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Erasing Student Debt: Slowly but Surely

by

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Key Words

College Readiness, Financial Literacy, Soft Skills, Student Debt, Loan Forgiveness

Abstract

Furthering your education intends to be the golden ticket when forming the basis of a successful life. Investing in college can have both positive and negative effects regarding where it leads a student in life. Positive aspects include increased job opportunities, higher salaries and wages, as well as a better quality of living. However, rising college costs bring debatable questions as to how students can become better equipped to face this path in life. In order to resolve the student debt crisis, there is need for educators to develop a better system in communicating financial literacy and life skills their students. Adopting this approach of reshaping the education system and reviewing loan forgiveness policies can promote gratification through differing college experiences.

Why is there a need for change to combat student debt? Students today find themselves drowning in financial difficulties due to many factors surrounding the student debt crisis. Research and media have focused on student loans as the major area of financial concern for college students today (Montalto, Phillips, McDaniel, & Baker, 2019). However, the larger perspective is that student loans functioning as a positive or negative financial aspect depends largely on the financial and socioeconomic well-being of the student. To understand this wicked problem more thoroughly, it is important to consider the correlation between college investments and future lifestyle decisions.

It is also essential to note that the history of financial aid has a strong connection with the federal government, state governments, private businesses, and individuals in the funding of higher education. Designed financial aid programs and policies have made college more accessible for those seeking to further their education, but how do we know these programs won't create future financial hardships? To answer the question, they can and will if students do not become better prepared to face the costs of college. First, I will examine how preparedness affects those entering college, then discuss possible approaches to the problem, and lastly weigh the outcomes that can result from these implementing solutions.

Student debt is a wicked problem with many connecting parts. Design theorists, Horst Rittel and Melvin Webber, coined the term "wicked problems" in order to acknowledge societal issues that are difficult to resolve or define. The two have described wicked problems as those with no definitive formulation or solution. These problems are also symptoms of another problem and can only develop solutions that are good or bad, never true or false. Now, it may be easier to make the connection of why student debt is in fact wicked.

College is pushed in homes and schools to promote the idea that this path is needed for future success. Many go into the process blindly without the proper knowledge to succeed in their areas of interest. This all stems from factors of poor curriculum, changing workplace expectations, and lack of preparedness. These causes also have a strong impact on decisions made by college students, contributing to the way they manage their student loans and career paths before, during, and after graduating college. Alongside financial education, soft skills are beneficial so that one can not only better manage their finances but enhance their overall college experience.

College Readiness

Are students actually prepared before entering college? Many high school students often find themselves starting into college without the basic knowledge, skills, and habits they need to thrive. The unpreparedness for higher education coursework can be explained by things like discrepancies between high school and college expectations, as well as nonrelevant course offerings.

Noncurricular aspects such as peer influence and parental expectations can have an impact on a student's perspective of entering college. In addition, factors involving college student performance can influence a student's ability to receive financial aid. In a qualitative study of first-generation, urban college students, it was found that students wished they had taken advantage of the opportunities available to them in high school to be better prepared for the challenges of college (Reid & Moore, 2008).

Use of Available Resources

From personal experience, I think most of my high school friends were not aware of the resources they had access to and almost took it as a joke when it came to visiting school counselors. Later, I realized that the same students who were “too good” to ask for help ended up dropping out, changing schools, or not attending college at all. Mandy Savitz-Romer (2012) defined college readiness counseling as “a developmental process that engages young people in developing postsecondary aspirations and expectations, gaining awareness of one's interests and abilities, and receiving support and information for college access and success” (98-99).

Counselors hold the ability to answer the question of how a student will receive higher education and how they're going to pay for it. By taking advantage of these resources before going to college, I was not only able to successfully meet college application deadlines, but most importantly gain information about scholarships available to me and knowledge on how to go about the student financial aid process. Additional benefits can come from delivering financial education to students before graduating high school.

Financial Literacy

Why are students not taught about their finances before entering the college scene? College readiness trends among adolescents continue to be discouraging (Radcliffe & Bos, 2013). By gaining positive college perceptions and academic preparation, students can improve the way they set short and long-term goals that support becoming college ready.

In terms of tackling college costs, there is a need for teachers to emphasize the importance of financial literacy so that students can be more mindful of their personal finance and loan responsibility. Financial education courses delivered in high school are known to have a limited impact on students, mainly because it holds little relevance to them at that point in time.

However, it is important to stress financial literacy to secondary students so that educators can lessen the number of times they ask, “When am I going to use this?”

