



HOW AMERICA PAYS FOR COLLEGE 2009

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

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Steve Wynne
Corporate Marketing



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BACKGROUND

Study Objective

- ▶ To determine how American families are paying for college
 - Trend over time behaviors and attitudes related to the value of higher education

Process

- ▶ Second annual survey and report
- ▶ Quantitative telephone research conducted March-April 2009
 - 800 undergraduates enrolled AY 2008-09, ages 18-24
 - 804 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.

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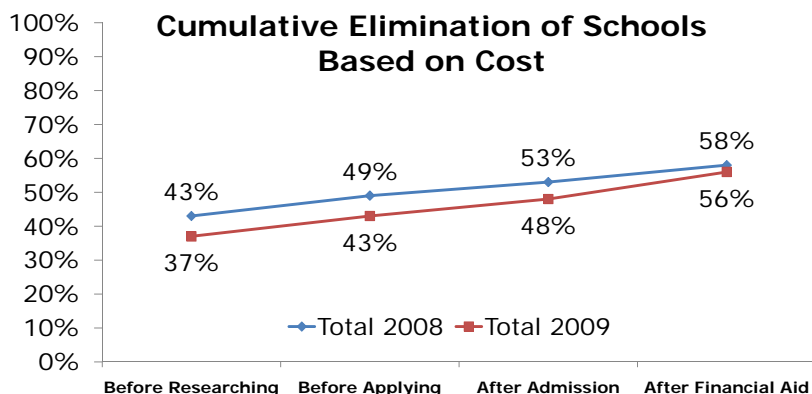
HOW MUCH DOES COST MATTER?



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SCHOOL SELECTION

- ▶ Most families take cost of attendance into account when choosing a school, but four out of ten do not.



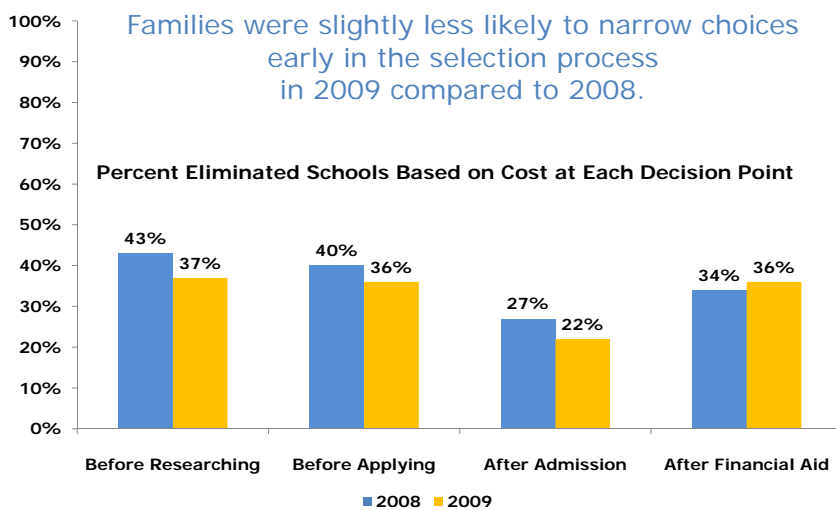
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SCHOOL SELECTION

Families were slightly less likely to narrow choices early in the selection process in 2009 compared to 2008.



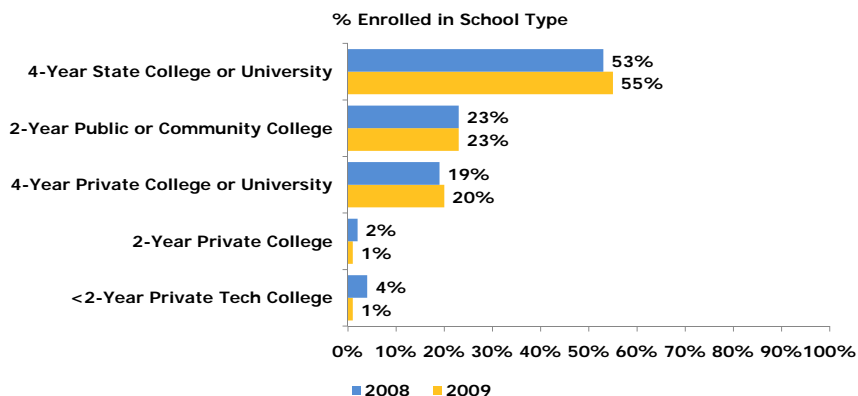
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SCHOOL SELECTION

- ▶ More than three-quarters of students continue to be enrolled in lower-cost public institutions.



