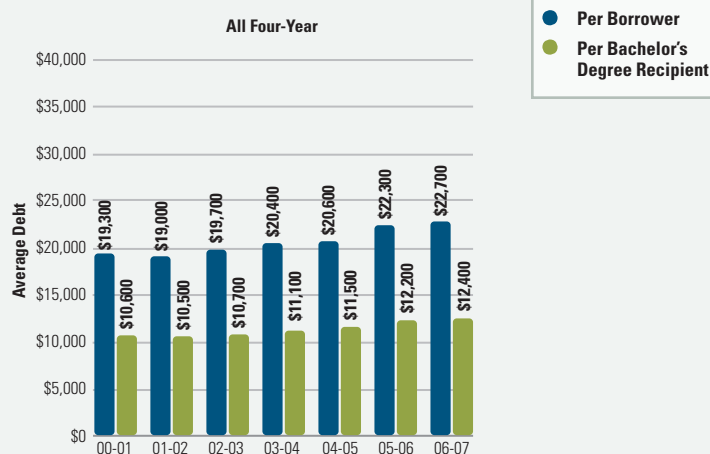


An Overview of Student Borrowing

Average Debt per Borrower and Average Debt per Bachelor's Degree Recipient in Constant (2007) Dollars, 2000-01 to 2006-07



After adjusting for inflation, total education loans — both federal and nonfederal— more than doubled from \$41 billion in 1997-98 (in 2007 dollars) to \$85 billion in 2007-08.

Federal Loans account for 77 percent of all education loans, while 23 percent come from nonfederal sources including states, banks and private lenders.

Federal Loans

- Under the William D. Ford Federal Direct Student Loan Program (FDSLP), students borrow directly from the government; with the Federal Family Education Loan Program (FFELP), the government guarantees loans issued by private lenders.
- While the proportion of federal loans provided through FDSLP has declined since 1997-98 (from 34 percent in 1997-98 to 20 percent in 2007-08), difficulties in credit markets are prompting many institutions to move into the direct lending program to ensure that their students will have uninterrupted access to federal loans. As a result, the proportion is likely to be higher in 2008-09.
- In 2007-08, the federal government provided a total of \$66.8 billion in loans for postsecondary students, divided as follows:
 - \$28.4 billion in subsidized Stafford Loans
 - \$26.5 billion in unsubsidized Stafford Loans
 - \$1.1 billion in Perkins Loans
 - \$10.6 billion in PLUS Loans
- In 2007-08, 42 percent of undergraduates, including full-time and part-time students, borrowed federal Stafford Loans.
 - More than half of these students took both subsidized loans (with in-school interest paid by the government), and unsubsidized loans (with interest accruing during school years).
 - 58 percent of all undergraduates took no Stafford Loans.
 - About half of full-time undergraduates rely on federal Stafford Loans, compared to about a quarter of part-time students.
 - In 2007-08, parents of about 4 percent of undergraduate students took out federal PLUS Loans, averaging \$11,400 per borrower.

Nonfederal Loans

The private loan market, which has received considerable attention in recent months as the result of widespread difficulties in credit markets, is an important supplementary source of funds for students. (Because our data do not include the 2008-09 academic year, the full effect of the credit crisis is not reflected here.)

- About 10 percent of undergraduates borrow from private sources, either instead of or in addition to taking out federal loans.
- Nonfederal student loans grew rapidly for most of the decade, increasing from 7 percent of education loans in 1997-98 to 23 percent in 2005-06. However, the growth in these loans, which carry no subsidy and generally have less favorable terms than federal loans, slowed

in 2006-07 when PLUS Loans became available to graduate students.

- Private loan volume declined slightly in real terms, from \$19.2 billion in 2006-07 to \$19.1 billion in 2007-08. Private loans declined from 24 to 23 percent of total education loan volume.

Total Loans and Total Grants

- Loans, both federal and nonfederal, make up 49 percent of the undergraduate aid package while grants account for 45 percent. In 1996-97, loans and grants each constituted 49 percent of undergraduate aid.

- The percentage of grants has declined despite considerable growth in grant dollars. Loans have not replaced grants, but have grown more rapidly than grant aid in recent years as college prices have risen, family incomes have stagnated and grant aid has not kept pace to fill the resulting gap.

- In 2007-08, undergraduate students received an average of \$8,896 per full-time equivalent student in financial aid, including \$4,656 in grant aid and \$3,650 in federal loans. Graduate students received an average of \$20,320 in aid, including \$6,948 in grant aid and \$12,746 in federal loans.

Federal Loan Volume Through the Years

- After two years of slow growth, federal education loan volume increased by 6 percent in inflation-adjusted dollars between 2006-07 and 2007-08.
 - Subsidized Stafford Loans increased by 11 percent.
 - Unsubsidized loans grew by 6 percent.
 - PLUS Loans grew by 1 percent.
 - Perkins Loans declined by 33 percent, to \$1.1 billion.

- Over time, these changes occurred (in inflation-adjusted dollars):
 - Subsidized Stafford Loans, available only to students with documented financial need, constituted 52 percent of the total loans (including nonfederal loans) in 1997-98, and 34 percent in 2007-08.
 - After three years of decline, total borrowing through the FDSLPL increased by 7 percent in 2007-08.

From 1997-98 to 2007-08, the volume of Stafford and PLUS Loans disbursed through this program increased by 2 percent.

- Total borrowing through the FFELP increased by 8 percent in constant dollars in 2007-08. Over the decade, the volume of Stafford and PLUS Loans disbursed through this program increased by 111 percent.

Student Debt Levels

Data from the College Board's Annual Survey of Colleges indicate that in each year between 2000-01 and 2006-07, about 60 percent of bachelor's degree recipients borrowed to fund their education. (All numbers are adjusted for inflation.)

- Average debt per borrower rose 18 percent, from \$19,300 in 2000-01 to \$22,700 in 2006-07.
- Average debt per bachelor's degree recipient, including both borrowers and nonborrowers, increased from \$10,600 to \$12,400.
- Among public sector bachelor's degree recipients who borrowed, average debt increased by 8 percent, from \$17,400 in 2000-01 to \$18,800 in 2006-07. When those with no student loans are also included, average debt per bachelor's degree recipient was \$10,500 in 2006-07.
- Among private sector bachelor's degree recipients who borrowed, average debt increased 18 percent, from \$20,100 in 2000-01 to \$23,800 in 2006-07. The average debt per bachelor's degree recipient, including those who did not borrow, was \$16,400 in 2006-07.