How America Pays for College 2010

Sallie Mae’s National Study of College Students and Parents Conducted by Gallup

2010 PASFAA Conference
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Sallie Mae
The information contained in this presentation is not comprehensive, is subject to constant change, and therefore should serve only as general, background information for further investigation and study related to the subject matter and the specific factual circumstances being considered or evaluated. Nothing in this presentation constitutes or is designed to constitute legal advice.
Study Objective
► To determine how American families are paying for college
  ▪ Trend over time behaviors and attitudes related to the purchase
    and value of higher education

Process
► Third annual survey and report
► Quantitative telephone research conducted spring 2010
  ▪ 801 undergraduates enrolled AY 2009-10, ages 18-24
  ▪ 823 parents of undergraduates
► Gallup random sampling methodology used to reach
  participants
► Composite of how the ‘typical’ family pays for college is a
  mathematical representation created by Gallup
VALUE OF EDUCATION AND SCHOOL CHOICE
Students’ Reasons for Continuing Education Strongly Agree, Year-Over-Year

- Better Quality of Life*: 74% (2008), 67% (2009)
- Earn More Money: 73% (2008), 63% (2009), 61% (2010)
- Needed for Desired Career: 72% (2008), 68% (2009), 64% (2010)
- American Dream: 32% (2008), 46% (2009), 45% (2010)
- Expected in Family: 38% (2008), 47% (2009), 49% (2010)
- Had Plan to Pay for College**: 23%

*Not asked in 2010.
**Not asked in 2008 or 2009
Parents’ Reasons for Continuing Education
Strongly Agree, Year-over-Year

- Better Quality of Life*: 69% 75%
- Earn More Money: 64% 64% 58%
- Needed for Desired Career: 71% 60% 61%
- American Dream: 60% 56%
- Expected in Family: 40% 46% 56%
- Had Plan to Pay for College**: 29%

**Not asked in 2008 or 2009
**Students’ Attitudes toward College Strongly Agree, Year-over-Year**

<table>
<thead>
<tr>
<th>Category</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment in Future</td>
<td>84%</td>
<td>78%</td>
<td>84%</td>
</tr>
<tr>
<td>Rather Borrow Than Not Go</td>
<td>67%</td>
<td>53%</td>
<td>61%</td>
</tr>
<tr>
<td>Worth the Cost</td>
<td>62%</td>
<td>52%</td>
<td>53%</td>
</tr>
<tr>
<td>Willing to Stretch Myself Financially</td>
<td>59%</td>
<td>50%</td>
<td>56%</td>
</tr>
<tr>
<td>Attend College for the Experience Despite Future Earnings**</td>
<td><strong>32%</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Degree More Important Now**</td>
<td></td>
<td></td>
<td>74%</td>
</tr>
</tbody>
</table>

**Not asked in 2008 or 2009**
Parents’ Attitudes Toward College Strongly Agree, Year-over-Year

- Investment in Future: 80% (2008), 83% (2009), 81% (2010)
- Willing to Stretch Myself Financially: 51% (2008), 62% (2009), 64% (2010)
- Rather Borrow Than Not Go: 56% (2008), 59% (2009), 59% (2010)
- Worth the Cost: 47% (2008), 52% (2009), 51% (2010)
- Attend College for the Experience Despite Future Earnings**: 33% (2010)
- Degree More Important Now**: 68% (2010)

**Not asked in 2008 or 2009
ELIMINATION OF SCHOOLS BASED ON COST YEAR-OVER-YEAR – INDIVIDUAL PERCENTS

- Before Researching: 43% (2008), 42% (2009), 40% (2010)
- Before Applying: 40% (2008), 36% (2009), 40% (2010)
- After Admission: 27% (2008), 22% (2009), 28% (2010)
- After Financial Aid: 36% (2008), 36% (2009), 40% (2010)

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ELIMINATION OF SCHOOLS BASED ON COST YEAR-OVER-YEAR - CUMULATIVE

Before Researching: 42%
Before Applying: 48%
After Admission: 55%
After Financial Aid: 63%

Legend:
- Purple: Total 2008
- Orange: Total 2009
- Blue: Total 2010
TYPE OF COLLEGE ATTENDED
YEAR-OVER-YEAR

Note: The choices of Online School and Other were also asked and represented 1% or less of responses.
COMPOSITE FUNDING SOURCES

The representative funding pie when all sources of funds are spread across all families of traditional college students.
HOW THE AVERAGE FAMILY PAYS FOR COLLEGE

Average Percent of Total Cost of Attendance Paid from Each Source

- Grants & Scholarships: 23%
- Friends & Relatives: 7%
- Student Income & Savings: 9%
- Student Borrowing: 14%
- Parent Borrowing: 10%
- Parent Income & Savings: 37%
How the Average Family Pays for College Year-to-Year Comparison

Average Amount of Total Cost of Attendance Paid from Each Source
How the Typical Family Pays for College: Average Amounts and Share by School Type

