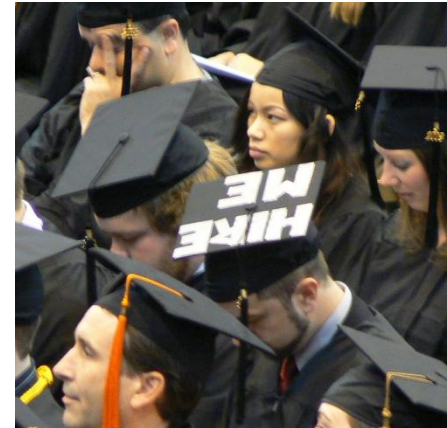


# Student debt: what's the problem?

October 9, 2014



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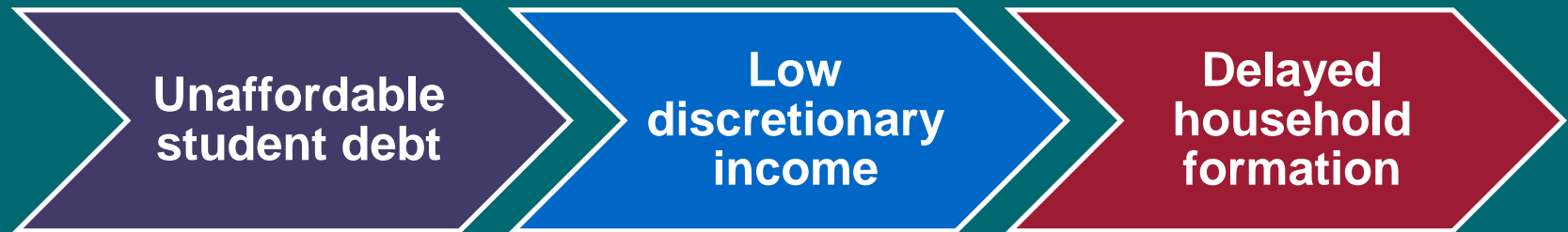
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# Why does student loan debt matter?

- **It's not just a debt problem—it's a repayment problem**
- **Return on investment in education and credentials**
  - The difference between a surgeon with \$200,000 of debt and a nursing school dropout with \$15,000 of debt
- **Student debt without credentials and skills →**  
un- and underemployment + unmanageable debt burden

# Why does student loan debt matter?

- **Impact on the broader economy**



# Why does student loan debt matter?

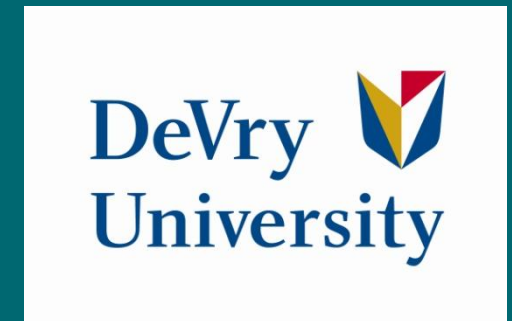
- Impact on long-term future well-being



# Threat on the horizon: Growing racial wealth gap

- **Limited wealth-building options beyond home equity and retirement savings**
  - Homeownership rate for adults under 35 is at **lowest level since 1982 (36.2%)**
  - Adults 40 and younger lost **30% of net wealth** in Great Recession

# For-profit colleges particularly problematic



# For-profit market overview

- **Percent of undergraduates enrolled in for-profit colleges:**
  - 2000: 4.6 percent
  - 2012: 10.3 percent
- **Revenues of 4-year for-profit schools grew nearly 800 percent from 2000 to 2012**
- **Student body:**
  - 24.2 percent African American, 15.7 percent Latino; 50 percent low income

# Cost of for-profit colleges

- **On average, a year of college at for-profit school cost \$15,130 in 2013-2014**

