Minnesota Office of Higher Education

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Undergraduate Borrowing in Minnesota

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About the Minnesota Office of Higher Education

The Minnesota Office of Higher Education is a cabinet-level state agency providing students with financial aid programs and information to help them gain access to post-secondary education. The agency serves as the state's clearinghouse for data, research and analysis on post-secondary enrollment, financial aid, finance and trends.

The Minnesota State Grant Program, which is administered by the agency, is a need-based tuition assistance program for Minnesota students. The agency oversees tuition reciprocity programs, a student loan program, Minnesota's 529 College Savings Program, licensing and an early awareness outreach initiative for youth. Through collaboration with systems and institutions, the agency assists in the development of the state's education technology infrastructure and shared library resources.

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Executive Summary

In the years since student loans first became available in 1958, borrowing has become a common way for students to pay for education after high school. As student borrowing has risen over time, some have raised concerns about the debt burden facing some borrowers once they complete their post-secondary education. In an effort to learn more about how Minnesota students finance their education, the Minnesota Office of Higher Education compiled this report on undergraduate borrowing using data from a 2004 national survey conducted by the U.S. Department of Education. This report is the first statewide report on student borrowing and is designed to examine two questions:

- How many undergraduates in Minnesota have student loans?
- How much do they borrow?

This report finds that borrowing was prevalent across income groups and the type of institution attended. Overall, nearly half (49 percent) of Minnesota undergraduates had student loans in Fiscal Year 2004. There are several important observations:

- In general, a larger percent of undergraduates in Minnesota had student loans than nationally, and Minnesota students borrowed more, on average, during the 2003-2004 academic year.
- Among Minnesota undergraduates who attended full-time for the full academic year, 63 percent had student loans. In contrast, 19 percent of undergraduates who attended part-time for only part of the academic year had loans.
- The average annual amount borrowed by all undergraduates was approximately $5,500. Full-time students who attended for the full academic year borrowed an average of $6,600 annually.
- Much of the recent increase in the percentage of students with loans occurred in the upper income brackets. In 2000, 28 percent of full-time, full-year dependent students in Minnesota coming from families with incomes of $90,000 or more had student loans while, in 2004, 57 percent of similar students had loans.
- In Minnesota, full-time, dependent students whose parents belong to the middle income categories ($30,000-$89,999) were still more likely to borrow than those in the lowest or highest income categories.
- While borrowing by students in the private not-for-profit four-year sector remained at the high levels from previous years, borrowing by students in Minnesota's public sector increased. In the public four-year sector, dependent students borrowed, and borrowed more on average, than their counterparts borrow nationally. Of those attending Minnesota's public two-year institutions on a full-time basis, 50 percent had student loans.

- While increases in tuition probably caused some of the increase in borrowing in Minnesota, it is also important to note that interest rates decreased from 2000 to 2004. The interest rates paid by students with Stafford loans while attending school were 6.32 percent in Fiscal Year 2000 and 2.82 percent in 2004.[1]

- In recent years, students have increased their reliance on "alternative" student loans from non-federal sources. Sixteen percent of full-time, full-year undergraduates had Minnesota Student Educational Loan Fund (SELF) loans in 2004 and 19 percent had private student loans.

The data indicates that many Minnesota undergraduates utilized student loans during the 2003-2004 academic year. Student loans are an important source of funding regardless of income, the types of institution attended, and the attendance status. In Minnesota, more undergraduates borrowed, and borrowed larger amounts, than the average borrowed by all students in the U.S.. While the survey data indicates that Minnesota students were more likely to borrow than the national average, it does not paint the entire picture.

Other factors play a role in determining borrowing behavior of students. Several years of significant tuition increases occurred from 2000 to 2004. Additionally, Minnesota's strong economy has helped Minnesota rank highly in personal income measures in the U.S. National indicators suggest that states with high median incomes tend to exhibit higher levels of consumer debt. Higher income levels, among other factors, increase the borrowing capacity of students and their families. The increasing costs of attendance coupled with favorable economic characteristics contribute to the greater incidence of student loan borrowing in Minnesota. Minnesota students are doing well at repaying their loans. National default rates for federal student loans for 2003 (latest available) was 4.5 percent while Minnesota's default rate was 3.3 percent.

Future research will focus on the observations noticed in this report and explore them in detail. Future reports will also compare Minnesota to other states with similar regional and economic characteristics to glean a better understanding of the factors that influence borrowing.

[1] The interest rate on variable rate FFEL Stafford loans (first disbursed after July 1, 1998) for July 1, 1999 through June 30, 2000 was 6.32% in-school and 6.92% in repayment (Federal Register, Volume 64, No. 205, p. 57525). The interest rate on variable rate FFEL Stafford loans (first disbursed after July 1,1998) for July 1, 2003 through June 30, 2004 was 2.82% in-school and 3.42% in repayment (US Department of Education, Information for Financial Aid Professional Library, Electronic Announcement 6/30/2003).

Introduction

Students pay for post-secondary education using savings, earnings, grants and scholarships, and loans. Since the first federal student loans became available in 1958, students have used loans to pay part of the price of post-secondary education. As borrowing has increased over time, there is concern that borrowers will have difficulty repaying their student loans, that their debt will adversely affect their employment and career plans, and that debt will hamper their ability to pursue further education.

This report examines student loan borrowing amounts and changes in borrowing for undergraduates in Minnesota during the 2003-2004 academic year. The data in this report is based on the National Postsecondary Student Aid Study, which was administered by the U.S. Department of Education from 2002-2004. Preparation for the data gathering began in 2001 by the U.S. Department of Education. For several years, the Minnesota Office of Higher Education requested data that would be representative at the state level from the U.S. Department of Education. This was the first time data from this national student aid study contained state-level data for several states.

The Minnesota Office of Higher Education began analysis of the data during the summer of 2005 on topics such as student's borrowing characteristics. The *Undergraduate Borrowing in Minnesota* report provides estimates on how many students borrowed and how much they borrowed according to income, part-time/full-time attendance, and type of institution attended. This report is the first in a series using data from the study addressing undergraduates in Minnesota, their characteristics and their financial situations.

Overall, in 2003-2004, almost half of all Minnesota undergraduates had student loans. Sixty-three percent of those who attended full-time for the full academic year had student loans. Among students receiving bachelor's degrees, more than 70 percent had loans.

About the Data

Source of Data

The data presented in this report come from the National Postsecondary Student Aid Study (NPSAS). The National Center for Education Statistics (NCES) of the U.S. Department of Education administered NPSAS. Mandated by the Higher Education Act (HEA), NCES has conducted NPSAS six times since its inception in 1986. The most recent cycles of the NPSAS were in 2000 and 2004. NPSAS provides a nationally representative stratified random sample of undergraduate, graduate and first-professional students attending postsecondary institutions. The survey aims to understand how students and their families finance education and to assess certain characteristics of students enrolled in postsecondary education.

For the first time in NPSAS's history, the 2003-2004 survey obtained larger samples for twelve states to provide data for state-level analysis of postsecondary students' characteristics. NCES selected twelve states for larger samples, due to their interest and involvement in previous cycles of NPSAS. NCES grouped the states according to their population size: small states (Connecticut, Delaware, Nebraska, and Oregon), medium states (Georgia, Indiana, Minnesota, and Tennessee) and large states (California, Illinois, New York, and Texas).

This report includes information on undergraduates attending institutions that participate in Title IV student aid programs in the United States and in Minnesota[2]. The stratified random sample for Minnesota had approximately 1,800 students, 800 students from the public two-year institutions, 500 students from the public four-year sector and 500 from the private not-for-profit four-year sector.

Data Notes

NPSAS does not contain representative data for the for-profit institutions at the state level. The state samples are representative only for students attending public two-year, public four-year and private not-for-profit institutions. Thus, the estimates in this report pertain to these three sectors.

The majority of full-time, full-year students in Minnesota had student loans. To standardize the analysis of borrowing patterns of undergraduate students, this report emphasizes borrowing by full-time, full-year students. The estimates in the rest of this report focus primarily on these full-time, full-year students.

The dependency status (whether a student is dependent or independent) is often discussed in this report. Dependent students are generally age 18-23, and their parent's income is counted in calculating their eligibility for financial aid. Independent students are generally 24 years old or older. The income of the student (and the student's spouse if the student is married) is counted in calculating eligibility for financial aid. Refer to Appendix A for the full definitions.

All estimates for loan amounts exclude PLUS loans borrowed by the parents.

In addition to the estimates, several graphs contains error bars. These error bars represent the 95 percent confidence interval of these estimates (which are approximately two standard errors below and above the average). The bars are used to indicate the magnitude of the standard error for estimates. Appendix B provides tables of all estimates used in the report with the accompanying standard errors.

Acknowledgement

The Minnesota Office of Higher Education thanks the Lumina Foundation for Education for providing support in using the NPSAS data to gain a better understanding of student aid issues.

[2] Title IV student aid programs were established by Title IV of the Higher Education Act of 1965 (as amended). This law governs the major federal student grant and loan programs.

Average Annual Borrowing

Annual Borrowing by Undergraduate Attendance Status

This analysis begins by looking at the percent of undergraduates who borrow and the average amount they borrow, using student loans from all sources – federal, state, institutional and private.

Undergraduate students face borrowing restrictions through the maximum loan limits for state and federal loans (Table 1). These limits vary but are based on attendance status, price of attendance, dependency status, and several other variables. Attendance status describes whether the student attended full-time for the full academic year, full-time for part of the year, part-time for the full academic year or part-time for part of the year. Attendance status and price of attendance are linked, since the price of attendance depends on the amount of time a student is enrolled in school.

Dependency status refers to whether a student is considered a dependent or independent. The criteria for establishing independent student status are outlined in Appendix A (Table 4). While the characteristics of independent students vary widely, the small sample size of this population necessitates combining all independent students into one category. Independent students have higher maximum loan limits than dependent students (Table 1).

As the number of credits taken by the student decreases[3], the average amount borrowed annually and the percent who borrowed decrease as well (Figures 1 and 2). A larger percent of students borrowed in Minnesota (Figure 2) than in the U.S. for every category of attendance status (Figure 1).[4]

Average loan amounts differ by attendance status. In Minnesota, 63 percent of students who attended full-time for the full academic year had student loans. Among those who borrowed, the average annual amount was about $6,600. In contrast, 19 percent of students who attended part-time for part of the academic year had student loans, and those with loans borrowed an average of $4,390.

Since the majority of full-time, full-year students in Minnesota had student loans, this report emphasizes borrowing by full-time, full-year students. The estimates in the rest of this report focus primarily on these full-time students.

[3] The number of credits taken by a student is used to determine the attendance status of the student. Refer to Appendix A for the full definitions.
[4] The estimates for the loan amounts exclude PLUS loans borrowed by the parents

Table 1: Federal and State Loan Limits by Class Level and Dependency Status

Dependency Status	Class level	Stafford loan limits	Perkins loan limits	SELF loan limits
Dependent students	1st year	$2,625	$4,000	$4,500
	2nd year	$3,500	$4,000	$4,500
	3rd year	$5,500	$4,000	$6,000
	4th year	$5,500	$4,000	$6,000
	Cumulative limit	$23,000	$20,000	$25,000
Independent students	1st year	$6,625	$4,000	$4,500
	2nd year	$7,500	$4,000	$4,500
	3rd year	$10,500	$4,000	$6,000
	4th year	$10,500	$4,000	$6,000
	Cumulative limit	$46,000	$20,000	$25,000

Federal and State Loan Limits. The federal government administers the Stafford and Perkins loan programs. Stafford loans can be subsidized or unsubsidized. The federal government pays the interest on Subsidized Stafford Loans while students are attending post-secondary education. All students, regardless of need, are eligible for Unsubsidized Stafford loans. The eligibility for subsidized loans is determined by the student's calculated need. Perkins loans are available for students who demonstrate exceptional need. The SELF program is administered by the Minnesota Office of Higher Education. SELF loans are for Minnesota residents enrolled for at least half-time, non-Minnesota residents enrolled at least half-time in postsecondary institutions in Minnesota, and Minnesota residents attending participating institutions in other states. The loan limits for independent students also apply to dependent students whose parents are denied PLUS loans. (*Source: FinAid, www.finaid.org; Minnesota Office of Higher Education, www.ohe.state.mn.us*)

