FINANCING HIGHER EDUCATION:
A Call for Better Planning
The study highlights the need and preference for additional detailed education and resources for students including information on the full cost of the degree and expected borrowing through completion, for students and families prior to enrolling in college.

“I regret that at age 18 I didn’t have a better understanding of what I was signing up for debt-wise... It was a mistake to take those loans at that age, and a mistake to go to that overpriced school.”

—Matt L., BA 2003,
Navient customer repayment survey, November 2016

EXECUTIVE SUMMARY

This study—conducted by Navient and Everfi—draws on surveys of 22,000 high school students and 12,000 college students to explore expectations for paying for college and experiences applying for financial aid.

Among the findings:

- Thirteen percent of high school upperclassmen (juniors and seniors) who plan to pursue a four-year degree could not identify the financial resources they plan to use to help pay for college. Just 38 percent report that they plan on using student loans to help pay for college. Recent trends indicate that a larger percentage will end up borrowing before they complete their education. Among recent college graduates, 6 in 10 used student loans to help pay for their college education.¹

- College students have more realistic expectations than high school students when it comes to the role of student loans in paying for college. While just 38 percent of high school upperclassmen expect to borrow, 61 percent of college freshman expect to borrow at some point during their college career—aligning with the percentage of recent graduates who have student loans.

- Many students plan to work while in school. Among college students, first-generation college students are particularly likely to plan to work while in school. First-generation college students are also more likely than their peers with at least one parent who attended college to consider managing college costs by taking time off from school, attending community college, or living at home.

- When asked about receiving personalized education or advice based on information provided in their Free Application for Federal Student Aid (FAFSA), 40 percent of all students were interested. First-generation students were more likely to be interested in such information (43%) than students with a college-educated parent (38%). An additional 35 percent of all students were unsure. Only a quarter of students were opposed to the idea.

The disconnect between student plans for paying for college and the reality they're likely to encounter highlights the need for better education and resources for students prior to applying for and enrolling in college and continuing through the college years. The education should be both broad-based—reaching a large number of current and potential students—and personalized—addressing students' specific situations.

Based on these findings, Navient recommends broad adoption of better information and education to support current and future borrowers, including:

- Financial aid award letters that include the full expected cost of obtaining the desired degree,
- Personalized information provided to students prior to choosing a school, or choosing whether to borrow, that helps students and families understand the reasonableness (or not) of expected borrowing by providing ranges of income of recent grads in similar fields, and
- For those who choose to borrow, information on the cost of their borrowing plans and the benefits of borrowing less.

¹ The College Board, Trends in Student Aid 2016; bachelor’s degree holders from a four-year public or private not-for-profit institution, class of 2014/2015.
DETAILED FINDINGS

As young people look towards their educational futures—graduating from high school, enrolling in college, and moving through their higher education years—they begin to think about how they will finance their aspirations. Many of these students will take out loans to help pay for college, and most of them will have sole responsibility for repaying those loans. Survey responses indicate that students have a difficult time foreseeing how they will pay for college and the future payment obligations of any borrowing.

The following sections of this report detail findings on: student expectations on paying for college, a comparison of those expectations to recent trends in student aid, and ways to support students with information and resources as they move through the college exploration, application and financial aid process, and during their educational experience. Differences between first-generation students and those students whose parents attended college are highlighted throughout.

STUDENT LOANS: EXPECTATIONS AND REALITY

Plans to Borrow to Pay for College

The share of high school students who plan to borrow at some point in their college career and recent trends in higher education borrowing, indicate a gap between student expectations and the reality they’re likely to experience. Just 23 percent of high school freshmen and 41 percent of high school seniors plan to take out loans for a four-year college degree, while 6 out of 10 students who graduated with a bachelor’s degree in recent years borrowed to pay for a portion of their education.²

Figure 1. Do you plan to take out loans to help pay for college? (Students planning to attend or attending a four-year school, by year in school)

- High School Freshman: 23%
- High School Sophomore: 25%
- High School Junior: 34%
- High School Senior: 41%
- College Freshman: 61%
- Share of 2015 College Graduates with Debt: 61%

There is a considerable difference in intention to use loans to help finance higher education between high school upperclassmen (38%) and college freshmen (61%). There is a larger difference between high school and college in intention to use loans for students whose parents did not attend college (25 percentage points) compared to those students who have a college-educated parent (21 percentage points).

