How Students and Parents Pay for College

Kathleen Payea
Policy Analyst, The College Board

Sandy Baum
Senior Fellow, George Washington University
Graduate School of Education and Human Development, and Consultant to the College Board

Charles Kurose
Independent Consultant to the College Board

Summary Notes
This analysis brief provides insight on how students and their families finance an undergraduate education. We present data on the resources available to full-time undergraduate students through grants, federal tax benefits, and loan programs. We also estimate the amount families pay using earnings or other sources. These data show how the resources used by students and families differ by sector and how they have changed over time.

College students in the United States are enrolled in a wide variety of institutions that offer different programs of study and carry very different price tags. In 2012-13, the average published tuition and fee price for full-time undergraduate enrollment ranges from $3,131 at public two-year colleges to $29,056 at private nonprofit four-year institutions.

There is considerable variation in prices within sectors as well. For example, 17% of students in the private nonprofit four-year sector attend institutions charging less than $18,000 in tuition and fees, while a similar percentage face published prices of $42,000 or more (Trends in College Pricing 2012).

Both the variation in prices and the vast differences in the financial circumstances of college students make it difficult to generalize about how students pay for college. Nonetheless, rising prices and widespread concern about whether and how students and families can afford college make it critical to understand the sources of funding and how those sources are changing over time.

Enrollment Patterns
Overall, public two-year colleges enroll more students than does any other sector. The sector’s share of total undergraduates declined from 43% in 1991 and 2001 to 38% in 2011 (National Center for Education Statistics [NCES], IPEDS). More than half of these students, however, enroll part-time. The public four-year sector has the largest enrollment of full-time undergraduates, with 43% of the total in 2011. The most rapid growth has been in the for-profit sector, which enrolled 2% of full-time undergraduates in 1991, 7% in 2001, and 13% in 2011.

Students of different ages have very different enrollment patterns, in terms of both institution type and part-time or full-time enrollment.
How Students and Parents Pay for College

Table 1: Average Published Charges for Full-Time Undergraduates by Type and Control of Institution, 2012-13

<table>
<thead>
<tr>
<th>Sector</th>
<th>Tuition &amp; Fees</th>
<th>Room &amp; Board</th>
<th>Total Charges</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Two-Year In-State</td>
<td>$3,131</td>
<td>$7,419</td>
<td>$10,550</td>
</tr>
<tr>
<td>Public Four-Year In-State</td>
<td>$8,655</td>
<td>$9,205</td>
<td>$17,860</td>
</tr>
<tr>
<td>Public Four-Year Out-of-State</td>
<td>$21,706</td>
<td>$9,205</td>
<td>$30,911</td>
</tr>
<tr>
<td>Private Nonprofit Four-Year</td>
<td>$29,056</td>
<td>$10,462</td>
<td>$39,518</td>
</tr>
<tr>
<td>For-Profit</td>
<td>$14,240</td>
<td>$9,610</td>
<td>$23,850</td>
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</table>

Note: Prices for the public and private nonprofit sectors are weighted by full-time undergraduate enrollment. For-profit prices are estimates based on IPEDS and are weighted by full-time equivalent undergraduate enrollment.

Sources: The College Board, Trends in College Pricing 2012; NCES, Digest of Education Statistics 2012, Table 349.

Figure 1: Distribution of Undergraduate Students by Attendance Status, Fall 1991 to Fall 2011, Selected Years (with Percentage of Full-Time Undergraduate Student Enrollment in Each Sector)

Note: Percentages on the y-axis represent the percentage of full-time enrollment in each sector. For-profit enrollments include those at both degree and non-degree-granting institutions.

As Figure 2 shows, about 80% of undergraduates ages 18 to 21 are enrolled full-time. The majority of undergraduates ages 25 or older are enrolled part-time (63%). In the discussion that follows, we focus only on full-time students. Part-time students have varied enrollment patterns and pay prices that depend on how many courses they are taking, so it is difficult to compare their financing patterns to those of full-time students.

**Overview of Funding Sources**

Table 2 shows the average funds from grants and federal tax benefits, from loans, and from other family resources for full-time undergraduates from 2002-03 to 2012-13. The values have been adjusted for inflation. The graphs in this report show these values as percentages of the total published charges for tuition and fees and room and board.

