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**"I KIND OF
RUINED MY LIFE
BY GOING
TO COLLEGE."**

-JACKIE KROWEN, 32, PORTLAND, OREGON

\$162,000 IN STUDENT DEBT

42 million people owe \$1.3 trillion in student debt.
How we made this mess, who's to blame, and what you can do about it.

RATINGS

REFRIGERATORS | DISHWASHERS | RANGES

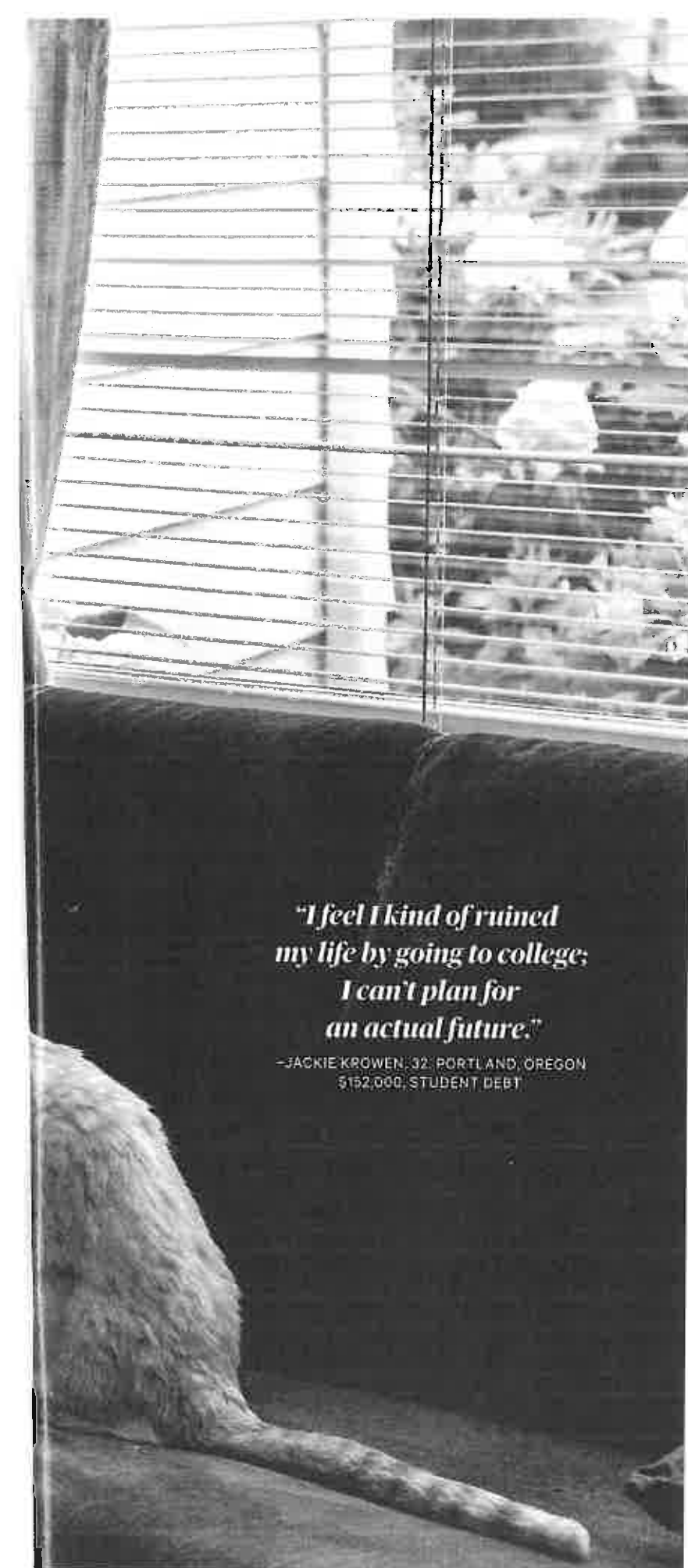
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Lives on Hold

Millions of Americans who went to college seeking a better future now face crushing debt from student loans—while the industry makes a handsome profit. How a broken system landed so many in this mess.



*"I feel I kind of ruined
my life by going to college;
I can't plan for
an actual future."*

—JACKIE KROWEN, 32, PORTLAND, OREGON
\$152,000, STUDENT DEBT

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Almost every American knows an adult burdened by a student loan. Fewer know that growing alongside 42 million indebted students is a formidable private industry that has been enriched by those very loans.

A generation ago, the federal government opened its student loan bank to profit-making corporations. Private-equity companies and Wall Street banks seized on the flow of federal loan dollars, peddling loans students sometimes could not afford and then collecting fees from the government to hound students when they defaulted.

Step by step, one law after another has been enacted by Congress to make student debt the worst kind of debt for Americans—and the best kind for banks and debt collectors.

Today, just about everyone involved in the student loan industry makes money off of the students—the banks, private investors, even the federal government.

Once in place, the privatized student loan industry has largely succeeded in preserving its status in Washington. And in one of the industry's greatest lobbying triumphs, student loans can no longer be discharged in bankruptcy, except in rare cases.

At the same time, societal changes conspired to drive up the basic need for these loans: Middle-class incomes stagnated, college costs soared, and states retreated from their historical investment in public universities.

*This is a condensed version of a story by
Reveal from The Center for Investigative
Reporting. To read the full investigation
from James B. Steele and Lance Williams,
visit www.revealnews.org/studentdebt.*

◀ Jackie Krowen

32, PORTLAND, OREGON
LANE COMMUNITY COLLEGE,
PORTLAND STATE UNIVERSITY,
UNIVERSITY OF ROCHESTER

\$128,000	\$152,000	\$1,200
STUDENT LOANS	REMAINING BALANCE	MONTHLY PAYMENT

OCCUPATION: NURSE; SALARY: \$62,000

When she was 19, Jackie Krowen took out her first student loan to attend a community college in Oregon. She borrowed more when she transferred to Portland State University, and still more for nursing school at the University of Rochester in New York.

