THE WALL STREET JOURNAL.

The WSJ Guide to Student Loans

Navigating the Myths and Misunderstandings About College Debt

By Andrea Fuller, Melissa Korn, Rebecca Ballhaus, Tawnell D. Hobbs and Rebecca Smith
Graphics by Andrew Mollica

Table of Contents

Table of Contents

Table of Contents

Table of Figures

Table of Figures

Chapter 5:

Chapter 6:

Chapter 7:

Introduction: The Big Picture

Many Americans—including some who take on massive amounts of student debt—don't understand the realities of college costs.

There are a lot of myths. Among them:

- Elite colleges are unaffordable for lower-income families.
- A graduate degree from a pricey private university is a sure path to a lucrative career, so it's worthwhile to take out loans.
- Earnings prospects are better for those with degrees from private schools than for those who attended state schools.[1]

The Wall Street Journal has interviewed hundreds of prospective, current and former students, as well as parents, lawmakers and other people about student debt. The loans baffled many of them.

From the mechanics of how interest works to when it's worthwhile to borrow to whether student debt might be forgiven someday, many were stumped. Or, perhaps even worse, they were convinced that they understood the system, but really had just accepted the myths as gospel.

> *"Basically it's kind of a known fact that it's worth it because USC is one of the top schools in the country, and when you graduate from there, you'll earn the top amount of money in your field."* – A social worker who had considered attending the University of Southern California

> *"Some of these other schools, they even offered me scholarships, but I said I wanted to go to the more-renowned school. I said, 'Let's just do it, I'll take out student loans.'"*
> – A lawyer on his decision to borrow about $250,000

> *"It's free money, why not take it?"* – A mother's rationale for encouraging her son to take out federal loans so the family didn't have to deplete its savings

This guide aims to dispel some of the misconceptions about paying for college, taking on student debt and what graduates earn. The Journal has analyzed a vast trove of federal education data to more definitively say which schools offer a good financial return and which leave graduates with crippling loans.

Introduction: The Big Picture

Taking on debt to pay for college has become a matter of course. As of the fourth quarter of 2021, 43.4 million borrowers owed a collective $1.6 trillion in **federal student loans**. Just over half of borrowers owed less than $20,000, according to the government's data. Fewer than 10% of borrowers owed six figures. But the portion of students with high-dollar balances is growing.

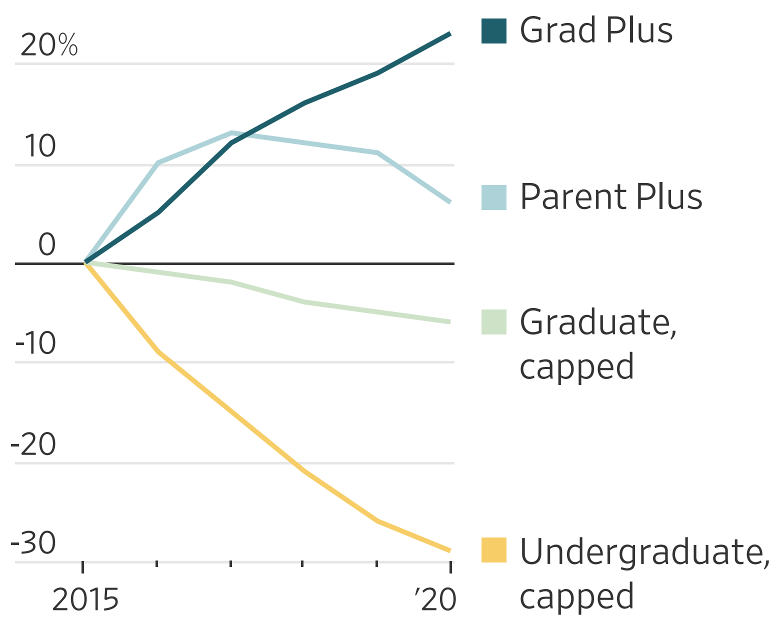
One big reason? No-limit Plus loans, which have become the fastest-growing portion of federal student loans. Parents and graduate students are able to borrow Plus loans up to the full amount that a school costs, including tuition, fees, and room and board. Federal undergraduate loans have caps.

The goal of this guide isn't to warn people off from taking student loans, even large ones. A college education can be transformational both economically and personally. Rather, the hope is to better inform borrowers as they make what could be the biggest financial decision of their lives.

Figure 1.1

Federal student loan volume, by loan type

Change in new loan dollars since 2015



Note: Capped loans include Direct Subsidized Loans and Direct Unsubsidized Loans. Inflation adjusted.

Introduction: The Big Picture

To help, this book contains:

- Charts and tables featuring information about high-debt degrees, graduates' earnings and program costs;
- Directions and links to places where students and parents can find additional useful information about schools and student loans;
- Short profiles of student-loan borrowers who reflect on their choices;
- Pro tips to be a savvy borrower;
- Quizzes to test knowledge about student debt and explanations for the answers;
- Checklists of reminders and questions borrowers can ask;
- A glossary of financial-aid terminology.

Let's get started.

Chapter 1
Student Loans 101

Student Loans 101

How debt works, why to (sometimes) avoid it and how schools pitch it

Quiz

1 **Which of the following is false?**

A. **Federal student loans** always offer better interest rates than private ones.

B. Some federal student loans start accruing interest the moment money is sent to borrowers.

C. Borrowers can be rejected for some types of federal student loans.

D. Scholarships are common at private colleges.

2 **Since 2010, what has been the highest annual interest rate on a federal student loan?**

A. 3.9%

B. 5.9%

C. 7.9%

D. 9.9%

How can having student debt be problematic?

Student debt has long been described as "good" debt, a worthy investment in one's future. Making regular payments builds a strong credit record, which lenders like to see when it comes time for a car loan or mortgage.

Plenty of people do borrow a modest amount and pay it off without a hitch. But borrowing for education can have lifelong implications, especially if the borrower isn't making any dent in paying down a large principal balance.

Graduates interviewed by the Journal mentioned a range of problems:

- One borrower recalled that his loans became delinquent after he finished law school. He said his credit score plummeted, and he had to work for years to get it back into the 700s.

- One social-work master's graduate said she hoped to have another child, but decided not to because the expenses would be too high on top of her student loans.
- One **Parent Plus** borrower had his wages garnished by the government at $800 a month for two years when he failed to repay the loan.

In general, people who declare bankruptcy can't discharge student debt. Spending money paying down student loans, rather than contributing to savings accounts or 401(k) plans, can hurt retirement plans. Moreover, banks may deny credit applications, or charge higher interest rates for mortgages, if they see that someone has far more debt than they do earnings.

It's important for borrowers to understand the ways the debt could hurt their financial future in addition to the ways an education could help it (see **Chapter 8** for additional information on student-loan repayment).

Even if debt is the only real option, borrowers should research ways to keep costs in check. Among the tips recommended by student-debt advisers and financial-aid counselors:

- Budget carefully for food (learn to love homemade sandwiches for lunch!);
- Find a part-time job;
- Compare on- and off-campus housing options. Don't assume dorms are cheaper;
- Rent or buy used textbooks;
- Stay focused. Take the required classes, but don't dabble in too many extra electives to keep on track for an on-time graduation;
- Take advantage of every student discount available for restaurants, stores, travel and entertainment. They're not always advertised, so it never hurts to ask if there's a deal for students.

Student Loans 101

What is the difference between ‘financial aid’ and ‘scholarships and grants’?

Scholarships and grants are awards that students don’t need to repay. Schools may give them because of financial need, or to reward high grades, athletic ability or other talents. The federal government gives **Pell grants**, generally benefiting low-income students.

> **“There are definitely moments where that number just looms as this tunnel that doesn’t have a light at the end of it.”**
>
> Kassandra Jones, who took out $131,000 in federal loans to pay for her master’s in public health at New York University

Financial aid is more of an umbrella term that includes scholarships and any other monetary assistance students receive to cover school costs, including campus jobs through a federal work-study program and student loans.

Though they shouldn’t, some schools use these terms interchangeably, and aid letters can get confusing. It’s still common to see aid packages that list scholarships, loans and work-study earnings grouped as “awards,” even though only one is actually free money. Many letters don’t include details about interest rates and **origination fees** for loans, and they sometimes fail to provide information about academic or other criteria needed to maintain scholarships in subsequent years.

For instance, the first page of this award letter from Arizona State University highlights that the student’s aid offer is $19,995. (Students’ names have been redacted from some documents in this guide.) In smaller print, it notes that the offer is made up of a mix of scholarships, work-study earnings and loans.

Arizona State University

Arizona State University is pleased to offer you the following financial aid offer for the 2022-2023 academic year.

Your 2022-2023 total offer: $19,995

Comprised of:

Free aid (grants and scholarships): $7,495

Federal Work-Study: $3,000

Student Loans: $9,500

Your offer is based on:

Assumed enrollment status Full-time	**Projected academic level** Freshman	**Campus** ASUColleges@ASU: Lake Havasu City
Major General Studies	**Dependency status** Independent	**Residency status** Resident
Housing plan On-campus housing	**Estimated cost of attendance** $23,676	**Expected family contribution (EFC)** $0
Financial need $23,676		

Please be aware that all offers are based on the statuses noted above. Your aid may adjust if any of your statuses change or you receive additional aid (e.g., scholarships, employee benefits, etc.). Common changes such as reduced enrollment often result in reduced aid. Enrollment in Session A only or Session B only will reduce your aid. For full term aid, enrollment must span the full term (A+B sessions or C session). For more information on this visit here.

Any changes to your aid will result in updates to your financial aid and scholarships box in My ASU.

Melissa Pizzo
Associate Vice President, Academic Enterprise Enrollment
Arizona State University

Estimated Costs

Estimated ASU Charges	Fall 2022	Spring 2023	Full Year
Tuition & fees	$3,302	$3,302	$6,604
On-campus housing*	$3,280	$3,280	$6,560
Meal plan**	$2,848	$2,848	$5,696
Total estimated ASU charges	*$9,430*	*$9,430*	*$18,860*

Additional Expenses	Fall 2022	Spring 2023	Full Year
Books & supplies	$660	$660	$1,320
Travel	$704	$704	$1,408
Personal	$1,008	$1,008	$2,016
Average loan fees	$36	$36	$72
+ Total additional expenses	*+ $2,408*	*+ $2,408*	*+ $4,816*
Estimated Cost of Attendance	**$11,838**	**$11,838**	**$23,676**

This notification is not a bill. These costs are estimates to help you plan.

These ASU estimated expenses represent the costs that may appear on your student account. The Arizona Board of Regents will approve the 2022-2023 rates in mid-March 2022.

*Average for your campus. ** Based on Sparky's Plan (14 meals/week).

Applying your aid to estimated costs

	Fall 2022	Spring 2023	Full Year
Total estimated ASU charges	*$9,430*	*$9,430*	*$18,860*
- Total Free Aid	- $3,748	- $3,747	- $7,495
Remaining Estimated ASU Charges	**$5,682**	**$5,683**	**$11,365**
+ Total additional expenses	*+ $2,408*	*+ $2,408*	*+ $4,816*
Total	$8,090	$8,091	$16,181
- Total Aid You Can Earn	- $1,500	- $1,500	- $3,000
- Total Optional Student Loans	- $4,750	- $4,750	- $9,500
What's left			$3,681

While it says here that there's just $3,681 left to pay on the full $23,676 tab after aid is applied, the school also breaks down the cost and aid differently on subsequent pages. In one spot, it says, "College costs you will be required to pay: $16,181/yr." Confusing, right?[2]

With backing from consumer advocates, the Obama administration worked to standardize the forms that break down what financial aid is being offered so families can more easily compare scholarships and better understand what share of the bill they're expected to cover—whether through cash, loans or student jobs. The form recommended by the Education Department, called the **College Financing Plan**, is now widely used.

Below is the government's template for the form, and later in this chapter there are customized examples from the University of Florida and the University of Michigan.

Here are some of the lines that should get particular attention:

University of the United States (UUS) MM / DD / YYYY
Undergraduate College Financing Plan
Student Name, Identifier

Total Cost of Attendance 2022-2023

	On Campus Residence		Off Campus Residence
Tuition and fees		$X,XXXX	
Housing and meals	$X,XXXX		$X,XXXX
Books and supplies		$X,XXXX	
Transportation		$X,XXXX	
Other education costs		$X,XXXX	
Estimated Cost of Attendance	**$X,XXXX** / yr		**$X,XXXX** / yr

Estimated cost of attendance: Expected total tab for one year of school.

Expected Family Contribution

Based on FAFSA As calculated by the institution using information reported on the FAFSA or to your institution.	**X,XXXX** / yr
Based on Institutional Methodology Used by most private institutions in addition to FAFSA.	**X,XXXX** / yr

Scholarship and Grant Options
Scholarships and Grants are considered "Gift" aid - no repayment is needed.

Scholarships

Merit-Based Scholarships	
Scholarships from your school	$X,XXXX
Scholarships from your state	$X,XXXX
Other scholarships	$X,XXXX
Employer Paid Tuition Benefits	$X,XXXX
Total Scholarships	**$X,XXXX** / yr

Grants

Need-Based Grant Aid	
Federal Pell Grants	$X,XXXX
Institutional Grants	$X,XXXX
State Grants	$X,XXXX
Other forms of grant aid	$X,XXXX
Total Grants	**$X,XXXX** / yr

VA Education Benefits

VA Education Benefits	**$X,XXXX** / yr

College Costs You Will Be Required to Pay

Net Price To You (Total cost of attendance minus total grants and total scholarships)	**$X,XXXX** / yr

College costs you will be required to pay: Known as the net price, this is the share of the bill a family is expected to cover through savings, loans or other means after scholarships and grants are applied.

Loan and Work Options to Pay the Net Price to You
You must repay loans, plus interest and fees.

Loan Options*

Federal Direct Subsidized Loan (x.xx% interest rate) (x.xx% origination fee)	$X,XXXX / yr
Federal Direct Unsubsidized Loan (x.xx% interest rate) (x.xx% origination fee)	$X,XXXX / yr
Total Loan Options	**$X,XXXX** / yr

* For federal student loans, origination fees are deducted from loan proceeds.

Work Options

Work-study Hours Per Week (estimated)	$X,XXXX / yr XX / wk
Other Campus Job	$X,XXXX / yr
Total Work	**$X,XXXX** / yr

Work-study: Federal aid earned through part-time work.

Other Options
You may have other options to repay the remaining costs. These include:

- Tuition payment plan offered by the institution
- Parent PLUS loans, which your parent can apply for
- Non-Federal Private education loan, which you or your parent can apply for after passing a credit check
- Other Military or National Service Benefits

For More Information
University of the United States (UUS)
Financial Aid Office
123 Main Street
Anytown, ST 12345
Telephone: (123) 456-7890
E-mail: financialaid@uus.edu

*** Loan Amounts**
Note that the amounts listed are the maximum available to you.To learn about loan repayment choices and calculate your Federal Loan monthly payment, go to: https://studentaid.gov/h/manage-loans.

Customized Information from UUS

Next steps

Loan options: Maximum federal loans for which the student is eligible; may also include a line on Parent Plus loans.

Case Study

Back in high school, Emily Miller thought that New York University was out of reach, a target school better suited for her wealthy friends.

"I was certain I couldn't afford it," said Ms. Miller, who attended an arts magnet school in Dallas.

Then she got accepted at NYU. With a scholarship.

"When my financial-aid package came and NYU was giving me money, my high-school film teacher was like, 'You can't refuse this opportunity.'"

Ms. Miller was flattered, no matter that NYU's $29,900 annual scholarship would cover only about 40% of her first-year costs, and less as tuition and fees continued to increase. Her dad urged her along.

She said the scholarship and other financial-aid information she received were a jumble of big numbers and confusing terms.

In one financial-aid information sheet reviewed by the Journal, NYU listed a merit scholarship from the school and a federal Pell grant—money that doesn't have to be repaid—in the same section as federal student and parent loans. According to the school, the total "award" of $78,760 would cover nearly all her

Continued

Should I be flattered if I get a scholarship?

Maybe. Some scholarships are awarded sparingly and for tremendous achievements. They might cover full tuition, and the very best of them offer a "full ride," taking care of tuition, fees, and room and board. At many schools, however, especially those looking to boost their prestige, so-called **merit awards** aren't really much to crow about.

First, they're commonplace at the undergraduate level. In recent years, an impressive-sounding Presidential Academic Scholarship was awarded to nearly half of all undergraduates at George Washington University in D.C., while Oberlin College in Ohio promised a $10,000 annual Oberlin Commitment Scholarship to every new student.

Second, they're often not very large. A $15,000 annual award may seem substantial, until it's put in the context of a $70,000 annual bill at a private university. If another school's annual price tag—without merit aid—is lower than $55,000, then the scholarship from this more-expensive school shouldn't automatically make it a top destination.

Also, keep in mind that scholarships can shrink or even disappear entirely. Students often must maintain a certain grade-point average and stay enrolled full time to keep their scholarships. While 90% of first-year undergraduate students at private schools received some sort of institutional grant aid in the 2020-21 school year, that number slid to 83% when including all undergraduates, according to the National Association of College and University Business Officers. And the share of listed tuition and fees those awards covered, on average, fell to 54% from 60%. (Schools typically don't share data on average scholarship aid for graduate degree programs.)

Case Study

annual bill, and her family would just need to find another $7,320.

"It was easy to manipulate me, I was 17 years old," Ms. Miller said. "I think I fell into a trap."

Ms. Miller finished a semester early, worked part-time, applied credits from high school along with summer and winter courses, dropped her meal plan after freshman year and lived back home when classes moved online during the coronavirus pandemic. Still, she ended up taking out $27,400 in federal loans. Her mother, who earns less than $70,000 a year as a marketing manager, borrowed more than $105,000 through the federal Parent Plus program (more about that loan program in **Chapter 3**).

Ms. Miller graduated in December 2020, with a bachelor's of fine arts in film. She landed a job as an office coordinator for an independent film company. She said her $40,000 salary covers the basics, but little more.

She said she regrets putting such a financial burden on her family: "I don't want my parents to work until they're 80."[3]

While a $10,000 award might pay for, say, 15% of the tab for first-year students, tuition and fees might rise annually—often without the scholarship increasing to match. That scholarship will take care of a smaller and smaller share of the total cost.

PRO TIP: Every dollar counts, so go on the hunt for scholarships. Many high school guidance counselors keep files with details of awards that might be good fits for undergraduate students, and universities provide rundowns of how to be considered for various school-funded and external programs. Websites such as Scholarships.com, Cappex, Scholly and Going Merry can direct students to other free money as well.

If I have to borrow, should I take out federal loans or private loans?

Most universities' financial-aid websites say federal loans are the best bet to fund postsecondary education, if a family needs to borrow.

That's largely true, as federal loans offer the most flexible repayment plans—especially for students who may be considering careers in low-earning fields such as teaching and social work. And some federal loans available to undergraduates, known as **subsidized loans**, don't start accruing interest until after the student graduates.

However, interest rates for federal loans, which are set annually, can be high. In recent years, loans for parents and graduate students reached as high as 7.9%, and were 6.28% as of 2022. For borrowers with strong credit scores, steady income and good relationships with banks, **private loans** might be a cheaper option.

This guide, however, is mostly about federal loans, because they're the most common way families borrow for school, and because there's more robust data available on borrowing and repayment of those loans.

What are the types of federal student loans, and how do I get them?

There are four main categories of **federal student loans**:

- **Subsidized Stafford loans**, for undergraduates, are available based on a student's financial need. Students don't start amassing interest until six months after they graduate, as long as they're enrolled in college at least half-time.
- **Unsubsidized Stafford loans** are available for both undergraduate and graduate students, with undergrads locking in lower interest rates. Pretty much all students can take out these loans, regardless of financial need. Importantly, interest begins accruing as soon as the loan is disbursed.
- **Parent Plus loans** allow parents of undergraduate students to borrow up to the full cost of attendance as calculated by a school, including tuition, fees, books, meals and housing. Interest begins accruing immediately.
- **Grad Plus loans** are for graduate students. Like Parent Plus loans, they can be used to borrow up to the full cost of attendance. Interest begins accruing immediately.

Dependent students can take out a lifetime maximum of $31,000 in federal loans for their undergraduate studies, while independent undergraduate students can borrow up to $57,500.

Students don't need to pass any sort of credit check to qualify for loans, and parents will get the all-clear as long as they don't have an adverse credit history, like having declared bankruptcy (see **Chapter 3** for more on parent loans). People who aren't U.S. citizens may have limited access to federal aid but qualify for state and institutional funding. Veterans and families of military members may qualify for separate education benefits. Borrowers also can be rejected for federal student loans if they have previously **defaulted** on a federal student loan or if they fail to maintain satisfactory academic progress.

Student Loans 101

Getting tens or hundreds of thousands of dollars in loans to pay for school takes relatively little effort. Here are the steps:

1. Fill out the Free Application for Federal Student Aid, or **Fafsa**, available on the Federal Student Aid website beginning on Oct. 1 of each year, for aid to be used the following school year.

   Applicants can use an IRS tool to pull information from their tax filings, easing the process a bit. Have handy any recent bank statements and investment account balances as well.

   For those applying to undergraduate and many graduate programs at nearly 300 schools, most of them private, also complete the College Board's **CSS Profile**. That's short for College Scholarship Service (see **Chapter 2** for more details on this form).

2. Be prepared to wait. The school calculates how much it thinks a family should be able to pay based on information from the Fafsa (and CSS) and the estimated annual **cost of attendance**. Financial need is the gap between the two. The school then determines how much in **need-based aid** (grants, work-study and loans) the student is eligible for, and also applies non-need-based scholarships and other loan options to the equation. Parental finances aren't considered for many graduate students.
3. Accept the loan. Schools provide step-by-step details on how to transfer the funds from the federal government to their coffers. Some require borrowers to enter manually the dollar amount they want to borrow, while others automatically show the maximum amount allowed—and borrowers must take an extra step to borrow less.
4. Complete mandatory online entrance counseling on the Federal Student Aid website acknowledging the rights and responsibilities of borrowers. It's short and only required of student borrowers new to that particular loan type. Parents aren't required to do it.

5. Sign a document agreeing to the loan terms, known as a master promissory note. (That agreement is just for new borrowers; returning borrowers instead sign an annual loan acknowledgement.)
6. Voilà! The school applies some portion of the loan to cover what it charges; additional funds borrowed for living expenses and other indirect costs will be paid directly to the borrower.

Applying seems fairly simple. What's the catch?

PRO TIP: Complete the Fafsa sooner rather than later, as some schools and states have limited pools of funds and distribute them first-come, first-served.

Students and parents often sign up for new loans each year, without much regard for what they've already borrowed.

"Students are gobsmacked" when they see the cumulative tally around graduation, said Karen McCarthy, vice president of public policy and federal relations at the National Association of Student Financial Aid Administrators. "They're dealing with it on a yearly basis and not always putting it all together."

Remember that an aid package is what's offered for one year of study, not for the full degree. For example, even though $20,000 in Parent Plus loans might seem manageable, doing that for four years and ending up with $80,000 in debt could prove burdensome.

There is also some fine print to know about before taking on loans: Both subsidized and unsubsidized federal loans have an origination fee of 1.057% through September 2022. The origination fee for Plus loans is four times as high—4.228%. That means a borrower would only get access to $9,577 of a $10,000 Plus loan. It may not seem like a huge difference, but if over the course of a four-year degree the loan total hits $100,000, more than $4,000 goes to fees.

Finally, interest is calculated based on the amount borrowed—the full $100,000 in this scenario—and not on the amount distributed to the borrower.

What will the interest payments look like?

This trips up many student-debt borrowers, for good reason. It's very common to have multiple loans for each year of school, all accruing interest at different rates. Though computer-savvy families may want to make a spreadsheet tracking their loan balances, disbursement dates and interest rates, most can at least use the government's loan simulator to estimate costs for each one.

Figure 1.2 shows the interest rates on federal student loans disbursed between July 2021 and June 2022.

Figure 1.2

Interest rates on federal student loans in 2022

LOAN	INTEREST RATE
Loans for undergraduates (subsidized and unsubsidized)	3.73%
Unsubsidized loans for graduate students	5.28
Plus loans	6.28

These are fixed rates, but each new loan can have a different interest rate. For example, with loans disbursed in the 2018-19 school year, rates were more than a percentage point higher—5.045% for undergraduate loans, 6.595% for unsubsidized graduate student loans and 7.595% for Plus loans.

It's wise to max out subsidized loans before turning to unsubsidized loans, and then to Plus loans after that.

One good thing for borrowers is that federal student loans are what's called simple-interest loans. That means the payments are calculated on the principal plus interest. If borrowers don't pay all their interest each month, it adds up, but the principal stays the same.

There are some cases, though, when a borrower's unpaid interest capitalizes—meaning that it is added to the principal balance, and the borrower will pay interest on the new, higher amount (see **Chapter 8** for those exceptions).

Should I believe what schools tell me about debt?

Schools don't want reputations for steering students and parents toward debt they can't repay.

At the same time, schools know many families will need to borrow in order to have a student enroll, and many colleges rely on tuition dollars. Borrowing for college has become routine, with schools often stating on their aid websites that most students pay for school with a mix of savings, scholarships and loans. And remember, for Grad Plus and Parent Plus loans, there's no cap on how much money can be borrowed.

A note of caution: Schools might boast about having low default rates on their student loans, as a sign that they're a worthwhile investment. But these days, people default less often because they can sign up for income-driven repayment plans—meaning they're paying some sliver of the tab, but often not the full amount needed to chip away at the balance (more on these in **Chapter 8**). Not being in default doesn't mean borrowers are paying down their loans with ease. They could still be struggling with their payments or watching interest accumulate. Often, the default figures that schools highlight also are just for undergraduate students, whose federal debt is capped, and don't include the size or status of parent and graduate-student loans.

> **"At 17 or 18 years old, I didn't have a good concept of finance and loans, and didn't know about interest... I didn't look at the price tag. I was more focused on the quality of my education versus the cost."**
>
> Jessica Disu, 33, who owes about $93,000 in federal student loans. She received a bachelor's degree in international arts management from Columbia College Chicago in 2016 and is pursuing a master of divinity degree at Chicago Theological Seminary.

Schools employ financial-aid counselors to guide their students. But they can have large caseloads, and students aren't always assigned one counselor to see them through their entire educational experience. It's ultimately on the students or their families to seek information from those counselors, or from the Education Department's Federal Student Aid website.

Student Loans 101

Checklist

- [ ] Have I filled out the **Free Application for Federal Student Aid** (or **Fafsa**), as well as the **CSS Profile**, if required?
- [ ] Have I applied for all relevant scholarships offered by my school, city and state?
- [ ] Do I understand how much I'm expected to pay out of pocket or borrow for each school I'm seriously considering?
- [ ] If I'm awarded a scholarship, do I understand whether it covers my entire degree or if I must reapply or meet certain terms to get it in the future?
- [ ] Did I max out my lower-interest-rate loans before borrowing from the programs with higher rates (**subsidized**, then **unsubsidized**, before **Grad Plus** and **Parent Plus**)?
- [ ] Do I need to take the entire amount I was allowed to borrow? If not, have I adjusted my loan amounts accordingly?

Student Loans 101

Quiz answers

Q1 **A**

Though schools often recommend federal student loans, families may be able to get better rates on private loans, especially if they have good credit. Federal loans, however, tend to have more flexible repayment options, and sometimes borrowers can enter into programs that will eventually forgive their loans.

Q2 **C**

In the early 2010's, the interest rate for new Parent Plus and Grad Plus loans was 7.9%. Each loan has a fixed rate, but each new loan can have a different interest rate. More information can be found here.

Chapter 2
Understanding Undergraduate Debt

Understanding Undergraduate Debt

How much financial aid to expect, where to study and which majors pay off

Quiz

1 **A family in Ann Arbor, Mich., made $100,000. Rank these undergraduate programs from least expensive to most expensive for this family, during the school year that ended in 2020:**

A. Case Western Reserve University, Ohio

B. Stanford University, Calif.

C. University of Michigan

D. University of Miami, Fla.

2 **At which of the following programs did bachelor's degree recipients have median earnings of at least $30,000 two years after graduation? (Multiple choice allowed.)**

A. George Washington University, D.C., history

B. Swarthmore College, Pa., biology

C. University of Notre Dame, Ind., anthropology

D. University of Phoenix, computer programming

How much financial aid can families expect?

Filling out the Free Application for Federal Student Aid, known as the **Fafsa**, is the key to accessing federal—and most institutional—scholarships and loans (see **Chapter 1**).

Dependent students' financial needs are calculated by looking at things like family income, bank-account balances, a student's **529 college savings plan** and parents' stock holdings.

A few hundred schools and scholarship programs also require the CSS Profile, which drills down into details like home equity, medical expenses, siblings' private-school tuition and annuities. In cases where parents are divorced, both the custodial and noncustodial parents usually need to complete the forms.

Understanding Undergraduate Debt

Case Study

Sean McCoy spent his childhood as a professional actor in northern Virginia, so when it came time for college, looking at schools with solid theater programs was a no-brainer. That he would go to the most prestigious one possible was also a foregone conclusion.

"You were supposed to apply to the best schools, and these schools had the best programs, and they would offer you the best options post-graduation," said Mr. McCoy, now 27. Most of the ones on that list were private colleges outside Virginia, including the University of Miami and University of Hartford in Connecticut.

He landed about $30,000 in annual scholarships from Boston University, which took care of roughly half of his expenses.[4] To cover the rest of the tab, he borrowed around $27,000 in **federal student loans** and another $120,000 in **private loans**. Some of the private loans, cosigned by his mother, had interest rates higher than 10%.

