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A National College Enrichment Program

Financial Aid and Student Loans

Outstanding student loans were $1.19 trillion as of 3/31/15. Outstanding credit card debt was $889 billion as of 3/31/15. Student loans have increased $80 billion in the last 12 months while credit card debt has increased just $28 billion over the same period (Source: Federal Reserve).

11.1% of college student loans (i.e. those loans that are currently in the repayment cycle) are at least 90 days delinquent as of March 31, 2015 (Source: Federal Reserve Bank of New York).

While there are nearly 2,800 four-year colleges and universities in the United States, there are just over five dozen that claim that they meet 100% of their students financial need (Common Data Set; published by the College Board).

At Oberlin, about 80% of the school's students demonstrated need and received some sort of financial aid averaging $32,000 (NACUBO Tuition Discounting Survey 2000-2013).

2010 Income-Based Repayment law

a. Monthly payments capped at 10% of income and the living expense deduction was raised.
b. Loan forgiveness threshold stayed at 20 years; loan balances would be wiped clean after only 10 years for people who worked in public service jobs (government or nonprofit sectors) (Kevin Carey, "A Quiet Revolution in Helping Life the Burden of Student Debt" *The New York Times*, January 24, 2015).

Although Congress lowered student loan interest rates in 2013, it extended the fix only to new borrowers. This left millions of existing borrowers piling up debt at interest rates at or above 7% (Source: Martin O'Malley, "Common-sense steps to ease burden of student debt weighing down futures *The Washington Post*).

Research by the Federal Reserve Bank of St. Louis reports that student loan delinquency might be more than double the official rate, or 31.5%. This would mean that nearly a third of all student debt holders are more than one month behind in paying down their debt.

Colleges that have a default rate of 30% or more for 3 consecutive years or 40% in 1 year risk losing access to federal student loans (Ben Miller, "Student-Loan Default Rates Are Easily Gamed. Here's a Better Measure", *The Chronicle of Higher Education*).

On paper, community colleges, and four-year and two-year for-profit institutions all have nearly identical default rates of around 20%. But community colleges produced just 75 borrowers in repayment for every 100 graduates compared with the 136 per 100 at two-year for-profit colleges and

233 borrowers in repayment for every 100 graduates at four-year for0profit institutions (Ben Miller, "Student-Loan Default Rates Are Easily Gamed. Here's a Better Measure", *The Chronicle of Higher Education*).

In 2004, just 2% of student loan borrowers with bachelor's degrees were holding $40,000 or more in student loans. By 2012, that share jumped to 18% (Source: Report by the Urban Institute, a Washington-based think tank).

The borrowing patterns of undergraduates who are independent from their families are particularly troubling. These students, who are typically older, accounted for 70% of undergraduate degree borrowers who took out $50,000 or more in loans in 2012, but they made up just 56% of undergraduate degree recipients overall (Source: Report by the Urban Institute, a Washington-based think tank).

Just over 34% of undergraduates with family income of $100,000 or more received Subsidized Stafford loans at colleges where total annual costs, including tuition and room and board, were at least $30,000 in 2011-2012 (Source: Edvisors.com)

Beginning July 1, 2015 interest rates will be 4.29% for Stafford loans for undergraduates, down from 4.66%. The rate on the federal plus loan will be 6.84%, down from 7.21% (Source: *The Wall Street Journal*. "Student Loans: The New Math", Anna Maria Andriotis, June 13-14, 2015).

As of the 2013 school year, the latest data available, some 59% of students graduating from a public 4-year institution had student loans, up from 55% in 2008. The average loan amount rose by 16%, or about $3,600 according to Michael Mitchell, a policy analyst at the Center on Budget and Policy Priorities (Source: "Debt by Degree Series", John W. Schoen, http://www.cnbc.com/id/102746071).

15% of those with a B.A. borrowed more than $30,000, about double the rate of the typical college student. 5% borrowed more than $50,000, compared with 2% of all college students. The share of B. A. recipients who borrowed for college rose to 70% in 2012 from 65% in 2004. Just 2% of the class of 2004 borrowed more than $40,000, but that rose to 8% for the class of 2008 and 18% for the class of 2012 (Source: Beginning Postsecondary Students Longitudinal Study).

The total of private student loans outstanding grew rapidly from $55.9 billion in 2011 (Source: Kelley Holland, "The High Economic and Social Costs of Student Loan Debt", June, 15, 2015).

The 3-year default rate stands at roughly 13.7, and the average amount in default per borrower was just over $14,000 in third quarter of 2014 (Source: Kelley Holland, "The High Economic and Social Costs of Student Loan Debt", June, 15, 2015).

Kentucky State has a graduation rate of 18%, and nearly 30% of students who began repaying their loans in fiscal 2011 had defaulted within three years