BEST COLLEGES.COM

UNDERSTANDING STUDENT DEBT

STEPHANIE SNIDER
GENERAL MANAGER

LETTER FROM THE EDITOR

There are elements that define every generation, and in education these legacies are easily identifiable. For our grandparents, it was the rise of women and the beginning of diversity in education; for our parents, it was protests and self-expression in college. For today's generation, where college is becoming the expectation, not the exception, what will the legacy be? More and more, it's looking like the students of today will be remembered as the indebted.

Already there are signs that the debt of this generation, brought on by the sharp increases in tuition and the amount of time needed to complete a degree, is drastically altering the educational landscape. Students are changing the way they go to school by choosing online programs with flexible schedules and lower costs, overloading on classes, trying to graduate earlier, working multiple jobs while enrolled, and selecting majors that yield high salaries, regardless of their interest in the subject. Student loan debt is shaping the future of millions of young Americans and we have only started to see the repercussions.

College debt is a complex issue — one that is not going to be fixed overnight. However, we at BestColleges.com believe in the importance of engaging with difficult concepts and fostering dialogue in the hopes of sparking new insights and conversations that may aid in resolution. For this reason, we put together a collection of essays from individuals on the front lines of student debt. Our panel includes a financial aid expert, a professor, a student with a difficult choice, an online educator and career coach, and a lawyer dealing with the consequences of debt. Each essay brings with it the author's unique perspective on this complicated matter, highlighting the many approaches, opinions, and solutions that exist within the college debt discussion.

I encourage you to read through the collection and then reach out to us with your thoughts, comments, ideas, and responses, using the contact section below to add your voice to the conversation. Together, we can work to shift the legacy of today's generation and ensure that they, and future generations to come, are remembered for what they accomplished, not for the debts they bore.

Stephanie Snider

STEPHANIE SNIDER
GENERAL MANAGER

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"Innovative new curriculum and delivery strategies, along with more targeted skills development that meets current business needs, can help students better prepare for productive careers. By engaging businesses earlier and more directly in the educational process, we can help young people launch careers more quickly and reduce their educational expenses in the process."

BY ANNA TAVIS

ASSOCIATE PROFESSOR OF HUMAN CAPITAL MANAGEMENT, NYU

The cost of traditional higher education has been rising steadily and shows no sign of slowing down. Much of the problem is driven by simple market-based economics -- demand is outstripping supply. Many jobs that pay good wages require a college degree, and our academic institutions are the gatekeepers to those essential credentials. To slow down the rising costs, we need to increase supply.

Other cost increases are driven by the need to upgrade technology systems at our traditional colleges and universities, many of which are old and clunky and lack sufficient bandwidth for 21st century instructional models. It also costs more to hire qualified staff, notably IT experts, who can often earn far more in commercial sector jobs. A researcher who could be working for a pharmaceutical company will earn less money at an academic, which relies on grant money or government funding. And finally, the cost of housing has surged in recent years, notably in cities like New York, Boston, Miami, Dallas, Seattle, and San Francisco, adding to students' financial burden.

Fortunately, technology is helping to create new pathways that can make education more accessible and less costly. We are creating tools, platforms, and opportunities for people, regardless of their location or financial status, to access information and get the education they need. Technology has begun to change our learning model, to make it more agile. It doesn't mean we are replacing the traditional, on-campus experience, but we are providing alternatives.

Online content is the centerpiece of the new agile model. We can now provide remote access to the same professors and peer groups that are available on-campus. We can even free up instructors to work remotely, adding flexibility and potential cost savings. This model won't completely replicate the on-campus experience, but it is more affordable and accessible. Allowing students the flexibility to take online courses is definitely the way of the future. In the years ahead, the vast majority of college students will participate in online learning to some extent.

In order to meet the growing demand for remote instruction, professors and other academic staff will need to change the way they teach. A traditional talking head lecture is no longer effective, and instructors who fail to engage their students with modern technology will fail. They must prepare to use collaboration tools, breakout rooms, and video to provide a more interactive student experience. Students today have grown up with online tools -- many were using technology even before they began to read. They bring their computers and devices into the classroom. Failing to engage them through these tools is a missed opportunity.

We also need to provide streamlined educational options that enable students to launch careers with fewer years of formal instruction. More targeted programs, focused on knowledge applicable to specific professions, can prepare a student for a job more quickly than a traditional four-year liberal arts curriculum. This won't be the right choice for all students. Many will still prefer the traditional model. But the lower cost option would make higher education accessible to far more students.

