DOES GROWING STUDENT DEBT SIGNAL THAT COLLEGE IS UNAFFORDABLE?

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CUNY HIGHER EDUCATION POLICY SEMINAR
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IS COLLEGE AFFORDABLE?

Most people say no.

But what does this mean?

Published price / family income – a good measure?

Incorporating pre-college and post-college circumstances
IS THERE A STUDENT DEBT CRISIS?

- $1 trillion
- The economy
- The press
- The real problems
COLLEGE PRICES
# Average Published Charges for Full-Time Undergraduates

By Type and Control of Institution, 2012-13 (Enrollment-Weighted)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Tuition and Fees</th>
<th>Room and Board</th>
<th>Total Charges</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012-13</td>
<td>2011-12</td>
<td>$ Change</td>
</tr>
<tr>
<td>Public Two-Year In-State</td>
<td>$3,131</td>
<td>$2,959</td>
<td>$172</td>
</tr>
<tr>
<td>Public Four-Year In-State</td>
<td>$8,655</td>
<td>$8,256</td>
<td>$399</td>
</tr>
<tr>
<td>Public Four-Year Out-of-State</td>
<td>$21,706</td>
<td>$20,823</td>
<td>$883</td>
</tr>
<tr>
<td>Private Nonprofit Four-Year</td>
<td>$29,056</td>
<td>$27,883</td>
<td>$1,173</td>
</tr>
<tr>
<td>For-Profit</td>
<td>$15,172</td>
<td>$14,737</td>
<td>$435</td>
</tr>
</tbody>
</table>

SOURCE: The College Board, *Trends in College Pricing 2012*, Table 1A.
AVERAGE ANNUAL PERCENTAGE INCREASES IN INFLATION-ADJUSTED PUBLISHED PRICES BY DECADE, 1982-83 TO 2012-13

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Private Nonprofit Four-Year</td>
<td>3.0%</td>
<td>2.4%</td>
<td>2.6%</td>
</tr>
<tr>
<td>Public Four-Year</td>
<td>4.6%</td>
<td>3.2%</td>
<td>2.3%</td>
</tr>
<tr>
<td>Public Two-Year</td>
<td>5.2%</td>
<td>5.1%</td>
<td>2.4%</td>
</tr>
<tr>
<td>Private Nonprofit Four-Year</td>
<td>3.9%</td>
<td>3.9%</td>
<td>3.8%</td>
</tr>
<tr>
<td>Tuition and Fees and Room and Board</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

SOURCE: The College Board, *Trends in College Pricing 2012*, Figure 4.
### DISTRIBUTION OF FULL-TIME UNDERGRADUATES AT 4-YEAR INSTITUTIONS BY PUBLISHED TUITION & FEES, 2012-13

#### Public and Private Nonprofit Four-Year Combined (Median = $10,282)

<table>
<thead>
<tr>
<th>Tuition and Fees</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under $3,000</td>
<td>0.6%</td>
</tr>
<tr>
<td>$3,000 to $5,999</td>
<td>9.5%</td>
</tr>
<tr>
<td>$6,000 to $8,999</td>
<td>30.4%</td>
</tr>
<tr>
<td>$9,000 to $11,999</td>
<td>14.6%</td>
</tr>
<tr>
<td>$12,000 to $14,999</td>
<td>9.6%</td>
</tr>
<tr>
<td>$15,000 to $17,999</td>
<td>3.2%</td>
</tr>
<tr>
<td>$18,000 to $20,999</td>
<td>3.5%</td>
</tr>
<tr>
<td>$21,000 to $23,999</td>
<td>3.6%</td>
</tr>
<tr>
<td>$24,000 to $26,999</td>
<td>4.2%</td>
</tr>
<tr>
<td>$27,000 to $29,999</td>
<td>4.3%</td>
</tr>
<tr>
<td>$30,000 to $32,999</td>
<td>3.5%</td>
</tr>
<tr>
<td>$33,000 to $35,999</td>
<td>3.4%</td>
</tr>
<tr>
<td>$36,000 to $38,999</td>
<td>2.2%</td>
</tr>
<tr>
<td>$39,000 to $41,999</td>
<td>2.6%</td>
</tr>
<tr>
<td>$42,000 to $44,999</td>
<td>4.3%</td>
</tr>
<tr>
<td>$45,000 and over</td>
<td>0.7%</td>
</tr>
</tbody>
</table>

