrowers are not accumulating excessive debt, a significant minority may be going dangerously far into debt.

**Table 6b:
Monthly Student Loan Payment Exceeds 15% of Income,
by Program of Study**

Program of Study	Percentage with Monthly Payment to Income Ratio over 15%
Law*	53%
Art/Music**	38%
Natural Science	25%
English/Humanities	23%
Education	23%
Social Science	19%
Health/Medical Science	16%
Technical Science	13%
Technical Trade	13%
Business	11%
*35% of law borrowers exceed a 30% ratio	
**30% of art/music borrowers exceed a 20% ratio	

Total Debt to Total Annual Income

Debt-to-income ratios can also be looked at as total debt to total annual income. For this analysis, 100% total debt-to-income ratio means that total debt equals current annual income, i.e., if a borrower has \$25,000 in total debt, then total annual gross

**Table 7:
Total Student Loan Debt-to-Income Ratios and
Percent with Debt Exceeding Annual Income
(100% means that total student loan debt equals total annual income)**

Total Debt to Annual Income	Average	Median
All Borrowers	91%	50%
Undergraduate	68%	41%
Graduate/Professional	139%	83%
Total Debt Exceeds Annual Income	Percent	
All Borrowers	26%	
Professional	54%	
Graduate	28%	
Private 4-year	24%	
Public 4-year	18%	
Private 2-year	15%	
Vocational/Technical	12%	
Public 2-year	7%	

earnings would also be \$25,000. Based on the analysis in the NASLS, borrowers who are at or over 100% debt-to-income ratio begin to face real burden. The average total debt to income ratio for all borrowers is 91% (median = 50%); for undergraduate borrowers this equals 68% (median = 41%); and for graduate/professional students, the average total debt to income ratio is 139% (median = 83%). See Table 7 for more detail by school type.

Borrowers Opting for Lower Payments

When asked in the survey if borrowers would reduce their monthly payments if they could, even if it cost them more over the long run, borrowers with the highest debt-to-income ratios and those with their highest degree earned being a certificate or associates degree were most likely to strongly agree or agree (See Table 8). Overall, only 18% of borrowers said they would opt for lower payments if it meant higher loan costs over time. Thirty-five percent of arts/music borrowers, 31% of technical trade borrowers, and 24% of law borrowers expressed interest in lower monthly payment.

Borrowers with incomes of \$20,000 or less were also more likely to say they would opt for lower payments. Black borrowers were more likely than other minorities and whites to say they would choose lower payments even at a higher long term cost.

**Table 8:
Selected Borrowers Preference for Lower Payments**

Percentage of borrowers who would choose lower payments even at a higher long-term cost	Percent
By Degree Achieved:	
Certificate	30%
Associates	26%
Professional	21%
Bachelor's	16%
Master's	15%
No Degree	15%
Doctoral	12%
By Race:	Percent
Black	32%
Other Minorities	23%
White	17%

Part 3: Attitudes Towards Debt

Perceptions of Burden

Questions designed to gain insight into how borrowers perceive their repayment responsibilities provide clear evidence that the perception of burden has grown over time, as indicated in Table 9a. Responses to the question of how burdensome student loan payments are were, not surprisingly, correlated with monthly payment to income ratios.

**Table 9a:
Perceptions of Burden**

“Since leaving school my student loans have caused me more financial hardship than I had anticipated at the time I took out the loans.”			
	1987	1991	1997
Agree	27%	25%	36%
Neutral	23%	22%	23%
Disagree	50%	54%	41%
“Think back to the time when you first started your education after high school. If you could begin again at that point in time, and taking into account your current experience, would you borrow?”			
	1991	1997	
Less	31%	45%	
About the Same	60%	50%	
More	9%	5%	
“To what extent do you feel burdened by your student loan payments?”			
		1997	
Extremely burdened	1	22%	
	2	28%	
	3	32%	
	4	14%	
Not at all burdened	5	4%	

Forty-three percent of the borrowers who used more than 15% of their monthly income for loan payments report feeling extremely burdened, compared to 12% of those with payment-to-income ratios of 10% or less. Only 6% of respondents with ratios exceeding 15% say they do not feel burdened, while 26% of those with ratios of 10% or less gave this response.

As reported in Table 9b, perceptions of burden vary **by type of school attended and by gender**. Those with professional education feel most burdened, while those from 2-year schools feel least burdened by their student loan debt. **By gender**, women perceive their debt as a bigger problem than men do.

Borrowers who were in a **delinquency status** at the time of this study were also more likely to feel burdened than those in good standing (See Table 9b). This could relate to the fact that delinquent borrowers also tend to have lower incomes, 65% reporting incomes below \$20,000, compared to 33% of those in good standing. Eighteen percent of delinquent borrowers report incomes over \$30,000, compared to 38% of the other group.

**Table 9b:
Burden Level Attributed to Repayment of Student Loans**

School Type	% reporting significant burden
Professional	63%
Private 4-year	51%
Graduate	51%
Vocational/Technical	50%
Public 4-year	47%
Private 2-year	42%
Public 2-year	42%
Gender	
Female	52%
Male	46%
Repayment Status	
Delinquent	77%
In good standing	47%

If You Had to Do It Over...How Much Would You Borrow

When asked if they could do it over again, how much they would borrow, 45% of respondents said that they would borrow much less or a little less, 50% said they would borrow about the same, and 5% said they would borrow much more or a little more. As seen in Table 9a, these responses changed somewhat from the earlier 1991 study, with more borrowers saying that they would borrow less. Generally those respondents who had high debt-to-income levels reported that they would borrow less if they had it to do over again. 60% of borrowers who use more than 20% of their income towards their monthly student loan payment gave this response, versus only 33% of borrowers who use 5% or less of their monthly income towards their payment. Table 10 shows differences in responses to this question by degree and program of study.

By racial breakdown, black borrowers were significantly more likely to wish they had borrowed less, with 60% reporting this, versus 44% for other minority groups and whites.

There were no significant differences in this area by gender, and students who received Pell grants gave responses similar to those of other borrowers.

**Table 10:
Respondents Who Would Borrow Less in Hindsight**

Would borrow less if had to do it over again	Percent who agreed
By Degree Type	
Professional	57%
No Degree	54%
Associates	51%
Certificate	48%
Masters	46%
Doctoral	41%
Bachelor's	40%
By Program of Study	
Law students	63%
Art/Music students	56%
Natural Science	33%
Technical Science	32%

Non-education Loan Debt Burden

Respondents reported that they (together with their spouses) have combined average **non-education monthly payments** of \$1,000 (median = \$700) – significantly higher than student loan payments. The distribution of these payments is shown in Table 11.