2-Year Public:
- Grants/Scholarships: $9,989
- Relatives/Friends: $1,104
- Student Income/Savings: $3,402
- Parent Income/Savings: $1,641
- Parent Borrowing: $1,300
- Student Borrowing: $4,996

4-Year Public:
- Grants/Scholarships: $21,747
- Relatives/Friends: $2,064
- Student Income/Savings: $7,838
- Parent Income/Savings: $2,544
- Parent Borrowing: $1,300
- Student Borrowing: $4,599

4-Year Private:
- Grants/Scholarships: $46,208
- Relatives/Friends: $5,838
- Student Income/Savings: $3,958
- Parent Income/Savings: $2,542
- Parent Borrowing: $1,260
- Student Borrowing: $12,630

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HOW THE AVERAGE FAMILY PAYS FOR COLLEGE
YEAR-TO-YEAR COMPARISON

Average Amounts By Income Level
HOW THE AVERAGE FAMILY PAYS FOR COLLEGE
YEAR-TO-YEAR COMPARISON

By Borrowing Status
FUNDING SOURCES

Percent of families actually using various sources and the average amounts used.
USE OF GRANTS AND SCHOLARSHIPS, BY INCOME AND BY SCHOOL TYPE

![Bar charts showing use of grants and scholarships by income and school type.](chart)

- For income categories:
  - <$35k: 6% Yes, 30% No, 64% Don't Know/Refused
  - $35k - $50k: 3% Yes, 35% No, 62% Don't Know/Refused
  - $50k - $100k: 2% Yes, 45% No, 53% Don't Know/Refused
  - $100k - $150k: 2% Yes, 38% No, 60% Don't Know/Refused
  - $150k+: 1% Yes, 65% No, 34% Don't Know/Refused

- For school type categories:
  - 4-Year State College/University: 4% Yes, 40% No, 56% Don't Know/Refused
  - 4-Year Private College/University: 2% Yes, 29% No, 69% Don't Know/Refused
  - 2-Year Public/Community College: 4% Yes, 54% No, 42% Don't Know/Refused
# Sources of Personal Contributions

<table>
<thead>
<tr>
<th>Sources of Personal Contributions</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>% of Total Families</td>
<td>Average Amount**</td>
</tr>
<tr>
<td>Any Parent Sources</td>
<td>64%</td>
<td>$11,687</td>
</tr>
<tr>
<td>current income</td>
<td>57%</td>
<td>$7,958</td>
</tr>
<tr>
<td>college savings plan (529)</td>
<td>15%</td>
<td>$10,077</td>
</tr>
<tr>
<td>retirement savings withdrawal</td>
<td>6%</td>
<td>$8,554</td>
</tr>
<tr>
<td>other savings or investments</td>
<td>14%</td>
<td>$9,937</td>
</tr>
<tr>
<td>Any Student Sources</td>
<td>45%</td>
<td>$4,430</td>
</tr>
<tr>
<td>current income</td>
<td>32%</td>
<td>$3,430</td>
</tr>
<tr>
<td>savings</td>
<td>22%</td>
<td>$3,329</td>
</tr>
<tr>
<td>federal work-study</td>
<td>8%</td>
<td>$2,431</td>
</tr>
<tr>
<td>other savings or investments</td>
<td>3%</td>
<td>$2,819</td>
</tr>
</tbody>
</table>

Base: Parents of college students and college students.

** Among those who used each source.
WHO BORROWED

- Total parent: 18%
- Total student: 36%

2008:
- Parents: 31%
- Both: 8%
- Students: 8%

2009:
- Parents: 23%
- Both: 8%
- Students: 11%

2010:
- Parents: 28%
- Both: 8%
- Students: 10%
## Sources of Borrowed Funds

<table>
<thead>
<tr>
<th>Sources of Borrowed Funds</th>
<th>% of Total Families</th>
<th>Average Amount**</th>
<th>% of Total Families</th>
<th>Average Amount**</th>
<th>% of Total Families</th>
<th>Average Amount**</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Any Parent Sources</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal PLUS Loans</td>
<td>7%</td>
<td>$9,153</td>
<td>8%</td>
<td>$7,664</td>
<td>6%</td>
<td>$10,701</td>
</tr>
<tr>
<td>Private Education Loan</td>
<td>4%</td>
<td>$10,977</td>
<td>5%</td>
<td>$8,401</td>
<td>4%</td>
<td>$6,910</td>
</tr>
<tr>
<td>Home Equity Loan or HELOC</td>
<td>4%</td>
<td>$11,204</td>
<td>3%</td>
<td>$8,028</td>
<td>3%</td>
<td>$10,853</td>
</tr>
<tr>
<td>Credit Cards</td>
<td>6%</td>
<td>$4,943</td>
<td>5%</td>
<td>$3,886</td>
<td>3%</td>
<td>$5,822</td>
</tr>
<tr>
<td>Retirement Account Loan</td>
<td>3%</td>
<td>$6,901</td>
<td>1%</td>
<td>$5,471</td>
<td>1%</td>
<td>$6,299</td>
</tr>
<tr>
<td>Other Loans</td>
<td>2%</td>
<td>$8,529</td>
<td>3%</td>
<td>$5,762</td>
<td>5%</td>
<td>$9,894</td>
</tr>
<tr>
<td><strong>Any Student Sources</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal Student Loan (Stafford or Perkins)</td>
<td>28%</td>
<td>$5,807</td>
<td>25%</td>
<td>$5,327</td>
<td>28%</td>
<td>$5,075</td>
</tr>
<tr>
<td>Private Education Loan</td>
<td>13%</td>
<td>$8,584</td>
<td>12%</td>
<td>$7,516</td>
<td>8%</td>
<td>$7,694</td>
</tr>
<tr>
<td>Credit Cards</td>
<td>5%</td>
<td>$2,021</td>
<td>5%</td>
<td>$2,812</td>
<td>3%</td>
<td>$2,542</td>
</tr>
<tr>
<td>Other Loans</td>
<td>4%</td>
<td>$9,360</td>
<td>2%</td>
<td>$5,819</td>
<td>8%</td>
<td>$7,922</td>
</tr>
</tbody>
</table>

