

A Mountain of Debt

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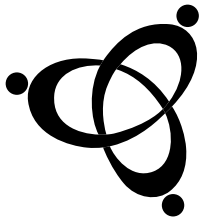
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BY ALLYSON FREDERICKSEN





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INTRODUCTION

"My student loans funded my education, but today they keep me in the same state of economic dependence I experienced before school. I still have to rely on social services to get by." – KIMBERLY HAMMILL, LEVANT

Across Maine, college graduates like Kimberly are struggling to balance their student debt with the reality of lower wages than they expected,¹ making it hard to prepare for the future. Maine's graduating class of 2012 had an average total loan value of \$29,352, with 67 percent of graduates finishing school with debt² – nearly equal to the national average.³ With a median household income of \$48,219,⁴ though, Maine has the 11th highest student debt to median income ratio in the country.⁵ And with fewer than half of the job openings in the state paying a living wage,⁶ the debt burden faced by college graduates in Maine will leave them paying off their loans 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, Maine cut per-student funding for higher education by 13.3 percent.⁷ 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,⁸ far outpacing inflation. Although federal funding for higher education has increased over the same period, it has fallen significantly short of fully negating the effects of increased tuition,⁹ leaving many students with little option but to take out loans to finance their education.

Because student loans cannot be restructured or discharged through bankruptcy, many graduates

with student loan debt find themselves restricted in their career choices and in their spending ability in order to pay off their loans. Workers saddled with other forms of debt – including mortgage and credit card debt – can restructure their loans or discharge them through bankruptcy. However, the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 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.'"¹⁰ Graduates and their families, then, are left burdened by debt even as they struggle with low incomes and a lack of economic stability.

"A Mountain of Debt" reveals the challenges students and their families face in grappling with rising costs of college tuition, and the efforts made to escape significant levels of debt. One hundred twenty-seven graduates, students, and parents participated in a survey on the effects of that debt on graduates' futures in Maine. Three detailed stories of graduates struggling to pay off their debt are also showcased in this report, illustrating common themes both of hope for living out one's life's passion and the fear of becoming stuck in the low-wage economy. Their voices lift up the need for state policymakers to find innovative solutions and to reinvest in higher education, meeting the needs of college institutions as well as those of students and their families.

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SURVEY ON STUDENT DEBT

Of the 127 people from Maine who participated in a voluntary online survey on student debt, 115 currently carry student debt. The survey asked participants details about their student debt, including monthly payment and how their debt affects various aspects of their lives. While survey respondents self-selected into the survey, their responses give a glimpse into the lives of families struggling with student debt.

For the participants who carry student debt, loan payments have a significant impact on their lives, with many devoting large portions of their income toward paying off their debt. Thirty-seven percent have monthly payments of over \$400 per month. Sixteen percent of participants with student debt have monthly payments that make up over 20 percent of their monthly take home pay, and another 31 percent cannot pay their loans or currently have their loans in deferment or forbearance. For students like these, debt is a significant burden. Twenty four percent of participants with debt also anticipate that it will take between 20 and 30 years to pay off their loans, while another 15 percent think that they will never be able to fully pay off their loans.

Eighty percent of participants with student debt noted that it affected their housing situation. Forty-one percent of participants with debt rent instead of owning a home, and 16 percent live with their parents to keep down costs. As one current student noted, "All my extra money will go to my student loans when (I've) finished school. I am a single mother and can hardly survive now." Another participant noted that the debt is "always looming over our heads."

