LIFE DELAYED:

The Impact of Student Debt on the Daily Lives of Young Americans

American Student Assistance
2015 Edition

AMERICAN STUDENT ASSISTANCE

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EXECUTIVE SUMMARY

There is no doubt that higher education is still one of the best investments that someone can make in their future. However, while the intrinsic value of post-secondary education is still apparent, there are tradeoffs as a more highly educated generation becomes a more indebted one. Student loan debt is having a profound impact on the daily lives and spending habits of young Americans, casting a pall over the nation's economic recovery. Many borrowers may never run into problems paying their loans, but the mere existence of the debt is a burden that is impacting the way student borrowers make important lifestyle decisions. A reoccurring survey conducted by American Student Assistance® (ASA) found that those with student debt are delaying decisions to buy a home, get married, have children, save for retirement, and enter a desired career field because of their debt. This has a cascading impact on the nation's economy as the generation charged with investing in the nation's future is delaying their lives because of debt.

Student loans were created to be an engine for social mobility and society's collective thought leadership, but despite all the positive gains of a college education, student debt is in fact limiting young people's ability to achieve financial success:

- 35% of respondents to ASA's survey said that they found it difficult to buy daily necessities because of their student loans;
- 52% said their debt affected their ability to make larger purchases such as a car;
- 62% said they have put off saving for retirement or other investments; and
- 55% indicated that student loan debt affected their decision or ability to purchase a home.

Survey respondents indicated that in addition to limiting their ability to make major purchases, student loan debt also impacts important life decisions:

- 53% responded that their student loan debt was the deciding factor, or had considerable impact, on their choice of career field;
- Of those interested in starting a small business, 61% indicated that student loan debt impacted their ability to do so;
- 21% indicated that they have put off marriage as a result of their student loans; and
- 28% said that student debt has delayed their decision to start a family.

Even those never personally hampered by student loan debt are being impacted as society at large bears the burden of career paths not taken, first homes not purchased, entrepreneurship stalled, public sector employment diminished, investments not made, and lives delayed.

There is unlikely to be a seismic shift in the way higher education is funded, so we must find a way to ensure that borrowers have better means of managing the debt they have taken on. The focus of future student aid policy should be on finding ways to limit the negative financial impacts that student loan debt has on the post-college life of students. We must:

- Control continuously escalating tuition and fees;
- Expand grant aid by all sources: federal, state, and private entities;
- Keep federal student loan interest rates low;
- Expand flexible repayment in private student loans; and

- Prepare students to be smarter borrowers by offering quality information about borrowing and neutral guidance for the life of the student loan.

As the federal student loan system was established for the collective good of the nation as well as to assist individual borrowers, so too the nation at large has a collective responsibility to get the program back on track and ensure that borrowers can not only survive the student loan payback process, but thrive as consumers in the process. If student loan borrowers continue to sit on the sidelines and delay diving into economic commitments, the perilous position of the U.S. economy will continue to plod cautiously along rather than prosper with the help of a new generation of well-educated consumers.

INTRODUCTION

> *"Student debt weighs on every decision I make, from food shopping, to where I choose to live, to how I spend my free time, to what clothes I wear, and ultimately, what career I choose."*

-- ASA survey respondent, 2013

The United States federal student loan system was created to increase social mobility and invest in our nation's future by ensuring that those without the means of securing a higher education could receive government assistance to attend college and contribute to the economic strength of the nation. For many years student loans were a stepping stone that could all but ensure generations of students would have equal opportunity to higher education and a secure economic future.

As early as 1985, however, Congressman William Ford of Michigan, one of the nation's strongest advocates for federal support of student aid, cautioned that due to the debt student loans created, "we are producing a class of indentured servants who must work to free themselves of the bondage of educational debts. How will the next generation afford a home or car if their disposable income is committed to paying off student loans?"[1] While it took decades for Ford's prophecy to come true, many student borrowers face just that dilemma today—struggling to find ways to actively participate in our economy while managing burdensome amounts of college debt. The promise of economic opportunity with the help of student loans has been flipped on its head, as today's students now find their financial futures imperiled by the economic realities of holding student debt in today's economy.

In fact, today's reality is far more severe than even Congressman Ford could foresee. In 1985, the average in-state cost of tuition at a four-year public institution was $1,318, while tuition at a four-year private college or university averaged $6,121.[2] Today, that number is $9,139 for a public four-year institution (in-state) and $31,231 for a four-year private school. [3]There was $35 billion in outstanding student loan debt in 1985.[4] Today, 69% of students attending a four-year bachelor's degree program borrow to attend school and leave with an average of $28,400 in debt.[5] This has led to a 30-fold increase in student loan debt to the current level of $1.2 trillion dollars among 40+ million borrowers.[6]

The reasons for the rise in student debt are numerous and widespread—a shift in federal student aid policy from grants to loans, rising tuition costs that drive the need for more borrowing, shrinking state spending on higher education that limits grants and raises tuition, an economy that has devastated family savings for education, etc. Whatever the reasons behind borrowing and debt, the struggle to manage education loans is having a startling impact on young Americans and generations of student borrowers.

This outstanding debt has only extended the debate about higher education's return on investment to consumers and its benefit on society. The individual benefits of higher education are clear—the employment options and lifetime earnings projections for college graduates far exceed those who only attain a high school degree.[7] On average, workers with a bachelor's degree earn 84% more over their lifetime than those with only a high school degree,and they face much lower unemployment rates.[8]

The willingness of the federal government, however, to make billions of dollars in investments in higher education every year is based on the notion that a well-educated citizenry has important impacts on society as a whole, well beyond the individual who benefits from the education. Research shows that those with a higher education help to secure a healthy tax base to draw local, state, and federal revenue from, are generally healthier, and give back to society at much larger rates in terms of volunteerism and civic engagement than those without a college degree. Student loans are meant to provide opportunity for more people to participate in that social compact—the government will give you a benefit now, and you will pay that back over time both financially and by participating in society and our country's economic success. But when we use debt to fund this social compact, we must understand the effect of that debt and the fundamental impact it is having on the ability of young Americans to prosper from higher education in all the ways intended.

The argument can be made that because of the personal benefit gained, student loans should be seen as "good debt."[9] But even if we see student borrowing as "good debt" and borrowers are able to manage their monthly payments without falling behind, that good debt is still resulting in negative consequences for many, leaving some to question if the costs truly outweigh the benefits. A borrower with good credit but high student debt will face many challenges. Even if they never fall behind on their loan payments, the mere existence of education debt will still impact their ability to take on consumer debt, impact their debt-to-income ratio, possibly raise interest rates on consumer loans, and lower their spending power overall. Kiplinger's has published a list of the financial milestones young people should aim to reach in their 20s. These include paying off your student loan debt, building an emergency fund, getting married, and starting to save for retirement.[10] But many recent graduates spend so much time and attention on this first milestone—paying off their student loans—that all other milestones are pushed down the road. Life is being delayed due to the financial obligations associated with student loan debt.

A survey conducted by ASA®, undertaken to gain a better understanding of how student debt is impacting the daily financial lives of young Americans, shows that student loans are impacting the financial decisions young people make on a daily basis. It not only limits their buying power, but makes them reluctant to make major life decisions that require a financial investment. (Full survey results available in the Appendix). As one respondent to ASA's survey commented, "having [student] loans does feel at times like it puts your life on hold. There is always the cloud that is looming, which does impact decisions large and small."

Thirty years since Congressman Ford made that prophetic statement about the inability of the next generation to afford a home or car if they are already burdened by student debt, what is the daily impact of student debt on the 20- and 30-year-olds charged with taking our economy into the future? Many people still see our current student loan problem as a personal struggle that individual borrowers face in exchange for a college education. But are we missing the bigger picture of what over 40 million individuals are facing? If the benefit of higher education is both a personal advantage to the individual and a social good, conversely, when does their individual problem become one of national concern? The growing problem of student loan debt is not only the escalating dollar figure of individual loans, but what the student loan burden means for the economic future and life choices of borrowers who will lead our society in the future. What is the real cost for us all when borrowers delay their lives to pay off student loans? And, what can we do about it?

> *"I make a respectable salary but I can't get approved for a car. I could never own a home. I can't afford to travel or have children. I am 31 and live in someone's basement. Student loans are the home/family I pay for but will never have."*

--- ASA Survey Respondent, 2015

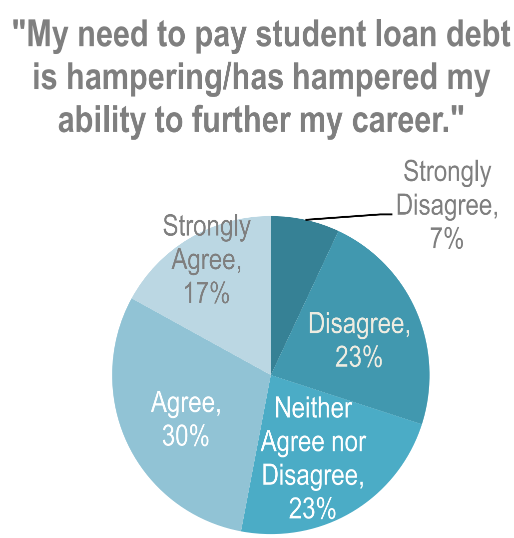
THE INDIVIDUAL AND SOCIAL IMPACT OF STUDENT DEBT

In the grand scheme of things, why does it matter to society at large if young people are moving home with their parents instead of buying a home? Why does it matter if they are making different life and career choices in order to pay off their debt? Even if you are not a parent with a recently refilled empty nest, we as citizens need to be concerned for a number of reasons.

CAREER CHOICE

For many recent college graduates, career choice is not an option as those with debt are looking to get any job they can in order to pay the bills and pay off their college debt. This need to get a "job" rather than to start a career can have devastating effects on both the individual and society.

For those who can find a job in this recovering economy, many find that they cannot afford to be too selective when it comes to finding employment. The current unemployment rate for recent college graduates with a bachelor's degree is 7%[11] but approximately 46% say they have had to take a job that doesn't require their college degree, just to pay the bills.[12] A 2002 study found that 17% of student loan borrowers reported their loans had a significant impact on their career plans.[13] Today, after the economic downturn, ASA's survey suggests that number has nearly doubled, as 35% of respondents said their student loan debt was a deciding factor or had considerable impact on their choice of career. In addition, 47% said they either strongly or somewhat agreed with the statement that their "need to pay student loan debt is hampering my ability to further my career." One ASA survey respondent commented, "I need to have two jobs because of my student debt, and I cannot take employment opportunities that will not make enough money, regardless of the potential that they may have in the future."



Despite the introduction of a number of income-based student loan repayment programs to make certain career choices more possible for those with debt, far too few people are currently taking advantage of, or even know about these programs. The programs are substantially under advertised, and as a result, substantially underutilized. In addition, for those with private student loans, loan forgiveness is simply not an option. (In ASA's survey, 54% had a private education loan—10% had private loans only and 44% had both private and federal loans). As a result, it is not surprising that debt leads graduates to take higher paying jobs in order to pay off their loans and shy away from jobs in public interest fields like education or public service. Thirty-eight percent of respondents in ASA's survey stated that their student loan debt affected their choice to take a job in the private sector rather than a public service job – despite the availability of Public Service Loan Forgiveness. As one law school graduate in ASA's survey commented, "My first job out of law school was in my dream field--working criminal defense litigation. However, I knew that once my student loans became due I would need a higher level of income. I took an insurance consulting job and worked there for three years, hating every minute of it. I kept trying to find better jobs for my interests, but the ones I could qualify for weren't enough to even pay for my student loans, let alone other living expenses."

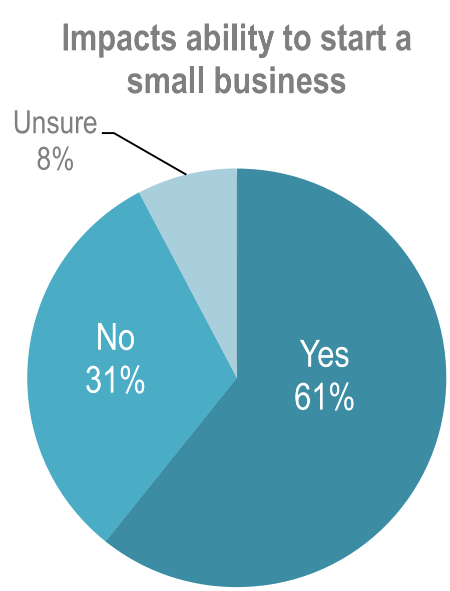
Student loans are not just putting a strain on those with typically low paying professions like public defenders. The number one career regret cited is taking a job just for the money.[14] A 2008 study found that, regardless of the career field of choice, about "40% of recent graduates took a job that provided higher pay, but less satisfaction, in order to pay off their student loans."[15] As one ASA survey respondent commented, "I have had to stay saddled in a job that is very stressful and anxiety-inducing in order to pay off the loans in the allotted time given, rather than being able to try and pursue my dream or more preferable careers which have no guarantees of financial security."

Even those in the business field—an area not typically seen as low paying—are finding themselves trapped in their jobs because of the amount of debt needed to pay for their credentials. Daniel Gulati of the Harvard Business Review argues that, "although external accreditation can open doors, the sheer cost of those same credentials are inhibiting the pursuit of individually meaningful careers."[16] A recent college graduate may have said it best in his sociology honors thesis. Focused on this idea that he and his fellow students were going to have to change career aspirations to accommodate debt burdens, Daniel Kenny wrote, "In the battle between economic pragmatism and the pursuits of one's passions, the former decisively won out. Simply put, too much debt consisted (sic) for my respondents to follow their dreams of performing service or attending graduate school immediately after receiving their undergraduate degree. Instead, the harsh financial reality confronting them turned their focus on the loans and the quickest way to rid themselves of their burdens."[17]

> *"I have a job that I hate and makes me miserable but it is the only one I could find that would pay me enough for me to make a dent in my loans. I wish I could do something I enjoy and make less money but that will never happen."*

--- ASA Survey Respondent, 2015

Unfortunately, this regret over job choice does not only impact the employee, but it impacts the employer as well. Job regret leads to apathy, low motivation, and poor employee performance. When people take a job just for the paycheck and are not truly invested, this can lead to less productivity and work quality suffers. In addition, those who are unhappy with their current working conditions spend a great deal of company time looking for alternate employment opportunities. A study by Monster.com in the United Kingdom found that UK employees spend over 14 million working hours per week looking for a job, costing employers more than $400 million a year in lost productivity.[18] In a time when companies are struggling to stay afloat and thrive, they



cannot afford to have employees spending work time focused on their personal finances rather than company success.

As a community, the public depends on qualified, well-trained employees to run government functions, from law enforcement to public health. However, because highly qualified employees are going where the money is in order to pay off student debt, lower-paying public sector jobs are finding it hard to compete for qualified applicants. If qualified employees with student debt can be hired, they often stay in these jobs for shorter periods of time with education debt cited as the reason they are not able to make that job their long-term career.[19] When the agencies tasked with keeping our government running for the benefit of citizens are understaffed or poorly staffed, all of us suffer; when those best qualified to teach future generations in math, science and other needed fields, go to other, higher paying jobs, future generations suffer. One ASA survey respondent pointed out, “small towns in rural America are having trouble attracting lawyers and doctors. They routinely graduate with $100,000 in debt. Is it any surprise that so many want to work in lucrative fields and firms? Student loans are widening the gap between rich and poor in this country.”

In addition, according to the Consumer Financial Protection Bureau (CFPB), by 2025 we will need an additional 52,000 primary care physicians to meet the nation’s health care demands.[20] However, the American Medical Association cautions that high student debt burdens on medical students will exacerbate the shortage of primary care physicians as medical students are forced into more lucrative medical specialties in order to pay their student debt.[21] Those in ASA’s survey who had debt from medical school confirmed this concern. Sixty percent of medical school respondents stated that their debt was a deciding factor or had considerable impact on their choice of career field, and 54% stated that their debt had an impact on their choice of entering a public service type practice over a private practice. One medical student commented, “If I did not have so many loans I would choose to go into a less lucrative job in my field, such as working in community psychiatry.” Another stated, “I have stayed in the private sector when I could be doing charity work and making the world a better place.”

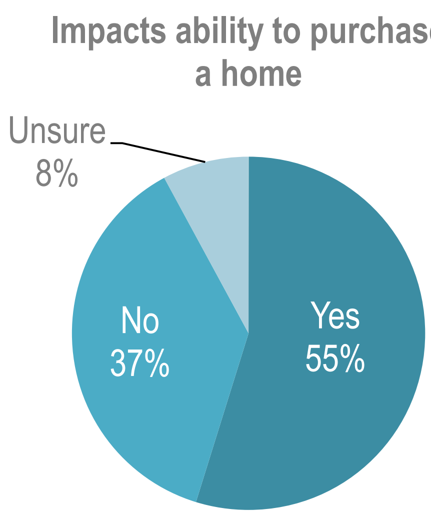
Unfortunately, student loans are also hampering our long-term economic prosperity because they may be forcing career choices that stifle innovation and entrepreneurship. We have no way to tell what new invention has been lost or startup company put on hold as the bright young mind dreaming to launch it pays his or her student loans instead. Where once college graduates would leave school and start their own company, today they must take a job in order to pay off loans or they simply cannot get the capital needed for a business because of outstanding student debt. In fact, of those interested in starting a small business, 61% of borrowers in ASA’s survey responded that their student loan debt affected their decision or ability to do so. As the CFPB points out, “For many young entrepreneurs, it is critical to invest capital to develop ideas, market products, and hire employees. Student debt burdens require these individuals to divert cash away from their businesses so they can make monthly payments.”[22] With 64% of new private-sector jobs and 49% of private-sector employment overall coming from small businesses,[23] we can ill afford to have young entrepreneurs staying on the sidelines if our economy is to grow and thrive in the generations to come.

HOME OWNERSHIP

> *"My husband and I have been married for almost 7 years and have continued to rent up to this point. If it were not for my student loan debt, we easily could have purchased a home at this point."*

ASA Survey Respondent, 2015

The housing market is still slow to fully recover from the recent housing crash, and this may be stalled by the fact that a generation of prospective buyers—student loan borrowers—is hesitant to jump into the housing market. In fact, some analysts say that student debt is creating a "significant drag on the housing market."[24] One borrower commented to ASA, "I'm an educated, hardworking professional with a decent salary. At this point in my life, I wish I was saving for a house. But student loans are a huge burden; they're 'the new mortgage' for many people in my generation."



The New York Federal Reserve recently found that, "30-year-olds with no history of student loans are more likely to have home-secured debt than those with a history of student loans."[25] In addition, a survey completed by Rutgers University found that 40% of college graduates directly correlated their delay in major purchases like a home to their student loan debt.[26] Respondents in ASA's survey suggested that the impact of student debt may be even larger with an overwhelming percentage of survey respondents, 55%, saying their student debt has affected their ability or decision to purchase a home. Survey respondents cited issues like their debt-to-income ratio and inability to save for a down payment as the biggest obstacles to home ownership. One respondent commented, "My student loan payments are the equivalent of a mortgage payment each month. I cannot (sic) find enough extra money in my budget to save for a down payment for a house." Another said, "We both have excellent credit, and absolutely no debt other than student loans. We had set aside $7,000 to use as a down payment towards a home. But, we were denied a home loan because 'we simply had too much student loan debt.'"

As previous generations were shaped by the stock market crash, the Great Depression and earlier recessions, so too members of this generation may be influenced by the financial crisis from which we are now emerging. Some of the delay in home purchases may be driven by this fear—fear that their job is not stable, fear of getting in over their heads, fear that they are not ready for such a big step. One ASA survey respondent commented, "I don't want to make large purchases or acquire more debt in fear that I will struggle financially in the future." Another said, "I would love to buy a house or apartment but I'm afraid of more debt." A certain level of caution is justified—we saw far too little of it prior to the housing crash in 2008. However, there is little doubt that for many, if it were not for student debt, their housing situation would be different. Bloomberg reporter Kirsten Salyer argues that "Commitment phobia isn't a fad. For most, it's an economic reality. Renting isn't a choice when you can't afford to buy, or qualify for a loan, or count on being in the same job for more than a few months."[27] An ASA survey respondent commented, "I cannot save much money for a downpayment (sic) on a house, nor can I afford the house payment on a house that's worth very much." Another stated, "Since my loans take up about one-third of my monthly income, it's hard to save for bigger purchases." Borrower Zach Leshetz commented to the Wall Street Journal, "Everyone says that it's a great time to buy a house. But that is not an option right now… thanks to $800 a month in [student loan] payments…I find myself living paycheck to paycheck."[28]

The challenge Leshetz faces is one encountered by many student loan borrowers. Mortgage companies typically look at two factors when determining borrowers' eligibility for a home mortgage—their credit score and their debt-to-income ratio (DTI). While credit scores can take a slight hit from large numbers of student loans being disbursed to the same borrower, in general, installment loans like student loans should not affect a credit score as long as these loans are paid on time. If a borrower falls behind on paying his or her loans, their credit will take an immediate hit—making the prospects of home ownership that much harder to attain. The New York Federal Reserve suggests that the total number of delinquent borrowers in both the Federal Family Education Loan Program and the Direct Loan program could be as much as 30% of the total student loan population,[29] and according to the Department of Education, some 13.2 million Direct Loan borrowers are currently delinquent on their loans.[30] These millions of borrowers have likely taken a credit hit that would make a mortgage approval much more difficult. But even when a borrower is diligently paying their loans, a large amount of outstanding debt will affect a borrower's debt-to-income ratio, and the DTI is something that mortgage companies look at closely when determining eligibility for a home mortgage. The DTI is calculated by adding all home expenses such as potential mortgage payments, home insurance, and taxes with all other recurring debts such as student loans, car loans, and credit card payments. All these debts are then divided by the borrower's gross (pre-tax) monthly income to determine the percentage of debt he or she has versus the amount of monthly income available. In order to qualify for a home mortgage, most mortgage companies will look for a DTI of 36% or lower.[31] This need for a low debt-to-income ratio is making the dream of home ownership challenging for student loan borrowers. An ASA survey respondent commented, "My family cannot (sic) afford the house/neighborhood we would want to live in because of my student loan debt to income ratio."

Consider this as the challenge that the borrower might face:

- The national median existing-home price as of February 2015 was $202,600.[32] With a 3.77% interest rate (the average for a 30-year fixed rate mortgage as of March 2015),[33] a monthly mortgage payment with average taxes[34] and insurance,[35] would be about **$1192.13** for a home mortgage if the entire housing cost is mortgaged over thirty years.
- The average student loan borrower in 2013 graduated with $28,400 in loans.[36] If paid back over a standard 10-year period with an interest rate of 6.8% for unsubsidized Direct or Stafford loans,[37] the monthly payment would be approximately **$326.83**.
- The average amount of credit card debt for 25 to 34 year olds is $6,255,[38] with an average interest rate of 17% and required monthly payment of interest plus 1% of the balance or **$151.16**.
- A 2013 college graduate with an average salary of **$45,327**[39] would bring home approximately **$3,777.25** a month before taxes.
- This means that the average amount paid for a mortgage, student loans, and credit card debts equals **$1670.12**, **or 44.2%** of the average college graduate's take home pay—8.2% higher than the maximum debt-to-income ratio required to qualify for a typical home mortgage, and with no room left for an auto loan or any other type of installment loan.

And for those facing student loan payments even slightly larger than the monthly average, working at jobs that pay slightly lower than average, or living in an area with higher than average home prices, home ownership will be out of reach—or at least on hold. A study by the Young Invincibles found that “the average single student debtor is likely ineligible for the typical home mortgage due to their debt-to-income ratio…[and for couples, it was] more difficult to qualify for a home mortgage when even one of the buyers has student debt, and even harder if both buyers have student debt.”[40] An ASA survey respondent commented, “I think [student debt] prevents me from saving for a down payment and/or qualifying for a loan for homeownership. I’d like to purchase a home in the next two to three years, but realistically, this would probably occur in seven years, once I pay off the student loans.”

In addition to the DTI, tighter lending practices in the post housing bust have led to higher requirements for down payments. The Federal Housing Administration requires a down payment of at least 3.5% of the home price for their federally backed loan program.[41] However, in a survey of nine major U.S. cities, the Wall Street Journal found that the median down payment was 22% in 2010.[42] In fact, according to information gathered by the brokerage firm Redfin, the median down payment for the cheapest 25% of homes sold in the United States in 2013 was $9,480, up over $3,400 since 2007.[43] As Neal Soss, the chief economist at Credit Suisse puts it, “It takes a certain amount of time for people to save that up, and the more they’re burdened with student loans, the less possible it is for them to accumulate that chunk of liquid capital that allows them to make that.”[44] And while low or no down payment mortgages are possible to find, most borrowers with a high debt-to-income ratio and average credit score (mainly because a good credit score takes some time to build) would not be approved for such a mortgage.

In order to save for a house and other major expenses, more and more student borrowers are finding themselves moving back home with their parents after leaving college instead of moving out into the world. According to the Pew Research Center, approximately 21.6 million 18- to 31-year-olds, or 36% of that population, were living at home with their parents in 2012.[45] There has been a 46% increase in this trend since 2007.[46] Forty-three percent of those responding to ASA’s survey stated that their student debt was either a factor, or somewhat of a factor, in their decision to delay moving out of their parent’s home. One respondent commented, “After I left school, I had to move home and start repaying my loans. I never thought I’d be living with my parents in my 30s.” Another person commented, “While I am able to buy food and clothing, I am not able to live on my own. I have to live with my parents, which I am grateful for, but I am an adult and due to my student loans I do not have enough money to rent an apartment, get my car fixed, go on vacation, or save money. Essentially I am able to live from pay check to pay check and fear for the time when I am not.”

On a personal level, home ownership can be an important benchmark of economic security and success that has major implications on the economy at large. As Duke University researcher Mary Elizabeth Hughes commented, “Ownership represents a major transition point in people’s lives and lifestyles. The fact of ownership, as well as the quality of the home, anchors one’s consumption lifestyle and leads to other consumptions. Second, the ability to achieve home ownership is an important marker of economic security. Housing equity is most people’s major component of wealth, so owning a home has important implications for future economic wellbeing.”[47]

First-time home owners are also a key factor in the recovery of the housing market, which in turn affects the economy at large. According to the California Association of Realtors, approximately $60,000 in direct and indirect spending is added to the economy for every home that is purchased, and in an average year, home sales generate more than 2.5 million private-sector jobs.[48] Because they are seen as the first rung of the housing ladder, young adults who cannot become first-time home buyers create a ripple effect.