² The College Board, Trends in Student Aid 2016; bachelor’s degree holders from a four-year public or private not-for-profit institution, class of 2014/2015.
This difference highlights a gap in expectations and reality for students, especially first-generation students, many of whom will not address the reality of higher education costs until early in their college careers. The expectations gap may be due to students not being adequately informed about the full cost of attending college or their families’ ability and plan to pay that cost.

Once students begin college, their expectations for borrowing align with recent trends. The percentage of college freshman who expect to borrow at some point in their college career (61%) is the same rate of borrowing observed among recent college graduates.

Survey responses from high school and college students indicate a shift over time in how students think about paying for college, starting early in high school when students are starting to think about their post-graduation plans, through freshman year of college, when students’ plans to pay for college are more established and their attention should shift to gathering information to manage repayment. Recent changes to the FAFSA process allow families to use tax returns from the student’s junior year of high school to apply for freshman year financial aid, thus getting an earlier look at what they will need to pay prior to applying to colleges.

“I was very lucky to graduate with only about $25,000 in debt. I owe all of that to my parents who encouraged me to go to a state school instead of a private. Nursing doesn’t care where you went to school, they just want a hard worker with common sense and a bachelor’s degree.”

—Nicole F., BSN, 2010
Navient customer paid in full survey, August 2015.

3. The College Board, Trends in Student Aid 2016; bachelor’s degree holders from a four-year public or private not-for-profit institution, class of 2014/2015.
HIGH SCHOOL STUDENTS: PLANNING FOR COLLEGE

College Intentions

The large majority of high school students plan to attend college. Among high school juniors and seniors surveyed, 91 percent reported that they are considering attending a two- or four-year college program after graduating from high school. Seventy-seven percent reported that they plan to attend a four-year college or university and 31 percent are considering a community college program. (Students were able to select more than one option under consideration.) Comparatively few students are thinking about attending an online college (6%) or vocational training or apprenticeship (8%).

Figure 3. Are you considering pursuing any of the following after high school?

<table>
<thead>
<tr>
<th>Option</th>
<th>First-Generation Student</th>
<th>College-Educated Parent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Four-Year College</td>
<td>66%</td>
<td>81%</td>
</tr>
<tr>
<td>Two-Year College</td>
<td>42%</td>
<td>30%</td>
</tr>
<tr>
<td>Vocational Training</td>
<td>9%</td>
<td>7%</td>
</tr>
<tr>
<td>Online Training</td>
<td>7%</td>
<td>6%</td>
</tr>
</tbody>
</table>

High school students who would be the first in their family to attend college are more likely to consider community college than their peers.

Students who would be the first in their family to attend college are similar to their peers in their intention to pursue higher education; at 87 percent planning to pursue a two- or four-year degree, they are only slightly less likely than students whose parents attended college to report that they are considering college. However, these first-generation students are much more likely to consider community college and less likely to plan to enroll immediately in a four-year college program.

First-generation students also are slightly more likely to consider vocational training or an online school, but interest in these programs is low among all students.

Planning to Pay for Higher Education

High school students who would be the first in their family to attend college face particular challenges when planning how they will pay for college. While many high school students who intend to pursue a two- or four-year degree after graduating have not yet developed a plan for paying for college, including those who are close to graduating from high school (current 11th and 12th graders), first-generation students are more likely to say they don't know how they will pay for college—15 percent of first generation students compared to 11 percent of students with a college-educated parent. Just 40 percent of first-generation students expect financial assistance from family, significantly fewer than the 58 percent of their peers who believe their parents or other relatives will contribute to their college education.
Figure 4. How do you plan to pay for college? Check all that apply. (High school juniors and seniors planning on attending college)

<table>
<thead>
<tr>
<th>Method</th>
<th>First-Generation Student</th>
<th>College-Educated Parent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scholarships and grants</td>
<td>58%</td>
<td>68%</td>
</tr>
<tr>
<td>Work during the school year</td>
<td>53%</td>
<td>52%</td>
</tr>
<tr>
<td>Help from my parents, guardians, or other relatives</td>
<td>40%</td>
<td>58%</td>
</tr>
<tr>
<td>Student loans</td>
<td>37%</td>
<td>39%</td>
</tr>
<tr>
<td>Using my own savings</td>
<td>32%</td>
<td>37%</td>
</tr>
<tr>
<td>I don’t know</td>
<td>15%</td>
<td>11%</td>
</tr>
</tbody>
</table>

Just 38 percent of high school upperclassmen report that they plan to take out student loans to help pay for their two-year or four-year degree, with little difference observed between those students whose parents attended college (39%) and first-generation students (37%). While few students expect that loans will cover the full cost of attending college—only four percent of students indicated that taking out loans is their only plan to pay—the number of high school students who expect to take out loans is low relative to recent borrowing trends.

