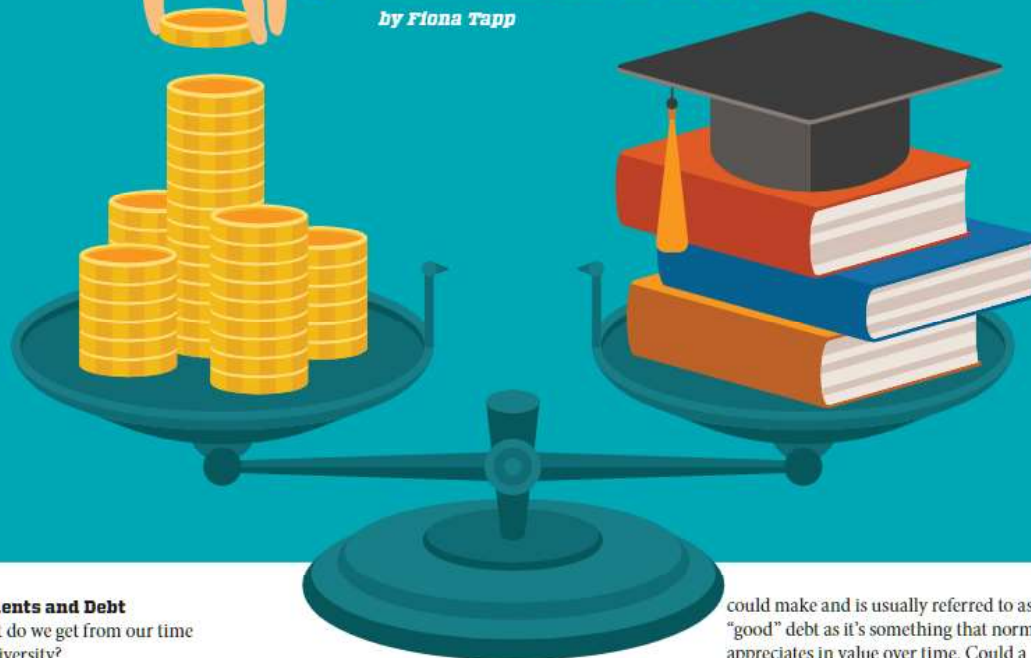


# The Student Debt Dilemma

As the costs of higher education continue to rise, the return-on-investment has come into question and has forced a new conversation on how students pay for a path forward.

by Fiona Tapp



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## Students and Debt

What do we get from our time at university?

The years spent at college earning a degree or diploma can be said to compose our formative years. In those semesters as we grow from a teenager to an independent adult, we begin to learn who we really are.

Graduates leave with knowledge, letters after their name, and the everlasting bonds of brotherhood forged at Sigma Nu. What they may not have expected to graduate alongside them is a stack of unpaid bills and a deep well of debt ready to swallow them up before they even get their first job. But this is the reality for many of today's graduates.

For most students leaving school with debt that will take many years of professional employment to repay is just a normal part of post-collegiate life. The Institute for College

Access and Success (TICAS) produces an annual report called The Project on Student Debt which examines the amount of debt incurred by graduates' state by state. They found that 65% of 2017 graduates had a student loan debt of an average of \$28,650. In 18 states the average exceeded \$30,000.

## Is College Debt "Good" Debt?

Most of us inevitably rack up debts of one sort or another in the form of property, car loans, credit card balances, and general purchases. But are some expenses worth it, and could they even be considered an investment? Property is certainly one of the most expensive purchases a person

could make and is usually referred to as a "good" debt as it's something that normally appreciates in value over time. Could a quality education be valued in the same way? After all, earning a degree can be said to increase a person's earning potential across the course of their career and end up making them far more extra income than they initially paid out in tuition expenses. Georgetown College found the difference between a high school grad and a college grad's lifetime earnings amounted to a staggering 1 million dollars.

College is expensive. Data from The College Board suggests that the total cost of a 4-year college program including tuition, fees and room and board could be as much as \$180,000.