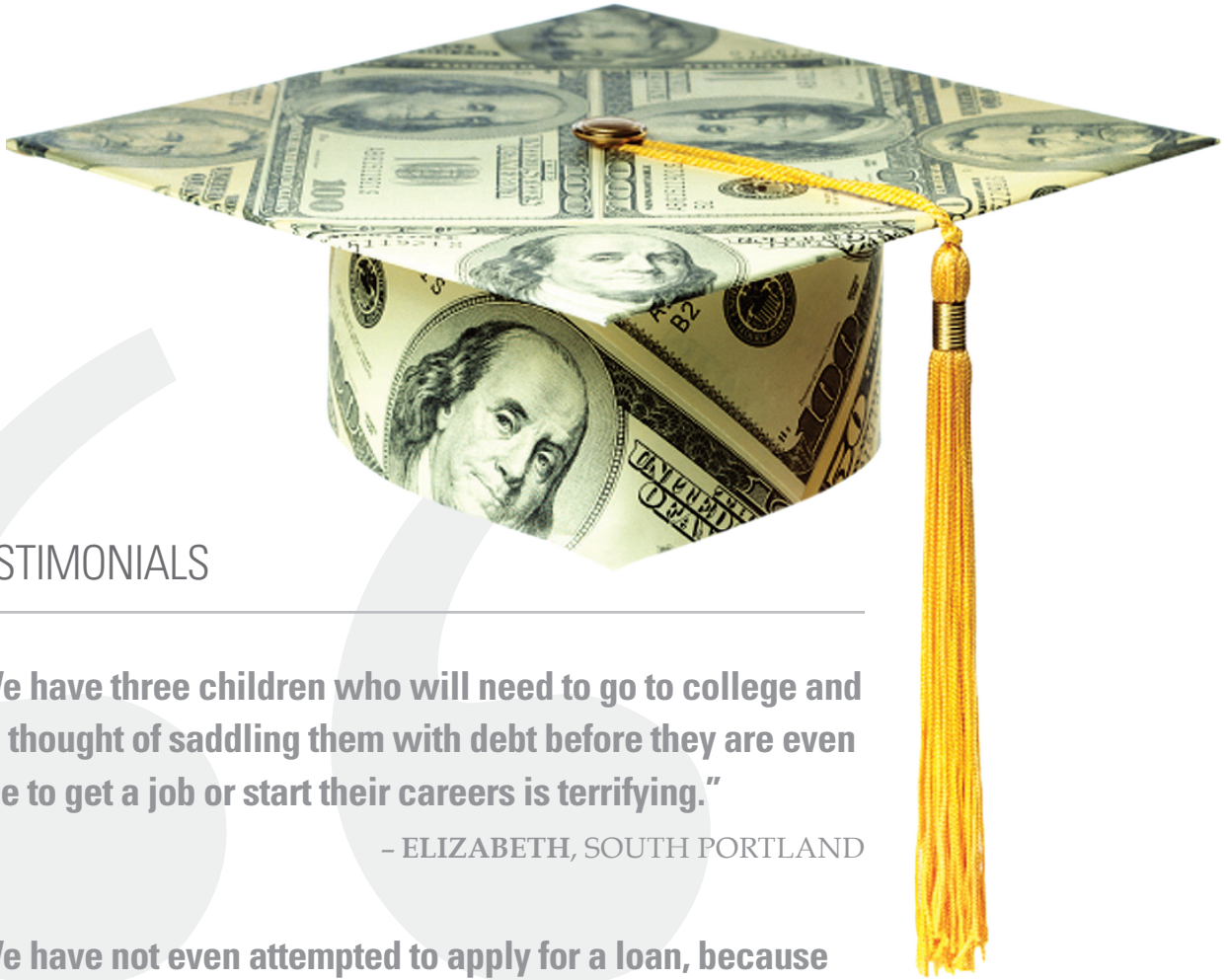
Student debt can also affect graduates' choices about their future. Eleven percent of those with student debt noted that they postponed getting married because of their student debt, and 21 percent have postponed having children. As one participant noted, "I'm barely making it supporting myself!" Student debt also affected whether participants chose to pursue a graduate or other post-bachelor degree, with nearly 30 percent of those with student debt choosing to stop school after earning their first degree, while some 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, 34 percent said that their student loans prevented them from obtaining a loan for a house, while 21 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.

