



Debt at Graduation

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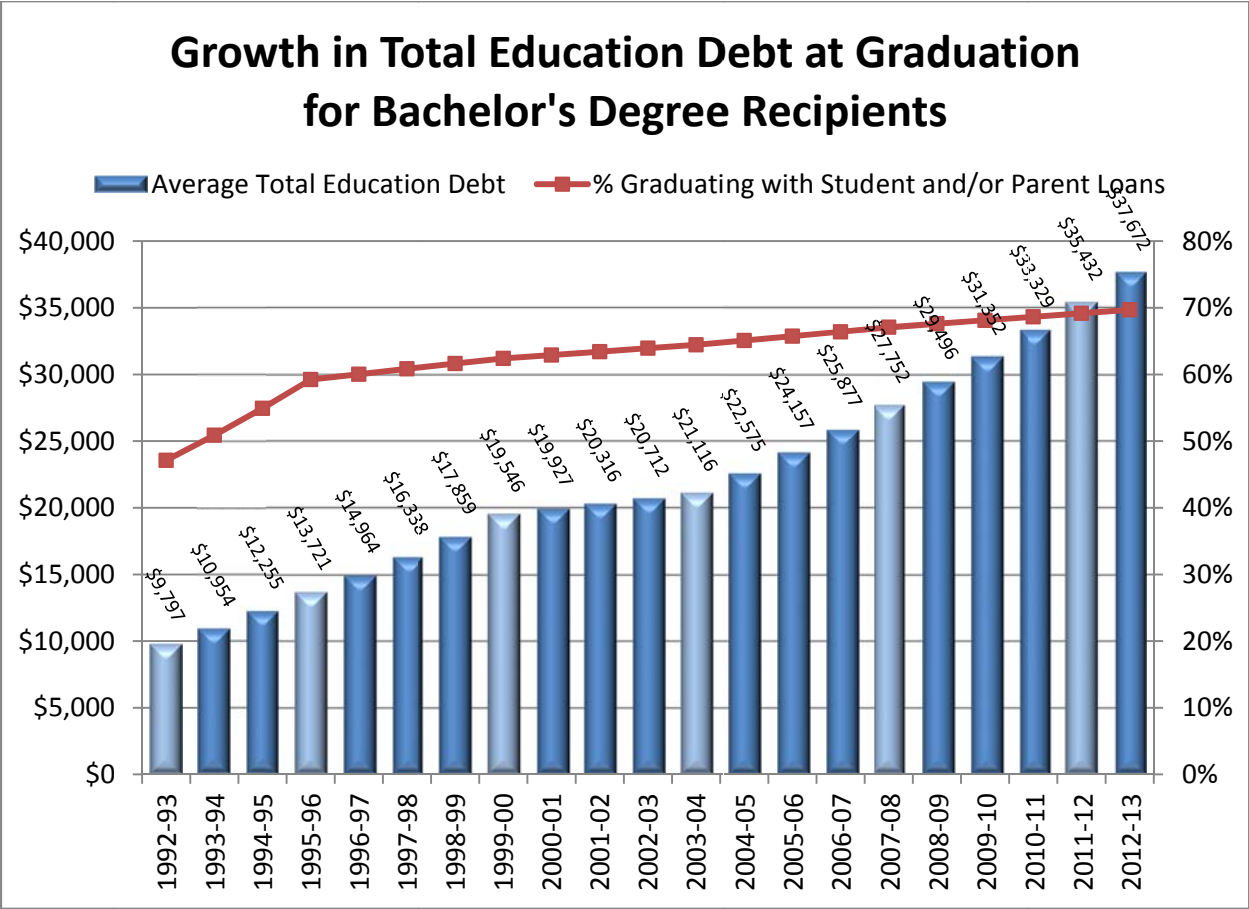
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Average debt at graduation increases every year, driven by a failure of grants to keep pace with increases in college costs.¹ The percentage of students graduating with student loan debt is also increasing.

