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High Debt, Low Information:
A Survey of Student Loan Borrowers

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Executive Summary

The number of people currently holding student debt is staggering: 37 million Americans and counting. These debtors are concentrated in the younger segment of the population, as more than 60 percent of the total is between the ages of 18 and 39. This is unsurprising given that in 2010, two-thirds of graduating college seniors left school with student loan debt.[1] Student debt is now the norm in this country for families and young people seeking post-secondary education, and because the importance of a college degree continues to grow—and tuition continues to rise—all signs point to the continued growth in the number of borrowers and the amounts borrowed.

One of the most worrisome student borrowing trends is the increase in the number of high-debt borrowers who carry debt loads far above $25,000, the national average amongst undergraduate student borrowers. Student debt loads of $50,000, $100,000, and $200,000 are still the minority, but those high figures are becoming more common, and with unknown consequences for the individual debtors or the economy as a whole.

Despite this, we know remarkably little about these high-debt borrowers. In particular, we do not know about the "loan literacy" they had or did not have when making the choice to take out such large amounts of student debt, or about the manner in which information regarding their student loans was presented to them. As we have seen in cases such as the sub-prime mortgage crisis, understanding the decision-making process of these borrowers is critical to inform policymakers as they make evidence-based considerations of potential responses.

This report takes a first look at the experiences of high-debt borrowers by analyzing survey data from about 6,500 undergraduate and graduate student loan borrowers, fully 25 percent of which have outstanding loan balances at or exceeding $100,000. The population that participated in the survey therefore provides insight into the experiences of the 5 percent of borrowers in the United States with the highest debt levels.

The analysis aims to help us determine the factors that borrowers did not understand when making their loan decisions, the loan characteristics they said influenced their decision-making, and the sources of information upon which they relied. Of these respondents:

- About **65 percent** misunderstood or were surprised by aspects of their student loans or the student loan process.
- About **two-thirds** of private loan borrowers, including those who took out both private and federal loans, said that they did not understand the major differences between their private and federal options.
- When talking about specific aspects that they misunderstood or found surprising, about **20 percent** of respondents mentioned their repayment terms, **20 percent** mentioned the amount of their monthly payments, and **15 percent** mentioned their loans' interest rates.
- A full **80 percent** obtained at least some of their student loan information from their college's counselors or website.

These statistics suggest that there are many student loan borrowers who are not well-informed or are not provided with the information necessary to make informed decisions. As one respondent wrote:

> "I was never offered information on what my monthly payments would look like. They gave me all sorts of Internet surveys about student loans, but the most they ever really said was I would need to pay them back. They never told me they would completely cripple my ability to make any kind of life for myself."
>
> *–R12708, Dual Borrower, $150,000*[2]

Such answers inform our recommendations as to what information could help borrowers before they actually make their loan choices. With regard to private loans, we know that legislators and regulators can and should actively take steps to curtail predatory lending and unfair or misleading marketing of loan products. But this survey suggests there is also a severe shortage in "preventive" measures taken by schools, lenders, legislators and regulators, and consumer advocacy organizations to ensure that borrowers are provided with key information upfront so they understand their rights, obligations, and available options. The results of this survey indicate that it is more important than ever for these parties to work together to:

- Bolster and enforce the requirement that schools provide clear guidance about the differences between private and federal loans and the terms for each.

- Include better, earlier guidance in loan entrance counseling that provides borrowers with information on the effects of interest rates, definitions of terms and fees, and approximate monthly payments.

- Require loan documents to be understandable and standardized, with repayment terms and potential fees disclosed in a way that is clear for borrowers.

- Provide more robust information to high-dollar borrowers with federal loans describing their options for income-based repayment, deferment, and forbearance.

- Educate earlier by providing high school students with the vocabulary to understand student loan debt, which may help to fill the cracks when colleges or others fail to do so.

- Educate those whom students rely upon for assistance in making loan decisions (e.g., family members).

- Increase student loan literacy efforts for students exploring graduate options before they take out additional debt, given the high debt levels of many graduate students.

Introduction and Background

This report describes student borrowing of both federal and private loans. Federal loans are government-backed loans including subsidized and unsubsidized Stafford loans, Perkins loans, and "PLUS" loans available to parents of undergraduate students and graduate or professional students. Each of these loan types varies in terms of eligibility criteria, maximum award amounts, interest rates, and repayment terms.[3]

Numerous commercial financial institutions have also entered the student loan market to offer loans known as private, private-label, or alternative loans ("private loans"). Unlike federal loans, which generally have fixed interest rates and terms,[4] private lenders charge a wide range of interest rates, oftentimes in addition to various fees, generally making them a more expensive financing option for students than federal loans.[5]

The volume of both federal and private student loan borrowing in the United States has increased considerably over the past few decades. The aggregate amount that students borrowed in federal loans rose from $42b in 1999-2000[6] to $104b in 2009-2010[7]—a 148 percent increase. Similarly, the number of borrowers, not just the amount borrowed, has increased considerably over time. For example, in the 1999-2000 academic year, the share of undergraduates using federal Stafford loans was 23 percent[8]; by 2010-2011, this share had reached 34 percent.[9]

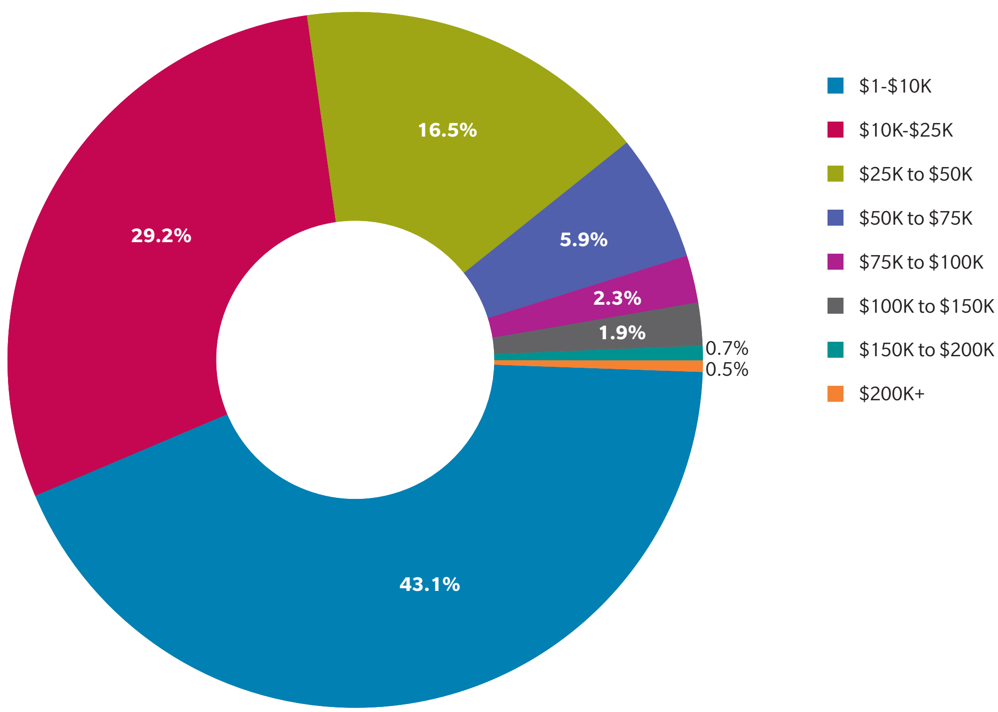
There are limits on the amount of federal loans that students may borrow, and often an information gap as to which types of federal loans are available. Many students therefore also look to private loans to fill the gap between what they can afford and the price they must pay to earn their degree.[10] From 2003-2004 to 2007-2008, the share of undergraduates borrowing private student loans increased from 5 to 14 percent.[11] Looking at it another way, the amount that students borrowed from lenders in the private sector increased nearly fourfold between

1999-2000 and 2007-2008, from $4.5b to $21.8b[12]—this is twice as fast as the more than approximately 150 percent increase in federal loan volume described above. Although growth in the private loan market slowed as a result of the 2008 financial crisis in the United States, signs suggest that private loan origination is again on the rise.[13]