Participants have also found that their student loan payments affect their ability to save, whether for a home, for retirement, or just for emergencies. Seventy-six 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-one percent cannot afford their medical care because of their student debt. One participant noted that she "can hardly afford food," let alone other non-essentials.

Other types of debt in addition to student debt can compound the impact of student loans. Twenty-two 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 it 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.



TESTIMONIALS

“We have three children who will need to go to college and the thought of saddling them with debt before they are even able to get a job or start their careers is terrifying.”

- ELIZABETH, SOUTH PORTLAND

“We have not even attempted to apply for a loan, because we know we will be denied due to our high payments.

- AMANDA, WESTBROOK

“I am on a 30-year program to pay off my undergraduate loans, which means that when my daughter is in college, I will still be paying for my own college education.”

- REBECCA, FALMOUTH

“I would really like to own a modest home. At almost 40 years old, it is depressing that I will probably be paying someone else’s mortgage for the rest of my life.”

- NATHAN, MACHIAS



KIMBERLY HAMMILL • LEVANT

I started college 15 years ago when my daughter was just a baby. As a single mother I had to rely on social services just to survive, but by no means was I going to remain idle. It was a huge challenge to get my education, but I didn't let the odds stacked up against me discourage me. I persevered and pulled myself up by my bootstraps, as they say. I received high honors and received my bachelor's degree in social work in 2005 and my master's degree in clinical social work in 2008 from the University of Maine, Orono.

Graduating in 2008 at the peak of the recession meant that I wasn't offered the income promised by a master's degree. My starting salary was what I had been earning when working as a bachelor's holder. I am a mental health clinician and I really love the work that I do. Getting to help people in need is so rewarding and is the reason why I treasure my education so much, but I should be earning more as someone with a master's degree. I feel like companies are still using the economy as an excuse to pay people less.

Not only did I go to school to better myself and enter a rewarding career, but I also wanted to improve both my daughter's and my quality of life. My student loans funded my education, but today they keep me in the same state of economic dependence I was experiencing before school. I still have to rely on social services to get by.

I am \$150,000 in debt and recently managed to get one of my loans out of default. I am required to make monthly payments, but I simply do not have enough money. I have entered into deferments and forbearance, but my loans only accumulate interest. I eventually will have to get a second job or spend less on essential items to make up the difference. I already spend very



little time with my 15 year old and I shouldn't have to make a choice between being active in my daughter's life and putting food on the table.

I value so much that I have this education. I really love the work that I do and if I did not have this huge burden on my back, it would give me the privilege of knowing the true value of what I do. I had a completely different life before my education, yet I am continuing to experience the expectations and criticisms that say I am not doing enough. Our government is the one that isn't doing enough. Funding higher education needs to be prioritized; this debt for school system is not sustainable.

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My husband and I received our master's degrees in the hope of finding good-paying jobs that let us do work that we love, while also allowing us to provide for our growing family. I am happy to say that we were both able to find jobs that meet that first requirement of doing what we love: he is a school teacher and I am a community organizer. Even though we earn what should be middle class incomes, the reality is that we live in a state of financial insecurity because of our crushing student debt. Collectively, we owe over \$100,000 in student loans, making it very challenging to build a stable home for our family.

As foster parents, we currently have one child in our care, and our high student debt payments affect our ability to provide for her. We hope to adopt one day, and saving up for a child's college education is nothing more than a dream at the moment. We value our education because it has allowed us to do the work that we do and we want our children to receive that same satisfaction, but it's hard to imagine that when the cost is so high.

Our student loan payments are almost as large as our mortgage payment, leaving us under a lot of financial pressure. Because we have to funnel so much of our

income toward those loan payments, we are unable to afford some necessary expenses like replacing our car with over 180,000 miles on it, or making repairs to our house. We bought our home before enrolling in graduate school as a starter house, but we purchased our home right before the market crashed in 2008. After being underwater for a few years and now having so much student debt, it doesn't seem like we will be able to move into a larger home, and therefore take in more kids, any time soon.