Corporate partnerships and apprenticeships can also create more direct pathways from high school to the workplace. Today, some large high tech companies are hiring talented high school graduates, atraining them to write software code, while also encouraging workers to continue their education and build new skills as needed. IBM, for example, has launched a "new collar jobs" initiative, which combines professional careers with trade work in apprenticeships that reduce the pressure to get a bachelor's degree. Since technology moves so fast, continuous on-the-job training today can provide more valuable skills than four years of traditional undergraduate study. Students who postpone their education to begin working can often count on their employers to pay some of the cost if they choose to return to school. And their work experience should help them choose courses with the most relevance to their careers.

Deep, specialized skills require constant upgrades and continuous learning. Our academic institutions can help by offering blended curricula and real-world experience that better align with business needs. A good example of this is the master's degree in human resources management and development offered at New York University's School of Professional Studies. Two-thirds of the curriculum is focused on building foundational business skills, including business strategy, financial management, information technology, and analytics. The remainder of the curriculum is concentrated on HR specializations. Internships and capstone research projects provide hands-on business and HR experience.

Fortunately, we are beginning to see really interesting innovation happening at many universities, though the pace of change varies widely, depending on the leadership of those universities. More forward looking institutions are shifting to a hybrid instruction model, matching the powerhouse of content creation, research, and thought leadership with the latest technology platforms and reaching out to much broader populations. Agile, flexible, and modern higher education offerings that transcend geographies and economic barriers will bring better career opportunities to more students, bridging the growing gap between supply and demand.

Innovative new curriculum and delivery strategies, along with more targeted skills development that meets current business needs, can help students better prepare for productive careers. By engaging businesses earlier and more directly in the educational process, we can help young people launch careers more quickly and reduce their educational expenses in the process.

ABOUT ANNA TAVIS

Associate Professor of Human Capital Management, NYU

Dr. Anna Tavis is an Associate Professor of Human Capital Management at NYU, senior lecturer at Latin American Business School, Senior Fellow with The Conference Board and an Executive Director for the Innovation Radar Network with Executive Networks. In addition, Anna is a Senior Editor of People+Strategy Journal a publication of HRPS, SHRM's Executive network.

2 MOST STUDENT DEBT NOT EXCESSIVE, FOR NOW

"Our overall student debt burden is manageable today. But if we see more students taking on unsustainable loans in coming years, we might very well have a student debt crisis down the road. That becomes more likely with each year that the federal government, and most state governments, fail to adequately invest in higher education. We should be doing a lot more to make college more affordable."

BY MARK KANTROWITZ

The growth of student debt raises some concerns, but not necessarily the ones we might think of. Total U.S. education related loans surpassed credit card debt in 2010, then topped auto loan debt in 2011 and hit the trillion dollar mark in 2012. It will likely reach $2 trillion by 2022. That's a huge number, causing some observers to warn that student loans could one day derail our entire economy. But we are still nowhere near the trillions of dollars in bad debt that fueled the subprime mortgage crisis, for example.

The overall debt figure also overstates the burden on individual borrowers. Despite horror stories about college students saddled with six-figure loans, their average debt at graduation in 2016 was about $37,000. That's an affordable amount, which most graduates should be able to repay within 10 years, based on their likely salary. Data shows that only one in six bachelor degree recipients is graduating with excessive debt, a figure that has been relatively constant for the last several decades. In-state public college tuition in particular remains an affordable option.

Debt levels do rise considerably for post-grad work. More than 90% of students who borrow more than $100,000 are graduate students, and about two thirds of medical students end up with six-figure debt. But their salaries are also typically much higher, which means they can better afford to make their loan payments.

It is also true that the number of students graduating with some debt is increasing. But students who complete their studies can generally manage that debt.

On the other hand, students who do not graduate or who do not go to college experience a greater degree of financial stress. Students who drop out of college earn less income than their peers who earn degrees and are four times more likely to default on their student loans. The lack of a college education remains a much bigger problem for young people than the debt incurred to get a degree.

Skeptics note that 30 to 35 percent of U.S. college graduates are living with their parents. But my research from a decade ago found the level was actually slightly higher back then, even before the 2008 financial crisis that plunged the economy into the Great Recession. Historically, it's not uncommon for graduates to go back home for several months while they search for jobs.

However, for low income students, rising college costs, including reliance on loans, can in fact have a chilling effect on enrollments. Imagine being told that you need to borrow more for your college education than your parents earn in a year. Low income students tend to be far more risk averse than middle and upper income students. Nobody loves having debt, but for low income students, the prospect can actually stop them from enrolling. Government grants and other support for higher education have decreased for decades on a per-student basis, making the path to college steadily more difficult for low income students.