Mr. McCoy said he didn't really understand the nuts and bolts of interest at the time, like when it would accrue and how much it would add to the total loan cost.

"I thought, 'OK, I'm getting 50% off this school that has a great reputation, and I visited in person and got a good feeling," Mr.

Continued

How the schools weigh CSS answers range widely: Stanford University, Brown University, the Massachusetts Institute of Technology and a few other schools don't count home equity at all, a blessing for families from high-priced real-estate markets, whereas some schools cap it at a multiple of parental income and others put every dollar of equity into consideration.

> **"It's like getting naked. They want to know everything."**
>
> Taryn Binder, a mother who filled out CSS Profiles for two children. She said one school even asked for the make and model of any cars her family drove.

The Fafsa is used to spit out an estimate of how much the family could contribute toward the **cost of attendance**, which affects how much a student might get in **Pell grants**—federal grants of up to $6,495 a year, generally earmarked for lower-income students—and **subsidized loans** (see **Chapter 1**). Many schools use that calculation to distribute their need-based aid. The CSS may give a markedly different number, which other schools use to divvy up their scholarship funds. Colleges will also point students and parents toward **unsubsidized** and Plus loans to fill any gaps.

Even before starting down the path of filling out the Fafsa and CSS Profile, families can get a general sense of just how costly any individual program might end up being.

Move past that big, scary figure on the Tuition and Fees website known as the **sticker price**, and click on the **Net Price** Calculator. (They aren't always in a standard place on a school's website, so dig around a bit.)

Understanding Undergraduate Debt

Case Study

McCoy said. "My brain, as an 18-year-old, was thinking, like, 'OK, this makes sense.'"

He graduated with a bachelor's of fine arts in acting in 2017.

"Was it a financial decision that I think was responsible? I don't think so. But I don't regret getting my degree," he said, noting that he's been able to use many of the skills he picked up at BU.

After graduation, Mr. McCoy strung together acting gigs in New York and then worked steadily on a show in Washington, D.C. But after a year and a half, he realized it wasn't sustainable. He'd lost weight, due to being unable to afford steady meals on his annual earnings of around $15,000.

"Living in poverty was pretty traumatic," Mr. McCoy said. He shifted from acting to cinematography, working on documentaries and commercial campaigns, and shooting still photography as well. His earnings were around $60,000 for a few years, and $100,000 more recently.

Mr. McCoy signed up for an **income-driven repayment plan** on the federal loans, and refinanced his private loans for a lower interest rate. His monthly loan payments now total about $1,000.

Mr. McCoy said the payments are manageable on his current salary, but not easy, and major markers of adulthood like buying a home won't be in the cards anytime soon.

"Certainly, there are things that I'm missing out on," he said.

Schools will take some basic financial information—have recent tax forms and bank statements on hand—and generate an estimated net price, meaning the total cost of attendance less any grants and scholarships.

PRO TIP: Net Price Calculators are far from perfect and sometimes pull from old aid formulas or tuition figures. They also generally don't provide very useful guidance for students whose parents are divorced. Consider them more a ballpark figure than a price guarantee.

The College Board runs the calculators for hundreds of schools; links to participating institutions' calculators are here.

If I'm from a low-income family, can I afford a top college?

In popular culture, there's a common trope of a bright student who dreams of a prestigious school only to have that dream nearly thwarted because of the eye-popping price tag:

- In the movie musical "In the Heights," Nina considers dropping out of Stanford, concerned her dad is making too much of a sacrifice to pay for school.
- Single mother Lorelai and her daughter, Rory, from "Gilmore Girls" think Yale University is out of reach, until Lorelai's wealthy parents step in to cover tuition in exchange for her presence at regular family dinners.
- Carl fails to get a bank loan to send his daughter, Laura, to Harvard University in "Family Matters," forcing her to stay closer to home in Chicago.

Understanding Undergraduate Debt

College sticker prices are shocking, well over $80,000 a year for tuition, fees, and room and board at many of the country's best-known private schools. No wonder cost-conscious characters in movies and TV shows regularly scoff at trying to get in.

In reality, those storied campuses are well within reach for low- and many middle-income families if students get admitted. At Stanford, for instance, parents earning less than $150,000, combined, generally don't have to pay for tuition, and those earning under $75,000 are typically expected to contribute nothing at all for tuition, fees, or room and board. At Dartmouth College, those thresholds are $125,000 and $65,000. Even families pulling in $200,000 can expect scholarships from many elite private schools, especially if they have multiple kids enrolled in college at the same time.

Still, the myth endures, and many families box themselves out from solid educational options just because of the sticker price.

The relevant number here is the net price. The federal government requires colleges to report how much, on average, students in different income bands are charged after scholarships and other discounts.

Understanding Undergraduate Debt

The four-year private schools listed in Figure 2.1 had an annual net price of less than $5,000 for low-income families (those earning $30,000 or less) in the 2019-20 school year. Notice that most of them are wealthy universities, which tend to have large research operations and graduate programs, or exclusive liberal-arts colleges, which focus largely on undergraduate instruction.[5]

Figure 2.1

Private colleges that were more affordable for low-income families

Private, nonprofit

COLLEGE
Amherst College, Mass.
Bates College, Maine
Berea College, Ky.
Brigham Young University-Idaho
Brown University, R.I.
California Institute of Technology, Calif.
Colby College, Maine
College of the Ozarks, Mo.
Duke University, N.C.
Georgetown University, D.C.
Harvard University, Mass.
Johns Hopkins University, Md.
Northwestern University, Ill.
Princeton University, N.J.
Rice University, Texas
Stanford University, Calif.
Swarthmore College, Pa.
University of Chicago, Ill.
University of Pennsylvania, Pa.
Vanderbilt University, Tenn.
Washington and Lee University, Va.
Washington University in St. Louis, Mo.
Wesleyan University, Conn.
Williams College, Mass.
Yale University, Conn.

Does that mean most private schools are within reach for low-income families?

Unfortunately, no. Many of the schools that might be most affordable for low-income families get thousands of applicants, and only a small percentage get admitted.

Moreover, not every wealthy school is as generous with financial aid as the ones discussed above. For example, the University of Miami in Florida charged the lowest-income students an average of $44,463 per year. The average net price for students from wealthier families—those earning between $75,001 and $110,000—was almost identical.

Among private colleges with an endowment of at least $1 billion in 2020, the schools in Figure 2.2 had the highest net price for families earning $30,000 or less.

Figure 2.2

Wealthy colleges that were expensive for low-income families

Private, nonprofit

COLLEGE	NET PRICE
University of Miami, Fla.	$44,463
Liberty University, Va.	29,786
Southern Methodist University, Texas	27,427
Santa Clara University, Calif.	26,428
Baylor University, Texas	25,980
Texas Christian University, Texas	25,170
New York University, N.Y.	23,582
University of Tulsa, Okla.	19,529
George Washington University, D.C.	17,673
University of Southern California, Calif.	17,287

Also keep in mind that many private schools aren't wealthy. They can charge low-income families quite a lot—sometimes more than they earn in a year.

Figure 2.3 shows the most expensive four-year colleges for low-income families.

Figure 2.3

Colleges with the highest net price for low-income families

Private, nonprofit | Private, for-profit

COLLEGE	NET PRICE
Beacon College, Fla.	$53,948
California Institute of the Arts, Calif.	52,801
Southern California Institute of Architecture, Calif.	50,084
Ringling College of Art and Design, Fla.	47,001
Southern New Hampshire University, N.H.	45,135
Jewish Theological Seminary of America, N.Y.	44,917
West Coast University-Ontario, Calif.	44,841
University of Miami, Fla.	44,463
Spelman College, Ga.	43,248
School of Visual Arts, N.Y.	43,138

It's important to remember that public colleges and universities offer in-state, low-income families a great deal—several dozen have a net price of less than $5,000 for the lowest-income families. These include top-tier schools like Texas A&M University, the University of Michigan and the University of North Carolina at Chapel Hill. And for middle-income families, there are hundreds of local public schools with a net price lower than $20,000.

One warning: Students who don't get accepted at many places or don't get much financial assistance might be tempted to simply sign up for the school that lets them in the door and take on debt to pay for it. After all, they might reason, isn't a bachelor's degree always better than a high-school diploma? Actually, there are alternatives (see **Chapter 4**) that might be a better choice than going to a four-year school for some folks.

The worst outcome for students would be for them to take on a pile of debt at a four-year school for a year or two and then not finish. They would have college loan payments without the benefit of a college degree.

Understanding Undergraduate Debt

Where can I find how much a school will likely cost for my family?

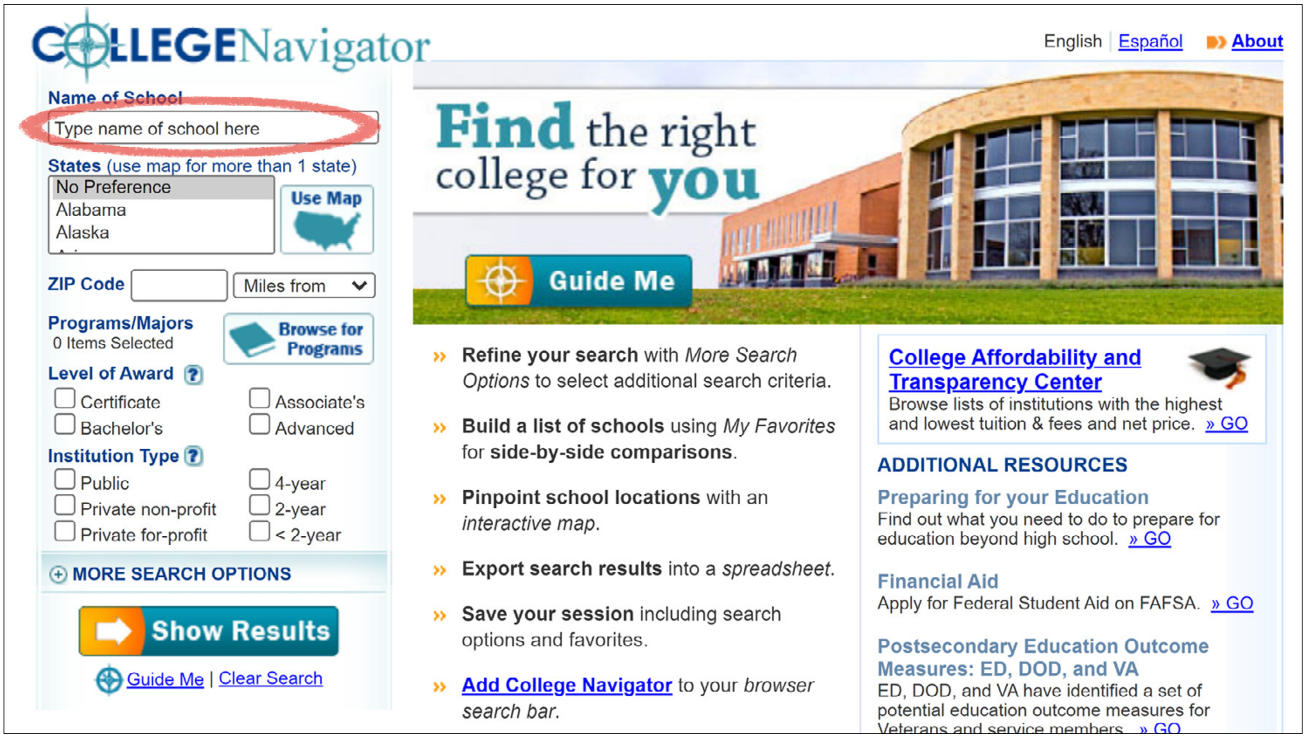
An invaluable resource for families trying to learn how much school might actually cost for people like them is College Navigator, a government-run tool chock full of information about individual schools—including the average net price of the institution, broken down by the family's income band. Public colleges have to release net-price figures for in-state students, but not for out-of-state ones.

On the **College Navigator**, it's apparent, for instance, that the well-regarded Sarah Lawrence College just north of New York City charged an average of around $28,600 for families earning $30,000 or less. Meanwhile, the bill at a competitor about 60 miles away, Vassar College, was an average $10,535.[6]

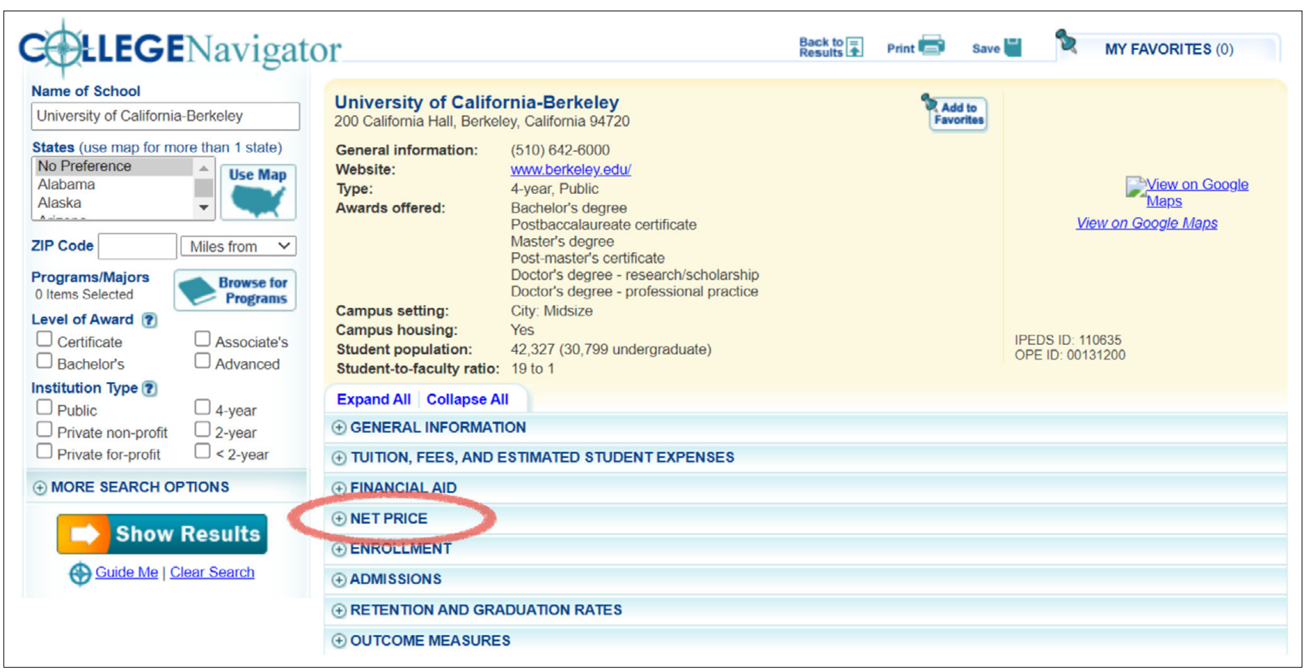
Here's how to find the average net price for a particular school. This example uses the University of California, Berkeley.

Understanding Undergraduate Debt

Step 1: Type in a school name and click on Show Results.



Step 2: Click on the + sign next to the line titled “Net Price” to expand that section.



Understanding Undergraduate Debt

Step 3: See average net price by income band for full-time undergraduate students in recent years. The most recent data is on the far right.

NET PRICE

AVERAGE NET PRICE FOR FULL-TIME BEGINNING STUDENTS

Full-time beginning undergraduate students who paid the in-state or in-district tuition rate and were awarded grant or scholarship aid from federal, state or local governments, or the institution.

	2017-2018	2018-2019	2019-2020
Average net price	$17,862	$18,522	$19,329

Full-time beginning undergraduate students who paid the in-state or in-district tuition rate and were awarded Title IV aid by income.

AVERAGE NET PRICE BY INCOME	2017-2018	2018-2019	2019-2020
$0 – $30,000	$8,043	$8,392	$8,450
$30,001 – $48,000	$9,740	$9,130	$9,999
$48,001 – $75,000	$13,750	$13,081	$13,423
$75,001 – $110,000	$20,774	$21,401	$21,601
$110,001 and more	$31,177	$32,504	$33,896

How much stock should I put in college rankings?

U.S. News & World Report, Forbes and The Wall Street Journal are just some of the publications that publish annual rankings, judging schools on such criteria as class size, financial resources and graduation rates. Others grade them on sustainability, best food, fanciest dorms and most-active party scene.

Rankings can have their use, but don't get hung up on them. No single school is the "best" school for everyone. Some students will thrive in intimate seminars on rural campuses, and others fare best with plenty of large lectures and a vibrant city backdrop. And attending a school that's ranked No. 94 versus No. 99 doesn't make a student more or less exceptional or likely to succeed later in life.

Understanding Undergraduate Debt

Some rankings are relatively easy to manipulate, and colleges actively pursue the status symbol of a top spot. Many schools dangle generous **merit** awards to students with strong grades and test scores, factors that go into certain rankings. Below are some wealthy private colleges that offered a lot of undergraduate scholarships based on merit—not financial need—as of the 2020-21 school year.[7]

Figure 2.4

Schools that were generous with merit scholarships

Private, nonprofit

COLLEGE	SHARE OF AID THAT IS NON-NEED BASED
Southern Methodist University, Texas	55%
Tulane University, La.	49
Trinity University, Texas	48
University of Miami, Fla.	45
Texas Christian University, Texas	42
Case Western Reserve University, Ohio	38
Baylor University, Texas	37
Santa Clara University, Calif.	36
Northeastern University, Mass.	36
George Washington University, D.C.	30

Schools that are highly ranked know it—and know how coveted their spots are, even at full price.

PRO TIP: It's better to use the rankings as a jumping-off point, if at all, and to think of schools in tiers: Extremely highly ranked, highly ranked, average, steer clear of this institution, etc. Someone with top grades, varsity sports awards, tons of community service hours and stellar teacher recommendations would probably want to look at options in the top band, with a few in the next tier down. Schools at either end of each grouping should be viewed as pretty similar.

Understanding Undergraduate Debt

For example, in a recent letter to the parents of an admitted student, Michigan's undergraduate admissions director wrote, "All those early mornings, late nights, and long years of hard work have paid off" and the student "has been accepted to the University of Michigan, one of the top-ranked universities in the world!" U.S. News ranked Michigan No. 23 nationally in 2022.

That student, from Florida, received scholarship offers of around $10,000 at the University of Georgia and Indiana University. Tuition and fees—and some other expenses—would be covered at the University of Florida (U.S. News's No. 28 nationally), thanks to generous state aid and a low starting price there (see below).

UF **University of Florida (UF)**
Undergraduate College Financing Plan

03 / 25 / 2021

Total Cost of Attendance 2021-2022	On Campus Residence		Off Campus Residence
Tuition and fees		$6,390	
Housing and meals	$5,800		
Books and supplies		$810	
Transportation		$1,120	
Other education costs		$7,320	
Estimated Cost of Attendance	**$21,440** / yr		

Expected Family Contribution	
Based on FAFSA As calculated by the institution using information reported on the FAFSA or to your institution.	**$92,230** / yr
Based on Institutional Methodology Used by most private institutions in addition to FAFSA.	**$0** / yr

Scholarship and Grant Options

Scholarships and Grants are considered "Gift" aid - no repayment is needed.

Scholarships	
Merit-Based Scholarships	
Scholarships from your school	$0
Scholarships from your state	$6,990
Other scholarships	$0
Employer Paid Tuition Benefits	$0
Total Scholarships	**$6,990** / yr

Grants	
Need-Based Grant Aid	
Federal Pell Grants	$0
Institutional Grants	$0
State Grants	$0
Other forms of grant aid	$0
Total Grants	**$0** / yr

College Costs You Will Be Required to Pay	
Net Price (Cost of attendance minus total grants and scholarships)	**$14,450** / yr

Michigan, meanwhile, offered $0.[8]

04 / 22 / 2021

University of Michigan (UM)
Undergraduate College Financing Plan

<table>
<tr><th colspan="3">Total Cost of Attendance 2021-2022</th></tr>
<tr><th></th><th>On Campus Residence</th><th>Off Campus Residence</th></tr>
<tr><td>Tuition and fees</td><td colspan="2">$52,166.38</td></tr>
<tr><td>Housing and meals</td><td>$12,034</td><td></td></tr>
<tr><td>Books and supplies</td><td colspan="2">$1,048</td></tr>
<tr><td>Transportation</td><td colspan="2">$0</td></tr>
<tr><td>Other education costs</td><td colspan="2">$2,454</td></tr>
<tr><td>Estimated Cost of Attendance</td><td>$67,702.38 / yr</td><td></td></tr>
</table>

Expected Family Contribution	
Based on FAFSA As calculated by the institution using information reported on the FAFSA or to your institution.	**$81,984** / yr
Based on Institutional Methodology Used by most private institutions in addition to FAFSA.	**$236,060** / yr

Scholarship and Grant Options

Scholarships and Grants are considered "Gift" aid - no repayment is needed.

Scholarships	
Merit-Based Scholarships	
Scholarships from your school	$0
Scholarships from your state	$0
Other scholarships	$0
Employer Paid Tuition Benefits	$0
Total Scholarships	**$0** / yr

Grants	
Need-Based Grant Aid	
Federal Pell Grants	$0
Institutional Grants	$0
State Grants	$0
Other forms of grant aid	$0
Total Grants	**$0** / yr

College Costs You Will Be Required to Pay	
Net Price (Cost of attendance minus total grants and scholarships)	**$67,702.38** / yr

The teen is now a freshman at Michigan, paying out-of-state rates. He took out $5,500 in unsubsidized federal loans, the maximum allowed for first-year dependent students—and his parents should be able to cover some of the rest of his first two years with a 529 savings account. After that, his mother said, they're looking at borrowing on his behalf (more on parent borrowing in **Chapter 3**).

Don’t people who go to top colleges make more money?

Sometimes, yes. The reputation of an undergraduate school can be a factor in graduate school admissions. Certain employers, such as top consulting firms, often recruit from the nation’s most prestigious campuses. Overall, the highest-paying degrees nationwide tend to be from elite computer-science programs. In 2017 and 2018, students who earned a bachelor’s degree in computer science from Carnegie Mellon University in Pennsylvania had a median salary of $160,116. That was two years after they graduated and the highest median salary in the country.[9]

Even so, students can earn big bucks without going to a top college. Below are some of the highest-paying programs[10] at schools ranked outside of the top 100 U.S. News National Universities or liberal arts colleges:

Figure 2.5

Top-paying bachelor’s programs not at top-ranked colleges

Public / Private, nonprofit

COLLEGE	DEGREE	MEDIAN EARNINGS
California Polytechnic State University-San Luis Obispo, Calif. (Public)	Computer and Information Sciences, General.	$ 120,462
Union Institute & University, Ohio (Private, nonprofit)	Criminal Justice and Corrections.	117,766
Neumann University, Pa. (Private, nonprofit)	Homeland Security, Law Enforcement, Firefighting and Related Protective Services, Other.	115,339
CUNY City College, N.Y. (Public)	Allied Health Diagnostic, Intervention, and Treatment Professions.	115,339
California State University, East Bay, Calif. (Public)	Registered Nursing, Nursing Administration, Nursing Research and Clinical Nursing.	113,585

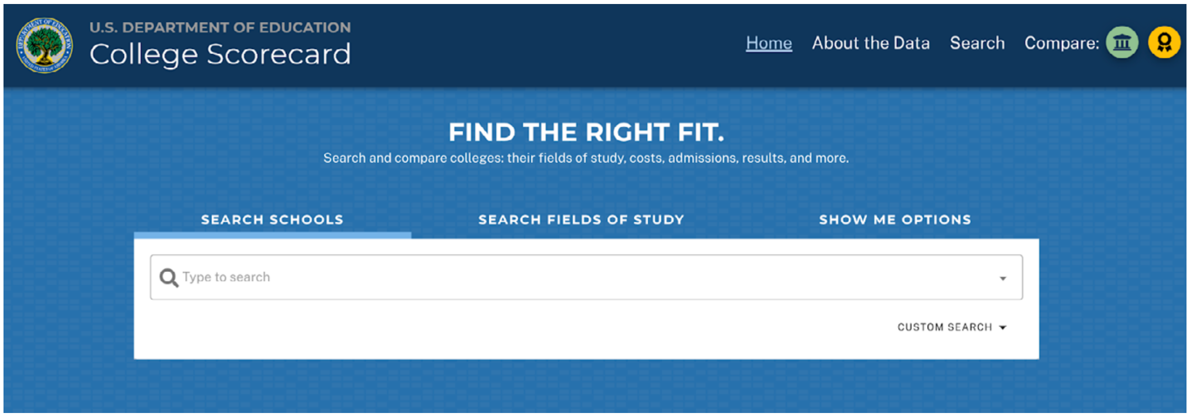
Where can I find out more about the colleges I am interested in?

Beyond the schools' own websites (which, while informative, are also putting the institution in the best light possible), there are at least three free resources worth tapping when figuring out which colleges to consider.

The College Navigator, mentioned previously for its detailed data on net prices by income band, also has a list of what majors are offered, graduation rates and even campus crime statistics.

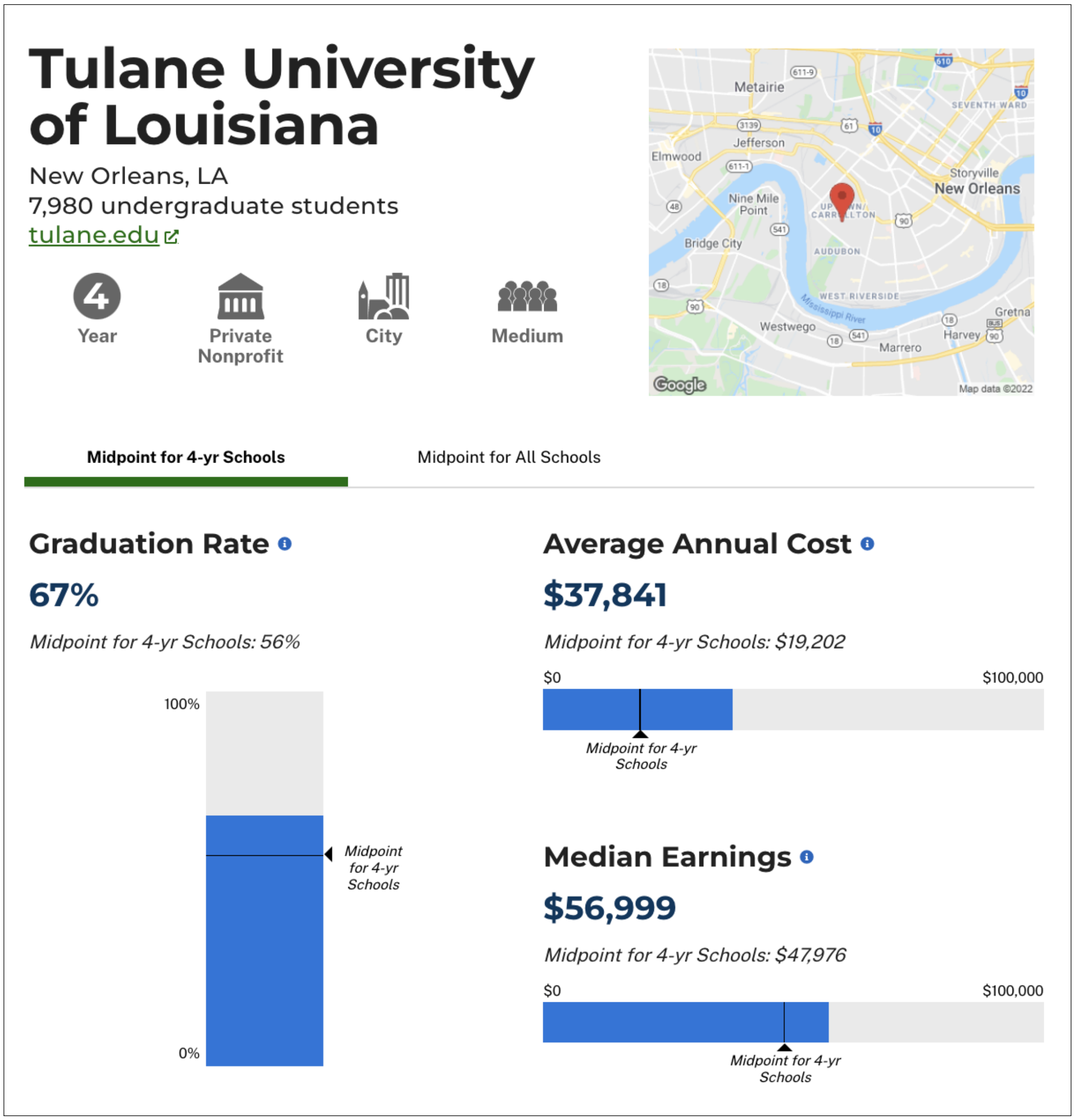
The **College Scorecard**, another Education Department tool, drills down into debt and early-career earnings figures not just for schools, but also for individual fields of study. It's a useful way to get past the noise of campus-wide averages, where a large population of business and engineering majors can hide poor earnings prospects for history majors.

