



# 2016: Students Borrow Less Even Though College Costs Climb

POSTED BY [TERRI WILLIAMS](#) ON DECEMBER 19, 2016 AT 12:33 PM



**To our readers:** How much students borrow continues to be a hot issue for college students, parents and the nation in general. Today, GoodCall looks at the state of student loan debt. Later today, we address the question of how much student loan debt is too much.

A college degree is still a good bet, and most colleges and universities know it, based on the ever-increasing cost of enrollment. However, students and parents increasingly don't seem so sure that student loan debt is a good investment – they're finding ways for to help students borrow less.

According to *Trends in College Pricing 2016* and *Trends in Student Aid 2016*, two recent reports by the College Board, tuition and fees are increasing across the board. However, for the fifth consecutive year, the report shows students borrow less to meet the challenge of college.

Selected excerpts from both reports are below:

## TRENDS IN COLLEGE PRICING 2016

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- Average published in-state tuition and fees in the public four-year sector increased by \$230 (2.4% before adjusting for inflation), from \$9,420 in 2015-16 to \$9,650 in 2016-17. Average total tuition and fee and room and board charges are \$20,090.
- Average published out-of-state tuition and fees at public four-year institutions rose by \$860 (3.6%), from \$24,070 in 2015-16 to \$24,930 in 2016-17. Average total charges are \$35,370.
- Average published tuition and fees at private nonprofit four-year institutions rose by \$1,150 (3.6%), from \$32,330 in 2015-16 to \$33,480 in 2016-17. Average total charges are \$45,370.
- Average published in-district tuition and fees at public two-year colleges increased by \$80 (2.3%), from \$3,440 in 2015-16 to \$3,520 in 2016-17.
- Estimated average tuition and fees for full-time students in the for-profit sector increased by \$340 (2.2%), from \$15,660 in 2015-16 to \$16,000 in 2016-17.

## TRENDS IN STUDENT AID 2016

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- In 2015-16, undergraduate students received an average of \$14,460 per FTE student in financial aid, including \$8,390 in grants from all sources, \$4,720 in federal loans, \$1,290 in education tax credits and deductions, and \$60 in Federal Work-Study (FWS).
- Graduate students received an average of \$27,740 per FTE student in financial aid, including \$9,300 in grants, \$17,460 in federal loans, \$890 in tax credits and deductions, and \$90 in FWS.
- Undergraduate and graduate students received a total of \$240.9 billion in grants from all sources, FWS, federal loans, and federal tax credits and deductions. In addition, students borrowed about \$11 billion from nonfederal sources.
- In 2015-16, loans from federal and nonfederal sources combined constituted 36% of the funds used by undergraduates to supplement student and family resources — **less than in any other year over the past two decades**. Grants constituted 55% of these funds — more than in any other year over these years.
- In 2015-16, loans constituted 64% of the funds used by graduate students to supplement their own resources; grants constituted 33%.
- Total federal grants to undergraduate students increased from \$20.6 billion (in 2015 dollars) in 2005-06 to \$41.7 billion in 2015-16, after peaking at \$51.9 billion in 2010-11.
- Total federal loans to undergraduates increased by 25% between 2005-06 and 2015-16, **growing by 62% over the first five years, but declining by 23% between 2010-11 and 2015-16**
- Federal education tax credits and deductions reach more students than subsidized and unsubsidized Direct Loans combined, and almost twice as many students as Pell Grants

## STUDENTS BORROW LESS

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- In 2015-16, total annual education **borrowing declined for the fifth consecutive year**. Students and parents borrowed \$106.8 billion, down from a peak of \$124.2 billion (in 2015 dollars) in 2010-11.
- Undergraduate students and parents borrowed 7% more in 2015-16 than in 2005-06, but 18% less than in 2010-11. Graduate students borrowed 40% more in 2015-16 than in 2005-06, but 6% less than in 2010-11.

- **Total borrowing of federal Direct Subsidized and Unsubsidized Loans fell** by 23% (\$22.3 billion in 2015 dollars) between 2010-11 and 2015-16, but was still 26% (\$15.1 billion) higher than in 2005-06.

## DECLINING STUDENT LOAN DEBT

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Even if students borrow less money right now, Dr. Sean Stein Smith, CPA, CGMA, and a member of the AICPA's National CPA Financial Literacy Commission, doesn't necessarily believe this is cause for celebration. "These tuition increases are still larger than yearly household income increases," Smith warns. So college isn't more affordable today than it has been in several years. He attributes the decline in student borrowing to two factors:

- An increase in federal and state grants, which can be used for college tuition and fees but, unlike loans, do not have to be repaid.
- The utilization of tax credits continues to increase, including the American Opportunity Credit and Lifetime Learning Credit, which will reduce the amount that an individual would have to pay out of pocket for college.

In addition, Smith believes that there are two other contributing factors:

- Tax deductions for tuitions and fees, which can provide a benefit of up to \$4,000
- Student interest deductions, which can benefit a taxpayer up to \$2,500

## EDUCATED STUDENTS

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It's also possible that students are finally becoming more financially literate regarding student loans. GoodCall has covered the subject of financial literacy extensively, and several individuals and organizations are working to make the financial aid process easier to understand.

For example, Jack Aronson, director of business development for Community Preservation Partners (CPP), tells GoodCall that many students and their families – especially those at the greatest financial disadvantage – need help completing financial aid forms and understanding the associated fees and interest rates. In fact, some people believe that filling out financial aid forms is more stressful than applying to college.

"To help navigate this confusing system, CPP is launching a program that educates our college-bound residents about the importance of higher education, the true cost of a student loan, and the plan they'll need for paying it back," Aronson explains.

The CPP program begins with a simple questionnaire designed to help students find scholarships and financial aid opportunities. "Then the best educational fit can be pursued based on the financial profile, and advisors and peer reviewers are made available to help with the financial paperwork and essay writing."

According to Aronson, this guidance can save a student up to five hours – and result in lower frustration. "The key is for each student to fully understand their opportunities, but that understanding usually doesn't come from independently researching loan applications, so the affordable housing community and our public school system have to step up in this regard," Aronson says.

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Another person trying to make the process easier for students and their families is Mark Warns, JD. His [American College Generosity](#) website is designed to help students from middle and lower income families find affordable colleges, so they can minimize the need for student loans.

“My research has shown that, if these students and their families do their own research using the Net Price Calculator (NPC) programs required on all American college and university websites, they will find that affordable alternatives are readily available to them and that excessive college costs and loans are simply unnecessary for them today,” Warns explains.

However, he says that although all colleges that receive federal funds must include NPCs on their website, high schools are not required to tell students about them. And he says they usually don’t, which can affect efforts to have students borrow less.

“NPCs allow parents and students to input their own academic and financial data into each school’s NPC and get a free, immediate, and 97% accurate estimate of the financial aid that will be provided to that student next year before the student even applies this year,” Warns says. And he believes that when students and families use NPCs, they will take a more realistic approach to selecting schools and avoid accumulating massive debt.



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