Now, in 2012, the total amount of outstanding student loan debt in the United States, taking into account both private and federal loans, is about $870 billion.[14] This amount is more than the aggregate total Americans owe on their credit cards ($693 billion) or on auto loans ($730 billion).[15] There are no signs of a slowdown in the increase in student loan volume: the amount outstanding in student loans is expected to surpass the $1 trillion mark within the next few months.[16]

America's young people shoulder most of the burden of this debt, as 67 percent of all student loan debtors are between the ages of 18 and 39.[17] Though it is difficult to obtain age-specific average total debt amounts, it is estimated that the mean amount of undergraduate debt held by college graduates is at least $25,000,[18] while the mean for graduate students (excluding any undergraduate debt) is about $40,000.[19] Such averages, however, obscure the amount of variability in student debt levels that exists amongst borrowers. As shown in Figure 1, while about 75 percent of the 37 million undergraduate and graduate debtors in the United States owe $25,000 or less, there are many who owe at least three times that amount: about 5 percent of debtors owe $75,000 or more, and about 3 percent owe $100,000 or more.[20]

Figure 1. **Share of Student Loan Debtors in the United States by Debt Amount**



Notes: Debt amounts listed in the source report were not categorized in a mutually exclusive manner. Shares do not add to 100 percent due to rounding error.

Source: Adapted from "Grading Student Loans," FRBNY.

Despite this, most scholars rightly point to the return on investment in a college degree that has been estimated at up to about a million dollars over the course of a lifetime.[21,22] While at least some studies attempt to incorporate the price of attendance into the equation, many fail to consider the impact of student loan borrowing. This means that estimates of work-life earnings gains for those with higher education may be overstated for those with student debt, especially for those debtors on the upper tail of the borrowing distribution.

As a research community, we are skilled at generating statistics to describe these trends, but what do we know of borrowers' stories? Most research that has been conducted to date on student loan debt has left out the voices and experiences of the indebted. While we are aware of a few surveys that have addressed borrowers' perceptions of their student loan debt, these were conducted in the early to mid-2000s,[23] and since then the landscape of student loan borrowing has changed quite dramatically.

Fortunately, to fill this gap, borrowers have increasingly been taking the initiative to make their voices heard by signing petitions in favor of student loan reform[24] and telling their stories in leading periodicals.[25] In turn, youth advocacy groups like Young Invincibles ("YI") and non-profit higher education access groups such as The Institute for College Access and Success have spoken out on borrowers' behalf.[26] The federal government has also recognized the importance of the issue, taking steps such as establishing the Consumer Financial Protection Bureau (CFPB) which has actively sought borrower feedback about how to improve the way student loan information is presented to borrowers.[27]

In this report, we describe the results of a large-scale survey of student loan borrowers, designed and conducted by YI, in which respondents had the opportunity to talk about their student loan experiences. As we will later detail, many of these respondents fall into the cohort of borrowers on the high end of debt load. In analyzing the respondents' answers, we listened carefully to their voices and heard a story that numbers alone simply cannot capture. Many respondents spoke openly about their student loan experience as one laced with confusion, misunderstanding, surprise, and frustration. As a result, for many of these borrowers, life after school has become a financial struggle. Certainly, for other respondents, the student loan process worked as intended: degrees were earned on borrowed dollars, debt was understood, and employment with a salary sufficient for repayment of loans was secured.

The guiding philosophy of this report is simple: in order to begin to truly understand student loan debt, it is first necessary to listen to those hit hardest by the problem.

Methodology and Population

Young Invincibles ("YI"), a leading youth advocacy organization dedicated to representing the interests of 18 to 34 year-olds, designed and conducted an online survey about student loan debt.[28] Invitations to participate in the survey were sent by email, primarily to a large population of individuals who had expressed interest in student loan debt by signing a petition about student loan forgiveness. YI's goal was to gain insight into the experiences of student loan borrowers who are most likely to be concerned about or affected by their student loan debt decisions, and these are the same people who were more likely to sign the student loan petition and subsequently participate in the self-selected survey. Though the results of this survey cannot be generalized to the larger population of student debtors, they give us a valuable opportunity to look closely at those who are most affected by their oftentimes very high debt loads.

This report focuses on the subset of respondents to the survey who (1) had completed a bachelor's degree or a graduate/professional degree[29]; (2) completed their most recent degree sometime between the year 2000 and the time of taking the survey; (3) were not currently enrolled in any degree program; and (4) reported that they had taken out federal, private, or a combination of federal and private loans. This analysis is based on the 6,654 respondents meeting each of these four criteria. In the Appendix, we present a more in-depth description of the methodology.

YI asked certain descriptive questions to measure respondents' educational attainment. The survey population contained a slightly higher concentration of more recent graduates, with about 60 percent of respondents graduating between 2006 and 2011, and about 40 percent during the earlier years between 2000 and 2005.[30] The majority of the respondents to the survey, or 55.6 percent, had a graduate or professional degree as their highest degree, and the remaining 44.4 percent had earned a bachelor's degree.

YI also asked respondents several questions about their student loan borrowing history. All respondents included in the analysis had taken on debt to pursue higher education, but they had borrowed different types of loans: 54.1 percent of respondents were "dual borrowers" with both federal and private loans, 43.5 percent had federal loans only, and 2.4 percent had private loans only.

As suggested above, it is important to note that the survey population is not representative of the population of higher education borrowers or degree recipients in the United States.[31] For example, looking just at the distribution of undergraduate student loan borrowers falling into each of the three borrower groups listed above, 37.7 percent borrowed federal loans only, 3.6 percent private loans only, and 58.7 percent were dual borrowers. In the US borrower population, the comparable shares are 63 percent, 9 percent, and 27 percent,[32] respectively, indicating that the respondents to the survey were more than twice as likely to have borrowed both types of loans. Likewise, of those with at least a bachelor's degree in the population, about 34 percent have a graduate degree, while 56 percent of borrowers in the survey had graduate degrees.

Overall, then, the respondents included in our analysis are recent graduates of degree programs who are, on average, more highly educated and more likely to be dual borrowers than the average American student. Since graduate students and dual borrowers are more likely to have higher debt levels, these factors have likely contributed to our respondents reporting estimated debt amounts that, as we will see below, are on average considerably higher than comparable amounts for the US borrowing population.

High-Debt Borrowers

YI also gathered information on the respondents' estimated[33,34] amounts of student debt. The most striking feature of the student loan amounts the respondents reported is how large the debt amounts are across all borrower groups. As shown in Table 1, debt amounts for those with federal loans, private loans, and dual borrowers varied, with averages of $58,000, $62,000, and $92,000, respectively. Taking all borrowers into account (i.e., across borrower groups and higher education level), the average amount owed is $76,000. As compared to the distribution of student borrowers' loan amounts in the United States, about 5 percent have balances at or above $75,000 (Figure 1). The average respondent to the survey therefore falls into this "top 5 percent" of borrowers by student debt volume.

Table 1. **Estimated Student Loan Debt Summary Statistics by Borrower Group, Bachelor's, Graduate, and Professional Degree Recipients**

			Dual Borrower			
Statistic	Federal Only	Private Only	Federal	Private	Combined	All Borrowers
Mean Debt	$58,000	$62,000	$51,000	$40,000	$92,000	$76,000
Std. Dev.	$46,000	$53,000	$46,000	$39,000	$63,000	$58,000
Std. Dev/Mean	0.79	0.86	0.90	0.97	0.68	0.77
N	2,854	158	3,308	3,308	3,308	6,320

Notes: Outliers were excluded from these calculations.
Calculations are limited to the subset of respondents who reported loan amounts.
Means and standard deviations are rounded to the nearest thousand.
For the ratio of the standard deviation to the mean, larger values indicate greater variability in the underlying distribution of loan amounts.

