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- How much did undergraduates borrow



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How Much Did Undergraduates Borrow?

Prepared by:
Staff of the Minnesota Higher Education Services Office



February 16, 1999

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Introduction

This paper examines how much undergraduates borrow, and the extent to which the amount borrowed differs according to several student characteristics.

This is the second in a series of three papers on undergraduate borrowing:

1. *Undergraduate Borrowing*, December 28, 1998.

A) National and state trends in the aggregate dollar volume of borrowing.

B) What percentage of students borrowed?

2. *How Much Did Undergraduates Borrow?*, February 1999.

3. *What Was the Impact of Borrowing on the Borrowers?*, forthcoming.

Summary of Findings Reported Earlier

- Aggregate Borrowing in Minnesota and Nationally
 - The aggregate dollar volume of borrowing has increased in Minnesota and nationally, particularly since 1992.
 - In 1992, the federal government increased the amounts students could borrow and made all students eligible to borrow.
 - The increase in borrowing was greater than the increases in both tuition and inflation from 1987 to 1997.
 - The rate of increase in the aggregate dollar volume of borrowing by Minnesota undergraduates was less than the rate of increase in national borrowing from 1987 to 1997.
- What Percentage of Students Borrowed?
 - The more time students spent on post-secondary education, the more likely they were to borrow.

- As the price of attendance increased, the percentage of students with debt increased.
- The percentage of students who borrowed varied surprisingly little with income.

This paper examines how much students borrowed as well as the percentage who borrowed according to several student characteristics.

Sources of Information

Much of the information in this paper is national. It is based on borrowing by students across the United States. The primary source for the national information is the *National Postsecondary Student Aid Study, 1996* conducted by the National Center for Education Statistics, U.S. Department of Education.

Additional sources of information are listed in the endnotes.

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How Much Did Undergraduates Borrow?

This section presents information on the amount borrowed by undergraduates who have student loans.

This section looks at whether the average amount borrowed differs by:

- full-time, full-year attendance as compared to part-time or part-year attendance
- how much students work
- number of years of attendance
- price of attendance
- race/ethnicity
- income

This paper also contains information on how much students in the graduating class of 1997 borrowed, on average, at Minnesota four-year institutions.

Average Loan Amounts Include Only Those With Loans

The amounts reported in this paper are average amounts borrowed for *undergraduates with loans*. Not all undergraduates borrowed.

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Overall, How Much Did Undergraduates Borrow?

Amount Borrowed in One Year

- Nationally, the average **annual** amount borrowed by undergraduates with loans was \$4,100 in Fiscal Year 1996.¹
 - About 26 percent of undergraduates borrowed in 1996.

Amount Borrowed in That Year or a Previous Year

- Nationally, the **cumulative** amount borrowed in that year or a previous year averaged \$7,100 in Fiscal Year 1996.²
 - About 38 percent of undergraduates borrowed in 1996 or a previous year.
 - These amounts are for all undergraduates attending in Fiscal Year 1996. Thus, they include students who were at all stages of their post-secondary programs -- **first, second, third, fourth year or more.**

Borrowing by Dependent and Independent Students

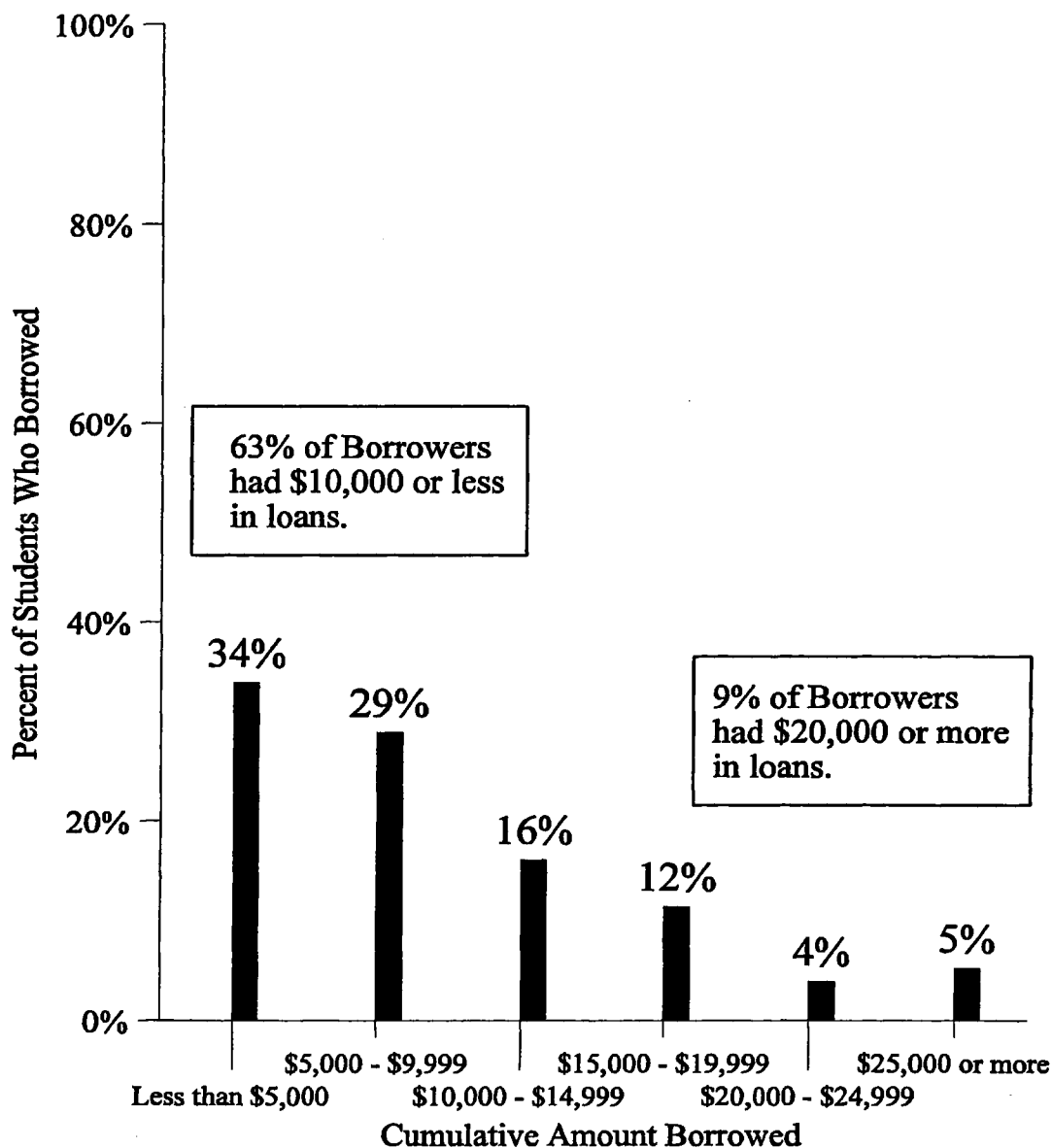
Independent students borrowed more than dependent students on an annual and a cumulative basis:

	Percentage of Students Who Borrowed in 1996	Average Annual Amount Borrowed in 1996 ³	Percentage of Students Who Borrowed in 1996 or a Previous Year	Average Cumulative Amount Borrowed in 1996 or a Previous Year ⁴
Dependent Students	30%	\$3,600	37%	\$6,400
Independent Students	21%	\$4,600	38%	\$7,600

Distribution of Loan Amounts

- A USA Group study of undergraduates at four-year institutions who had left school and were in the **grace period** showed the following distribution of borrowing:
 - More than half (63 percent) of undergraduates who borrowed, borrowed \$10,000 or less, as shown in Figure 1.
 - The USA Group study examined the amounts borrowed by undergraduates at four-year public and private institutions who had left school and entered the six-month grace period in the first six months of 1997.⁵
 - Students who were in the grace period were students who left school for reasons such as: graduating from a 2-year or 4-year program, completing all the education they wanted without obtaining a degree, leaving (for more than six months) with the intent to return for more education in the future, or dropping out with no intention of returning.
 - About 5 percent of borrowers who last attended four year institutions borrowed \$25,000 or more in the USA Group study.
 - The USA Group study included all borrowers in the grace period. Some of those borrowers graduated. Others did not.
- Looking at **graduates** of four-year institutions, 19 percent borrowed \$20,000 or more in 1996.
 - These data are from the National Postsecondary Student Aid Survey for 1996.⁶

Figure 1. National Amounts Borrowed* by Undergraduates at 4-Year Institutions Who Were in the Grace Period, January to June 1997**



*Amounts borrowed are for students with loans.

