

the condition of education 2004



INDICATOR 38

Debt Burden of College Graduates

The indicator and corresponding tables are taken directly from *The Condition of Education 2004*. Therefore, the page numbers may not be sequential.

Additional information about the survey data and supplementary notes can be found in the full report. For a copy of *The Condition of Education 2004* visit the NCES web site (<http://nces.ed.gov/pubsearch/pubsinfo.asp?pubid=2004077>) or contact ED PUBs at 1-877-4ED-PUBS.

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Financing for Postsecondary Education

Debt Burden of College Graduates

The percentage of graduates who had borrowed and the average total amounts borrowed both increased between 1992–93 and 1999–2000, but the median “debt burden” (monthly payment as a percentage of monthly salary) a year later did not change.

Bachelor’s degree recipients in 1999–2000 were more likely than their 1992–93 counterparts to have borrowed to pay for their undergraduate education (65 vs. 49 percent), and if they had done so, to have borrowed larger amounts, on average (\$19,300 vs. \$12,100 in constant 1999 dollars). This includes all student borrowing, but not borrowing by parents.

Increased borrowing occurred among graduates of both public and private not-for-profit 4-year institutions. It also occurred regardless of sex, race/ethnicity, or family income (see supplemental table 38-1). The increase in borrowing reflects, in part, rising tuition during this period (adjusting for inflation) (NCES 2002–174). It also reflects provisions of the 1992 Reauthorization of the Higher Education Act implemented in 1993–94 that made it easier for students to qualify for need-based aid, raised loan limits, and made unsubsidized loans available to students whose family incomes were too high for them to qualify for need-based aid. That is, more students were allowed to borrow in 1999–2000 than in 1992–93, and they could borrow larger amounts.

Borrowers who do not enroll for additional education at least half time usually must begin repaying their loans 6 months after they graduate.¹ Because 1999–2000 graduates had borrowed more, on average, than their 1992–93 counterparts, they also had larger average monthly loan payments a year later (\$210 vs. \$160 per month in constant 2001 dollars). Although the average amount borrowed increased by more than 50 percent, the average monthly payment increased by less than 50 percent. This reflects, in part, lower interest rates paid by the later cohort (6 to 7 percent compared with 8 to 10 percent).² It may also reflect greater use of alternative repayment plans that reduce monthly payments in the early years. Under certain circumstances, federal borrowers may

extend repayment over a period longer than the standard 10 years, elect graduated payments that start low and increase in stages, or make payments contingent on their income.³

The 1999–2000 graduates also benefited from higher salaries, even after adjusting for inflation. They earned an average of \$2,800 per month in 2001, compared with an average of \$2,400 (in constant 2001 dollars) for 1992–93 graduates in 1994. Therefore, although the later graduates had borrowed more, on average, the combination of higher salaries, lower interest rates, and possibly greater use of alternative repayment options resulted in a median “debt burden”—monthly loan payment as a percentage of monthly salary—of 7 percent for both cohorts. Similar findings were obtained by Goldenberg (2003), who estimated debt burden levels of 6 to 7 percent for federal borrowers in their first year of repayment in 1997, 1998, 1999, and 2000 using loan data on a random sample of all borrowers (not just bachelor’s degree recipients) in the National Student Loan Data Base and income data from the Internal Revenue Service.

Even though the median debt burden did not increase, graduates with large loans or low salaries had relatively high debt burdens. For example, 1999–2000 graduates who had borrowed \$25,000 or more had a median debt burden of 10 percent in 2001, while their peers who had borrowed less than \$10,000 had a median debt burden of 3 percent (see supplemental table 38-1). (Twenty-six percent of graduates in repayment had borrowed \$25,000 or more, and 18 percent had borrowed less than \$10,000; see supplemental table 38-2.) Also, those in the lowest salary quarter in 2001 had a median debt burden of 15 percent, whereas those in the highest salary quarter had a debt burden of 5 percent (see supplemental table 38-1).



It is important to understand that these data represent debt burden a year after graduation, but that debt burden can change during the repayment period. Interest rates for federal borrowers are variable⁴ and therefore may go up or down, and income and employment status are subject to positive or negative changes in economic conditions or personal circumstances. Thus, the extent to which any group

of borrowers will have difficulty repaying their loans is sensitive to factors that are difficult to predict when they make decisions about borrowing. Students whose academic success is uncertain or whose families lack the financial resources to help them repay their loans if they run into difficulty are especially vulnerable to these uncertainties.

