

# HOW AMERICA PAYS FOR COLLEGE 2012

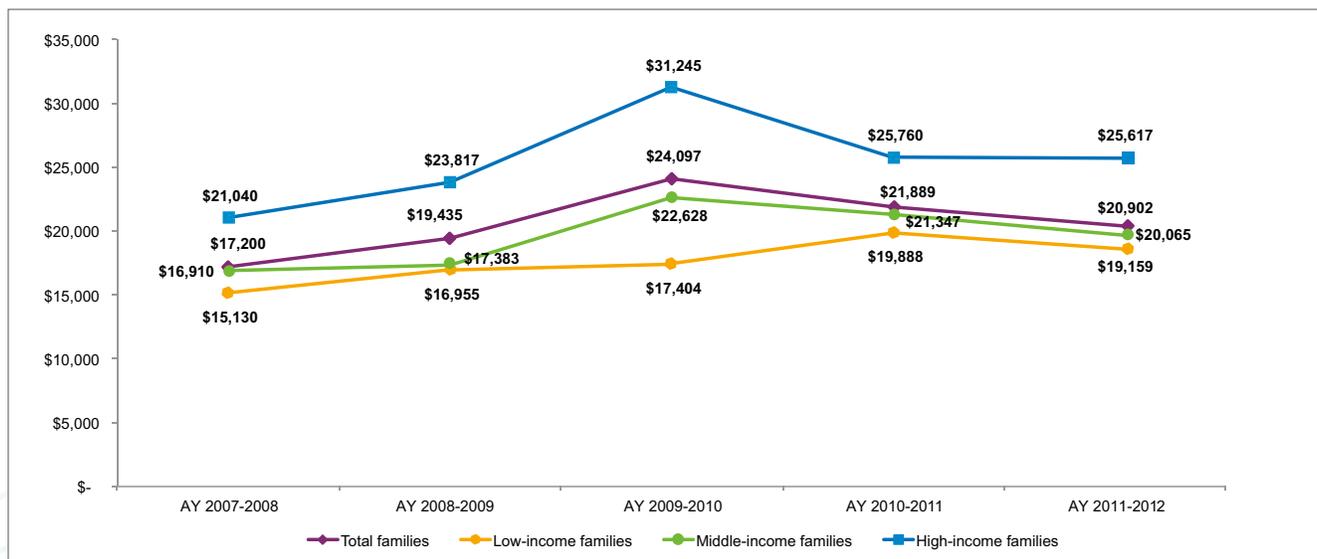
Sallie Mae's National Study of College Students and Parents  
Conducted by Ipsos Public Affairs



## OVERVIEW OF FINDINGS

Sallie Mae® has conducted *How America Pays for College* annually since 2008, providing information about the resources American families invest in an undergraduate college education. This study focuses particularly on the planning and payment behaviors in a given academic year. Unlike other studies which focus solely on education specific sources of funding, this study assesses all of the resources families use. This comprehensive point of view illustrates the shared responsibility Americans have in paying for college, both within and outside of the families with a student attending college.

FIGURE 1 — AVERAGE AMOUNT PAID FOR COLLEGE,<sup>1</sup> YEAR-OVER-YEAR, BY INCOME LEVEL



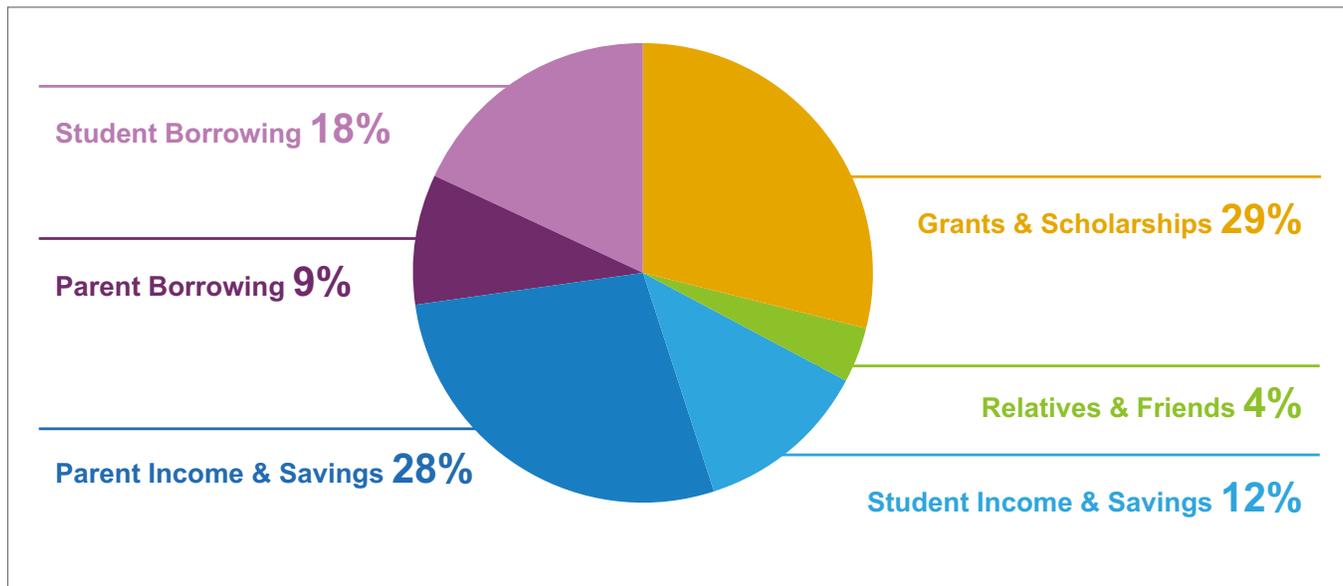
*How America Pays for College*, the 2012 study conducted by Ipsos Public Affairs for Sallie Mae, demonstrates that the dramatic post-recession decline in American families' spending on college first seen in 2011 has continued in 2012.