This is a problem not just for those students, but for the broader U.S. economy and policymakers. U.S. unemployment reached a 16-year low in May 2017, but job growth has been so tepid that some economists now believe a shortage of workers is restraining GDP growth. Depending on who you ask, as many as 7 million jobs are going unfilled for a lack of qualified candidates. So there's certainly room to absorb more college graduates in high paying jobs.

Many politicians and commentators reject the notion of increasing education spending. Why should we cover college costs when it's the individual students who reap the benefits of their degree? That's missing the point. Higher education brings many public benefits as well. Some are harder to assign a direct dollar value - improved health, increased voting and civic participation, lower crime rates. But federal and state governments do reap a direct financial windfall from education. A person with a bachelor's degree or a more advanced education pays more than twice the federal income tax, on average, of someone with just a high school diploma. Over an average work life of 40 to 45 years, the increased income tax revenue is the equivalent of a 14 percent annualized return to the federal government. Not only is this a good investment, there is arguably no better investment.

Our overall student debt burden is manageable today. But if we see more students taking on unsustainable loans in coming years, we might very well have a student debt crisis down the road. That becomes more likely with each year that the federal government, and most state governments, fail to adequately invest in higher education. We should be doing a lot more to make college more affordable.

ABOUT MARK KANTROWITZ

Mark Kantrowitz is a nationally-recognized expert on student financial aid, scholarships and student loans. He has testified before Congress and federal/state agencies about student aid on several occasions. Mark has written for the New York Times, Wall Street Journal, Washington Post, Reuters, Huffington Post, U.S. News & World Report, Money Magazine, Bottom Line/Personal, Forbes, Newsweek and Time Magazine. He was named a Money Hero by Money Magazine. He is the author of four bestselling books about scholarships and financial aid, including Twisdoms about Paying for College, Filing the FAFSA and Secrets to Winning a Scholarship.

3 STUDENT LOAN DEBT, A NECESSARY EVIL

"All things considered, student loans are a necessary evil. Most people lack the funds to pay for school outright, but that shouldn't preclude them from pursuing a higher education. With that said, our nation's student loan system could use some improvements. Indebted students and graduates shouldn't have to worry about the potential elimination of loan forgiveness programs or other benefits for borrowers."

BY TAMARA GAFFNEY

ATTORNEY, SNOHOMISH COUNTY PUBLIC DEFENDER ASSOCIATION

I've known I wanted to be a lawyer ever since I was in high school, when I witnessed police officers disparage the people they were supposed to be protecting. This sparked a desire in me for transparency and accountability in our criminal justice system. I also knew from the start that a law degree would come with a high price tag, one I wouldn't be able to handle on my own. It's been said that a law school education is a "$100,000 gamble" - and I was going to have to borrow some poker chips.

Before I could start changing the world in law school, I had to earn an undergraduate degree. I spent my freshman year at Seattle University before transferring to the University of Chicago. I had always assumed attending an elite private school would be too expensive for me, but was surprised to discover it was actually a cheaper route to earning my degree. In fact, my three years at UChicago cost me the same in tuition and fees as my one year at SeattleU.

After graduating with a bachelor's degree in history, I spent two years working in the Registrar's Office at SeattleU while I decided whether law school would be a good investment. At that time, I had incurred around $23,000 in student loan debt and had to ask myself some important questions: did I really want to increase that deficit at least five-fold by pursuing a law degree? Did I really want to live in the shadow of seemingly insurmountable debt for the next 20 or 30 years of my life? The answer, as I had known in my heart since high school, was "yes."

My first choice for law school was UC Davis, but I discovered that the cost of tuition there would force me to max out my government-backed loans — a scary idea due to the automatic interest accrual and immediate repayment expectations that come with unsubsidized loans. I ended up selecting the University of Washington School of Law, which allowed me to receive more financial aid and a great education in a familiar environment. For the next three years, I worked harder than I've ever worked in my life — poring over countless pages in textbooks, briefing cases, and sitting for four-hour exams. And I was paying money (that I didn't have) to do it! But my drive never faltered, because I knew I was working toward a career where I could help the people who needed it most. That meant more to me - and still does - than a dwindling bank account.

Today, almost three years after graduating with my law degree, I'm passionate about my work as a public defender. Though it's not the most lucrative of paths available in the legal field, my job is personally rewarding because it gives me the opportunity to serve and protect the rights of our most vulnerable populations. Additionally, my role as a public defender allows me to participate in a loan forgiveness program that will erase my debt in return for 10 years of regular payments and service in the government sector. Without that option, I would never have been able to afford a law degree. If the current administration were to eliminate loan forgiveness programs or other benefits for borrowers (like income-based repayment programs), it would be financially devastating for me and countless others in similar situations.

