

Who Borrows Most?

Bachelor's Degree Recipients with High Levels of Student Debt

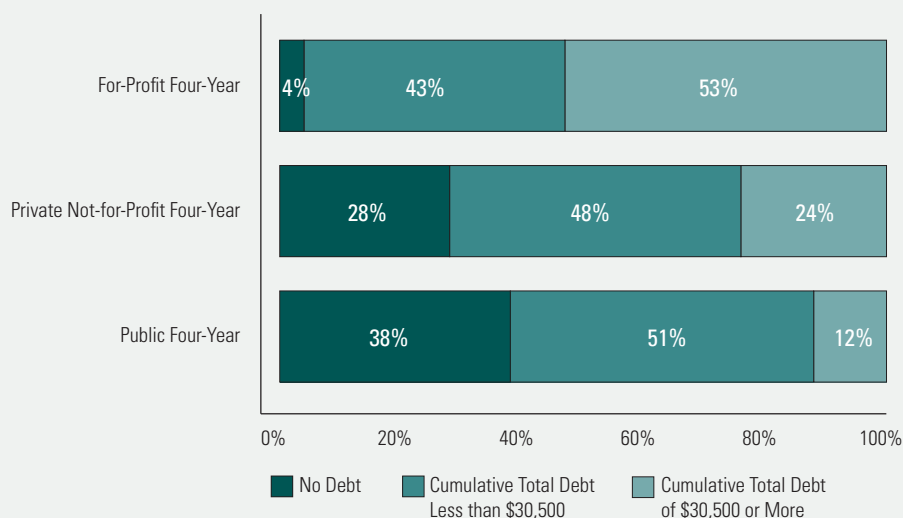
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Many discussions of student loan debt are clouded by a failure to distinguish between typical students and the growing minority who borrow amounts and types of loans that are likely to cause them repayment difficulties. This policy brief focuses on the 17% of 2007-08 bachelor's degree recipients who graduated with more than \$30,500¹ in education debt.

High debt levels are not necessarily an indicator of repayment problems. Many students with relatively low debt struggle with weak earnings, and we know that failure to complete a degree or certificate program is the most consistent predictor of student loan default.² Some individuals with high debt levels, particularly those with advanced degrees, have high enough earnings to support that debt, but others do face severe hardships. The study of these populations deserves future study.

Our examination of the characteristics of the undergraduate students whose debt levels are largest highlights one category of borrowers who may be at risk. The data in this report describe the prevalence of high debt levels among bachelor's degree recipients by sector, race/ethnicity, dependency status and income. As Figure 1 shows, high debt levels are most common in the for-profit sector.

FIGURE 1: Cumulative Education Loan Debt for Bachelor's Degree Recipients by Sector, 2007-08



Source: *National Postsecondary Student Aid Study (NPSAS)*, 2007–2008.

Note: Loan debt includes total undergraduate student loans (excluding PLUS Loans, credit cards or home equity loans).

There is an urgent need for strengthening postsecondary financing policies and for better guidance and improved financial literacy for students before they borrow to finance their postsecondary education. The new federal income-based repayment option promises to significantly reduce hardship for many students who have previously struggled to meet their repayment responsibilities. This program does not, however, apply to the nonfederal loans taken by many students with high debt levels.

1. Total loan debt of \$30,500 or more represents undergraduate bachelor's degree recipients in the 75th percentile of all graduates who completed their degrees with debt.

2. See, e.g., Texas Guaranteed Student Loan Corporation (2010), *Student Loan Defaults in Texas: Yesterday, Today, and Tomorrow*. http://www.tgslc.org/publications/reports/defaults_texas/ins_four.cfm; L. L. Greene, "An Economic Analysis of Student Loan Default," *Educational Evaluation and Policy Analysis* 11, 1 (1989): 61-68; L. G. Knapp and T. G. Seaks, "An Analysis of the Probability of Default on Federally Guaranteed Student Loans." *Review of Economics and Statistics* 74, 3 (1992): 404-411; M. Podgursky, M. Ehlert, R. Monroe, and R. Watson, "Student Loan Defaults and Enrollment Persistence" (paper presented at the Seventeenth Annual Student Financial Aid Research Network Conference, St. Louis, June 2000); Jennie H. Woo, "Factors Affecting the Probability of Default: Student Loans in California," *Journal of Student Financial Aid* 32, 2 (2002): 5-25.