The nationally representative survey of 1,600 dependent undergraduate college students and parents reveals that the average amount families spent on college declined by 5 percent in 2012. American families reported taking more cost-saving measures and more families report making their college decisions based

on the cost they can afford to pay. Parents have led the decline in spending on college education, funding 28 percent of college costs from their savings and income in academic year 2011-2012. Two years ago, parents reached deeply into their pockets to meet the higher costs of college. However, this level of spending proved unsustainable. This year, parents cut the amount contributed through savings and income substantially, by 11 percent from last year, and by 32 percent from two years ago. Specifically, they have reduced the amount contributed from their current income by 4 percent, and from savings by 22 percent since 2011.

<sup>1</sup> The total amount paid represents the sum of the itemized sources that families used to pay for college averaged across all families, including grants and scholarships, contributions from income and savings, assistance from friends and family, and borrowing. See full report, tables 11a-d and 12a-d.

FIGURE 2 — HOW THE TYPICAL FAMILY PAYS FOR COLLEGE: PERCENT OF TOTAL COST OF ATTENDANCE PAID FROM EACH SOURCE 2011-2012



Another major decline in contributions came from colleges themselves — the primary donors of scholarship money — with the proportion of families receiving scholarships down to 35 percent in 2012 from 45 percent in 2011. In 2011, families had reported a surge of grants and scholarships, especially among middle-income families, offsetting the decline in parent contributions. Similar to the 2010 surge in parent contributions, the higher levels of scholarships proved unsustainable, suggesting that colleges, too, are feeling the impacts of a difficult economic climate, constraints on endowments, and tighter budgets.

Grants and scholarships still fund a higher share of college costs than they did in 2009 and 2010 but the 29 percent share is lower than last year's one-third share.

To offset the shortfall from diminishing parent savings and income contributions, students funded a higher share of college costs than in previous years, paying 18 percent of the costs through borrowing and 12 percent from income and savings. The increase in borrowing comes from an increase in the use of federal loans. This was particularly the case in high-income families, with 27 percent of high-income students using federal loans in 2012, compared with 19 percent in 2011.

In 2012, families demonstrated increasing cost consciousness in their approaches to paying for college. This year's survey confirms the movement to lower-cost schools initially seen in 2011. Furthermore, families increasingly rejected schools based on cost earlier in the application process. To cut costs, more than half of students lived at home while they attended college this year, up nearly 9 percent from last year. Most families also reported cutting personal spending or working longer hours to meet the costs of college.

This year, the *How America Pays for College* study explores more deeply how families make decisions about choosing and paying for college. Decision-making about which college to attend and how to pay is not a collaborative process in most families. Instead, responsibility tends to lie solely with either the parent or the student. Students from low-income families have much greater decision-making power than their high-income counterparts.

Despite families seeking lower prices and greater value in their college choices, financial planning for the payment of college expenses remains low — just 39 percent of families had a plan for paying for college before enrollment.<sup>2</sup> This differs markedly by income group, with high-income families, unsurprisingly, more likely to have had a plan than low-income families.

Access the complete "How America Pays for College 2012" report and related infographic at [www.SallieMae.com/HowAmericaPays](http://www.SallieMae.com/HowAmericaPays).

<sup>2</sup> In its forthcoming study, *How America Saves for College*, Sallie Mae will explore the planning and savings habits of parents of children ages 18 and under.