"You didn't have to meet with anybody," she says. "You just clicked some buttons on the computer and you had a huge check."

When she finished school in 2011, she was \$128,000 in debt. Today, with a good job as a nurse, she still can't make a dent.

Looking back, Krowen realizes she had no idea what she was doing when she took out her loans. Her parents, she says, encouraged her to borrow because the interest rate was low. Like many young borrowers, she didn't know how much interest could accrue. "It didn't make sense to me," she says.

Now she understands. Her balance is currently \$24,000 more than what she borrowed.

Buying a house isn't an option, she says, and the idea of having a family seems financially impossible. She fears it will be that way for the rest of her life.

If states had continued to support public higher education at the rate they had in 1980, they would have invested at least an additional \$500 billion in their university systems, according to an analysis by Reveal from The Center for Investigative Reporting.

The calculus for students and their families had changed drastically, with little notice. Today, there is a student debt class like no other: about 42 million Americans bearing \$1.3 trillion in debt that's altering lives, relationships, and even retirement.

"I feel I kind of ruined my life by going to college," says Jackie Krowen, 32, of Portland, Oregon, a nurse with a student loan balance of \$152,000. "I can't plan for an actual future."

One of the beneficiaries in the profit spree behind this debt is the federal government. By the Department of Education's own calculations, the government expects to earn an astonishing 20 percent for the loans it made in 2013.

Today student debt is a \$140 billion-a-year industry, and unlike many of its student customers, the industry's future looks bright.

Retreat of the States

In the summer of 2010, Saul Newton was a 20-year-old rifleman stationed at a small U.S. Army outpost in the remote, dangerous Arghandab River Valley of Afghanistan.

It was a radical change for a kid from suburban Milwaukee who only months before had been a student at the University of Wisconsin-Stevens Point.

But after two years of tuition hikes, Newton found himself with about \$10,000 in student loans and the prospect of still more borrowing if he stayed in school. "I couldn't afford it any more," he says. He dropped out and enlisted, hoping one day to go back to school under the GI bill.

He wound up fighting the Taliban. His unit's worst day was when the battalion chaplain and four other soldiers were killed by a roadside bomb in August 2010.

"My focus was on doing my job and staying alive," Newton says. But no matter what else was going on at the outpost, once a month he says he went to the

wooden shack where the unit kept a laptop computer and made his online student loan payment of \$100.

He worried that if he didn't pay his loans, his credit would be shot. (Newton says he wasn't aware that the government offers student loan deferments to active soldiers in wartime.)

Today, back home in Wisconsin as director of the Wisconsin Veterans Chamber of Commerce, Newton says his state's cuts to higher education will force more young people to face the same choices he did.

"You shouldn't have to go to war to get a college education," he says.

In the last decade, Wisconsin has cut back sharply on funding its state university system.

In 2003, students paid about 30 percent of the University of Wisconsin system's total educational cost, according to data compiled by the State Higher Education Executive Officers Association. By 2013, after several rounds of state budget cuts, students were responsible for about 47 percent, and more state cuts to higher education are expected.

By 2014, 70 percent of Wisconsin students graduated with debt—the third-highest percentage in the nation for students at public and nonprofit colleges, according to the nonprofit Institute for College Access & Success, or TICAS.

Wisconsin's trajectory follows a national trend. After World War II, the states appropriated more and more funds for public higher education, and by 1975, they were contributing 58 percent of the total cost. But since then they have steadily reduced their share, pressured by, among other things, the rising costs of Medicaid and prisons. Today, state support is at 37 percent nationally, according to data from the U.S. Bureau of Economic Analysis.

"We ought to invest in the future, not take from the future," says Thomas G. Mortenson, a senior scholar at the Pell Institute for the Study of Opportunity in Higher Education. "Where I used to live we called that eating our seed corn."

As the states cut back funding, universities raised tuition. To cover the increase,

"Debt is the first thing I factor in all of my decisions."

JESSIE SUREN, 28, PHILADELPHIA
\$90,000 STUDENT DEBT



more students borrowed, which brought in even more money for the thriving industry. The next step: collecting all that debt.

Calls, at All Hours

The work was automated and fast-paced: Calls were robo-dialed, and the delinquent borrower's account history flashed on the computer screen in Jessie Suren's cubicle. Her job, which paid about \$12 an hour, was to engage with the borrower, stick to the script—and try to get some money out of people who were delinquent on student loans.

At the massive call center in Harrisburg, Pa., Suren felt like she was working for the enemy. The 28-year-old owes about \$90,000 in student loans.

Some calls were scary, Suren says; angry borrowers would curse and threaten, declaring they were jobless and broke. Other calls were heartbreaking; borrowers would say they or their children were terminally ill.

