Journal of Student Financial Aid

Volume 28 | Issue 3 Article 1

12-1-1998

Life After Debt: Results of the National Student Loan Survey Selected Text From the Final Report

Sandy Baum

Diane Saunders

Life After Debt: Results of the National Student Loan Survey

Selected Text From the Final Report

By Sandy Baum and Diane Saunders

Sandy Baum is Professor of Economics at Skidmore College. Diane Saunders is Vice President Public Affairs at Nellie Mae.

Popular opinion holds that education debt significantly affects borrower decisions. The assumption is that indebtedness may cause borrowers to drop out of college, cancel plans for graduate school, or change career plans. Former students might delay the purchase of a home or car, postpone plans for marriage or a family, or live with parents after graduating because of their repayment options. To test this hypothesis, Nellie Mae, a student loan originator and secondary market for federal and private education loans, conducted the National Student Loan Survey (NASLS). The objective of the NASLS was to determine both indebtedness levels for all education loans (federal and private) and the effect that debt has on decision making, lifestyles and consumer behavior.

Because Nellie Mae also conducted similar surveys in 1987 and 1991, there are comparative data that track changes in both borrower attitudes and behavior. While the 1997 study shows significant increases in borrowers reporting that they delayed decisions and activities, the evidence does not support the idea that debt levels affect major life decisions. Rather, these decisions are determined by age, income, marital status, or possibly factors not gathered through this type of survey.

Nonetheless, average student debt levels have risen dramatically, and some students are using greater proportions of their incomes for the monthly student loan payment than is considered reasonable by most financial standards.

A majority of borrowers report that student loans provided critical access to higher education. For the most part, borrowers are satisfied with the education they received and feel that their investment, through loans, was worth it both for personal growth and for career preparation.

Survey Background

The results discussed here are based on the 1,098 usable responses to a survey sent to 2,500 borrowers whose loans are owned by Nellie Mae and serviced at USA Loan Services. The survey response rate was just under 50% after discarding bad addresses and undeliverables. While the population surveyed includes borrowers across the country, it is not a strict national representation of all borrowers, as it is heavily concentrated in Massachusetts, New York, and California (62% of the total population surveyed). It also includes a higher proportion of four-year students, particularly from private institutions. All of those surveyed began repayment between 1993 and 1996, and completed the survey during the spring and summer of 1997.

Margin of Error

Because of the geographical distribution of the borrowers surveyed, the NASLS sample may not be nationally representative. Moreover, like any statistics describing a sample, all of the numbers reported here should be viewed as estimates and considered to have a margin of error. For yes/no questions in this survey, that margin of error is about 3 percentage points in each direction. Since 76% of the sample said loans are extremely important or very important in allowing them to continue their education after high school, we can conclude with 95% certainty that, in the population, between 73% and 79% of borrowers feel this way.

The margin of error for figures such as average debt, income, or debt/income ratio depends on how much variation there is in the distribution of each of these. Average debt is $18,800 plus or minus $1,200. The average monthly payment-to-income-ratio is between 11% and 13%, with 12% being the best estimate. While the tables in this article do not show these margins of error, all of the numbers included should be interpreted as good approximations.

The Impact of Debt

Results of the survey can be summarized as follows:

- While pockets of burden exist among certain borrower groups, the majority of student loan borrowers are still able to repay their student loans successfully without a significant impact on their consumer and social behavior (e.g., buying homes, buying cars, getting married, having children, moving out their parents' home).

- Seventy-six percent of respondents said that student loans were extremely important or very important in allowing them to continue their education after high school. Seventy-six percent said that the investment they made in their education through borrowing was worth it for personal growth (9% disagreed) and 64% said that the investment they made in their education through borrowing was worth it for the career opportunities it provided. Sixty-six percent of borrowers said that while repaying loans is unpleasant, the benefits are worth it.

- Borrowers who report the greatest levels of burden are: (1) those who borrowed large amounts but make lower than average salaries, such as art and music students (50% of whom have overall debt higher than current salary); (2) Professional and some graduate students, particularly those who went to law school, whose debt levels are high enough to make even their relatively high starting salaries appear inadequate; and (3) some African-American students who disproportionately report that student loan debt changed their career plans or prevented them from attending graduate school.