From the main search page, type in a name of a school:



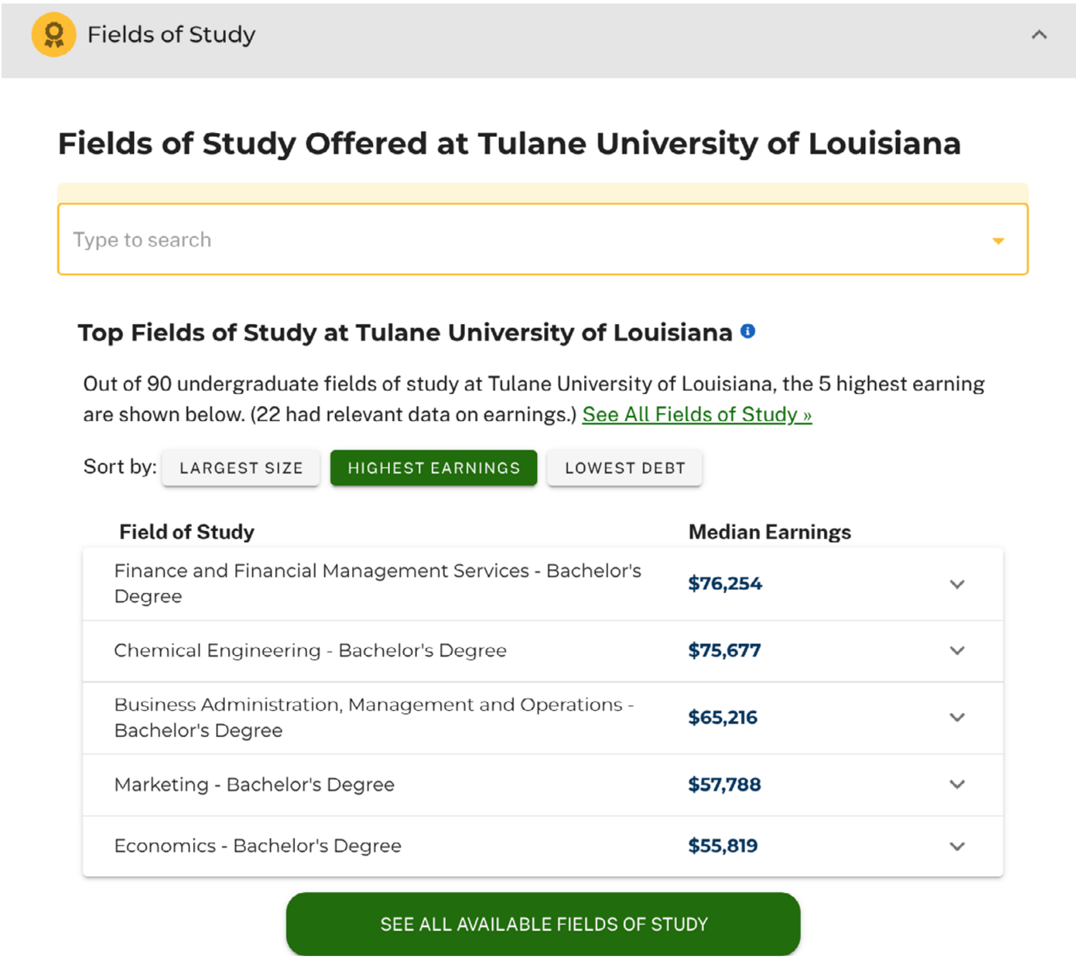
Understanding Undergraduate Debt

The Scorecard's school profile page gives broad information on the college including its graduation rate, salary ranges for graduates and average net price. The example below uses Tulane University in Louisiana:



Understanding Undergraduate Debt

Users can also search for earnings associated with particular majors.



Fields of Study

Fields of Study Offered at Tulane University of Louisiana

Type to search

Top Fields of Study at Tulane University of Louisiana

Out of 90 undergraduate fields of study at Tulane University of Louisiana, the 5 highest earning are shown below. (22 had relevant data on earnings.) See All Fields of Study »

Sort by: LARGEST SIZE HIGHEST EARNINGS LOWEST DEBT

Field of Study	Median Earnings
Finance and Financial Management Services - Bachelor's Degree	$76,254
Chemical Engineering - Bachelor's Degree	$75,677
Business Administration, Management and Operations - Bachelor's Degree	$65,216
Marketing - Bachelor's Degree	$57,788
Economics - Bachelor's Degree	$55,819

SEE ALL AVAILABLE FIELDS OF STUDY

The **Common Data Set**, generally available just by Googling the school's name and the words "common data set," is a useful document with standard responses to dozens of questions. (Many, but not all, schools complete it.) There, colleges offer information like the distribution of admitted students by grade-point average (Section C11), four-year graduation rates for lower-income students (Section B4, Line D) and average scholarship size for students without financial need (Section H2a, Line O).

Two particularly useful figures are the average share of students' financial need a school met (Section H2, Line I) and the average need-based scholarship amount (Section H2, Line K) for those who received such aid. One note: When most schools refer to meeting financial need (as they've determined it), they include in that calculation scholarships, expected work-study earnings and subsidized **federal student loans**, but don't include the less-attractive unsubsidized loans or **Parent Plus** debt. Only a tiny fraction of schools package aid without any loans at all.

Below, the University of Wisconsin's financial-aid section for the 2021-22 academic year shows it had pretty robust scholarship support for those with financial need—$17,444 on average.

H2 **Number of Enrolled Students Awarded Aid:** List the number of degree-seeking full-time and less-than-full-time undergraduates who applied for and were awarded financial aid from any source.

- **Aid that is non-need-based but that was used to meet need should be counted as need-based aid.**
- Numbers should reflect the cohort awarded the dollars reported in H1.
- In the chart below, students may be counted in more than one row, and full-time freshmen should also be counted as full-time undergraduates.
- **Do NOT include any aid related to the CARES Act or unique to the COVID-19 pandemic.**

		First-time Full-time Freshmen	Full-time Undergrad (Incl. Fresh)	Less Than Full-time Undergrad
A	Number of degree-seeking undergraduate students (CDS Item B1 if reporting on Fall 2021 cohort)	8442	31884	1622
B	Number of students in line **a** who applied for need-based financial aid	6074	17525	597
C	Number of students in line **b** who were determined to have financial need	3065	10817	412
D	Number of students in line **c** who were awarded any financial aid	2765	10034	369
E	Number of students in line **d** who were awarded any need-based scholarship or grant aid	2261	8272	316
F	Number of students in line **d** who were awarded any need-based self-help aid	2144	7565	227
G	Number of students in line **d** who were awarded any non-need-based scholarship or grant aid	231	895	17
H	Number of students in line **d** whose need was fully met (exclude PLUS loans, unsubsidized loans, and private alternative loans)	1490	5288	119
I	On average, the percentage of need that was met of students who were awarded any need-based aid. Exclude any aid that was awarded in excess of need as well as any resources that were awarded to replace EFC (PLUS loans, unsubsidized loans, and private alternative loans)	77.0%	80.0%	68.0%
J	The average financial aid package of those in line **d**. Exclude any resources that were awarded to replace EFC (PLUS loans, unsubsidized loans, and private alternative loans)	$ 22,043	$ 21,658	$ 14,496
K	Average need-based scholarship and grant award of those in line **e**	$ 16,739	$ 17,444	$ 10,982

Understanding Undergraduate Debt

Once I choose a college, what should I study?

Some people may go to college knowing they want to be engineers, in which case they'll be looking for a school with solid prospects for students from that particular major. That's where the College Scorecard's field-of-study search comes in particularly handy.

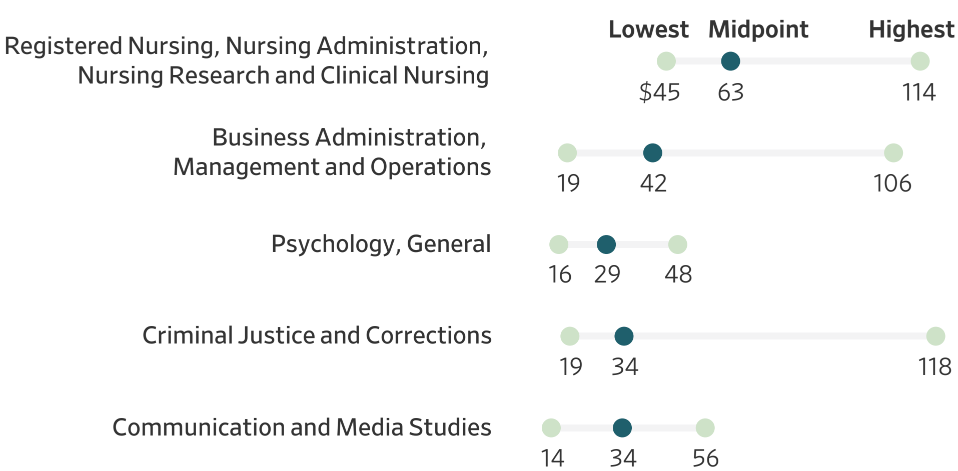
Not everyone has a direct line of sight to a career at this early stage, though, and that's fine. For those looking for a quick financial return, certain majors are more likely to bring in big bucks straight after graduation. Engineers and nurses tend to make good pay no matter where they go—new graduates from the vast majority of colleges had **median earnings** above $50,000 in those fields just a couple years out of school. Students in the social sciences and humanities had median pay that high at only a sliver of schools. That's not to say don't major in those fields—making money isn't the only path to happiness—just be aware of the ramifications of taking on debt to do so.

Even so, not all computer-science programs—or nursing, business or humanities programs—are created equally, and just as early-career salaries can range widely by major, so, too, can they vary substantially by school. It's useful to check the Journal's interactive tool to see earning prospects for specific programs.

Figure 2.6

Ranges of pay for popular bachelor's-degree programs

Median earnings, in thousands



Understanding Undergraduate Debt

Keep in mind that an undergraduate degree might not be the only credential necessary for a particular career path, so graduate school costs could come into play (see **Chapter 5**, **Chapter 6** and **Chapter 7**).

> **"It's kind of sad that my student loan is more than my mortgage."**
>
> Tim Smith, a 60-year-old paramedic, has monthly payments of $1,515 on federal loans from a bachelor's degree in healthcare administration from Midway University in Kentucky. He graduated in 2011 and, with interest and a few thousand dollars from graduate-school classes, his student loan balance now tops $123,000.

Think about the long game. Some degrees don't yield financial fruits early on, but may lead to solid earnings five, 10 or 20 years into a career with the addition of a graduate degree. (Is there a doctor in the house?) In other fields, salaries can grow quickly as people move up the ranks in a company. The U.S. Bureau of Labor Statistics releases data on pay ranges for different professions.

The upshot: Don't assume things will turn out fine for everyone with a diploma from a top 100-ranked university. Likewise, don't assume that studying English will automatically lead to a life of financial distress. Check the data. As the government releases more information about how graduates fare further into their careers, there is less and less reason to make this a guessing game.

Understanding Undergraduate Debt

Where should I expect to borrow a lot?

As noted in **Chapter 1**, undergraduates who are dependent students can borrow a lifetime maximum of $31,000 in federal loans, and those who are independent students can borrow a maximum of $57,500. Figure 2.7 shows the schools with the largest **median debt** loads for bachelor's degree recipients. Many of these schools serve a large number of older students who can borrow up to the higher loan limit.

Figure 2.7

Colleges with the highest median debt loads

Private, nonprofit | Private, for-profit

COLLEGE	MEDIAN DEBT
Design Institute of San Diego, Calif.	$45,000
American Baptist College, Tenn.	43,000
Platt College-Aurora, Colo.	41,667
Eagle Gate College-Murray, Utah	41,639
Martin University, Ind.	41,604
Everglades University, Fla.	40,625
Southwest University of Visual Arts-Tucson, Ariz.	40,625
Strayer University-District of Columbia	40,023
Boston Architectural College, Mass.	38,739
American University of Health Sciences, Calif.	37,584

High debt loads are potentially problematic, but can become disastrous when paired with low earnings. Financial advisers generally recommend students not borrow more than they'll make in their first year out of school if they want to keep debt payments manageable and pay off their loans.

Understanding Undergraduate Debt

The following bachelor's degree programs had the highest debt loads, compared to earnings. Notice that most of the degrees were in the arts, and some were at public universities.

Figure 2.8

Bachelor's degree programs with the highest debt loads compared to earnings

Public | Private, nonprofit | Private, for-profit

COLLEGE	MAJOR	MEDIAN DEBT	MEDIAN EARNINGS	DEBT-TO-INCOME RATIO
Grambling State University, La.	Visual and Performing Arts, Other.	$36,858	$9,375	3.9
Academy of Art University, Calif.	Fine and Studio Arts.	36,000	13,702	2.6
Florida Memorial University, Fla.	Psychology, General.	41,625	16,478	2.5
Savannah State University, Ga.	Visual and Performing Arts, General.	38,925	15,552	2.5
Memphis College of Art, Tenn.	Fine and Studio Arts.	43,500	18,224	2.4
Southwest University at El Paso, Texas	Public Health.	49,997	21,312	2.3
The New England Conservatory of Music, Mass.	Music.	27,000	11,851	2.3
Hussian College-Philadelphia, Pa.	Design and Applied Arts.	31,000	13,702	2.3
Chicago State University, Ill.	Radio, Television, and Digital Communication.	35,500	15,817	2.2
Alabama A & M University, Ala.	Psychology, General.	42,750	19,227	2.2

Understanding Undergraduate Debt

How is it possible that these were the highest debt loads? While sizable, one might think the debt loads would be even higher, given that just the tuition for some of the schools previously mentioned in this chapter tops $40,000 *annually*. In some cases, borrowers may be turning to **private loans**. But on the federal level, the biggest debts associated with bachelor's degrees aren't typically taken on by students themselves; rather, they're taken on by parents. In the following chapter, learn how parents are sometimes breaking the bank to give kids a shot at their dream school.

Checklist

- ☐ Have I filled out the **Free Application for Federal Student Aid** (or **Fafsa**) form?
- ☐ Have I filled out the **CSS Profile** for my family's finances, if required by colleges to which I've applied?
- ☐ Do I have a ballpark idea of how much a college will actually cost by using the **Net Price** Calculator on the school's website?
- ☐ Have I thought about whether I'll also need to go to graduate school?
- ☐ Have I utilized tools like the **College Navigator** and **College Scorecard** to see which schools might give me the best deals?

Quiz answers

Q1

B, C, A, D

Here were the 2019-20 average net price figures for families earning between $75,001 and $110,000 at the schools in this question:

- Stanford: $13,623. It can be cheaper to go to a school with an expensive sticker price, like Stanford, than to an in-state public university.
- University of Michigan: $17,207. In-state public universities are usually good bets for affordability, though these schools can be pricey—sometimes even more so than private schools—for out-of-state residents.
- Case Western: $29,971. If a student qualifies for a large merit scholarship, a school like Case Western could end up being a good deal. However, on average, families in this income bracket were charged more than in-state students at Michigan who were in the same boat.
- University of Miami: $44,278. Miami was one of the most expensive schools in the country for both low-income and middle-class families.

Q2

A, D

Earnings aren't always what borrowers might expect. George Washington history majors earned a median $46,673 two years out.

And though for-profit schools have received a lot of criticism from regulators, students who studied computer programming at the University of Phoenix earned a median $54,967.

Conversely, Notre Dame anthropology majors earned a median $20,140, and Swarthmore biology majors earned a median $25,194. In some of these fields, students may plan to seek advanced degrees that will lead to substantially higher pay. For instance, biology majors planning to enroll in medical school can expect sizable salaries down the line.

Chapter 3
The Parent Purse Strings

The Parent Purse Strings

What's at stake when mom and dad take on college loans

Quiz

1 **At which one of the following schools did parents who recently took out Parent Plus loans typically borrow less than $50,000 over the course of their child's education?**

A. Spelman College, Ga.

B. Savannah College of Art and Design, Ga.

C. University of Alabama in Tuscaloosa

D. University of California, Berkeley

2 **Among the following schools, where did parents collectively owe the most on their Parent Plus loans five years after they were supposed to begin repaying them?**

A. DeVry University, Ill.

B. Howard University, Washington, D.C.

C. University of Chicago, Ill.

D. University of Virginia

When should I have 'the talk' with my kid about paying for college?

Parents might feel like it's their responsibility to cover at least some portion of college costs to give their kids a strong start to adulthood. But for many, writing a check for the full tuition, as well as for housing and food, isn't a viable option.

It's best for parents to be honest and upfront about how much they are willing or able to spend to help their child pay for school. That means talking through the potential **net price** while putting together a list of prospective colleges—and certainly before visiting them (see **Chapter 2** for some schools that might be more affordable than folks think). Don't wait to bring up money matters until after admission decisions start rolling in. Saying "no" often gets harder the longer a student has had to fall in love with a particular school.

The Parent Purse Strings

And don't be afraid to discuss other tried-and-true funding opportunities. For generations, young Americans have enlisted in the military and used their G.I. Bill benefits to cover a good chunk of their college costs a few years later. (Through the Yellow Ribbon Program, some private or out-of-state colleges even offer to chip in alongside the federal government with scholarships so their programs are more in line with in-state public-university options.) Others have enrolled in Reserve Officers' Training Corps, training to become military officers while also earning degrees tuition-free at more than 1,700 colleges. Five U.S. service academies that train military officers also cover tuition, room and board, and pay a stipend for other living expenses, though admissions are extremely competitive.

> **"I felt like a jerk ... It's a strong school, but not an Ivy League. I don't know if the prestige matches the price tag as the school tries to sell it."**
>
> Annabeth Mohon, a former Baylor University admissions counselor, on her experience visiting low-income neighborhoods in Texas to sell prospective students on a college they couldn't afford.

There are other costs to these paths, namely the multiyear commitment to military service and any dangers associated with serving. Weighing the pros and cons of choosing a military stint is an important part of the conversation.

This entire conversation might not be easy, but it's absolutely an important one and an opportunity to talk about career aspirations, long-term financial goals and realistic budgets.

A few points to cover during the talk:

- How much money is available in parents' and students' bank accounts and investment portfolios earmarked for school costs;
- If other major expenses are on the horizon, including tuition for additional children;
- Whether the student expects to work while in college, and, if so, how much;
- Whether the student plans to help pay off any loans the parents take out, and, if so, whether they'll realistically be making enough money to do so.

While taking stock of the budget for a son or daughter starting down the college path, now is also a good time to do a financial checkup on savings for any younger children. For instance, consider opening or adding funds to a **529**

Case Study

Sonya Sherer doesn't know what she's going to do when her daughter graduates from college.

A single mother and clinical research associate in Durham, N.C., Ms. Sherer borrowed $172,000 in Parent Plus loans to send her daughter, Camryn, to Howard University in Washington, D.C. Her balance had grown to $182,000 by the end of 2021, as her daughter prepared to enter her final semester.

After her daughter was accepted into Howard, Ms. Sherer said she felt like Parent Plus loans were the only option. Her daughter wasn't offered any scholarships from Howard. (Ms. Sherer's salary in 2022 was $106,000; Howard's estimate of tuition and other expenses for an off-campus student for the 2021-22 academic year was $52,264.) Camryn, who graduated high school with a 4.2 GPA, maxed out **subsidized** and **unsubsidized loans**, and Ms. Sherer used Parent Plus loans to cover the rest.

"When your child is preparing for college, you're always told the money is out there, but no one specifically told us exactly where the money was," she said. "So we never found that money." Her daughter had heard about Howard's drama program for years from her high school's alumni who had attended there and returned to her school to speak.

Continued

college savings plan where earnings aren't taxed as long as they're used for qualified school expenses. For more on 529 plans, which can also have perks for state taxes, check out this SEC primer.

What if my child didn't get enough financial aid?

It's fairly common for parents to think they (and their kids) are being shortchanged on college scholarships and grants and that the leftover tab is still bafflingly large.

Schools can make mistakes. And recent changes to a family's financial situation, like a job loss or major medical expense, may not be reflected on the **Fafsa**. In those instances, it's reasonable to appeal or ask for what's known as a "professional judgment," in which the school's aid office uses updated information to reconsider eligibility for scholarships and grants.

Families also might want to push for more funds when there's competition brewing. For example, if a private school in a student's home state of South Carolina offered a modest scholarship to a prospective student and learned the admitted student was also offered the equivalent of in-state tuition from a public university in Georgia, the South Carolina school might make a counteroffer.

With undergraduate loans limited (there's a lifetime cap of $31,000 for **dependent students**), parents are turning to the federal **Parent Plus** loan to bridge the gap. It allows parents to borrow up to the full **cost of attendance**, no matter that amount and regardless of their income.

The Parent Purse Strings

Case Study

At the end of her first year, Camryn changed her major from political science to acting, adding on another year to her studies. At that point, Ms. Sherer considered whether her daughter should switch to a less-pricey option. "Yes, it could have been a cheaper option in-state in North Carolina," she said. "But I wanted her to receive the so-called better education, the best education." She kept her daughter in Howard, she said, for the potential connections she would make.

The family did what they could to keep expenses down. In her sophomore year, Camryn moved into the cheapest apartment she could find: an apartment in Hyattsville, Md., with three other roommates where she paid $1,100 a month in rent.

Ms. Sherer doesn't yet know what her monthly payments will be once her daughter graduates and has avoided checking her balance. "That may be irresponsible, but it's at the point where I can't do anything right now," she said. "I already know whatever it is, it's going to be a lot." She bought a house in 2020 and has a $1,600 monthly mortgage payment. She also owes another $37,000 in outstanding medical and credit-card debt.

"I already see doomsday for me," she said.

At almost half of four-year colleges, the median amount taken in loans by parents whose child graduated during 2019 or 2020 was less than $25,000.[11] But at some expensive private schools, borrowing into the six figures is not unusual—and neither is paying on the loan into retirement years.

Many parents are surprised when they see financial-aid packages that presume they will take out Parent Plus loans to fill the gap between scholarships and grants and any remaining costs. Some critics say the easy access to these funds allows families to delude themselves into thinking they can afford colleges that are really out of their budget.

"It puts any school theoretically in reach even if it is not fiscally wise," said Caitlin Zaloom, a professor of social and cultural analysis at New York University and author of "Indebted," a book about the extreme lengths to which families go to cover college costs.

Just because a big loan is offered doesn't mean the borrower can afford to pay it back.

Getting out of paying Parent Plus loans is pretty difficult, and the payments can stretch over decades with no end in sight. These loans are ineligible for some of the federal debt-forgiveness programs that graduates can participate in (see **Chapter 8** for more details on repayment options). Nor are they automatically eligible for plans that set payments based on monthly income. The loans can be discharged under stringent conditions, such as death and permanent disability of the borrower.

The Parent Purse Strings

Parents who do take on debt should be clear with their children about how much they're borrowing—it doesn't need to elicit a lifetime of guilt, but could help motivate the student to finish college on time, or even early, to help limit the burden.

In some cases, a **private loan** may be a better bet for parents with good credit and an established relationship with a lender, such as a credit union. Another option for parents who own a home might be to open a home-equity line of credit.

PRO TIP: If parents consolidate their Parent Plus loans into a Direct Consolidation Loan, they become eligible for the Income-Contingent Repayment Plan, which sets monthly payments at either 20% of their discretionary income or the amount a borrower would pay on a fixed 12-year repayment plan—whichever is lower. After 25 years, the balance is forgiven.

Do I even qualify for a Parent Plus loan?

Biological and adoptive parents, and in some cases stepparents, can qualify for Parent Plus loans. Grandparents also qualify if they have legally adopted the student. But legal guardians, even if they are the student's primary caregivers, aren't eligible.

The Education Department does run a credit check on Parent Plus applicants, but they're not focused on a credit score so much as they are an "adverse credit history." That means it could be harder to get a Parent Plus loan if the parent declared bankruptcy, was foreclosed on, **defaulted** on debt, faced a tax lien or had wages garnished in the past five years.

There is a charge for taking the Parent Plus loan—an **origination fee** of 4.228% through September 2022, higher than the fee of 1.057% for undergraduate students. The Plus loan also has a higher interest rate—6.28% for loans disbursed before July 1, 2022—compared to 3.73% for undergraduates. This is why it's better for undergraduates to max out **federal student loans** first.

Also, keep in mind that parents may already be at the top of their earnings game; their salaries don't go up just because their kid is getting a prestigious college degree. Monthly charges may not seem outrageous now, but if parents were already thinking about cutting back hours on the job or even wanting to retire in a decade, it's worth reconsidering the calculations.

Where can I find more information on Parent Plus borrowing?

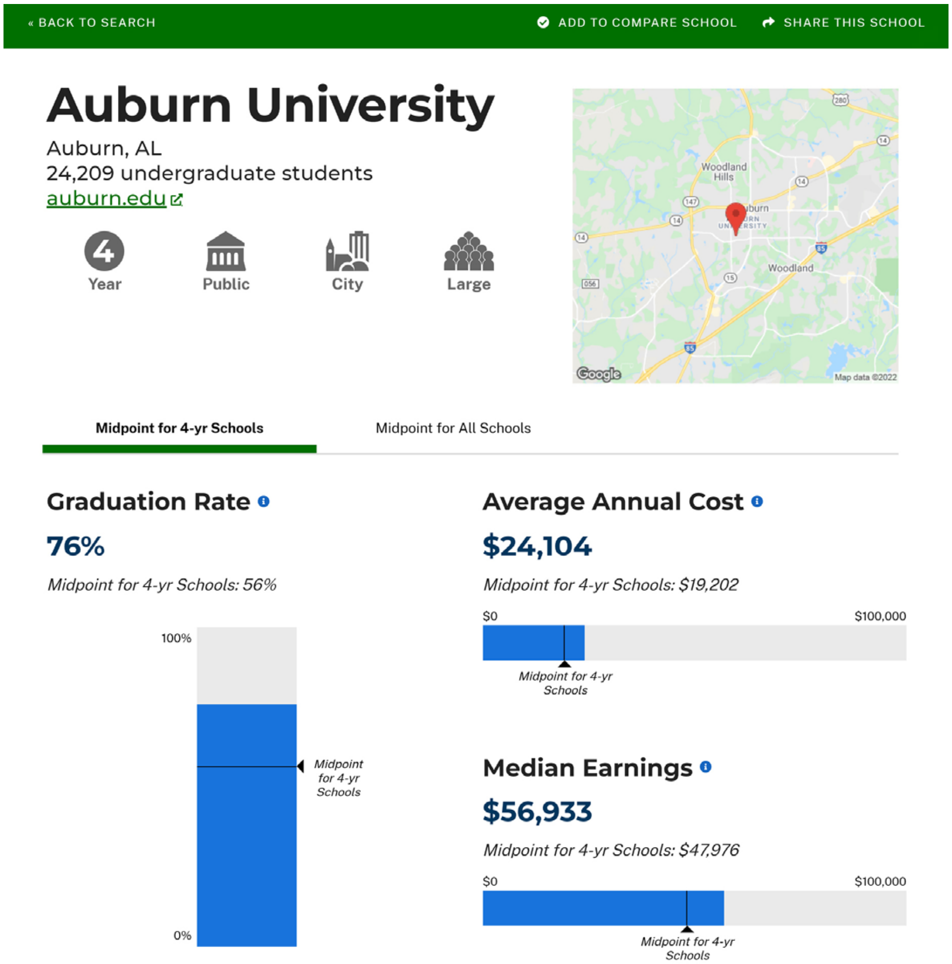
The **College Scorecard's** debt information is more focused on students than on parents, and it takes some serious digging to find the data on Parent Plus loans. But it's well worth the hunt.

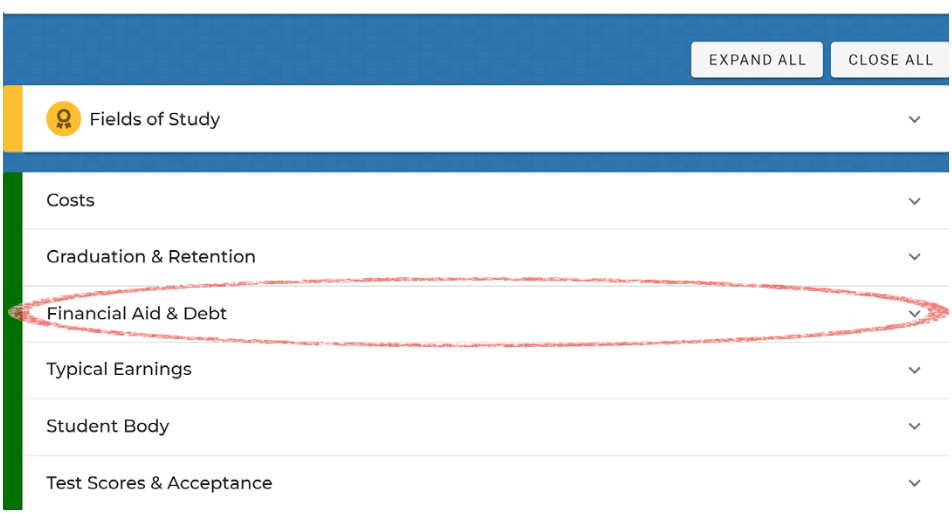
Here's how to find this information using Auburn University, a public school in Alabama.

> **"My birthday was last week, and my brother said, 'Oh, you can think about retiring now.' I was thinking to myself, I can't retire until I'm like 82 with this loan looming over my head."**
>
> Patricia Rizzo, 62 years old, who owes $126,000 in Parent Plus loans that she took out to send her daughter to Skidmore College.