When a first-time home buyer purchases a home, he or she allows current owners to sell and move to more expensive homes, thus spurring both further home sales and home building activities. This new construction generates employment for associated industries, as well as taxes for local, state, and federal governments. Home sales also generate business for everyone associated with a home sale—real estate agents, attorneys, mortgage brokers, home remodelers and improvers, landscaping services, and ancillary services like appliance and furniture sales. With more and more young adults shut out of the housing market because of their student debt, there are fewer first-time homebuyers to start the ripple effect needed to continue to grow the housing economy.

> *"My goal in life is to be happy, work hard, and be free. I wake up every day and I think about my loans. My student loan debt is such an oppressive obstacle to my happiness and freedom, that I feel like I can't start living my life until I'm 35, when I pay off my loans. And even then, I'll need to take out more loans to earn a master's degree to earn more money."*

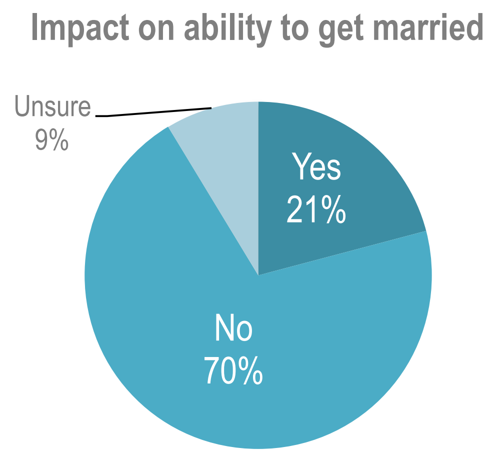
--- ASA survey respondent, 2013

MARRIAGE AND FAMILY

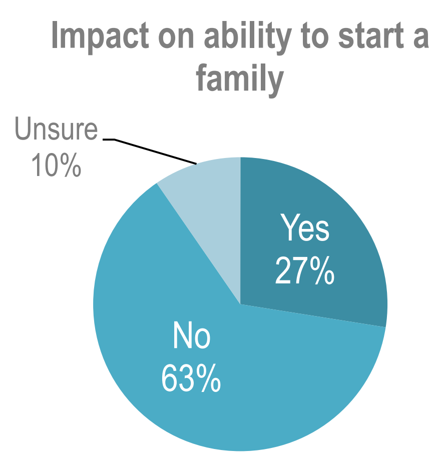
Despite the fact that millennials (adults ages 18 to 29) view parenthood and marriage as more of a life priority than career and financial success,[49] many with student debt seek financial stability before marrying or beginning a family. And these delays in marriage and family hinder economic stability for future generations. We will not debate the social, moral, or health concerns related to delays in marriage and childbearing here, as the purpose of this analysis is to better understand the impact of economic decisions on marriage and family. The only relevant factor is that there is evidence that student loans are creating economic insecurity, which makes commitment to long-term life choices of any kind more challenging despite the many economic benefits.

The average age for a marriage in the United States has gone up significantly over the last few decades. In 1965, the average age for marriage was 23 years old for men and 21 years old for women.[50] Today, that average has gone up by six years to 29-years-old for men and 27-years-old for women.[51] One of the reasons for this higher marriage age is the inability of young people to meet the financial milestones Kiplingers outlines, such as paying student loans, starting an emergency fund, and starting to save for retirement in a timely way. Sociologist Mary Elizabeth Hughes points out that, "One of the leading explanations for this trend points to a series of economic transformations that has made attaining economic security more difficult for many and impossible for some. From this perspective, marriage is being delayed—and even forgone—because inauspicious economic context prevents individuals from reaching the minimum economic threshold required for marriage."[52] In addition, "culturally, young adults have increasingly come to see marriage as a 'capstone' rather than a 'cornerstone'—that is, something they do after they have all other ducks in a row, rather than a foundation for launching into adulthood and parenthood."[53] While there are many reasons for this economic insecurity, a growing factor is student loan debt.

Anecdotally, stories have surfaced about young people breaking up over student debt,[54] and others saying they don't "feel financially ready for marriage" because of their student loan burden.[55] A report from Rutgers University found that 14% of student loan borrowers delayed marriage or other relationship commitments as a direct result of their student loan obligations.[56] ASA's own survey results suggest that these numbers are even higher. Twenty-one percent of respondents indicated that student debt affected their decision to delay marriage. One survey respondent commented that, "My fiancé and I have had to delay getting married by two years because of student loan debt preventing us from being able to save for our wedding." Another person commented, "I feel like if I get married, my spouse will be put under the weight of my student loan, and it would ruin his financial situation as well."



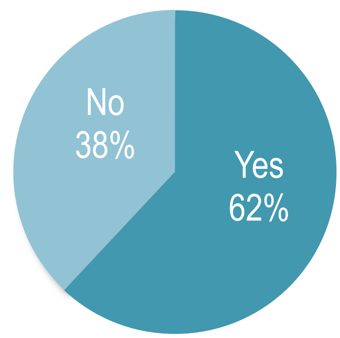
Studies show that for some populations, particularly the college educated, there is an economic benefit to delaying marriage until career stability has been reached.[57] However, there are also benefits that are being missed because of this delay. A Pew Research study found that on average, married adults have made much greater economic gains since 1970 than unmarried adults, and that "from 1970 to 2007, their median adjusted household incomes, the sum of financial contributions of all members of the household, rose more than those unmarried."[58] Upon the last review conducted by the Government Accounting Office, over 1,100 federal statutory provisions under U.S. law grant federal rights, privileges, and benefits to married couples.[59] Some of these are more social in nature, such as the right to visit a spouse in the hospital, make medical decisions on their behalf, or take family leave to care for a spouse during illness. However, many of the legal benefits of marriage are purely economic—federal and state tax benefits, right to inheritance from an estate, right to Social Security, Medicare and Disability benefits, right to veterans and military benefits, access to family rates for health or auto insurance, etc. Some economic benefits to marriage are not codified in statute, such as the fact that marriage generally means a pooling of incomes and resources, which leads to more economic stability for the household and a sharing of household costs. When people delay marriage because they don't feel economically secure due to student debt, they are also missing the economic benefits that marriage offers.



It stands to reason that those who feel they are not financially ready to marry because of student debt are also putting off starting families because of their debt. College educated women already have a propensity to have children later in life, with one-third of college educated women having their first child at 30 years old or later, as opposed to the national average of 25.4.[60] For those with student debt, this issue is only exacerbated. One borrower was quoted in the Wall Street Journal as saying, she has "given up on her hopes of getting an M.B.A., starting her own interior-design firm, or having children. 'How could I consider having children if I can barely support myself?' she said."[61] A survey conducted in 2002 found that at least 21% of student loan borrowers delayed having children specifically because of their student debt.[62] ASA's survey shows that today that number is closer to 28%. A respondent to ASA's survey commented, "I want to wait to have a family because I do not want to add additional expenses until my loans are under control. I think about my student loan debt EVERY day, multiple times per day."

Those who do wait to have children until their loans are paid off may run into financial challenges later in life due to this decision. Today, 47% of adults age 40 to 59 have a parent 65 years or older AND are either raising a young child or financially supporting a child 18 years or older. About 15% of 40- to 59-year-olds are providing financial support to both an aging parent and a child.[63] The financial strain of meeting the needs of raising a child while financially supporting a parent has a significant impact on those doing so, with 40% finding it hard to meet their own basic expenses because funds are diverted to others' needs.[64]

Has your retirement savings been put off because of your need to pay student loans?



In addition to the financial outlays student debt makes necessary for middle-aged people still paying their own debts or those for their children's education, many strapped with student debt are putting off saving for later in life. For many, short term savings is nonexistent with 48% of those surveyed responding that they had no money saved for an emergency. Twenty-nine percent responded that they only had enough saved in an emergency account for three months, and only 24% stated that they had up to six months of emergency savings. In addition, 62% of those responding to ASA's survey said they have put off saving for retirement or other investments because of their student loans. Those savings delays put a greater strain on social service resources for the elderly. In addition, because those who marry and have children later in life tend to have fewer children, there is an impact on how they will be personally supported by their children as they age and an impact on how many workers will be available to financially support aging generations at large. We are starting to see this strain now as the Baby Boom generation heads toward retirement and the current workforce struggles to meet the demands promised to them through Social Security and other financial support systems. This cycle will only continue as Millennials delay marriage and children to meet financial obligations such as student debt prior to raising a family.

Finally, we should note that student debt is not only affecting those who recently left higher education, but is still having a lingering impact on nontraditional students and the finances of those who took out the first loans put into place in the 1960s. A report from the Federal Reserve Bank of New York found that borrowers over the age of 50 account for 17% of the outstanding student loan population.[65] In addition, according to a recent report by the Government Accountability Office, approximately 706,000 households headed by someone 65 or older carry student loan debt.[66] The amount of outstanding debt for this population has increased 600% since 2005, with the current outstanding student debt balance at $18.2 billion for this population.[67] While many of these people may have taken on loans to help children or grandchildren attend college, 80% of them according to the GAO, have student loans that paid for their own education.[68] A growing number of those early student loan borrowers are now heading for retirement and have found their financial situation precarious at best due to their outstanding student loans. The existence of these student debts has made it harder to save for their own retirement, harder to pay for their children's education (possibly resulting in their children taking on larger college debts), and many find that their Social Security is now being garnished in order to pay off defaulted student loans. The U.S. Department of Education (ED) is clear that if someone defaults on his or her federal student loan, "the U.S. Department of the Treasury, at ED's request, can withhold money from your federal income tax refunds, Social Security payments, and other federal payments to collect your defaulted federal student loan."[69] In fact, over 155,000 Social Security recipients, including those receiving retirement, survivor and disability benefits had their Social Security garnished in 2013 due to student loan debt.[70] Of this group, 36,000 were over the age of 65, a 600% increase from the level of 6,000 in 2002.[71] As a result, student debts are affecting the purchasing power of retirees decades after they concluded higher education. And as more and more students leave school with loan debt, this lingering impact is likely to be the story for generations to come as the cycle continues for those delaying life because of student loan debt.

> *"I am forty years old. My life hasn't even started. I only have $21,000 in retirement savings, and $91,000 in student loan debt. I will be living on ALPO when I retire. I probably won't be able to retire."*

– ASA survey respondent, 2015

RECOMMENDATIONS:

Through federal policy and state budget priorities, we as a nation have chosen debt as the primary means of funding higher education. There is unlikely to be a seismic shift in the way higher education is funded in the coming years, and college costs are unlikely to be reduced from their current levels. As a result, we must find a way to ensure that borrowers have better means of managing the debt so that they can fully appreciate the American Dream that higher education is meant to facilitate. If federal student aid exists to promote social mobility, the focus of future student aid policy should be on finding ways to limit the negative financial impacts that student loan debt has on the post-graduation consumer life of students.

The federal student loan system was established for the collective good of the nation as well as to assist individual borrowers. As a result, the nation at large has a collective responsibility to refocus the program on borrower success. The federal government, state governments, private sector employers, private lenders, and colleges and universities all have a role to play in ensuring that borrowers can not only survive the student loan payback process, but thrive as consumers throughout that process. We suggest the following steps to achieve this goal in a way that benefits both student borrowers and society at large.

FEDERAL GOVERNMENT:

Support more funding for grants

For many years, grants were the primary means of paying for higher education, thus lessening the amount to be paid back post-college. Since 1982, however, there has been a shift in the composition of financial aid packages and loans have outpaced grants as the primary means of financial aid funding. The federal government should encourage ways to shift the balance back to make a borrower's aid package more grant aid. This will not only take a commitment from the federal government, which accounts for 41% of total grant aid awarded, but other players such as states, schools, and private industry, as well.[72]

Support college savings plans and encourage early saving for higher education

Even though many parents find themselves still saddled with their own student loan debts, the benefits of saving for their child's education needs to be reinforced by the federal government. College savings accounts have proven to have a positive impact on both college access and completion rates, and decrease the amount students must borrow to complete higher education.[73] In light of these positive results, the federal government should do more to encourage early college savings when possible. Examples that should be considered include: instituting tax deductions that will allow an employer to match an employee's contribution to an approved college savings plan; supporting and facilitating scalable pilot programs that show the effectiveness of early college savings for constituencies that historically have not saved much for college; promoting initiatives that look to expand use of college savings plans; continuing to explore ways that Pell Grants can be better used with 529 plans to improve college savings and college completion for Pell eligible students[74] ; and encouraging states to improve tax codes to make college savings plans more attractive and enrollment easier.

Keep interest rates on student loans low

According to the Congressional Budget Office (CBO), over the next 10 years, the federal government is projected to make an estimated $127 billion in profits from student borrowers.[75] Often, this money goes to paying down debt and other federal expenditures wholly unrelated to higher education. Borrowers struggling to pay their student loans should not have to foot the bill for the loan obligations of the federal government.

Federal student loans should be cost neutral to the government—that is, they should cover the cost of the program, not create profit off of student borrowers. Student loan interest rates should be set to a rate that will allow the government to cover the cost of the program and no higher. At a minimum, if consensus cannot be reached on the low rate of federal student loans, all excess profit on the loans should be earmarked for higher education programs that help defray the cost of college attendance. The original purpose of the federal student loan system was to create opportunity for borrowers, not cripple them with unnecessary debt. It is time for the federal government to get back to that principle.

Provide borrowers with proactive, timely information about available payment solutions

The strength of the federal student loan program is the breadth of the payment options already enacted by Congress, which offer solutions for almost every imaginable barrier to successful repayment a borrower can face. The program's downfall, however, is that such an extensive range of options can be confusing— and the program offers no universal communication or support network to borrowers as they weigh their choices. This is evidenced by ASA's study and numerous other recent reports that show that many student loan borrowers' life decisions are hampered by their monthly student loan obligations because they just do not understand available payment remedies. For example, student borrowers who choose to enter the public sector could combine Income-Based Repayment with Public Service Loan Forgiveness to make 10 years of reasonable student loan payments (no more than 10-15% of discretionary income), after which any remaining balance is forgiven. Similarly, borrowers can choose from a variety of payment plans designed to make the monthly payment more manageable, specifically so that they can both repay their student loans AND pursue other financial goals. Borrowers are failing to take advantage of these programs, as evidenced by the growing number of delinquencies and defaults and growing negative perceptions of the debt, either because they are unaware these options exist or because they cannot navigate the overly complex enrollment process.

Every federal student loan borrower deserves the right to free, timely, proactive payment information and support from a neutral resource throughout the entire life of the loan, not just as he or she enters and exits college. As a result, schools should be incented by a matching grant program from the federal government to provide education debt management services to their students as they go through the repayment process. The federal government has an obligation to ensure that students can manage the loan obligations they are undertaking without financial missteps. Likewise, colleges and universities have a responsibility to ensure their alumni are financially competent and can meet the obligations laid on them with rising tuition costs. A matching grant program between the federal government and colleges, established to secure the financial education and education debt management services on behalf of the borrower, should be a priority. Only by ensuring that borrowers know all of their obligations and rights will the federal student loan program ever truly work in the best interest of borrowers.

STATES

Commit more state funding to higher education

The vast majority of those attending an institution of higher education in the U.S. attend a public college or university. While private colleges must do more to tame their escalating costs, states must also make a commitment to controlling the growing costs at the public institutions that educate 71% of college-goers.[76] According to the College Board, the average tuition and fees at public four-year colleges and universities rose 225% from 1984-85 to 2014-15 from $2,810 to $9,139.[77] The rise in tuition at public colleges and universities is a direct result of shrinking state budgets, which have cut support to higher education. Costs are being passed on to students who must shoulder the burden of the state priorities in the form of higher tuition and fees. States should make more of a commitment to higher education as an economic development tool for their own region, as a job creator, and as a means of economic growth.

In addition to dedicating more money to colleges and universities to control the costs of tuition and fees, states must commit more resources to state grants. Today, only 8% of all grant aid comes from state governments.[78] States must be more of a partner with the federal government in ensuring that students receive a high quality education without financial demise and the burden of additional debt.

Consider a radical shift in the way higher education is funded

Solving the challenges we face with higher education debt will take creative ideas that may not have been tried before. States should try new and innovative approaches to funding higher education while maintaining their commitment to fund public higher education at the state level. We must move away from "business as usual" ways of funding higher education, but cannot pretend that states do not have a role to play in helping keep debt burdens low and helping borrowers manage their education debt. It is time to throw out the playbook and start from scratch to develop a higher education funding system that works for all parties involved—schools, governments, and the student borrowers.

There has been a lot of discussion recently about President Obama's proposal to make two years of community college free for certain students. While this may not be a politically feasible idea nationally at the moment, this proposal arose from a creative plan in the State of Tennessee to provide free community college to their residents. Programs like this should be encouraged and implemented where possible as a means of lessening the burden of college debt.

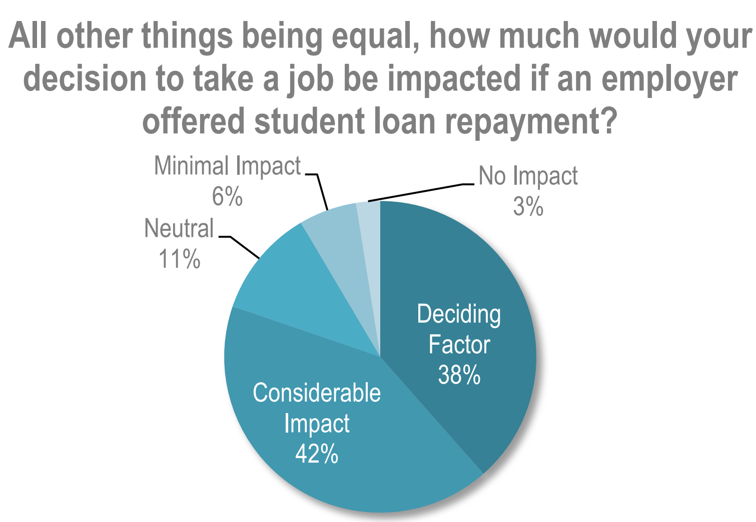
PRIVATE INDUSTRY

Commit more to scholarships and grant aid

It is vital for the public sector to do more to help manage higher education debt, but there must be a tandem commitment from the private sector to assist with this struggle, as employers are among the primary beneficiaries of a highly educated population. Greater private resources can and should be committed to the ongoing effort to make colleges more affordable for students. Today, only 13% of grant aid comes from employers and other private sources.[79] However, private sources have a vested interest in lessening the financial burden placed on young consumers by student loan debt. While hampered by student debt, these young consumers cannot fully participate in the economy or invest in the products and services supplied by local industry. The student loan borrowers of today are the consumers of tomorrow—if they can afford to be. It is in the best interest of companies, employers, and private industry to play a role in lessening the debt burden of student loans by committing more resources to grants and scholarships.

Commit more to student loan repayment

Employers are the primary beneficiaries of a highly educated population. Thanks to a tax benefit, many employers offer tuition reimbursement that will allow employees to further their education. Unfortunately for the employer, once these credentials are gained, the employee often moves on to other opportunities. Employers would benefit, and retain employees, by helping employees pay for the loans that got them the great job in the first place. In ASA's survey, 76% of respondents said that, all other things being equal, if an employer offered assistance with student loan repayment, it would be the deciding factor or have considerable impact on their choice to take that job. In 2013, Congressman Steve Israel introduced legislation entitled The Student Loan Employment Benefits Act (H.R.395). This bill would provide federal tax incentives for employers to provide this benefit to their employees. The bill has not been introduced in the current session of Congress, but even without the tax benefit employers like ASA that currently provide small amounts of loan reimbursement to employees have seen increases in retention and job satisfaction.



PRIVATE LENDERS

Create flexible repayment options

Federal loans make up 85% of the nation's $1.2 trillion-plus in student loan debt, but a significant portion of borrowers often carry private student loan debt in addition to federal debt. Only 10% of ASA survey participants had private loans only, but an additional 44% had both federal and private student loans.

Unfortunately, the lack of flexible repayment options leaves many private loan borrowers in dire financial straits. Currently, regulatory constraints limit lenders' flexibility to modify repayment terms prior to default; these regulatory issues should be evaluated in light of current economic realities. If given more flexibility, private loan lenders should then develop repayment options based on interest only and income-related factors that can be adjusted as the borrower's circumstances change. As with federal student loans, these payment options must be well-advertised or they will be underutilized as a result.

COLLEGES AND UNIVERSITIES

Do more to control college costs

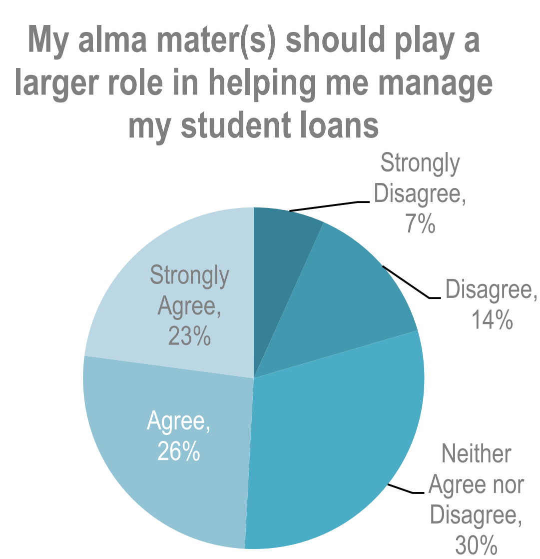
It goes without saying that the best way to help with escalating student debt is to keep the costs of higher education low for students. As mentioned earlier, states play a large role in helping to control costs at state schools, but more must be done at the institutional level, both public and private, to control continuously escalating tuition and fees. A recent report found that the cost of college has gone up 1,120% since 1978.[80] It is unsustainable for prices to continue to rise at this rate and expect that the next generation will shoulder the burden. College and universities must make a concerted effort to minimize tuition cost increases.

Teach students how to borrow less and borrow wisely

The image of student borrowers "living large" off of their student loans is more the stuff of myth than it is rooted in reality, but colleges still have an obligation to reinforce with their in-school population the need to live like a student now so they won't need to in the future. Students should be instructed on the simple basics of budgeting, personal finance, and the difference between wants vs. needs, so that all borrowing is kept to a minimum. Additionally, colleges need to inform students that not all student loans are created equal. A distressingly high number of private student loan borrowers are not aware that these loans have fewer payment options than federal loans, or the benefits of exhausting all federal loan options first. Given the current inability of private student loan borrowers to make payment more manageable, colleges need to emphasize that these loans should be a last resort.

Of course, supplying debt management education to students comes at a financial and resource cost, and schools need not carry this burden alone. As federal and state financial aid policies also influence debt level amounts for students, government funding could help defray this financial expense for colleges. As mentioned earlier, the federal government should provide resources to assist the schools in providing these services through a grant program.

It is in the college's best interest to provide such services. Not only did 49% of ASA's survey respondents reply that they thought their alma mater should help them manage their debt, but 62% said that their debt has negatively impacted their ability to donate to their alma mater. Sixty-four percent said that their student debt has negatively impacted their willingness to donate to their alma mater. This suggested that 2% of ASA survey respondents have the means to give, but are unwilling to do so because of a concern about debt and the negative association the borrower



translates back to their alma mater. A 2% increase in giving would more then cover the cost of providing loan counseling services, could alleviate debt concerns, and create alumni donors for life for the institution.

STUDENT BORROWERS AND FAMILIES

Make a commitment to become proactive, empowered consumers of higher education rather than passive financial aid "recipients"

Too often student borrowers and their families make unwise choices about college financing that they may come to regret. This includes making emotional choices rather than pragmatic choices about the school they attend; failing to exhaust grant aid prior to taking out loans; failing to take out federal debt with more favorable repayment terms over private loans; failing to consider how the student borrower will be able to repay the debts taken on; failing to understand the scope of the amount borrowed; and parents borrowing too much on behalf of their children and mortgaging their own financial security in the process. The list could go on and on. The reality is that despite 50 years of existence of the current college financing system, far too few students and families know how the system can work best for them-- they are just signing on the dotted line for financial aid and never questioning if it's in their best interest to do so. Many borrowers are so focused on getting in, they fail to take a long-term view on how they will repay.

While student borrowers and their families need to be better informed about the best means of financing a college education in a way that fits their unique circumstances, more information is of little assistance if borrowers and families don't make a tandem commitment to becoming more educated consumers. College acceptance can't just be about getting into your "dream" school, it has to be about getting into the right school both academically and financially. Student borrowers and their families need to start making choices about higher education as they do other consumer purchases—the decision can't just be about a name brand, it has to be a smart financial choice as well.

Responsible adults rarely make rash financial decisions on large consumer products—they research their car choices and never pay sticker price, they find the best home in the best price range to meet their family's needs, and make countless other bargaining decisions all the time. But when it comes to a college education, for many the choice is an emotional decision about the right fit of a school and then finances are cobbled together to pay for the dream. As a result, it may be too late to apply for competitive grants or research loan options, and parents and borrowers scramble for any financing available so as to not lose their spot at a chosen school. Lack of information available means that many options are left on the table that could impact a borrower's long-term financial health. Many borrowers don't take the simple steps needed to ensure they are receiving all the federal financial aid, both grants and loans, which they are entitled to. Because they are so focused on getting in, some borrowers see the local advertising for a private education loan and go to the bank down the street to borrow for college because it's convenient. These borrowers may not be aware of the number of flexible repayment options they are walking away from by taking out a private loan over a federal loan that could have a significant impact on their ability to repay post-graduation.

Not only does lack of information and failure to see college as a consumer choice impact the types of financing, but it goes to issues of school choice as well. For example, while private colleges tend to have higher tuition rates, some private schools may cost less in the long-run if they have the means of giving out more institutional aid than a public school. This is a factor that is never explored if the borrower is not aware of all the options available to them. Unfortunately, for many families, they don't know what they don't know when it comes to college financing and the entire financial aid process, so they just go with the most convenient solutions for a quick fix rather than solutions that are the best long-term options.

