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GRADUATE STUDENT DEBT: ISSUES AND IMPLICATIONS

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Panel presentation along with Jerald Ainsworth (University of Tennessee, Chattanooga) and Debra Howell-Smith (University of Nebraska-Lincoln)

OVERVIEW

- Who is eligible for federal loans?
 - US citizens and permanent residents
 - Half-time enrollment
 - No history of default with previous federal loans
 - No drug history conviction record (when receiving aid)
- Cost of Attendance
 - Receive loans up to the cost of attendance at your school (includes tuition, fees, food and lodging, transportation, books, miscellaneous expenses)
- FAFSA must be filed each year

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For more information, visit the Department of Education's website at <http://studentaid.ed.gov>

BACKGROUND

- 66% of college seniors who graduated in 2011 had student loan debt
- Average loan debt of \$26,600; one fifth of this debt is in private loans
- Debt loads vary by college and states
- Tough job market makes it difficult to pay back loans
- Unemployment rate of young college graduates in 2011 was 8.8%; 37.8% had jobs that did not require a bachelor's degree
- Factors influencing debt levels: changes in college costs, economic recession, tuition increases related to state budget cuts

Information for this slide extracted from the Project on Student Debt, The Class of 2011 (The Institute for College Access and Success, October 2012)

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IMPACT ON GRADUATE EDUCATION

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--According to Shireman (2007) in a testimony to the Iowa Legislature, Joint Government Oversight Committee:

“Students with debt are less likely to consider graduate school. They already feel burdened with debt, and the idea of taking on more is hard to swallow. (They may think they’ll work for a few years to pay off those loans and then go back to school, but usually they get on a different track and never go back.)” (p. 2)

--Finaid.org (Student Loans, 2012) states that:

“undergraduate students who graduate with a bachelor’s degree and no debt are 1.7 times more likely to enroll in a graduate or professional school than bachelor’s degree recipients who graduate with some debt.”

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- 57% of graduate students incurred debt in 2007-08 as opposed to 49% in 1999-2000
- Master's students borrow at greater rates than doctoral students
- Many changes to the loans available to graduate students
- May impact graduate enrollment numbers
- Graduate students are more likely to bring their undergraduate debt with them to graduate school
- Underrepresented minority students borrow at higher rate than white students

Source: Stewart, D. (2012, September). Keeping your perspective in times of change: The Graduate Dean kaleidoscope. *GradEdge*, 1 (7), 1-4.

PREVIOUSLY...

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- Subsidized loans (Stafford)
 - Awarded based on financial need
 - US government subsidizes the interest when the student is enrolled at least half-time until the six-month grace period
 - Interest rate of 6.8%; Borrow up to a maximum of \$8500
- Unsubsidized loans (Stafford)
 - Awarded regardless of need
 - Charged interest from date of disbursement
 - Make or defer interest payment while in school and grace period
 - Interest rate - 6.8%; Borrow up to a maximum of \$20,500; \$40,500 for some health professions
- Graduate PLUS Loans (similar to unsubsidized loans)
 - Interest rate – 7.9%
 - Borrow up to cost of attendance after all direct loans have been awarded, minus other financial aid received
 - Rebate of 1.5% of amount borrowed upfront
- Private loans
 - Variable interest rate

BUDGET CONTROL ACT OF 2011

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- Graduate students are not eligible to receive subsidized loans from July 1, 2012
- Annual Direct Loan limit remains at \$20,500
- Aggregate Direct Loan limit remains at \$138,500. Not more than \$65,500 of this may be in subsidized loans (including loans borrowed as an undergraduate).
- Up front interest rebate will no longer be offered on any Direct Loans with a first disbursement date that is on or after July 1, 2012
- Federal Graduate PLUS loan
 - **entire origination fee (4%), will be taken out of the loan prior to disbursement.**

Source: <http://studentaid.ed.gov>

ROLE OF GRADUATE SCHOOLS

- **Understand and recognize**
 - the financial state of affairs for graduate students
 - their ability to manage their finances
 - **Develop financial literacy**

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FINANCIAL LITERACY PROGRAM ELEMENTS

- Learn how to estimate the actual cost of attending school (use net price calculator on university website)
- Understand your finances
- Know your options when borrowing money
- Keep records of what you borrowed
- Know terms of your loans
- Borrow only what you need
- Avoid credit card debt
- Live within your means
- Make good choices
- Educate faculty and students
- Learn about repayment options
 - [Income-based repayment](#)
 - Loan forgiveness
 - Ways to reduce interest rates

Sources:

<http://www.petersons.com/graduate-schools/graduate-loans-borrowing-tips.aspx>

http://projectonstudentdebt.org/recent_grads.vp.html

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