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DEBT

Student loans can haunt grads for decades

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Florida may rank low in debt compared to the rest of the country, but students here can still have debt for decades. Yet, experts say not all debt is bad if it is managed correctly.



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Current, former, and soon-to-be students discuss how student loans have affected their lives.

MIAMI HERALD STAFF

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FOR-PROFIT COLLEGES

under scrutiny

Recent studies by the U.S. Department of Education found that the cost of going to a for-profit school is far higher than that of attending a private non-profit or public college.

As much as 90 percent of for-profit school revenue comes from federal aid to their students.

For-profit schools enroll only 12 percent of students nationally, but nearly half of student loans in default are from for-profit schools.

A new government rule going into effect in 2015 can deny schools aid if too many former students can't pay off loans.

PUBLIC VS. PRIVATE LOANS

Lauren Asher of the Project on Student Debt recommends public loans—including the Stafford, Perkins, and PLUS—over private loans for a variety of reasons.



BY SERENA DAI
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It's been a year since 23-year-old Carlos Tejero graduated Kaiser University with an associate's degree in nuclear medicine. He'd been working in retail and as an insurance salesman for some six years before then, so he has some work experience, too. But Tejero is still unemployed, and all the while, the money he took out to pay for his degree is building interest. Tejero is loaded with \$18,000 in student debt. "For people who are serious about their education, there's really no other option," he said.


As thousands of students graduate this spring, a darker undertone accompanies the pomp and circumstance: Students in Florida leave school with an average \$20,766 of debt. And Florida has it good compared to the rest of the country. According to the nonprofit Project on Student Debt's data from 2009 graduates, Florida ranks in the bottom 10 out of 49 states that documented student debt.

Even so, the project only tracks undergraduate loans at public or nonprofit private universities, not for-profit colleges like Kaiser. Graduate and professional school debt and the significantly more debt-ridden for-profit school graduates aren't counted in the numbers. Plus, recent budget cuts in Florida fed an 8 percent possible increase in public university tuition — and a 20 percent decrease in the popular Bright Futures Scholarship, a lottery-funded program that will now be giving each student about \$500 less per year.

Anybody with student loans — which, statistically, is about half of Florida graduates—knows that it's a financial burden that can last almost a lifetime. Ashley Arends, 28, will be paying off her University of Miami undergraduate loans and University of Iowa law school loans until the year 2034. Arends will be 51 by then. This, after she was able to

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Federal loans have more repayment options than most private loans. Private lenders don't have the same mandates.

Private loans can have varying interest rates. There is no legal cap on what they can charge, and rate can change in the life of the loan.

Private lenders can declare default if there is even one day delay on payment.

"Be weary of schools that encourage you to take out private loans," she said.

TIPS TO AVOID TOO MUCH DEBT

- Take note of grace periods, or how long you can wait before making your first repayment.
- Consider loan forgiveness. See if you qualify for the income-based repayment plan, where you only pay as much as you can afford. After 25 years, the loan is forgiven. If you work for the government or a non-profit, the loan can be forgiven after 10 years.
- Prioritize your loan repayment. Pay off the loan with the highest interest rate first. You can lower your principal if you put more money than is required as your monthly repayment, which reduces the interest

PAYING FOR YOUR CHILD'S EDUCATION

The Florida Prepaid College Program is a way to prepay for the estimated cost of tuition and fees for when a child will be attending college. Parents then pay a price per month based on the child's age.

The savings are taxfree.

If a child decides to attend an out-of-state or private school, the savings can be used to pay for the tuition and fees.

In case of a family emergency, a parent can retrieve the money without a fee.

If the actual cost of tuition is higher than the estimated cost the parent has paid, the parent does not have to pay the difference.

Florida parents can choose to prepay for a 4-year university, 4-years at a community college, 2 years at a community college and 2 years at a university, or 2 years at a community college.

obtain several scholarships for her undergraduate education and receiving in-state tuition at Iowa.

"You have to think about what you're going to be getting yourself into," she said.

Average debt for four-year colleges has risen about 6 percent every year for the past few years, said Lauren Asher, president of the Project on Student Debt. The current national average for student debt is \$24,000.

"College costs have risen much faster than family income or aid," Asher said. "State budgets have covered less of the total costs of college. The majority of students still go to public college, and state budget is still the driving cost there."

TRIPLE DUTY

According to data collected by The College Board, average tuition and fees have nearly tripled since 1980. The sticker price of public school tuition, not including local health or student activity fees, went from more than \$2,000 per year in 1980-81 to more than \$7,500 in 2010-11. And that's accounting for inflation. According to the Florida Prepaid College program, newborns today will be paying about \$45,000 per year in tuition at fees to attend public four year universities such as the University of Florida.

