Center for American Progress

Real Family Values: Making College Affordable and Alleviating Student Loan Debt

By Jack Jenkins January 14, 2014

This issue brief is part of a six-part series from the Faith and Progressive Policy Initiative, which outlines value-based policies that benefit all American families. For more information on our Real Family Values series, visit our series page.

For as long as she can remember, Jishava Patel has been careful with her money. Born in India, Patel immigrated to the United States with her family when she was 4 years old. Her parents, determined to find financial stability, soon found jobs in a suburb outside of Worcester, Massachusetts, and promptly set up what Patel calls a "working-class home." Practical and responsible, they raised their daughter to take personal finances seriously and eventually enrolled her in a local vocational school that would prepare her for a quick entry into the workforce.

"Growing up working class, I never had a lot of things," Patel said in an interview with the Center for American Progress. "I'm always thinking financially, what I'm spending my money on."

Yet despite community pressure to start working as soon as possible, Patel dreamed of going to college. The challenge of applying and paying for college fell largely on Patel's shoulders, however, because her parents were unfamiliar with the U.S. higher education system.

"We're a first-generation immigrant family," she said. "A lot of the responsibilities of paying for college I've taken on myself, because my parents are already stressing out about how to pay their bills on time."

Despite challenging circumstances, Patel studied hard, saved up, and enrolled in a college prep program to prepare for standardized tests and university-level courses. Her determination paid off: Patel was accepted to several of her "dream" schools in the spring of her senior year.

But elation quickly gave way to disappointment. As the financial aid letters arrived a few weeks later, Patel discovered that most of the schools were too expensive. Crushed, she ultimately had to forgo her top-choice schools in favor of a less-expensive university closer to home—but even that would prove financially challenging.

"I either had to struggle … and take out lots and lots of loans, or go to [a nearby college] and pay less," she said, adding that she still had to take out sizable loans to afford her schooling. "Choosing a college was very much a financial decision."

Patel and her family have coped with the challenges of paying for college the best they can. Patel relies heavily on her work-study position, for example, and she considers herself fortunate to be able to attend school in spite of hardship. But the stories of families struggling to pay for college—and tales of dreams deferred for many would-be students—are all too common in the United States. In fact, millions of students are unable to afford college tuition at all, and those who do enroll are facing skyrocketing tuition costs. The average tuition at public four-year colleges has risen 73 percent over the past 10 years, and tuition at private nonprofit colleges has jumped 34 percent.[1] In addition, Americans now owe a total of $1.2 trillion in student-loan debt—the second-largest form of debt behind home mortgages.[2] Taken together, the total cost of a college degree has reached crisis levels, spurring Congress and President Barack Obama to launch efforts to help make college more affordable.[3]

Below, the Faith and Progressive Policy Initiative draws upon two core American values—equality and fairness—to explore the impact of rising tuition costs and student debt. We also offer several policy recommendations from the Center for American Progress for bringing down college costs and alleviating student-loan debt in ways that reflect these American values.

Rising tuition costs perpetuate economic, gender, and racial inequality

Throughout history, Americans have pushed our nation to make good on its founding promise that all are created equal. It is for this reason that some of our nation's best-remembered speeches are those that speak of equality and Americans consistently list economic inequality as a chief concern in polls.[4] It is in our national DNA to want all of our children to have the same economic opportunities.

Yet when it comes to access to higher education, recent decades have seen a steady erosion of equality. For many Americans, a college degree is more than a piece of paper or a rite of passage—it is a gateway to a better life. Millions of high-paying jobs require a bachelor's degree or more just to apply,[5] and 63 percent of job openings in the next five years will require at least some college education.[6]

It is no secret that earnings are closely linked to education level. The median weekly earnings for an American worker with a bachelor's degree was $1,066 in 2012, whereas a worker with a high school diploma made only $652.[7] Unemployment rates also closely align with education level: Unemployment reached 8.3 percent for Americans with just a high school diploma in 2012 compared to only 4.5 percent for those with a bachelor's degree.[8]

Working families are all too aware of this link between a college education and economic opportunity. A 2011 survey conducted by the Pew Research Center found that 94 percent of parents expect their child to attend college, and 86 percent of college graduates view their higher education as a good investment.[9] But while Americans are working harder than ever to make enough money to send their kids to college,[10] skyrocketing tuition costs are shattering the educational dreams of too many students.

