

# Graduating with debt

*Rising student debt 'crippling' recent graduates, the economy*

By **CRISSA SHOEMAKER DEBREE**  
STAFF WRITER

Jennifer Hoffman dreams of the day she can move out of her parents' home and into her own apartment.

There's only one thing standing in her way: about \$100,000 in student loan debt.

"I'm in a crippling amount of debt," said the 24-year-old Hoffman, a 2016 graduate of Monmouth University in New Jersey. "I don't like to think about it."

Hoffman, who lives in Riverside, Burlington County, is not alone in her student loan struggles.

Outstanding student loan debt rose to more than \$1.3 trillion at the end of last year, according to research conducted by the Federal Reserve Bank of New York. That was up \$78 billion from 2015 — and the number has increased every year since the Fed started tracking household debt 18 years ago. The average U.S. graduate left school last year with more than \$37,000 in student loan debt.

About 71 percent of graduates from four-year public and private colleges and universities in Pennsylvania graduated in 2015 with student loan debt, the third-highest percentage in the country, according to the Institute for College Access & Success. The institute, a nonprofit that tracks college affordability, found their average debt was just under \$35,000 — the second-highest in the country.

New Jersey was more affordable: 66 percent of graduates had student loan debt, the eighth-highest percentage. At \$30,100, they ranked 11th for the average amount of debt.



Video online

Watch recent grads talk about dealing with college debt

## Calculate your student loan payment

Want to know how much your student loan payments will be? The federal Department of Education has an online repayment estimator at [studentloans.gov/myDirectLoan/mobile/repayment/repaymentEstimator.action](http://studentloans.gov/myDirectLoan/mobile/repayment/repaymentEstimator.action). It allows you to use your actual loan balance or an "average balance" based on the type of school you attend. You'll need to know your average gross income.

## College debt and the economy

The rising amount of student loan debt doesn't only impact the students who carry it and parents who co-sign for it. It may also have a direct impact on the nation's economy.

"Student debt is not 'cancelable,'" said Larry Cordell, vice president of the RADAR data program at the Federal Reserve Bank of Philadelphia. "It stays with them. They (lenders) can garnish wages. You hear stories about parents that are in retirement now are having to pay student debt for their kids and things like that. If I get into financial trouble with a mortgage or credit card debt, I can get bankruptcy protection. There's ways to deal with that kind of debt. That's the big difference."

A 2015 study by the Philadelphia Fed found a direct negative correlation between student debt and small-business formation. Using a formula to calculate average

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increases in student debt by county, the Fed found every statistical increase in that debt meant 70 fewer new businesses with four or fewer employees, or a decline of 14 percent. The number of businesses with 20 or more employees decreased by 6.2 percent.

"Small business is really the backbone of the U.S. economy," Cordell said. "Approximately 60 percent of new jobs are created by small businesses."

About three-quarters of small businesses rely on loans, credit cards and other debt for startup costs and having high student loan debt decreases the amount an entrepreneur can borrow, the study found.

"We're in a new market now, where we went through a major financial crisis," Cordell said. "Credit standards are tightening. It's harder in general to get credit. If you put student debt on top of that, it's just harder today to get credit than it was in the past."

It's not just business creation that's impacted by student debt.

About a third of respondents in a 2015 survey by loan guarantor American Student Assistance said they found it difficult to even buy daily necessities because of student loan debt. More than half said the debt impacted their ability to buy a car or make other large purchases. Sixty-two percent were putting off saving for retirement. And 55 percent said student debt made them less likely or able to buy a home.

A survey by TD Ameritrade found nearly half of participating post-college millennials reported moving back home so they could afford to pay their student debt.

## Life passages on hold

Newlyweds Steven Daters and Meng Liu are at a point in their lives when they should be shopping for their first home together. Instead, they live in a tiny apartment in Maple Shade, just over the bridge from his job at the Philadelphia Navy Yard and Temple University School of Podiatric Medicine, where his wife is enrolled as a first-year medical student.

"I feel like we're stuck renting," said Daters, 28. "I feel like any money we'd throw into a savings account is thrown into the Department of Education. I've been paying on my loans since 2013; if I had all that money, we'd already have a down payment on a house."

Daters had a different plan after he graduated from Ball State University in Indiana in 2011. With a bachelor's degree in political science and international relations, he headed to Virginia to get a master's degree from George Mason University. It was there that he realized his student debt was climbing, so he opted for a master's

certificate, which he received in 2013. It was at George Mason where he met Liu, who graduated with a bachelor's degree in 2014. The two were married in December.