Figure 1: Average borrowing of undergraduates in the U.S. by attendance status

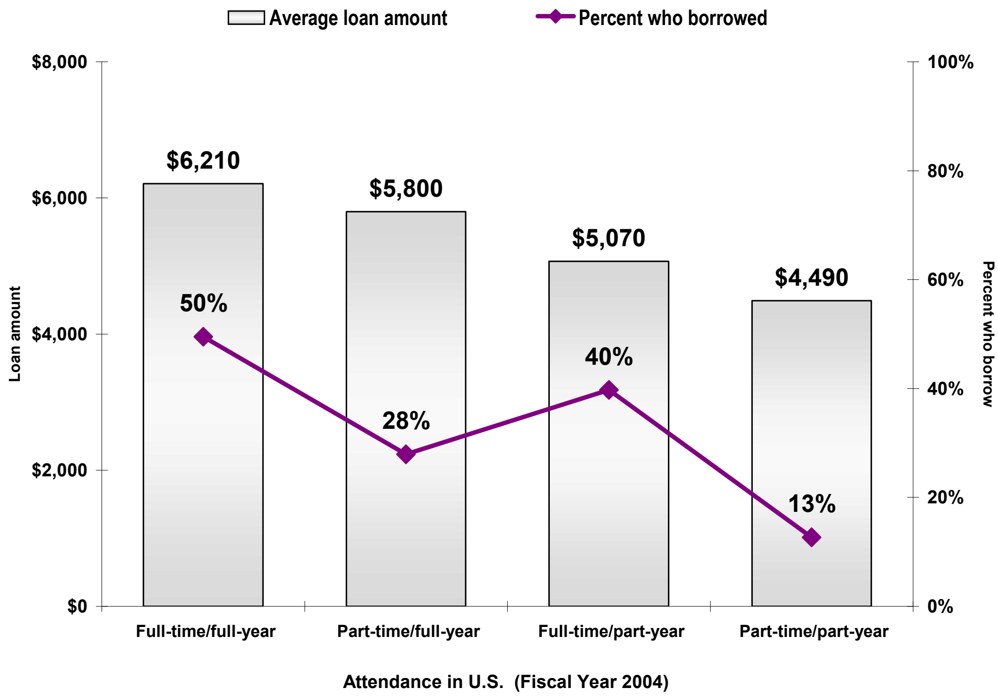
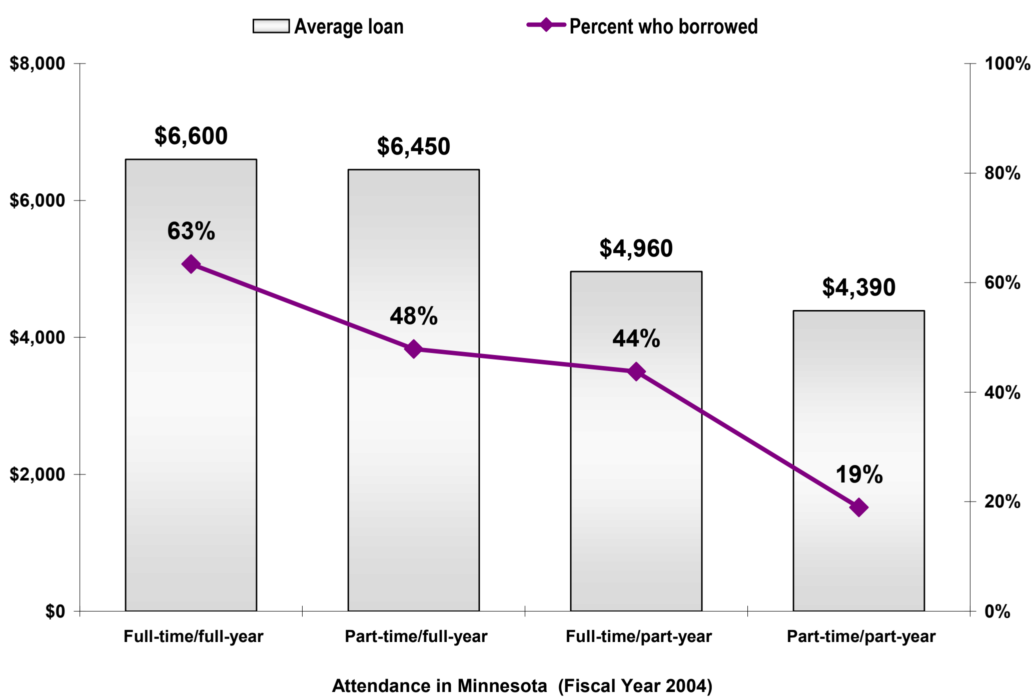


Figure 2: Average borrowing of undergraduates in Minnesota by attendance status



Data Source: National Postsecondary Student Aid Survey 2003-2004
Updated as of March 9, 2006

Annual Borrowing by Income Level and Dependency Status

Limits on the amount students can borrow are related to the price of attendance and dependency status of students (Table 1). Figures 3-10 illustrate average annual borrowing for dependent and independent students by income category. **Dependent students** are generally age 18-23, and their parent's income is counted in calculating their eligibility for financial aid. **Independent students** are generally 24 years old or older. The income of the student (and the student's spouse if the student is married) is counted in calculating eligibility for financial aid.

A larger percent of Minnesota's full-time, full-year undergraduates borrowed, than the percent who borrowed among U.S. undergraduates (Figures 3 and 4). Nationally, approximately half of the students from families with incomes below $90,000 borrowed while in Minnesota, almost 70 percent of the students in these categories borrowed. This could be due to several characteristics, such as the price of attendance (which is related to the type of institution attended) or the estimated family contribution (EFC). In Figures 5-10, these categories are separated by institutional sector to better understand students' borrowing patterns.

The average amounts borrowed are fairly similar across the income categories for dependent students in the U.S. In Minnesota, the average amount borrowed increases with income for dependent students. Independent students borrowed higher average amounts. However, the maximum loan limits are higher for independent students than for dependent students (Table 1).5

[5] The estimates for the percent who borrow, from the entire group, are available since the sample size of the entire group is adequately large. However, the estimates for the average amounts borrowed, by those who do borrow, is not available due to the small sample size of the subcategory (the borrowers within each group).

Figure 3: Average borrowing for full-time, full-year undergraduates in the U.S. by income

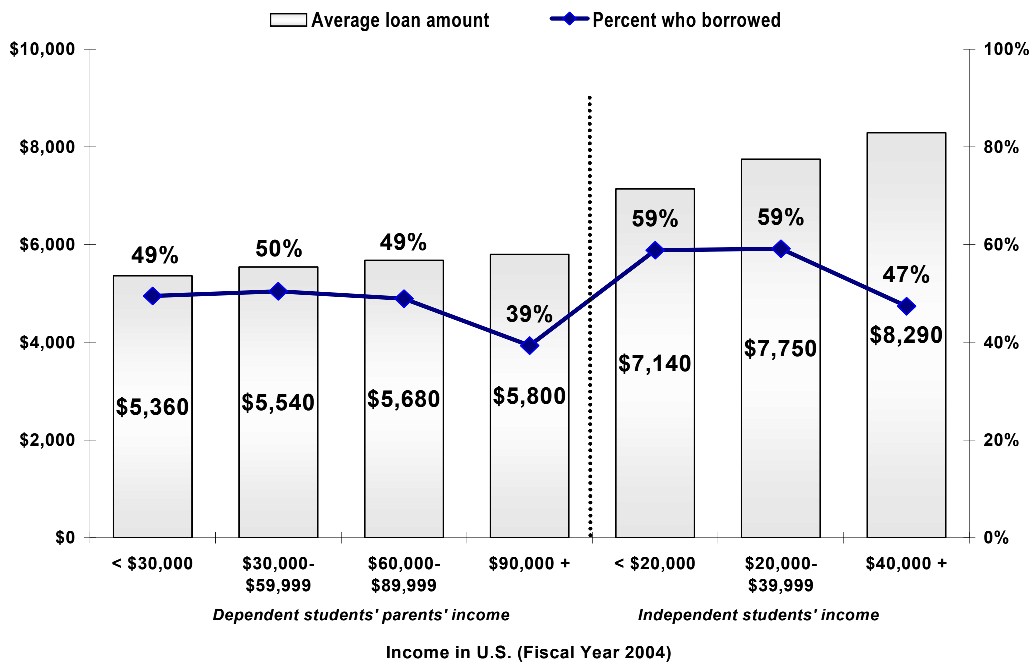
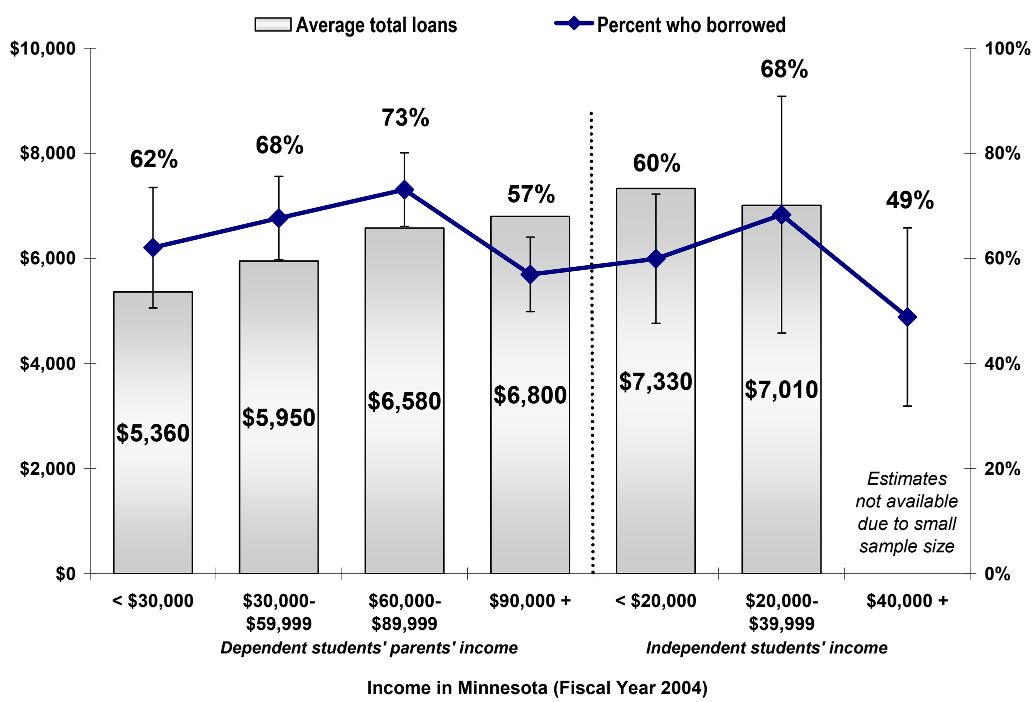


Figure 4: Average borrowing for full-time, full-year undergraduates in Minnesota by income



Data Source: National Postsecondary Student Aid Survey 2003-2004
Updated as of March 9, 2006

Estimates for independent students enrolled full-time, full-year in Minnesota by institutional sector (public/private or two-year/four-year) are not available due to small sample size. Thus, Figures 5-10 illustrate the average annual borrowing only for dependent students.

Overall in the public four-year sector, a greater percent of undergraduates in Minnesota borrowed, and borrowed a larger amount, than their national counterparts (Figures 5 and 6). Undergraduates at public four-year institutions in Minnesota had an average tuition of $5,100 in 2003-2004[6], and average living expenses[7] of $9,100, for a total average price of attendance of $14,200. This was slightly less than the average tuition at the national level, which was $5,400 (Appendix B, Table 5).

A greater percent of dependent students in Minnesota's private not-for-profit four-year sector borrowed, and borrowed greater amounts, than at the national level (Figures 7 and 8). A large percentage of those in the middle income categories borrowed at both the national and state level. Undergraduates at Minnesota private not-for-profit four-year institutions had an average tuition of $20,200 in 2003-2004, and average living and miscellaneous expenses of $8,000, for a total average price of attendance of $28,200.

In Minnesota's public two-year sector (Figure 10), more students borrowed than at the national level (Figure 9), both in terms of the percent who borrowed and the average amounts borrowed. About 50 percent of public two-year students borrowed in Minnesota. Students attending public two-year institutions in Minnesota had an average tuition of $3,300 in 2003-2004, and average living and miscellaneous expenses of $10,800, for a total average price of attendance of $14,100. This compares to a national average tuition of $2,040 for students attending public two-year institutions.

Students attending public two-year institutions are more likely to work and, if they work, they work more hours on average than students attending four-year institutions. This, coupled with the lower price of attendance, contributes to a smaller percentage of students borrowing than in the other two institutional sectors. In addition, they borrow smaller loans, on average.

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[6] The average tuition and fees, living expenses, and price of attendance for postsecondary institutions in Minnesota are obtained for full-time, full-year students in the NPSAS sample.
[7] Living expenses include food, housing, books, transportation and other expenses associated with being enrolled. The postsecondary institutions the students attended specified the living expense amounts used.

