Student debt grows as tuition rises

BY JAQUETTA WHITE
Special to The Advocate

Franklin Fehrman has taken an unusual path to college, but he will wind up in the same place as about half of his fellow Louisiana collegians: in debt.

Fehrman, 32, moved to New Orleans nine years ago and started working in restaurants. He eventually enrolled at University of New Orleans but has given up his work; he is double-majoring in philosophy and political science while waiting tables at a restaurant in the Central Business District.

Like two-thirds of Louisiana’s university students, Fehrman gets no help from the TOPS program. Though he did qualify for aid from the federal Pell Grant program and a little bit of aid from UNO, it’s not nearly enough to cover his costs in an age of skyrocketing tuition and fees.

So he has had to take out loans, and by the time he graduates next year, Fehrman anticipates he’ll have student debt of about $32,000.

The amount is daunting but not insurmountable, in Fehrman’s view.

“I have faith in myself as being a hard worker,” he said. “If I’m really in a jam, I know I can work my butt off and pay it back.”

As the price tag of college has shot up both in Louisiana and nationally, so too has the amount of debt assumed by students and their parents. And with the mounting bills come concerns that some students will have to spend years digging themselves out of debt — and that a growing number will simply skip college rather than take on such a burden.

The good news is that picture is not as bleak in Louisiana as it is nationally. Louisiana’s students are among the least indebted in the country — though amid a national student debt crisis, that hardly means they’re in the clear.

About half of Louisiana graduates left school in debt in 2014, and their average liability was about $23,000, according to the Project on Student Debt, a study by The Institute for College Access and Success, a nonprofit. That puts Louisiana 44th among the 50 states in average debt and 46th in the proportion of graduates with debt.

But the picture has surely gotten worse since the study: Those who graduated from Louisiana universities in 2014 were far less affected by the steep tuition run-up of the last several years than the students in school now, like Fehrman.

“There is a lag to these numbers,” said Debbie Cochrane, research director for TICAS. “When we look at people who graduated in 2014, they probably first enrolled in 2008 and 2009. So the tuition they were paying in those earlier years, and maybe the amount of debt they were taking on as a result, was lower than it would be today.”

Nationally, the study found that nearly 70 percent of college graduates left school with student loan debt in 2014. The average debt load was about $28,400.

That amount has skyrocketed, jumping 56 percent over the past decade, according to the Project on Student Debt. In Louisiana, the news again is less grim. The average IOU has grown by only 21 percent.

However, the report’s authors warned that Louisiana is one of three states in which their long-term analysis should be viewed cautiously. That’s because only three of eight large universities in the state provided TICAS with the needed data for the classes of 2004 and 2014, meaning the comparison “may not be meaningful.”

Student debt was the only kind of household debt that continued to rise throughout the recession. And it continues to climb. Outstanding student loans are now Americans’ second-largest liability, behind only mortgage debt, according to the Federal Reserve Bank of New York.

Although the crisis is less acute in Louisiana than in other places, officials fret that the gap is narrowing as the state asks students to bear an ever-increasing share of their costs.

“I’m always concerned, as a parent, as a taxpayer and in my position when we’re off-loading a public responsibility onto a student,” said Joseph Rallo, state commissioner of higher education.

Rallo said he has a “very simple” response for legislators who ask him how to make college in Louisiana more affordable.

“Put more public money into it,” Rallo said. “If they put more money in, then the student doesn’t have to pay.”

A variety of programs have helped keep debt more manageable for Louisiana students.

Like students everywhere in America, Louisianians are eligible for the federal, need-based Pell Grant program; those who qualify often get additional assistance from Louisiana’s modestly endowed Go Grant program, which is also need-based.

Most importantly, roughly 50,000 students a year receive scholarships through the state’s Taylor Opportunity Program for Students, which covers the full cost of tuition at a Louisiana public university — or offers the same amount as an offset against tuition at a Louisiana private college. That’s a little over 20 percent of Louisiana’s undergraduates, including those at two- and four-year schools.

Although TOPS awards increase in tandem with tuition hikes, other aid is not keeping pace.

The GRAD Act, passed in 2010, allows colleges to increase tuition by 10 percent each year if they meet certain performance standards. And tuition now exceeds the maximum amount a student can receive in Pell Grants.

For example, tuition and fees in the nine-campus University of Louisiana system average $7,695 this year, while Congress has set the maximum Pell Grant amount at $5,730.