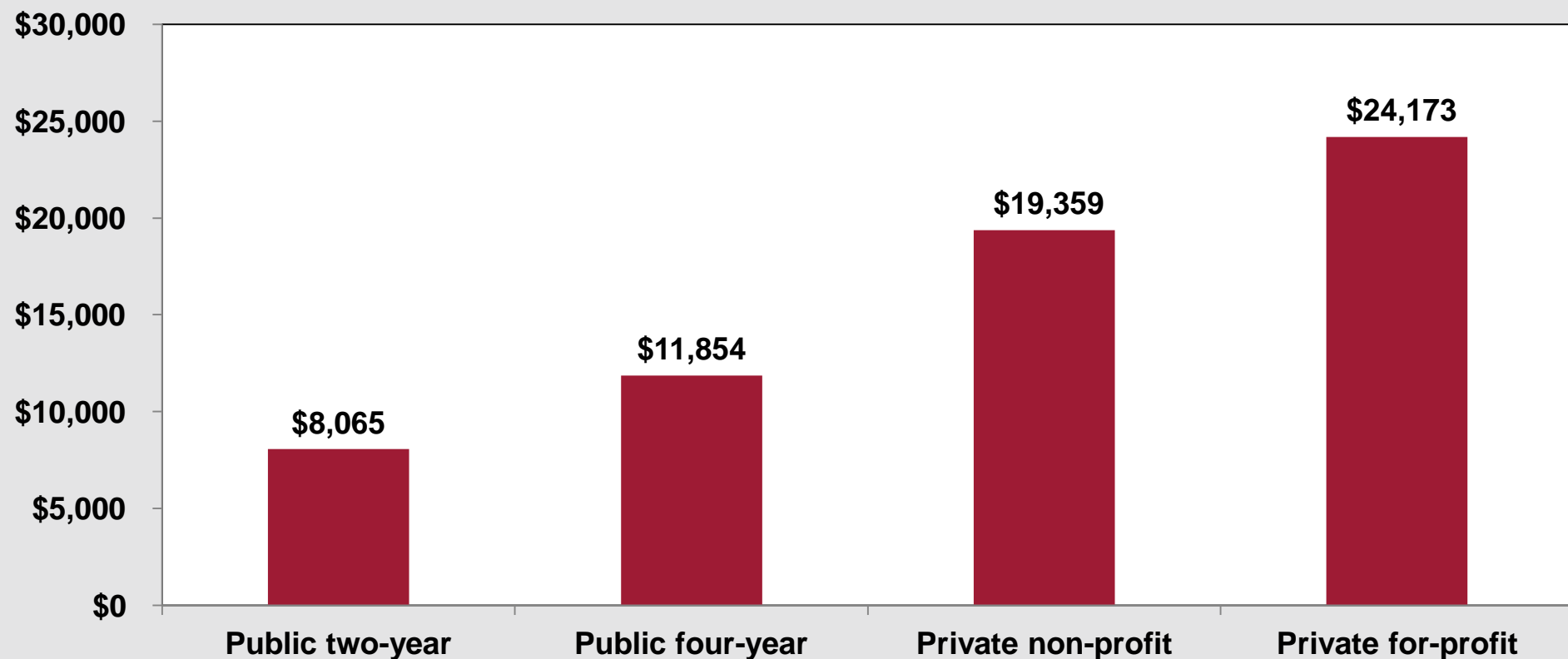
- Tuition and fees at public two-year school:  
**21 percent** of for-profit T&F

- Tuition and fees at public four-year school:  
**59 percent** of for-profit T&F



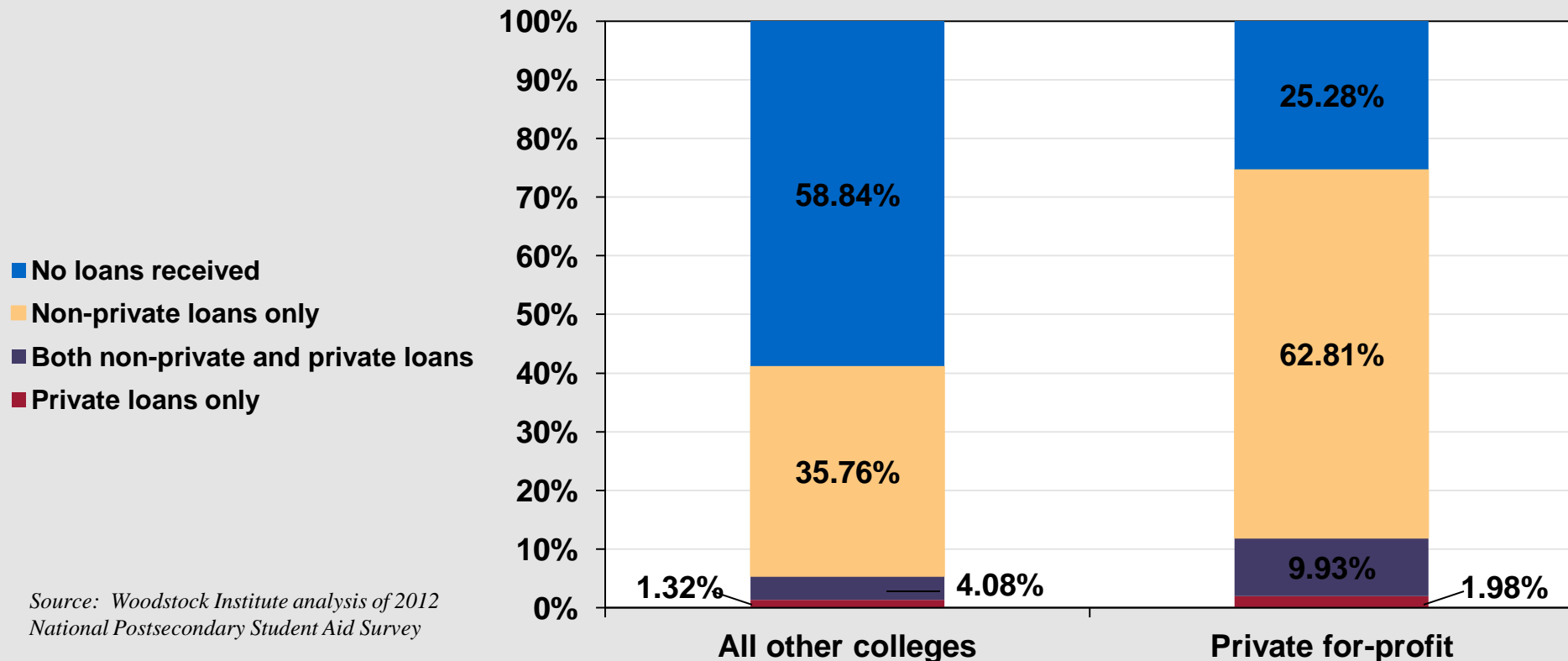
# For-profit colleges cost more for low-income students