In 2012-13, grants and tax benefits cover 36% of total charges for full-time undergraduates, ranging from 32% for students enrolled in public four-year and for-profit institutions to 41% for those enrolled in public two-year colleges. Parents and students borrowed funds to cover 26% of total charges, ranging from 19% for students enrolled in public two-year colleges to 37% for those enrolled in for-profit institutions. Parents and students covered 38% of total charges with other resources, ranging from 31% for students enrolled in for-profit institutions to 40% for those enrolled in private nonprofit four-year and public two-year colleges and universities.
Table 2: How Families Pay for College: Grants and Federal Tax Benefits, Loans, and Other Resources per Full-Time Undergraduate Student in 2012 Dollars by Sector, 2002-03 to 2012-13

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<td><strong>Public Four-Year Institutions</strong></td>
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<tr>
<td>Total Grants and Tax Benefits per Student</td>
<td>$3,730</td>
<td>$3,890</td>
<td>$4,050</td>
<td>$4,060</td>
<td>$4,180</td>
<td>$4,350</td>
<td>$4,520</td>
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<td>$5,880</td>
<td>$5,750</td>
<td>$5,750</td>
<td>54%</td>
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<td>$4,500</td>
<td>$4,680</td>
<td>$4,680</td>
<td>$4,800</td>
<td>$4,760</td>
<td>$5,130</td>
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<td>$5,250</td>
<td>$5,250</td>
<td>$5,250</td>
<td>36%</td>
</tr>
<tr>
<td>Other Family Resources per Student</td>
<td>$5,010</td>
<td>$5,210</td>
<td>$5,460</td>
<td>$5,590</td>
<td>$5,760</td>
<td>$5,680</td>
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<td>$6,380</td>
<td>$6,860</td>
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<tr>
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<td>$5,210</td>
<td>$5,790</td>
<td>$6,200</td>
<td>$6,440</td>
<td>$6,530</td>
<td>$6,810</td>
<td>$6,880</td>
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<td>$8,000</td>
<td>$8,370</td>
<td>$8,660</td>
<td>66%</td>
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<td>$7,760</td>
<td>$7,920</td>
<td>$8,100</td>
<td>$8,100</td>
<td>$8,680</td>
<td>$8,880</td>
<td>$9,010</td>
<td>$9,320</td>
<td>30%</td>
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<td><strong>Public Two-Year Institutions</strong></td>
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<tr>
<td>Total Grants and Tax Benefits per Student</td>
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<td>$2,620</td>
<td>$2,510</td>
<td>$2,500</td>
<td>$2,920</td>
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<td>$4,320</td>
<td>$4,350</td>
<td>$4,350</td>
<td>61%</td>
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<td>$1,180</td>
<td>$1,300</td>
<td>$1,450</td>
<td>$1,450</td>
<td>$1,710</td>
<td>$1,840</td>
<td>$1,990</td>
<td>$1,990</td>
<td>146%</td>
</tr>
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<td>Other Family Resources per Student</td>
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<td>$6,110</td>
<td>$6,180</td>
<td>$5,510</td>
<td>$5,000</td>
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<td>$4,100</td>
<td>$4,210</td>
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<td>-28%</td>
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<td>$2,510</td>
<td>$2,560</td>
<td>$2,560</td>
<td>$2,470</td>
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<td>$3,000</td>
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<td>$7,600</td>
<td>$7,600</td>
<td>$7,440</td>
<td>$7,420</td>
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</tr>
<tr>
<td>Total Grants and Tax Benefits per Student</td>
<td>$9,810</td>
<td>$10,260</td>
<td>$10,700</td>