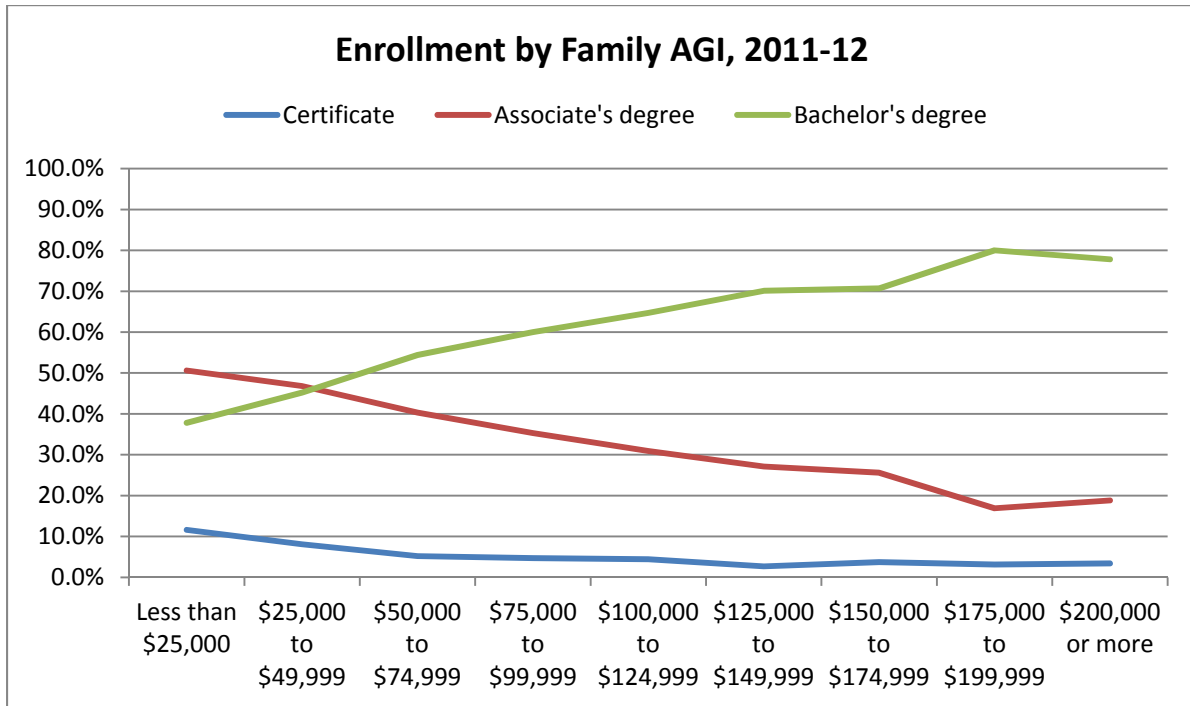
The following chart shows the growth in student and/or parent education debt at graduation for Bachelor’s degree recipients, based on data from the National Postsecondary Student Aid Study (NPSAS). Data is interpolated geometrically between study years.²



