

CONSUMER REPORTS® NATIONAL RESEARCH CENTER

College Financing Survey

2016 Nationally Representative Online Survey
May 10, 2016

Introduction

In March-April, 2016 the Consumer Reports National Research Center conducted a nationally representative online survey to assess the availability and usefulness of high school and college financial aid guidance and student loan debt and its impact on financial, lifestyle and relationship choices. GfK Group administered the survey to a nationally representative sample of 1,550 adult U.S. residents from March 31 - April 9, 2016. The sample is 53% female with an average age of 29.

To qualify for the survey, a panel member must have:

1. been between 21 and 40 years old; and
2. had student loan debt.

Panel members were randomly recruited through probability-based sampling, and households were provided with access to the Internet and hardware if needed. The data were statistically weighted so that respondents in the survey are demographically and geographically representative of the U.S. population.

The sample is comprised of students currently enrolled (22%) in an undergraduate program in college as well as those who were previously enrolled (78%). Thirty-seven percent of the sample has been enrolled in an undergraduate program at more than one college or university. Three-quarters (75%) of students currently enrolled attend a public college or university. Public college was also the most popular type of undergraduate college attended by students who were previously enrolled. Two in ten respondents who are not currently enrolled in college said they did not graduate. Approximately half (47%) of the respondents who graduated did so less than 6 years ago.

Highlights

- Only 38% of Americans with student loan debt said they attended financial aid information sessions while in high school and 21% said their high school offered college financing counseling sessions that their parents or guardian could attend.
- Almost two-thirds of Americans with student loan debt did not take advantage of financial aid counseling guidance while in college; 36% said they “never” met with a financial aid officer while another 28% said they met with a loan officer “less than once a year.”
- Approximately 31% of respondents accepted only one type of financial aid while 69% accepted two or more types of aid. The two most common types of aid accepted by Americans with student loan debt are federal student loans and the federal grant aid (e.g., Pell Grant).
- Respondents reported an overall student loan debt median of \$20,851 and the median cost for one year of college of \$14,359.
- More than half of Americans with student loan debt (51%) reported that they’ve had a problem making a student loan monthly payment at least once.
- More than three-quarters (76%) of Americans with student loan debt who said they did not graduate indicated they had a problem making a payment.
- Almost one-quarter (23%) of respondents said their student loan debt has not had an impact on them while 44% said they “cut back on day-to-day living expenses” and more than one-third (37%) said they “delayed saving for retirement or other financial goals.”
- Only 12% of Americans with student loan debt said they experienced a strained or failed relationship because of their student loan debt. However, 44% said they would want to know how much student loan debt a person has before they begin a serious relationship with them.
- Forty-five percent said college was NOT worth the cost.
- Respondents with higher incomes are significantly more likely to say college was worth the cost. Three-quarters (75%) of respondents with an annual income of \$50,000 or higher said college was worth the cost compared to 39% of respondents who reported an annual income less than \$30,000.
- The amount of student loan debt was not significantly related to whether or not respondents thought college was worth the cost.
- We asked respondents if they could do it all over again, if they would make different choices regarding the amount of financial aid assistance they received and almost half (47%) of respondents said they would accept less financial aid assistance (34%) or NOT accept any financial aid assistance (13%).
- Surprisingly, there was no relationship between amount of student loan debt and changes the respondent would make if they could do it all over again.

Findings

Does High School Provide College Financial Aid Preparation?

Respondents were asked while in high school did they attend any presentations, workshops, or one-on-one meetings with a college counselor to discuss financial aid. More than one-third of respondents (36%) said they weren't aware of any financial aid information sessions while 38% said they attended financial aid information sessions. Of those who attended sessions, 60% said they had individual meetings with a college counselor, 58% attended school assemblies or in-person presentations, and more than one-quarter (28%) attended workshops.

The financial aid sessions seemed to be the most useful in providing logistical information. Approximately three-quarters of respondents who attended sessions said the counselor clearly explained:

- the different types of financial aid available (75%)
- the financial aid application paperwork, process, and timeline (81%)
- the timeline and requirements to apply for scholarships (71%)

The sessions were less helpful when it came to offering guidance and information about financial management, budgeting, terms of the loan, and repayment information.

- Less than half of respondents said “the terms and conditions for each financial aid type” (47%) and “different repayment options” (42%) were clearly explained to them.
- Only 16% said their college counselor offered advice about maximizing their financial aid package and 24% said their college counselor offered advice about budgeting and financial debt management.

However, a fair percentage (22-30%) of respondents indicated that they did not remember whether this information was offered and/or clearly explained to them.

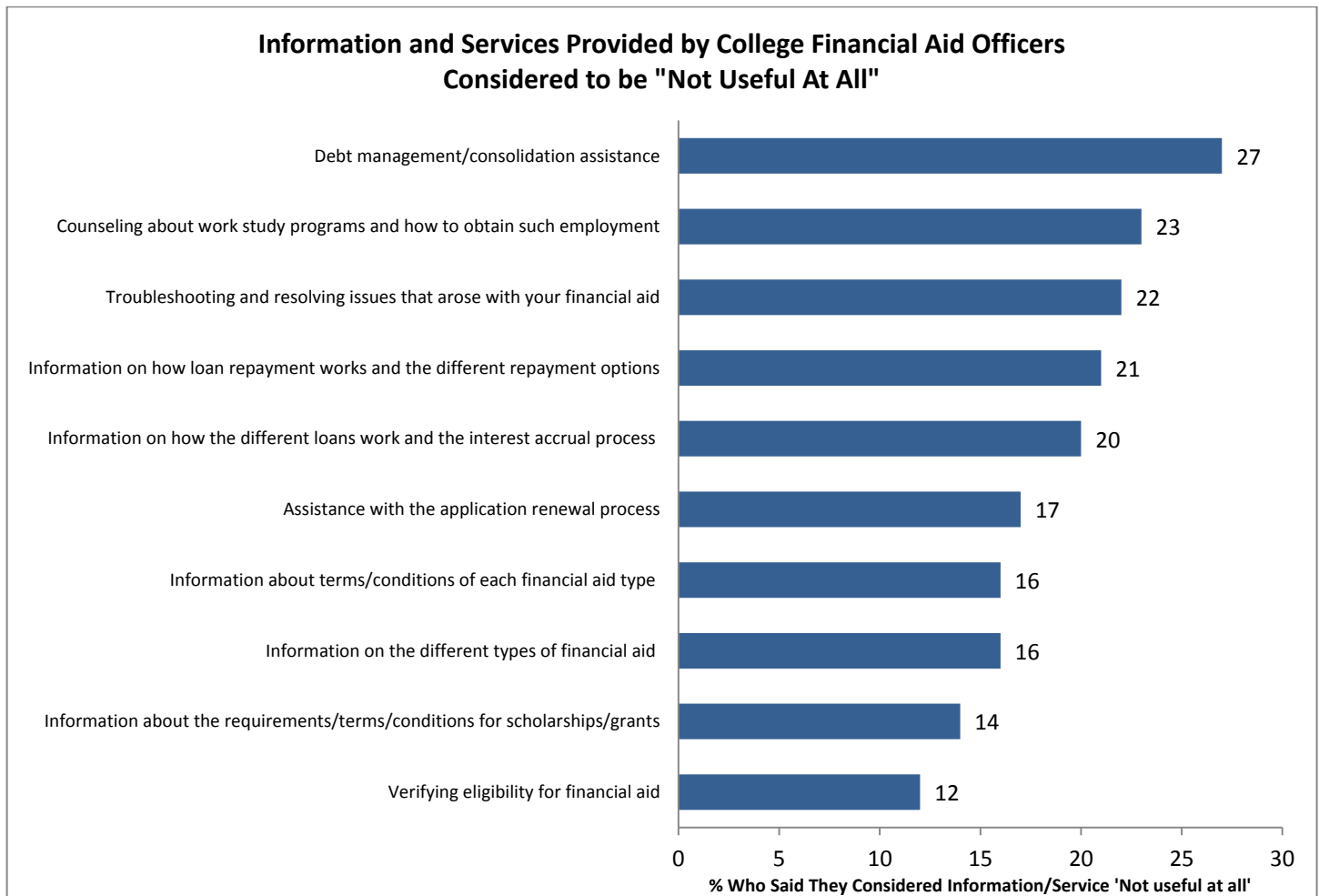
Only 21% of Americans with student loan debt said their high school offered college financing counseling sessions that their parents or guardian could attend, although 35% admitted that they did not know if these sessions were available to parents and/or guardians. More than half (55%) said their parent(s) or guardian attended college financing sessions, if sessions were available. There is a strong relationship between parents who attended these counseling sessions and a respondent's perception of parental involvement in financial aid decisions. Respondents who said their parent or guardian attended high school financial counseling sessions are more likely to say their parents were more involved in financial aid decisions compared to parents who did not attend sessions.