<td>$11,030</td>
<td>$11,420</td>
<td>$11,890</td>
<td>$12,410</td>
<td>$14,720</td>
<td>$15,580</td>
<td>$15,680</td>
<td>$15,680</td>
<td>60%</td>
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<td>$7,170</td>
<td>$7,840</td>
<td>$8,260</td>
<td>$8,370</td>
<td>$8,540</td>
<td>$7,620</td>
<td>$7,970</td>
<td>$8,000</td>
<td>$7,850</td>
<td>$7,850</td>
<td>19%</td>
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<td>$14,540</td>
<td>$15,120</td>
<td>$15,550</td>
<td>$15,040</td>
<td>$14,740</td>
<td>$14,980</td>
<td>$15,990</td>
<td>5%</td>
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<td>$24,600</td>
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<td>$26,120</td>
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<td>$28,130</td>
<td>$28,280</td>
<td>$29,060</td>
<td>27%</td>
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<td>21%</td>
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</tr>
<tr>
<td>Total Grants and Tax Benefits per Student</td>
<td>$5,470</td>
<td>$5,420</td>
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<td>$4,680</td>
<td>$5,170</td>
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<td>$7,710</td>
<td>$7,710</td>
<td></td>
<td>41%</td>
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<td>$9,870</td>
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<td>$10,680</td>
<td>$11,750</td>
<td>$13,030</td>
<td>$12,850</td>
<td>$11,410</td>
<td>$10,320</td>
<td>$8,820</td>
<td>$8,820</td>
<td>-6%</td>
</tr>
<tr>
<td>Other Family Resources per Student</td>
<td>$10,240</td>
<td>$11,900</td>
<td>$12,800</td>
<td>$12,510</td>
<td>$10,800</td>
<td>$9,510</td>
<td>$7,310</td>
<td>$6,560</td>
<td>$7,130</td>
<td>$7,320</td>
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<td>-29%</td>
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<tr>
<td>Published Tuition and Fees</td>
<td>$14,380</td>
<td>$15,300</td>
<td>$15,770</td>
<td>$15,520</td>
<td>$16,070</td>
<td>$15,850</td>
<td>$14,900</td>
<td>$14,610</td>
<td>$14,980</td>
<td>$14,020</td>
<td>$14,240</td>
<td>-1%</td>
</tr>
<tr>
<td>Published Room and Board</td>
<td>$10,060</td>
<td>$11,890</td>
<td>$12,170</td>
<td>$12,100</td>
<td>$10,960</td>
<td>$11,370</td>
<td>$10,430</td>
<td>$10,740</td>
<td>$9,710</td>
<td>$9,640</td>
<td>$9,610</td>
<td>-10%</td>
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<td></td>
</tr>
<tr>
<td>Total Grants and Tax Benefits per Student</td>
<td>$4,850</td>
<td>$5,030</td>
<td>$5,150</td>
<td>$5,160</td>
<td>$5,280</td>
<td>$5,450</td>
<td>$5,760</td>
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<td>$7,540</td>
<td>$7,550</td>
<td>$7,550</td>
<td>56%</td>
</tr>
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<td>$4,420</td>
<td>$4,830</td>
<td>$5,150</td>
<td>$5,330</td>
<td>$5,590</td>
<td>$5,480</td>
<td>$5,640</td>
<td>$5,580</td>
<td>$5,440</td>
<td>$5,440</td>
<td>36%</td>
</tr>
<tr>
<td>Other Family Resources per Student</td>
<td>$7,620</td>
<td>$7,790</td>
<td>$7,970</td>
<td>$8,050</td>
<td>$8,070</td>
<td>$8,160</td>
<td>$7,760</td>
<td>$7,310</td>
<td>$7,260</td>
<td>$7,590</td>
<td>$8,040</td>
<td>6%</td>
</tr>
<tr>
<td>Published Tuition and Fees</td>
<td>$8,760</td>
<td>$9,320</td>
<td>$9,810</td>
<td>$10,080</td>
<td>$10,320</td>
<td>$10,610</td>
<td>$10,550</td>
<td>$11,020</td>
<td>$11,380</td>
<td>$11,590</td>
<td>$11,980</td>
<td>37%</td>
</tr>
<tr>
<td>Published Room and Board</td>
<td>$7,720</td>
<td>$7,920</td>
<td>$8,140</td>
<td>$8,280</td>
<td>$8,360</td>
<td>$8,590</td>
<td>$8,450</td>
<td>$8,920</td>
<td>$9,000</td>
<td>$8,950</td>
<td>$9,070</td>
<td>17%</td>
</tr>
</tbody>
</table>

Note: Figures have been rounded to the nearest $10. Because student aid data for 2012-13 are not yet available, financial aid figures for 2012-13 are preliminary estimates.