Responses to the question of **how burdened they feel by these loans**, which could include mortgages, car loans, credit card debt, etc., were almost identical to the student loan responses, with borrowers who said they felt extremely burdened by student loan payments giving the same response for non-education loan payments. Student loans are often a relatively small part of the debt burden faced by many of these recent graduates, and they do not appear to differentiate between the impact of the two forms of debt on their

lifestyles. This could be the case because those with very high student loan debt are also most likely to have high non-education loan debt. For example, 22% of borrowers with student loan debt over \$30,000 have non-education loan payments of over \$2,000 a month, as compared to borrowers with \$10,000 or less in student loan debt of whom only 13% have monthly non-education loan payments exceeding \$2,000.

Borrowers who went to **graduate/professional** school are also more likely to have high monthly non-education debt payments. Fifty-one percent of those who attended graduate/professional school have monthly non-education debt payments over \$800, as compared to 39% of borrowers who did not attend graduate/professional school. This is at least partially explained by the fact that 30% of the graduate students own homes, while only 18% of the others do.

**Table 11:
Non-education Loan Debt: Percentage of Borrowers in
Monthly Payment Categories**

Non-education debt monthly payments	Percent
Less than \$250	13%
\$251 - \$500	24%
\$501 - \$800	18%
\$801 - \$1,500	21%
\$1,501 - \$2,500	15%
Greater than \$2,501	5%

Part 4: Perceptions of Loan Benefits and Access Issues

Loans and Access to Higher Education

The majority of respondents in all three Nellie Mae student loan surveys have expressed the view that loans played a critical role in allowing them **to continue their educations after high school**; 76% of respondents in the 1997 NASLS said loans were extremely important or very important in allowing them to continue their education after high school. But, as indicated in Table 12, the response has become stronger over time.

For borrowers whose **fathers had only a high school diploma** or some college, loans were more important in assuring access to postsecondary education than for borrowers whose fathers had a bachelor's degree or higher. For example, 56% of borrowers whose father's had a high school diploma/some college said that loans were extremely important versus 49% of those whose fathers had a bachelor's degree, and 42% of those whose fathers had an advanced degree.

Vocational school students were most likely to say loans allowed them to continue school after high school. Sixty-one percent said loans were extremely important (compared with 52% overall) and 19% said they were very important (compared with 24% overall). This 80% total is not very different from other school types.

Non-white students who did not stay in school to complete their degrees were significantly more likely than white students who did not persist to say loans have prevented them from staying in school. About 70% of blacks, Hispanics and Asian/Pacific Islanders gave this response, while only 43% of the white students who dropped out blamed loans. Overall, 50% of borrowers who did not stay in school to complete their degrees say that their debt was extremely or very important in preventing them from staying in school; 31% said it was not important.

**Table 12:
Perceptions of Benefits of Loans**

	(1)Extremely important	(2)	(3)	(4)	(5) Not important
Importance for grad school	50%	19%	8%	8%	16%
Importance for school choice	43%	21%	14%	9%	13%
	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Payments unpleasant but worth it	28%	38%	24%	7%	3%
Worth it for career	36%	28%	18%	12%	6%
Worth it for personal growth	45%	31%	15%	6%	3%
“How important was the availability of education loans in allowing you to continue your education after high school?”					
		1988	1991	1997	
Extremely important (1)		39%	47%	52%	
(2)		28%	24%	24%	
(3)		16%	13%	12%	
(4)		11%	10%	7%	
Not important (5)		7%	6%	4%	

There is no statistically significant correlation between undergraduate debt levels and responses to the question about the importance of loans in preventing students from staying in school to complete their degrees.

For those who **did not attend graduate school**, those with higher undergraduate total debt-to-income ratios were most likely to say that concern over debt prevented them from going to graduate school. Sixty-seven percent of borrowers with ratios above 150% said loans were very or extremely important in their decision not to attend graduate school, compared to 51% of borrowers with ratios between 50% and 100%, and 29% of those with total debt-to-income ratios of 20% or lower. Overall, for respondents who did not go to graduate school, 43% said that the level of their undergraduate indebtedness was extremely or very important in preventing them from going to graduate school; 28% said this was not important.

Thirty-nine percent of all respondents who used loans to cover tuition in undergraduate education said that their concern over borrowing was extremely or very important in **preventing them from attending a more expensive school**; one-third said it was not important.

Sixty-four percent of respondents said that student loans were “extremely” or “very important” in allowing them to **attend the school of their choice**; 13% said that loans were not important in this regard.

Most **graduate student respondents** believe the availability of loans was very important in allowing them to go to graduate school, with almost 70% supporting this view. Many fewer, 21% to 27%, said loans influenced either their choice of degree program, institution choice, or timing of graduate study.

As Table 12 shows, only 10% said that the benefits are not worth the hardship of repayment. Responses to this question are less correlated with monthly payment/income ratios than might be expected, but those without degrees or with only certificates or associate’s degrees were less likely than others to say the loans were worth it.

Interestingly, looking just at debt levels (not related to income), borrowers with debt above \$30,000 were the most likely to agree that, **while repaying student loans is unpleasant, the benefits are worth it**. 35% of those in this category “strongly agreed” with this statement, versus 24% with debt between \$20,001 and \$30,000, 27% with debt between \$10,001 and \$20,000, and 29% with debt of \$10,000 or less who strongly agreed that the benefits outweighed the hardship of repayment. (See Table 8 for averages.)

Loan Investment Related to Personal Growth

When asked if the investment they made in their education through borrowing was worth it for personal growth, 76% of respondents reported that they were "extremely satisfied" or "satisfied" that this was the case. For differences by type of school attended and by delinquency status, see Table 13.

Appreciation for the personal benefits of the investment in education was highly correlated with satisfaction with the career opportunities provided. Most respondents either feel generally pleased with the results of their education, or are dissatisfied in a variety of ways.

Table 13:
Satisfaction that Education "Invested In" through Borrowing was Worth it for Personal Growth

Satisfied with Personal Growth from Education	Percent
By School Type:	
Private 4-year	81%
Public 4-year	76%
Graduate	76%
Professional	65%
Private 2-year	63%
Public 2-year	61%
Vocational/Technical	53%
By Repayment Status:	
In good standing	78%
Delinquent	57%

Paying for Higher Education

Besides use of traditional student loans to cover the cost of higher education, the study also asked what other resources borrowers used to pay for tuition and/or living expenses during their postsecondary education. These results are reflected in Table 14.

**Table 14:
Types of Resources for Covering Higher Education Costs**

Type of Resources Used to Pay for Higher Education besides Education Loans	Percentage of Borrowers Who Used
Personal savings	42%
Parents/family gave student money (not a loan)	37%
Credit cards	26%
Parents/family took out loans to help student	14%
Parents/family loaned student money	11%
Graduate fellowship/internship	9%

Part 5: Debt and Lifestyle Choices

One of the concerns commonly expressed about student debt financing is that it will constrain the options of recent graduates to an unacceptable extent. The NASLS survey asked both how students perceive the constraints imposed by their debt and what decisions they have actually made. There appears to be a considerable gap in some cases between perception and behavior.

