

CONCERNS ABOUT PAYING FOR COLLEGE:

THE PARENTS' PERSPECTIVE

A National Survey of Parents of College and College-Bound Students

Executive Summary and Selected Findings
Summer 2008



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Introduction

Background

- ▶ A whirlwind of news reports about the impact of the subprime mortgage credit crisis on student loans, about investigations of schools accused of steering students to “preferred” lenders and about the restructuring of financial aid at top-tier universities have all contributed to a broader public awareness of the challenges students and their parents face in providing funding for higher education.
- ▶ There are a myriad of financing options. Among them, Stafford, Grad PLUS, Parent PLUS, credit cards, HELOCs, home equity loans, private student loans and others. All of which make for a complex market for families to negotiate effectively.

Research Objectives

- ▶ In this environment, MyRichUncle, a New York City-based student loan company advocating for transparency and responsibility in student borrowing, commissioned national research with 1,000 parents of college and college-bound students to explore how much information parents have—or lack—about the complex process of paying for college. Specifically, the research was designed to examine:
 - Expectations about the cost of higher education tuition and other expenses.
 - Perceptions of education as an investment with financial return and whether decisions are influenced by those views.
 - The funding options being considered or used by students and their parents.
 - The trade-offs parents and students weigh in their choice of higher education institutions, use of retirement or home assets, delayed enrollment to better prepare financially, or choice of institution.
 - The depth of and gaps in understanding the costs of borrowing and the range of available options.
 - Attitudes toward the role of financial aid offices in offering or recommending “best-value” educational loans.

Introduction, continued

Methodology

- ▶ The data presented in this report are based on completed interviews with 1,000 parents of college and college-bound students conducted by telephone from January 29 through February 11, 2008. The survey included 500 parents who indicated they have college-bound children in high school and 500 parents who indicated they have children who are current college students.
 - A preliminary national telephone survey of 1,000 Americans age 18 and older to establish the incidence of households with college-bound and current college students (20%) utilized a random-digit-dial sampling methodology to accurately reflect all households in the US.
- ▶ To effectively reach parents of college and college-bound students for the survey research, interviewing was conducted from a central telephone facility utilizing an age-targeted sampling methodology based on incidences established in the preliminary survey and was proportionalized by age ranges 35-44, 45-54 and 55-64. The sample was custom-designed by Survey Sampling, Inc.
- ▶ The margin of error for results based on the total national sample of 1,000 parents is ± 3.1 percentage points. For subgroups of parents of college-bound high school and current college students (500 each) the margin of error is ± 4.4 percentage points.
- ▶ To inform the development of the survey questionnaire, two two-hour focus groups were conducted on January 14, 2008, in Paramus, NJ, with parents of college-bound high school seniors and with parents of current college freshmen and sophomores to examine attitudes and experiences, and explore the language parents use in talking about funding higher education.
- ▶ The research was designed and conducted by Michaels Opinion Research, Inc., a New York City-based public opinion research firm.

Executive Summary

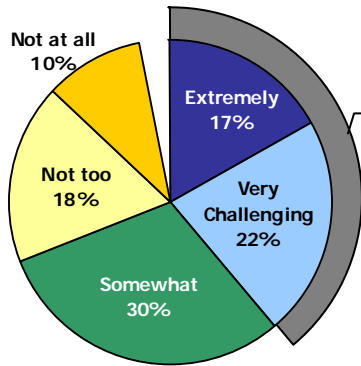
- ▶ This national survey of American parents of college students and college-bound high school students reveals a significant level of stress, concern and confusion about the increasing costs currently associated with obtaining a college education.
- ▶ Not only does the survey discover that the vast majority of parents think the escalating costs of a college education are not justified, but parents say college education costs rank among the top issues needing priority attention from the next President of the United States.
- ▶ Underlying parents' attitudes are strong levels of unease about what kind of debt will be incurred by their children and by themselves to finance their children's higher education. The majority of parents (59%) say they will or can only contribute to paying a portion of their children's college education costs and, most report that student loans will be a necessary funding source (69%).
- ▶ According to the majority of parents interviewed, the process of calculating college education costs, applying for student loans and knowing where to get the best advice on education financing is an ongoing challenge.
 - Nearly seven-in-10 parents nationwide, including parents of current college juniors and seniors, say they have found it challenging to estimate the total costs of their children's college education.
 - More than six-in-10 (62%) are admitting that the eventual costs for their children to obtain a college education are beyond what they anticipated . . . and for one-in-five parents, the costs are a lot more than they expected.
- ▶ In addition to the median amount of \$20,000 in student loans their children may obtain, more than half of parents (55%) report they, too, will be borrowing— from a variety of sources—about \$25,000 to finance their children's higher education. And it has many worried.
 - Among parents of college-bound high school students, over 70% say they are concerned about how college costs may drain their nest eggs.
 - Even among the wealthiest group of parents surveyed, those with household incomes in excess of \$100,000, nearly two-thirds (63%) are concerned about the impact of college tuition and expenses on their personal finances.