Sources: The College Board, Trends in College Pricing 2012, Trends in Student Aid 2012; NCES, IPEDS.
All Full-Time Undergraduate Students

Trends in the charges faced by full-time undergraduates overall and the way they meet those charges must be interpreted with caution because they reflect both changes in financing patterns and changes in enrollment patterns. Over the course of the decade, an increasing percentage of full-time undergraduates attended for-profit institutions, which tend to have higher prices than public institutions. The different demographic characteristics of students in this sector also probably had an impact on financing patterns. Nonetheless, it is useful to look at overall patterns before focusing on individual sectors.

- Between 2002-03 and 2012-13, the average published tuition and fees facing full-time undergraduate students across all sectors of postsecondary education increased from $8,760 (in 2012 dollars) to $11,960 (up 37%). Adding room and board charges, the increase was from $16,480 to $21,030 (up 28%).
- Over the same time period, the average assistance from a combination of grant aid and federal education tax credits and tuition deductions received by full-time undergraduates increased from $4,850 (in 2012 dollars) to $7,550. On average, grant aid and tax benefits covered 55% of tuition and fees in 2002-03, and 51% in 2007-08. In 2012-13, these funds covered 63% of tuition and fees for the average full-time undergraduate student.
Over the past decade, tuition and fees rose more rapidly than room and board charges, increasing from 53% of total charges in 2002-03 to 55% in 2007-08 and to 57% in 2012-13.

Grant aid and tax benefits covered 28% to 30% of total charges for the average full-time student from 2002-03 through 2008-09. In 2009-10, when Pell Grants, aid to veterans, and federal education tax benefits all increased sharply, that percentage rose to 35% and remains at about that level in 2012-13.

Parents and students borrow to cover the charges not met through grant aid, tax benefits, or other available funds. Their borrowing rose from an average of $4,010 (in 2012 dollars) in 2002-03 to $5,640 in 2009-10. That amount, however, has declined to $5,440 in 2012-13. Loans covered 24% of tuition and fees and room and board at the beginning of the decade, 29% in 2007-08, and 26% at the end of the decade.

Parents and students covered 46% of total charges from funds other than grants and loans in 2002-03 and 43% in 2007-08; in 2012-13, they cover 38%. This decline has occurred as grants and tax benefits received by the average full-time postsecondary student have increased by 56% over the decade and borrowing increased by 36%, but funds from other sources rose by only 6% in inflation-adjusted dollars.

As shown in Figure 4, education borrowing increased rapidly over the first half of the decade, with average annual family loans
increasing by 39%, from $4,010 (in 2012 dollars) in 2002-03 to $5,590 in 2007-08. In contrast, average borrowing per full-time undergraduate declined in three of the following four years, and was 3% lower in real terms in 2011-12 than in 2007-08.

The composition of education borrowing changed significantly over the decade. Per-student borrowing through the Federal Stafford Unsubsidized Loan Program almost doubled and increased from 26% to 37% of total borrowing between 2002-03 and 2011-12. Nonfederal loans declined by 32% in real terms and went from 17% to 9% of the total. Borrowing from the small Federal Perkins Loan Program also declined.

The share of Stafford Loans that was subsidized, with the interest paid by the government while the student is in school, decreased over the decade. In 2002-03, 59% of Stafford Loan dollars were subsidized. That share was 54% in 2007-08 and 50% in 2011-12.

Public Four-Year Colleges and Universities

With over 40% of full-time undergraduates enrolled in public four-year colleges, financing patterns in this sector have a large impact on the overall patterns.

Between 2002-03 and 2012-13, the average published tuition and fees at public four-year institutions increased from $5,210 (in 2012 dollars) to $8,660. The 66% increase in inflation-adjusted dollars was much larger than the percentage increases in other sectors. Adding room and board charges, the increase was from $12,300 to

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**Figure 5**: Public Four-Year Colleges and Universities: Sources of Funds for Full-Time Undergraduates in 2012 Dollars, 2002-03 to 2012-13 (with Percentage of Tuition and Fees Covered by Grant Aid, Federal Education Tax Credits and Tuition Deductions)

Note: Percentages on the horizontal axis below the years indicate percentage of tuition and fees covered by grant aid plus tax benefits. Because student aid data for 2012-13 are not yet available, financial aid figures for 2012-13 are preliminary estimates. Percentages may not sum to 100 because of rounding.