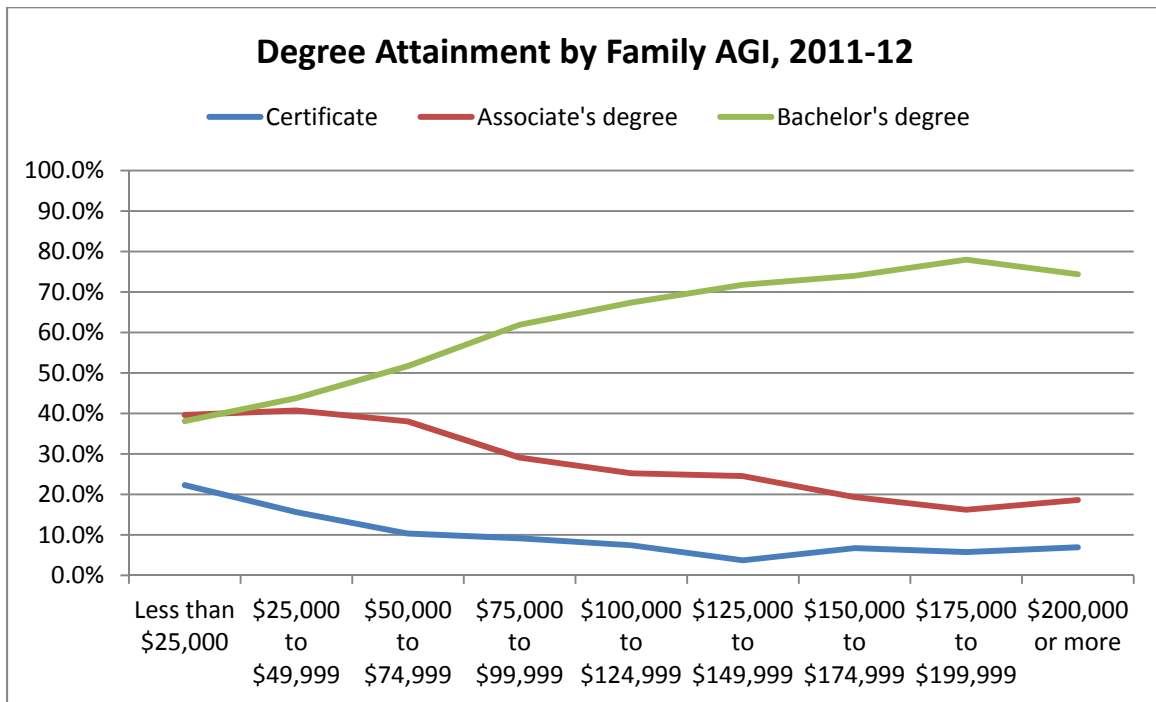
The burden of paying for college has shifted from the federal and state governments to families. Family income is flat, forcing students to either shift their enrollment from higher-cost colleges to lower-cost colleges or graduate with more debt. Low and moderate-income students are being priced out of a college education.

¹ Cuts in state appropriations are also responsible for increases in public college tuition.
² The NPSAS is a quadrennial study. The chart contains actual data in 1992-93, 1995-96, 1999-00, 2003-04, 2007-08 and 2011-12, highlighted in light blue.

The following chart, which is based on data from the 2011-12 National Postsecondary Student Aid Study (NPSAS), shows the distribution of enrollment by degree program according to family adjusted gross income (AGI).



The next chart, also based on 2011-12 NPSAS data, shows a similar distribution of degrees attained according to family AGI.



Education debt is unavoidable for most students.

- More than two-thirds (69.0%) of Bachelor’s degree recipients in 2011-2012 graduated with federal and private student loan debt. The average student loan debt at graduation was \$29,384 among the Bachelor’s degree recipients who graduated with student loan debt. The average student loan debt at graduation was \$20,265 if averaged among all Bachelor’s degree recipients, including those who graduated with no debt.
- Reports of cumulative education debt often omit data concerning parent education loans, such as the Federal Parent PLUS loan. About one sixth (15.5%) of Bachelor’s degree recipients benefited from Federal Parent PLUS loans during their undergraduate education. Including Federal Parent PLUS loans as part of total education debt increases the average total education debt at graduation to \$35,432 for Bachelor’s degree recipients who graduated with debt in 2011-2012 (\$24,510 if averaged among all Bachelor’s degree recipients, including those who graduated with no debt).
- Among students who applied for federal student aid, nearly seven-eighths (85.2%) of Bachelor’s degree recipients graduated with student loan debt in 2011-2012.
- Of students with family adjusted gross income (AGI) under \$50,000, 74.1% of Bachelor’s degree recipients graduated with student loan debt, compared with 67.7% of students with family AGI between \$50,000 and \$100,000 and 57.5% of students with family AGI of \$100,000 or more.

The following table shows the average amount of student loan debt per degree recipient graduating with student loan debt by type of college. Disaggregating the data by degree level and institution control is more meaningful and comparable than disaggregating the data by institution level and control, since each type of college may award Bachelor’s degrees, Associate’s degrees and Certificates in different proportions. For example, only 64% of the enrollment at for-profit colleges in 2011-12 was in Bachelor’s degree programs, compared with 90% at public 4-year colleges and 95% at non-profit 4-year colleges.

