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The cost of college matters

By Candice Choi The Associated Press

NEW YORK — Even if a student plans on a major where the financial rewards aren't so obvious, such as art history or philosophy, most American families don't factor in their child's expected earning power when considering the potential debt load for college.

That's according to a study released Wednesday by student lender Sallie Mae, which also found 40 percent of families don't limit their search for a school based on the total expense.

"When you think about how we make decisions for cars and mortgages, and how we eliminate options based on cost, that's not necessarily the case for college," said Tom Joyce, senior vice president of Sallie Mae.

The study also found that lower-income families use more grants and scholarships, while middle-income families rely slightly more heavily on borrowing, and more affluent families tap more savings and income.

Lower-income families were defined as households earning between \$35,000 and \$50,000. Middle-income families were defined as households earning \$50,000 to \$100,000 a year. Higher-income families were defined as earning more than \$100,000.

Picking a school is "very much an emotional decision," but families still need to weigh the financial impact of their choices, said Fredrick Adkins, a certified financial planner and president of The Arkansas Financial Group Inc., based in Little Rock, Ark.

The study by Sallie Mae, formally SLM Corp., was based on telephone interviews with 1,400 parents and undergraduates enrolled in the 2007-08 academic year.

The study found there was no average funding formula used by families. For example, while middle-class families relied most heavily on borrowing for total costs, some 53 percent of families did not borrow at all.

The higher borrowing by some middle-class families may be a result of their reaching to pay for pricier schools. Despite their moderate incomes, middle-class students reported attending private four-year universities at nearly the same rate as more affluent students (20 percent, compared to 22 percent).

On average, parents footed nearly half the cost of tuition, paying for 32 percent with current income and savings, and borrowing for another 16 percent. Students paid for a third of costs through borrowing, income and savings.

Scholarships and grants covered 15 percent, according to the study.