While these figures are informative, there is a large amount of variability in the debt amounts reported by respondents at different levels of higher education. For bachelor's degree recipients, the national average amount owed is estimated at just over $25,000,[35] but the average for respondents to YI's survey ranged between $34,000 and $69,000 depending on the loan type(s) borrowed (Table 2). Estimates of debt levels for all graduate degree recipients with different degree types in the U.S. are around $40,000 for masters, $60,000 for doctoral, and $99,000 for professional,[36] while the average amount of debt for respondents in the survey with a graduate or professional degree was $93,000 (Table 3). In 2007-2008, only 7 percent of graduate degree recipients in the US had debt levels higher than $80,000,[37] $13,000 less than the average amount reported by all graduate degree recipients in the survey.

Table 2. **Estimated Student Loan Debt Summary Statistics by Borrower Group, Bachelor's Degree Recipients**

			Dual Borrower			
Statistic	Federal Only	Private Only	Federal	Private	Combined	All Borrowers
Mean Debt	$34,000	$46,000	$30,000	$39,000	$69,000	$54,000
Std. Dev.	$25,000	$37,000	$24,000	$38,000	$46,000	$43,000
Std. Dev/Mean	0.75	0.81	0.81	0.97	0.67	0.78
N	1,098	101	1,607	1,607	1,607	2,806

Notes: Outliers were excluded from these calculations.
Calculations are limited to the subset of respondents who reported loan amounts.
Means and standard deviations are rounded to the nearest thousand.
For the ratio of the standard deviation to the mean, larger values indicate greater variability in the underlying distribution of loan amounts.

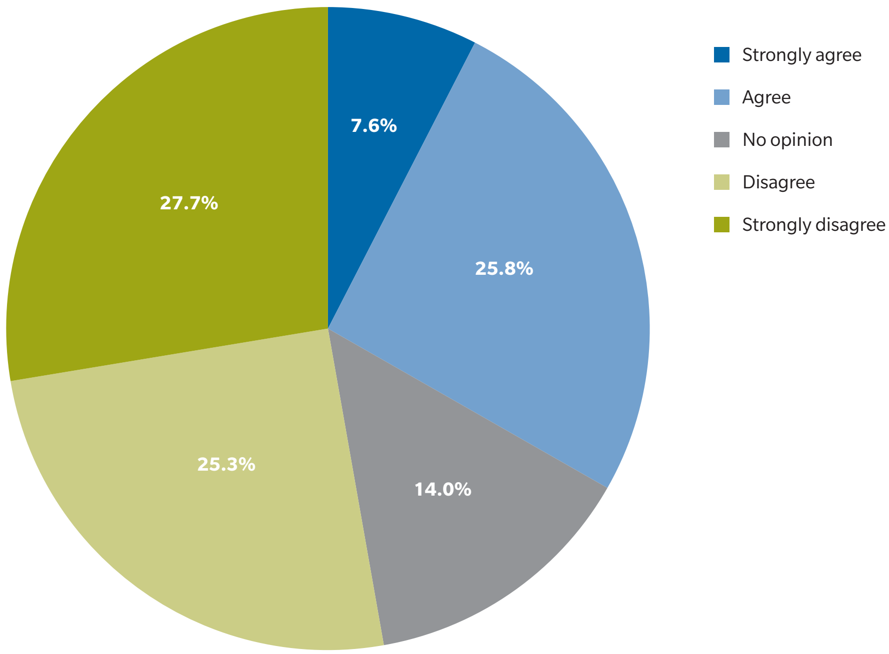
Table 3. **Estimated Student Loan Debt Summary Statistics by Borrower Group, Graduate or Professional Degree Recipients**

			Dual Borrower			
Statistic	Federal Only	Private Only	Federal	Private	Combined	All Borrowers
Mean Debt	$73,000	$90,000	$71,000	$42,000	$113,000	$93,000
Std. Dev.	$49,000	$65,000	$53,000	$40,000	$68,000	$63,000
Std. Dev/Mean	0.67	0.72	0.75	0.95	0.60	0.68
N	1,756	57	1,701	1,701	1,701	3,514

Notes: Outliers were excluded from these calculations.
Calculations are limited to the subset of respondents who reported loan amounts.
Means and standard deviations are rounded to the nearest thousand.
For the ratio of the standard deviation to the mean, larger values indicate greater variability in the underlying distribution of loan amounts.

Perhaps due in part to these higher than average loan amounts, the majority, or 53 percent, of borrowers with private loan debt said that they disagreed "that I will be able to pay off all the [student loans] I have borrowed" (Figure 2). While 45 percent of respondents with private loans only agreed with the statement, only 33 percent of dual borrowers agreed—this difference is likely due to the real or perceived higher financial burden imposed by having two different loan types.

Figure 2. **Private Borrowers' Belief in Their Ability to Pay Off Loans**



Note: Includes both dual borrowers and borrowers with private loans only.

Voices of Debtors

YI asked respondents open-ended questions intended to gather information about different aspects of borrowers' loan experiences, and many respondents answered openly and quite often in great detail. Many of their stories give the reader a sense of voices that want to be heard. Below, we describe the main themes that emerged from the respondents' stories.

To begin, YI's survey included one open-ended question that was designed to elicit information about what respondents did and/or did not understand about their student loans' repayment plans. Respondents were asked to respond to the following question:

"How well did you understand your student loan's repayment plan when you borrowed it? Did you experience any surprises when you started paying off your loan(s)?"

The results were striking. About **65 percent** of respondents said they misunderstood or were surprised by some aspect(s) of their loan(s). Many used their response to this question as an opportunity to voice their concerns, frustrations, or confusion about the student loan process. In particular, the extent to which some respondents expressed clearly and openly the negative impact that their student loans have had on their lives was troubling. To provide just a few examples:

> "Obviously, I understood that I would have to repay my loans upon graduation. However, I did not realize how much interest would take part... I know I was naive in not considering the long-term when taking out loans originally, but I wanted an education, and my family was not able to support me financially. I feel now that I am being punished for my desire to pursue a higher education in that I do not foresee any relief from this debt, not until I'm nearing retirement, if retirement is even an option anymore."
>
> *–R11967, Federal Loan, $70,000*

> "I did not fully understand the extent of what I was getting myself into. All I knew was in order to pay tuition, I would need to take out private and federal loans. I was also repeatedly told by several people that I would easily be able to pay off the amount, even though it seemed pretty steep. When I graduated and fully did the math, I knew I was in trouble."
>
> *–R2538, Dual Borrower, $150,000*

> "Looking back, I wish I asked a million more questions than what I did, but at the same time, I don't think I knew what to ask. Nothing was really that clear, and the "adults" helping me out may not have been as knowledgeable as I initially thought they were on the subject. I certainly would have done it all differently if I knew then what I know now."
>
> *–R2538. Dual Borrower, $150,000*

To be fair, the loan process did work for some: about **25 percent** of respondents mentioned some aspect of their student loan that they understood or that did not surprise them. Many of these borrowers said that they understood the terms of their loans when they took them out, and that they were able to begin repayment without problems or misunderstanding. For these debtors, the student loan process was straightforward. For example:

> "[I understood] Very well. I payed the interest while I was in school which was suggested by the borrower. I had no surprises and the payments are easy to complete with autopay options."
>
> *–R4682, Federal Loan(s), $19,000*

> "I fully understood the repayment plan, no surprises."
>
> *–R6606, Dual Borrower, $170,000*

However, even within this group, there were many respondents who said that, although they had indeed understood the terms of their repayment, they had not truly realized the implications their debt would have on their lives.

> "I understood it, but the reality of it never really sunk in. I understood I would have to pay back all that money, but did not realize how hard it would be to find a job that paid well enough to do that in a reasonable amount of time."
>
> *–R6694, Dual Borrower, $40,000*

> "I understood that it would take 20 years to pay off and that it would take a chunk of my pay check each month but I didn't realize it would be forcing me on making decisions of where I can work and how to continue to go without so much to pay it."
>
> *–R5022, Federal Loan(s), $42,000*

Even when student loan borrowers understand the terms and conditions of their loan agreements on the surface, it is clearly difficult for some to process the whole picture. On the one hand, they are acutely aware of the importance of obtaining a college degree, but on the other, it is difficult to anticipate what impact student debt will have on their lives after graduation, particularly in a difficult economy. It is unknown how many of the federal borrowers experiencing economic hardship who responded to the survey knew about or could have taken advantage of income-sensitive repayment options such as income-based repayment.[38]

In the remainder of this report, we focus on the approximately **65 percent** of respondents for whom the student loan process appears to have not worked very well, i.e., those who explicitly stated there was some aspect of the process that they misunderstood or were surprised by. Some respondents felt taken advantage of and told stories describing predatory lending practices on the part of schools and lenders, and those practices are troubling. However, this survey was not designed to adequately investigate those issues. NERA used YI's survey data to gain insight into the important role that clear, understandable information can and should play in the student loan borrowing process.