Average Annual Borrowing in the Public Four-Year Sector

Figure 5: Average borrowing for full-time, full-year dependent undergraduates in the U.S. public four-year sector by income

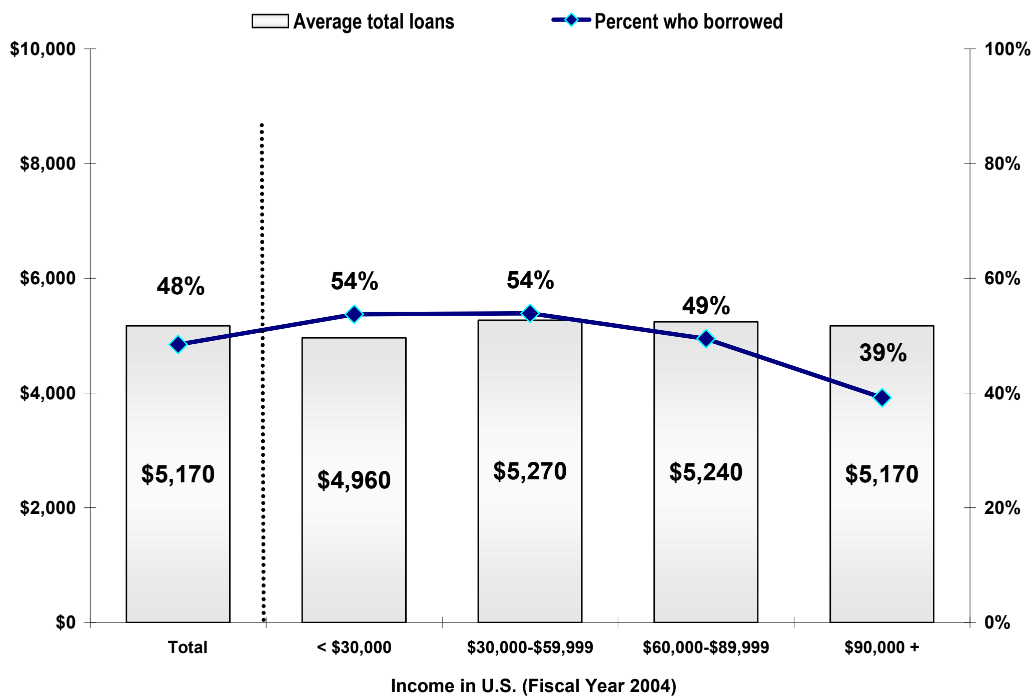
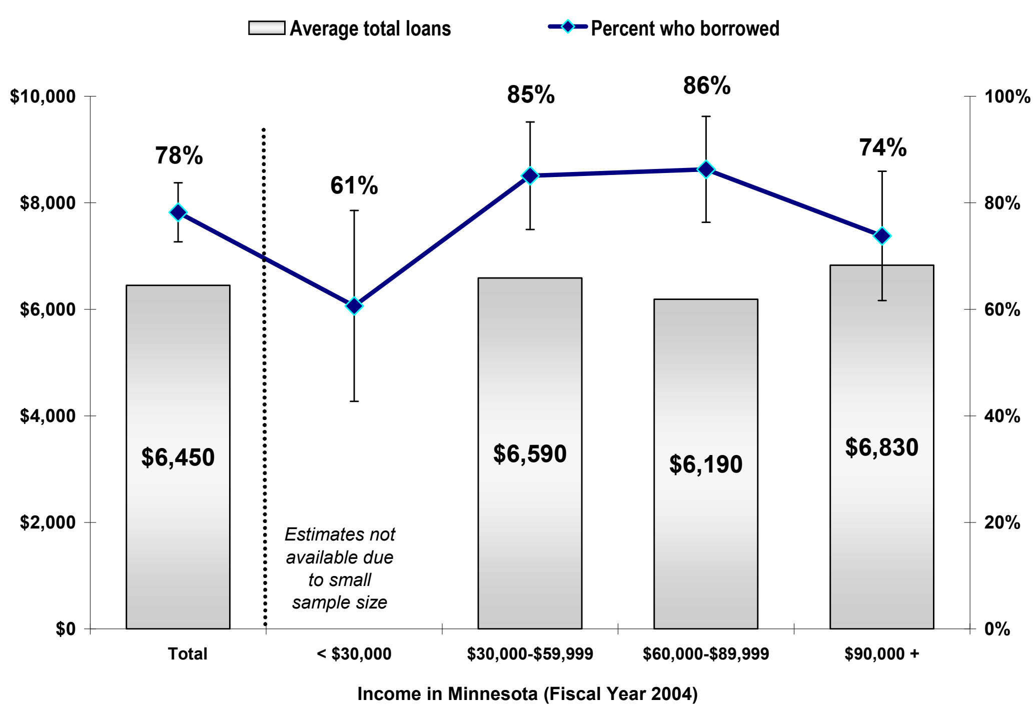


Figure 6: Average borrowing for full-time, full-year dependent undergraduates in the Minnesota public four-year sector by income



Data Source: National Postsecondary Student Aid Survey 2003-2004
Updated as of March 9, 2006

Average Annual Borrowing in the Private Not-for-Profit Four-Year Sector

Figure 7: Average borrowing for full-time, full-year dependent undergraduates in the U.S. private not-for-profit four-year sector by income

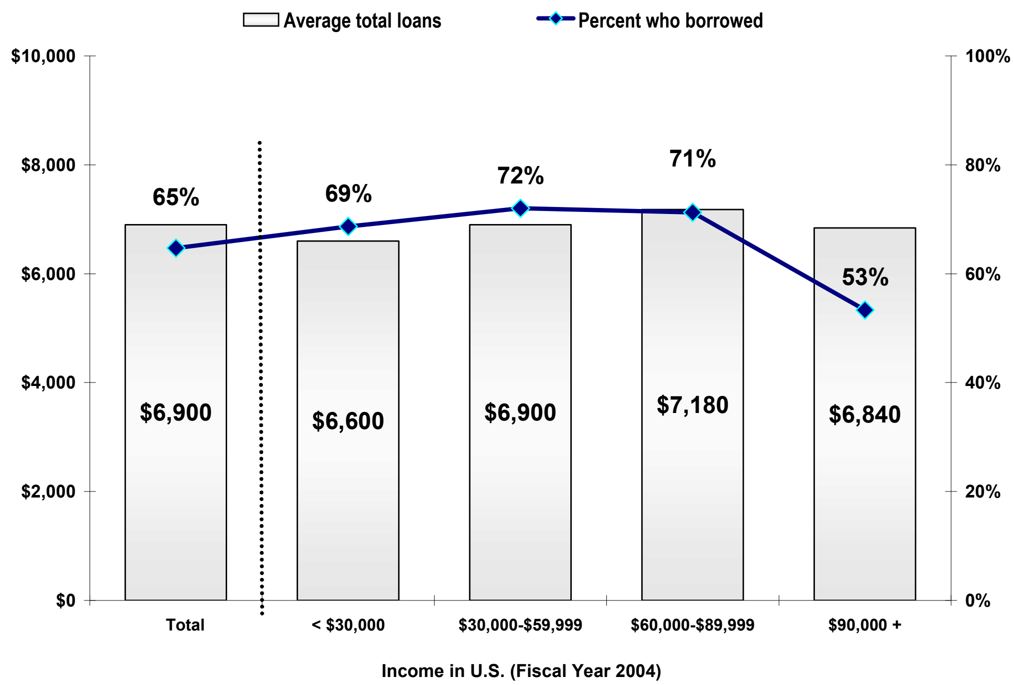
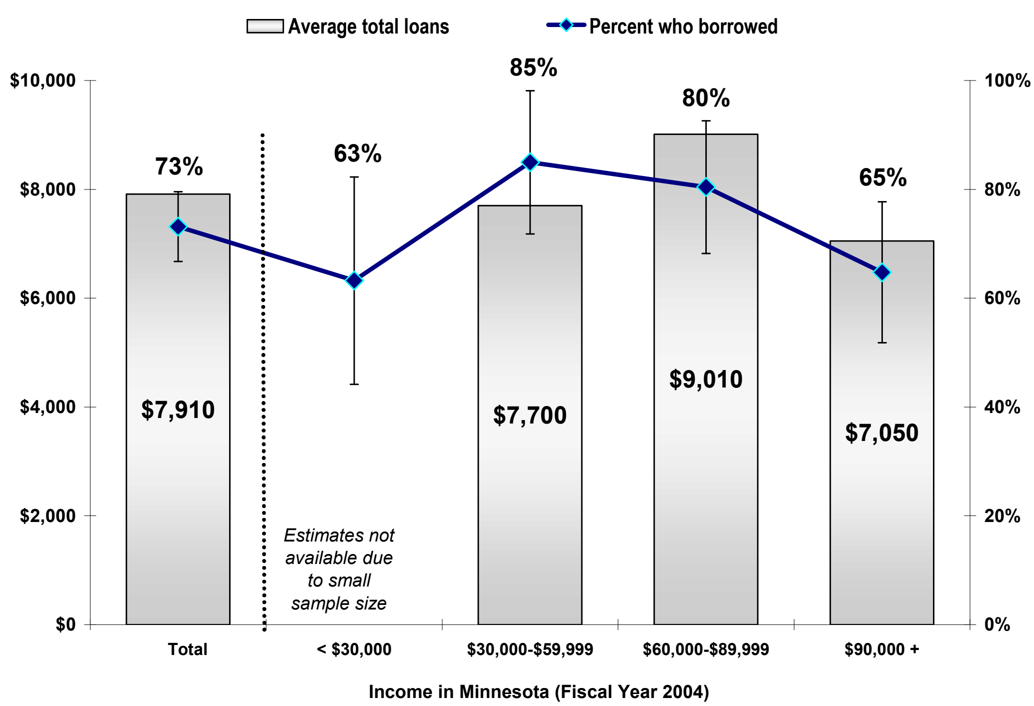


Figure 8: Average borrowing for full-time, full-year dependent undergraduates in the Minnesota private not-for-profit four-year sector by income



Data Source: National Postsecondary Student Aid Survey 2003-2004
Updated as of March 9, 2006

Average Annual Borrowing in the Public Two-Year Sector

Figure 9: Average borrowing for full-time, full-year dependent undergraduates in the U.S. public two-year sector by income

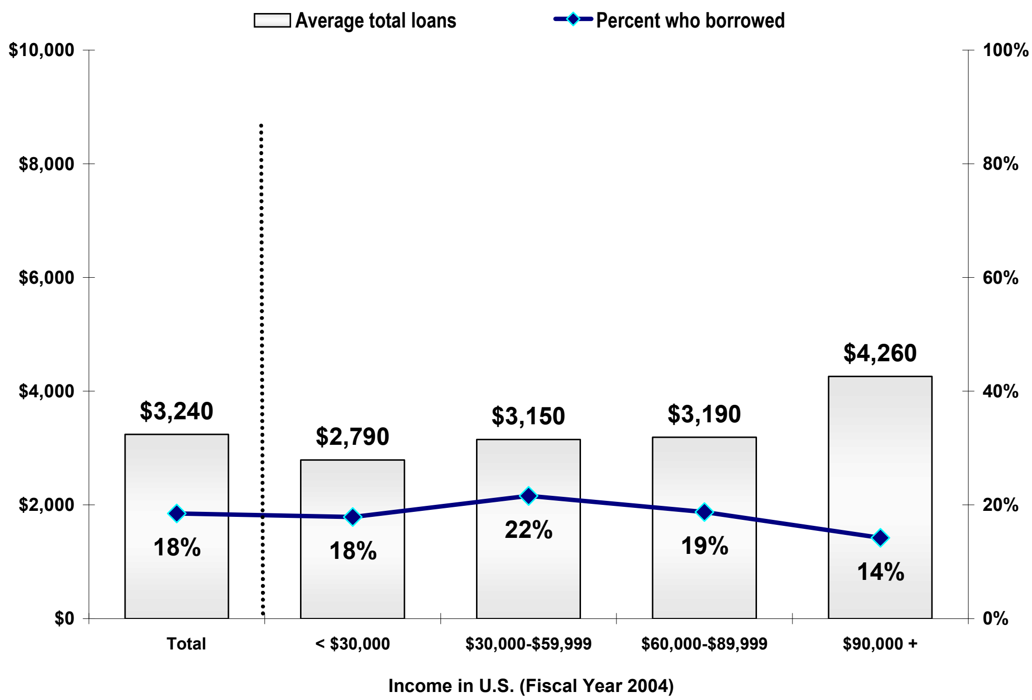
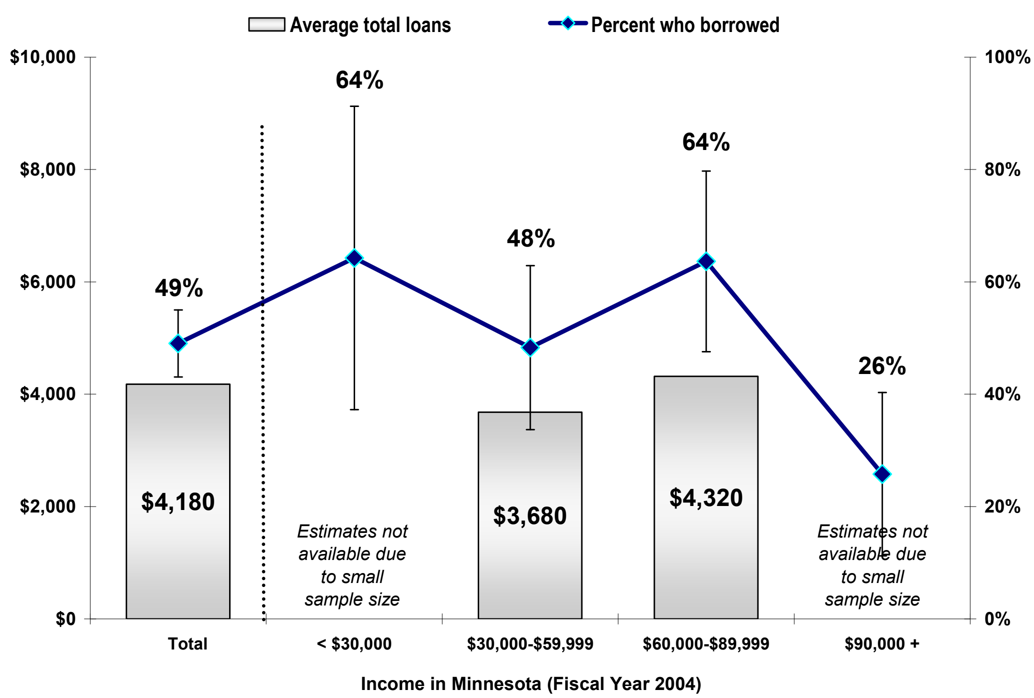


Figure 10: Average borrowing for full-time, full-year dependent undergraduates in the Minnesota public two-year sector by income



Data Source: National Postsecondary Student Aid Survey 2003-2004
Updated as of March 9, 2006

Annual Borrowing by Undergraduate Class Level

As undergraduates progress through their studies, their maximum annual loan limits increase (Table 1). The average annual loan amounts by class level for the public four-year and private not-for-profit four-year sector are illustrated in Figures 11-14.

