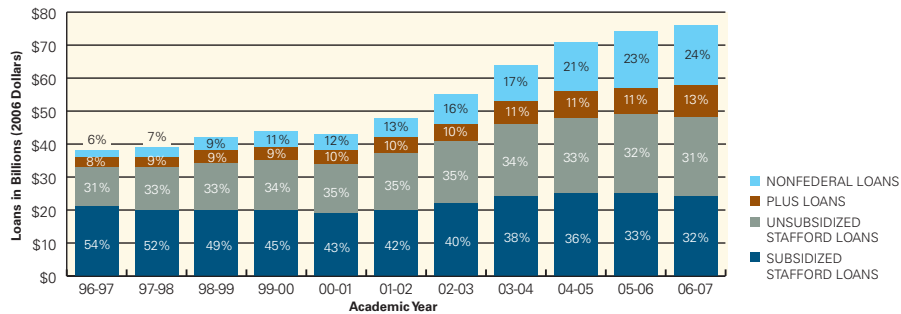


## 2007 Trends in Higher Education Series: Student Loans

A declining portion of education loans comes from the subsidized Stafford program, while private loans constitute a growing share of student borrowing.

Types of Student Loans, 1996-97 to 2006-07



Note: Components may not sum to 100 percent due to rounding.

### A Ten-Year View

In 1996-97, 93 percent of the \$38 billion (in 2006 dollars) in loans to undergraduate and graduate students came from the federal government. A decade later, 76 percent of the \$77 billion in education loans was federal and 24 percent came from private and state sources.

Over the decade from 1996-97 to 2006-07, total federal loans grew 61 percent in real dollars, increasing \$23 billion (in 2006 dollars) to \$59.6 billion. About two-thirds of these loans went to undergraduates and one-third to graduate students.

Subsidized Stafford Loans, on which the federal government pays the interest while students are in school, declined from 54 percent of total education loans in 1996-97 to 32 percent in 2006-07. The volume of these loans was 75 percent higher than the volume of unsubsidized Stafford Loans in 1996-97, but only 3 percent higher in 2006-07.

Stafford Loan borrowing through the Federal Direct Student Loan Program (FDSLSP) declined by \$1 billion in 2006 dollars between 1996-97 and 2006-07. Stafford Loan borrowing through the Federal Family Education Loan Program (FFELP), under which the government guarantees loans that banks and other private lenders make to students, increased by \$17 billion in the same time period.

### Nonfederal Loans

Most nonfederal loans come from banks and other private lenders, but a small percentage come through state programs. After growing at a rate of about 27 percent a year in inflation-adjusted dollars for the past five years, borrowing from nonfederal sources increased by only 6 percent in 2006-07, to \$18.5 billion.

Nonfederal loans to undergraduates grew by 12 percent, but graduate students borrowed 19 percent less from these sources, as they became eligible for federal PLUS Loans. Two billion of the \$10.1 billion in PLUS Loans were awarded under this new program for graduate students.

The proportion of borrowing that came from private sources in 2003-04 declined with family income, ranging from about 17 percent of the loans taken by full-time students from families with incomes below \$40,000 to about 32 percent of the loans taken by those from families with incomes of \$100,000 or higher.