DEBT BURDEN: Percentage of 1992–93 and 1999–2000 bachelor's degree recipients who had borrowed for their undergraduate education, average total amount borrowed by borrowers (in 1999 constant dollars), and among those in repayment a year later, average monthly salary and loan payment (in 2001 constant dollars) and median debt burden, by type of degree-granting institution

Type of degree-granting institution	All graduates		Borrowers		
	Percent who had borrowed	Borrowers	Borrowers in repayment		
			Average amount borrowed	Average monthly salary	Average monthly loan payment
	1992–93		1994		
Total	49.3	\$12,100	\$2,400	\$160	6.7
Public 4-year	46.4	10,300	2,300	150	6.2
Nondoctoral	48.0	9,800	2,100	140	6.6
Doctoral	45.5	10,600	2,500	150	5.9
Private not-for-profit 4-year	54.1	15,200	2,300	200	8.1
Nondoctoral	57.5	14,100	2,300	180	7.8
Doctoral	49.5	16,800	2,400	220	8.5
	1999–2000		2001		
Total	65.4	\$19,300	\$2,800	\$210	6.9
Public 4-year	63.4	16,800	2,800	190	6.4
Nondoctoral	63.1	15,000	2,700	170	5.8
Doctoral	63.6	17,500	2,900	200	6.7
Private not-for-profit 4-year	68.9	23,800	2,900	240	7.8
Nondoctoral	71.5	20,900	2,700	230	8.0
Doctoral	65.4	28,000	3,100	260	7.7

¹A borrower may obtain a deferment because of an economic hardship such as unemployment.

²Students who took out federally guaranteed loans before 1992 paid fixed interest rates that ranged from 8 to 10 percent. Later borrowers paid variable rates, which were 6 to 7 percent in 2001 (depending on the date of the loan) and 3.42 percent in 2003. Historical interest rates are available at <http://www.nchelp.org/elibrary//main/10-RefMaterial/default/htm>.

³Detailed descriptions of these options are available at http://studentaid.ed.gov/students/publications/repaying_loans/2003-2004/english/index.htm. Although they reduce monthly payments, they result in higher interest charges over the term of the loan.

⁴Borrowers can choose to consolidate their loans and obtain a fixed rate, however.

SOURCE: U.S. Department of Education, NCES, 1993/94 and 2000/01 Baccalaureate and Beyond Longitudinal Studies (B&B:93/94 and B&B:2000/01).



FOR MORE INFORMATION:
 Supplemental Notes 1,3,8
 Supplemental Tables 38-1,38-2
 NCES 2002–174
 Goldenberg 2003
 U.S. General Accounting
 Office 2003

Debt Burden of College Students

Table 38-1. Percentage of 1992–93 and 1999–2000 bachelor’s degree recipients who had borrowed for their undergraduate education, average total amount borrowed by borrowers (in 1999 constant dollars), and among those in repayment a year later, average monthly salary and loan payment (in 2001 constant dollars) and median debt burden, by selected student characteristics