Degree Level and Institutional Control	Average Student Loan Debt	
	2011-12	2007-08
Bachelor’s Degree	\$29,384	\$23,228
Public	\$25,640	\$20,234
Non-Profit	\$32,308	\$27,700
For-Profit	\$40,038	\$31,416
Associate’s Degree	\$17,158	\$13,179
Public	\$13,970	\$10,533
Non-Profit	\$25,313	\$19,130
For-Profit	\$24,684	\$18,924
Certificate	\$13,280	\$11,077
Public	\$12,418	\$9,731
Non-Profit	\$15,824	\$15,251
For-Profit	\$13,322	\$11,265

Note that the 2007-08 figures may differ from previously reported figures, especially at private for-profit colleges, because of errors in the weights in the NPSAS database. The NPSAS data previously overstated the amount of debt and percentage borrowing at private for-profit colleges because the weights failed to adjust for significant annual enrollment growth at these institutions.

The next two tables show the percentage of students graduating with education debt and the average debt at graduation among those graduating with debt in 2011-2012 by degree level.

Debt at Graduation (Exclude Zeroes) Degree Level	Student Loans (%)	Student Loans (Average)	Parent Loans (%)	Parent Loans (Average)	Education Loans (%)	Education Loans (Average)
Certificate	66.3%	\$13,280	7.9%	\$8,897	66.4%	\$14,328
Associate's degree	49.8%	\$17,158	5.0%	\$14,834	50.0%	\$18,567
Bachelor's degree	69.0%	\$29,384	15.5%	\$27,352	69.2%	\$35,432
Public	64.1%	\$25,640	13.5%	\$20,464	64.2%	\$29,883
Non-Profit	73.5%	\$32,308	21.5%	\$37,125	73.9%	\$42,913
For-Profit	87.2%	\$40,038	10.9%	\$25,652	87.2%	\$43,237
All Undergraduate Students	61.6%	\$23,053	10.5%	\$22,990	61.8%	\$26,889

Debt at Graduation (Exclude Zeroes) Degree Level	Undergrad Student Loans (%)	Undergrad Student Loans (Average)	Grad Student Loans (%)	Grad Student Loans (Average)	Grad and Undergrad Student Loans (%)	Grad and Undergrad Student Loans (Average)
Master's degree	51.9%	\$27,058	60.2%	\$41,400	68.7%	\$56,661
MBA	41.9%	\$24,620	52.6%	\$38,579	60.3%	\$50,737
MSW	56.2%	\$28,391	75.7%	\$40,220	84.2%	\$55,113
Doctoral degree	35.7%	\$24,025	45.7%	\$71,636	55.1%	\$74,958
PhD	32.4%	\$21,173	36.9%	\$58,525	49.1%	\$57,964
EdD	50.6%	\$27,423	55.3%	\$42,525	63.0%	\$56,270
Professional degree	57.3%	\$31,566	85.3%	\$128,558	87.2%	\$146,466
Law (LLB or JD)	55.2%	\$27,704	86.1%	\$121,889	87.4%	\$137,527
Medicine (MD)	47.5%	\$32,728	84.3%	\$163,154	85.0%	\$180,109
Pharmacy	66.4%	\$37,909	85.8%	\$111,307	89.9%	\$134,132

Among those who applied for federal student aid, the percentage graduating with graduate and undergraduate debt increases to 96.4% for Master's degrees, 93.6% for Doctoral degrees and 98.5% for Professional degrees.