#### Public Four-Year (Median = $8,672)

<table>
<thead>
<tr>
<th>Tuition and Fees</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under $3,000</td>
<td>0.9%</td>
</tr>
<tr>
<td>$3,000 to $5,999</td>
<td>10.7%</td>
</tr>
<tr>
<td>$6,000 to $8,999</td>
<td>43.6%</td>
</tr>
<tr>
<td>$9,000 to $11,999</td>
<td>19.9%</td>
</tr>
<tr>
<td>$12,000 to $14,999</td>
<td>12.4%</td>
</tr>
<tr>
<td>$15,000 to $17,999</td>
<td>3.3%</td>
</tr>
<tr>
<td>$18,000 to $20,999</td>
<td>2.7%</td>
</tr>
<tr>
<td>$21,000 to $23,999</td>
<td>1.9%</td>
</tr>
<tr>
<td>$24,000 to $26,999</td>
<td>1.5%</td>
</tr>
<tr>
<td>$27,000 to $29,999</td>
<td>2.0%</td>
</tr>
<tr>
<td>$30,000 to $32,999</td>
<td>0.5%</td>
</tr>
<tr>
<td>$33,000 to $35,999</td>
<td>0.3%</td>
</tr>
<tr>
<td>$36,000 to $38,999</td>
<td>0.2%</td>
</tr>
<tr>
<td>$39,000 to $41,999</td>
<td>0.2%</td>
</tr>
<tr>
<td>$42,000 to $44,999</td>
<td>0.0%</td>
</tr>
<tr>
<td>$45,000 and over</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

#### Private Nonprofit Four-Year (Median = $30,200)

<table>
<thead>
<tr>
<th>Tuition and Fees</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under $3,000</td>
<td>0.0%</td>
</tr>
<tr>
<td>$3,000 to $5,999</td>
<td>6.6%</td>
</tr>
<tr>
<td>$6,000 to $8,999</td>
<td>1.1%</td>
</tr>
<tr>
<td>$9,000 to $11,999</td>
<td>6.6%</td>
</tr>
<tr>
<td>$12,000 to $14,999</td>
<td>2.7%</td>
</tr>
<tr>
<td>$15,000 to $17,999</td>
<td>0.0%</td>
</tr>
<tr>
<td>$18,000 to $20,999</td>
<td>3.2%</td>
</tr>
<tr>
<td>$21,000 to $23,999</td>
<td>10.3%</td>
</tr>
<tr>
<td>$24,000 to $26,999</td>
<td>10.3%</td>
</tr>
<tr>
<td>$27,000 to $29,999</td>
<td>9.4%</td>
</tr>
<tr>
<td>$30,000 to $32,999</td>
<td>10.3%</td>
</tr>
<tr>
<td>$33,000 to $35,999</td>
<td>10.3%</td>
</tr>
<tr>
<td>$36,000 to $38,999</td>
<td>6.6%</td>
</tr>
<tr>
<td>$39,000 to $41,999</td>
<td>8.0%</td>
</tr>
<tr>
<td>$42,000 to $44,999</td>
<td>13.6%</td>
</tr>
<tr>
<td>$45,000 and over</td>
<td>2.2%</td>
</tr>
</tbody>
</table>

**SOURCE:** The College Board, *Trends in College Pricing 2012*, Figure 2.
IN-STATE TUITION & FEES AT FLAGSHIP UNIVERSITIES, BY STATE, 2012-13 AND 5-YEAR PERCENTAGE CHANGE IN INFLATION-ADJUSTED TUITION & FEES, 2007-08 TO 2012-13

SOURCE: The College Board, Trends in College Pricing 2012, Figure 8.

SOURCE: The College Board, *Trends in College Pricing 2012*, Figure 9.