Sources: The College Board, *Trends in College Pricing 2012*, *Trends in Student Aid 2012*, NCES, IPEDS.
$17,860 (45%). Over this time period, the average grant aid and tax benefits received by full-time undergraduates enrolled in public four-year institutions increased from $3,730 in 2012 dollars to $5,750. On average, this aid covered 72% of tuition and fees at public four-year colleges in 2002-03. That percentage decreased to 66% by 2008-09 before rising to 74% in 2009-10 and then falling back to 66% by 2012-13.

Over the decade, tuition and fees rose more rapidly than room and board charges, increasing from 42% of total charges in 2002-03 to 46% in 2007-08 and 48% in 2012-13.

Grant aid covered 29% to 30% of total charges for full-time public four-year undergraduates from 2002-03 through 2008-09. In 2009-10, when both Pell Grants and aid to veterans increased sharply, that percentage rose to 34%. In 2012-13, the percentage of total charges covered by grant aid has declined to 32%.

Parents and students covered 38% to 39% of total charges from funds other than grants, federal education tax credits and tuition deductions, and loans from 2002-03 through 2008-09. The increase in federal grant aid in 2009-10 caused a decline in that fraction to 34%, but in 2012-13, these funds again cover 38% of total charges. Parents and students borrow to cover the charges not met through grant aid, tax benefits, and other available funds. They borrowed 29% to 33% of total charges throughout the decade, with the 29% in 2012-13 being the lowest percentage over the decade.

**Public Two-Year Colleges**

Financing patterns at public two-year colleges differ notably from those in other sectors. With much lower tuition and fees and relatively large proportions of low-income students, grant aid plays a larger role.

On average, full-time students enrolled in public two-year colleges receive enough grant aid to cover their tuition and fees, with enough funds left over in most years to cover some of the other costs associated with being a full-time student.

Public two-year college students rely on loans less than do other students, but the gap is narrowing. The percentage of total charges covered by loans increased from 9% in 2002-03 to 19% in 2012-13 for students in this sector, while the overall postsecondary average went from 24% to 26%.

While the percentage of total charges covered by resources other than grants, tax benefits, and loans remained relatively steady over the decade for postsecondary students as a whole and for those enrolled in public four-year institutions, students at two-year public colleges covered 63% of tuition and fees and typical housing and food costs with their own and family resources in 2002-03, and 61% in 2007-08. By 2012-13, they covered only 40% with these resources.

Between 2007-08 and 2012-13, the percentage of costs covered by grants and tax benefits for the average full-time public two-year college student increased from 25% to 41%, and the percentage covered by loans increased from 14% to 19%.
Private Nonprofit Four-Year Colleges and Universities

Students in private nonprofit four-year colleges face higher published tuition and fees than do students in other sectors, but they receive almost three times as much support from grant aid and tax benefits as do postsecondary students overall.

The $15,680 average support from grant aid and tax benefits for full-time students enrolled in private nonprofit four-year colleges and universities has ranged from a low of 20% to a high of 25% (in 2005-06) over the decade.

Grants and tax benefits for the average student enrolled full-time in the private nonprofit four-year sector increased by 60% in real terms over the decade. Family borrowing increased by 19%, but the amount of funds from other sources contributed by students and families increased by only 5%.

For-Profit Institutions

With about one-third of total tuition and fees plus typical housing and food costs covered by funds other than grants, tax benefits, and loans, students in the for-profit sector are more dependent on financial aid than are students in other sectors. In 2012-13, student and family resources cover
Figure 7: Private Nonprofit Four-Year Colleges and Universities: Sources of Funds for Full-Time Undergraduates in 2012 Dollars, 2002-03 to 2012-13 (with Percentage of Tuition and Fees Covered by Grant Aid, Federal Education Tax Credits and Tuition Deductions)

Note: Percentages on the horizontal axis below the years indicate the percentage of tuition and fees covered by grant aid plus tax benefits. Because student aid data for 2012-13 are not yet available, financial aid figures for 2012-13 are preliminary estimates. Percentages may not sum to 100 because of rounding.

Sources: The College Board, Trends in College Pricing 2012; Trends in Student Aid 2012; NCES, IPEDS.