Characteristic	All graduates		Borrowers		Borrowers in repayment					
	Percent who had borrowed		Average amount borrowed		Average monthly salary		Average monthly loan payment		Median debt burden	
	1992–93	1999–2000	1992–93	1999–2000	1994	2001	1994	2001	1994	2001
Total	49.3	65.4	\$12,100	\$19,300	\$2,400	\$2,800	\$160	\$210	6.7	6.9
Sex										
Male	49.7	64.7	12,400	19,100	2,700	3,100	170	220	6.3	6.4
Female	48.9	65.9	11,800	19,500	2,100	2,600	160	210	7.0	7.3
Race/ethnicity ¹										
Asian/Pacific Islander	42.7	60.5	13,500	17,900	2,200	3,200	170	230	7.4	6.0
Black	64.1	79.8	11,400	19,800	2,100	2,800	170	190	6.9	6.1
White	47.8	63.7	12,300	19,700	2,400	2,800	170	210	6.7	7.2
Hispanic	60.7	70.6	9,500	17,000	2,200	3,200	150	190	5.7	6.0
Family income										
Dependent total	42.7	62.0	12,600	19,700	2,100	2,700	170	210	7.4	7.3
Lowest quarter	66.7	72.1	12,700	17,800	2,200	2,700	160	190	7.6	6.4
Lower middle quarter	45.1	68.1	10,800	19,100	2,100	2,600	160	220	6.9	8.0
Upper middle quarter	34.3	61.9	12,700	20,100	2,100	2,600	170	220	6.9	7.7
Highest quarter	24.3	45.6	15,300	23,300	2,200	2,900	230	220	7.9	6.6
Independent total	59.8	69.8	11,500	18,900	2,600	3,000	160	210	6.3	6.5
Baccalaureate degree major										
Business and management	46.1	60.2	12,200	17,200	2,500	3,300	160	200	5.9	5.6
Education	54.0	71.2	11,800	18,100	2,100	2,300	150	210	7.7	7.7
Engineering, mathematics, or science	53.5	62.9	11,800	19,500	2,500	3,500	170	220	5.8	5.8
Humanities or social sciences	44.9	66.5	11,700	20,500	2,000	2,500	170	200	7.7	7.6
Other	51.3	68.0	12,600	20,000	2,600	2,700	170	210	7.0	7.4
Amount borrowed (in 1999 dollars)										
Less than \$10,000	100.0	100.0	5,200	4,900	2,200	2,700	110	100	4.5	3.2
\$10,000–14,999	100.0	100.0	12,400	11,400	2,600	2,700	170	160	7.8	5.7
\$15,000–19,999	100.0	100.0	17,300	16,400	2,200	2,800	220	210	9.4	7.5
\$20,000–24,999	100.0	100.0	22,600	21,000	2,300	2,900	260	230	11.5	8.0
\$25,000 or more	100.0	100.0	40,600	38,400	2,900	3,000	330	310	12.0	9.9
Monthly salary in 1994/2001										
Lowest quarter	46.5	62.7	12,000	20,500	700	1,000	140	180	17.8	15.4
Lower middle quarter	53.1	68.6	11,500	18,700	1,400	2,000	150	190	8.7	8.6
Upper middle quarter	51.7	69.8	12,000	18,800	2,100	2,700	160	210	6.1	7.0
Highest quarter	48.8	64.3	13,000	20,200	3,900	4,300	190	230	4.3	5.0
Employment status in 1994/2001										
Employed full time	49.7	66.7	12,000	19,000	2,500	2,900	160	210	6.4	6.8
Employed part time	52.0	63.0	12,200	19,700	1,300	1,600	170	180	12.2	11.3

¹Black includes African American, Pacific Islander includes Native Hawaiian, and Hispanic includes Latino. Racial categories exclude Hispanic origin.

SOURCE: U.S. Department of Education, NCES, 1993/94 and 2000/01 Baccalaureate and Beyond Longitudinal Studies (B&B:93/94 and B&B:2000/01).

Debt Burden of College Students

Table 38-2. Among 1992–93 and 1999–2000 bachelor's degree recipients who had borrowed for their undergraduate education and were in repayment, percentage distribution by average total amount borrowed (in 1999 constant dollars), by selected student and institutional characteristics