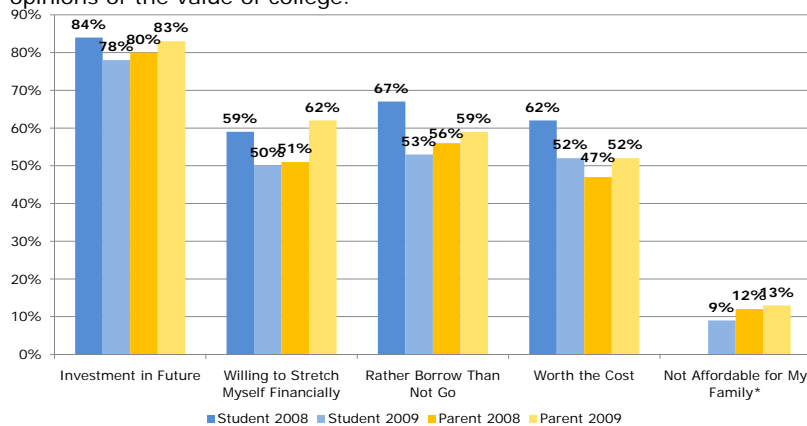
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VALUE OF EDUCATION

- ▶ Students appear to be more cost-conscious when considering value.
- ▶ Parents are more willing to stretch financially and have somewhat higher opinions of the value of college.



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SEEKING LOW COST FUNDING

- ▶ Three-quarters of families (75%) with undergraduates aged 18-24 filed a FAFSA.
- ▶ More than half (51%) of students from these families received some gift aid (grants and/or scholarships); average total amount among all recipients was \$8,000.
- ▶ More than three-quarters (76%) used personal assets (income, savings and other investments) to pay for some portion of costs.
- ▶ Relatives' and friends' contributions covered about 6% of the total costs of college.
- ▶ Most families (58%) funded the 2008-09 academic year without borrowing.

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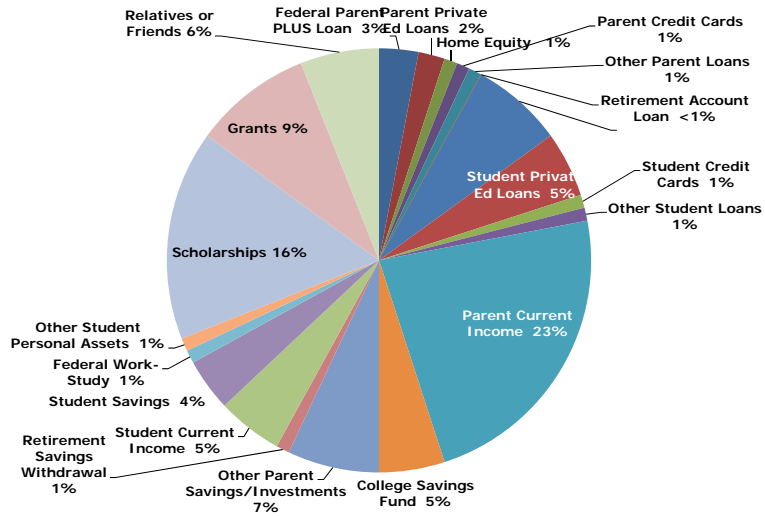
HOW DID FAMILIES PAY FOR COLLEGE IN AY 2008-09?



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AVERAGE % OF TOTAL COST PAID FROM EACH SOURCE



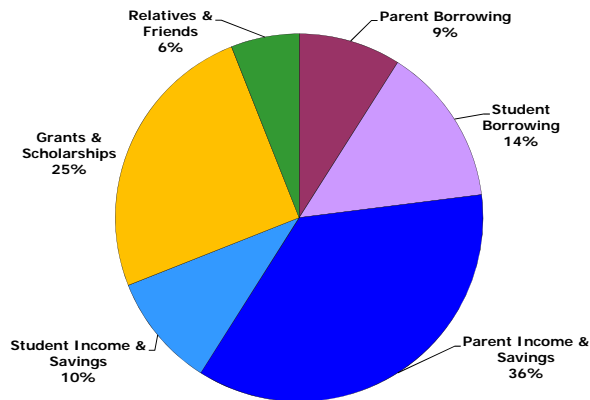
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AVERAGE % OF TOTAL COST PAID FROM SOURCE GROUP

