

# Characteristics of College Students Who Graduate with No Debt

Mark Kantrowitz

*Publisher of Fastweb.com and FinAid.org*

August 24, 2011

## EXECUTIVE SUMMARY

About two fifths of undergraduate students graduate with no debt and three fifths graduate with less than \$10,000 in student loan debt. A total of 1.7 million undergraduate students graduated with no debt in 2007-08. This report identifies characteristics and behaviors that increase the likelihood that a student will graduate without any student loan debt.

This analysis yields the following tips for graduating with an undergraduate degree and no debt:

- **Enroll at an in-state public college.** 85% of undergraduate students who graduate with no debt graduated from public colleges, with almost 78% enrolled in an in-state public college. State appropriations help public colleges keep tuition low for state residents.
- **Do not enroll at a for-profit college.** Less than 7% of students enrolled in for-profit colleges graduated with no debt, compared with 30% at non-profit colleges and 51% at public colleges.
- **Enroll in a 2-year or shorter program.** Half of students who graduate with no debt graduated from a community college. (A third graduated from a public 4-year college.) 61% of students receiving an Associate's degree from a public college graduated with no debt. 68% of students receiving a Certificate from a public college graduated with no debt. This compares with slightly more than a third of students receiving a Bachelor's degree.
- **Enroll in a low-cost college.** 88% of students who graduate with no debt graduated from a college with tuition and fees under \$10,000. 57% graduated from a college with a total cost of attendance under \$10,000 and 86% graduated from colleges with a total cost of attendance under \$20,000.
- **Spend less on textbooks.** Three quarters of students who graduate without debt spent \$1,000 or less per year on textbooks.
- **Live at home with your parents.** Students who live at home with their parents are more likely to graduate without debt than other students. (Better to have a child live at home while enrolled in college than to be forced to live at home after graduating from college because of too much debt.)
- **Choose your parents wisely.** 56% of upper-income undergraduate students graduated with no debt, compared with 36% of low-income students and 45% of middle-income students. Students whose parents have advanced degrees are more likely to graduate without debt, probably because their parents have higher average income. More than two thirds of students who graduated without debt receive help paying for tuition and fees from their parents. A small percentage of

students graduated with no federal or private student loan debt because their parents borrowed from the Parent PLUS loan program instead.

## METHODOLOGY

The tables in this report were derived using the data analysis system for the 2007-08 National Postsecondary Student Aid Study (NPSAS). The NPSAS is a large survey conducted every four years by the National Center for Education Statistics (NCES) at the US Department of Education. The 2007-08 NPSAS surveyed 114,000 undergraduate students.

## RESULTS

Of the 4.2 million undergraduate students graduating in 2007-08, 1.7 million (41.2%) graduated without federal or private student loans and 60.8% graduated with less than \$10,000 in debt. This report explores the characteristics of undergraduate students who graduate from college with no debt.

### Type of College

Enrolling at an in-state public college is one of the most effective ways of cutting college costs and avoiding student loan debt.

Of undergraduate students graduating with no debt, 85.2% graduated from public colleges,<sup>1</sup> 12.5% from non-profit colleges and 2.3% from for-profit colleges. The likelihood of graduating with no debt is 50.6% at public colleges, 30.3% at non-profit colleges and 6.9% at for-profit colleges.

The level of education also matters. As the following table demonstrates, students who graduated from a 2-year college are much more likely to graduate with no debt than students who graduated from a 4-year college.

Type of College	Share of Students Graduating with No Debt	Likelihood of Graduating with No Debt	Likelihood of Graduating with Debt < \$10,000
<b>Public</b>	85.2%	50.6%	69.8%
4-Year	33.3%	38.8%	54.9%
2-Year	50.1%	62.8%	85.2%
< 2-Year	1.8%	67.5%	87.5%
<b>Non-Profit</b>	12.5%	30.3%	41.3%
4-Year	11.4%	29.4%	39.3%
2-Year	0.5%	34.4%	63.1%
< 2-Year	0.5%	51.5%	82.2%
<b>For-Profit</b>	2.3%	6.9%	39.4%
4-Year	0.3%	3.0%	20.0%
2-Year	0.3%	2.7%	28.6%
< 2-Year	1.7%	14.0%	64.9%
<b>Overall</b>	100.0%	41.2%	60.8%

<sup>1</sup> More than three quarters (77.6%) of undergraduate students graduating without student loan debt graduated from in-state public colleges.

The following table shows similar results, but according to the combination of institutional control (public, non-profit and for-profit) and degree program (Bachelor's, Associate's and Certificate).

