

A 5th Year of College Is Expensive!

At a private college, you're more likely to graduate in 4 years.

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The movie: Animal House.

The actor: John Belushi.

The memorable line: "7 years of college down the drain!"

Years ago, viewers laughed at the thought of 7 years of college, but it's not quite so funny now. 5 years of undergraduate study is now common. A 5th year is less likely at a private college (64% of students at a private college graduate in 4 years vs. 37% at public universities).

When selecting and comparing colleges, check out collegeresults.org. CRO draws on a comprehensive national database (IPEDs); every U.S. college is required by law to provide student data. Be sure to select 4-year data, which is much more valuable than the 6-year data.

Media financial "experts" who repeatedly suggest that families consider seemingly cheaper public university

options seem totally unaware of the differences in graduation rates. Delayed graduation has 3 very negative financial effects:

- 1) Higher cost: there's at least 1 additional year of cost of attendance—tuition, room and board, books, transportation, and social expenses. The list price of tuition is likely to be 12-to-20% higher for a 5th year compared to the price of the freshman year.
- 2) Lost wages: it's a year or more that the student is not building their career.
- 3) More debt: students who graduate in 6 years instead of 4 finish with 70% more loan debt.

Graduation rates

Elite private colleges: aided by a 98% freshman class retention rate, Harvard's 4-year graduation rate is 86.8%; its 6-year graduation rate is 97.4%.

SAGE member colleges: many SAGE colleges boast 4-year graduation rates above 60%, with some having 4-year graduation rates above 70%. Several SAGE member colleges offer a 4-year graduation guarantee that completely waives tuition for students who need to return for a 5th year under specified conditions.

Flagship and other public institutions: a few of America's 640 public 4-year colleges and universities do boast graduation rates similar to the best private universities. Current leaders include The University of Virginia (87%); The College of William & Mary (84.5%); and The University of North Carolina at Chapel Hill (84%).

However, many flagship state universities have lagging 4-year graduation rates. Examples include Oklahoma State University (39%); Iowa State University (44%); Louisiana State University (42%); and University of Nevada, Las Vegas (12%). Other state schools that serve as examples are The University of North Carolina at Charlotte (29%); Northern Illinois University (24%); California State University, Long Beach (14%); The University of Texas at San Antonio (13%); and Purdue University Northwest (9.6%).

Digging into the data

The Higher Education Research Institute (HERI) at UCLA has been publishing results since the late 90s, when a study showed that only 28% of students at public universities were graduating in 4 years, compared with 67% at private universities! The results from 2011 are similar—a 64% 4-year graduation rate at private institutions and a 23.5% at state schools.

In December 2014, Complete College America published “The Four-Year Myth.” This extensive report included average 4-year graduation rates at public universities: 36% at flagship, high-research publics and 19% at non-flagship public colleges.

The CRO data is incomplete—all transfers are treated as non-graduates. Well-known transfers such as President Obama (Occidental to Columbia), Mitt Romney (Stanford to Mormon mission to Brigham Young), and Sarah Palin (5 colleges in 6 years) would all be counted by CRO as non-graduates—though they all did graduate.

Transfers: 31% of students who start at 4-year colleges switch schools (most often, in the sophomore year from a community college). The National Student Clearinghouse (NSC) is tracking the graduation rates of transfers. NSC says that 64% of transfers who start at 4-year colleges earn a bachelor's degree within 6 years.

Other data issues:

- 1) CBO data is for a class of students who graduated high school and entered college 7 or 8 years ago.
- 2) The data ignores non-traditional students—those who begin college part-time, enroll mid-year, or transfer from another college.
- 3) With smaller colleges, fewer students are in the sample, so year-to-year results vary significantly.



Exceptions: sometimes, the 6-year rate is more appropriate to view than the 4-year rate:

- 1) Engineering majors often graduate in 5 years.
- 2) A handful of universities offer 5-year co-op programs with internship opportunities. Some schools of note are Rochester Institute of Technology, Northeastern University, and The University of Cincinnati.

The most impactful factors on graduation rates are:

- 1) Funding: Private schools generally have better and less-volatile funding.
- 2) Resources: In the 2014-2015 school year, private colleges spent an average of \$17,500 per student vs. \$10,000 at state schools according to The National Center for Education Statistics (NCES).
- 3) Family metrics: Students with a parent or parents who went to college are more likely to finish their degrees. Household finances are also key.
- 4) The student: Is the student academically and socially prepared for their program? If not, are there interventions available to help ensure their success?

Conclusions

College is a major investment that families must think about and plan carefully to maximize the return. About half of new full-time freshmen fail to graduate

in 6 years. Your child's chances of graduating in 4 years are at least 50% higher at a private college than at a state school. As a rule of thumb, the 4-year graduation rate at a private is very similar to the 6-year graduation rate at a public.

Impact of rising tuition: list price of tuition has been rising at about 2-3% per year for the past 5 years. With compounding, the list price of a 5th year of college could increase by over 10% compared to freshman year.

Make the right choice: making the right choice can save both time and money. Consider working with a professional college advisor, who visits colleges regularly and understands the culture at each school. Invest in career assessment tests before senior year of high school and work with an advisor who knows which schools match your child's interests.

Consider graduation rates: the data available aren't perfect, but they're an important tool to get a sense of which schools have students who graduate in 4 years. Don't use the rates to compare the quality of schools without getting context; a lower rate may indicate a more diverse student body (students who are military members, enrolled part-time, working, returning after an absence, etc.). But if your child's top choices don't have good reasons for their graduation statistics, it's a yellow flag. Ask questions—what is affecting the retention rate? How's the quality of support services such as advising or counseling?

Campus life can be thrilling and wonderful, but nobody wants Bluto to be in school for 7 years.

