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How Families Pay for College: An Analysis of National and State-Level Survey Research

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Introduction

One of the basic components of the State Grant Program is the Family-Taxpayer Share. In the conceptual framework for this program outlined in section 2 of the *Minnesota State Grant Review*, after the students' responsibilities for their postsecondary educational costs are assigned, the Family-Taxpayer Share is determined. As family income and net worth increase, so does the Assigned Family Responsibility. Although much is known and analyzed about educational costs, less is known about how and the degree to which families actually fund those costs for their children. This paper summarizes some of the key research efforts to capture information on how families finance the costs of a college education.

The studies presented in this section share related research objectives: to gather information on how family finances affect a student's postsecondary attendance, the types and levels of parental financial contributions to postsecondary costs, and the impacts those contributions and the broader economy have on families. To get specific data on families' financial decision making, the studies utilized surveys to discover what actual methods families have used to pay for postsecondary costs as well as to capture changes in the economy and corresponding shifts in families' finance decisions. Surveys have been used exclusively or as a supplement to existing financial data in part because detailed information about the use and impact of the wide variety of funding strategies does not exist in one detailed data set. Surveys of parents, both alone and in combination with their children, have been used by researchers to fill in this information gap. Surveys have also served the need for specific information at the individual level that can then be used with regression analysis to explore more precisely the relationships between different factors affecting college participation.

The studies discussed in this section are presented by their geographic reach—whether they use national or Minnesota-specific data—and by their methodological scope—those that analyze parents' range of financing options, as well as those with a more narrow focus, such as on specific savings programs. Additional contextual studies on the attitudes of parents and the broader public about financing options for educational costs and other postsecondary affordability indicators are also included. Some of the studies, such as the comprehensive survey conducted in Minnesota, are over 10 years old, but they remain valuable in part due to the scarcity of individual-level data on family financial decision making, especially within the state. By analyzing the different studies of family financing choices and economic concerns over time, a clearer picture can emerge of what is known about Minnesota families' education financing strategies and the impacts they have on families and on students' postsecondary participation.

Comprehensive Surveys of Family Finance Strategies

Minnesota Data

"Ways and Means," Minnesota Private College Research Foundation

In 1992, the Minnesota Private College Research Foundation, supported by a grant from the Lilly Endowment and in conjunction with the University of Minnesota and Minnesota's State Universities, released "Ways and Means: How Minnesota Families Pay for College." The specific focus of the study was on how families finance a baccalaureate degree. At the time, states faced repeated budget shortfalls and families were dealing with a decline in their ability to pay for college. The report also notes a decline in a family's ability to accumulate assets, particularly in home equity; the stagnation or drop in housing values coupled with a sharp rise in home equity loans accounted for this decline. In the three years prior to the report's release, attendance costs as a percent of family income had increased nearly 2 percent per year on average (Minnesota Private College Research Foundation [MPCRF], 1992, p. 6).

Study Design. The research goals for the study centered on gaining reliable information at the statewide level about who attends postsecondary institutions, how that education is financed, and what effects the costs and financing strategies have on families supporting this education. More specifically, the research objectives were to examine higher education costs and benefits accrued across family income levels; determine whether financial aid is underutilized and how aid might be better utilized; determine the degree of fit of the federal methodology for assigning expected family contributions in determining financial aid; and determine how higher education participation is impacted by family income, and by state and institutional policies (MPCRF 1992, p. 12). To meet these objectives, the authors sought a representative sample of freshman, sophomore and junior students enrolled fall term in 1991 at the 26 institutions, public and private, offering baccalaureate degrees in Minnesota. The survey was completed by families of dependent students (students who were claimed as a dependent on their parents' tax return; for this study, all students under 24 were categorized as dependent unless otherwise indicated) and by independent students (those over 24). A total of 5,347 surveys were completed.

The survey instruments included background demographic information for the student and family, family income levels as defined on the federal income tax return, housing market values and outstanding debts, rental payments and any business or farm income. Dependent and independent students received slightly different surveys to reflect their distinct characteristics. The survey also included a section on the families' educational plans in order to capture when they began saving for college, whether the institution attended was the students' first choice, how long students were expected to be in school, what the families felt they should be contributing for the student to attend their institution at their current course load and whether the family's contribution level was likely to increase or decrease (MPCRF, 1992, Appendix A).

In assessing how families pay for a student's postsecondary education, the survey included a question on where the student lived for each term (with parents or elsewhere), whether parents had submitted a Family Financial Statement and the estimated total cost of attendance for the 1991-1992 academic year. Of that estimated total, families then broke down where the funding to meet the total costs would come from between a combined income/savings amount and a loan amount; the specific types of loans or savings options were not specified. Student contribution estimates were divided between their 1991-1992 academic year income, savings and loans. The final financing category consisted of amounts from grants/scholarships, relatives/friends or other sources. The total from all sources was specified to equal the original estimate parents expected the students' education to cost.

Findings. Survey findings point to an underutilization of financial aid, with an estimate of at least 10 percent of all families statewide qualifying but not applying for aid. The survey revealed that families overall prepare poorly for college financing, with often problematic financing behavior from those without savings (MPCRF, 1992, p. 97-98). For lower-income families, the findings concluded that financing for higher education is regressive, with a higher percentage of the income of lower-income families needed to finance their children's postsecondary education than for families at higher income levels. Additionally, lower-income families accrue a higher debt load to meet postsecondary costs. For families with incomes under $40,000, their contributions could reach to five times the expected contribution under federal guidelines. College participation rates are lower for low-income families, but low-income students seek the same traditional college experience as do students from other income brackets (MPCRF, p. 98). The survey also concluded that the traditional models for financing higher education (from the federal level to that of the individual) are not as relevant for non-traditional or independent students and that more reliable data on family income, which accounts for much of a student's attendance and financing behavior, is needed, especially at the state level. Family income in particular has been understudied at the state level, the authors note, which can be problematic when formulating policy given the impact income has on postsecondary participation.

2002 Graduates Survey, Minnesota Private College Research Foundation

In 2005, the Minnesota Private College Research Foundation, in conjunction with the Independent Colleges of Washington, conducted a survey of graduates of their associated private not-for-profit baccalaureate institutions entitled "Financing Higher Education Today: How 2002 Graduates Paid For and Perceive the Benefits of Their Education." From a telephone survey of 501 Minnesota graduates in 2002 (samples were in proportion to the graduating classes of each institution), the study highlighted some of the ongoing effects of various financing strategies and the relationship between family and student contributions.

