POLITICAL LANDSCAPE SHINES LIGHT ON HIGHER ED COST, DEBT

Higher education is a popular topic among 2016 U.S. Presidential candidates. Policy proposals include everything from eliminating undergraduate tuition and fees at public universities to an income-based repayment model for federal student loans, and from distancing the U.S. Department of Education from the lending business to dissolving the department altogether.

With this national spotlight on college accessibility and costs, we take our annual look at Purdue student debt and explore recent research on how student debt affects alumni perceptions about the value of their education.

AGGREGATE LOANS FOR UNDERGRADUATE PURDUE STUDENTS, PARENTS

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

During the 2014-15 academic year, student and parent loans continued their expected decline. Just five years ago, student and parent loan levels had reached a ten-year high of nearly $183 million. Since then, aggregate loan amounts have decreased by 28.4%, to the current total of approximately $131 million.

Included in this total are Federal Student, Federal PLUS (Parent), private, and Purdue loans. Over the past five years, Federal PLUS and Federal Student loans have decreased 33.8% and 30.8%, respectively. Over just the past year, they've dropped 10.8% and 9.1%, respectively.

In part, these decreases can be attributed to the Purdue Division of Financial Aid’s (DFA) proactive, multilayered approach to reduce unnecessary student and parent borrowing, including:

- An ongoing financial literacy campaign that includes a blog and other financial guidance online at MyMoneyPurdue, as well as a Purdue Financial Aid app available via Google Play and the Apple App Store.
- Elimination of PLUS loans as an automatic component in non-resident financial aid packaging.
- Improved communication and greater transparency in financial aid award packages.
In addition to a decrease in overall borrowing among Purdue students, the percentage of students who have any debt at all is also decreasing. In 2015, the percentage of graduating undergraduates with student debt dropped below 50% for the first time since the start of the Great Recession in 2007.

Among Indiana residents, the percentage of borrowers and the average amount borrowed decreased over the past year. Although the average debt for non-resident borrowers increased slightly, the percentage of nonresident borrowers decreased.

Compared with national averages, fewer Purdue students graduate with debt, but their cumulative debt is somewhat higher. According to the College Board’s Trends in Student Aid 2015, 61% of bachelor’s degree recipients nationwide graduate with debt and the average cumulative debt is $26,900. This data is from the 2013-14 academic year.

### MEAN DEBT OF GRADUATING BORROWERS

#### Residents
- Avg. debt of $26,621
- 63.2%

#### Nonresidents
- Avg. debt of $33,360
- 34.5%

#### All Undergrads
- Avg. debt of $28,343
- 52.1%

### MEAN DEBT COMPARED TO STARTING SALARIES

<table>
<thead>
<tr>
<th></th>
<th>Average Salary</th>
<th>Average Student Loan Debt</th>
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<tbody>
<tr>
<td>Engineering</td>
<td>$29,440</td>
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<td>Liberal Arts</td>
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<tr>
<td>Education</td>
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<td>$34,517</td>
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Financial advisors recommend that students incur no more cumulative debt than they can expect to earn in the first year of full-time employment in their field.
In 2015, Gallup completed year two of Gallup-Purdue Index (GPI) research, which now encompasses surveys of nearly 60,000 U.S. college graduates and seeks to better understand the return on investment of higher education.

While GPI has found that 50% of individuals with a bachelor’s degree or higher strongly agree that their education was worth the cost, recent graduates (degree earned between 2006 and 2015) are less likely strongly agree – only 38% of this segment. In its analysis, Gallup explored debt as an influencing factor, assuming that older graduates are further along in their careers and less likely to still be paying off student loans.

The research found a very modest difference in perception between recent graduates with no student debt and those with $25,000 or less in debt. Respectively, 49% and 43% of these college graduates strongly agree that their education was worth the cost. However, only 30% of grads with debt between $25,001 and $50,000 and only 18% of those with debt of more than $50,000 strongly agree.

The GPI further explored the effect of student debt on delays of major purchases or investments and also found a correlation between those with $0-$25,000 in debt and those with $25,001 or more.

*The Gallup-Purdue Index has surveyed alumni from institutions across the country. More information about GPI overall, including 2014 and 2015 reports, is available online.

RECENT COLLEGE GRADS DELAYING MAJOR INVESTMENTS

As student debt increases, so does the likelihood that recent college graduates (degree earned between 2006-2015) will delay major purchases, investments and continued education (Gallup-Purdue Index, 2015).