Net cost of attendance for students in lowest income quartile, 2011-2012



# Students are more likely to borrow at for-profit colleges than at other colleges

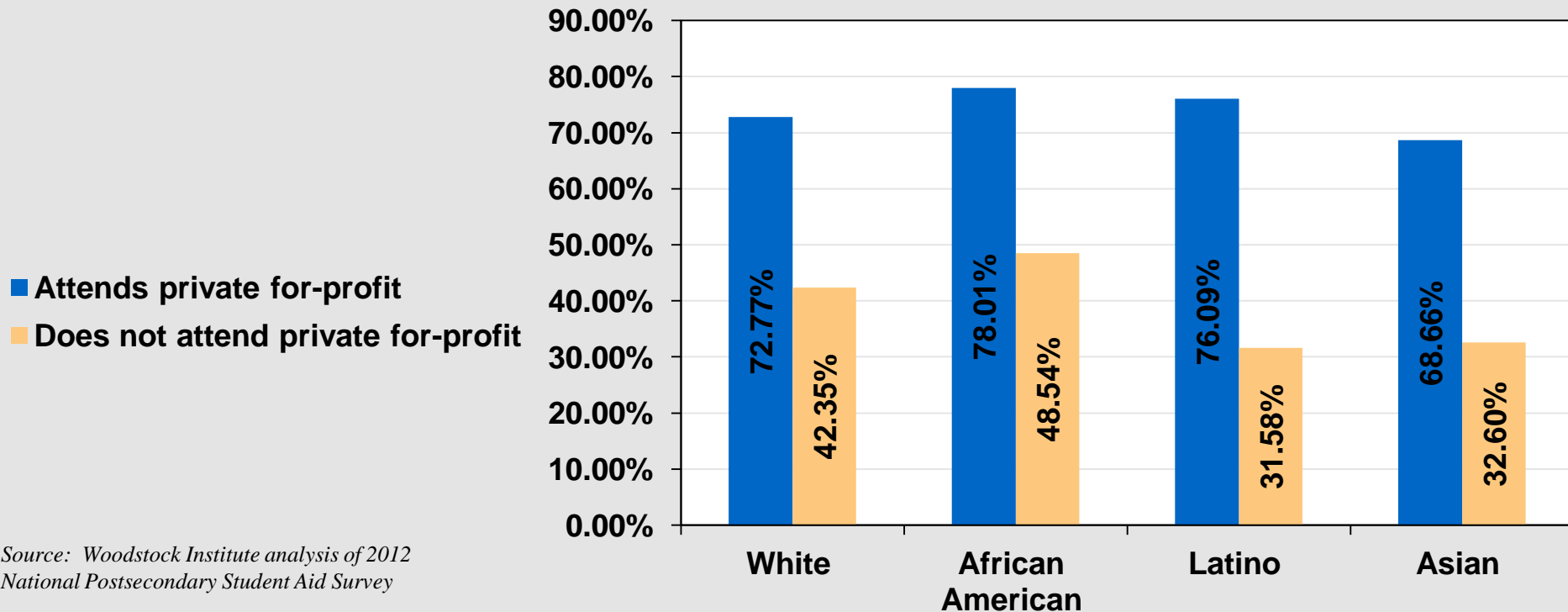
Proportion of students who received federal and private loans at for-profit and other colleges, 2011-2012 academic year



Source: Woodstock Institute analysis of 2012 National Postsecondary Student Aid Survey

