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U.S. Department of Education  
Institute of Education Sciences  
NCES 2003-155

# Characteristics of Undergraduate Borrowers: 1999–2000

## Postsecondary Education Descriptive Analysis Reports

### Executive Summary

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January 2003

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January 2003

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**Suggested Citation**

U.S. Department of Education, National Center for Education Statistics. *Characteristics of Undergraduate Borrowers: 1999–2000*, NCES 2003–155, by Melissa E. Clinedinst, Alisa F. Cunningham, and Jamie P. Merisotis. Project Officer: C. Dennis Carroll. Washington, DC: 2003.

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## Executive Summary

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This report describes student borrowing by comparing different groups of undergraduate borrowers. Two sets of borrower groups are examined: 1) high, medium, low, and nonborrowers as defined by borrowing from all sources in 1999–2000 (excluding federal Parent Loans for Undergraduate Students (PLUS) and loans from family or friends);<sup>1</sup> and 2) Stafford loan maximum borrowers (total, subsidized, and unsubsidized),<sup>2</sup> less-than-maximum borrowers, and Stafford nonborrowers.<sup>3</sup> The analysis of borrower groups explores demographic and enrollment characteristics, risk for not persisting

to completion of an educational program, and types of loans and other financial aid received. The final analysis in the report considers all borrowers as a group and explores the likelihood of borrowers with certain characteristics obtaining particular types of financial aid. Twenty-nine percent of undergraduates borrowed from some source to help finance postsecondary education in 1999–2000.

Data from the 1999–2000 National Postsecondary Student Aid Study (NPSAS:2000) were used for this report. These data provide a nationally representative sample of undergraduates enrolled at postsecondary institutions that participated in the federal student aid programs authorized by Title IV of the Higher Education Act.<sup>4</sup> NPSAS:2000 includes information on student demographic and enrollment characteristics, the type (level and control) of the enrolling institution, and dollar amounts borrowed from various sources in 1999–2000.

### Profile of Borrower Groups

The profile of borrower groups examines the demographic and enrollment characteristics of high borrowers as a group and in comparison to medium, low, and nonborrowers. It also examines each group of Stafford maximum borrowers (total, subsidized, and unsubsidized) individually and in

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<sup>1</sup>Borrowers are separated into low, medium, and high categories based on the distribution of total amounts borrowed in 1999–2000 (independent of class level), approximating quartiles. As a result, low borrowers are defined as those undergraduate students who borrowed \$2,625 or less (28 percent), medium borrowers are defined as those undergraduates who borrowed more than \$2,625 but less than \$6,625 (51 percent), and high borrowers are defined as those undergraduates who borrowed \$6,625 and above (21 percent). The cut-points that define these groups correspond with federal Stafford and Perkins loan limits but were not chosen for this reason.

<sup>2</sup>For the purposes of this report, Stafford Loans include those provided through the Federal Family Education Loan Program (FFELP) and the Federal Direct Loan Program. The Stafford total loan amount includes dollars borrowed under either or both the subsidized and unsubsidized programs. A subsidized loan is awarded on the basis of financial need. If a student qualifies for a subsidized loan, the federal government pays the interest on the loan until the student begins repayment, and during authorized periods of deferment thereafter. An unsubsidized loan is not awarded on the basis of need. Students who qualify for an unsubsidized loan are charged interest from the time the loan is disbursed until it is paid in full.

<sup>3</sup>Stafford maximum borrowers are those who borrow 100 percent of the federal loan limit under the program in question. This classification is based on the maximum allowed amounts under the subsidized and unsubsidized programs for a given student's class level. (See "Appendix A—Glossary" for a list of undergraduate loan limits in 1999–2000.)

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<sup>4</sup>Beginning with NPSAS:2000, institutions must have signed a Title IV participation agreement with the U.S. Department of Education, making them eligible for the federal student aid programs, to be included in the institutional sample.

comparison to their Stafford less-than-maximum and Stafford nonborrower counterparts. Key findings include:

### ***High Borrowers***

- High borrowers tended to be older (29 percent were ages 24–29 and 26 percent were 30 or older), independent students (64 percent). They also were likely to attend exclusively full time (72 percent) and to attend 4-year institutions (34 percent attended private not-for-profit and 38 percent attended public 4-year institutions).
- High, medium, and low borrowers were less likely than nonborrowers to have been high income and to have worked full time.

### ***Stafford Maximum Borrowers***

- Stafford total maximum borrowers and subsidized maximum borrowers tended to be young, single, financially dependent students. In addition, they were more likely to have had each of these characteristics than Stafford nonborrowers. Each group of maximum borrowers tended to be enrolled exclusively full time.
- Stafford maximum borrowers tended to work 1–20 hours (total and subsidized) or 1–20 hours and 35 hours or more (unsubsidized). All maximum borrowers were less likely than nonborrowers to have worked full time.

