



# FACT SHEET

## STUDENT LOAN DEBT AND COLLEGE ACCESS

Despite the individual, economic, and social benefits of higher education, students face high stakes in financing a college degree. Over the last 20 years, students have relied heavily on undergraduate student loans to supplement grant aid as the principle vehicle for financing their college education. Such increased dependency on student loans has resulted in a growing number of indebted graduates entering the workforce.<sup>1</sup>

### Student Debt Burden

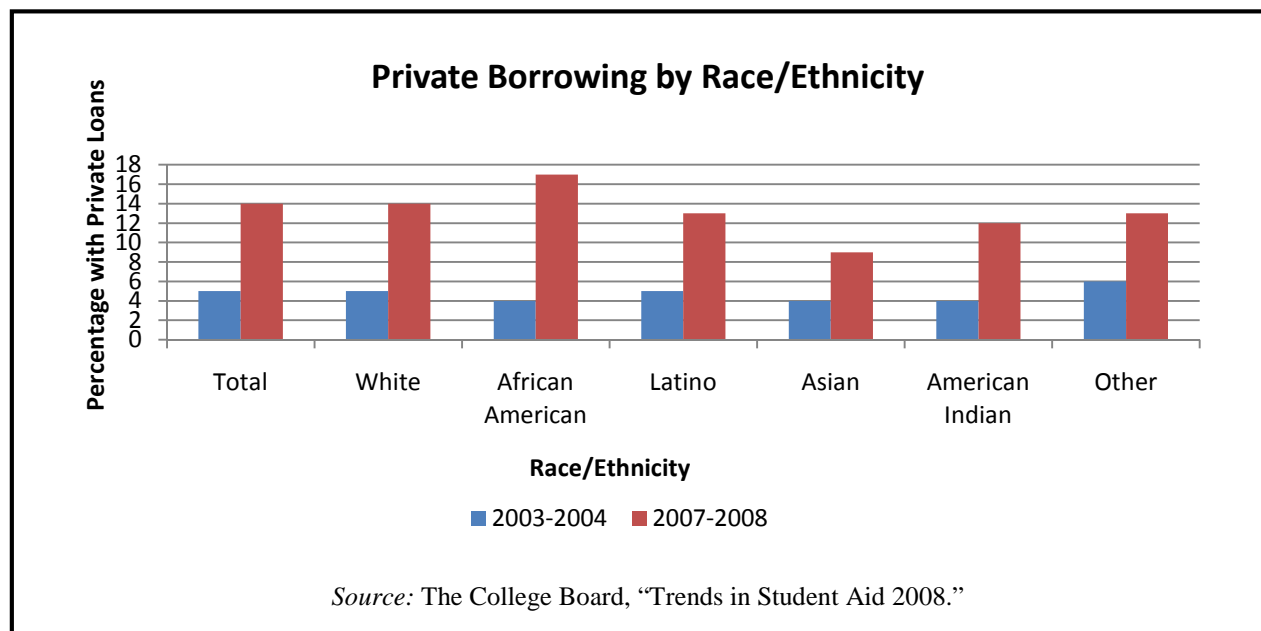
- Few students can afford to finance their entire collegiate education. In 2007–08,
  - two-thirds (65.6 percent) of four-year undergraduate students graduated with a bachelor’s degree and some debt;
  - the average student loan debt among graduating seniors was \$23,186, up from \$16,928 in 1999–2000; and
  - about two in 15 (13.5 percent) parents took out PLUS loans for their children’s college education, with a cumulative PLUS loan debt of \$23,298.<sup>2</sup>

Undergraduate Education Debt, 2007–08		
Institution Level and Control	Percent Borrowing	Cumulative Debt
Overall total (4-, 2- and < 2-year)	58.8%	\$18,625
Public	49.4%	\$16,369
Private nonprofit	69.7%	\$26,683
Private for-profit	93.1%	\$17,162
4-year total	66.5%	\$22,656
4-year public	61.1%	\$19,839
4-year private nonprofit	70.6%	\$27,349
4-year private for-profit	97.0%	\$24,635
2-year total	44.8%	\$12,307
2-year public	37.2%	\$10,444
2-year private nonprofit	64.0%	\$14,790
2-year private for-profit	97.6%	\$17,310
< 2-year total	74.7%	\$10,172
< 2-year public	36.1%	\$10,321
< 2-year private nonprofit	45.0%	\$10,990
< 2-year private for-profit	86.0%	\$10,123