For Ozzie Fortun, a marketing manager, that means worrying about his daughter's college education. His wife and he have already started saving for their infant's future through that Florida Prepaid Program, which allows them to pay for tuition and fees or housing in advance. He says that even with the plan, his daughter will still have to take out loans due to extra costs associated with school, such as books and technology.

They understand the burden of massive college loans. Together, he and his wife have \$85,000 in loans. Fortun thinks that it's nearly impossible to

make a living without a four-year degree, but he questions the value of the extra loans he's had to take on. When he calculates the extra money he makes from having a master's, it almost breaks even with the extra debt because of high interest rates.

"There is no reason why college loans should have interest rates as high as they currently are," he said. "It's practically like paying another mortgage."

Fortun isn't alone in his doubts. A recent survey of more than 2,000 adults by the Pew Research Center found that 57 percent of Americans say the higher education system isn't a good value. And 75 percent say it's too expensive for most people. Yet, 86 percent still considered the money worth the gains in their own life. In fact, survey respondents with a college degree said they believed they were earning, on average, \$20,000 more per year. Respondents without a degree believed they were earning about \$20,000 less.

They're about right: According to data from the 2010 U.S. Census Bureau, the median gap between high school graduates and college graduates is \$19,550.

But as with Fortun, extra earnings don't account for any debt the graduates might have to pay off. Nearly 50 percent of respondents said loans hindered their ability to pay other bills.

WEIGHING OPTIONS

To avoid that sort of debt, Asher said it's important to not just look at the sticker price of school when deciding where to go. Not all loans are bad, she said. Borrowing may be beneficial versus working a full-time job during school or only taking part-time classes. The latter options can delay actually receiving a degree, thus increasing the overall price of attending school, she said.

Instead, prospective students and their parents should closely examine the net price of a school, which is the sticker price minus potential scholarship money and federal aid. Asher said that sticker prices can be deceiving since some higher-priced schools may award more financial aid while lower-priced schools may

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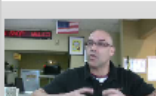
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award less. By the end of October, colleges are required to add net price calculators to their websites so that prospective students may better identify their best option.

"Shop around," Asher said. "Don't think that sticker prices represent what you have to pay."

AFTER THE FALL

Lezi Hughes, bureau chief of Florida's Office of Student Assistance, counsels students after they've defaulted — or stopped paying — on their debt. And actually, the people who are mostly likely to stop paying are students who drop out of school, she said. Then they have debt and no degree. The smartest tactic to avoid an overload of debt is to critically examine earning potential, Hughes said.

"It doesn't make sense to take out \$40,000 a year to be an elementary school teacher," she said.

Hughes said it's difficult to analyze that because most students don't know what they want to do. If that's the case, she recommends that they live at home, attend a community college, and try not to borrow money to go. Then once they figure out their life path, they can borrow to attend a different school, Hughes said.

Most students are unaware of the amount of debt they're tacking on during classes, she said. Some schools require students to sign a note every year to remind students that the loan must be paid off, she said. Florida State College in Jacksonville is even requiring students taking \$20,000 or more in federal loans to seek counseling so that they stay aware of debt.

Policies like this help emphasize that students should only pay for as much as they can see themselves paying off in the future, depending on their major. If a student cannot pay, the best thing to do is to stay responsible, or keep lenders in the loop. Lenders may be able to reduce payments or delay payments for a period if people demonstrate extreme hardship, such as getting kicked out of their house.

"We do really try to help with understanding kind of the way life is," she said.

Of course, the economy changes, and what is a high-paying career today may be debunked a few years from now, Asher said. One example: Computer science majors in the late 1990s made an informed decision to enter a field with a plethora of well-paying jobs. Then the tech bubble burst, and both jobs and salaries took a hit.

"The truth is, no one can predict the future," she said. "It's in your interest to limit expenses and limit your debt. But not to go to the extreme to avoid borrowing you work so many hours and take so few courses that you're unlikely to graduate."

This story was made possible in part to the Public Insight Network. WLRN and Miami Herald reporters Christine DiMattei, Deborah Acosta and Alessandra Villaamil contributed to this report.

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The student loan fiasco (nearly \$1 trillion outstanding) is a national problem. But often it is the ill-prepared student who is most responsible. They attend expensive private schools when a state school would do just fine; they use loans to go on spring break. See more here: <http://moneywatch.bnet.com/ret...>

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