**Table 15:
Are the Benefits Worth It for Borrowers?**

Payments unpleasant but worth it (for those who):	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Changed career	18%	30%	28%	10%	14%
Did not change career plans	40%	36%	16%	6%	2%
Payments unpleasant but worth it (for those with):	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Monthly payment/income < 5%	33%	38%	18%	8%	3%
Monthly payment/income > 20%	25%	31%	31%	9%	4%
Payments unpleasant but worth it (for those with):	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
No degree or certificate	24%	27%	32%	10%	7%
Associate's	26%	34%	25%	11%	5%
Bachelor's	27%	42%	22%	7%	2%
Doctoral degree	47%	47%	0%	6%	0%

Career and Employment Issues Related to Borrowing

With regard to the most important lifestyle question, only 17% "strongly agreed" or "agreed" they had **changed their career plans** because of their student loan debt, and 70% "strongly disagreed" or "disagreed" with this suggestion; the remaining 13% provided a "neutral" response. There is a correlation between **school type and changing careers** because of debt. See Table 16 for responses to this question by school type and race.

Those who **borrowed at higher levels** were also more like to say that debt had changed their career plans, with 22% of those with total debt exceeding \$13,000 reporting that they had changed their career plans, compared to 12% of those with lower debts.

Borrowers from low-income families (those who received Pell grants) were slightly more likely to say they had significantly changed their career plans because of student loan debt, with 19% reporting this versus 15% for non-Pell grant recipients.

**Table 16:
Career Changes Related to Borrowing**

Career plans were significantly changed because of student loan debt	Percent
All Borrowers:	
Strongly Agree/Agree	17%
Strongly Disagree/Disagree	70%
Neutral	13%
By Race	Percent in Agreement
Black	26%
Hispanic	19%
White	16%
By School Type	Percent in Agreement
Vocational/Technical	21%
Professional	21%
Private 4-year	17%
Public 4-year	16%
Graduate	15%
Public 2-year	14%

Sixty-four percent of borrowers are "extremely satisfied" or "satisfied" that the investment they made in their education through borrowing was **worth it for the career opportunities** made available, while only 18% expressed dissatisfaction. It is notable that about one-fifth of **professional school students** (law, medical, etc.) were not at all satisfied with their career opportunities (see Table 17 for breakdown by school type attended). **Delinquent borrowers** were more likely to disagree that they were satisfied with the career opportunities, with 35% expressing dissatisfaction, versus 17% of borrowers in good standing.

Overall, these results suggest that the vast majority of borrowers are satisfied with the investment they have made. They understand the relationship between their education and the opportunities they enjoy and between student loans and their access to their education.

**Table 17:
Satisfaction that Education "Invested In" through Borrowing
was Worth it for Career Opportunities**

Satisfied with Career Opportunities from Education	Percent
All Borrowers:	
Extremely Satisfied	64%
Dissatisfied	18%
Satisfaction by School Type	Percent Satisfied
Graduate	76%
Professional	66%
Private 4-year	65%
Private 2-year	58%
Public 4-year	57%
Vocational/Technical	53%
Public 2-year	49%

How Borrowing Affects Decision-Making

The small proportion of respondents who say they changed their career plans because of debt contrasts sharply with student perceptions about the importance of loans in their other decision-making processes (see Table 18). Respondents were much more likely

now than six years ago to report that their **student debt had interfered with major life choices**. Forty percent said that their debt had caused them to delay buying a home, compared to 25% in 1991. Thirty-one percent said they had delayed buying a car, up from 16% in 1991. The proportion saying their debt had caused them to postpone having children went from 12% in 1991 to 22% in 1997; and those who said that their debt had caused them to delay moving out of their parents' home increased from 12% in 1991 to 21% in 1997 (also see Table 27a).

These perceptions are correlated with both total debt levels and monthly payment-to-income ratios. Those with higher debt levels are more likely to say that their decisions have been affected by their debt. For example, 22% of those with debts exceeding \$30,000 said loans were extremely important in delaying their purchase of a car, compared to 11% of those with debts up to \$10,000. The comparable numbers were 42% and 17% for the home purchase decision and 19% and 9% for having children.

Similarly, **higher debt-to-income ratios increase the perception** that student loans have interfered with consumption and major life decisions. Among those with payment to income ratios exceeding 15%, 30% of respondents say loans were extremely important in delaying their purchase of a car. Only 10% of those with ratios less than 10% gave this response. Thirty-seven percent of those who pay more than 15% of their incomes for student loans said they delayed buying a house, compared to 21% of those with ratios under 10%. Eighteen percent of those in the high payment-to-income range and only 8% of those in the low range said loans were extremely important in delaying their moving out of their parents' house.

**Table 18:
Perception of Impact of Loans on Lifestyles**

	(1)Strongly agree	(2)	(3)	(4)	(5)Strongly Disagree
Changed career	8%	8%	14%	24%	46%
	(1)Extremely important	(2)	(3)	(4)	(5) Not important
Delayed buying car	16%	15%	18%	18%	34%
Delayed moving out of parents' house	12%	9%	10%	10%	59%
Delayed buying house	26%	14%	14%	13%	34%
Delayed getting married	8%	7%	10%	11%	65%
Delayed having children	13%	9%	9%	9%	59%

The evidence on actual lifestyles suggests, however, that these **perceptions of the impact of debt are exaggerated**. Neither education debt levels nor payment-to-income ratios have any effect at all on the probability that borrowers own homes, when other factors are controlled for. Living with a spouse or partner, having a higher income, having children and being older are the factors which make owning a home more likely. The same result holds for living apart from parents, being married and having children. Those with higher debt levels or with higher monthly payment-to-income ratios are no less likely than others to have taken these steps, when other relevant characteristics are taken into consideration. The only decision in which either debt level or payment to income ratios is significant is car ownership, but even in this case, even very high debt levels do not decrease the likelihood of owning a car measurably below the overall rate of 82%.

These results suggest that while many borrowers feel burdened by their education debt — as they do by their non-education debt — there are factors other than (or in addition to in certain cases) student loans which are responsible for limiting the lifestyle options noted above.

Table 19:
Home Ownership by Student Loan Debt Level
(Likelihood of home ownership not related to student loan debt level)

	\$10,000 or less in Student Loan Debt	\$10,001 to \$20,000 in Student Loan Debt	\$20,001 to \$30,000 in Student Loan Debt	More than \$30,000 in Student Loan Debt
Own a Home	24%	19%	23%	26%
Do not Own a Home	76%	81%	77%	74%

Part 6: Undergraduate Borrower Responses by School Type

While the NASLS survey did not collect information on the undergraduate institutions of respondents who went on to graduate study, it is possible to document differences in the repayment experiences of those who attended only at the undergraduate level. Of the 675 respondents in this category, 43% went to private four-year schools,

31% to public-four year schools, 13% to vocational/technical institutions, 9% to public two-year colleges and 4% to private two-year colleges. (See Table 20.)

