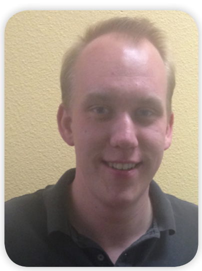
A Mountain of Debt

How Montana's students and alumni work to escape significant levels of student debt.

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BY ALLYSON FREDERICKSEN

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MONTANA ORGANIZING PROJECT

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How Montana's students and alumni work to escape significant levels of student debt.

INTRODUCTION

My experience in college has meant so much to me, and has shaped who I am today. Sadly though, I am not sure I would make the same decision if given the chance to go back and do it again. While the experiences were invaluable, the $90,000 price tag has been extremely difficult to handle.

— CLEMENTINE LINDLEY, BILLINGS

College graduates throughout Montana are struggling to balance their student debt with the reality of lower wages than they expected,[1] making it much more difficult to prepare for the future. Montana's graduating class of 2012 had an average debt loan value of $27,475, with 64 percent of graduates finishing school with debt.[2] With a median household income of $45,088,[3] though, Montana has the sixth highest student debt to median income ratio in the country.[4] And, with only half of the job openings in the state paying a living wage for a single adult,[5] the debt burden faced by college graduates in Montana will be a significant part of their monthly budget for years to come.

Since the peak of the financial crisis in 2008, states across the country have decreased funding for higher education. Between 2008 and 2014, Montana cut per-student funding for higher education by 6.8 percent.[6] Cuts like these have led institutions across the country to respond by increasing their tuition by an average of 27 percent since the 2007-2008 school year,[7] far outpacing inflation. While tuition in Montana has increased less compared to other parts of the country, students are still feeling the squeeze — especially given the state's meager funding for need-based financial aid. Though federal funding for higher education has increased over the same period, it has fallen short of fully negating the effects of increased tuition and lack of need-based aid,[8] leaving many students in Montana with little option but to take out loans to finance their education and other living expenses.

Because student loans cannot be restructured nor discharged through bankruptcy, many graduates find themselves restricted in their career choices and in their spending ability in order to pay off their loans. Workers with other forms of debt, including mortgages and credit cards, can restructure their loans or discharge them through bankruptcy. However, 2005 federal legislation ensured that "no student loans — federal or private — could be discharged in bankruptcy unless the borrower can prove repaying the loan would cause 'undue hardship.'"[9] Graduates and their families, then, are left burdened by debt even as they struggle with low incomes and lack of economic stability.

"A Mountain of Debt" reveals the challenges students and their families in Montana face in grappling with rising costs of college, and the efforts made to escape significant levels of student debt. Through our survey on the effects of student debt on graduates' futures, 113 former students, graduates, and parents shared their perspectives. In addition, four stories were collected from Montanans struggling with their student debt. Together, they illustrate common themes both of hope for following their passion and fear of becoming stuck in the low-wage economy. Their voices lift up the need for state policymakers to find innovative funding solutions to reinvest in higher education, meeting the needs of college institutions as well

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as those of students and their families. Policymakers must also work to ensure that those already saddled with excessive debt have options to manage their loans.

SURVEY ON STUDENT DEBT

The 113 Montanans who participated in an online survey include 89 who currently carry student debt. The survey asked participants details about their debt, including monthly payments and how it affects other aspects of their lives. While respondents self-selected into the survey, their responses give a glimpse into the lives of many families struggling with student debt.

For the participants who carry student debt, loan payments can have a significant impact on their lives, with many investing large portions of their income toward paying off their debt. Thirty-seven percent have monthly payments of over $400 per month. Fourteen percent of the participants with student debt have monthly payments that make up more than 20 percent of their monthly take home pay, and another 33 percent cannot pay their loans or currently have their loans in deferment or forbearance. Twenty-three percent of participants with debt anticipate that it will take between 20-30 years to pay off their loans, while another 29 percent think that they will never be able to fully pay off their loans (see Figure 1).

Seventy-two percent of participants with student debt noted that their student debt affected their housing situation. Forty-one percent of participants with debt rent instead of owning a home, and 9 percent live with their parents to keep down costs. As one respondent noted, "I absolutely have had trouble getting considered for a mortgage. Sometimes I wish I had never gone to college" (see Figure 2).

