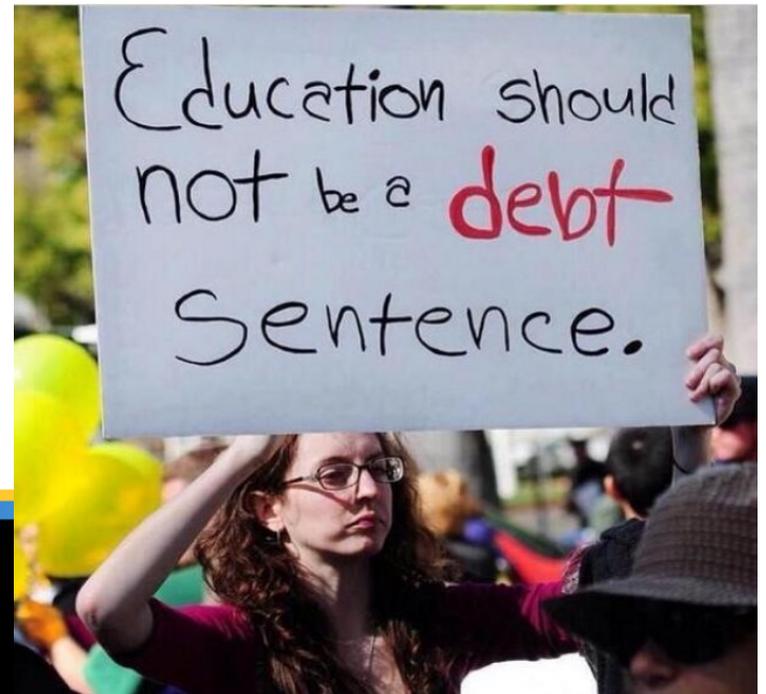


Student Loan Debt & Economic Inequality

Dr. Deb Figart

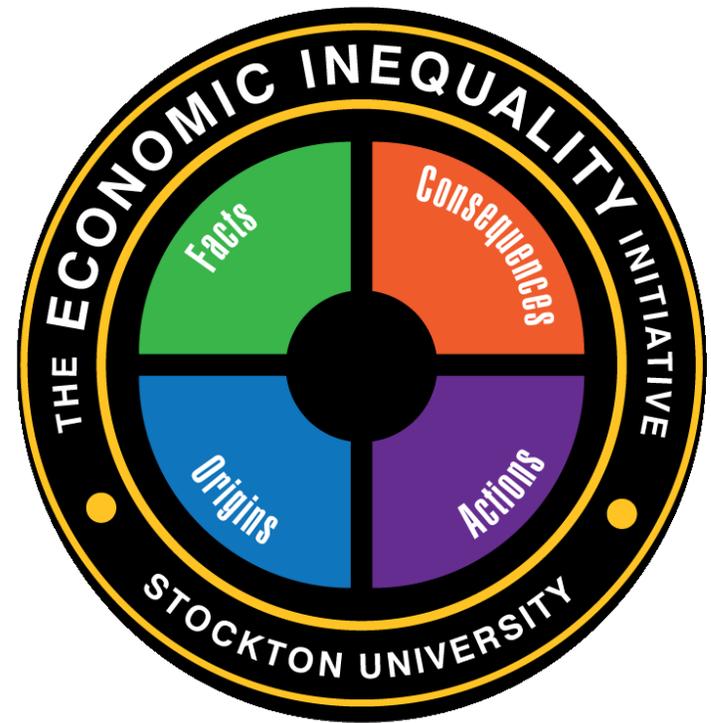
Distinguished Professor of
Economics



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Quotes from Stockton Economic Inequality (EI) Wall

- “Why should we pay so much for school to get a job to continue paying for it— what we went to school for anyway.”
- “College is the new indentured servitude ... why can't you default on your student loans?”
- “Daughter #1 went to college, will be paying back till she's 50! Daughter #2 said 'that's not for me—went to OCC, school is paid for and she has a great job. What does that say?’”



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Quotes from Stockton Economic Inequality (EI) Wall

- “Lower interest rates and debt forgiveness based on income.”
- “I think you should only have to pay back student loans if you don’t finish school”
- “Reduce interest rates on student loans!”
- ↓ college tuition. Make college affordable.”