Whatever their story, Suren says she'd have to tell borrowers what would happen
(continued on page 33)

▲ Jessie Suren

28, PHILADELPHIA
LA SALLE UNIVERSITY

\$72,000	\$90,000	\$900
STUDENT LOANS	REMAINING BALANCE	MONTHLY PAYMENT

OCCUPATION: SELLS VACATION PACKAGES;
SALARY: \$39,000 A YEAR, ALL COMMISSION

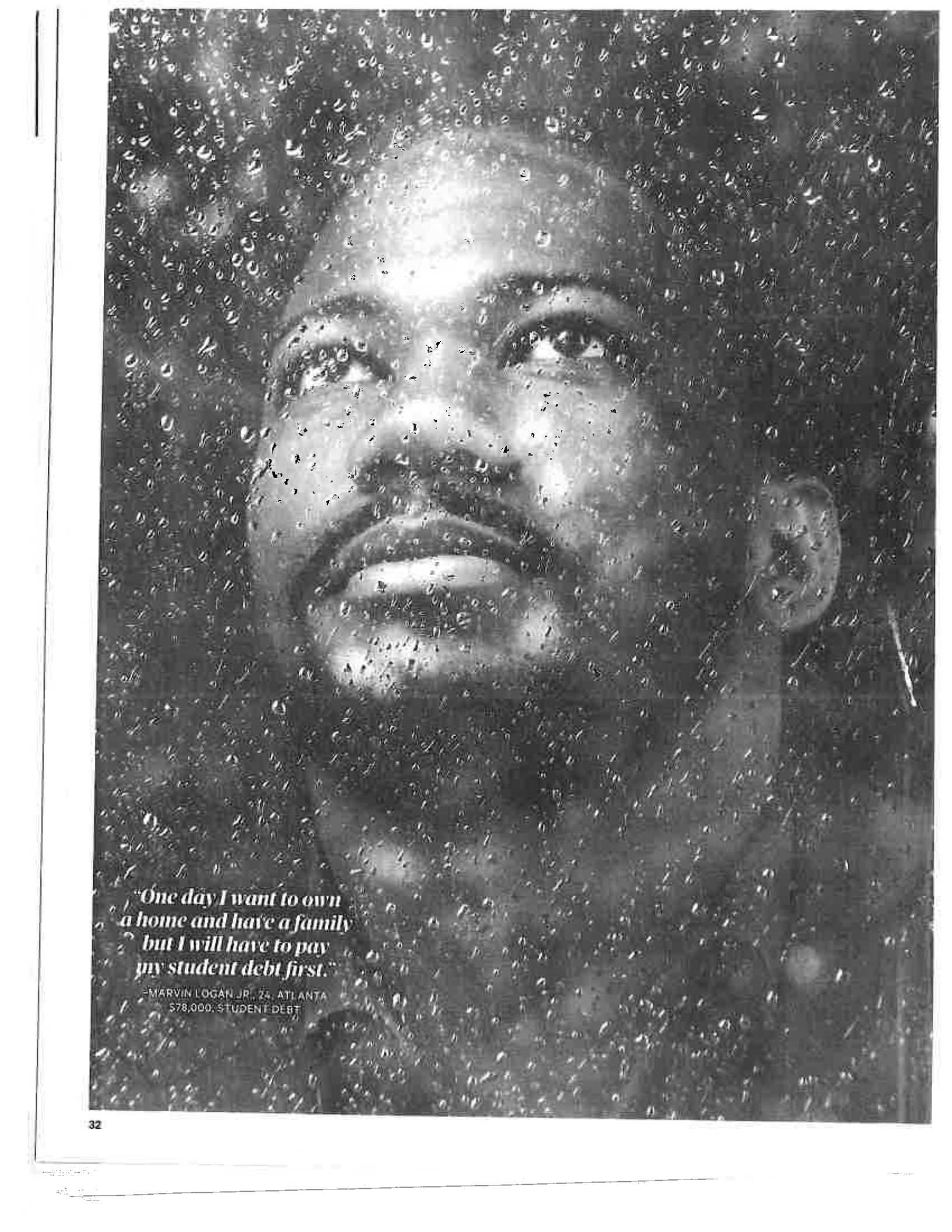
Suren was raised by a single mom who worked in the restaurant business. She pushed Suren to get an education. "My mom wanted for me what she didn't have," says Suren, who did well in school and became the first in her immediate family to attend college. She knew she'd have to finance it herself. Her mother hired a consultant to help with the financial aid forms, at a cost of nearly \$2,000, but that didn't prepare Suren for the obligations she was taking on. Nor did her high school counselors, she says. "No one talked to me about whether I could afford

college, how much it would cost or how interest would work. I knew nothing about money."

Suren decided to go to La Salle University, a private Catholic school. Grant money and scholarships didn't cover the \$36,000 a year for tuition, fees, and room and board, so she took out the maximum she could in student loans. Her aunt co-signed a private loan and her mother took out a federal loan designed for parents.

By the time Suren graduated in 2010, she was already \$72,000 in debt.

Most troubling for Suren is that servicers and debt collectors can go after her family, too. "If I were only responsible for my loans, I might not pay and just say forget it," she says. "But because this impacts my mom and aunt, I won't do that." With such a high monthly payment, she wonders if she will ever be able to buy a house or start a family.



*"One day I want to own
a home and have a family
but I will have to pay
my student debt first."*

-MARVIN LOGAN JR., 24, ATLANTA
\$78,000, STUDENT DEBT

Marvin Logan, Jr.

24, ATLANTA

KENT STATE UNIVERSITY
CLARK ATLANTA UNIVERSITY

\$78,000

STUDENT
LOANS

\$789

MONTHLY PAYMENT
ONCE HE GRADUATES

OCCUPATION: YOUTH COUNSELOR
AT A FOUNDATION; SALARY: \$25,000

As a star athlete at Warren G. Harding High School in Warren, Ohio, Marvin Logan Jr. never worried about how he'd pay for college.

Raised by a single dad who worked as an electrician, Logan was an All-American in track and field and played football. College recruiters courted him in both sports.

He went to Kent State University on a track scholarship but soon discovered he couldn't afford it all. So he took out \$5,500 in loans freshman year to help pay for living expenses and school supplies.