Student debt can also affect graduates' choices about their future. Seventeen percent of those with student debt noted that they postponed getting married because of their student debt, and 25 percent have postponed having children. One participant said, "(I'm) just graduating now, but I will not marry until I am debt-free, which may be never." Student debt also affected whether participants chose to pursue a graduate or other post-baccalaureate degree, with 32 percent of those with student debt choosing to stop

FIGURE 1

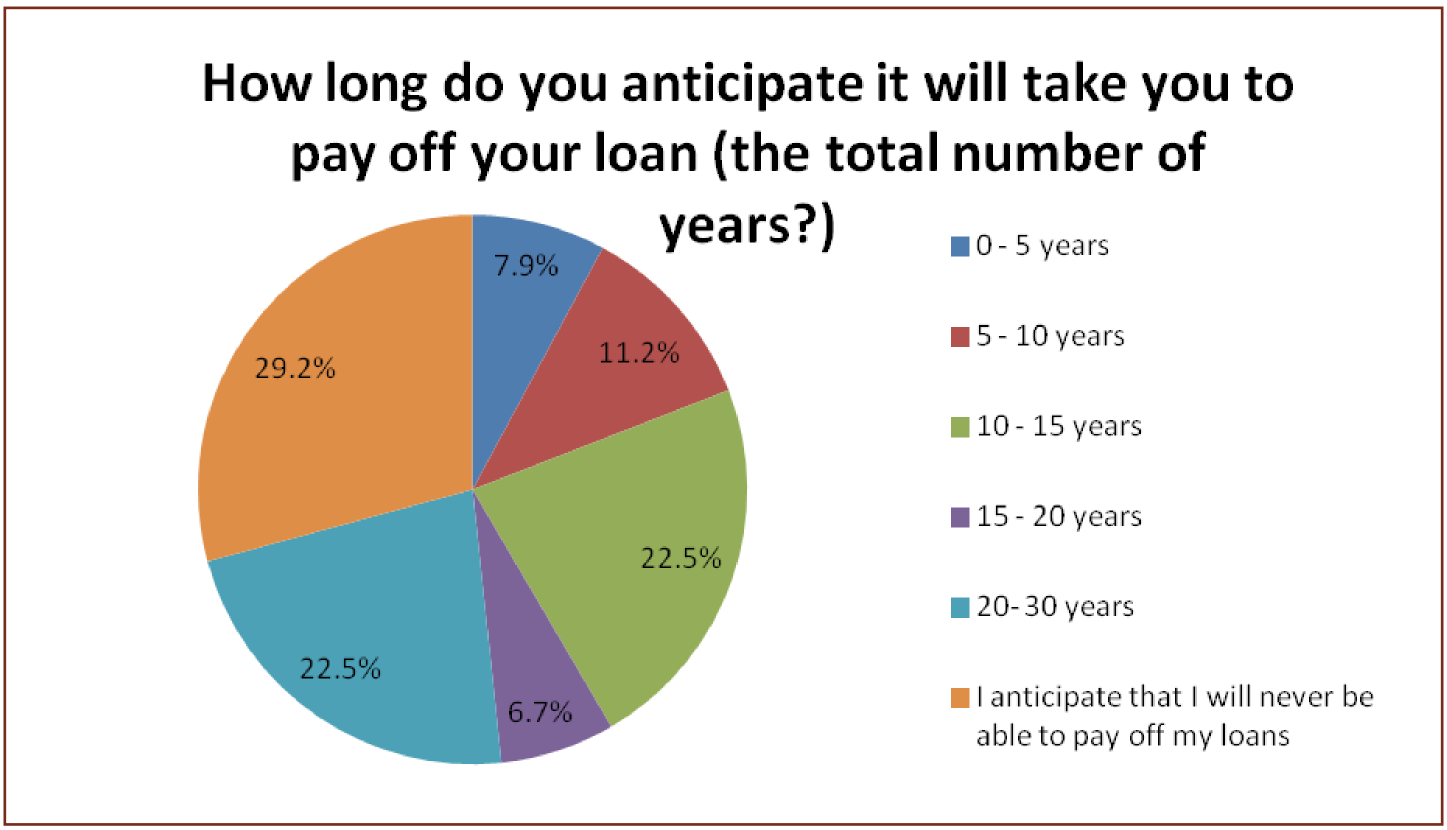


FIGURE 2

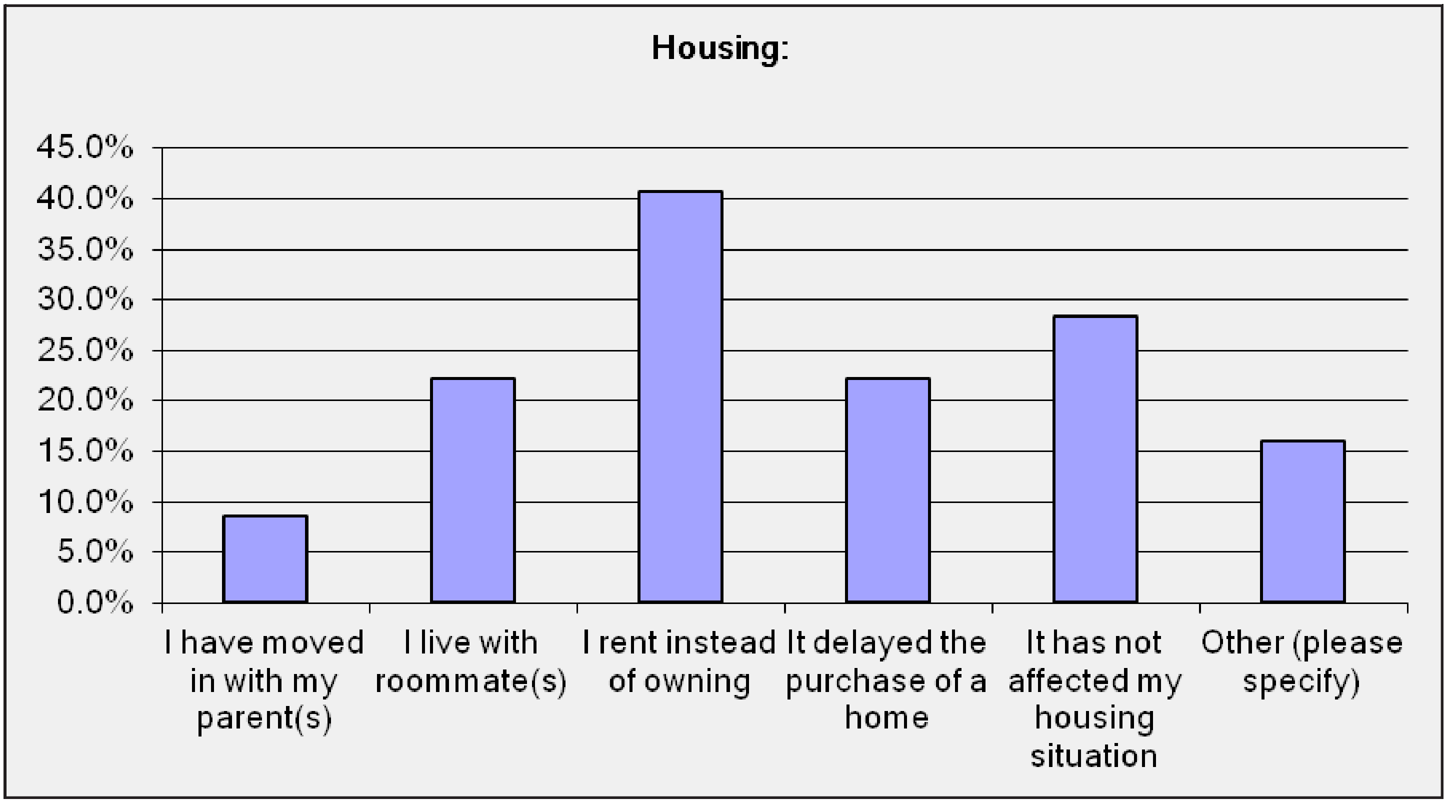
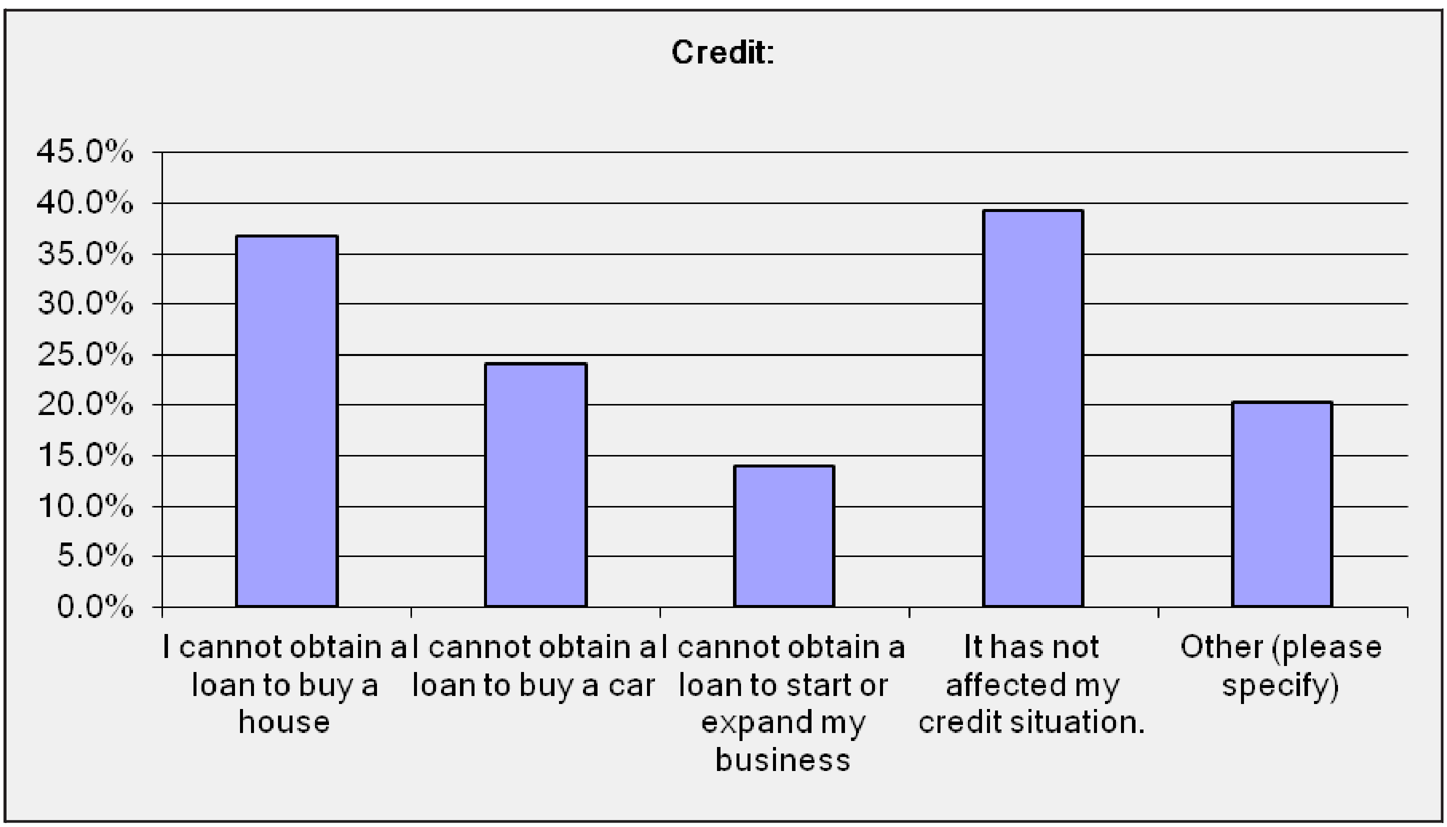