• ~ Debt
amounts:

\$0

\$30,000

\$41,000

\$60,000

\$80,000

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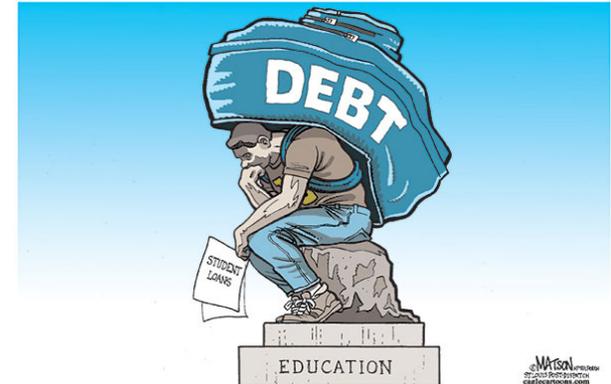


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Student Loan Debt: Increasing at an Increasing Rate

- > \$1.2 trillion, now more than credit card debt (rising at rate of \$2,900/sec.)
- Across all colleges, Class of 2014 (undergrads) averaged \$28,950 in undergraduate debt
 - 76% of Stockton grads with student loan debt
 - Stockton UG average = \$33,543
 - 27% of debt is from private loans, much higher than the US average of 16%
 - Stockton: one of the highest 20 average student loan indebtedness among public colleges/universities in the US
 - Source: Project on Student Debt, Institute for College Access and Success



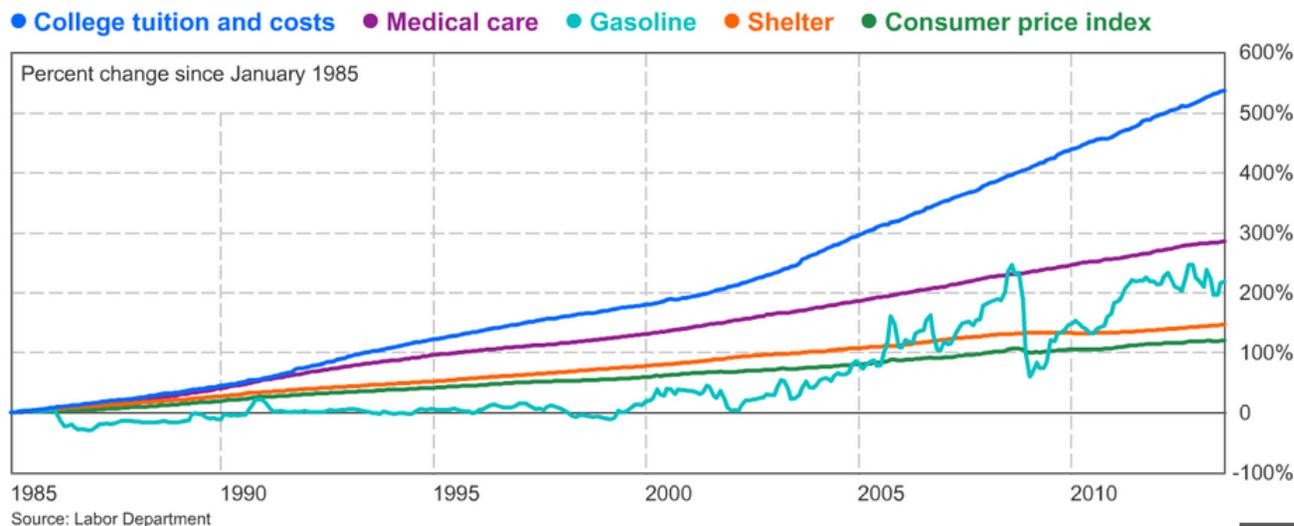
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How & Why Did We Get Here?

College tuition costs have risen 538 percent since 1985. The increases exacerbate income inequality and may damage the reputation of U.S. higher education, according to Michelle Cooper, president of the Institute for Higher Education Policy.

Rising Costs

Bloomberg



At the same time, State and federal government support for higher education has declined.