In the public four-year sector, the average amount borrowed by year was higher in Minnesota (Figure 12) than at the national level (Figure 11) in terms of the average loan amounts and the percent who borrowed. More students borrowed during their 3rd and 4th years of study.

In the private not-for-profit four-year sector, the average amounts borrowed (Figures 13-14) were slightly higher than the average amounts borrowed in the public four-year sector. The average annual loan amounts for undergraduates in Minnesota (Figure 14) were somewhat higher than the national average loan amounts (Figure 13).

In both sectors, more than 60 percent of students in Minnesota borrowed during each year of undergraduate study.

Figure 11: Borrowing for full-time, full-year undergraduates in the U.S. public four-year sector by year of enrollment

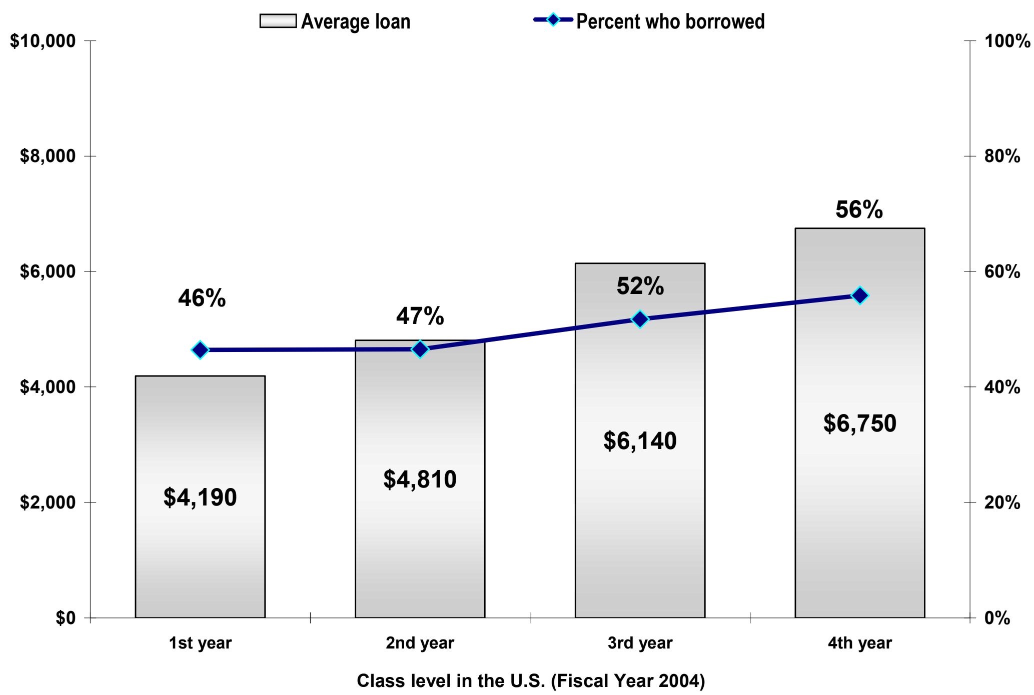
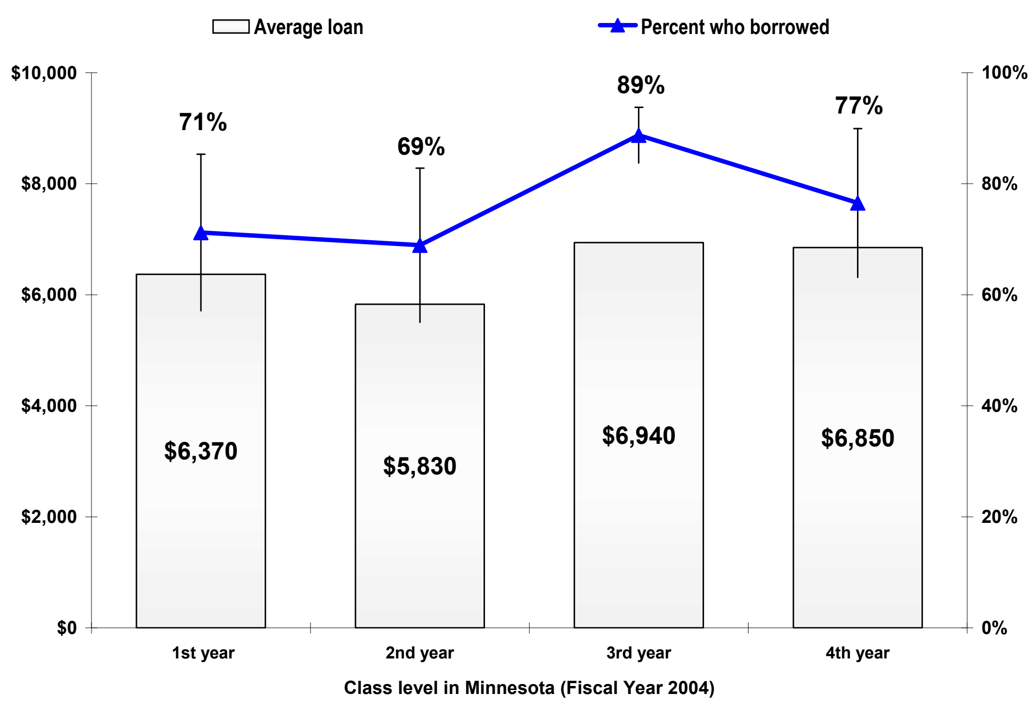


Figure 12: Borrowing full-time, full-year undergraduates in the Minnesota public four-year sector by year of enrollment



Data Source: National Postsecondary Student Aid Survey 2003-2004
Updated as of March 9, 2006

Figure 13: Borrowing for full-time, full-year undergraduates in the U.S. private not-for-profit four-year sector by year of enrollment

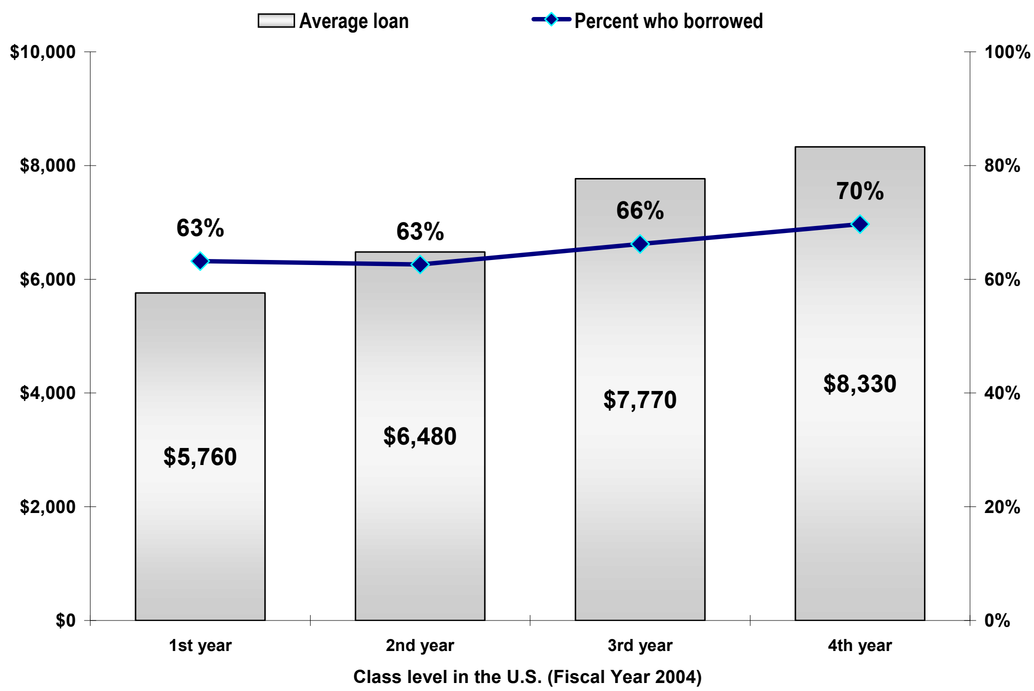
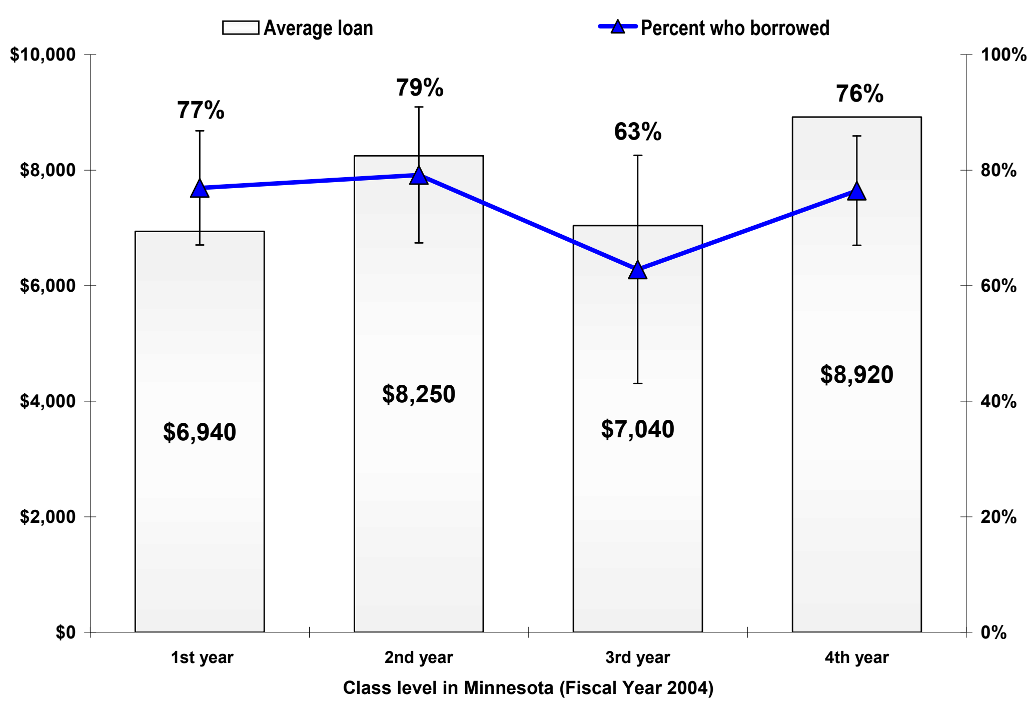


Figure 14: Borrowing for full-time, full-year undergraduates in the Minnesota private not-for-profit four-year sector by year of enrollment



Data Source: National Postsecondary Student Aid Survey 2003-2004
Updated as of March 9, 2006

Annual Borrowing by the Type of Loan

The percent of students who borrowed in Minnesota was higher than at the national level. This holds across all the sectors (Table 2) for the various types of loans: Subsidized Stafford, Unsubsidized Stafford, Student Educational Loan Fund (SELF, Minnesota's state loan program), and private.