Debt Levels for Undergraduates

Table 1 reports both the distribution of student debt levels among all bachelor's degree recipients and the distribution when only those who borrowed are included. Ten percent of bachelor's degree recipients graduated with \$39,300 or more in education debt, and a quarter graduated with at least \$24,600. Among the two-thirds with debt, 25% borrowed \$30,500 or more. While debt levels are lower for associate degree and certificate earners, their expected earnings are also much lower, so it is reasonable to define high debt separately for each group. The 10% of associate degree recipients who graduated with over \$20,400 in debt may be at least as vulnerable as the bachelor's degree recipients with twice as much debt.

TABLE 1: Distribution of Undergraduate Student Loan Debt Levels by Type of Credential, 2007-08

Undergraduate Degree Program	Percentiles of Undergraduate Degree and Certificate Recipients				
	10th %	25th %	50th %	75th %	90th %
Certificate	\$0	\$0	\$5,000	\$11,100	\$18,000
Associate Degree	\$0	\$0	\$0	\$9,600	\$20,400
Bachelor's Degree	\$0	\$0	\$11,000	\$24,600	\$39,300
All Degree and Certificate Recipients	\$0	\$0	\$5,000	\$18,000	\$30,900

Undergraduate Degree Program	Percentiles of Undergraduate Degree and Certificate Recipients with Student Debt					
	10th %	25th %	50th %	75th %	90th %	No Debt
Certificate	\$2,900	\$5,500	\$9,000	\$14,500	\$22,300	37%
Associate Degree	\$2,600	\$4,700	\$10,000	\$19,100	\$29,400	52%
Bachelor's Degree	\$5,500	\$11,000	\$20,000	\$30,500	\$44,500	34%
All Degree and Certificate Recipients	\$3,500	\$7,500	\$15,100	\$25,200	\$38,900	41%

Source: National Postsecondary Student Aid Study (NPSAS), 2007–2008.

Note: Loan debt includes total undergraduate student loans (excluding PLUS Loans, credit cards or home equity loans).

It is important to put these borrowers with high debt levels into context. Over half of all associate degree recipients and one-third of all bachelor's degree recipients did not have any education debt. The problem is not that all students are borrowing too much. Rather it is that it is difficult to accurately predict future earnings, and many young people have a limited understanding of the impact of the obligations they are undertaking. Too many students are borrowing more than they are likely to be able to manage.

Bachelor's degree recipients have significantly higher levels of nonfederal debt than do other graduates, with 33% relying on nonfederal loans at some point in their undergraduate careers, and those borrowers averaging \$12,600 in nonfederal loans when they graduate. The data in Table 2 reveal that within each degree and certificate category, nonfederal borrowing is most widespread in the for-profit sector, where over half of all 2007-08 graduates in each credential category had relied on this form of financing. Among for-profit bachelor's degree recipients, 65% of borrowers had an average of \$11,300 in nonfederal debt in addition to their federal student loans. The 42% of bachelor's degree recipients who attended private not-for-profit institutions and took out nonfederal loans borrowed more on average — \$16,900. On a per-student basis, average nonfederal borrowing in the two sectors, both of which have higher tuition and fees than public institutions, is similar.

TABLE 2: Average Nonfederal Student Loan Debt per Borrower (with Percentage Borrowing) and per Graduate, by Sector and Certificate/Degree Type, 2007-08

	Average Nonfederal Loan per Borrower (Percent Borrowing)					Average Nonfederal Loan per Student				
	All Sectors	Public Four-Year	Private Not-for-Profit Four-Year	Public Two-Year	For-Profit	All Sectors	Public Four-Year	Private Not-for-Profit Four-Year	Public Two-Year	For-Profit
Certificate	\$5,900 (34%)	--	--	\$4,500 (12%)	\$6,000 (51%)	\$2,000	--	--	\$500	\$3,100
Associate Degree	\$7,000 (22%)	--	--	\$5,800 (15%)	\$8,400 (60%)	\$1,600	--	--	\$900	\$5,000
Bachelor's Degree	\$12,600 (33%)	\$9,800 (28%)	\$16,900 (42%)	--	\$11,300 (65%)	\$4,200	\$2,700	\$7,100	--	\$7,300

Source: National Postsecondary Student Aid Study (NPSAS), 2007–2008.