The Language of Student Lending

As mentioned above, about **65 percent** of the respondents to YI's survey mentioned that they misunderstood or were surprised by their student loans when asked the general question(s): "How well did you understand your student loan's repayment plan when you borrowed it? Did you experience any surprises when you started paying off your loan(s)?"

In response to this question, there are three specific areas that these respondents mentioned most frequently as sources of misunderstanding or surprise: (1) repayment terms, (2) monthly payments, and (3) interest rates. Taken together, about **40 percent** of respondents mentioned one or more of these factors.[39]

Repayment Terms

About **20 percent** of respondents mentioned that their student loans' repayment terms were a source of misunderstanding and/or surprise. In many cases, respondents expressed a general sense of misunderstanding or surprise about their loans' repayment terms:

> "I was clueless as to what the repayment plan would be. I just knew that I would have to pay it back, and failure to pay it back would mean bad credit."
>
> *–R6428, Federal Loan(s), $27,000*

> "I didn't understand the repayment plan when I borrowed, but knew I had to take out loans to pay for school."
>
> *–R11892, Dual Borrower, $76,000*

> "I was incredibly surprised to find out that what they had promised in repayment plans (and what I was planning on) was not actually what I was given as an option. I feel lied to, preyed upon and left without a chance in the world. Now, I must choose between food and paying my student loans - over half of my income goes toward my loans."
>
> *–R5659, Private Loan(s), $150,000*

Responses like these suggest that there are many people who are borrowing for school but who do not understand the terms and conditions of their borrowing choices, and/or were not presented with repayment options in a comprehensible manner. More specifically, many respondents said that they misunderstood or were surprised by the length of time it would take them to repay their student loans, while others mentioned misunderstanding of their repayment options:

> "[I didn't understand/was surprised] That if you don't substantially overpay every month, you will be paying off student debt you entire life. I feel like my first few years of my career are essentially like being an indentured servant."
>
> *–R2951, Dual Borrower, $65,000*

> "After graduation, I did not really understand the amount of time it would take for me to actually pay off the loans I had taken out for my college education. With the drop in the economy and the fact that I was barely able to make my monthly payment, I knew I was in for a long, terrible road of student loan payments."
>
> *–R4585, Federal Loan(s), $18,000*

> "I did not understand my loan's repayment plan. It was not until I had graduated and was in the midst of repayment did I realize I was not eligible for any alternative repayment options. For several years I had been sent paperwork on my (supposed) repayment options. However, none of it was applicable to me."
>
> *–R13404, Dual Borrower, $55,000*

Confusion over length of repayment and types of repayment plans available is likely conflated with misunderstanding of the expected monthly loan payment and how interest accrues over time—both topics that we describe in further detail, below.

Monthly Payments

About **20 percent** of respondents mentioned that the amount of their monthly payments on their student loans were a source of misunderstanding or surprise. In general, it seems that there is a good deal of confusion surrounding how monthly payments are determined. As one respondent put it, "My understanding was almost nil. I understood that I would have to pay back the money, and that there was interest involved, but the fact that the bank would determine how much I was to pay monthly was never explained" (*R7759, Dual Borrower, $88,000*).

Specifically, many borrowers expressed confusion about their monthly loan payment amounts by commenting on how expensive the payments were, and/or their difficulty understanding how the amount borrowed translates into future monthly repayment obligations. For dual borrowers, the length and amount of monthly payments can vary significantly and cause confusion, as more generous federal repayment options such as income-based repayment or economic hardship deferrals[40] are not necessarily available for their private loans. Indeed, many dual borrowers reported negative experiences:

> "The only surprises I experienced was just how high my monthly minimum payments for my private loans were. And now, I can not find a way to lower the payments. My education is over, now the bank wants their money. My students loans cost me $600 dollars a month. I went to school to be able to escape poverty, now I feel I'll never be able to escape it."
>
> *–R1974, Dual Borrower, $75,000*

> "I didn't understand the size of the monthly payments that my loans would translate into after graduation (even on a 30 year plan). I regret attending law school because of the amount of debt that I am in."
>
> *–R1607, Dual Borrower, $145,000*

> "I really had no idea what I was getting into. I never had an ' exit interview' when I graduated. So I had no clue. All of my loan documents were filed out online, I never spoke with a person. I just clicked buttons, got approved, and money showed up in my account. The monthly payment amount they expected from me was a surprise and completely unrealistic"
>
> *–R11543, Dual Borrower, $96,000*

Certainly, this problem has been exacerbated because students are graduating into a weak economy in which an average of 11.9 percent of the workforce age 18 to 34 was unemployed in 2011.[41] Many people are therefore at a double disadvantage in that they are obligated to make high student loan payments without the job opportunities that they assumed would be available after they had earned their degree(s). Certainly, economic downturns cannot be anticipated prior to borrowing for higher education. Nonetheless, providing borrowers with a numeric value estimating the amount(s) of their monthly payment(s) after graduation would go a long way towards helping all borrowers, especially those with high debt, put their repayment obligations into context. Prototypes are currently being developed for this purpose,[42] but their implementation is not yet widespread.

Interest Rates

While many respondents expressed knowledge of low or fixed interest rates being preferable to high or variable interest rates, we also saw that about **15 percent** of respondents specifically mentioned that they misunderstood or were surprised by the interest they would need to pay on their student loans. Many of these respondents did not understand the impact their loans' interest rate would have on the total amount owed, length of repayment, and/or the monthly repayment amount.

> "I didn't understand it at all. I figured that if I borrowed $10k, then I'd have $10k to pay back later, and all I'd have to do is be frugal for a few years after I got a job to pay things back. I had no idea how much interest was bound to accrue over time. By the time I did understand it, I had racked up quite a lot of loans."
>
> *–R4110, Federal Loan(s), $70,000*

> "I didn't realize the interest rate was so high on my private loan. It's gained about a thousand dollars in interest each year for the last four years, while I was in school. So now I'm paying off more than I bargained for on a loan that has a larger interest rate than many credit cards. I wasn't aware that would be the case when I signed up for it. I didn't understand how the interest would be calculated."
>
> *–R7483, Dual Borrower, $65,000*

> "I turned to private loans in order to pay for my education. I have been regretting that choice ever since. My loans are variable rate, not subsidized and ineligible for all of the student loan legislation that is being passed by our government. I made a mistake because I was young and uninformed...and I will be paying for the mistake for the next 20 years... if im lucky...."
>
> *–R10665, Private Loan(s), $110,000*

It seems likely that while many students understand that paying interest in an unavoidable consequence of borrowing, the salient number that they focus on is the amount of principal rather than the amount that will ultimately need to be repaid after interest has been added. Though students with federal loans benefit from lower interest rates, these borrowers likely underestimate how much even these rates could add to the final balance. Private borrowers, whose loans are oftentimes subject to variable interest rates, face the dual dilemma of trying to understand interest rates in general and experiencing surprise and/or confusion when their rates change unexpectedly. For example, these rates can increase to rates as high as credit cards, e.g., in 2008, some hit rates as high as 18 percent.[43]

Summary

While some respondents reported understanding their loans, about **65 percent** gave answers suggesting that they lacked sufficient knowledge. Some borrowers may have even more difficulty understanding the implications of their student loan decisions given how loan borrowing is fragmented: many students borrow annually and, in many cases, from numerous lenders. Even among borrowers who said they initially understood the terms of their loans, many made inaccurate assumptions about how they would deal with their debt after graduation.