- Average total debt has increased significantly since the last Nellie Mae study in 1991, but the average has been raised by a few borrowers, primarily graduate students, with very high debt. Average debt in 1997 for a sample consisting of 65% undergraduates and 35% graduate students is $18,800, compared to $8,200 in 1991. Median total debt in the 1997 sample is $13,000.

"Only 17%...had significantly changed their career plans because of student loan debt."

- Average undergraduate student loan indebtedness is $11,400. Borrowers who last attended public four-year institutions had an average of $10,900 in undergraduate student loan debt; those at private four-year institutions had an average of $15,300; public two-year students had an average of $5,900; and vocational/technical students had average of $6,200.

- Average student loan indebtedness of graduate students overall (including undergraduate debt) is $31,700, with about one-third representing undergraduate debt. Broken down, borrowers who last attended graduate school had an average of $24,500 in debt, while professional school students (e.g., law and medical) had an average of $48,500 in debt.

- Average percentage of borrowers' monthly income which goes towards student loan payment is 12% (median is 8%).

- About 40% of students who did graduate work in medicine, law, or business have student loan debt levels exceeding their current salaries. Twenty-five percent of undergraduates who attended four-year private institutions, compared to 21% of those who attended four-year public institutions, have student loan debt greater than their current incomes.

- Some borrowers reported that they had delayed certain activities because of their student loan payments. Car ownership appears to be slightly affected by debt levels. But this is not the case for home ownership, which is determined by income, age, living with a spouse or partner, and the presence of children. Similarly, debt levels have no measurable impact on whether or not borrowers are married or have children.

- Only 17% of respondents "strongly agreed" or "agreed" that they had significantly changed their career plans because of student loan debt.

- Lower-income students (those who had received Federal Pell Grants) were more likely than other undergraduate respondents to have debt exceeding $20,000 (16% of Federal Pell recipients were at this level compared to 12% of other undergraduates). Half of the Federal Pell recipients in the study said that their undergraduate debt had prevented them from attending graduate school, compared to 40% of the overall undergraduate population. However, Federal Pell Grant recipients do not report feeling significantly more burdened by student loan repayment than other borrowers.

- Over one quarter (26%) of survey respondents said that they had used credit cards to help pay for tuition.

- Respondents have higher non-education loan debt than student loan debt, and feel equally burdened by both forms of debt. Ninety-seven percent of respondents had non-education loan debt, with an average monthly payment of $1,000 (median = $700).

Borrower Debt Levels

Since Nellie Mae's last study in 1991 (Pedalino et al., 1991), the average total debt level for student loan borrowers rose from $8,200 to $18,800 in the 1997 NASLS survey, an increase of 129%. This includes borrowing for both undergraduate and graduate education.

The NASLS found that average undergraduate debt is $11,400 and the median is $9,500. Thirteen percent of respondents have undergraduate debt exceeding $20,000, while 28% have total education debt this high. Note that these figures represent undergraduate debt for all respondents. Debt levels for those with *only* undergraduate debt are slightly higher (mean = $12,100; median = $10,500). The two groups are different because the group of all undergraduate borrowers includes those who went to college at an earlier date. Those who did not go on to graduate school are also systematically different in that many of them did not complete a bachelor's degree, and they are also more likely to come from low-income families.

Debt levels vary significantly by type of school attended (see Table 1). Four-year private students borrow more than other undergraduates, with $13,900 median indebtedness. Four-year public school borrowers have a median debt of $9,600, compared to $5,400 for vocational/technical students and $5,800 for two-year public college students. Those who attended graduate or professional school typically have higher debts, with a median of $17,500 and a mean of $28,800, which consists of $11,000 in undergraduate debt and $17,800 in graduate debt, on average. Within this group, those who attended graduate professional schools to study medicine, law or business have particularly high debts, with an average of $45,500 and a median total debt of $32,500.