**These results are based on an examination of student loan records at USA Group Loan Services, Inc. The results are for undergraduates who left school and entered the post-school grace period in the first six months of 1997.

Source: USA Group Loans Services Inc./ USA Group Inc.

Full-Time, Full-Year Attendance As Compared to Part-Time or Part-Year Attendance

Undergraduates who attended full-time for the full academic year borrowed more than those who attended part-time or for part of the year, as shown in Figure 2.

Full-Time, Full-Year

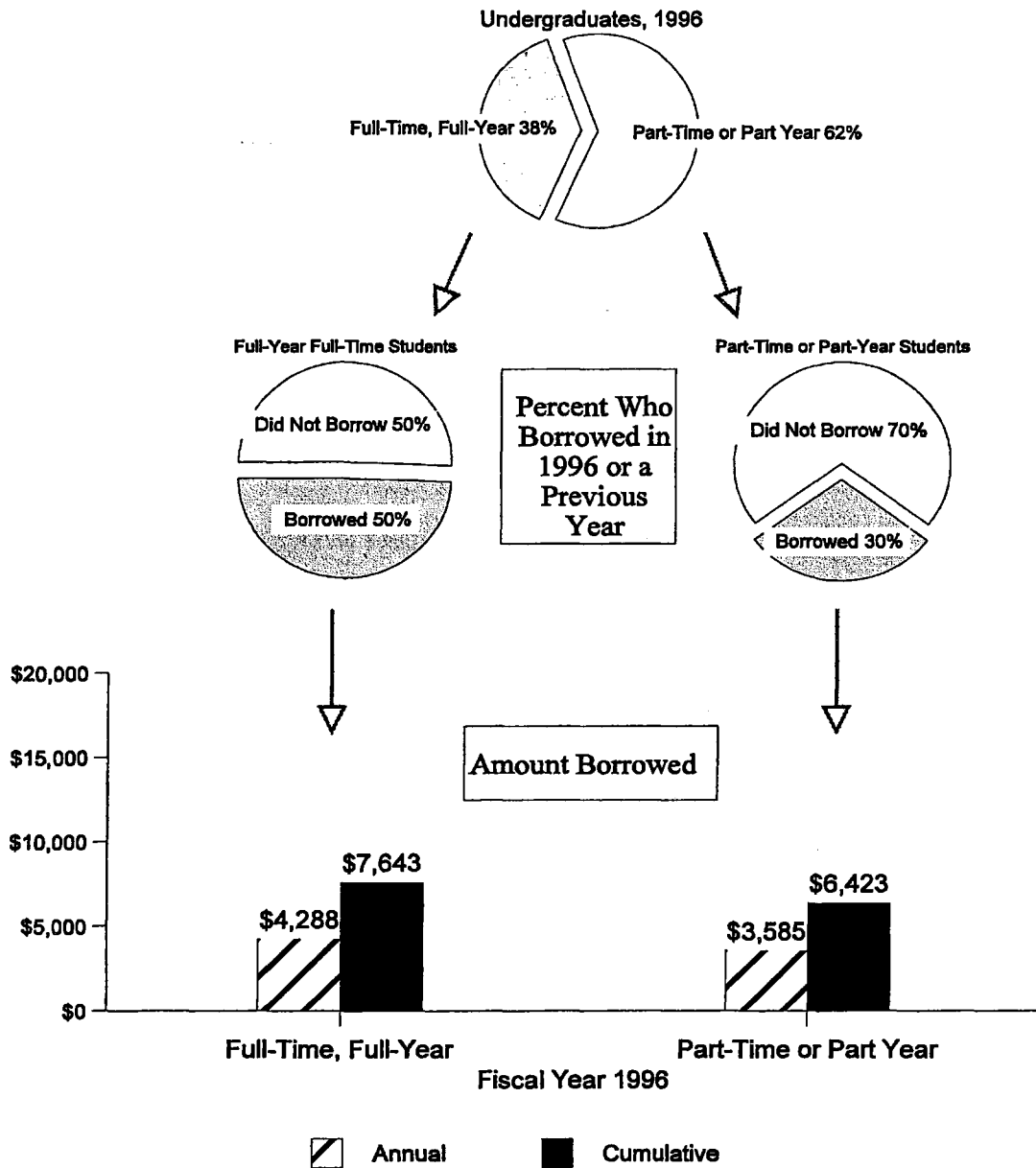
- Undergraduates who attended full-time for the full academic year were 38 percent of all undergraduates in 1996.
- About 50 percent of full-time, full-year students borrowed in 1996 or a previous year.
- Among students who borrowed, the average **annual** amount borrowed by full-time, full-year undergraduates in 1996 was \$4,300.
- Among students who borrowed, the average **cumulative** amount borrowed in 1996 or a previous year was \$7,600.⁷

Part-Time or Part of the Year

- About 62 percent of all undergraduates attended part-time or for only part of an academic year in 1995-96; **Thus their price of attendance was less than it would have been for full-time, full-year attendance.**⁸
- About 30 percent of part-time, part-year undergraduates borrowed in 1996 or a previous year.
- Among students who borrowed, the average **annual** amount borrowed by part-time, part-year undergraduates was \$3,600 in 1996.
- Among students who borrowed, the average **cumulative** amount borrowed in 1996 or a previous year was \$6,400.

	Average Annual Amount Borrowed in 1996 ⁹	Percentage of Students Who Borrowed in 1996 or a Previous Year	Average Cumulative Amount Borrowed in 1996 or a Previous Year ¹⁰
Full-Time, Full-Year	\$4,288	50%	\$7,643
Part-Time or Part-Year	\$3,585	30%	\$6,423

Figure 2. Nationally, Undergraduates Who Attended Full-Time for the Full Year Borrowed More* Than Those Who Attended Part-Time or Part-Year**



*Loan amounts are for students with loans.

**These results are based on NPSAS 96, a US Department of Education survey of a sample of undergraduates attending post-secondary institutions in the US during academic year 1995-96 (Fiscal Year 1996).

