PURDUE UNIVERSITY

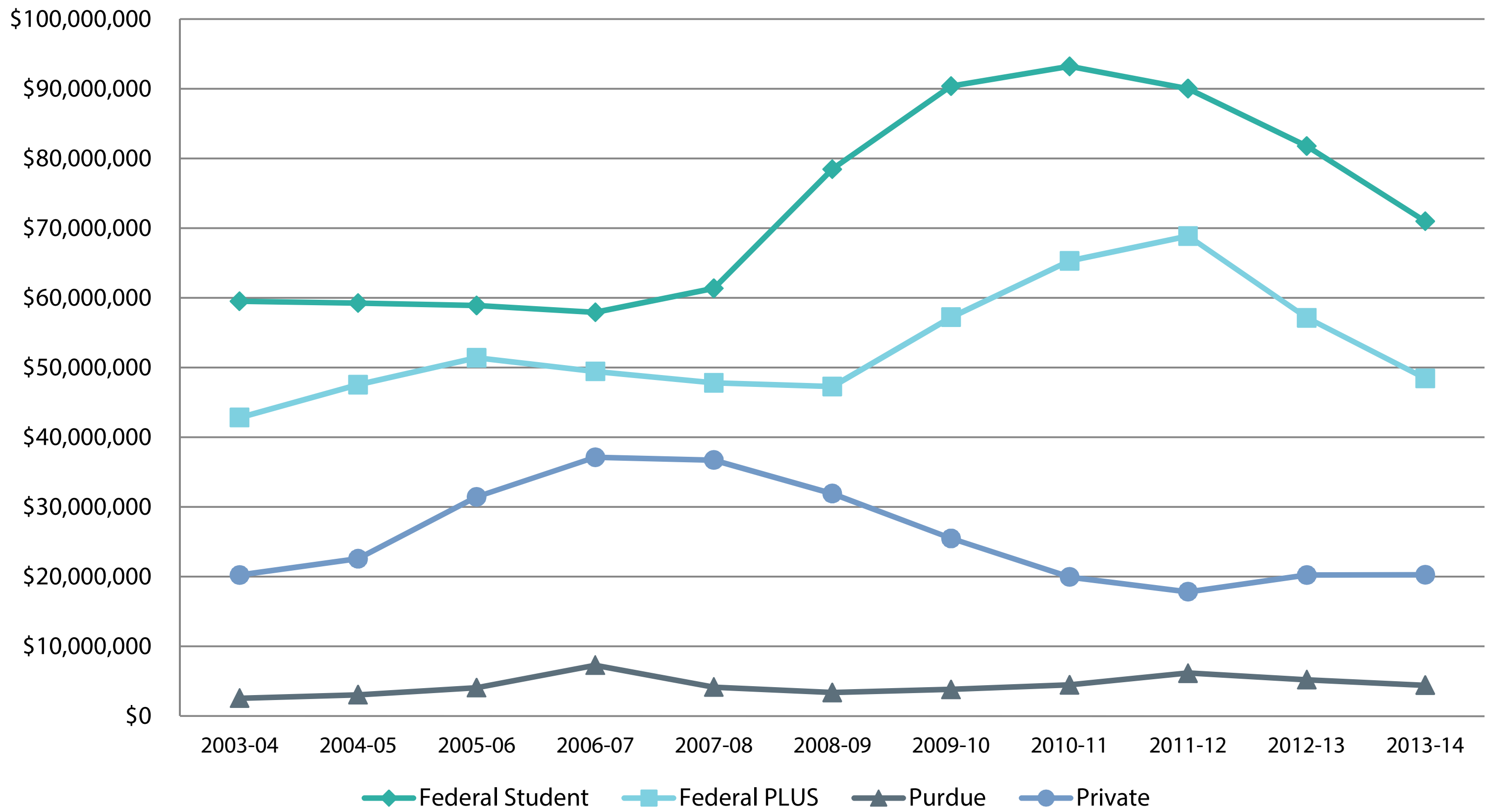
STUDENT LOANS, DEBTS, DEFAULT RATES

"College Debt Crisis" is a phrase often used by the national media in reference to the value of higher education. By spotlighting extreme examples of college graduates in low-paying jobs with college debt in excess of $100,000, these kinds of stories exaggerate the reality.

In fact, the nationwide average student debt at graduation is similar to a new car loan.

However, an individual who borrows in moderation to invest in a college degree, particularly a Purdue degree, is very likely to realize a significant return on his or her investment. In this issue, we address the reality of student borrowing and borrower default rates at Purdue.