TABLE 1
Borrower Debt Levels and Monthly Payments

	Average	Median
Total Debt	**$18,800**	**$13,000**
Undergraduate debt only	$11,400	$ 9,500
Graduate debt only (for those who borrowed for graduate or professional study)	$21,000	$13,800
Total Monthly Payment	**$ 198**	**$ 150**
Undergraduate monthly payment	$ 161	$ 134
Graduate monthly payment	$ 271	$ 200
Monthly payment for non-education debt (all borrowers)	$ 1,000	$ 700
Total Monthly Payment/Income	**12%**	**8%**
Monthly payment/income (Undergraduate debt only)	11%	7%
Monthly payment/income (for those who borrowed for Graduate study)	14%	8%
Total Debt/Income	**91%**	**50%**
Debt/income (Undergraduate debt only)	68%	41%
Debt/income (for those who borrowed for Graduate study)	139%	83%
Debt By School Type		
Public 2-year	$ 5,900	$ 5,800
Vocational/Technical	$ 6,200	$ 5,400
Public 4-year	$10,900	$ 9,600
Private 4-year	$15,300	$13,900
Graduate and Professional School	$28,800	$17,500

Average Monthly Payments

The average monthly payment for all borrowers is $198 (median = $150). For those who borrowed only for undergraduate education, the average monthly payment is $161 (median = $134); the average for graduate and professional students is $271 (median = $200).

There is considerable variance in the payment levels for student loans. Among those who borrowed for graduate/professional school, 25% have payments lower than $102 a month, while another 25% have payments exceeding $335; 10% of graduate/professional student borrowers pay $600 or more a month. One-quarter of undergraduate borrowers pay as much as $200 a month, with 10% making payments of $295 or higher.

Borrower Income

Out of the entire respondent pool, the average current income is $27,000. Those with only undergraduate education average $24,000, while those who went on for graduate study earn an average of $32,000 a year. Among graduate and professional student borrowers, 23% reported incomes under $20,000 and 16% reported incomes over $50,000.

Incomes differ by gender, with men averaging about $6,000 a year more than women. Thirty-nine percent of women compared to 26% of men make less than $20,000 a year, while only 4% of women make over $50,000 a year, compared to 15% of men.

There is no statistically significant difference in average income levels by race, with African-Americans and Hispanics earning an average of $26,000 and Caucasians earning an average of $27,000. However, the pattern of the income distribution does differ. Twenty-three percent of Asian, 17% of Hispanic, and 15% of African-American borrowers make less than $10,000, compared to 10% of Caucasians. Somewhat surprisingly, 28% of African-American respondents earn more than $40,000 a year, compared to 17% of Caucasians, 18% of Asians, and 21% of Hispanics. In other words, African-American borrowers are more likely to be at one end or the other of the income distribution, while Caucasian borrowers are more concentrated in the middle income range, with incomes between $20,000 and $40,000.

Monthly Payment-to-Income Ratios

Evaluating the affordability of debt payments requires comparing them to incomes. The average ratio of monthly education loan payment to current monthly income among respondents is 12% and the median is 8%. A third of the respondents have monthly payments that require less than 5% of their incomes and another 30% have ratios between 5% and 10%. By most standards, these two-thirds are not overburdened by their debt. However, the other third, who use more than 10% of their monthly incomes for student loan payments (and particularly the 13% of borrowers who have greater than a 20% payment-to-income ratio), may face more burden in managing their repayment.

Differences in the distribution of monthly payment to monthly income ratios across racial groups and by gender are not significant, but by school type they are, as shown in Table 2.

TABLE 2
Monthly Student Loan Payment-to-Income Ratios by School Type

(Percentage of gross monthly income which is used towards monthly student loan payment(s) and percentage of borrowers in each category)

	Voc/Tech Borrowers	Public 2-Year Borrowers	Private 2-Year Borrowers	Public 4-Year Borrowers	Private 4-Year Borrowers	Graduate School Borrowers	Professional School Borrowers
Up to 5%	48%	57%	44%	39%	24%	29%	23%
5 to 10%	21%	21%	22%	28%	36%	36%	17%
10 to 15%	14%	11%	19%	17%	20%	17%	25%
15 to 20%	5%	5%	11%	4%	9%	6%	10%
Greater than 20%	13%	5%	4%	12%	12%	13%	25%

While there is no clear standard in the higher education community for "how much is too much," there is some consensus that monthly payment-to-income ratios exceeding 12% for undergraduates and 15% for graduate students are cause for concern. From this perspective, while the majority of borrowers are not accumulating excessive debt, a significant minority may be going dangerously far into debt.