Figure 8: For-Profit Institutions: Sources of Funds for Full-Time Undergraduates in 2012 dollars, 2002-03 to 2012-13 (with Percentage of Tuition and Fees Covered by Grant Aid, Federal Education Tax Credits and Tuition Deductions)

Note: Percentages on the horizontal axis below the years indicate the percentage of tuition and fees covered by grant aid plus tax benefits. Because student aid data for 2012-13 are not yet available, financial aid figures for 2012-13 are preliminary estimates. Charges for the For-Profit sector are based on IPEDS, which weights total tuition and fee charges by full-time equivalent (FTE) students, and room and board by full-time residential students. 2012-13 charges are estimated based on the rate of increase in charges for those institutions reporting to the College Board’s Annual Survey of Colleges. Percentages may not sum to 100 because of rounding.

Sources: The College Board, Trends in College Pricing 2012; Trends in Student Aid 2012; NCES, Digest of Education Statistics 2012, Table 349; NCES, IPEDS.
38% to 40% of these expenses for students in public two-year and four-year and in private nonprofit four-year institutions.

Students in the for-profit sector cover a higher percentage of their expenses with loans than do other students. In 2012-13, the overall average is 26% of tuition and fees and room and board, while the average in this sector is 37%. However, this represents a decline from 51% in 2008-09.

While average published tuition and fees in the for-profit sector have been relatively stable in constant dollars over the decade, grant aid and tax benefits per undergraduate have risen by 41%, from $5,470 (in 2012 dollars) in 2002-03 to $7,710 in 2012-13.

Borrowing per full-time undergraduate in the for-profit sector has declined slightly in constant dollars over the decade, and funds from sources other than grants, tax benefits, and loans have declined by 29%, from $10,240 in 2002-03 (in 2012 dollars) to $7,320 in 2012-13.

**Conclusion**

The combination of grant aid and federal tax benefits covers a much larger share of tuition and fees than a decade ago (63% vs. 55%), and loans cover a slightly larger share (26% vs. 24%). Students and families now cover a smaller percentage of their expenses with other resources. The patterns, however, are not the same in all postsecondary sectors.

- In the public four-year sector, grant aid and federal tax benefits cover a lower percentage of tuition and fees (but not of tuition, fees, room and board combined) in 2012-13 than they did a decade earlier. In other sectors, the share of tuition and fees covered by grant aid and tax benefits has increased.

- In the public two-year sector, the share of total expenses covered by loans has more than doubled over the decade. That share has remained relatively stable in other sectors.

- The share of expenses covered by student and family resources has remained stable for public four-year college and university students, but has declined for those in other sectors.

The realities of stable borrowing levels in recent years following a rapid rise early in the decade and of increasing grant aid are a critical part of how people pay for college. The headlines about rising prices and rising debt clearly do not tell the whole story. But the fact that grants and tax benefits cover a larger percentage of rapidly rising college prices does not contradict the widespread
impression of increasing barriers to financing higher education.

Grants and tax benefits combined cover 63% of the average tuition and fees for full-time undergraduates in 2012-13, compared to 55% in 2002-03 and 51% in 2007-08. But tuition and fees have increased by $3,200 (in 2012 dollars) over the decade. So the dollars remaining after grant aid have risen from $3,910 at the beginning of the decade to $4,410 ten years later (a decline from $5,160 in 2007-08). Students and families require loans and other resources to cover almost $2,000 more in tuition, fees, and room and board combined than a decade ago. The high unemployment, declining real income levels, and diminished asset values faced by so many families create real difficulties for many.

Accurate information about the trends in college financing is a necessary prerequisite for understanding these difficulties and ensuring that a college education is within reach for all who can benefit from it.
About Trends in Higher Education
The Trends series helps answer critical questions on college affordability. Are college prices rising at an unprecedented rate? How much does student financial aid help students cover the costs of attending college? The data provided in Trends and the accompanying commentary can inform policymakers, researchers, student advocates, and others in their analyses of these issues.

trends.collegeboard.org

Contact Information for the Authors:
Kathleen Payea
kpayea@collegeboard.org

Sandy Baum
sbaum@skidmore.edu

Charles Kurose
charliekurose@gmail.com

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