Then sophomore year, he lost his scholarship when injuries prevented him from competing. To pay for school, he took out more loans.

Marvin graduated in 2015 and now works at a nonprofit helping disadvantaged youth.

Because he is going to grad school full time at night, he's added on to his overall debt.

Repayment starts when school ends.

He says he has no regrets: "College has given me the opportunity to do what I love and make a difference."

if they didn't pay: American Education Services, a loan servicing company, could take their tax refund and garnish their wages.

After hanging up, Suren would sometimes reflect on her own student loans. "This is going to be me in a couple of years," she would think. Eventually, she quit.

The federal government holds about 93 percent of the \$1.3 trillion in outstanding student loans. That makes the Department of Education, effectively, one of the world's largest banks, but one that rarely deals directly with its customers.

In the 1980s, the department began contracting with private companies to take over some debt collection. Then after privatization, a surge of investors poured into this field. Established debt-collection firms were bought up by privately held investor funds controlled by the likes of JPMorgan Chase and Citigroup.

Today, one in four borrowers are behind in their payments, according to the Consumer Financial Protection Bureau, with an estimated 7.6 million in default. As borrowers struggle to make payments, debt-collection profits rise.

Contractors are expected to make more than \$2 billion in commissions from the government this year, according to the National Consumer Law Center.

With the stakes so high, complaints about overzealous debt collectors have soared. Federal and state agencies have fined contractors millions for misconduct in harassing student debtors. Some have lost their contracts entirely.

San Francisco graphic designer Brandon Hill says debt collectors from Sallie Mae began calling him "yelling and

screaming" about his past-due payments as early as 5 a.m. After he complained to state regulators in 2013, Sallie Mae and Navient Credit Finance turned around and sued him for immediate repayment of a combined \$73,000 in student loans, records show. "I was sued for complaining," he says. His lawyer is negotiating a settlement.

In a letter to the California attorney general's office, Sallie Mae wrote that the company had "acted appropriately" in contacting Hill. The flurry of 5 a.m. calls occurred because Hill's cell phone has a Virginia area code, so the collectors assumed he was on the East Coast, a Sallie Mae official wrote.

Retired University of Cincinnati professor Mary Franklin says student debt collectors told her they would garnish her disability insurance benefits because she had fallen behind on a student loan dating back decades.

"I tried to explain to them that I was ill," she says. "They said the federal government [doesn't] care." Eventually, she says, she managed to resume payments.

Congress revised the program again and in 2010 took back control of issuing federal student loans; the government now loans directly to students. However, it left intact the industry that had grown up to service and collect the loans.

Other progress has been made. New regulations introduced after 2013 now limit a student debtor's federal loan payments to as low as 10 percent of discretionary income. And in 2015, the Obama administration launched a pilot program to test whether federal employees could

The Partnership Behind This Package of Stories

As **Consumer Reports** celebrates its 80th birthday, the organization will be engaging with you in new ways to help build a fairer, safer, healthier marketplace. This month, CR is partnering with **Reveal** from The Center for Investigative Reporting to produce this special report on our nation's growing student debt crisis. Each nonprofit has contributed unique pieces of content to this project—including articles reported and written by each organization, videos, infographics, survey findings, and student profiles. Our respective institutions operate independently. Any policy positions that Consumer Reports may take in the marketplace do not reflect the views of Reveal, which does not take advocacy positions. Likewise, articles attributed to each organization are a result of its own work.

We hope the content found here and at ConsumerReports.org/studentdebt, as well as at revealnews.org/ studentdebt, will illuminate the forces that led to 42 million Americans owing \$1.3 trillion in debt, illustrate the profound and lasting impact this debt can have, and offer practical advice for those looking to avoid the trap.

GWENDOLYN BOUNDS Executive Director, Content @ Consumer Reports; on Twitter @gwendolynbounds

AMY PYLE Editor in Chief @ Reveal from The Center for Investigative Reporting; on Twitter @amy_pyle

ConsumerReports

Reveal

from The Center for Investigative Reporting

Note: **Joaquin Alvarado**, CEO of The Center for Investigative Reporting, is on Consumer Reports' board of directors.

▼ Saul Newton

28, MILWAUKEE
UNIVERSITY OF WISCONSIN-
STEVENS POINT

\$10,000
ORIGINAL
STUDENT LOANS

\$23,000
CURRENT BALANCE
(after returning to
college post-military)

OCCUPATION: DIRECTOR, WISCONSIN
VETERANS CHAMBER OF COMMERCE;
SALARY: \$28,800 A YEAR

After two years of tuition hikes at the University of Wisconsin-Stevens Point, Newton's student loan balance was already \$10,000.

"I couldn't afford it any more," he says. In 2009, he dropped out and joined the Army, hoping one day to continue his education under the GI Bill, which he has done.

Several months later, he was in

Afghanistan's Arghandab River Valley, a private in the 4th Infantry Division. His unit's worst day was when the battalion chaplain and four other soldiers were killed by a roadside bomb in August 2010.

"My focus was on doing my job and staying alive," he says. But he was careful never to forget to go and make his online student loan payment of \$100 a month.

"It was kind of crazy" that a soldier in a war zone had to worry about his student loans, Newton says, but he believed that "if I didn't pay my loans, my credit would be shot."

Now he's back home in Wisconsin, working as a veterans' activist. "You shouldn't have to go to war to get a college education," he says. On the other hand, "starting your post-college life with tens of thousands of dollars in debt is a weight around your ankles," he says. "I can relate to that."

effectively take over the job of collecting unpaid student loans, while at the same time being more helpful and less aggressive than private collectors.