Those who attended vocational/technical schools are older than average, with 43% over the age of 30, compared to 27% overall. Those from private four-year colleges are youngest, with 86% under 30, compared to 76% overall.

**Table 20:
Undergraduate Data by Institution Type**

	Vocational Technical n=88	Public 2-Year n=61	Private 2-Year n=28	Public 4-Year n=211	Private 4-Year n=287
Loans very or extremely important in continuing education after high school	79%	77%	77%	83%	79%
Loan counseling good preparation **	45%	48%	33%	29%	35%
Would borrow less if had it to do over**	42%	43%	54%	45%	39%
Used credit card to help pay for college**	10%	16%	7%	37%	23%
Delinquent in repayment **	14%	16%	19%	10%	5%
Investment worth it for career opportunities*	52%	51%	52%	56%	65%
Investment worth it for personal growth **	52%	60%	57%	76%	82%
Debt > 100% of current income **	12%	7%	15%	18%	24%
Undergraduate debt > \$20,000 **	1%	0%	4%	8%	22%
Undergraduate debt < \$5,000 **	47%	43%	36%	17%	7%
Monthly > 15% of income **	18%	11%	15%	16%	21%
Total Undergraduate Debt:					
Mean	\$6,200	\$5,900	\$9,600	\$10,900	\$15,300
Median	\$5,400	\$5,800	\$8,300	\$9,600	\$13,900
Current Income					
Mean	\$18,200	\$21,400	\$16,900	\$24,600	\$26,300
Median	\$17,300	\$19,800	\$16,600	\$24,000	\$25,400
Monthly Payment as % of Income:					
Mean	10%	7%	5%	12%	11%
Median	6%	4%	6%	7%	8%
* Difference significant at the .10 level					
** Difference significant at the .05 level					

Borrowers from all types of schools gave similar responses to the questions of how important the availability of loans was in allowing them to continue their education. Those who went to four-year colleges, particularly private institutions, borrowed significantly more than others. However, their incomes are also higher than others'. They have the highest monthly payment-to-income ratios, but those of vocational/technical students are not far behind.

Even with a relatively high proportion of their incomes devoted to debt repayment, borrowers from private four-year colleges are most satisfied with their investment, least likely to feel they should have borrowed less, and least likely to be delinquent in their payments.

Part 7: High-Risk Groups

Although the data indicate that on average, current levels of student debt are manageable, the variance in debt levels suggests that there may be some groups of students for whom repayment is a significant hardship. Borrowers from low-income families, black and Hispanic borrowers, students at for-profit vocational schools, and those who do not complete their degree or certificate programs are frequently the subject of concern. The NASLS data suggest that graduate students in business, law and medicine have very high debt levels, so they might also be considered a high-risk group.

Low Income Borrowers

The 37% of respondents who had Pell grants accumulated an average of \$12,400 in undergraduate debt, compared to \$10,900 for non-Pell recipients. However, because they were less likely to continue with graduate study, total educational debt for Pell recipients averages \$17,900, compared to \$19,300 for non-recipients (see Table 21).

Half of all Pell grant recipients said that their undergraduate debt was an extremely or very important factor in preventing them from attending graduate school, as compared to 38% of non-Pell recipients who expressed this opinion. This is consistent with the fact that only 28% of Pell grant recipients in the study continued their education beyond a bachelor's degree, versus 40% of non-Pell recipients.

**Table 21:
Pell Recipients (low income students) Debt and Attitudes
versus Non-Pell Recipients**

	Pell Recipient	No Pell
	(37%) (n=404)	(64%) (n=694)
Average total debt	\$17,900	\$19,300
Average undergraduate debt	\$12,400	\$10,900**
Average monthly payment/ current income	12.6%	11.7%
Current income	\$25,500	\$27,700**
	Pell	No Pell
Loans extremely/very important for continuing education after high school	82%	72% **
Extremely or very burdened by loan payments	52%	49%
Agree payments unpleasant but benefits worth it	66%	66%
Continued education beyond undergraduate degree	28%	40%
Undergrad. debt important factor in preventing grad. school attendance	50%	38%
Significantly changed career plans due to student loan debt (% who agreed) [Not statistically significant difference]	19%	15%
Knew how much debt they were accumulating	57%	61%
	Pell	No Pell
Total debt/current income > 100%	25%	26%
Monthly payment/income >15%	21%	19%
Undergraduate debt/current income > 100%	19%	16% *
Undergraduate debt > \$20,000	16%	12% **
Graduate degree	20%	30%**
* Difference significant at the .10 level ** Difference significant at the .05 level		

As indicated in Table 21, Pell recipients were only slightly more likely than others to say they feel burdened by repaying their loans, but significantly more likely than others to believe loans had a major effect on their access to higher education. Lower income borrowers were more likely to say they had significantly changed their career plans because of student loan debt, with 19% reporting this versus 15% for non-Pell grant recipients.

While it is possible that low-income students disproportionately resist borrowing and therefore are effectively denied access to higher education, there is no evidence that for those who do borrow, loans cause more hardship than for other borrowers.

Minority Student Borrowers

The small sample sizes for non-white groups in the NASLS survey make it difficult to reach clear conclusions about the differences in borrowing experienced by race/ethnicity.

However, several tendencies are suggested by the results (see Table 22). While the differences in average debt and income levels among white, black, Hispanic and Asian-American borrowers are not statistically significant in the NASLS sample, Asians have higher average monthly payment-to-income ratios than other groups. Asian-Americans use an average of 16% of their monthly incomes for debt repayments, compared to 10-12% for other groups. This is the result of a combination of higher total debt levels and lower current incomes. Hispanic borrowers, on the other hand, tend to accumulate lower than average education debt.

**Table 22:
Student Borrower Responses by Race**

	Black n=54	Hispanic n=51	Asian n=40	White n=892
Wish they had borrowed less **	60%	44%	45%	43%
Feel extremely or very burdened by student loan payments *	59%	55%	45%	49%
Non-degree holders who said loans prevented them from staying in school and completing their degree *	69%	71%	70%	43%
Student loans were extremely, very or important in preventing continuing on to graduate school	48%	50%	33%	43%
Significantly changed career plans due to student loan debt (% who agreed) *	26%	19%	10%	16%
Disagree that they understood how much debt they were accumulating *	24%	29%	15%	19%
Would opt for lower payments even at higher overall cost *	32%	22%	23%	17%
Average student loan debt	\$16,800	\$15,800	\$20,900	\$18,900
Borrowed >\$15,000 as undergraduates **	28%	19%	27%	26%
Average income	\$27,500	\$24,200	\$24,000	\$27,400
Income <\$10,000 a year **	15%	17%	23%	10%
Income >\$50,000 a year **	15%	6%	5%	8%
Undergraduate debt greater than income **	18%	12%	22%	16%
Total debt greater than income	30%	19%	33%	25%
Average Monthly Payment to Income	10%	12%	16%	12%
Monthly Payment/Income > 15%	17%	14%	26%	19%
* Difference significant at the .10 level				
** Difference significant at the .05 level				

Despite the fact that they do not have either higher debt levels or lower incomes than others, black respondents were significantly more likely to say their loans caused them problems. Greater percentages of this group than of other groups said they felt burdened by their loans, they wished they had borrowed less, they would opt for lower monthly payments, and they felt debt had caused them to change their career plans. These findings suggest that further research into the variations in attitudes towards debt among different demographic groups is an important part of maintaining meaningful access to postsecondary education.