AGGREGATE LOANS FOR UNDERGRADUATE STUDENTS, PARENTS



Eleven-year trend of aggregate Purdue student and parent loans (includes undergraduate students at West Lafayette and Technology Statewide locations).

A combination of events triggered the $17.1 million increase in federal student loans (subsidized and unsubsidized Stafford Loans) from 2007-08 to 2008-09 and the $11.9 million increase from 2008-09 to 2009-10.

In 2007, individual annual subsidized Stafford Loan limits increased by $1,000 for freshmen and sophomores and in 2008, unsubsidized Stafford Loan limits increased by $2,000 for all eligible students. In addition, the recession that began in 2008 impacted student and family (federal PLUS Loan) borrowing.

Recent declines in federal loans can be attributed in part to the Division of Financial Aid's (DFA) enhanced financial literacy campaign, national media about debt and borrowing, more favorable conditions for private loans, DFA's elimination of automatic packaging of PLUS loans for nonresident students' families and a more transparent financial aid award letter.

Assuming outside influences remain constant (see Factors that Affect Student Debt, Page 3), Purdue expects aggregate loan dollars to decline further over the next two to three years and then remain relatively flat.

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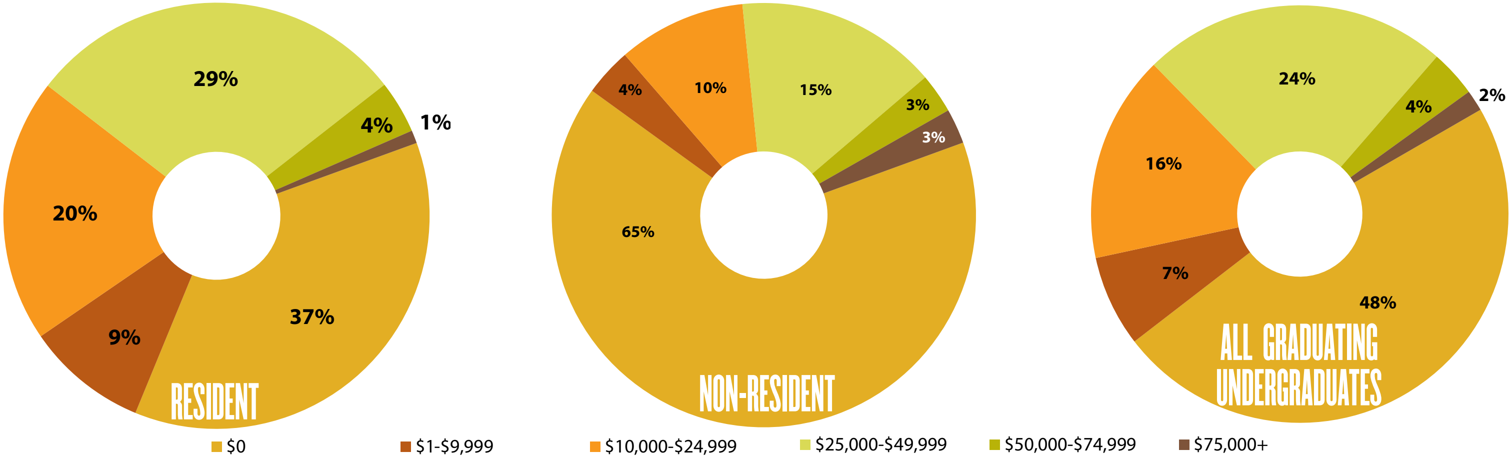
CUMULATIVE UNDERGRADUATE STUDENT DEBT AT GRADUATION



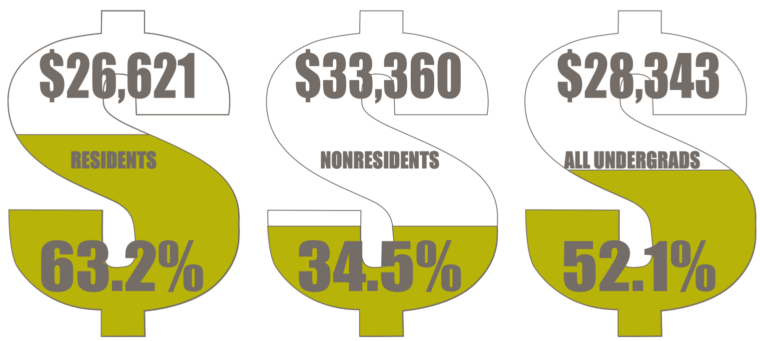
Percent of graduating undergraduates by cumulative debt level and residency.