FIGURE 3



school after earning their first degree. Others who did pursue advanced degrees noted in their responses that they delayed that pursuit due to their debt.

Many participants also found that their student loans impacted their credit, preventing them from making large purchases such as homes or cars. Of those who responded to questions about credit, 37 percent said that their student loans prevented them from obtaining a loan for a house, while 24 percent noted an inability to get a loan for a car. Fourteen percent would like to start or expand their business, but are unable to because of their student debt. Additionally, many participants noted that they have not even attempted to get another type of loan for fear that their student debt would prevent them from doing so (see Figure 3).

Participants have also found that their student loan payments affect their ability to save, whether for a home, for retirement, or just for emergencies. Eighty percent of those with student debt noted that they do not have enough savings for their retirement, while 84 percent don't have adequate savings for emergencies. Thirty-four percent cannot afford their medical care because of their student debt. One participant currently in graduate school wrote, "When I finish, even if I find a good job it will only make my payments higher, so I may never truly leave poverty." (See Figure 4.)

Other types of debt in addition to student debt can compound the impact of student loans. Fifteen percent of participants with student loans also had medical debt, while 42 percent have credit card debt in addition to their loans.

While these results are only snapshot into some people's struggle with student debt, it is clear that student debt can affect the lives of graduates in ways far beyond their education. For many graduates, student loans are something that affects their housing choices, their ability to save, and their choices in when or if to start a family. High debt burdens leave graduates with less financial stability and restrict their ability to pursue their dreams.

FIGURE 4

SEAN MCQUILLAN • MISSOULA

Although I grew up in Virginia, I always had deep ties to Montana, as both of my parents grew up here. There was no question for me that when it came time to go to college, I wanted to attend the University of Montana. I've had a great three years here, and I am looking forward to completing my senior year with degrees in political science and climate change studies.

The decision to go to college was a no-brainer for me. My passion is the environment, and I am training for a career in environmental policy. I know that this requires a lot more than just going to class, so I've been focused on building my resume with real life experiences on top of getting good grades. I am involved in multiple student groups, have lobbied at the Montana state legislature, interned for a U.S. Senator in Washington, D.C., and am now serving as vice president for the Associated Students at UM. While these factors create a hectic schedule for me, I know that I need to be prepared to soon enter a job market with limited possibilities in my field.

My parents are big supporters of my choices, and have helped financially, but they do not have the resources to cover the rising costs of college education, so student loans have been essential for me to accomplish my goals. My current debt load is approximately $20,000, and I have no idea what that will look like once interest is factored it. Meanwhile, through my time at the legislature and in student government, I have watched Montana continually cut support for higher education in the state, shifting more and more of the burden to students and their families.

I will soon be entering the job market with hope of securing work in Montana. It's depressing to know that may be impossible, especially given my debt load. The time is now for Montana to reverse the trend of divesting in higher education. Montana needs a state-funded higher education system, not one funded by debt.

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JAN SIEMERS • HELENA

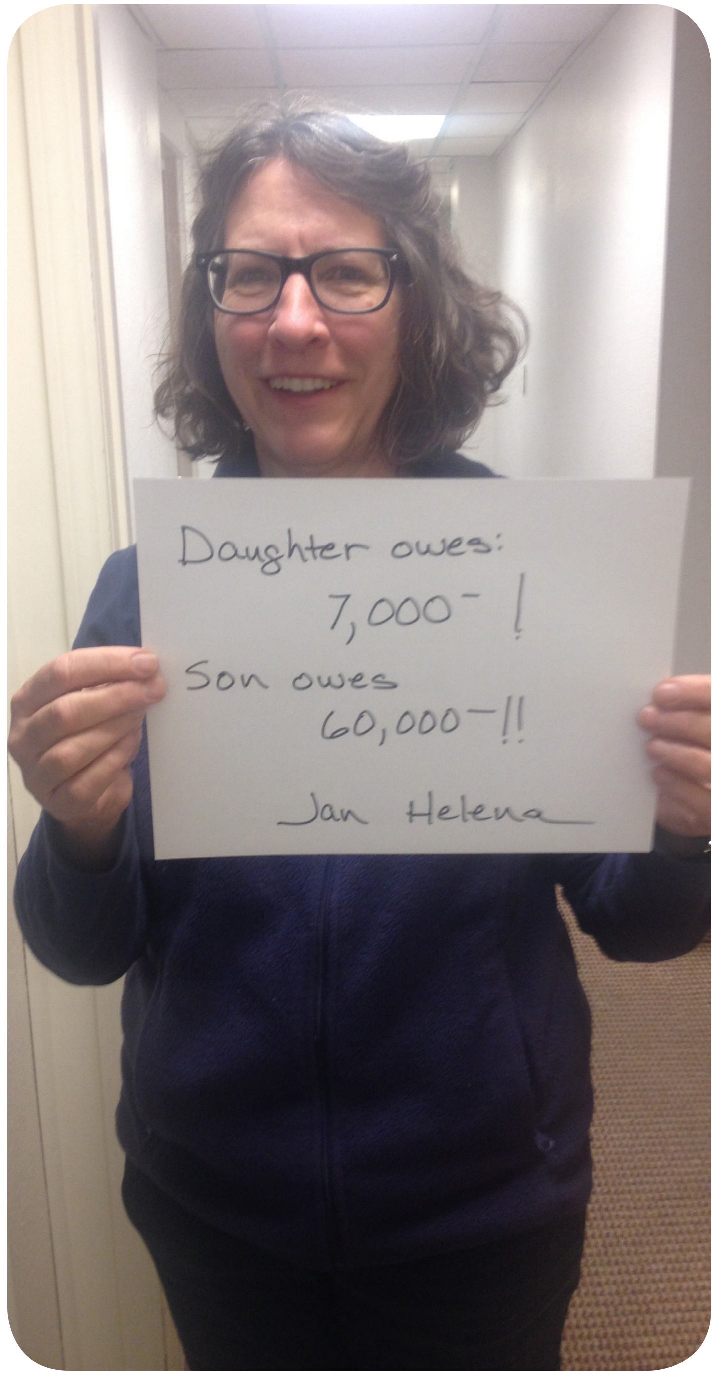
While I don't have personal student debt of my own, both of my adult children are struggling with their student debt, and I am saddened to see how it is impacting them and limiting their economic opportunities.