# African American students most likely to borrow relative to other racial groups

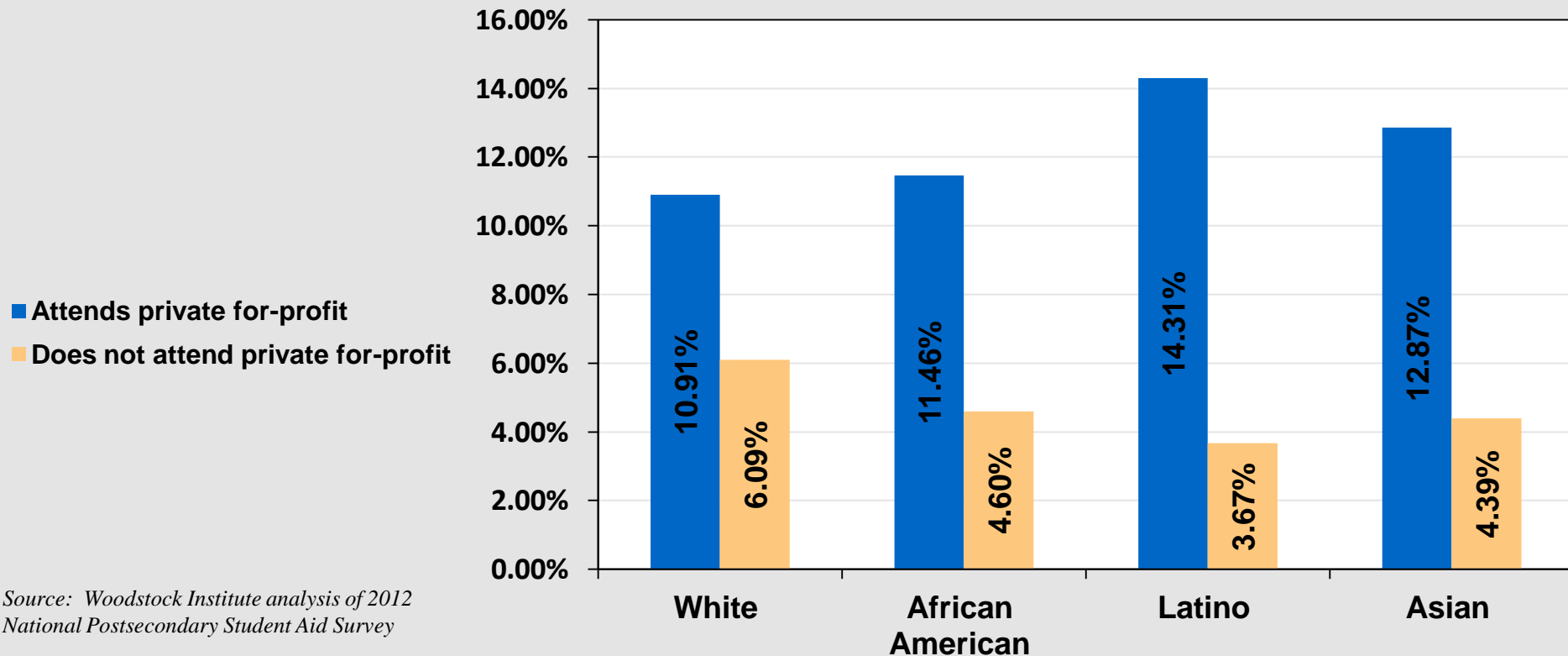
Percentage of students at for-profit and other colleges who borrow, by race, 2011-2012 academic year



Source: Woodstock Institute analysis of 2012 National Postsecondary Student Aid Survey

# Students at private for-profits are more likely to take out private student loans

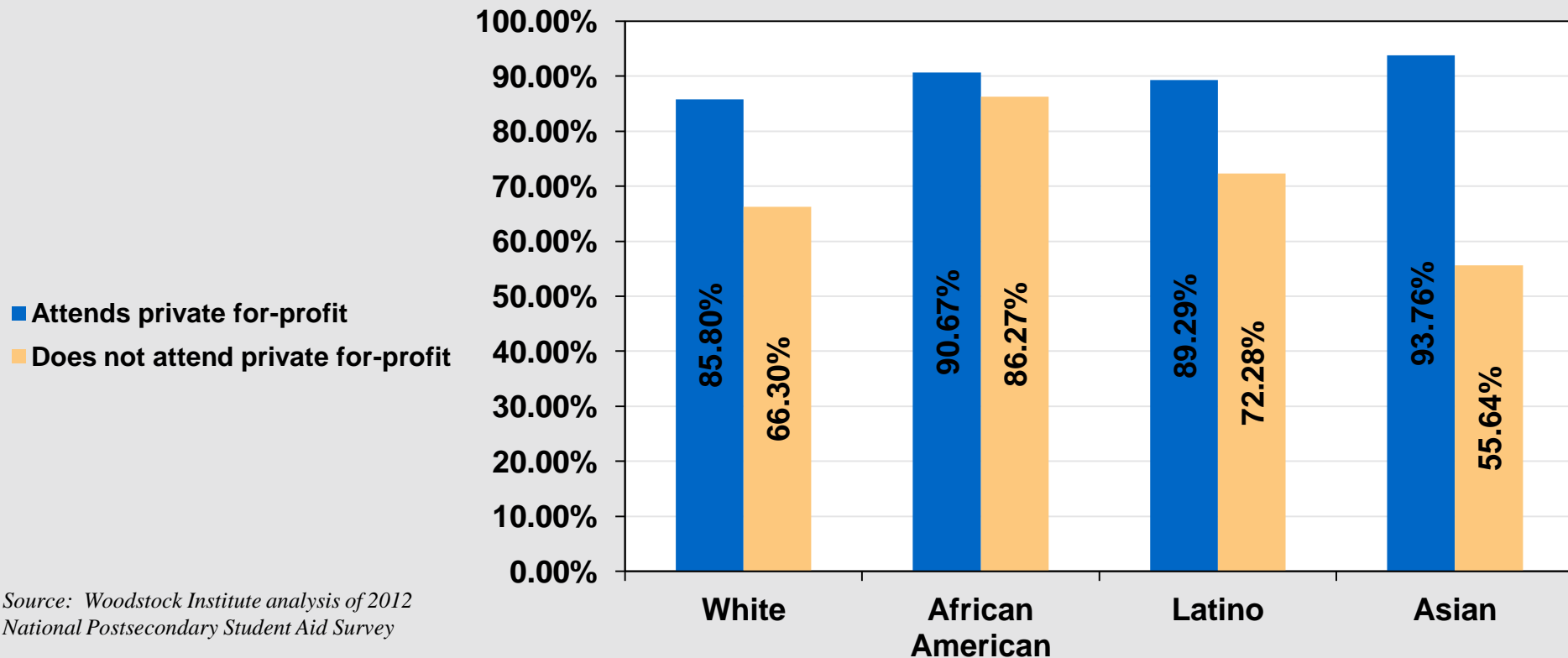
Percentage of students at for-profit and other colleges who take out private loans, by race, 2011-2012 academic year