## **Persistence/Attainment Risk**

A common method of characterizing undergraduate students is to separate students into “traditional” and “nontraditional” categories. In a 1996 NCES study, a broad definition of nontraditional was used that included seven

characteristics: delaying enrollment; attending part time; being financially independent; having dependents other than a spouse; working full time while enrolled; having no high school diploma; and being a single parent. Nontraditional status was defined on a continuum based on the number of these characteristics. The nontraditional status index ranges from minimally nontraditional (one characteristic) to moderately nontraditional (two or three characteristics) to highly nontraditional (four or more characteristics) (Horn 1996). The same characteristics that define a nontraditional student have also been termed risk characteristics because they have been shown to be negatively associated with persistence and attainment (Horn 1996; Horn and Premo 1995).

This report uses the index to examine the percentage of each type of borrower group with different numbers of risk characteristics and applies the same continuum used to define nontraditional to characterize the degree of risk from minimal to high. Because research has shown that students who do not attain degrees are more likely to default, the analysis focuses on those with high risk characteristics. Key findings include:

### ***High Borrowers***

- With the exception of students at private not-for-profit 4-year institutions, high borrowers most often had moderate risk (public 4-year institutions, 39 percent; and private for-profit institutions, 52 percent) or moderate and high risk (public 2-year institutions, 46 and 33 percent) of not persisting. High borrowers at private not-for-profit 4-year institutions were more likely to have had zero risk characteristics (42 percent).
- The proportion of high borrowers with a high risk for not persisting varied by

institution type. At both private not-for-profit 4-year institutions and public 4-year institutions, high borrowers were more likely to have had high risk than medium and low borrowers. At private for-profit institutions, however, a lower percentage of high borrowers (28 percent) had high risk than medium borrowers (41 percent).

### ***Stafford Maximum Borrowers***

- The highest proportion of Stafford maximum borrowers (total, subsidized, and unsubsidized) at private not-for-profit 4-year institutions and public 4-year institutions had zero risk characteristics (were traditional students). At public 2-year institutions, they primarily had moderate risk (unsubsidized) or moderate and high risk (subsidized). Those at private for-profit institutions primarily had moderate risk.
- In all four institution types, Stafford total maximum and unsubsidized maximum borrowers were less likely to have had high risk for not persisting than their less-than-maximum borrower and nonborrower counterparts.

## **Types and Source of Financial Aid**

Many borrowers also received other types of financial aid (loans, grants, and work-study). Thus, this profile also looks at the other types of aid that were received by each borrower group as well as average amounts received. It explores the various ways in which borrowers finance college attendance in addition to borrowing. Key findings include:

### ***High Borrowers***

- High borrowers received an average of \$9,680 in loan aid. Ninety-eight percent of high borrowers received Stafford loans

and about one-quarter received private loans (27 percent).

- Compared to medium and low borrowers, high borrowers were most likely to have received both Stafford subsidized loans and Stafford unsubsidized loans as well as private loans.
- Seventy-one percent of high borrowers received some form of grant aid in 1999–2000, averaging \$4,667. High, medium, and low borrowers were more likely to have received some form of grant aid and to have received higher average amounts compared to nonborrowers.

### ***Stafford Maximum Borrowers***

- In 1999–2000, 80 percent of Stafford total maximum borrowers received subsidized loans, and 59 percent received unsubsidized loans. Stafford maximum borrowers also received private loans (total maximum borrowers, 13 percent; subsidized maximum borrowers, 11 percent; and unsubsidized maximum borrowers, 11 percent).
- Each group of maximum borrowers was more likely to have received private loans and to have received higher average amounts than less-than-maximum borrowers and nonborrowers.
- Most maximum borrowers received some form of grant aid (total maximum borrowers, 67 percent; subsidized maximum borrowers, 80 percent; and unsubsidized maximum borrowers, 54 percent).

## **Who Receives Financial Aid**

All borrowers as a group were examined to determine whether borrowers with certain demographic and enrollment characteristics were more likely to have received specific types of loans and other aid or differing average amounts

in 1999–2000. The main differences are related to federal Stafford loans (subsidized and unsubsidized) and private loans. Three multivariate analyses were conducted to examine the independent association of certain characteristics with having received each of these types of loans by adjusting for covariation among the characteristics examined. Key findings include:

### ***Stafford Loans***

- Borrowers who were financially independent (versus dependent), who attended private for-profit institutions (versus private not-for-profit 4-year

institutions), and who attended exclusively full time (versus less than half time) were more likely to have received both federal Stafford subsidized loans and Stafford unsubsidized loans.

### ***Private Loans***

- Borrowers who attended less than half time (versus exclusively full time), who attended a private not-for-profit 4-year institution (versus a public 4-year institution or a private for-profit institution), and who were high or middle income (versus low income) received private loans at a higher rate.