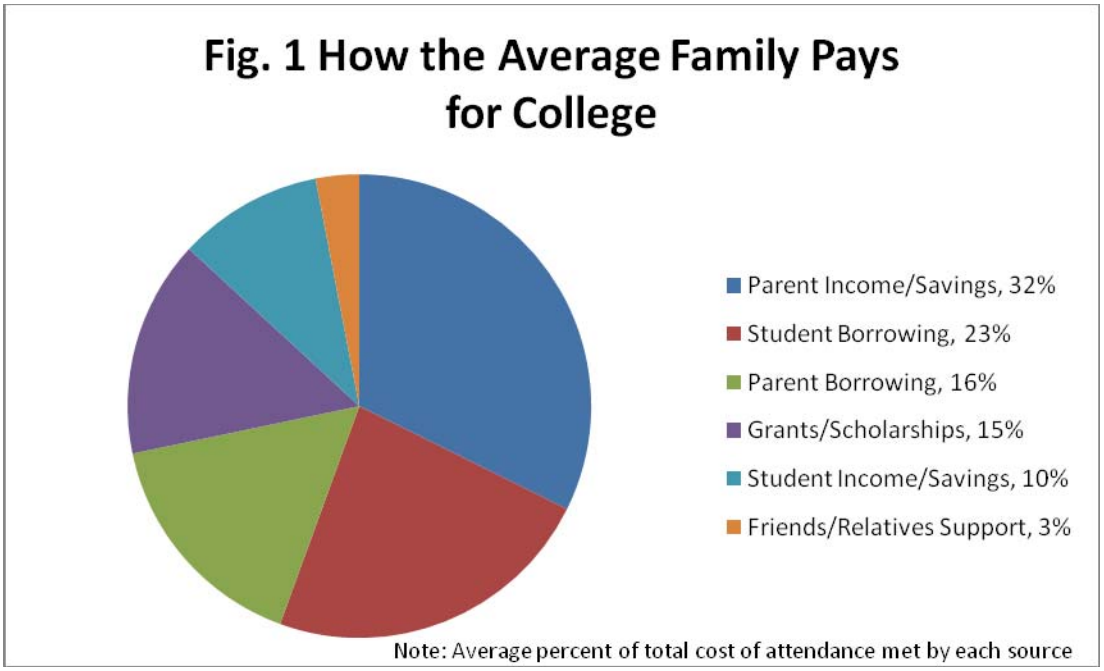
Findings. Forty percent of Minnesota survey respondents reported being concerned about repaying their loans; this concern was strongest for low-income and first generation graduates (MPCRF & Independent Colleges of Washington [ICW], 2005, p. 4). Twenty-four percent of graduates reported a debt level above $30,000; the average debt for Minnesota graduates was $22,100. Some graduates (ranging from 16-38 percent) also reported a negative effect of having worked during the academic terms, citing missed opportunities (such as internships and studies abroad) as well as an adverse effect on their grades. Ninety-three percent of graduates overall said they had worked to finance their education, both during summers and the academic year (MPCRF & ICW], p. 4). Parents also appeared to be saving too little to pay for postsecondary educational costs from savings; students had saved an average of $2,400-$3,000 before enrolling, but about a third of parents had not saved or did not use their savings to pay for their child's education. Those that did save contributed an average of $24,600 (MPCRF & ICW, p. 3). Regarding family contributions to their educational costs, 24 percent of graduates reported they had not received any financial help from their families. Forty-eight percent of these respondents attributed this to their parents' inability to pay, 41 percent said their parents put the responsibility to pay on them, the student, and 35 percent said their parents had not saved or used savings for their children's education (MPCRF & ICW, p. 3). A follow-up study was conducted with the parents of these graduates: 30 parents of seniors responded that they had not received financial support and 26 parents had contributed financially to their children's educational costs. Forty percent of the group reported as not contributing confirmed that they had not contributed financially to their child's education, but 60 percent of that group indicated they had helped defray their child's educational costs in ways ranging from paying for food, lodging, car insurance, books and clothing to direct cash donations and loan repayment assistance (MPCRF 2005). In investigating planning for college expenses, the study found that only one-third of the entire group of parents surveyed had developed a financial plan prior to their child's applying to college; contrastingly, three-quarters of the contributing parents had developed such a plan (MPCRF 2005).

National Data

"How America Pays for College," Sallie Mae and Gallup

In May 2008, Gallup conducted for Sallie Mae, the national provider of education loans and savings programs, a nationally representative survey of undergraduate parents and students to gather information on individuals' experiences and attitudes about meeting the costs of a college education. The survey, "How America Pays for College: Sallie Mae's National Study of College Students and Parents," incorporates phone interview data from 684 undergraduate students and 720 parents of a college student between 18 and 24 years old. The study is intended as the first in an annual series to measure people's actual college spending and track how that spending varies over time in relation to policy changes and broader economic shifts (Sallie Mae & Gallup, 2008, p. vii).

Findings. The survey findings are presented in the report both as an aggregate of the range of funding strategies currently used by an American family and as more detailed profiles of families, who utilize various combinations but not all of the available funding options. In the composite picture, parents and students share the costs of college, with parents covering 48 percent of the costs, the largest share (see Figure 1 below).



Source: How America Pays for College (2008)

Parents' current income and savings were the most common source of funds and accounted for 32 percent of the total costs while parental borrowing accounted for 16 percent (Sallie Mae & Gallup, p. 3). Students provided 33 percent of the cost of attending college, with student borrowing accounting for 23 percent and student savings and income accounting for 10 percent of the total college costs. On average, families reported spending "more than $17,200 annually on college from all funding sources" (Sallie Mae & Gallup, p. 4), ranging from the lowest average cost of $5,263 at public two-year institutions to $27,670 at private four-year institutions (p. 18). While over 80 percent of parents and students felt that college is an investment in a student's future (Sallie Mae & Gallup, p. 42), only 60 percent believed that college costs related to educational quality (Sallie Mae & Gallup, p. 41). Additionally, parents noted worries about the future and the economy, particularly a rise in loan interest rates and elevated tuition costs (Sallie Mae & Gallup, p. 45).

In the average family, for parents, current income covered 19 percent of the costs, while savings accounted for approximately 14 percent; within savings, six percent came from education-related savings plans (utilized mainly by families with annual incomes over $100,000), another six percent came from other parental savings, and one percent came from retirement account withdrawals (Sallie Mae & Gallup, p. 3, 6). Within parental borrowing, the Federal Parent PLUS loans at five percent were the most prevalent borrowing source; three percent of the funds for college were drawn from home equity loans or lines of credit, two percent came from private loans, and one percent from credit cards (Sallie Mae & Gallup, p. 3, 4). Within the larger 23 percent portion of borrowing done by students, 12 percent came from federal loan programs, five percent from private loans, one percent from credit cards, and another five percent from other borrowed sources (the "other" category will be further probed in subsequent studies for more specificity) (Sallie Mae & Gallup, 4). For students, savings (four percent) and current income (five percent, including federal Work Study) amounted to about one-third of what parents contributed from those categories (Sallie Mae & Gallup, p. 4).

In looking at the actual profiles of the families surveyed, the study authors note that the composite picture of family financing strategies does not describe the situation for individual families, who tend to use fewer strategies but rely on those they do utilize to a greater extent than the average profile indicates. Parental income and savings and student borrowing accounted for most of the funds for college costs. The vast majority of families (72 percent) utilized non-borrowed funds, including income, savings and grants or scholarships (see Table 1 below) (Sallie Mae & Gallup, p. 13).