To Deanne Loonin, a lawyer who monitored student debt for years for the National Consumer Law Center, the Treasury experiment is focusing on one of the biggest problems confronting borrowers.

"We need to eliminate the private collection agencies from this process," she says. "They are incentivized just to collect money, not to work out ways that might be better for the borrowers. We need to see what else might work." ■

This story was produced by Reveal from The Center for Investigative Reporting, a nonprofit news organization based in the San Francisco Bay Area. Learn more at revealnews.org and subscribe to the Reveal podcast, produced with PRX, at revealnews.org/podcast. Lance Williams can be reached at lwilliams@cironline.org.



*"You shouldn't have
to go to war to get a
college education."*

—SAUL NEWTON, 28 |
MILWAUKEE
\$23,000, STUDENT DEBT

Having the College Money Talk

10 Key Questions
Every Family
Should Discuss
by Donna Rosato

W

With so many options, figuring out where to go to college can be overwhelming. Large research university or small liberal arts college? City school or rural school? Close to home or out of state? Guidance counselors talk of finding a school that's the right "fit" academically and that has an atmosphere that suits the student. But as students and parents get wrapped up in the emotional quest for a "dream school," they can lose sight of the financial consequences of the decisions they make. And when the acceptance letters finally (hopefully) roll in, families of college-bound students can find themselves scrambling to figure out exactly how they're going to pay for it all.

Today a four-year education at a state school—including tuition, fees, and room and board—costs an average of \$78,000; at a private university it's more than double that. More than 70 percent of graduates leave school with debt. Borrowers in the class of 2016 are finishing with record debt, averaging about \$37,000 per graduate, according to an analysis by Mark Kantrowitz, an industry expert, and publisher and vice president of strategy for Cappex.com, a website that helps students compare colleges and find scholarships.

Debt that size can cast a long shadow, according to a new Consumer Reports nationally representative survey of more than 1,500 student loan borrowers. Forty-four percent of those who have left college say they have had to cut back on daily living expenses, and 28 percent have had to delay major goals like buying a house and 37 percent put off saving for retirement. The financial impact is so

daunting that 45 percent of borrowers say knowing what they know now, their college experience wasn't worth the cost.

How do you avoid that kind of buyer's remorse?

Financial aid and college financing experts consulted by Consumer Reports say that families often don't pay enough attention to actual costs until they're deep in the college admissions process. "When you're looking for a school, it's not just about academics and the feel of the place," says Frank Palmasani, a college counselor at Providence Catholic High School in New Lenox, Ill., and author of "Right College, Right Price." "It should be a financial fit, too." Parents and children should have frank family talks early and often. Parents should be honest about how much they have saved and can afford. They should ask their college-bound son or daughter to think about his or her ambitions and expectations, and to be realistic about how much they are willing to shoulder when it comes to debt.

With an action plan in place early, families can weigh their options rationally at the moment when acceptance letters and student aid offers are on the kitchen table. Consumer Reports put together these questions and best practices to help you start the conversation and demystify the process. Going through them as a family may even reveal options you hadn't considered.

1 What does your student want to get out of college?

College can be an expensive place to figure out what you want to do in life. Yet many students, understandably, head off not knowing. They change majors, transfer schools, and often take and pay for too many classes that don't count toward the degree they eventually choose.

Those are among the reasons only 39 percent of college students graduate in four years, according to the National Center on Education Statistics. Extra time means extra debt. According to an analysis of students from the University of Texas at Austin who took out student loans, those who graduate on time will

What Makes Student Debt Different

HOW IS INTEREST SET?

MORTGAGES Private lenders continuously set and reset rates, based on movements in the secondary markets, where bundles of loans are bought and sold. Rates for a conventional 30-year fixed-rate mortgage fluctuate along with the 10-year Treasury yield.

STUDENT LOANS Congress sets federal loan rates each spring off the 10-year Treasury note. Private lenders have their own formulas. Student loan interest rates are typically higher than those of 30-year fixed-rate mortgages.

CAN YOU REFINANCE TO TAKE ADVANTAGE OF LOWER RATES?

MORTGAGES Yes, through many banks and credit unions.

STUDENT LOANS Yes, but be warned: Few private providers offer these services, and when you refinance federal loans, you forfeit key consumer protections.

CAN YOU DISCHARGE YOUR LOAN IN BANKRUPTCY?

MORTGAGES Yes.

STUDENT LOANS Not without proving "undue hardship" to a bankruptcy judge with challenges from the lender, a high bar.

IS THERE RECOURSE AGAINST BAD LOAN SERVICING?

MORTGAGES Yes. If the mortgage servicer applies payment improperly—thus breaking the law—you can sue.

STUDENT LOANS Not much, because there are no consistent industry standards for student loan servicers.

CAN THE LOAN GROW BIGGER OVER TIME?

MORTGAGES Not really, due to rules forbidding servicers from setting too-low payments, causing interest to add up.

STUDENT LOANS Yes. That can happen, with income-based repayment plans and in other circumstances. When unpaid interest is added to principal, debtors pay interest on interest.

—Tobie Stanger

owe an average of 40 percent less than those who graduate in six years.

A student who has a few years till college can get a better sense of his options by exploring different kinds of careers, whether by working as a volunteer or part time, or by doing job "shadows" following a worker through a typical day, says Cyndy McDonald, president of GuidedPath in Boulder, Colo., which advises high school college advisers, students, and their families on college planning. Older students who are still uncertain might consider commuting to a less expensive public university until they have a firm idea about what they want to study, says McDonald.