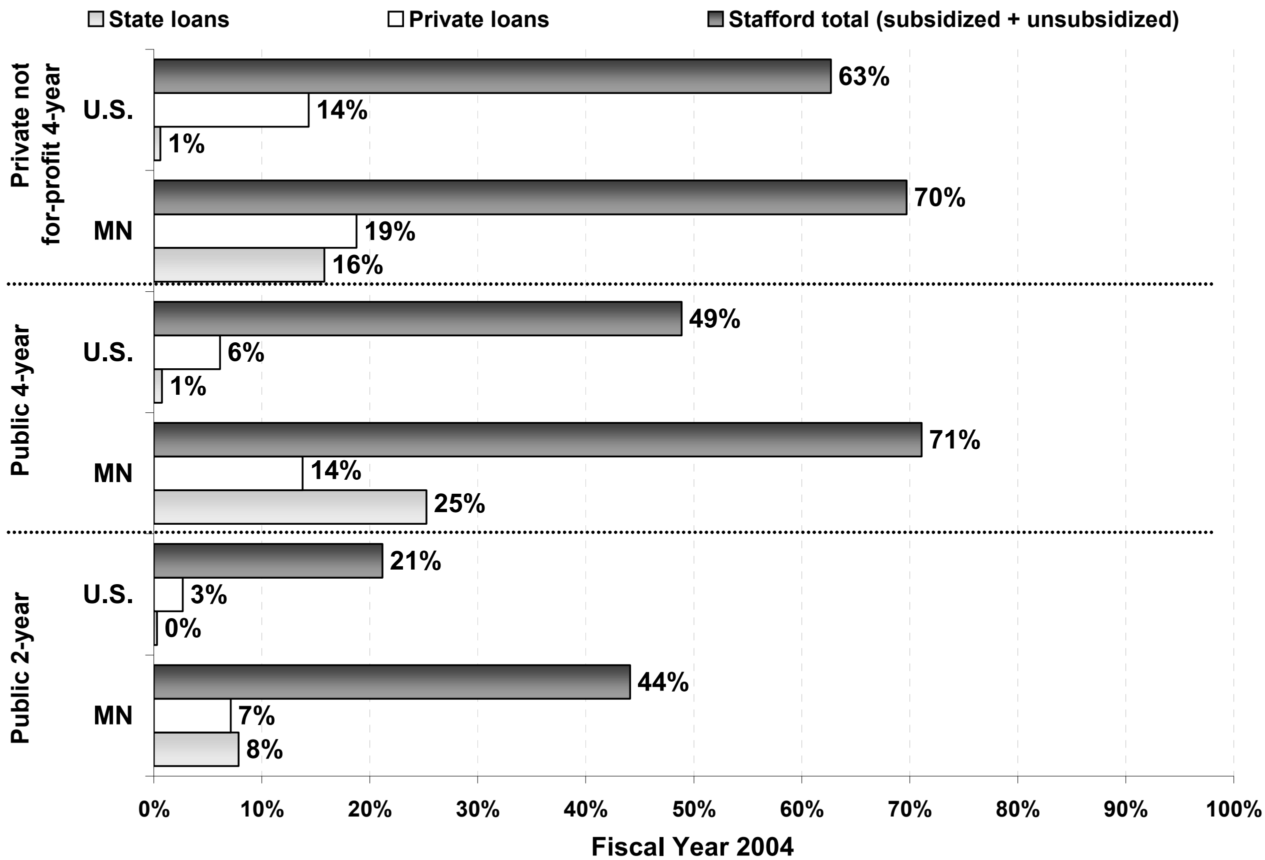
Table 2: Percent of Undergraduates with Student Loans by Institutional Sector

Received any loans (federal, state, institutional, and private)		
	National	**Minnesota**
Total	35%	49%
Public Two-Year	12%	36%
Public Four-Year	45%	59%
Private Not-for-Profit Four-Year	56%	65%

Nationally, 35 percent of all undergraduates had loans in 2003-2004, while 49 percent of all undergraduates in Minnesota had loans. In the public two-year sector, only 12 percent of students borrowed nationally, while 36 percent borrowed in Minnesota. The percent of undergraduates with student loans in the public four-year and private not-for-profit four-year sectors were closer to the national levels. In all sectors, the federal Stafford loans had the highest number of borrowers (Figure 15).

In the private not-for-profit four-year sector, 52 percent of undergraduates had Subsidized Stafford loans, a larger share than the other sectors (Figure 16). In the public four-year sector, 25 percent of students borrowed state SELF loans, a larger share than students in other sectors.

Figure 15: Percent of full-time, full-year undergraduates borrowing loans by type and sector



Figures 16 and 17 analyze the reliance on loans by income and by sector. The reliance on Federal Stafford loans in present for all income groups but the type of Stafford loan differs (Figure 16). The highest income group relies more greatly on the Unsubsidized Stafford while the other groups also rely on the Subsidized Stafford. In the lowest income category (less than $30,000), a small percentage of undergraduates borrowed other types of loans besides the Subsidized Stafford loan. In the middle income categories, a larger share of students borrowed Stafford and SELF loans.

Undergraduates from all sectors rely on the Subsidized Stafford (Figure 17). Undergraduates in the public two-year sector were less likely to borrow Unsubsidized Stafford loans than undergraduates in the public four-year and private not-for-profit four-year sectors.

Figure 16: Percent of full-time, full-year dependent undergraduates borrowing in Minnesota in 2004 by income

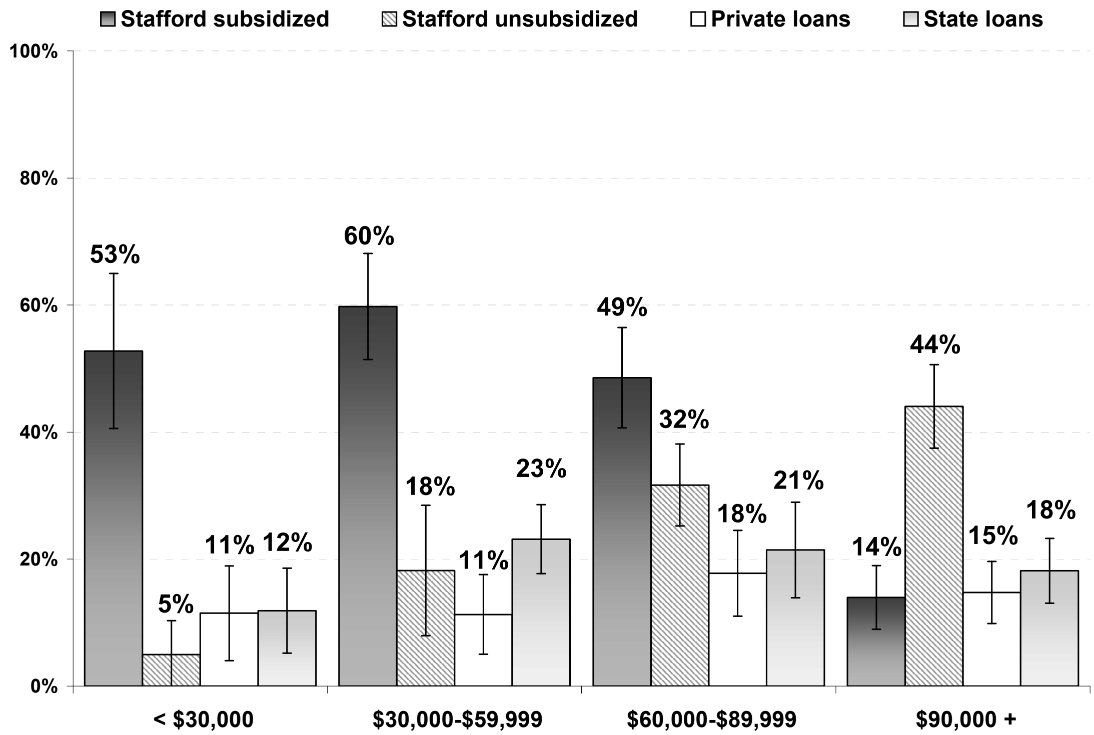
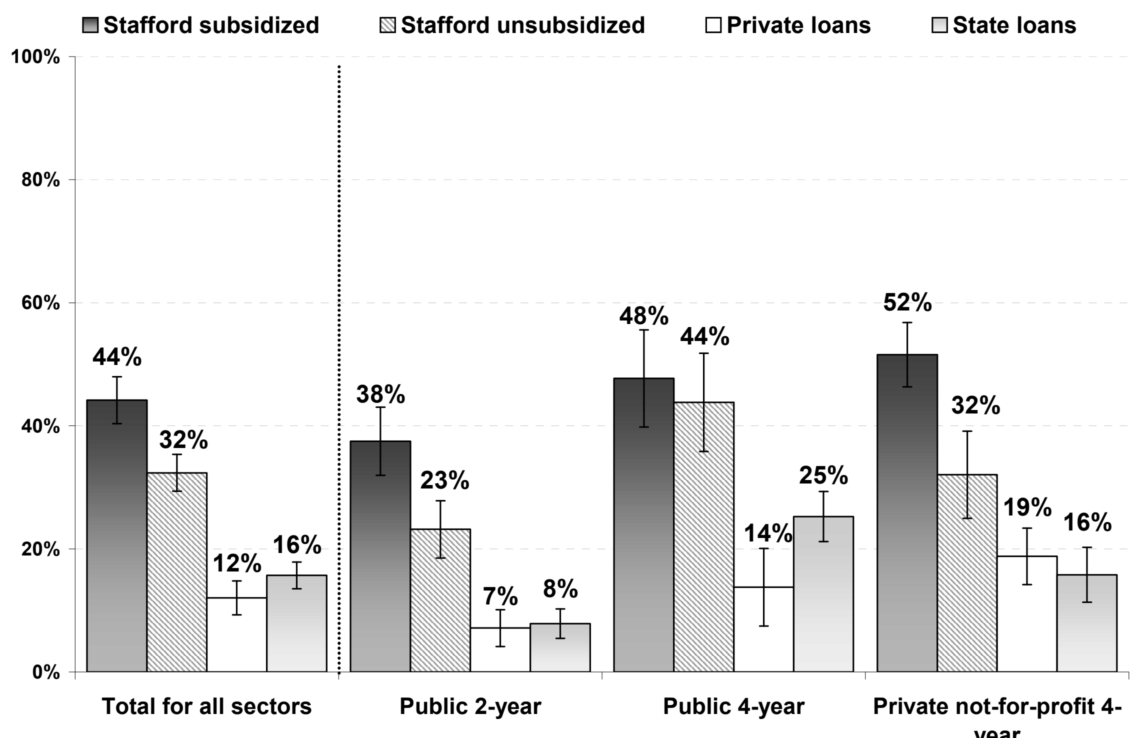
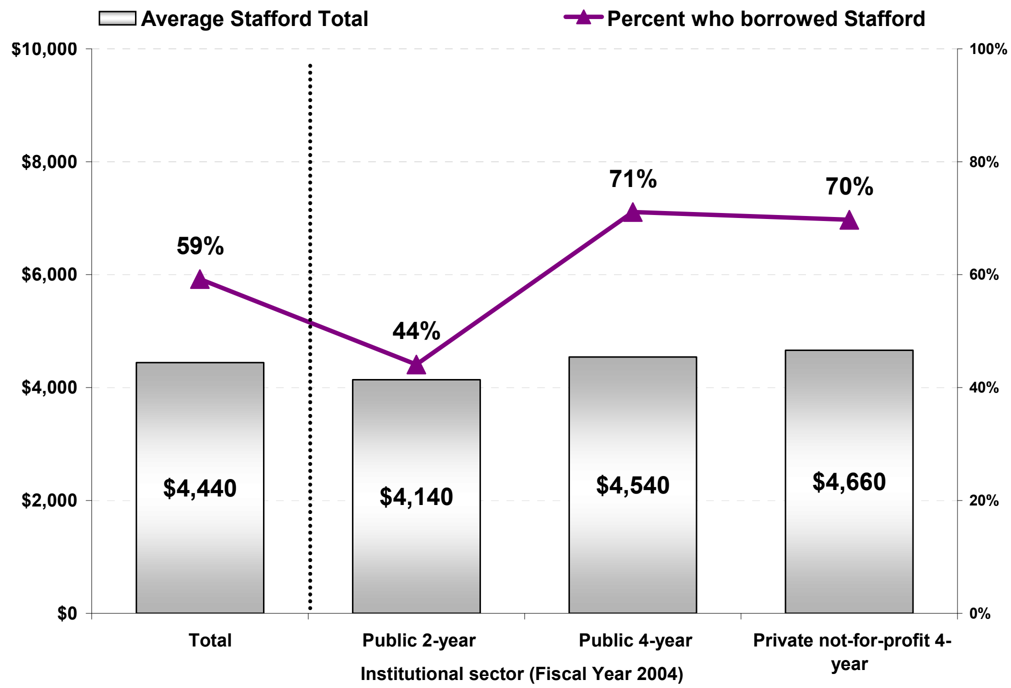


Figure 17: Percent of full-time, full-year undergraduates borrowing in Minnesota in 2004 by sector



Data Source: National Postsecondary Student Aid Survey 2003-2004
Updated as of March 9, 2006

Figure 18: Average Stafford loans borrowed by full-time, full-year undergraduates in Minnesota by sector



As shown in the previous graphs, a large number of students rely on federal loans. The most widely borrowed federal loan is the Stafford loan. There are two types of Stafford loans: subsidized and unsubsidized. The federal government pays the interest on Subsidized Stafford loans while the student is in school whereas the student is responsible for the interest on Unsubsidized Stafford loans during enrollment (although the interest payments can be deferred until after graduation). The unsubsidized loans are available to all students with maximum loan limits determined by their year of enrollment (Table 1). Eligibility for subsidized loans is based on calculated need.[8]

Figures 18-22 illustrate the average Stafford loan amounts borrowed and the percent of students who borrowed in Minnesota. Approximately 60 percent of students borrowed either Stafford subsidized loans, unsubsidized loans or both (Figure 18). Almost 70 percent of students in both four-year sectors borrowed Stafford loans.

