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Panel: Student Debt - We Pay for What We Value

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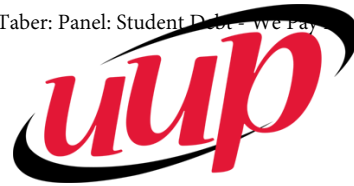
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Student Debt: Data Analysis to Inform Policy Objectives (With a focus on student debt at the State University of New York)

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What information should we focus on?

E.g.,

- **Total amount of student debt**
- **The groups of students who incur the highest amounts debt**
- **The groups of students who have the most difficulty repaying their debt**
- **The groups of students who have the highest default rates**
- **Types of institutions/programs where student debt and default are high**

Should policies target specific groups of student debt-holders?

New York State

Currently, 2.8 million student loan borrowers in NYS

(Over 43 million in the U.S.)

Over the past 10 years:

- **Total student debt more than doubled - to \$82 billion**
- **Average borrower balances increased by 48% - to \$32,000**
 - **Vary widely by region**
 - **Manhattan leads at \$44,500**
 - **Watertown-Fort Drum is lowest, at \$23,500**

NYS – Reasons for Debt Increase

Rising College Costs

NYS over the past 10 years:

Average tuition, fees, room & board costs rose

- **By more than 50% at private 4-year colleges**
- **By more than 55% for in-state students at public 4-year colleges**

Nationally, compared to the 1970s:

Median family income is roughly the same (in terms of purchasing power) but

- **Public college tuition is 4 times higher**
- **Private college tuition is 3 times higher**

Delinquency on Student Loans

Percentage of student loan borrowers in NYS late on payments by 90 days or more

- **2006: 8.9%**
- **2012: 14%**
- **2015: 12.5% (16% nationwide)**

Bronx: student loan delinquency rate is 19%

The only area in NYS with a rate higher than the US rate

Delinquency on Student Loans

Default rates in NYS by sector for 2012 cohorts

- **13.6% for proprietary (for-profit)**
- **9.3% for public**
- **4.2% for private nonprofit**

To understand student debt and default, among the variables that should be considered are

- **Family Income**
- **Student Support Systems**
- **Degree completion**

SUNY

TAP – Tuition Assistance Program

More than 40% of NYS's TAP students attend SUNY institutions

Roughly 144,000 SUNY students receive TAP
(nearly 1/3 of SUNY's approximately 440,000 students)

Percent receiving TAP by type of SUNY institution

- **35% of students at the 29 state-op campuses**
- **32% of students at the SUNY community colleges**
- **9% of students at the 5 statutory colleges at Cornell and Alfred Ceramics**

75% of all full-time SUNY undergraduates receive some form of financial aid

Student Debt within the State University of New York (SUNY)

Student Debt at SUNY

Note: SUNY does not report on debt for students who fail to complete a degree.

SUNY degree completers

- More than 40% of SUNY graduates have no loan debt
- **\$25,250**: Average debt for borrowers who graduated with a degree
 - Compared to **\$28,950** national average

But – average debt is much lower for a subset of SUNY grads:

- **\$14,000** for SUNY's 37,000 2-year degree and certificate recipient students

SUNY Student Demographics

AGE

- ***At state operated campuses:***
 - **20% of undergraduate students are 25 or older**
- ***At community colleges***
 - **25% are 25 or older**

Part Time status

- **30% of 440,646 are part time**
(Doesn't include those taking online courses only)
 - **11% of state op undergraduates are part-time**
 - **45% of community college undergraduates are part-time**

Policy Question

Are we neglecting to focus on the most needy populations of student debt holders?

Sandy Baum:

The “typical borrower struggling with student debt is not the 22-year-old recent bachelor’s degree recipient frequently pictured in news coverage. Rather, she is an older adult who either left school without completing her program or graduated with a short-term degree or certificate that may improve her circumstances, but not enough to provide a middle-class lifestyle.”

Policy Question

How does family income level impact student debt?