Source: National Center for Education Statistics

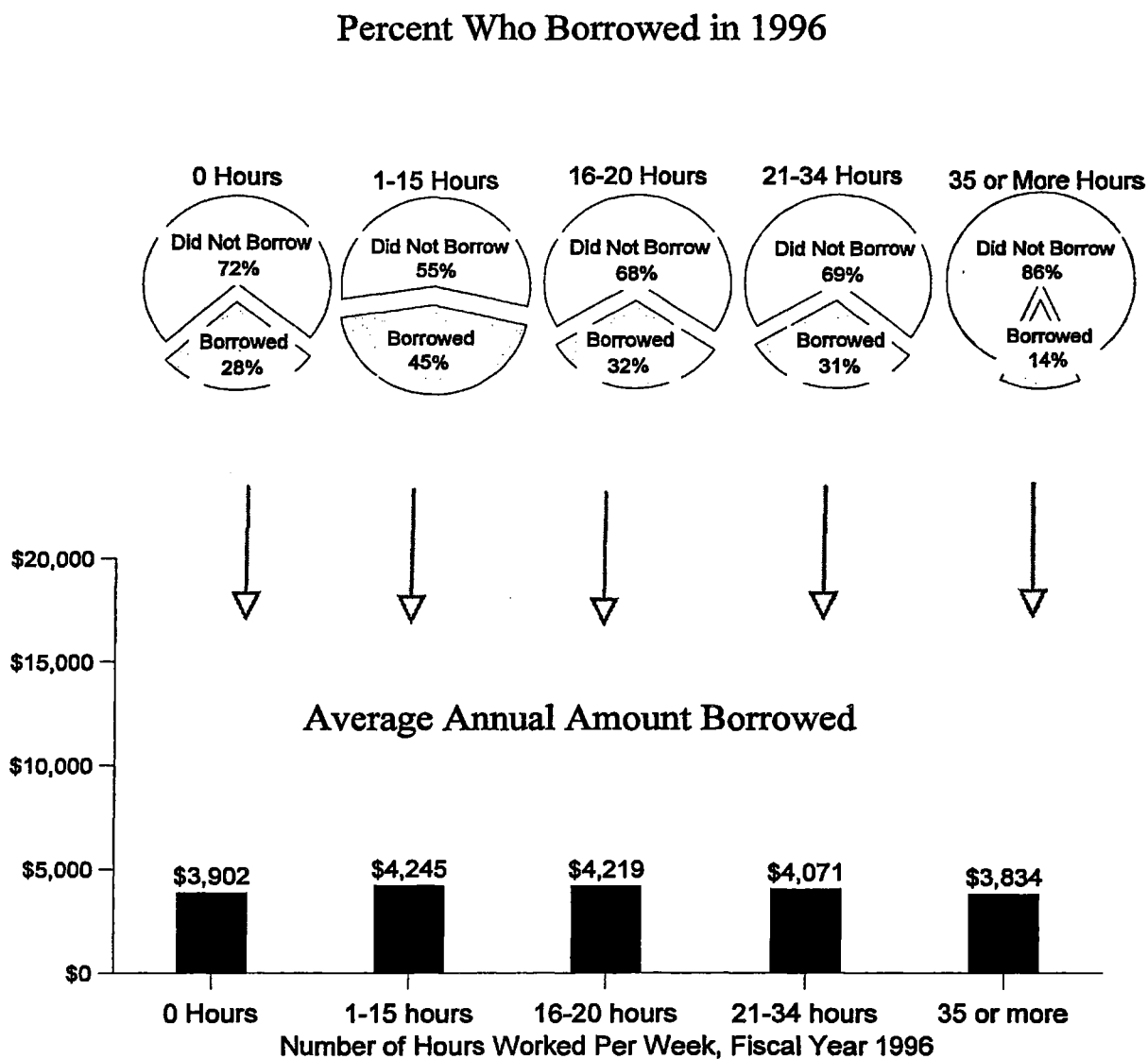
Work

Undergraduates who worked more were less likely to borrow. However, the amount borrowed did not vary much with number of hours worked per week.

- Students who worked more hours per week were less likely to borrow, but those who borrowed, borrowed about the same amount, as shown in Figure 3.¹¹
 - Students who did not work while enrolled:
 - About 28 percent borrowed in 1996.
 - Among those who borrowed, the average annual amount borrowed was \$3,900.
 - Students who worked 1-15 hours per week:
 - About 45 percent borrowed in 1996.
 - Among those who borrowed, the average annual amount was \$4,200 in 1996.
 - Students who worked 35 hours per week or more:
 - About 32 percent borrowed in 1996.
 - Among those who borrowed, the average amount was \$3,800 in 1996.

Number of Hours Worked Per Week	Percentage of Students Who Borrowed in 1996	Average Annual Amount Borrowed in 1996
0 Hours	28%	\$3,902
1-15 Hours	45%	\$4,245
16-20 Hours	32%	\$4,219
21-34 Hours	31%	\$4,071
35 or More Hours	14%	\$3,834

Figure 3. Nationally, Undergraduates Who Worked More Hours Were Less Likely to Borrow, But They Borrowed Similar Amounts*



*Loan amounts are for students with loans.

These results are based on NPSAS 96, a US Department of Education survey of a sample of undergraduates attending post-secondary institutions in the US during academic year 1995-96 (Fiscal Year 1996).

Source: National Center for Education Statistics

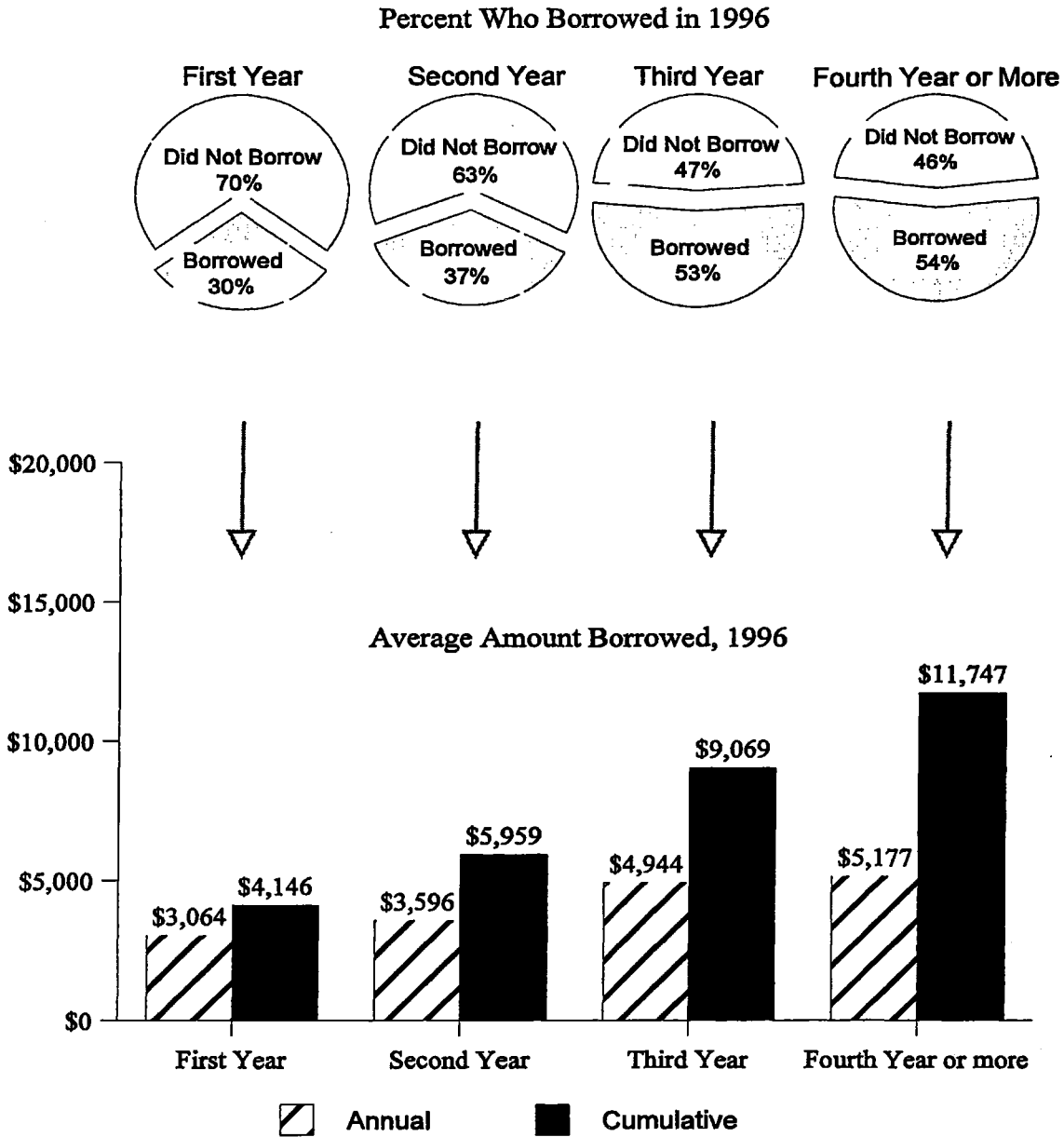
Number of Years of Attendance

Students in their third or fourth years of attendance were more likely to borrow. They borrowed larger amounts than students in their first or second years of post-secondary education.

- Students in their first year of attendance:
 - About 30 percent borrowed in 1996 or a previous year.
 - Among those who borrowed, the average amount borrowed in 1996 or a previous year was \$4,100.
- Students in their fourth year of attendance:
 - About 54 percent borrowed in 1996 or a previous year.
 - Among those who borrowed, the average amount borrowed in 1996 or a previous year was \$11,700.¹²

	Average Annual Amount Borrowed in 1996 ¹³	Percentage of Students Who Borrowed in 1996 or a Previous Year	Average Cumulative Amount Borrowed in 1996 or a Previous Year ¹⁴
First Year Undergraduates	\$3,064	30%	\$4,146
Second Year Undergraduates	\$3,596	37%	\$5,959
Third Year Undergraduates	\$4,944	53%	\$9,069
Fourth Year or More	\$5,177	54%	\$11,747

Figure 4. Nationally, Fourth Year Undergraduates Borrowed More Than First Year Students*



*Loan amounts are for students with loans.