Financial Aid Guidance During College

Almost two-thirds of Americans with student loan debt did not take advantage of financial aid counseling while in college; 36% said they “never” met with a financial aid officer while another 28% said they met with a loan officer “less than once a year.”

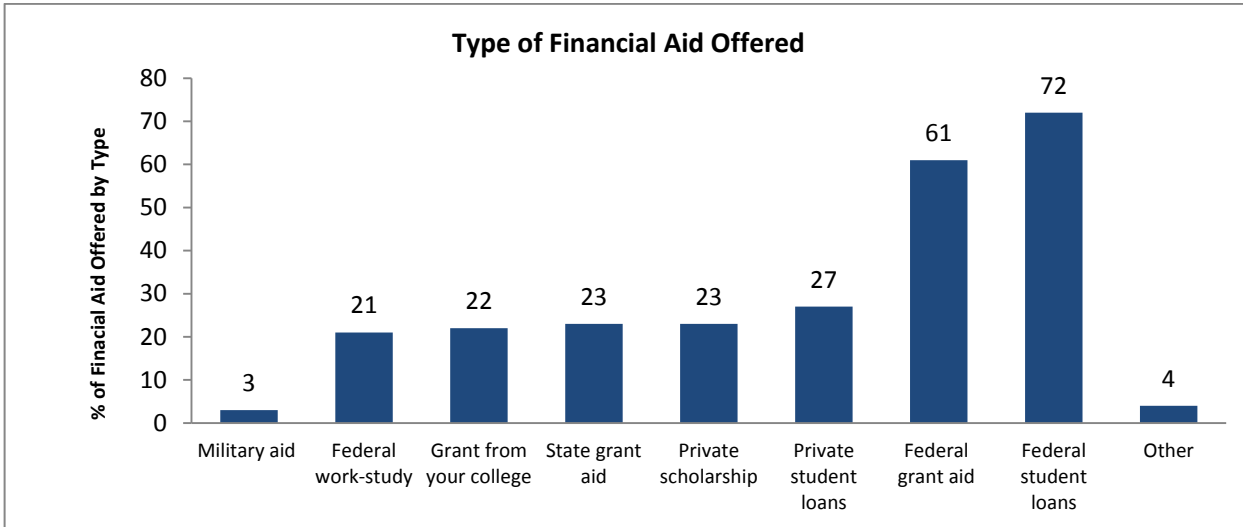
Those respondents who met with a counselor at least once were asked to rate the usefulness of the information and services provided by college financial aid officers. If respondents were not provided with this information or service, they could select “not applicable.” All “not applicable” responses were based out of the findings and therefore not included in calculating final percentages of responses selected.

Similar to the experience in high school, even some college financial aid officers do not seem prepared for or tasked with helping students understand the reality and consequences of taking on student loan debt or managing some of the more important decisions to establishing financial health. For instance, more than one-quarter (27%) of respondents who met with a counselor at least once during college said information about debt management and consolidation assistance was not useful at all. Also, approximately 20% said they found the “information on how the different loans work and the interest accrual process” and “information on how loan repayment works and different repayment options” to be “not at all useful.”