Note: Loan debt includes total undergraduate student loans (excluding PLUS Loans, credit cards or home equity loans).

Bachelor's Degree Recipients with High Debt Levels

Because bachelor's degree recipients are more likely than other degree and certificate recipients to borrow, and because they have higher debt levels, we focus here on bachelor's degree recipients in the top 25% of borrowers (representing 17% of all bachelor's degree recipients) who have borrowed at least \$30,500 by the time they graduate. Our analysis includes both high total debt levels and high nonfederal loans, because students with higher proportions of debt from nonfederal sources are more likely to face repayment difficulties.

Table 3 shows that high undergraduate debt levels are much more common among independent students, among whom 24% graduated with at least \$30,500 of debt in 2007-08, than among dependent students. Among dependent students, those from families with annual incomes of \$100,000 or higher are less likely than others to graduate with high levels of debt. Married independent students without dependents are less likely than other independent students to borrow and also less likely to graduate with high debt. Those with dependents are no more likely than unmarried students with no dependents to borrow large amounts.

TABLE 3: Bachelor's Degree Recipients: Undergraduate Student Loan Debt Levels by Parent Income and Dependency, 2007-08

	No Debt	Cumulative Total Debt Less than \$30,500	Cumulative Total Debt of \$30,500 or More
ALL BACHELOR'S DEGREE RECIPIENTS	34%	50%	17%
Dependent Bachelor's Degree Recipients by Parent Income	39%	50%	12%
Less than \$30,000	27%	61%	13%
\$30,000 to \$59,999	25%	61%	14%
\$60,000 to \$99,999	36%	52%	12%
\$100,000 or More	52%	39%	9%
Independent Bachelor's Degree Recipients	27%	49%	24%
Independent, no dependents, unmarried	24%	52%	25%
Independent, no dependents, married	35%	47%	18%
Independent, with dependents	28%	47%	25%
BY SECTOR			
Public Four-Year Bachelor's Degree Recipients	38%	51%	12%
Dependent	42%	51%	7%
Independent	31%	50%	19%
Private Not-for-Profit Four-Year Bachelor's Degree Recipients	28%	48%	24%
Dependent	30%	48%	22%
Independent	24%	48%	28%
For-Profit Four-Year Bachelor's Degree Recipients	4%	43%	53%
Dependent	0%	50%	49%
Independent	4%	42%	53%

Source: National Postsecondary Student Aid Study (NPSAS), 2007–2008.

Note: Loan debt includes total undergraduate student loans (excluding PLUS Loans, credit cards or home equity loans).

Independent students are able to borrow significantly more than dependent students³ through the federal Stafford Loan program, but the distribution of students across sectors has a large impact on debt levels. Eight percent of independent graduates received their degrees in the for-profit sector, compared to just 1% of dependent students. Overall, the frequency of high debt is twice as high among independent students as among dependent students. However, the gaps are smaller within sectors for bachelor's degree recipients.

High Debt Levels by Income

The distribution of debt levels by family income level is of great importance because students from low-income backgrounds are likely to face greater financial difficulties than more affluent students with similar debt levels and educational attainment.⁴ The data in Table 4 indicate that among bachelor's degree recipients, independent students — who are disproportionately likely to come from lower-income families⁵ — are most likely to have high debt levels, but among dependent students, debt levels are not correlated with family income.

3. For example, as of July 1, 2008, first-year dependent undergraduate students may borrow up to \$5,500, and independent students may borrow up to \$9,500. After the first year of study, dependent students may borrow \$6,500, and independent students may borrow \$10,500. After two years, dependent students may borrow \$7,500, and independent students may borrow \$12,500.