Vocational/Technical Borrowers

The 10% of respondents who last attended a vocational/technical school accumulated average total debt of only \$9,000, compared to \$19,800 for other students. However, because their incomes are significantly lower - \$18,300 compared to \$27,800 – their monthly payment to income ratios are not far below those of students from other types of schools.

**Table 23:
Vocational/Technical Borrower Responses**

	Voc/tech (n=104) 10%	Other (n=994) 90%
Average total debt	\$6,200	\$19,800**
Average monthly payment/ Current income	10%	12%
Current income	\$18,300	\$27,800 **
Loans extremely or very important for continuing education after high school	80%	75%
Not burdened by loan payments	25%	17%*
Agree payments unpleasant but worth it	61%	64%
Knew how much debt they were accumulating	66%	59%**
Investment worth it for career	53%	65%*
Investment worth it for personal growth	53%	78%**
Loan counseling informed/prepared me for repayment	49%	36%
Total debt/current income > 100%	15%	26%**
Monthly payment/income < 5%	48%	32%
Undergraduate debt > \$20,000	1%	14%**
* Difference significant at the .10 level ** Difference significant at the .05 level		

Almost half of the voc/tech students pay less than 5% of their earnings for repayment, and students from these schools are more likely than others to say they don't feel any significant burden from repaying their loans. On the other hand, those who attended vocational/technical schools are less likely than others to believe their investment was worth it for career opportunities and much less satisfied with the personal growth to which their education led. These students are, however, much more positive than others about the debt counseling they received.

Non-Degree Holders

Only 60 people in the sample hold no degree or certificate, so it is difficult to reach conclusions about this group, but they do have both lower debts and lower incomes than those with degrees. Their monthly payments take a lower portion of their incomes but they feel slightly more burdened by the payments. Their responses to questions about their level of satisfaction with their investment in education are clear - they are much less satisfied than those who hold degrees or certificates. This is not surprising, since they abandoned their original educational plans and are less likely to have reaped financial benefits from their schooling.

**Table 24:
Non-degree Holder Responses**

	No Degree (6%) n=60	Degree (94%) n=1029
Extremely or very burdened by loan payments	52%	49%
Causing more hardship than anticipated	47%	36%
Agree payments unpleasant but worth it	51%	67%
Investment worth it for career	30%	66% **
Investment worth it for personal growth	39%	78% **
Vocation/technical school	19%	9% **
Public two-year school	24%	5% **
Monthly payment/income > 15%	13%	20%
Total debt/income < 50%	54%	76% **
Total debt/income > 100%	21%	26% **
Average monthly payment/income	9.7%	12.1% *
Average undergraduate debt	\$ 6,900	\$11,700**
Average total debt	\$ 7,900	\$19,400**
Average current income	\$16,900	\$27,500
* Difference significant at the .10 level		
** Difference significant at the .05 level		

Graduate Professional Borrowers

Of the NASLS respondents, 12% reported having done graduate work **in business, law or health/medical sciences**. These were the only three fields in which more than 1% borrowed more than \$30,000 for graduate study. These 131 borrowers had average total debt levels of \$45,500, compared to \$15,100 for all others. Median total debt is \$32,500 compared to \$12,250 for others. The average debt level is, however, somewhat misleading. While average graduate debt for this group is \$32,100, half of the borrowers have graduate debt of \$21,900 or less.

**Table 25a:
Distribution of Graduate Debt Levels
for Law, Business, and Medical Science Students**

Graduate Debt	Percentage of Borrowers	Graduate Debt	Percentage of Borrowers
0	10%	\$40,001 - \$50,000	11%
\$1 - 10,000	20%	\$50,001 - \$70,000	8%
\$10,001 - 20,000	18%	\$70,001 - \$90,000	4%
\$20,001 - 30,000	15%	\$90,001 - \$105,000	2%
\$30,001 - 40,000	9%	\$105,000 and above	5%

Despite their average earnings of \$40,900, which far exceeds the \$25,000 for others, those who pursued graduate studies in these three fields use an average of 15% of their current monthly income to repay their student loans, compared to 11.5% for other borrowers. The distributions of monthly payment to income ratios show graduate students as a whole very close to the level of 4-year students, but this group of professional student borrowers far exceed all other categories, with 25% using more than one-fifth of their monthly incomes to cover student loan payments.

Average debt levels for graduate professional students in business, law and medical science are high enough to capture attention. Professional school borrowers are more likely to say that they feel "extremely burdened" by their student loan payments than other graduate borrowers. Thirty-seven percent report extreme burden, as compared to 21% of graduate students reporting this.

Even relative to the high salaries graduates in these fields enjoy, the monthly payments they are required to make are higher than is generally considered acceptable. However, because of their high incomes, most students from graduate professional schools are not at risk. Over half of them have monthly payment/income ratios below 10%. For most of those not in such fortunate situations, their high incomes make it possible for them to use a relatively high portion of their incomes for loan payments and still live at higher standards of living than they would if they had not pursued these studies. Most seem to be reaping monetary benefits from the investment they have made in themselves, and believe that that investment was a worthwhile one for both career and other reasons.

**Table 25b:
Business, Law and Medical Graduate Students**

	Business, Law, Medical n=131 (12%)		Other n=961 (88%)	
	Average	Median	Average	Median
TOTAL DEBT	\$45,500	\$32,500	\$15,100	\$12,250
Undergraduate Debt	\$13,100	\$10,000	\$11,200	\$ 9,500
Graduate/Professional Debt	\$32,100	\$21,900	NA	NA
Monthly Payment/ Income Ratio	15.2%	9.0%	11.5%	7.0%
Current Income	\$40,900	\$42,400	\$25,000	\$25,000
	Percent		Percent	
Total debt/current income > 100%	40%		24% **	
Undergrad debt/current income < 20%	59%		38% **	
Undergrad debt/current income >100%	8%		18% **	
Monthly payment/ income < 10%	56%		64%	
Monthly payment/ income >15%	25%		19%	
	Percent		Percent	
Would borrow less	51%		44%	
Very or extremely burdened	60%		48%	
Delinquent in repayment	5%		8%	
Repayment much easier over time	32%		20% **	
Payments unpleasant but worth it	73%		65%	
Worth it for personal growth	82%		75%	
Worth it for career opportunities	79%		62% **	
	Percent		Percent	
Loans delayed buying house	50%		38%	
Own car	81%		82%	
Owners with car loan	62%		62%	
Own home	37%		21% **	
Loans delayed buying car	30%		31%	
** Difference between groups is statistically significant at the .05 level.				
NA = Not applicable				

Part 8: Debt Counseling and Understanding of Accumulation

The NASLS asked respondents to rate how well **the debt counseling they had received on campus had prepared them for repayment**. Overall, 37% “strongly agreed” or “agreed” that loan counseling had prepared them to repay their loans; 40% “strongly disagreed” or “disagreed” and 23% gave a neutral response.