Source: Woodstock Institute analysis of 2012 National Postsecondary Student Aid Survey

# For-profit students of all races are more likely to have borrowed during their college career

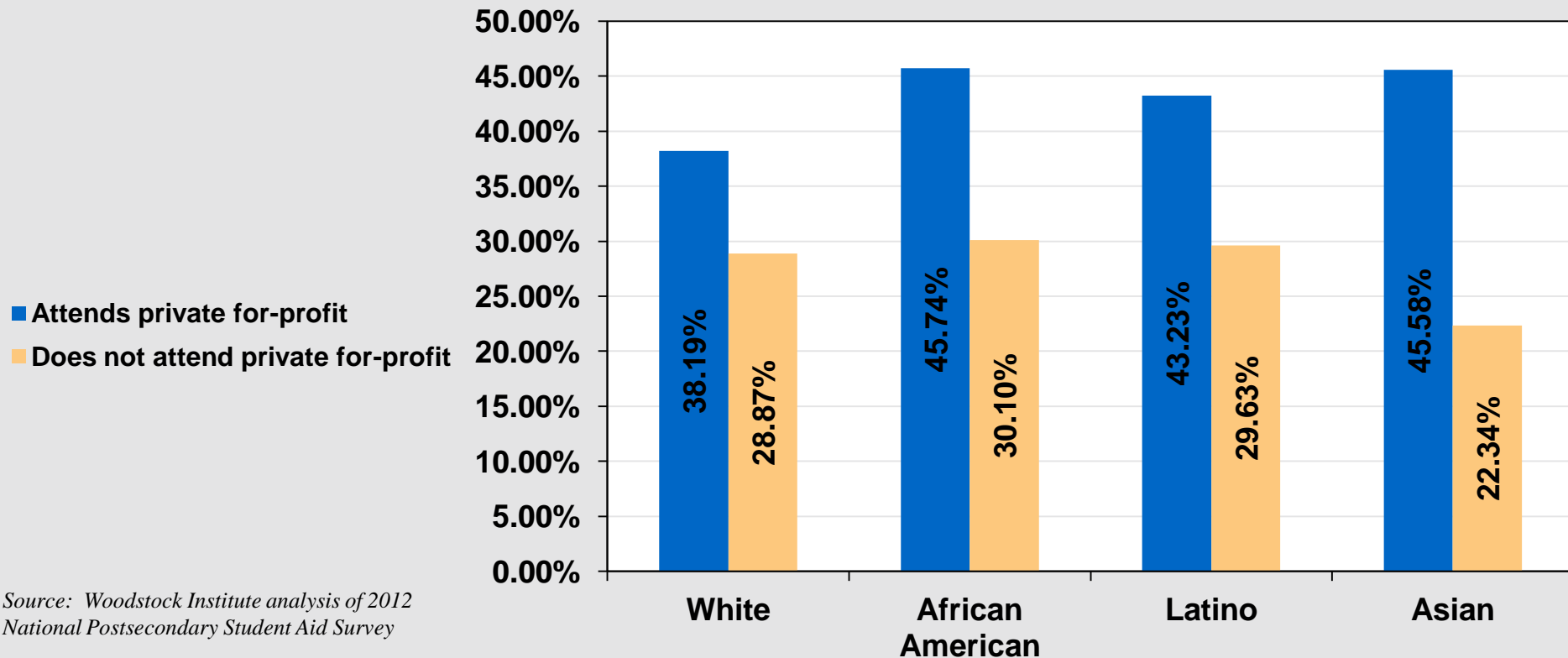
Percentage of graduating seniors pursuing a BA in 2011-2012 who borrowed during their programs



Source: Woodstock Institute analysis of 2012 National Postsecondary Student Aid Survey