Total Debt-to-Income Ratios

Debt-to-income ratios can also be looked at as total debt to total annual income. For this analysis, 100% total debt-to-income ratio means that total debt equals current annual income, (i.e., if a borrower has $25,000 in total debt, then total annual gross earnings would also be $25,000.) Based on the analysis in the NASLS, borrowers who are at or over 100% debt-to-income ratio begin to face real burden. The average total debt-to-income ratio for all borrowers is 91% (median = 50%). For undergraduate borrowers this equals 68% (median = 41%); and for graduate and professional students, the average total debt-to-income ratio is 139% (median = 83%). See Table 3 for more detail by school type.

TABLE 3
Total Student Loan Debt-to-Income Ratios and Percent With Debt Exceeding Annual Income

Total Debt to Annual Income	Average	Median
All Borrowers	91%	50%
Undergraduate	68%	41%
Graduate/Professional	139%	83%
Total Debt *Exceeds* Annual Income		**Percent**
All Borrowers		26%
Professional		54%
Graduate		28%
Private 4-year		24%
Public 4-year		18%
Private 2-year		15%
Vocational/Technical		12%
Public 2-year		7%

100% means that total student loan debt equals total annual income.

Attitudes Towards Debt

Responses to questions about how borrowers perceive their repayment responsibilities provided clear evidence that the perception of burden has grown over time. These responses, not surprisingly, were correlated with monthly payment-to-income ratios.

Forty-three percent of the borrowers who used more than 15% of their monthly income for loan payments report feeling extremely burdened, compared to 12% of those with payment-to-income ratios of 10% or less. Only 6% of respondents with ratios exceeding 15% say they do not feel burdened, while 26% of those with ratios of 10% or less gave this response.

As shown in Table 4, perceptions of burden vary by type of school attended and by gender. Those with professional education feel most burdened, while those from two-year schools feel least burdened by their student loan debt. By gender, women perceive their debt as a bigger problem than men do.

Borrowers who were in a delinquency status at the time of this study were also more likely to feel burdened than those in good standing (see Table 5). This could relate to the fact that delinquent borrowers also tend to have lower incomes, with 65% reporting incomes below $20,000, compared to 33% of those in good standing. Eighteen percent of delinquent borrowers report incomes over $30,000, compared to 38% of the other group.

TABLE 4
Burden Level Attributed to Repayment of Student Loans

	Percentage Reporting Significant Burden
School Type	
Professional	63%
Private 4-year	51%
Graduate	51%
Vocational/Technical	50%
Public 4-year	47%
Private 2-year	42%
Public 2-year	42%
Gender	
Female	52%
Male	46%
Repayment Status	
Delinquent	77%
In good standing	47%

Non-Education Loan Debt Burden

Respondents (together with their spouses) reported combined average non-education monthly payments of $1,000 (median = $700), which is significantly higher than student loan payments. Responses to the question of how burdened they feel by these loans, which could include mortgages, car loans, credit card debt, etc., were almost identical to the student loan responses, with borrowers who said they felt extremely burdened by student loan payments giving the same response for non-education loan payments. Student loans are often a relatively small part of the debt burden faced by many of these recent graduates, and they do not appear to differentiate between the impact of the two forms of debt on their lifestyles. This could be because those with very high student loan debt are also most likely to have high non-education loan debt. For example, 22% of borrowers with student loan debt over $30,000 have non-education loan payments of over $2,000 per month; only 13% of borrowers with $10,000 or less in student loan debt, have monthly non-education loan payments exceeding $2,000.

Borrowers who went to graduate/professional school are also more likely to have high monthly non-education debt payments. Fifty-one percent of those who attended graduate/professional school have monthly non-education debt payments over $800, as compared to 39% of borrowers who did not attend graduate/professional school. This is at least partially explained by the fact that 30% of the graduate students own homes, while only 18% of the others do.