4. Sandy Baum and Marie O'Malley, "College on Credit: How Borrowers Perceive their Education Debt," 2003. http://www.nelliemae.org/library/nasls_2002.pdf

5. College enrollment rates for recent high school graduates are correlated with family incomes. Students from lower-income families are more likely to enroll at older ages and, therefore, to be classified as independent students.

TABLE 4: Frequency of High Bachelor's Degree Recipient Student Loan Debt by Sector, Dependency Status and Parent Income, 2007-08

	No Debt	Less than \$30,500	\$30,500 or More
Public Four-Year	38%	51%	12%
Dependent Students by Parent Income			
Less than \$30,000	31%	62%	7%
\$30,000 to \$59,999	29%	62%	9%
\$60,000 to \$99,999	40%	53%	7%
\$100,000 or More	55%	40%	5%
Independent Students	31%	50%	19%
Private Not-for-Profit Four-Year	28%	48%	24%
Dependent Students by Parent Income			
Less than \$30,000	15%	60%	25%
\$30,000 to \$59,999	15%	57%	28%
\$60,000 to \$99,999	25%	50%	24%
\$100,000 or More	44%	40%	16%
Independent Students	24%	48%	28%
For-Profit	4%	43%	53%
Dependent Students by Parent Income			
Less than \$30,000	0%	47%	52%
\$30,000 to \$59,999	0%	63%	37%
\$60,000 to \$99,999	1%	34%	64%
\$100,000 or More	0%	47%	52%
Independent Students	4%	42%	53%

Source: National Postsecondary Student Aid Study (NPSAS), 2007–2008.

Note: Loan debt includes total undergraduate student loans (excluding PLUS Loans, credit cards or home equity loans).

Comparing graduates by sector, much higher proportions of for-profit bachelor's degree recipients at all income levels had education debt of \$30,500 or higher. Among dependent students in this sector from families with incomes between \$60,000 and \$99,999, 64% graduated with high debt. Among those from families with incomes from \$30,000 to \$59,999, 37% had high debt. In the other family income categories and among independent students, about half of for-profit bachelor's degree recipients borrowed at this level.⁶

Among graduates of private not-for-profit four-year colleges, 24% to 28% of independent students and of dependent students in all income brackets below \$100,000 have debt of at least \$30,500.

In no sector is it the case that the lowest-income students are most likely to graduate with high debt. The differences are very small, but in the public and private four-year sectors, slightly more students from families with incomes between \$30,000 and \$59,999 have high debt, and in the for-profit sector, upper-middle-income students have higher debt.

In the public four-year sector, it is among independent students that high debt levels are most common. Nineteen percent of these students graduated with more than \$30,500 in debt, while among dependent students, the highest frequency is 9% among students from families with incomes between \$30,000 and \$59,999.

Overall, these data indicate that debt levels are not closely correlated with family income for dependent students, and that middle-income students are somewhat more likely than lower-income students to accumulate high debt levels.

6. Sample sizes for the for-profit sector are small, so these figures should be interpreted with caution.

High Debt Levels by Race/Ethnicity

Table 5 shows that high debt levels are more prevalent among black bachelor's degree recipients than among those from other racial/ethnic groups, and these differences are not entirely explained by differences in family income levels. Twenty-seven percent of 2007-08 black bachelor's degree recipients borrowed \$30,500 or more, compared to 16% of whites, 14% of Hispanics/Latinos, and 9% of Asians. Independent students within each racial/ethnic group are more likely than dependent students to have high debt. White and black dependent students from families with incomes of \$100,000 or more are less likely than those from lower-income families to have high debt, and high debt is slightly more common among those from families with incomes between \$30,000 and \$59,999 than among those with higher and lower incomes. Differences among income groups are smaller for Hispanic/Latino and Asian bachelor's degree recipients.

