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Student Debt

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“Iowa State is ranked third in the U.S. for highest debt rate”
On January 25, President Barack Obama presented the world with his State of the Union address, informing Americans what his national plans and priorities would be for the next four years. And once the topic turned to college affordability, he made a statement that piqued the interest of university students and faculty. “Let me put colleges and universities on notice: If you can’t stop tuition from going up, the funding you get from taxpayers will go down,” Obama said. “Higher education can’t be a luxury - it is an economic imperative that every family in America should be able to afford.”

Iowa State is ranked third in the U.S. for highest debt rate. “I don’t think there is a single school that could stop raising tuition,” says Roberta Johnson, director of Student Financial Aid. Johnson says when Obama spoke about “federal aid,” he could have meant a variety of things. “It could mean stripping financial aid, which would just exacerbate the problem. It could mean slashing research budgets to where education isn’t as valuable.”

Johnson has worked with financial aid for 30 years, so she has adopted what she calls a “wait and see attitude”. Obama’s plan may or may not go through, but Johnson feels that Congress did not seem to be too conciliatory to get the job done.

Also watching the State of the Union Address was Michael Bugeja, director of the Greenlee School of Journalism and Communication, and his wife, Diane. When President Obama mentioned stripping federal aid, they both sat up in their chairs. “I think we really need to focus on lowering tuition in hopes to really streamline higher education,” Bugeja says.

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When it comes to student debt, Bugeja says everyone from staff to regents should be doing something about it. Instead of arguing about legislators not funding higher education, administrators need to step up and show the quality of our education. “Loans are so prevalent that students are using them for Spring Break and cars,” Bugeja says.

Joe Smith, a former junior in vocal performance, says he chose to leave Iowa State and follow a different career path because of the financial strain of college. “What I can teach myself is what I need. Education here is just putting me more in debt.”

Smith said in an ideal “Joe’s world” he’d pay off debt from the past 3 years in the next 5-10 years, but realistically it will be 20-30. “I might live in a box, but I’ll embrace the box,” Smith jokes.

According to Roberta Johnson, in the 1970’s, 70 percent of university funding came from the state of Iowa and now less than 50 percent of support comes from state appropriation.
With this drastic drop of support, students are getting more involved with student loans, but before getting caught up in them, it is important to understand the different kinds of loans that are available. For example, Stafford loans are the most dispersed loan in the US. They have lower fixed interest rates, students do not have to make payments while in school, and acceptance is not based on credit. Private loans typically have a higher interest rate, but the repayment period can be as long as 25 years. As for the Federal Perkins Loan, there is no origination fee, it has a one-year repayment fee, and the interest rate is fixed at 5%. These are just a few of many components to the types of loans students can receive.

Many students are in the dark about debt and the effects that student loans will ultimately have on their financial situation. Education about the available loans, and the possible consequences will help students gain a better understanding and potentially lower the ranking for the ISU debt rate. [TM1] As for Obama’s plan, stripping federal aid in hopes to lower tuition may or may not have a positive outcome, but student and administration understanding is crucial for a positive financial future at Iowa State.

“In 2010, 69% of ISU graduates left with debt

Average debt of students in 2010: $30,062

Iowa State is ranked 3rd in the US for highest debt rate

Average percentage of students with debt: 72%

52% of private student loan borrowers in 2007-08 borrowed less than they could have in federal Stafford loans

“What I can teach myself is what I need. Education here is just putting me more in debt.” -Joe Smith