Taking a "gap year" can also pay off. That's what Malia Obama, daughter of the president and first lady, who is heading to Harvard in 2017, plans to do. Research from Bob Clagett, a former dean of admissions at Middlebury College and a former senior admissions officer at Harvard College, found that gap-year students at Middlebury and UNC-Chapel Hill had, on average, higher overall GPAs than those who didn't take time off. Gap-year students also performed better in college than their high school academic record would have predicted.

2 How much will college cost, bottom line?

Figuring out the true cost of college isn't as simple as looking up the tuition and room and board charges and multiplying by four. Even at the most expensive colleges, few people pay the actual sticker price. How much you pay depends on your family's financial situation, the student's academic record, and other factors that influence how much a school offers in grants and scholarships, both types of free money that don't need to be paid back. To evaluate a school's true cost, you need to get down to the "net price."

The net price is how much a student pays after subtracting scholarships and grants. Since 2011, undergraduate colleges and universities that participate in the federal financial aid system are required to have a net price calculator on

their websites. Input information about your family's finances and the student's academic record, such as GPA and SAT scores, which can affect merit aid, and get an estimate of the net cost to you. Loans are not included in the calculation.

You won't know your exact cost until a school accepts you and gives you a formal financial aid offer. But using the calculators will give an idea of your eventual out-of-pocket costs and how much you might need to borrow to attend. It will help you target schools in your price range.

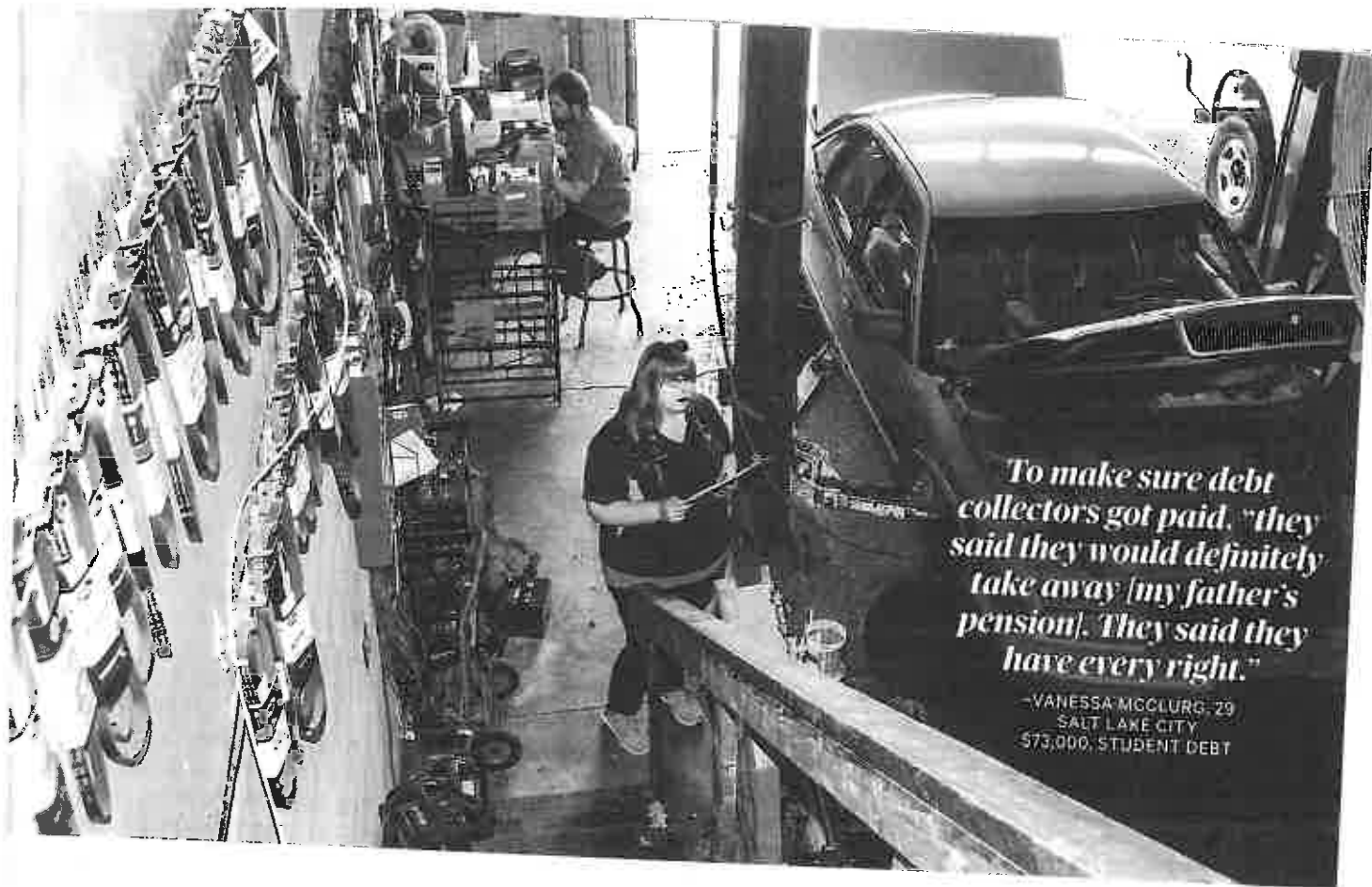
One mistake families often make is assuming that their state university will be the most affordable option, says Palmasani. Flagship state schools can be pricier than smaller private colleges. A public university in another state could be less expensive than going in-state where you live.