# For-profit students are more likely to borrow non-federal loans at some point in their college career

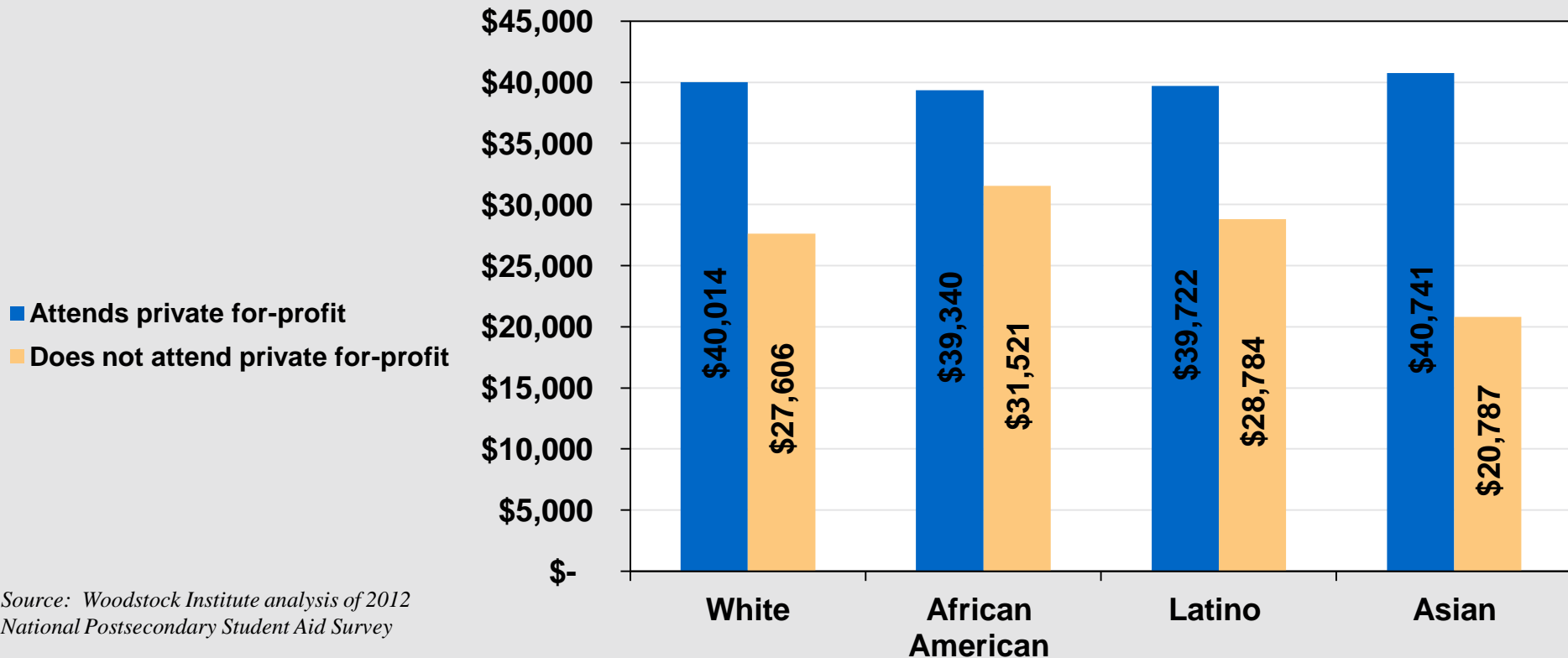
Percentage of graduating seniors who borrowed non-federal loans during their programs



Source: Woodstock Institute analysis of 2012 National Postsecondary Student Aid Survey

# Students of all races borrow more money over the course of their college career at private for-profits

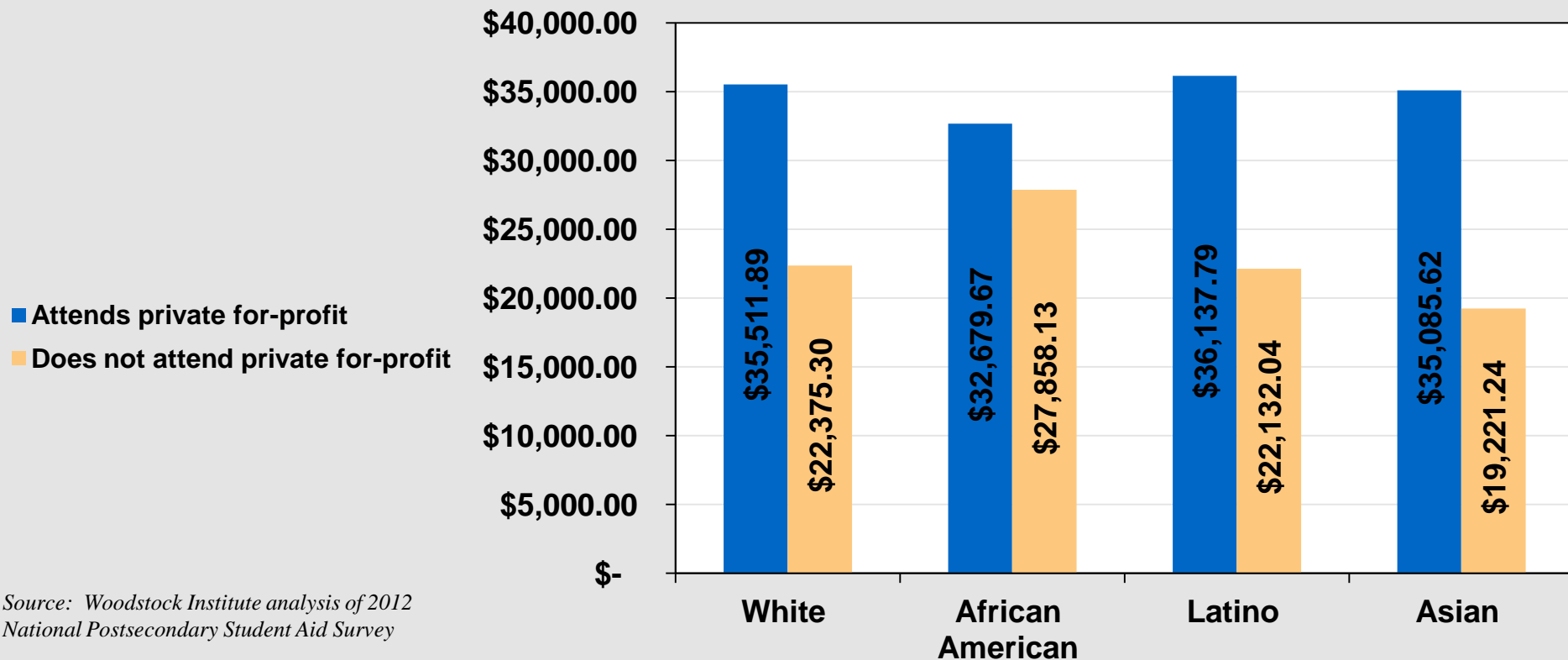
Cumulative amount borrowed for graduating seniors pursuing a BA who borrow, by for-profit attendance and race