Daters hoped to get a job as a defense contractor soon after graduation — a well-paying position that would allow him to quickly repay his student loans. Instead, his first job was with a nonprofit organization that contracts with the State Department. Pay was low, but he qualified for a U.S. Department of Education program that allows those working for nonprofits and other "public service" jobs to make income-based payments and, after 10 years, have the balance of their federal student loan debt forgiven if they remain in those public service jobs.

This past August, just before his wife started medical school and they moved to the Philadelphia area, he found a private contractor job at the Navy Yard. Now, he's enrolled in a different income-based program, where he just saw his payments doubled to \$400 a month.

"I'm mostly just paying interest," he said. "I haven't touched the principal at this point."

With Liu in medical school, the couple is down to just his income. That means no more weekend trips to Virginia Beach or out with friends. And home ownership is off the table.

"We can't buy a house until she gets out of med school and starts making some actual money," he

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said. "That's several years off. Our plan really is to hope that this (current living situation) holds out. We've been here almost a year. It's not been too bad. We're just biding our time here, really, I guess."

## Golden years delayed

Mary Brownsberger already owns a house in Doylestown Township. She and her husband also saved enough to put four kids through school with a minimal amount of debt.

But at 62 years old, Brownsberger faces the same student debt hurdle as those less than half her age.

A career change sent her back to college later in life. She received a bachelor's degree in 1999 — the same year as three of her four children — and a doctorate in psychology in 2006. Today, she's director of psychology at Good Shepherd Rehabilitation Network in Allentown, where she works with severely injured patients.

Brownsberger said she entered the public service debt forgiveness program when it was launched in 2010 and documented her job changes over the years to ensure

she stayed in the program, which would have forgiven the balance of her debt in 2020.

But when she started work at Good Shepherd two years ago, Brownsberger learned that despite reassurances from her loan processors, she wasn't paying enough under U.S. Department of Education guidelines to qualify for the program. Only two of her 65 payments counted toward the 10 years of payments she'd have to make for her loan to be forgiven.

"I know I'm not the Lone Ranger here," said Brownsberger, who has increased her monthly payments to ensure she's in the program. "Those of us who are trying to do the right thing, to follow the rules, to make the payments. But we're given wrong information and we're held accountable for it, that to me is just incredibly unjust."

She's not alone in her complaints: the American Bar Association filed a lawsuit against the Department of Education in December over retroactive program denials against people who previously were approved. Brownsberger has written letters to legislators and has filed a complaint with the Consumer Financial Protection Bureau, a federal financial watchdog agency. She hopes she'll get at least some credit for her payments.

Still, at a time when she'd like to consider winding down her career — not retirement, but perhaps cutting back her hours — and spending more time with her children, Brownsberger instead is looking at an additional five years of loan repayment.

"I love my job," she said. "I want to keep on doing what I'm doing. I'm providing direct services to folks with spinal cord and brain injury, and loving what I do. I think I'm pretty good at it. It's not like I have this clock ticking, that I need to retire at 65. At the same time, the financial pressure that that places on one who has devoted her life to serving folks with disabilities is pretty significant."

## Parents bearing burden

It's not just former students who feel the stress from college loan debt. Parents — many of whom have taken out the loans in their names, or co-signed for them — oftentimes shoulder the burden, as well.

David Campbell, of Lower Makefield, is paying student loan bills until his son, Dylan, a 2016 Temple University graduate, can find a full-time job.

"It just sort of happened that way," David Campbell said. "We just refinanced. It was all private loans. Because I co-signed, if he

doesn't pay them, then I have to."

Just one year out of college, Hoffman, the Monmouth University graduate, worries about the burden her debt places on her parents.

Her father is the family's sole breadwinner, and her loans are in his name. He stepped in to help her early on, after her loans almost went into default. She attributed the problem to loan servicer Navient, which has been targeted by the Consumer Financial Protection Bureau for failing to assist borrowers. She said she wasn't contacted about repaying her loans until they were already past due — and added that the loan servicer refuses to consider her income, rather than her father's, to determine what she can afford to pay.

"I'm one of three kids," she said. "My mom is disabled. My dad's the only one that pays anything for us. They should know, my dad's not paying for these (loans). It's me. I know I have to pay. It's the fact that, I'm struggling to get by to pay these, because it's almost as much as I make every month."

Since August, Hoffman has been commuting from her parents' home in Riverside over an hour to a part-time, temporary job in North Jersey. She also works as a waitress, but often she said, she only has pennies left at the end of

the month after paying her student and car loans.