Borrowers, many of whom are highly indebted, have shared their stories with us in hopes that something will be done to help. As a result of their pursuit of higher education, some now are plagued by worry about "whether I will ever fully pay off this loan" (*R1226, Federal Loan(s), $45,000*), are discouraged because they see "no way to get ahead in life, no way to support myself, and no way to be happy being weighed down by an incredulous dollar sign" (*R4175, Dual Borrower, $76,000*), and are disheartened that "[t]he whole situation makes me feel pretty hopeless" (*R11152, Federal Loan(s), $70,000*). In light of a weak American economy, many graduates find themselves in an unanticipated financial situation with huge implications.

Salient Factors in the Borrowing Decision

YI also asked respondents open-ended questions about why they chose to borrow the types of student loans that they did. Their answers offer insight into what is important to borrowers when they are choosing which type of loans to take out, and what information may or may not have been provided to borrowers as they made those decisions. Each borrower group was asked an open-ended question that was tailored specifically to the type of loan(s) the respondents had borrowed. Since federal and private loans have very different features, respondents' explanations for their borrowing choices varied quite a bit between these groups. Below, we give an overview of what respondents told YI about which factors were salient in their loan choices.

Federal loans only

Borrowers of federal loans only were asked "Why did you choose to take out federal loans, as opposed to private loans?" The most commonly cited reason for choosing federal loans only was related to the features of federal loan interest rates, including lower and/or fixed interest rates. Approximately **40 percent** of federal-only respondents mentioned this, and many gave responses such as the following:

> "I heard that federal loan interest was cheaper and that it was the "better" of my two choices. People warned against private loans because they didn't have the subsidized option and that they weren't as tightly monitored, so there was a chance that they could hike up interest at any time."
>
> *–R3768, Federal Loan(s),$30,000*

> "Because I was promised that it would be easier to repay being that the interest rate is lower."
>
> *–R8958, Federal Loan(s), $75,000*

Another reason for taking out federal loans that respondents frequently mentioned was that they were easily available and were oftentimes offered by the school as a result of their filling out the Free Application for Student Financial Aid ("FAFSA"), which is completed by large shares of both undergraduate and graduate students.[44]

> "Because they have better interest rates and I got them by filling out my FAFSA."
>
> *–Respondent 12149, Federal Loan(s), $115,000*

> "The rates were better and the process was streamlined through my school."
>
> *–R13434, Federal Loan(s), $120,000*

The survey results illustrate that many borrowers are aware (a) of the benefits of borrowing federal loans, (b) and that the FAFSA streamlines the borrowing process through the borrowers' school. Because these loans are oftentimes seen as "good debt" and are relatively easy to obtain for many borrowers, it is imperative for schools to educate federal borrowers about their options.

Private loans only

YI asked private-only borrowers, "Why did you choose to take out private student loans, as opposed to federal loans?" The most frequently mentioned reason for taking out only private loans was because the borrower was ineligible for federal loans. Respondents cited many reasons for this, including family income, type of school or program attended, or residency status. In total, around 35 percent of private-only respondents mentioned this theme, and most borrowers mentioned reasons related to their parents' income:

> "Despite my living 2,000 miles away and being financially independent, the federal loan programs based my eligibility on my parents' incomes, thus I was not eligible for federal loans nearly large enough to cover tuition, let alone rent/food/etcetera."
>
> *–R2466, Private Loan(s), $200,000*

> "Because my parent's income bracket was in the high range, I wasn't able to get subsidized loans. I wasn't declared financially independent from my parent's income until my last two semesters of college."
>
> *–R6187, Private Loan(s), $29,000*

These comments suggest that the government's method of determining federal loan eligibility may not, in some cases, have sufficient flexibility to account for circumstances where borrowers need aid.[45] In addition, there are also other federal options that are not based on parental income, including unsubsidized Stafford loans or Parent and Graduate PLUS loans, which borrowers may not fully understand or have even received information about.

Dual Borrowers

Like private-only borrowers, dual borrowers with both federal and private student loan debt talked mainly about the circumstances that led them to take out both kinds of loans. About **50 percent** of dual borrowers told us that they took out private loans to cover costs that federal loans did not cover.

> "The federal loans were presented to me as finanical aid from my university, and had decent interest rates. However they still did not come close to covering the cost of my education, so the majority of my loans are private."
>
> *–R551, Dual Borrower, $116,000*

> "Because of the limits placed on the amount I could borrow through Federal loans, I was required to go to private lenders; otherwise I could not afford school and would forfeit my grants and scholarship."
>
> *–R3527, Dual Borrower, $63,000*

> "Because I had no other way to pay for school, and did not fully understand how much I would need to pay back each month. Private loans were easy to take out in order to fulfill tuition obligations that were outstanding after the federal loans were deducted."
>
> *–R5013, Dual Borrower, $80,000*

While it is possible that many of our respondents did indeed max out their federal loan options before turning to private loans to cover costs, the available national statistics suggest that many likely did not. For example, in 2007-2008, of undergraduate student loan borrowers with both federal (Stafford) and private loans, less than half, or 46 percent, actually maxed out their federal loan options.[46] Of the remaining 54 percent, 31 percent did not max out their federal options; 11 percent applied for, but did not accept federal aid; and 12 percent did not even apply for federal aid.

For dual borrowers in particular, we worry about two trends that are operating in parallel: (1) the price of higher education continues to rise,[47] and so too does (2) the importance of obtaining a higher education in order to increase future earnings potential.[48] Given these trends, students who cannot afford the full price of higher education may find themselves in a position where they feel that they must borrow in order to get a degree. If these students are not aware that their best financial bet is to maximize their federal borrowing, they may unwisely take out private loans to cover their remaining education expenses.

The Role of the College

We have seen that the respondents to YI's survey are more indebted relative to the population of degree holders in the United States, and they have expressed many aspects of their borrowing that they misunderstood or were surprised by. These trends raise questions as to what sources of information borrowers rely upon in assisting them with their student loan decision-making. Because borrowers generally must interact with their colleges' financial aid office about their student loans, colleges often serve as one of the main sources of student loan information for students. As The Institute for College Access and Success puts it, "[c]ollege financial aid offices have a unique opportunity—and responsibility—to help students and families make informed and careful decisions about both how, and how much, to borrow."[49] YI's survey therefore included a number of closed-end questions aimed at providing insight into the role of the school in borrowers' experiences with student loans.

To begin, YI asked all respondents, "Before taking out loans, how did you learn about the loan program you used?" Respondents were able to choose from a list of six options or to specify another source. About two-thirds, or **60 percent**, of respondents reported that they learned about their loan program from a college counselor, and **35 percent** said they learned through a college website—taken together, more than **80 percent** of all respondents named one or both of these two sources (Table 4). Though many borrowers also reported learning about their loans through their bank or through advertising, the college was by far the most frequently selected option. These findings suggest that schools are indeed in a unique position of influence with regard to student borrowing.

Only about 60 percent of private-only borrowers, however, reported obtaining information about their loans from their college, as compared to over 80 percent for borrower groups with federal loans. This should signal the need for special efforts to be made to proactively disseminate information to all borrowers, many of whom may not be aware of their available federal options. Likewise, because private borrowers were at least 6 times more likely than those with federal loans only to obtain student loan information from a bank counselor or website, steps should be taken to ensure that private lenders provide borrowers with clear, understandable information necessary to make educated borrowing decisions.

Table 4. **How Respondents Learned About the Student Loan Program they Used Prior to Taking out Loans, by Borrower Group** [A, B]

	Dual Borrowers	Federal Only	Private Only	Total
College Counselor	60.9%	58.9%	45.7%	59.6%
College Website	33.2%	37.1%	17.9%	34.5%
Both or Either	80.8%	83.5%	59.9%	81.4%
Bank Website	14.2%	1.9%	11.1%	8.8%
Bank Counselor	4.0%	1.1%	6.8%	2.8%
Both or Either	17.2%	2.9%	17.3%	10.9%
Mail Solicitation	11.1%	4.5%	8.6%	8.2%
Advertising[C]	2.8%	0.9%	1.9%	2.0%
Other Specified[D]	15.9%	17.5%	22.8%	16.8%
Both, Either, or All	27.2%	22.4%	32.7%	25.3%
N	(3,597)	(2,895)	(162)	(6,654)

Notes:

A Respondents could select multiple responses, so totals do not add to 100 percent. Likewise, shares for the subcategories may not add to 100 percent in the "any" category.