SOURCE: The College Board, *Trends in College Pricing 2012*
AVERAGE AID PER FULL-TIME EQUIVALENT (FTE) UNDERGRADUATE STUDENT IN 2011 DOLLARS, 1996-97 TO 2011-12

Undergraduate Students

Average Aid in 2011 Dollars

SOURCE: The College Board, Trends in Student Aid 2012, Figure 3A.
AVERAGE AID PER FULL-TIME EQUIVALENT GRADUATE STUDENT IN 2011 DOLLARS, 1996-97 TO 2011-12

SOURCE: The College Board, Trends in Student Aid 2012, Figure 3B.
STUDENT DEBT
UNDERSTANDING DEBT FINANCING

• When is debt a good idea? A bad idea?
  --Houses
  --Cars
  --Consumer durables
  --Vacations
  --Small businesses

• Interest rates

• Inflation
Figure 2
Outstanding Student Loan Debt

Source: Federal Reserve Bank of New York
DEBT LEVELS: FED REPORT

• Median with debt: $13,662

• Mean with debt: $24,218.

• About 3% of borrowers have six-figure student loan debt.

• 0.5% have debt over $200,000.

• 25% of borrowers > $29,155

• 25% < $5,977
GROWTH OF FEDERAL AND NONFEDERAL LOAN DOLLARS
IN 2011 DOLLARS, 1991-92 TO 2011-12, SELECTED YEARS

Academic Year

Loans (in Billions) in 2011 Dollars

$120
$110
$100
$90
$80
$70
$60
$50
$40
$30
$20
$10
$0

91-92 93-94 95-96 97-98 99-00 01-02 03-04 05-06 06-07 07-08 08-09 09-10 10-11 11-12

Nonfederal Loans
Perkins and Other Federal Loans
Grad PLUS Loans
Parent PLUS Loans
Unsubsidized Stafford Loans
Subsidized Stafford Loans
TOTAL NUMBER OF STAFFORD LOAN BORROWERS AND AVERAGE AMOUNT BORROWED, 2001-02 TO 2011-12

SOURCE: The College Board, *Trends in Student Aid 2012*, Figure 7B.
AVERAGE TOTAL DEBT LEVELS OF BACHELOR’S DEGREE RECIPIENTS, PUBLIC FOUR-YEAR COLLEGES & UNIVERSITIES, IN 2011 DOLLARS, 1999-2000 TO 2010-11

SOURCE: The College Board, Trends in Student Aid 2012, Figure 12A.
AVERAGE TOTAL DEBT LEVELS OF BACHELOR’S DEGREE RECIPIENTS, PRIVATE NONPROFIT FOUR-YEAR COLLEGES & UNIVERSITIES, IN 2011 DOLLARS, 1999-2000 TO 2010-11

Source: The College Board, Trends in Student Aid 2012, Figure 12B.
SECTOR LAST ATTENDED AS OF 2009 AMONG BACHELOR’S DEGREE RECIPIENTS WHO FIRST ENROLLED IN 2003-04, BY TOTAL AMOUNT BORROWED (AND OVERALL PERCENTAGE OF STUDENTS IN DEBT CATEGORY)

<table>
<thead>
<tr>
<th>Cumulative Debt Level</th>
<th>Public Four-Year</th>
<th>Private Nonprofit Four-Year</th>
<th>For-Profit Four-Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>65%</td>
<td>32%</td>
<td>2%</td>
</tr>
<tr>
<td>$75,001 or More</td>
<td>28%</td>
<td>54%</td>
<td>18%</td>
</tr>
<tr>
<td>(2%)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$50,001 to $75,000</td>
<td>40%</td>
<td>49%</td>
<td>10%</td>
</tr>
<tr>
<td>(3%)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$25,001 to $50,000</td>
<td>54%</td>
<td>40%</td>
<td>6%</td>
</tr>
<tr>
<td>(16%)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$1 to $25,000</td>
<td>68%</td>
<td>31%</td>
<td>1%</td>
</tr>
<tr>
<td>(42%)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Did Not Borrow</td>
<td>71%</td>
<td>28%</td>
<td>1%</td>
</tr>
<tr>
<td>(36%)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Percentage
FEDERAL STUDENT LOAN TWO-YEAR COHORT DEFAULT RATE (CDR), 1987–2010