Since the eligibility for subsidized loans is determined by the student's need, a higher percentage of students in the lower-income categories are eligible to borrow. It is not surprising to see that a larger percentage of students in the lower- and middle-income categories borrowed subsidized loans (approximately 50 percent) than in the higher income category (Figure 19). On the other hand, the percent of students borrowing unsubsidized loans increased in each income category, with a large share of students in the higher income category borrowing this type of loan (Figure 20).

[8] Institutions add tuition and required fees to a standard allowance for books, food, shelter and other expenses of attendance to reach the price of attendance, or student budget. Need is defined as the price of attendance minus the estimated family contribution and grants and scholarships.

Figure 19: Average Subsidized Stafford loans borrowed by full-time, full-year undergraduates in Minnesota by income

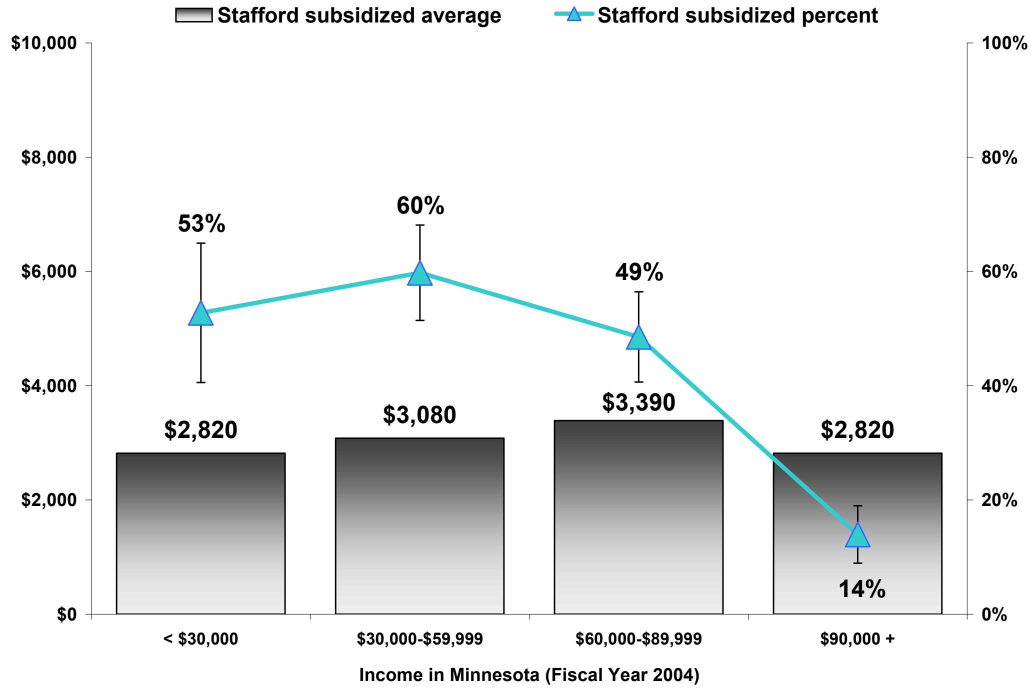
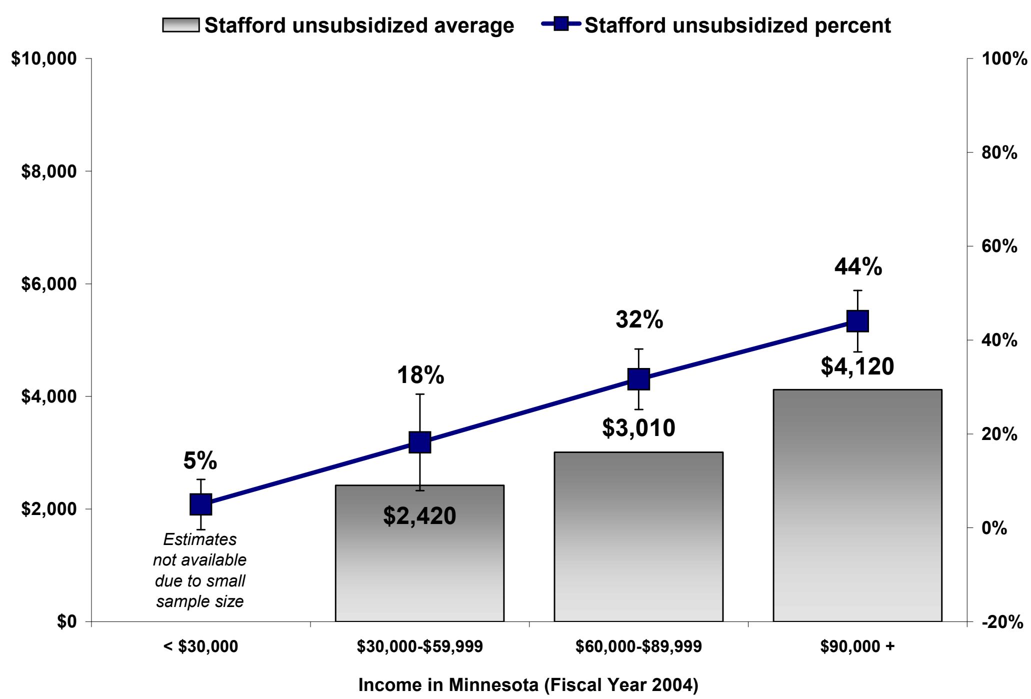


Figure 20: Average Unsubsidized Stafford loans borrowed by full-time, full-year undergraduates in Minnesota by income



Data Source: National Postsecondary Student Aid Survey 2003-2004
Updated as of March 9, 2006

Figures 21 and 22 depict Stafford loan borrowing, subsidized and unsubsidized respectively, in the public four-year sector in Minnesota. While the lower income category relied primarily on the subsidized loans and the higher income category relied more on the unsubsidized loans, the two middle-income categories had a larger percentage of students borrowing both. In the $30,000-$59,999 category, 71 percent of students borrowed subsidized loans while 37 percent borrowed unsubsidized loans.

A number of students borrowed private and SELF loans. Figure 23 indicates that 12 percent of students in Minnesota borrowed private loans, and the average annual amount for those who borrowed was $6,200. The private not-for-profit four-year sector had the largest share of students (almost 20 percent) who borrowed private loans, and their average amount was $8,400. In the public four-year sector, 14 percent of students borrowed private loans but their average loan amounts were lower than those of borrowers in the private not-for-profit four-year sector.

Overall, 16 percent of students borrowed SELF loans, with an average amount of approximately $3,800 (Figure 24). Twenty-five percent of students in the public four-year sector borrowed SELF loans.

Figure 21: Average Subsidized Stafford loans borrowed by full-time, full-year undergraduates in Minnesota's public four-year sector by income

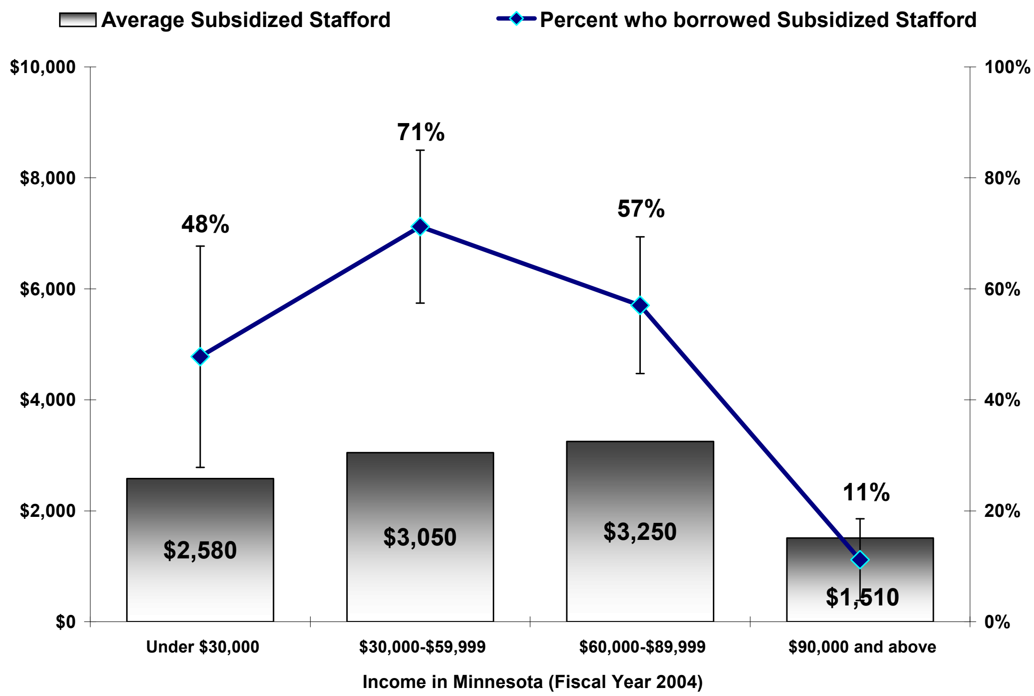
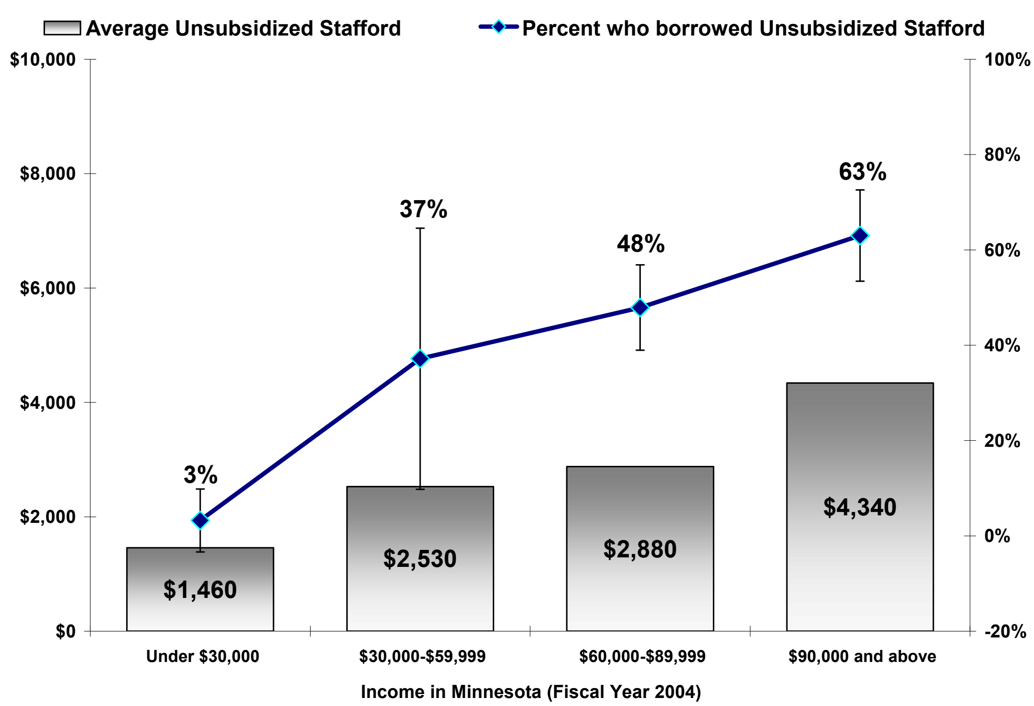


Figure 22: Average Unsubsidized Stafford loans borrowed by full-time, full-year undergraduates in Minnesota's public four-year sector by income



Data Source: National Postsecondary Student Aid Survey 2003-2004
Updated as of March 9, 2006

Figure 23: Private loans- Average private loans borrowed by full-time, full-year undergraduates in Minnesota by sector