B Question Phrasing: "Before taking out loans, how did you learn about the student loan program you used? [Select all that apply or specify "other"]

C "Advertising" includes respondents who selected the response option "Newspaper ad/commercial/billboard/magazine"

D The "Other" category includes all other responses specified by respondents included in the analysis.

Because private student loans are a topic that has recently been subject to increased scrutiny, YI asked several questions of borrowers with private loans. When YI asked respondents with any private loans, "Did marketers approach you or did you see advertisements to take out private student loans?" **more than half** said their school sent them private student loan material (Table 5). Although respondents also reported receiving solicitation to take out private student loans from other sources (e.g., mail, email, web or print advertisements), the school was the most frequently mentioned source of private loan materials. Here again, though, we see that only 35 percent of private-only borrowers reported receiving student loan materials from their schools, as compared to 55 percent for dual borrowers. Taken together, these findings underscore (a) colleges' responsibility to take measures to ensure that all students understand both their private and federal loan borrowing options, and (b) for banks and other private lenders to be required to adequately inform and educate potential borrowers.

Table 5. **Private Borrowers' Awareness of Marketing or Advertising to Take Out Private Student Loans by Borrower Group**

Marketing or Advertising	Dual Borrowers	Private Only	Total
My school sent me private student loan materials	54.5%	35.2%	53.7%
I received mail solicitation	40.8%	37.7%	40.6%
I received emails	30.8%	22.8%	30.5%
I saw advertisements when I was surfing the web	29.2%	35.2%	29.4%
I saw magazine or newspaper advertisements	11.0%	12.3%	11.1%
Marketers contacted me over the phone	9.2%	6.2%	9.0%
I received text messages	1.3%	0.6%	1.3%
Other	16.3%	23.5%	16.6%
N	(3,597)	(162)	(3,759)

Notes: Respondents could select multiple responses, so totals do not add to 100 percent.
Question Phrasing: Did marketers approach you or did you see advertisements to take out private student loans? [Select from list or specify "other"]

This is especially true given that about **two-thirds** of all private-loan borrowers, even those who also had federal loans, said that when they took out private student loans, they did not understand the major differences between private loans and their federal student loan options (Table 6).[50] This problem is even worse among private-only borrowers, among whom nearly **80 percent** said they did not understand the difference between loan types.

Indeed, private-only borrowers' verbatim responses to the question asking why they took out the type of loans that they did provide further evidence of this problem. For example:

> "I didn't have any idea of the difference; we took the private loans because we ran out of time. I wish I'd known better."
>
> *–R1822, Private Loan(s), $35,000*

> "I wasn't offered much in the way of Federal Loans, so I thought in the long run it would just be easier to have one loan as opposed to two different loans. I didn't understand the vast differences in repayment and interest."
>
> *–R10419, Private Loan(s), $95,000*

In order for borrowers to make informed decisions, it is critical for them to first understand what their borrowing options are, and what differences may exist between those options.

Table 6. **Did You Understand The Major Differences Between [Private Loan] And Other Federal Student Loan Options?**

Understood Differences	Dual Borrowers	Private Only	Total
Yes	30.0%	18.5%	29.5%
No	63.6%	78.4%	64.2%
Other	6.3%	3.1%	6.2%
Total	**100%**	**100%**	**100%**
N	(3,597)	(162)	(3,759)

Colleges need to take their role in the student loan borrowing process seriously, and the survey results suggest that there is work to be done in this area. To illustrate, **56 percent** of respondents with private loans only said that their school offered them private loans to pay for tuition or other education related expenses. However, nearly **70 percent** of these borrowers said that they were not informed by their loan company, bank, or school about their federal student loan options when they took out their private student loan(s).[51] In addition, **57 percent** disagreed that their school or financial aid office provided them with information relevant to their loans.[52] While colleges are making progress in educating private loan borrowers, it is imperative that more is done: "a college's actions and involvement at crucial decision points in the borrowing process can have an enormous impact on whether students and their families make sound and informed choices about private student loans."[53]

Policy Recommendations

The experiences of the debtors in this survey provide a helpful platform from which to begin to explore policy solutions. While there is a documented need for better lender oversight[54] and solutions to address rising tuition prices,[55] this survey was not targeted to explore these issues. Thus, we cannot use these data to infer which more stringent regulatory or enforcement measures may prevent the more predatory loan practices, or to provide recommendations on how to curb the rising cost of a college education. We can, however, use the respondents' answers to the YI survey questions to guide future work around marketing, disclosures, and student loan literacy. Schools, advocacy organizations, states, and the federal government should all work together to:

- Bolster and enforce the requirement that schools provide clearer guidance as to the differences between private and federal loans, and the terms for each—both through their financial aid offices and on their websites. Require any materials sent out by schools on behalf of affiliated private lenders to provide *easy* comparison to federal options.

- Include better guidance in loan entrance counseling—before students sign a promissory note[56]—focusing on the effect of interest rates, offering a calculator that gives the approximate monthly payment that a debtor may face given the desired loan amount and attached interest rate they are considering, and outlining clear definitions of terms and fees related to repayment.

- Require loan documents to be understandable and standardized, with repayment terms and potential fees disclosed in a way that is clear for all borrowers.

- Provide more robust information to high-dollar borrowers with federal loans that describe their income-sensitive repayment options. In other words, use federally-required exit counseling to focus on the income-based repayment options available, as well as deferment[57] and forbearance[58] options.

- Educate earlier. As many borrowers stated, 17 or 18 felt too young to be making the kinds of decisions that would affect the rest of their lives. Providing high school students with the vocabulary to understand student loan debt can help fill the cracks when colleges or others fail to do so.

- Educate those who students rely upon to make loan decisions. Many young students, being themselves uneducated about student loans, rely upon their parents, relatives, or guardians to make their borrowing decisions and to set up their loans. Young people may believe that adults are more knowledgeable, though in many instances this is an incorrect assumption.

- Given the high debt levels of graduate students, increase student loan literacy efforts for students exploring graduate options before they take out the additional debt.

Research Recommendations

In order to truly shape and form effective policy, it is critical that high-quality research is conducted to form a basis for policymakers to make strong, evidence-based decisions and recommendations. While much valuable research on student loan debt has and continues to be conducted, much more specific work is necessary. For example:

- Conducting in-depth, qualitative interviews with different types of student loan borrowers is crucial to gain a better understanding of their student loan literacy and their thought process(es) in making borrowing decisions.

- Developing methods of improving student loan literacy and systematically testing what works well, not so well, or not at all.

- Similarly, developing methods of more effectively presenting student loan information to borrowers and systematically testing what does and does not work in terms of improving their awareness and understanding.

- Conducting well-designed, nationally representative sample surveys of student loan borrowers to gain insights about the student loan process that are generalizable to the population(s) of borrowers of interest.

- Developing more accurate methods or systems for quantifying the amounts owed by private loan borrowers.

- Conducting systematic analysis of "failure." In order to improve the student loan system and ensure that it works for all borrowers, it is critical to understand what is not working (i.e., the failures of the system or of individual borrowers to understand the system) and why.

These are just a few examples of research that could be done to further our understanding of the many issues surrounding student loan debt. By raising awareness of the problems that many borrowers are currently having with their student debt, we encourage researchers and evaluators to think seriously and creatively about how they might build upon the existing research to advance understanding of the issue.

Appendix

YI partnered with MoveOn.org and ForgiveStudentLoanDebt.com to conduct an online survey about student loan debt. The purpose of the survey was to gather information in response to the CFPB's request for comments about private education loans and lenders.[59,60] YI designed the survey questionnaire and collected the survey data, and NERA subsequently assisted YI by analyzing the data and writing the report of the findings.