- **The relationship between family income and student debt is not a linear one.**
- **Students from middle income households have more debt than students from upper or lower income households.**

Policy Questions

What students should be targeted for assistance and what types of assistance do they need?

Who are the students experiencing the heaviest debt burden?

Generally, the heaviest debt burden falls disproportionately on

- **Graduate students**

- *But a significant proportion of the graduate students with the highest debt are entering fields such as medicine, law, business.*

- **Students who drop out of college and don't come back to complete their degrees**

- **Students from for-profit colleges**

Policy Suggestions

Increase Degree Completion

by

Comprehensively Addressing Student Needs

- **Default rates are much higher for non-completers, and many struggle with even relatively small amounts of student debt.**
- **The vast majority of students start college believing they will finish, and finish on time; While there is the will there is not always the way.**
- **Sandy Baum: “We urgently need stronger pre-college academic preparation, better guidance about choosing schools and programs, better policing of postsecondary quality, and better student support systems.”**

Examples

Supports to Increase Completion

Opportunity Programs Know How to Do It!

SUNY – Educational Opportunity Program

- **Less than 3% of SUNY students are in EOP**
 - Completion rates are 5 to 10% above completion rates for public higher education nationally
 - 90% of EOP students are non-white; EOP completion rates are way above completion rates for non-white students
- ***How can we expand similar supports for other students in need?***
- ***What trends are hampering such supports?***
 - ***Inadequate funding for public higher education***
 - ***Impacts include effects on class size, student mentoring and advisement, increased student fees, etc.***

Examples

Supports to Increase Completion

Reaching out to students who drop out

- **Students who drop out are unlikely to return and are more likely to default on student loans.**
- **In response, SUNY launched a “**Re-Enroll to Complete,**” program, encouraging students to return to SUNY and educating students about loan repayment options.**
 - **29 SUNY campuses will participate in 2017**
- **SUNY Brockport was able to reach 300 former students, and 160 returned back to school.**

Policy Suggestions

Address Disparities that Cause Disproportionate Risk for Debt by Changing Collection Costs and Practices

- Borrowers in default may not receive further aid to return to school and are prevented from getting a second chance. Such borrowers are disproportionately **first-generation, low-income and independent students**.
- Unfair collection costs and practices mean borrowers of color disproportionately pay more for their student loans than their white peers, both in the short term and over the life of their loans.
 - These include extraordinary penalties, such as seizure of income and assets without a court order, and high collection fees.
- Instituting a system that forces financial institutions to bear part of the financial risk when their students do not repay their loans
- It should be made easier for students to take small rather than large

Policy Suggestions

Educate Students to Help Them Make Better Choices

- **For-profit schools disproportionately enroll minority students and women, and also produce high default rates.**
- **Many students borrow large amounts of money to prepare for occupations unlikely to lead to careers that can support debt payments.**
 - **E.g., Many borrow to study cosmetology which has a median wage of \$23,000/year; Cosmetology schools have high default rates.**

Note: The federal government is attempting to address such situations through “Gainful Employment” regulations, disqualifying institutions whose graduates have average debt payments exceeding specified percentages of their incomes.

- **With current technology, we should be able to help students understand and predict the outcomes of their school, program and debt choices.**

Summary Thoughts

- **Students who complete degrees have higher average student debt, but many groups within that population are able to make payments and ultimately pay off their debt.**
 - **Doctors, lawyers, MBAs are among those with the greatest total debt but they are more likely to be able to pay it off through their earnings than others.**
 - **We should scrutinize data to inform policy-making, i.e., look behind the general figures to focus on policies that would help those most in need.**
- **A group in serious need is those who do not complete their degrees.**
 - **While they have less total debt, they struggle to make ends meet and to pay it off.**
 - **They have much higher default rates.**
- **College completion is highly correlated with socioeconomic status and other student characteristics. Identifying supports needed for students who are at risk for not completing could be fruitful.**

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