Table 1: The Role of Various Funding Sources to Pay for College Frequency of Sources and Average Amounts Used

	% of Total Families*	Average Amount**		% of Total Families *	Average Amount**
Non-Borrowed Sources	72%		**Borrowed Sources**	47%	
Parent income and savings	49%		Parent borrowing	16%	
Current income	38%	$5,815	Federal PLUS	6%	$10,701
College savings plan	9%	$7,964	Private education loans	4%	$6,910
Retirement savings withdrawal	3%	$4,763	Home equity	3%	$10,853
Other savings	12%	$5,907	Credit cards	3%	$5,822
Student non-borrowed sources	34%		Retirement account loan	1%	$6,299
Savings	19%	$2,689	Other loans	5%	$9,894
Scholarships	17%	$6,166	Student borrowing	39%	
Current Income	17%	$3,226	Federal loans	28%	$5,075
Grants	14%	$5,135	Private education loans	8%	$7,694
Federal Work-Study	3%	$2,249	Credit cards	3%	$2,542
Other non-borrowed money	4%	$2,981	Other loans	8%	$7,922
Relatives and friends	12%	$3,485			

*Percent of all families responding, derived from responses to borrowing and non-borrowing questions
**Average among those who used the source
Source: How America Pays for College (2008)

The most common financing strategies were using current parental income, adopted by 38 percent of all families surveyed, and student federal borrowing, utilized by 28 percent of respondents (Sallie Mae & Gallup, p. 13-14). For less prevalently used strategies, the picture is more extreme: while only three percent of families used home equity loans or lines of credit, for those that did, the amount borrowed averaged $10,853, which was greater than any other funding source for those families (Sallie Mae & Gallup, p. 14). The six percent of families who utilized Federal PLUS loans averaged $10,701 from that source, and the nine percent of families who opted for education savings plans used $7,964 (Sallie Mae & Gallup, p. 14).

In examining the frequency of borrowing for college, students account for the majority of the borrowing over parents, with 82 percent of students taking out loans compared to 35 percent of parents (Sallie Mae & Gallup, p. 23). In certain groups, students are often sole borrowers, such as in Hispanic families who borrow, where 76 percent of the time students are the sole borrowers (Sallie Mae & Gallup, p. 23). Despite lower participation rates, however, parents who did borrow took out more money than students: for federal loans, the most popular loan product for both groups, parental amount was $10,701 and the student amount was $5,075 (Sallie Mae & Gallup, p. 25). For both respondent groups, mortgages and student loans were perceived as the "most acceptable" form of debt, with credit card being the least acceptable form of debt (Sallie Mae & Gallup, p. 49).

Analyzing family income also revealed different uses of college funding strategies. In family profiles in the aggregate, both students and parents in middle-income families tended to borrow more, and the greatest behavior differences across income were in use of current parental income and savings, where higher-income families making greater than $100,000 annually contributed over four times what lower-income families (less than $35,000 annual income) did (Sallie Mae & Gallup, p. 5). Student contributions decreased as family income increased, with lower-income students contributing nearly two-and-a-half times the amount of savings, income and gift aid as did students from higher-income families (Sallie Mae & Gallup, p. 8). Middle-income students had the highest borrowing total with an average of $4,980 annually (Sallie Mae & Gallup, p. 9) and covered 29 percent of their costs by borrowing (p. 10). Although reported credit card use was not a major funding source for students, subsequent surveys will explore the extent to which that is a product of underreporting the indirect costs of college, such as everyday expenses, that would be funded by credit cards (Sallie Mae & Gallup, p. 9).

The study also explores the impact institutional choice has on college costs. Students attending two-year public institutions tended to borrow less and pay more costs from savings and income at 27 percent than did students at four-year public institutions; students at two-year public colleges also received the lowest amount of gift aid (Sallie Mae & Gallup, p. 10-11). Middle- and lower-income students attended two-year public institutions in equal numbers, and middle-income students also attended four-year private institutions at nearly the same rate as higher-income students and at a higher rate than lower-income students (Sallie Mae & Gallup, p. 12). Students at four-year private institutions reported more grant and scholarship funding as well as higher student and parental borrowing at 25 and 17 percent, respectively (Sallie Mae & Gallup, p. 12). Students from the lowest income group (families with less than $35,000 annual income) reported costs of attendance exceeding those of students from families with annual incomes between $35,000 and $100,000 (Sallie Mae & Gallup, 17).

Institutional cost was cited as a reason for eliminating an institution from consideration for 58 percent of families (Sallie Mae & Gallup, p. 25-26). Fifty-three percent of students and 47 percent of parents eliminated institutions based on cost before the application stage (Sallie Mae & Gallup, p. 25). For students who eliminated institutions due to cost, choosing a lower-priced institution, living at home and attending community college were common alternative strategies (Sallie Mae & Gallup, p. 28). Additionally, over two-thirds of parents and students did not factor in a student's potential future earnings when deciding on college funding strategies (Sallie Mae & Gallup, p. 32). Student estimates of future loan repayments did not correspond to the loan values they had reported (Sallie Mae & Gallup, p. 33), suggesting a lack of awareness of college costs into the future. The study further reports that 25 percent of all families did not fill out the FAFSA, ranging from 11 percent of those with incomes below $35,000 and jumping to 23 percent of those with incomes between $35,000 and $50,000 (Sallie Mae & Gallup, 30). Further, only 65 percent of freshmen completed the FAFSA, compared to 82 percent of juniors (Sallie Mae & Gallup, p. 31).

"It's All Relative," Institute for Higher Education Policy

In 1998, the Institute for Higher Education Policy commissioned a study of parents of students in college to expand on available National Center for Education Statistics data. The study "It's All Relative: The Role of Parents in College Financing and Enrollment," supported by the USA Group Foundation, now the Lumina Foundation, analyzed demographic information on parents and students, how institutions are chosen by students and parents and how tuition is paid for with specific analysis of parents' various saving and borrowing strategies (Stringer, Cunningham, O'Brien, & Merisotis, 1998). The authors particularly noted the need for survey data to allow regression analysis of specific factors affecting college attendance and parental financing decisions.

Study Design. The study was designed to capture the changes in the roles parents play in postsecondary financing and the factors that may be impacting those roles. The research questions focused on two main areas: parents' involvement in institutional selection and financial strategies used before enrollment, and specific information on parents' financing strategies during their children's postsecondary careers. The authors utilized findings from earlier studies along with data from NCES with specific focus on the National Education Longitudinal Study data, whose then most recent follow-up was in 1994, and data from the National Postsecondary Student Aid Study, focusing on 1992-1993 data. To supplement these data sets, the study included a survey of 750 parents contacted by telephone in 1998 that had at least one dependent child enrolled in a postsecondary institution for 1997-1998.

Findings. A major conclusion of the study was that parental financial contributions were increasing but at a disproportionate rate with increases in the average college costs; further, the dollar amounts parents contributed actually decreased when adjusted for inflation. Between 1986-1987 and 1997-1998, the amount parents contributed decreased by eight percent, according to the survey, while between 1986-1987 and 1996-1997, the average college cost (including tuition and fees plus room and board) had increased by 38 percent when adjusted for inflation (Stringer et al., 1998, p. 3). The authors note that the strongest factors for parents in determining their contribution rate are the cost of attendance coupled with family income; they further found that family income influences institutional choice and therefore the cost of attendance (Stringer et al., p. 4).