According to a White House analysis using College Board and Census data, the average tuition for a four-year college has increased more than 250 percent over the past three decades,[11] and some analysts put the cost increase at more than 1,000 percent since 1978.[12] Meanwhile, the income for a typical family has only increased 16 percent over the same period.[13] Though there have been steady increases in the financial aid provided by the federal government, state-based aid has declined in recent years,[14] and tuition levels far outpace recent cost increases for other basic needs such as health care, gas, and food.[15] Even two-year community colleges, which provide crucial job training for students at significantly less cost and are generally cheaper than four-year schools,[16] have seen tuition and fees increase by 24 percent above inflation over the past five years.[17]

Parents and students are coping with this sticker shock the best they can, but many have sacrificed far more than they planned. According to a 2013 survey by Fidelity, 43 percent of parents plan to ask their children to put aside some of their own money to pay for college, and an additional 29 percent have already started encouraging their kids to save.[18] Saving for college is nothing new, but today's kids are often forced to cobble together far more money than previous generations. Children are usually around 13 years old when they are first told to begin setting aside money, and CNN Money reported last year that they are being asked to raise a median of $4,000 by the time they enroll in college.[19] Moreover, 49 percent of parents polled said they are considering having their child live at home and commute to school to save on room and board.[20]

This trend takes a particularly harsh toll on poor families by widening our country's staggering income gap.[21] The combination of rising tuition costs and crippling student loan payments is forcing many to leave college early or pass on higher education altogether, particularly lower-income people of color. According to a 2012 report by Generation Progress, 69 percent of black students who left college without finishing a degree cited rising school costs as a factor in their decision compared to 43 percent of white students.[22] Meanwhile, a 2009 study from the Pew Hispanic Center found that although 89 percent of Latino young adults said they believed a college education was important for success in life, more than half admitted that they were not planning on going to college for largely economic reasons. Of those Latino students who did not enroll in college, 74 percent listed the need to provide immediate financial support for their family as a key factor in their decision-making, and 40 percent bluntly admitted that they simply could not afford the cost of college.[23] Thus, not only does the increasing cost of college leave many people of color at an educational disadvantage, it also grows the already unacceptable racial income gap in the United States.[24]

With these deep inequalities in mind, the Center for American Progress has offered two recommendations for how our government could make college more affordable. The first is to broaden consumers' access to information about colleges by expanding the U.S. Department of Education's college scorecard, an interactive tool that outlines how schools compare in terms of cost, graduation rates, and student-loan default rates.[25] Another recommendation is for Congress to increase the buying power of federal aid by providing an additional $20 billion for Pell Grants between 2018 and 2022. This would boost the maximum value of the grants to $6,990 by 2022, making it easier for low-income students to get a degree.[26]

Crippling student-loan debt undermines fairness

Fairness has long been at the core of how most Americans structure their families and communities. People do not expect special treatment, but they do expect to be treated fairly and judged on their merits. Younger Americans only expect to be offered at least the same opportunities as the generation before them, and polls show that every generation dreams of giving their children and families a better, more prosperous life than they experienced.[27]

But student-loan debt, combined with widespread youth unemployment due to the ongoing economic recovery, is denying millions of students access to opportunities their parents enjoyed just a generation ago. Confronted by staggering tuition costs, many lower-income college students pay for their education the only way they can—by taking out loans. This has led to a massive increase in the number of students who borrow. A record 19 percent of U.S. households reported owing some amount of student debt in 2010[28]—an increase of 15 percent since 2007—and the first three months of 2013 were the worst on record for student-loan defaults.[29] Meanwhile, the average amount of debt per student rose to more than $27,000 in 2012 compared to $17,233 in 2005.[30]

This broken system unjustly burdens many of our nation's youth and their families with bills they cannot pay. Describing her own experience with the student-loan system, Patel said she was "lucky" because her school offered her need-based financial aid. This allowed her to take out federal loans instead of private loans, which can have interest rates as high as 19 percent.[31] But Patel was quick to note that taking any loans—be they federal or private—can be a frustrating burden for many students.