These results are based on NPSAS 96, a US Department of Education survey of a sample of undergraduates attending post-secondary institutions in the US during academic year 1995-96 (Fiscal Year 1996).

Source: National Center for Education Statistics

Price of Attendance

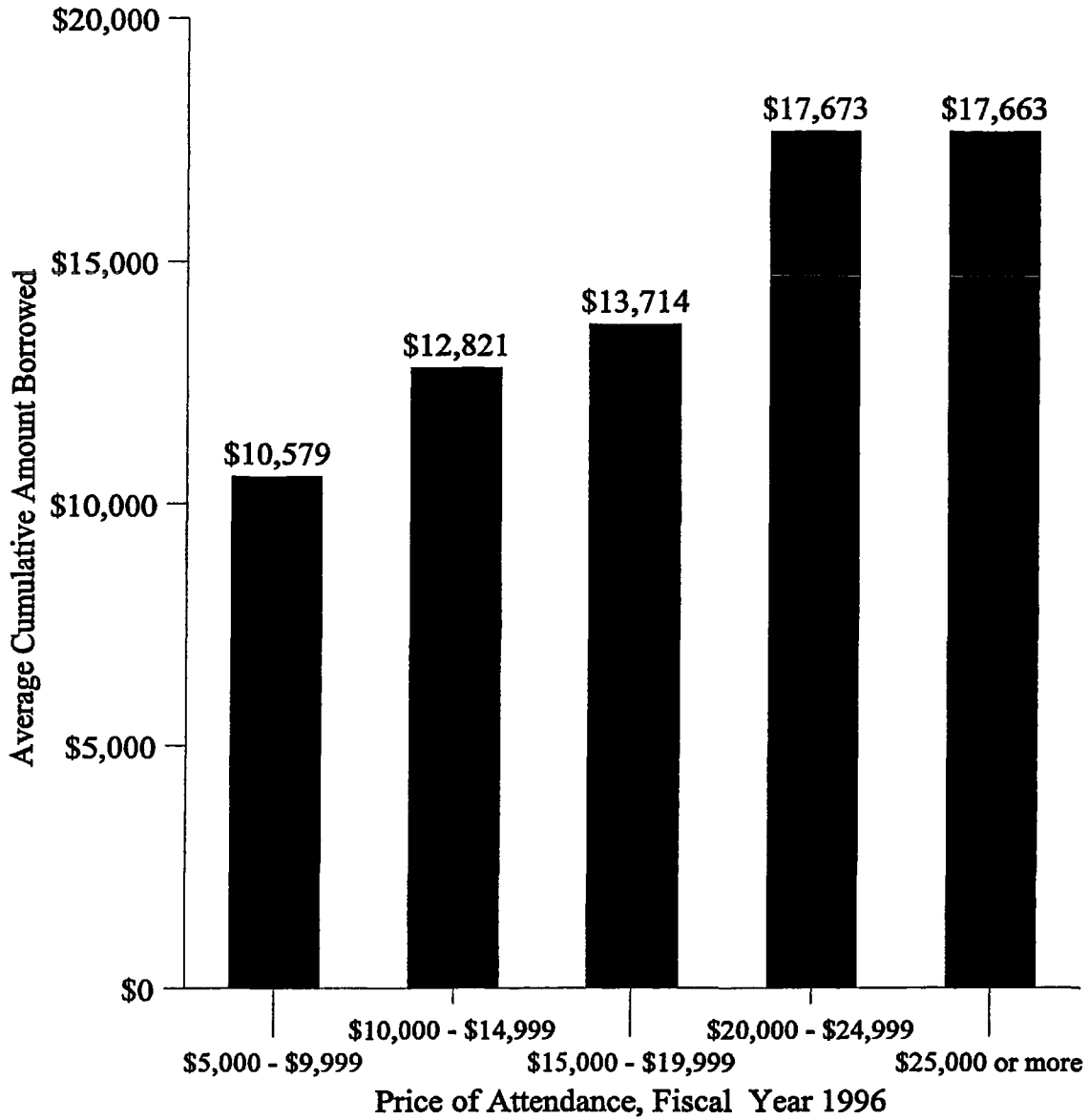
Price of attendance had more effect on the average amount borrowed than full-year, full-time status, number of hours worked, or number of years of attendance. The data presented here show that borrowing increased as price of attendance increased.

Nationally, Graduating Seniors With a Higher Price of Attendance Had Greater Cumulative Borrowing

- In this case, the price of attendance is defined as the "institution's budgeted amount for the costs of attending the institution full-time for a school year, including tuition, fees, books, supplies, room, board, and transportation."¹⁵
 - The cumulative amount borrowed by graduating seniors in Fiscal Year 1996 increased with the price of attendance, as shown in Figure 5.¹⁶
 - Among those who borrowed, seniors who attended institutions with a price of attendance of \$5,000 to \$9,999 borrowed \$10,600 on average.
 - Among those who borrowed, seniors who attended institutions with a price of attendance of \$25,000 or more borrowed \$17,700 on average.
 - The increase in price of attendance was greater than the increase in the average amount borrowed.

Price of Attendance in 1996	Average Cumulative Amount Borrowed, 1996
\$5,000 to \$9,999	\$10,579
\$10,000 to \$14,999	\$12,821
\$15,000 to \$19,999	\$13,714
\$20,000 to \$24,999	\$17,673
\$25,000 or More	\$17,663

Figure 5. Nationally, Graduating Seniors Who Had a Higher Price of Attendance Had Higher Cumulative Borrowing*



*Loan amounts are for students with loans.

These results are based on NPSAS 96, a US Department of Education survey of a sample of undergraduates attending post-secondary institutions in the US during academic year 1995-96 (Fiscal Year 1996).

Source: National Center for Education Statistics

Income

While the **percentage** of students who borrowed varied with income, the **amount** borrowed did not vary much with income.

Annual and Cumulative Borrowing Rates by Dependent Students

- While the percentage of students who borrowed declined with income, the average annual amounts borrowed did not vary by income for undergraduate **dependent** students,¹⁷ as shown in Figure 6.
 - Dependent students whose parents had less than \$20,000 in income:
 - About 35 percent borrowed in 1996.
 - Among those who borrowed, the average amount was \$3,500.
 - Dependent students whose parents had \$60,000 to \$79,999 in income:
 - About 27 percent borrowed in 1996.
 - Among those who borrowed, the average amount was \$3,700.
 - Dependent students whose parents had \$100,000 or more in income:
 - About 13 percent borrowed in 1996.
 - Among those who borrowed, the average amount was \$3,900.
- The average cumulative amounts borrowed in 1996 by graduating seniors were similar across most parental income groups, as shown in Figure 7.¹⁸
 - Graduating seniors from families with incomes of \$15,000 to \$29,999:
 - About 73 percent borrowed during their undergraduate education.
 - Among those who borrowed, the average amount borrowed was \$14,500.