Perceptions About Borrowing and Debt

The majority of respondents in all three Nellie Mae student loan surveys have expressed the view that loans played a critical role in allowing them to continue their education after high school. Seventy-six percent of respondents in the 1997 NASLS said loans were extremely important or very important in allowing them to continue their education after high school. But, as indicated in Table 5, the response has become stronger over time.

For those who did not attend graduate school, those with higher undergraduate total debt-to-income ratios were most likely to say that concern over debt prevented them from going to graduate school. Sixty-seven percent of borrowers with ratios above 150% said loans were very or extremely important in their decision not to attend graduate school, compared to 51% of borrowers with ratios between 50% and 100%, and 29% of those with total debt-to-income ratios of 20% or lower. Overall, for respondents who did not go to graduate school, 43% said that the level of their undergraduate indebtedness was extremely or very important in preventing them from going to graduate school; 28% said this was not important.

Thirty-nine percent of all respondents who used loans to cover tuition in undergraduate education said that their concern over borrowing was extremely important or very important

TABLE 5
Perceptions of Benefits of Loans

	(1) Extremely Important	(2)	(3)	(4)	(5) Not Important
Importance for graduate school	50%	19%	8%	8%	16%
Importance for undergraduate school choice	43%	21%	14%	9%	13%

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Payments unpleasant but worth it	28%	38%	24%	7%	3%
Worth it for career	36%	28%	18%	12%	6%
Worth it for personal growth	45%	31%	15%	6%	3%

"How important was the availability of education loans in allowing you to continue your education after high school?"

	1988	1991	1997
(1) Extremely important	39%	47%	52%
(2)	28%	24%	24%
(3)	16%	13%	12%
(4)	11%	10%	7%
(5) Not important	7%	6%	4%

in preventing them from attending a more expensive school; one-third said it was not important. Sixty-four percent of respondents said that student loans were extremely or very important in allowing them to attend the school of their choice. Most graduate student respondents believe the availability of loans was very important in allowing them to go to graduate school, with almost 70% supporting this view.

When asked if the investment they made in their education through borrowing was worth it for personal growth, 76% of respondents reported that they were "extremely satisfied" or "satisfied" that this was the case.

Debt and Lifestyle Choices

One of the concerns commonly expressed about student debt financing is that it will constrain the options of recent graduates to an unacceptable extent. The NASLS survey asked both how students perceive the constraints imposed by their debt and what decisions they have actually made. There appears to be a considerable gap in some cases between perception and behavior.

Sixty-four percent of borrowers are "extremely satisfied" or "satisfied" that the investment they made in their education through borrowing was worth it for the career opportunities made available; only 18% expressed dissatisfaction. It is notable that about one-fifth of professional school students (law, medical, etc.) were not at all satisfied with their career opportunities (see Table 6 for breakdown by school type attended). Delinquent borrowers were more likely to disagree that they were satisfied with the career opportunities, with 35% expressing dissatisfaction, versus 17% of borrowers in good standing.

TABLE 6
Satisfaction that Education "Invested In" Through Borrowing was Worth it for Career Opportunities

Satisfied with Career Opportunities from Education	**Percent**
All Borrowers:	
Extremely satisfied	64%
Dissatisfied	18%
Satisfaction by School Type	**Percent Satisfied**
Graduate	76%
Professional	66%
Private 4-year	65%
Private 2-year	58%
Public 4-year	57%
Vocational/Technical	53%
Public 2-year	49%

The Effect of Borrowing on Decision-Making

The small proportion of respondents who say they changed their career plans because of debt contrasts sharply with student perceptions about the importance of loans in their other decision-making processes (see Table 7). Respondents were much more likely now than six years ago to report that their student debt had interfered with major life choices. Forty percent said that their debt had caused them to delay buying a home, compared to 25% in 1991. Thirty-one percent said they had delayed buying a car, up from 16% in 1991. The proportion saying their debt had caused them to postpone having children went from 12% in 1991 to 22% in 1997; those who said that their debt had caused them to delay moving out of their parents' home increased from 12% in 1991 to 21% in 1997.

