



Perceptions & Realities of Paying for College

Ascent Funding's 2019 national study of students and parents explores their perceptions before starting college and the impact of reality once the college experience begins.



“A real look at how perspectives change once college has begun.”

Summary

Paying for higher education in the U.S. is complex, comprised of difficult decisions and mounting anxiety about how and where to find financing without burdening a student or their parents after graduation with unrealistic financial obligations.

Americans collectively owe more than \$1.5 trillion in student loan debt¹ and with the cost of tuition continuing to grow among U.S. institutions, college students (and parents of college students) are naturally concerned about their ability to repay student loans after graduation. This is according to the second annual Ascent Funding study on Americans' behavior and sentiment around paying for college.

Perceptions and Realities of Paying for College 2019 shares data gathered from two online surveys in March 2019: the first surveyed high school seniors expected to graduate in 2019 and parents of high school seniors expected to graduate in 2019, and the second of college students age 18-26 years old and parents of college students who have taken out student loans. The study looks at how each student and parent group prepares to finance their college education, and how their perspectives change once students have started college.

Key Findings of Perceptions & Realities of Paying for College

- 1. High school seniors feel empowered to be the decision makers on their future education** – in fact, 90% state they are moderately to extremely knowledgeable about all the financing options for college, but 32% of high school seniors either do not plan to or aren't sure if they'll fill out the Free Application for Federal Student Aid (FAFSA®).
- 2. Both high school seniors and current college students believe they should be responsible for the majority of the cost of their education** – 72% of high school seniors and the same amount of college students believe 50 – 100% of that cost should be their responsibility.
- 3. College students are struggling financially to make ends meet** – 24% college students have experienced late loan disbursement funds from their college over the past year and among this group 51% went without food to help make up the difference.
- 4. With low confidence in the ability to pay back money borrowed for college, students and parents are ready for new options to finance a college education** – 54% of college students and 79% of parents of college students would consider non-cosigned loan options.

¹ The Federal Reserve. (2019). Consumer Credit - G.19. Retrieved from <https://www.federalreserve.gov/releases/g19/current/>

Key Finding #1

High school seniors feel empowered to be the decision makers on their future education, yet their confidence and understanding of paying for college may be overstated.

While they express concern about the ability to pay for a college education, they are confident in their understanding of and preparation for that cost. However, when pressed about important steps in the student loan process, gaps in knowledge occur.

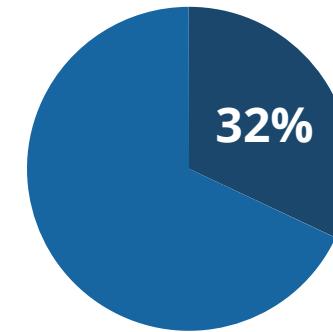
High School Seniors are the Decision Makers

Contrary to the perception that parents are using a heavy hand to guide college decisions, high school seniors headed to college are indeed conducting the majority of research on their preferred colleges, costs and related expenses, and financing options. An overwhelming majority (92%) of high school seniors are concerned about their ability to pay for college, driving their involvement in the process.

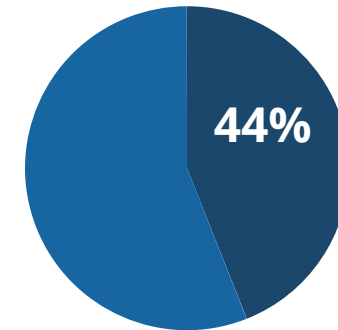
- 84% of high school seniors report taking the lead on filling out admission applications.
- 80% of high school seniors and 74% of parents of high school seniors state the student will be the final decision maker on selecting a college.

Disconnect in Understanding of College Finance Options

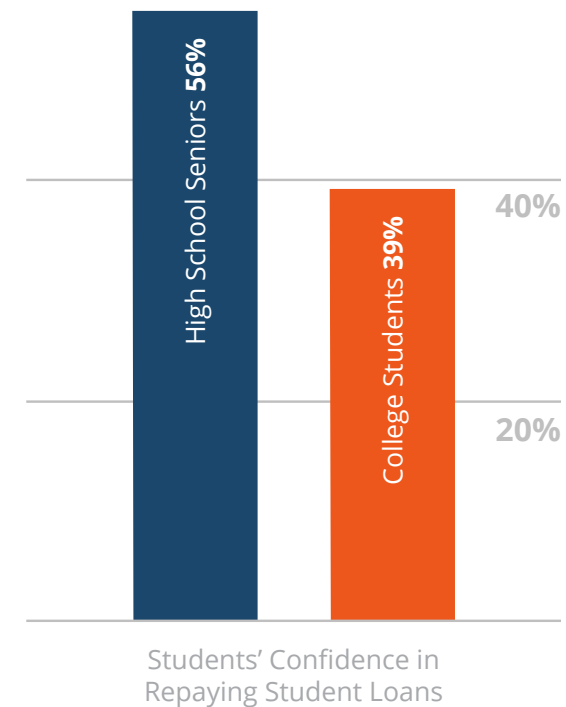
While 90% of high school seniors state they are moderately to extremely knowledgeable about the financing options for college, there is a surprising percentage of students who do not plan to take advantage of federal loan options or other merit-based scholarships.