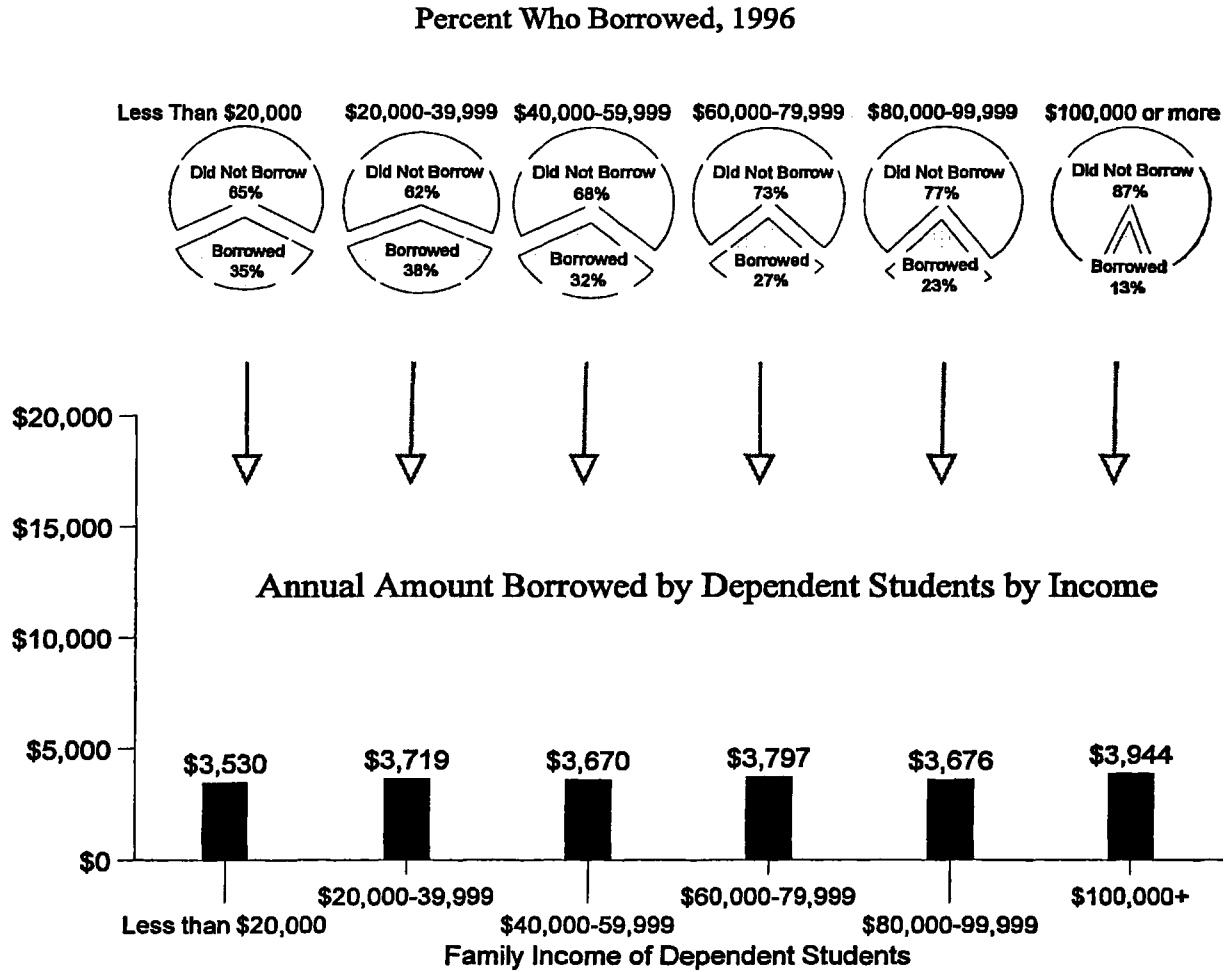
- Graduating seniors from families with incomes of \$75,000 to \$99,999:
 - About 33 percent borrowed during their undergraduate education.
 - Among those who borrowed, the average amount was \$15,200.

Annual and Cumulative Borrowing Rates by Independent Students

The percentage of independent students who borrowed also declined with income. Again, there was little change in the average annual amounts borrowed by income, as shown in Figure 8.

- Independent students with family incomes of less than \$10,000:
 - About 34 percent borrowed in 1996.
 - Among those who borrowed, the average amount was \$4,600.
- Independent students with family incomes of \$50,000 or more:
 - About 6 percent borrowed in 1996.
 - Among those who borrowed, the average amount was \$4,700.

Figure 6. Nationally, the Percentage of Dependent Students Who Borrowed Declined With Income, But the Amount Borrowed Did Not Vary Much With Income*

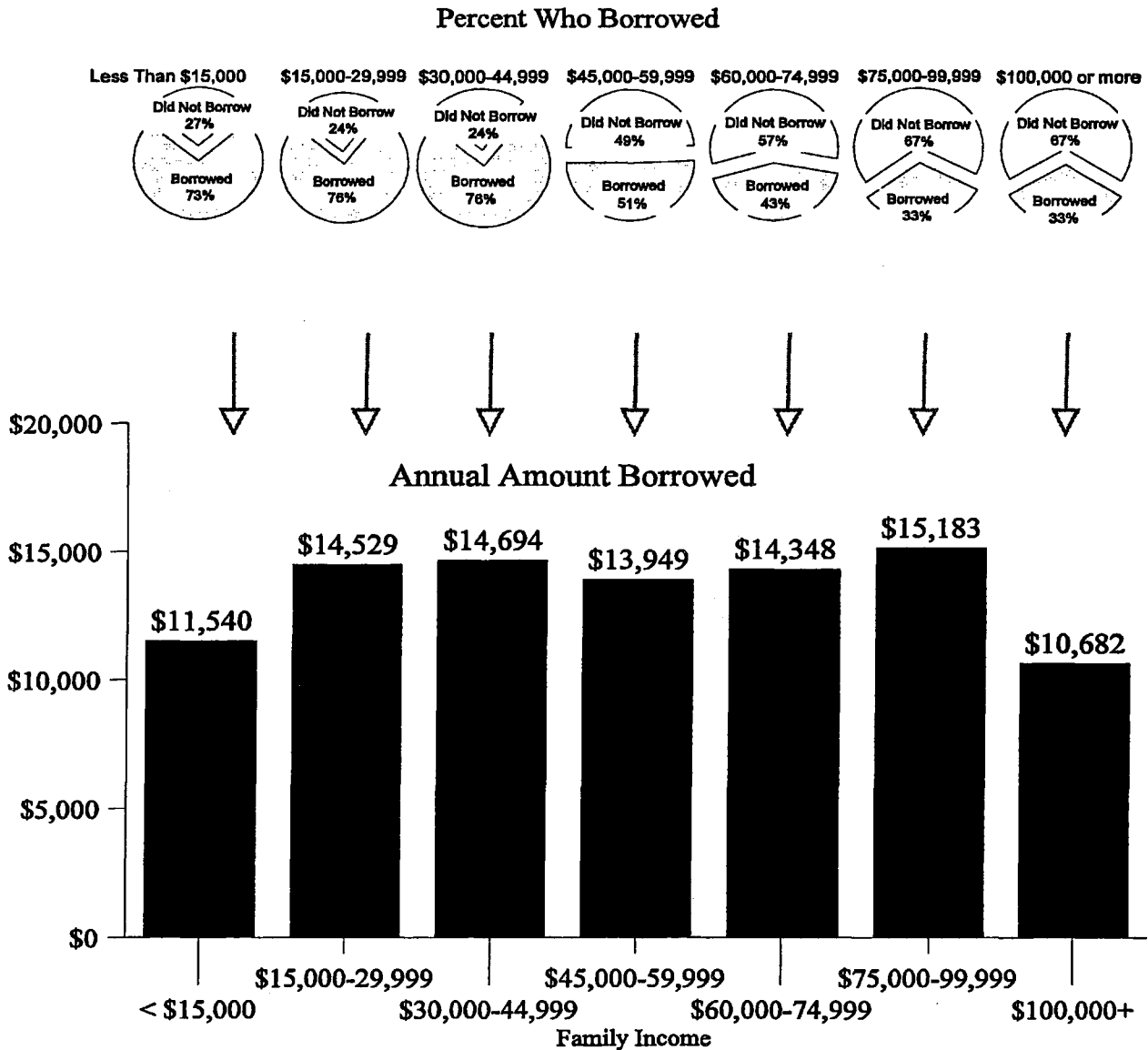


*Amounts are for students with loans.

These results are based on NPSAS 96, a US Department of Education survey of a sample of undergraduates attending post-secondary institutions in the US during academic year 1995-96 (Fiscal Year 1996).