TABLE 5: Frequency of High Bachelor's Degree Student Loan Debt by Race, Dependency Status and Parent Income, 2007-08

	No Debt	Cumulative Total Debt Less than \$30,500	Cumulative Total Debt of \$30,500 or More
WHITE	36%	48%	16%
Dependent Students by Parent Income			
Less than \$30,000	26%	60%	14%
\$30,000 to \$59,999	24%	60%	16%
\$60,000 to \$99,999	36%	51%	13%
\$100,000 or More	52%	39%	9%
Independent Students	29%	48%	23%
BLACK	19%	54%	27%
Dependent Students by Parent Income			
Less than \$30,000	16%	66%	19%
\$30,000 to \$59,999	17%	62%	21%
\$60,000 to \$99,999	24%	60%	16%
\$100,000 or More	42%	47%	11%
Independent Students	16%	49%	34%
HISPANIC/LATINO	33%	53%	14%
Dependent Students by Parent Income			
Less than \$30,000	33%	59%	8%
\$30,000 to \$59,999	28%	64%	7%
\$60,000 to \$99,999	34%	56%	10%
\$100,000 or More	47%	43%	10%
Independent Students	30%	51%	19%
ASIAN	40%	51%	9%
Dependent Students by Parent Income			
Less than \$30,000	37%	60%	3%
\$30,000 to \$59,999	37%	57%	6%
\$60,000 to \$99,999	41%	54%	5%
\$100,000 or More	61%	33%	5%
Independent Students	32%	52%	16%

Source: National Postsecondary Student Aid Study (NPSAS), 2007–2008.

Note: Loan debt includes total undergraduate student loans (excluding PLUS Loans, credit cards or home equity loans).

TRENDS IN HIGHER EDUCATION SERIES

Table 6 breaks down graduates by income levels within racial/ethnic groups. The percentage of black graduates with high debt is highest and the percentage of Asian students with high debt is lowest within each income bracket.

Breaking down the data on these groups of students by sector carries the risk of creating very small sample sizes and making the data less reliable. The percentages for students in the for-profit sector are particularly problematic because of the relatively small number of students in that sector. That said, the results present a clear, if imprecise, picture. Within each group of students, those who earned their degrees in the for-profit sector are far more likely to have accumulated more than \$30,500 in debt. For example, 52% of white bachelor's degree recipients in the for-profit sector had high debt, compared to 11% of public four-year and 23% of private not-for-profit four-year graduates. Among dependent students from the lowest-income backgrounds, three-quarters of white students with for-profit bachelor's degrees borrowed at least \$30,500, compared to one-quarter of those from private not-for-profit colleges.

TABLE 6: Percentages of Bachelor's Degree Recipients with High Student Loan Debt, by Racial/Ethnic Group and Parent Income, 2007-08

	Public Four-Year	Private Four-Year	For-Profit	All Bachelor's Degrees
WHITE	11%	23%	52%	16%
Dependent Students by Parent Income				
Less than \$30,000	8%	26%	73%	14%
\$30,000 to \$59,999	9%	32%	48%	16%
\$60,000 to \$99,999	8%	25%	64%	13%
\$100,000 or More	5%	16%	71%	9%
Independent Students	19%	25%	50%	23%
BLACK	23%	33%	51%	27%
Dependent Students by Parent Income				
Less than \$30,000	16%	30%	34%	19%
\$30,000 to \$59,999	16%	41%	-	21%
\$60,000 to \$99,999	11%	26%	-	16%
\$100,000 or More	6%	22%	-	11%
Independent Students	32%	35%	52%	34%
HISPANIC/LATINO	8%	22%	52%	14%
Dependent Students by Parent Income				
Less than \$30,000	1%	22%	43%	8%
\$30,000 to \$59,999	4%	13%	-	7%
\$60,000 to \$99,999	4%	25%	-	10%
\$100,000 or More	2%	23%	-	10%
Independent Students	12%	25%	57%	19%
ASIAN	3%	18%	52%	9%
Dependent Students by Parent Income				
Less than \$30,000	1%	14%	-	3%
\$30,000 to \$59,999	3%	16%	-	6%
\$60,000 to \$99,999	3%	11%	-	5%
\$100,000 or More	1%	14%	-	5%
Independent Students	6%	35%	57%	16%

Source: National Postsecondary Student Aid Study (NPSAS), 2007-2008.