Type of College	Share of Students Graduating with No Debt	Likelihood of Graduating with No Debt	Likelihood of Graduating with Debt < \$10,000
<b>Bachelor's Degree</b>	<b>43.7%</b>	<b>34.8%</b>	<b>48.3%</b>
Public Colleges	32.5%	38.8%	54.5%
Non-Profit Colleges	11.0%	29.5%	39.2%
For-Profit Colleges	0.2%	4.0%	8.2%
<b>Associate's Degree</b>	<b>43.5%</b>	<b>52.9%</b>	<b>75.7%</b>
Public Colleges	42.5%	61.1%	84.2%
Non-Profit Colleges	0.7%	28.9%	49.5%
For-Profit Colleges	0.2%	2.2%	23.7%
<b>Certificate</b>	<b>12.9%</b>	<b>36.8%</b>	<b>70.7%</b>
Public Colleges	10.2%	68.0%	88.8%
Non-Profit Colleges	0.8%	50.5%	75.1%
For-Profit Colleges	1.9%	10.1%	55.5%

Students at public colleges are more likely to graduate without debt because state appropriations at public colleges reduce the costs by shifting some of the burden from student to taxpayer. Also, several hundred community colleges have opted out of the federal student loan programs in order to preserve eligibility for the Pell Grant program despite having high cohort default rates. This reduces their students' access to education financing. Students at non-profit colleges are more likely to graduate without debt because the students tend to be from wealthier families. For example, the average family adjusted gross income (AGI) is \$74,239 at non-profit colleges, compared with \$55,902 at public colleges and \$30,831 at for-profit colleges.<sup>2</sup> Students at for-profit colleges are more likely to graduate with debt because of the higher cost, as illustrated by the following table, and more limited institutional student aid programs.<sup>3</sup>

Degree Program	Institutional Control	Tuition & Fees	Cost of Attendance
Bachelor's Degree	Public	\$5,590	\$15,426
Bachelor's Degree	Non-Profit	\$18,338	\$28,926
Bachelor's Degree	For-Profit	\$10,189	\$25,141
Associate's Degree	Public	\$1,296	\$7,393
Associate's Degree	Non-Profit	\$8,366	\$16,658
Associate's Degree	For-Profit	\$10,905	\$21,341
Certificate	Public	\$1,230	\$7,015
Certificate	Non-Profit	\$7,603	\$15,346
Certificate	For-Profit	\$9,466	\$16,794

<sup>2</sup> These results are based on family AGI for both dependent and independent students. The average family income for just dependent students is \$98,229 at non-profit colleges, \$77,213 at public colleges and \$49,245 at for-profit colleges. The average family income for just independent students is \$40,829 at non-profit colleges, \$37,915 at public colleges and \$26,556 at for-profit colleges. Students at non-profit and public colleges are much less likely to be independent, with independent students representing 34% of undergraduate students at non-profit colleges, 45% of undergraduate students at public colleges and 76% of undergraduate students at for-profit colleges. Similar income disparities persist even when the data is disaggregated by degree program.

<sup>3</sup> For-profit colleges are, after all, for-profit organizations. Among the publicly-traded for-profit colleges, the profit margins range from 8% to 22%, with an overall average of about 10%. On average the profit margin accounts for about a quarter of student loan debt for students at for-profit colleges.

## Family Income

While slightly more than half of students who graduate with no debt are from low-income families earning less than \$50,000 a year and somewhat less than a third are from middle-income families earning \$50,000 to \$100,000 a year, the likelihood of graduating without debt increases with increasing family income.

Family Income	Share of Students Graduating with No Debt	Likelihood of Graduating with No Debt	Likelihood of Graduating with Debt < \$10,000
Less than \$50,000	51.2%	35.9%	58.3%
\$50,000 to \$100,000	29.1%	44.9%	61.9%
\$100,000 or more	19.7%	56.0%	69.1%
\$100,000 to \$150,000	13.0%	54.1%	67.4%
\$150,000 to \$200,000	4.2%	59.7%	70.6%
\$200,000 to \$250,000	1.3%	59.6%	75.5%
\$250,000 or more	1.2%	61.8%	77.5%

A similar effect is manifested with the expected family contribution (EFC). Students with higher EFCs are more likely to graduate without debt.