Base: Parents of college students and college students.

** Among those who used each source.
ECONOMIC WORRIES AND ACTIONS
COMPLETION OF FAFSA
YEAR-OVER-YEAR, BY GRADE LEVEL

*Insufficient sample size for 2010.

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Cost-Saving Measures Taken During the Current Academic Year

- Reduced Spending: 73%
- More Work/Earnings: 48%
- Tax Credits/Deduc.: 43%
- Living At Home: 43%
- Accelerated: 30%
- Early Loan Payments: 23%
- Less Expensive: 23%
- Part Time: 16%
- Military: 4%
Parent Economic Concerns Extremely Worried, Year-over-Year

- Schools Will Raise Tuition: 2008 - 17%, 2009 - 31%, 2010 - 35%
- Value of Savings and Investments Lower Than Expected: 2008 - 31%, 2009 - 33%
- Income Will Decrease Due to Job Loss: 2008 - 23%, 2009 - 33%
- Loan Rates Will Increase: 2008 - 22%, 2009 - 29%
- Student Loan Money Will Be Less Available: 2008 - 18%, 2009 - 22%
- Value of Home Will Go Down: 2008 - 10%, 2009 - 18%
- Child Won’t Be Able to Find Job: 2008 - 27%
**Will Parents Make Payments on Loans in Student’s Name?**

- **Parents Will Not Make Payments:**
  - Strongly Disagree: 39%
  - Somewhat Disagree: 12%
  - Neutral: 14%
  - Somewhat Agree: 9%
  - Strongly Agree: 26%

- **Parents Pay Temporarily if Child Has Financial Difficulty:**
  - Strongly Disagree: 19%
  - Somewhat Disagree: 6%
  - Neutral: 24%
  - Somewhat Agree: 19%
  - Strongly Agree: 32%

- **Parents Make Payments While Student In School:**
  - Strongly Disagree: 45%
  - Somewhat Disagree: 10%
  - Neutral: 16%
  - Somewhat Agree: 14%
  - Strongly Agree: 15%

- **Parents Will Pay Full Amount:**
  - Strongly Disagree: 55%
  - Somewhat Disagree: 17%
  - Neutral: 14%
  - Somewhat Agree: 6%
  - Strongly Agree: 8%
SELECT STUDENT MONTHLY BILLS

Percentage Making Payments

- Credit Card*: 64% (Student), 28% (Parent)
- Cell Phone: 40% (Student), 66% (Parent)
- Internet/Cable/Movie Services: 33% (Student), 48% (Parent)

Legend:
- Purple: Student
- Orange: Parent
## Monthly Payment Amount on Student Bills

<table>
<thead>
<tr>
<th></th>
<th>Average Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Student</strong></td>
<td></td>
</tr>
<tr>
<td>Credit Card*</td>
<td>$168</td>
</tr>
<tr>
<td>Cell Phone</td>
<td>$72</td>
</tr>
<tr>
<td>Internet/Cable/Movie Services</td>
<td>$78</td>
</tr>
<tr>
<td>Student Total</td>
<td>$154</td>
</tr>
<tr>
<td><strong>Parent</strong></td>
<td></td>
</tr>
<tr>
<td>Credit Card*</td>
<td>$259</td>
</tr>
<tr>
<td>Cell Phone</td>
<td>$75</td>
</tr>
<tr>
<td>Internet/Cable/Movie Services</td>
<td>$102</td>
</tr>
<tr>
<td>Parent Total</td>
<td>$157</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
</tr>
<tr>
<td>Student/Parent Total**</td>
<td>$225</td>
</tr>
</tbody>
</table>

*Only asked if student/parent reported that the student has a credit card.

**Average of either parent or student monthly spending excluding those who reported that both parent and student paid nothing each month on all types of bills.
www.SallieMae.com/HowAmericaPays