Colleges strive to prepare students for debt

By: Special to the RBJ Colin Hogan August 22, 2019

As concerns continue to mount over the growth of student debt that weighs on young professionals, families and the U.S. economy, higher education institutions are working to make sure resources are available to help enrollees understand what will be expected of them once repayment begins.

It's an issue that is especially prominent today, as elected officials and 2020 presidential hopefuls grapple with a public that is increasingly concerned about the levels of debt graduates are left with after school.

Outstanding student loan debt among Americans surpassed $1.6 trillion in the second quarter of this year, according to the Federal Reserve. As a share of national income, that's about 7.6%, more than double what it was at the beginning of 2006.

While, ideally, students should only be borrowing an amount commensurate to the earning potential of their chosen major, the transition to their desired career is not always direct and, in many cases, the career is subject to change. This makes it especially difficult for colleges to have programs in place that ensure their students will have a smooth path from debt-laden learner to professional earner.

"There isn't necessarily this correlation between a student's major and what their career is going to be. There are plenty of times where, say, an English major will be going on to medical school … so what we try to do is help a student maximize their prospects when they leave," says John Young, vice president for enrollment and dean of admissions at Hobart and William Smith Colleges.

College administrators say what's key is helping prepare students for a life of professionalism and personal responsibility that can then pair with whatever course of study and vocation they find in life.

Regardless of the major they choose or the career they want, most graduates' earning potential will ultimately come down to factors that the college can't manage for them, Meaghan Arena, vice president for enrollment and student experience at Nazareth College, points out.

"So much of a student's ultimate salary is determined by personal characteristics, the area they want to live and work in, and their commitment to professional development once employed," Arena says.

But colleges do try to find ways to help students get as much clarity as possible on what they're setting themselves up for. And financial offices work to present every alternative to borrowing, whether it be state or federal grants, paid Work Study positions or the institution's own aid programs, Arena says; choices such as Nazareth's Higher Education Opportunity Program, which offers a combination of funds from the state and the school to economically disadvantaged enrollees.

Since colleges can't direct the course of a student's life after graduation, career planning and financial offices make concerted efforts to heighten students' awareness of how much debt they're taking on and what that could mean for them down the road. Ultimately, the choice of how much debt they leave college with, and how that squares with their earnings, will fall on the student.

At Hobart, if someone appears to be borrowing more than would be advisable, the college will step in and make sure they're fully informed on what they're doing.

"When we see students taking more than, say, $35,000 in debt, we get concerned," Young says. "That's a time we'd want to sit down with a student and say, 'This may not be the wisest way to finance your education.'"

Still, some students and their families might opt to assume a larger-than-average pile of debt while studying for personal reasons. Student loans tend to be serviced on more manageable terms than other debt, with lower interest rates, more flexibility with payments during times of need, and no collateral requirements. So it's not uncommon that families might borrow more than is needed to take advantage of those benefits.

"A student's family might say 'Hey, you know what? Student loans might be a little less expensive than some of the other debt we have as a family. We'd rather take those loans, and as a family, we'll help you repay them because it's better debt for us to have,'" Young says.

All higher education institutions that disburse federal student loans must provide counseling that's mandated by the government. This counseling is critical in helping students understand what they're getting themselves into with their borrowing, Young says.

"From our perspective, that process does the heavy lifting for us because what it does is it requires students to go in and assume that they're going to take the maximum amount of federal loans that are available to them, and then project out what they think their salary is going to be when they get out of college," Young says.

Keeping track of the amount borrowed is one component of planning for one's debt. But another key figure borrowers might want to familiarize themselves with is the school's cohort default rate, says Tayler Kreutter, Roberts Wesleyan College's executive director of student financial services. This bit of public information shows the percentage of graduates who have entered default on their loans. This can be a somewhat reliable gauge for how well the school prepares its graduates to assume their financial obligations.

"When you're talking about financial literacy as a whole, across the country, students should be encouraged to view schools' cohort default rates, because that's showing that an institution is preparing a student to go into the working world and get a job where they're earning a living wage and able to start paying back their loans," Kreutter says.

All three institutions mentioned here, Nazareth, Roberts Wesleyan, and Hobart and William Smith, currently have default rates that fall well below the national average of 10.8%.

The wisest moves students and families should be making to ensure they are both keeping their loan levels in check and setting themselves up for a career that can support their debt is to take advantage of the resources and personnel the school has available for such matters, all three experts say.

"I've watched my staff sit with families for over two hours, walking them through what it means to be here, what it means to take out this loan, what repayment might look like, what is an interest rate," Kreutter says. "We see families who have done this four times before they're sitting in our office, and we've worked with families who are refugees in this country and truly have no idea what it even means to have financed school."

Colin Hogan is a Rochester-area freelance writer.