The Parent Purse Strings

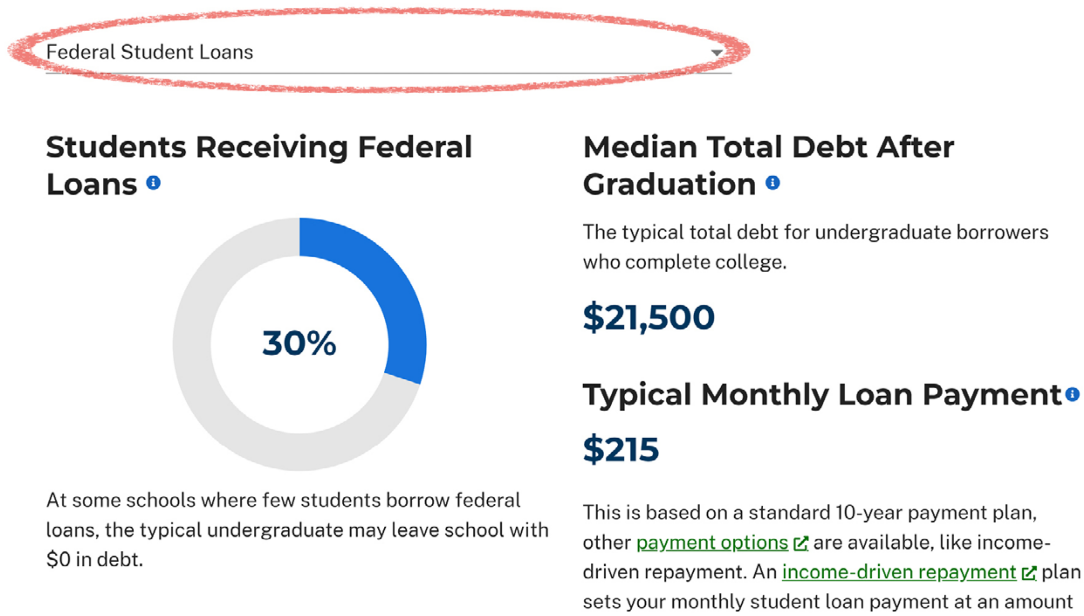
Step 1: Once on the page for a particular college, click the section labeled "Financial Aid & Debt."



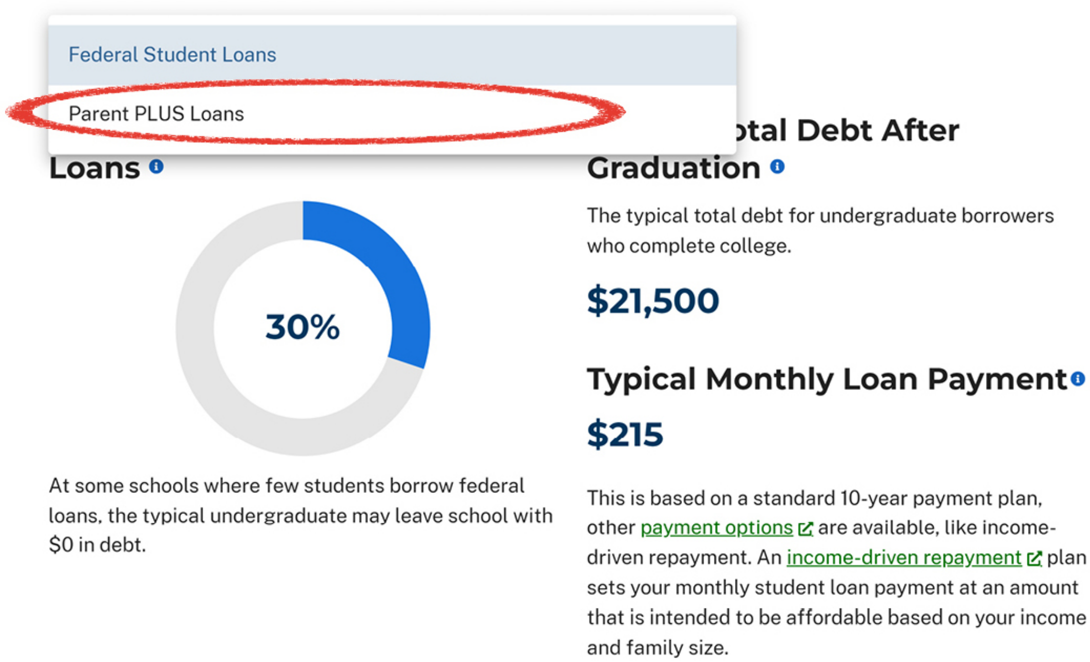


The Parent Purse Strings

On the next screen, users will see information about borrowing by students—not parents.

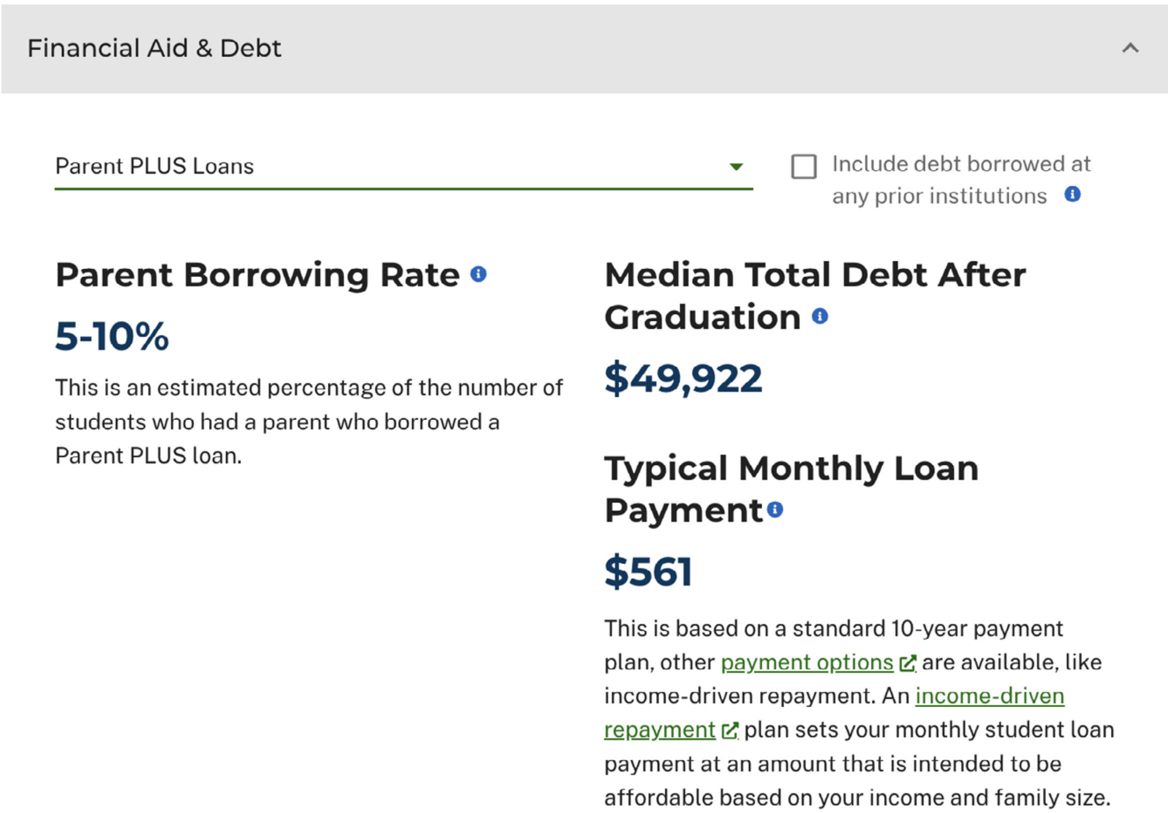


Step 2: Click the arrow next to "Federal Student Loans" and choose "Parent Plus Loans."



The Parent Purse Strings

The next screen will display information on Parent Plus borrowing, including the percentage of families that borrowed, the median amount borrowed and what parents typically owed as a monthly payment on a 10-year payment plan.



What schools are leaving parents with high debt burdens?

How much a family will ultimately need to borrow through Parent Plus depends on the particulars of their situation. Information available on the College Scorecard shows where Parent Plus borrowing is a problem. It's relatively rare at Ivy League schools, at which fewer than 10% of families recently used the program. But borrowing tends to be more common, and the loan balances end up higher, at schools that have a large net price for low- and middle-income students (see Figures 2.2 and 2.3 in **Chapter 2**). Low-income families often have no other option besides Parent Plus loans to make these pricey schools work.

The Parent Purse Strings

The colleges that left parents with the highest **median debt** loads disproportionately included arts schools and other expensive private colleges:

Figure 3.1

Four-year colleges with the largest median Parent Plus loans

Private, nonprofit   Private, for-profit

COLLEGE	PERCENT OF PARENTS WHO USED PLUS	MEDIAN PLUS DEBT
Spelman College, Ga.	45-50%	$119,131
High Point University, N.C.	10-20	118,383
Ringling College of Art and Design, Fla.	25-30	114,507
Berklee College of Music, Mass.	5-15	101,393
Pratt Institute, N.Y.	15-20	100,030
Savannah College of Art and Design, Ga.	15-20	98,108
Manhattan School of Music, N.Y.	20-25	92,521
School of Visual Arts, N.Y.	10-15	89,687
Quinnipiac University, Conn.	10-15	87,423
Morehouse College, Ga.	35-40	87,384

Historically Black colleges and universities like Spelman and Morehouse had some of the highest rates of Parent Plus borrowing in the country. Most HBCUs emerged after the Civil War to provide educational opportunities to Black students kept out of white colleges because of racial discrimination. They tend to have smaller endowments than peer schools and large numbers of families with financial need.

Spelman, which had the nation's highest median Parent Plus debt at $119,000, had a high net price for low-income families. There, the lowest-income students were charged a net price of $43,248, almost as much as the wealthiest ones who received federal student aid. [12]

The Parent Purse Strings

Families may fall in love with a college for a range of reasons. Some see the appeal of a strong community of people with similar backgrounds, as they might find at HBCUs. Others are pulled toward schools with specific religious affiliations or storied sports teams. Or maybe they find a particular city especially alluring. Still others want to keep up family tradition and attend a school about which stories have been told for many years.

Emotions absolutely play a role in choosing a college. But they shouldn't completely overtake the financial calculations. Some schools that are dream destinations for many students—New York University now receives more than 100,000 freshman applications annually—come at a steep price.

Families often turn to a group of schools classified by U.S. News & World Report as National Universities when considering options. But even though a smaller fraction of parents use the Plus program at many of these schools than do at some colleges listed above, the debt loads can be burdensome.

Figure 3.2

National Universities with high Parent Plus borrowing amounts

Private, nonprofit

COLLEGE	PERCENT OF PARENTS WHO USED PLUS	MEDIAN PLUS DEBT
Quinnipiac University, Conn.	10-15%	$87,423
New York University, N.Y.	10-20	82,574
Hampton University, Va.	40-45	77,685
Howard University, D.C.	25-30	76,352
New School, N.Y.	5-10	74,000
Catholic University of America, D.C.	10-15	73,256
Belmont University, Tenn.	15-25	73,085
Loyola Marymount University, Calif.	10-15	73,021
University of San Diego, Calif.	15-20	72,863
Santa Clara University, Calif.	0-10	70,109
Fordham University, N.Y.	5-15	68,904
Gonzaga University, Wash.	5-15	66,477

What if my child is considering out-of-state public school?

Some state schools have strong national reputations, drawing applicants from around the country. Parents should know that out-of-state tuition is often multitudes higher than in-state rates, and schools can be stingier with aid for students from further afield.

Unfortunately, the government only requires that colleges reveal net-price figures for in-state residents. It also doesn't release Parent Plus borrowing information for in-state versus out-of-state students. The **Common Data Set** doesn't break down scholarships for in-state versus out-of-state students, either.

Out-of-state tuition is a revenue source for cash-strapped public universities. While net price matters more than **sticker price**, it's still useful to see the starting point from which any scholarships might come. The schools in Figure 3.3 were the most expensive, by sticker price, for out-of-state residents in 2020-21.

Figure 3.3

In-state versus out-of-state tuition at public schools

Public

COLLEGE	IN-STATE TUITION	OUT-OF-STATE TUITION	TIMES OUT-OF-STATE IS GREATER
University of Virginia-Main Campus	$18,960	$52,843	2.8
University of Michigan-Ann Arbor	15,948	52,266	3.3
Virginia Military Institute	19,210	47,220	2.5
William & Mary, Va.	23,628	46,854	2.0
University of California, San Diego	14,648	44,402	3.0
University of California, Davis	14,597	44,351	3.0
University of California, Santa Barbara	14,406	44,160	3.1
University of California, Berkeley	14,312	44,066	3.1
University of Vermont	19,062	43,950	2.3
University of California, Merced	14,100	43,854	3.1

The Parent Purse Strings

The following public universities had the highest median Parent Plus debt loads. One likely reason: They also had high percentages of students who hailed from out of state.[13] In these cases, private school might actually have been easier on a family's bottom line because of generous tuition discounts.

Figure 3.4

Public universities with the highest median Parent Plus debt loads

Public

COLLEGE	PERCENTAGE OUT-OF-STATE	MEDIAN PLUS DEBT
University of Alabama	61%	$58,000
University of Vermont	79	52,939
University of Oregon	53	50,304
Colorado School of Mines	49	50,116
Auburn University, Ala.	44	49,922

If I borrow to help my kids, will I be able to pay it back?

Parents should do a thorough review of their finances when determining how much they can reasonably borrow to help their children and actually pay back the debt. The data show that many parents aren't doing that.

The government tracks which Parent Plus borrowers had a child who received a **Pell grant**—money generally set aside for undergraduates from low-income families. Those figures reveal that schools where Parent Plus borrowers disproportionately come from low-income backgrounds tend to have low repayment rates.

Parents at Baylor University in Texas had the lowest repayment rate of any at wealthy colleges—schools with an endowment of at least $1 billion. Only 28% of the borrowers who were supposed to start repaying in 2016 and 2017 had chipped

The Parent Purse Strings

away at any loan principal within two years. Nearly half of Baylor families who recently used Plus loans received Pell grants, a larger share than at most other wealthy schools.[14]

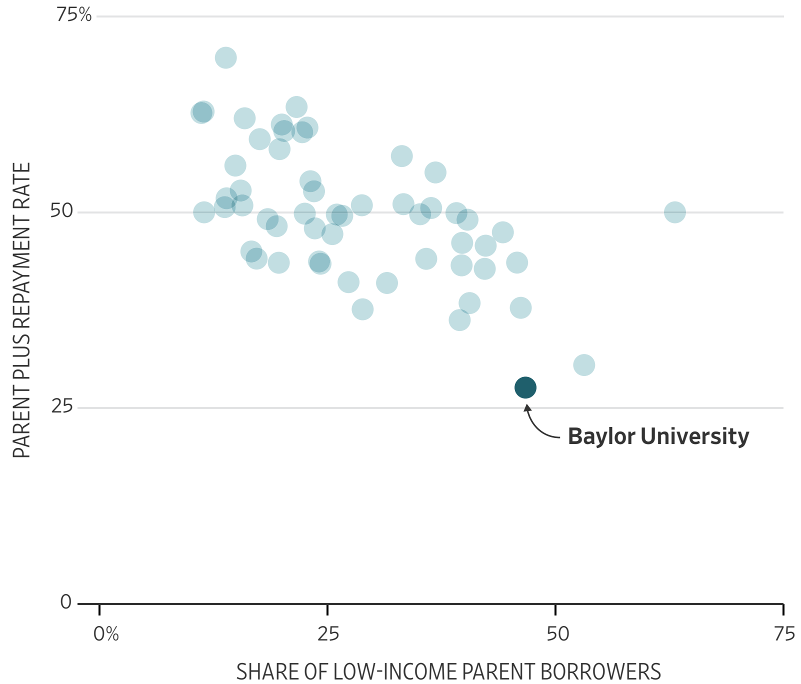
This trend holds true across the country and at a wide variety of schools. At some of the colleges with the worst Parent Plus repayment rates, more than 80% of borrowers came from low-income families.

Parents don't typically default on their loans.[15] But at many schools for which the government published data, a large share of parents were paying just interest – not principal – two years after they were supposed to start making payments. That means their balances were often growing.

Figure 3.5

Low-income Parent Plus borrowing at wealthy colleges

Parent Plus loan repayment and the share of parent borrowers who were low-income



Nationwide, in 2019 and 2020, parents who were supposed to begin making payments five years prior collectively owed about 75% of what they originally borrowed. Those who were supposed to begin paying down their loans 10 years prior still owed about 55%.

PRO TIP: Interest on Parent Plus loans begins accruing as soon as the loan is disbursed, so even though there's the option of deferring payments until six months after the student graduates, it's best to start chipping away at the loan as soon as possible.

In other words, a decade after taking out the loans—the length of a standard repayment plan—parents hadn't even paid off half their tab.

The Parent Purse Strings

Parents may want to believe that they're the exception to the rule, and that they'll find a way to pay off their debt. But the data paint a bleaker picture: More likely than not, the borrowers who take out Parent Plus loans will be dogged by them for years to come.

Checklist

- [ ] Have I considered asking my child to max out his or her **federal student loans** before I take a pricier **Parent Plus** loan?
- [ ] If my financial circumstances have recently changed, have I gone back to the college's financial-aid office and asked for a "professional judgment," or a reconsideration of my child's awards package?
- [ ] Have I checked to see if a private lender or a home-equity line of credit would give me a better interest rate than a Parent Plus loan?
- [ ] Do I understand the repayment options for my loans and when I'd be expected to start repaying the debt?
- [ ] Have I budgeted for the loans, taking into account other upcoming expenses like tuition for additional children?

The Parent Purse Strings

Quiz answers

Q1 **D**

Spelman had the largest median Parent Plus debt of any U.S. college, at $119,131. Families at HBCUs tend to have fewer resources to pay for college, on average, and the schools themselves have limited aid budgets to help bridge the gap. At the Savannah College of Art and Design, median Parent Plus debt was $98,108, also among the highest amounts in the country. And at the University of Alabama, the median Plus debt was $58,000, the highest among state schools.

The majority of Alabama students were from out of state, while at Berkeley, nearly three-quarters paid in-state rates. The median Plus debt there was $27,860.

Q2 **B**

Parents of students at HBCUs not only tend to have higher debt loads, they also have lower repayment rates. Because of accumulating interest, Howard parents who were supposed to start paying down their loans in 2014 and 2015 owed 122% of what they collectively borrowed, five years later. That's more than at the vast majority of four-year colleges.

At DeVry, a for-profit college, parents owed 81% after the same period. At the University of Chicago, a selective private college, and the University of Virginia, one of the nation's highest-regarded public schools, parents owed 58% and 57% of what they borrowed, respectively.

Chapter 4

Other Paths to Credentials… and to Debt

Other Paths to Credentials…and to Debt

Measuring the value of associate's degrees and certificates

Quiz

1 **In which of the following programs were the early-career median earnings at least five times as high as the median debt? (Multiple answers allowed.)**

A. Certificate, cosmetology and related personal grooming services—Sharp Edgez Barber Institute, N.Y.

B. Associate's degree, allied health and medical assisting services—Jefferson State Community College, Ala.

C. Certificate, ground transportation—Johnson County Community College, Kan.

D. Associate's degree, business administration, management and operations—Cuesta College, Calif.

2 **What was the highest median earnings (rounded) for an associate's degree in registered nursing?**

A. $39,000

B. $53,000

C. $78,000

D. $105,000

Is there another way to earn a decent living without a bachelor's degree?

Yes! About 30% of all undergraduate students are pursuing associate's degrees, the vast majority at two-year public schools, referred to generally as community colleges. People often lump together community colleges with technical schools and junior colleges, though the latter two groups can be public or privately owned. Community college students are in fields as varied as computer science, business, nursing, fire safety and welding.

With a goal of educating and training lots of people no matter their backgrounds, public community colleges typically have low tuition rates. Students in accredited

Other Paths to Credentials...and to Debt

associate's degree programs there and at their private counterparts can access federal grants and loans by filling out the **Fafsa** like students in any other degree program.

Because of the low price point, many public community college students can cover the bulk of their costs with earnings from part-time jobs, savings or, if they qualify, **Pell grants**. (Those grants were worth a maximum of $6,495 in the 2022-23 school year.) And in some cities and states, tuition ends up being free.

Another selling point for associate's degrees is that they're short, generally taking around two years to complete with a full course load. That typically means a lot less in tuition, fees and books, and a quicker entry to the wage-earning work world.

"I was determined to get into a school that made the most financial sense to me."

Raychel Andrade, who got her associate's degree in nursing from Sacramento City College in California in 2020. The program cost roughly $5,800, two-thirds of which was covered by scholarships and grants. She now earns more than $63 an hour as a registered nurse.

Some associate's degrees can lead to hefty salaries. Figure 4.1 shows the highest-paying degrees at two-year schools.[16]

Figure 4.1

Top-paying associate's degree programs

Public

COLLEGE	DEGREE	MEDIAN EARNINGS
Yuba College, Calif.	Registered Nursing, Nursing Administration, Nursing Research and Clinical Nursing	$105,392
CUNY Bronx Community College, N.Y.	Electrical Engineering Technologies/Technicians	100,414
Onondaga Community College, N.Y.	Nuclear Engineering Technologies/Technicians	97,959
De Anza College, Calif.	Registered Nursing, Nursing Administration, Nursing Research and Clinical Nursing	95,739
Sacramento City College, Calif.	Registered Nursing, Nursing Administration, Nursing Research and Clinical Nursing	94,784

Other Paths to Credentials...and to Debt

Are all associate's degrees worthwhile?

No. As with bachelor's degrees, associate's degrees have a wide range of earnings prospects. (The Journal's interactive tool shows earnings for specific programs at all degree levels.)

Associate's degrees in healthcare fields often lead to strong salaries. In the programs covering registered nursing, for example, median earnings can run about $100,000, though there are plenty of programs with earnings less than half that amount.

Some of this varies by location, and it's unlikely a student in Illinois will head to Texas for an associate's degree. The **College Scorecard** allows students to compare programs in their region, as well as ones with online offerings (see **Chapter 2** and **Chapter 5** for step-by-step guides to navigating this tool).

A warning: Associate's degrees from nonprofit schools and for-profit colleges can be costly. (For-profit schools can include operations in suburban strip malls, or small local chains, all the way up to multibillion-dollar, publicly traded companies.) Nonprofit and for-profit colleges were far more likely than their public counterparts to leave graduates who took out loans with median debt loads topping $20,000.

"In the long run, I've put myself in this position," she said. "I was desperate to better myself."

Crystal Tindall, who initially set out to earn a bachelor's degree, but got an associate's degree from a University of Phoenix campus in Columbus, Ga., in 2010. Her federal-loan balance is $38,806, including $12,876 in interest, and she earns less than $36,000 as a receptionist in Indiana.

PRO TIP: Just because a degree has a low debt load compared to earnings doesn't mean that it's "worth it." Prospective borrowers should check to see if the median pay for graduates is higher than what they're earning without any degree at all. The median earnings for those in their 20s with only a high-school diploma was about $30,000 in 2021, according to a Federal Reserve Bank of New York analysis.

Other Paths to Credentials...and to Debt

Figure 4.2 shows the associate's degree programs with the highest debt loads in relation to earnings, across all fields of study:

Figure 4.2

Highest debt loads compared to earnings among associate's degree programs

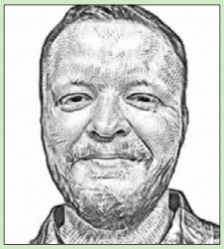
Public Private, nonprofit Private, for-profit

COLLEGE	DEGREE	MEDIAN DEBT	MEDIAN EARNINGS	DEBT-TO-INCOME RATIO
Ohio Business College-Sheffield, Ohio	Business Operations Support and Assistant Services	$29,500	$14,318	2.1
Stark State College, Ohio	Social Work	35,750	19,113	1.9
Platt College, Okla.	Data Entry/ Microcomputer Applications	32,500	18,498	1.8
Central Oregon Community College, Ore.	Social Sciences, General	25,434	14,627	1.7
Guilford Technical Community College, N.C.	Mental and Social Health Services and Allied Professions	34,389	20,140	1.7
Fortis College-Cuyahoga Falls, Ohio	Criminal Justice and Corrections	28,333	16,663	1.7
Greenville Technical College, S.C.	Human Services, General	37,960	22,329	1.7
American National University-Pikeville, Ky.	Business Administration, Management and Operations	36,002	21,508	1.7
CollegeAmerica-Denver, Colo.	Design and Applied Arts	25,878	15,552	1.7
Long Island Business Institute, N.Y.	Legal Support Services	24,000	14,627	1.6

Though many of these programs are at for-profit colleges, there are still some public schools on the list. At Stark State, for instance, many students who pursue the associate's degree in human and social services also major in chemical dependency, the school said, meaning they're essentially paying double tuition. It's a good reminder that community colleges aren't always the most economical choice, and being categorized as a for-profit, nonprofit or public school doesn't automatically make a place a good or bad bet.

Other Paths to Credentials...and to Debt

Case Study



Isaac Hughes earns more than $100,000 a year as an electrical lineworker. To land the job, he spent about $10,000 to cover tuition for a three-semester certificate program at a Texas State Technical College campus near Houston.

He almost ended up on a different path.

Mr. Hughes, now 21, had just graduated from high school in 2018 when he met a lineworker who talked about the short training program and exciting work in the field, maintaining power lines and bringing towns back onto the grid after storms.

"I kind of fell in love with the work," Mr. Hughes said. One catch: he was already signed up to start his bachelor's degree in electrical engineering at the University of Houston.

A few weeks before classes started he gave up his spot and enrolled in the trade school.

Mr. Hughes saved money by living at his childhood home in Katy, Texas, about 45 minutes away from campus. He covered all of his tuition payments with a string of part-time jobs lifeguarding, cleaning pools and working at a car dealership. He graduated in August 2019 with no debt.

Texas State Technical College offers a money-back guarantee for the electrical lineworker technology program—as well as

Continued

What if I still really want a bachelor's degree?

Community colleges, as well as for-profit and other private colleges, offer many vocational associate's degrees and certificates (more on those below) that are intended to lead directly to jobs. But these schools also offer classes in history, math and other liberal-arts and science fields, allowing students to rack up dozens of general-education credits that can eventually be used toward fulfilling the requirements of a bachelor's degree. Many public universities, and a growing number of private schools, have agreements that allow students to (relatively seamlessly) transfer their credits and enroll as juniors.

PRO TIP: Ask local four-year colleges which courses they'd award credit for, or ask community colleges where they have established transfer pathways (known as articulation agreements). Don't assume a university will give full credit for a class just because it has the same name as one offered in the bachelor's program. The goal of going this route is to only take classes that will count toward a bachelor's degree.

It can be a great option for those who follow through. But a fairly small share of people who set out to get an associate's degree and then transfer to a four-year school actually do so. And earnings for students with an associate's degree in liberal studies—a common major for those planning to transfer—were pretty low on their own. The median salary at most of those programs, two years out of school, was less than $30,000.

Other Paths to Credentials…and to Debt

Case Study

for associate's degrees and certificates in a few other fields—promising that if students who participate in career-services workshops aren't hired in their area of study within six months of graduation, they can get a tuition refund.

Mr. Hughes had secured a job offer even before graduation, which he said was common among his classmates. He ultimately took a position with American Electric Power's AEP Texas in Corpus Christi that December.

His base salary in 2022 was nearly $75,000, and with overtime his earnings passed the six-figure mark. He has a 401(k) with a company match, paid off a new Ford F-150 truck, bought an engagement ring for his now-fiancée and made a down payment on a house.

Mr. Hughes said he occasionally compares his situation to that of his best friend from high school, who is still enrolled in a mechanical engineering program at the University of Houston and isn't sure what he wants to do next.

In Mr. Hughes's view, a lot of people who get four-year degrees "are doing it to get the piece of paper, and then once it's done they'll figure out what they want to do."

Perhaps a bachelor's degree is on the horizon once his body tires of spending days in the field, Mr. Hughes said. But for now, he finds the job rewarding and the pay prospects dazzling.

What if I don't want to spend two years in school?

Certificates are even shorter, and often less expensive, than associate's degrees and focus on technical or practical career skills. Think heating, ventilation and air conditioning maintenance, auto repair, phlebotomy and welding.

Students can use federal loans and Pell grants to pay for most certificates, though Pell grants currently can't be used for some of the shortest programs.

Some certificates can have solid payoffs, like in allied health at New York's Western Suffolk Boces (median debt $12,540; median earnings $67,789). Others can help someone get started in a field, but the lack of a degree might limit their chances of eventually moving up the ranks and landing a pay raise.

Still others can be an outright money pit. The 10 certificate programs at two-year colleges with the highest debt in relation to earnings were for cosmetology. Most of those were at for-profit colleges. The highest median pay for any cosmetology certificate in the country was about $33,000, and the vast majority led to median pay of less than $25,000.

I'd likely borrow very little money for these credentials. Won't I be able to pay off my debt quickly?

Most people who **defaulted** on their student loans actually borrowed fairly small amounts. One 2018 study from the Urban Institute found those who borrowed less than $5,000 were more likely to default within the first four years of repayment than were those who took on higher debt loads. In other words, if students are borrowing anything, and either don't earn their credential or end up in very low-paying jobs, the debt can still be burdensome—at least, if the student hasn't signed up for an **income-driven repayment plan** (see **Chapter 8**).

Below is a list of the 10 programs with the highest default rates for any credential—including certificates and diplomas, as well as undergraduate and graduate degrees.