Note: Loan debt includes total undergraduate student loans (excluding PLUS Loans, credit cards or home equity loans).

- Indicates small sample size.

Among the lowest-income black bachelor's degree recipients, the 34% of graduates with high debt from for-profit institutions is only slightly higher than the 30% of graduates from private not-for-profit institutions with high debt. The Hispanic/Latino debt pattern is more similar to that of whites, with 43% of graduates from for-profit institutions, compared to 22% of graduates from private not-for-profit institutions, having high debt. Among independent students in each racial/ethnic category, high debt levels are much more prevalent among bachelor's degree recipients from for-profit institutions than among those from not-for-profit institutions.

Private Nonfederal Loan Borrowing Patterns Among High-Debt Bachelor's Degree Recipients

Because of federal Stafford Loan limits, it is not surprising that the majority of high-debt graduates have both federal and nonfederal loans. However, the loan sources vary among different groups of high-debt graduates. Table 7 examines these borrowing patterns, first comparing dependent and independent students who have total debt exceeding \$30,500, and then breaking down the data on dependent students by sector, family income and race/ethnicity.

TABLE 7: Federal and Nonfederal Student Loan Debt Among High-Debt Bachelor's Degree Recipients, by Dependency Status and by Sector, Parent Income and Race/Ethnicity, 2007-08

	Average Debt per Student	Average Federal Debt per Federal Borrower (% Borrowing)	Average Federal Debt per Student	Average Nonfederal Debt per Nonfederal Borrower (% Borrowing)	Average Nonfederal Debt per Student	Percent of Debt Nonfederal
Total High-Debt Borrowers	\$45,700	\$29,400 (98%)	\$28,700	\$23,400 (73%)	\$17,000	37%
Dependent	\$49,900	\$20,900 (96%)	\$20,100	\$32,500 (92%)	\$29,800	60%
Independent	\$42,800	\$35,000 (99%)	\$34,500	\$13,800 (59%)	\$8,200	19%
Dependent High-Debt Borrowers						
SECTOR						
Public Four-Year	\$45,100	\$22,300 (95%)	\$21,200	\$28,100 (85%)	\$23,900	53%
Private Not-for-Profit Four-Year	\$53,200	\$20,100 (97%)	\$19,500	\$35,100 (96%)	\$33,700	63%
For-Profit	\$47,600	\$21,000 (93%)	\$19,500	\$29,000 (97%)	\$28,100	59%
PARENT INCOME						
Less than \$30,000	\$43,000	\$27,700 (97%)	\$26,800	\$21,200 (76%)	\$16,100	37%
\$30,000 to \$59,999	\$49,500	\$23,900 (99%)	\$23,600	\$29,800 (87%)	\$25,900	52%
\$60,000 to \$99,999	\$49,600	\$19,000 (95%)	\$18,100	\$32,700 (96%)	\$31,500	64%
\$100,000 or More	\$53,900	\$17,100 (94%)	\$16,200	\$38,400 (98%)	\$37,700	70%
RACE/ETHNICITY						
White	\$50,400	\$19,400 (96%)	\$18,600	\$33,700 (94%)	\$31,800	63%
Black	\$46,200	\$30,500 (98%)	\$30,000	\$22,300 (73%)	\$16,200	35%
Hispanic/Latino	\$49,700	\$23,700 (94%)	\$22,400	\$30,800 (89%)	\$27,300	55%
Asian	\$49,600	\$18,300 (88%)	\$16,100	\$34,700 (97%)	\$33,500	68%

Source: National Postsecondary Student Aid Study (NPSAS), 2007–2008.

Note: Loan debt includes total undergraduate student loans (excluding PLUS Loans, credit cards or home equity loans).