In the legal field it is said that "ignorance of the law is no excuse." The same can be said for student loans—ignorance of what you owe and how you will repay is no excuse for not paying. Simply put, "I don't know" or "I wish I had known" are no longer acceptable responses when it comes to financing higher education— the stakes are simply too high with colleges costs escalating faster than inflation amid stagnant incomes. While government, schools and student loan service providers must do more to ensure there is less ignorance of student loan repayment and debt burdens, it is also incumbent on borrowers to take an active role in ensuring they fully understand the obligations they are committing to. Students and families must be willing to transform themselves from passive financial aid "recipients" to instead proactive, empowered consumers in control of their student loans and their finances. When student loan providers do a better job of educating students and families, and students and families step up to the plate to become educated consumers, the end result will be more successful college graduates who access, complete and repay a quality higher education -- without the many negative financial impacts that the borrowers surveyed in our study faced.

"At 18 we are basically still kids. We take on these debts without fully understanding them because we are too focused on our new freedom. There needs to be a much bigger emphasis on teaching people of all ages everything one needs to know about student debt." ASA Survey respondent, 2015

CONCLUSION

If student loan borrowers continue to sit on the sidelines and delay financial commitments, the U.S. economy will plod cautiously along—rather than thrive with the help and economic investment of a new generation of well-educated consumers, eager to participate in driving the economy but hampered by their college debt. It is in everyone's best interest to address this problem and make a concerted effort to lessen the burden that student loans are having on generations of American consumers. Some simple, and some not so simple, steps can and should be taken to address this growing challenge so that we can fulfill the dream of higher education intended by Congressman Ford and others, rather than living up to Ford's fear of a student loan system creating debts that become a burden to economic success.

Written by Julie Ryder Lammers with assistance on data from Alexandra Carroll and Susan Loughnane.

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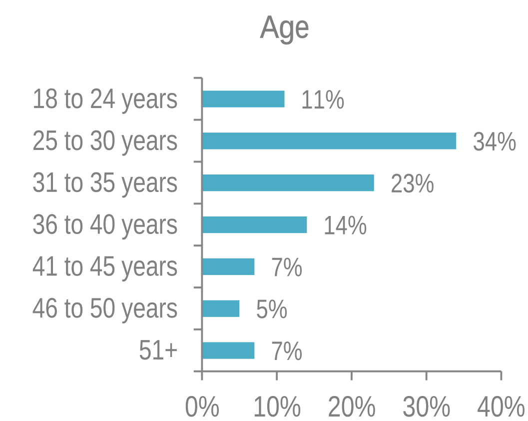
APPENDIX A: LIFE DELAYED SURVEY RESULTS

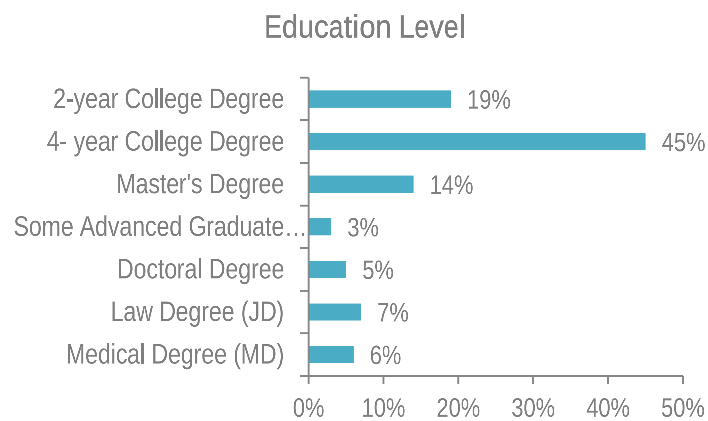
About the survey

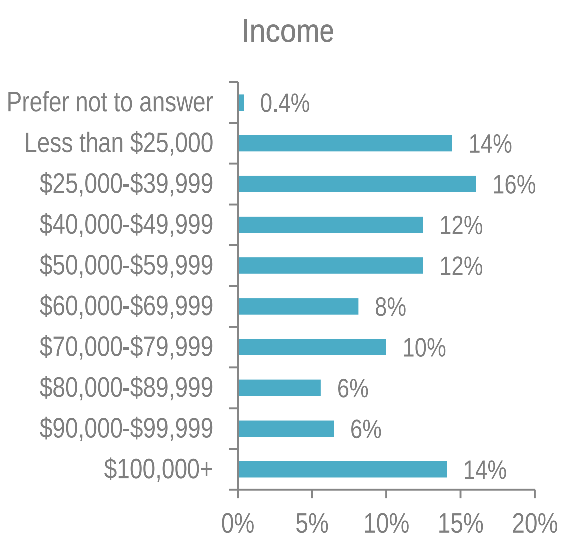
American Student Assistance® (ASA®), a non-profit based in Boston, Massachusetts, conducted a survey of student loan borrowers nationwide. Working with a panel and the survey firm Qualtrics, we gathered information from 1,934 participants with student loans. Best efforts were made to achieve a nationally representative sample in all school types sampled. The survey was open from April 4- April 23, 2015. Those responding to the survey were provided with an incentive to participate. Borrowers responding to the survey were not affiliated with American Student Assistance or our SALT® consumer literacy program.

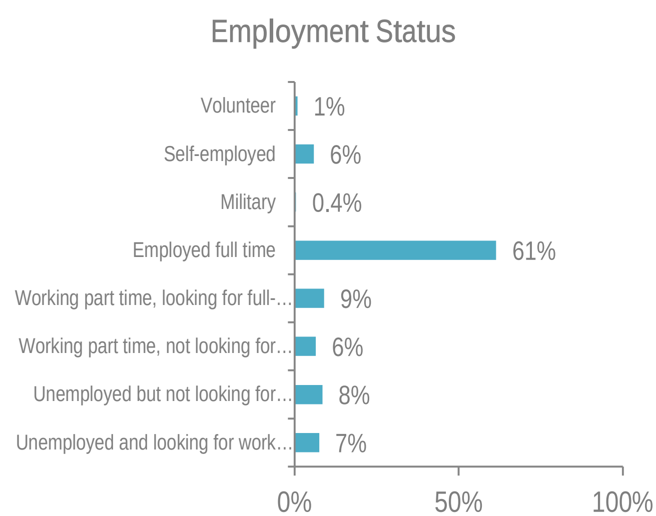
Demographics of the survey group

Ninety-three percent of those who responded to the survey were between 18- and 50-years-old with an additional 7% of respondents over the age of 50. Nineteen percent had a community college degree, 45% percent had a four-year college degree, 19% had a master's degree or doctoral degree, and 13% had a professional degree. Of those with a four-year degree, 50% attended a public college or university and 50% attended a private college or university. Fifty-four percent of survey respondents had an annual salary of less than $60,000. Seventy-five percent of respondents were employed full time, self-employed, or working part-time and not looking for full time work. Seven percent were unemployed and seeking work. All others fell somewhere else on the employment spectrum.



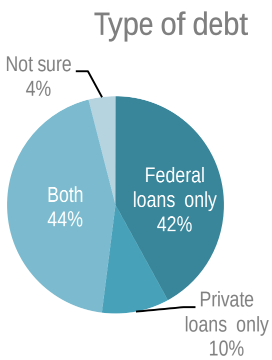


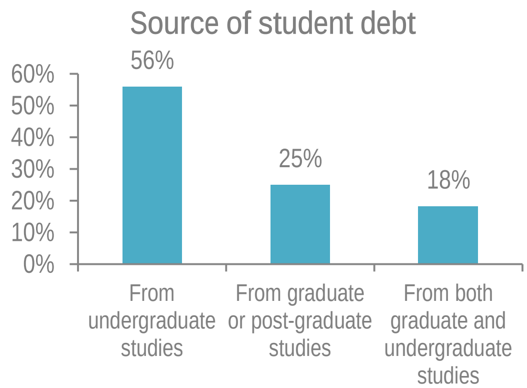


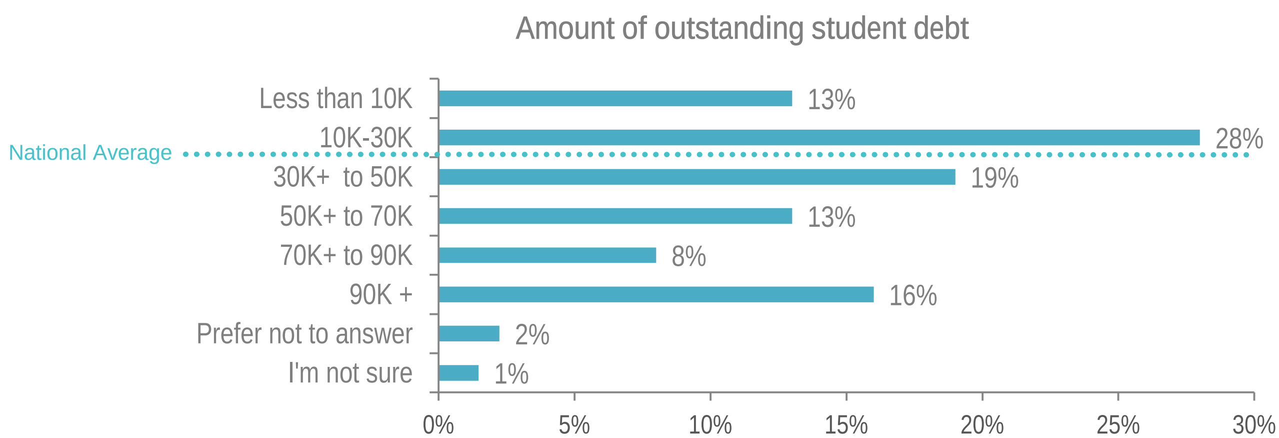


Student loans

Everyone who participated in the survey had student loans and all were 15 years or less from earning at least one of their degrees. Forty-two percent had only federal loans; 44% had both federal loans and private student loans; 10% had only private loans, and the remaining 4% were unsure of the source of their loans. The majority of survey respondents—56%— used their student debt to fund their undergraduate education; 25% took on debt to fund graduate or post-graduate degrees; 18% took on debt for both undergraduate and graduate studies; and 1% cited other needs for debt, mainly certificate programs and loans for a family member's education. Forty-one percent of respondents had loans totaling $30,000 or less, reflecting the national average of debt. However, 32% had debt loads between $30,000 and $70,000; 8% held debt between $70,000 and $90,000; and 16% held student debts over $90,000.

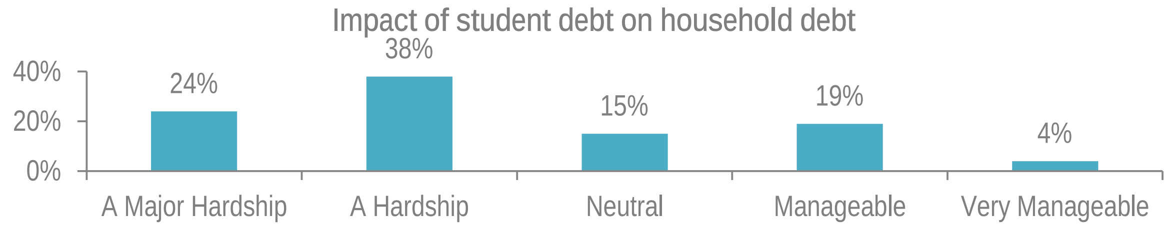




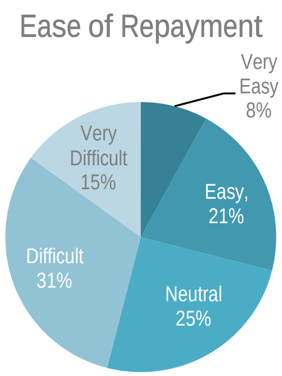


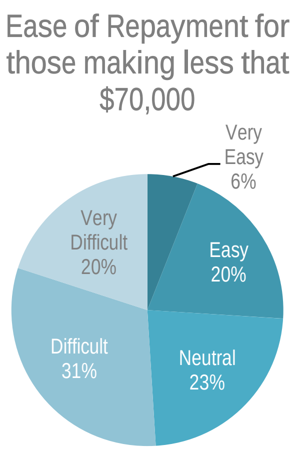
Student loan problems

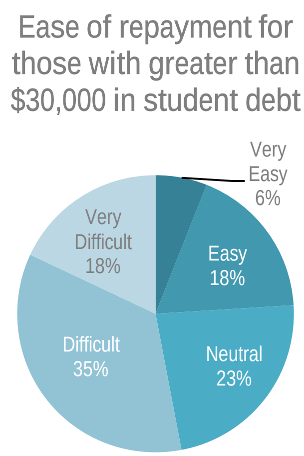
Those surveyed were asked the impact that student debt has on their personal budget when combined with all other household debt. Sixty-two percent responded that this debt is a hardship or major hardship. Only 23% percent feel that their current debt situation is manageable or very manageable.



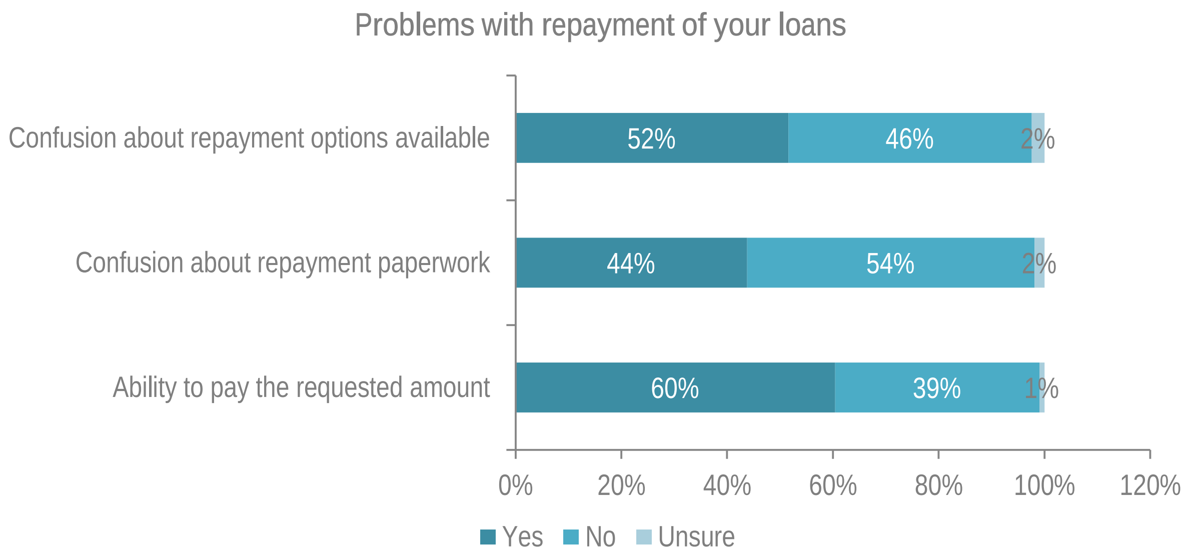
Respondents were asked how easy or difficult it is for them to make student loan payments each month. Twenty-nine percent of respondents indicated they found it easy or very easy to meet their loan obligations each month, but 46% found it difficult or very difficult to make monthly student loan payments. When we looked at those making less than $70,000 a year, we found that repayment of loans proved difficult for 51%. When we looked at those in all income levels with student debt greater than $30,000, we saw that 53% indicated they found it difficult to pay each month.



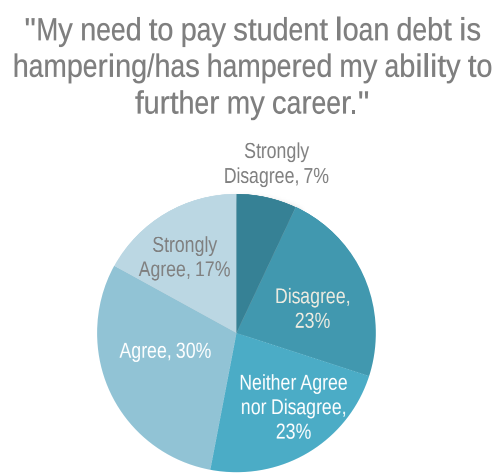




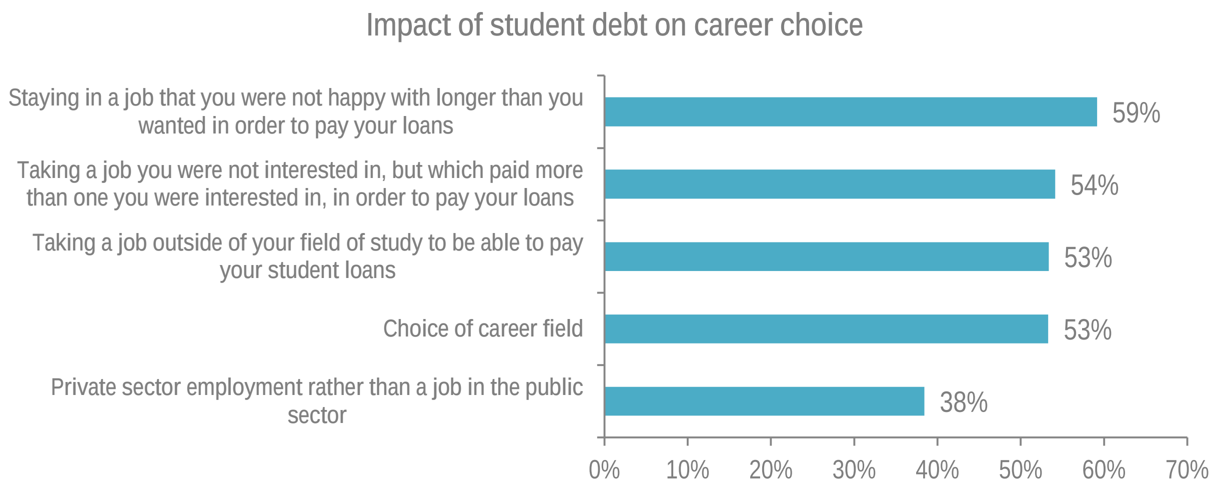
All borrowers were asked if they had ever run into problems with the ability to pay their loans. This question was broken down into three parts: (1) the ability to pay the requested amount, (2) confusion about loan paperwork, and (3) confusion about repayment options. Sixty percent of borrowers indicated they had run into problems with the ability to pay the requested amount of their loan; 44% were confused about repayment paperwork; and 52% were confused about loan repayment options. It is interesting to note that these confusions existed regardless of the level of education attained. The survey results showed that 51% of medical school graduates and 48% of community college graduates had difficulty understanding the student loan repayment process. The idea that the more sophisticated the degree the better the understanding of complicated paperwork did not hold in this survey.



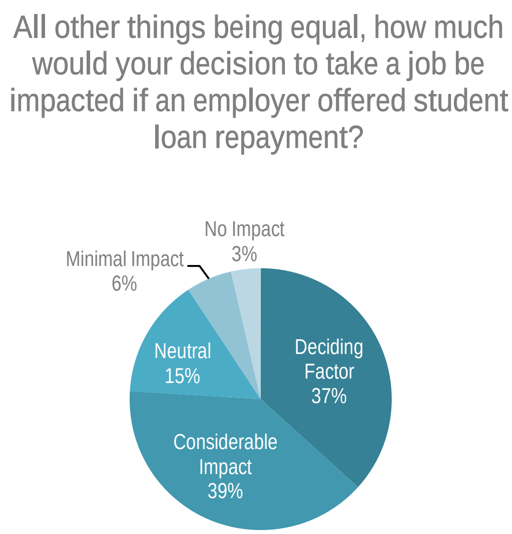
Impact on career choice



For many recent college graduates, career choice is not an option as those with debt are looking to get any job they can in order to pay the bills and pay off their college debt. Forty-seven percent either somewhat or strongly agreed with the statement that their "need to pay student loan debt is hampering my ability to further my career." Fifty-three percent of those who responded to ASA's survey replied that their student loan debt was the deciding factor, or had considerable impact, on their choice of career field. Thirty-eight percent responded that their student loan debt impacted their choice to take a job in the private sector rather than a public service job. Fifty-four percent noted that they took a job outside of their field of study in order to pay their student loans. Fifty-four percent responded that their loans strongly impacted their choice to take a job they were not interested in but paid more than a job they were interested in, in order to pay their loans. Fifty-nine percent said that their loans impacted their decision to stay in a job they were not happy with longer than they wanted in order to pay their loans. Finally, of those interested in starting a small business, 61% said that their student loan debt impacted their decision or ability to do so.

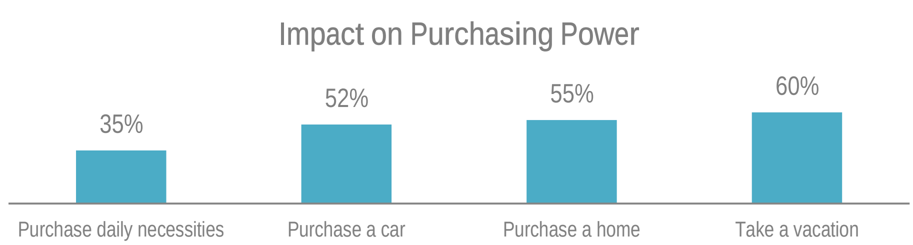


There does seem to be something that employers can do to assist with the burden student debt is placing on their employees. Seventy-six percent of respondents agreed that, all other things being equal, their choice to take a job would be considerably impacted or decided based on an employer's willingness to offer a student loan repayment program.

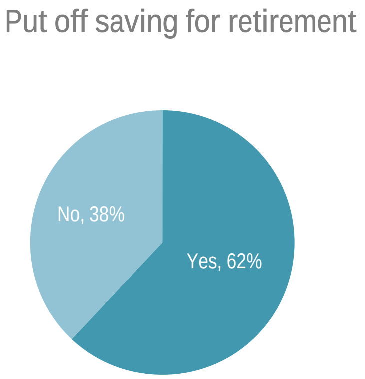


Impact on purchasing power

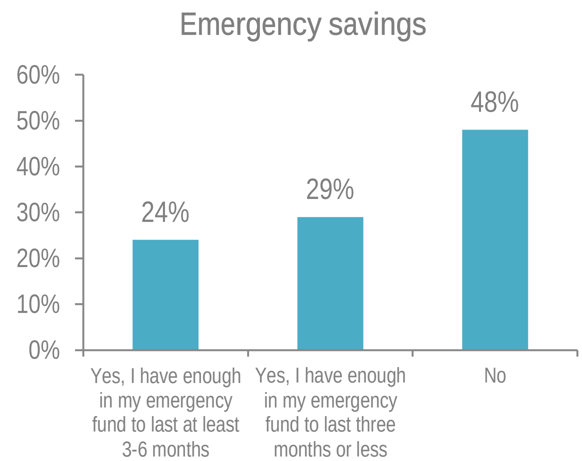
One borrower commented to ASA, "Student debt is the worst thing ever. It weighs on every decision I make, from food shopping, to where I choose to live, to how I spend my free time, to what clothes I wear, and ultimately, what career I choose. I spend less, not because I make less, but because I pay out so much every month to student lenders. By spending less, the economy doesn't grow. This is an extremely important issue that needs to be more of the national dialogue." And this borrower is not alone. Fifty-two percent of respondents indicated that big consumer purchases like a car were not possible due to student loan debt. The majority for survey respondents—55%— indicated their student debt impacted their ability or decision to purchase a home. Sixty percent of those surveyed stated that their student loan debt hampered their ability to make luxury purchases like going on vacation, but many indicated in their comments that this was a lifestyle choice that they understood as a necessary sacrifice in order to pay outstanding debt. However, 35% of respondents said that cars, homes and vacations were not even factors to consider as this population found it difficult to even buy daily necessities because of their student loans.

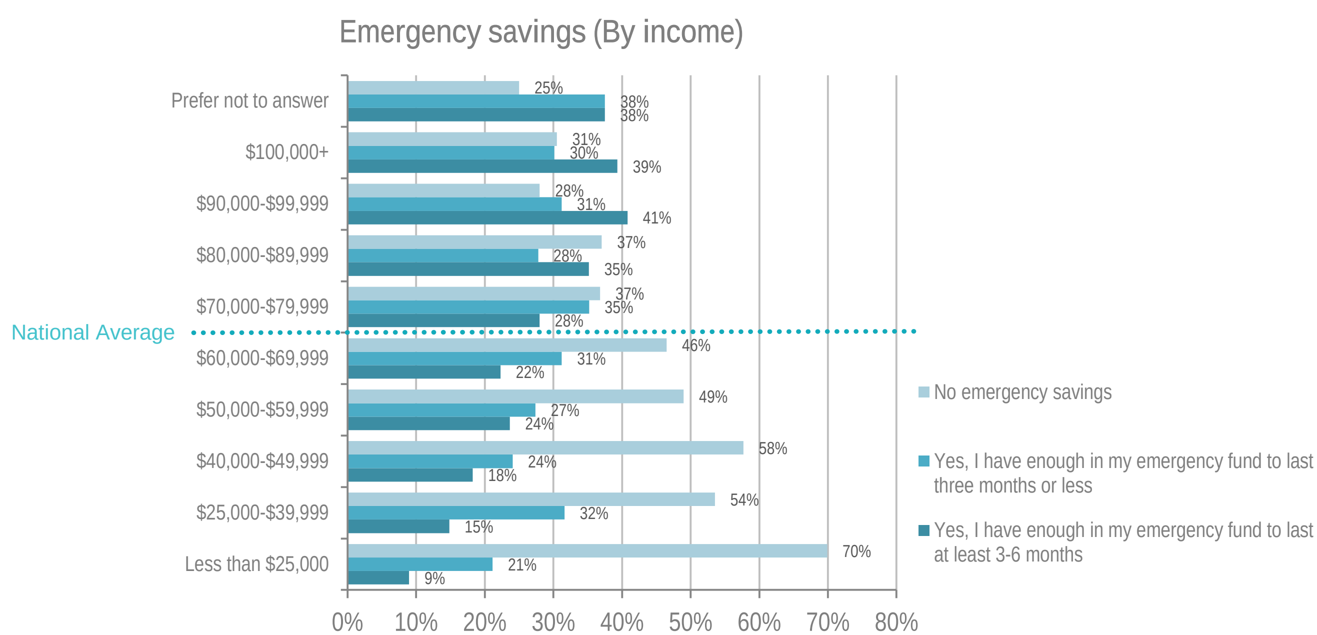


Savings is also a challenge for this group of survey respondents. Sixty-two percent said they have put off saving for retirement or other investments because of their student loan debt.