My 34-year-old son Ryan and his wife, Ashley, owe $100,000 in student loans, combined. When did tuition and college expenses get so high? They are finishing doctoral programs in English. Ryan wants to be a professor, and Ashley, who has already had several works published, is training to be a writer. I am proud of them for pursuing their talents, but it is heartbreaking to know that they will be entering the workforce with excessive debt, and no certainty that they will ever be able to get rid of it.

My daughter, Lisa, who is 32, began an associate's program at a community college in Spokane, Wash. When she moved to Helena, she signed up with the for-profit DeVry University to finish her associate's degree. She thought she had borrowed about $3,000 from Sallie Mae, but because of a confusing and non-transparent process, she was unaware of a second loan directly from DeVry. Because of this, she wound up going into default. She received threatening phone calls, and was severely stressed by the situation.

Luckily, she is now on a schedule to pay off her debt and has stable employment with the state of Montana. It is impossible for her state salary to cover her family's needs, her debt, and childcare, though, so I help her out by taking care of her two young kids four days a week while she is at work.

We want our children to be successful and are often told that a college education is the best path, but today I am witnessing firsthand how the resulting student debt is destroying economic opportunities for young people. There is no way for them to achieve any version of the American Dream when they have to take on enormous debt just to get the training necessary to find employment in the area of their interests and skills.



"We want our children to be successful and are often told that a college education is the best path, but today I am witnessing firsthand how the resulting student debt is destroying economic opportunities for young people."

AMY AGUIRRE • BILLINGS

I graduated from the University of Saint Mary's Leavenworth Campus in 1998 with a degree in psychology. I currently work at Angela's Piazza: Women's Drop-In Center, where we offer education and support for women survivors of domestic violence and those struggling with addiction. I really love my job and the organization I work for and wouldn't trade it for anything. Unfortunately, as with many non-profits, my income isn't very high. As a result, I haven't been able to pay off my student loans.

My current debt load stands at $42,000 and I am under the income-contingent repayment plan. I did not know this was a possibility for me and so, for a very long time, I was under deferment and the interest just accrued. My loan debt continues to be a great source of stress for me. I can't afford to make any payments, so it looms over me like an ever-present shadow.

I constantly have to make sure my paperwork is in order and that I keep my own records as my loan has changed many hands over the years — I've even had agencies lose paperwork showing that I am under the income contingent plan. Originally my loan was under the Department of Education, but today my loan is serviced by KSA who, luckily, has been helpful and not harassing.

I plan on going back to school to earn a master's degree in human services within the next couple of years. Working at a non-profit I've had the opportunity to meet some great benefactors who would be willing to sponsor my education. Even then, I don't expect to ever be able to pay off my loans. With my current income and the size of the debt it just seems like an improbable possibility.