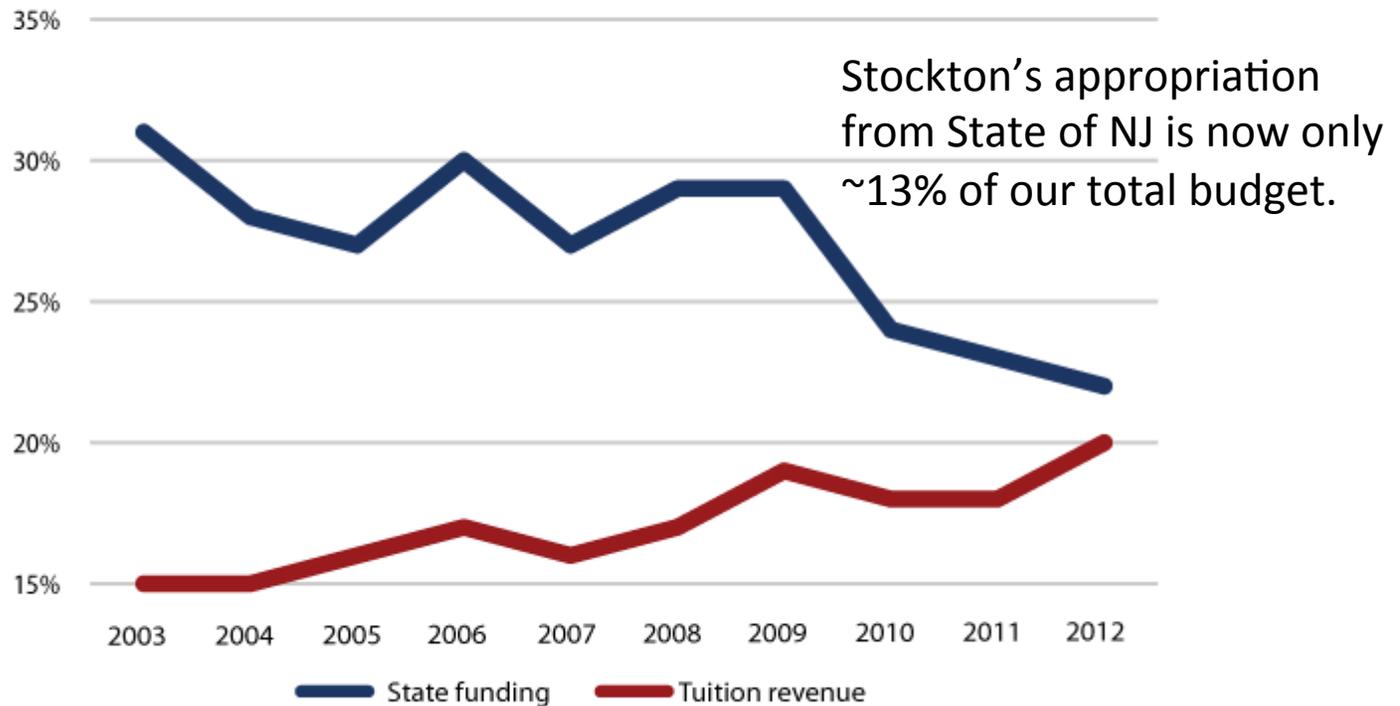
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FIGURE 2
State funding and tuition as a share of revenues at public institutions
FY 2003–2012



Source: CAP analysis of U.S. Department of Education data. See endnote 3.

At the same time, State and federal government support for higher education has declined.

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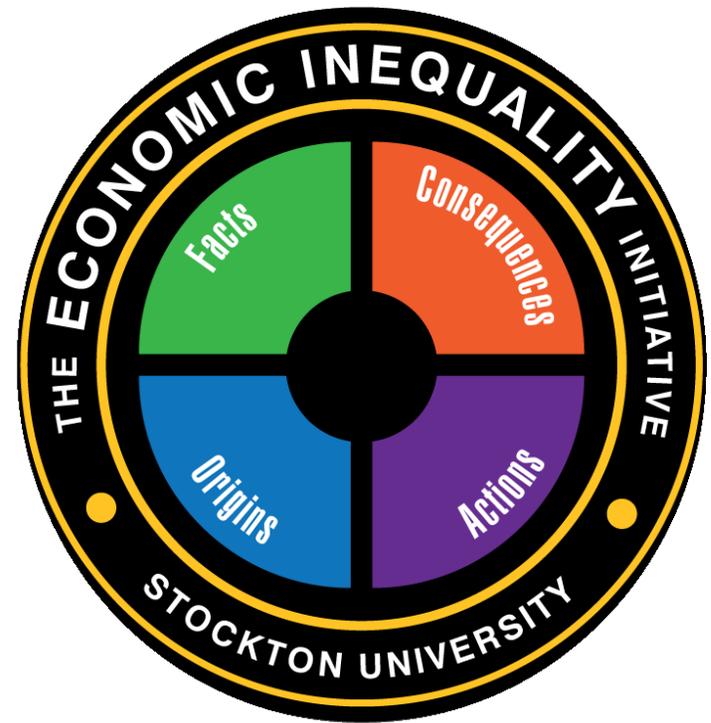