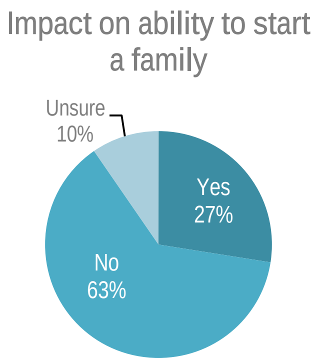
The picture is not much better for short-term savings. Forty-eight percent of survey respondents indicated that they have no emergency savings; 29% stated that they have enough savings to last three months or less; and only 24% had enough in emergency savings to last 6 months. As can be expected, those making $70,000 or more indicated more of a propensity to have emergency savings.

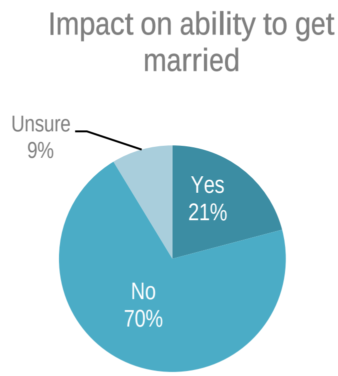


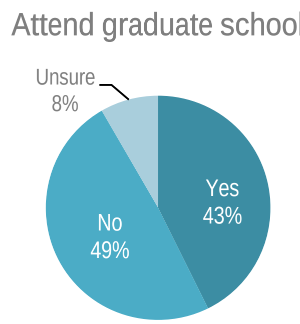


Impact on life and family choices

In addition to major purchases, student loan debt is having an impact on major life decisions as well. Twenty-one percent of those respondents in ASA's survey indicated that they have put off marriage as a result of their student loans. Twenty-seven percent said that student debt has delayed their decision to start a family. Forty-three percent indicated that student debt has limited their ability to attend graduate school.



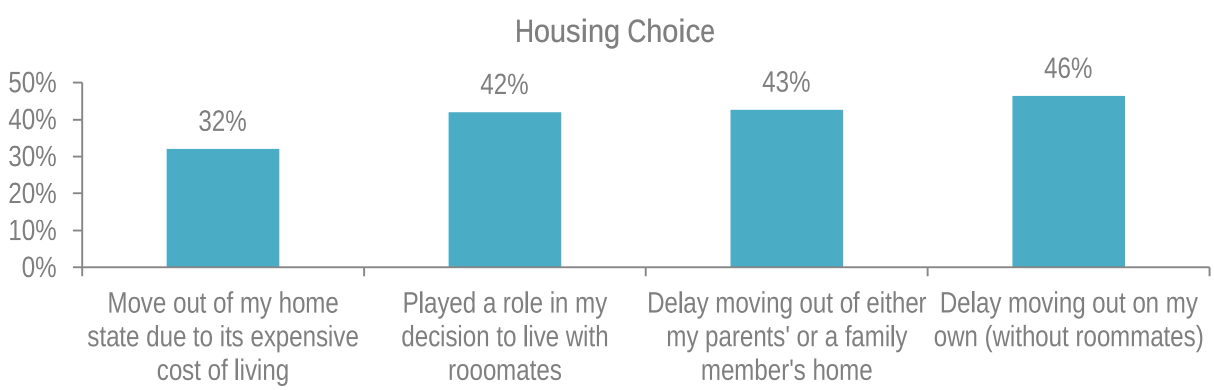




Impact on living choice

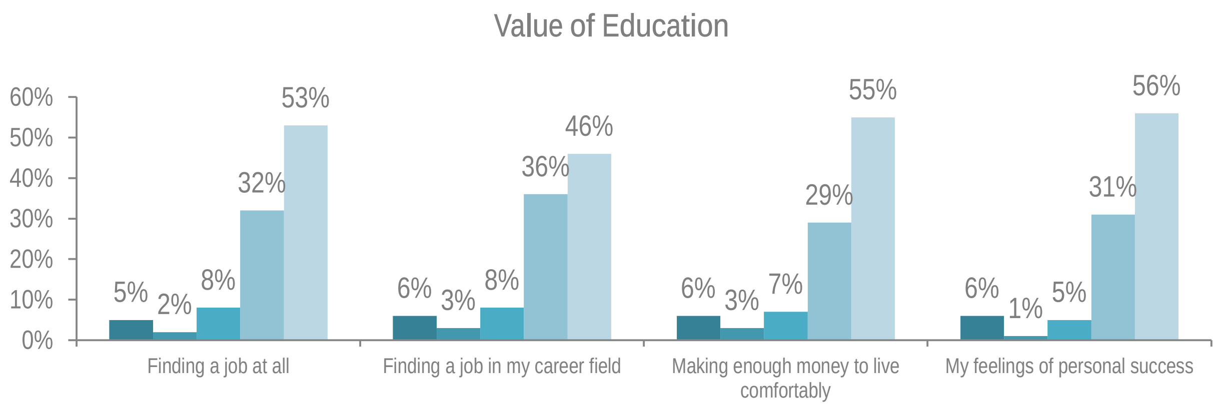
If 55% have delayed purchasing a home, where are they living? It would seem more and more young adults are choosing to stay at home with mom and dad. One borrower commented, "My loans take up 90% of what I make. I am lucky to be able to live with my parents rent free and be able to have food provided. I am unable to live on my own because of the amount I must pay back in loans and how much I make in my job. (My current job pays well, but not nearly enough when the loans are considered)."

Forty-three percent of survey respondents said that their student loan debt had an impact on their choice to delay moving out of their parents' or a family member's home. Forty-two percent said that their debt played a role in their decision to live with roommates. Thirty-two percent said that their student debt played a role in which state they would live in after school due to the cost of living.

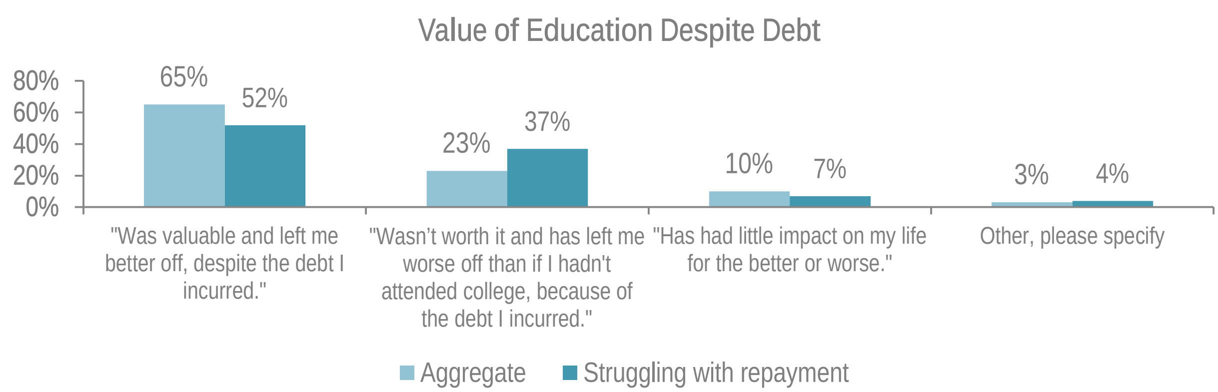


Feelings about the college experience

Despite the struggles that borrowers are having with their student debt, respondents still place enormous value on higher education. Eighty-five percent stated that a college education is important to finding a job at all. Eighty-two percent stated that a higher education is an important factor in helping to find a job in their desired career field. Eighty-four percent believe that a college education is important to achieve a salary that will make it possible for the respondent to live comfortably. Finally, and perhaps most importantly, 87% responded that a college education was important to their feelings of personal success.



In addition, 65% of respondents felt that their college experience left them better off, despite the debt they incurred. However, because of the debt incurred, 23% felt their college experience wasn't worth it and left them worse off than if they hadn't attended college. Ten percent indicated that their college experience has had little impact on their life for the better or worse, and 3% indicated other factors were true. The numbers shifted slightly when we looked at the same answers for those who had previously indicated paying student loan debt was a struggle. These respondents tended to view their college experience as less valuable or not worth attending because of the debt.



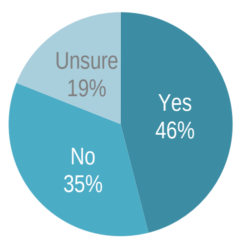
A sample of these "other" factors cited in comments include:

"My college experience…

> *"Was valuable, but the debt I incurred is out of proportion to the value provided."*
>
> *"Made a lot of friends, but it wasn't worth all the debt I incurred."*
>
> *"College gets you ready to be an obedient worker, and doesn't really teach you about financial stability."*
>
> *"Led to opportunities I wouldn't have had without a degree, but I wish I had done it differently in a way that incurred less debt."*
>
> *"Helped me in my career, but added significant strain on my family."*
>
> *"Was a good experience, but detrimental to actually starting a life beyond college."*
>
> *"I'm not sure I will be able to get a job with my education. College promises the world to get you in, but once you're in you don't see the results."*
>
> *"I know that it was a success but does leave me with some regret and disappointment that I didn't have better knowledge of student debt."*

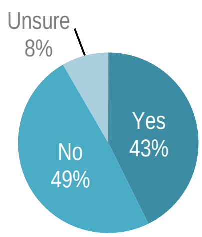
Forty-six percent believe that, knowing what they know now about the struggle to pay their debts, they would make the same choice about college. However, the majority – 54% – said that they are either unsure or definitively would *not* have made the same college choice.

Knowing what you know now about debt, would you have made the same choice of college?

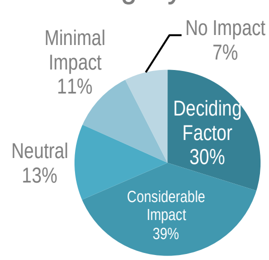


While 43% said that their current student debt impacted their decision to attend graduate school, in total 68% indicated that their current debt has had a considerable impact or was the deciding factor in their decision to further their education in general—this includes not only graduate school, but community college students dissuaded from attending a four-year school, or borrowers hesitant to get a certificate or additional credential other than graduate school. Many people commented that this was due to a fear of having to take on more debt in order to finance additional education.

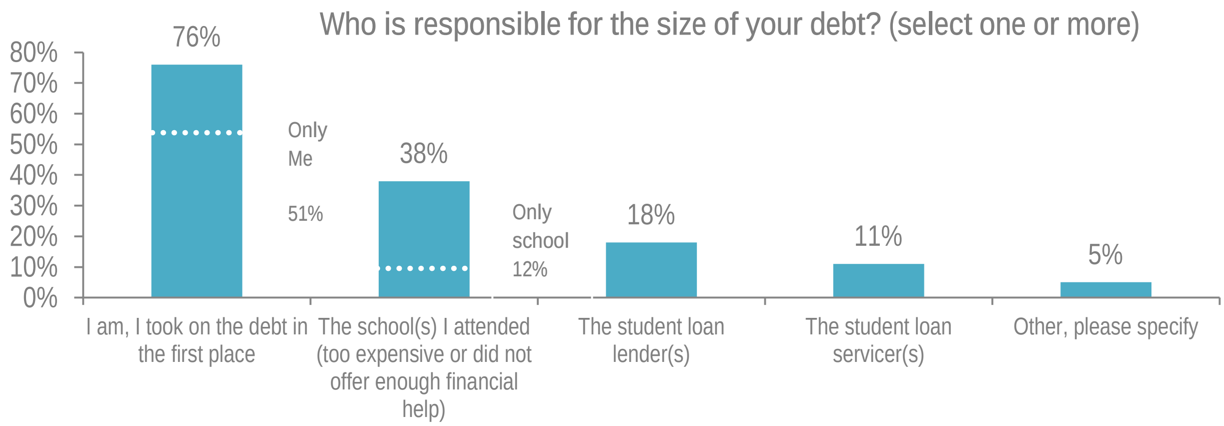
Attend graduate school



Furthering my education



The vast majority of those who responded to the survey felt some sense of personal responsibility for their student loan debt with 76% indicating that they were responsible for the debt since they took it on in the first place. However, other than themselves, 38% of respondents see the school they attended as secondarily responsible for the debt they incurred, followed by the lender at 18%, the loan servicer at 11%, and “other” at 5%. Fifty-one percent indicated that they were solely responsible for the debt while 12% stated that the school was solely responsible for the debt. Graduates of law school and private four-year institutions were the ones most likely to indicate that the school was responsible for the debt due to cost of attendance.



Select “Other” responses to “Who is responsible for the size of your student loan debt?” include:

One person blamed debt on “employers looking for degreed employees.”

A number of respondents said their parents were responsible for their debt.

A number said the responsibility sits with state and federal government entities:

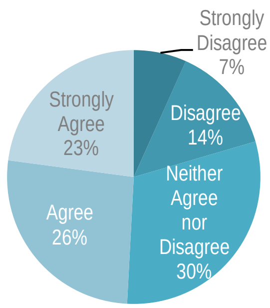
> *“the politicians who allow predatory practices to continue”*
>
> *“Government created the ability to get student loans. But tacked on high interest rates. Those will be the biggest burden.”*

And a few said their high school should have helped more:

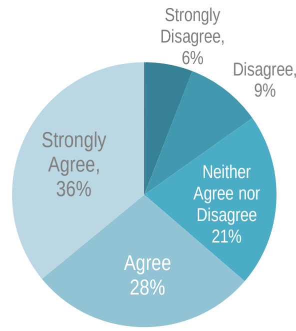
> *“High school and the incredible push to go to college”*

Despite the fact that borrowers feel they are responsible for the debt, 49% feel that their alma mater should play a role in helping them manage their student loans. Thirty percent had no opinion about the role that their alma mater should play in helping to manage their debt, but only 21% disagreed that their alma mater should be involved in helping in some way. In addition, the student debt burden is impacting both the borrower’s ability and willingness to give back to their school, although not at the same rate. Sixty-two percent of survey respondents stated that their loan debt is impacting their ability to give back. However, a slightly larger 64% said that their debt also impacted their willingness to give back, suggesting that 2% have the ability to give and might be more willing to do so if their student loans were less of a burden, or if they had a better ability to manage the debt.

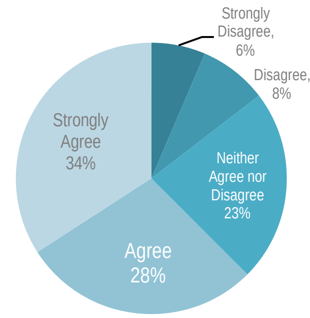
My alma mater(s) should play a larger role in helping me manage my student loans



Student debt hinders my *willingness* to donate to my alma mater

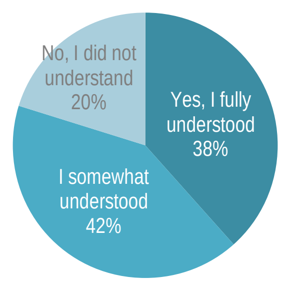


Student debt hinders my *ability* to donate to my alma mater



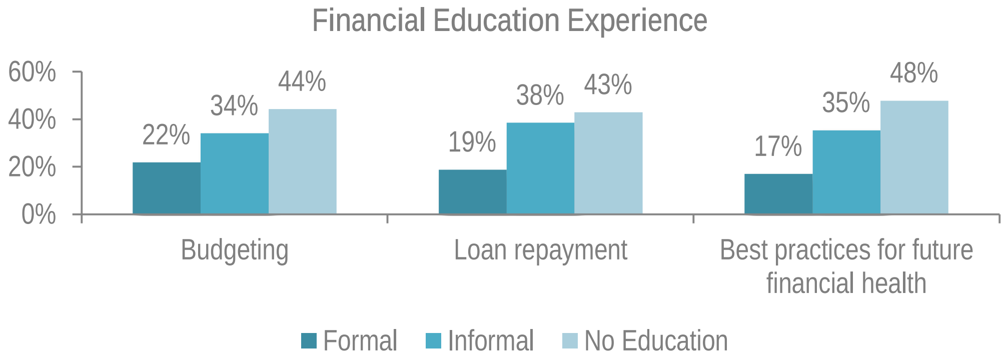
Financial Education Knowledge and Experience

Did you fully understand the amount of debt you were taking on?

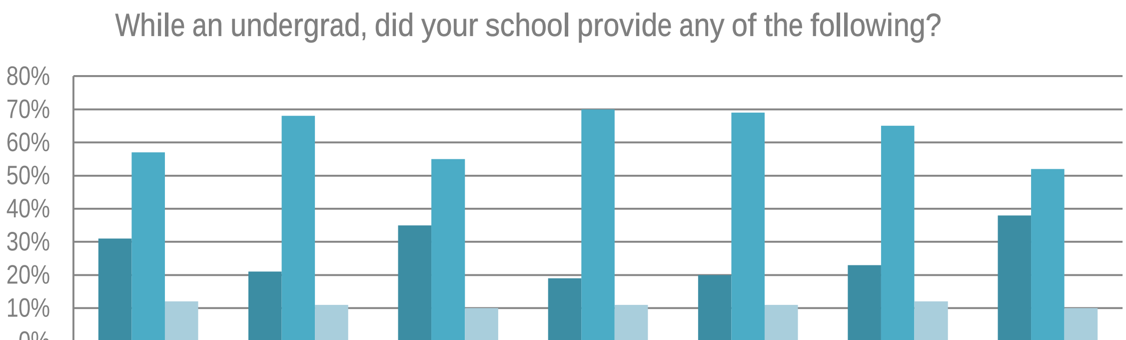


Survey respondents were asked a series of questions about their experience with financial education and when such information might be of assistance to help them manage student debt.

Only 38% of survey respondents indicated that they fully understood the implications of the student debt they were taking on prior to signing up for student loans. Forty-one percent said that they somewhat knew the implications and 20% said they had no understanding of the implications of their student loan debt.
One of the reasons for this confusion may be the lack of financial education that students receive. Forty-four percent of respondents said that they did not receive any education on budgeting prior to college. Thirty-four percent said they received informal education from family, friends or the media on budgeting. Only 22% said they had received formal training on budgeting practices. In addition, 43% did not receive education on student loan repayment; 38% received only informal education; and only 19% had formal education on loan repayment. Finally, 48% said they did not receive education on best practices for future financial health; 35% only received informal education on the topic; and only 17% received formal education on long-term financial health.

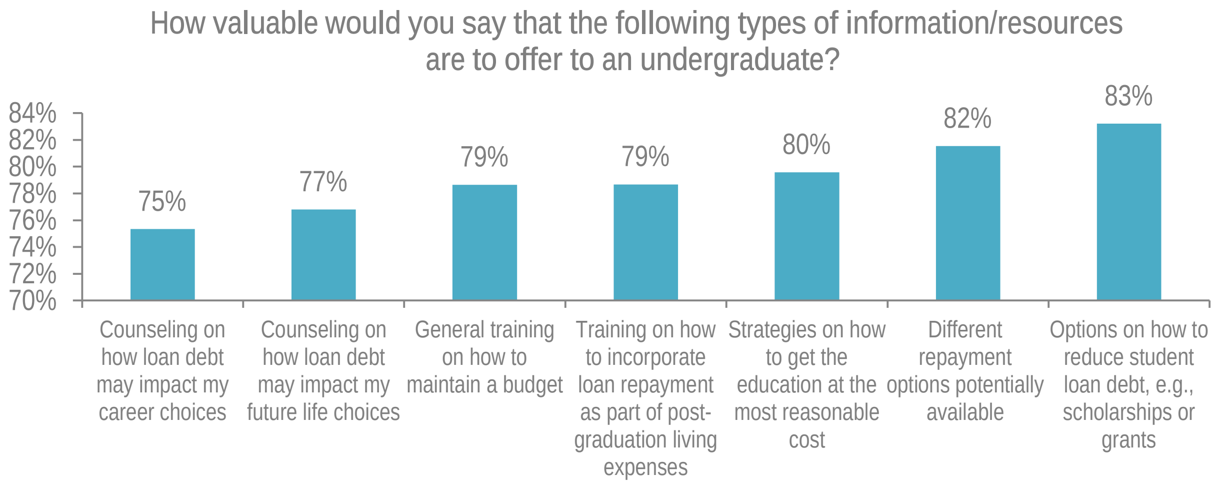


Respondents were asked if their undergraduate institution provided any resources to prepare them for managing their student debt. Respondents answered that only 31% received training on how to maintain a budget; only 20% received training on how to incorporate loan repayment as part of post-graduation living expenses; only 35% said that their undergraduate institution provided them with information on repayment options available to them; only 19% received counseling on how loan debt might impact career choices; only 23% received information on how to get the desired education at the most reasonable cost; and only 38% said they received training on how to reduce loan debt while in school.

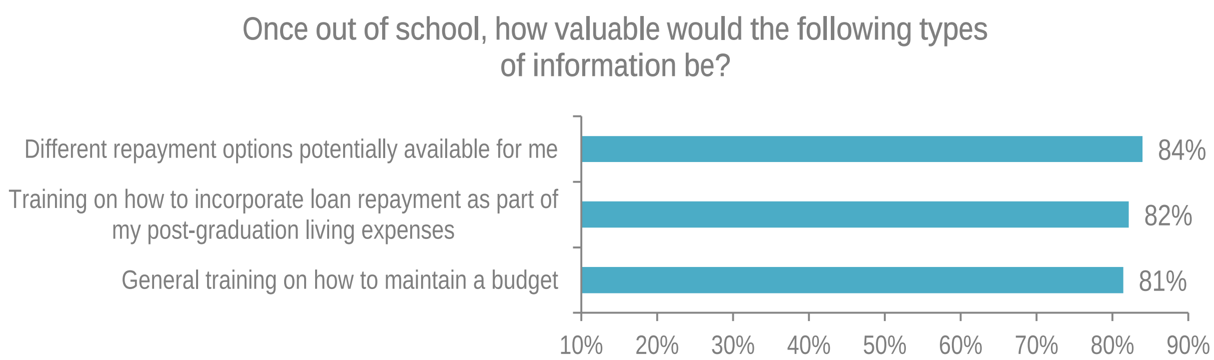


	General training on how to maintain a budget	Training on how to incorporate loan repayment into my post-graduation living expenses	Different repayment options potentially available to me	Counseling on how loan debt may impact my career choices	Counseling on how loan debt may impact my future life choices	Strategies on how to get the education I desire at the most reasonable cost	Options on how to reduce student loan debt, e.g., scholarships, grants, etc.
Yes	31%	21%	35%	19%	20%	23%	38%
No	57%	68%	55%	70%	69%	65%	52%
I don't recall	12%	11%	10%	11%	11%	12%	10%

This financial education appears to be something that the respondents would have liked to have been a part of their undergraduate education. Borrowers responded at a rate of better than 75% that each topic proposed in the survey would be a valuable undergraduate resource. Thirty-five percent said that this education can come at any time in the undergraduate experience, while others felt it should come at specific points throughout college. Three percent noted "other," most indicating that they thought this financial education training should come prior to entering college.



Respondents felt equally as strong that financial education resources should continue once out of school. Across all financial education categories, borrowers responded that this resource would be valuable at a rate of 80% or better.



The survey also asked a few open-ended questions which survey respondents had the option to answer. A selection of those responses is below.

When you hear the term "student loan" or "student debt," what is your initial reaction? (Select responses)

> *A number of responses were expressions of frustration: omg; depressed; terror; shock; stress; scared; crippling; ugh; anxiety; sadness; yikes; horror*
>
> *"a necessary evil in completing a degree"*
>
> *"helpful"*
>
> *"almost like a house payment"*
>
> *"It sucks...but I think with the cost of higher-ed most people have no choice...it's a (sic) investment"*
>
> *"no one had to go into debt to achieve an education"*
>
> *"I think what a terrible way for society to keep students down…another barrier to hurdle over"*
>
> *"The price you pay for an education"*
>
> *"…Something that poor people and those from modest means will be saddled with for 20-30 years, preventing them from buying a home or having children…"*

Are there any additional observations you want to share about student loans and their impact on life after graduation or leaving school? (select responses)

> *"The financial game is rigged against students because young people are idealistic and don't realize what is waiting for them. This allows student loan companies and the federal government to practice predatory lending under the guise of 'helping'. It is ultimately the student's responsibility, but the government needs to get out of the student loan business."*
>
> *"I have been very lucky in my debt - that it was small to start and that I am financially savvy enough to be able to manage my income vs. my debts. I do not believe most people have the tools they need to balance these things."*
>
> *"Student loans are the worst. I regret going to private schools for my education. If the interest on the loans were not awful, I could have a better time paying them off, but they accrue interest so much."*
>
> *"I think any student should have to take a course on financial management, going over in great detail about student loans and their final impact before being allowed to take out any loan."*
>
> *"The education is a wonderful gift that I worked hard for but the price I pay kind of puts a damper on the education. Education should be a USA priority & it should not cost at all."*
>
> *"I think the biggest point to make about student loans is that the person who takes them out needs to be aware of and prepared to handle the burden that they WILL face in paying them off after graduating. Just because you can take out enough loans to attend an Ivy League or private university doesn't mean you should. In my case, the loans required for a public education were more reasonable and more manageable."*
>
> *"I was the first in my family to go to college so my parents had no experience with student loans. Also, as a high school student at the time, I did not understand them at all either. Now that I've finished, I work in a field (sic) that does not pay well and do not have extra money in my budget to pay them."*
>
> *"I believe it's a national crisis. So many kids have graduated with crippling debt which is not possible to pay down given the interest rates. I have been paying since graduation and honestly my loans are higer (sic) now than when i started; Ii am not even paying off all of the accrued interest."*
>
> *"Even after 10 years we still struggle due to loans, this is affecting our life choices."*
>
> *"The high cost of college is the greatest hurdle to economic mobility in families. The fact that our government subsidizes energy companies while cutting student aid shows how little value people in power put on education. There is a serious inequity in the cost of college and the value a 4-year degree has these days."*
>
> *"Students should be mature and fiscally intelligent enough to know what they can afford and what student loans will do to them after they graduate college. If a person does not understand everything about their student loans, they should not be obtaining student loans. It is their job to do their homework on loans and how they work."*

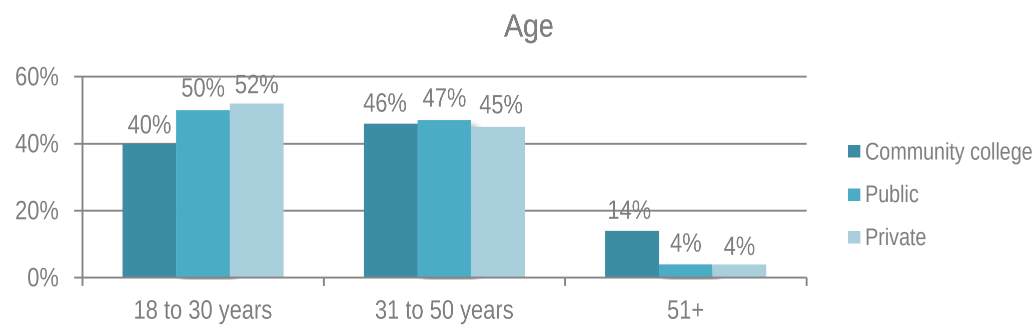
APPENDIX B: LIFE DELAYED SURVEY RESULTS BY SCHOOL TYPE

Survey results from American Student Assistance's Life Delayed survey were also analyzed to see how borrowers responded in comparison to their peers at similar grade level institutions. In this analysis, all undergraduate borrowers from community college, four-year public and four-year private schools were compared. In addition, graduate borrowers were analyzed and borrowers with professional degrees like law school and medical school degrees were compared.

