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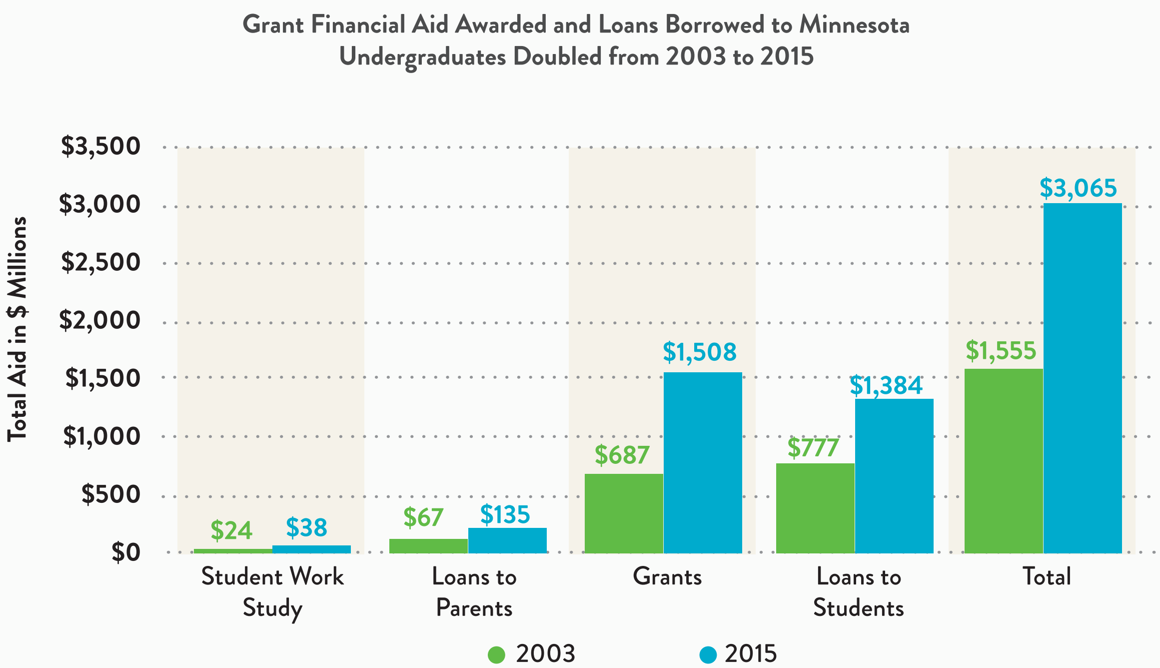
DEBT OF COLLEGE GRADUATES AND REPAYMENT OF LOANS

KEY POINTS IN THIS SECTION

- The median debt of bachelor's degree recipients who graduated in 2015 was $26,822 and 71 percent of these students borrowed student loans.
- Students attending every type of public and private institution in Minnesota had lower loan default rates, on average, than national rates.
- Students attending public two-year institutions had the highest default rates in Minnesota compared to other types of institutions. This is consistent with national trends.

The Minnesota Office of Higher Education monitors loan and debt trends to evaluate state financial aid policies. Loans are one of two major sources of undergraduate financial aid used by students and their families to pay for higher education. The other source is grants and scholarships. In Fiscal Year 2015, Minnesota undergraduates received $1.4 billion from student loan programs out of $3.06 billion in total financial aid. Even though the percentage of financial aid derived from student loans, compared to grant aid, was the same in 2003, the total amount of both types of aid doubled from 2003 to 2015. In addition to loans students borrow, parents borrowed $135 million in federal loans in 2015, or four percent of total aid, to help their children.



SOURCE: Minnesota Office of Higher Education

DATA SUGGESTS
Students continue to rely on loans to finance their postsecondary education.

The median debt of bachelor's degree recipients in 2015 was $26,822 and 71percent of bachelor's degree graduates borrowed loans. The median debt amount was similar for the previous two graduating classes.