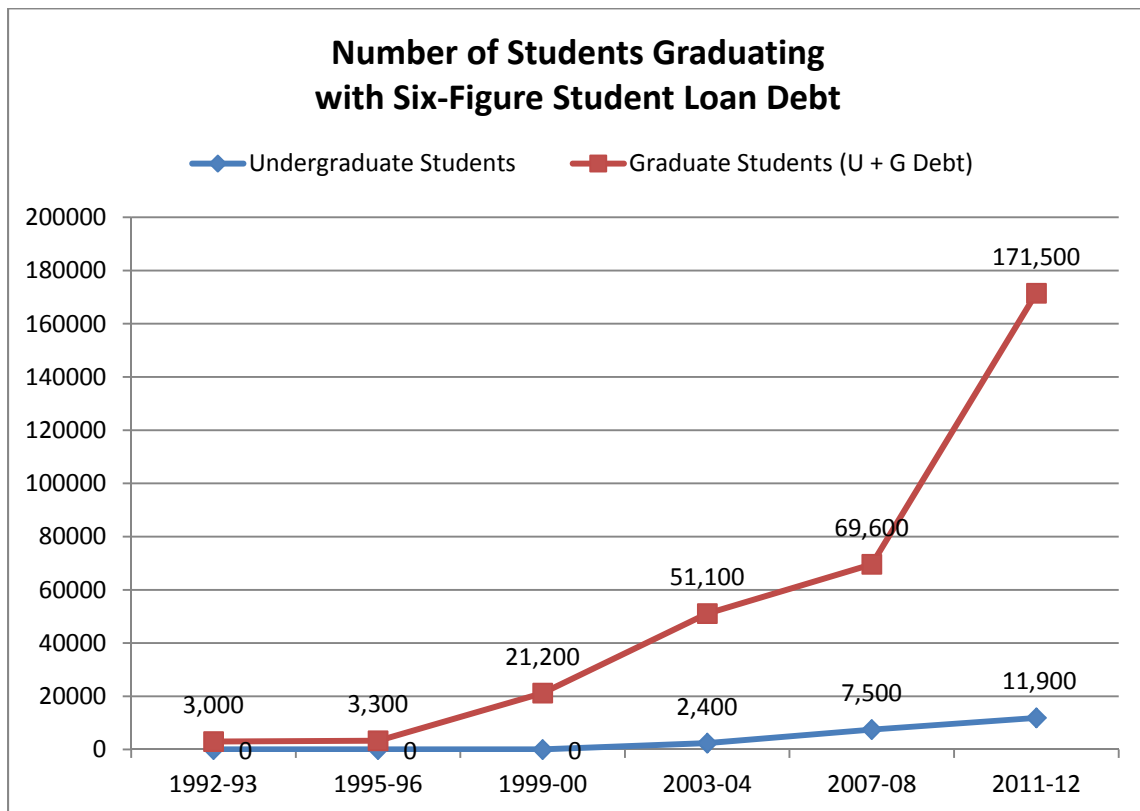
While undergraduate student loan debt at graduation increased at typical rates (i.e., more than \$1,000 per year), debt at graduation for graduate and professional school students has increased at much greater rates than previously, especially for professional degrees. For example, the average debt at graduation for law school graduates increased from \$93,336 in 2007-08 to \$137,527 in 2011-12 (\$11,048 per year) and the average debt at graduation for medical school graduates increased from \$127,017 to \$180,109 (\$13,273 per year).

Introduction of the Federal Grad PLUS loan in 2006 and the limited availability of gift aid to graduate and professional school students may have contributed to the growth in average debt at graduation for law school and medical school graduates.

Six-Figure Student Loan Debt

Contrary to conventional wisdom, most undergraduate students do not graduate with six-figure student loan debt. Less than 0.3% of undergraduate students graduate with \$100,000 or more in federal and private student loans. Of students who graduate with six-figure student loan debt, only 6.5% are undergraduate students.

The next chart demonstrates that most of the growth in the number of students graduating with six-figure student loan debt is among graduate and professional school students.



It is not possible for an undergraduate student to graduate with six-figure student loan debt without borrowing from private (non-federal) student loan programs. Private student loan debt is much less available than federal student loan debt. On the other hand, graduate and professional school students can graduate with six-figure student loan debt without relying on private student loans. Nevertheless, a significant number of graduate and professional students borrow from private student loan programs, despite the availability of the Federal Grad PLUS loan program. About half of graduate and professional school students who graduate with six-figure student loan debt borrowed from private student loan programs.