I owe nearly $200,000 in student loans. People often think that's an insignificant debt for a lawyer, but my salary is far from the six figures some might expect. Living with that much debt means I have to be extremely conscious of my expenditures. My monthly student loan payment takes a big bite out of my paycheck and doesn't leave much for living expenses or personal spending, which makes things difficult. I'm a trial lawyer who wants to professionally represent my clients but has to wear the same suit to court multiple times each week. Also, I can't afford to attend expensive legal trainings that would help me become a more effective attorney. I've had to make peace with the fact that I'll never be able to afford a house and will always be restricted to renting apartments and living with a roommate. Even my hobbies are affected - I love to travel, but balk at the financial irresponsibility of putting expensive trips on my credit card.

Do I regret my expensive decision to go to law school? Absolutely not - I love being a lawyer. To me, there is no work more fulfilling than protecting the most vulnerable members of our society using the Constitution. But are there things I'd do differently given the opportunity? Sure. For one, I'd be more responsible about money before and during school. Establishing and sticking to a budget early on could have helped me manage my finances more effectively.

All things considered, student loans are a necessary evil. Most people lack the funds to pay for school outright, but that shouldn't preclude them from pursuing a higher education. With that said, our nation's student loan system could use some improvements. Indebted students and graduates shouldn't have to worry about the potential elimination of loan forgiveness programs or other benefits for borrowers.

We need to work with our legislators and other policymakers to design and implement security measures to protect those with student loan debt. We must also incentivize future students to take advantage of loans to enable them to pursue a higher education. The children are our future, but only if they can afford to reach their true potential.

ABOUT TAMARA GAFFNEY

Attorney, Snohomish County Public Defender Association

Tamara Gaffney is an attorney at the Snohomish County Public Defender Association in Everett, Washington. She practices criminal defense for people who cannot afford to pay for an attorney on their own. After growing up in Eastern Washington, Tamara attended Seattle University for one year before transferring to the University of Chicago where she majored in history and graduated with honors. After earning her bachelor's, Tamara worked in the Registrar’s Office at Seattle University for two years before attending law school at the University of Washington. She has approximately $190,000 of student loan debt and lives in Seattle with her dog Percy.

4 COLLEGES CAN DO MORE TO HELP STUDENTS MANAGE RISING COSTS

"College decisions should be based on a comparison of multiple schools that offer the same degree program. Students should seek answers to questions such as: What is the cost per credit hour? What is the total tuition cost for the program? What additional fees are included? Itemizing the costs allows prospective students to develop realistic expectations about what it will take to pay for the programs they are interested in, and to compare costs across multiple schools."

BY MELISSA VENABLE

ONLINE EDUCATION ADVISOR AT HIGHEREDUCATION.COM

As U.S. college costs continue to rise, lower and middle income students face some difficult choices. Should they borrow more money to pay for higher education? Should they settle for a less prestigious but more affordable school? Should they postpone or even forgo their higher education goals? If U.S. colleges and universities are serious about making room for students of all economic backgrounds, it's time for them to do more to lower the financial hurdles.

According to the College Board, the average cost of tuition and fees for the 2016–2017 school year was $33,480 at private colleges, $9,650 for state residents at public colleges, and $24,930 for out-of-state residents attending public institutions. To put this in perspective, multiply those annual figures by four -- for each bachelor's degree. Each student must also consider living expenses when developing an overall budget, whether they are planning to reside on or off campus.

Fortunately, most students will qualify for at least some financial aid – even students from upper income families. That means every student should be encouraged to file a Free Application for Federal Student Aid (FAFSA) by admissions and financial aid advisors. Colleges and universities can also help incoming students identify and qualify for grants and scholarships. Counseling students on the best approaches to finding all available financial aid options can help level the playing field for lower income applicants, especially first-generation college students whose parents may have less understanding of the process.

Aid not only reduces student borrowing, it also eases the pressure to earn money by working during the school year, which can slow a student's academic progress. For students who must work, schools can support them by coordinating relevant employment opportunities off campus or providing on campus jobs related to their studies, such as faculty research and teaching assistant positions. Jobs located on campus can also reduce class scheduling conflicts and commuting challenges, leaving more time for studying.

For students who are already working full-time, their employers may have partnerships with colleges – particularly for online programs – that offer reduced tuition, flexible scheduling, and encouragement to pursue education goals. Employers might offer incentives to workers who pursue specific programs that would benefit the company. College advisors can work more closely with prospective students to help identify what assistance may be available.

