

Undergraduate Student Loan Debt Hinders Growth of US Business School Candidate Pipeline

Survey research reveals that student debt loads are likely impacting candidate decision making and financing plans.

May 2018

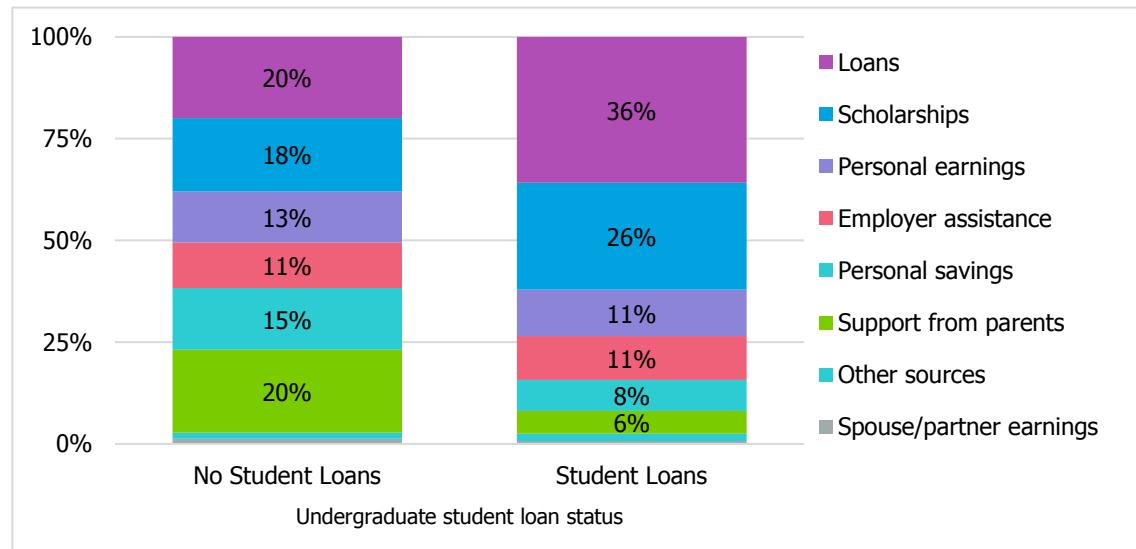
Compared with young Americans with a bachelor's degree overall, those in the graduate business school pipeline are less likely to have outstanding undergraduate student loan debt, according to analysis of the Federal Reserve's Survey of Household Economics and Decisionmaking and the mba.com Prospective Students Survey. Among Americans 29 years old or younger with a bachelor's degree, 53 percent currently have outstanding student debt¹ compared with 37 percent of US citizen mba.com registrants of the same age.² This finding suggests undergraduate student loan debt may be hindering young Americans' consideration of graduate business school, likely contributing to the flattening of US candidate pipeline growth.

Impact on Decision Making and Financing Plans

Among those with preexisting student loan debt that enter the business school pipeline, their debt load is likely impacting their decision making and financing plans. Compared with those without preexisting debt, those with debt are more likely to have reservations about pursuing business school because it requires more money than they have available (26% vs. 17%) and because it may require them to take on large financial debts (25% vs. 19%).

Those with preexisting debt are also more likely to plan to use loans and scholarships to finance their graduate business degree. On average, US citizens 29 years old or younger with preexisting debt plan to finance 36 percent of their education with loans and 26 percent with scholarships, compared with 20 percent with loans and 18 percent with scholarships among those without preexisting student loan debt.³

Average financing mix, US citizens 29 years old or younger, by undergraduate student loan status



GMAC (2018). mba.com Prospective Students Survey. Data collected November 2017 – March 2018.

¹ Board of Governors of the Federal Reserve System (2017). Report on the Economic Well-Being of US Households in 2016. https://www.federalreserve.gov/consumerscommunities/shed_publications.htm

² GMAC (2018). mba.com Prospective Students Survey. Data collected November 2017 – March 2018.

³ Ibid.

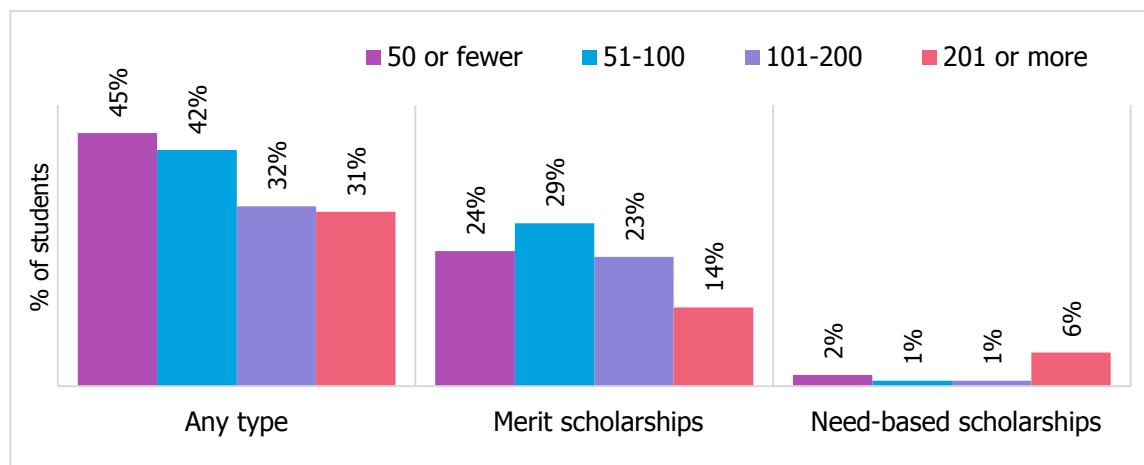
Financial Assistance from Business Schools

One in three students that entered a US graduate business school program in 2017 received some form of financial assistance from their school (33%). Incoming full-time MBA and Master of Accounting students were the most likely to receive financial assistance (45% of incoming students), and online MBA students were the least likely to receive assistance (13%).

By a significant margin, the most common form of assistance offered by US programs is merit scholarships, which are offered by 69 percent of US programs and received by 22 percent of incoming students. Need-based scholarships are offered by just 12 percent of US programs and received by three percent of incoming students.

Smaller programs are more likely to offer incoming students financial assistance than larger programs. For example, nearly half of incoming students to US programs with 50 or fewer students received some form of financial assistance (45%), compared with 31 percent of incoming students to programs with 201 or more students.⁴

Percentage of US program incoming students receiving financial assistance, by program size



GMAC (2017). Application Trends Survey.

Employer Support

While most US employers currently offer tuition support for continuing education (61%) and two-thirds say that support has increased compared with five years ago (66%),⁵ the share of professional MBA alumni that received employer support declined from 65 percent in 1996 to 47 percent in 2015.⁶

A relatively new benefit some employers have introduced to attract and retain millennial talent is student loan repayment assistance, which the 2018 Corporate Recruiters Survey shows nine percent of US employers currently offer as a part of their overall benefits package.

For more details on business school candidate financing plans, financial assistance offered by business school programs, tuition assistance offered by employers, and tuition assistance received by business school alumni, explore our survey research reports at gmac.com/surveys.

⁴ GMAC (2017). Application Trends Survey.

⁵ GMAC (2018). Corporate Recruiters Survey.

⁶ GMAC (2016). Alumni Perspectives Survey.