For educational financing strategies, the authors found that the majority of parents are not going into debt, but those who borrow do so at increasing rates. Although loans were the third most popular financing strategy, preceded by using current income and then savings, the average loan amount for those that do borrow rose by 50 percent between 1992-1993 and 1997-1998 (Stringer et al., 1998, p. 31-32). Additionally, the amounts parents borrowed through the PLUS loan program between 1986-1987 and 1992-1993 increased by $988 (Stringer et al., p. 22). The authors further note that parental estimates of educational costs, and available sources to meet those costs, may be out of step with real costs, and the amount of family savings compared to yearly income is positively related to the level of financial support given to students. Also, the vast majority of parents (94 percent) participated in the admissions and financial aid process, although parents who did not attend college themselves were disadvantaged when helping their children through this process (Stringer et al., p. 23).

Suggestions for Further Study. The authors suggest a number of issues that warrant further study based on their findings. The increase in consumer debt (37 percent of parents responded that they had used credit cards to pay their children's educational expenses), the rapid increases in college attendance costs and their effect on parental willingness to contribute to students' funding, the increased availability of student loan products (and the degree to which these options are shifting an increasing debt burden onto students) and delayed parental savings or declining real income all are suggested as areas for further investigation to understand the real impacts of costs on the various participants and stakeholders in higher education (Stringer et al., 1998, p. 33-34). Additionally, the authors point out that the impact parents' lack of available funds (such as through savings) has on students' choices—such as to delay school or choose a school with lower costs—has not adequately been captured (Stringer et al., p. 26).

Low- and Middle-Income Students, NCES Report, Choy and Berker

A 2003 NCES report, "How Families of Low- and Middle-Income Undergraduates Pay for College: Full-Time Dependent Students in 1999-2000" examined differences by income groups and institution types in how families used aid and their own resources to pay postsecondary costs for their children (Choy & Berker). The report analyzed data from the 1999-2000 National Postsecondary Student Aid Study (NPSAS: 2000), which included a telephone interview with undergraduates at two-year public and four-year not-for-profit institutions nationwide. The study begins by noting the shift in federal aid policy to include more students from middle-income families (defined in the study as between $45,000 and $75,000) as well as the students from lower-income families (below $30,000) that federal programs were originally designed to serve. The study focused on the net price of attendance to families (a combination of student and family contributions), defined as any residual amount after aid (grants and loans, excluding work study, which are classified as student earnings) are subtracted from the total cost of attendance.

Findings. A majority of the undergraduates studied received financial aid. A majority of students at four-year institutions received financial aid (86-98 percent of low-income students and 71-93 percent of middle-income students), and 78 percent of low-income students at two-year institutions received aid, while 40 percent of middle-income students received aid at two-year institutions (Choy & Berker, 2003, p. 23). Students of both income groups had sizeable unmet need, defined as the remainder after financial aid and the expected family contribution are subtracted from the total attendance costs. Of middle-income students, between 38-65 percent had an unmet need, but 74-92 percent of low-income students had an unmet need depending on the type of institution attended (Choy & Berker, p. 39). In terms of "net price" of attendance, low-income students attending public non-doctoral institutions had the lowest average net price to pay, and both low-income and middle-income students experienced the highest net prices at private not-for-profit doctoral and liberal arts institutions. Just over three-quarters of all full-time dependent students worked during 1999-2000, and no difference was detected between students from different income groups across institutional types in whether they worked, the amount they worked or the average amount they earned (Choy & Berker, p. 47). Although students reported different effects on their grades due to work, the negative effects reported on grades increased with the reported hours worked (Choy & Berker, p. 49). Middle-income students reported with greater frequency having help from parents in paying their educational costs.

The study concludes by stating there are sizeable gaps in what is known in the available data about how families from both income groups meet educational costs. The study authors note their data represents only students who enrolled in college, and not the students who did not attend or dropped out of college due to financial considerations (Choy & Berker, 2003, p. 39-42). For those that do enroll, little is known about how the difference between educational costs and expected family contributions are met. For low-income students across institutional types, the expected family contribution fell short of the net price of attendance. The authors note that at public two-year institutions, low-income students appear to have met their costs by receiving grants, working while enrolled and living at home. At four-year public institutions, low-income students appear to have met the gap through financial aid, working and receiving help from their parents to meet educational costs (Choy & Berker, p. 58-60). For low-income students at private not-for-profit doctoral and liberal arts institutions, where unmet need levels were the highest, the study authors theorized how the need was met, offering ideas including students using a higher percentage of their income than the expected family contribution methodology specifies, obtaining gifts or loans from people other than parents and using private loans or credit cards (Choy & Berker, p. 58-60). Middle-income students attending private not-for-profit doctoral institutions also had a high unmet need, and the study authors similarly found it unexplainable from the data how those college costs were met by those students and families (Choy & Berker, p. 60).

Increased Costs and Borrowing, NCES Reports, Choy; Presley and Clery

Two reports commissioned by the U.S. Department of Education using NCES data capture changes over time in educational costs and shifts in financing strategies.

Study Design. In “Paying for College: Changes Between 1990 and 2000 for Full-Time Dependent Undergraduates,” inflation-adjusted costs of attendance across all postsecondary institutional types increased between 1990 and 2000 (Choy, 2004). Inflation-adjusted grant aid also increased across all institutional types, but not at the same rate as average net attendance costs (the average price of attendance minus grant aid). The percentage of full-time dependent students who borrowed during this decade to cover this funding gap rose from 30 percent to 45 percent, due also in part to a broader array of available loan options and revised loan eligibility criteria. The average loan amounts also increased across all income groups. Factoring in average attendance costs, grant aid awards and loan amounts, the average net price to attend a postsecondary institution decreased or remained the same for all but full-time dependent students at two-year public institutions, who saw an increase. Further, low-income students at two-year public institutions were the only group of low-income students to not benefit from a decrease in net price (Choy, 2004). The study notes the shift towards increased borrowing for all students and the risks they face in future repayments.

Findings. In a study of attendance and financing strategies for middle-income undergraduates using the NCES National Postsecondary Student Aid Study (NPSAS) data from 1995-96, the authors found that 58 percent of full-time dependent undergraduates had unmet financial need after financial aid and parental contributions were included to cover the cost of postsecondary attendance (Presley & Clery, 2001). Middle-income, as well as lower-income, students with financial need were also more likely to borrow money than were full-time dependent students from higher income groups, regardless of the varying prices of attendance at different institutions (Presley & Clery, 2001).