- ▶ Parents pay the lion's share of total cost: 36% from income and savings; another 9% from borrowed money



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SOURCES OF PERSONAL CONTRIBUTIONS

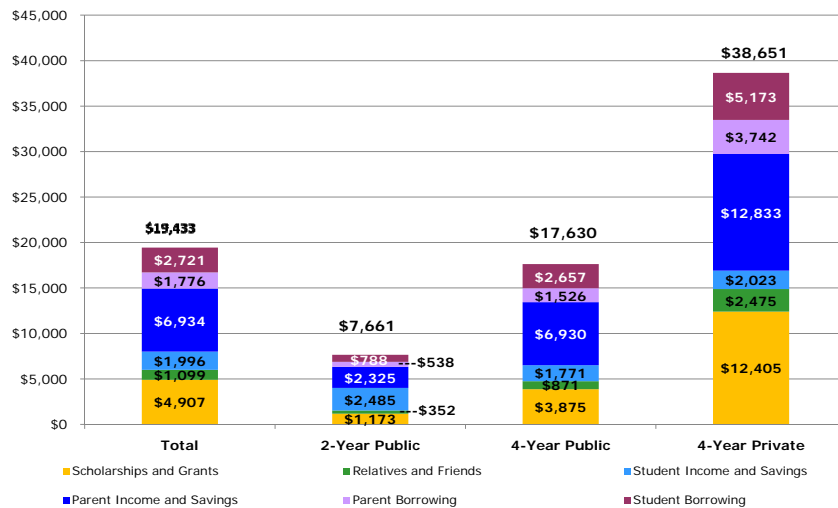
- ▶ A greater percentage of parents than students contribute personal assets, and they contribute higher average amounts.

Percent of Families Utilizing Each Source and Average Amount Used

	% of Total Families	Average Amount **
Any Parent Sources	59%	\$9,581
Current Income	55%	\$7,175
College Savings Plan (529)	11%	\$7,312
Retirement Savings Withdrawal	3%	\$5,318
Other Savings or Investments	14%	\$7,776
Any Student Sources	42%	\$3,708
Savings	26%	\$2,369
Current Income	25%	\$3,791
Federal Work-Study	5%	\$1,893
Other Savings or Investments	2%	\$5,749

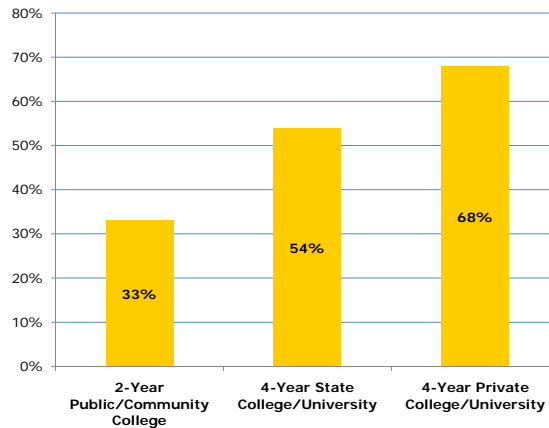
** Among those who used each source

AVERAGE COSTS PAID FROM SOURCE GROUP



AVERAGE % OF STUDENTS USING GRANTS OR SCHOLARSHIPS, BY SCHOOL TYPE

- ▶ Students attending four-year private colleges are most likely to use grants and/or scholarships.



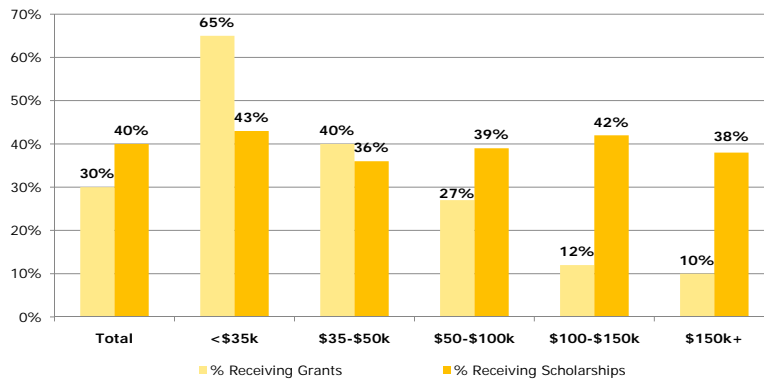
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ALLOCATION OF GRANTS & SCHOLARSHIPS

- ▶ Use of grants bears a strong relationship to family income with lower income having highest usage rates
- ▶ In contrast, approximately four in ten families in every income group reported using scholarships



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WHAT IS THE ROLE OF BORROWING?