YI and ForgiveStudentLoanDebt sent an email invitation to take the survey to about 380,000 people who had signed a petition for student loan debt relief through efforts led by MoveOn and ForgiveStudentLoanDebt. The email invitation contained a link that the potential respondent could follow to answer the survey questions on another website hosted by Google Docs. Of those invited to participate in the survey, 13,451 actually completed it for a response rate of about 4 percent.[61] As noted in the report, this is a self-selected sample of respondents and our results therefore do not necessarily represent the experiences of any larger population of individuals. Because the survey did not include any demographic questions, we are unable to make comparisons between the survey population and the US population to assess which demographic groups the respondents approximate.

The respondents came from diverse educational backgrounds, including those with associate's/2-year, bachelors, and graduate/professional degrees; people who started college but did not finish; and a small number of people who had never attended college. There was also a diverse cross-section based on when they completed their most recent degree—though most individuals reported relatively recent experiences, there were a number of respondents who reported attending college in the 1970s, 80s, or 90s. Since student loan programs and policies change over time, we limited this population of 13,451 respondents so that our analysis included people between which a fairer comparison could be made. After applying the four criteria described in the Methodology and Population section and making certain exclusions to enhance data quality,[62] we included 6,654 respondents in the analysis.

The survey included both closed-ended and open-ended questions. Because coding open-ended responses for all 6,654 respondents would have been prohibitively time-consuming, we drew an equal probability sample of the two largest subgroups of respondents: (1) respondents who had federal loans only, and (2) dual borrowers. There were a small number of respondents who borrowed private loans only, and we therefore included all of these respondents in the analysis. In all, our analysis of the open-ended questions includes 1,162 respondents: 162 with private loans only, 452 with federal loans only, and 548 with both types of loans.

We applied weights to the data to account for the fact that dual borrowers and federal-only borrowers make up much larger shares of the population we analyzed than do private loan borrowers. That is, since respondents with private loans only represent a small share of the population, we give greater weight to dual and federal only borrowers to account for the fact that we did not code all of the responses from the latter two groups. As a result of this sampling and subsequent weighting, our analysis is intended to be extrapolated to the 6,654 survey respondents that are the focus of our analysis.

Notes

[1] The Project on Student Debt, "Student Debt and the Class of 2010," (2011): 1-14, p. 1.

[2] In order to preserve respondent confidentiality, NERA refers to respondents only by the unique identifiers that we assigned to each respondent. For each quoted respondent, we list his or her borrower type and approximate student loan debt amount. Additionally, NERA has listed all respondents' answers verbatim (i.e., without making corrections to misspellings or grammatical errors).

[3] United States Department of Education. (2012). *Funding Your Education: The Guide to Federal Student Aid, 2012-13*. Retrieved from http://studentaid.ed.gov/students/attachments/siteresources/12-13_Guide.pdf, accessed 19 March 2012, pp. 2-3, Table 1.

[4] *Id*., p. 10, Table 3.

[5] Wegmann, C. A., Cunningham, A. F., & Merisotis, J. P. (2003). *Private loans and choice in financing higher education*. Retrieved from the Institute of Higher Education Policy website: http://www.ihep.org/assets/files/ publications/m-r/PrivateLoans.pdf, accessed 19 March 2012, pp. 14-18.

[6] Baum, S., Payea, K., & Cardenas-Elliot, D. (2010). *Trends in student aid 2010*. New York, NY: College Board. Retrieved from the College Board website: http://advocacy.collegeboard.org/sites/default/files/2010_Student_Aid_Final_Web.pdf, p. 10, Table 1.

[7] College Board, *Trends in Student Aid 2011*, (2011), http://trends.collegeboard.org/downloads/Student_Aid_2011.pdf, (accessed 19 March 2012), p. 10, Table 1.

[8] Baum et al., *Id*., p. 15, Figure 6.

[9] College Board, *Id*. at p. 15, Figure 6.

[10] McSwain, Courtney, 2006, *The future of private loans: Who is borrowing, and why?* Washington, D.C.: Institute for Higher Education Policy, http://www.ihep.org/assets/files/publications/a-f/FuturePrivateLoans.pdf, (accessed 13 March 2012).

[11] US Department of Education. October 2011. "Figure 1: Undergraduate Borrowing," p. 5 in Stats in Brief: The Expansion of Private Loans in Postsecondary Education. NCES 2012-184.

[12] Baum et al., 2010, *Id*.

[13] The Project on Student Debt, "Risky private student lending on the rise again," http://projectonstudentdebt.org/files/pub/Private_Student_Lending_on_the_Rise.pdf, (accessed 11 March 2012).

[14] Federal Reserve Bank of New York, "Quarterly Report on Household Debt and Credit," (2012). http://www.newyorkfed.org/research/national_economy/householdcredit/DistrictReport_Q42011.pdf, (accessed 14 March 2012).

[15] Liberty Street Economics. "Grading Student Loans". Federal Reserve Bank of New York. http://libertystreeteconomics.newyorkfed.org/2012/03/grading-student-loans.html, accessed 19 March 2012.

[16] Cauchon, Dennis, "Student loans outstanding will exceed $1 trillion this year," *USA Today*, (2011), http://www.usatoday.com/money/perfi/college/story/2011-10-19/student-loan-debt/50818676/1, (accessed 5 March 2012).

[17] Liberty Street Economics, *Id*.

[18] The Project on Student Debt, "Student Debt and the Class of 2010," (2011): 1-14.

[19] Finaid, "Student Loans," (2012), http://wwww.finaid.org/loans, (accessed 19 March 2012).

[20] Liberty Street Economics, *Id*.

[21] For example, The Georgetown University Center on Education and the Workforce calculates that the expected work-life earnings premium on a bachelor's degree over a high school degree is about one million dollars. See: Carnevale, Anthony, Stephen Rose, and Ban Cheah. The College Payoff: Education, Occupations, Lifetime Earnings. "Figure 1: Median lifetime earnings by highest educational attainment, 2009 dollars" The Georgetown University Center on Education and the Workforce.

[22] For instance, recent estimates by Pew Research Center based on the Census Bureau's 2009 American Community Survey illustrate that the well-documented positive correlation between work-life earnings and level of education continues to hold (See, e.g.: Pew Research Center, "Is college worth it? College presidents, public assess value, quality, and mission of higher education," (2011), http://www.pewsocialtrends.org/files/2011/05/higher-ed-report.pdf, (accessed 10 March 2012).

[23] See, e.g.: Baum, Sandy and Marie O'Malley, Nellie Mae Corporation, "College on Credit: How Borrowers Perceive Their Education Debt. Results of the 2002 National Student Loan Survey," (2002); Porter, Julia, et al. "Students' Perceptions of Factors that Affect College Funding Decisions," *NASFAA Journal of Student Financial Aid* 36, no. 1 (2006): 25-33.

[24] For example, more than half a million people signed a petition supporting forgiveness of student loan debt. See: Applebaum, Robert, "Want a Real Economic Stimulus and Jobs Plan? Forgive Student Debt!" *Signon.org*, http://signon.org/sign/want-a-real-economic, (accessed 5 March 2012).

[25] See, e.g.: Pilon, Mary, "The $550,000 student-loan burden," *The Wall Street Journal*, (2010), http://online.wsj.com/article/SB20001424052748703389004575033063806327030.html, (accessed 13 March 2012); Lieber, Ron. "Placing the Blame as Students are Buried in Debt," *The New York Times*, (2010), http://www.nytimes.com/2010/05/29/your-money/student-loans/29money.html, accessed (13 March 2012).

[26] One example is The Institute for College Access and Success' "Project on Student Debt" (http://projectonstudentdebt.org/).

[27] For instance, the Consumer Financial Protection Bureau is working on developing a "financial aid shopping sheet" and asked the public to provide feedback on a prototype (the results are summarized in a memorandum to those who provided feedback, available at http://files.consumerfinance.gov/f/2012/01/Memorandum_KBYOStudentLoans_ FeedbackSummary_Jan2012.pdf).

