HIGHER EDUCATION MARKET TRENDS

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nextPAGE Workshops – Summer 2018
Agenda

This presentation is an overview of trends in the industry and the value of a college education with the following areas covered:

- Enrollment Trends
- Cost of Attendance and Student Loan Borrowing
- The Value of an Education
- Repayment Success
- Summary
### High School Graduates Ages 16-24 Who Enroll in College

#### High School Graduates vs. College Enrolled (,000)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total HS Completers</th>
<th>2-year Enrollment</th>
<th>4-year Enrollment</th>
</tr>
</thead>
<tbody>
<tr>
<td>06/07</td>
<td>2,692</td>
<td></td>
<td></td>
</tr>
<tr>
<td>07/08</td>
<td>2,955</td>
<td></td>
<td></td>
</tr>
<tr>
<td>08/09</td>
<td>3,151</td>
<td></td>
<td></td>
</tr>
<tr>
<td>09/10</td>
<td>2,937</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10/11</td>
<td>3,160</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11/12</td>
<td>3,079</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12/13</td>
<td>3,203</td>
<td></td>
<td></td>
</tr>
<tr>
<td>13/14</td>
<td>2,977</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14/15</td>
<td>2,868</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15/16</td>
<td>2,965</td>
<td></td>
<td></td>
</tr>
<tr>
<td>16/17</td>
<td>3,137</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### % Enrolled in 2yr:
- 25%
- 24%
- 28%
- 28%
- 27%
- 26%
- 29%
- 24%
- 25%
- 25%
- 24%
- 41%
- 43%
- 41%
- 42%
- 41%
- 42%
- 38%
- 42%
- 44%
- 44%
- 46%

#### % Enrolled in 4yr:
- 66%
- 67%
- 69%
- 70%
- 68%
- 68%
- 66%
- 66%
- 66%
- 68%
- 69%
- 70%

#### Total Enrolled in College:
- 66%
- 67%
- 69%
- 70%
- 68%
- 68%
- 66%
- 66%
- 66%
- 68%
- 69%
- 70%

Undergraduate Enrollment and Projected Enrollment

Actual and projected undergraduate enrollment in degree-granting postsecondary institutions, by attendance status: Fall 2000–2026

NCES projects increases in undergraduate enrollment, however they project the number of high school graduates to remain relatively flat.

Graduate Enrollment and Projected Enrollment

Actual and projected post baccalaureate enrollment in degree-granting postsecondary institutions, by attendance status: Fall 2000–2026

Foreign Students Enrolled in US Institutions

2016/2017 Academic Year

<table>
<thead>
<tr>
<th>Place of Origin</th>
<th>Number of Students</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>328,547</td>
<td>30%</td>
</tr>
<tr>
<td>India</td>
<td>165,918</td>
<td>15%</td>
</tr>
<tr>
<td>South Korea</td>
<td>61,007</td>
<td>6%</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>61,287</td>
<td>6%</td>
</tr>
<tr>
<td>Canada</td>
<td>26,973</td>
<td>3%</td>
</tr>
<tr>
<td>Vietnam</td>
<td>21,403</td>
<td>2%</td>
</tr>
<tr>
<td>Taiwan</td>
<td>21,127</td>
<td>2%</td>
</tr>
<tr>
<td>Japan</td>
<td>19,060</td>
<td>2%</td>
</tr>
<tr>
<td>Mexico</td>
<td>16,733</td>
<td>2%</td>
</tr>
<tr>
<td>All Others</td>
<td>356,767</td>
<td>33%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,078,822</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

FAFSA Applications and Projections

FAFSA Applications (,000)

- **NFP 4 Year**
- **NFP 2 Year**
- **For Profit**
- **Avg # of Apps Per Applicant**