Soft Skills

There isn't just a need for financial education, but for the teaching of soft skills that can help a student in college and the workplace. Soft skills include decision-making, resourcefulness, time management, and more. Students often choose their major and plan to pay back their loans in a timely manner because of the high-paying job their degree will lead them to. Although, it is beneficial for a student to understand the nature of college and recognize that a college education can only ensure future success if all commitments are considered. According to Wilkie (2019), “the Society for Human Resource Management found that 51 percent of its members who responded to a survey said that education systems have done little or nothing to help address the skills shortage.”

A 2018 survey of more than 650 employers and over 1,500 students has provided information to support the idea that employers do not often find graduates that meet the soft skills their company needs. In fact, 73% of employers answered that it was very or somewhat difficult to find qualified applicants. This highlights the reason why a college degree does not always guarantee success. When students become fully equipped with the skills that employers look for in the workforce, only then can they make the dream of erasing their loans a reality.

Risks of Unpreparedness

It should now be evident that several factors relate to whether a student's college education has a positive or negative outcome, making each situation unique. Lack of readiness

can cause many consequences for those who don't handle their college experience delicately. Over a quarter of first year-students who began college in the fall of 2016 did not return the following year (Challenger, 2019). Universities place a large focus on a student's grade point average, class rank, and standardized test scores during the application process. However, these results are ineffective in measuring a college student's success when compared to the need for life skills such as communication, personal finance management, and problem-solving.

When investing in higher education with no direction to navigate the path, students take on the risk of supporting themselves financially, solving problems independently, and maintaining a good academic standing. If these commitments are not taken into consideration, lots of room will be made for money to be wasted. To better illustrate the consequences of what can happen if these responsibilities are ignored, I'd like to bring my freshman year of college into focus. The roommate I had was a close friend of mine that went to college because it was the path her family wanted to take. Going into the process, college applications and expenses started to get overwhelming, and she only later made the decision to follow through after finding out that I had committed. After moving into our dorm and getting a feel for college life, home sickness began to sink in taking a toll on her mental health and motivation to get any work done. Near the end of the first semester, she realized that she was broke and unhappy, leading her to drop out of school and pick up two jobs back home. Even without finishing school, she still must bear the burden of repaying what she invested in.

Lifestyle and Career Choices

Students are faced with many decisions to make after graduating from college and the way they map their choices beforehand holds the future. Attending graduate school is among the

list of decisions to be made. When deciding on furthering your education beyond college, Williams (2021) states “Weigh out the prospective costs and the likelihood of how much you'll earn in your field after you graduate.” Students often can't afford to take out another big loan after completing an undergraduate program with lots of debt on their plate.

Homeownership is another life choice that can be different for those with student debt as opposed to those without. In 2015, millennial renters were asked why they did buy a home and 55.7% of people responded, "student loan debt/money not saved up." Although, this goes beyond buying homes because some may end up unable to afford apartments as well, which results in living at home. Many young adults, between the ages of 23 and 37, make the decision to stay home because they don't have the income to pay back student loans and rent at the same time (Williams, 2021). Student loans also hold the ability to lower your credit score, making lenders less likely to extend you credit in the future when borrowing for any reason.

Response

Addressing student debt has raised the argument of whether student loan forgiveness is reasonable. Taking a measure like loan forgiveness, which has never been done before, can look both progressive and regressive. What if loan forgiveness policies don't cover all of a student's loans? This could potentially result in the borrower continuing to make payments, even if the amount is reduced. Another negative side to this approach happens to be that those with higher incomes would benefit most. Stewart (2021) claims “Households with graduate degrees, which 14 percent of adults over 25 have, owe more than half of all education debt, and the just 3 percent of adults with professional and doctorate degrees — doctors, lawyers, MBAs — have 20 percent of the debt.”

How do we know if loan forgiveness has the ability to be effective? A recent Bureau of Economic Research study examined a group of borrowers that had their loans forgiven due to a lawsuit. Those who had their debts reduced were found to be able to pay off other debts, such as credit cards. This also led borrowers to relocation opportunities, which created new jobs, translating to higher salaries for some. Talking about student loan debt is challenging because there isn't a single way to shape it: You can compare college graduates with and without debt or simply graduates and non-graduates, and different stories will result (Stewart, 2021). College education is pictured as the key to success, and as many sign their lives away to get there, they end up trapped.

Conclusion

Making the college investment is stressed to students without proper information being communicated to them. With little to no guidance, these students are sent on their way with roughly 4 years to make something of themselves. In order to better the college experience for all students, there is a need to address weak education systems, unrealistic workplace perceptions, and unprepared students in general. These factors form the road map as to how a student will navigate the ropes of higher education and real lifestyle decisions. The negative impacts of investing in college will only worsen if they continue to be ignored. Adapting to the concept of teaching financial literacy and soft skills when preparing students for college is a small step within a big problem.

If we truly want to give future generations the chance to succeed when facing the investment of higher education, we must understand that every student's situation is its own, and success cannot be achieved overnight.

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