[28] NERA did not play a role in designing the questionnaire, programming the online survey, or collecting the survey data.

[29] Graduate students were defined as respondents who answered a question which asked "If you earned a graduate degree...where did you study and what is/was your degree program?" We excluded from this group respondents who we determined to have mistakenly answered this question for reasons such as reporting that their graduate degree was a bachelor's degree such as a BFA or BS.

[30] Less than one percent, or 0.5 percent, of respondents reported that they graduated in 2012.

[31] United States Census Bureau, Current Population Survey, "Table 1: Educational Attainment of the Population 18 Years and Over, by Age, Sex, Race, and Hispanic Origin: 2010," *2010 Annual Social and Economic Supplement*, (2010).

[32] US Department of Education. October 2011. "Figure 5: Undergraduate Borrowers' Loan Combinations," p. 9 in Stats in Brief: The Expansion of Private Loans in Postsecondary Education. NCES 2012-184.

[33] In responding to questions asking about their student loan amounts, many respondents specified that the number they provided was an estimate.

[34] Debt level analyses include the 95 percent of respondents who provided reports of their student loan debt.

[35] The Project on Student Debt, "Student Debt and the Class of 2010," (2011): 1-14.

[36] Finaid, "Student Loans," (2012), http://wwww.finaid.org/loans, (accessed 13 March 2012).

[37] College Board, "Figure 20A: Distribution of Graduate School Debt Levels for 2007-08 Graduate Degree Recipients," in *Trends in Student Aid 2011*, (2011), http://trends.collegeboard.org/student_aid/report_findings/indicator/ Graduate_Student_Debt, (accessed 6 March 2011).

[38] The Department of Education defines income-based repayment as "a repayment plan for the major types of federal student loans that caps your required monthly payment at an amount intended to be affordable based on your income and family size." See: US Department of Education. Income Based Repayment Plan. http://studentaid.ed.gov/PORTALSWebApp/students/english/IBRPlan.jsp, accessed 19 March 2012.

[39] The remaining (65-40=) 25 percent either communicated a "general" sense of misunderstanding or mentioned other specific aspects of their loans that they misunderstood or were surprised by.

[40] As noted by the US Department of Education, "A Direct, FFEL, or Federal Perkins Loan borrower may qualify for an economic hardship deferment for a maximum of three years if the borrower is experiencing economic hardship according to federal regulations." See: US Department of Education. Postponing Repayment. http://studentaid.ed.gov/PORTALSWebApp/students/english/difficulty.jsp, accessed 19 March 2012.

[41] Bureau of Labor Statistics. Current Population Survey, Household Data Annual Averages. "Table 3. Employment status of the civilian, non-Institutional population by age, sex, and race," (2011), http://www.bls.gov/cps/cpsaat03.htm, accessed 19 March 2012 .

[42] For example, the Consumer Financial Protection Bureau and the U.S. Department of Education have partnered to develop a one-page "shopping sheet" that contains this information in an effort to help students make informed lending decisions. See: Consumer Finance, "How to pay for college," http://www.consumerfinance.gov/static/students/disclosure.pdf, (accessed 11 March 2012).

[43] The Project on Student Debt. July 2011. Private Loans: Facts and Trends. http://projectonstudentdebt.org/files/pub/private_loan_facts_trends.pdf, accessed 19 March 2012.

[44] Data from the NPSAS 2007-2008 show that 58.2 percent of undergraduate students and about 45 percent of graduate students filed the FAFSA. (See: Kantrowitz, Mark, "Student Aid Policy Analysis: Reasons why students do not file the FAFSA," (2011), http://www.finaid.org/educators/20110118nofafsareasons.pdf, (accessed 20 March 2012)).

[45] A detailed discussion of the formula(e) used to calculate the Expected Family Contribution is available from the US Department of Education. See: The The EFC Formula, 2011-2012, (2012), http://ifap.ed.gov/efcformulaguide/attachments/101310EFCFormulaGuide1112.pdf, (accessed 9 March 2012).

[46] US Department of Education, "Figure 6: Maximum Stafford Borrowing and Aid Application Status," *Stats in Brief: The Expansion of Private Loans in Postsecondary Education*, NCES 184, (2012): 10.

[47] The Pew Research Center estimates that "average stated tuition and fees [for full-time undergraduate college] have roughly tripled since 1980-1981, even after accounting for inflation" Pew Research Center, 2011, *Id*.

[48] See, e.g.: Pew Research Center, 2011, *Id*.

[49] The Institute for College Access and Success, "Critical Choices: How Colleges Can Help Students and Families Make Better Decisions About Private Loans," (2011).

[50] The question phrasing asked, "When taking out private student loans, did you understand the major differences between these and other federal student loan options?"

[51] These respondents were asked, "When you took out your student loan, did your loan company, bank, or school inform you about your student loan options?" Of the remaining 30 percent, about 22 percent said "yes" and 8 percent specified another response.

[52] These respondents were presented with the statement, "My school or financial aid office provided me with information about how much I should request in loans, how much to budget, or how to repay loans" and were asked to select from a list of response options of "strongly agree", "agree", "no opinion", "disagree", or "strongly disagree". 57.4 percent chose "disagree" or "strongly disagree," 17.3 percent chose "no opinion," and 25.3 percent chose "agree" or "strongly agree."

[53] The Institute for College Access and Success, *Id*., p. 2.

[54] For instance, the Federal Trade Commission has prepared a fact sheet informing students of how to avoid deceptive lending practices with student loans (http://www.ftc.gov/bcp/edu/pubs/consumer/credit/cre43.shtm, accessed March 19, 2012), and state attorney generals have investigated private lending practices (http://www.insidehighered.com/news/2008/09/10/cuomo, accessed 19 March 2012).

[55] As The College Board states in their latest report in the Trends in College Pricing series, "The data in this report confirm the widespread perception that published college prices are rising more rapidly than the prices of other goods and services." See: The College Board. Trends in Higher Education Series: Trends in College Pricing 2011. http://trends.collegeboard.org/downloads/College_Pricing_2011.pdf, accessed 19 March 2012.

[56] For all loans, including student loans, a promissory note is "[a] written, dated and signed two-party instrument containing an unconditional promise by the maker to pay a definite sum of money to a payee on demand or at a specified future date." Investopedia. 2012. Promissory Note. http://www.investopedia.com/terms/p/promissorynote.asp#axzz1pfFNtEtR, accessed 20 March 2012.

[57] The Department of Education defines deferment as "a temporary suspension of loan payments for specific situations such as reenrollment in school, unemployment, or economic hardship." See: U.S. Department of Education. Postponing Repayment. http://studentaid.ed.gov/PORTALSWebApp/students/english/difficulty.jsp, accessed 19 March 2012.

[58] The Department of Education defines forbearance as "a temporary postponement or reduction of payments for a period of time because you are experiencing financial difficulty. You can receive forbearance if you're not eligible for a deferment." US Department of Education, *Id*.

[59] Bureau of Consumer Financial Protection, "Request for Information Regarding Private Education Loans and Private Educational Lenders," *Federal Register* 76, no. 222 (2011): 71329-71331, http://www.regulations.gov/#!documentDetail;D=CFPB-2011-0037-0001, (accessed 22 February 2012).

[60] Young Invincibles, "Young Invincibles Comments on Private Student Loans," *Young Invincibles press release*, (2012), http://www.younginvincibles.org/News/Releases/younginvincibles_privateloancomments.pdf, (accessed 23 February 2012).

[61] The data considered for inclusion in the final population analyzed were collected between 22 December 2011 and 31 January 2012.

[62] For example, we excluded respondents whose answers to the open-ended questions indicated that they did not properly specify the type of loan(s) they borrowed.

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Young Invincibles is a non-partisan, non-profit youth organization that seeks to expand opportunity for all Americans between the ages of 18 and 34. Young Invincibles engages in education, policy analysis, and advocacy around the issues that matter most to this demographic, focusing primarily on health care, education and economic opportunity for young adults, and working to ensure that the perspectives of young people are heard wherever decisions about our collective future are being made.

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