“Last year was a bit of a struggle trying to figure out if our family was going to be able to pay,” she said. “No one wants to pay more loans. You either take out a federal loan or a private loan, with tons of interest.”

Indeed, the student-loan crisis is taking an unprecedented toll on an entire generation of college students such as Patel, negatively impacting their college years and burdening life after graduation. Out-of-control loan payments are causing millions of graduates to put off buying houses,[32] cars,[33] and everyday commodities such as cable television and Internet access until they can pay down their debt.[34] Young people are even delaying getting married or having children until after they have paid off their loans, a process that can take years, if not decades.[35] Not only does this dip in spending power hurt graduates, but it also drags down the overall U.S. economy and is currently keeping the housing market from fully recovering from the recent recession.[36]

This reality is particularly hard on lower-middle-income students and their families. According to a forthcoming study, students whose families earn $40,000 to $59,000 annually are saddled with $9,200 more student-loan debt on average than their peers whose families earned between $100,000 and $149,000, and approximately $13,000 more debt than those whose families made more than $150,000 annually.[37] As a result, lower- and middle-income families accumulate significantly more debt than wealthier families and often have to work harder and longer to pay it back.

Female students are also disproportionately affected by student-loan debt after they graduate, exacerbating preexisting inequalities. A 2012 study by the American Association of University Women found that 20 percent of recent women graduates expend more than 15 percent of their take-home salaries on educational debt.[38] This is made worse by the fact that women with bachelor’s degrees typically earn thousands of dollars less than men with the same education level one year after graduation, even if they hold the same degree. Thus, female college graduates often spend far more of their income repaying student loans than their male counterparts, further expanding America’s gender pay gap.

The growing student-loan crisis effectively ensnares an entire generation in a web of loans and payments and forces today’s students to choose between getting a degree that could shackle them with years of debt or forgoing higher education altogether and settling for a future of lower-paying jobs. As such, the Center for American Progress recommends three solutions that could help ease the burden of repaying student loans.[39] The first is to allow students to refinance their student loans, particularly since so many students are currently locked into a 6.8 percent interest rate.[40] Second, Congress should make income-based repayment the default option for federal loans, making it easier for working students to keep up with their payments.[41] Finally, Congress should establish Qualified Student Loans that would create clear and public standards for loans that cannot be discharged easily in the event of bankruptcy.[42] Loans that do not meet these standards should be eligible to be discharged in bankruptcy, similar to credit card debts.

These solutions, although provisional, would help alleviate the student-loan crisis and allow America to stay true to its promise to treat all of its citizens fairly—including those who wish to pursue a college education.

Conclusion

Jishava Patel hoped to work in the public health sector when she first enrolled in college, but the harrowing experience of paying for higher education has changed her. Now a third-year student, she holds a work-study position at the Center for Education Policy and Advocacy, a campus group that organizes around issues that disproportionately impact students. Given her own financial struggles, Patel usually works on economic concerns such as campaigns to lower tuition.

"Almost all of my activism is motivated through my experience and the experience of my fellow students," she said.

After years of struggling with her fellow students to make tuition and loan payments, Patel is now considering a career as a grassroots organizer or advocate focusing on issues that affect students.

"What I believe and work for … is making higher education accessible for everyone," she said. "Hopefully I'll eventually be able to pay for my student loans. … But if I need to help my family out, they take precedent."

As the debate over college affordability and student-loan debt continues to rage on Capitol Hill, Americans must urge our elected officials to enact policies that serve young people and their families. In a country founded on the ideals of equality and economic opportunity, higher education should not be reserved for a privileged few, nor should high tuition costs and student-loan debt exacerbate systemic inequality. Education should be a right accessible to all, and politicians, school officials, and Americans at large only stand to gain from a higher education system that fully embraces the deeply held American values of equality and fairness.

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Endnotes

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