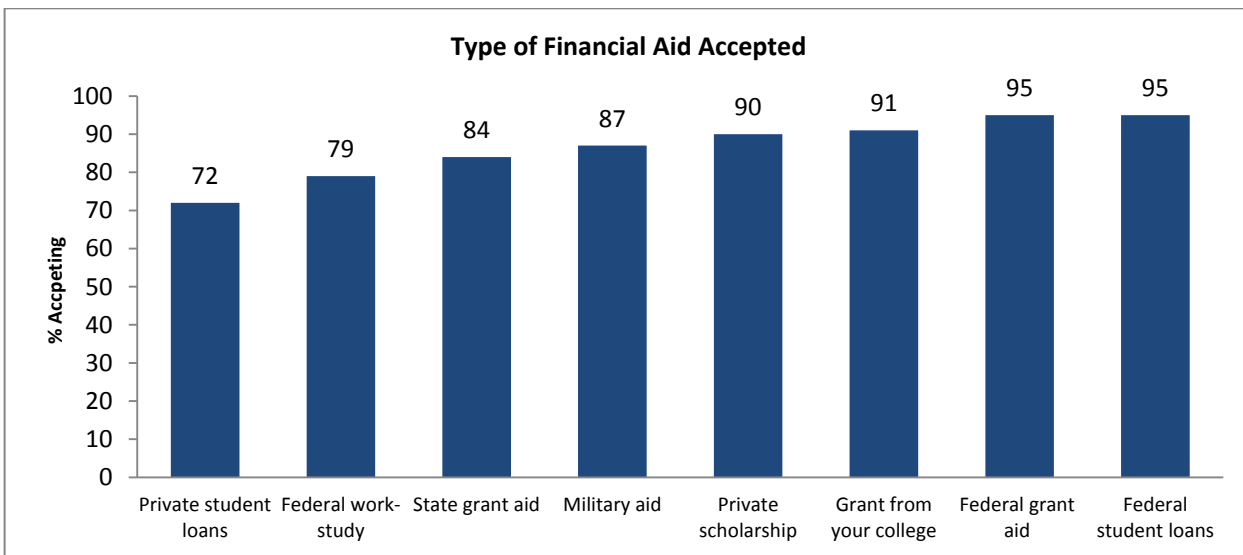


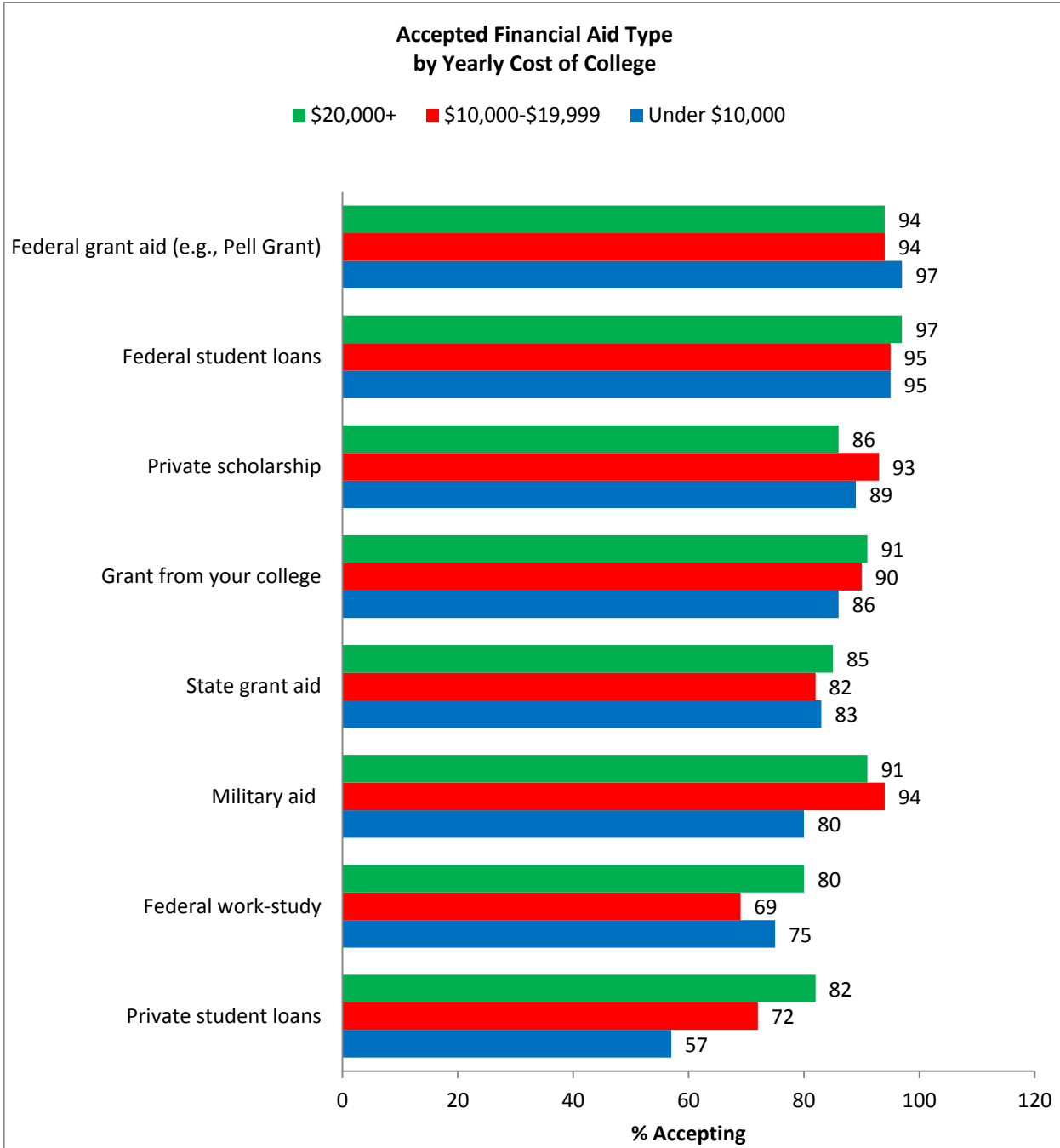
Financial Aid -- Offered and Accepted

The Federal government provides the largest amount of student financial aid. Federal funding is clearly the top type of aid offered to prospective students and federal grant aid was offered to 61% of the respondents in the survey.



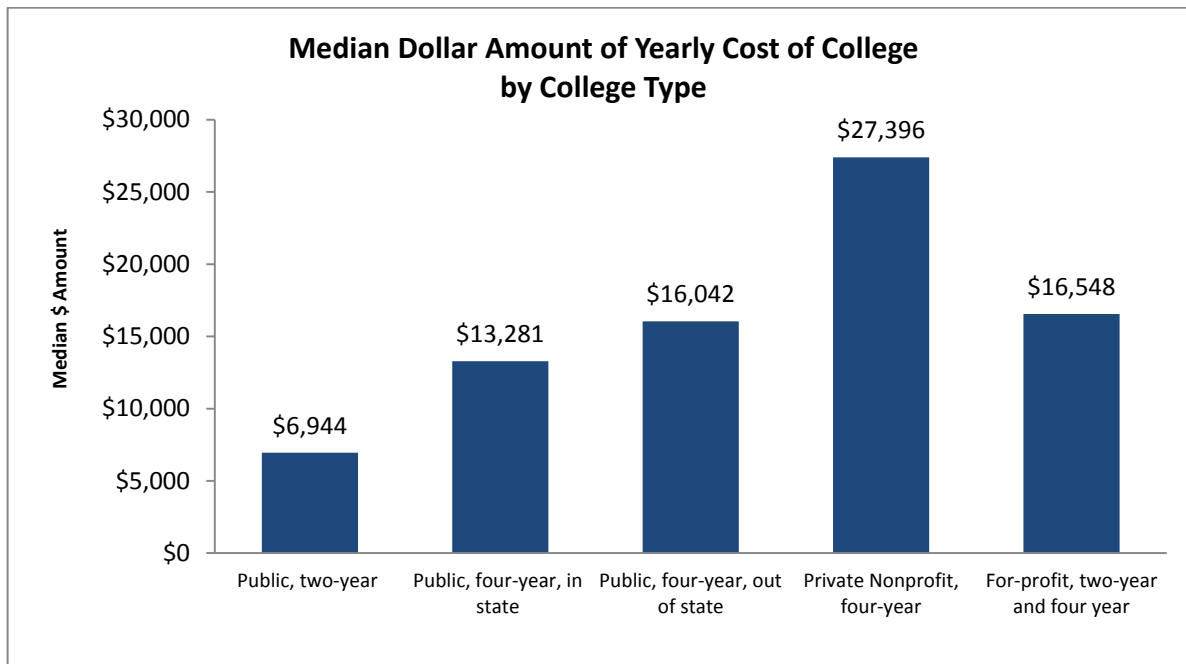
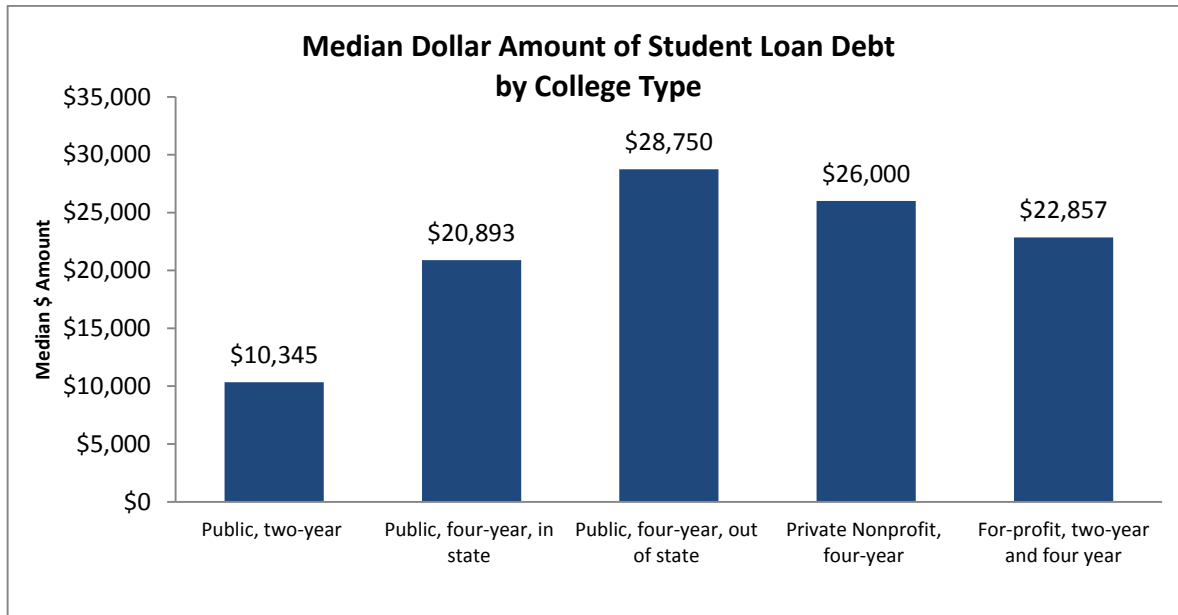
Approximately 31% of respondents accepted only one type of financial aid while 69% accepted two or more types of aid. As expected, the two most common types of aid accepted by Americans with student loan debt are federal student loans and the federal grant aid (e.g., Pell Grant). Both of these types of financial aid were accepted by 95% of respondents who were offered them.