Figure 4.3

Highest default rates among individual programs

Public | Private, for-profit

COLLEGE	DEGREE	MEDIAN DEBT	MEDIAN EARNINGS	DEFAULT RATE
Vibe Barber College, Tenn.	UNDERGRADUATE CERTIFICATE Cosmetology and Related Personal Grooming Services	$9,500	$11,481	49%
Hinds Community College, Miss.	UNDERGRADUATE CERTIFICATE Vehicle Maintenance and Repair Technologies	5,500	24,164	36
Mississippi Gulf Coast Community College, Miss.	ASSOCIATE'S DEGREE Precision Metal Working	9,500	18,087	36
Albany Technical College, Ga.	UNDERGRADUATE CERTIFICATE Vehicle Maintenance and Repair Technologies	12,588	20,687	34
Harris School of Business-Cherry Hill, N.J.	UNDERGRADUATE CERTIFICATE Somatic Bodywork and Related Therapeutic Services	7,915	19,045	34
Harris School of Business-Cherry Hill , N.J.	UNDERGRADUATE CERTIFICATE Dental Support Services and Allied Professions	9,092	16,429	34
Harris School of Business-Wilmington, Del.	UNDERGRADUATE CERTIFICATE Somatic Bodywork and Related Therapeutic Services	6,860	17,095	33
Ross Medical Education Center-Brighton, Mich.	ASSOCIATE'S DEGREE Criminal Justice and Corrections	26,331	20,886	33
Hinds Community College, Miss.	UNDERGRADUATE CERTIFICATE Precision Metal Working	4,200	28,013	32
Chattanooga State Community College, Tenn.	UNDERGRADUATE CERTIFICATE Precision Metal Working	5,500	32,213	31

Other Paths to Credentials...and to Debt

The bottom line: There are lots of programs besides bachelor's degrees that can set someone up for a lucrative career, especially at public community colleges. However, even though the overall debt loads might be lower than for some other degrees, there are also plenty that could leave borrowers mired in debt they can't repay.

Checklist

- [ ] In addition to checking on tuition charges, have I looked at the earnings prospects for the specific programs I'm considering?
- [ ] If I'm thinking about a bachelor's degree down the line, have I checked whether my courses would be awarded credit at another school?
- [ ] Have I compared the potential payoff of a certificate versus an associate's degree in my field of interest?
- [ ] Have I looked at the **College Scorecard** to compare local options? (See **Chapter 5** for a step-by-step guide on searching for programs other than bachelor's degrees.)

Other Paths to Credentials...and to Debt

Quiz answers

Q1 **A, B, C**

At Sharp Edgez Barber Institute, students borrowed a median $4,523 and earned a median $27,295—about six times as much as their debt.

Students who study allied health and medical assisting services at Jefferson State Community College borrowed a median $4,500 and earned a median $45,021—about 10 times their debt.

At Johnson County Community College, median debt for students who get a certificate in ground transportation was $4,750 and median earnings were $67,101—about 14 times their debt.

Business may seem like a safe bet for a degree, but it may not always lead to high salaries at the associate's degree level. Students who studied business at Cuesta College borrowed a median $9,250 and had median earnings of a bit over $24,000—about 2.6 times their debt.

Q2 **D**

At Yuba College, a public school in California, median earnings for the registered nursing associate's program were $105,392, the highest in the country.

Chapter 5
The Master's Degree Maze

The Master's Degree Maze

Weighing which degrees are worth it—and which ones might leave borrowers drowning in debt

Quiz

1 **At which of the following M.B.A. programs did recent graduates have median earnings above $125,000? (Multiple choices allowed.)**

A. Columbia University, N.Y.

B. Georgia Institute of Technology

C. Northwestern University, Ill.

D. Stevens Institute of Technology, N.J.

2 **Among the following fields, which had the highest share of master's programs where median debt topped median earnings?**

A. Accounting and related services

B. Clinical, counseling and applied psychology

C. Educational administration and supervision

D. Special education and teaching

Should I get a master's degree?

As the share of the American population with an undergraduate degree has increased—generally agreed to be a good thing—just having one of those credentials doesn't necessarily scream "standout candidate" on a job application. Many jobs, including nurse practitioners, school counselors and speech-language pathologists, typically require a master's degree.

In some fields, expectations are rising. For example, graduates with just a bachelor's degree used to be able to jump into a career as an occupational therapist. Now a master's degree is required, and many schools are transitioning to doctorates, according to the Accreditation Council for Occupational Therapy Education.

The Master's Degree Maze

A stunning fact: Fields that typically require a master's degree have a lower annual median salary ($76,800) than ones that usually require a bachelor's degree ($78,020) according to the U.S. Bureau of Labor Statistics. That's because a lot of folks in jobs that require a master's—like social workers and counselors—don't earn a ton. Meanwhile, many people can make good money as a company manager or consultant with just a bachelor's degree.

> **PRO TIP:** Some colleges allow undergraduates to get a head start on a master's degree and shave a year off their total time in school. Instead of a double major, this accelerated pathway might be an economical bet.

There may be an advantage to getting a master's degree, even if not required, in some fields. Some educators and government workers get paid more if they have the advanced credential. In other jobs, that's not the case. At Northwestern University's prestigious journalism school, master's degree recipients earned less than their bachelor's-degree-seeking counterparts. In a 2021 article, the Journal wrote:

> At Northwestern, students who recently earned a master's degree in journalism and took out federal loans borrowed a median $54,900—more than three times as much as their undergraduate counterparts did. That is the biggest gap of any [journalism program at a] university with available data. Worse still, the master's degree holders make less money. Early-career earnings for those with master's degrees in journalism from Northwestern are about $1,500 lower than for its undergraduate students, data show.[17]

A master's degree in a field like journalism can be useful—it's often a necessary route to transition from another industry and may provide valuable networking connections. But there's no fixed pay premium in the profession for having extra education. Prospective graduate students should talk to people in their field about whether that additional degree is a must-have, especially if it requires taking on a lot of debt.

Moreover, there are some fields where a master's degree on its own isn't especially useful because yet another degree is still needed to launch into a career. For example, a Ph.D. is essential for many full-time university faculty jobs (more on these in **Chapter 7**).

Case Study

Mauri Jackson loved the idea of earning her master's in social work from a storied school like the University of Southern California. The brand name could give her an edge in the job market. It was convenient, with courses entirely online. And it was the backdrop to one of her favorite movies, "Love & Basketball."

Ms. Jackson completed the degree in 2018. She now owes nearly $243,000 in **federal student loans**, including $167,000 from her time at USC.

"I'm never going to be able to pay that back. Uncle Joe better come through with something," she said, referring to the prospect of loan forgiveness under President Biden.

Ms. Jackson tried to keep the debt down. To cover some living expenses during and soon after school, she sold about 10 pairs of her beloved sneaker collection, yielding about $3,000. But then she had to take out personal loans to resettle after ending a relationship.

Ms. Jackson, now 30 years old, originally hoped to go into private-practice therapy or become a clinical social worker for the military. Instead, she spent much of the past few years working at a state psychiatric hospital (earning around $19 an hour) and then at a dialysis center ($33 an hour).

Continued

How much can I borrow?

Master's degrees are some of the biggest culprits when it comes to burdensome student debt. These programs are often considered "cash cows" for universities. They generate revenue, freeing up schools to offer more generous aid to undergraduates or invest in other areas. That means high prices and, in many programs, little financial support.

Tuition makes up only part of what students need to borrow. Like with undergraduate programs, each school comes up with its own estimated **cost of attendance**, including books, food, housing and other expenses. These can be much higher in expensive areas. For example, Stanford University, in pricey Silicon Valley, told graduate students to budget about $39,000 for living expenses for the 2021-22 academic year. That's even more than the tuition of $35,000.

The federal government allows graduate students—unlike undergraduates—to borrow up to the cost of attendance, meaning all of the items above. They can borrow only $20,500 in **unsubsidized loans** each year. Graduate students are allowed a lifetime limit of $138,500 on subsidized and unsubsidized loans, including undergraduate debt. Beyond that, they have to borrow through the **Grad Plus** program.

Remember that Plus loans have a higher interest rate, along with **origination fees** quadruple those of unsubsidized Stafford loans (see **Chapter 1** for more on the different loan types).

The Master's Degree Maze

Case Study

She's since earned her clinical license, opening up some more-lucrative job opportunities. Weekdays, she works as a therapist for a corporate Employee Assistance Program. It's a salaried role, with a base salary of $70,000 and opportunities for overtime. And on the weekends, she does telehealth therapy sessions at $65 an hour, though sometimes she ends up with just one or two clients a day.

If she could go back, Ms. Jackson said she would've taken a different route: medical school to become a psychiatrist, or getting the social-work degree from a lower-cost, historically Black college.

"A lot of us thought that it would give us an extra push," she said of the USC brand name. "In social work, the license is literally all that matters."

Ms. Jackson tried earlier this year to buy a house and relocate to North Carolina. Her credit score was fine, and she had a decent salary, but her loan balance was a red flag to the bank.

"It was a gut punch" when the bank informed her she'd need to bring the balance down significantly before qualifying for a mortgage, she said. She's now living in Texas and doesn't see homeownership on the horizon for herself and her 1-year-old son.

That doesn't mean graduate students have to borrow the full amount they're allowed. As discussed in **Chapter 1**, scrimping on personal costs can shave thousands of dollars off what borrowers will ultimately owe. Master's students also can sometimes get campus jobs working for faculty members in their field of study. Competition often is fierce for those spots, and depending on the workload, those gigs may not pay better than an off-campus job.

Am I going to get a scholarship because my family isn't wealthy?

In **Chapter 2**, this guide explained how many wealthy private schools throw gobs of financial aid at low-income and middle-class undergraduates. Now take that wisdom and toss much of it out the window when it comes to master's degrees.

At Columbia University, the subject of a 2021 Wall Street Journal article, low-income undergraduates pay next to nothing. But the master's students? In 2018 and 2019, Columbia film graduates who had received **Pell grants** as undergraduates—money generally earmarked for low-income students—borrowed a median $201,998. That was about 20% more than what students who never received Pell grants borrowed.

Columbia President Lee Bollinger told the Journal at the time that undergraduates have "the most moral claim" to financial aid. "They are the people among us who are most trying to begin their lives and to build a base of education," he said.

The figure below shows the programs with the widest gaps between what low-income students who earned master's degrees in 2018 and 2019 borrowed compared to their undergraduate counterparts. Notice that several of these are programs at the nation's wealthiest private universities.

Figure 5.1

Programs with the widest gaps between master's-degree and bachelor's-degree borrowing for low-income students

Public Private, nonprofit

COLLEGE	DEGREE	MEDIAN DEBT BACHELOR'S	MEDIAN DEBT MASTER'S	TIMES GREATER
Duke University, N.C.	Public Policy Analysis	$6,575	$81,408	12.4
Medical University of South Carolina	Registered Nursing, Nursing Administration, Nursing Research and Clinical Nursing	15,625	142,174	9.1
University of Southern California	Film/Video and Photographic Arts	19,500	176,972	9.1
Thomas Jefferson University, Pa.	Allied Health Diagnostic, Intervention, and Treatment Professions	15,000	128,398	8.6
Georgetown University, D.C.	International Relations and National Security Studies	12,000	99,891	8.3
University of Pennsylvania	Finance and Financial Management Services	11,349	94,224	8.3
Florida State University	Registered Nursing, Nursing Administration, Nursing Research and Clinical Nursing	18,950	142,042	7.5
Chapman University, Calif.	Film/Video and Photographic Arts	19,500	145,235	7.4
Rutgers University-New Brunswick, N.J.	Allied Health Diagnostic, Intervention, and Treatment Professions	18,750	136,565	7.3
Duke University, N.C.	Biology, General	9,205	66,209	7.2

The Master's Degree Maze

> **PRO TIP:** Apply for private scholarships. Many professional associations offer small awards, and it's worth checking out lists like this on Scholarships.com for any relevant prizes. They typically won't cover the total cost of a master's program, but every dollar helps.

Remember, these amounts are what students who got Pell grants borrowed, presumably the applicants with the most financial need.

Just as undergraduate colleges will use token awards to entice students to enroll, so too will master's degree programs. Don't necessarily be flattered by a $10,000 scholarship if a program costs $70,000. Graduate programs often boast about the total amount they give in aid, but rarely break down the average size of their awards or say what share of students received them, making it hard to get a good sense of how much any student might be able to expect. Universities don't have to tell the government **net price** data for graduate students, and the **Common Data Set** only applies to undergraduates.

What are the best (and worst) fields when it comes to master's-degree debt?

As discussed in **Chapter 2**, financial-aid counselors recommend borrowers not take on more debt than they likely will earn right out of school. That applies to graduate degrees as well, though in some fields it's hard to stay under that threshold.

The Master's Degree Maze

Figure 5.2 shows some of the most popular master's degrees and the percentage of programs that had greater **median debt** loads than **median earnings**.

Figure 5.2

Share of high-debt master's programs in popular fields

DEGREE	PROGRAMS	PERCENT HIGH-DEBT
Business Administration, Management and Operations	570	3%
Registered Nursing, Nursing Administration, Nursing Research and Clinical Nursing	316	2
Teacher Education and Professional Development, Specific Levels and Methods	270	7
Educational Administration and Supervision	256	2
Student Counseling and Personnel Services	239	38
Social Work	233	25
Clinical, Counseling and Applied Psychology	196	60
Special Education and Teaching	183	10
Communication Disorders Sciences and Services	182	14
Accounting and Related Services	181	1

The M.B.A., the most popular master's degree, pays off just about wherever students enroll. At dozens of schools, M.B.A. graduates can make into the six figures soon after graduating. Those include not only top-ranked private schools like the University of Pennsylvania's Wharton School (median pay $175,674), but also business schools at state universities such as the University of Washington and the Georgia Institute of Technology (about $127,000 at both).

Because M.B.A. graduates often get strong salaries right away, many are able to pay down their debt quickly. At Yale University's business school, for example, graduates borrowed a median $69,938 and earned more than double that—a median $147,858. Just over half of the Yale students paid down their entire balance within two years; another 26% were reducing principal.

For M.B.A. candidates who have solid credit records and are attending the most prestigious schools, it may be worth taking a more serious look at **private loans**. Banks see those students as particularly safe bets, given their high employment rates and starting salaries in private equity, consulting and corporate gigs. The banks might reward them with interest rates far below what they'd see from federal loans.

Some programs in fields like computer science and engineering can also yield high salaries for relatively little debt. The figure below shows the master's degrees with the lowest debt loads compared to earnings where median pay topped $100,000. Notice that at some of these programs the median debt was $20,500—exactly the annual maximum for unsubsidized loans. That indicates that many graduates at these programs aren't turning to pricier Grad Plus loans at all!

Figure 5.3

Master's-degree programs with high salaries and relatively low debt

Public | Private, nonprofit

COLLEGE	DEGREE	MEDIAN DEBT	MEDIAN EARNINGS	DEBT-TO-INCOME RATIO
Cornell University, N.Y.	Computer Science	$20,500	$127,397	0.16
CUNY Lehman College, N.Y.	Educational Administration and Supervision	18,000	104,935	0.17
CUNY Hunter College, N.Y.	Registered Nursing, Nursing Administration, Nursing Research and Clinical Nursing	20,000	114,807	0.17
Georgia Institute of Technology-Main Campus	Electrical, Electronics and Communications Engineering	20,500	101,406	0.20
University of Pennsylvania	Finance and Financial Management Services	41,000	201,334	0.20

The Master's Degree Maze

In other cases, students wound up with six-figure loans in notoriously low-paying professions. For example, in counseling, programs generally churned out graduates with median earnings of $40,000 to $60,000, yet some schools left students with median debt loads above $100,000.

Below are master's degrees with the highest debt loads compared to earnings where median debt topped $100,000. These programs were in all alternative medicine or the arts.

Figure 5.4

Master's-degree programs with high debt and relatively low salaries

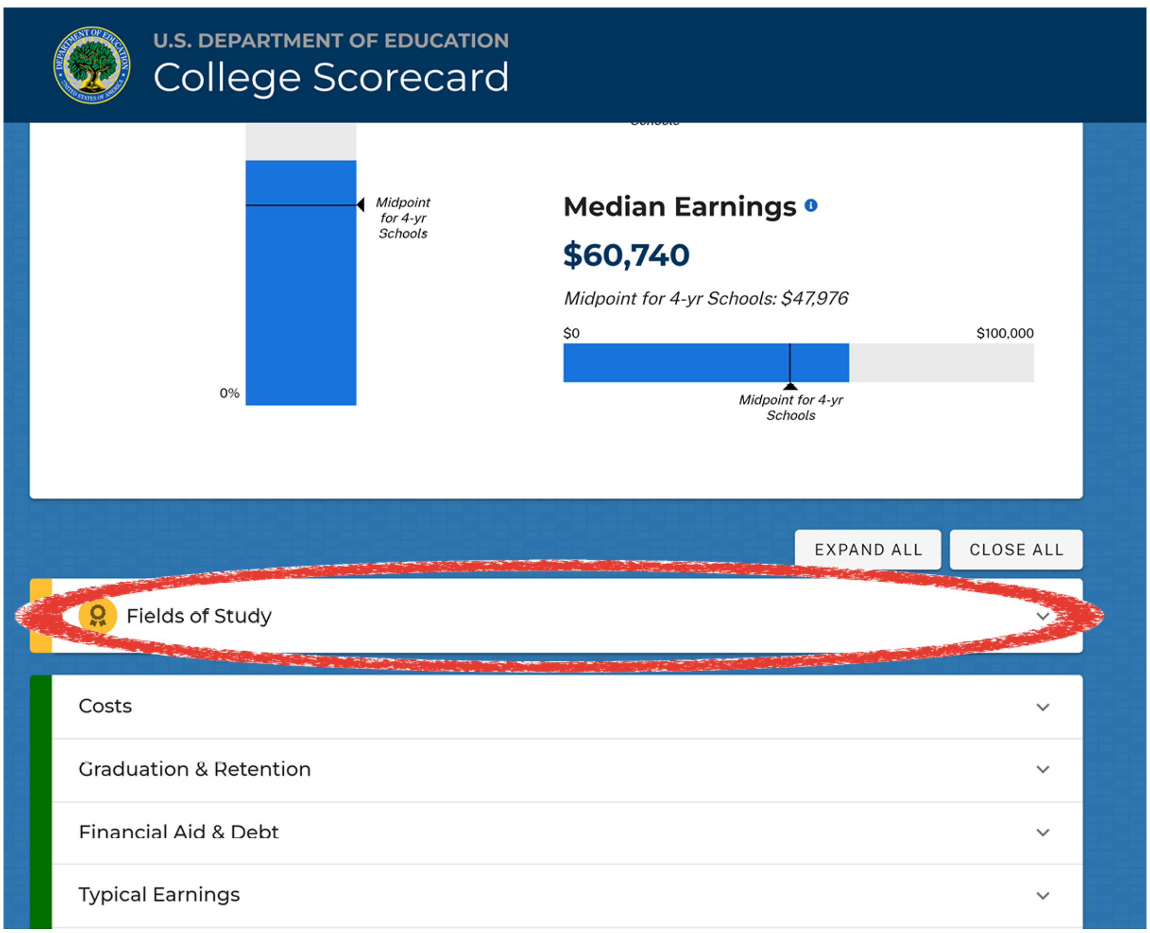
Private, nonprofit   Private, for-profit

COLLEGE	DEGREE	MEDIAN DEBT	MEDIAN EARNINGS	DEBT-TO-INCOME RATIO
Oregon College of Oriental Medicine	Alternative and Complementary Medicine and Medical Systems	$154,851	$24,421	6.3
Emperor's College of Traditional Oriental Medicine, Calif.	Alternative and Complementary Medicine and Medical Systems	110,234	17,779	6.2
Acupuncture and Integrative Medicine College-Berkeley, Calif.	Alternative and Complementary Medicine and Medical Systems	102,992	16,663	6.2
Columbia University in the City of New York	Film/Video and Photographic Arts	181,319	29,685	6.1
New York Film Academy, Calif.	Film/Video and Photographic Arts	128,251	23,649	5.4
Bastyr University, Wash.	Alternative and Complementary Medicine and Medical Systems	157,889	29,685	5.3
Pace University, N.Y.	Drama/Theatre Arts and Stagecraft	138,825	26,353	5.3
Pacific College of Health and Science, Calif.	Alternative and Complementary Medicine and Medical Systems	117,000	23,649	4.9
Academy of Art University, Calif.	Fine and Studio Arts	105,041	21,234	4.9
New York University	Film/Video and Photographic Arts	154,372	31,673	4.9

Where can I find information about what master's degrees from different schools pay?

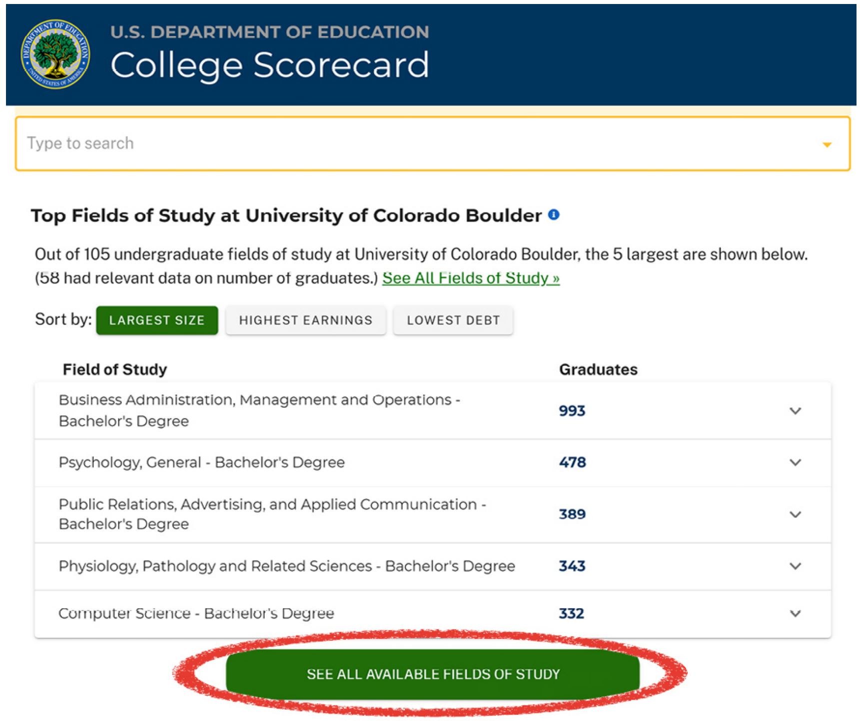
Though the government's **College Scorecard** search function defaults to information about undergraduate programs, prospective master's students can find median debt and earnings data for graduate programs with a bit of digging. Below, a step-by-step guide using the example of the University of Colorado, Boulder:

Step 1: Once on a school's profile page, scroll down to the yellow bar and expand the "Fields of Study" section.

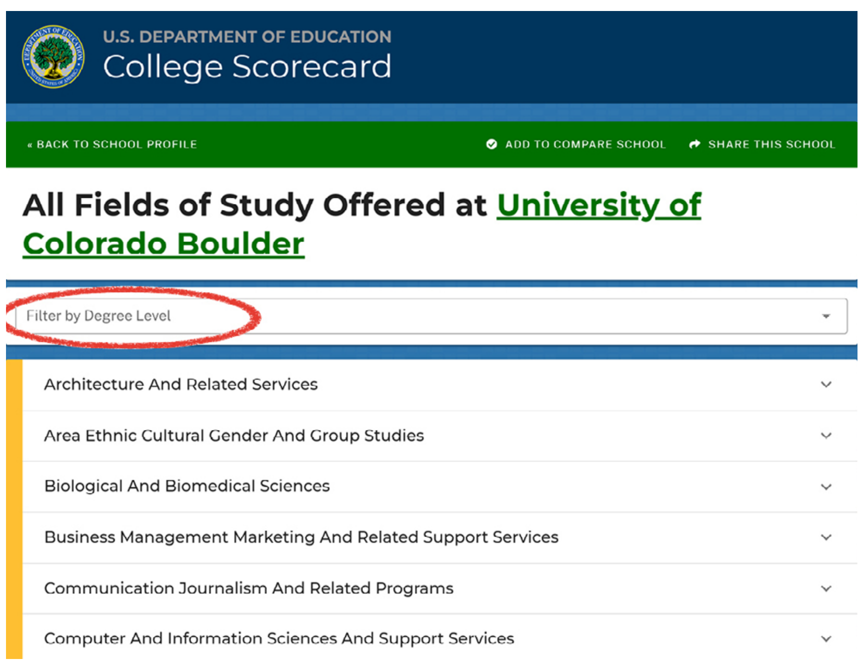


The Master's Degree Maze

Step 2: Scroll to the big green button at the bottom and click to see all available fields of study.



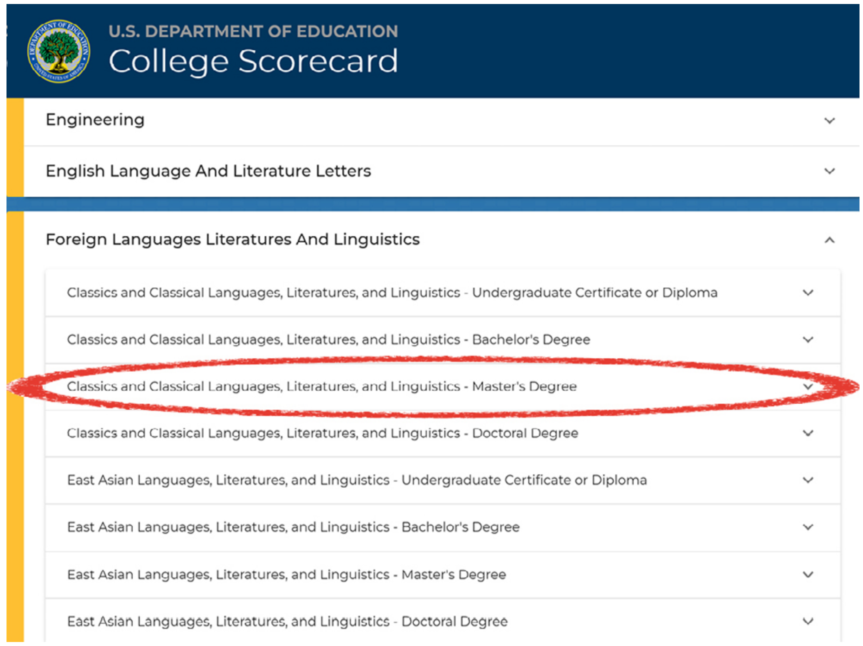
Step 3: Filter by degree level or expand a particular field of study to see all degrees offered by the school in that field.



The Master's Degree Maze

Step 4: Click on a specific degree to see median debt, earnings and other information. Note: In some graduate fields, the number of borrowers is small, so information may be suppressed for privacy.

Information about debt and earnings is also available in [the Journal's lookup tool](#).



Should I be gunning for admission to a well-known private school?

Brand names are a hook for students. Some master's programs at prestigious universities are inundated with applications and deny offers to most who seek admission. But in other cases, the programs aren't really all that selective.

Universities often get their elite reputations based on how competitive their undergraduate programs are. In 2021, the University of Southern California and New York University each accepted just under 13% of freshman applicants. Ivy League schools like Harvard admitted an even smaller share. But at the master's level, who knows? Schools typically don't release that information, and the government doesn't force them to.

The Master's Degree Maze

Applicants shouldn't assume that an acceptance offer from a big-name school means they were plucked out of thousands of applicants. For example, a 2021 Journal article found that USC recruited social-work master's students with low undergraduate grade-point averages, working with a for-profit partner to enroll applicants in droves.[18]

> **"I don't feel that a prestigious name is worth it in terms of student debt."**
>
> Juliette Liefer, who borrowed $72,000 for a master's in school counseling from NYU. She said her colleagues, many of whom also earn in the $60,000 range, attended local schools with lower price tags.

There's also a widespread assumption that for-profit colleges are bad, nonprofit schools are good, and Ivy League institutions are the best. That isn't always true. The Journal reported in 2021 that 38% of master's programs at top-tier private research universities had debt loads higher than earnings. At for-profit schools, a common target of regulators for high student debt and poor job prospects, 30% had debt loads that high.