"I think about it all the time," she said of her debt. "It stresses me out. I want to move out of my house so bad, but I can't. I know it'll be OK, but it kind of sucks. But it's also comforting in a way, because I know I'm not the only one in this boat."

The first in her family to go to college, Hoffman said she wishes she had listened to her father when he warned her about the cost. Her siblings have learned from her experience, she said. Her sister commuted to Rowan University — she graduated last week — and her brother plans to attend the police academy.

Hoffman, who majored in communications and dreams of being a sports broadcaster, is considering nursing school in an attempt to find a well-paying job that can help pay off her debt.

"When I was 18, I had no clue," she said. "I didn't know about loans. I knew I wanted to go away to school. I wanted to have a good time. If I knew when I was 18 what I'd been looking at 4-1/2 years after, I would have rethought where I went."

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# As student debt rises, some colleges look to tackle costs

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When Hayley Brunetta graduates from Rowan University in New Jersey next year, she'll have both an associate's and a bachelor's degree. What she won't have is student debt.

She's accomplishing this through a mixture of state grants, personal savings and a unique partnership between Rowan University and Rowan College at Burlington County.

That partnership, known as 3+1, allows qualified students to spend three years at the community college and their final year at Rowan in Glassboro, all for a price tag of about \$25,000.

The program is unique among area community colleges, and officials at Rowan credit it with a rise in applicants.

Rowan at Burlington County has 313 students who have "declared" for the 3+1 program, and nearly 500 more have expressed interest, a college spokesman said.

"I love the fact that I'm not in debt," said Brunetta, an Edgewater Park, New Jersey, resident who plans to attend medical school. "But it makes me upset for my friends and family. My boyfriend has \$30,000 right now that he owes. Every time the loan stuff comes around, he gets very stressed out. My friend just had a baby; she's \$40,000 in debt, and this is her sophomore year. I wouldn't know how you keep pushing yourself through it. That's stress that I don't think I would be able to handle."

## Costs spiraling

The cost of higher education has soared more than 500 percent since 1985, far outpacing the rate of consumer inflation.

College costs and student debt were a major issue in the presidential campaign. And the Washington Post reported this week, the Trump administration has proposed doing away with current student debt repayments in favor of one plan that would cap payments at 12.5 percent of a person's income and forgive balances after 15 years (30 years for those with graduate loans). The plan would also eliminate the public service loan forgiveness program that forgives student loans after 10 years for those who work for a nonprofit or other public service, such as law enforcement or teaching.

In March, the administration also rolled back an Obama-era guidance that forbade loan guarantee agencies from charging a fee of up to 16 percent of the loan balance for students who miss payments.

New York and Tennessee both offer free in-state college tuition programs, and other states are drafting their own programs. That hasn't happened in Pennsylvania.

However, college officials say, they recognize cost has become a key consideration for many prospective students and their parents.

"Sticker shock is an issue," said Arthur Goon, vice president for enrollment management and community outreach at Delaware

Valley University in Doylestown Township. Tuition, fees, room and board cost more than \$50,000, but 97 percent of students receive financial aid.

"Some students look at the sticker price and assume they can't afford DelVal. My message to students would be to apply. After financial aid and merit scholarships, DelVal may end up costing the same or less than another school on their list," Goon said.

To address cost, he said, the private, four-year university has tried to make itself a "transfer-friendly" college that guarantees scholarships to students who transfer from nearly all of the area's community colleges.

"Access to higher education is a stepping stone to a better future

and it shouldn't be reserved for just families who can afford to pay full price," Goon said. "We need to support funding for financial aid to help families afford to send students to college."

## Cutting tuition

Cost was on Isabella Moraschi's mind when she started looking at colleges. The Evesham, New Jersey, resident is now a freshman at Rosemont College in Lower Merion in Montgomery County. Two years ago, the small liberal arts school slashed tuition by nearly 50 percent, rolling it back from \$32,620 to \$18,500 for the 2016-17 school year. It's remaining the same for the 2017-18 school year.

"I'm not all that worried (about student loans)," Moraschi said. "I know it will be a manageable amount. Everybody has loans, but it's not going to be crazy, like at some schools."

Rosemont College President Sharon Hirsch said the "tuition reset" reflects the true cost of attending the school — not the inflated price that was often offset by scholarships and grants.

"It was an issue of clarity, and realizing that an awful lot of families did not understand that, for most private colleges and universities, the published price was actually a 'sticker price,'" she said. "The great majority of families weren't going to end up paying that price."

The move has paid off, she said. Rosemont saw a 64 percent increase in applicants this year, and a 60 percent increase in applicants from middle-income households. The college enrolled 229 students for this school year, up from 175 last year. Rosemont continues to give generous financial aid packages to students who need it, Hirsch said. Its students graduate with an average of \$27,000 in college debt, which is about \$10,000 below the national average.