High school student expectations with respect to the use of scholarships and grants, family assistance and student loans are in line with how college students actually paid for college in the 2015/2016 academic year. Seventy percent of families used scholarships and/or grants; 59 percent of parents or guardians contributed funds, and 40 percent of students used student loans.4

Plans to borrow are somewhat more common among students who plan to attend a four-year college or university (38%, compared to 36% of students who plan to start at a community college).

Of the 38 percent of high school students who plan to take out loans to help pay for college, a majority also expect to work over the summer (66%) or during the school year (72%) to help pay for school. A majority of students who plan to use loans also expect to receive financial support from their parents or other family members (64%), although students with college-educated parents are much more likely to expect family financial support to supplement their loans (69%) than first generation students (54%).

Given recent trends in borrowing to pay for college among current college students and recent graduates, it is likely that a substantial number of high school students who are not currently planning to take out loans will do so by the time they graduate from a college program.

“Managing student loans isn’t just about what happens after college. It’s about before, during, AND after.”

—Andrew L, BBA, 2005
Navient customer repayment survey, June 2016

COLLEGE STUDENTS:
PAYING FOR COLLEGE

Working and Borrowing

Like their high school counterparts, college students who are borrowing now or expect to borrow before completing their degree expect student loans to be just one source of funding. Most college students also recognize that they or their families do not have enough saved to cover the entire cost of paying for college.

The majority of college students surveyed reported that they either work now or are likely to work some time while attending college. Likelihood to work was higher among students who also expect to take out student loans (39%) to help pay for college, and among first-generation college students, 71% of whom plan to work to help pay for their education compared to 62% of students who have a college-educated parent. College students whose parents attended college are more likely to indicate that they do not plan to work or take out student loans while in school—1 in 4 compared to 1 in 5 first-generation students.

Other Plans to Pay for College

Taking other steps to pay for college—living at home, attending community college, and taking time off from school to save money—were rated as considerably less likely by all college students. However, first-generation college students are much more likely to consider these options than their peers with college-educated parents.
First-generation college students are more likely to consider non-loan options to pay for school such as working while in school or living at home.

Students also appear to prioritize living away from home while in college, independent of their intention to take out loans. There is not a meaningful difference between the share of all students who are likely to live at home (26%) and the share of students who borrow who are likely to live at home (27%). Consideration for living at home is much more strongly tied to a student’s status as the first in his or her family to attend college. First-generation college students are 44 percent more likely than their peers with college-educated parents to report that they may live at home during college.

The order of these preferences is an indicator of student priorities, with most students expecting to work or take out loans or both, but comparatively few students intending to take steps that more directly impact their college experience. Taking time off from school is a step most students would prefer to avoid; while more than half of students plan to borrow, fewer than 1 in 5 expects to take time off even among those who plan to borrow money.

Compared to the children of parents with college experience, first-generation college students appear to be more open to non-loan options to pay for college. In addition to being more likely to work while in school, these students are more likely to attend a community college, take time off from school, and live at home. In fact, first-generation college students who do not plan to borrow are 51 percent more likely to report that they may live at home, suggesting that they are living at home in part to avoid taking out student loans.
FINANCIAL AID

Applying for Aid

In order for students to access financial aid funds, they must first fill out the Free Application for Federal Student Aid (FAFSA). Among college students surveyed, 82 percent have filled out a FAFSA form. Nationally, 85% of families completed the FAFSA for the 2015-2016 academic year.5

Figure 7. **FAFSA Completion by College Students**

<table>
<thead>
<tr>
<th>Category</th>
<th>Yes (%)</th>
<th>No (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Students</td>
<td>82%</td>
<td>18%</td>
</tr>
<tr>
<td>First-generation</td>
<td>88%</td>
<td>12%</td>
</tr>
<tr>
<td>College-educated Parent</td>
<td>80%</td>
<td>20%</td>
</tr>
</tbody>
</table>

As with plans to attend and pay for college, first-generation college students’ experience with the FAFSA application differed from students with college-educated parents. First-generation college students were more likely to have completed a FAFSA form—88 percent compared to 80 percent of their peers.