Source: National Center for Education Statistics

Figure 7. Nationally, Borrowing by 1996 Graduating Seniors Declined With Family Income, But the Amounts Borrowed Were Similar Across Many Income Groups*

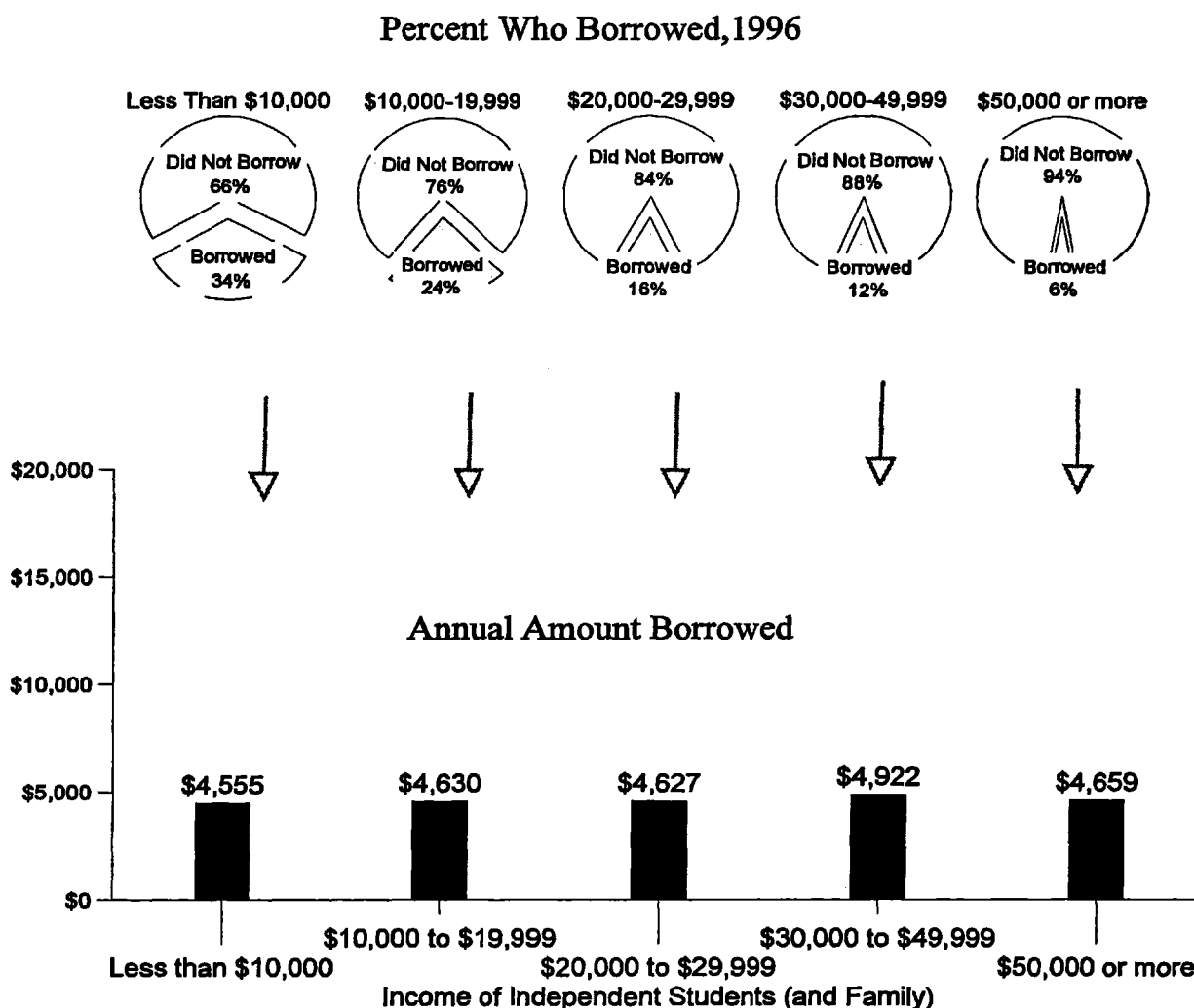


*Loan amounts are for students with loans.

These results are based on NPSAS 96, a US Department of Education survey of a sample of undergraduates attending post-secondary institutions in the US during academic year 1995-96 (Fiscal Year 1996).

Source: National Center for Education Statistics

Figure 8. Nationally, the Percentage of Independent Students Who Borrowed Declined With Income, But the Annual Amount Borrowed Did Not Vary Much With Income, Fiscal Year 1996*



*Amounts are for students with loans.

These results are based on NPSAS 96, a US Department of Education survey of a sample of undergraduates attending post-secondary institutions in the US during academic year 1995-96 (Fiscal Year 1996).

Source: National Center for Education Statistics

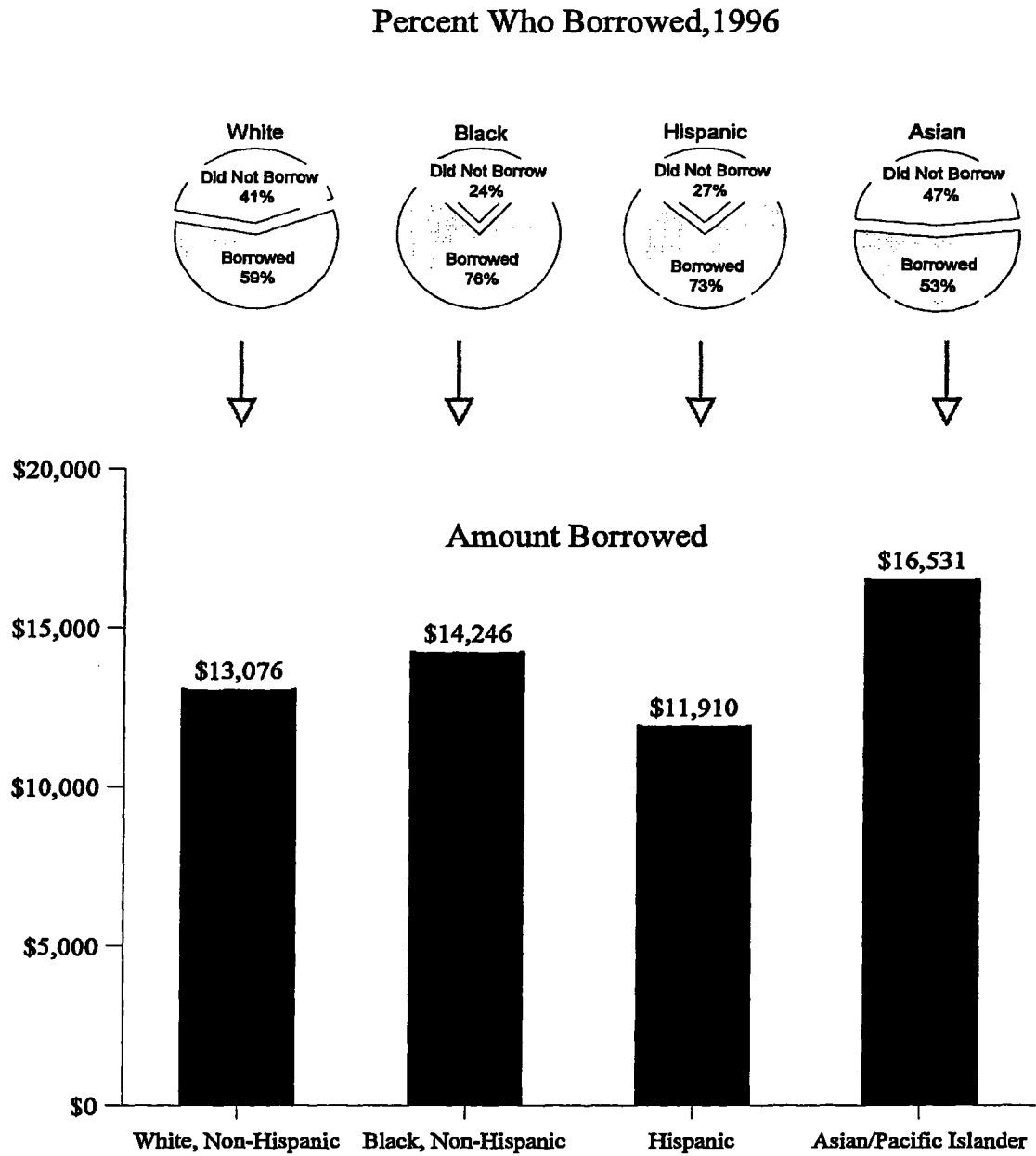
Race/Ethnicity

Analysis by race and ethnicity showed there was a mixed picture of borrowing by graduating seniors, as shown in Figure 9.¹⁹

- White graduating seniors in 1996:
 - About 59 percent borrowed during their undergraduate education.
 - Among those who borrowed, the average amount was \$13,000.
- Black graduating seniors in 1996:
 - About 76 percent borrowed.
 - Among those who borrowed, the average amount was \$14,200.
- Hispanic graduating seniors in 1996:
 - About 73 percent borrowed.
 - Among those who borrowed, the average amount was \$11,900.
- Asian graduating seniors in 1996:
 - About 53 percent borrowed.
 - Among those who borrowed, the average amount was \$16,500.