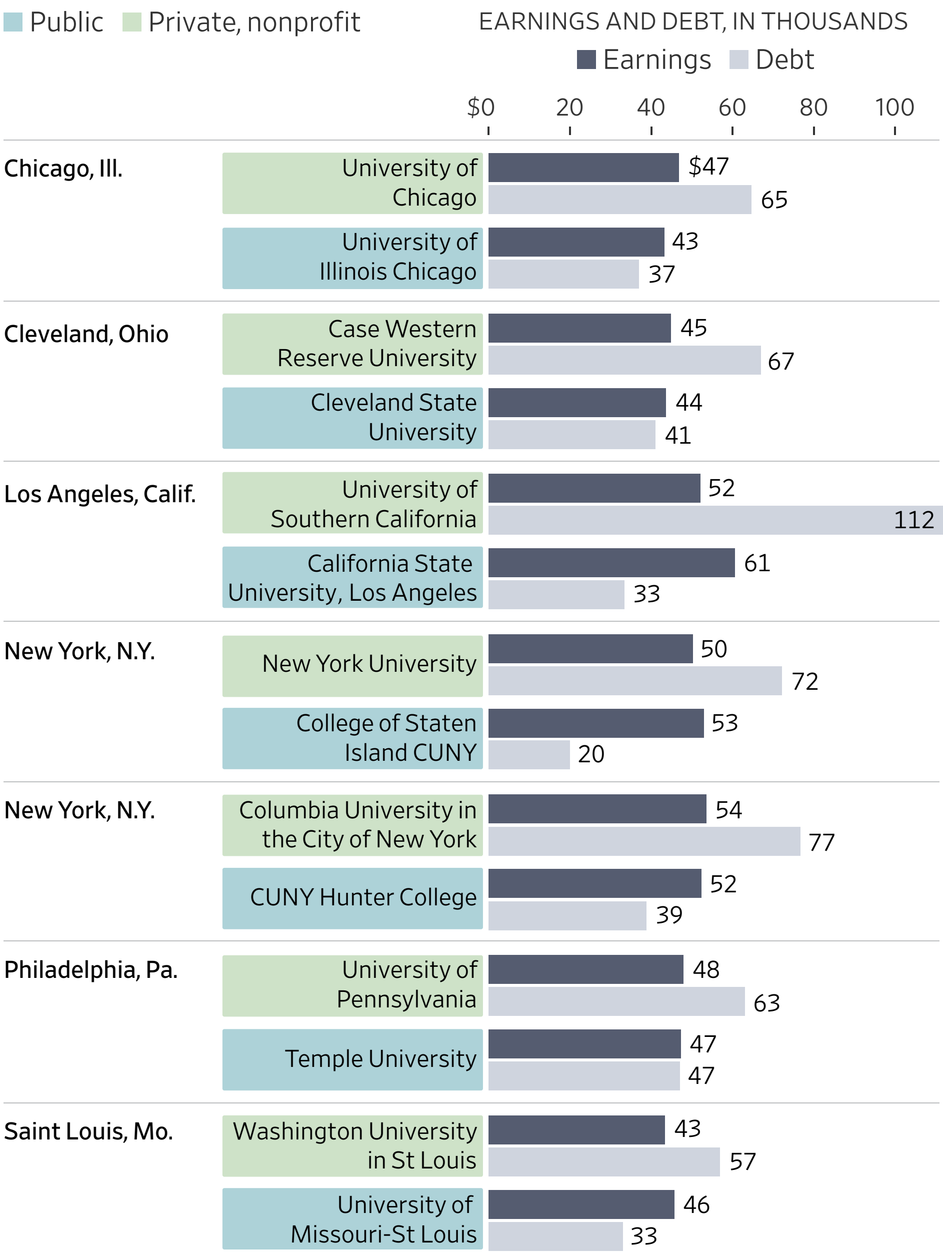
It's true that the programs with the highest median salaries in fields like business administration, engineering and computer science tend to be Ivy League schools or their peers. However, in some other fields—including education, library science and nursing—public schools can lead to even better pay than elite private ones and leave borrowers with less debt.

The Master's Degree Maze

For example, social work is one of the most popular master's degrees, and the credential is required for many jobs in the field. But graduates of some public universities can make similar salaries to those who graduated from prestigious private ones in the same city—and do it with much smaller loans.

Figure 5.5

Pay (and debt) for social-work master's graduates at private universities compared to nearby public ones



The Master's Degree Maze

Will I be able to repay my debt if I borrow for graduate school?

It depends. Not a lot of graduate students **default** because the use of **income-driven repayment plans** is pretty common. That didn't used to be true. The percentage of graduate-student borrowers using these plans jumped to 39% from 6% between 2010 and 2017, according to a Congressional Budget Office study.

But by turning to these plans, many students are watching their balances balloon with the hope they'll be forgiven after a few decades (see **Chapter 8**). At hundreds of programs, the majority of master's-degree recipients who were supposed to start paying down their loans in 2016 and 2017 hadn't made any progress within three years, according to the College Scorecard data.

Even if folks are counting on eventual debt forgiveness, carrying debt for years and years can have financial consequences—not to mention take a psychological toll. That's not to say folks shouldn't get a master's degree, but rather, they should scour for affordable programs.

Checklist

- [ ] Have I asked around to find out whether my field of interest requires, encourages or looks neutrally at a graduate degree?
- [ ] Have I searched online for scholarships in my field?
- [ ] Did I max out **unsubsidized Stafford loans** before taking out **Grad Plus** loans?
- [ ] Have I used the **College Scorecard** to look up the expected salaries for graduates of my program?
- [ ] Did I compare early-career earnings in my field of interest and see if a cheaper school leads to similar pay—and less debt?

The Master's Degree Maze

Quiz answers

Q1 **A, B, C, D**

Roughly two dozen universities had M.B.A. programs where median earnings were $125,000 or greater, including both public and private colleges. Graduates of all of the programs listed had median earnings this high.

Q2 **B**

About 60% of master's-level counseling programs with available data had median debt loads that topped median earnings. That was the largest percentage of high-debt programs among the most popular fields.

Chapter 6
Professional-School Pitfalls and Payoffs

Professional-School Pitfalls and Payoffs

Which career-oriented degrees such as law, dentistry and veterinary medicine are worth the expense

Quiz

1 **What was the median starting pay (rounded) for law-school graduates who got their degree in 2020?**

A. $50,000

B. $75,000

C. $100,000

D. $160,000

2 **Rank the following medical schools by graduates' median debt load in 2018 and 2019, from largest to smallest:**

A. Drexel University, Pa.

B. St. George's University, Grenada, West Indies

C. University of Virginia

D. Yale University, Conn.

What are professional degrees, and what do they entail?

Professional degrees usually require longer study periods than the two years needed for most master's degrees and prepare graduates for careers in fields like medicine and law. All that time in school can mean racking up a lot of debt.

In most fields, degrees from accredited programs are required to land jobs, and graduates must pass competency examinations and be licensed by their respective states to practice.

Professional-School Pitfalls and Payoffs

Here's a quick rundown of what kind of schooling people likely need to land in certain professions:

- Physicians: Four years of medical school, followed by residencies that last a minimum of three years and can run much longer. Some doctors complete fellowships after residency to hone specialized skills;
- Dentists, pharmacists and veterinarians: Four years of professional school plus optional residencies (though a few states require them);
- Chiropractors: Three to four years of school. They can go straight to work after passing their exams;
- Lawyers: Three years of law school. A few states allow people to take the bar examination without having gone to law school, but this is the exception.

Like master's degree students (see **Chapter 5**), professional students can borrow a maximum of $20,500 annually in **unsubsidized loans**. After this, they can use **Grad Plus** loans to borrow up to the full **cost of attendance**, including tuition, books and living expenses.

Will professional school make me rich?

Television shows about doctors and lawyers have dominated primetime lineups for decades. And parents have long pushed their children into these fields, assuming that they're a guaranteed ticket to a better life. But some careers that paid well in the past aren't bringing in big bucks now, thanks to wage stagnation. Moreover, prospective students often assume it's worth it to take on big debt to go to a brand-name private university instead of a local public university. That's true in some fields but not others.

The median annual salary for jobs typically requiring a professional or doctoral degree was roughly $110,000 in 2020—about 40% more than the median salary in fields that usually required only a bachelor's degree, according to the Bureau of Labor Statistics. But those higher earnings should be considered in the context of what can be massive debt loads.

Professional-School Pitfalls and Payoffs

This chapter doesn't provide a comprehensive list of every professional-school path. A good place to find out more? The BLS publishes a guide on how to join the ranks of different professions that also includes information about the pay and job prospects in each field.

As a reminder, as of early 2022, the **College Scorecard** only included median pay data for two years out of school, though the government is adding more data over time. For doctors, for example, these salary figures aren't indicative of long-term career prospects. (Instructions about where to find salary data on the College Scorecard can be found in **Chapter 5**. These figures are also available in the Journal's lookup tool.)

Below are national salaries in 2020 for some of the most popular professional fields, according to the BLS. These figures cover the entire span of workers, not just their early-career pay. (Note that the agency doesn't release precise salary numbers above $208,000 in these buckets. That means that the 75th percentile for dentists is at least $208,000 and could be much higher.)

Figure 6.1

National pay ranges in select professional fields

	PERCENTILE				
PROFESSION	10TH	25TH	50TH	75TH	90TH
Dentists	$79,060	$116,990	$164,010	*	*
Pharmacists	85,210	112,690	128,710	$147,690	$164,980
Lawyers	61,490	84,450	126,930	189,520	*
Optometrists	60,750	91,180	118,050	145,720	195,810
Veterinarians	60,690	79,430	99,250	126,260	164,490
Physical Therapists	63,530	75,360	91,010	106,060	126,780
Chiropractors	35,390	53,070	70,720	98,050	137,950

Professional-School Pitfalls and Payoffs

Most chiropractors, physical therapists and veterinarians fall short of six-figure salaries. But students may have high expectations for future earnings since schools sometimes encourage optimistic thinking.

For example, on the website for Life Chiropractic College West, a nonprofit school in California, where graduates shouldered a **median debt** of nearly $180,000 but had **median earnings** of about $24,000 two years after graduation, the school lists 10 reasons prospective students should consider a chiropractic career, including: "Being a chiropractor is lucrative!"

Colleges can post salary surveys that aren't comprehensive, and only reflect the pay of engaged alumni who are eager to share their income figures. It's worth asking the college what the response rate was for the survey. Industry groups may also conduct their own pay studies; check the methodology of those as well.

How much debt is justified for my professional degree?

That's a tough question to answer. In some fields, a high debt load may be justified by high pay. For example, people with advanced nursing degrees tend to make good salaries right away, just like those who got a bachelor's or master's degree in the field. Graduates of the Baylor College of Medicine's Doctor of Nursing Practice Program in Texas borrowed a median $139,307, which may sound like a lot, but just two years out they already earned a median $184,757. Several other Doctor of Nursing Practice programs boast median pay above $175,000 as well.[19]

In general, borrowers are cautioned against taking on educational debt that's more than their expected early annual earnings. But most professional degrees leave students with higher debt than earnings, according to the College Scorecard data.

The professional programs where debt loads were the highest compared to pay were disproportionately degrees from chiropractic colleges and other institutions that teach alternative medicine. All 14 chiropractic programs with published federal data left students with six-figure median debt, at least three times median earnings. At several chiropractic schools, the median early-career pay was less than $35,000. So, even if chiropractors see their compensation rise to the career median, which was $70,720 in 2020, their pay still won't equal their indebtedness. A spokesman for the Association of Chiropractic Colleges said that students graduating from chiropractic schools mostly go into private practice and have start-up costs that reduce their gross incomes in early years.

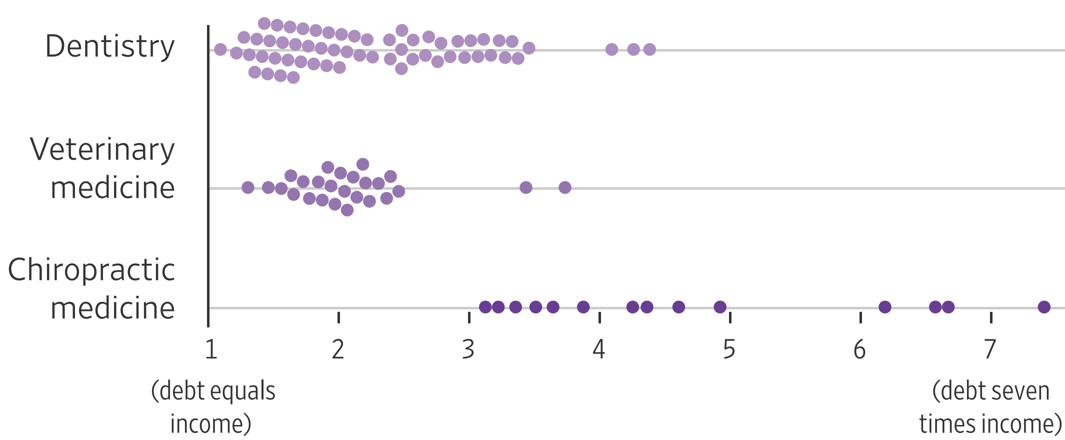
PRO TIP: Before incurring debt, track down profession-specific scholarship and loan repayment programs. There are many state and federal programs that offer assistance to those agreeing to work with underserved populations.

For three popular fields—chiropractic medicine, dentistry and veterinary medicine—*every single program* with published data had a median debt load higher than median earnings.

Figure 6.2

Fields where graduates of every program with data had higher median debt than earnings

Debt-to-income ratio by program



Much wisdom about master's degree programs also applies to professional schools (see **Chapter 5**). For example, parents' earnings don't typically factor into schools' aid calculations. In most cases, students from low-income backgrounds ended up borrowing more than other students who took out loans, not less.

Though professional-school students can borrow Grad Plus loans up to the total cost of attendance, including living expenses, they aren't obligated to do so. Borrowers should carefully study tuition rates and the local cost of living when choosing a school.

Professional-School Pitfalls and Payoffs

Case Study

Sara Jastrebski felt relieved when she finished her undergraduate and master's degree studies at the University of Delaware, partly because she had a manageable amount of student debt.

That changed when she enrolled in veterinary school at the University of Pennsylvania, which has one of the costliest such programs in the nation. "I knew it would be expensive," Dr. Jastrebski said. "But I didn't really grasp how much it was going to cost until I started taking out loans."

By the time she graduated in May 2021, she'd racked up about $400,000 worth of student loans, with all but about $30,000 of it stemming from her studies at Penn. Unfortunately for her, her home state of Delaware didn't have a state-funded veterinary school, so all the options looked expensive.

She was happy when she landed her first job, at a veterinary hospital back in Delaware, and negotiated a starting salary of about $100,000 a year, inspired by the book, "Ask for It: How Women Can Use the Power of Negotiation to Get What They Really Want."

Even so, her salary wasn't sufficient to meet her loan expenses head-on. If she'd chosen a standard, 10-year repayment plan, the monthly payments would have been so high, in excess of $4,000 a month, that she couldn't have covered her living costs. Instead, she chose a repayment plan that bases monthly payments on discretionary income. But those payments,

Continued

Will I be able to repay my professional school debt?

People who earn professional degrees seldom **default**, according to federal data. But that doesn't mean they're out of the woods.

If a borrower takes out $200,000 in Grad Plus loans, he or she will owe more than $1,000 a month in interest alone, based on the 2022 interest rate of 6.28%. Someone earning six figures might be able to afford that, but the budget still could be tight if the borrower is responsible for child care, a mortgage and other expenses.

Few programs had a majority of graduates pay off their **federal student loans** in full within three years, according to the College Scorecard data. Those were largely nursing doctorates and top-ranked law degrees. More commonly, early-career graduates—even at prestigious schools—were paying toward interest but not chipping away at their balance.

Give me the news, doc—does medical school pay off?

The government's College Scorecard data give a glimpse into what doctors are making two years after school, during their residencies, when they hone their clinical skills. At the high end, Stanford University School of Medicine graduates made a median $67,778. For graduates of the vast majority of schools, median pay was in the $50,000 to $60,000 range.

Professional-School Pitfalls and Payoffs

Case Study

at about $670 a month, won't be sufficient to keep up with the interest expense on her loans when payments resume after the coronavirus pandemic moratorium.

Dr. Jastrebski said she used an online calculator to figure out her best payment option. The results were extremely discouraging. After making more than $200,000 in payments over 20 years, she'd owe more than at the beginning—about $700,000 because of accumulating interest. At that point, she expects to seek federal loan forgiveness but may be taxed on the amount forgiven (see **Chapter 8**).

At one point, she worked up the courage to tell a boyfriend about her debt situation and said she emphasized that the burden was hers alone and that she doesn't expect anyone else to help her manage it. "It does make me nervous, having someone know I have that much debt attached to me," she said, adding that the boyfriend took it well even though he was stunned by the amount.

She said she thinks she was naive or possibly just ill-informed about the impact of her educational costs. "I loved going to Penn," she said. "But for the price I paid, I don't know that I would do it again."[20]

She said it's disheartening to hear clients say they think the cost of veterinary care is too high, implying that she's personally benefiting. "People tell us we don't care about their pets and are doing it for the money, which isn't true," she said.

They don't see how younger veterinarians struggle with their educational costs, she said.

Other government data show that pay tends to shoot up from there. According to the BLS, physicians in many specialties made upwards of $200,000 on average in 2020.

Figure 6.3

Average pay in medical specialties

PROFESSION	AVERAGE PAY
Anesthesiologists	$271,440
Surgeons	251,650
Obstetricians and gynecologists	239,120
Physicians and surgeons, all other	218,850
Psychiatrists	217,100
Family and general practitioners	214,370
Internists, general	210,960
Pediatricians, general	184,570

Still, overall high pay for physicians doesn't mean their education costs are irrelevant. For starters, all that time in residency and other training is time doctors won't likely spend making much progress on lowering their debt. Borrowers should remember that interest starts accruing on federal student loans for graduate students as soon as the money is distributed.

Graduates of some lower-ranked medical schools often carried more debt than graduates of higher-ranked programs, according to the College Scorecard.

Professional-School Pitfalls and Payoffs

Some of the medical schools with the highest student debt for 2018 and 2019 graduates were located in the Caribbean. Americans can take out federal loans to finance their studies at hundreds of foreign universities, including about two dozen foreign medical schools.

St. George's University, a for-profit medical school in Grenada, had a median student debt of $383,134—the most of any medical school included in the data. (Foreign schools, which aren't the focus of this guide, can also leave students with heaping debt loads in veterinary medicine.)

Meanwhile, the median debt load for graduates of top-ranked medical schools like those at Yale, Harvard and Columbia was less than $100,000. That's largely because the elite schools give more generous financial aid in an effort to lure stellar applicants, diversify the ranks of doctors and allow students to potentially pursue less lucrative but in-demand specialties. NYU covers tuition for all its medical students, while Columbia and Cornell eliminated loans for students who qualify for financial aid.

Open wide—what about dentists?

Like physicians, dentists can command salaries that top $200,000 in some specialties.

Even with high pay, many dentists are drowning in debt. Costs for a degree top half a million dollars at some schools. NYU told students who started in the 2021-22 school year they should expect to spend more than $572,000 for its four-year program, including living expenses.

Median debt loads surpassed $400,000 at several dentistry programs in 2018 and 2019, though graduates of a few public dental schools had median debt loads below $150,000.

Figure 6.4

Average pay in dental specialties

PROFESSION	AVERAGE PAY
Orthodontists	$237,990
Oral and maxillofacial surgeons	234,990
Prosthodontists	214,870
Dentists, all other specialists	194,930
Dentists, general	180,830

A word of caution: In some cases, dentists' early-career salary numbers in the College Scorecard may be depressed by residency programs.

Professional-School Pitfalls and Payoffs

Is law-school debt jurisprudent?

PRO TIP: Not all states have public universities with graduate programs in dentistry, veterinary medicine and other specialties. That means students from some states are presented with a choice of paying private-school tuition or out-of-state tuition at a public university. It's worth investigating what it would take to establish residency in a state offering a lower-cost education.

Some people assume that the vast majority of lawyers wear designer clothes and drive fancy cars like the attorneys on the television show "Suits." But unless graduates are heading to white-shoe law firms in major cities, which is more the exception than the rule, most lawyers aren't earning astronomical salaries. That makes it particularly important to do the math on debt for various programs.

Though Ivy League degrees don't matter in some fields, they do when it comes to pay in the legal profession. Law-school graduates who attended Columbia earned a median $180,752 two years after finishing school, according to the College Scorecard, the highest in the country. But graduates of some low-ranked law schools had median salaries below $40,000.

Salaries for 2020 law-school graduates generally fell into two clusters: $45,000 to $75,000 for public service and small-firm attorneys, and around $190,000 for large-firm jobs, according to data from the National Association for Law Placement, a legal career-services trade group. In 2020, about half of entry-level jobs at high-paying firms went to graduates of just 20 elite schools, according to an analysis of American Bar Association data by Law School Transparency, a nonprofit consumer advocacy organization.

Professional-School Pitfalls and Payoffs

Yet law school tends to be expensive across the board. Some of the most expensive programs left students with paltry pay.[21]

Figure 6.5

The highest (and lowest) debt loads compared to earnings at law schools

Public · Private, nonprofit · Private, for-profit

Highest debt-to-income

COLLEGE	MEDIAN DEBT	MEDIAN EARNINGS	DEBT-TO-INCOME RATIO
Barry University, Fla.	$168,782	$36,900	4.6
Atlanta's John Marshall Law School, Ga.	170,840	41,705	4.1
Thomas Jefferson School of Law, Calif.	183,470	48,752	3.8
St. Thomas University, Fla.	151,348	42,146	3.6
Lincoln Memorial University, Tenn.	107,036	31,133	3.4

Lowest debt-to-income

COLLEGE	MEDIAN DEBT	MEDIAN EARNINGS	DEBT-TO-INCOME RATIO
Stanford University, Calif.	$118,835	$170,457	0.7
University of Pennsylvania	139,129	177,119	0.8
Harvard University, Mass.	132,047	165,340	0.8
Duke University, N.C.	139,717	168,098	0.8
University of Connecticut	61,500	73,348	0.8

Only a dozen of the nation's law schools left students earning annual salaries two years after graduation that exceeded their original loan balances, according to the College Scorecard data, which covered roughly 200 programs. That means graduates from plenty of reputable schools still carried serious debt loads.

Professional-School Pitfalls and Payoffs

Graduates of the University of Miami School of Law who used federal loans borrowed a median of roughly $163,000. Two years later, half were earning $59,000 or less. That was the biggest gap between debt and earnings among law schools ranked in the top 100 by U.S. News & World Report.[22]

Figure 6.6

Debt compared to earnings at top-ranked law schools

Earnings may rise later in a legal career. But it's useful to remember that the national median salary across all experience levels was $126,930 in 2020, according to the BLS. That's still below the median debt at many law schools.

Taking on law-school loans may have repercussions on other aspects of life. A 2021 American Bar Association survey of young lawyers found that, because of their debts:

- 52% of respondents said they postponed or decided not to buy a house;
- 48% said they postponed or decided not to have children;
- 29% said they postponed or decided not to get married.

They don't tell you that on television.

"When I went into law school, I was told the median starting salary was $120,000—I've made that much one year out of about 11 years."

Rhiannon Funke, 43, an attorney who graduated from law school at Stetson University in Florida in 2010. She and her husband, who expects to finish law school in 2024, owed a combined $778,000 as of 2021 from multiple graduate and undergraduate programs.

What about other professional degrees?

Being a veterinarian has a particular emotional tug. Who doesn't love cute puppies and fluffy kittens? But saving the lives of those furry creatures comes at a heavy financial cost.

At every veterinary school with published data in the College Scorecard, graduates had median debt loads topping $100,000, and some were over $200,000. But no program had median earnings higher than $87,000.

Moreover, median salaries tended to fall in the same range—between $70,000 and $80,000—no matter whether students attended a cheaper state school or a private school that cost twice as much.

Figure 6.7

The highest (and lowest) debt loads compared to earnings at veterinary medicine programs

Public Private, nonprofit

Highest debt-to-income

COLLEGE	MEDIAN DEBT	MEDIAN EARNINGS	DEBT-TO-INCOME RATIO
Western University of Health Sciences, Calif.	$286,934	$76,749	3.7
Tuskegee University, Ala.	258,667	75,204	3.4
Ohio State University-Main Campus	185,922	77,715	2.4
University of Pennsylvania, Pa.	181,667	76,190	2.4
University of Minnesota-Twin Cities	176,000	74,477	2.4

Lowest debt-to-income

COLLEGE	MEDIAN DEBT	MEDIAN EARNINGS	DEBT-TO-INCOME RATIO
Texas A & M University-College Station	$113,613	$86,867	1.3
University of Wisconsin-Madison	108,359	73,769	1.5
Purdue University-Main Campus, Ind.	127,168	78,343	1.6
Washington State University	130,097	79,822	1.6
University of Georgia	127,000	76,190	1.7

Professional-School Pitfalls and Payoffs

The gap between the cheapest schools and the most expensive ones was even wider for pharmacists than for veterinarians. At the high end, median debt loads topped $200,000 for some programs. Many of the programs with the lowest debt loads—those with a median $50,000 or less—were offered by public schools. Still, a pharmacy degree from a public university doesn't always come cheaply. Pharmacy graduates who attended University of Hawaii and several other public-school programs borrowed a median $150,000 or more.

> **"I think of all the other things we could have done with that money."**
>
> Daniel Lupi, a 37-year-old hospital pharmacist in Twin Lakes, Wis., who graduated from pharmacy school at the University of Hawaii in 2011 owing nearly $270,000. He has paid about $213,000 so far, but that largely went toward interest.

Figure 6.8

The highest (and lowest) debt loads compared to earnings at pharmacy programs

Public | Private, nonprofit

Highest debt-to-income

COLLEGE	MEDIAN DEBT	MEDIAN EARNINGS	DEBT-TO-INCOME RATIO
Touro College, N.Y.	$254,662	$89,672	2.8
Touro University California	246,480	112,498	2.2
University of Southern California	237,332	109,763	2.2
Notre Dame of Maryland University	232,813	111,769	2.1
Western University of Health Sciences, Calif.	240,393	130,246	1.8

Lowest debt-to-income

COLLEGE	MEDIAN DEBT	MEDIAN EARNINGS	DEBT-TO-INCOME RATIO
University of Wyoming	$45,696	$125,611	0.36
Northeastern University, Mass.	37,167	102,123	0.36
Duquesne University, Pa.	42,191	113,414	0.37
University of Pittsburgh-Pittsburgh Campus, Pa.	41,000	108,012	0.38
Rutgers University-New Brunswick, N.J.	41,000	103,237	0.40

Professional-School Pitfalls and Payoffs

Another warning: Salaries can be much lower for folks with professional doctorates in other health fields than for doctors and dentists. For physical therapists, median pay fell short of $100,000, according to the BLS (see Figure 6.1). Yet these degrees can leave students with heaping debt. Graduates' median debt ran into the six figures at dozens of programs with published data, according to the College Scorecard.[23]

> **"My friends who went into tech or something are having families and buying homes. Those are not on the radar for me."**
>
> Perry Koehler, a 28-year-old Cornell-educated veterinarian. He's earning about $45,000 annually as an anesthesiology resident at a Miami veterinary hospital, though he expects his pay to rise significantly in a few years. He eventually intends to seek public-service loan forgiveness for $167,000 in loans, plus interest, nearly all of it from his graduate studies.

So why do myths about professional school endure?

Part of it is that the market for professional degrees has been changing—for the worse. Uncle Johnny who went to law school a few decades ago probably graduated with less debt and better job prospects than someone who graduates today.

In several professional fields, wages have stagnated, lagging inflation over the past decade. For example, graduates who finished law school in 2019 earned a median $72,500 the following year, according to the National Association for Law Placement. That is about the same as graduates who finished school a decade earlier earned soon after graduating.

And a few years ago, pharmacy degrees looked like a sure bet. But an explosion in pharmacy schools—there are 39% more of them than 15 years ago, according to the American Association of Colleges of Pharmacy—has created a glut of graduates. That and industry consolidation by chain drugstores and other companies have depressed wages.

Borrowers shouldn't entirely despair. Even if the loans are onerous, those earning six-figure salaries might be able to hunker down and pay off whopping debt loads, even if it means putting off vacations and fancy meals for a few years. That might be unthinkable for some dentists and doctors, but unless they start paying down their debt, the interest will grow—fast.

Many professional-school graduates will take jobs with nonprofit organizations or government agencies and qualify for **Public Service Loan Forgiveness** (see **Chapter 8** for more on loan repayment options).

Professional-School Pitfalls and Payoffs

Checklist

- ☐ Have I used the **College Scorecard** to find information on professional program debt and earnings?
- ☐ Have I looked at federal data to see whether my intended profession is growing or contracting?
- ☐ Have I scrutinized any salary surveys shared by my school to see whether they reflect results from a sizable share of recent graduates?
- ☐ Have I discussed with my family or a prospective partner the pros and cons of a field that may not yield high pay until much later in my career?
- ☐ Have I looked at options for loan repayment assistance from state and federal programs?

Quiz answers

Q1 **B**

Early-career lawyers don't make as much money as some people think. According to a National Association for Law Placement analysis of salary data from more than 18,000 people who graduated from law school in 2020, their overall median pay was $75,000.

Q2 **B, A, C, D**

St. George's graduates borrowed a median $383,134—more than those at any other medical school with published data. Drexel graduates came next at $267,497, followed by those at the University of Virginia at $157,022, and finally Yale at $51,500. At many of the top U.S. medical schools, graduates borrow less than those who attend foreign schools.

Chapter 7
Ph.D. Prospects

Ph.D. Prospects

Which doctorates pay well, how stipends work and which programs leave borrowers with sizable debt

Quiz

1. **Rank the following fields in terms of median base salary upon completion of a doctorate degree, from lowest to highest:**
   - A. Biological and biomedical sciences
   - B. Psychology
   - C. Education
   - D. Economics

2. **In which field did the largest share of 2020 doctorate recipients finish their degrees without graduate-level debt?**
   - A. Education
   - B. Humanities and arts
   - C. Physical sciences and earth sciences
   - D. Psychology

What the heck is a doctorate?

Doctorates and Ph.D.s are considered the pinnacle of education in many fields. They are the golden keys that can open up coveted careers as college professors or prestigious jobs in industry or government.

A Ph.D. stands for doctorate of philosophy and refers to a research degree of the highest attainment in many fields, particularly in the sciences or humanities.

Doctorate is an umbrella term. It includes Ph.D.s, but also some degrees such as Ed.D. (doctor of education), Th.D. (doctor of theology) and Psy.D. (doctor of psychology), which generally prepare folks for careers as practitioners, rather than for ones in an academic setting, though this distinction can blur depending on the program. Some of these are touched on in this chapter, but the focus here is primarily on Ph.D.s. Some other professional doctorates, including those earned by physicians, veterinarians, dentists and lawyers, are covered in greater detail in **Chapter 6**.

Ph.D. Prospects

Getting a Ph.D. is a serious commitment. The median number of years to complete a doctoral program in 2020 was nearly six years. That's on top of the time spent acquiring any previous degrees.