Rise of Private Loans Report, Institute for Higher Education Policy

In two studies of private loan use in 2003 and 2006, the Institute for Higher Education Policy examined NPSAS data, data from the Survey of Undergraduate Financial Aid Policies, Practices, and Procedures and focus group and other data to capture practices in the loan market and financial aid offices as well as student and parental perceptions of private loans (Wegmann, Cunningham, & Merisotis, 2003; The Institute for Higher Education Poilcy [IHEP], 2006). The authors note the growth in the private loan market—a 244 percent increase in private loan products between 1997 and 2003—and the rising use of private loans by parents and students to finance postsecondary costs. Private loans represented $5-$6 billion annually but only 10 percent of the total student loan market (Wegmann et al., 2003). [A 2007 issue brief by the Institute noted the global rise in private financing as more people complete secondary education, public expenditures on postsecondary education shrink and economic changes give individuals a higher rate of return on a postsecondary education (Hahn, 2007).]

Findings. The studies indicate that private loans seem to facilitate more student choice in selecting an institution. The groups most likely to use private loans were traditional-aged, dependent undergraduates at private four-year schools with high costs of attendance, independent students attending private for-profit institutions, undergraduates who have high living and miscellaneous expense and professional students, especially those in law school. In 2003-04, five percent of undergraduates and 24 percent of professional students took out private loans, an increase of one and eight percent, respectively, for the two groups from 2000 (IHEP, 2006, p. 15, 26). Additionally, 33 percent of independent undergraduates took out a private loan (IHEP, p. 16). For both dependent and independent undergraduates, private loan borrowers were more likely to attend full time, as opposed to part time; for independent students, non-borrowers were more likely to work full time, suggesting a choice between work and private borrowing. The authors also note the strong correlation between use of private loans and students maximizing federal loans. For 1999-2000, 77 percent of professional students and 50 of undergraduates who took out private loans also maximized their Stafford loans, compared to 40 of professional students and 13 percent of undergraduates who maximized their Stafford loans but did not take out private loans (Wegmann et al., 2003). Although the authors note most students do not appear to be taking on unmanageable debt, they raise awareness that certain student groups take on a high debt load that may be unmanageable in the future, especially if the promise of high future salaries is not realized (Wegmann et al., 2003).

Private loans were also found to blur the distinction of who is responsible for the debt. Parents are often co-signers on private loans. They may also be assisting their children in paying those loans, but there is further evidence that parents are using private loans to finance some of the expected family contribution. The authors find this in effect particularly when parents do not obtain a PLUS loan (Wegmann et al., 2003). The 2006 study further found that parents were not fully utilizing PLUS loans, and that some parents reported an unwillingness to take on debt in their names for their children's educational costs. Concern over retirement costs was theorized as a reason for these choices (IHEP, 2006, p. 22). The 2006 study concludes with the growing importance of the private loan market as a viable financing strategy, especially as federal and private loan interest rates converge and attendance costs rise. The study authors also underline the need for continued study of student and family financing to understand better the realities of postsecondary costs and what particular factors attract individuals to private loans, especially with the "fungibility" of and trade-offs between financial resources for students and families (Wegmann et al., 2003, p. 73).

Low Parental Contributions, High School and Beyond Survey Data, Marie Kalenkoski

A 2005 study utilizing data from the High School and Beyond (HS & B) Surveys examined how parental attitudes about financing their children's postsecondary costs impacts the students' learning outcomes. In "Parents Who Won't Pay: Expected Parental Contributions and Postsecondary Schooling," Marie Kalenkoski analyzed HS & B data, which contains surveys of a cohort of high school sophomores beginning in 1980 with follow-up surveys conducted in 1982, 1984, 1986, and 1992 (2005).

Findings. Her analysis found that over two-thirds of parents do not make their Expected Parental Contribution [EPC] (defined for this study as the EPC used in 1982-1983 to determine eligibility for the Pell Grant (Kalenkoski, 2005, p. 206). In comparing income and EPC levels, the author also found under-contributing parents have children with somewhat lower schooling outcomes than parents who meet their EPC. These children are less likely to enroll in a four-year program and their educational expenditures are lower, "suggesting that they are attending lower cost and possibly lower quality schools" (Kalenkoski, 2005, p. 206). By reviewing standardized tests and grade point averages in high school, Kalenkoski determined that the academic abilities of the students from low- and full-contributing families are similar. Further, she found under-contributing parents have larger EPCs (determined by parental income and assets) than do fully contributing parents. The analysis then used an adjusted EPC to include a students' contribution and the total cost of schooling, in case parents were not contributing due to the child's own funds or choice of a lower-cost institution. Under this revised model, 46 percent of parents were found to be undercontributing to their share of their child's educational costs (Kalenkoski, 2005, p. 207). The study concludes by highlighting the link between family support and educational outcomes for students and the finding that larger EPCs may encourage larger parental transfers of funds.

Postsecondary Cost Awareness, National Household Education Survey Data, Horn et al.

A study of student and parental knowledge of and preparation for postsecondary educational costs showed a discrepancy between actual costs, estimations of costs and preparation to meet those costs (Horn, Xianglei, & Chapman, 2003). The study used a survey of 7,910 sixth through twelfth graders who had participated in the Youth Survey of the National Household Education Survey: 1999 and their parents who had completed the Parent Survey of the National Household Education Survey: 1999.

Findings. Ninety-one percent of parents and students said the students would go on to postsecondary education after high school, yet only 30 percent of the parents surveyed had sought cost of attendance information. This awareness of cost information increased with the student's grade level and was also positively correlated with parental education level and a student's plan to attend a private, as opposed to a public, four-year institution (Horn et al., 2003). Parents' financial preparations for college expenses (including saving or making other financial plans), however, did not increase significantly with a student's nearing enrollment; only 63 percent of parents of 11th and 12th graders who planned to go to college had made financial preparations (Horn et al.). There was a positive correlation between students' grade-point average and parental financial planning. There was also a correlation between cost awareness and income: parents with household incomes over $75,000 were more often knowledgeable about college costs than parents with household incomes of $50,000 or below (Horn et al.). Household income and parental education level was strongly associated with cost knowledge for both parents and students; however, students who participated in family decision-making and parents who were involved in their child's school were more likely to be knowledgeable about college costs regardless of household income or parents' education levels.

Focus on Savings (National Data)

Study of College Savings Plans

In “State-Sponsored, Tax-Advantaged College Savings Plans: A Study of Their Impact on Contemporary Understanding of the Public-Versus-Private Responsibility to Pay for Higher Education Issue,” Andrew Roth examined offerings of pre-paid tuition programs and college savings trusts and bonds across states nationwide in 1999. The study’s analysis showed a shift in policy towards an increased parental burden. Constricted state budgets and an increase in student debt levels led to an increase in “anti-generational burden shifting,” wherein parents are held increasingly responsible for the college financing for their children (Roth, 1999, 44). The study finds this policy shift indicative of the increased focus on affordability more broadly as opposed to earlier programs geared towards broader accessibility in higher education.

Sebago Associates Study

In November of 2000, Sebago Associates released a report that focused on the importance and costs of postsecondary participation and the savings behavior of families to meet those and other costs in the near and long terms (Stiglitz, Tyson, P. Orszag, & J. Orszag, 2000). The report, “The Impact of Paying for College on Family Finances,” was commissioned by UPromise, Inc., which was launched in 2001 and bought by Sallie Mae in 2006. UPromise, Inc. offers savings programs for college education and shopping rebate programs through partnerships with various companies. The report established the importance of college attendance from existing research, including the increased rate of return to individual graduates in terms of increased earnings and to society by increased economic growth, greater civic participation and improved health and resulting lower healthcare costs.