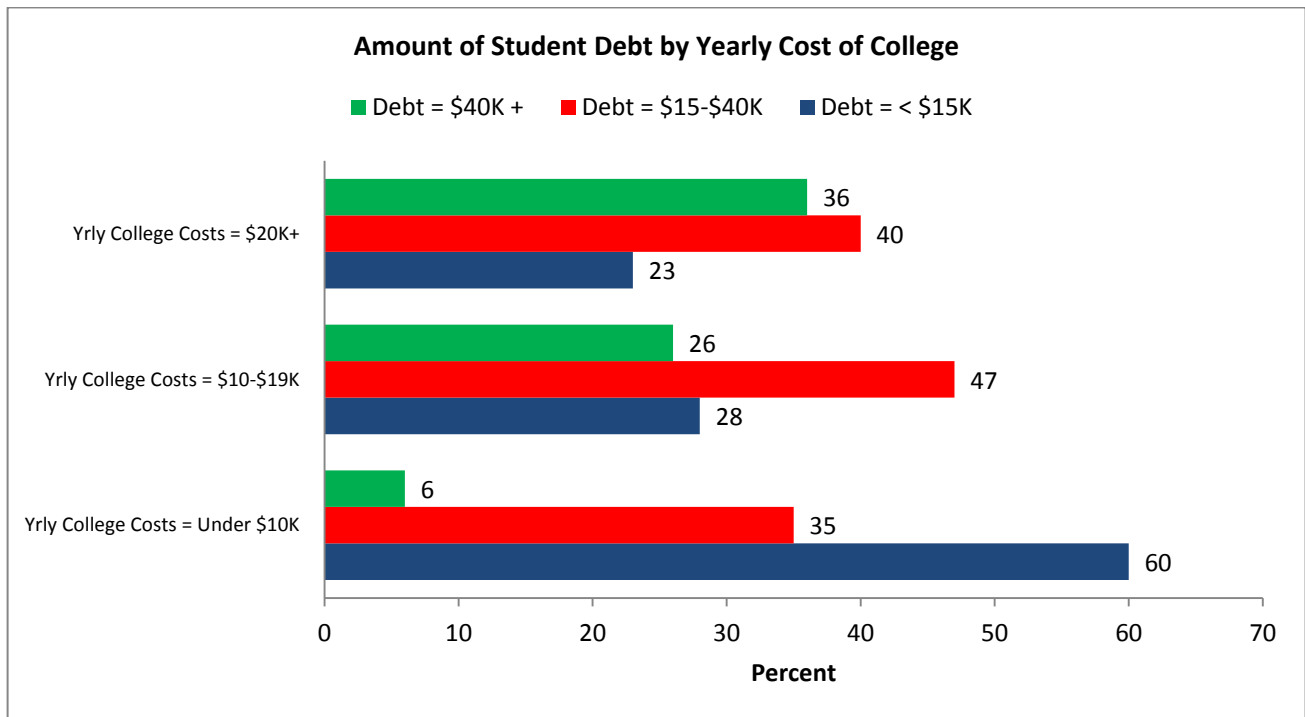
Student Loan Debt and Cost of College

Overall, respondents reported a student loan debt median of \$20,851 and a median cost for one year of college of \$14,359. As expected, these numbers varied by type of college. While it seems odd that overall “Private, Nonprofit, four-year” colleges have a higher average yearly cost to attend the college, the student loan debt medians do not track the same. One possible explanation for this finding is that private colleges offer more merit-based scholarships to attract prospective candidates and stay competitive with public schools in terms of overall cost to the student. More than half (53%) of those who attended Private, Nonprofit, four-year colleges were offered grants from the college compared to 23% who attended Public, four-year, out-of-state colleges.



As expected, there is a strong relationship between amount of student loan debt and the cost of college. As the yearly cost of college increases, so does student loan debt. The median student loan debt reported for someone with yearly college costs under \$10,000 was \$12,412 whereas someone who pays \$20,000 or more yearly in college costs has a median student debt of almost \$31,000.

CF26	What is the approximate cost you paid to cover on year of college?	Total N	Median Student Loan Debt
	Under \$10,000	313	\$12,412
	\$10,000 - \$19,999	390	\$24,444
	\$20,000+	325	\$30,938
Base: Respondents who said they are NOT currently enrolled in an undergraduate college program			

