SPRING ENROLLMENT MANAGEMENT FORUM

STUDENT LOAN DEBT

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So, I hear there is a debt crisis?

Student loan debt—This is new?

This is from 1982

This is from about 1995
So, I hear there is a debt crisis?

Student loan debt—in the news

Student loan debt now exceeds?
   A. 1 Trillion dollars—fact

Student loan debt is greater than?
   A. Credit card debt—fact

Students are routinely borrowing?
   A. Over 100K for an undergraduate degree—false.

More than X of student loans are now delinquent.
   A. Half—false

College degrees are not worth the cost.
   A. False
A Trillion Dollars Here or There

That’s real money

• What does it mean?
• How did we get here?
• In 2001-02 school year there were 5.4 million borrowers averaging $7,627 (2011 dollars)
• In 2011-12 school year the average loan amount was $8230 but there were 10.4 million borrowers.

What does a Trillion Dollars look like?

$1 Trillion
The 100K BA

Just how common is that?

3. Horror stories of students drowning in $100,000+ debt might discourage young people from enrolling in college, but they are as rare as they are terrifying.

INDEBTED STUDENTS, BY AMOUNT OWED

- $1-$10K: 43.1%
- $10K-$25K: 29.2%
- $25K-$50K: 16.5%
- $50K-$75K: 5.9%
- $75K-$150K: 4.2%
- $150K+: 1.2%

36% of Bachelor Earners Borrowed Nothing

This represents 410,000 students who earn a degree, and no one talks about them at all.
Responsible Borrowing

Purdue class of 2012 Indiana residents

Debt for Indiana Undergraduate Borrowers at Graduation

- $1 to $9,999: $15.2%
- $10k to $24,999: $36.9%
- $25k to $49,999: $40.4%
  Median: $30,894
- $50k to $74,999: 6.5%
- $75k to $99,999: 1.0%
- $100k or more: 0.1%

4,414 Indiana undergraduate students graduated in 2011-12.

In 2011-12, 38.7% of Indiana undergraduate students graduated with $0 student loan debt.
The Worth of a Degree

So, do I even need a degree?

Between 1973 and 2018, our projections show that jobs available for workers with postsecondary education are projected to increase from 28 percent to 63 percent of all occupations.

Source: Authors' analysis of March CPS data, various years; Center on Education and the Workforce forecast of educational demand to 2018

**Chart courtesy of Georgetown University Center on Education and the Workforce**
The economic value of college, meanwhile is indisputable.

<table>
<thead>
<tr>
<th>UNEMPLOYMENT RATE IN 2011</th>
<th>MEDIAN WEEKLY EARNINGS IN 2011</th>
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</thead>
<tbody>
<tr>
<td>2.5%</td>
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<td>4.9%</td>
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<tr>
<td>6.8%</td>
<td>Associate's degree</td>
</tr>
<tr>
<td>8.7%</td>
<td>Some college, no degree</td>
</tr>
<tr>
<td>9.4%</td>
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</tr>
<tr>
<td>14.1%</td>
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UNEMPLOYMENT RATE IN 2011

- 2.5% Doctoral degree
- 2.4% Professional degree
- 3.6% Master's degree
- 4.9% Bachelor's degree
- 6.8% Associate's degree
- 8.7% Some college, no degree
- 9.4% High-school diploma
- 14.1% No high-school diploma

AVERAGE: 7.6%

MEDIAN WEEKLY EARNINGS IN 2011

- $1,551 Doctoral degree
- $1,665 Professional degree
- $1,263 Master's degree
- $1,053 Bachelor's degree
- $768 Associate's degree
- $719 Some college, no degree
- $638 High-school diploma
- $451 No high-school diploma

AVERAGE: $797

(ADULTS AGES 25+)
Whatever You Do—Don’t Borrow

Have you ever wondered if they borrow enough?

6. College is such a good investment, in fact, that it might even justify more student debt. A 2012 study found that 1 in 6 full-time students at four-year schools who were eligible for government loans weren’t taking advantage of them. Another found that low-income families are likely to overestimate the cost of college, and suggested that they may be scared off by the complexity of financial-aid forms. But for students from these families, not going to college can be more expensive than going to college.
Fiction is Stranger than Reality
Or at least it makes better headlines.

More Than Half Of Student Loans Are Now Delinquent

Two credit agency studied this week show that delinquency rates on student loans are climbing.

According to the more recent TransUnion study, more than half of student loans are in deferred status where the loan

February 1, 2013 Forbes.com

• This is based on a study by TransUnion
• What did it really say?
  • 43.5% are in deferment
  • Student loan balances increase 30% between 2007 and 2012.
• What does it not factor?
  • The type of deferment
  • There are more borrowers in school right now than ever before.
  • All of them are in deferment
Student Loan Default Rates
The first official 3-year cohort default rates

FY 2009 3-Year Official National Cohort Default Rates by Sector

WOL = 2.8%
74% of Purdue students who defaulted on their student loans within the first two years of repayment did not receive a degree from Purdue.
In Conclusion

What is the take away?

1. Sometimes numbers are just numbers
2. Many degree earners do not borrow at all
3. Some students borrow too much, but they are really the outliers
4. Jobs are becoming more complex and require training beyond high school
5. Students who finish are repaying their loans; the problem is that not enough finish
6. Even though much of the discussion is bluster, perception is reality and change is coming
Thanks for Attending

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