Before signing on, students should explore whether they really need a Ph.D. to have a successful career in their field, especially if they aren't planning to become a professor. A doctorate can be an expensive remedy for not knowing what to do with one's life.

Won't the school cover my costs for a Ph.D.?

It's a common assumption that graduate students who are getting a Ph.D. don't pay much in tuition. That's only partly true. U.S. colleges and universities churned out more than 55,000 graduates with research doctorates in 2020. Some of them received funds from their schools along the way for teaching or research. Others did not.

In certain fields, doctoral students have valued roles within a university. In a number of disciplines, those who work as research assistants in labs or teaching assistants often receive tuition discounts or waivers as well as stipends. These positions allow students to work in an academic setting, with access to archives, labs and libraries, while studying for their Ph.Ds.

This is one way that the Ph.D. world is different from traditional college. Exceptional undergraduate students often get loads of scholarships, increasing their chances that they won't have to work while getting their bachelor's degree. Doctoral programs rarely offer those straight-up scholarships without strings attached.

According to the Survey of Earned Doctorates, an annual census of doctorates awarded in the U.S. for all fields and conducted by the National Center for Science and Engineering Statistics, about 34% of respondents in 2020 said research assistantships or traineeships were their primary source of support, and 22% cited teaching assistantships.[24]

Ph.D. candidates also can apply for external funding, though it's a good idea to map that out before school starts. This blog post, by admissions consultant

Rebecca Lippman, lists some of the organizations that offer research funding for prospective graduate students, and Scholarships.com has a bunch of more traditional awards as well.

Many prestigious schools guarantee assistantship funding for at least five or six years. Still, the stipends can be fairly small, especially if they are a student's sole income during those years. Princeton University announced in 2022 that it will boost Ph.D. stipends by about 25% to $40,000.

Skimpy stipends are why spouses or partners of doctoral students sometimes joke that they are working on their Ph.T.—as in Putting Him (or Her) Through. They often work full-time to help carry the household expenses during the years their partners are striving for their cherished credential.

What if I don't get a stipend?

Assistantships with stipends can be quite competitive. While some doctoral programs can be sizable, this isn't like applying to a giant, in-state school with thousands of openings for bachelor's degree programs. There can be very few slots in a university's Ph.D. program in the classics in any given year. Graduate students often are looking for programs that meet their explicit academic interests, and might even seek specific professors with whom they hope to study, further narrowing applicants' options.

Generally, doctoral-program aid is most available for science-related fields, in part because the U.S. government provides hefty funding for scientific and medical research. If a student is accepted into a science Ph.D. program without being offered a stipend, it's likely a sign that the university doesn't think highly of that person's prospects in an academic or research-oriented career, but is willing to take his or her tuition money. Students ideally should choose a program ready to make a bet on them.

Keep in mind that doctorate stipends can be rarer for programs that cater more toward professional training, such as those for education. That's because there

Case Study

Sean Maulhardt wanted to pursue a Ph.D. in psychology after graduating with a bachelor's degree from California State University, Channel Islands. He landed interviews at three programs, but didn't get offered a spot at any.

Some in Mr. Maulhardt's position might have submitted another batch of applications to less-prestigious programs, ones where their degrees wouldn't be fully funded. Mr. Maulhardt opted to enroll in a master's program, figuring he'd stand a decent chance of getting admitted to a funded Ph.D. program with an additional credential from a name-brand school.

The bet paid off, but at a cost.

Mr. Maulhardt, 30, earned a master's in psychology from NYU in 2020 and is now a Ph.D. student in a fully funded program at the University of Maryland. He studies what drives cognition and decision-making, particularly among psychiatric populations.

He also took out $140,000 in **federal student loans** for NYU, and doesn't know if whatever job he lands after he leaves Maryland will be enough to pay down his loans. Interest from the master's-degree debt will accrue while he's in the Ph.D. program, though he's been able to pay a solid chunk of the principal during the coronavirus moratorium on interest payments.

Mr. Maulhardt said his professors, particularly at NYU, urged him to have a backup plan "because a Ph.D. isn't a guaranteed pathway" to a steady job at a school. They suggested he stop at the master's degree and then get a job in industry, rather than try to enter academia with a Ph.D.

He said that being able to apply his skills to a range of potential careers keeps him from fretting too much about the debt, for now.

are likely fewer research grants available. Moreover, in some cases, the schools see those programs as cash machines, similar to how they treat many master's degree programs (see **Chapter 5**).

An even more difficult decision awaits a student who applies for a slot in a Ph.D. program but is granted admittance to the university's master's degree program instead—with no assistantship stipend offered. This can give students the chance to prove themselves as capable researchers in hopes of getting into a Ph.D. program down the road. But it's a toss of the dice that could lead to more debt without the doctorate they yearned for.

Will I leave a Ph.D. program with debt?

The **College Scorecard** provides some information about early-career earnings and **median debt** for doctoral students, but those data aren't available in all programs. The Education Department suppresses numbers for small programs—the case for many Ph.D. offerings—to protect students' privacy (see **Chapter 5** for a step-by-step guide on searching for programs other than bachelor's degrees). That makes it difficult to get enough information to make robust comparisons about which schools offer possible bargains and which ones leave students deep in debt.

Ph.D. Prospects

Nonetheless, the College Scorecard data show that some Ph.D. students are being left with heaps of debt, especially at for-profit colleges. For example, Walden University, an online school, says on its website that it is "the No. 1 granter of Ph.D. in Psychology degrees in the U.S." Data from the Education Department show that the school produced roughly 200 such graduates in 2020. The median debt for 2015 and 2016 psychology graduates there was $147,405—more than double their **median earnings** of $65,387 two years later.[25]

Since the College Scorecard isn't comprehensive, the Survey of Earned Doctorates is probably a more useful tool for those considering Ph.D. programs. In 2020, about 70% of U.S. doctorate recipients said they left without any debt from their graduate studies.

Once again, in this regard, it's better to be science-minded. About 84% of students earning doctorates in mathematics, computer science, physical sciences and earth sciences finished their doctorate programs with no graduate-school debt, according to the survey. By contrast, less than half of education doctorates said they left with no such loans.

Figure 7.1

Percent of 2020 doctorate recipients without graduate debt, by field

FIELD OF STUDY	PERCENT WITHOUT GRADUATE DEBT
All fields	69.7%
Physical sciences and earth sciences	84.6
Math and computer sciences	84.3
Engineering	81.6
Life sciences	72.2
Humanities and arts	57.5
Psychology and social sciences	55.8
Education	47.0

Among those with any loans, about one of 10 of doctorate recipients surveyed—across all fields—said their debt from graduate school was $20,000 or less. That's presumably a manageable amount if they go on to get a full-time job in their field. History Ph.D.s aren't known for making big bucks, but if their debt is low enough, that's less of a problem. For example, the median debt for UCLA history doctorates who took out loans was $27,000, compared to about $63,000 in earnings two years later.

However, one in five education doctoral grads reported that their debt from undergraduate and graduate school combined to total more than $100,000. In addition, 17% of psychology and social-science doctorate grads reported having that level of debt.

PRO TIP: The National Center for Science and Engineering Statistics's Survey of Earned Doctorates is an annual census of U.S. doctorate recipients, across all fields, not just the sciences. It's well regarded in the academic community and breaks down information on median salary, debt and much more, by gender, race and field.

It can be tempting to take on **Grad Plus** loans to supplement meager stipends. This might be necessary to cover childcare or other living expenses, but Ph.D. students should limit what they borrow to cover only essential needs. They'll be glad in the long run that they lived largely on pizza and beer during their grad-school days rather than steak and fine wine.

Won't I get a good job when I finish my doctorate?

Unfortunately, the salaries for recent grads don't always justify high debt loads. The median base salary for humanities and arts doctorate recipients who found work upon graduation was about $55,000 in 2020.

Not even all science Ph.D.s leave their doctoral program with jobs earning six-figure salaries. The median income for biological and biomedical doctorates upon graduation, according to the survey, was $86,000, significantly below their physicist or engineer counterparts. This likely is a result of competition. Life sciences graduates made up more than one in every five doctorates awarded in 2020.

Ph.D. Prospects

Below, the median basic salary for doctorate recipients with definite job plans in the U.S., by field of study:[26]

Figure 7.2

Median basic salary for doctorate recipients, by field, in 2020

FIELD OF STUDY	MEDIAN SALARY
All fields	$85,000
Science and engineering	
Life sciences	
Agricultural sciences and natural resources	75,990
Biological and biomedical sciences	86,000
Health sciences	88,000
Physical sciences and earth sciences	
Chemistry	92,000
Geosciences, atmospheric sciences, and ocean sciences	80,000
Physics and astronomy	115,000
Mathematics and computer sciences	125,000
Psychology and social sciences	
Psychology	68,000
Economics	120,000
Social sciences (non-economics)	67,250
Engineering	110,000
Non-science and non-engineering	
Education	70,000
Humanities and arts	55,000
Business management and administration	130,000
Other non-science and non-engineering fields	70,000

Ph.D. Prospects

Many Ph.D.s have hopes of getting jobs as professors. That's still a viable aspiration, but the market has gotten tighter. In 2020, 40% of all doctorate recipients with definite employment commitments (excluding postdoctoral research positions) in the U.S. reported that their principal job would be in academia, down from 49% in 2000.

> **"I don't think a lot of people get a Ph.D. primarily for money but rather for the whole concept of research and the recognition that accompanies research. But you need to know the chances of getting the kind of job you think you want and what the salary is likely to be."**
>
> Paula Stephan, an economics professor at Georgia State University

It also helps to know the rules of the game going in. Ph.D. recipients greatly increase their odds of getting an offer for a tenure-track position at a school if they've enrolled in a doctoral program that puts out a lot of publications. This maximizes the chances that they will get their names on published work while still a student, which can make them stand out. Brush up on the publishing opportunities at specific programs before applying and certainly before committing to one.

The market has long been especially soft for humanities and arts Ph.D.s, where tenured professors have been slow to retire and open up new positions. In 2020, only 59% of newly minted Ph.D.s in the humanities and arts reported having found full-time employment or postdoctoral study, the lowest percentage of any category. During the coronavirus pandemic, some schools recognized the glut in these fields and slowed—or even halted—their acceptance of new Ph.D. students.

Making matters worse, some universities, especially cash-strapped ones, rely heavily on part-time faculty who teach on contract without the eligibility of tenure. These part-timers—sometimes called adjunct professors or contributing faculty—are usually paid by the number of classes they teach a semester. Students can study for years in undergraduate and doctorate programs, become an expert in the Reformation or the Boer War, only to find themselves driving from one small college to another just to get enough work to pay their bills.

Over the years, adjuncts have tried to unionize and staged walkouts or threatened strikes in hopes of boosting wages. The median pay per course for adjuncts or contributing faculty with a doctorate was $3,200, according to a 2010 survey of part-time faculty published by the Coalition on the Academic Workforce in 2012, the latest available.[27] (The buying power of those wages would be closer to about $2,500 in 2022.)

Bottom line: With earnings in some fields—especially in the arts and humanities—generally low, and full-time jobs in academic settings hard to come by, students should weigh whether they can risk taking on substantial debt for five or more years of extra schooling.

"Basically, the 'yes' button has to be on all the time."

Lana Nassen, who has a Ph.D. in educational psychology and juggles teaching gigs primarily at two online, for-profit universities. Depending on her course load, her earnings can vary from as little as $400 in a month to $10,000.

Checklist

- [ ] Have I used the Survey of Earned Doctorates to research what recent Ph.D.s typically earn in my field?
- [ ] If my program is funded, do I know how much the annual stipend is, what work is required in order to receive it, and how many years it covers?
- [ ] If I'm not being offered a stipend, have I done a gut check on whether the pay prospects of a program will make it worth it to take on debt?
- [ ] Am I planning to pursue a career in academia? Have I looked at other job options, in case that pathway seems too closed off or poorly paid?

Ph.D. Prospects

Quiz answers

Q1 **B, C, A, D**

Psychology doctorates in 2020 reported a median income of about $68,000 upon graduation, in part because a portion go into counseling or service-oriented jobs, according to the Survey of Earned Doctorates. Education doctorate recipients reported a median $70,000 upon graduation. Biological and biomedical sciences doctorates reported a median $86,000. Economics is the highest paying field for doctorates in the social sciences, with a median about $120,000.

Q2 **C**

Nearly 85% of those who earned doctorates in the physical sciences and earth sciences in 2020 finished without debt from graduate school.

Chapter 8
What Now?
(For People Who Have Debt and Those Who Don’t)

What Now? (For People Who Have Debt and Those Who Don't)

What kinds of repayment plans are available, when to use loan-forgiveness programs and how to avoid ballooning interest

Quiz

1 **Borrower Billy owes $170,000 in federal student loans, and his interest averages about 6% annually. His first job pays $65,000, and he enrolls in an income-driven repayment plan that ties monthly payments to income. His income grows at about 4% per year.**

About how much should he expect to owe after 25 years in repayment?

A. $0

B. $20,000

C. $100,000

D. $200,000

2 **Which of the following is false:**

A. Student loans aren't typically dischargeable in bankruptcy.

B. **Public Service Loan Forgiveness** automatically kicks in after 10 years in a qualifying job.

C. If not pursuing a loan forgiveness program, borrowers should make the highest monthly payments they can afford.

D. **Parent Plus** borrowers can't transfer their loans to their children.

What are my options for paying down my debt?

Five- and six-figure debt loads can be scary. But don't just ignore them and pray for debt cancellation. The worst thing borrowers can do is miss payments, which can hurt their credit scores.

The first big step: picking a repayment plan. There is a dizzying array of options to choose from—and to make it worse, their names all sound similar.

What Now? (For People Who Have Debt and Those Who Don't)

Here are some of the most common ones:

- The *Standard Repayment Plan* allows borrowers to pay a fixed monthly amount that ensures their loans are paid off in 10 years. This is the plan in which borrowers are automatically enrolled unless they choose a different one.
- The *Graduated Repayment Plan* sets monthly payments lower at first and increases them about every two years, with the aim of paying off in 10 years for most loans. This option makes sense for borrowers who expect their income to steadily increase.
- The *Extended Repayment Plan* lets borrowers pay either a fixed or steadily increasing monthly amount over 25 years. Borrowers must have at least $30,000 in federal loans to qualify.
- The *Revised Pay as You Earn Repayment Plan* sets monthly payments at 10% of a borrower's discretionary income, which the federal government calculates based on income and family size. After 20 to 25 years, the balance is forgiven. High earners can use this plan.
- The *Pay As You Earn Repayment Plan* sets monthly payments at 10% of discretionary income. Some high earners might not be eligible for this plan. Only those who borrowed after Oct. 1, 2007, and received a loan directly from the federal government after Oct. 1, 2011, qualify. The balance is forgiven after 20 years.
- The *Income-Based Repayment Plan* sets monthly payments at 10% to 15% of discretionary income, depending on when the loans were taken out. The balance is forgiven after 20 to 25 years. Some high earners might not be eligible for this plan.
- The *Income-Contingent Repayment Plan* sets monthly payments at 20% of discretionary income or the amount a borrower would pay on a fixed 12-year repayment plan—whichever number is lower. The balance is forgiven after 25 years.

To see what the monthly payment under a 10-year plan would be, write down the loan balance. Move it two decimal places to the left. That's roughly what the monthly payment under a 10-year plan would be. So for a $200,000 loan, monthly payments would be about $2,000.

The income-driven plans may sound tempting for borrowers anticipating jobs with an income on the lower side, like in the arts or a nonprofit. But don't be fooled:

What Now? (For People Who Have Debt and Those Who Don't)

Borrowers with these plans may end up paying more in interest over the loan's duration than they would under a shorter repayment plan with higher monthly payments.

The government details more information on repayment plans, including when forgiveness applies at the 20-year versus 25-year mark, on this website.

How do I choose a repayment plan?

A good rule of thumb, says student-loan expert Mark Kantrowitz, is to choose the repayment plan that has the highest monthly payment that's still affordable. He recommends considering an income-driven plan only if a borrower is struggling to make the payments on a 10-year plan or if their total debt at graduation exceeds their annual income.

There are a couple of other factors borrowers need to consider when picking a plan, too. Some of them include:

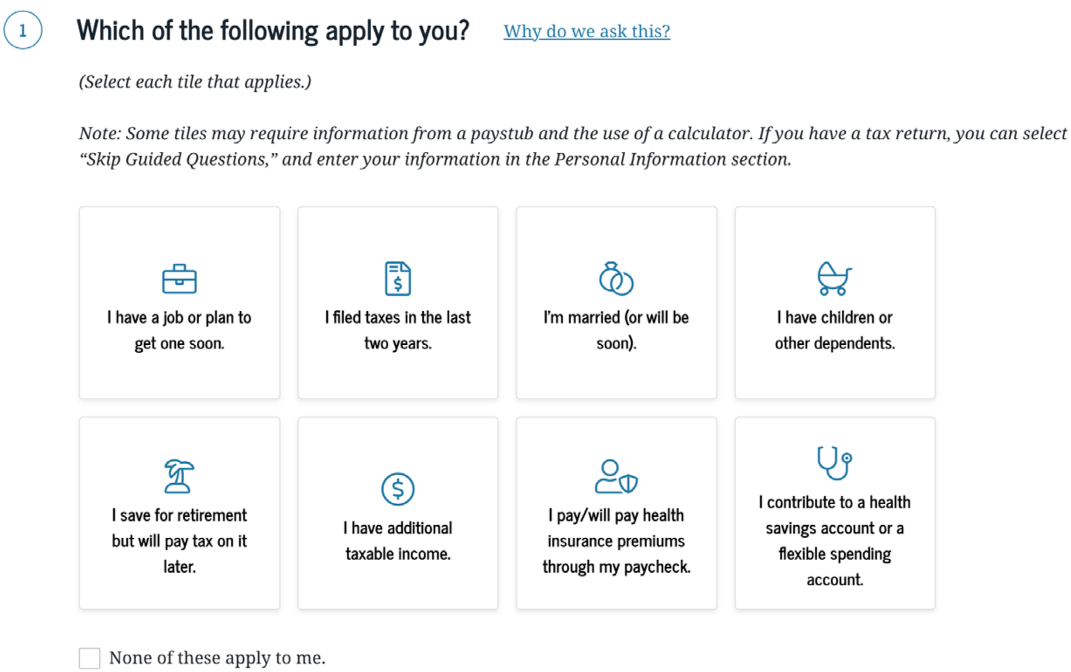
- How much they expect their income to change over time;
- Whether they anticipate getting married in the near future, and, if so, how much a future spouse expects to make;
- Whether they plan to apply to any debt-forgiveness programs, such as Public Service Loan Forgiveness. (More on this below.)

Some income-driven plans base the monthly payment on both the borrower's and their spouse's income. Others consider the spouse's income only if the couple files their taxes jointly. Some plans have a cap on monthly payments, others don't—a detail worth taking into account if, for example, a doctor is expecting a big salary jump after finishing residency.

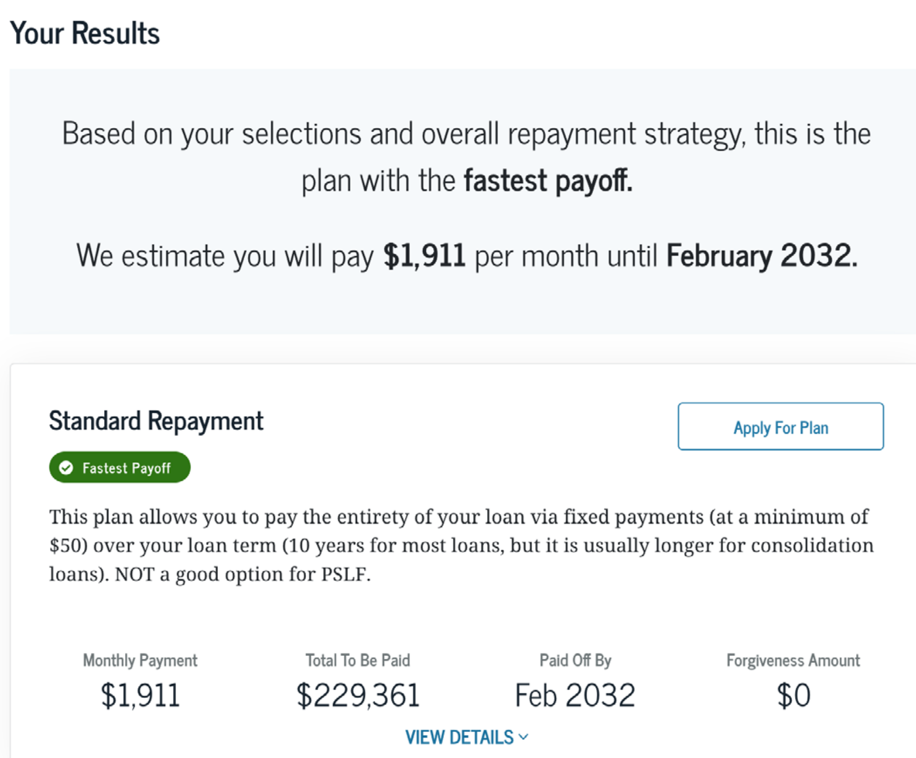
Bottom line: Study up. Don't just pick the first plan that seems like a good deal—sign up for the one that makes the most sense now and for down the line. This Education Department loan simulator lets borrowers calculate how much they would pay under each plan.

What Now? (For People Who Have Debt and Those Who Don't)

These are the kinds of questions the tool asks borrowers:



Here's an example of what the simulator might recommend if a borrower has $170,000 in Plus Loans and wants to pay them off as fast as possible:



What Now? (For People Who Have Debt and Those Who Don't)

What else can I do to ease my debt?

There are a few concrete steps that can help keep borrowers on the right track.

If making regular payments, try to figure out if they're covering the interest that's accruing.

Those borrowers in income-driven repayment plans should calculate how much of each monthly payment is going toward paying down principal versus getting sucked up covering interest. It'll give a sense of just how much larger the monthly payment would need to be in order to make a dent in the overall balance. The Education Department has a nifty math lesson.

Consider consolidating the loans. This can benefit borrowers who have multiple loan servicers and want to streamline their monthly payments. It also can open the door to certain repayment plans. (More on that below.)

But do a gut check. Consolidating allows borrowers to combine several federal loans into a single loan with an interest rate that is the weighted average of the combined loans' rates. This could be a good option if the loans all have similar interest rates. But if one loan has a significantly higher rate, that'll raise the average and therefore the new interest rate, and a borrower might end up paying more interest across the board. If that's the case, try to pay off the loan with the highest interest rate first—what's known as the "avalanche method."

> **PRO TIP:** A good trick for determining whether to consolidate loans is to compare the new interest rate being offered to the weighted average of the interest rates on all but the highest-rate loan. If that weighted average is lower than the rate being offered, don't consolidate.

Consider refinancing with a fixed-rate **private loan** via a company like Earnest, SoFi or CommonBond. This could be a good option if the federal loans have high interest rates and the borrower can qualify for a lower rate. Caution: This move eliminates the borrower from accessing any federal loan forgiveness programs.

What Now? (For People Who Have Debt and Those Who Don't)

There are a couple of easy ways to save some money here and there. Borrowers can get a 0.25% interest-rate deduction on certain loans by having the loan servicer automatically withdraw monthly payments from their bank accounts. And student-loan interest paid on a qualified student loan can be taken as a tax deduction, as long as the borrower is either single, or married and filing jointly.

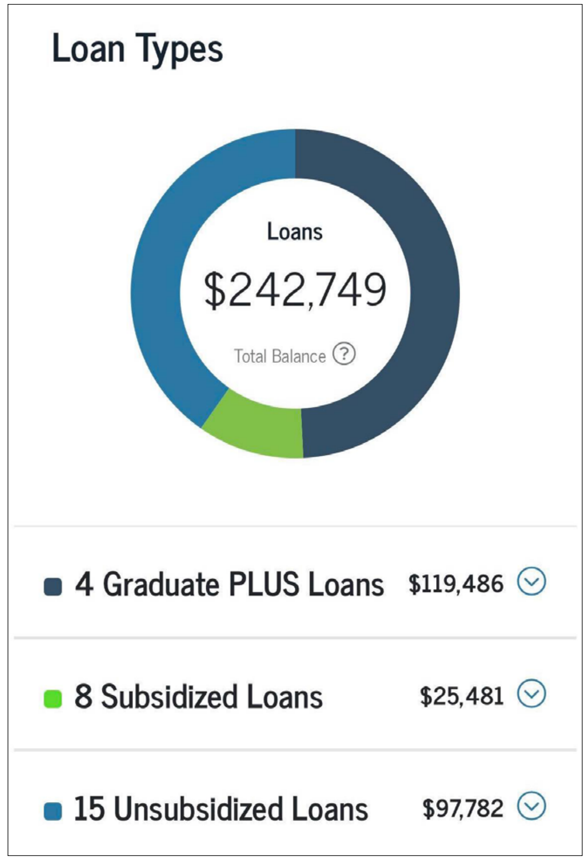
Borrowers also should consider paying down interest during their grace period or before they make big changes to their loan plans. That's because they need to watch out for interest capitalization, in which interest is added to a borrower's principal balance and the borrower starts paying interest on a new, higher amount. While student loans are, for the most part, simple interest (see **Chapter 1**), they can capitalize in cases such as those when the borrower:

- Enters repayment and has unpaid interest that accrued on **unsubsidized loans**;
- Exits **forbearance**;
- Changes repayment plans.

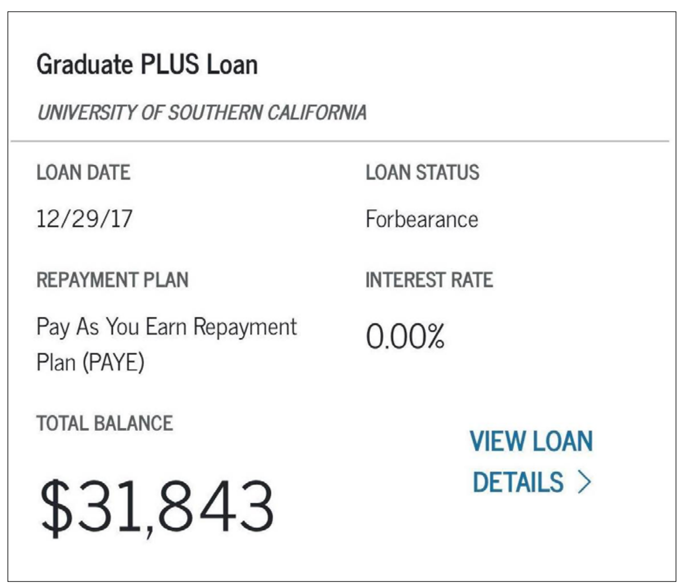
Borrowers can check their balance by logging into their accounts at studentaid.gov. There, they can see the types of loans they have, the interest that has accumulated and other details.

What Now? (For People Who Have Debt and Those Who Don't)

A loan overview should look something like this:

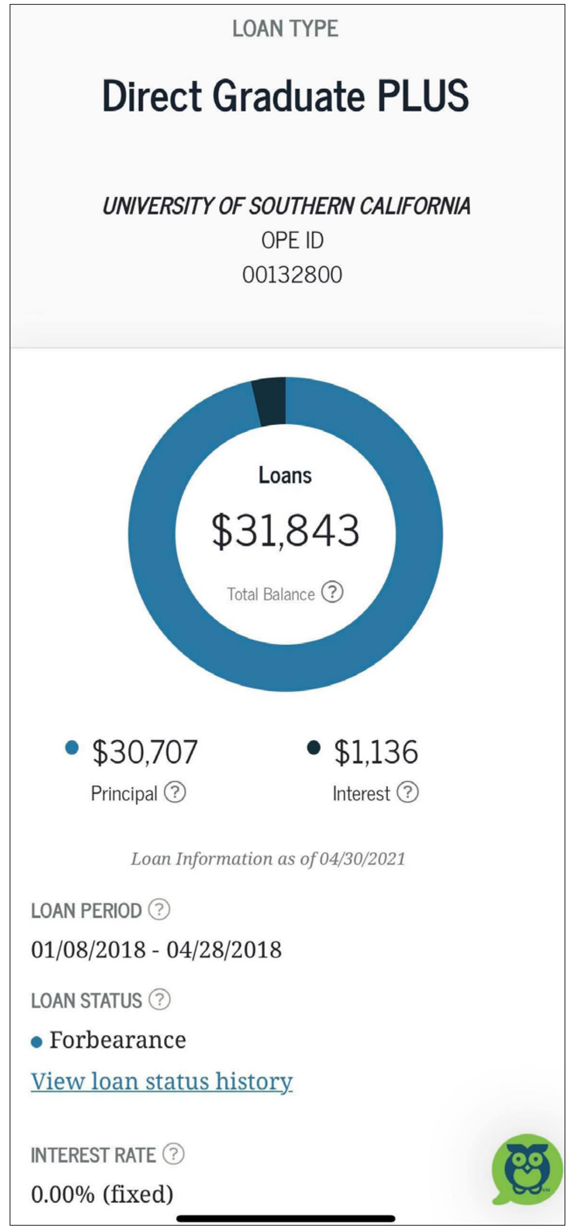


They can also see their loan breakdown, which details information on each loan's distribution date, payment plan, interest rate and repayment status. (Note that in the example here, the borrower has a 0% interest rate because of the temporary freeze on interest that began during the coronavirus pandemic.)



What Now? (For People Who Have Debt and Those Who Don't)

By diving in further, the website also breaks down the period of study the loan was used for, and how much of the loan is interest versus principal.