It is unusual for undergraduate students to graduate with even close to six-figure student loan debt. As the next table shows, Bachelor's degree recipients who graduate with more than \$49,000 in student loan debt are graduating with more debt than 90% of their peers.³

2011-2012 NPSAS Degree Program	Debt at Graduation among All Graduating Students (Percentile)				
	10 th	25 th	50 th	75 th	90 th
Bachelor's degree	\$0	\$0	\$16,874	\$31,782	\$49,000
Associate's degree	\$0	\$0	\$0	\$13,500	\$27,000
Certificate	\$0	\$0	\$7,056	\$13,000	\$20,000
All Undergraduate Students	\$0	\$0	\$7,575	\$23,933	\$40,000

Six-figure student loan debt is more common among graduate and professional students. About 15% of graduate and professional school students graduate with six-figure student loan debt, compared with only 0.3% of undergraduate students. Six-figure student loan debt is most common among law school and medical school graduates, where 58.9% and 68.3% of students graduate with six-figure student loan debt (including both undergraduate and graduate school loans).

This table shows the percentage of students graduating with six-figure student loan debt. It shows that there was significant growth in the percentage of law, medical and pharmacy students with six figure student loan debt from 2007-2008 to 2011-2012.

Degree Level	Percentage with Six-Figure Student Loan Debt	
	2011-2012	2007-2008
Undergraduate Students	0.3%	0.2%
Certificate	0.05%	0.01%
Associate's degree	0.04%	0.02%
Bachelor's degree	0.5%	0.3%
Graduate and Professional Students	15.1%	6.3%
Master's degree	8.7%	2.5%
MBA	4.0%	2.6%
MSW	6.3%	3.2%
Doctoral degree	17.6%	9.6%
PhD	9.7%	4.7%
EdD	35.1%	4.9%
Professional degree	62.6%	39.2%
Law (LLB or JD)	58.9%	36.6%
Medicine	68.3%	49.1%
Pharmacy (PharmD)	68.2%	28.8%

³ The percentage of undergraduate students with six-figure student loan debt increases slightly after graduation, partly due to interest accruing during extended periods of non-payment and partly due to borrowers with less debt paying off their loan balances. For example, the percentage of Bachelor's degree recipients with six-figure student loan debt increased to 0.8% from 0.5% one year after graduation, based on the 2009 follow-up to the 2008 Baccalaureate and Beyond (BB:09) longitudinal study.

How Much to Borrow

So what is a reasonable amount of debt at graduation?

A good rule of thumb is that undergraduate and graduate students should borrow no more for their entire education than their expected annual starting salary at graduation. Ideally, they should borrow a lot less. But, so long as total student loan debt is less than annual income, the student will be able to repay his or her loans in 10 years or less.

Students who graduate with more debt will struggle to repay their loans and may be forced to adopt an austere lifestyle. Students who graduate with too much debt tend to delay lifecycle events like buying a car, getting married, having children, purchasing a home, saving for retirement and saving for their children's college education. It's better to live like a student while in school than to be forced to live like a student after graduation.

Students whose debt exceeds their annual income may need an alternate repayment plan, like extended repayment or income-based repayment, to afford the monthly student loan payments. Two-fifths (40.3%) of Bachelor's degree recipients in 2011-2012 had more than \$20,000 in federal student loan debt, making them eligible for a 20-year or longer repayment term. This compares with less than a quarter (22.7%) in 2007-2008. (When private student loans are included, the figures are 46.2% and 34.0%, respectively.) Although not everybody who is eligible for a 20-year repayment term chooses to stretch out the term of their loans, the average repayment term is a potential indicator of financial stress. Longer repayment terms may cause cascading effects on the next generation. Borrowers who choose a 20-year or longer repayment plan will still be repaying their own student loans when their children enroll in college, making them less likely to have saved for their children's college education and less willing to borrow to help their children pay for school.