I have five kids and my oldest is in high school. It's discouraging to even want to send him to college knowing the amount of debt he would be required to take on in order to go. It's not something I wish upon any of my kids. I know education is an investment, but it is completely unrealistic to expect a student to put themselves in so much debt for it. It leaves the graduate unable to really contribute to their community or do the work they really want to do as the debt envelopes their priorities.

> **"My loan debt continues to be a great source of stress for me. I can't afford to make any payments, so it looms over me like an ever-present shadow."**

CLEMENTINE LINDLEY • BILLINGS

Upon graduating from high school, I made what I thought was the smart decision to attend a private school to further my education. I was driven and wanted to prepare myself for a good career. My experience in college has meant so much to me, and has shaped who I am today. Sadly though, I am not sure I would make the same decision if given the chance to go back and do it again. While the experiences were invaluable, the $90,000 price tag has been extremely difficult to handle.

I graduated in 2003 and began a career dedicated to public service. I am currently the executive director of a non-profit in Billings, and my husband works in the tech industry. There is no question that if it wasn't for my husband, I would not be able to pay off my student debt. Before I met him, I almost considered filing for bankruptcy against my private student loans as he was (and currently is) in a better position to help me pay off my education. He didn't go to college, has no student debt of his own, and earns three times what I do.

Moreover, it wasn't until this year that my husband and I — both in our 30s — started putting money away for retirement. My husband has a teenage son, and we have two young children as well. We haven't been able to put money aside for them to attend college and the idea that they may also wind up buried in student debt before their careers even begin causes high levels of anxiety for both of us.

College is talked about as a necessity, but I'm no longer sure that is true when it is putting workers at a disadvantage economically due to debt. I believe society needs to better educate our young adults to explore all options post-high school instead of expecting all of them to attend four-year institutions just to find work that pays.

"My experience in college has meant so much to me, and has shaped who I am today. Sadly though, I am not sure I would make the same decision if given the chance to go back and do it again."

INCREASE STATE HIGHER EDUCATION FUNDING, INCLUDING NEED-BASED AID

Beginning in 2008, student debt for Montana's graduates has increased at a rate far outpacing inflation. In 2007, average debt per graduate in Montana was $17,869; in 2008, that number jumped to $19,563, and by 2012 students in Montana graduated with $27,475 in student debt.[10 11 12]

Cuts to higher education in Montana, as in nearly every other state, have contributed to this increase in student debt. In 2008, Montana provided $5,101 per student; in 2013, the state provided $4,294,[13] leaving students to pay the rest through tuition and fees.

In addition to general disinvestment in higher education, Montana's low investment in need-based grants for low-income students leave students who are already struggling no choice but to take on additional debt to finance their education. At about $122 per full-time undergraduate, only eight other states provide less state need-based aid per undergraduate FTE than Montana.[14] With eight job-seekers for every job that covers the cost of living in the state,[15] low-income students who do not have access to need-based aid must take out loans for both their education and their cost of living, including housing, food, transportation, and health care.

At the end of the 2015 biennium, Montana will have an estimated budget surplus of $314 million.[16] Using a portion of that surplus to help fund need-based aid would help more students attend college without crippling debt. Investing in need-based aid has long been a low priority, but with the increased indebtedness of graduates, such an investment should become a priority.

Additionally, the state should dedicate some or all of the proceeds from the state lottery to higher education. Eight other states already dedicate lottery proceeds to higher education,[17] and Montana should follow suit. Dedicating this funding to higher education, and especially to need-based aid, would help more graduates and their families thrive.

CONSIDER INNOVATIVE MODELS TO ADDRESS COST AND IMPROVE ACCESS

In addition to investing more in higher education and need-based grants, Montana should also address the cost of attending college. Montana has instituted an in-state tuition freeze through the 2014-2015 school year, which partially stabilizes the cost of higher education, but does nothing to prevent rising student fees.[18] However, more is needed, as many students continue to struggle with debt. Support for dual-enrollment for high school students would ensure that those students receive credit for their work, while addressing the over-credentialing of jobs would ensure that students are only paying for what they need.