Year

1987 1989 1991 1993 1995 1997 1999 2001 2003 2005 2007 2010

Cohort Default Rate

0% 5% 10% 15% 20% 25%
TWO-YEAR COHORT DEFAULT RATE BY SECTOR, 2000, 2009 AND 2010, AND THREE-YEAR COHORT DEFAULT RATE BY SECTOR, 2009

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Four-Year</td>
<td>5%</td>
<td>5%</td>
<td>6%</td>
<td>9%</td>
</tr>
<tr>
<td>Private Nonprofit Four-Year</td>
<td>4%</td>
<td>5%</td>
<td>5%</td>
<td>9%</td>
</tr>
<tr>
<td>Public Two-Year</td>
<td>7%</td>
<td>9%</td>
<td>12%</td>
<td>18%</td>
</tr>
<tr>
<td>For-Profit</td>
<td>9%</td>
<td>15%</td>
<td>15%</td>
<td>23%</td>
</tr>
<tr>
<td>Total</td>
<td>6%</td>
<td>9%</td>
<td>9%</td>
<td>13%</td>
</tr>
</tbody>
</table>
COUNTERFACTUAL

• Same education, no debt.

• No education, no debt.

• Other?
DEFINING AFFORDABILITY

• Paying out of current income?

• Investment vs consumption

• Housing / health care

• Subjectivity
IS COLLEGE AFFORDABLE?

Role of preferences and priorities (subjective)

Health care:
  uninsured afforders
  insured non-afforders

Role of uncertainty (completion, earnings)

SOURCE: The College Board, *Trends in College Pricing 2012*, Figure 18A.

<table>
<thead>
<tr>
<th></th>
<th>Lowest 20%</th>
<th>Second 20%</th>
<th>Third 20%</th>
<th>Fourth 20%</th>
<th>Highest 20%</th>
<th>Top 5%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>$ Change 1981–2011</strong></td>
<td>-$860</td>
<td>$2,452</td>
<td>$7,342</td>
<td>$17,851</td>
<td>$71,452</td>
<td>$167,797</td>
</tr>
<tr>
<td><strong>% Change 1981–2011</strong></td>
<td>-5%</td>
<td>7%</td>
<td>14%</td>
<td>24%</td>
<td>56%</td>
<td>95%</td>
</tr>
<tr>
<td><strong>2011 Income Bracket</strong></td>
<td>$27,218 or less to $48,502</td>
<td>$27,219 to $48,502</td>
<td>$48,503 to $75,000</td>
<td>$75,001 to $115,866</td>
<td>$115,867 or more</td>
<td>$205,200 or more</td>
</tr>
<tr>
<td><strong>2011 Mean Income</strong></td>
<td>$15,282</td>
<td>$37,556</td>
<td>$61,032</td>
<td>$93,232</td>
<td>$197,932</td>
<td>$344,531</td>
</tr>
</tbody>
</table>

SOURCE: The College Board, *Trends in College Pricing 2012*, Figure 18A table
AVERAGE ESTIMATED FULL-TIME UNDERGRADUATE BUDGETS, 2012-13 (ENROLLMENT-WEIGHTED)

SOURCE: The College Board, *Trends in College Pricing 2012*
AFFORDABILITY

- Unaffordable vs. expensive
- Consumption vs. investment
- Parents vs. students
- Perception vs. actual / sticker price vs. net price
- Role of living costs
- Uncertainty
- Role of preferences / priorities
- Wage differentials vs. return to education
Sandy Baum
sbaum@skidmore.edu

Is College Affordable? In Search of a Meaningful Definition
IHEP Issue Brief
Toward a Reliastic Conception of Postsecondary Affordability
GW: GSEHD working papers

How Much Debt is Too Much?
http://ticas.org/files/pub/Manageable_Debt_FINAL_4.20.06.pdf

Trends in Student Aid
Trends in College Pricing
trends.collegeboard.org