Asked about their experience filling out the FAFSA, the majority of college students (53%) reported that it took them less than an hour, and 64 percent of them found it no more than slightly difficult to complete. Only one in 10 found that it was very or extremely difficult to complete their FAFSA.

Figure 8. **How long did it take you to complete your financial aid application? (College students who completed the FAFSA)**

<table>
<thead>
<tr>
<th>Time Duration</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 30 minutes</td>
<td>12%</td>
</tr>
<tr>
<td>30 minutes-1 hour</td>
<td>41%</td>
</tr>
<tr>
<td>1-2 hours</td>
<td>28%</td>
</tr>
<tr>
<td>2-3 hours</td>
<td>9%</td>
</tr>
<tr>
<td>3-4 hours</td>
<td>3%</td>
</tr>
<tr>
<td>More than 4 hours</td>
<td>7%</td>
</tr>
</tbody>
</table>

First-generation college students were twice as likely to report that they filled out the FAFSA form alone (22% compared to 11% of students with college-educated parents), and 28 percent less likely to have received help from a parent when filling out the form. More first-generation students received help from a non-parent source such as a guidance counselor, friend, or spouse. Assistance from a guidance counselor is fairly unusual, though, among all students; just eight percent of all students and 13 percent of first-generation students reported receiving help from a guidance counselor.

First-generation college students also reported somewhat more difficulty getting the financial and personal information they needed from their parents in order to complete the FAFSA form. Twelve percent of first-generation students described getting the necessary information as ‘very’ or ‘extremely’ difficult, compared to ten percent of students with college-educated parents.
Both first-generation students and those whose parents attended college were more likely to use tax return information than any other source of information. Fewer than a quarter of students used any other single source of information (e.g. bank statements, pay stubs to estimate taxable income, investment statements). Compared to the children of college-educated parents, first-generation college students are somewhat less likely (23% compared to 28%) to include information from these other sources when applying for financial aid. First-generation college students are more likely than their peers to use their own tax return information on their FAFSA.

6. Also referred to as ‘prior-prior’ year tax information. A student filing the FAFSA in January of 2017 for the 2017-2018 academic year is now permitted to file using the 2015 tax return, rather than waiting until the 2016 tax return is filed.
Supporting Students with Information and Education

One way to provide students with more personalized information as they progress through their education – from filling out a FAFSA form to entering repayment – would be to provide personalized financial education or advice directly from the U.S. Department of Education based on student information provided on the FAFSA form and their actual federal loan borrowing data.

When asked specifically about education or advice personalized based on FAFSA information, three quarters of students were split between interest in the idea and uncertainty about the plan, given the limited information provided.

**Figure 12.** Are you interested in personalized advice based on your FAFSA information? (all college students)

The majority of students surveyed were either definitely interested (40%) or not sure (35%) if they want their FAFSA information used to provide them with personalized financial education or advice. Only a quarter of students were opposed to the idea.

Enthusiasm for receiving personalized information from the U.S. Department of Education was strongest among first-generation college students (43%), compared to 38 percent of their peers with college-educated parents.

**Figure 13a.** Are you interested in personalized advice based on your FAFSA information? (First-generation college students)

**Figure 13b.** Are you interested in personalized advice based on your FAFSA information? (College students with college-educated parents)
Responses also suggest that delivering this type of personalized information early, before students have taken on much of the debt they may need to complete their education, is valuable. College freshman were more likely than seniors in college to want to receive personalized information based on their FAFSA (41% of college freshman, compared to 36% of seniors).