Paul Drayton, president of Rowan College at Burlington County, said college shouldn't be a luxury afforded by only a few.

"Having a college degree has never been more important," he said. "At the same time, it's becoming more and more unaffordable. Even if you're able to afford going to college, the amount of debt that students are incurring has a major impact on the rest of their life — not just a few years — and the decisions they make, ranging from owning a home to getting married to going to graduate school. There's something wrong with that picture."

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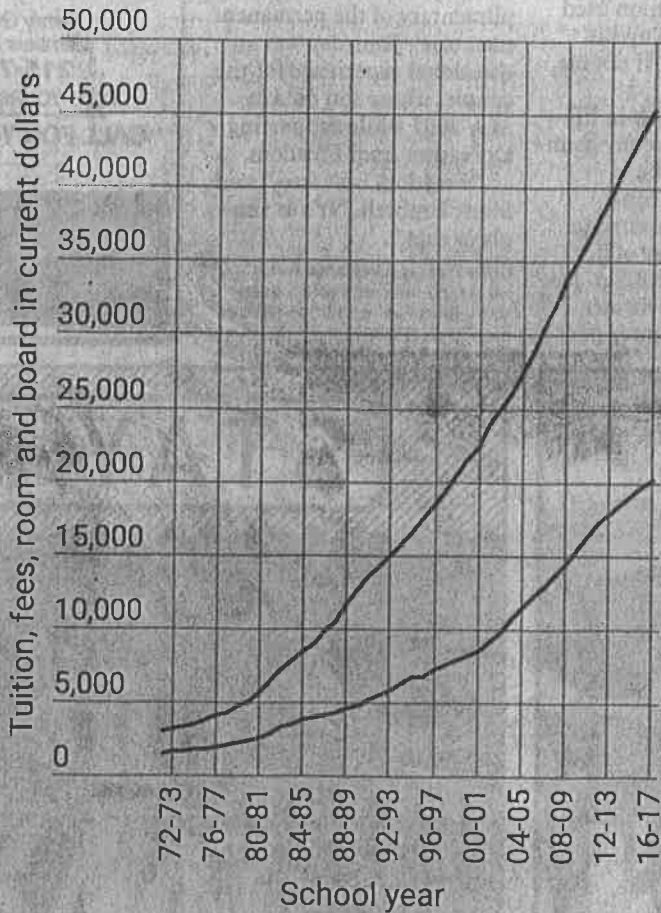


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# Rising cost of college

The cost of a college education has increased faster than the rate of inflation.



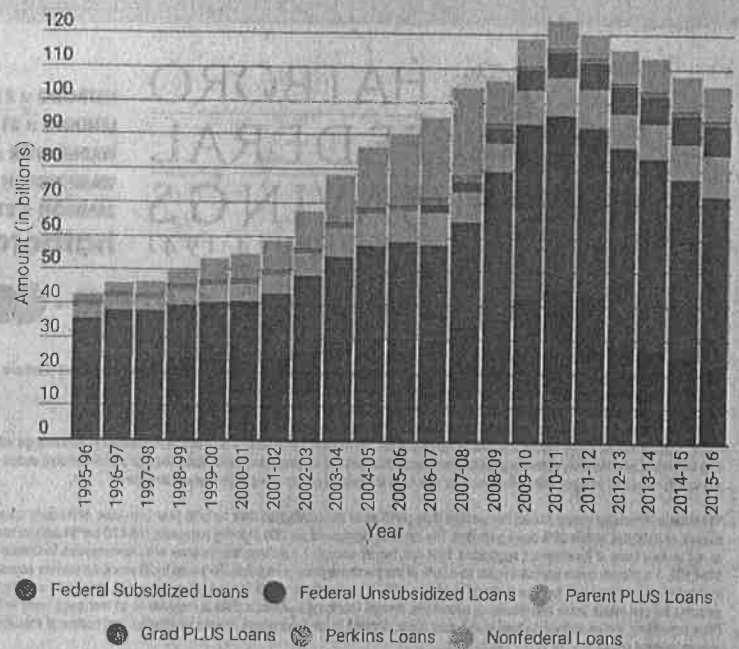
● Private four-year ● Public four-year

Source: The College Board

# Student loan debt in the U.S.

Americans borrowed more than \$106 billion to pay for college costs for the 2015-16 year. Most of the borrowing was through federal loan programs.

Total student loans in 2015 dollars, 1995-96 to 2015-16



Source: The College Board