	Percentage of Students Who Borrowed, 1996	Average Cumulative Amount Borrowed, 1996
White, Non-Hispanic	59%	\$13,076
Black, Non-Hispanic	76%	\$14,246
Hispanic	73%	\$11,910
Asian/Pacific Islander	53%	\$16,531

Figure 9. Nationally, Race/Ethnicity and Borrowing by Graduating Seniors
Fiscal Year 1996*



*Loan amounts are for students with loans.

These results are based on NPSAS 96, a US Department of Education survey of a sample of undergraduates attending post-secondary institutions in the US during academic year 1995-96 (Fiscal Year 1996).

Source: National Center for Education Statistics

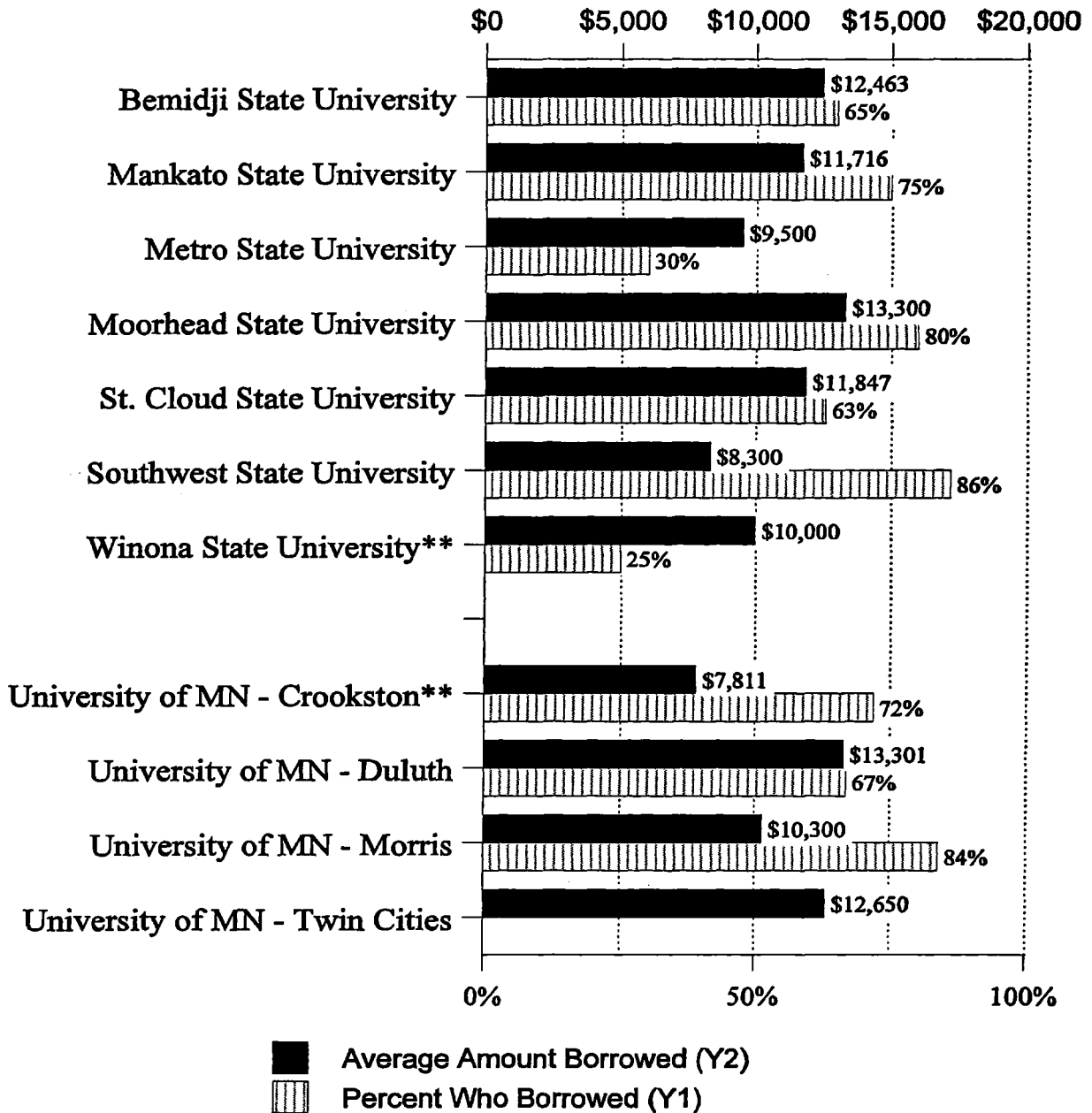
Average Amount Borrowed at Minnesota Four-Year Institutions

- The *U.S. News and World Report* Internet site has information about four-year institutions across the country in its *College and Career Center, College Rankings* section.
 - On the Financial Aid page for each institution, the following question is listed:
 - *Percent of 1997 graduating class with debt?*
 - Information on debt is not listed for all Minnesota four-year institutions:
 - For some institutions, the answer to the question is listed as "Information not available."

For the Minnesota institutions that provided information to *U.S. News and World Report*, there was a great deal of variation in the percentage of the graduating class of 1997 who borrowed and the average amount borrowed, as shown in Figures 10 and 11.

- **Public Four-Year Institutions, Graduating Class of 1997:**
 - The percent who borrowed ranged from 25 percent to 84 percent.
 - Among those with student loans, the average amount ranged from \$7,800 to \$13,300.
- **Private Four-Year Institutions, Graduating Class of 1997:**
 - The percentage who borrowed ranged from 50 percent to 90 percent.
 - Among those with student loans, the average amount ranged from \$10,000 to \$19,200.

Figure 10. Graduating Class of 1997, Minnesota Public Four-Year Institutions, *
Percentage Who Borrowed and Average Amount Borrowed