Will an income-driven repayment plan save me a lot of money?

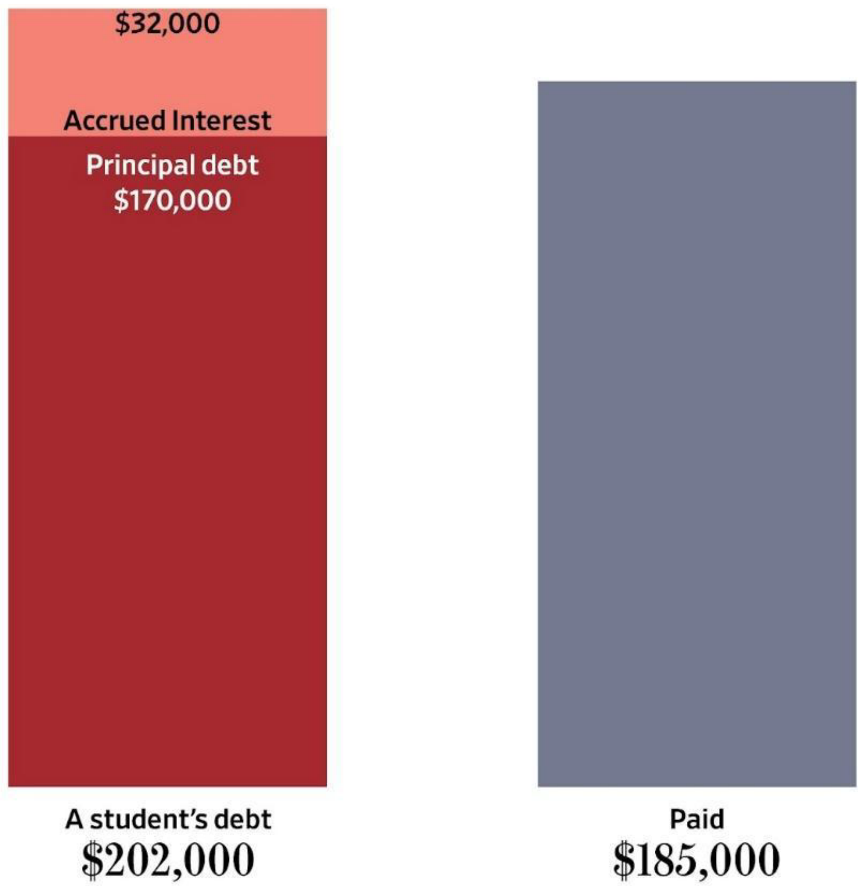
Not necessarily.

An income-driven plan can keep monthly payments low and could ultimately wipe away the remaining balance. But in many cases, borrowers still end up paying more in interest than they would pay in the standard repayment plan—and they'll be in repayment for at least twice as long.

What's more, the monthly payments on an income-driven plan are often not enough to cover the interest a loan is accruing, meaning the overall balance continues to grow. This Journal interactive graphic shows how even students who dutifully make their monthly payments under an income-driven plan can wind up with out-of-control debt.[28]

What Now? (For People Who Have Debt and Those Who Don't)

A graduate who took out roughly $170,000 in loans and makes $65,000 a year can end up with a balance of $202,000 after 25 years—even after having made $185,000 in payments under the Revised Pay As You Earn plan.



What Now? (For People Who Have Debt and Those Who Don't)

Being in repayment for two decades can have other downsides, too. It means that borrowers may still be repaying their own student loans when their children go to college—and they'll have been less likely to save money to pay for the next generation's education. People who graduate with excessive debt—when monthly payments under the standard 10-year plan would amount to 10% or more of a borrower's monthly gross income—are more likely to delay major life events like buying a house, getting married and having kids than those who graduate with affordable debt, Mr. Kantrowitz's research shows.

> **"I'd like to participate in adult human life. The idea of procreating, even, is such an outlandish proposition with the debt."**
>
> Matt Black, who borrowed roughly $233,000 to attend Columbia's master of fine arts program in film. He graduated in 2015, and with interest, the balance now tops $330,000.

There's also the matter of the so-called tax bomb that could explode when a loan balance is finally forgiven after the 20- to 25-year period. Borrowers don't owe taxes on debts wiped away through Public Service Loan Forgiveness, as described below. Until 2025, student loan forgiveness for other borrowers using income-driven payment plans is also tax-free. But depending on what Congress chooses to do after that, the amount forgiven could be taxed as regular income, leading to a major bill from the IRS.

For borrowers who are seeking forgiveness in less than 20 years, it's worth looking into the array of other programs available. In addition to the general federal Public Service Loan Forgiveness program, there are federal and state-level programs for healthcare workers, teachers and lawyers. Some states, like Maine, even have programs that allow borrowers to use their loan payments as tax credits as an incentive for moving there.

For any of these programs, it's crucial to read the fine print. Most loan forgiveness programs have very specific eligibility requirements, and some have steep penalties for those who breach their contracts. The National Health Service Corps' loan repayment program, for instance, offers a certain amount of loan forgiveness in exchange for two or three years of service. But if the borrowers leave their contracts early—voluntarily or not—they could end up owing hundreds of thousands of dollars to the federal government.

What Now? (For People Who Have Debt and Those Who Don't)

I work in public service. Won't my loans get forgiven anyway?

The Public Service Loan Forgiveness program sounds great: Borrowers work for a nonprofit or government agency and get their loans forgiven after 10 years. It's not quite that simple.

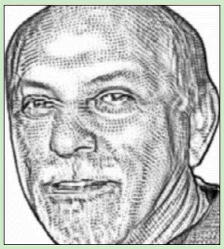
The program made headlines in 2019 when the first borrowers became eligible for forgiveness, and just a fraction of applicants—864 of 73,000—were accepted, according to Education Department data. More than half were denied for not making enough payments, which could have been due to a counting error or unknowingly being enrolled in an ineligible repayment plan for years.

The good news for borrowers is that the Biden administration moved to overhaul the program in 2021 and made several elements much simpler. But borrowers still shouldn't just assume that if they work at a nonprofit, they'll qualify for forgiveness after 10 years. Five things to keep in mind:

1. Employment qualifies if the borrower works directly for a federal, state, local or tribal government or for a nonprofit organization. It does not qualify if the job is with a contractor that works for the federal government. Labor unions and partisan political organizations also don't qualify.
2. Loans that come directly from the Education Department—pretty much all **federal student loans** that were made since 2010—qualify for loan forgiveness. If a borrower has older loans made under the Federal Family Education Loan or Perkins loan programs, he or she needs to consolidate them before Oct. 31, 2022, under a special reprieve by the Biden administration intended to allow borrowers with formerly ineligible loans to have their payments counted toward forgiveness. Learn more about how to consolidate loans here.
3. When borrowers enter repayment, the government will automatically enroll them in the standard 10-year plan unless they choose another one. If they

What Now? (For People Who Have Debt and Those Who Don't)

Case Study



David Sobczak is a 70-year-old retired supply-chain manager in Holland, Ohio, who said he has a good credit score, a small pension, a 401(k) and more than $100,000 in home equity. He said he has faithfully paid his Parent Plus loans that he took to help put his four children through college. "I've never missed a payment," he said.

Yet when he tried to refinance his home mortgage in 2021 to take advantage of low interest rates, he said, he was denied by all three lenders he contacted due to high debt levels compared to his income, most of which is Parent Plus debt. One of the lenders who turned him down was a credit union where he had been a member for more than 20 years.

Mr. Sobczak wasn't even sure exactly how he came to have so much Parent Plus debt. He recalled filling out a **Fafsa** form, which calculated how much his children would receive in financial aid and how much he and his wife would owe to cover the rest of the college bills. He said he realizes now that he should have asked more questions about the totals he was borrowing and the interest rates he would be paying.

"Your students are graduating from high school. You are proud of them. You preach

Continued

stay in that standard plan, their loans would be paid off by the time they applied for loan forgiveness, rendering the program moot. Borrowers who are confident they will stick with a public-service career may want to switch to an income-driven repayment plan to lower monthly payments until the 10-year mark.

4. Keep the receipts. In an income-driven repayment plan, borrowers need to recertify their income and family size every year. Do not miss this deadline! Without that recertification, payments made during the period in which the borrower lapsed certification will still go toward their loan balance, but they won't count toward the 120 payments needed to qualify for Public Service Loan Forgiveness.
5. Another form that isn't required but is recommended is employment certification. If borrowers are planning to apply for Public Service Loan Forgiveness, they should certify their employment annually. This will make the process faster once the 10 years are up—otherwise they'll have to go back and get a supervisor to verify their employment for that entire period. It also could help detect any problems—like the job doesn't qualify—early on. The form is available here.

What Now? (For People Who Have Debt and Those Who Don't)

Case Study

that they should go to college," he said. "I think there are many people like me who were just happy to get the financing."

The first loan in the early 2000s wasn't a big deal–he paid off a $40,000 Parent Plus loan for his eldest daughter in 10 years. He paid off another $37,000 loan in similar fashion. But three of the children were in college in overlapping years from 2008 to 2012, and suddenly he realized he had a balance of $114,000 on Parent Plus loans by 2018.

Because his wife was battling cancer, Mr. Sobczak decided to place the loans in **forbearance** for a year.

When the year was over, he chose a loan payment plan that the government offered in which the payment amounts started low but increased every two years, the Graduated Repayment Plan. Had the government not issued a moratorium due to the coronavirus pandemic, his combined monthly loan payments would have jumped from $725 to $1,050 in 2020.

With no way to refinance his current mortgage or secure another one, gone are his hopes of selling his Ohio home and moving his wife—whose cancer is now in remission—somewhere warmer like Florida or South Carolina. He's come to realize that he will likely never get another mortgage loan, since he will not live long enough to pay the $116,000 in Plus loans he still owes.

"I'm in a rut, and I can't get out of it,"he said.

What can parents with high Parent Plus debt do?

Congratulations! The kids have finished college, and their futures look bright. However, parents throwing graduation parties for their children might soon be in a world of hurt when they start paying their loans.

Parent Plus borrowers (see **Chapter 3**) have a more limited set of options for repayment plans than students do. But there are still a few ways to manage the debt.

Pick a plan that makes sense in the long term. First, take a look at the traditional payment plans available and calculate how much monthly payments would be under the standard 10-year plan, or the graduated 10-year plan that increases payments every two years or so. If the qualifying loan balance tops $30,000, another option is the extended repayment plan, which gives the borrower 25 years to pay off the debt.

Consider loan consolidation. If monthly payments are a struggle or if borrowers are seeking some form of forgiveness, consolidation lets parent borrowers qualify for the Income-Contingent Repayment Plan. They'll owe a monthly payment based on their income, family size and total amount borrowed. After 25 years, the remaining balance will be forgiven. (For parents who want to pursue 10-year Public Service Loan Forgiveness, this is a must.)

Also think about sharing the burden with the kids. The federal government doesn't allow Parent Plus borrowers to turn over their loans to their children, although some lawmakers are trying to change that. In some cases, if the child has good credit and a relatively high income, it may make sense to look into refinancing Parent Plus loans into a private loan. (This really only makes sense if the private loan has a lower interest rate—and keep in mind that refinancing isn't reversible.) But there's also nothing stopping children from pitching in on their parents' monthly payments.

> **"They're an absolute fiscal time bomb waiting to go off."**
>
> Travis Hornsby, founder of Student Loan Planner, said of student loans

Why should I care about any of this if I don't have student debt?

Not all adults have student loans. But they probably do pay taxes.

Economists and education experts have been warning for years that the federal student-loan program is a growing fiscal crisis. An internal Education Department analysis in 2020 found the U.S. government stands to suffer $435 billion in losses from the loan program—nearly as much as the $535 billion in subprime-mortgage losses by private lenders during the 2008 financial crisis.

The report found that of the $1.37 trillion in student loans held by the government at the start of 2020, borrowers would pay back $935 billion in principal and interest. In other words, this analysis says, the program is running in the red.

The government can borrow trillions of dollars to absorb the losses without setting off a panic like the one in 2008, but taxpayers will be left holding the bag. Congress will have to raise taxes or increase the deficit to cover the losses. Some advocates also worry lawmakers would face pressure to restrict the loan program or make cuts to other federal services that need the money.

The internal analysis has yet to be widely accepted. The Biden administration, in its fiscal 2022 budget, projected much lower long-term losses—$68 billion on outstanding student debt.

What Now? (For People Who Have Debt and Those Who Don't)

The student-loan crisis is about more than individual students' debt. It's a question of economic and social mobility. The system is broken. Schools can raise their prices without end, knowing federal loans can help cover the tab. Yet college is increasingly considered a gatekeeper to the ability to move up the economic ladder.

The country benefits from an educated workforce. Studies show that high tuition costs and the prospect of hefty student loans are discouraging some students—particularly low-income ones—from attending college. That deterrence further widens the nation's racial and class disparities.

The Federal Reserve has also linked rising student debt to a decline in homeownership for young Americans and to college graduates moving away from rural areas—both changes with lasting ramifications for the economy.

Finally, taxpayers may not have loans now, but just wait. Their kids will be heading to college soon enough.

Checklist

- [ ] Have I used the loan simulator to sort through the different loan repayment options?
- [ ] If not pursuing loan forgiveness, have I chosen the plan with the highest monthly payment that I can afford?
- [ ] If participating in an **income-driven repayment plan**, am I keeping up with my annual paperwork certifying my family size and income?
- [ ] If pursuing **Public Service Loan Forgiveness**, have I certified my employment each year and ensured it qualifies for the program?
- [ ] If I have unmanageable **Parent Plus** debt, have I considered loan consolidation?

What Now? (For People Who Have Debt and Those Who Don't)

Quiz answers

Q1 **D**

On a loan of $170,000, Billy owes about $850 per month to cover just the interest. That's far larger than the monthly payment he'll have to make on an income-driven plan, meaning his balance will keep growing.

Even though Billy makes steady payments over 25 years—about $185,000 by this calculation—he won't even cover all the interest. He'll still owe about $32,000 in accumulated interest, on top of the original $170,000 loan. Even though that will be forgiven, he could owe federal income taxes on that amount.

Q2 **B**

As should be clear by now, nothing about Public Service Loan Forgiveness is automatic. Borrowers need to take several steps—including, at a minimum, recertifying their income every year—to qualify for the program. Think of this as a 10-year process, not as something to deal with once those 120 payments are up.

Glossary

529 COLLEGE SAVINGS PLAN: An investment account in which earnings aren't subject to federal income tax if the money is used for qualified educational expenses, including tuition and mandatory fees, as well as room and board. There are state-level tax benefits for many as well.

COLLEGE FINANCING PLAN: A template created by the Education Department website that many schools use to tell students about their expected costs, formerly known as the Financial Aid Shopping Sheet. The form details the total cost of attendance, merit- and need-based scholarships, expected earnings from work-study programs and loan options for students and parents. It is intended to allow for easy comparisons of aid packages across schools.

COLLEGE NAVIGATOR: An Education Department providing information on student enrollment, graduation rates, costs and other details for thousands of colleges and universities. One of the most useful data points here is the average net price for families in various income bands.

COLLEGE SCORECARD: A searchable tool run by the Education Department detailing costs, median debt, early-career earnings and other information about thousands of academic programs at schools nationwide. Information is available on certificates as well as undergraduate and graduate degrees.

COMMON DATA SET: A voluntary questionnaire with sections on enrollment, retention and graduation rates, admissions criteria, academic offerings and financial aid. Here, schools break out stats like their scholarship outlays, the share of financial need they cover for students who get aid and average scholarship sizes for those with and without financial need. To find the form for a particular school, search online for the school name and "Common Data Set."

COST OF ATTENDANCE: An estimate of how much it will cost for one year of study, including tuition and fees, books, room, board and other expenses like travel. Schools set this number, and the federal government allows parents and graduate students to borrow up to this amount.

Glossary

CSS PROFILE: A financial-aid application used by around 300 colleges and scholarship programs. It's more detailed than the Fafsa and can take into account untaxed income, anticipated earnings, home equity and other information. Noncustodial parents often must complete a form, too. The first submission cost $25 as of 2022, and subsequent ones were $16; fee waivers are available to families earning less than $100,000.

DEFAULT: Borrowers enter default on most federal student loans if they don't make their scheduled payment for 270 days. This harms their credit rating, ends their ability to pursue flexible repayment options and cuts off access to additional federal student aid. Schools, as well as certain programs, can lose their access to federal student aid for having high default rates.

DEPENDENT STUDENTS: Undergraduates who are still financially reliant on their parents. As of 2022, they are capped at borrowing between $5,500 and $7,500 in federal loans each year, no matter how much college costs.

FEDERAL STUDENT LOANS: Loans made by the federal government. They include loans to students as well as Parent Plus and Grad Plus loans. These make up the vast majority of outstanding student debt.

FREE APPLICATION FOR FEDERAL STUDENT AID (Fafsa): A federal form that opens the spigot to access all federal and most need-based aid from schools. Dependent students must provide information about their parents' and their own income and assets, while other students report only their own financial information. There is no income cap for those wishing to submit a Fafsa.

FORBEARANCE: A temporary pause in payments, approved by a student-loan servicer. Typically interest continues to accrue, though during the coronavirus pandemic, student loans have been put in forbearance at a 0% interest rate. It can be taken up to 12 months at a time for extenuating circumstances, such as financial difficulties or medical expenses.

Glossary

GRAD PLUS LOANS: Federal loans for graduate students. These are unlimited up to a school's set cost of attendance and can be borrowed once graduate students borrow the maximum amount in unsubsidized loans. They have higher interest rates than unsubsidized Stafford loans, the other option for graduate students.

INCOME-DRIVEN REPAYMENT PLANS: Types of payment plans for federal student loans. These allow students to make payments over 20 to 25 years, as opposed to the standard 10 years. Plans include Pay As You Earn (PAYE), Revised Pay As You Earn (REPAYE), Income-Based Repayment (IBR), and Income-Contingent Repayment (ICR). Each plan differs slightly. Borrowers will typically be expected to pay about 10% of their discretionary income towards their loans—meaning about 10% of their earnings greater than 150% of the poverty line.

MEDIAN DEBT: The midpoint of what borrowers who took out federal loans at a given school borrowed—half borrowed more, half less. The government releases data on median federal debt loads by school and program. The debt is measured at graduation.

MEDIAN EARNINGS: The midpoint of what borrowers at a given school earned—half earned more, half less. The government releases data on median earnings by college and program. The figures are measured two years after students graduate and only cover federal loan borrowers.

MERIT AID: Also known as merit awards or merit scholarships. This financial aid is awarded regardless of whether the student needs the money, and is often given for academic or artistic achievements, or just to attract particular students.

NEED-BASED AID: Financial aid awarded to students based on their (or their family's) financial circumstances. This can include federal grants and subsidized loans, as well as aid directly from schools.

Glossary

NET PRICE: What students are charged, on average, after scholarships and grants are taken into account. Each school must report to the federal government its net price figures for full-time, beginning undergraduates who receive federal aid, across income bands.

ORIGINATION FEES: Fees that federal student loan borrowers must pay to take out a loan. Between 2013 and 2022, fees on unsubsidized and subsidized loans typically ran about 1%. Fees on Grad Plus and Parent Plus loans were four times as high.

PARENT PLUS LOANS: A type of federal loan available for parents of undergraduates, on top of what students borrow. Parents may borrow up to the cost of tuition, fees and living expenses. They are not available for parents of graduate students.

PELL GRANTS: Need-based federal grants for undergraduates. There is no set income cutoff to receive a Pell grant, but most go to families earning $50,000 or less. In the 2021-22 school year, grant amounts ranged from $650 to $6,495.

PRIVATE LOANS: Loans made directly by banks or other groups. Borrowers may not qualify. These might offer better interest rates, depending on a borrower's credit history, but they typically do not feature the types of flexible repayment plans federal loans offer.

PUBLIC SERVICE LOAN FORGIVENESS: A borrower's federal student loan debt could be wiped away after 10 years of payments, if they're employed by government agencies or qualifying nonprofits. The amount forgiven under PSLF is not taxable. Historically, students have had difficulty qualifying for PSLF due to bureaucratic hurdles, though approval rates are improving.

Glossary

STICKER PRICE: The published annual rate for tuition and fees (or tuition, fees, room and board). Most students do not pay this price, and families should pay closer attention to the net price, which takes into account scholarships and grants.

SUBSIDIZED LOANS: Available only to undergraduates with financial need. These loans are capped and don't accrue interest while students are in school.

UNSUBSIDIZED LOANS: Available to undergraduates or graduate students, and not limited to students with financial need. Graduate students pay a higher interest rate. These loans are capped and accrue interest while students are in school.

Endnotes

1. The term “university” generally refers to a comprehensive academic institution, with both undergraduate and graduate programs. The word “college,” meanwhile, is often used to describe an undergraduate school or other unit within a university. But there are plenty of exceptions—Dartmouth College awards graduate degrees, for instance, and the government’s own College Scorecard and College Navigator include information about graduate programs. This guide uses the words college, school and university interchangeably, unless otherwise noted.
2. Arizona State University said it aims to give students as much information as possible, in a range of formats.
3. NYU began meeting full financial need for first-year undergraduate students in fall 2021, which it said should help lower the debt loads they and their parents take on.
4. Boston University said its median undergraduate debt for students who graduated in Mr. McCoy’s class was $31,500, and the school has a far lower loan-default rate than the national average. BU said it began meeting the full financial need of first-time undergraduates in 2020 and doesn’t include loans in aid packages for students who receive Pell grants.
5. Figures in this guide cover programs only in the 50 U.S. states and Washington, D.C., unless otherwise noted. The analysis also excluded schools that had closed by the latest College Scorecard release, even though debt data was sometimes available for these schools. Net price information in Figure 2.1 and subsequent tables are for full-time, beginning students who received federal aid.
6. Sarah Lawrence College said its per-student endowment is far lower than that of Vassar College, making it difficult to directly compare their net prices.
7. The information in Figure 2.4 comes from a Wall Street Journal analysis of available Common Data Set filings.
8. The University of Michigan said it does award need-based and non-need-based aid to some out-of-state students.
9. Unless otherwise noted, figures on median student debt are for borrowers who graduated in the academic years ending in 2015 and 2016. Earnings data are for students who graduated in those years, measured two years later, in 2017 and 2018, respectively. The Journal used the latest cohort for which both debt and earnings data were available as of early 2022, though after the writing of this guide, the government released three-year earnings figures.

Endnotes

Debt figures for more recent graduating cohorts are also available. When not comparing debt to earnings, this guide sometimes uses the newer debt figures, available for 2018 and 2019 graduates.

The figures only reflect those who borrowed federal student loans. Data aren't available for programs with few borrowers. Debt data are taken from federal student loan records; earnings data come from a U.S. government analysis of anonymized federal tax records. The figures are reported by the Education Department in its College Scorecard.

10. The fields of study referenced in this guide are standardized program names used by the Education Department and may not reflect actual degree names at a given school. A category can cover more than one degree. Colleges choose which codes to assign to each program, and they may sometimes have different interpretations of which code to use for a particular major.

11. The latest available median Parent Plus debt loads as of early 2022 cover loans borrowed by parents on behalf of undergraduate students who graduated in the academic years ending in 2019 and 2020, over the course of that student's degree program. The medians only reflect parents who borrowed.

12. Spelman President Mary Schmidt Campbell said: "There are very real financial burdens that our families take on, when sending their students to Spelman." She added that "Spelman is not a rich institution, nor are our students."

    The school said it has raised more than $125 million in new financial-aid funds since 2017 and rolled back its 2021-22 tuition to 2017-18 rates.

13. Education Department figures on in-state and out-of-state enrollments reflect numbers for first-time, full-time students. The numbers in Figure 3.4 cover the 2019-20 school year.

14. Baylor President Linda Livingstone told the Journal for an October 2021 article that until a couple of years earlier, the school was admitting students who really couldn't afford it. She said that the school changed to take into account families' ability to pay when offering acceptances and that Baylor planned to keep tuition increases low and raise funds for more scholarships.

15. The default and repayment figures in this guide reflect parents (and graduates, in later chapters) who were supposed to start repaying their loans in 2016 and 2017, measured two years later. To protect privacy, the Education Department did not release these figures when the data reflected only a small number of borrowers. The Education Department

Endnotes

has since released repayment rates over a three-year period but now does so in ranges, making precise comparisons difficult. As a result, the Journal used the older numbers when reporting on repayment rates unless otherwise noted.

16. In Chapter 4, the Journal limited its figures to associate's degrees and certificates offered by schools that do not offer higher degrees, like a bachelor's. That's because the Education Department combines all levels of undergraduate debt in its median debt figures. As a result, if a student earned both an associate's degree and a bachelor's degree at the same institution, the debt load reflected under the associate's degree category could be higher than if a student had only received that one credential at the school.

17. Northwestern's journalism dean Charles Whitaker said in a statement to the Journal in February 2022: "The truth is that this industry, which is terrible at both training and recruitment, increasingly turns to institutions like Medill to vet potential employees by stamping them with our imprimatur." He told the Journal in September 2021 that the earnings differential may have to do with the fact that undergraduates often complete their degrees with multiple internships and years of experience on student publications. At the graduate level, Mr. Whitaker said, "We take bright French majors and try to turn them into journalists in 12 months."

18. USC Social Work Dean Sarah Gehlert said in a November 2021 article in the Journal that the school is making moves to reduce the credits required for the program, effectively trimming tuition by about 25% starting in 2022-23 for new students. She also pledged to raise admissions requirements and has made moves to reduce enrollment.

19. The College Scorecard includes two distinct but similar categories: "first professional degrees," which prepare students for professional practice, and "doctoral degrees," which train graduates in research and scholarship. Colleges choose which codes to assign to each graduate, and they may sometimes apply different codes to similar programs. For example, some law degrees are coded as doctorates. The Journal includes some programs categorized as doctorates in this chapter.

20. Andrew Hoffman, dean of Penn's veterinary school, said in a December 2021 article in the Journal that he knows more must be done to make a Penn education affordable. He said he is trying to hold the line on tuition increases and boost need-based aid.

21. Several law schools with the highest debt loads compared to early-career pay closed between the publication of the latest College Scorecard data and the publication of this guide. Those schools were excluded from Figure 6.5.

Endnotes

22. The Journal reported on Miami Law's high debt load compared to earnings in an August 2021 article. University of Miami spokeswoman Jacqueline Menendez said then: "Reducing student debt is of primary importance at each of the university's schools and colleges, including Miami Law." She said the school has graduated "some of the most successful attorneys in Florida and around the country."

23. The Education Department combines debt and earnings data for physical therapists, occupational therapists, and others under the category "rehabilitation and therapeutic professions."

24. Unless otherwise noted, all debt, salary and employment references in this chapter are from the 2020 National Center for Science and Engineering Statistics' Survey of Earned Doctorates.

25. A Walden University spokeswoman said that the school is committed to expanding access to higher education and doesn't believe the College Scorecard data tell the whole story. Many of Walden's students are adult learners—some with families—who need to take out larger loans to cover living expenses in addition to tuition and fees, she said. In 2021, for example, 38% of the median loan amount for Walden Ph.D. psychology students went toward non-tuition-related costs, the spokeswoman said.

26. Results are from the 2020 National Center for Science and Engineering Statistics' Survey of Earned Doctorates, based on the jobs that respondents had lined up in the year after completing the degree. Median basic salary excludes bonuses or additional summer work.

27. A 2022 survey of 1,883 part-time or contingency faculty by the American Federation of Teachers, called "An Army of Temps: AFT 2022 Adjunct Faculty Quality of Work/Life Report," found that more than 49% of respondents said they were paid $3,500 or less per course. The survey did not break down the respondents by education level. Some adjunct positions don't require a doctorate.

28. The Journal's borrowing simulation reflects different assumptions than those used by the Education Department's tool. For example, in the Journal's analysis, a borrower's annual payments are set according to the prior year's tax returns, so the person's income is artificially low for the first two years of payment. The Education Department's tool does not make this assumption.

About This Guide

"The Wall Street Journal Guide to Student Loans: Navigating the Myths and Misunderstandings About College Debt" was published in March 2022.

This guide was written and reported by Andrea Fuller, Melissa Korn, Rebecca Ballhaus, Tawnell D. Hobbs and Rebecca Smith, with data analysis by Ms. Fuller. The guide was born from an investigation into the elite universities that leave students and parents with debt they don't earn enough to repay. Those articles were published primarily in 2021.

Ms. Fuller, Ms. Ballhaus, Ms. Hobbs and Ms. Smith are reporters on the Journal's Investigations Team. Ms. Korn has covered higher education for the Journal's U.S. News section since 2014 and is the co-author of "Unacceptable: Privilege, Deceit and the Making of the College Admissions Scandal," published by Portfolio in 2020.

Andrew Mollica was the graphics designer. Some graphics, republished from Journal articles, were reported and designed by James Benedict, Jason French and Lindsay Huth.

The editor was Jennifer S. Forsyth, who also contributed reporting. Michael Ventura provided copy editing, and Rick Brooks provided standards guidance. John Nichols provided design editing.

Special thanks to U.S. News Editor Emily Nelson, Enterprise Editor Matthew Rose, Investigations Editor Michael Siconolfi, Education Bureau Chief Chastity Pratt and Editor in Chief Matt Murray for their guidance and support.

For questions about this or other ebooks from The Wall Street Journal, reach out to wsjplusteam@wsj.com or visit http://wsjplus.com. For more news, information and subscriptions, visit http://wsj.com.

WSJ+

EVENTS + OFFERS + INSIGHTS