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Why Student Loan Debt Is Linked to Economic Inequality

- Saddled with debt:
 - Affects job selection; may defer public sector or non-profit job or another top choice just to earn more money
 - Delays marriage
 - Saving for first home/mortgage is delayed
 - Cannot save and invest for retirement (PLUS loans affect parents, too)
 - Result: reinforces wealth inequality
 - Source: American Student Assistance Survey



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Kinds of Loans

- Direct loans from U.S. Department of Education; see <http://www.direct.ed.gov/index.html>

Loan	Who borrows?	Current interest rate (expires 6/30/2016)
<i>Subsidized</i> , based on need (from FAFSA), and unsubsidized	Undergraduate students	4.29%
<i>Unsubsidized</i> (interest accrues at disbursement)	Graduate students	5.84%
PLUS loan	Parent or graduate student	6.84%
[Can consolidate these federal loans before repayment]		
Private loans (e.g. Sallie Mae → Navient, Citibank, etc.)	Student; can get co-signer	Choose ones linked to LIBOR (not prime)

Loan Limits	Dependent student	Dependent student	Independent student	Independent student
	Maximum	Maximum subsidized*	Maximum	Maximum subsidized*
1 st year UG	\$5,500	\$3,500	\$9,500	\$3,500
2 nd year UG	\$6,500	\$4,500	\$10,500	\$4,500
3 rd , 4 th year UG	\$7,500	\$5,500	\$12,500	\$5,500
Aggregate max.	\$31,000	\$23,000	\$57,500	\$23,000
Graduate, each year	N/A	N/A	\$20,500	\$0!
Aggregate max.			\$138,500	
PLUS Loan	Can borrow up	to cost of	attendance	minus any aid
<i>Private loans</i>	<i>On top of this!</i>		<i>On top of this!</i>	

Costs of Attendance

- All colleges & universities that accept federal financial aid must publish a “good faith estimate” of their costs of attendance; published on [Stockton](#) Financial Aid website,
- Costs typically assume tuition & fees, room & board on campus (e.g. with a certain meal plan), and perhaps other costs; don’t forget the other costs of living and studying!
- Students living off campus are encouraged to complete a separate budget worksheet to get a reliable estimate of costs
 - CFPB Cost of Attendance worksheet at http://collegecost.ed.gov/shopping_sheet.pdf

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2015-2016 Costs of Attendance

- TOTAL PROGRAM COST in today's prices:

In-State NJ	Cost per credit or sem.	Cost for 128 credits (8 semesters, assuming fixed)
Tuition (Flat Rate for 12-20 credits)	\$4,134.64	\$33,077.12
Fees (Education, General, Facilities)	\$2,275.30	\$18,202.40
Room (Housing 5)	\$5,110.27/sem	\$40,882.16
Board (Fab14 + \$50 flex)	\$1,748.51/sem	\$13,988.08
TOTAL for 4 years FT		\$106,149.76

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Are There Alternatives to Loans (Debt)?

- The FAFSA process will calculate your “Expected Family Contribution” (EFC) toward your education; as a graduate student, you are an “independent” student according to the [federal definition](#).
- Apply for all scholarships you may be eligible for—from local and civic organizations, from your high school, and from national groups.
- Apply for Stockton Foundation scholarship; graduate assistantship (GA)
- An excellent source for information on scholarships and all sources of financial aid is [FinAid.org](#) at <http://www.finaid.org>.

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How Much Debt You Can Afford?

- Based on a wealth of experience and case histories, financial professionals have published some basic guidelines for student loan indebtedness.
- These estimates are based on considerations for monthly rent and the possibility that graduates may have some credit card debt to set up a new apartment or home.
- Here's a chart →

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Chart: Common Sense Guide to Budgeting for a new College Graduate