Source: Woodstock Institute analysis of 2012 National Postsecondary Student Aid Survey

# For-profit students borrow a greater amount of federal loans over course of college careers

Cumulative federal loans borrowed ever for graduating seniors (BA) who borrow federal loans, by for-profit attendance and race

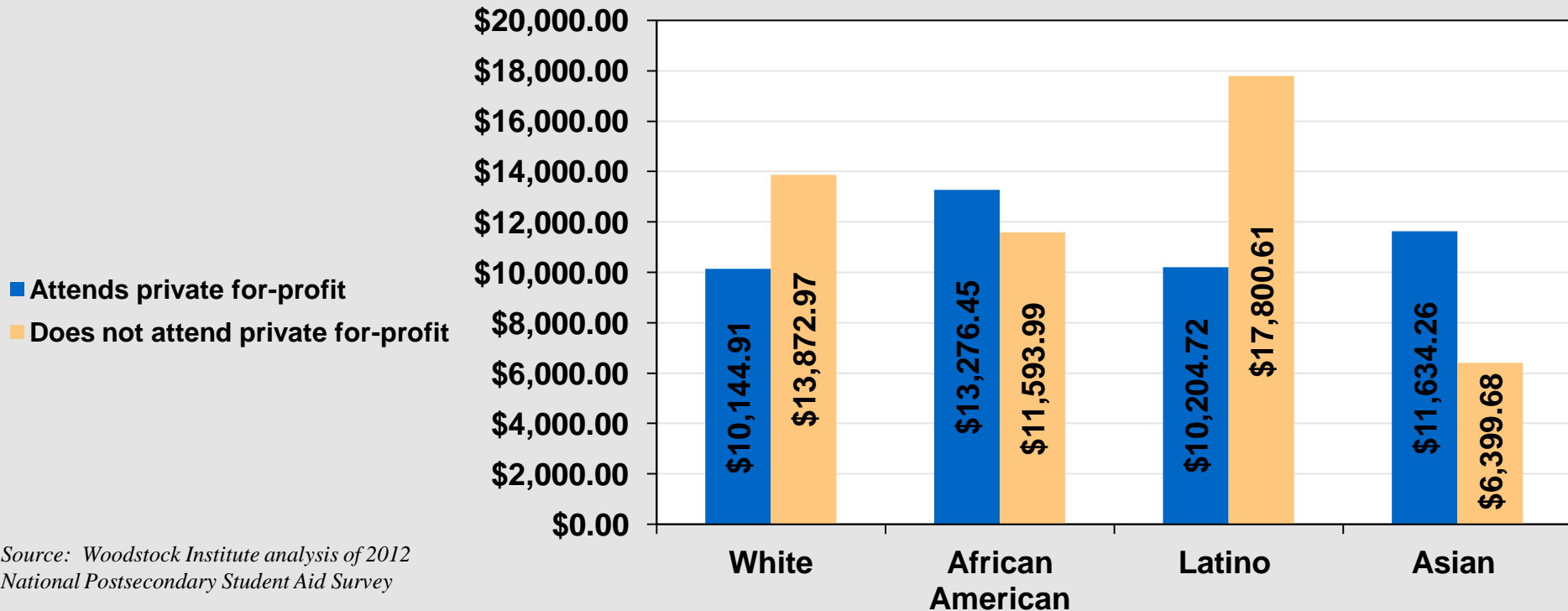


Source: Woodstock Institute analysis of 2012 National Postsecondary Student Aid Survey