Expected Family Contribution (EFC)	Share of Students Graduating with No Debt	Likelihood of Graduating with No Debt	Likelihood of Graduating with Debt < \$10,000
Zero EFC	22.5%	35.1%	59.8%
1 to 4,999	21.6%	35.5%	56.1%
5,000 to 9,999	14.2%	39.0%	59.0%
10,000 to 14,999	10.8%	44.5%	60.9%
15,000 to 19,999	8.6%	49.2%	64.2%
20,000 to 24,999	7.1%	54.2%	68.2%
25,000 or more	15.1%	57.1%	70.5%

## College Costs

Students who graduate from lower-cost colleges are more likely to graduate without student loan debt. However, students who graduate from the most expensive colleges are more likely to graduate without debt than students at all but the lowest-cost colleges, presumably because these colleges attract wealthier students.

The following table shows the relationship between tuition and graduating without student loan debt. The majority of students graduating without debt graduate from colleges with tuition and fees under \$10,000.

Tuition and Fees	Share of Students Graduating with No Debt	Likelihood of Graduating with No Debt	Likelihood of Graduating with Debt < \$10,000
No Tuition	7.8%	41.8%	60.9%
\$1 to \$9,999	80.8%	45.9%	66.3%
\$10,000 to \$19,999	5.8%	20.4%	42.7%
\$20,000 to \$29,999	3.3%	25.2%	35.9%
\$30,000 or more	2.3%	33.9%	42.8%

The following table shows the relationship between the cost of attendance and graduating without student loan debt. The majority of students graduating without debt graduated from colleges with a cost of attendance under \$10,000. Nearly seven-eighths graduated from colleges with a cost of attendance under \$20,000.

Cost of Attendance	Share of Students Graduating with No Debt	Likelihood of Graduating with No Debt	Likelihood of Graduating with Debt < \$10,000
No Cost	7.8%	41.7%	60.9%
\$1 to \$9,999	49.3%	56.0%	77.0%
\$10,000 to \$19,999	28.6%	35.8%	57.0%
\$20,000 to \$29,999	8.2%	25.2%	44.2%
\$30,000 to \$39,999	3.2%	22.4%	33.9%
\$40,000 or more	2.9%	31.5%	40.6%

The following table shows the relationship between out-of-pocket costs<sup>4</sup> and graduating without student loan debt. While students with an out-of-pocket cost of less than \$10,000 are more likely to graduate without debt, so too are students with an out-of-pocket cost of \$40,000 or more. As with the correlation between tuition and graduating without debt, students graduating from the most expensive colleges may have lower debt at graduation due to these colleges attracting wealthier students.

Out-of-Pocket Costs	Share of Students Graduating with No Debt	Likelihood of Graduating with No Debt	Likelihood of Graduating with Debt < \$10,000
No Out-of-Pocket Cost	8.9%	43.6%	62.0%
\$1 to \$9,999	56.4%	51.6%	73.7%
\$10,000 to \$19,999	23.6%	31.9%	50.7%
\$20,000 to \$29,999	6.6%	25.2%	41.8%
\$30,000 to \$39,999	2.5%	30.3%	42.0%
\$40,000 or more	1.9%	46.1%	53.5%

Students who graduate from the most selective and the least selective 4-year colleges are equally likely to graduate without debt, more likely than students who graduate from minimally and moderately selective colleges. They graduate without debt at the same rate as the overall average. Students who graduate from 2-year and less-than-2-year colleges are more likely to graduate without debt.

Selectivity	Share of Students Graduating with No Debt	Likelihood of Graduating with No Debt	Likelihood of Graduating with Debt < \$10,000
Very Selective	14.3%	41.2%	54.8%
Moderately Selective	22.0%	34.1%	47.5%
Minimally Selective	4.4%	28.8%	43.3%
Open Admission	4.1%	41.2%	60.8%
Not a Public or Non-Profit 4-Year College	55.2%	46.8%	72.2%

<sup>4</sup> Out-of-pocket costs are based on the NETCST3 variable, which is defined as the difference between the cost of attendance and grants, but which does not allow the net costs to go negative and sets a minimum net cost of \$10. This is likely to overstate the net costs for wealthier students enrolled at higher cost colleges that award a lot of merit aid or which engage in leveraging.

## Textbooks

Students who spend less on textbooks are more likely to graduate without student loan debt. Three quarters of students who graduated without debt spent \$1,000 or less per year on textbooks.

Spending on Textbooks	Share of Students Graduating with No Debt	Likelihood of Graduating with No Debt	Likelihood of Graduating with Debt < \$10,000
Nothing	4.6%	38.7%	58.5%
\$1 to \$499	35.6%	44.7%	65.3%
\$500 to \$999	35.3%	42.1%	61.1%
\$1,000 to \$1,499	15.1%	36.8%	56.0%
\$1,500 to \$1,999	4.2%	39.4%	59.6%
\$2,000 to \$2,499	2.6%	34.6%	52.8%
\$2,500 or more	2.5%	31.2%	50.1%

## Filed the FAFSA

More than two-thirds (69.7%) of undergraduate students who graduated without debt did not file the Free Application for Federal Student Aid (FAFSA). Less than a third (30.3%) filed the FAFSA. The likelihood of graduating without debt is 71.0% for students who did not apply for federal student aid, compared with 21.0% for students who did apply.

