

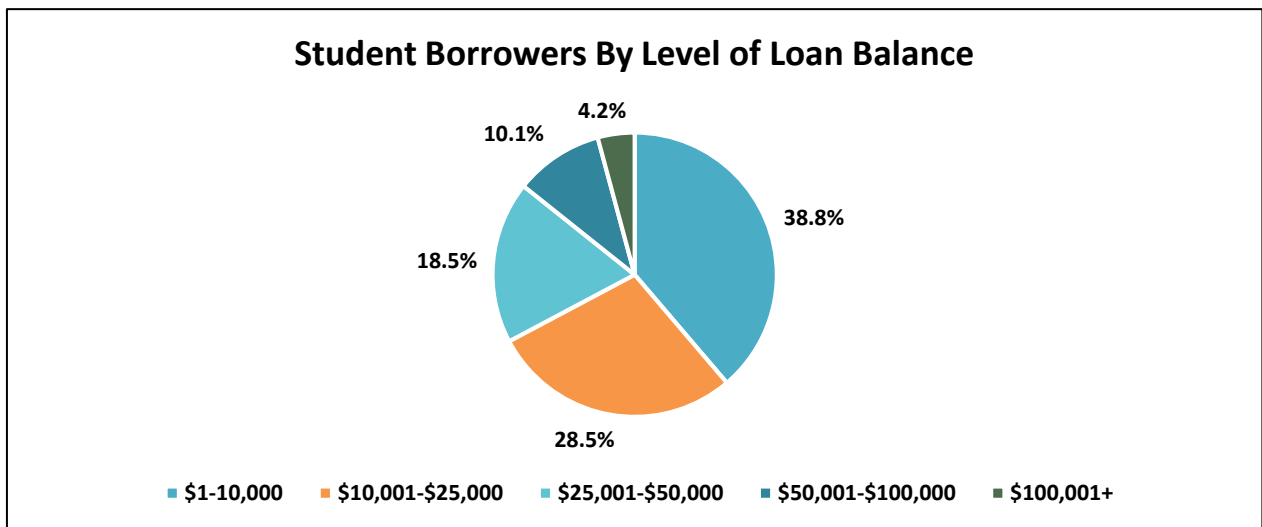
## Looking More Closely at Student Debt

*Association of American Universities Document (September 2016)*

**SUMMARY**—Americans are concerned about the cost of a college education and the impact of student loan debt, particularly in difficult economic times. They want a high-quality education, and they want it to be affordable. The following information on student debt is intended to provide context for the conversation about this important issue, particularly with respect to AAU institutions. The data show that: (1) among a large national sample of Americans with outstanding student loans, median<sup>1</sup> student debt is only \$14,000; and (2) students at AAU institutions are less likely to graduate with debt than those at all four-year public and private non-profit universities, and their default rates are significantly lower.

**Average<sup>2</sup> Debt Does Not Tell the Whole Story**—Using data from the credit reporting company Equifax, the Federal Reserve Bank of New York (FRBNY) issued a three-part series on the student loan landscape among a large sample of Americans of different ages and educational attainments in 2015.

- About 43 million Americans with an Equifax credit report hold outstanding student loan debt in 2014.
- Among those with debt, FRBNY found that while the average (or mean) dollar amount of student loan balance per borrower was \$27,000, the median debt was only \$14,000<sup>3</sup>. This shows that the average is being pushed higher by a relatively small number of borrowers with very high loan balances.
- Indeed, 39% of borrowers had less than \$10,000 in loans, and 67.3% had less than \$25,000. Note: this sample includes both federal and non-federal loans, and includes individuals with graduate and professional school debt as well as debt associated with undergraduate degrees.



Data from: [http://libertystreeteconomics.newyorkfed.org/2015/02/the\\_student\\_loan-landscape.html#.V5aEmzsrKUK](http://libertystreeteconomics.newyorkfed.org/2015/02/the_student_loan-landscape.html#.V5aEmzsrKUK)

- In the FRBNY's August 2016 Quarterly Report on Household Debt and Credit, it was reported that there was a slight decline (-\$2 billion) in outstanding student loan balances in 2016Q2. Outstanding student loan balances are at \$1.259 trillion as of June 30, 2016.

*The data from FRBNY provide a big picture perspective on student loan debt. The information on the following page focuses on debt held by recent graduates who have earned undergraduate degrees.*

<sup>1</sup> The median value represents the 50<sup>th</sup> percentile; i.e. 50% of student loan balances are above this level and 50% are below it.

<sup>2</sup> The average value represents the total amount of debt divided by the number of debtors.