Nearly one third (32%) of high school seniors either do not plan to or aren't sure if they'll fill out a FAFSA.



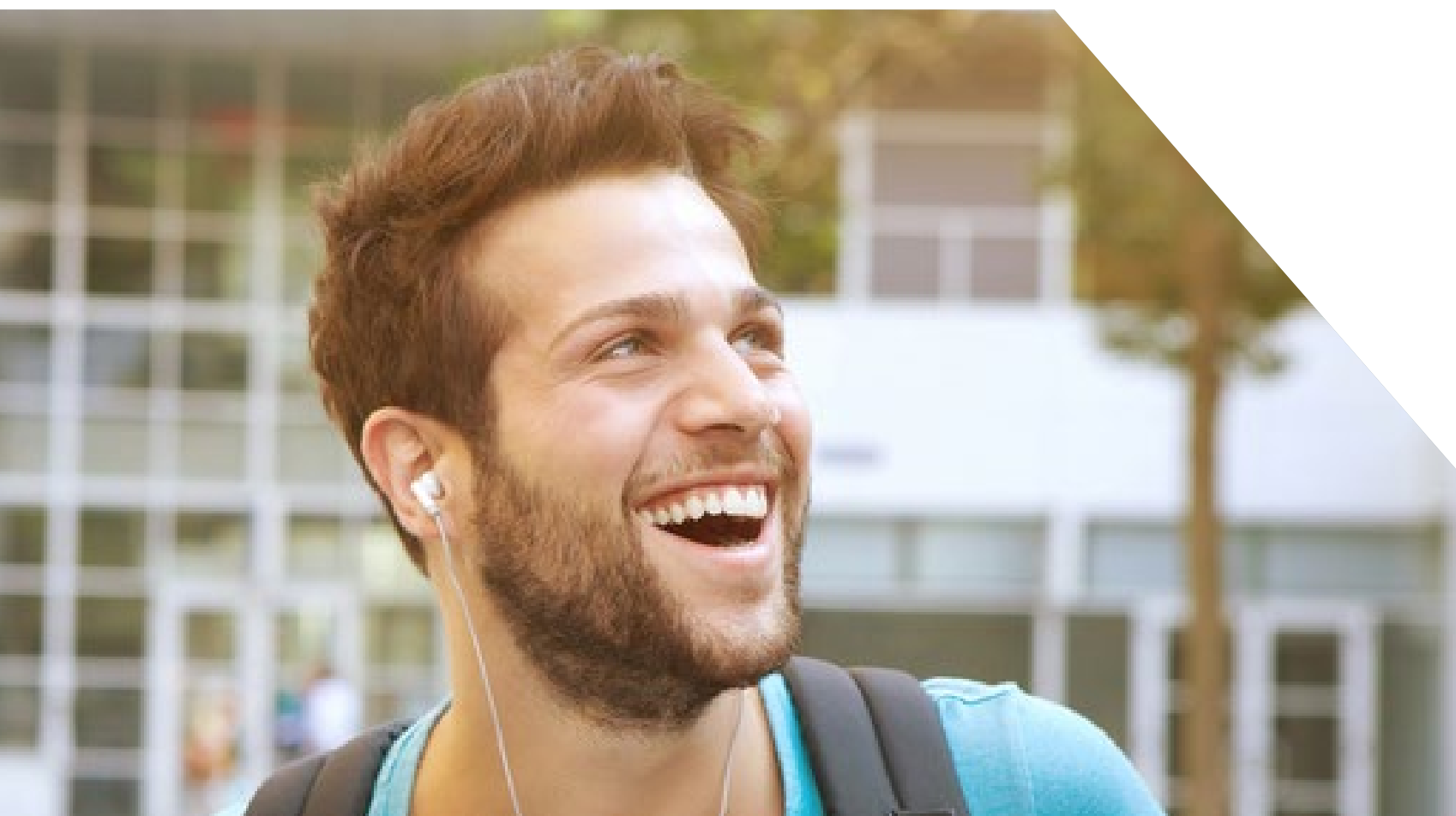
Only 44% of high school seniors plan to apply for merit-based aid or scholarships to pay for college. Retrospectively, 68% of current college students would have applied for more scholarships or grants prior to entering college.