Obtaining a college degree has always been expensive. A fact that has long made



it a place of privilege and elites closed off to those from disadvantaged backgrounds. Scholarship programs, grants, and loans have attempted to make college more affordable and accessible to greater numbers of people, but the fact remains that a college education doesn't come cheap and it's getting more expensive every year. Tuition costs used to be considerably more manageable for many middle-class families. In the last twenty years, the cost of a college education has more than doubled which far exceeds the usual adjustment needed for inflation over the years. As prices have skyrocketed, the difference not covered by parents, scholarships, or grants must be made up in loans paid off once the student graduates. Although these loans make it possible for students to attend college and potentially increase their lifelong earnings, they can become an untenable burden.

#### The Debt Trap

Ironically, those who can afford it the least, often find themselves having to take out student loans to pay for their tuition. Those students without parental financial support, or who are already in receipt of federal subsidies often end up with the highest unpaid college debt. TICAS found that, for example, 8 out of 10 Pell Grant recipients had student debt and that it was an average of \$4,500 more than their higher-income peers.

Students who are the first generation to attend university are more likely to graduate with debt and are twice as likely to default on their loan than students whose parents went to university. These grads don't have the advice and mentorship that is available to students for who college is an expected part of their early adulthood. They often don't have the same access to budgeting advice and may well already be financially stretched before they even enroll at college.

#### When Dreams Don't Come True

Some students who take on debt find themselves in the worst possible scenario when for any number of reasons, they can't complete their education. They can be left with mounting student loan debt and no degree to show for it. This traps them in a cycle of poverty.

In bankruptcy proceedings, the last course of action for those facing extreme financial hardship, student loans are usually not allowed to be included in the debts to be discharged and are still expected to be repaid. For college dropouts student loans can represent an inescapable source of stress and financial hardship.

#### Is a Debt-Free Education Possible?

There are some ways students can complete their college courses without amassing unmanageable debt. Applying for as many

grants, and scholarships as possible to lower the costs is a great first step. Taking a part-time job to offset some of the financial stress can also help to lower overall costs as can applying for the Federal Work-Study Program which allows students to gain experience in their area of study while making a little extra money.

Some companies will also cover the price of their employees returning to school to complete their education and the military remains an option for those interested in serving their country and having most of their college costs off set.

## Earning a degree can be said to increase a person's earning potential across the course of their career

#### The Impact of Student Debt

The rising cost of a college education is only part of the problem affecting new grads. They also struggle with falling salaries, millennials can expect to earn 20% less than baby boomers at the same age. As well as soaring house prices, that currently are rising faster than either wage growth or inflation. This trifecta means that it can be incredibly difficult for young people to get out from the shadow of debt.

The long-term impact of carrying large student debts are numerous and include limited career choices and an inability to take entrepreneurial risks, like starting a business or retraining. Loan repayment amounts can quickly become unmanageable especially if personal circumstances change and this can prevent people from being able to save for their retirement or their children's education, pay medical bills, or plan for the future.

Graduate students carrying large loan balances can also experience high degrees of stress which can lead to mental health issues including anxiety, and depression.

#### Ways Out of Student Debt

In 2015, President Obama spoke of free community college for "responsible" students. Successful applicants would need to take on community volunteer duties, maintain a good GPA, and be mentored by a learning support aide. This promise was promoted on the 2016 election campaign by both Hillary Clinton and Bernie Sanders,

and since then individual states have made it a possibility for many students. New York, Oregon, Rhode Island, Montana, Minnesota, Kentucky, Arkansas, Nevada, and Tennessee offer promise programs which, after grants and scholarships are applied, are tuition-free.

Beyond community college, however, TICAS would like to see Pell Grants considerably raised, including reinstating the previous automatic inflation adjustment amount to ensure the grant retains its value for students who are in the most financial need.

Decreasing the cost of higher education would help to make college more affordable for the greatest number of people but colleges should also have policies and practices in place to help students to learn budgeting and money management skills alongside their elective courses. After all, financial literacy is essential for all of us at every stage of life and should be a mandatory component of a balanced and broad education. \*

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HIGHER EDUCATION