Public 4-year, private 4-year and private 2-year students are most dissatisfied with their loan counseling. Vocational/technical school borrowers and those who attended public 2-year schools were most satisfied with the debt counseling they received at their institution.

**Table 26:
Percentage of Borrowers by School Type who Agree or Disagree
that Debt Counseling Prepared Them for Repayment**

Type of School Last Attended	Strongly Agree or Agree that Debt Counseling Prepared Them	Neutral that Debt Counseling Prepared Them	Strongly Disagree or Disagree that Debt Counseling Prepared Them
Vocational/Tech.	49%	24%	27%
Public 2-Year	50%	18%	32%
Private 2-Year	42%	16%	42%
Public 4-Year	31%	22%	48%
Private 4-Year	35%	25%	42%
Graduate School	38%	23%	39%
Professional School	37%	23%	40%

60% of respondents “strongly agreed” or “agreed” that **they knew how much debt they were accumulating** while in school, but 20% “strongly disagreed” or “disagreed” that they understood this; the remaining responses were neutral. Responses to this question were strongly related to age, with borrowers 40 and older much more likely to agree that they understood their debt accumulation. Seventy-four percent of this age group, compared to 52% of those aged 24 or younger strongly agreed or agreed that they understood this. Seventy percent of borrowers between the age of 30 and 39 agreed; while 54% of those aged 25 to 29 agreed.

When broken down **by race**, non-white respondents were more likely to disagree that they understood how much student loan debt they were accumulating, with 27% of blacks and Hispanics disagreeing versus 19% for whites.

Borrowers who reported that they did not understand how much they were accumulating were also more likely to say they felt burdened by their student loan payments, with 46% reporting this versus 21% of those who did understand what they were undertaking.

Part 9: Repayment Attitudes and Behaviors

Ease of Repayment

Of those borrowers (66% of the respondent pool) who have been in repayment three years or more, 21% said that paying back their loans had gotten much easier over time; 48% said that it had gotten somewhat easier to repay; and almost a third, or 31% said that it had not gotten easier at all. Among graduate students, 23% said that paying back their loans had gotten much easier over time, and 47% said somewhat easier.

As borrowers' total debt-to-income ratio increases, they are less likely to say that repayment has gotten easier. For example, 47% of borrowers who use over 15% of their monthly income to repay student loans said it had not gotten easier at all to repay their debt as time went on, compared to 24% of the borrowers who use 10% or less of their monthly income to repay student loans.

Opinions of Student Loan Servicer

48% of respondents rated the service they receive from their student loan servicing organization as "good"; 25% rated it "fair"; 18% rated it "excellent"; and 9% rated it as "poor".

Parental Help with Repayment

77% of NASLS borrowers receive no help from parents in repaying their student loans; 9% of borrowers get 10% or less of their loans repaid by parents; 5% get 10-20% of their loans repaid by parents; 3% of borrowers get 20-40% of their loans repaid by parents; 4% have parents helping with 40-60% of their loan repayment; 2% of borrowers get help paying off 60-90% of their debt; and 3% get 90-100% of their loans paid by their parents.

Repayment Option

84% of respondents use a standard 10-year fixed monthly payment option; 8% use federal loan consolidation; 6% use graduated repayment; and 3% use income sensitive repayment.

Use of Funds if No Student Loan Payment

Borrowers were asked in the survey what their top two choices would be for using the extra money if they did not have a monthly student loan payment. This type of measurement is used to assess how badly borrowers need the funds they use for student loan payments for basic life necessities. Forty percent of the respondents listed housing/utilities as their first priority. Twenty-four percent selected savings/investments as their first priority and 35% chose this as their second priority. This suggests that while many borrowers perceive their standard of living as significantly affected by repayment, many do not feel the payments make it impossible to make ends meet on a daily basis.

Part 10: Open-Ended Comments from Borrowers

Borrowers who responded to the NASLS were given an opportunity to provide open-ended comments regarding their student loan borrowing and repayment experiences.

Of the 1,098 surveys returned, 442 of these also contained borrower comments. Only 69 of the comments received were **positive comments** regarding the borrowing experience; of these, most borrowers noted that they would not have been able to continue their education after high school without loans.

"I never would have been able to attend a four year college without Stafford Loans. On my graduation cap I wrote "Thank You Stafford Loans!"

"Paying back my student loans is hard, but I don't think I could have gotten the job that I do [sic] without them."

The **negative** comments are divided into six main categories: 27% regarding colleges and financial aid; 25% regarding servicers and lenders; 17% regarding the repayment process; 11% regarding interest rates; 4% regarding the government; and 15% other comments.

"I believe the entrance and exit interviews have minimal impact on students. Students, like myself, believe they will be employed immediately after graduating with a decent paying job."

"If education weren't so expensive there wouldn't be a need for loans."

"I have never been able to pursue my dream of a job in the Arts because I couldn't afford to. I am left with 5 years of pleasant memories, 10 years of debt, and a degree that gets me nowhere in my current job."

"I had no idea what I was getting myself into."

"Loan servicing organizations should bill us monthly and show us the amount of principal, interest and total amount left."

"In the last year my loan has changed hands three times!"

"I can't get ahead in my life...all I can ever pay is just the interest and I have barely touched the balance!"

"I didn't realize going in that I would be paying my loans back with my pension."

"I spent 6 years in the field of social work counseling abused children. When I needed to earn my masters, I realized I could not incur another \$30-80,000 worth of loans on top of my \$30,000 from undergrad, only to earn \$30,000 as a counselor. Tired of working 3 jobs, I left this important and worthwhile work to take a higher paying job."