These perceptions are correlated with both total debt levels and monthly payment-to-income ratios. Those with higher debt levels are more likely to say that their decisions have been affected by their debt. Similarly, higher debt-to-income ratios increase the perception that student loans have interfered with consumption and major life decisions. Among those with payment-to-income ratios exceeding 15%, 30% of respondents say loans were extremely important in delaying their purchase of a car. Only 10% of those with ratios less than 10% gave this response. Thirty-seven percent of those who pay more than 15% of their incomes toward student loans said they delayed buying a house, compared to 21% of those with ratios under 10%. Eighteen percent of those in the high payment-to-income range and only 8% of those in the low range said loans were extremely important in delaying their moving out of their parents' house.

TABLE 7
Perception of Impact of Loans on Lifestyles

	(1) Strongly Agree	(2)	(3)	(4)	(5) Strongly Disagree
Changed career	8%	8%	14%	24%	46%
	(1) Extremely Important	**(2)**	**(3)**	**(4)**	**(5) Not Important**
Delayed buying car	16%	15%	18%	18%	34%
Delayed moving out of parents' house	12%	9%	10%	10%	59%
Delayed buying house	26%	14%	14%	13%	34%
Delayed getting married	8%	7%	10%	11%	65%
Delayed having children	13%	9%	9%	9%	59%

The evidence on actual lifestyles suggests, however, that these perceptions of the impact of debt are exaggerated. Neither education debt levels nor payment-to-income ratios have any effect at all on the probability that borrowers own homes, after controlling for other factors. Living with a spouse or partner, having a higher income, having children, and being older are the factors which make owning a home more likely. The same result holds for living apart from parents, being married, and having children. Those with higher debt levels or with higher monthly payment-to-income ratios are no less likely than others to have taken these steps are, when other relevant characteristics are taken into consideration. The only decision in which either debt level or payment to income ratios is significant is car ownership, but even in this case, very high debt levels do not decrease the likelihood of owning a car measurably below the overall rate of 82%.

These results suggest that while many borrowers feel burdened by their education debt—as they do by their non-education debt—there are factors other than (or in addition to in certain cases) student loans which are responsible for limiting the lifestyle options noted above.

High-Risk Groups

Although the data indicate that, on average, current levels of student debt are manageable, the variance in debt levels suggests that there may be some groups of students for whom repayment is a significant hardship. Borrowers from low-income families, African-American and Hispanic borrowers, students at for-profit vocational schools, and those who do not complete their degree or certificate programs are frequently the subject of concern. The NASLS data suggest that graduate students in business, law, and medicine have very high debt levels, so they might also be considered a high-risk group.

Low-Income Borrowers

The 37% of respondents who had Federal Pell Grants accumulated an average of $12,400 in undergraduate debt, compared to $10,900 for non-Pell recipients. However, because they were less likely to continue with graduate study, total educational debt for Federal Pell Grant recipients averages $17,900, compared to $19,300 for non-recipients.

Half of all Federal Pell Grant recipients said that their undergraduate debt was an extremely important or very important factor in preventing them from attending graduate school, as compared to 38% of non-Pell recipients who expressed this opinion. This is consistent with the fact that only 28% of Federal Pell Grant recipients in the study continued their education beyond a bachelor's degree, versus 40% of non-Pell recipients.

Federal Pell Grant recipients were only slightly more likely than others to say they felt burdened by repaying their loans, but significantly more likely than others to believe loans had a major effect on their access to higher education. Lower-income borrowers were more likely to say they had significantly changed their career plans because of student loan debt, with 19% reporting this versus 15% for non-Pell recipients.

While it is possible that low-income students disproportionately resist borrowing and therefore are effectively denied access to higher education, there is no evidence that, for those who do borrow, loans cause more hardship than for other borrowers.

Minority Student Borrowers

The small sample sizes for non-Caucasian groups in the NASLS survey make it difficult to reach clear conclusions about the differences in borrowing experienced by race/ethnicity.