# Amounts of non-federal loans borrowed vary by race and for-profit attendance

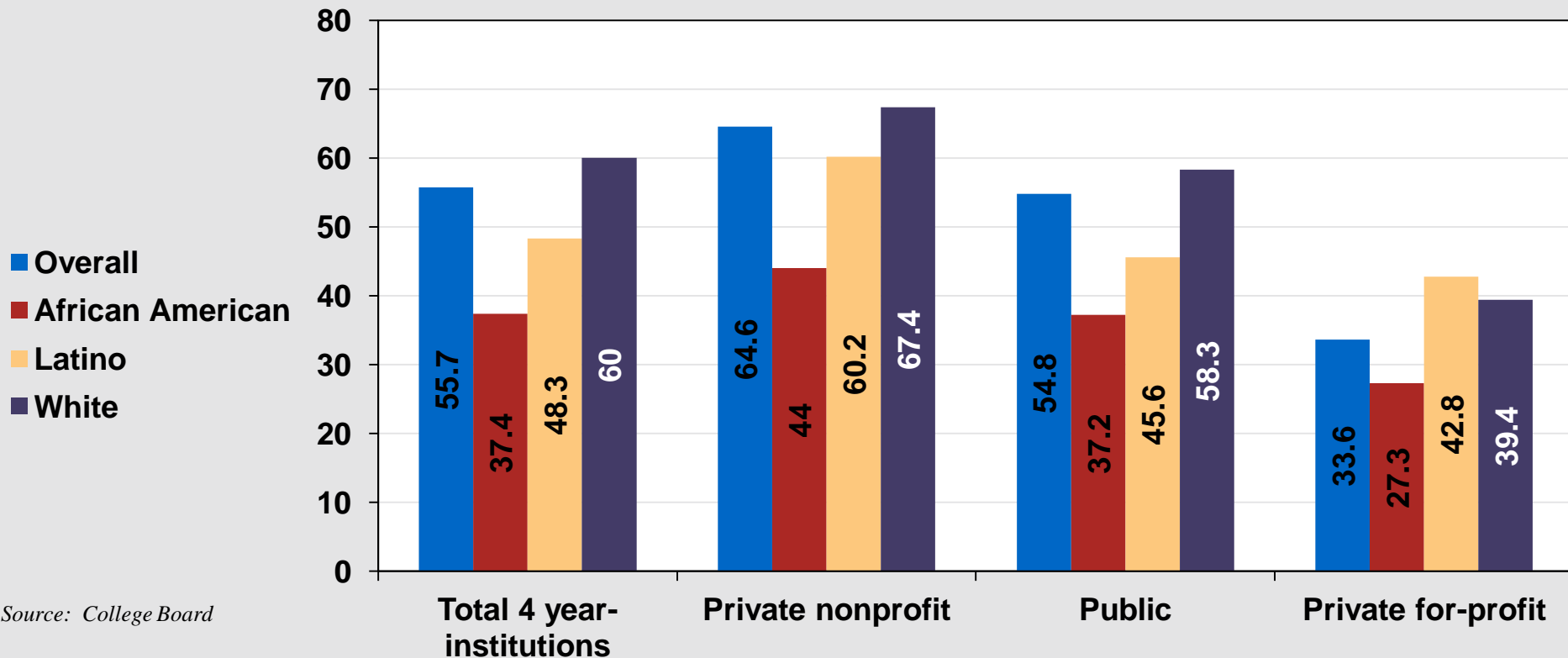
Cumulative non-federal loans borrowed ever for graduating seniors pursuing a BA who borrow non-federal loans, by for-profit attendance and race



Source: Woodstock Institute analysis of 2012 National Postsecondary Student Aid Survey

# Outcomes of for-profit college students

Graduation rates of full-time, first-year students by race/ethnicity and institution type (cohorts: 2006 and 2009)



Source: College Board

# For-profit college students are more likely to default on their loans

- **For-profit institutions accounted for:**
  - 11% of all students enrolled in 2009-10
  - 32% of those who entered repayment in 2010-11
  - **43% of those who defaulted** by the end of September 2012

# For-profit problems in Illinois

- **Westwood College**

- Sued by Attorney General Lisa Madigan in 2012
- **Broken promises** about law enforcement job opportunities
- Students accumulate **debt loads of \$50,000 - \$70,000**
- **Misrepresented costs of attendance**, terms of in-house loans

# Potential Solutions

- **Loan reforms**
  - **Bankruptcy** discharge
  - Allow **refinances** at current federal rate
  - **Repayment options** for students struggling to repay private student loans
  - **School certification** of private student loan need

# Potential Solutions

- **School reforms**

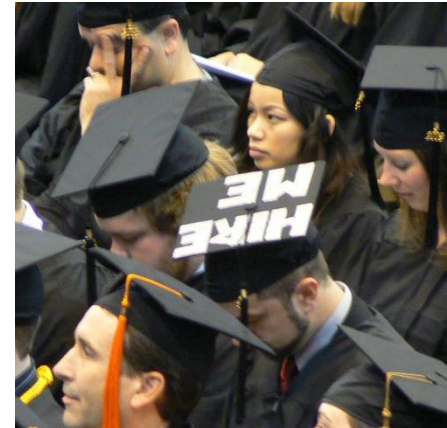
- **Reduce revenue** schools can obtain through federal aid from 90 to 85 percent
- Establish strong rules **limiting federal aid** to schools who produce students unable to repay their loans
- **Separate grants and scholarships** from work, student loans, and parent loans on costs sheets

# Potential Solutions

- **Enact and enforce consumer protections from debt settlement and financial aid vendors, student loan servicers**
  - **Enforcement actions** from AG, CFPB
  - **Consent orders** from prudential regulators
  - **Servicing standards**
- **We need better data**
- **Children's savings accounts**

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