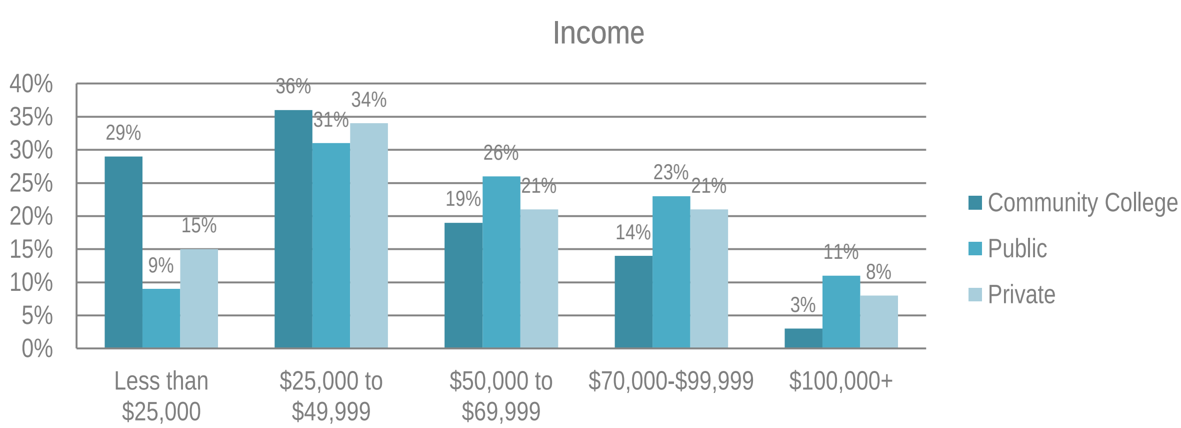
Undergraduate Students

Demographics of Survey Group

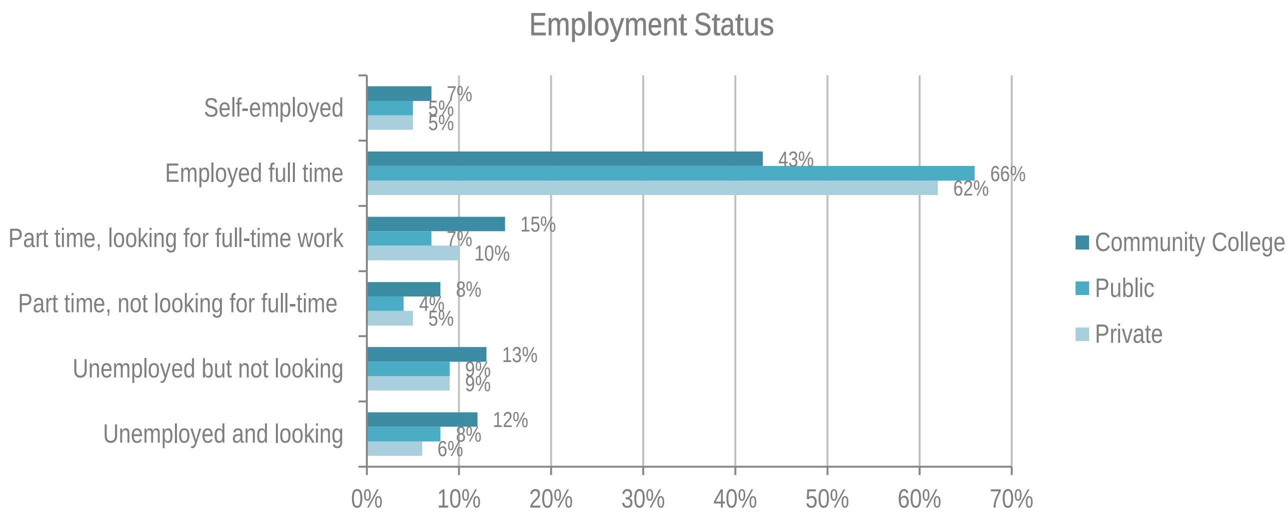
Community college students were generally older than their undergraduate counterparts. They were 10 percentage more likely to fall into the 51-plus age category, and 10-12 percentage points less likely to fall into the 18-30 age category than those who attended four-year schools.



Public four-year borrowers boasted the highest incomes with a larger percentage of borrowers earning over $100,000 and fewer making less than $25,000. Community college students ranked lowest in income with the fewest number of borrowers falling into the $100,000 income level, and more borrowers falling into the below $25,000 level—20 percentage points higher than four-year public college borrowers.

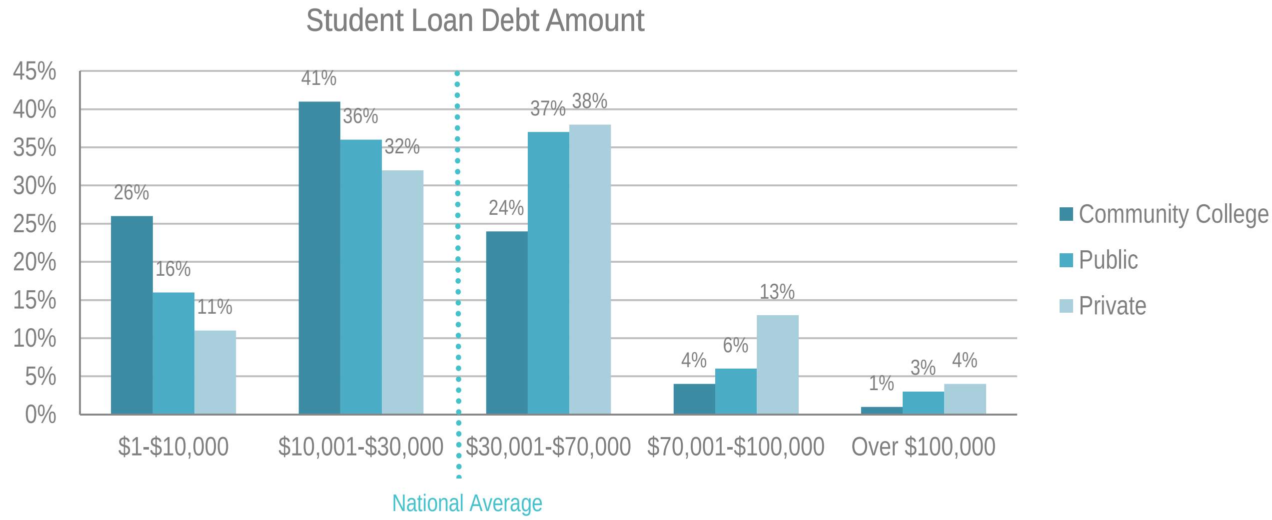


Borrowers who attended four-year public colleges and universities claimed the highest rate of full-time employment (66%). Private four-year borrowers lagged slightly behind their public school counterparts with 62% full-time employment. Community college students noted a significantly lower full-time employment rate at only 43%. Community college borrowers also had a significantly higher unemployment rate at 12%, 6 percentage points higher than their private school counterparts and 4percentage points higher than public school borrowers who were in a similar position of being unemployed and looking for work.

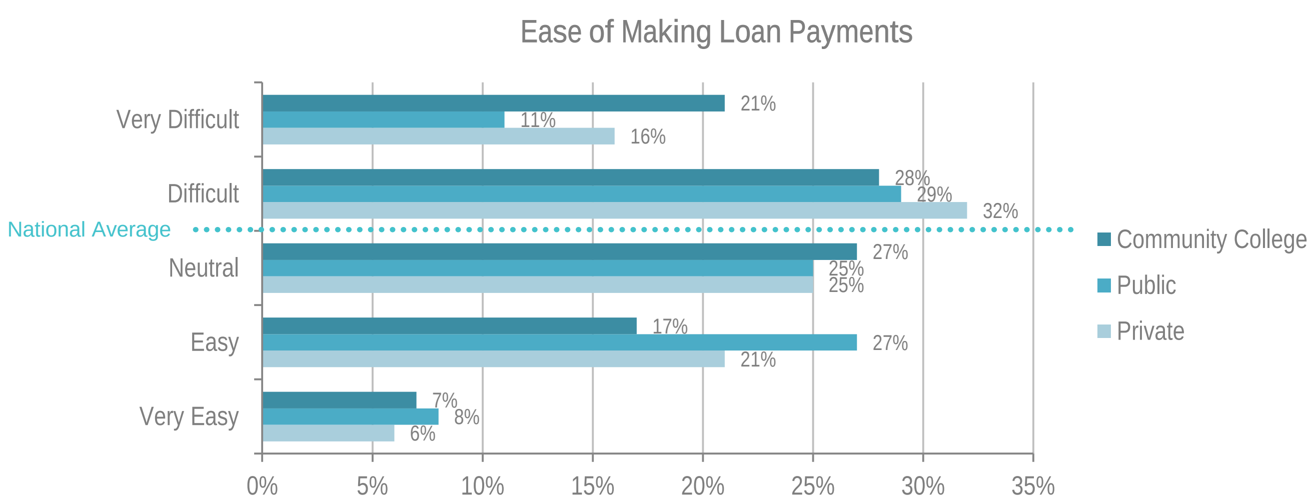


Student Loans

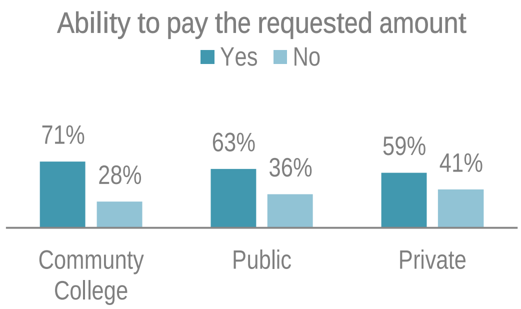
Looking at total student loan debt amounts, borrowers with a degree from a private four-year college carried more debt on average than their peers. These borrowers were the most likely to carry debts over $70,000 (17%) and most likely to carry debts above the national average of nearly $30,000 with 38% holding loans between $30,000 and $70,000. Borrowers who attended four-year public colleges fared slightly better with debt levels. Only 9% of these borrowers had debts over $70,000 and 37% had loans above average between $30,000 and $70,000. Community college borrowers in the survey carried the least amount of debt. These borrowers were far more likely to carry debts below the national average. Sixty-seven percent held debts below $30,000. It should be noted that survey respondents were categorized by the last degree they had completed. Debt loads may seem higher for some borrowers than would be expected, i.e. the 13% of community college borrowers who appear to have borrowed over $50,000. This does not mean they borrowed that amount for their community college degree alone. They may have, or are currently, accumulating that debt toward another degree not yet completed. In fact, 64% of community college students in this survey were working toward another degree.

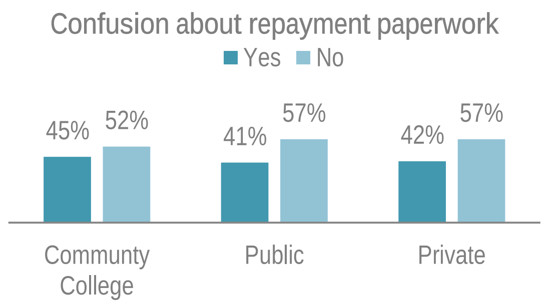


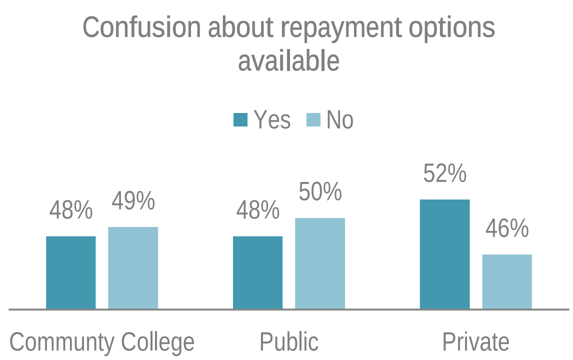
Despite the lower debt amount, community college borrowers were most likely to find it difficult to make loan payments each month. This is likely due to their lower income levels. Public college borrowers noted the easiest time making payments each month. Their mid-level loan amounts and higher income levels are likely factors. However, no group is having an easy time with their debt. While in general, community college students face the biggest challenge, with 49% saying it is difficult or very difficult to make student loan payments, 48% of private borrowers and 40% of public school borrowers face similar challenges.



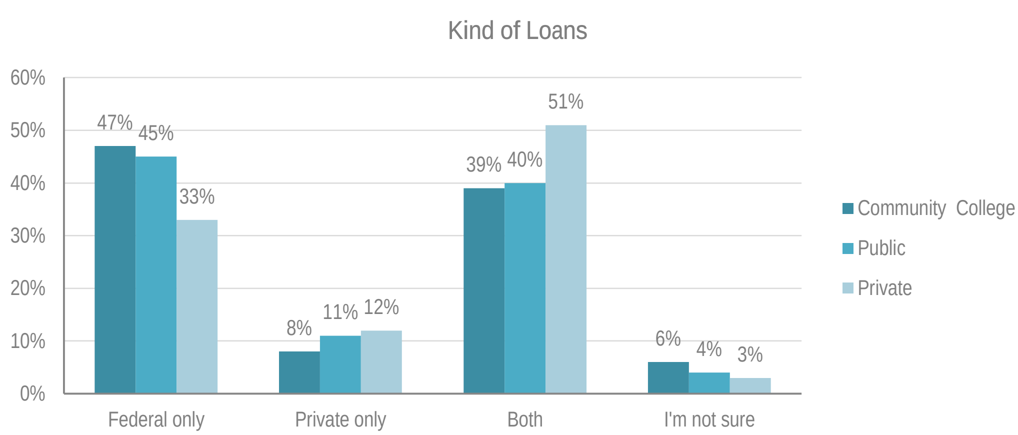
When asked about specific repayment challenges, community college students were the most likely to have problems paying the requested amount and have experienced confusion with repayment paperwork. These borrowers were equally as likely as their public college peers to have experienced confusion with understanding repayment options. Private four-year borrowers were most likely to cite problems understanding repayment options available to them.







In addition to economic factors like employment and debt levels, the challenge to make payments each month could be linked to the kinds of loans borrowers obtained. Community college borrowers were more likely than their undergraduate peers to be unsure of the source of their debt, which indicates that they are unlikely maximizing any benefits available if they have federal loans. Community college students, however, were also most likely to only take out federal loans over private loans. Private school borrowers were the most likely to carry both federal and private loan debt, and were the most likely to have obtained only private loans to pay for school. This may account for the confusion with repayment options private loan borrowers experience since they have to go to multiple parties to repay their loans and the loans are more likely to have different repayment terms.



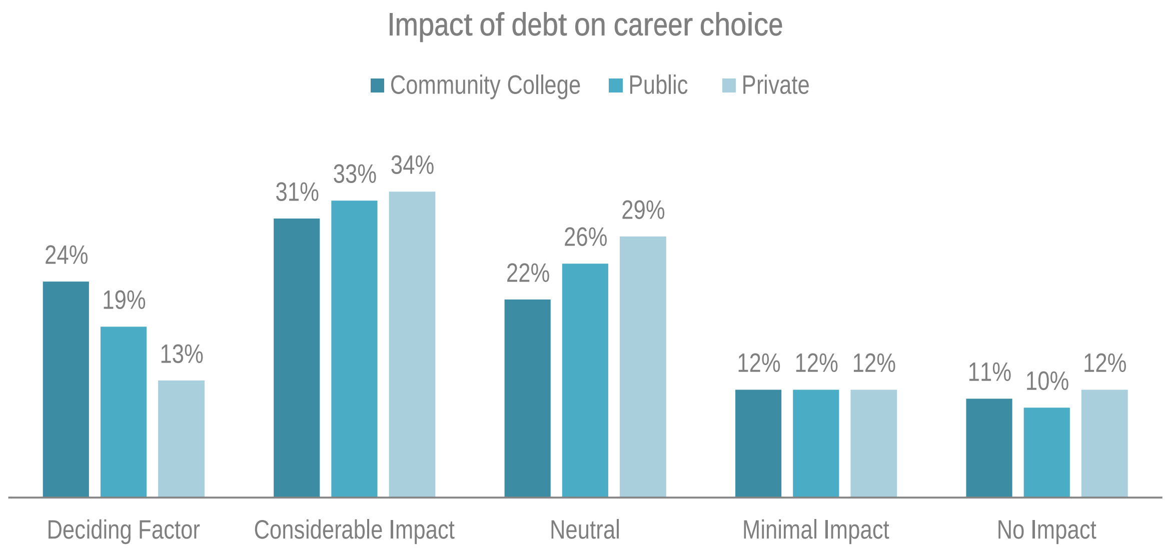
Some of the "other" comments include:

> **Community College**
>
> *"I made a lot of friends, but it wasn't worth all the debt I incurred."*
>
> *"Has put unnecessary stress. No job in my career field, and hugh (sic) financial debt."*
>
> *"I learned a lot but it is not worth it"*
>
> **Public**
>
> *"College gets you ready to be an obedient worker, and doesn't really teach you about financial stability.*
>
> *"Helped me in my career, but added significant strain on my family."*
>
> *"Is worth it only because of the negative stigma I would receive without it."*
>
> **Private**
>
> *"Was valuable, but not worth the amount of money that I paid."*
>
> *"I'm glad I went, but I wish I had known more about loans before I went so I could make better decisions."*
>
> *"Was a good experience, but detrimental to actually starting a life beyond college."*

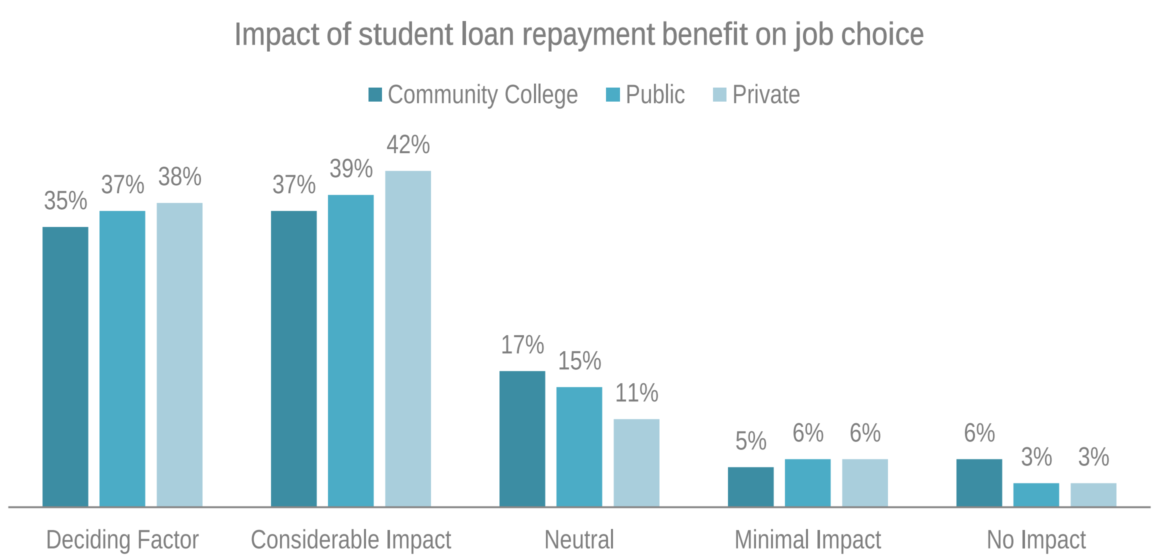
Impact on career choices

The majority of student borrowers in almost all categories noted that their outstanding debt impacted their choice of career. However, student loan debt had the greatest impact on career choice for community college borrowers. Fifty-five percent of these borrowers said that student debt was a deciding factor or had considerable impact on their choice of career field. While debt is cited as the cause, the career choice of community college graduates may also be impacted by the need for additional credentials beyond a community college degree to enter a desired field, and current debt may be inhibiting their ability to get those additional credentials.

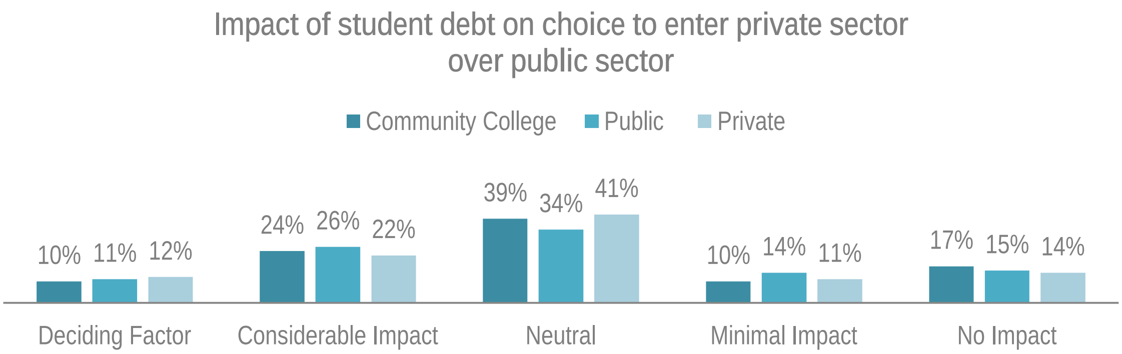
Despite the higher debts than their counterparts, private four-year borrowers were least likely to say debt was a factor in career choice with just less than half (47%) saying it had considerable impact or was the deciding factor. Twelve percent of this private four-year group said that debt had no impact at all on career choice.



Interestingly, despite the impact of debt on career choice, community college borrowers were least likely to be persuaded to take a job based on the idea of employers paying student loans as an employee benefit. When asked the question, “All other things being equal, how much would your decision to take a job be impacted if an employer offered student loan repayment?” community college borrowers said that it would be the deciding factor or have considerable impact at a rate 8% lower than their private school counterparts. This may be due to the lower than average debt amounts of community college borrowers, but it is in conflict with the fact that they are more likely to have lower salaries and more problems paying their loans each month.



Four-year public borrowers were most likely to say that student debt had some impact on their choice to enter the private sector rather than the public sector, with 37% saying student debt had considerable impact or was the deciding factor. However, more four-year private school borrowers (12%) said that it was the deciding factor.



Borrowers were asked to clarify how their debt has impacted their career choices. A selection is below.

> **Community College**
>
> *"I don't have the money to continue my education because I have to repay my loan."*
>
> *"Unfortunately, with this huge chunk just hovering over my head, I need to pay this off before I can even think of affording more schooling to further my career."*
>
> *"Not able to take the career jump that I want until my student loans are paid off. Need to make sure there is a sturdy income first."*
>
> *"I had to find a job, somewhere, somehow in order to pay the debt I owe. It is not a dream job, but it's a job that pays the bills."*
>
> *"I have worked in a field unrelated to my area of interest for financial purposes only. Finances inhibit me from completing my education and obtaining a position in my field of study."*

Public

"It hasn't allowed me to follow the path I want to take in my career...I have to take what is available to me so I am able to repay my loans."

"Because I am in social services, any further education would cost me a great expense without great pay increases."

"I can't continue my studies for the field I want to be in because I have so much debt from school, I have to stay in my current job to ensure I make my minimum payments."

"I can't feel comfortable taking risks with a job change, because if it didn't work out, my bills and my loan payment would be impossible to pay."

"I would like to take new jobs, but they don't pay as much as the job I'm stuck in now. Without my current pay, I can' make my loan payments."

Private

"I wanted to pursue a higher degree but couldn't do it because I need to work hard to support my family's needs and pay my debt including student loan debt."

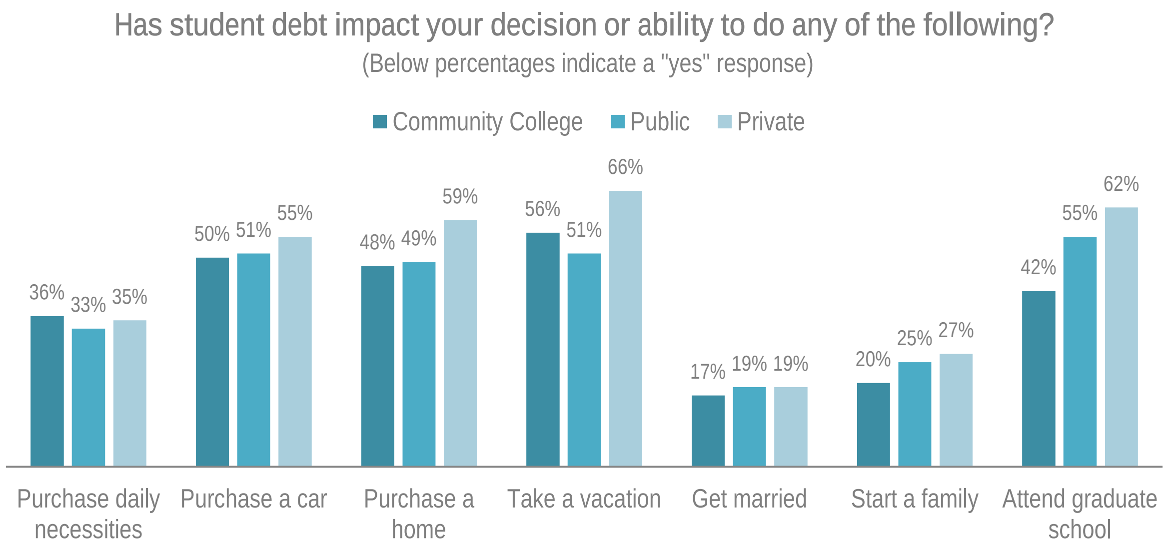
"In order for me to further my career, I need to take a lot of lower pay, less steady freelance work, also requires me to move. But if I do that, I won't have steady flow of income to pay my student loans. Therefore, I can't quit the job I've got now even though it's stopping my career to go further."