However, several tendencies are suggested by the results. While the differences in average debt and income levels among Caucasian, African-American, Hispanic, and Asian borrowers are not statistically significant in the NASLS sample, Asian borrowers have higher average monthly payment-to-income ratios than other groups. Asian borrowers use an average of 16% of their monthly incomes for debt repayments, compared to 10-12% for other groups. This is the result of a combination of higher total debt levels and lower current incomes. Hispanic borrowers, on the other hand, tend to accumulate lower-than-average education debt.

Despite the fact that they do not have either higher debt levels or lower incomes than others have, African-American respondents were significantly more likely to say their loans caused them problems. Greater percentages of this group than other groups said they felt burdened by their loans, they wished they had borrowed less, they would opt for lower monthly payments, and they felt debt had caused them to change their career plans. These findings suggest that further research into the variations in attitudes towards debt among different demographic groups is an important part of maintaining meaningful access to postsecondary education.

Law, Business, and Medical Science Borrowers

Of the NASLS respondents, 12% reported having done graduate work in business, law, or health/medical sciences. These were the only three fields in which more than 1% borrowed more than $30,000 for graduate study. These 131 borrowers had average total debt levels of $45,500, compared to $15,100 for all others. Median total debt was $32,500 compared to $12,250 for others. The average debt level was, however, somewhat misleading. While average graduate debt for this group was $32,100, half of the borrowers had graduate debt of $21,900 or less.

TABLE 8
Distribution of Graduate Debt Levels for Law, Business, and Medical Science Students

Graduate Debt	Percentage of Borrowers	Graduate Debt	Percentage of Borrowers
0	10%	$40,001 – $50,000	11%
$1 – 10,000	20%	$50,001 – $70,000	8%
$10,001 – 20,000	18%	$70,001 – $90,000	4%
$20,001 – 30,000	15%	$90,001 – $105,000	2%
$30,001 – 40,000	9%	above $105,000	5%

Despite their average earnings of $40,900, which far exceeds the $25,000 for others, those who pursued graduate studies in these three fields use an average of 15% of their current monthly income to repay their student loans, compared to 11.5% for other borrowers. The distributions of monthly payment-to-income ratios show graduate students as a whole very close to the level of four-year students, but this group of law, business, and medical science student borrowers far exceeds all other categories, with 25% using more than one-fifth of their monthly incomes to cover student loan payments.

Average debt levels for graduate students in business, law, and medical science are high enough to capture attention. These borrowers are more likely to say that they feel "extremely burdened" by their student loan payments than other graduate borrowers. Thirty-seven percent report extreme burden, compared to 21% of graduate students reporting this.

Even relative to the high salaries that graduates in these fields enjoy, the monthly payments they are required to make are higher than is generally considered acceptable. However, because of their high incomes, most students from graduate professional schools are not at risk. Over half of them have monthly payment-to-income ratios below 10%. For most of those not in such fortunate situations, their high incomes make it possible for them to use a relatively high proportion of their incomes for loan payments and still maintain a higher standard of living than they would if they had not pursued these studies. Most seem to be reaping monetary benefits from the investment they have made in themselves, and believe that the investment was a worthwhile one for both career and other reasons.

Satisfaction With Debt Counseling

The NASLS asked respondents to rate how well the debt counseling they received on campus had prepared them for repayment. Overall, 37% "strongly agreed" or "agreed" that loan counseling had prepared them to repay their loans; 40% "strongly disagreed" or "disagreed"; and 23% gave a neutral response.

Public four-year, private four-year and private two-year students are most dissatisfied with their loan counseling. Vocational/technical school borrowers and those who attended public two-year schools were most satisfied with the debt counseling they received at their institution.

Sixty percent of respondents "strongly agreed" or "agreed" that they knew how much debt they were accumulating while in school, but 20% "strongly disagreed" or "disagreed" that they understood this; the remaining responses were neutral. Responses to this question were strongly related to age, with borrowers 40 and older much more likely to agree that they understood their debt accumulation. Seventy-four percent of this age group, compared to 52% of respondents ages 24 or younger, strongly agreed or agreed that they understood this. Seventy percent of borrowers between the ages of 30 and 39 agreed, while 54% of those aged 25 to 29 agreed.