<table>
<thead>
<tr>
<th>Year</th>
<th>NFP 4 Year</th>
<th>NFP 2 Year</th>
<th>For Profit</th>
<th>Avg # of Apps</th>
</tr>
</thead>
<tbody>
<tr>
<td>AY 12/13</td>
<td>34,177</td>
<td></td>
<td></td>
<td>1.7</td>
</tr>
<tr>
<td>AY 13/14</td>
<td>33,413</td>
<td>4,606</td>
<td>9,549</td>
<td>1.6</td>
</tr>
<tr>
<td>AY 14/15</td>
<td>32,404</td>
<td>4,313</td>
<td>9,266</td>
<td>1.6</td>
</tr>
<tr>
<td>AY 15/16</td>
<td>30,914</td>
<td>4,001</td>
<td>8,828</td>
<td>1.6</td>
</tr>
<tr>
<td>AY 16/17</td>
<td>29,655</td>
<td>3,546</td>
<td>8,218</td>
<td>1.5</td>
</tr>
<tr>
<td>AY 17/18</td>
<td>29,622</td>
<td>3,080</td>
<td>7,616</td>
<td>1.5</td>
</tr>
<tr>
<td>AY 18/19</td>
<td>29,589</td>
<td>2,613</td>
<td>7,123</td>
<td>1.5</td>
</tr>
<tr>
<td>AY 19/20</td>
<td>29,556</td>
<td>2,178</td>
<td>6,640</td>
<td>1.5</td>
</tr>
<tr>
<td>AY 20/21</td>
<td>29,523</td>
<td>1,770</td>
<td>6,167</td>
<td>1.5</td>
</tr>
<tr>
<td>AY 21/22</td>
<td>29,490</td>
<td>1,392</td>
<td>5,704</td>
<td>1.5</td>
</tr>
<tr>
<td>AY 22/23</td>
<td>29,457</td>
<td>1,034</td>
<td>5,251</td>
<td>1.5</td>
</tr>
<tr>
<td>AY 23/24</td>
<td>29,424</td>
<td>776</td>
<td>4,808</td>
<td>1.5</td>
</tr>
<tr>
<td>AY 24/25</td>
<td>29,391</td>
<td>529</td>
<td>4,365</td>
<td>1.5</td>
</tr>
<tr>
<td>AY 25/26</td>
<td>29,358</td>
<td>281</td>
<td>3,922</td>
<td>1.5</td>
</tr>
<tr>
<td>AY 26/27</td>
<td>29,325</td>
<td>281</td>
<td>3,922</td>
<td>1.5</td>
</tr>
<tr>
<td>AY 27/28</td>
<td>29,292</td>
<td>235</td>
<td>3,579</td>
<td>1.5</td>
</tr>
<tr>
<td>AY 28/29</td>
<td>29,260</td>
<td>189</td>
<td>3,237</td>
<td>1.5</td>
</tr>
<tr>
<td>AY 29/30</td>
<td>29,227</td>
<td>143</td>
<td>2,894</td>
<td>1.5</td>
</tr>
<tr>
<td>AY 30/31</td>
<td>29,194</td>
<td>107</td>
<td>2,551</td>
<td>1.5</td>
</tr>
<tr>
<td>AY 31/32</td>
<td>29,161</td>
<td>61</td>
<td>2,208</td>
<td>1.5</td>
</tr>
<tr>
<td>AY 32/33</td>
<td>29,129</td>
<td>39</td>
<td>1,865</td>
<td>1.5</td>
</tr>
<tr>
<td>AY 33/34</td>
<td>29,096</td>
<td>30</td>
<td>1,522</td>
<td>1.5</td>
</tr>
<tr>
<td>AY 34/35</td>
<td>29,064</td>
<td>37</td>
<td>1,179</td>
<td>1.5</td>
</tr>
<tr>
<td>AY 35/36</td>
<td>29,031</td>
<td>43</td>
<td>936</td>
<td>1.5</td>
</tr>
<tr>
<td>AY 36/37</td>
<td>29,008</td>
<td>46</td>
<td>693</td>
<td>1.5</td>
</tr>
<tr>
<td>AY 37/38</td>
<td>28,976</td>
<td>54</td>
<td>449</td>
<td>1.5</td>
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<td>AY 38/39</td>
<td>28,944</td>
<td>60</td>
<td>306</td>
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<tr>
<td>AY 39/40</td>
<td>28,911</td>
<td>65</td>
<td>273</td>
<td>1.5</td>
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<tr>
<td>AY 40/41</td>
<td>28,879</td>
<td>75</td>
<td>240</td>
<td>1.5</td>
</tr>
<tr>
<td>AY 41/42</td>
<td>28,847</td>
<td>83</td>
<td>207</td>
<td>1.5</td>
</tr>
<tr>
<td>AY 42/43</td>
<td>28,814</td>
<td>95</td>
<td>174</td>
<td>1.5</td>
</tr>
<tr>
<td>AY 43/44</td>
<td>28,782</td>
<td>107</td>
<td>141</td>
<td>1.5</td>
</tr>
<tr>
<td>AY 44/45</td>
<td>28,749</td>
<td>118</td>
<td>110</td>
<td>1.5</td>
</tr>
<tr>
<td>AY 45/46</td>
<td>28,717</td>
<td>132</td>
<td>87</td>
<td>1.5</td>
</tr>
<tr>
<td>AY 46/47</td>
<td>28,685</td>
<td>150</td>
<td>64</td>
<td>1.5</td>
</tr>
<tr>
<td>AY 47/48</td>
<td>28,652</td>
<td>170</td>
<td>41</td>
<td>1.5</td>
</tr>
<tr>
<td>AY 48/49</td>
<td>28,619</td>
<td>191</td>
<td>18</td>
<td>1.5</td>
</tr>
<tr>
<td>AY 49/50</td>
<td>28,587</td>
<td>213</td>
<td>8</td>
<td>1.5</td>
</tr>
</tbody>
</table>