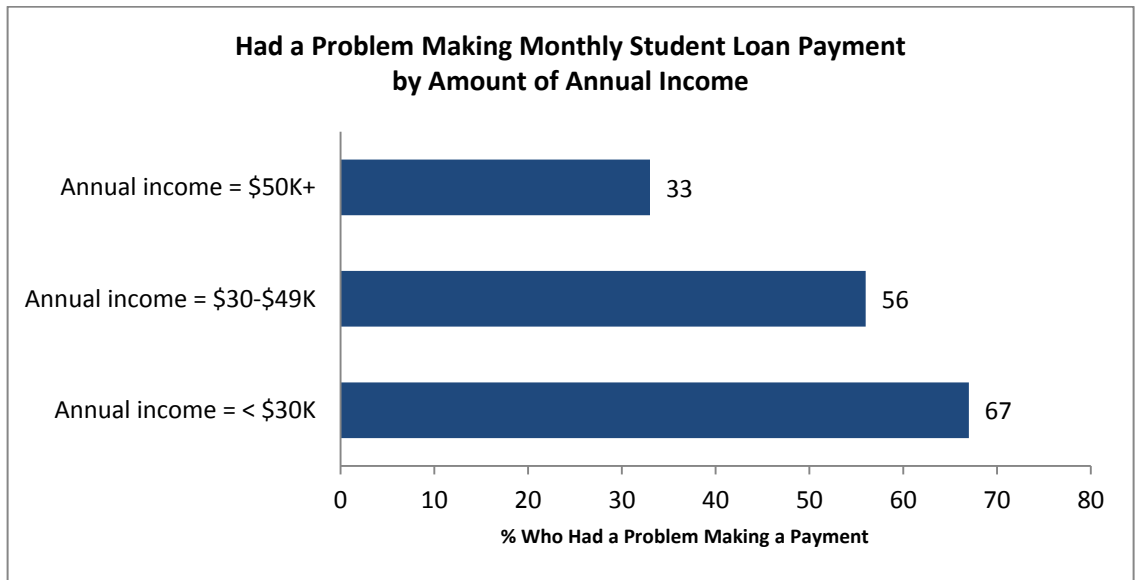
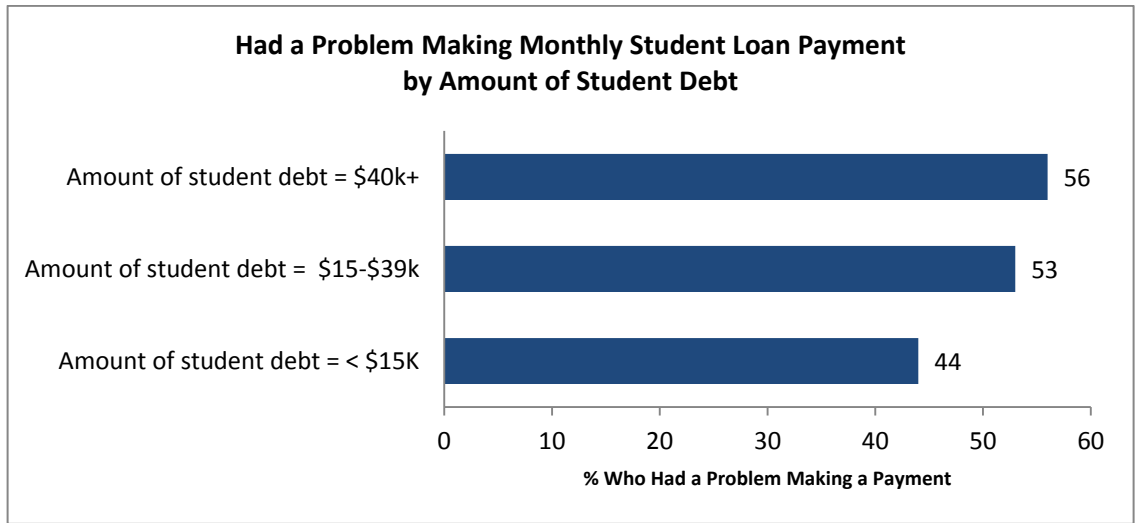


In addition, the yearly cost of college and hence college debt has progressively increased over the years. Respondents who graduated more than 10 years ago paid approximately \$12,870 (median) each year to go to college and had a median student loan debt of \$20,957 whereas someone who graduated in the past six years paid a median of \$16,289 a year for college costs and had an average of \$26,136 in student loan debt.

CF4	Approximately how long ago did you graduate?	Total N	Median Student Loan Debt	Median Cost for One Year of College	Total N
	Up to 6 years ago	446	\$26,136	\$16,289	405
	6 to 10 years ago	289	\$23,365	\$13,958	251
	More than 10 years ago	215	\$20,957	\$12,870	105
Base: Respondents who said they are not currently enrolled in an undergraduate college program					

Problems Making Monthly Student Loan Payment

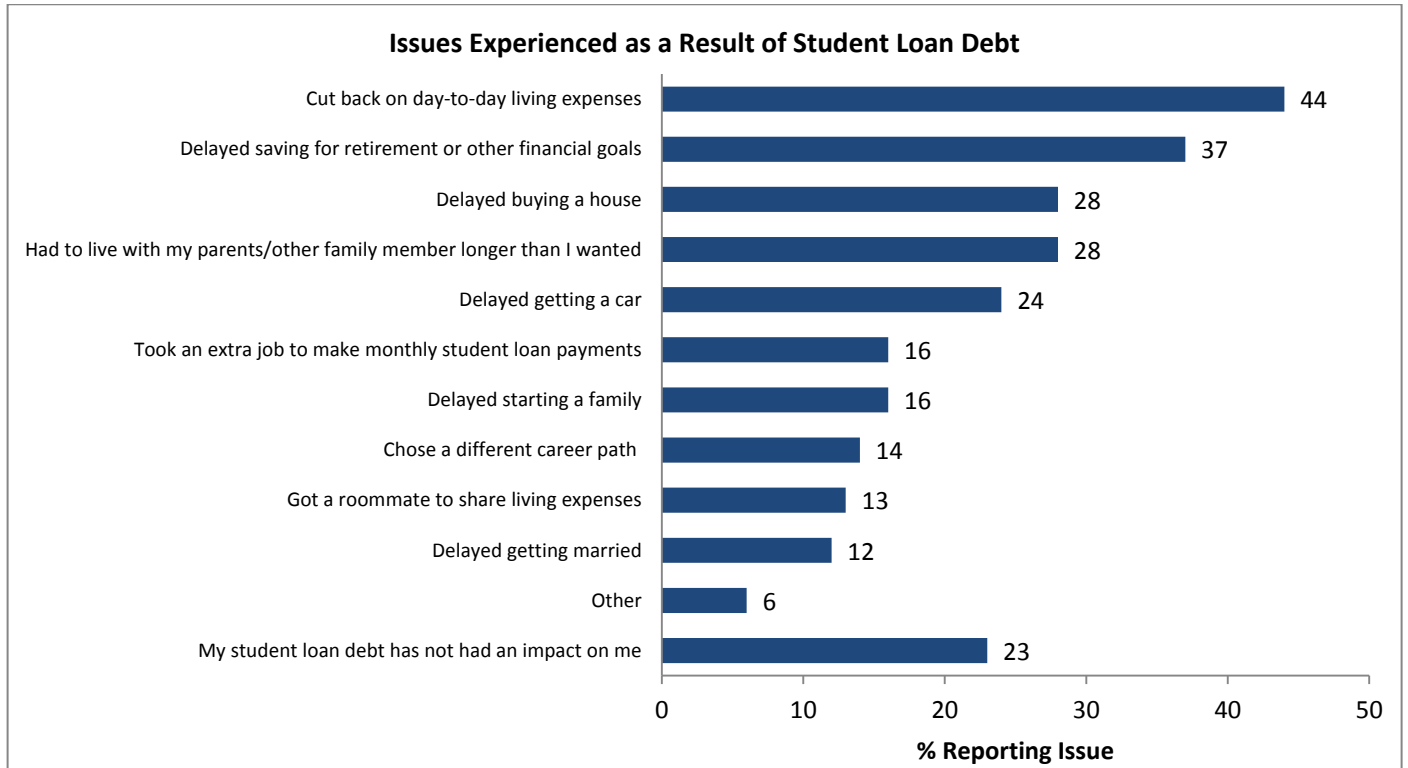
More than half of Americans with student loan debt (51%) reported that they’ve had a problem making a student loan monthly payment at least once. Those who said they’ve had a problem making a payment are more likely to have higher student debt and lower annual income. Not surprisingly, 76% of Americans with student loan debt who said they did not graduate indicated they had a problem making a payment. However, all of these financial variables are highly related. For example, there is a strong, significant relationship between annual income and graduation. However, all three factors (student loan debt amount, annual income, and whether the person graduated) uniquely contribute to explaining whether or not someone had a problem making a student loan payment.