Study Design. The authors analyzed the importance of family savings as a key means of financing an undergraduate’s education. They note that while the cost of postsecondary education has been rising, family savings have been declining with nearly two-thirds of families with children under 18 not saving during 1998 (Stiglitz et al., 2000, p. 33). Additional tension on savings comes from the need to save for retirement by an increasingly large segment of the population. The authors further point to a discrepancy between the prevalent life-cycle/permanent income model used to analyze savings patterns and people’s actual saving and borrowing patterns, which tie consumption patterns more closely to yearly income as opposed to expected lifetime earnings. According to the study, consumers cut back or increase their spending based on yearly income as opposed to maintaining a static standard of living and using borrowing and saving as needed to maintain that standard into the future (Stiglitz et al., p. 35). As a result, the study authors question the degree to which consumers use optimal savings strategies based on earnings projections over their entire lifespan. This determination then informs the discussion of policies and programs that may encourage consumer savings, such as automated savings in 401(k)s; yet the authors note that the degree to which new savings incentives generate new savings dollars (as opposed to switching the same relative amount laterally between savings options) is inconclusive (Stiglitz et al., p. 37, 38).

Findings. The study authors utilized data from the 1993 National Postsecondary Student Aid Study to investigate college financing strategies of families and concluded that on average, families used a combination of 3.3 different funding strategies (see Table 2 below). The most prevalently reported strategies were utilizing current income by reducing other expenditures and drawing out of existing savings (defined as savings accounts, money markets or CDs); these two financing approaches were the most commonly used across public and private four-year institutions and public two-year institutions (Stiglitz et al., 2000, p. 40). The national survey also indicated that families' next most common strategies, as an average of percentages from all institutional types, were to increase current income by working more hours or by taking on a second job (Stiglitz et al., p. 40). Of the two specific debt-related strategies surveyed, borrowing money was rated the seventh most utilized, and taking out a second mortgage or mortgage refinancing was ninth out of the 11 options (Stiglitz et al., p. 40).

Table 2 Strategies for Financing College (Percentage of Families)

How financed:	Total	Private non-profit four-year	Public four-year	Public two-year
Use money from regular job	62.6	66.6	64.5	52.9
Money from savings, money markets or CDs	52.9	58.6	54.1	44.6
Worked more hours at job(s)	17.8	14.5	15.0	33.5
Take on extra job	15.7	17.3	15.1	16.3
Use retirement funds for education expenses	13.5	14.2	12.9	16.6
Other funds	12.0	13.1	12.3	9.4
Borrow money	10.0	12.3	9.6	7.6
Tuition prepayment plan	7.5	10.3	6.9	4.0
Second mortgage/refinance real estate	7.3	8.9	7.0	6.7
US Education Savings Bonds	7.0	6.7	6.6	8.9
Trust funds	3.2	6.3	2.9	1.1
Number of strategies used	**3.3**	**3.6**	**3.2**	**3.0**

Source: The Impact of Paying for College on Family Finances (2000)

The authors also analyzed state-level data from the U. S. Department of Education. Minnesota ranked 11th in average tuition costs for 1998-1999 with an inflation-adjusted, per-year average increase in tuition of 3.3 percent between 1984 and 1998 (Stiglitz et al., p. 68).

The study concludes with a series of models of families of various sizes with projected income and savings scenarios. The authors utilized a number of indicators to develop current and future earnings profiles, ranging from the number and ages of the parents and children in the household, the historic rate of return on investments, the type and costs of college the children will attend and parents' initial earnings level with projected income increases based on age-earnings data (Stiglitz et al., 2000, p. 41). With these varied scenarios, the authors then analyzed strategies to bridge the gap between savings and the amount of savings necessary for the parents to send their children to college while maintaining their retirement goals. The strategies analyzed were reducing consumption, borrowing on the home and reducing retirement income (Stiglitz et al, p. 42). For all family profiles—ranging from a family with an income of $175,000 and three children going to elite colleges to a family with an income of $30,000 and one child attending a four-year public college—there was a savings gap that was for some families characterized as severe. The recommendations identified by the authors to bridge the savings gap were for families to increase their savings' rate or increase their income and for the government and others to increase financial aid programs and develop programs to promote savings for families.

Investment Company Institute Study

In the 2003 survey "Profile of Households Saving for College," the Investment Company Institute explored the extent to which families save for college and the types of savings programs they utilize. The study was further focused on how parents used various education-oriented savings programs, such as state-sponsored 529 savings and prepaid tuition plans, 529 savings plans offered by private postsecondary institutions and Coverdell Education Savings Accounts. The study also included broader savings options with a tax benefit for education-related spending, including the Uniform Gift to Minors Act and Uniform Transfer to Minors Act custodial accounts, Roth and traditional IRAs and U.S. Savings Bonds (Investment Company Institute [ICI], 2003, p. 2). To get specific individual response data, a national telephone survey of 918 families with children 18 or younger was conducted in the spring of 2003.

Findings. Nearly two-thirds of the households surveyed reported saving for college expenses. Higher-income families were more likely to save, and other factors influencing savings behavior included parental education, parental age and the number of children in the family (ICI, 2003, p. 14). Among responding parents, paying for college was the third-most commonly listed household financial goal, at 82 percent (ICI, p. 13); financing retirement was a goal of the highest percentage of households (89 percent), followed by providing for emergencies (84 percent). Of those saving for college, the median number of years they reported saving is 7.4 with an average of 6.0 years; the amount families reported having saved is a median amount of $10,000 and an average amount of $23,600 (ICI, p. 61-62). The majority of parents (87 percent) felt it was very or somewhat likely that they would meet their savings goals, and their expected amount saved by their child's enrollment was a median amount of $35,000 with an average of $92,700 (ICI, p. 64-66). Of those families not currently saving for college, nearly two-thirds reported insufficient resources as one reason, and nearly half of the families not saving reported insufficient resources as the primary reason they were not saving (ICI, p. 17). The next most frequent reasons for not saving were an expectation that their child would receive financial aid (59 percent), the parents' assignment of college payment responsibilities to their child (53 percent) and an expectation that the child would receive a scholarship (52 percent) (ICI, p. 17).

Ninety-three percent of parents who reported saving were using investment options without a tax benefit such as traditional bank accounts, stocks, mutual funds and certificates of deposit. Thirty nine percent of families saving for educational expenses were using these non-tax-advantaged investment options exclusively (ICI, 2003, p. 22). Twenty percent of parents who were saving utilized the tax-advantaged educational savings options. The survey design further probed parents' awareness of tax-advantaged savings options and found that almost two-thirds of families who were saving knew of the various education-oriented savings options but did not hold any such account; 28 percent indicated that they would open such an account within the coming year (ICI, p. 32-35). Approximately half or greater of all the education-targeted accounts held by parents in the survey were opened within four or fewer years of the survey. Factors associated with the use of education-oriented savings plans included greater household wealth (income, assets and current education-earmarked savings) and parents with a baccalaureate degree or higher.