CUMULATIVE STUDENT DEBT

In 2013-14, 48% of Purdue students who received a bachelor's degree graduated without student debt; 23% carried debt of less than $25,000 and 47% held debt of less than $50,000. Of the 52% who incurred student debt, the average amount borrowed was $28,343. By comparison, among four-year public institutions nationally, 59% of bachelor degree recipients graduated with debt in 2012-13, and the average debt of those who borrowed was $25,600.

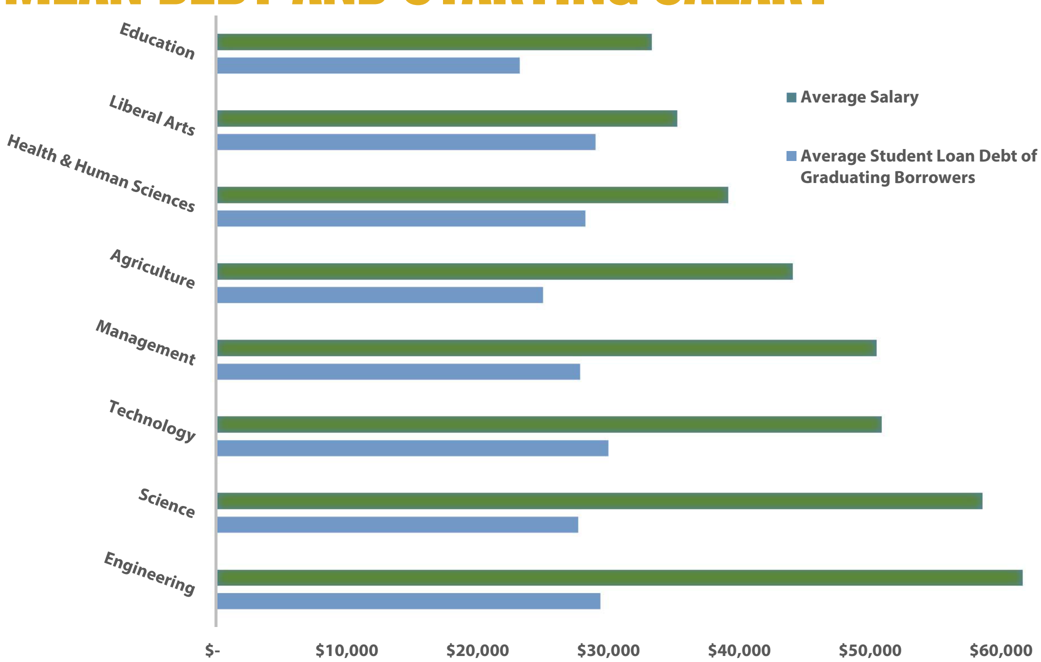
At Purdue, a greater percentage of Indiana residents graduated with debt than did nonresidents, but for Indiana residents, the average debt was about $6,700 less. As a rule of thumb, students should incur no more debt than they expect to earn in the first year of full-time employment.

MEAN DEBT OF GRADUATING BORROWERS



In 2013-14, percentage of graduating undergraduates who borrowed and their average debt by residency.

MEAN DEBT AND STARTING SALARY



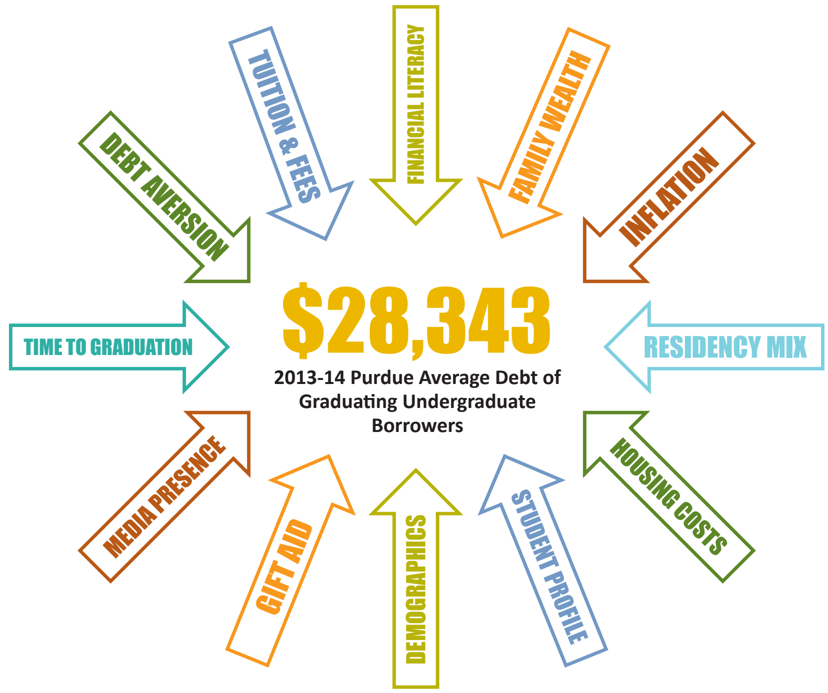
Comparison of debt and reported starting salary among graduating undergraduate borrowers by disciplinary college. (The colleges of Pharmacy and Veterinary Medicine are not included because of their relatively low number of bachelor degree recipients with debt.)