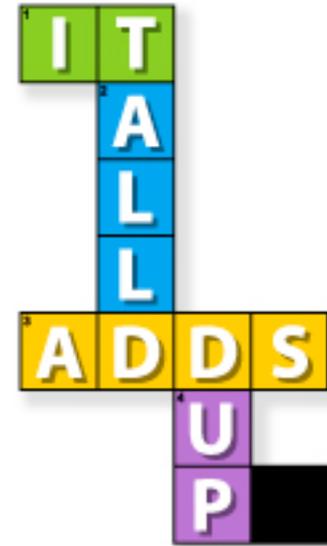
Expense	How much should it be?	Notes
Rent	No more than 28 – 36% of net monthly income	Net income = (Gross – all payroll deductions)
All Debt (car loan, student loan debt, & credit cards)	No more than 20% of net monthly income	
➤ Of all debt, that portion for student loans only	No more than 10% of net monthly income; Or no more than 7-8% of your gross income	So half of your debt should be student loans and half should be everything else
➤ Alternate rule of thumb for aggregate student loan debt	Do not borrow more than you expect to earn for your average annual salary after graduation (maybe salary by year 3 or 5 in the profession)	

What Salary Might I Make?

- [O*NET](#): best site that aggregates info from multiple Bureau of Labor Statistics publications & surveys
 - Search for jobs by keyword
 - Search for jobs based on your interest and/or skills
 - Learn what tasks and duties are associated with various jobs
 - Find out median salary for jobs in the U.S. and also in your state
 - Let's look up 2 jobs (US and NJ): Accountant, Social Worker

Student Loan Repayment Calculator

- How much do I owe?
- Go to <http://www.finaid.org/calculators/loanpayments.phtml>
- Add ALL of your loans
- Let's go online and plug in \$34,000, or Stockton UG average average



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The Effect on Well-Being

- Gallup poll of Americans who graduated college between 1990 and 2014
 - Graduates who are \$50,000 or more in student loan debt are less likely to thrive in four of the five elements of wellbeing

Percentage of U.S. College Graduates Thriving in Five Elements of Well-Being, by Amount of Student Loan Debt

Among adults who graduated between 1990 and 2014

	No student debt	\$25,000 and below	\$25,001 to \$50,000	Over \$50,000
Purpose	49	46	40	40
Social	47	45	42	45
Financial	40	31	26	25
Community	43	42	35	38
Physical	34	30	26	24

Feb. 4-March 7, 2014; debt applies only to undergraduate degree

GALLUP®

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The Effect on Well-Being

- Pew Research: evidence that households run by young adults with student debt have lower wealth accumulation than their student debt free peers.
- Student debtor households have a tendency to also owe large amounts of other debt as well.

Student Debtors Carry a Heavier Overall Debt Load

Median total indebtedness of young households

COLLEGE EDUCATED

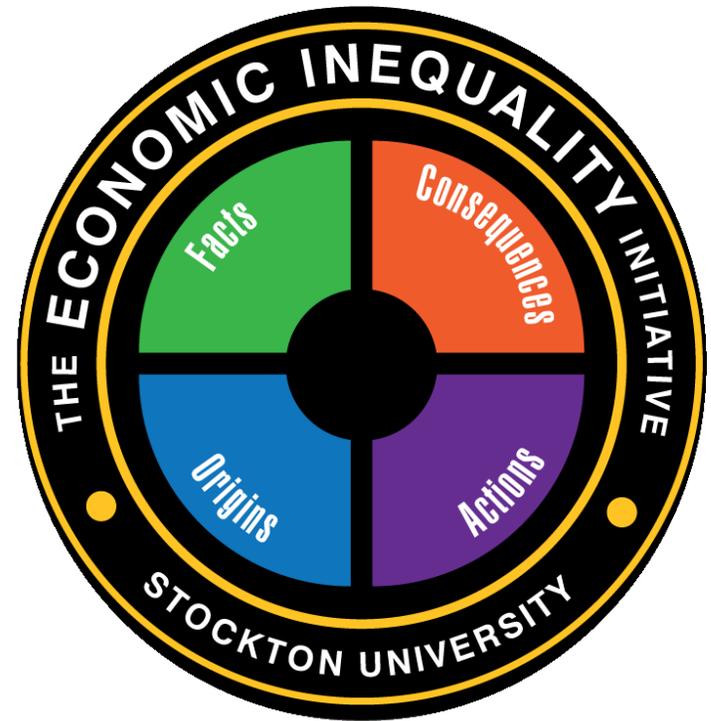


NOT COLLEGE EDUCATED



Advice

- The salary premium for a college degree (BA, BS) are worth ~\$1 mill. over a lifetime, but it does depend on major and career
- Keep student loan debt as low as possible
- Be especially careful about private loans; less consumer protections than government loans
- Only in exceptional circumstances is student loan debt dischargeable in bankruptcy
- Default stays on your credit report for 7 years



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