Within the different educational savings options, the majority of parents with state-sponsored 529 savings accounts and Coverdell ESAs were informed about the accounts through their financial advisor. The reasons reported for using the different savings options were tied to the options' distinct features, such as tax-free withdrawal for the Coverdell ESA and institutional selection flexibility with the state-sponsored 529 plans (ICI, p. 43-51).

Focus on Borrowing (National Data)

The Education Resources Institute and the Institute for Higher Education Policy Study

The 1995 study of borrowing patterns of college students and their families, "College Debt and the American Family" by The Education Resources Institute and the Institute for Higher Education Policy, noted the trend in increased borrowing that began in the 1970s and mushroomed in the early 1990s. Parents and families borrowed $100 billion between 1990-1995, a total higher than that of the three preceding decades combined (p. 15-16). The increased volume of loan products on the market following revisions to the reauthorization of the Higher Education Act of 1992 was a major factor in this rise, according to the study, which found a 57 percent increase in borrowing in 1993 and 1994 when the reauthorization's changes first took effect. The study analyzed borrowing trends, demographics of borrowers and projections of total borrowing. It also included a nationally representative survey sample of 373 undergraduate students and their families who borrow to cover educational costs in order to probe the impact loan debt has on families and their futures.

Findings. From their analysis of loan data, the authors found that borrowing rates increased annually by 22 percent for students and families, while disposable personal income increased 4.7 percent and costs of attending a private institution increased 7.3 percent per year (The Education Resources Institute [TERI] & the Institute for Higher Education Policy [IHEP], 1995, p. 16). They further found that the number of parents taking out loans had not increased but the amount of loans per family had increased. Certain populations also were borrowing at disproportionate rates. Students at public four-year institutions increased their debt load between 1990 and 1993 by 13 percent, compared to a two percent increase in debt load for students at private four-year institutions. Non-white students had an increase in debt of 19 percent compared to an increase of nine percent for white students. Part-time students had a debt increase of 17 percent, compared to an eight percent increase for full-time students. And lastly, students in the non-traditional age groups saw a sizeable increase in their debt—20 percent for 25-34 year olds and 29 percent for 35-44 year olds—compared to a four percent increase for students ages 18-24 (TERI & IHEP, p. 24-27). As different groups of students accrue different debt levels, their level of risk also varied and the margin of error for success in postsecondary education narrows, in effect putting some students on shakier ground.

In their survey of attitudes about financial strategies for postsecondary education, the authors found agreement on the value of a college education (97 percent of respondents ranked it as very important) and simultaneously on its increasingly unreachable costs (87 percent found the costs rising at an unmanageable rate). When asked about the impact of present and future debt loads, respondents said they had considered leaving school (20 percent) and decreasing their course load (17 percent). Sixty-eight percent of respondents also felt educational loans were a hardship on their families, sixty-two percent said they expected to limit major spending as a result of educational costs, and 52 percent said any increased debt or spending would pose a major financial hardship (TERI & IHEP, 1995, p. 32-33). When asked about the reasons for taking out loans, respondents gave the same first-place rank for home loans and for loans to cover educational costs (42 percent each). Additionally, 17 percent responded that their monthly loan payments were higher than their monthly housing (mortgage or rent) payments (TERI & IHEP, p. 33).

The authors conclude by noting the need for close monitoring of borrowing trends and debt levels, especially in relation to their relative effects on different student groups, in order to maintain broad access to postsecondary education and the financial well-being of families generally.

Parent and Public Opinion Surveys (National Data)

Consumer Finance Surveys, Federal Reserve Board

The most recent report from the Federal Reserve Board's Survey of Consumer Finances examines shifts between 2001 and 2004 in family income, savings priorities, and net worth.

Findings. Changes in mean and median pre- and post-tax family income and net worth were varied across demographic groups, with some groups experiencing declines and others experiencing gains (Bucks, Kennickell, & Moore, 2006). Factors that account for this variability include increases in real estate values and ownership, decreased participation in the stock market, and sharply rising debt levels. Although both family assets and debts increased during the period, debt levels rose more quickly. The ratio of debts to assets for families rose 2.9 percent between 2001 and 2004 to 15.0 percent; the previous three-year period had realized a decrease in the ratio of debts to assets of 2.1 percent (Bucks et al., p. A25). Savings rates for families decreased over the three-year period, with a 3.1 percent decrease in families who reported having saved in the preceding year, yielding 56.1 percent of families as having saved; the previous survey in 2001 indicated an increase in family savings (Bucks et al., p. A7). Educational costs were cited by 11.6 percent of families in 2004 as the primary reason for saving. Retirement was reported as the leading reason for saving by 34.7 percent of families, followed by a need for "liquidity," often indicating concerns over future needs, by 30.0 percent of families (Bucks et al., p. A8).

Affordability and Access Surveys, Public Agenda and the National Center for Public Policy and Higher Education

In 2002, the National Center for Public Policy and Higher Education commissioned Public Agenda to examine the available public survey data on affordability in higher education. Their report, “The Affordability of Higher Education: A Review of Recent Survey Research,” explored data between 1997 and 2001 from Public Agenda, the American Council on Education, iPoll (maintained by the Roper Center for Public Opinion Research) and two focus groups (Immerwahr, 2002a). Included in their analysis was information on the relative value, costs and degree of accessibility to higher education.

Findings. While the importance placed by the general public on college participation remained high (87 percent of respondents felt it is an extremely or very high priority), concerns about costs were also high. In a 1998 national survey of 2,106 adults sponsored by NBC News and the Wall Street Journal, 70 percent of respondents felt that a college education was too costly for an average family, compared to 44 percent who felt a house was beyond an average family income, and 36 who felt a secure retirement was out of reach (Immerwahr, 2002a, p. 5, 23). Accessibility, however, was not specifically as high a concern, since 87 percent of respondents in a 1999 poll felt students could choose to attend a cheaper institution or go part time (Immerwahr, 2002a, p. 7). Also, when discussing their own children, parents remained optimistic about their children’s access to postsecondary education. In a later article, the study’s author, John Immerwahr, reflected on this seemingly contradictory perspective: “College is still affordable but only if students are willing to ‘scramble’. . . .When people say that any motivated person can go to college, they don’t mean that it is easy to do so. In fact, the obstacles can overwhelm people” (Immerwahr, 2002b, p. 14). The National Center for Public Policy and Higher Education commissioned Public Agenda in 2004 to conduct a trend analysis in public attitudes towards higher education gathered from the two organizations’ previous surveys in 1993, 1998, 2000 and 2003 (Immerwahr, 2004, p. 2).

