Everything Jersey

Debt from student loans is crippling a generation

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By **Star-Ledger Guest Columnist**

By Deborah M. Figart and Susan Niemiec

The month of April brings good news to high school students: acceptance letters to colleges and universities. Recently, the federal government helped make the costs of college attendance more transparent, with information displayed on websites. But what about the costs of paying it back?

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Jessette Bautista, a sophomore studying marketing, works on a project in the computer lab inside NJIT's library Tuesday afternoon. Interest rates on federal student loans could jump from 3.4 percent to 6.8 percent if Congress doesn't act to reset the cap before July.

Though the average student loan debt for a graduate of the Class of 2010 was $22,250, according to the Project on Student Debt, needy students are borrowing much more and their student loan payments are choking them.

An alum who received a bachelor's degree from New York University has a debt of $97,000, but earns only $22 per hour. A woman's fiancé breaks the engagement three days after she confessed her student loan debt exceeded $100,000. A law school graduate recently passed the state bar exam, but cannot get her law license due to her poor credit rating and student loan default status. An alum of a restaurant school paid $30,000 in tuition to study to become a chef and has a job peeling potatoes for $20,000 a year.

We have moved beyond mere anecdotes to a key public policy concern. Each month, young adults are burdened with 25 percent to 30 percent or more of their net pay dedicated to student loan debt. In 2010, student loan debt exceeded credit card debt and continues to increase at a rate of $2,853.88 per second. As one payer says, "College loans are crippling my generation."

FinAid.org and Fastweb.com report the average college student has eight to 12 loans for their undergraduate education. The U.S. Department of Education says student loan default rates increased to 7 percent in 2008 and 8.8 percent in 2009.

Recent research by the Institute for Higher Education Policy suggests we need proactive debt management training for graduates with outstanding student loans. The answer is simple: independent budget and credit counseling for high school graduates — before signing paperwork for that first loan. The required student loan "exit interview" by the financial aid office prior to graduation day is too late.

On March 7, the governor of Washington signed a law that will require the state's Office of Student Financial Assistance to provide a financial aid counseling curriculum for institutions of higher education. Topics include student loan repayment options, average salaries for a wide range of jobs and likely consequences of default.

The federal Know Before You Owe Act of 2012, introduced by Sens. Dick Durbin (D-Ill.) and Tom Harkin (D-Iowa), has a counseling component, but doesn't go far enough. Counseling would be provided only to students who have exhausted their federal grants and loans, and who are seeking to supplement them with private loans, reaching only some of our indebted students.

Student loan debt education is needed for all students and independence is paramount. Counseling should be done by an independent third party such as a nonprofit agency. Nonprofit agencies provide valuable resources and services to consumers of all ages at teachable moments throughout their lives. These organizations already offer workshops to high school students on the topics of student loan repayment and the consequences of default, but the current reach is limited.

Our call for independent counseling is not meant to castigate financial aid professionals. The New Jersey Higher Education Student Assistance Authority's online brochures and repayment calculators are insufficient. And, like college admissions offices and the financial aid professionals who work alongside to recruit each freshman class, they are not wholly separate from the process.

The depressed job market isn't helping. Some economists fear the current student loan burden will further hamper an economic recovery; student loan debt also will prevent consumers from saving for retirement. The effects of this debt are crippling.

The value of a college degree shouldn't be questioned. Students and their parents can make smarter choices based on counseling and education. We urge the New Jersey Legislature to require an independent group to create and deliver a curriculum for use in our higher education institutions to stop the crippling effect of student loan debt.

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