"I studied political science and wanted to go to graduate school but because of the difficulty in finding a job in this area along with the massive amount debt I was forced to take a job outside of my field and just forget about going back to school."

"I've considered going on for graduate studies, but I already owe so much from undergrad that it's not even something I can afford to contemplate."

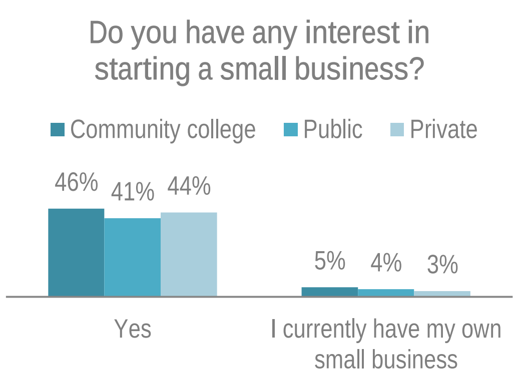
Impact of debt on purchasing power and life choices

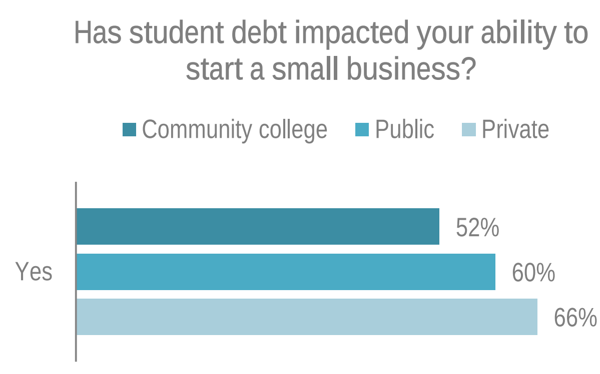
When asked about the impact that student debt has on life choices other than career, private four-year borrowers noted the greatest pressure on these choices from their debt. Private four-year borrowers were most likely to say that student debt has impacted their ability to attend graduate school or continue their education in another way, buy a car, buy a home, take a vacation, start a family or start a small business. This may be due to their higher than average debt levels.



Over one-third of all borrowers, regardless of school type, indicated that student debt impacts their ability to buy daily necessities, but community college borrowers had a slightly higher likelihood of selecting this as an issue. This may be due to their lower average incomes. However, community college borrowers were the least likely to say that student debt had an impact on other life choices like home buying or having children. This may be due to the fact that the age of community college borrowers skewed slightly older and many may have already committed to these life choices prior to entering school.

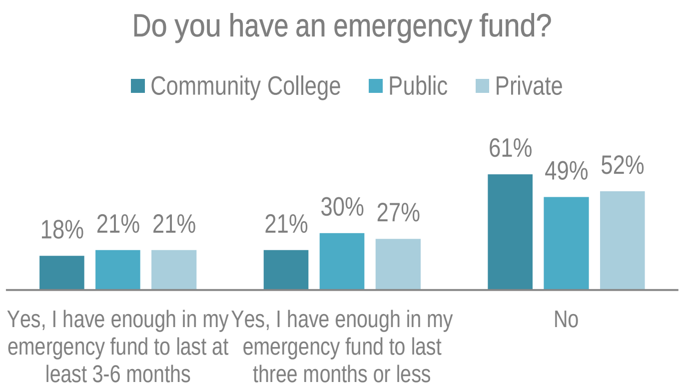
Community college borrowers were most likely to say they currently own a small business or had interest in doing so. However, of all the borrowers interested, it is private four-year borrowers who said that their student debt had the biggest impact on their ability to do so. This is likely due to the higher than average debt limits noted by private school borrowers and their inability to raise the additional capital needed to start a small business.

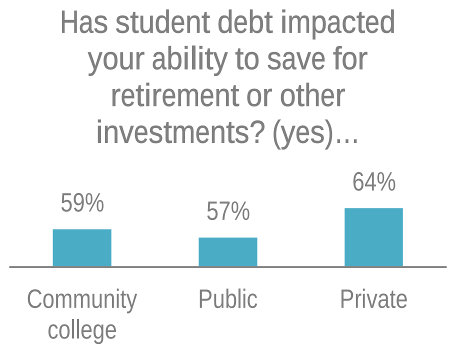




Savings

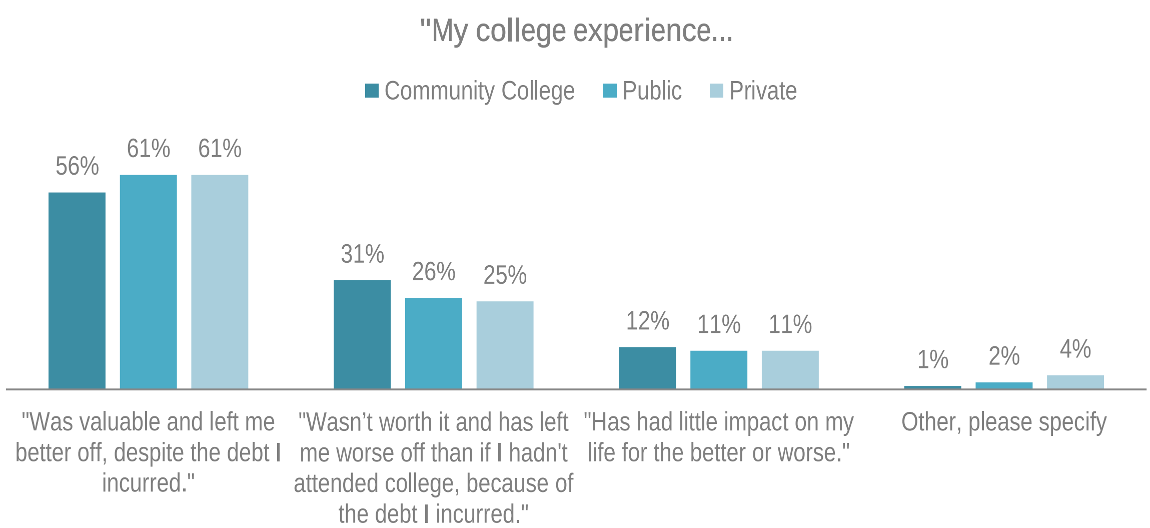
Savings is a significant problem for all borrowers with student debt. Community college borrowers, likely for a number of reasons that include lower average incomes, were least likely to have an emergency savings fund (61%). They are also putting off saving for retirement, but are saving more for retirement than their private four-year counterparts. Four-year public borrowers were most likely to have both emergency savings and retirement savings, however, no more than 43% of public borrowers are saving for retirement, and no more than 51% of these public four-year borrowers have emergency savings.



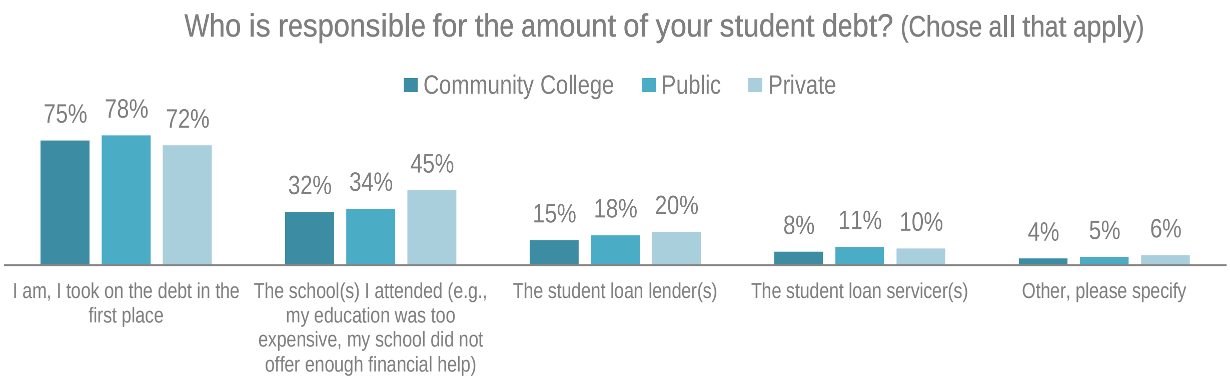


Feelings about the college experience

Borrowers from public colleges seem to put the most value on the education they obtained and were most likely to agree with the statement that college was "valuable and left me better off, despite the debt incurred" (61%). This was followed closely by their private college counterparts at 60%. Community college students were the least likely to agree with this statement (56%), and were the most likely to say that their college experience "wasn't worth it. Has left me worse off than if I hadn't attended college because of the debt I incurred (31%)." This may be due to the fact that 64% of community college borrowers are struggling to pay loans while continuing to accumulate debt toward another degree. Meanwhile, these community college borrowers face significantly lower wages, on average, than their four-year undergraduate counterparts, potentially impacting their views on the value of their education.



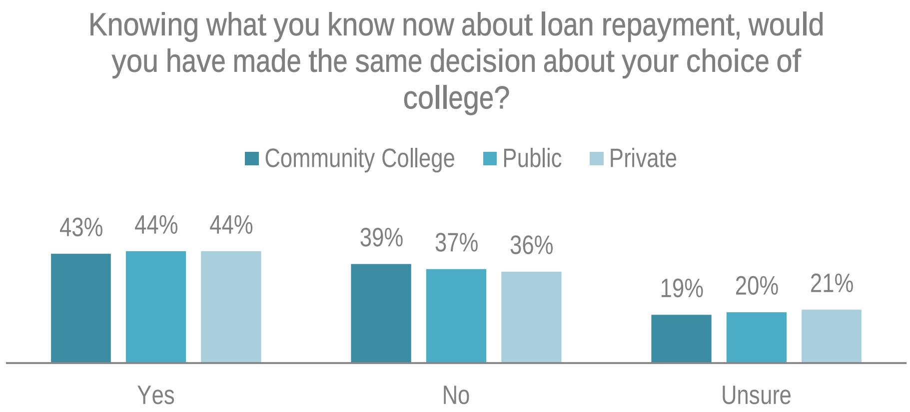
While borrowers primarily feel they are responsible for the debt they have taken on, many hold the school accountable for their debt burdens as well. Public four-year borrowers were most likely to take personal responsibility for their loans (75%). Private 4-year borrowers, however, were most likely to believe the school they attended shoulders some of the blame, with at least 45% saying their school was at least partially responsible for the debt and 16% saying the school is solely responsible for the debt. Community college borrowers were most likely to say, as the borrower, they are solely responsible for the debt they took on (56%).



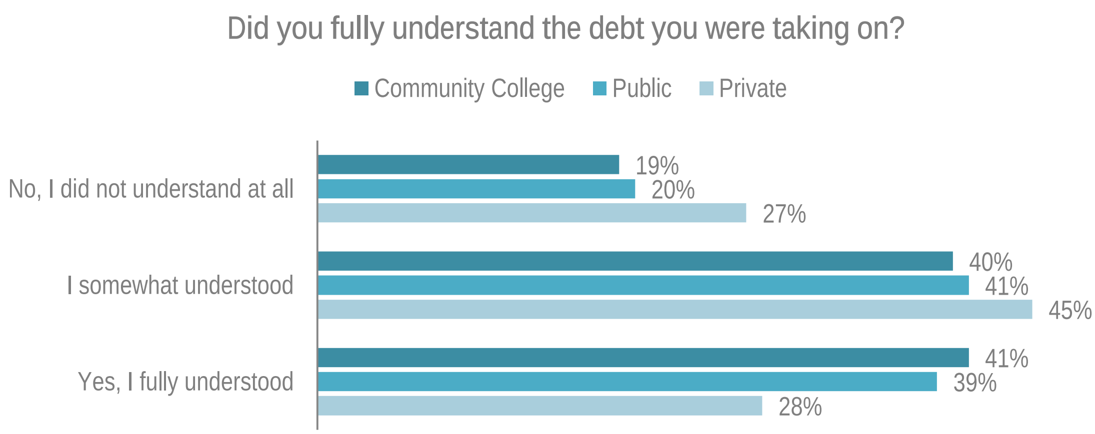
The other responsible parties can largely be categorized into three main areas—the government, interest rates, and parents. A selection of the "other" parties:

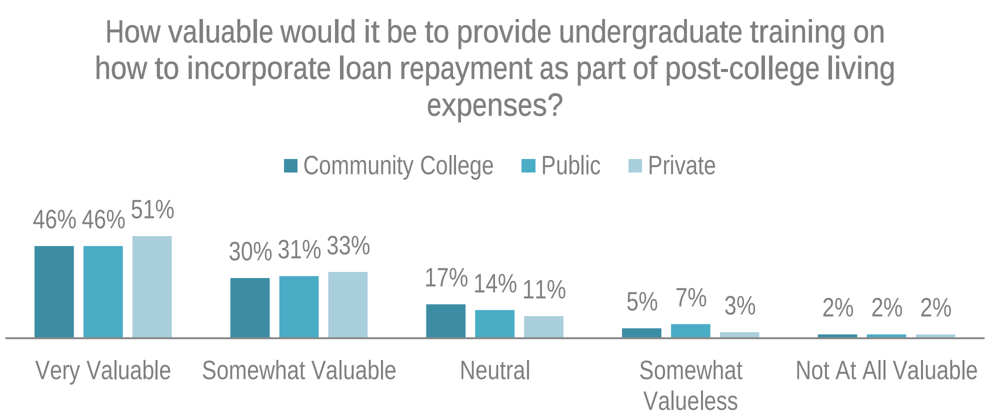
> **Community College**
>
> *"I feel that the government should provide all with a certain minimum level of education--much higher than is currently offered--to better further the growth of our nation. I believe that many of the troubles plaguing our once-great country can be traced back to falling levels of education."*
>
> **Public**
>
> *"Government policies for subsidizing education less"*
>
> *"Employers looking for degreed employees"*
>
> *"Parents"*
>
> **Private**
>
> *"Government created the ability to get student loans. But tacted (sic) on high interest rates. Those will be the largest burden."*

Because of the debt, many borrowers are unsure if they would have made the same choice about their alma mater. Across all school types, fewer than 44% would have made the same choice. The remainder of borrowers would not have made the same choice or were uncertain of their choice.

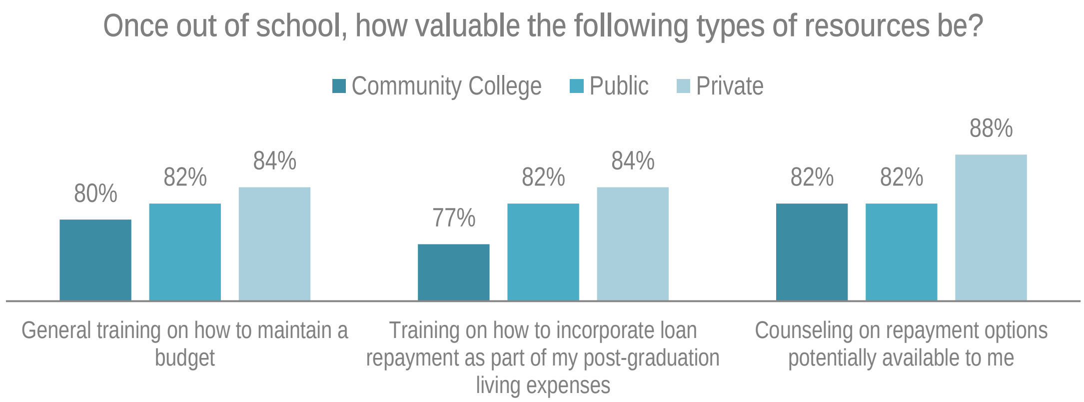


The frustration that many private four-year borrowers feel toward their school could be a combination of the high debt amounts they face and the fact that these borrowers were the least likely to have a full understanding of the debt they were taking on at the start of college. Private four-year borrowers were also most likely to say that better training on student loans should be provided to undergraduate students.

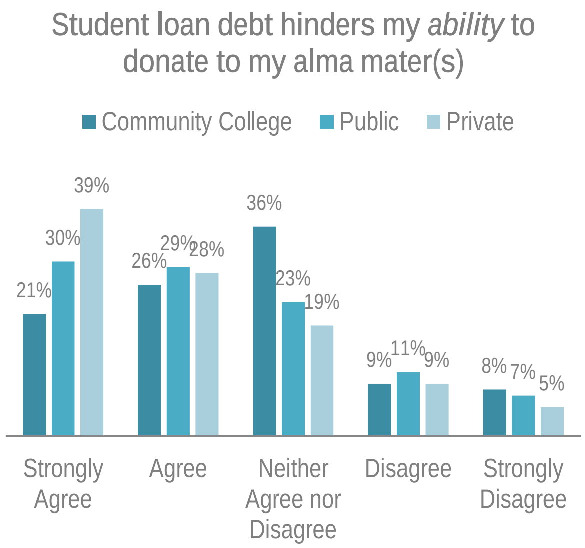


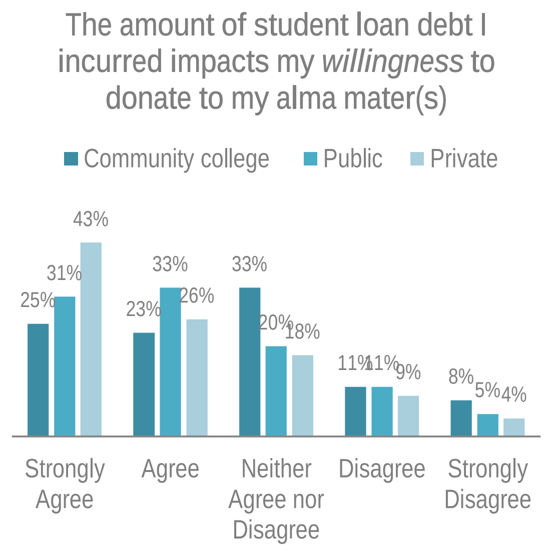


Undergraduate students would also like to see financial counseling continue after they leave school. The vast majority of student borrowers in all categories said that they would like to see counseling on budgeting and loan repayment continue after leaving school. Private four-year borrowers were most likely to say—at a rate of 88%-- that they would like to receive additional resources on loan repayment after leaving school. This is not surprising given the 52% who ran into confusion with repayment options.

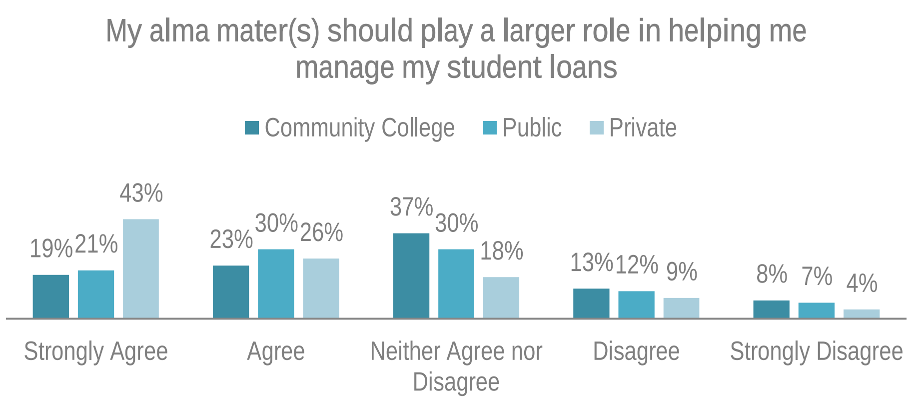


Understanding debt burdens early on may impact borrowers' views on who is responsible for the debt and may, in turn, impact their ability and willingness to give back to their school.   Private colleges and universities are most reliant on alumni donations to operate since they do not receive operating or budgetary funding from government entities. These colleges, therefore, spend a lot of energy soliciting donations from their alumni. However, private four-year borrowers in our survey were most likely to agree that student debt hinders both their ability and their willingness to donate back to their school. In fact, slightly more private four-year borrowers said that student loans impacted their willingness to give rather than their ability to give, indicating that debt is leaving a negative impression of the school. Alumni giving could be positively impacted by changing the negative consequences of student debt. Community college students were most likely to neither agree nor disagree with the ability and willingness to donate. This may be simply because community colleges ask their students for donations at a significantly lower rate than four-year schools.





One way to change the impact that debt is having on alumni perceptions of a school is to help former students manage their student debts by providing counseling or financial education. Along the same lines as providing more loan repayment education while in school, private four-year borrowers were also most likely to agree that their private higher education institution should play a larger role in helping to manage their debts after they leave. This is understandable given the impact that these borrowers feel their larger than average debt is having on their ability to make previously mentioned life choices.



Graduate and Professional School Borrowers

Data was analyzed to compare the impact that debt is having on graduate school populations as well. We looked at borrowers who have completed or are pursuing a masters or doctoral degree, and those who have completed or are pursuing a professional degree such as medical or law school degree.

Graduate Degree Borrowers

Borrowers holding, or pursuing, a masters or doctoral degree span the age spectrum much more so than law school and medical school borrowers. The majority of graduate degree borrowers fell between the ages of 25-40 years old, but these borrowers were also nearly as likely to fall into the 51- plus category as the 18-24-year-old group.

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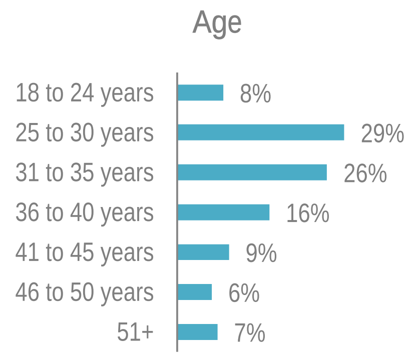
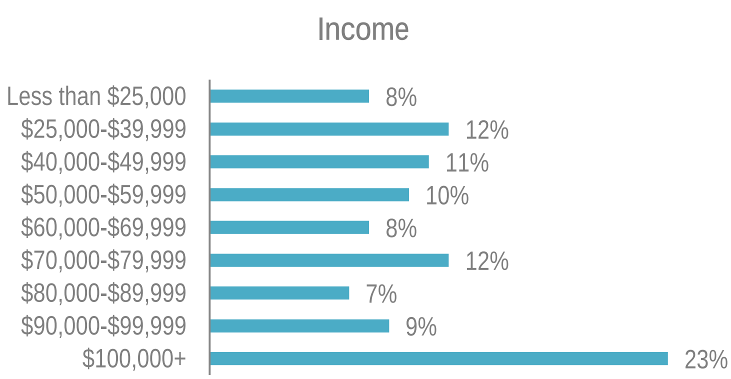
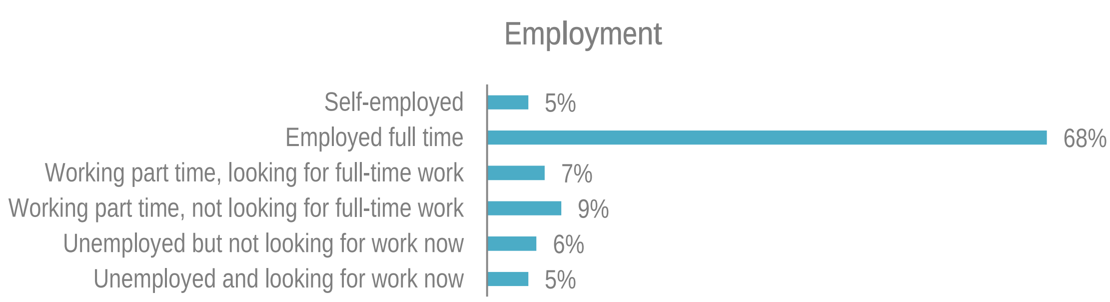




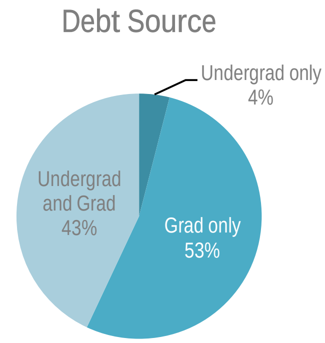
While nearly a quarter of the graduate school borrowers surveyed earn incomes over the $100,000 income level, graduate school borrowers noted relatively equal distribution across other income levels.

Eighty-eight percent of graduate school borrowers were employed full-time, part-time and not looking for work, or unemployed but not looking for work. Twelve percent of graduate borrowers stated that they were unemployed or underemployed.