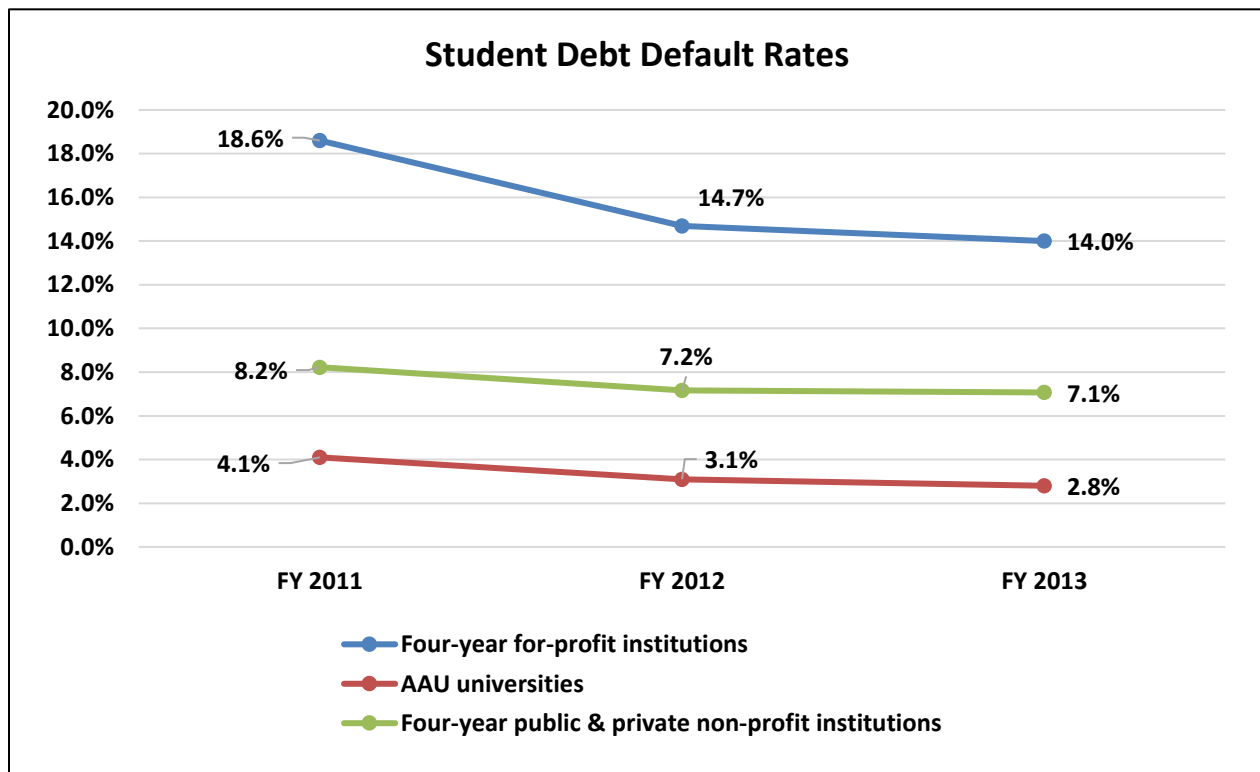
<sup>3</sup> Data on median debt for AAU institutions are unavailable

**Debt Among College Graduates Varies Significantly by Sector**—The Department of Education’s National Postsecondary Student Aid Study of 2007 and 2008 graduates shows amount of debt by institution type and highlights the significant fraction of graduates with no debt at public and private non-profit institutions.

- For all public four-year universities, 39% of graduates had no debt<sup>4</sup>, 55% had \$10,000 or less, 82% had \$25,000 or less, and 98% of graduates had \$50,000 of debt or less. Public research and doctoral universities numbers are nearly identical.
- For all private non-profit four-year universities, 29% of graduates had no debt, 40% had \$10,000 or less, 70% had \$25,000 or less, and 93% had \$50,000 of debt or less. For private research and doctoral universities, 38% of graduates had no debt, 48% had \$10,000 or less, 73% had \$25,000 or less, and 93% had \$50,000 of debt or less.
- At for-profit institutions, only 4.1% of graduates had no debt and 67% had debt of more than \$25,000.

**Graduates from AAU Institutions Have Debt Below National Levels**—Data on debt at the institutional level are available from universities that report through College Insights. According to this source, 39% of 2014 four-year college graduates nationally had no debt. For four-year public universities, the figure was 40%, and for four-year private non-profit universities the figure was 36%. AAU universities compare favorably with these national figures: 48.6% and 54.7% of graduates from AAU public and private institutions, respectively, had no debt. Overall, about half of bachelor’s degree recipients from AAU institutions in the Class of 2014 had no debt.<sup>5</sup>

**AAU Default Rates Are Below National Levels**—According to Department of Education data, graduates of AAU institutions are far less likely to default on their student loans than students at four-year non-profit institutions. In FY 2013, graduates of AAU public universities defaulted at less than half the overall rate of students at public four-year institutions; graduates of AAU private universities defaulted at less than one-quarter the overall rate of students at private, non-profit institutions. Graduates of four-year for-profit institutions defaulted on their loans at twice the rate of graduates of four-year public and private non-profit universities.



Data from <http://www2.ed.gov/offices/OSFAP/defaultmanagement/cdr.html>

<sup>4</sup> Cumulative amount borrowed for undergrad for graduating seniors, 2007 and 2008.

<sup>5</sup> Some of the data in this bullet come from The Institute for College Access & Success. College InSight, <http://college-insight.org>. College Insights does not include data from Columbia University, University at Buffalo, University of Illinois - Urbana Champaign. Student debt and undergraduate financial aid data are licensed from Peterson's Undergraduate Financial Aid and Undergraduate Databases, (c) 2011 Peterson's, a Nelnet company, all rights reserved.