In addition to financial factors, there is a significant relationship between those who said their parents and/or guardians were involved in financial aid decisions and not having a problem making monthly loan payments. Only 36% who said their parents were “extremely involved” ever had a problem making a payment compared to 65% who said their parents and/or guardians were “not at all involved.”

Issues Experienced as a Result of Student Loan Debt

We asked Americans with student loan debt things they’ve done or have happened as the result of their student loan debt. Almost one-quarter (23%) of respondents said their student loan debt has not had an impact on them. Forty-four percent said they “cut back on day-to-day living expenses” while more than one-third (37%) said they “delayed saving for retirement or other financial goals.” Twenty-two percent reported only experiencing one issue as the result of student loan debt, however more than half (53%) of Americans with student loan debt reported experiencing two or more issues.



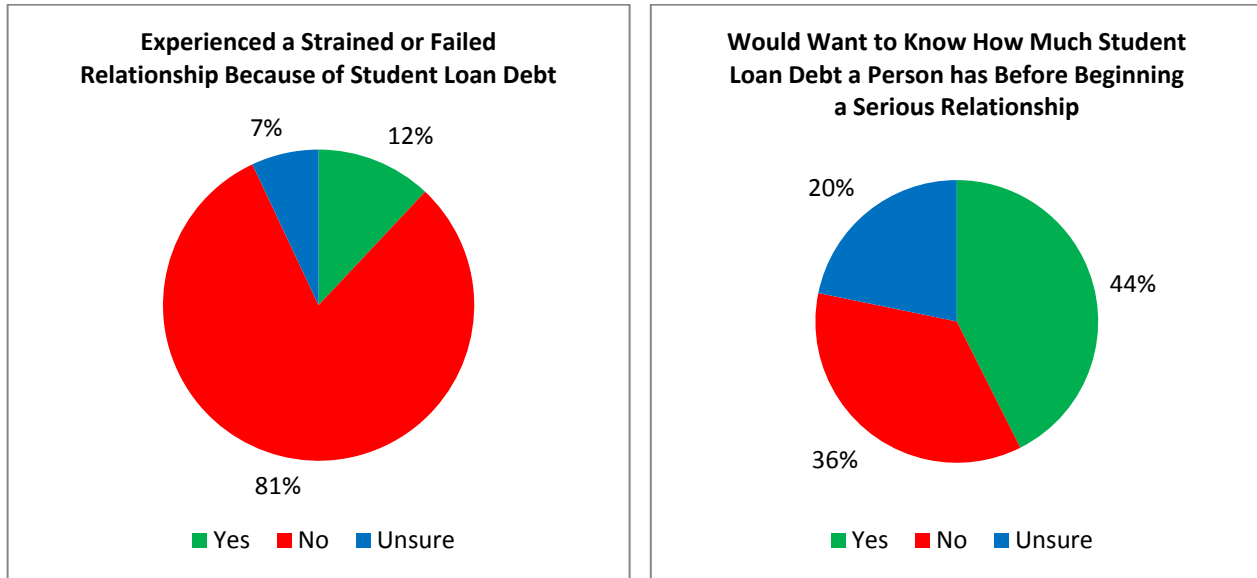
In addition, an examination of the write-in responses for this question provided an insightful picture of the real impact student loan debt has on an individual. More than one-third of those who selected “other” as an option indicated that they have deferred the loan or requested forbearance. A deferment or forbearance allows the borrower to temporarily delay making payments or reduce the payments. Several respondents indicated that they continued their schooling in order to stay in a deferment status essentially taking on more debt in order to delay paying the loans back. Some additional write-in responses poignantly capture the importance of this real-world problem and these include:

- “I generally feel like my soul is being crushed”
- “Delayed medical needs”
- “I have to skip meals and take money from my children”
- “I prioritize loans over groceries”
- “It impacts all decisions”
- “Everything”

For a complete listing of responses, please see the “2016 College Financing Survey Tabulations” document.

Does Student Loan Debt Impact Relationships

We were also interested in learning about the impact of financial responsibility on relationships. Only 12% of Americans with student loan debt said they experienced a strained or failed relationship because of their student loan debt. However, 44% said they would want to know how much student loan debt a person has before they begin a serious relationship with them.



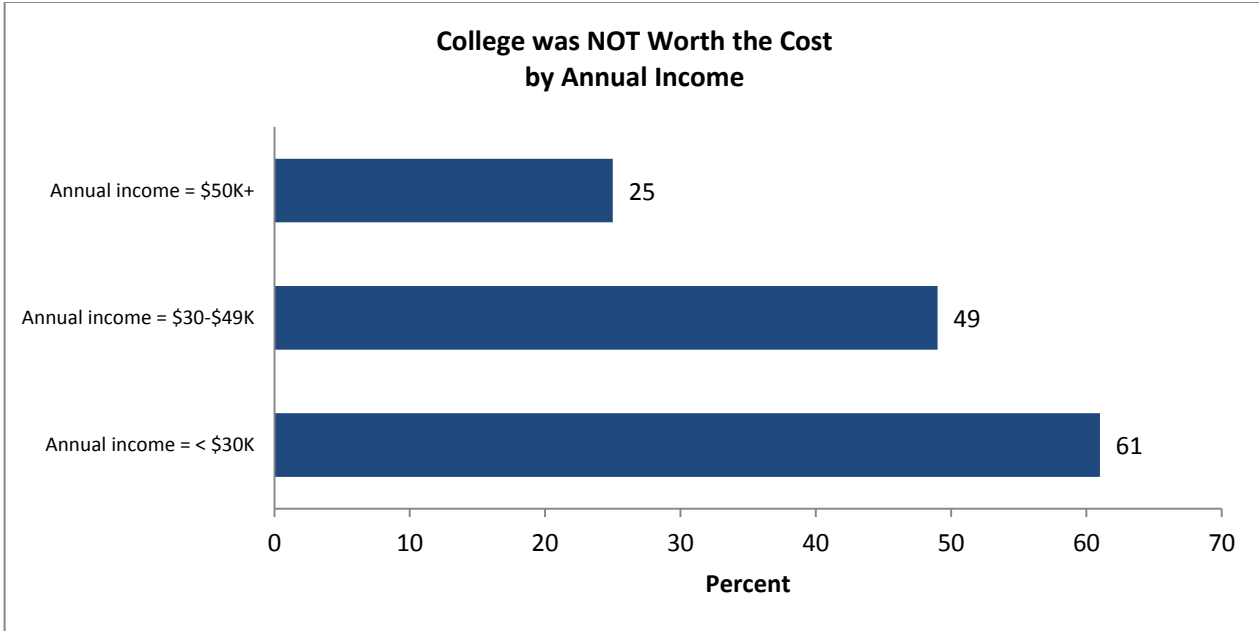
Was College Worth the Cost?

We asked Americans with student loan debt “Knowing what you know now, was your college experience worth the cost?” Forty-five percent said college was NOT worth the cost.