Some private colleges, even highly selective ones, can be cheaper than state schools, too. That's because public colleges generally award smaller and fewer scholarships than private colleges, which may have richer endowments, says Zee Santiago, director of college counseling at the Collegiate Institute for Math and Science high school in New York City. "With cutbacks to state funding, state schools don't have the money to give out that private schools do," says Santiago.

That was the case for Aissata Samake, a 17-year-old senior in New York City. She was accepted to three schools in the State University of New York system but will be studying biology at Gettysburg College, a private school in Pennsylvania. While the total cost is about \$63,000 per year, Samake will pay only \$3,000, thanks to the financial aid package she received. Typical costs at SUNY schools average \$20,000 per year, and Samake would have had to pay nearly the whole tab.

3 How much federal financial aid can our family really expect?

You can get an early read on eligibility for federal aid—grants, loans, and work-study programs—using the Department of Education's FAFSA4caster tool (studentaid.ed.gov/sa/fafsa/estimate). It



To make sure debt collectors got paid, they said they would definitely take away [my father's pension]. They said they have every right.

-VANESSA MCCLURG, 29
SALT LAKE CITY
\$73,000, STUDENT DEBT

offers a federal aid picture, but using it with a specific school's net price calculator can give you a more detailed view.

Then, at the start of senior year of high school, parents of a college-bound student need to fill out the Free Application for Federal Student Aid (FAFSA). In addition to federal aid, this is the form that states, colleges, and many scholarship programs use to determine eligibility for grants and loans. New this year: You can submit the FAFSA as early as October, using what is awkwardly called the "prior-prior" year's tax return. That means students who want to attend college for the 2017-2018 academic year can file in October of 2016 using the family's 2015 tax info. Don't make the mistake of not filing a FAFSA because you don't think you'll qualify for aid. Everyone is eligible for certain types of federal loans. There is no explicit income cutoff for need-based aid, such as Pell Grants and subsidized student loans, says Kantrowitz of Cappex.com. Parent and student income and assets are the major factors that determine whether you qualify. But the size of your family, the number of children in college at the same time, and

the age of the student's parents are also considered. The older the parent, the less their assets will be weighed in financial aid calculations because it's understood that older parents need to be saving for retirement, too.

4 Are financial aid offers good for four years?

In what can seem like a bait and switch, some schools may offer more generous scholarships and grants to freshmen to entice them to enroll, but be aware that this money might not be fully renewable, says Kalman Chany, author of "Paying for College Without Going Broke." "You need to know what strings are attached to get it every year," says Chany. If you receive a merit-based scholarship, ask what the requirements are to qualify each year. You may need to maintain a certain GPA, for example. If you have a generous athletic scholarship, find out whether it continues if you sustain a career-ending injury, and have a contingency plan in case it doesn't. Even if the amount of grants and scholarships stays the same for all four years, tuition is likely to rise,

▲ Vanessa McClurg

29, SALT LAKE CITY

UNIVERSITY OF NORTH TEXAS

\$67,000	\$73,000	\$522
STUDENT LOANS	REMAINING BALANCE	MONTHLY PAYMENT

OCCUPATION: AUTO SHOP SERVICE MANAGER;
SALARY: \$32,000 ANNUALLY

McClurg's father, a retired U.S. Navy officer, co-signed her loans. Then illness disrupted her education. She was hospitalized with pneumonia as a sophomore and later contracted a staph infection: "Unbeknownst to me," she says, "I didn't have a good immune system." After missing more than a year of classes, she dropped out in 2010.

McClurg moved to Utah and got a \$9-an-hour job in an auto repair shop, and says she couldn't afford to pay her loans for a few years. Then debt collectors "really came after me," she says, threatening to sue her. Then they said they would go after her father as well because he had co-signed her loans. "They would definitely take away his pension," she says she was told. "They said they have every right." Finally, she says, "my 84-year-old grandfather gave me every dime he had" so that she could get her loans current.

McClurg says she now earns \$32,000 per year, enough to pay \$522 each month for the education she never finished.

Degrees of Debt & Regret

The data is consistent and compelling: Because a college education translates into a better future, it's worth the money you spend on it. But try telling that to the 1,500 Americans with student debt who responded to a nationally representative March 2016 Consumer Reports National Research Center survey. The burden of paying off significant loans has left many questioning—after the fact—whether college was worth the cost.

45%

OF PEOPLE WITH STUDENT LOAN DEBT SAID THAT COLLEGE WAS NOT WORTH THE COST.

OF THOSE WHO SAID COLLEGE WASN'T WORTH THE MONEY

- 38%** Didn't graduate.
- 69%** Have had trouble making loan payments.
- 78%** Earn less than \$50,000 per year.
- 43%** Didn't get help from parents making financial aid decisions.

The Impact of Student Debt ...

44%
CUT BACK ON DAY-TO-DAY LIVING EXPENSES.

37%
DELAYED SAVING FOR RETIREMENT OR OTHER FINANCIAL GOALS.

28%
DELAYED BUYING A HOUSE.

12%
DELAYED MARRIAGE.

14%
CHANGED CAREERS AS A RESULT OF STUDENT DEBT.

47%

SAID THAT IF THEY HAD TO DO IT OVER AGAIN, THEY WOULD ACCEPT LESS FINANCIAL AID. THAT MEANS THEY'D HAVE TO GO TO A CHEAPER SCHOOL OR FIND ANOTHER WAY TO FINANCE IT.

Would you want to know how much student debt a person has before you begin a serious relationship?



More Than Half reported having problems making payments on student loans at least once.

so the aid will cover less of the cost.

To maintain federal financial aid, you need to file the FAFSA each year. The amount of assistance you are eligible for can change if your financial circumstances change.