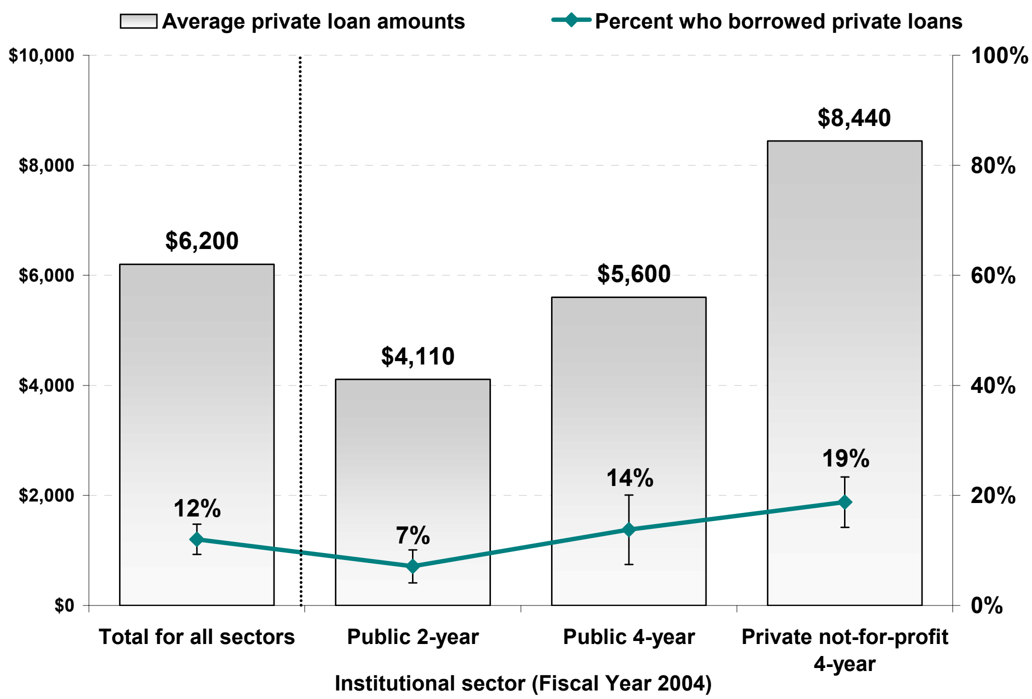
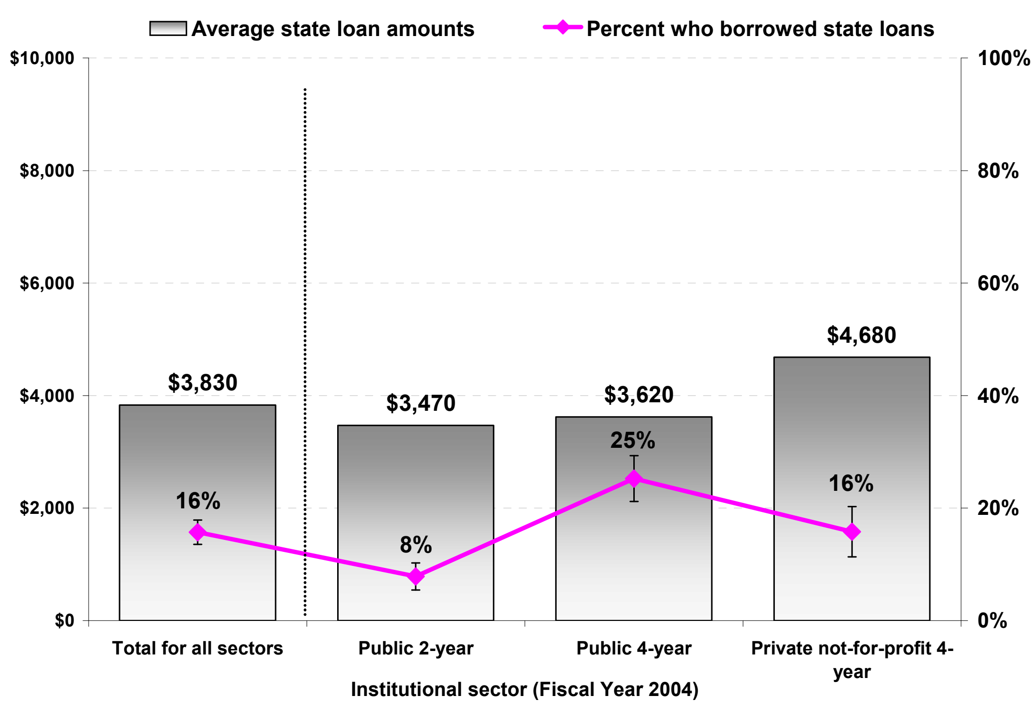


Figure 24: SELF loans- Average SELF loans borrowed by full-time, full-year undergraduates in Minnesota by sector



Data Source: National Postsecondary Student Aid Survey 2003-2004
Updated as of March 9, 2006

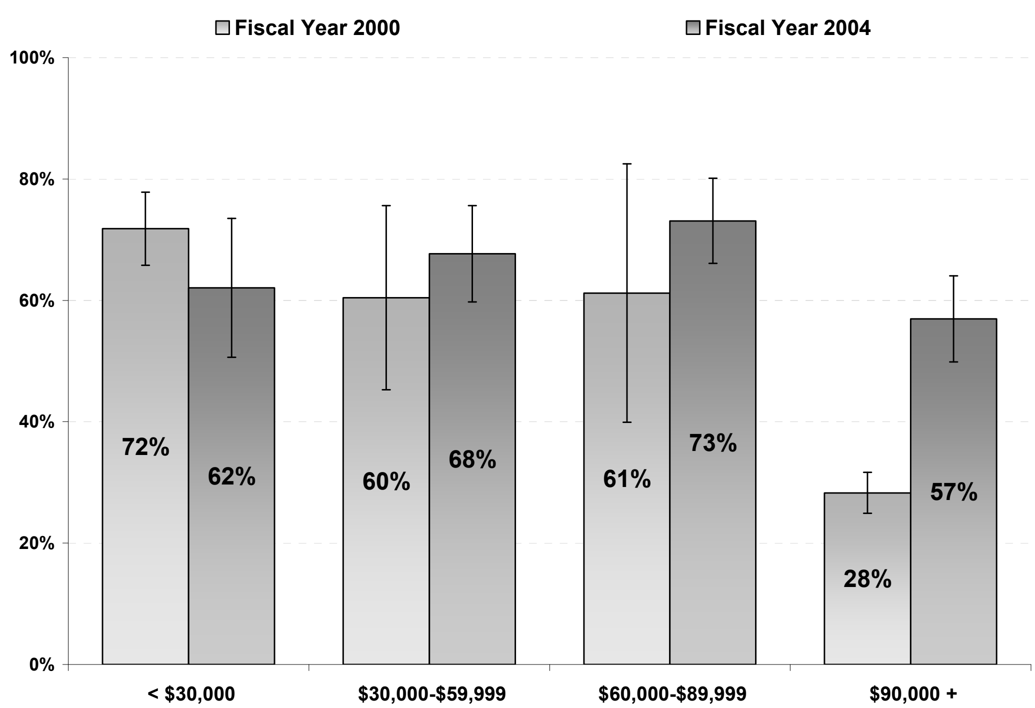
Changes in Borrowing from Fiscal Year 2000 to 2004

A larger percentage of students borrowed in all but the lowest income category in 2004. Borrowing among dependent students from higher-income families (incomes of $90,000 or more) doubled, going from 28 percent in 2000 to 57 percent in 2004 (Figure 25).

Figure 26 illustrates changes in borrowing behavior from Fiscal Year 2000 to 2004. The reliance on different types of loans fluctuates from 2000 to 2004 (Figures 26). In 2004, more undergraduates borrowed Stafford unsubsidized and SELF loans than in 2000.

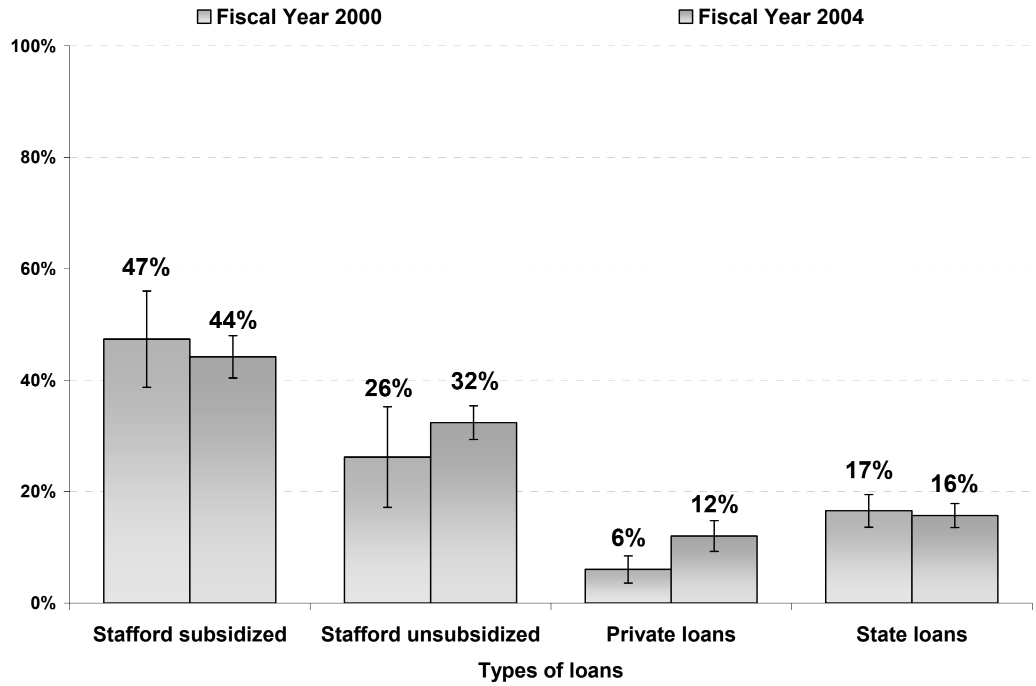
Many observers assume the increase in borrowing from 2000 to 2004 is due to the increases in tuition. While increases in tuition probably caused some of the increase in borrowing, it is also important to note that interest rates decreased from 2000 to 2004. The interest rates paid by Stafford Loan borrowers while attending were 6.32 percent in Fiscal Year 2000 and 2.82 percent in 2004.[9]

Figure 25: Changes in percent of undergraduates borrowing by full-time, full-year dependent students in Minnesota by income, 2000 and 2004



[9] The interest rate on variable rate FFEL Stafford loans (first disbursed after July 1, 1998) for July 1, 1999 through June 30, 2000 was 6.32% in-school and 6.92% in repayment (Federal Register, Volume 64, No. 205, p. 57525). The interest rate on variable rate FFEL Stafford loans (first disbursed after July 1,1998) for July 1, 2003 through June 30, 2004 was 2.82% in-school and 3.42% in repayment (US Department of Education, Information for Financial Aid Professional Library, Electronic Announcement 6/30/2003).

Figure 26: Changes in percent of undergraduates borrowing by full-time, full-year dependent students in Minnesota by type of loan, 2000 and 2004



Data Source: National Postsecondary Student Aid Survey 2003-2004
Updated as of March 9, 2006

Conclusion

The estimates in this report indicate that many Minnesota undergraduates used student loans during the 2003-2004 academic year. More than half of undergraduates dependent students from families with higher incomes ($90,000 or greater) borrowed. In general, the average amount borrowed by undergraduates in Minnesota was higher than the average borrowed by all undergraduates in the U.S. While the NPSAS data indicates that Minnesota students were more likely to borrow than the national average, it does not paint the entire picture.

Other factors play a role in determining borrowing behavior of students. Several years of significant tuition increases occurred from 2000 to 2004. Additionally, Minnesota's strong economy has helped Minnesota rank highly in personal income measures in the U.S. National indicators suggest that states with high median incomes tend to exhibit higher levels of consumer debt. Higher income levels, among other factors, increase the borrowing capacity of students and their families. The increasing costs of attendance coupled with favorable economic characteristics contribute to the greater incidence of student loan borrowing in Minnesota. It is important to note that interest rates paid by students with Stafford loans while attending school were 6.32 percent in Fiscal Year 2000 compared with 2.82 percent in 2004.

While this report compares Minnesota to the national estimates, these factors indicate that perhaps Minnesota should be compared to other areas that share similar features. Future reports will compare Minnesota to other states and regions with similar geographic and economic characteristics to gain a clearer understanding of the factors that influence borrowing.

Appendix A

Table 3: Definition of attendance status from the NPSAS

Full-time/full-year	Enrolled 9 or more months full-time during 2003-2004; where additional months enrolled could be part-time.
Full-time/part-year	Enrolled less than 9 months during 2003-2004; and enrolled full-time in all of these months.
Part-time/full-year	Enrolled 9 or more months during 2003-2004; but less than 9 months were full-time.
Part-time/part-year	Enrolled less than 9 months during 2003-2004; could be enrolled full-time or part-time, but not all of these months were full-time.

Data source: NPSAS DAS online retrieval system.

Table 4: Definition of independent status from the NPSAS

Criteria for establishing independent status for students:
a. Age 24 or older on December 31, 2003
b. A veteran of the U.S. Armed Forces
c. Enrolled in a graduate or professional program beyond a bachelor's degree
d. Married
e. Orphan or ward of the court
f. Have legal dependents other than a spouse

Data source: NPSAS DAS online retrieval system.

Appendix B

Appendix B provides tables of the estimates presented in the report with their standard errors. [10] The standard error for each estimate is located below the estimate in italics.

Table 5: Average tuition and fees for undergraduates attending full-time, full-year in the U.S. and Minnesota by sector

Institutional sector	U.S.	Minnesota
Public Two-year	$2,040 *76.51*	$3,270 *44.65*
Public Four-year	$5,440 *94.92*	$5,130 *126.31*
Private Not-For-Profit Four-year	$18,400 *322.17*	$20,200 *292.01*

The standard errors are below the estimates.

