Costs of College and Student Loan Debt: A Barrier and a Burden

College Success Through Financial Literacy Conference
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Are we Facing a National Crisis?

• Has a College Education Ever Been More Important?

• Has a College Education Ever Been More Expensive?
Earnings and unemployment rates by educational attainment

Unemployment rate in 2012 (%)

<table>
<thead>
<tr>
<th>Education Level</th>
<th>Unemployment Rate</th>
<th>Median Weekly Earnings in 2012 ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Doctoral degree</td>
<td>2.5</td>
<td>1,624</td>
</tr>
<tr>
<td>Professional degree</td>
<td>2.1</td>
<td>1,735</td>
</tr>
<tr>
<td>Master’s degree</td>
<td>3.5</td>
<td>1,300</td>
</tr>
<tr>
<td>Bachelor’s degree</td>
<td>4.5</td>
<td>1,066</td>
</tr>
<tr>
<td>Associate’s degree</td>
<td>6.2</td>
<td>785</td>
</tr>
<tr>
<td>Some college, no degree</td>
<td>7.7</td>
<td>727</td>
</tr>
<tr>
<td>High school diploma</td>
<td>8.3</td>
<td>652</td>
</tr>
<tr>
<td>Less than a high school diploma</td>
<td>12.4</td>
<td>471</td>
</tr>
</tbody>
</table>

All workers: 6.8%        All workers: $815

College Costs are Rising

- Single Semester Tuition and Fee increases since 2008*
  - KU From $2,922 to $4,638 = +58.7%
  - K-State From $2,812 to $4,292 = +52.6%
  - WSU From $1,956 to $3,463 = +77%

*KBOR Universities Tuition and Required Fees for Full-Time Students Charts for Respective Years
Impact of Student Loans

• **Student loans have grown by 511% from 1999-2011.**

• **Disposable income grew by just 73%.**

Student Loans vs Disposable Income (Cumulative Growth)

Sources: NY Fed and Bureau of Economic Analysis
Caution: Parent PLUS Loan Timing

Retirement Derailed
Number of retirees who had at least one Social Security payment reduced because they fell behind on student loans

Source: Department of the Treasury’s Financial Management Service
Note: Data are for S.S. benefits, don’t include S.S. disability

*Year-to-date SmartMoney
Another Way to Borrow

• Private Student Loans vs. Federal
  – Higher Interest Rate
  – Same Protection from Bankruptcy as Federal Student Loans
    • If You Co-Sign, You are Responsible if Student Doesn’t Pay
  – Generally Less Flexible Repayment Options
    • Deferment? Forbearance?
Yet Another Way to Borrow

- Home Equity Loans
  - Low Interest Rate but Risk of Foreclosure
  - Drains Equity from the Home
    - May Increase Mortgage Payoff Period
How About This?

- Borrow or Withdraw from Designated Retirement Accounts
  - Hard to “Pay Yourself Back”
  - Withdraw for College Expenses Without “Penalty”
  - What about Future Value?
  - $10,000 = $26,532.98 in 20 years at 5%
The Result for Dropouts

• Nearly 1/2 of students who take out college loans never reach graduation, leaving them with a heavy debt burden but no credential to help them earn a higher salary to pay it off.

• This problem is worse for those who are already the worst-off in society.

(Dr. William Vanderburgh, Wichita State University)
Why all the Dropouts?

2010 ACT Study* surveying chief academic officers

Top Two Reasons

• #1 Lack of academic preparedness
• #2 Inadequate personal financial resources

*What Works in Student Retention? Fourth National Survey
Public Four-Year Colleges and Universities Report
Where Are We Helping?

- 97% of Institutions offer Tutoring
- 90% offer Writing Centers/Labs
- 90% of Students Expressed Interest in Learning about Money Management*
- 50% offer any kind of Financial Literacy program

IS "FOLLOWING YOUR DREAM" SUPPOSED TO BE THIS TERRIFYING?

$60,000 in debt from my student loans with an 11% interest rate!
QUESTIONS

or

COMMENTS?