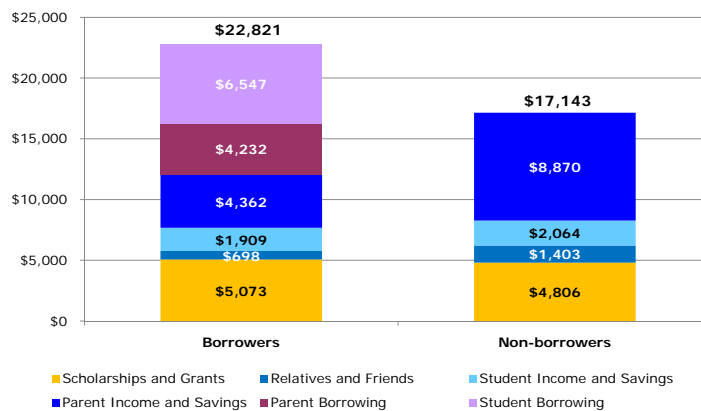


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AVERAGE COSTS PAID FROM SOURCE GROUP, BY BORROWING STATUS

- ▶ Families who borrow to pay for college choose schools that cost 33% more than families who don't borrow.
- ▶ Borrowed dollars are equal to twice the cost difference.



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AVERAGE PERCENT OF FAMILIES USING BORROWING SOURCES AND AVERAGE AMOUNTS BORROWED

- Federal student loans are, not surprisingly, the most common source of borrowing.

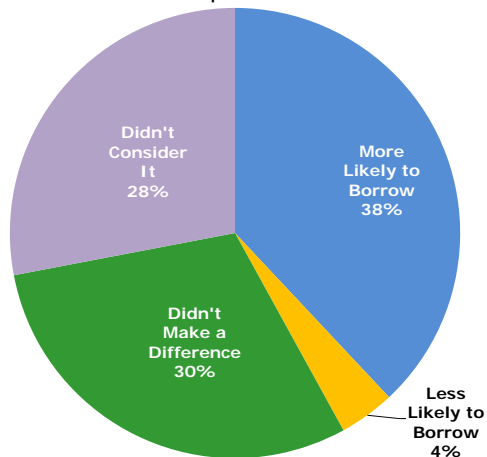
Sources of Borrowed Funds

	2009		2008	
	% of Total Families	Average Amount**	% of Total Families	Average Amount**
Any Parent Sources				
Federal PLUS Loans	8%	\$7,664	6%	\$10,701
Private Education Loan	5%	\$8,401	4%	\$6,910
Home Equity Loan or HELOC	3%	\$8,028	3%	\$10,853
Credit Cards	5%	\$3,886	3%	\$5,822
Retirement Account Loan	1%	\$5,471	1%	\$6,299
Other Loans	3%	\$5,762	5%	\$9,894
Any Student Sources				
Federal Student Loan (Stafford or Perkins)	25%	\$5,327	28%	\$5,075
Private Education Loan	12%	\$7,516	8%	\$7,694
Credit Cards	5%	\$2,812	3%	\$2,542
Other Loans	2%	\$5,819	8%	\$7,922

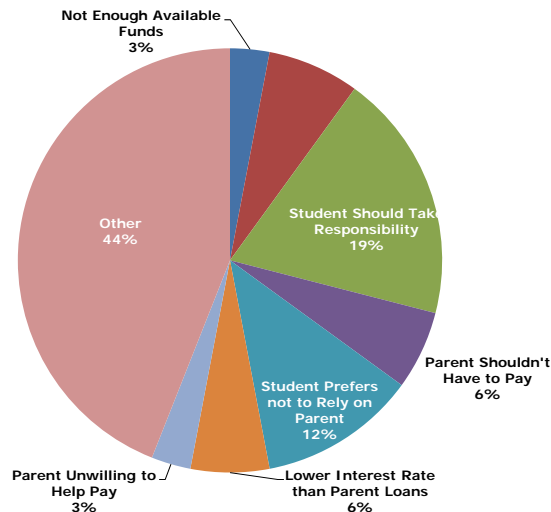
** Among those who used each source

EFFECT OF EXPECTED STUDENT POST-GRADUATION INCOME ON BORROWING DECISIONS

- For most families in which the student borrowed, expected post-graduation income had little impact on the decisions to borrow.