Dual enrollment allows high school students to take college classes for either college credit or dual credit for both high school and college. "The cost of taking a dual-enrollment class is around half the price of enrolling at a college or university."[19] Recently, the state took a strong step in creating an incentive for professors to teach courses that qualify for dual enrollment; however, dual enrollment is still not available in all counties,[20] leaving many of Montana's high school students without this lower-cost option for receiving college credits. The state should do more to encourage and facilitate more high school students to take dual enrollment courses as a means of reducing their future student loans and total education costs.

Employers across the country, including in Montana, now require bachelor's degrees for jobs that have historically not required such a degree.[21] Because many of these jobs use a bachelor's degree as a broad recruitment filter rather than requiring specific skills learned through that degree, many graduates employed in those jobs have to take on student debt just to qualify for a job that they may have already had the skills for. Increasing the opportunity and incentive to employers to use training programs or apprenticeships rather than requiring a four-year degree can help prevent students from taking on debt that they do not really need.

While each of these recommendations will help address the cost of school for many students, those who are unable to participate in dual enrollment or who seek to work in a profession that does require skills gained through a bachelor's degree must still confront tuition that is often beyond their means. A tuition freeze may address this in the short term, but without a strong investment in higher education and need-based aid from the state, students and their families in Montana will continue to lose out.

ALLOW THOSE IN DEBT TO CONSOLIDATE LOANS

To address current debt, Montana should allow students and graduates to consolidate or refinance their loans by creating a program similar to one in North Dakota.

Through the Bank of North Dakota, the state provides student loans to borrowers to help fill gaps in their college aid packages. More importantly, through the DEAL One program, students can consolidate their state, private, and federal loans into one loan at a state-set interest rate — currently 5.29 percent.[22] For many borrowers, whose rates can run up to 12 percent for private loans, this will significantly lower their overall interest rate. Lower rates mean more money in the pockets of borrowers, and more money being spent in the local economy.

Montana could provide a similar program through the Montana Board of Investments, which already provides loans for a variety of businesses and local infrastructure projects.[23] This program could also allow graduates to refinance their loans, as has been proposed in other states such as Wisconsin.[24] Currently, the average student in Montana graduates with $27,475 in debt.[25] A state program that allows borrowers to refinance and consolidate their loans after graduation would provide relief to borrowers and their families by lowering their payments.

ADDRESS THE SHORTAGE OF LIVING WAGE JOBS

In Montana, as in other states around the country, there is a shortage of living wage jobs. In 2012, only half of the job openings in the state paid at least the living wage for a single adult.[26] This shortage of living wage jobs not only makes it more difficult for graduates to support themselves and pay off their loans, but can make it difficult for students to find work to help pay for tuition and other living costs while in school, leaving them little choice but to take out loans to cover tuition and other living costs.

Raising the wage floor by increasing the state's minimum wage would help all workers — including students and graduates — have greater financial stability. With more jobs paying higher wages, students able to work and go to school would not have to take out such significant debt. Graduates would also benefit, as any job they get after college would provide them with a better ability to make loan payments.

In addition to raising the wage floor, encouraging job growth in higher-wage occupations that require the skills graduates learn in college would also help alleviate graduates' debt burden. Rather than taking a job outside of their field that pays low-wages, more graduates could find jobs that use their skills and provide them the means to pay off their loans in a more reasonable amount of time.

CONCLUSION

America is at a crisis point, with outstanding student debt surpassing $1.2 trillion. This has lasting impacts on our economy. Families' budgets and purchasing power are greatly diminished, and the effects will reverberate through the economy for generations to come. With one of the highest student debt to median income ratios in the country, it is imperative that Montana reinvest in higher education and especially in need-based grant aid, and consider innovative models to keep down the cost of education, to allow student to attend college without significant student debt.

While making college affordable again will have a lasting impact on Montana's families and economic outlook, it will do nothing for those already carrying unmanageable student debt. We must also provide options for families who are struggling to repay these loans. Allowing students and graduates to refinance their loans through the Board of Investments would allow borrowers to renegotiate lower terms and lock into current low interest rates.

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Allyson Fredericksen is a policy associate for the Alliance. She holds an M.A. in Policy Studies from the University of Washington with a focus on safety net and racial justice issues. Her prior experience includes interning with the Alliance in 2009, advocating for increased affordable housing and a strengthened safety net with Catholic Community Services of Western Washington and the Washington Association of Churches, and co-authoring a report on training outcomes for child care workers in Washington State with the Economic Opportunity Institute.

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