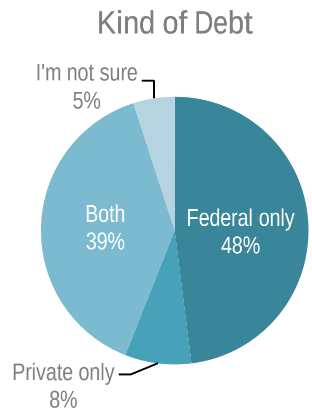


Student Loans

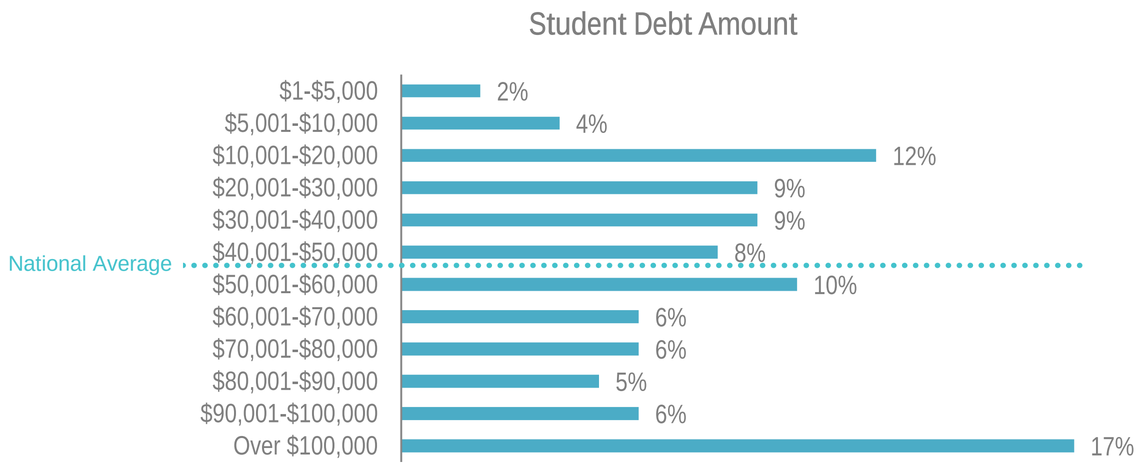
The vast majority (81%) of graduate student borrowers took out debts to pay for graduate education. Fifty-three percent took on debt for graduate school. Forty-three percent of borrowers had loans for both undergraduate and graduate debt.



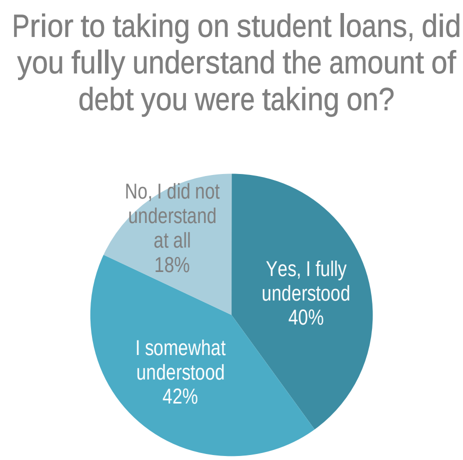
Loans for graduate school were obtained from both federal and private sources, with nearly half of these graduate borrower holding only federal loans (48%) and 39% holding both federal and private debt.



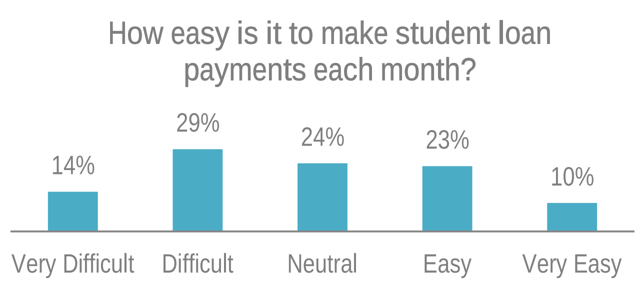
Looking at the total outstanding student debt amounts, graduate borrowers in the survey carried a wide range of debt. However, there is an equal split between borrowers carrying debts over $50,000 (50%) and under $50,000 (50%).



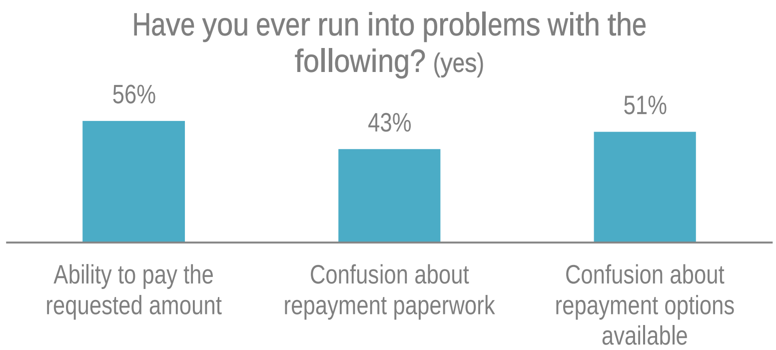
Only 40% of these graduate school borrowers said that they fully understood the amount of debt that they would have to take on to complete their degree.



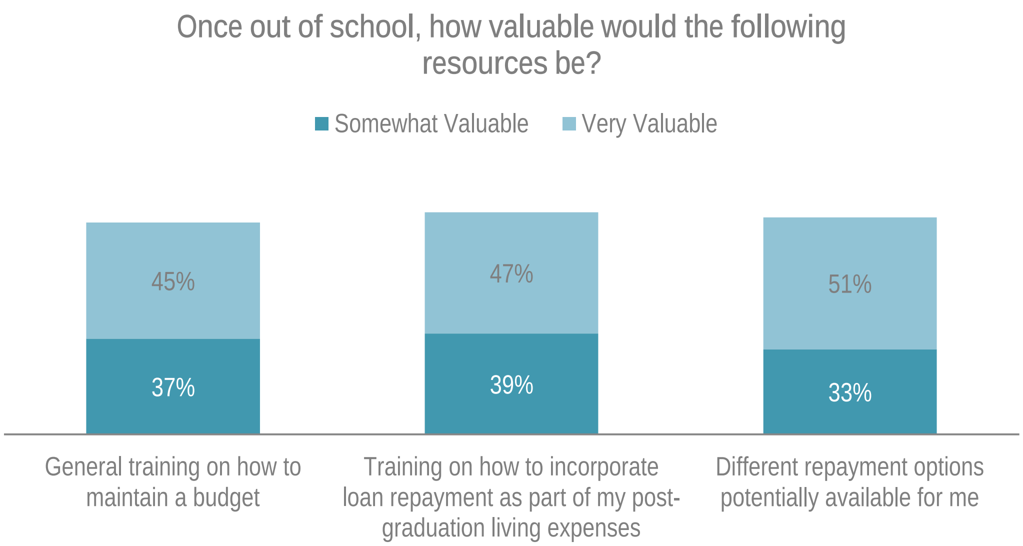
Likely because of these large debt amounts and the lack of understanding about the scale of their debt, 43% of graduate school borrowers find it difficult to pay student loans each month.



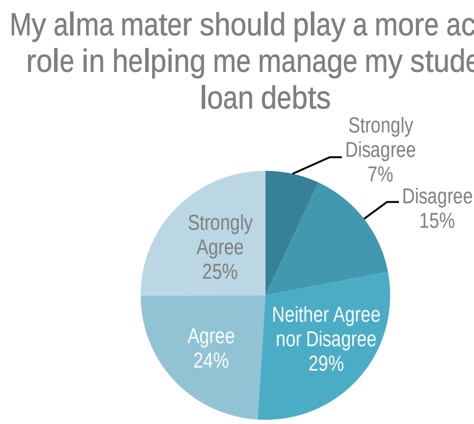
In addition to the challenge to pay their loans, a large percentage of graduate school borrowers have run into problems with the student loan repayment process. Forty-three percent have experienced confusion with repayment paperwork, and 51% have run into challenges understanding the repayment options available to them.



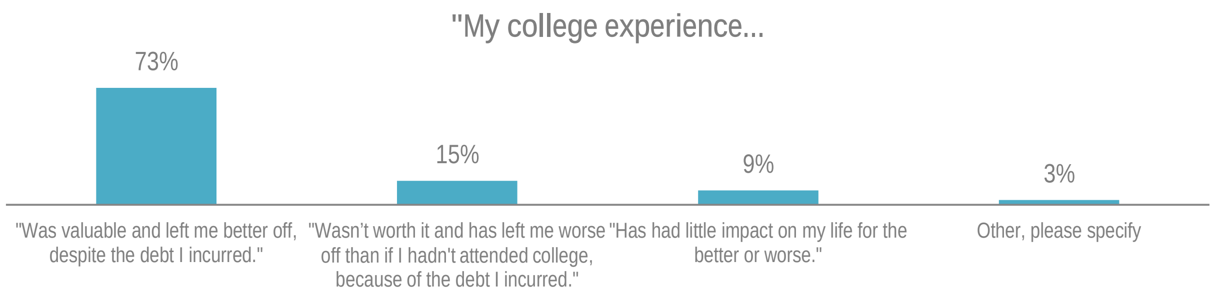
This confusion about repayment and struggle to pay, could be the reason over 80% of graduate borrowers said that they believe counseling on these issues is necessary post-graduation.



In addition, 49% believe that this assistance in helping to manage student loan debt should come from their alma mater.

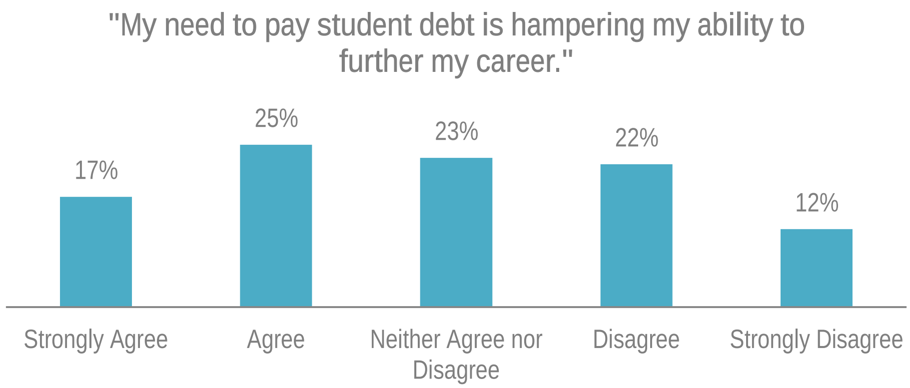


Despite the struggle to make payments, graduate borrowers generally still believe that their college experience was valuable. Only 15% of graduate borrowers responded that their higher education experience has left them worse off because of the debt incurred. In the follow-up notes, a few borrowers clarified that they felt their undergraduate experience was valuable, but did not think their graduate education was worth the debt incurred.

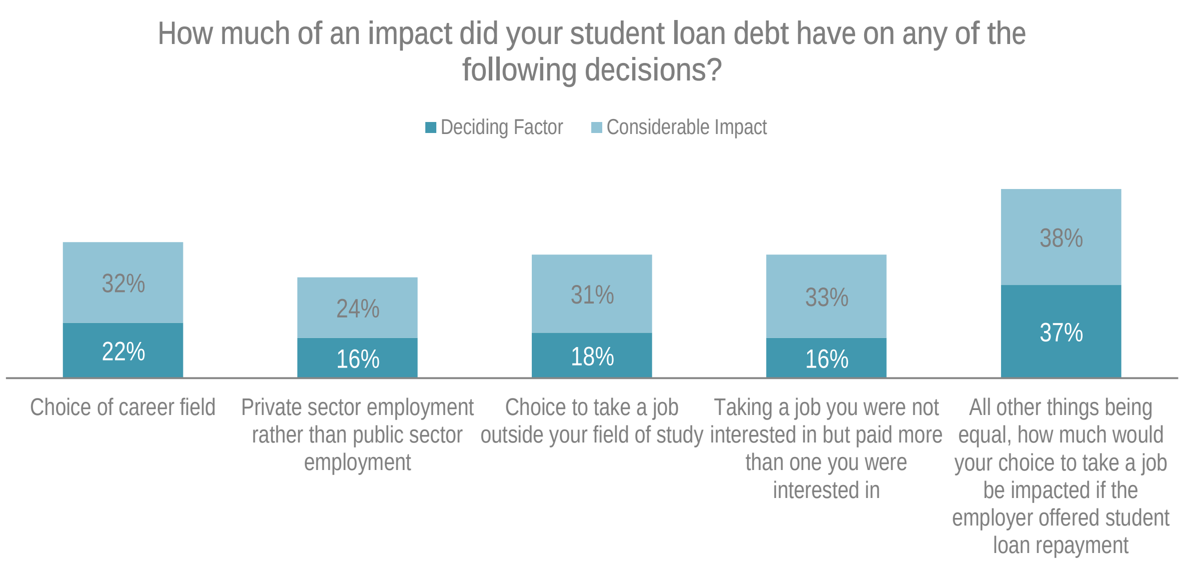


Impact on Career

Like other borrowers analyzed, graduate school borrowers do feel that their student debt is impacting their career choices. Forty- two percent of graduate school borrowers responded that they agree or strongly agree with the statement that the "need to pay student debt is hampering my ability to further my career." When asked to specify, borrowers explained, "I am willing to work any job just to make money to pay the debt. This makes me unable to look for a job in the area I studied." Another borrower commented, "I need to get another degree to work in my desired field, but I can only go part time because of how much I already owe in student loan debt. As a result, my ability to further my career is taking longer than for most people in my program." Another noted, "I would like to change my career paths but it requires more money which I can't afford at the moment due to my student loans."

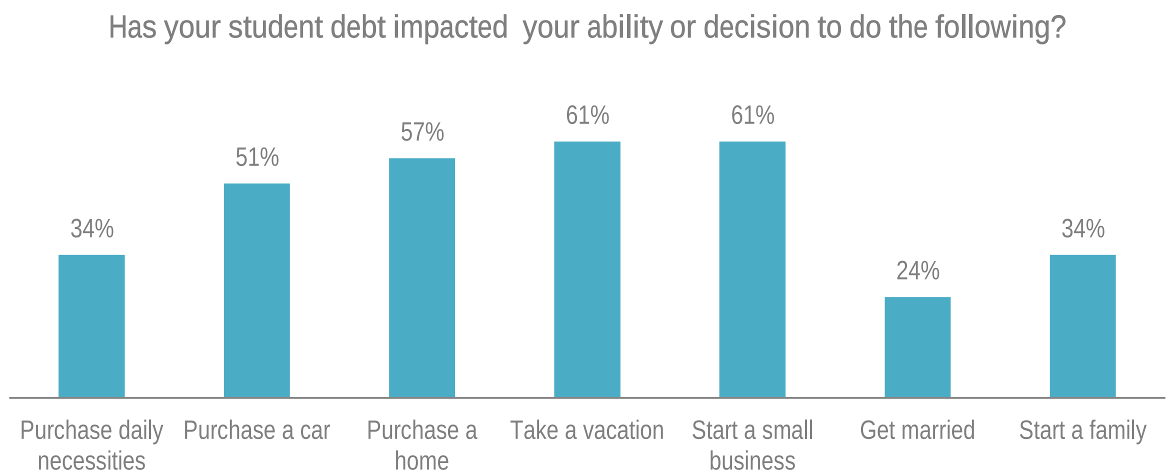


When asked about the specific impacts of student debt on career choice, 54% selected that debt impacted their choice of career field. Forty percent of graduate borrowers said that their student debt impacted their decision to take a job in the private sector rather than one in the public sector. Forty-nine percent said their debt led to them taking a job outside their field of study, and 49% said they took a job they were not interested in but paid more than one they were interested in, in order to pay student debts. Seventy-five percent of graduate school borrowers said that, all other things being equal, their choice to take a job would be impacted if the employer offered assistance with student loan repayment as an employee benefit.



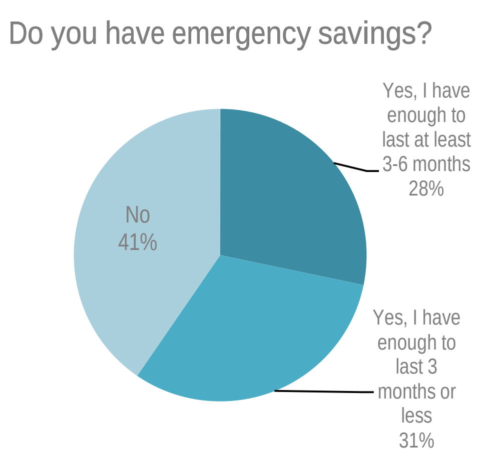
Impact on purchasing power and life choices

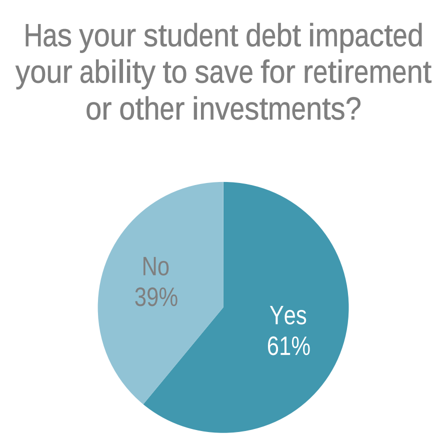
Student debt is also impacting the life choices of these borrowers. Like the other cohorts in our study, just over one-third of graduate school borrowers attribute the struggle to purchase daily necessities to the need to pay student loan debt. In addition, 50%-60% of borrowers said that their student debts impacts their ability to make major purchases like a car, home, vacation or start a small business. Like their professional degree counterparts, borrowers with graduate debt were more likely than undergraduate borrowers to say that student debt has impacted their ability or decision to get married (24%) and start a family (34%).



Savings

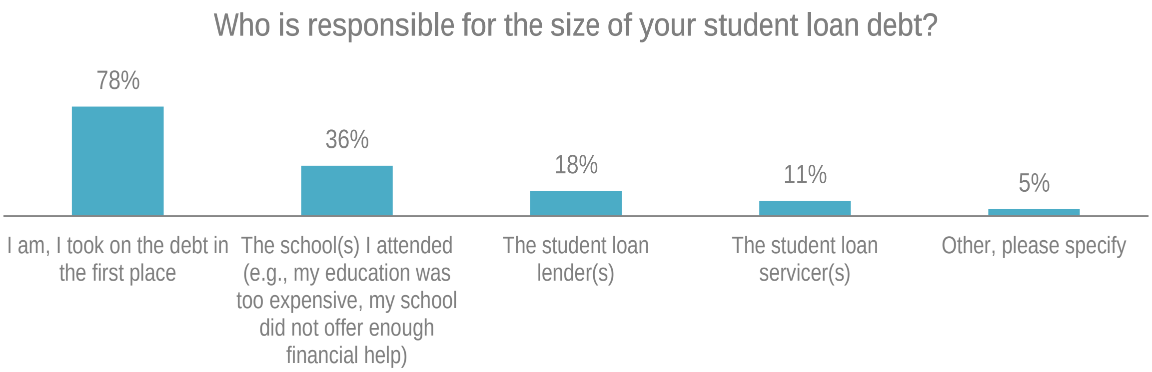
In addition to life choices, student debt is impacting financial decisions as well. Forty- one percent of graduate borrowers said they do not have any emergency savings, and 61% say that student debt has impacted their ability to save for retirement.



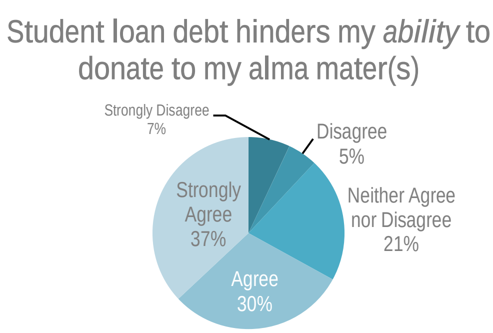


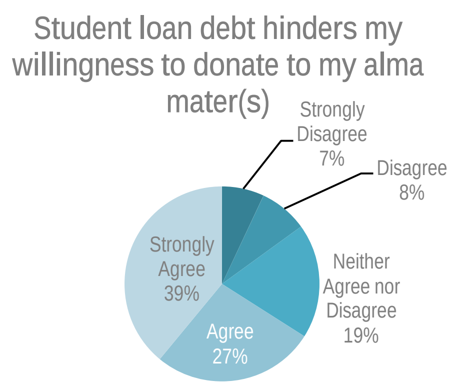
Impact of debt on perception of college

Graduate school borrowers do take personal responsibility for their loans, 76% acknowledging that they are responsible for the size of their debt, but 36% also find the school they attended secondarily responsible.

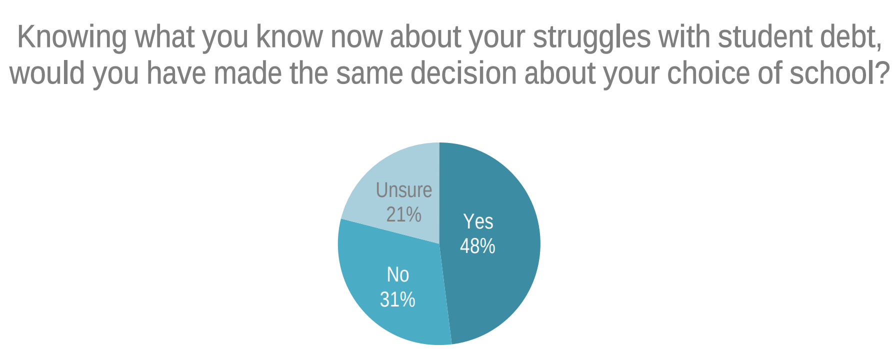


Placing some of the blame for their debts on their alma mater does impact the willingness of these borrowers to give back to their schools. Thirty-seven percent of these borrowers responded that they strongly agree that their debt impacts their ability to give back, but an additional 2% said that they strongly agree that the debt impacts their willingness to give back.





In addition to donating, 52% of graduate borrowers said that, knowing what they know now about the struggle to repay student debt, they are not sure they would have made the same college choice (31% No; 21% Unsure).



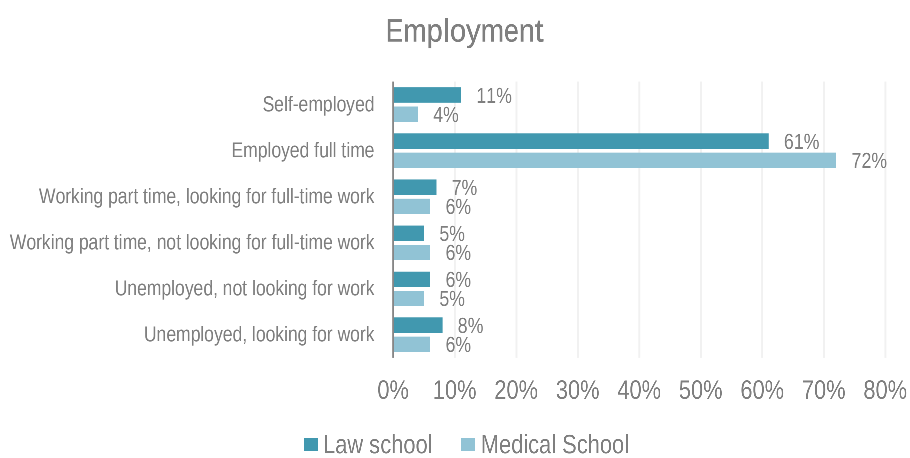
Professional Degrees: Law School and Medical School Borrowers

There were nationally representative samples of both law school degree borrowers and medical school degree borrowers in this survey.

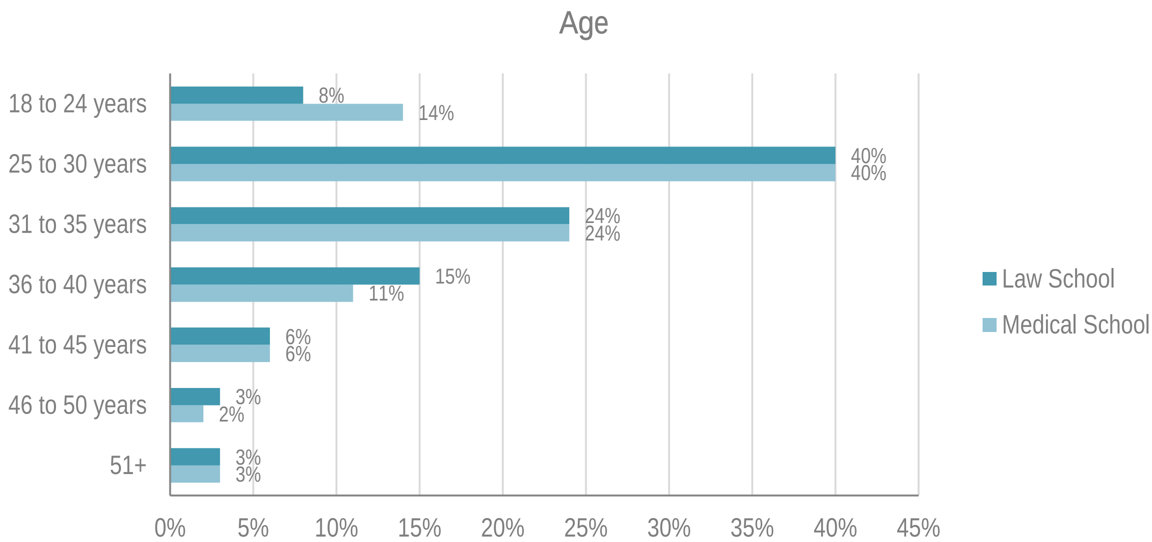
In general it can be said that of these two groups, student loans are having an adverse impact on law school borrowers to a larger extent than medical school borrowers. This may be due to differences in the nature of the fields themselves as well as current economic conditions. First, many law school graduate take jobs outside the legal profession and take jobs that are helped by a law degree but don't actually require one. Elected officials, for example, despite writing our nation's laws, don't need to hold a law degree. However, 41% of the 113th Congress held law degrees (Measuring America, https://www.measureofamerica.org/113-congress-infographic/). Looking at colleagues who are doing the same job without the debt of a law school degree may impact how the borrower perceives the value of her degree. Many people go to law school simply for the skills and general knowledge gained from a law degree, and never intend to practice law. It is far less likely for a medical school borrower to be employed in a job that does not require a medical degree. The skills gained from a medical degree, and the time it takes to obtain one, generally means that those who complete a medical degree intend to be doctors, something you can't do without a degree. Therefore, these borrowers may have a different view of the value of their degree.

A second factor impacting the pressure law borrowers feel from their debt may be the current economic condition that lawyers are facing. Since the 2008 recession, unemployment rates for lawyers have been far above the national average. For the class of 2013, the unemployment rate grew for the sixth year in a row to 15.5% (National Association of Law Placement http://www.nalp.org/uploads/Classof2013SelectedFindings.pdf). On the other hand, while doctors might not all be in their ideal job, they are having no problem finding employment in a medical profession with the national unemployment rate for physicians and surgeons standing at just .8% (CNN Money, http://money.cnn.com/2013/01/04/news/economy/jobs-lowest-unemployment/).