Student or institutional characteristic	Less than \$10,000		\$10,000–14,999		\$15,000–19,999		\$20,000–24,999		\$25,000 or more	
	1992–93	1999–2000	1992–93	1999–2000	1992–93	1999–2000	1992–93	1999–2000	1992–93	1999–2000
Total	48.2	17.5	22.6	17.7	14.4	21.5	8.0	17.2	6.8	26.1
Sex										
Male	48.2	17.9	20.6	16.6	15.5	21.2	8.5	18.2	7.3	26.2
Female	48.3	17.3	24.1	18.5	13.6	21.7	7.6	16.5	6.5	26.0
Race/ethnicity ¹										
Asian/Pacific Islander	33.2	14.5	41.7	30.9	10.4	16.2	6.1	17.7	8.6	20.8
Black	46.9	14.2	22.2	14.9	18.0	23.1	7.7	18.3	5.3	29.5
White	47.6	17.1	22.2	17.2	14.8	22.0	8.6	17.8	6.9	25.9
Hispanic	64.1	23.7	18.0	18.3	8.7	20.3	4.0	10.8	5.1	26.9
Public 4-year										
Nondoctoral	58.9	26.6	24.1	23.7	10.4	17.9	4.9	14.2	1.8	17.7
Doctoral	54.3	20.1	21.9	18.5	12.7	20.9	7.0	17.5	4.1	23.1
Private not-for-profit 4 year										
Nondoctoral	39.5	11.5	20.8	15.8	19.9	27.6	9.3	17.9	10.5	27.2
Doctoral	30.1	5.9	20.4	9.8	17.1	20.0	15.1	19.8	17.4	44.6
Family income										
Dependent total	47.0	16.1	22.3	17.3	15.1	24.9	8.9	18.2	6.8	23.4
Lowest quarter	42.9	18.3	22.6	20.5	18.7	20.7	10.3	18.2	5.6	22.3
Lower middle quarter	53.3	11.0	23.4	17.3	11.0	25.5	7.4	21.6	4.9	24.6
Upper middle quarter	46.0	15.1	24.6	15.6	12.3	31.8	9.0	13.0	8.1	24.5
Highest quarter	48.5	21.8	15.0	13.8	16.0	22.1	7.0	20.5	13.5	21.8
Independent total	49.4	19.2	22.7	18.1	14.0	17.4	7.2	16.0	6.8	29.4
Baccalaureate degree major										
Business and management	55.1	20.2	18.3	17.1	12.9	26.8	6.7	17.3	7.1	18.7
Education	47.8	16.9	24.7	20.5	15.2	22.7	5.0	15.2	7.3	24.7
Engineering, mathematics, or science	48.1	19.1	19.7	16.7	17.1	19.0	7.7	18.4	7.4	26.9
Humanities or social sciences	49.3	16.2	25.3	17.3	12.1	18.6	8.2	18.5	5.2	29.5
Other	42.3	16.8	24.4	17.8	15.2	20.9	10.8	16.0	7.3	28.6
Monthly salary in 1994/2001										
Lowest quarter	50.7	16.9	21.7	20.1	14.6	22.8	7.7	17.2	5.3	23.1
Lower middle quarter	48.3	19.1	27.4	19.9	13.8	23.2	6.4	15.0	4.1	22.8
Upper middle quarter	49.3	16.7	22.1	16.3	14.4	22.1	7.9	18.2	6.3	26.8
Highest quarter	46.7	15.2	18.0	16.7	15.7	20.4	8.3	18.4	11.3	29.5
Employment status in 1994/2001										
Employed full time	48.2	17.1	22.7	17.6	14.2	22.2	8.1	17.2	6.8	26.0
Employed part time	46.0	19.4	23.1	22.3	16.1	18.6	8.8	16.7	6.0	23.1

¹Black includes African American, Pacific Islander includes Native Hawaiian, and Hispanic includes Latino. Racial categories exclude Hispanic origin.

NOTE: Detail may not sum to totals because of rounding.

SOURCE: U.S. Department of Education, NCES, 1993/94 and 2000/01 Baccalaureate and Beyond Longitudinal Studies (B&B:93/94 and B&B:2000/01).

Debt Burden of College Students

Table S38. Standard errors for the percentage of 1992–93 and 1999–2000 bachelor’s degree recipients who had borrowed for their undergraduate education, average total amount borrowed by borrowers (in 1999 constant dollars), and among those in repayment a year later, average monthly salary and loan payment (in 2001 constant dollars) and median debt burden, by type of degree-granting institution

Type of degree-granting institution	All graduates	Borrowers	Borrowers in repayment		
	Percent who had borrowed	Average amount borrowed	Average monthly salary	Average monthly loan payment	Median debt burden
	1992–93		1994		
Total	0.78	\$180	\$100	\$3	0.18
Public 4-year	0.84	210	130	3	0.24
Nondoctoral	1.64	410	130	5	0.35
Doctoral	1.03	270	190	4	0.27
Private not-for-profit 4-year	1.37	330	70	7	0.32
Nondoctoral	1.94	550	100	7	0.39
Doctoral	1.65	640	100	16	0.58
	1999–2000		2001		
Total	0.54	\$260	\$40	\$3	0.14
Public 4-year	0.75	300	30	3	0.20
Nondoctoral	1.63	450	60	6	0.34
Doctoral	0.85	360	40	4	0.23
Private not-for-profit 4-year	1.16	510	90	7	0.25
Nondoctoral	1.54	570	130	10	0.29
Doctoral	1.50	970	90	10	0.40

SOURCE: U.S. Department of Education, NCES, 1993/94 and 2000/01 Baccalaureate and Beyond Longitudinal Studies (B&B:93/94 and B&B:2000/01).