Finally, colleges can help students better understand the potential return on an investment in higher education, by providing more granular and transparent information about actual costs. College decisions should be based on a comparison of multiple schools that offer the same degree program. Students should seek answers to questions such as: What is the cost per credit hour? What is the total tuition cost for the program? What additional fees are included? Itemizing the costs allows prospective students to develop realistic expectations about what it will take to pay for the programs they are interested in, and to compare costs across multiple schools.

Colleges and universities have heard the complaints about excessive costs and many have taken steps to not only improve affordability, but also prepare students for the financial responsibilities related to a college education. It's encouraging to see these steps toward cost containment and maintaining access for lower and middle income students. But we're still only at the beginning of this process, and it will be important for schools to continue to demonstrate accountability in the years ahead.

ABOUT MELISSA VENABLE

Online Education Advisor at HigherEducation.com

Dr. Melissa Venable has served as an Online Education Advisor and Writer at HigherEducation.com. She is also an Adjunct Instructor and Course Designer at Saint Leo University and the University of South Florida, and an Independent Contractor at Design Doc, LLC. Venable has held several Managerial roles in higher education throughout her career including Curriculum Manager, Instructional Designer and Manager and Academic Advisor.

5 MOST STUDENT DEBT NOT EXCESSIVE, FOR NOW

"Loans turned out to be a great option to help pay for college and a valuable bridge to the future. They helped me focus on my studies and get more sleep. But too much debt can limit your choices later. There's a decision to be made: do you want to trade hard work today for more flexibility tomorrow, or vice versa?"

BY TEVA SEALE

It probably won't come as a surprise to hear that for a low income student like me, paying for college is a major challenge. It can be done, but you need to make some difficult choices, work hard, and take whatever help is available.

I started out at a community college, where my tuition was fully paid for because I was awarded a full academic scholarship. That decision helped me avoid taking out student loans for my first two years. For my junior year, I transferred to University of Tennessee-Chattanooga, where I just received my bachelor's degree in business administration with a focus in business analytics and management. I'm graduating with $15,000 in debt, which isn't fun, but it's manageable, and a lot less than some other people I know.

Having a smaller loan balance makes a huge difference. My student loan repayment is going to be $153 a month; that's less than a car payment. A graduate with little or no debt could choose pretty much any job at any salary. So it's affected me only minimally. I have an internship with Tennessee Valley Authority and I'll start grad school in the fall. I will have to get a job, but I can also take the time to get an advanced degree, which will lead to much better potential earnings.

My brother, on the other hand, is about to graduate with his master's degree along with $86,000 in debt. As he looks for a job, he has to make sure the pay is high enough to cover his loan payments along with his other expenses. Even though he had a full tuition scholarship at University of Alabama, along with Pell Grants and other aid, he had to borrow thousands of dollars a year to cover his living expenses on campus. My decision to start at community college is paying off now through lower loan payments and more career flexibility.

The other important choice I made was to work multiple jobs while I was in school. I worked for the college as a campus tutor and did some private tutoring. I worked several fast food and retail jobs, and did some photography on the side. I was hoping to avoid taking out any loans. My jobs paid all of my living expenses. But it also about killed me. After my first semester as a junior, I decided it wasn't worth it just to avoid borrowing money. Taking out loans allowed me to have a somewhat better lifestyle, so I'm grateful that I had the ability to do so.

So loans turned out to be a great option to help pay for college and a valuable bridge to the future. They helped me focus on my studies and get more sleep. But too much debt can limit your choices later. There's a decision to be made: do you want to trade hard work today for more flexibility tomorrow, or vice versa?

If you do borrow money to pay for college, the Federal Student Aid office offers a lot of resources to help understand the process. This includes exit loan counseling and an analysis of your repayment options. They can tell you exactly how much your loan repayment will be and how long it will take. They actually make you write out your salary expectation upon graduation, and then the expenses that you intend to cover, to calculate which plan you should take. That was very helpful.

Having to work and borrow my way to an undergrad degree wasn't easy. I can't say that it didn't take a toll on me. But at the same time, I've always known I was going to have to have this debt. Growing up, I knew that if I wanted to go to college, it was going to have to be on my own dime.

In some ways, that was an important part of my education. I know the value of my degree, because I know what I've had to do to earn that value. Yes, it's going to take me 10 years to pay off my loans. But I know that I put myself in that position. That was my decision.

ABOUT TEVA SEALE

Teva Seale is a recent graduate of the University of Tennessee, Chattanooga where she majored in Business Analytics and Management. She is now pursuing a Master of Science at the University of Tennessee, Chattanooga.