Executive Summary, continued

- ▶ Furthermore, parents say the student loan process is not easy to navigate and they feel more confident applying for a scholarship or a home equity loan than they do completing a Federal student loan application.
 - Two-thirds of parents surveyed say the student loan application process is difficult and one-in-four who have children enrolled in private universities and colleges consider the student loan application process “very difficult.”
 - A 59% majority express concerns that the current sub-prime mortgage crisis and economic climate may make it more difficult to qualify for loans.
 - Many are not confident in their understanding of different types of education funding. In fact, fewer than two-in-10 (19%) say the financial aid office provided them “a lot” of information about different kinds of Federal and private student loans available to them.
- ▶ When asked if finding good advice on funding options for a college education has been challenging, a significant 69% of parents report it has been tough. And 30% of those with children in college now admit the paperwork involved in applying for loans is discouraging.
- ▶ The responses of parents about college financing options indicate that many may be making ill-informed decisions that will eventually cost their children or themselves more money. For example:
 - One-in-four (24%) do not believe a one-percent difference in the term of a student loan is a meaningful difference. In truth, that small distinction could total thousands of dollars over the course of a loan repayment period.
 - Another 25% of those who say student loans have been used for their children’s higher education believe it’s not necessary to shop around for Federal loans because the rates are fixed. In truth, different lenders offer Federal loans at different rates and shopping for a lower rate could result in significant long-run savings.
- ▶ As a consequence of the escalating college costs, one-third of parents are counseling their children to consider living at home while attending college or to attend second and lower choice colleges if they offer financial aid. And one-in-five say the better option might be to spend less on undergraduate school in order to save more money for a high-quality graduate-level education.
- ▶ Most parents (73%) continue to believe a college education provides a “great” or “good” return on investment. However, 22% consider it only a fair investment at best indicating that the cost may outweigh the benefits of higher education.

Calculating the Cost of Higher Education

Q: When thinking about this child's college education, how challenging has it been to calculate the total costs of a college degree, including tuition, room and board, interest on student loans and other possible expenses?

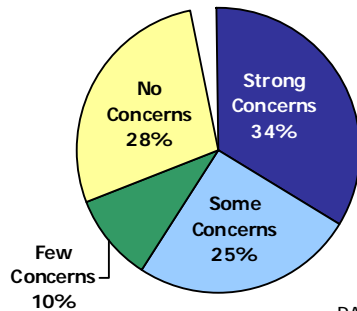


	<i>NET Extremely + Very</i>	<i>Some-what</i>	<i>Not Too</i>	<i>Not At All</i>
TOTAL HOUSEHOLD INCOME	39%	30%	18%	10%
<\$50K	55%	27%	9%	7%
\$50K-\$74K	39	34	17	7
\$75K-\$99K	29	39	16	10
\$100K+	30	27	27	13
PARENTS OF COLLEGE STUDENTS IN:				
Northeast	47%	31%	14%	7%
South	45	29	15	10
Midwest	30	33	24	10
West	31	34	18	11

DK/NA not shown.

Awareness and Use of Funding Options

Q: Do you have any concerns that the current sub-prime mortgage crisis and economic climate could make it harder for you or your children to borrow money to help finance their college education?

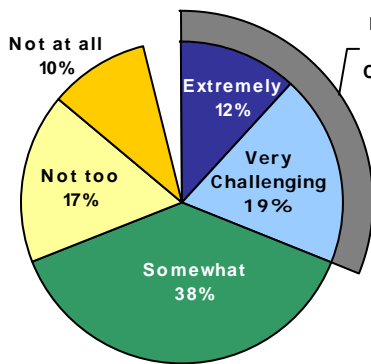


	<u>Strong Concerns</u>	<u>Some Concerns</u>	<u>Few Concerns</u>	<u>No Concerns</u>
TOTAL	34%	25%	10%	28%
HOUSEHOLD INCOME				
<\$50K	56%	21%	8%	13%
\$50K-\$74K	40	28	8	23
\$75K-\$99K	33	25	12	29
\$100K+	19	25	12	42
PARENTS IN:				
Northeast	40%	25%	10%	22%
South	32	25	9	31
Midwest	34	26	11	26
West	30	26	13	30
PARENTS OF COLLEGE STUDENTS AT:				
2-Year Colleges	39%	28%	8%	18%
4-Year Public Colleges	34	26	9	30
4-Year Private Colleges	24	24	13	39
PARENT RESIDENCE				
Homeowners	31%	26%	11%	29%
Renters	61	18	1	17

DK/NA and "won't borrow" not shown.

Awareness and Use of Funding Options

Q: When thinking about this child's college education, how challenging has it been to get the best advice about different options available for paying for a college education?



	<i>NET Extremely +Very</i>	<i>Some- what</i>	<i>Not Too</i>	<i>Not At All</i>
TOTAL	31%	38%	17%	10%
IN COLLEGE, USING LOANS				
Net any loans	38%	44%	12%	5%
Federal loans	38	42	15	4
Private loans	44	36	13	5
COLLEGE PARENTS				
EXPECTING TO PAY:				
All	21%	41%	20%	15%
Most	37	36	18	7
Half	44	35	13	8
Less Than Half	26	44	15	12
PARENTS OF COLLEGE STUDENTS IN:				
Northeast	40%	41%	14%	6%
South	33	40	15	11
Midwest	31	30	22	14
West	26	46	12	10

DK/NA not shown.