There are several likely reasons for this counterintuitive result:

- Students who do not file the FAFSA cannot obtain federal student loans. This necessarily reduces their ability to use debt to finance their education, forcing them to use other resources, such as income, savings and non-education loans.
- Some students do not file the FAFSA because they are ineligible for federal student aid. Common reasons include a failure to maintain satisfactory academic progress (e.g., a minimum 2.0 GPA) and international students.
- Some students who enroll at low-cost colleges do not file the FAFSA because they believe they can pay for college without financial aid (e.g., students who work full-time while enrolling part-time) or because they believe that they are ineligible.
- Students who need financial aid to pay for college are much more likely to borrow because debt represents almost half of all student aid funding. Debt is almost unavoidable for students who need financial aid to cover college costs.
- Some students may fail to file the FAFSA because their families are wealthy enough to cover college costs without financial aid or borrowing. The average family AGI among students graduating without debt was \$72,060 for students who did not file the FAFSA, compared with \$44,384 for students who filed the FAFSA.

## Pell Grant Recipients

Pell Grant recipients are much less likely to graduate without debt than non-recipients. Almost a quarter of undergraduate students who graduate without debt are Pell Grant recipients (24.2%) and three quarters

are non-recipients (75.8%). The likelihood of graduating without debt is 22.0% if the student is a Pell Grant recipient, compared with 57.1% for non-recipients. The likelihood of graduating with less than \$10,000 in debt is 46.9% for Pell Grant recipients but 72.4% for non-recipients. As noted in a previous paper, Pell Grant recipients are much more likely to graduate with debt and with more debt than non-recipients.<sup>5</sup> The out-of-pocket bottom line cost of college represents 54.1% of income for Pell Grant recipients and 27.8% for non-recipients. This forces low-income students to borrow to cover their college costs.

### Dependency Status

While students graduating without debt are about equally split among dependent and independent students, dependent students are more likely to graduate without debt. The main exception is for married independent students without dependents.

Dependency Status	Share of Students Graduating with No Debt	Likelihood of Graduating with No Debt	Likelihood of Graduating with Debt < \$10,000
<b>Dependent</b>	50.5%	44.7%	63.3%
<b>Independent</b>	49.5%	38.2%	58.7%
<b>Without Dependents, Unmarried</b>	16.2%	35.4%	54.3%
<b>Without Dependents, Married</b>	8.8%	46.8%	64.3%
<b>With Dependents</b>	24.5%	37.6%	60.0%

### Help from Parents

Students whose parents provide financial help with tuition and fees are much more likely to graduate without debt than students whose parents do not help.

Help from Parents: Tuition & Fees	Share of Students Graduating with No Debt	Likelihood of Graduating with No Debt	Likelihood of Graduating with Debt < \$10,000
<b>No</b>	32.8%	37.7%	59.2%
<b>Yes</b>	67.2%	49.2%	65.9%

### Residence While Enrolled

Students who live at home with their parents are more likely to graduate without student loan debt.

Residence While Enrolled	Share of Students Graduating with No Debt	Likelihood of Graduating with No Debt	Likelihood of Graduating with Debt < \$10,000
<b>On Campus</b>	9.1%	36.4%	50.2%
<b>Off Campus</b>	56.7%	38.3%	58.3%
<b>Living with Parents</b>	26.4%	51.6%	73.4%
<b>Attended More Than One Institution</b>	7.8%	41.8%	60.9%

<sup>5</sup> Mark Kantrowitz, *Bolder Steps are Needed to Help Low-Income Students Avoid Debt*, Higher Ed Watch, New America Foundation, September 30, 2009. [www.newamerica.net/blog/higher-ed-watch/2009/guest-post-bolder-steps-are-needed-help-low-income-students-avoid-debt-15013](http://www.newamerica.net/blog/higher-ed-watch/2009/guest-post-bolder-steps-are-needed-help-low-income-students-avoid-debt-15013)

### Parents Borrowed PLUS Loans

Some students are able to graduate without student loan debt (0.6%) because their parents borrowed from the Parent PLUS loan program.<sup>6</sup> Among students receiving Bachelor’s degrees, 1.1% were able to graduate without student loan debt because their parents borrowed from the Parent PLUS loan program. Two-thirds of the students who were able to graduate without student loan debt because their parents borrowed from the Parent PLUS loan program graduated from public colleges (67%). More than a quarter graduated from non-profit colleges (28%) and less than 5% graduated from for-profit colleges.