Confidence to Pay Back Student Loans

The positive enthusiasm from high schoolers heading to college is encouraging, yet that confidence can diminish once real-world challenges of the college experience are faced.

- **56% of high school seniors** headed to college say they are extremely or very confident in their ability to pay back (pay off or repay) money borrowed for college after graduation.
- However, **only 39% of college students** are extremely or very confident in their ability to pay back money borrowed for college after graduation. In fact, 53% of college students report only moderate to slight confidence in their ability to pay back money borrowed for college after graduation.



Key Finding #2

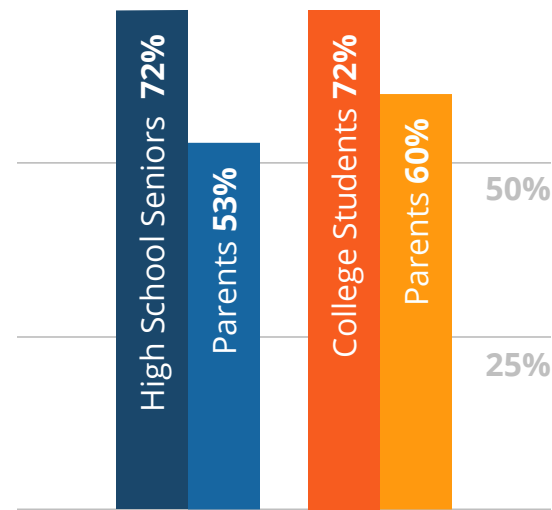
The cost of college is the biggest concern for high school seniors, college students and parents. The ability to fund a college education and then pay back the loan in the future is a cause of anxiety for all parties.

Findings show that cost is the most important factor in selecting a college, as indicated by 61% of both high school seniors and parents of high school seniors; 58% of college students and 57% of parents of college students. Unfortunately, even though they are acutely focused on cost as a key deciding factor, most parents don't fully understand what that total cost will be. **In fact, 65% of college parents state they underestimated the total cost of their student's education.**

Who Should be Responsible for Paying for College?

A majority of high school seniors and college students are accepting and willing to take on the financial responsibility of their education and parents mostly agree.

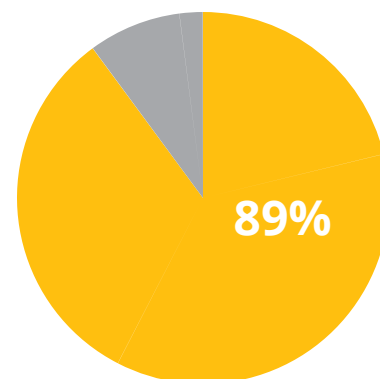
- **72% of high school seniors** believe 50 – 100% the tuition and overall cost of college should be their responsibility, however **only 53% of parents** of this group of students say the same.
- **72% of college students** believe 50 – 100% of tuition and the overall cost of college should be the student's responsibility and **60% of parents agree.**



Students Aim to Take Responsibility for Paying for College and How Much Parents Agree with This Sentiment

Parents are Highly Concerned About the Ability to Pay for College

- **89% of parents of high school seniors** headed to college are concerned about their own ability to finance their student's education.
- **89% of parents of college students** are concerned about their student's ability to pay for the remainder of their education.



Parents' Concern About Paying for College

How Families of High School Seniors Plan to Pay for College

High school seniors seem to be planning ahead with over half (56%) preparing to work specifically to pay for college, but this also means they are purposefully adding distractions to their studies, prior to even being on campus and settling in to college life. According to parents, 55% plan to personally contribute money to pay for their student's college tuition.

- 45% of high school seniors plan on having financial support from their parent(s), followed by 44% who plan to leverage merit-based aid/scholarships.
- 49% of parents equally reflected a desire for their college student to obtain merit-based aid (or scholarships) and federal loans.

A Surprising Confidence Boost Among Students with Private Loans

While some students struggle with covering costs from delayed loan disbursements, there was a surprising finding among college students with private loans – 65% of college students with private loans express high confidence in their ability to repay money borrowed for college. This is a stark comparison to college students who only have federal loans and of whom only 34% feel high levels of confidence.

There tends to be more scrutiny around private student lenders, but survey results show that college students with private loans are indeed more confident in their overall understanding and preparedness of their full financial responsibility.

