College Loan Debt: The Degree Is Worth It Or Not

The big question that many American citizens face when thinking about higher education is "what is the worth of a college degree?" As the job market changes and other routes of making money become available the necessity of a college degree lowers. The narrative presented to students in college is a sound financial investment and college graduates' earnings will pay off their college debt. Data from the past support this narrative. The data shows that college education correlates with income. High school graduates make more money than high school dropouts and college graduates show to make more money than high school graduates. In more modern times this narrative isn't always true. As time changes and the demand for certain degrees fluctuate, the idea of getting a student loan becomes detrimental to one's life.

New research shows that there is no guarantee that graduates will see a strong return on investment for a college education, depending on gender, race, family income, and type of degree. You must ask yourself what major you would like to choose. Choosing a major is harder than most think. The job market changes annually, which might have been a great major to choose in 2010 isn't the case now in 2020. Certain majors have a better chance of earning their money's worth. Recently STEM majors are in demand. Students majoring in finance, mechanical engineering, computer science, and accounting have a higher percentage of total respondents that will hire, according to the National Association of Colleges and Employers. Students go to college with the intent to boost their earning power after graduation. For numerous adults, the money received will automatically go to pay off their loans, leaving them with little to no money to do what they please.

There are over 300 million citizens in the United States, around 45 million of these citizens have student loan debt, bringing the national debt amount higher and higher. Outstanding federal and private student loan debt reached a record of $1.61 trillion in the second quarter of 2019, up 4.8 percent over the same quarter in 2018. (Collier) Average student loan debt for those ages 22 to 28 more than tripled between 2017 and this year, from $10,205 to $31,370, according to a Harris Poll survey for TD Ameritrade, a financial services company. According to the Institute of College Access and Success, the average debt held by graduating college students has grown at a rate double the inflation rate to $28,950 since 2004.

Both democrats and republicans agree that something needs to be done about student loan debt, but disagree on solutions. With the 2020 election approaching, many democratic presidential candidates have proposed new ideas to ease the debt burdens for millions of student borrowers. President Obama and many Democrats, on both national and state levels, propose making community college free. Also, many democrats seek more government aid for student borrowers. Liberals alike push for more government aid. Recent cuts in state higher education funding have led public colleges and universities to raise their tuition and fees. Some liberal politicians push for "free" taxpayer-funded tuition, while conservatives press for schools to start focusing more on skills-based training. Conservatives warn that subsidies can backfire by raising tuition and encouraging spending more money and time in college than necessary. Some republicans suggest giving students with loans more flexibility to pay their loans. Critics state that some for-profit institutions have defrauded students by misrepresenting their records placing graduates in jobs. Still, the Trump Administration has rolled back rules, put in place during President Barack Obama's presidency, that investigates for-profit colleges. This brings new concerns for students, who could potentially be hurt if such schools fail to deliver students a quality education.

The consequences of student loan debt are extensive. "Buried in Debt" is a national survey report on the state of student loan borrowers in 2018 by Summer and Student Debt Crisis. Summer is a social impact start-up focused on helping student loan borrowers successfully navigate the complex repayment process. Student Debt Crisis is a non-profit organization dedicated to reforming student debt and higher education loan policies. This survey's results show the harsh reality of the financial strains that millions of borrowers face due to their student loan debt. Most borrowers' monthly budgets go to student loan payments. 30% reported having a student loan bill higher than their rent or mortgage bill. 56% reported having a student loan bill higher than their health insurance bill. 65% reported having a student loan bill higher than their monthly food budget. The average annual income was $60,00, but the average total debt was $87,500. Sadly 65% of borrowers have less than $1,000 in their bank accounts.

Studies show that individuals facing student loan debt have less financial freedom, fewer career opportunities, and stressful personal life (Summer and Student Debt Crisis). A June survey commissioned by TD Bank in Cherry Hill, N.J., found that borrowers ages 18 to 39 spend about 20 percent of their income on student loan payments averaging $579 a month. Thirty-six percent of Millennials cited student loan debt as the reason they have put off buying a home, and 26 percent cited it as a reason for not having children, according to the survey. Between spring 2018 and spring 2019, U.S. college enrollment declined by about 300,000 students, or 1.7 percent, according to the National Student Clearinghouse Research Center, an educational research organization in Herndon, VA. It was the eighth consecutive year of decline in enrollment.

A borrower named Erin from Maine described her financial burden due to college loan debt:

"Student debt has been solely responsible for the majority of my decision-making as an adult. My husband and I had a civil union ceremony as we were unable to pay for a traditional wedding due to student loan debt. We have not purchased a house, have delayed starting a family, have never purchased a new vehicle (only used or hand-me-downs), and have never started or attempted to start any of the many business ideas my husband has (he holds a BA in business management)."

According to Debt.org, there are three paths to take to have your loans forgiven. The first path focuses on the career you choose. This path is Public Service Loan Forgiveness, created in 2007 by the College Cost Reduction and Access Act. Under this act, the person asking for forgiveness must be a full-time employee (at least 30 hours per week) in public service and make 10 years of on-time monthly payments (120) after consolidating your federal loans in a qualified repayment program. This option is only available for Direct Federal Student Loans. Private student loans are not eligible for Public Service Loan Forgiveness. Education, law enforcement, health, public law, and veterinary medicine serve as the most common public service careers. The second path is based on how long make on-time payments under a qualifying repayment plan. Under this program, you do not need to work in any specific career. With these programs, after making on-time payments for 20 or 25 years, depending on the repayment plan, the remaining balance will be forgiven after that time. The amount that is forgiven is considered to be taxable income. The third and last path is Student Loan Discharge.

Student Loan Discharge applies for federal and private loans. People who take this path suffer from very rare circumstances. Some examples of these circumstances would be death, permanent disability, identity theft, false certification of student eligibility, and lastly, an unauthorized signature of the loan by the school without your acknowledgment. Generally, Student Loan Discharge is granted by a judge.

At the end of the day, college is a big decision for young adults. Don’t let others around make a life-changing decision like this for you. The first question you must ask yourself before applying to a college is if that college is affordable. Debt plays a big role in choosing whether you should go to college or not. As of 2019, the average cost of out-of-state tuition is $26,290 per year for a four-year public university. The average cost of out-of-state tuition for a private college is $35,830. If you can not afford a school’s tuition, your best bet is to look for scholarships and grants before you think about getting a college loan. College loans should be your last resort as a student, as these loans will shape your life. If you do decide to take a student loan, it's best to be in a field that will allow you to pay the loans off quickly. While following your passion in life is the best way to live your life, sometimes passion doesn’t pay your bills. This is not meant to be discouraging but to be more practical with the youth in America. The key to living a great life is to be smart with the decisions you make because ultimately no matter the decision you chose the fault will lie with you.