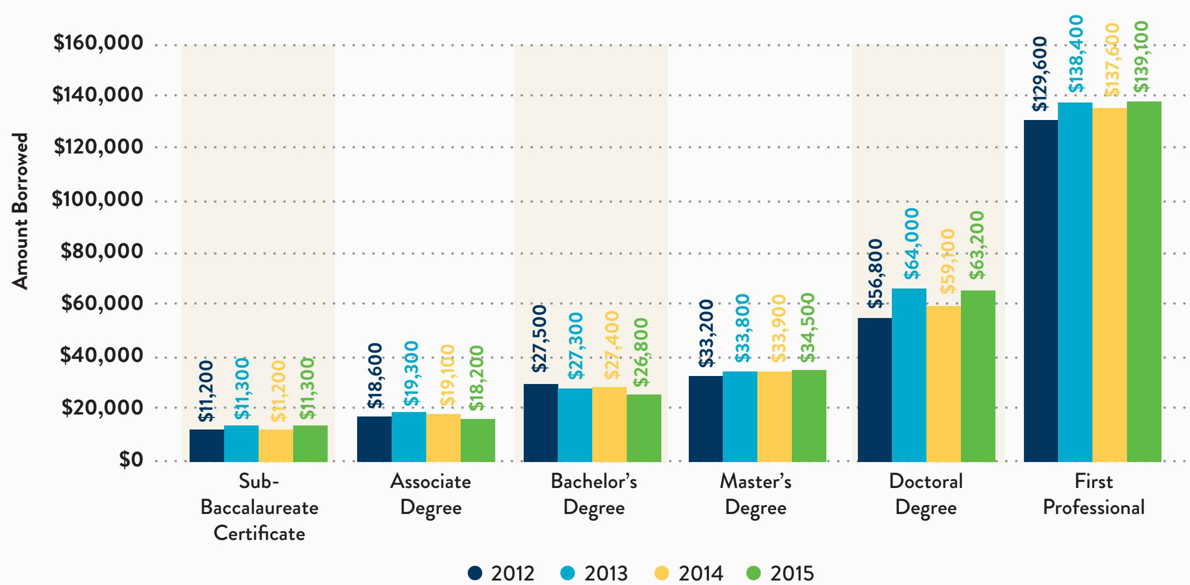
Cumulative debt by award type earned is collected by the Minnesota Office of Higher Education. The Cumulative Debt report[1] provides the cumulative student loan debt on graduates over the past four years at each institution and at each award level. Minnesota students graduating with bachelor's degrees had higher debt than the national average debt, but they had lower loan default rates than students nationally.

[1]http://www.ohe.state.mn.us/pdf/CumulativeStudentLoanDebtReport.pdf

The Federal Pell Grant and the Minnesota State Grant are two government financial aid grant sources available only to undergraduates.

Students completing graduate level education had more debt than undergraduates as graduate school is more costly and grant aid such as fellowships or other institutional aid is limited for many graduate students. Debt increased as the level of degree and specialization increased. This was especially acute in the medical and health sciences fields at the graduate and professional level. Students graduating with first professional degrees in law, medicine, dentistry, veterinary medicine and theology had median debt of $139,100.

Median Cumulative Debt of Minnesota Graduates Increased with Each Level of Education Completed, 2012-2015

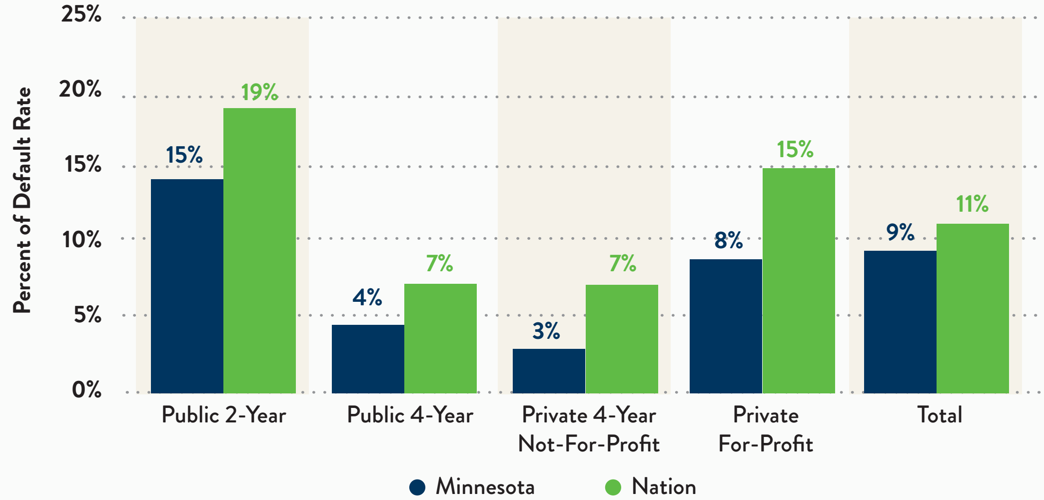


SOURCE: Minnesota Office of Higher Education

DATA SUGGESTS

Professional degree graduates accrue the highest debt.