Careers that require higher education should be able to provide the income necessary for people to pay off the loans used to fund that education. People with middle-class incomes should not have to choose between paying for repairs on a house and making student loan payments.

With the increasing cost of higher education, student loan debt is keeping families like ours stuck in the same economic hardship we were told that an education would remedy. Our legislators need to give this issue the priority it requires; saddling young graduates with such huge debts only serves to stunt their potential, and that ultimately hurts our potential as a community and as a nation.

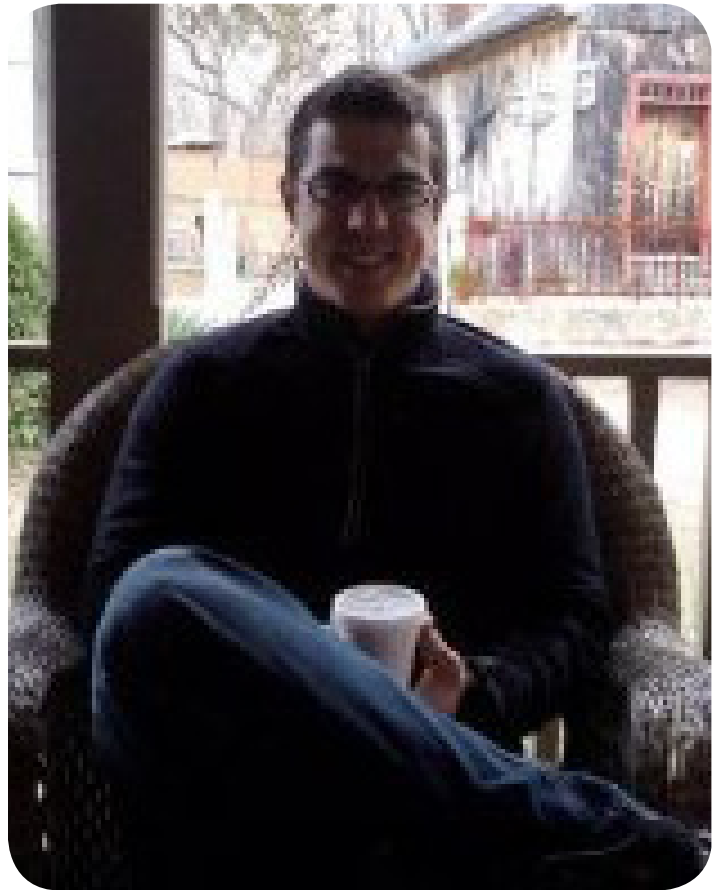
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ADAM BLAND • PRESQUE ISLE

I received my Bachelor of Science degree in forestry from Northern Arizona University in 2010 and my master's degree in forest resources from the University of Maine in 2012. I am very lucky to be working in a great job that I enjoy, and that allows me to use the knowledge I gained through my degrees. I work for Seven Islands Land Company which focuses on forestland resource and management. The job supplies me with good hours and experience, and the opportunity to work outside instead of at an office. But, my student loan debt keeps me from feeling as secure as I would like.

While I did have to borrow money to cover my living expenses during graduate school, my undergrad degree was the largest contributor to my student loan debt, totaling \$34,000. With an interest rate of 6.8 percent I have to keep a very minimal lifestyle. I recently downgraded to an older, smaller apartment and don't go out very much. Even though I am fortunate to have such a job, it is still not easy and my student loans are a source of great financial stress. The high interest rate prevents me from justifying any contribution to a retirement fund that is unlikely to earn as much as I am being charged in interest on a daily basis.