Part 11: Comparisons with Earlier Studies

The NASLS survey was the third in a series completed by Nellie Mae since 1987. Below are comparisons of the data from these three surveys. Over time, questions were modified, eliminated or added, but the results below are for those questions which were

**Table 27a:
Comparison of 1987, 1991 and 1997 Nellie Mae
Student Loan Debt Surveys***

Borrower Questions and Responses	1987	1991	1997
Experienced more hardship than anticipated	27%	25%	36%
Benefits of loans outweigh the disadvantages	68%	74%	66%
Importance of loans in school choice	55%	62%	64%
Concern over borrowing prevented attending more expensive school	40%	38%	39%
Concern over borrowing prevented student from staying in school (for those who did not complete a degree)	41%	46%	50%
Concern over borrowing prevented from going to graduate school	55%	71%	69%
Loans extremely/very important in allowing student to continue with education after high school	67%	71%	76%
Would borrow <i>less</i> if had to do it over again	31%	31%	45%
Would borrow <i>more</i> if had to do it over again	15%	9%	5%
Significantly changed career plans because of student loans	11%	15%	17%
Delayed buying a home because of student loan debt	23%	25%	40%
Delayed buying a car because of student loan debt	17%	16%	31%
Delayed moving out of parents' home because of student loan debt	13%	12%	21%
Delayed getting married because of student loan debt	9%	7%	15%
Delayed having children because of student loan debt	12%	12%	22%
	1987	1991	1997
Average student loan debt (includes undergrad. and graduate debt)	\$7,500	\$8,200	\$18,600
Average monthly student loan payment	\$105	\$120	\$198
Percent with non-education loan debt over \$1,000 per month	N/A	10%	35%
Parents paid back 50% or more of student loan debt	7%	6%	7%
Attended graduate school	25%	31%	35%
* New England Student Loan Surveys 1987 and 1991; and National Student Loan Survey 1997			

asked in exactly the same way for all three surveys. As noted earlier, the demographics of each survey are fairly consistent (see Table 27b), and thus provide meaningful comparisons and trend lines.

**Table 27b:
Comparison of 1987, 1991 and 1997 Nellie Mae
Student Loan Debt Surveys***

BORROWER DEMOGRAPHICS	1987	1991	1997
Male	41%	56%	38%
Female	59%	44%	62%
Married/Unmarried Partner	35%	41%	45%
At least one child	16%	25%	26%
Age 26 or younger	77%	50%	45%
Borrower Income (current not constant)	N/A	\$23,243	\$26,884
Borrower Family Income (current not constant)	\$30,300	\$38,500	\$43,500
BY RACE	1987	1991	1997
White	94%	91%	83%
Black	2%	3%	5%
Hispanic	2%	1%	5%
Asian or Other	2%	3%	7%
CHANGES IN CONSUMPTION PATTERNS	1987	1991	1997
Own Home	19%	29%	22%
Own Car	85%	89%	82%
Living with Parents	33%	25%	17%
Took out a loan to buy a car	66%	72%	62%
HIGHEST DEGREE EARNED	1987	1991	1997
None	8%	8%	6%
Certificate/Associates	21%	18%	18%
Bachelor's	56%	52%	51%
Master's	10%	13%	19%
Doctoral	2%	3%	2%
Professional	2%	4%	5%
* New England Student Loan Surveys 1987 and 1991; and National Student Loan Survey 1997			

Part 12: Conclusion

The NASLS survey indicates that overall, student debt has not caused most borrowers to dramatically change their lifestyles, nor do most of them regret the investment they have made. Many of them have accumulated significant amounts of non-education debt, which causes them as much discomfort as their student loans do. Borrowers overwhelmingly believe that the availability of loans has allowed them educational opportunities which would otherwise have been inaccessible. However, there has been a significant increase in the debt accumulated by individual students since the early 1990s and in the perception of borrowers that their debt is interfering with their lifestyles.

There is no overwhelming evidence in this study that groups generally considered particularly vulnerable to debt burdens are facing a financial crisis due to their student loan payment. Pell recipients do have higher undergraduate debt/current income ratios than other borrowers, but do not appear to perceive their education debt as more burdensome. Additional work must be done to determine the extent that low income students drop out before completing their degree because of financial worries and the need to borrow to cover tuition costs. Students from vocational/technical school have less confidence in the value of their investment, but do not express more negative feelings about their debts. Those without degrees may regret their borrowing, but their debt demands a relatively low proportion of their current incomes.

While policy conclusions do not emerge directly from the data, the findings are consistent with the idea that rather than restricting the availability of loans, we should counsel students throughout their postsecondary careers to carefully evaluate their individual situations and prospects before incurring large amounts of debt. We should pay particular attention to those students likely to accumulate high debt levels without the promise of high incomes, and those at lower incomes who must rely more on borrowing because of less financial help from their families. Moreover, we should develop clearer ideas about how much debt is too much for specific categories of borrowers. The bottom line is that individual students are incurring more debt. Without setting a standard borrowing benchmark -- whether by discipline, school-type, career, family income or other characteristics -- it will be difficult for higher education institutions, loan providers, and others to gauge when borrowing levels by students begin to cause serious financial and social difficulties during the repayment period.

Part 13: Recommendations

Over the last ten years, Nellie Mae has done several studies on student loan debt issues, as well as been very involved in developing debt counseling materials for students. We have been fortunate to have worked with dedicated financial aid administrators who have helped guide us in the most effective ways to reach students, and pushed us to develop new and creative strategies to help students understand their rights and responsibilities as borrowers.

Below are several recommendations which follow not only from the NASLS, but also from the collective work done in the higher education community on the issue of student loan debt, and from Nellie Mae's other research in this area.

I. Financial Aid Community and Lenders

- (a) Lenders and financial aid offices should begin to **customize debt counseling materials** to the needs of particular student groups, such as those in disciplines who borrow high but earn low (e.g., art/music students); those who will likely borrow as both undergraduates and graduate students; graduate students in disciplines which tend to borrow high (law, medical); and low income and independent students who tend to take on more individual debt due to less family help.
- (b) Schools and lenders need to **involve students** more in the development of debt counseling materials and formats. While loan counseling has improved greatly since its introduction in the late 1980s, it is still a challenge to get students to understand what it means to borrow, consider how much they should borrow, and to spend time developing long range borrowing strategies which take into consideration their entire school career. Involving students in the development of Entrance and Exit interview sessions, and in producing written materials, will help bridge the gap between what students should know and what they will listen to with all of their other competing priorities while in school.
- (c) Financial aid offices should **bring back former students** to talk to current students about how their lives were positively impacted by their education, and how their student loan debt may have caused them to make different decisions than they had anticipated. Students are much more likely to listen to their counterparts who also borrowed at the same institution, and learn from the hindsight of those who are already meeting the challenge of repayment.