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

### African-American Undergraduates the Most Likely to Take Out Private Loans

- According to the president of the Institute for College Access and Success, a private loan is the riskiest way to pay for college; however, the percentage of African American undergraduates who took out a private loan quadrupled between 2003–04 and 2007–08, from 4 percent to 17 percent.<sup>3</sup>
- Similar to credit cards, private loans usually have variable interest rates that are higher for those least able to afford them—as high as 18 percent in 2008. But unlike credit card debt, private loans are nearly impossible to discharge in bankruptcy,<sup>4</sup> and many lack important consumer protections that come with federal student loans.
- Private loan borrowers of all races and ethnicities were about as likely to turn to private loans before taking out all they could in federal loans in 2007–08.<sup>5</sup>



### Community College: Gaps in Federal Loan Access

- Nationally, community colleges educate more than 40 percent of all undergraduate college students, including more African American, Latino, and low-income students than any other type of college.<sup>6</sup>
- More than one million students enrolled at community colleges do not participate in the federal student loan program. African Americans and Native Americans are much less likely to have access to federal loans than other community college students. Nationally, 20 percent of African American community college students and 19 percent of Native American students are unable to take out federal student loans, compared with 9 percent of white students.<sup>7</sup>
- As a result, such students are forced to turn to riskier, more expensive forms of debt, such as credit cards or private student loans, when they need help bridging the gap between available grant aid and college costs.<sup>8</sup>

Largest Gaps in Federal Loan Access between Racial and Ethnic Groups		
State	The Details	Gap
Montana	Whereas 95 percent of white community college students can get federal loans, only 8 percent of Native American students have access.	87
North Dakota	Nearly all white community college students can get federal loans, while only 37% of Native American students have access.	63
Tennessee	Whereas 87 percent of white community college students can get federal loans, only 45 percent of African American students have access.	42
Arizona	Whereas 98 percent of Latino community college students can get federal loans, only 65 percent of Native American students have access.	33
Alabama	Only 56 percent of white community college students can get federal loans, and only 30 percent of African American students have access.	26

*Source: The Project on Student Debt, Denied: Community College Students Lack Access to Affordable Loans, Issue Brief, 2008.*

---

<sup>1</sup> The Project on Student Debt, "Private Loans: Facts and Trends," 2009,

[http://projectonstudentdebt.org/files/pub/private\\_loan\\_facts\\_trends\\_09.pdf](http://projectonstudentdebt.org/files/pub/private_loan_facts_trends_09.pdf) (accessed September 14, 2009).

<sup>2</sup> The National Postsecondary Student Aid Study examines the characteristics of students in postsecondary education, with special focus on how they finance their education. Available at <http://nces.ed.gov/surveys/npsas/> (accessed September 8, 2009).

<sup>3</sup> The Project on Student Debt, "Private Loans: Facts and Trends."

<sup>4</sup> The Project on Student Debt, "As Student Debt Rises, More Undergraduates Go Straight to Most Dangerous Loans: New Analyses Find Disturbing Trends and Inadequate Disclosure Rules," 2009,

[http://projectonstudentdebt.org/files/pub/Aug09\\_private\\_loan\\_NR.pdf](http://projectonstudentdebt.org/files/pub/Aug09_private_loan_NR.pdf) (accessed September 14, 2009).

<sup>5</sup> The Project on Student Debt, "Private Loans: Fact and Trends."

<sup>6</sup> The Project on Student Debt, "Denied: Community College Students Lack Access to Affordable Loans," issue brief, 2008,

<http://projectonstudentdebt.org/files/pub/denied.pdf> (accessed September 14, 2009).

<sup>7</sup> Ibid.

<sup>8</sup> Ibid.