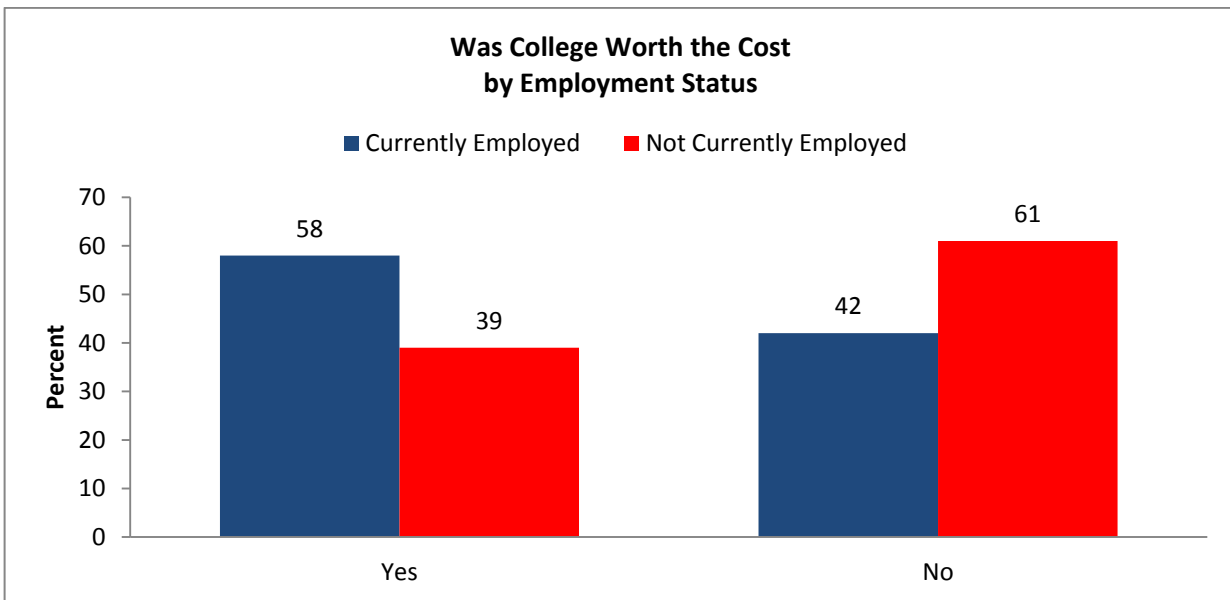
Financial Factors

Surprisingly, student loan debt was not closely related to whether or not respondents thought college was worth the cost. In fact, the median student debt amount for those who said college was worth the cost is \$20,726 compared to \$22,069 reported by those who said college was not worth the cost.

Current annual income was however related to how Americans with student loan debt responded to “was college worth the cost” question. Those with higher incomes are significantly more likely to say college was worth the cost. Three-quarters (75%) of respondents with an annual income of \$50,000 or higher said college was worth the cost compared to 39% of respondents who reported an annual income less than \$30,000.



Current employment also played a role in respondent’s opinion regarding whether or not college was worth the cost. Unemployed respondents have a much stronger negative opinion on the issue; 61% of respondents who are not currently employed said college was not worth the cost compared to 42% who are employed.



Lastly, one financial factor that has a strong significant relationship with determining if college was worth it was whether or not respondents said they ever missed making a monthly student loan payment. For those who said they’ve missed at least one payment, 62% of Americans with student loan debt said college was not worth it.

Relationship Factors

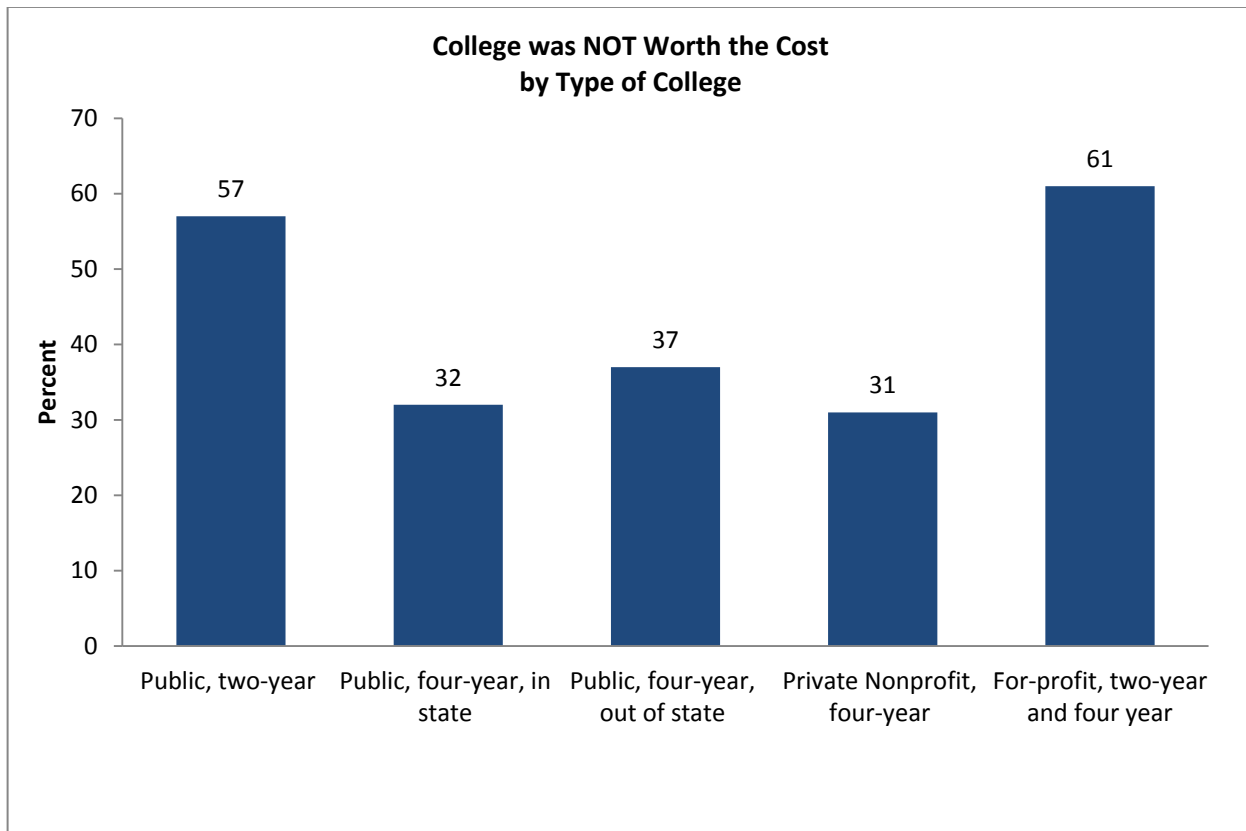
While only 12% of Americans with student loan debt reported that they experienced a strained or failed relationship because of their student loan debt, more than two-thirds (67%) of those folks said college was not worth the cost. In addition, there is a significant relationship between parental/guardian involvement in financial aid decisions and respondent’s view on college worth. Sixty-one percent of respondents who said their parents or guardians were “not involved at all” in financial aid decisions said college was not worth the cost compared to a 30% of respondents who said their parents and/or guardians were “extremely involved.”

Lifestyle Factors

There is a relationship between the number of issues experienced as a result of student loan debt and whether respondents thought college was worth the cost. As the number of issues increased it was more likely for respondents to say college was not worth the cost.

College Factors

Graduation from the undergraduate program is a key determinant in establishing if college was worth the cost. Of those individuals who did not graduate, 85% said college was not worth the cost. The type of college respondents attended also impacted whether or not they said college was worth the cost. Sixty-one percent of respondents who said they attended a For-Profit college (either two year or four year) said college was not worth the cost.