FACTORS AFFECTING STUDENT DEBT

A variety of factors affect student debt levels; Purdue can influence some but not all of these factors. For example:

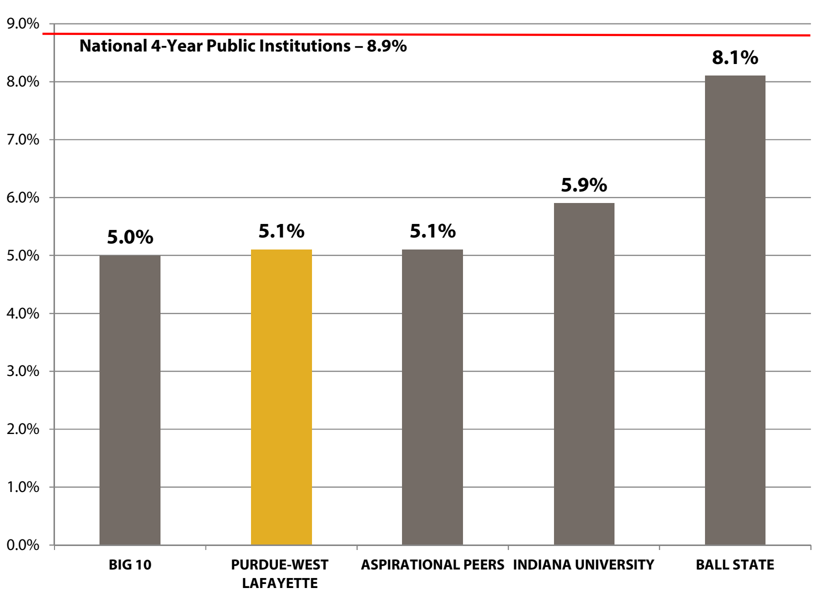
- In 2010, DFA initiated an enhanced financial literacy campaign for students and alumni.
- With the 2015-16 academic year, tuition will have been frozen for three consecutive years.
- The University has decreased on-campus housing costs.
- The freshman academic profile has been increasing steadily for several years, which has in turn decreased time to graduation.

The 2013-14 academic year is the first that overall cumulative undergraduate indebtedness has declined since 1999-00. With the major reduction in loan dollars borrowed over the past three years, Purdue expects to see additional reductions in total indebtedness in 2014-15 and beyond.

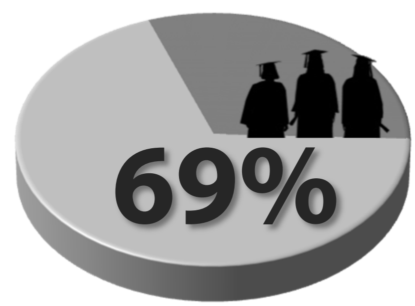


Factors that affect mean student debt.

DEFAULT RATES OF PURDUE STUDENT BORROWERS



Comparison of Purdue and peer three-year 2011 cohort default rates.



Percentage of Purdue students included in the fiscal year 2011 three-year default cohort who did not graduate from Purdue.

The cohort default rate is defined by the federal government as the percentage of the institution's borrowers who enter repayment on certain federal student loans during the fiscal year and default prior to a predetermined period.

For the most recent cohort, Purdue's default rate is 5.1% compared to a national default rate of 8.9% for four-year public institutions. Of the 289 Purdue defaulters included in the 2011 rate, 199 (69%) had withdrawn from the University without receiving a bachelor's degree.