“So you can start to see that a student that receives a Pell will have to start to pay out of pocket, plus room and board and books and supplies,” said Adam Litloff, vice president of business and finance for the University of Louisiana System.

Debt-averse students can try to cut costs by living at home or by enrolling in two-year schools, which typically cost about half as much, said Sujuan Boutte, executive director of the Louisiana Office of Student Aids.

> See DEBT, page 6A
Financial Assistance.

"As a student, I can say 'How much aid do I have? How can I help control some of that cost to graduate with the least amount of loan debt?" Boutte said.

Louisiana universities, private and public, already are feeling some effects of the debt bubble.

Dillard University, which has historically recruited heavily in cities like Chicago and Los Angeles that have large black populations but no historically black colleges, is having a harder time attracting out-of-state students, according to theodis Wright, director of financial aid and scholarships.

They don't want the "increased burden" that would come with having to figure out how to pay for room and board in addition to tuition and fees, Wright said. Students graduate Dillard with an average debt in the mid-$30,000 range, he said — higher than national averages and about 50 percent more than the Louisiana average.

"That's the kind of pickle we deal with," Wright said.

Faye Tydlaska, director of admission and associate vice president for enrollment management at Tulane University, said there has been a change in the behavior of incoming students. Tuition and fees at Tulane amount to nearly $50,000 a year.

"Certainly, we've seen students look more and more to less-expensive options," Tydlaska said. "Sometimes Tulane is a less expensive option. Sometimes we're not."

Those schools and others have begun to incorporate conversations about loans, debt and college affordability into recruitment efforts. Some parents, after living through the mortgage crisis and most recent recession, are less than eager to see their children take on debt.

"What we have seen is less willingness from families to take out a student loan on a child's behalf," Tydlaska said. "So we have to do everything we can to educate parents about the value of our degree."

The proportion of Tulane students who graduated with debt in 2014 — about 45 percent — is close to the Louisiana average, though their average debt load of $31,653 is higher than both the state and national averages, according to the Project on Student Debt.

Dillard, meanwhile, includes a financial literacy component in its outreach and recruitment efforts, Wright said.

"It's about speaking, especially with parents," he said. "We get them to understand that loans are a necessary evil in higher education, but the best way to look at it is it's an investment."

Boutte and Rallo both said they have been encouraging students to enroll in less-expensive two-year degree and certificate programs. Enrollment at two-year schools has increased by 32 percent since the recession began, while enrollment at four-year schools is down slightly.

"If you go to a community or technical college, it is going to college; it is just not a four-year degree," Rallo said. "Increasingly, the number of jobs in this state that require a two-year degree or certificate are the ones that are increasing."

Boutte said she has had to try to counter the conventional wisdom that a two-year degree is worth less than a four-year degree. She visits high schools and uses a tool that compares beans to pizza to steak to help students grapple with how much they should borrow for the job and the lifestyle they want.

"The material says, 'What is it that you're good at doing? How much education do you really need to do what you need to do?'" Boutte said. "That's where this cost discussion comes in. It comes down to, where do you want to go and where can you do it with the least student loan debt?"

Despite those efforts, Litolf said many universities still aren't paying close enough at-tention to the impact that rising debt burdens will have on students because the schools themselves are in survival mode.

"I think we'll look back in four or five years and wonder if we did too much to the students," Litolf said. "And that's what I'm afraid of."

Despite those efforts to keep debt in check, Rallo said, traditional four-year public and private institutions are not the biggest source of student debt. Instead, for-profit universities claim that title.

There is recent evidence to back him up.

According to a September report by the Treasury Department, all but one of the 25 colleges whose students owed the most money were four-year public and private nonprofit schools. By 2014, more than half of the colleges on the list were for-profit schools.

And a disproportionate number of the students at those schools have had trouble settling their debts, according to a report released by the U.S. Department of Education in September. The report put the repayment rate for for-profit, four-year schools at 44 percent, compared with 80 percent at public schools.

Experts believe both the reality and the perception that insurmountable student loan debt is part of receiving a higher education may be pushing some people to avoid college.

"One of the concerns we're looking at is as you continue to increase fees and tuition, at some point, we'll reach the point where it begins to impact enrollment," Litolf said.

Numbers are down at the University of Louisiana system, he noted, but some of that could be attributed to the natural ebb in enrollment that follows the spike caused by an economic slowdown.

"There's a lot of factors involved in that," Litolf said. "But to say it's not because of tuition — I don't think would be 100 percent accurate either."

Richard Thompson contributed to this report.