The analysis found overall stability in attitudes about higher education but also highlighted a few key areas of public concern: decreasing access to higher education and a perceived increase in a college degree’s importance for workplace success. Parents of high school students and African Americans were increasingly concerned about access, with 52 percent of parents of high school students in 2000 indicating that “the vast majority of qualified people do have an opportunity to attend college” and down to 34 percent of parents agreeing with that statement in 2003 (Immerwahr, 2004, p. 4). Additionally, fewer parents of high school students felt anyone needing financial help can get loans or aid to go to college, with 64 percent agreeing with that statement in 2000 and 46 percent agreeing in 2003 (Immerwahr, 2004, p. 5). For African Americans, the percentage who believed many qualified people do not have an opportunity to go to college increased from 60 percent to 76 percent between 2000 and 2003; white respondents had a smaller increase, from 44 to 51 percent in 2003 (Immerwahr, 2004, p. 5). At the same time, the public in general and African Americans in particular believe higher education is increasingly necessary to be successful in the workplace. In 2000, 35 percent of African Americans felt a college education is necessary for workplace success, while in 2003, 53 percent believed a college education is necessary for success (Immerwahr, 2004, p. 10). Further, 63 percent of African American respondents in 2003 felt that opportunities to attend college were more limited for students from a low-income family and 56 percent felt students from a racial or ethnic minority had more limited opportunities for college (Immerwahr, 2004, p. 10). Finally, African American respondents' views on college quality have also fallen from 64 percent in 2000 to 35 percent in 2003 who state that colleges were "doing an excellent or good job" (Immerwahr, 2004, p. 12).

In the spring of 2007, Public Agenda released "Squeeze Play: How Parents and the Public Look at Higher Education Today," an updated public survey of attitudes towards postsecondary education and its costs (Immerwahr & Johnson, 2007). This national, randomized telephone survey of 1,001 adults, plus an oversample of 200 African-American and Hispanic parents of high school children, indicated that concerns over access to higher education are at their highest since the recession of the early 1990s.

Findings. In 2007, 62 percent of those surveyed responded that qualified and motivated students did not have an opportunity for postsecondary education, compared to the previous high of 60 percent in 1993 (Immerwahr & Johnson, 2007, p. 15). Additionally, an increasing number—50 percent in 2007 compared to 31 percent in 2000—concurrently felt a college education is essential. Fifty-nine percent of respondents further felt college education costs were rising faster or at the same rate as health care costs, and 78 percent agreed college students were borrowing too much to finance their education (Immerwahr & Johnson, 2007, p. 13). Yet the overwhelming majority of parents surveyed, 84 percent, felt they would be able somehow to finance their child's education costs (Immerwahr & Johnson, 2007, p. 19).

Findings

- **Families use a variety and combination of strategies to finance postsecondary costs.** Some studies found families use on average a combination of at least three strategies to fund postsecondary education costs. Parents' current income and savings and students' borrowing on average provided most of the college funding, but some families relied heavily on some less commonly used strategies, such as home equity loans.

- **Preparing to meet postsecondary costs remains a high priority in family financial planning, but other priorities, such as the need to save for retirement, are dominating financial concerns.** In addition to retirement costs, families also ranked preparing financially for emergencies and needing liquidity ahead of saving for college costs.

- **Family income has a role in a student's postsecondary attendance and financing of college costs.** Many studies indicate a relationship between the type of institution a student attends and what strategies students and families use to fund those institutional costs with family income.

- **Current income and savings play a key role in college attendance.** On average, the largest share of college costs was funded by parents' current income and savings. Studies also found that potential future earnings, both of parents and students, do not determine families' actual present-day decision making and that using current income, savings and income from working additional hours or taking another job were preferred strategies for families regardless of the type of institution the student attended.

- **Saving and borrowing patterns are highly influenced by changes in the overall economy as well as changes in the costs to attend college.** Many studies indicated strong changes in behavior over time, suggesting a need for information on an ongoing basis to assess the impacts of these changes.

- **Parents' and students' perceived costs of college influence college attendance**. Many studies indicated that the perceived costs of college influence not only a student's enrollment but whether a student considers applying to an institution, thereby removing any potential financial aid offer as a factor in college choice.

- **There is a scarcity of current family financial decision making data at the state level.** Existing state-level family surveys are useful but have not been done in over 10 years.

- **The assignment of parent and student contributions may not approximate actual decision making or shifts in financing strategies.** Large differences exist between families in how parents and students contribute to the costs of a college education. Changing financing options, such as the rise of private loans, may be further blurring the distinction between student and family contributions.

- **Parents may not be realistic in their estimates of the costs of college, nor in their preparation to meet those costs.** Although concerns over the costs of college were notably higher for parents of high school students than for the general population, many parents still indicated a lack of accurate information about the costs of college and were not saving at an adequate rate to be able to contribute to their child's postsecondary costs.

- **Students may not be realistic in estimating their loan repayments.** Similar to parents' lack of accurate information about college costs, college students often underestimated their loan repayment amounts.

- **Rising educational costs have had a disproportionate effect on different groups of students, from families at different income levels, attending different types of institutions.** Certain groups of borrowers, both students and parents, are taking out increasing amounts of debt and may be putting themselves at increased risk. Some studies suggest that students from lower-income families are accruing a higher debt load, and that both students and parents who borrow are taking out increasing amounts in loans. Additionally, students attending part time, attending four-year public institutions or who are non-white or non-traditional aged (24 and older) have been borrowing at increasing rates since the 1990s.

- **Across income levels, many families do not fill out the Free Application for Federal Student Aid (or FAFSA).** Some studies indicate that 25 percent of families overall did not fill out the FAFSA, including 23 percent of families with annual incomes between $35,000 and $50,000.

- **Although parents feel the costs of education have been rising too fast, they also feel they will be able to meet those costs. They also consistently place a high value on their children's participating in higher education.** Perceptions of college have remained relatively stable, but for certain groups, concerns over access and affordability are growing. In recent surveys, African American parents of high school students have indicated a sharp rise in beliefs that a college education is essential for success in the workplace but also that qualified people may not have the opportunity to go to college.

- **The extent to which family finances played a role in students not enrolling or dropping out of college has not been adequately studied.** Most of the existing studies examine the population of college-going students, omitting those who did not enroll and the extent to which finances may have played a role in that decision.

- **Much still is unknown about how students and families meet the often sizable gap between costs of attendance and the expected family contribution.** Some of the studies point to a growing discrepancy between expected family contributions and college costs and an increased use of alternative strategies, such as delayed or part-time attendance, that may have negative repercussions for students.

Opportunity for Further Study

Several studies presented in this report conclude that families' financial decision-making and planning change substantially, not only with the economy and changes in family circumstances, but also with changes in the financing programs and products available. Parents' income, contribution to postsecondary costs and awareness and use of available financing options also play a strong role in determining college participation rates for their children. There is also evidence that examining family financial decisions requires exploring the full detailed range of strategies families actually use rather than the larger categories of saving and borrowing. Some strategies may be contributing to families' financial risks, and others may be shifting increased financial burdens onto students.

Further study of how families contribute to educational costs, especially at the individual level within the state, could enhance our understanding of how financial decision making impacts postsecondary participation for students, including those who do not ultimately enroll in higher education. It can also better reflect the impact these costs have on students and families, now and into the future.

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