Source: information obtained 1/2018 from Federal Student Aid Data Center (actuals through Sep 2017. Enrollment data from NCES table 303.1 as of 2017)
COST OF ATTENDANCE AND STUDENT LOAN BORROWING
Net Price – Not for Profit 4 Year

Tuition, Fees, Room & Board in Current Dollars

<table>
<thead>
<tr>
<th>Year</th>
<th>Avg Published COA</th>
<th>Growth in Published COA</th>
<th>Avg Net COA</th>
<th>Growth in Net COA</th>
<th>Discount Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>06/07</td>
<td>$31,270</td>
<td>6%</td>
<td>$21,279</td>
<td>5%</td>
<td>32%</td>
</tr>
<tr>
<td>07/08</td>
<td>$32,810</td>
<td>5%</td>
<td>$22,120</td>
<td>4%</td>
<td>33%</td>
</tr>
<tr>
<td>08/09</td>
<td>$34,664</td>
<td>6%</td>
<td>$22,415</td>
<td>6%</td>
<td>35%</td>
</tr>
<tr>
<td>09/10</td>
<td>$35,975</td>
<td>6%</td>
<td>$21,742</td>
<td>1%</td>
<td>40%</td>
</tr>
<tr>
<td>10/11</td>
<td>$37,388</td>
<td>4%</td>
<td>$21,836</td>
<td>-3%</td>
<td>42%</td>
</tr>
<tr>
<td>11/12</td>
<td>$38,958</td>
<td>4%</td>
<td>$22,614</td>
<td>0%</td>
<td>42%</td>
</tr>
<tr>
<td>12/13</td>
<td>$40,451</td>
<td>4%</td>
<td>$23,407</td>
<td>4%</td>
<td>42%</td>
</tr>
<tr>
<td>13/14</td>
<td>$41,996</td>
<td>4%</td>
<td>$24,149</td>
<td>3%</td>
<td>42%</td>
</tr>
<tr>
<td>14/15</td>
<td>$43,523</td>
<td>3%</td>
<td>$24,800</td>
<td>3%</td>
<td>43%</td>
</tr>
<tr>
<td>15/16</td>
<td>$45,010</td>
<td>3%</td>
<td>$25,620</td>
<td>3%</td>
<td>43%</td>
</tr>
<tr>
<td>16/17</td>
<td>$46,150</td>
<td>2%</td>
<td>$25,940</td>
<td>1%</td>
<td>43%</td>
</tr>
<tr>
<td>17/18</td>
<td>$46,950</td>
<td>3%</td>
<td>$26,740</td>
<td>3%</td>
<td>43%</td>
</tr>
</tbody>
</table>

Source: Information gathered 11/2017 from College Board 2017 – Trends in College Pricing

From AY 07-08 to AY 17-18, the average net price at private institutions has risen 43%, while those at public schools has risen 46%.
Northeast families are different

How the Typical Family Pays for College, Average Amount Used from Source, by Region

- Northeast: $35,431
  - Student borrowing: $8,486
  - Parent borrowing: $4,242
  - Parent income & savings: $7,612
  - Student income & savings: $2,200
  - Relatives & friends: $11,751
  - Scholarships & grants: $7,994

- Midwest: $21,577
  - Student borrowing: $4,600
  - Parent borrowing: $1,122
  - Parent income & savings: $4,743
  - Student income & savings: $2,758
  - Relatives & friends: $7,994
  - Scholarships & grants: $7,486

- South: $20,953
  - Student borrowing: $3,733
  - Parent borrowing: $966
  - Parent income & savings: $4,970
  - Student income & savings: $2,514
  - Relatives & friends: $7,486
  - Scholarships & grants: $7,006

- West: $19,181
  - Student borrowing: $2,180
  - Parent borrowing: $1,494
  - Parent income & savings: $5,031
  - Student income & savings: $2,743
  - Relatives & friends: $7,827
  - Scholarships & grants: $7,234

How the Typical Family Pays for College, Funding Source Share, by Region

- Northeast: 24% Student borrowing, 12% Parent borrowing, 21% Parent income & savings, 21% Student income & savings, 3% Relatives & friends, 33% Scholarships & grants
- Midwest: 21% Student borrowing, 5% Parent borrowing, 22% Parent income & savings, 13% Student income & savings, 2% Relatives & friends, 37% Scholarships & grants
- South: 18% Student borrowing, 5% Parent borrowing, 24% Parent income & savings, 12% Student income & savings, 2% Relatives & friends, 36% Scholarships & grants
- West: 11% Student borrowing, 8% Parent borrowing, 26% Parent income & savings, 14% Student income & savings, 4% Relatives & friends, 37% Scholarships & grants
Families differ by region

Students from the Northeast region are twice as likely to enroll in four-year private colleges.

