High Hopes, Big Debts

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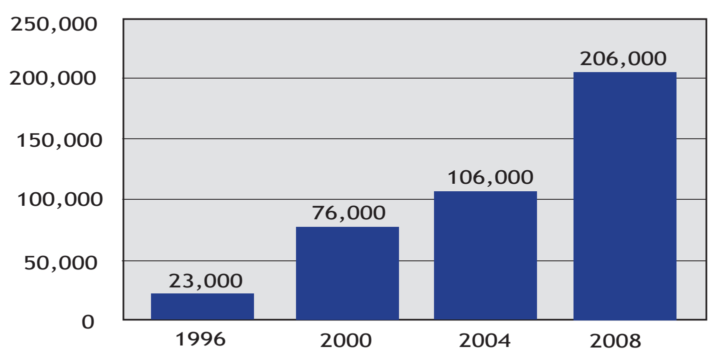
THE PROJECT ON STUDENT DEBT

In 2008, more than two-thirds (67%) of students graduating from four-year colleges and universities had student loans, and their average debt was $23,200.[1] Most college graduates with debt at or below average levels will be able to repay their loans without going broke. However, the number of borrowers with far more debt is growing quickly. Borrowers with such high levels of debt are more likely to have difficulty repaying their loans, especially in tough economic times when high-paying jobs are hard to find. The unemployment rate for young bachelor's degree recipients was a sizable 5.7% in 2008 and rose to 8.8% by 2009, the highest on record.[2] This fact sheet focuses on seniors who graduated from four-year institutions with $40,000 or more in student loans.

More students than ever (1 in 10) graduate with $40,000 or more in student loans.

- Ten percent of students who graduated from four-year colleges and universities in 2008 owed at least $40,000 in student loans, up from 3% in 1996 (in constant 2008 dollars).
- That represents a nine-fold increase in the number of graduates with high debt, from 23,000 in 1996 to 206,000 in 2008.

Number of borrowers graduating with at least $40,000 in student loans (2008 Dollars)



Source: Calculated by the Project on Student Debt using the U.S. Department of Education's National Postsecondary Student Aid Study, 2007-08.

[1] Unless otherwise noted, the facts and figures in this document are based on the Project on Student Debt's analysis of data from the National Postsecondary Student Aid Study (NPSAS). Conducted by the U.S. Department of Education every four years, NPSAS is a comprehensive nationwide survey designed to determine how undergraduate students and their families pay for college. It is based on a sample of students which is representative of students nationally and in six states. Loan amounts include both federal and non-federal student loans. Figures cited are estimates rounded to the nearest $50, one percent, or thousand students. Dollar amounts are in constant 2008 dollars. Figures for the 1995-96, 2000-01, and 2003-04 academic years may differ slightly from those used in previous publications due to re-weighting by the U.S. Department of Education in July 2009 and December 2009.

[2] These figures are from unpublished data from the Current Population Survey (CPS), provided by the Bureau of Labor Statistics (BLS) in response to personal communications in November 2009 and April 2010. The unemployment rates cited are annual data for those in the civilian non-institutional population who obtained a bachelor's degree and are age 20 to 24. These unemployment figures measure the proportion of those in the workforce who are not working and are actively seeking work.

Pell Grant recipients, who generally have family incomes under $50,000, are more likely to graduate with high debt.

- Fourteen percent of Pell Grant recipients in the class of 2008 graduated with at least $40,000 in student loans, compared to 8% of graduates who did not receive Pell Grants.
- More than a third (37%) of graduates with high debt were Pell Grant recipients, even though Pell Grant recipients made up about a quarter (26%) of graduates overall.

African-Americans are the most likely among all racial or ethnic groups to graduate with high debt.

- In 2008, 16% of African-American graduating seniors owed $40,000 or more in student loans, compared to 10% of Whites, 8% of Hispanics, and 5% of Asians.

Four out of five borrowers with high debt have private (non-federal) student loans, which lack the important repayment options and consumer protections that come with federal loans.

- Of borrowers who graduated from four-year colleges and universities in 2008 with $40,000 or more in student loans, 81% had private loans.
- The average private loan debt was $30,200 for high-debt borrowers with private loans.

For-profit college students are much more likely than those at other types of colleges to graduate with high debt and to default.

- Almost one in four (24%) of all 2008 graduates from for-profit four-year colleges owed at least $40,000 in student loans, compared to just 6% of graduates from public four-year colleges and 15% from private nonprofit four-year colleges.
- Pell Grant recipients who graduate from four-year colleges are more likely to have high debt if they attended a for-profit college. Among graduating seniors, 23% of Pell Grant recipients from for-profit colleges carried at least $40,000 in student loans, compared to 14% at all other colleges.
- The proportion of for-profit graduates with high debt is similar for all racial and ethnic groups (21-24%).
- Students who attend for-profit four-year colleges are more than twice as likely to default on their federal student loans as those from other four-year colleges.[3] The fiscal year 2007 cohort default rate was 9.8% at for-profit four-year colleges, 3.6% at private nonprofit four-year colleges, and 4.3% at public four-year colleges. These are the most recent rates available and only reflect defaults within the first two years of repayment.[4]

[3] Unlike the data throughout the rest of this publication, these default-rate figures include all former students, not just those who graduated.

[4] The "cohort default rate" is the percentage of a school's federal student loan borrowers who enter repayment in a given federal fiscal year, and default prior to the end of the next fiscal year. These numbers come from the U.S. Department of Education: http://www2.ed.gov/offices/OSFAP/defaultmanagement/instrates.html.