WHY HAVE THE STUDENT BORROW?

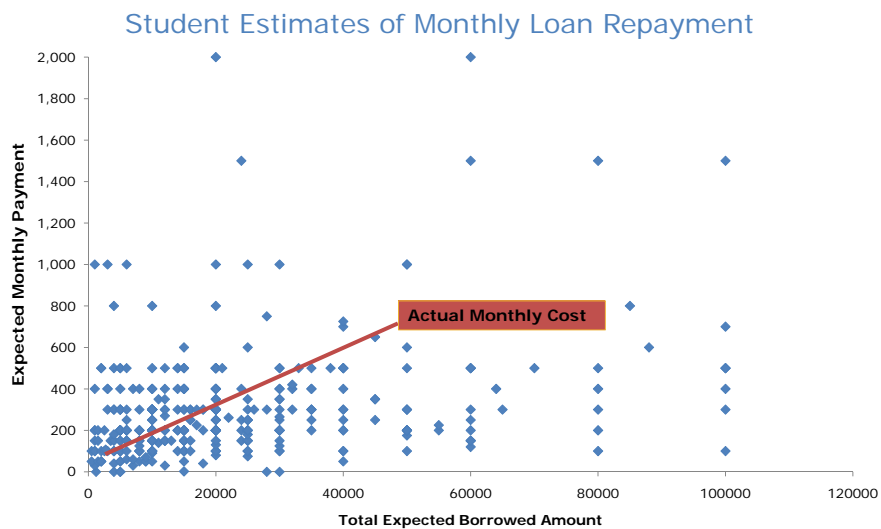


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HOW WELL DO STUDENTS CORRELATE AMOUNT BORROWED AND REPAYMENT?



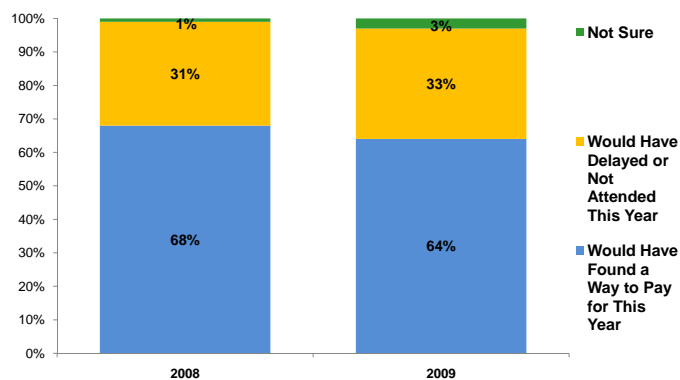
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IF LOANS WERE NOT AVAILABLE

Course of Action Without Loans among Students with Education Loans, 2008 vs. 2009



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HOW ARE FAMILIES MOTIVATED TO CONTINUE EDUCATION?



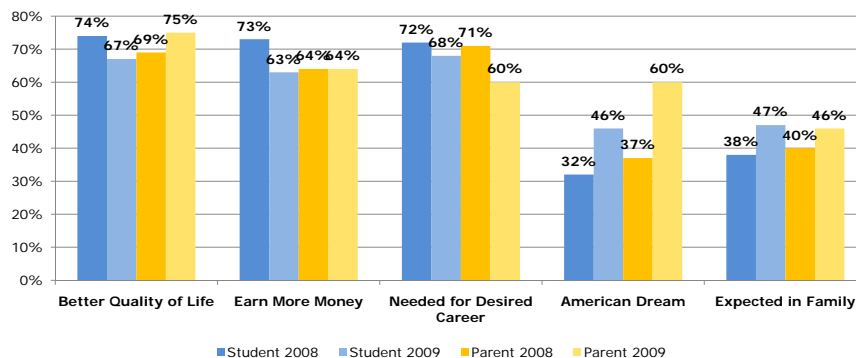
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WHY GO TO COLLEGE?

- ▶ Among both students and parents, practical considerations continue to drive higher education enrollment decisions.