### Parent Education Level

Students whose parents have advanced degrees are more likely to graduate without debt. This may be because parent education level correlates strongly with income. Students whose parents have advanced degrees are wealthier and therefore less likely to graduate with debt.

Parent’s Highest Education Level	Share of Students Graduating with No Debt	Likelihood of Graduating with No Debt	Likelihood of Graduating with Debt < \$10,000	Average AGI
Do not know parent’s education level	3.6%	40.1%	70.6%	\$31,022
Did not complete high school	7.0%	44.4%	67.1%	\$34,100
High school diploma or equivalent	22.2%	36.3%	58.2%	\$42,669
Vocational or technical training	4.7%	37.3%	54.4%	\$46,372
Less than two years of college	7.2%	38.6%	58.0%	\$49,400
Associate’s degree	7.1%	37.5%	56.4%	\$52,790
Two or more years of college but no degree	3.6%	36.2%	58.5%	\$52,417
Bachelor’s degree	21.9%	43.8%	61.9%	\$69,319
Master’s degree	13.8%	46.3%	62.6%	\$78,221
First-professional degree	4.5%	53.0%	66.6%	\$90,031
Doctoral degree	4.4%	55.0%	68.5%	\$89,947

### Enrollment Status

Students who are enrolled part-time are more likely to graduate without debt, probably because they are working full-time while enrolled. Two-thirds of students who graduate without debt work more than 12 hours a week, although they are just as likely to graduate without debt as students who work 12 hours or less per week. However, students who work full-time and enroll part-time are much less likely to graduate.

Enrollment Status	Share of Students Graduating with No Debt	Likelihood of Graduating with No Debt	Likelihood of Graduating with Debt < \$10,000	Graduation Rate
Enrolled Mostly Full-Time	54.2%	36.2%	55.6%	57.5%
Enrolled Mostly Part-Time	41.3%	49.6%	69.8%	25.8%
Enrolled Full-Time and Part-Time Equally	4.6%	47.4%	64.9%	44.7%

<sup>6</sup> While parents who sacrifice for their children are admirable, they would be better off financially if they had their children borrow from the lower-cost Stafford loan program. The interest rate on the unsubsidized Stafford loan is 6.8% with a 1% fee, less expensive than the Parent PLUS loan’s 7.9% interest rate and 4% fee. Nothing prevents parents from helping their children with their monthly loan payments.



## Gender and Race

The distribution of students graduating without debt according to gender and race is similar to the prevalence of these characteristics among all graduating students. For example, 63.8% of students graduating without debt are Caucasian, similar to the 62.8% of all graduating students who are Caucasian. Asian students, however, are more likely to graduate without debt than other racial groups, with 54.8% of them graduating without debt. African-American students are much more likely to graduate with debt, with only 28.5% of them graduating without debt. These differences narrow with regard to students graduating with less than \$10,000 in debt.

<b>Race, Gender</b>	<b>Share of Students Graduating with No Debt</b>	<b>Likelihood of Graduating with No Debt</b>	<b>Likelihood of Graduating with Debt &lt; \$10,000</b>
<b>White</b>	63.8%	41.9%	59.3%
<b>Black or African American</b>	9.0%	28.5%	52.9%
<b>Hispanic or Latino</b>	14.8%	44.2%	69.1%
<b>Asian</b>	8.5%	54.8%	72.0%
<b>American Indian or Alaska Native</b>	0.6%	35.3%	66.9%
<b>Male</b>	43.9%	45.5%	63.3%
<b>Female</b>	56.1%	38.4%	59.2%

## Other Student Demographics

Other student characteristics, such as veteran status, disability status, GPA and having siblings in college, have no impact on whether a student graduates with or without debt. For example, two-thirds of students who graduate without debt have a 3.0 or higher GPA, the same as for all graduating students.<sup>7</sup>

---

<sup>7</sup> The differences in the percentage of students graduating without debt according to GPA are negligible. However, nearly three quarters (74.6%) of students with less than a 2.0 GPA graduate with less than \$10,000 in debt, compared with about three-fifths of students with higher GPAs. This is not surprising, since students must maintain at least a 2.0 GPA to be eligible for federal student aid, including federal education loans, so students who are able to graduate with less than a 2.0 GPA must do so with more limited access to loans.