Debt Burden of College Students

Table S38-1. Standard errors for the percentage of 1992–93 and 1999–2000 bachelor's degree recipients who had borrowed for their undergraduate education, average total amount borrowed by borrowers (in 1999 constant dollars), and among those in repayment a year later, average monthly salary and loan payment (in 2001 constant dollars) and median debt burden, by selected student characteristics

Characteristic	All graduates		Borrowers		Borrowers in repayment					
	Percent who had borrowed		Average amount borrowed		Average monthly salary		Average monthly loan payment		Median debt burden	
	1992–93	1999–2000	1992–93	1999–2000	1994	2001	1994	2001	1994	2001
Total	0.78	0.54	\$180	\$260	\$100	\$40	\$3	\$3	0.18	0.14
Sex										
Male	1.12	1.10	290	420	200	50	5	5	0.29	0.26
Female	1.00	0.77	230	300	40	50	4	4	0.22	0.20
Race/ethnicity										
Asian/Pacific Islander	3.79	3.47	1,150	770	210	120	30	20	0.74	0.38
Black	3.50	2.10	690	720	80	70	20	9	0.72	0.35
White	0.76	0.70	210	280	120	30	3	3	0.17	0.15
Hispanic	2.85	2.15	780	940	80	290	13	13	0.53	0.54
Family income										
Dependent total	0.86	0.76	270	380	50	30	5	4	0.21	0.20
Lowest quarter	1.66	1.37	400	520	130	60	4	6	0.28	0.31
Lower middle quarter	1.31	1.63	460	570	50	70	6	7	0.43	0.25
Upper middle quarter	1.38	1.95	730	710	90	50	16	9	0.51	0.31
Highest quarter	1.30	1.55	970	960	90	70	26	11	0.91	0.34
Independent total	1.32	0.99	200	380	180	70	4	5	0.28	0.21
Baccalaureate degree major										
Business and management	1.38	1.86	500	550	130	130	8	9	0.40	0.30
Education	1.55	1.88	520	540	350	40	9	8	0.59	0.26
Engineering, mathematics, or science	1.78	1.45	420	730	70	70	5	8	0.44	0.29
Humanities or social sciences	1.34	1.07	420	580	60	50	7	6	0.46	0.29
Other	1.66	1.18	400	400	300	50	5	6	0.36	0.33
Amount borrowed (in 1999 dollars)										
Less than \$10,000	†	†	70	70	70	60	2	4	0.18	0.15
\$10,000–14,999	†	†	70	60	390	60	5	6	0.17	0.25
\$15,000–19,999	†	†	60	60	70	120	6	6	0.29	0.22
\$20,000–24,999	†	†	80	50	110	60	15	6	0.76	0.25
\$25,000 or more	†	†	950	490	230	60	24	7	0.98	0.25
Monthly salary in 1994/2001										
Lowest quarter	1.24	1.44	440	620	20	20	7	9	1.41	1.06
Lower middle quarter	1.87	0.95	420	530	20	10	4	6	0.51	0.22
Upper middle quarter	1.20	1.24	430	430	10	10	6	5	0.21	0.18
Highest quarter	1.63	1.36	500	580	290	80	7	7	0.22	0.15
Employment status in 1994/2001										
Employed full time	0.85	0.61	200	280	110	40	3	3	0.18	0.13
Employed part time	1.98	1.51	660	790	50	100	12	13	1.26	0.89

†Not applicable.

SOURCE: U.S. Department of Education, NCES, 1993/94 and 2000/01 Baccalaureate and Beyond Longitudinal Studies (B&B:93/94 and B&B:2000/01).