Financial stress is one reason that students drop out of school. Unrealistic expectations for how to pay for school could be an early indicator of this financial pressure on students. Difficulty assessing how they will pay for college starts in high school and continues in college. To varying degrees, it affects students across economic situations, and whether a student’s parent attended college. Current and future borrowers would benefit from the personalized education and resources that Navient recommends adopting broadly, including:

- Financial aid award letters that include the full expected total cost of obtaining the desired degree
- Information on the ranges of income of recent graduates in similar fields to help students and families understand the potential economic benefits and costs of a potential field
- For those who choose to borrow, personalized information that helps determine the reasonableness of the expected borrowing amount and highlights the benefit of borrowing less

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**“I got my BFA in Graphic Design thanks to my college, professors, peers, parents and of course, student loans! I was hired by a large corporate company, doing exactly what I wanted to do. That was 10 years ago and I am still with the same company in a position I never dreamed I could achieve...It isn’t easy for everyone I am sure. I had a lot of support in the beginning and if you don’t necessarily have that make sure to contact your student loan customer support.”**

—Meri S., BFA, 2005

Navient customer paid in full survey, January 2016.

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**ABOUT THE STUDY**

The report draws on surveys conducted in conjunction with EverFi’s online digital learning programs at the high school and college level. High school students were surveyed prior to taking a school-based online financial education course. College students were surveyed before or after taking a non-financial online course recommended or required by their college or university.

A total of 22,000 high school students were surveyed; much of this report focuses on the responses from 15,000 high school upper classmen (juniors and seniors). 12,000 college students’ survey responses are included in this report. The majority of college students surveyed were college freshmen (7,200 students); college sophomores and upperclassmen also were surveyed. Survey responses were collected between August 15 and December 31, 2016.

Throughout this report, we reference first-generation college students. For purposes of this report, first-generation students in high school are those who report that they plan to pursue higher education (a 4-year, 2-year, or online degree program) and that the highest level of education reached by either of their parents is a high school degree or technical school (no college attendance). Similarly, first-generation college students are those whose parents’ highest education is a high school degree or technical school.

Responses represent a geographically diverse group of students; responses were collected from high school students in 47 states and the District of Columbia and college students in 48 states and DC. Surveys are conducted in conjunction with educational courses requires by the students’ school or university. Because students do not self-select in to the courses, respondents are broadly representative of their schools. Schools represented in this study include public and private high schools and universities, both large and small, from across the country.

Figure 14. **Race/Ethnicity, High School Students**

- 52% White
- 19% Black
- 19% Hispanic
- 4% Asian/Pacific
- 2% Native American
- 4% Other

Figure 15. **Parents’ Educational Level, High School Students**

- Not Applicable: 5%
- Some High School: 16%
- High School Graduate: 34%
- Technical: 2%
- Some College: 15%
- College Graduate: 34%
- Graduate School: 12%
- First-Generation Student: 61%
- College-Educated Parent: 27%
- Not Applicable: 4%

Figure 16. **Race/Ethnicity, College Students**

- 54% White
- 14% Black
- 16% Hispanic
- 10% Asian/Pacific
- 4% Native American
- 2% Other

Figure 17. **Parents’ Educational Level, College Students**

- Not Applicable: 4%
- Some High School: 4%
- High School Graduate: 20%
- Technical: 3%
- Some College: 19%
- College Graduate: 31%
- Graduate School: 19%
- First-Generation Student: 69%
- College-Educated Parent: 27%
- Not Applicable: 4%
ABOUT NAVIENT

Navient (Nasdaq:NAVI) is a Fortune 500 company that provides asset management and business processing services to education, healthcare, and government clients at the federal, state, and local levels. The company helps its clients and millions of Americans achieve financial success through services and support. Headquartered in Wilmington, Del., Navient employs team members in western New York, northeastern Pennsylvania, Indiana, Tennessee, Texas, Virginia, and other locations. Learn more at navient.com.

ABOUT EVERFI

EverFi, Inc. is the education technology innovator that empowers learners with the skills that prepare them to be successful in life. With backing from some of technology’s most innovative leaders including Amazon founder and CEO Jeff Bezos, Google Chairman Eric Schmidt, and Twitter founder Evan Williams, EverFi has built the most comprehensive critical skills platform focused on Financial Education, Digital Citizenship, STEM Career Readiness, Entrepreneurship, and Health and Wellness. The EverFi Education Network is powered by over 1,200 partner organizations across all 50 states and Canada and has certified over 12 million students.

To download a copy of this paper and the accompanying infographic, visit navient-research.everfi.com