Borrowers who reported that they did not understand how much they were accumulating were also more likely to say they felt burdened by their student loan payments, with 46% reporting this versus 21% of those who did understand what they were undertaking.

TABLE 9
Percentage of Borrowers by School Type Who Agree or Disagree That Debt Counseling Prepared Them for Repayment

	Strongly Agree or Agree	Neutral	Strongly Disagree or Disagree
Type of School Last Attended			
Vocational/Tech.	49%	24%	27%
Public 2-year	50%	18%	32%
Private 2-year	42%	16%	42%
Public 4-year	31%	22%	48%
Private 4-year	35%	25%	42%
Graduate school	38%	23%	39%
Professional school	37%	23%	40%

Conclusion

The NASLS survey indicates that, overall, student debt has not caused most borrowers to dramatically change their lifestyles, nor do most of them regret the investment they have made. Many borrowers have accumulated significant amounts of non-education debt, which causes them as much discomfort as their student loans do. Borrowers overwhelmingly believe that the availability of loans has allowed them educational opportunities that would otherwise have been inaccessible. However, there has been a significant increase in the debt accumulated by individual students since the early 1990s, and in the perception of borrowers that their debt is interfering with their lifestyles.

There is no overwhelming evidence in this study that the groups generally considered particularly vulnerable to debt burdens are facing a financial crisis due to their student loan payment. Federal Pell Grant recipients do have higher undergraduate debt-to-current income ratios than other borrowers, but do not appear to perceive their education debt as more burdensome. Additional work must be done to determine the extent that low-income students drop out before completing their degree because of financial worries and the need to borrow to cover tuition costs. Students from vocational/technical schools have less confidence in the value of their investment, but do not express more negative feelings about their debts. Those without degrees may regret their borrowing, but their debt demands a relatively low proportion of their current incomes.

While policy conclusions do not emerge directly from the data, the findings are consistent with the idea that, rather than restricting the availability of loans, we should counsel students throughout their postsecondary careers to evaluate carefully their individual situations and prospects before incurring large amounts of debt. We should pay particular attention to those students likely to accumulate high debt levels without the promise of high incomes, and those at lower incomes who must rely more on borrowing because of less financial help from their families. Moreover, we should develop clearer ideas about how much debt is too much for specific categories of borrowers. Without setting a standard borrowing benchmark—whether by discipline, school-type, career, family income, or other characteristics—it will be difficult for higher education institutions, loan providers, and others to gauge when borrowing levels by students begin to cause serious financial and social difficulties during the repayment period.

References

Baum, S. & Schwartz, S. (1988). The impact of student loans on borrowers: Consumption patterns and attitudes towards repayment. Boston: New England Education Loan Marketing Corporation and Massachusetts Higher Education Assistance Corporation.

Blair, A. (1997, Spring). The changing credit environment. Braintree: New England Education Loan Marketing Corporation.

College Entrance Examination Board. (1990). Trends in student aid: 1980 to 1990. Washington, DC: Author.

National Center for Education Statistics. (1997). Early labor force experience and debt burden. National Center for Education Statistics, Office of Educational Research and Improvement. Washington, DC: Author.

National Commission on Responsibilities for Financing Postsecondary Education. (1993). Making college affordable again. Washington, DC: Author.

*Pedalino, M. et al. (1991). The New England student loan survey II: Final report. Boston: Massachusetts Higher Education Assistance Corporation and New England Education Loan Marketing Corporation.

Steelman, L.C. & and Powell, B. (1993, October). Doing the right thing: Race and parental locus of responsibility for funding college. Sociology of Education, 66 (4), 223-244.

Stockwell, A. (1997). The guerrilla guide to mastering student loan debt. New York: Harper Perennial.

The Education Resources Institute. (1995). College debt and the American family. Boston: The Education Resources Institute and the Institute for Higher Education Policy.

The Education Resources Institute & The Institute for Higher Education Policy. (1997). Now what? Life after college for recent graduates. Boston & Washington, DC: Author.

* Reference cited in this article and in the Final Report from the National Student Loan Survey (1997). All other references appear only in the Final Report.