Key Finding #3

On college campuses, some students struggle to cover school-related costs when loan disbursement funds from their college are delayed.

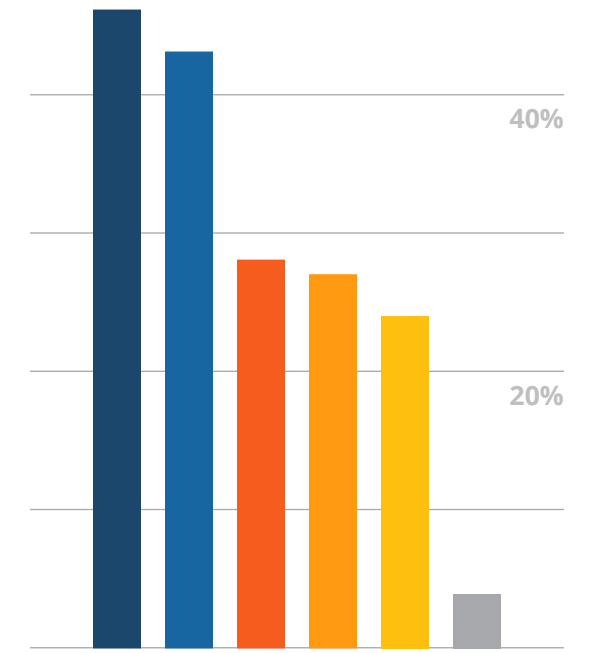
While high school seniors and parents think they have a solid grasp of how college finance options work, current college students are struggling to obtain their student loan funds in a timely manner. Of current college students, 24% reported that in the past year they have not received their student loan funds from their college on time and had to look elsewhere to cover school-related costs.



Where College Students Are Looking for Financial Help

When loan funds are not received in time to support college-related expenses that occur prior to loan disbursement, about 24% of college students are left with the burden of those related costs. Students are leveraging multiple methods to obtain money to make up the difference.

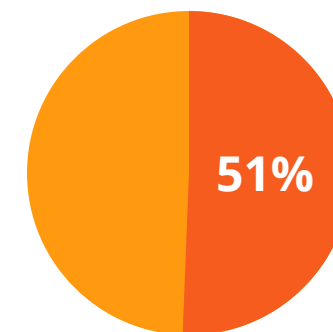
- 46% Personal funds or savings
- 43% Family/friend covered the cost
- 28% Started a new job/increased existing work hours
- 27% Loan from friend/family
- 24% Credit card
- 4% Other



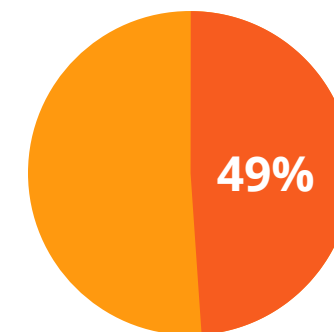
Where College Students are Obtaining Financial Support When their Loan Disbursement is Delayed

How College Students Make Ends Meet

When college students did not receive money from their school in time, 60% of these students were responsible for covering anywhere from \$1,000 - \$10,000 while they waited for their loan funds to be disbursed.



51% of college students went without food.



49% of college students went without school supplies.

What Students are Going Without to Make Ends Meet

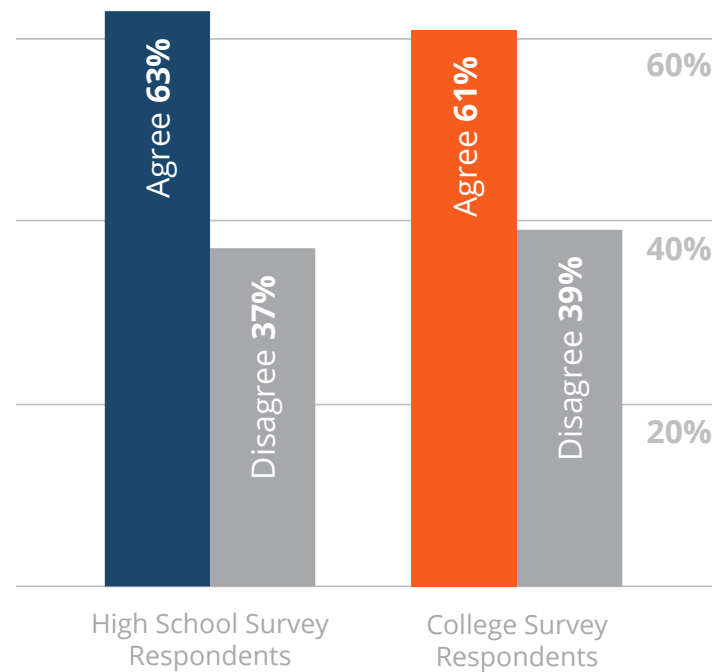
Key Finding #4

Students and parents are ready for new, creative options to finance a college education.

