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Washington, D.C., Newark, DE. — Families have adjusted to a new post-recession reality to pay for college, according to a new national study from Sallie Mae and Ipsos released today. “How America Pays for College 2013” shows that more families use grants and scholarships to fund college costs than any other source of funding and that parents have reduced the share they contribute.

Today, scholarships and grants pay for 30 percent of college costs, up from 25 percent four years ago. The average amount of such aid grew to \$6,355, up from \$4,859 in 2009.

Parents now fund from income and savings 27 percent of college expenses, down from 2010’s peak funding of 37 percent. Parents’ average out-of-pocket spending declined to \$5,727 from \$8,752 in 2010.

At the same time, belief in the value of college is unwavering. In 2013, 85 percent of parents strongly agreed that college was an investment in their child’s future, the highest in the six years since the study began.



"In this post-recession environment, families overwhelmingly believe in the dream of college, yet they are more realistic when it comes to how they pay for it," said Jack Remondi, president and CEO, Sallie Mae. "The study found that the majority of families do not have a financial plan to pay for college. We recognize that having a plan, however, increases the likelihood of success. That is the ultimate goal, for students, families, schools and us."

According to the study, borrowing is the third most important source to pay for college. Four in 10 families borrow to pay for college. Seniors are more likely to borrow than those in earlier college years, as are students at private colleges compared to public universities and community colleges.

"We're in a new normal where big ticket items like college are deeply considered by families. In the end, families will pay for them but won't stretch too much," said Clifford Young, Managing Director at Ipsos Public Affairs.

Families have adopted a new cost consciousness since the recession. In all, 67 percent of families eliminated colleges at some stage during the application process, up from 58 percent in 2008. Virtually all take steps to make college more affordable. Among the most common actions: living at home (57%), student (60%) or parent (48%) reducing spending, student (47%) or parent (20%) working more, and accelerating coursework (27%).



Parents expressed less economic worry than they have since the onset of the recession. When asked about their anxieties about factors such as schools raising their tuition, possible job loss, reduced home values, access to grants and student loans, or increases in student loan rates, parents' average worry dropped 15 percent from previous years.

More parents turn to 529 college savings plans to fund their children's college, with 17 percent of families tapping these specialized education accounts last year, the highest percentage since the study began.

Advance planning for college remains low. Six out of 10 families do not have a financial plan to pay for all years of college prior to the student enrolling and lack a financial contingency plan should an emergency arise. Two in five families (40%) report encountering major expenses that they did not expect in paying for college.

The survey shows that 92 percent of families pursuing a bachelor's degree believe it will take five years or less to earn a degree. However, other national reports indicate actual completion rates range between 61 and 76 percent.

The 2013 nationally representative study, "How America Pays for College," is the sixth in the series. Interviews with 800 undergraduate college students, ages 18 to 24, and 802 parents of undergraduates were conducted by telephone spring



2013. The margin of error on percentages from this survey using the whole sample is +/-2.5 percentage points with a confidence level of 95 percent. The full study and a related infographic are available at www.SallieMae.com/HowAmericaPays.

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