- (d) Financial aid offices and lenders should help students recognize that they need to begin to look not just at the principal balances of their loans, but **how much debt will actually accrue due to interest charges** over time. This is not meant to frighten student borrowers, but to provide a reality check in a manner which they can understand. With this type of information, students may make other choices while in school, such as working a few hours a week to earn tuition money versus borrowing it, seeking out less expensive accommodations, using less expensive transportation options, etc.
- (e) Schools should consider **developing recommended borrowing level guidelines** for students in different disciplines (and at different school types) based on average starting salaries. For example, recommended borrowing for an art student at a private school might have a low, mid and high range which also presents the challenges and choices students will have to make once they graduate if they exceed the recommended levels. Inexperienced credit consumers need more help than they have been receiving to understand the implications of borrowing at certain levels.
- (f) **Credit card counseling** should be included with student loan debt counseling as it has a large impact on the student both while they are in school and while in repayment. With undergraduates holding balances over \$2,200 and graduate students \$5,800 on average (1997 Nellie Mae study), students need help in understanding the implications of using credit cards, and what to do if they get in over their heads.
- (g) Financial aid offices can benefit by **forming partnerships with other parts of the campus** to help with debt counseling and other related financial aid issues, such as technology (MIS or IT) to help with an interactive debt counseling website, professors to help with curriculum issues, careers office to help with student work issues, student support services to help with lower income or disadvantaged students.
- (h) Financial aid offices and other parts of the campus should be prepared to **help students make tough choices** in order to keep debt levels at a reasonable level. This could include counseling students to live at home for some or all years of their education (even if home is in an environment not as conducive to studying as on campus) in order to keep debt down; “stopping out” if necessary to get a job and save for tuition when debt is reaching unmanageable levels, etc.
- (i) Financial aid associations and lenders need to decide as a community what a **reasonable debt-to-income ratio** is at graduation for undergraduate, graduate and professional students. Should this be standard or different by discipline? It is important that there is agreement within the higher education community so that all parties are working with the same assumptions. NASFAA said 8% debt-to-income ratio was the “ceiling” in 1986 which borrowers should stay below. What is reasonable today based on the data?

II. Postsecondary Institutions and the Higher Education Community

- (j) **Broader partnerships need to be developed** within the higher education and related communities, such as with feeder high schools, guidance counselors, lenders, other aid providers to stretch debt counseling across a broader spectrum. By beginning in the early years prior to postsecondary education, and extending counseling help into the repayment period, borrowers will be more informed about the nature of credit and its best uses in helping them finance their higher education.
- (k) **Student loan issues need to be added into curricula** at the high school and college level. This could include student loan amortization discussed in accounting classes, story problems about loan debt in math class, or stress issues regarding repayment in psychology class, etc. Loan debt is a part of education now for over half of all students, so making it a part of the curriculum is a holistic approach to keeping students informed and making wise borrowing decisions.
- (l) Colleges and their respective trade associations should consider undertaking a **public awareness campaign on the benefits of a higher education** which goes beyond the usual listed benefits such as increased earning power. Such a campaign must explain to the public, in a way which is credible to them, why college costs what it does so as to set aside misconceptions about affordability. Perception is reality, and some sectors of the public think that college costs are out of reach. Again, a new paradigm is needed.
- (m) Colleges need to continue their push to keep **annual cost increases** close to increases in family income. The mis-match between these two indices, with the simultaneous decline in grant aid over time, has led to increased borrowing by parents and students.
- (n) The government and private interests need to fund and provide a **national awareness campaign on saving for college**. Great success has been realized in the past with other critical issues in helping to change national behavior. For example, the extensive litter campaign via television commercials in the late 1960s and early 1970s completely changed the behavior of Americans, who prior to this saw no reason not to toss soda bottles or hamburger wrappers out the windows of our cars. The “Bend a Little” ads and the pollution prevention ads (the Native American man with a tear running down his cheek) were forceful messages that altered negative behaviors. Likewise, a concerted public national advertising campaign, supplemented with education in our schools, to improve savings rates, and promote college savings, could also be effective in helping keep borrowing levels reasonable through positive planning and saving activities.
- (o) More study needs to be done on how student **loan borrowing affects access to and retention** in higher education, and which populations are most at-risk. The financial aid system was built on the precepts of equal educational opportunity for all Americans. As a community, we need to better understand whether the current system is having a negative effect on certain populations due to the need to borrow at higher levels than in the past as grant assistance has declined.

References

Baum, Sandy and Saul Schwartz. 1988. *The Impact of Student Loans on Borrowers: Consumption Patterns and Attitudes Towards Repayment*. Boston: New England Education Loan Marketing Corporation and Massachusetts Higher Education Assistance Corporation.

College Board. 1990. "Trends in Student Aid: 1980 to 1990." Washington, DC: The College Board.

_____. 1997. "Trends in Student Aid: 1987 to 1997." Washington, DC: The College Board.

NCES. 1997. "Early Labor Force Experience and Debt Burden." National Center for Education Statistics, Office of Educational Research and Improvement. Washington, DC: U.S. Department of Education.

National Commission on Responsibilities for Financing Postsecondary Education. 1993. *Making College Affordable Again*. Washington, DC: National Commission on Responsibilities for Financing Postsecondary Education.

Pedalino, Marilyn et al. 1991. *The New England Student Loan Survey II: Final Report*. Boston: Massachusetts Higher Education Assistance Corporation and New England Education Loan Marketing Corporation.

TERI. 1995. *College Debt and the American Family*. Boston: The Education Resources Institute and the Institute for Higher Education Policy.

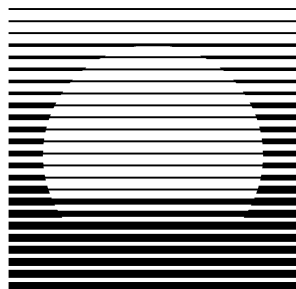
_____. 1997. *Now What? Life After College for Recent Graduates*. Boston: The Education Resources Institute and the Institute for Higher Education Policy.

Appendix A:

Comparison of California, Massachusetts, New York and New England Borrowers Against All Borrowers in NASLS*

Selected Responses	California n=139	Massachu- setts n=401	New York n=146	New England n=576	All Borrowers n=1098
Average Total debt	\$15,500	\$20,200	\$19,600	\$19,200	\$18,800
Average Undergraduate debt	\$8,600	\$12,700	\$10,600	\$12,300	\$11,400
Average Graduate debt (for those with graduate debt)	\$18,500	\$21,900	\$25,300	\$20,800	\$21,000
Loans were extremely or very important in continuing education after high school	72%	80%	71%	79%	76%
Loans are causing more hardship than anticipated	36%	37%	33%	37%	36%
Would borrow less if had to do it over again	49%	44%	43%	43%	45%
Investment in education through borrowing worth it for career opportunities	63%	62%	64%	63%	64%
Investment in education through borrowing worth it for personal growth	69%	76%	72%	77%	76%
Used credit cards to help pay for education	24%	25%	27%	25%	26%
Income of \$20,000 or lower	40%	28%	36%	31%	34%
Income between \$20,000-30,000	30%	30%	30%	29%	29%
Income above \$50,000	7%	8%	11%	8%	8%
Borrowed more for undergraduate education than are currently earning	13%	16%	20%	17%	17%
Have a degree higher than a bachelors	26%	27%	29%	24%	26%
Own a home	14%	24%	25%	25%	22%

** Massachusetts, New York and California make up 62% of the respondents in the NASLS, and thus 62% of the "All Borrowers" category. Thus, "All Borrowers" is not a nationally representative sample.*



N E L L I E
M A E

A National Leader in Student Loan Financing and Services

50 Braintree Hill Park, Suite 300
Braintree, Massachusetts 02184
Tel: 781-849-1325
Fax: 781-849-2168
www.nelliemae.com
info@nelliemae.com