Addressing the growing price of college tuition, when asked if the cost of a college education at the same school should vary depending on the major, a majority of respondents from the college and high school survey agreed.

College Majors Should be Priced Differently

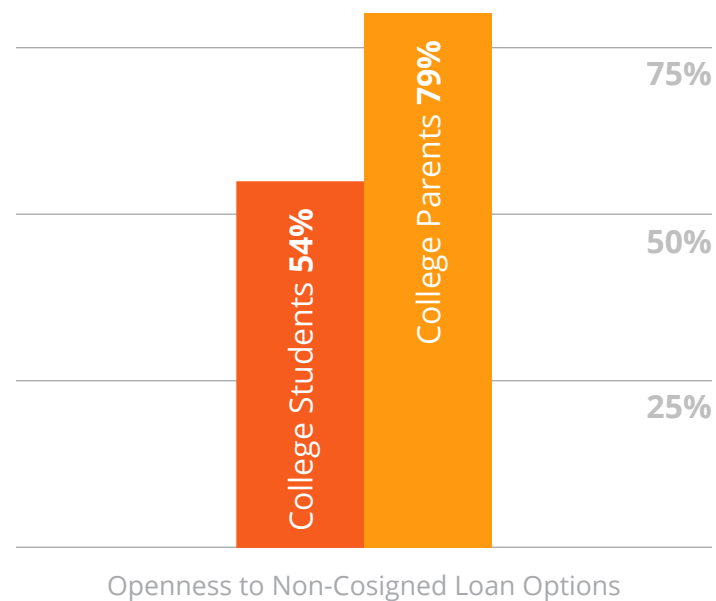
- 63% of all high school survey respondents agreed; 37% disagreed.
- All respondents of the college survey share the same mixed sentiment. 61% of all college survey respondents agreed and 39% disagreed.



Non-Cosigned Loans are an Attractive Option

Support for student loan options that don't involve a cosigner is also high.

- Of college survey respondents, 54% of college students would consider obtaining a loan on their own.
- Of college survey respondents, 79% of parents would support their student obtaining a loan on their own.



Future Income-Based Payments Increase Confidence

Most high school and college student survey respondents indicated interest in a loan payment option that would fluctuate based on future income after graduation, instead of a fixed monthly payment like loan repayment options offered currently.

- When offered the ability to have a loan payment fluctuate based on income, instead of a fixed monthly payment, 62% of high school survey respondents (students and parents) indicated more confidence in their ability to repay borrowed money.
- 66% of college survey respondents (students and parents) indicated more confidence in their ability to repay borrowed money.
- It's not surprising that parents (of both groups of students) have the highest confidence levels here – 31% of both parent groups indicated much more confidence in repaying money borrowed for college with a fluctuating repayment based on income.



About the Study

College Survey Methodology

Allison+Partners Research + Insights surveyed 1,099 individuals, a mix of college students (18-26 years old) and parents of college students who have taken out student loans and all residing within the United States. The survey was fielded using the Qualtrics Insight Platform, and panel was sourced from Lucid. Fielding was executed in March 2019.

High School Survey Methodology

Allison+Partners Research + Insights surveyed 1,015 individuals, a mix of high school students expected to graduate in 2019 and parents of high school students expected to graduate in 2019, all residing within the United States. The survey was fielded using the Qualtrics Insight Platform, and panel was sourced from Fulcrum by Lucid. Fielding was executed in March 2019.

To view the full survey results from the 2019 Perceptions & Realities of Paying for College study, please visit AscentStudentLoans.com/2019study

About Ascent Funding

Ascent is built around one guiding principle: Student loans should expand possibilities, not limit them. That's why Ascent created a new private student loan model that gives students more opportunities to qualify for a loan, with or without a cosigner, to get the funding needed to cover tuition and living expenses. For eligible juniors, seniors and graduate students without a cosigner, Ascent utilizes broader credit tiers and considers creditworthiness, school, program, graduation date, major, cost of attendance and other factors. Ascent encourages transparency and financial wellness by incorporating financial literacy into the application process, preserving the notion that an education is an investment where students and families should understand the return on their investment relative to the cost. Ascent also offers benefits and resources that set students and families up for financial success.

To learn more about Ascent student loan options and benefits, please visit AscentStudentLoans.com