Debt Burden of College Students

Table S38-2. Standard errors for the percentage distribution of 1992–93 and 1999–2000 bachelor's degree recipients who had borrowed for their undergraduate education and were in repayment by average total amount borrowed (in 1999 constant dollars), by selected student and institutional characteristics

Student or institutional characteristic	Less than \$10,000		\$10,000–14,999		\$15,000–19,999		\$20,000–24,999		\$25,000 or more	
	1992–93	1999–2000	1992–93	1999–2000	1992–93	1999–2000	1992–93	1999–2000	1992–93	1999–2000
Total	1.43	0.75	1.13	0.75	0.74	0.84	0.59	0.94	0.60	1.06
Sex										
Male	2.08	1.14	1.81	1.11	1.05	1.53	0.80	1.45	0.91	1.87
Female	1.65	0.92	1.30	1.03	1.06	0.99	0.75	1.11	0.81	1.14
Race/ethnicity										
Asian/Pacific Islander	12.75	3.25	17.87	4.67	4.72	3.95	2.49	3.64	4.75	3.58
Black	4.87	2.68	3.33	2.91	4.59	3.11	2.42	3.44	2.38	3.99
White	1.41	0.77	0.98	0.94	0.80	0.96	0.59	1.15	0.63	1.08
Hispanic	5.36	3.52	4.03	3.14	2.40	2.98	1.99	2.24	1.66	3.72
Public 4-year	1.68	1.05	1.23	1.03	1.01	1.04	0.61	1.19	0.50	1.35
Nondoctoral	3.15	2.36	2.70	2.06	1.45	1.83	1.14	1.78	0.60	1.99
Doctoral	2.17	1.26	1.63	1.11	1.34	1.17	0.61	1.48	0.63	1.70
Private not-for-profit 4 year	2.00	0.95	1.45	1.12	1.70	1.25	1.35	1.23	1.48	1.61
Nondoctoral	2.64	1.33	1.56	1.60	2.26	1.73	1.50	1.57	1.28	1.95
Doctoral	2.71	1.22	2.79	1.33	2.61	1.60	2.48	2.14	2.78	2.33
Family income										
Dependent total	1.49	0.95	1.24	0.97	1.09	1.05	0.89	1.21	0.85	1.37
Lowest quarter	2.48	1.81	1.68	2.19	2.24	1.98	1.48	1.82	1.05	2.27
Lower middle quarter	2.51	1.88	2.55	2.13	1.46	2.36	1.37	2.35	1.11	2.55
Upper middle quarter	4.19	2.14	3.30	2.23	2.05	2.75	2.32	1.73	2.37	2.54
Highest quarter	4.38	2.86	2.67	2.13	3.53	2.52	2.76	2.63	3.38	2.41
Independent total	2.31	1.34	1.85	1.28	1.23	1.46	0.88	1.14	0.79	1.56
Baccalaureate degree major										
Business and management	3.31	2.17	2.36	2.24	2.07	2.95	1.50	2.06	1.38	2.34
Education	3.02	2.02	2.19	2.40	1.96	2.42	1.04	1.95	2.07	2.38
Engineering, mathematics, or science	2.72	2.09	1.75	2.07	2.39	2.11	1.15	2.32	1.16	2.52
Humanities or social sciences	2.51	1.44	1.99	1.45	1.62	1.30	1.23	1.58	0.81	2.01
Other	2.85	1.42	2.96	1.26	1.45	1.77	1.67	1.43	1.11	1.79
Monthly salary in 1994/2001										
Lowest quarter	2.88	3.36	2.94	3.62	2.35	3.91	1.34	2.96	1.13	2.78
Lower middle quarter	2.88	1.91	3.33	1.56	1.78	1.70	1.16	1.40	0.85	1.97
Upper middle quarter	2.00	1.67	1.47	1.40	1.11	1.77	1.09	1.71	1.17	1.73
Highest quarter	2.98	1.44	1.56	1.82	1.75	2.28	1.33	1.99	1.54	2.22
Employment status in 1994/2001										
Employed full time	1.63	0.86	1.24	0.87	0.79	0.90	0.74	1.06	0.67	1.07
Employed part time	4.08	3.76	2.61	4.29	2.90	2.82	1.82	2.97	1.99	3.99

SOURCE: U.S. Department of Education, NCES, 1993/94 and 2000/01 Baccalaureate and Beyond Longitudinal Studies (B&B:93/94 and B&B:2000/01).