Undergraduates Attending Minnesota Colleges were less likely to Default on Federal Student Loans than their Peers Nationally, 2013



SOURCE: U.S. Department of Education

DATA SUGGESTS

Minnesota undergraduates have low federal loan default rates. However, students attending public 2-year colleges had the highest default rates.

The U.S. Department of Education publishes default rates of undergraduates who borrowed federal loans annually.[2] Undergraduates attending Minnesota colleges were less likely to default on federal student loans than their peers nationally, though they were more likely to borrow than students in other states.

At 8.8 percent, Minnesota's Fiscal Year 2013 three-year default rate ranked 41st of the 50 states. New Mexico (19 percent) had the highest rate and Massachusetts (6 percent) had the lowest rate. Nationally, the default rate was 11.3 percent, a decrease from 11.8 percent from the previous cohort.

Minnesota undergraduates have lower default rates than the national average.

The three-year default rate of Minnesota borrowers decreased from 9.8 percent in Fiscal Year 2012 to 8.8 percent in Fiscal Year 2013. The number of students defaulting also decreased from 15,744 to 14,062.

[2] http://www2.ed.gov/offices/OSFAP/defaultmanagement/index.html

Minnesota Students Default Rates are Lower than National Average

Fiscal Year 2013 3-Year Offical Cohort Default Rates

STATE	NUMBER OF SCHOOLS	NUMBER OF BORROWERS IN DEFAULT	NUMBER OF BORROWERS ENTERED REPAYMENT	BORROWER DEFAULT RATE
Illinois	249	21,671	230,233	9.4%
Indiana	117	24,474	171,454	14.2%
Iowa	87	11,827	99,246	11.9%
Michigan	136	22,316	187,809	11.8%
Minnesota	108	14,062	159,343	8.8%
North Dakota	24	899	13,773	6.5%
South Dakota	23	2,623	21,170	12.3%
Wisconsin	91	9,192	95,128	9.6%
Total	6,155	593,182	5,211,531	11.3%

SOURCE: U.S. Department of Education, Office of Student Financial Aid Programs

Repaying loans can be problematic.

Taking on debt to pay for higher education is an important option for many students and families. Federal student loan programs accounted for 75 percent, or $1.3 billion, of all federal student aid obtained by students or their families attending Minnesota institutions in 2015. Because obtaining a higher education credential is seen as a personal benefit, paying for the education, as well as repaying debt, is viewed partly as the responsibility of the individual.

Two factors impacting the ability to repay student loans include borrower incomes and choice of repayment terms. Any amount of debt can become problematic if the borrower's income is insufficient to repay the debt. Federal government loans offer repayment plans that may help borrowers who are struggling to repay their loans. Available federal loan options for reduced monthly payments include income-based repayment, extended repayment, unemployment deferments, economic hardship deferments and up to five years of forbearance. Unfortunately, students who take out private or bank loans do not always have the same loan repayment options offered through the federal student loan program which could impact their ability to repay all their loans.

ABOUT DEFAULT RATES

The U.S. Department of Education releases annual official cohort default rates[3] once per year.

The Higher Education Opportunity Act of 2009, enacted by the U.S. Department of Education, published regulations governing the calculation of cohort default rates. An institution's cohort default rate is calculated as the percentage of borrowers in the cohort who default before the end of the second fiscal year following the fiscal year in which the borrowers entered repayment. This extends the length of time in which a student can default from two to three years.

A three-year cohort default rate is the percentage of a school's borrowers who enter repayment on certain Federal Family Education Loan (FFEL) Program or William D. Ford Federal Direct Loan (Direct Loan) Program loans during a particular federal fiscal year, October 1 to September 30, and default or meet other specified conditions prior to the end of the second following fiscal year.

[3] http://www2.ed.gov/offices/OSFAP/defaultmanagement/index.html