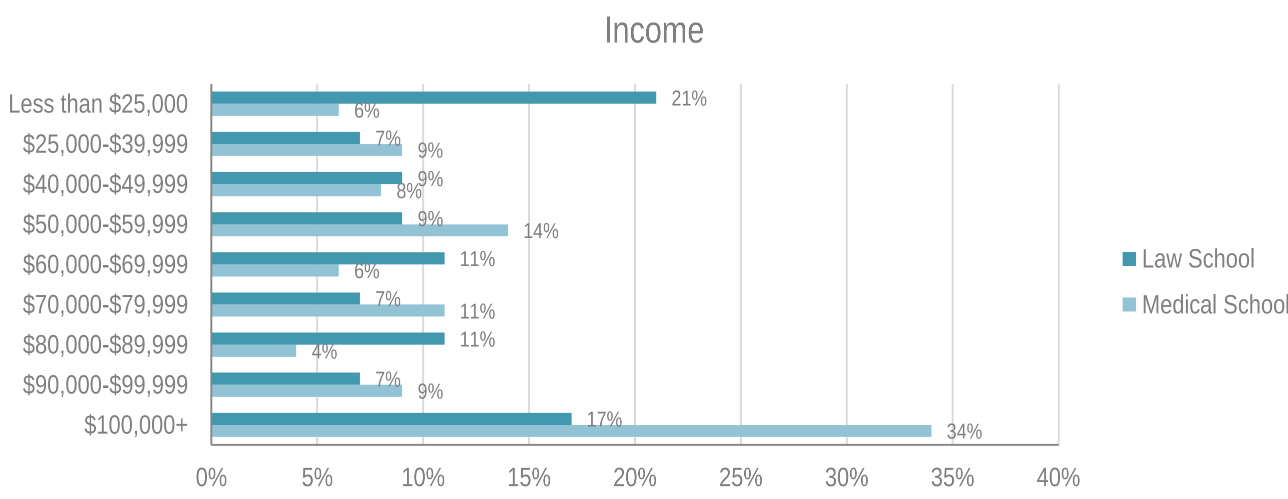
Law school borrowers in ASA's survey exemplify this struggle for employment. Only seventy-seven percent of law school borrowers surveyed were either employed full-time, self-employed, or employed part-time and not seeking full time employment. Another 6% were unemployed but not looking for work. This leaves 15% of lawyer school borrowers unemployed or looking for full-time work. Twelve percent of medical school borrowers in the survey were unemployed or under employed.



Law school borrowers in our survey were slightly older than their medical school counterparts. Law school survey respondents were more likely to fall into the 36-50-year-old range than their medical school counterparts, and medical school borrowers were more likely to fall into the 18- 24- year-old range. This is likely due to the fact that some adults go to law school to begin a second career later in life. It is much less common for individuals to start medical school as a second career. However, it is common for those currently holding a medical degree to take out loans for additional training later in life.

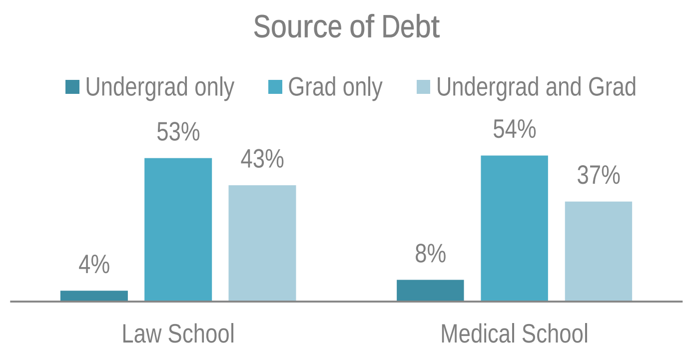


Likely due to the fact that some law school borrowers are employed in jobs that don't require a law degree as previously discussed, a large number of law school borrowers in ASA's survey fell on the lower end of the salary spectrum. Law school graduates were far more likely to say their salaries fall below $25,000 (21%) and medical school graduates were far more likely to say their salaries fall above $100,000 (34%).

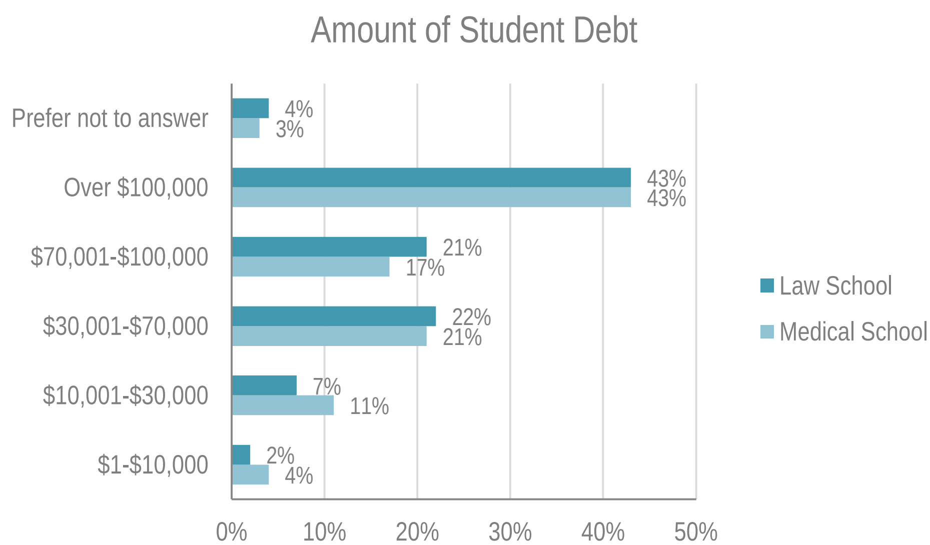


Student Loan Debt

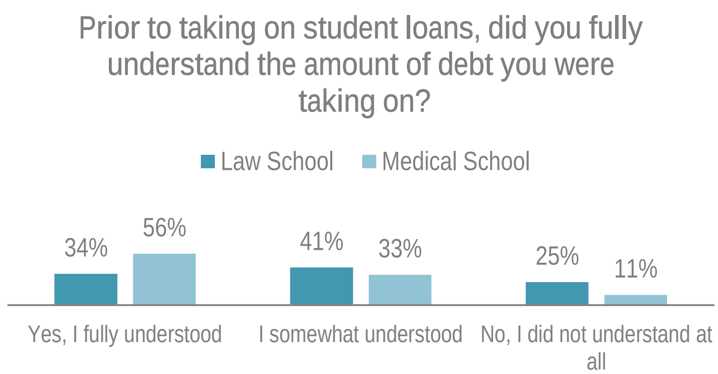
Almost all borrowers from both law school and medical school took on debt to pay for their graduate or professional education.



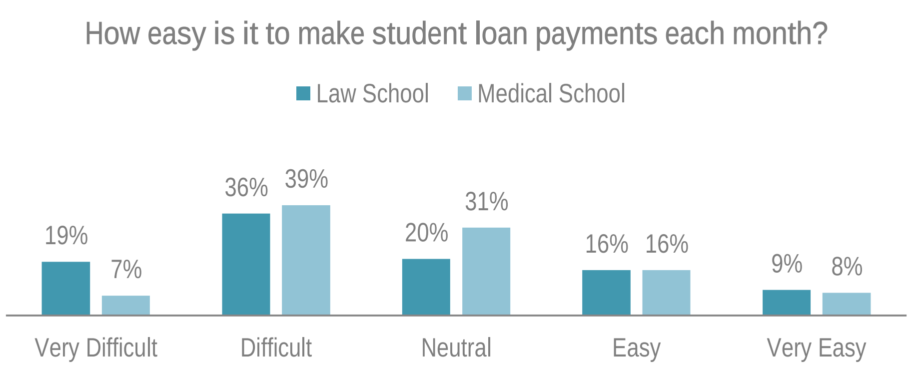
Student borrowers from law and medical school are carrying significant amounts of loan debt. Forty-three percent of both law and medical school borrowers in ASA's survey held over $100,000 in student debt. Medical school borrowers, however, were more likely to say their loans were less than $30,000.



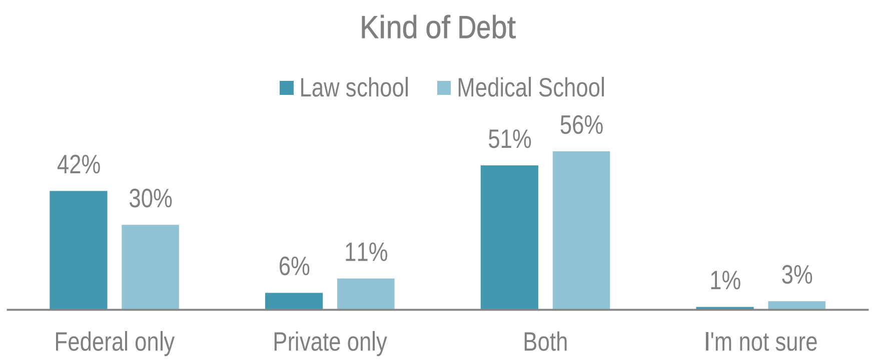
Likely due to the fact that medical school borrowers are slightly older than their undergraduate counterparts, and have been through the college financing process before, these borrowers were more likely than the undergraduates in our survey to say they understood the amount of debt they were taking on. Only 11% of medical school borrowers said they had "no understanding of the debt." Law school borrowers were more in line with the undergraduate population with a quarter of the population saying they didn't understand how much debt they would take on.



Likely due to the large debt amounts and lower salaries, law school borrowers responded at a higher rate that it is difficult or very difficult to make student loan payments each month (55%). Forty-six percent of medical school borrowers had the same response. Only 25% of law school borrowers and 24% of medical school borrowers think it's easy or very easy to make student loan payments each month, even with 34% of medical school borrowers making over $100,000.

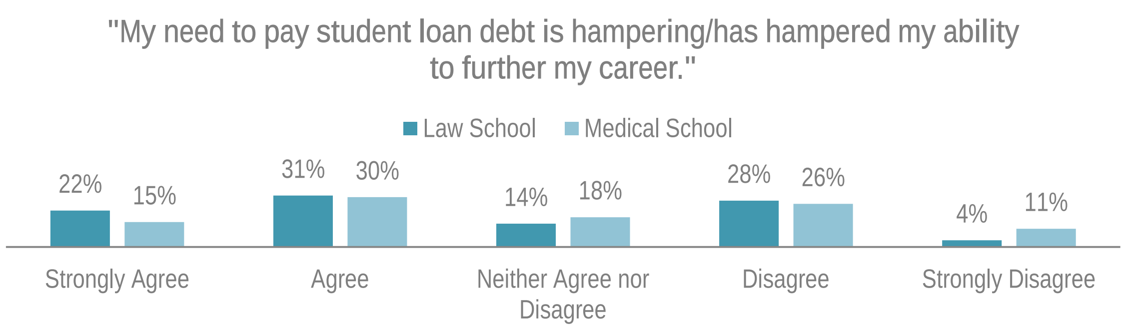


The majority of law and medical school borrowers have both federal and private debt to cover the cost of their professional degree. This is not surprising since federal borrowing limits for graduate and professional students may not cover the cost of some medical or law schools if the borrower also has federal undergraduate loans. Federal loan limits for a professional degree are $20,500 annually, and cannot exceed a total of $138,500, including undergraduate federal debt (U.S. Department of Education, https://studentaid.ed.gov/sa/types/loans/subsidized-unsubsidized#how-much). However, as of 2013, the median cost of a law school degree from a public law school was $66,627 for a resident or $101,256 for non-residents (American Bar Association); and the median cost of a medical degree from a public medical school was $232,838 (American Association of Medical Colleges, https://aamc-orange.global.ssl.fastly.net/production/media/filer_public/85/46/8546295b-76bf-4dd5-bd34-0e0e3daf1bc2/2015_debt_fact_card.pdf).

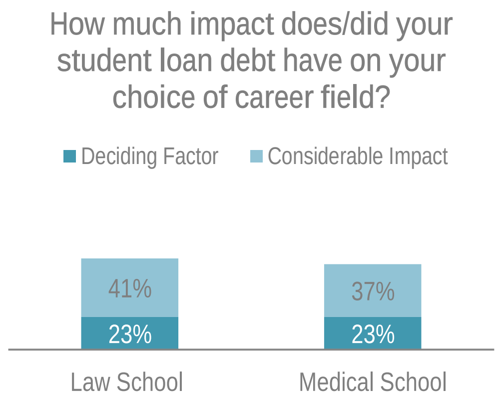


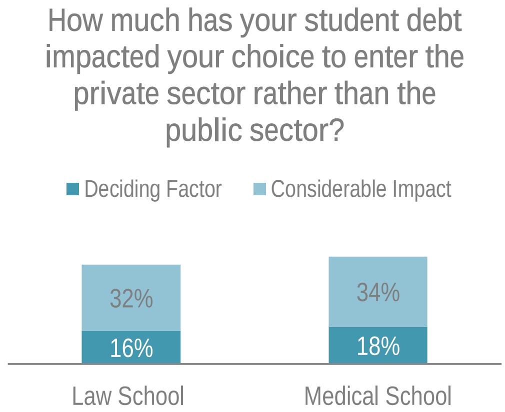
Impact on Career Choice

Student debt is having an impact on the career choices that medical and graduate students are making. Fifty-three percent of law school borrowers and 45% of medical school borrowers agree with the statement that, "My need to pay student loan debt is hampering my ability to further my career."

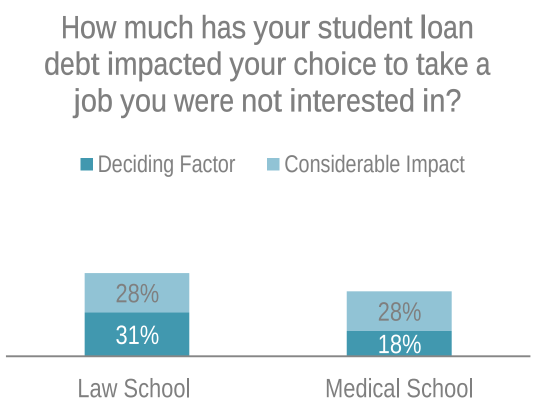


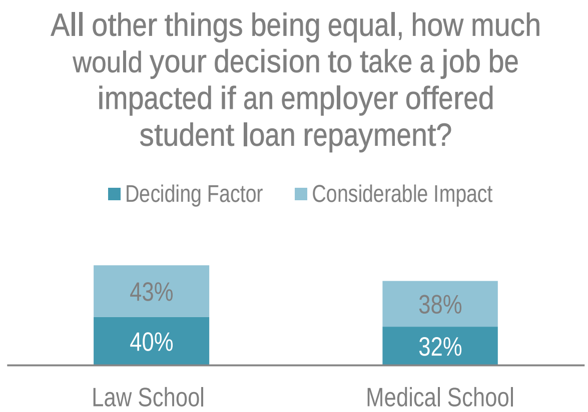
Sixty percent of medical school borrowers and 64% of law school borrowers stated that student loan debt had an impact on their choice of career field. Forty-eight percent of law school and 52% of medical school students said that student debt has impacted their choice to enter private sector rather than public sector employment.





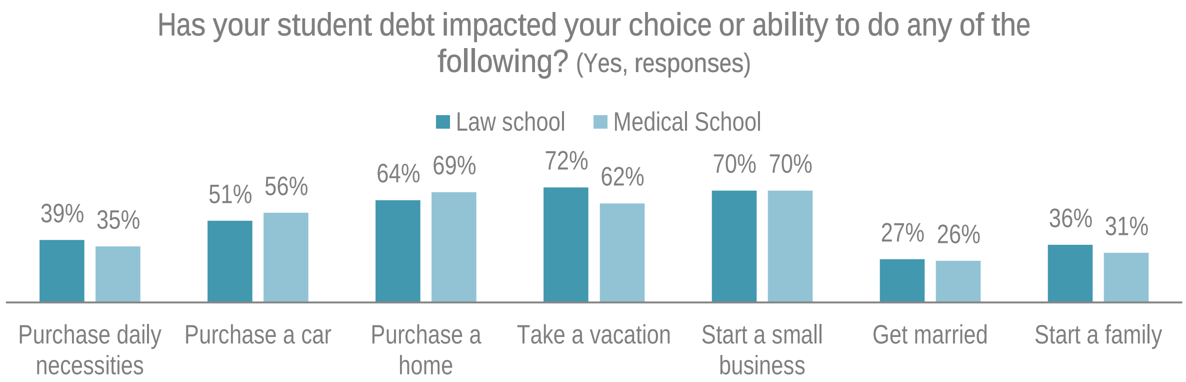
Law school borrowers were more likely than medical students to respond that they took a job that they were not interested in but paid more than a job they were interested in, in order to pay their student debts. It is not surprising, therefore, that 83% of law school borrowers responded that, all other things being equal, their choice to take a job would be impacted by the employer assisting with student loan repayment. Seventy percent of medical school borrowers would be swayed by such assistance.



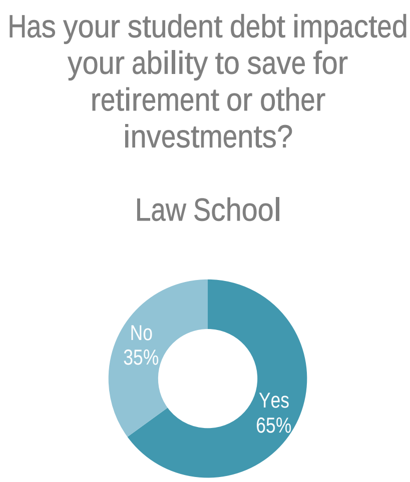


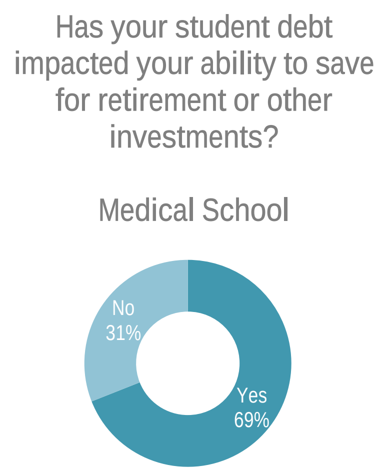
Life Choices

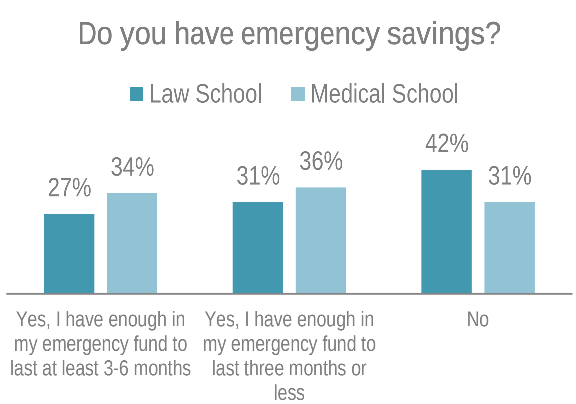
Student loan debt is also having an impact on the ability of law school and medical school borrowers to make certain lifestyle choices. Nearly 4 in 10 law school borrowers say their student debt is impacting their ability to make the most basic purchases and daily necessities. Over 50% of both law and medical school borrowers say student debt is impacting their ability to purchase a car, and over 60% of both law and medical school borrowers say student debt is impacting their ability to purchase a home. Of those medical and law school borrowers interested in starting their own business or private practice, 70% say that student debt impacts their ability to do so. In addition, over one quarter of both law and medical school borrowers said that debt has impacted their ability to get married, and over a third said it has impacted their ability to start a family.



Student debt is also impacting the long-term financial health of law school and medical school borrowers. Sixty-nine percent of medical school borrowers and sixty-five percent of law school borrowers have put off saving for retirement or other investments because of their student debt. In addition, 42% of law school borrowers and 31% of medical school borrowers have no emergency savings.

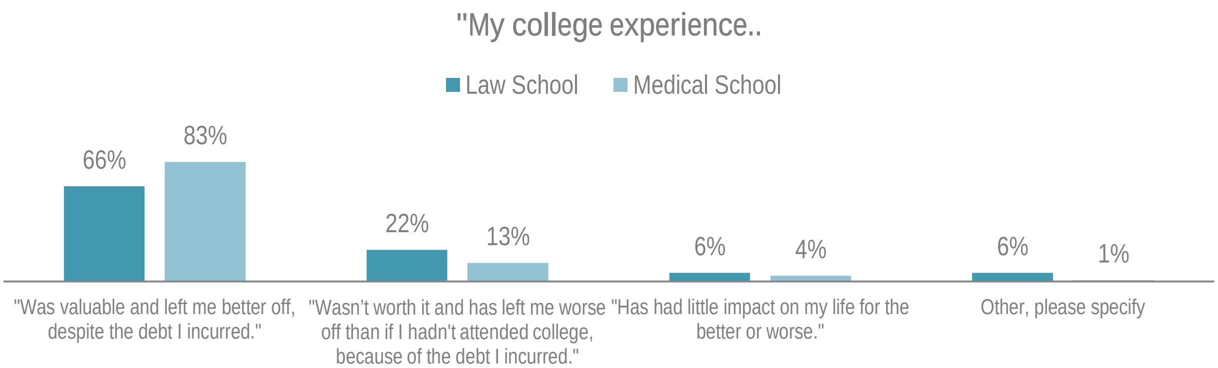




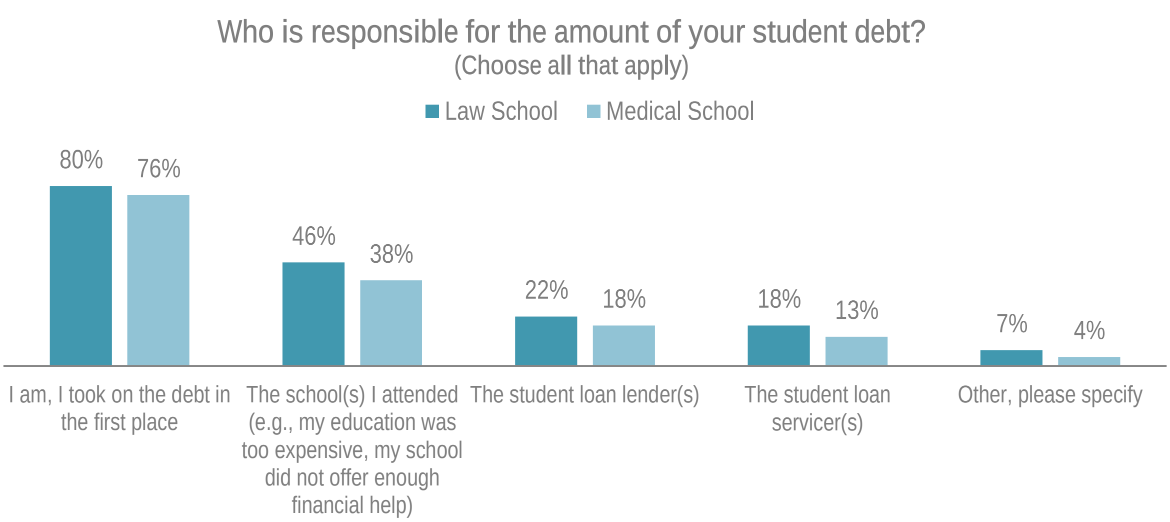


Impact on perception of college experience

The existence of student debt among law and medical school borrowers is leaving some with a negative view of their alma mater. Law school borrowers in our survey were far more likely than their medical school counterparts to say their degree wasn't worth the current impact of their student debt.



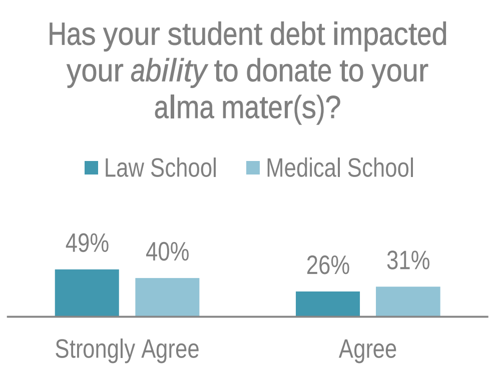
Eighty percent of law school borrowers do feel that they are primarily responsible for their debt, but 46% of law borrowers feel that their school is at least secondarily responsible for their debt, and 8% believe their school is solely responsible. Similarly, 38% of medical school borrowers believe their school is at least secondarily responsible for the debt, and 11% find the school is solely responsible.

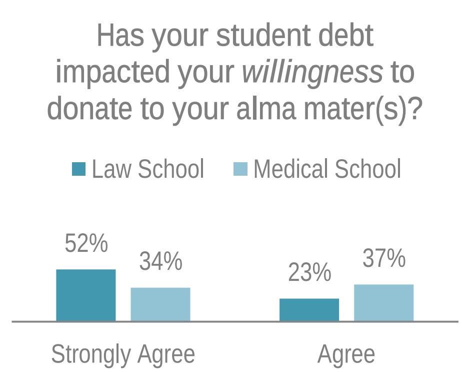


A selection of the "other" include:

> **Law School**
>
> *"Government for making money off my loans"*
>
> *"I am. However the interest rate is not manageable and my school did not properly represent the starting salary upon graduation. They provide no help when looking for a job and the cost benefit analysis is very far off."*
>
> **Medical School**
>
> *"Interest rates from the federal government"*
>
> *"Congress in part, for keeping some of the interest rates so high."*

This feeling that the school is responsible for the debt and its negative consequences is leading to lower alumni giving rates among law and medical school borrowers. Seventy-five percent of law school borrowers responded that student debt impacts both their ability and willingness to donate to their alma mater. Seventy-one percent of medical students agree that student debt impacts their ability and their willingness to give back to their school. However, it is to be noted that law school students were more likely to strongly agree with the statement that debt has impacted their willingness to donate rather than their ability. This underscores how debt is negatively impacting some borrowers' perception of law school.





The majority of law school and medical school borrowers feel that their school should help them manage their student debts. In addition, across the board, almost 8 out of 10 law and medical school borrowers think that counseling on loan repayment and budgeting should continue after they have left school. Law school students are particularly interested in resources about repayment of loans continuing.