Report: Average Student Debt Ticks Up for Class of 2018

By Hunter B. Martin, NASFAA Staff Reporter

As lawmakers and presidential contenders continue to debate the issues of college affordability and student loan debt, a report released Thursday shows the growth in student loan debt may be slowing.

Across the country, two out of every three students graduate with loan debt, according to an annual report from the Institute for College Access and Success (TICAS), which analyzes average debt upon graduation across the nation. Collectively, the class of 2018 owed $29,200 on average, which is 2% higher than the average student debt in 2017. Approximately 17% of this debt was made up of private loans.

The average student debt upon graduation with an undergraduate degree ranged from $2,500 to $61,600, depending on the state. However, for-profit schools were not included the reported averages, so it is possible the range is much wider, the authors noted.

"The growth in student loans has slowed in recent years as states have invested more in public colleges, but millions of students continue to struggle with their debts," said TICAS executive vice president Debbie Cochrane, in a statement. "Colleges, states, and the federal government all have an important role to play in reducing the burden of student debt to increase equity in college opportunity."

According to the report, graduates from 21 states have, on average, more than $30,000 in student loan debt. These states are mainly concentrated in the Northeast, spreading into the Midwest. On the other hand, borrowers from most Southwestern and Western states have an average of less than $26,000 in student debt.

State budget cuts have also impacted the high cost of college, the report noted. While 76% of undergraduates are enrolled in public institutions, state support for public higher education has declined sharply since the 2008 recession. During that same time, rising enrollments strained the limits of state funding, leading colleges and universities to raise tuition to make up the difference. As tuition rates increased, so did the amount of loans students took out.

“Between 2008 and 2012, state and local appropriations per student fell by over $2,000, while the loans borrowed by an average student (including those not borrowing) rose by nearly $1,100 per student, from $3,000 in 2008 to $4,100 in 2012,” the report said.

The type of loans borrowers take out is also significant. Private loans offer fewer borrower protections and repayment options than federal loans and often have higher interest rates. Recent federal data has shown that 53% of undergraduates who took out private loans had not yet withdrawn the maximum amount of federal loans available.

“Private education loans from banks and lenders are no more a form of financial aid than a credit card,” TICAS writes. “Regardless of whether they are fixed or variable, interest rates for these loans are typically highest for those who can least afford them.”

Many students struggle to estimate the true cost of college. Since 2011, most universities have been required to offer net price calculators online to prospective students. However, these tools are only as useful as they are easy to locate on the website and simple to understand. For example, prospective students and families also have to factor in the cost of books, supplies, living expenses, housing, transportation, and other fees.

Students and families use net price calculators to estimate how much they'll pay out of pocket for college. However, colleges and universities have recently come under fire for cost of attendance estimates that some have said lead to students struggling with unexpected costs and borrowers taking out additional loans.

Financial hardships especially impact students who are from low-income or first-generation households, especially if the borrower is left with student debt without earning a degree. Borrowers who had received Pell Grants were five times more likely to default than their peers on their loans in a 12-year period. First-generation graduates were more than twice as likely to default on their loans than graduates with parents who had also earned degrees, according to the report.

Students at for-profit schools are even more likely to graduate with high levels of debt and struggle with repaying their loans, TICAS wrote. In 2016, 83% of graduates from for-profit universities took out student loans; the average debt upon graduation was $39,900, which is much higher than average debt amounts of graduates from other types of colleges.

Overall, TICAS wrote, while federal student loans are a "critical resource" for students pursuing a higher education, "far too many borrowers are experiencing repayment distress."

The group recommended, among other things, that lawmakers increase and strengthen the Pell Grant program, establish a federal-state partnership to fund public higher education, and improve the collection of and access to data on colleges and student loan debt.

"Students need more reliable, accessible, timely, accurate, and comparable information to make informed decisions about where to go to school and how to pay for it," TICAS writes.

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