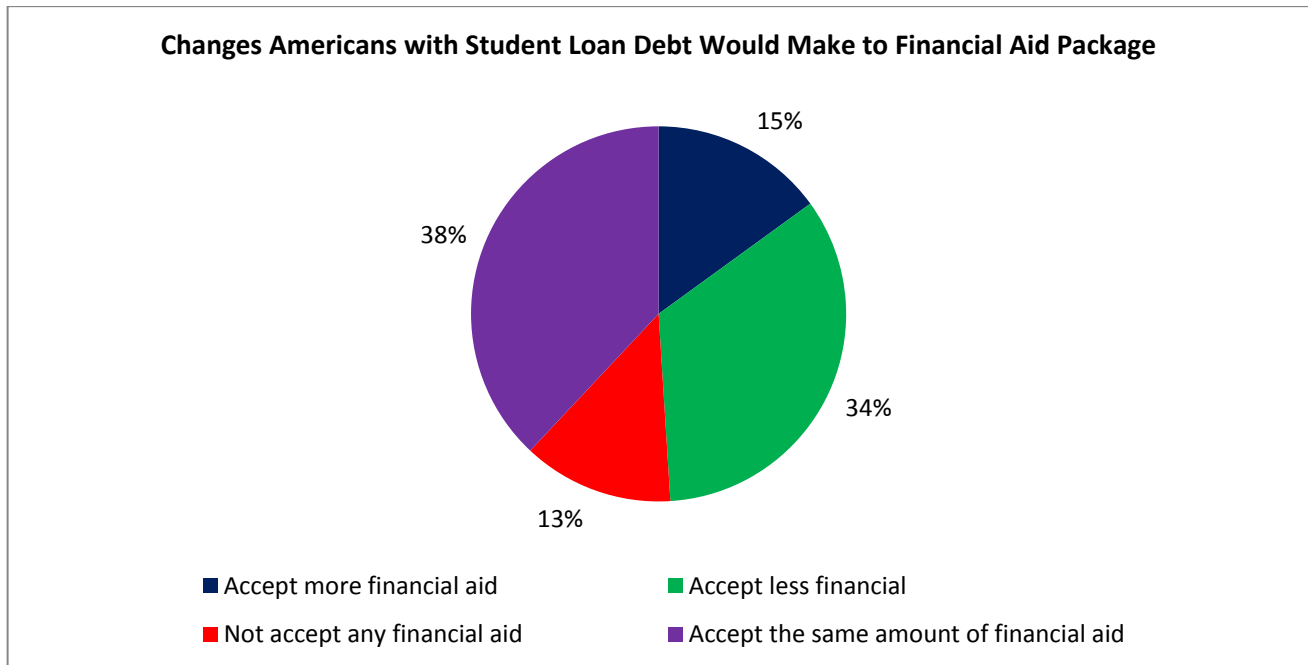
To better understand the complex relationship between determining whether college was worth the cost and all of the various financial, relationship, lifestyle, and college factors, we ran a regression analysis. Considering all of the factors discussed above, each of the following factors made a unique and significant contribution in helping to understand and predict whether or not college was worth the cost:

- Graduation
- If the person “ever” missed a monthly student loan payment
- Annual income
- Amount of student loan debt
- Parental involvement in financial aid decisions
- The number of issues experienced due to student loan debt
- Type of college

Changes Americans with Student Loan Debt Would Make

We asked respondents, “When thinking about the financial decisions you made for your undergraduate degree, if you could do it all over again, would you change the amount of financial aid assistance you received?”

- Almost half (47%) of respondents said they would accept less financial aid assistance (34%) or NOT accept any financial aid assistance (13%)
- 38% would accept the same amount of financial assistance
- 15% would accept more financial assistance



Surprisingly, there is no relationship between amount of student loan debt and changes the respondent would make if they could do it all over again. However, for those who said they would not accept any financial aid assistance, 80% of those individuals said they missed making at least one student loan monthly payment. The harsh reality of not being able to pay a bill seems to resonate with Americans with student loan debt.

Conclusion

The American student loan debt crisis includes roughly 41 million Americans who collectively owe more than 1.2 trillion dollars in federal student loans (Consumer Protection Financial Bureau, 2015). We surveyed 1,550 Americans who have student loan debt to get a better understanding of how this debt affects their life including financial, lifestyle, and relationships choices.

Many in our survey felt that college was not worth the cost. This is largely related to financial factors such as if the person was currently employed, current annual income, and whether or not the person graduated from undergraduate college. However, the amount of student loan debt is not as strong an indicator as one might guess. It seems as though it is not necessarily the amount of student loan debt that is the key determinant here, but instead if and how that student loan debt has penetrated the respondent's world and the impact of those real world effects on their life. In fact, it seems as though, one factor alone will not cause someone to feel their college education was not worth the cost, but the cumulative effects of these factors. In particular, the collective impact of strain on a relationship, issues/lifestyle changes resulting from student loan debt and tangible consequences such as missing a student loan payment are driving forces in respondent's perception of whether college was worth the cost. Another key factor in determining college worth as well as other areas is parental support and involvement in financial aid decisions. The more perceived support and involvement from a parent or guardian, the more likely respondents are to say that college was worth the cost.

Future Research/Analyses

One factor that may have positively altered our results is that we did not control for whether or not the respondent was still in a deferment period. These individuals haven't started paying back their loans and may not have been truly impacted by the negative consequences of student loan yet. Therefore, the results may not completely and accurately represent the true impact of student loan debt. Future research should be careful to accurately represent where Americans with student loan debt are in the loan repayment process.

Also, there was some inconsistency in the results pertaining to the frequency of college advisor visits and the usefulness of these sessions. If this is an area of interest, we can provide further analyses on those areas where people reported that they were very useful and determine if this impacted other factors such as making payments.

We can also further analyze the different types of loans offered and accepted in relation to amount of debt, type of college, frequency of college advisement sessions, and parental support if this an area that requires further attention.

Methodology

This online survey was fielded by GfK from March 31 - April 9, 2016 to 1,550 U.S. residents. The target population consists of the following: non-institutionalized adults ages 21 to 40 years old residing in the U.S. To sample the population, GfK sampled households from its KnowledgePanel, a probability-based web panel designed to be representative of the U.S.

A post-stratification weight was computed to adjust for any survey non-response as well as any non-coverage or under- and over-sampling resulting from the study-specific sample design. Demographic and geographic distributions for the non-institutionalized, civilian population ages 18+ from the most recent U.S. Census Current Population Survey are used as benchmarks in this adjustment and included gender, age, race, ethnicity, education, household income, census region, metropolitan area, and internet access. The margin of error on the weighted data is +/- 3.2 percentage points at the 95% confidence level for the full sample. Findings presented in this report represent analyses of data after weighting was applied to respondent data to approximate population-based estimates.

Key demographic characteristics (after weighting was applied) of this sample are presented below:

- 53% female
- Average age of 29 years old
- 52% White, non-Hispanic
- 49% 4-year college graduates
- 48% have a household income over \$75,000

References

Consumer Protection Financial Bureau (2015, September). Student Loan Servicing, Analysis of public input and recommendations for reform. Retrieved May 10, 2016 from http://www.consumerfinance.gov/f/201509_cfpb_student-loan-servicing-report.pdf