Not surprisingly, the vast majority of high-debt graduates have federal loans. There is reason to be concerned, however, about those who do not have federal loans, because they have borrowed exclusively nonfederal loans with less favorable terms. The highest incidence of this pattern is among Asian students, 12% of whom have no federal loans and among whom 68% of the debt of those who borrowed more than \$30,500 is from nonfederal sources. Dependent white and Asian bachelor's degree recipients have higher average nonfederal debt than do blacks and Hispanics/Latinos. It is important to remember that these figures do not represent the proportion of all student debt among these demographic groups that is nonfederal, but only the proportion among high-debt graduates. The highest concentration of nonfederal debt is among dependent students from families with incomes of \$100,000 or higher, for whom 70% of the debt is nonfederal. It is quite likely that many of these families never apply for federal financial aid so are not offered federal student loans. This high-income group also has the highest average nonfederal debt per student — \$37,700. Both average nonfederal debt per student and average nonfederal debt per borrower decline as family income declines.

Parent Loans

In addition to student loans, many families rely on the federal Parents Loans for Undergraduate Students (PLUS) Loan program. While we cannot document home equity loans or other sources of credit for parents, we can supplement information on student loans with data on PLUS borrowing.

Higher-income parents of bachelor's degree recipients are more likely than those with incomes below \$60,000 to take out PLUS Loans, and borrow more when they do. Thirty percent of the lowest-income parents borrowed an average of \$22,400 in PLUS Loans, while 47% of those with incomes of \$100,000 or higher borrowed an average of \$41,500. It is important to note that these PLUS amounts are not included in the determination of this high-student-debt group. All of these students borrowed at least \$30,500 in addition to their parents' loans.

TABLE 8: Federal PLUS Loans for Parents of High-Debt Bachelor's Degree Recipients, 2007-08

	Average Federal PLUS Debt per Student	Average Federal PLUS Debt per Federal Borrower (% Borrowing)
Total	\$12,900	\$30,900 (42%)
SECTOR		
Public Four-Year	\$10,700	\$26,100 (41%)
Private Not-for-Profit Four-Year	\$14,400	\$33,700 (43%)
For-Profit	\$17,200	\$30,000 (57%)
PARENT INCOME		
Less than \$30,000	\$6,600	\$22,400 (30%)
\$30,000 to \$59,999	\$7,500	\$20,600 (36%)
\$60,000 to \$99,999	\$13,600	\$29,300 (46%)
\$100,000 or More	\$19,500	\$41,500 (47%)

Source: National Postsecondary Student Aid Study (NPSAS), 2007–2008.

Conclusion

Borrowing for college is a wise investment for most students, but it is difficult for students to estimate in advance how much they will be able to comfortably repay after they graduate. Too many students are among the minority who borrow amounts that are likely to cause them difficulties, particularly if their earnings are either below average or unusually uneven over time. Data from the *National Postsecondary Student Aid Study* provide a description of who the students in this high-risk category are.

Among 2007-08 bachelor's degree recipients, about two-thirds graduated with student debt. Among these, 25% had borrowed \$30,500 or more. In other words, about 17% of all four-year college graduates were in this high-debt category. The frequency of high debt is higher among independent than among dependent students. Among dependent students, high debt levels are not correlated with family income, but middle-income students from each sector are somewhat more likely than either lower- or higher-income students to have accumulated as much as \$30,500 in debt. Students who graduated from for-profit institutions are much more likely than similar students in other sectors to have high debt levels, and high debt is more common among black bachelor's degree recipients than among those from other racial/ethnic groups.

Nonfederal borrowing is riskier than federal borrowing because it does not come with the same repayment protections and because nonfederal loans generally carry higher interest rates. Asian students are more likely than others to rely on nonfederal borrowing. Private loans are most prevalent among students from families with incomes of \$100,000 or higher, and lower private loan amounts are associated with lower family incomes. The same pattern is observed in parent borrowing under the PLUS program.

In order to encourage students who must rely on loans to finance their postsecondary education to make appropriate investments in their future, it is vital that policies be designed to protect students from unmanageable debt to the extent possible. Strong income-based repayment is important as a supplement to moderating price increases and increasing the generosity of need-based financial aid. While it is encouraging that it is not students from the lowest-income families who are borrowing most, the data reported here make it clear that students need better information about the postsecondary choices available to them and about responsible borrowing. They need this information before they incur amounts of debt that put them at great risk of future financial insecurity.

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