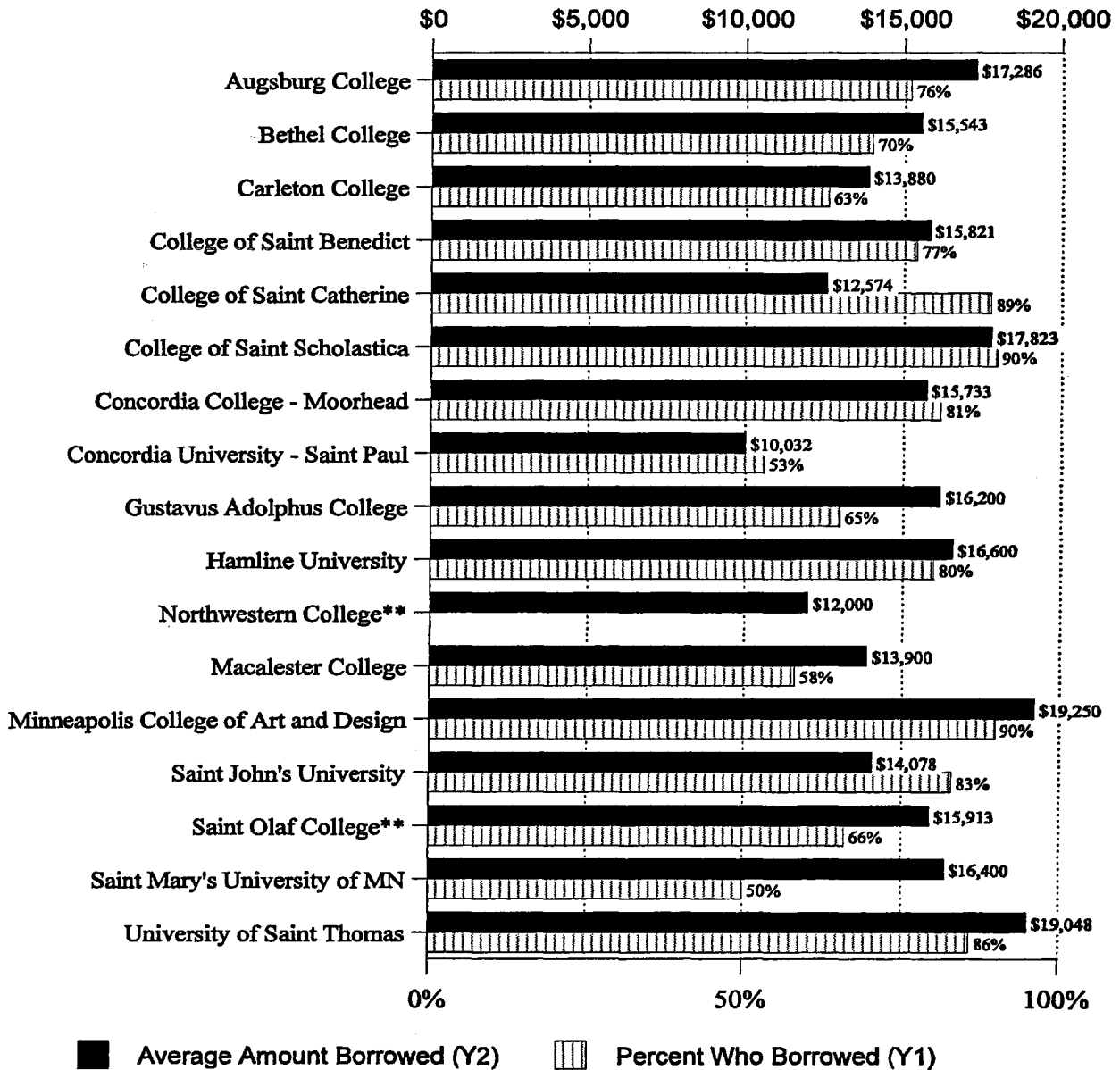


*Loan amounts are for students with loans.

**Information for these institutions is for the Class of 1996.

Source: U.S. News and World Report

Figure 11. Graduating Class of 1997, Minnesota Private Four-Year Institutions
Percentage Who Borrowed and Average Amount Borrowed



*Loan amounts are for students with loans.

**Information for these institutions is for the Class of 1996.

Source: U.S. News and World Report

Table 1. Summary of National Statistics on Undergraduate Borrowing

	<u>Annual</u>		<u>Cumulative</u>	
	Annual Percentage Who Borrowed	Amount Borrowed in 1996 (Average >0)	Percentage Who Borrowed in 1996 or a Previous Year	Amount Borrowed in 1996 or a Previous Year (Average >0)
All Undergraduates With Loans	26%	\$4,100	38%	\$7,047
Dependent Undergraduates	30%	\$3,615	37%	\$6,402
Independent Undergraduates	20%	\$4,645	38%	\$7,647
Full-Time, Full-Year Undergraduates	43%	\$4,288	50%	\$7,643
Part-Time or Part-Year	14%	\$3,585	30%	\$6,423
Hours Worked Per Week				
Did Not Work While Enrolled	28%	\$3,902		
Worked 1-15 Hours Per Week	45%	\$4,245		
Worked 16-20 Hours Per Week	32%	\$4,245		
Worked 21-34 Hours Per Week	31%	\$4,219		
Worked 35 or More Hours Per Week	14%	\$3,834		
Years of Attendance				
First Year Undergraduate	20%	\$3,064	30%	\$4,146
Second Year Undergraduate	23%	\$3,596	37%	\$5,959
Third Year Undergraduate	42%	\$4,944	53%	\$9,069
Fourth Year Undergraduate	39%	\$5,177	54%	\$11,747
Income of Parent of Dependent Student				
Less than \$20,000	35%	\$3,530		
\$20,000-39,999	38%	\$3,719		
\$40,000-59,999	32%	\$3,670		
\$60,000-79,999	27%	\$3,797		
\$80,000-99,999	23%	\$3,676		
\$100,000 or More	13%	\$3,944		
Income of Independent Student (and Family)				
Less than \$10,000	34%	\$4,555		
\$10,000-19,999	24%	\$4,630		

\$20,000-29,999	16%	\$4,627
\$30,000-49,999	12%	\$4,922
\$50,000 or More	6%	\$4,659

Table 1. Continued

	<u>Graduating Seniors 1996</u>	
	Percentage of Graduating Seniors Who Borrowed	Cumulative Amount Borrowed by Graduating Seniors (Avg. >0)
Price of Attendance		
Price of Attendance \$5,000-9,999		\$10,579
Price of Attendance \$10,000-14,999		\$12,821
Price of Attendance \$15,000-19,999		\$13,714
Price of Attendance \$20,000-24,999		\$17,673
Price of Attendance \$25,000 or More		\$17,663
Income of Parent of Dependent Graduating Senior		
Less Than \$15,000	73%	\$11,540
\$15,000-29,999	76%	\$14,529
\$30,000-44,999	76%	\$14,694
\$45,000-59,999	51%	\$13,949
\$60,000-74,999	43%	\$14,348
\$80,000-99,999	35%	\$15,183
\$100,000 or More	33%	\$10,682
Race/Ethnicity		
White, Non-Hispanic	59%	\$13,076
Black, Non-Hispanic	76%	\$14,246
Hispanic	73%	\$11,910
Asian/Pacific Islander	53%	\$16,531

Conclusions

The percentage of undergraduates who borrowed and the amount they borrowed present are complex. Student characteristics explain more about the percentage who borrowed than about the amount borrowed.

- Among students who borrowed, most (63 percent) undergraduates borrowed \$10,000 or less.
- There is a group who borrowed \$20,000 or more.
 - About 9 percent of undergraduates at four-year institutions who were in the grace period.
 - About 19 percent of graduating seniors in 1996.
- Several student characteristics explained variation in the percentage who borrowed, but not the average amount borrowed.
 - Full-time, full-year attendance compared to part-time or part of the year attendance
 - Full-time, full-year students were more likely to borrow, but the amounts borrowed were similar.
 - Number of hours worked per week
 - The more hours worked per week, the less likely students were to borrow, but the amounts they borrowed were similar.
 - Income of parents of dependent students and income of independent students
 - As income increased, the percentage of students who borrowed decreased, but the amounts borrowed were similar.
- Students who attended post-secondary education for more years borrowed more.
 - First and second year students were less likely to have borrowed than third or fourth year students.
 - First and second year students borrowed less than third and fourth year students.

- Price of attendance explained more of the variation in amounts borrowed than the other variables, but the amount borrowed increased more slowly than the price increased.
- White and Asian students were less likely to borrow than Black and Hispanic students, but the amounts borrowed by students in each group did not follow a clear pattern.

Endnotes

1. Berkner, Lutz, and Malizio, Andrew G, *Student Financing of Undergraduate Education 1995-96*, Statistical Analysis Report of the National Postsecondary Student Aid Study, 1996, Publication Number NCES 98-076, National Center for Education Statistics, September 1998, p. 45, amounts are rounded to the nearest \$100.
2. Berkner, see note number 1 above, p. 45.
3. Berkner, see note number 1 above, p. 45.
4. Berkner, see note number 10 above, p. 45.
5. Scherschel, Patricia M, and Behymer, Paul E., *Reality Bites: How Much Do Students Owe?*, prepared by the corporate Affairs Division, USA Group, Inc., Fall 1997. Information is from a study by USA Group, Inc., and its affiliate, USA Group Loan Services, Inc. The stud measures average Stafford debt by examining account records for 84,000 borrowers who left school and entered the post-school grace period during the first six months of 1997, p. 14.1.
6. General Accounting Office (GAO), United States General Accounting Office, *Students Have Increased Borrowing and Working to Help Pay Higher Tuitions*, analysis of the National Postsecondary Student Aid Study, 1996, Publication Number GAO/HEHS-98-63, 1998, p. 6.
7. Berkner, see note number 1 above, p. 34.
8. Berkner, see note number 1 above, p. 45.
9. Berkner, see note number 1 above, p. 45.
10. Berkner, see note number 10 above, p. 45.
11. Horn, Laura J., and Malizio, Andrew G., *Profile of Undergraduates in U.s. Postsecondary Education Institutions: 1995-96*, analysis of the national Postsecondary Student Aid Study, 1996, Publication Number NCES 98-084, May 1998, p. 119.
12. Berkner, see note number 1 above, p. 45.
13. Berkner, see note number 1 above, p. 45.
14. Berkner, see note number 10 above, p. 45.
15. GAO, see note number 6 above, p. 33.
16. Berkner, see note number 1 above, p. 45.
17. Berkner, see note number 1 above, pp. 34 and 35.
18. GAO, see note number 1 above, p. 48.

19. GAO, see note number 1 above, p. 43.

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