5 How much debt can one student manage?

There's a rule of thumb for that, too. The total amount of loans a student takes shouldn't exceed the salary he expects to earn annually in the early years of his career, advises Kantrowitz. According to the National Association of Colleges and Employers, the average starting salary for a person with a bachelor's degree is \$50,000. But if you don't know what you want to pursue as a career, be more conservative, he advises. If you earn \$50,000 after graduation and borrowed that much, expect to pay about \$555 per month under the standard 10-year repayment plan, assuming a 6 percent interest rate. Annually, that's about 13 percent of your salary toward your loans.

If possible, avoid private loans. Federal loans come with consumer protections like flexible repayment plans and deferment or loan-forgiveness options if you meet certain conditions. Private loans often hook borrowers with lower current interest rates, but they come with stricter terms and fewer, if any, debt relief options if you can't afford your payments, according to the experts we spoke with.

6 Should parents contribute, and if so, how much?

This is a tricky financial question, and the answer depends on willingness and circumstance. However, most financial advisers we spoke with tell parents to prioritize saving for retirement over paying for their kids' college, at least out of regular income. The thinking goes: You can borrow for college, but you can't get a loan for retirement. Parents should continue to save in their 401(k) at least up to the employer match. If you have no 401(k), put money in an appropriate IRA.

And if parents really want to contribute, even if they've saved money in a 529 college savings plan, they should think carefully about how much to borrow. Follow the same rule of thumb that Cappex.com's Kantrowitz suggests students follow. Favor federal Parent Plus loans over private loans, which have key advantages, such as flexible repayment options. Total debt assumed (for one or more child's education) shouldn't be more than your annual salary if you're 10 years or more from retirement, and even less the closer you are. If the costs are more than that, consider less expensive schools.

7 What about community college?

Starting off at a community college and then transferring to a four-year institution can be a good way to reduce costs. Tuition and fees at community college average just \$3,435 annually compared with \$9,410 at a public in-state school and \$32,405 for a private nonprofit college (not including room and board). In a growing number of states (Tennessee and Oregon) and cities (Salt Lake City, Los Angeles, Detroit, Boston, Chicago), there are grant and scholarship programs to make tuition more affordable or even free.

Some states, including Florida, California, Massachusetts, and Virginia, guarantee that anyone who earns an associate degree in-state can transfer to the state university. Wherever you go, make sure community college credits will transfer to the schools where you want to finish your degree. Most schools accept transfer credits from community colleges, but the classes might count as an elective and not toward the degree you want, says John Fink, a research associate at the Community College Research Center at Teachers College, Columbia University.

8 Any other ways to cut costs?

For those interested in a military career, the ROTC can pay a significant portion of college costs in exchange for some level of on-campus participation and three years

or more of active-duty service. The Army, Air Force, and Navy have ROTC programs with various levels of scholarship, up to full tuition with monthly stipends.

Or you can consider studying abroad, which can be significantly cheaper—and in some countries free (although you'll still need to pay for living expenses). After getting accepted to a half-dozen schools in the U.S. and the U.K., Ian McLellan, 22, chose the University of Glasgow in Scotland, where he earned a degree in history last spring. His total tuition tab: about \$60,000. More than half of the 43,600 American students who earn their diplomas abroad go to schools in the U.K. or Canada, where language isn't a barrier. The average tuition for international undergrads in Canada is about \$22,000, according to Statistics Canada. In the U.K., undergraduate programs are typically three years long, offering another opportunity to save. But even those that are four years can cost significantly less than many private schools in the U.S. A degree earned overseas can be attractive to domestic employers, says Peggy Blumenthal, a senior counselor to the president of the Institute of International Education in New York City. It might even be an advantage if a student wants to pursue international business.

9 How can we know if this expensive education will pay off?

The ultimate value of an education is, of course, hard to quantify. But a student isn't going to feel very good about all of the money she spent on college if afterward it's a struggle to find a job that barely covers the monthly debt payments. To get a sense for the quality of the education at a school and its student outcomes, look at measures like graduation rates and postgraduation earnings, says Rory O'Sullivan, deputy director of Young Invincibles, a millennial research and advocacy organization that focuses on financial issues for young adults.

Last fall the Department of Education made it easier to get that kind of outcome

data when it revamped its College Scorecard tool. You can use the Scorecard to filter schools by graduation rates and 10-year-out median salaries of graduates who received federal aid. The Scorecard reports the average amount students borrow and loan repayment rates after graduation. But while the Scorecard is a useful tool, the data is limited to averages by schools, O'Sullivan says. The results could be very different depending on the specific degree you earn. "Right now, it's all lumped in together," he says.

10 What if my student has trouble repaying his debt?

It may sound premature to consider how your student will manage to pay off his college loans before he's even matriculated. But the first debt payment is due six months after graduation on most federal student loans. Even if you've made smart choices about college financing all along—choosing an affordable school, limiting borrowing—that could still turn out to be a struggle. If it does, your student will need to understand the options.

There are several. Federal college loan payments can be deferred if a student goes back to school or for hardship, although interest may continue to accrue. If he is struggling to pay, he may be eligible for income-based repayment programs. If he works in public service, which encompasses a wide range of organizations including nonprofits, government jobs, and teaching, there is also the possibility of having loans forgiven.

Marvin Logan, Jr., who graduated in 2015 from Kent State University, is counting on a federal public service loan forgiveness program to help him manage nearly \$80,000 in student debt.

Once out of grad school, his plan is to elect an income-based repayment plan, which should limit his monthly payments to 10 to 15 percent of his income and spread payments to 20 to 25 years. Then, if he remains in the nonprofit world for a decade and has been making steady payments, the balance of his loan will be forgiven. ■