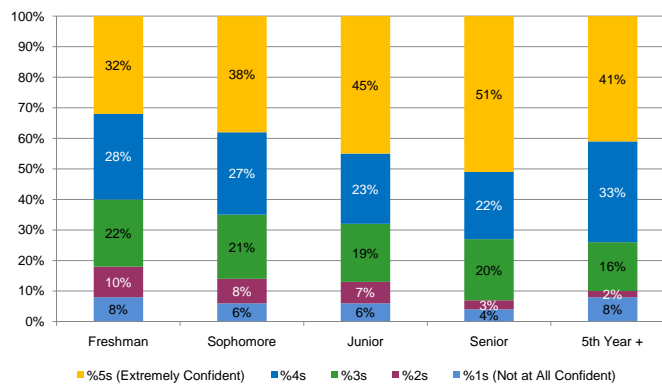
Percent Who Strongly Agree with Reasons, Year-over-Year



CONFIDENCE IN ABILITY TO PAY THROUGH GRADUATION

- ▶ Confidence increased with each college grade level as the end of college approached until students exceeded the 4th year.

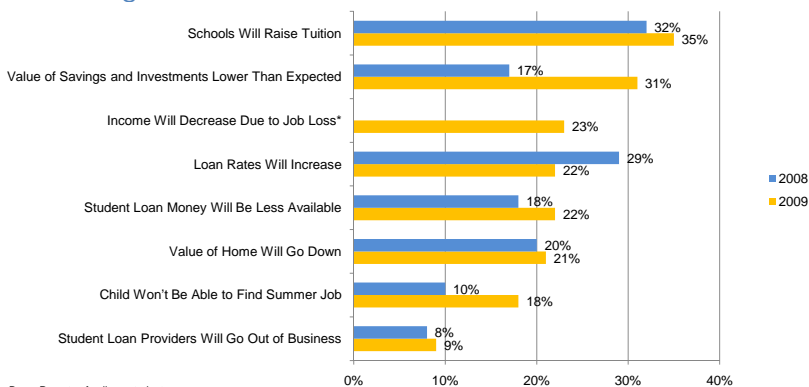
Confidence in Ability to Pay for College, by Student Grade Level



PARENT ECONOMIC CONCERNS

- ▶ Despite confidence in ability to pay for college, current economic conditions increased worries among parents of college students.

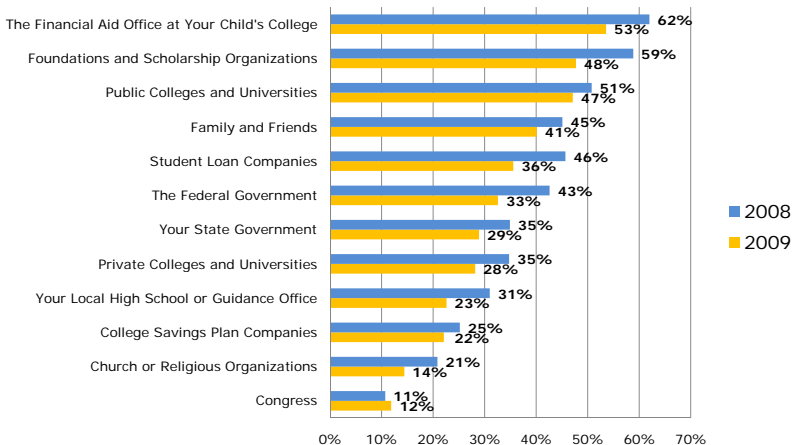
Change in Parent Economic Concerns, 2008 vs. 2009



Base: Parents of college students.
*Not asked in 2008

PERCEIVED HELPFULNESS OF ORGANIZATIONS

- ▶ The Financial Aid Office continues to be a reliable resource for providing financial access to college.



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How America Pays for College 2009: A national study by Gallup and Sallie Mae

Sallie Mae's "How America Pays for College 2009" study (PDF 3 MB), conducted by Gallup, finds American families are making the investment in higher education the smart way – by pursuing grants and scholarships more frequently than borrowing. Based on a nationally representative survey of college-going students and parents of undergraduates, the study found that:

- 58 percent of families invested in higher education last year without borrowing
- 67 percent are confident in their ability to continue to meet cost of college in current economy
- 51 percent received grants and scholarships
- 25 percent of students borrowed federal loans
- 12 percent of students borrowed private education loans
- 5 percent used credit cards to pay for college expenses

How the average family pays for college
Average percentage of total cost of attendance paid for each source:

GALLUP
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How America Pays for College

- Study
- Highlights
- News Release

Related resource

- Education Investment Planner — Project the total cost, compare schools and build a plan to save your goal amount.

www.SallieMae.com/HowAmericaPays