Table 6: Average loans in the U.S. and Minnesota by attendance pattern

	U.S.		Minnesota	
Estimates	**Percent who borrowed**	**Average loans**	**Percent who borrowed**	**Average loans**
Total	35% *0.22*	$5,820 *52.24*	49% *0.86*	$6,120 *158.96*
Attendance pattern				
Full-time/full-year	50% *0.44*	$6,210 *58.45*	63% *1.63*	$6,600 *231.17*
Part-time/full-year	28% *0.62*	$5,800 *82.55*	48% *3.51*	$6,450 *424.93*
Full-time/part-year	40% *0.75*	$5,070 *130.07*	44% *3.11*	$4,960 *525.59*
Part-time/part-year	13% *0.46*	$4,490 *120.36*	19% *3.43*	$4,390 *479.27*

The standard errors are below the estimates.

[10] The standard error is the estimated standard deviation of the sample. It is calculated by dividing the standard deviation by the square root of the sample size. The standard deviation is the square root of the variance. The standard error can be used to calculate test statistics to check if a statistic is significantly different some hypothesized value or to compare estimates. The standard error can also be used to calculate confidence intervals.

Table 7: Average loans for undergraduates attending full-time, full-year in the U.S. by income

	Total		Public Four-year		Private, not-for-profit, Four-year		Public Two-year	
Estimates								
Total	50%	$6,210	51%	$5,770	66%	$7,250	23%	$4,050
	0.44	*58.45*	*0.49*	*43.06*	*1.12*	*131.86*	*0.96*	*94.67*
Dependency status								
Dependent	47%	$5,600	48%	$5,170	65%	$6,900	18%	$3,240
	0.54	*62.26*	*0.57*	*56.3*	*1.2*	*142.74*	*1.19*	*120.75*
Independent	57%	$7,490	64%	$7,610	71%	$8,620	30%	$4,890
	0.43	*0.93*	*100.7*	*103.85*	*2.5*	*280.52*	*1.88*	*161.27*
Income of dependent student's parents								
< $30,000	49%	$5,360	54%	$4,960	69%	$6,600	18%	$2,790
	0.97	*119.14*	*1.28*	*104.48*	*2.4*	*331.99*	*1.76*	*100.92*
$30,000-$59,999	50%	$5,540	54%	$5,270	72%	$6,900	22%	$3,150
	0.9	*82.23*	*1.13*	*90.04*	*1.9*	*206.32*	*1.57*	*121.52*
$60,000-$89,999	49%	$5,680	49%	$5,240	71%	$7,180	19%	$3,190
	0.96	*105.91*	*1.18*	*95.75*	*1.83*	*272.14*	*1.5*	*113.95*
$90,000 +	39%	$5,800	39%	$5,170	53%	$6,840	14%	$4,260
	0.69	*106.72*	*1.02*	*109.34*	*1.49*	*229.98*	*2.25*	*407.2*
Income of independent student and spouse								
Less than $25,000	59%	$7,180	69%	$7,370	70%	$8,510	32%	$4,770
	0.94	*113.49*	*1.35*	*121.72*	*2.83*	*289.35*	*2.11*	*182.02*
$25,000 and above	52%	$8,110	52%	$8,340	71%	$8,810	26%	$5,190
	1.87	*140.46*	*2.55*	*233.64*	*3.11*	*480.79*	*2.65*	*272.29*
Class level								
1st year	48%	$4,590	46%	$4,190	63%	$5,760	23%	$3,530
	0.91	*78.15*	*1.14*	*74.18*	*2.12*	*274.48*	*1.64*	*96.47*
2nd year	44%	$5,670	47%	$4,810	63%	$6,480	25%	$4,080
	0.77	*115.74*	*0.94*	*112.05*	*1.96*	*223.41*	*1.14*	*131.65*
3rd year	57%	$7,430	52%	$6,140	66%	$7,770	-	-
	0.85	*101.43*	*1.05*	*94.35*	*1.59*	*194.02*		
4th year	55%	$7,490	56%	$6,750	70%	$8,330	-	-
	1.05	*92.92*	*1.07*	*75.77*	*1.57*	*193.47*		
5th year	58%	$7,730	70%	$7,170	78%	$9,060	-	-
	2.47	*310.01*	*2.19*	*195.66*	*4.35*	*569.68*		

The standard errors are below the estimates.

Data Source: National Postsecondary Student Aid Survey 2003-2004
Updated as of March 9, 2006

Table 8: Average loans for undergraduates attending full-time, full-year in Minnesota by income

	Total		Public Four-year		Private not-for-profit Four-year		Public Two-year	
Estimates								
Total	63% *1.63*	$6,600 *231.17*	77% *2.87*	$6,770 *440.95*	75% *3.02*	$8,210 *443.28*	50% *3.04*	$5,160 *331.88*
Dependency status								
Dependent	65% *1.81*	$6,300 *214.71*	78% *2.82*	$6,450 *362.79*	73% *3.27*	$7,910 *340.01*	49% *4.4*	$4,180 *313.78*
Independent	59% *3.97*	$7,540 *544.39*	74% *10.44*	-	-	-	50% *4.43*	$6,450 *642.53*
Income of dependent student's parents								
< $30,000	62% *5.84*	$5,360 *550.41*	61% *9.14*	-	63% *9.72*	-	64% *13.78*	-
$30,000-$59,999	68% *4.05*	$5,950 *405.3*	85% *5.15*	$6,590 *781.49*	85% *6.71*	$7,700 *699.54*	48% *7.45*	$3,680 *243.65*
$60,000-$89,999	73% *3.58*	$6,580 *460.12*	86% *5.07*	$6,190 *858.9*	80% *6.22*	$9,010 *793.11*	64% *8.2*	$4,320 *512.2*
$90,000 +	57% *3.62*	$6,800 *342.41*	74% *6.19*	$6,830 *619.1*	65% *6.6*	$7,050 *496.94*	26% *7.42*	-
Class level								
1st year	68% *3.04*	$5,470 *263.71*	71% *7.2*	$6,370 *632.26*	77% *5.04*	$6,940 *617.9*	50% *5.19*	$4,050 *132*
2nd year	53% *3.65*	$6,140 *411.08*	69% *7.09*	$5,830 *732.42*	79% *6.01*	$8,250 *891.49*	47% *4.74*	$5,680 *548.64*
3rd year	68% *5.01*	$8,530 *767.09*	89% *2.56*	$6,940 *833.76*	63% *10.07*	$7,040 *890.36*	-	-
4th year	76% *4.54*	$7,630 *393.84*	77% *6.83*	$6,850 *691.82*	76% *4.83*	$8,920 *1081.84*	-	-

The standard errors are below the estimates.

Data Source: National Postsecondary Student Aid Survey 2003-2004
Updated as of March 9, 2006

Table 9: Average loans for undergraduates attending full-time, full-year in the U.S. by type of loan

	Stafford subsidized		Stafford unsubsidized		Private loans		State loans	
Estimates								
Total	38% *0.46*	$3,570 *18.89*	27% *0.35*	$3,740 *28.34*	8% *0.23*	$6,370 *166.78*	1% *0.05*	$4,390 *271.11*
Income of dependent student's parents								
< $30,000	46% *0.96*	$3,460 *42.27*	12% *0.64*	$3,270 *83.25*	7% *0.49*	$5,280 *287.7*	0% *0.09*	$2,820 *468.27*
$30,000-$59,999	45% *0.94*	$3,500 *34.85*	14% *0.49*	$3,000 *78.29*	9% *0.41*	$5,810 *218.34*	1% *0.11*	$4,050 *323.78*
$60,000-$89,999	32% *0.89*	$3,260 *42.65*	25% *0.84*	$3,400 *59.82*	10% *0.47*	$7,040 *296.31*	1% *0.12*	$4,700 *462.54*
$90,000 +	13% *0.62*	$3,200 *71.3*	29% *0.72*	$3,780 *54.8*	8% *0.4*	$7,800 *291.18*	1% *0.09*	$5,660 *655.7*
Institution sector								
Public Two-year	17% *0.98*	$2,560 *40.13*	12% *0.48*	$2,970 *96.06*	3% *0.22*	$3,720 *304.73*	0% *0.04*	$3,520 *322.49*
Public Four-year	37% *0.49*	$3,700 *24.32*	27% *0.46*	$3,770 *42.24*	6% *0.24*	$5,610 *179.89*	1% *0.09*	$4,620 *389.22*
Private not-for-profit Four-year	53% *0.98*	$3,850 *45.86*	29% *0.94*	$3,860 *60.92*	14% *0.77*	$8,210 *262.98*	1% *0.1*	$4,130 *310.31*

The standard errors are below the estimates.

Data Source: National Postsecondary Student Aid Survey 2003-2004
Updated as of March 9, 2006

Table 10: Average loans for undergraduates attending full-time, full-year in Minnesota by type of loan

	Stafford subsidized		Stafford unsubsidized		Private loans		State loans	
Estimates								
Total	44%	$3,270	32%	$3,670	12%	$6,200	16%	$3,830
	1.94	*100.48*	*1.53*	*143.53*	*1.41*	*537.04*	*1.1*	*156.08*
Income of dependent student's parents								
< $30,000	53%	$2,820	5%	-	11%	-	12%	-
	6.22	*146.95*	*2.73*	-	*3.8*	-	*3.41*	-
$30,000-$59,999	60%	$3,080	18%	$2,420	11%	-	23%	$3,600
	4.26	*129.67*	*5.24*	*432.51*	*3.2*	-	*2.77*	*143.22*
$60,000-$89,999	49%	$3,390	32%	$3,010	18%	$6,610	21%	$4,190
	4.03	*120.27*	*3.29*	*259.54*	*3.44*	*995.27*	*3.84*	*360.93*
$90,000 +	14%	$2,820	44%	$4,120	15%	$6,140	18%	$4,090
	2.56	*318.19*	*3.35*	*194.13*	*2.49*	*730.53*	*2.6*	*397.78*
Institution sector								
Public Two-year	38%	$2,810	23%	$3,340	7%	$4,110	8%	$3,470
	2.83	*75.88*	*2.38*	*210.57*	*1.53*	*725.55*	*1.22*	*169.28*
Public Four-year	48%	$3,310	44%	$3,760	14%	$5,600	25%	$3,620
	4.03	*202.18*	*4.07*	*233.5*	*3.22*	*645.46*	*2.08*	*265.55*
Private not-for-profit Four-year	52%	$3,860	32%	$3,930	19%	$8,440	16%	$4,680
	2.67	*173.17*	*3.61*	*205.15*	*2.34*	*935.78*	*2.28*	*123.53*

The standard errors are below the estimates.

Data Source: National Postsecondary Student Aid Survey 2003-2004
Updated as of March 9, 2006

Table 11: Percent of full-time, full-year undergraduates borrowing Stafford loans in the U.S. and Minnesota

	No Stafford loan		Subsidized only		Unsubsidized only		Both subsidized and unsubsidized	
	US	MN	US	MN	US	MN	US	MN
Estimates								
Total	53% *0.44*	41% *1.86*	20% *0.36*	27% *1.8*	9% *0.25*	15% *1.24*	18% *0.34*	17% *1.48*
Income of dependent student's parents								
< $30,000	54% *0.98*	46% *6.54*	34% *0.95*	49% *6.09*	1% *0.1*	1% *1.22*	11% *0.64*	4% *2.37*
$30,000-$59,999	52% *0.9*	37% *4.44*	33% *0.89*	44% *5.15*	3% *0.23*	3% *1.79*	11% *0.45*	15% *3.88*
$60,000-$89,999	54% *0.99*	31% *3.37*	21% *0.72*	37% *4.07*	14% *0.58*	21% *2.94*	11% *0.53*	11% *2.05*
$90,000 +	63% *0.69*	47% *3.45*	8% *0.48*	9% *1.84*	24% *0.74*	39% *2.82*	6% *0.32*	5% *1.61*
Income of independent student and spouse								
< $20,000	43% *1.04*	43% *6.17*	15% *0.93*	16% *4.79*	1% *0.22*	3% *2.12*	40% *1.01*	38% *7.18*
$20,000-$39,999	43% *1.55*	35% *11.65*	9% *0.96*	11% *4.73*	2% *0.41*	5% *3.35*	46% *1.55*	49% *11.87*
$40,000 +	54% *2.5*	51% *8.66*	5% *0.61*	7% *5.25*	10% *1.21*	8% *5.39*	32% *2.99*	34% *6.85*
Institution sector								
Public Two-year	79% *0.98*	54% *3.73*	10% *0.82*	22% *2.72*	4% *0.31*	6% *1.5*	8% *0.47*	18% *2.14*
Public Four-year	51% *0.51*	27% *2.64*	21% *0.51*	27% *3.46*	12% *0.31*	25% *2.69*	16% *0.38*	21% *3.6*
Private not-for-profit Four-year	37% *1.11*	30% *3.62*	33% *1.01*	39% *2.92*	10% *0.59*	19% *3.14*	19% *0.85*	13% *2.91*

Data Source: National Postsecondary Student Aid Survey 2003-2004
Updated as of March 9, 2006