

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

## College Student Loans

### Credit Union Survey Suggests Future College Graduates Will Face Massive Unintended Debt

Apr. 22, 2013

WASHINGTON, April 22, 2013 — Nearly 50 percent of high school seniors in the U.S. can't even guess how much money they will need to pay for college, and even greater numbers appear unable to understand the basic terms of a student loan. These are the key findings of the Credit Union National Association's (CUNA) first annual High School Student Borrowing Survey.

The CUNA survey also found that a majority of students (70%) are confident that they will receive a high-paying job upon graduating, suggesting that students are willing to pay the cost of college tuition even while not understanding how their associated borrowing will affect their financial futures.

The Student Borrowing Survey polled 847 via the Internet from a population of high school students nationally (ages 17-18) on strategies for paying for college. Of those surveyed, a large majority knew neither the rates (83%) nor the duration (77%) of their expected or existing college loans.

The poll was conducted by CUNA in conjunction with Financial Literacy Month, which is observed each April. CUNA is the nation's largest advocacy group for credit unions, which are cooperatively owned financial institutions. There are about 7,000 credit unions nationwide, counting 96 million members.

"These troubling findings suggest not just a lack of awareness of college cost or how debt works but also a lack of basic financial knowledge," said CUNA Executive Vice President Paul Gentile. "The results suggest that some students could be challenged

in managing basic expenses or using such payment tools as credit cards in a

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

percent of respondents reported that family will pay their tuition outright and even smaller percentages expected to get by with federal loans and grants alone (5.8%) or private loans and grants (2.01%).

Nearly twice as many respondents (25%) anticipate taking out two or more student loans rather than a single loan (13%), while the majority (60%) reported that they didn't know how many loans they would need to graduate.

### Larger Amounts Make Longer Terms A Benefit, Says CUNA

Given the new reality of more loans at larger amounts for most borrowers, CUNA is lobbying the government to allow student loans of longer duration than the current standard, which is 15 years.

"The 15-year standard student loan made sense in years past when the total debt taken out was much lower," Mr. Gentile said. "College is a lifetime investment. The value of a longer term is you can better structure the loan to allow for smaller payments in the early work years. That is typically when most borrowers struggle as their careers are just beginning. Once their careers pick up an they are better able to manage the debt, so a longer term helps marry up those two realities."

Of the respondents who do have an idea of how much money they will owe when they graduate, 22 percent say they will owe \$11,000 – \$50,000. Fifteen percent expect debt of \$10,000 or less. Thirteen percent of respondents expect to have more than \$50,000 in debt at graduation.

### Survey Respondents Span Country, Income Brackets

More than one third of respondents (33%) reported family income of less than \$25,000, 11 percent less than \$50,000, 19.5 percent less than \$100,000, 15.5 percent less than \$150,000 and 21 percent more than \$150,000. The respondents were 66

percent female, mirroring the gender gap in college applications. The United States

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

loans.

Accounting • Payroll • Taxes

CPA Practice Advisor is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors.

© 2024 Firmworks, LLC. All rights reserved