• While the financial aid package is a factor in school choice for these families, the academic program surpasses cost considerations.
• These families are more willing to borrow to pay for the education they aspire to attain, and
• More NE parents report working more hours to afford college.

<table>
<thead>
<tr>
<th>School type attending</th>
<th>Total</th>
<th>NE region</th>
<th>MW region</th>
<th>South region</th>
<th>West region</th>
</tr>
</thead>
<tbody>
<tr>
<td>4-year public</td>
<td>42%</td>
<td>34%</td>
<td>36%</td>
<td>53%</td>
<td>43%</td>
</tr>
<tr>
<td>2-year public</td>
<td>34%</td>
<td>26%</td>
<td>39%</td>
<td>29%</td>
<td>42%</td>
</tr>
<tr>
<td>4-year private</td>
<td>23%</td>
<td>40%</td>
<td>22%</td>
<td>19%</td>
<td>14%</td>
</tr>
<tr>
<td>2-year private</td>
<td>1%</td>
<td>1%</td>
<td>3%</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Families in other regions differ in their approach to make college more affordable.

• Those from the West spend the least on college. They are more likely to choose a school based on location, and they are more likely to attend part time.
• Students from the Midwest are more likely to have increased their work hours and they are less likely to plan to attend graduate school.
• Students in the South are most likely to attend college in state and to live at home.
Cost-driven elimination of colleges

Elimination of Colleges at Each Step in the Application Process

- Before researching: 35%
- Before applying: 39%
- After admission: 33%
- After financial aid: 41%

Total: 45%, 46%, 44%, 48%
Parents: 40%, 46%, 39%, 48%
Students: 52%, 52%, 55%, 55%
More are eliminating colleges due to cost
Final school choice

Affordability is the deciding factor for nearly one-quarter of families

Basis for Final College Selection

- Academic program: 25%
- Location: 22%
- Personal choice: 16%
- Cost of attendance: 12%
- Financial aid package: 12%
- Prestige: 4%
- Other: 9%
Education Loans: Growth in Federal & Private Loans

Note: Nonfederal loans include loans to students from states and institutions, in addition to private loans issued by financial institutions.

SOURCE: Information gathered 11/2017 College Board Trends in Student Aid 2017, Figure 4
Federal vs. Private Student Loan Debt

Total Student Loan Market Outstanding Balance ($ B)

Federal
$1.37 T
92.35%

Private
$113.21 B
7.65%

Total
$1.48 T
100%

Source: Information gathered 12/2017 Measure One Private Student Loan Report December 2017 (http://measureone.com/reports)
REPAYMENT SUCCESS
Federal Loan Repayment Plans

Federal Loan Repayment Plans

- Standard Repayment
- Income Driven Repayment Plans
  - Income Contingent Repayment
  - Income Sensitive Repayment
  - Income Based Repayment
  - Pay as You Earn (PAYE)
  - Revised Pay as You Earn (REPAYE)
- Graduated Repayment
- Extended Repayment
- Loan Consolidation

Note: Many private education loans offer flexibility in making payments as well.


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Participation in Federal Income Driven Repayment Plans

3yr Federal Loan Default Rate by School Type

Private Loan Delinquency Rates and Charge-offs

Source: Information gathered 1/2018 Measure One Private Student Loan Report December 2017 (http://measureone.com/reports)
Summary

- Enrollment
  - Number of high school graduates and those going to college has leveled off
  - Foreign student enrollment continues to be in flux

- Cost of Attendance
  - Tuition and fees continue to increase
  - Overall student borrowing is on the decline
  - Federal loans make up 92% of $1.48 trillion in student debt outstanding

- Value of an Education
  - Annual wages, lifetime earnings and unemployment support the going to college decision

- Repayment Success
  - Federal and private loan default rates are declining
  - Private loan delinquency / charge off rates are considerably lower than federal loans
Looking Forward

• Private Loan Trends:
  – Interest Rates: Many lenders offer highly qualified families rates better than the Federal PLUS Loan
  – Private Parent Loans
  – Private Loan Protections: Death and Disability coverage, repayment flexibility, cosigner release
  – Private Loan Refinancing: consolidation of federal and private loans
    o Students are giving up their federal loan repayment flexibility

• FAFSA – mobile technology

• Reauthorization:
  – The last reauthorization (2008) took 5 years to complete
  – Key initiatives on the table:
    o FAFSA simplification
    o Transparency in college information for consumers
    o Financial literacy for recipients of federal aid
    o Accreditation reform
    o Federal loan repayment simplification
    o Potential borrowing limit changes (Prosper Act)
Questions?
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.

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