My loan payments take up a little more than 20 percent of my monthly take home pay. If I didn't have to make these payments, I would be investing in a 401K, setting money aside for emergencies, and definitely doing a little bit of traveling, but the high interest payments means I can't. It makes me angry that banks can borrow money from the government at close to zero percent while students are saddled with 6.8 percent and higher. It isn't the big banks that will grow the economy, it's everyday people like me, who work hard and make the kinds of purchases that invigorate commerce.



My parents instilled in me the value of a quality education and despite the student debt crisis I believe this still holds merit. I wish a high-quality education was more accessible and affordable. I would hope that our representatives would recognize that it's not, and incentivize students by keeping student loan rates reasonable. I think student loans are a barrier for many, preventing people from making the investment in their future.

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RECOMMENDATIONS

STOP CUTTING HIGHER EDUCATION BUDGETS

Cuts to higher education in Maine and nearly every other state have left students across the country burdened with debt, as colleges increase tuition to make up for the lost funds. In 2008, Maine provided \$7,027 per student; in 2013, the state provided only \$5,978,¹¹ leaving students to pay the rest through tuition. While many states, including Maine, have slowly begun the process of reinvestment, between 2013 and 2014, Maine only increased appropriations for higher education by 2.9 percent per full-time student, with actual cuts per student of about 13 percent since 2008.¹²

While there are many factors involved in the rising cost of tuition, state disinvestment in higher education has been the primary cause.¹³ Tuition in Maine has increased 29 percent since 2008, and now stands above the national average at \$9,471 annually.¹⁴ In Maine, funding for higher education was only 3.5 percent¹⁵ of total state expenditures in 2013, down from a previous high of 6.6 percent in 1991.¹⁶ Not only has state funding per student for higher education been cut significantly, Maine only gives on average \$312 in grants per student, doing little to help make college affordable for low-income students.¹⁷ Higher in-state tuition, coupled with residential costs of more than \$8,000 annually for on-campus housing,¹⁸ plus a cost of living well above the minimum wage,¹⁹ leaves students little option but to take out loans to finance their education.

CONSIDER MODELS TO IMPROVE ACCESSIBILITY AND PREVENT RISING TUITION

Many states, including Maine, are exploring a variety of models to address the cost of tuition. Maine has already instituted a tuition freeze for in-state tuition, and is exploring a Pay-It-Forward model, but the state

should not limit itself to only these tactics and should consider innovative models to address the root of the problem.

For the last several years, the University of Maine System has continued a tuition freeze, keeping tuition set for in-state students. Such a model, while holding in-state tuition steady, does not address the funding gap and can have unintended consequences. As a result, Maine's universities have increased enrollment of out-of-state students, who pay nearly three times the tuition as students from within the state.²⁰

In addition to tuition freezes, 14 states²¹ including Maine are exploring a Pay-It-Forward model, where students attend college with no tuition, then pay a certain portion of their income after graduation to allow future generations to also attend tuition-free. This model would allow students to put off paying for college until after graduation and would remove the tuition from the costs that contribute to student debt.²²

There is also momentum in Maine to institute a tuition-free sophomore year. It is estimated that two-thirds of Maine high school students start college, but only about half of them actually finish.²³ College affordability can be a significant obstacle to completing college; a free second year would alleviate some of the cost while encouraging first year students to continue their studies.

While all three programs would help address the cost of tuition for students, none of the models address the root cause of increased student debt: state disinvestment in higher education. Such programs can be a great first step and help alleviate the cost of tuition for students, but without addressing state funding they are only part of the solution. Without a strong reinvestment in higher education from the state, students and their families in Maine will continue to lose out.

CONCLUSION

America is at a crisis point, with outstanding student debt surpassing \$1.2 trillion. This debt 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. It is imperative that Maine reverses its trend of state divestment to mitigate soaring higher education costs.

In addition to reinvesting in higher education, the state should continue to explore innovative ways to address rising tuition, including implementing a free sophomore year. When students are burdened by debt through a combination of higher tuition and lower incomes, students may see only two options: taking out staggering loans or dropping out. The state must provide a better solution.

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