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THE HOME ECONOMIST: College students stuck in the middle

Brett Graff, www.TheHomeEconomist.com

College-acceptance season is going well for M.A.S.T. Academy student Jennifer Jackson. She was wait-listed at Yale University and accepted to Boston University, Rensselaer Polytechnic Institute and University of Florida. Her father, Gato Jackson, analyzed all the schools' financial assistance packages and learned that an education from Rensselaer would leave her some \$50,000 in debt on graduation day. Boston University would leave her with some \$64,000 worth of loans to repay.

The problem? His job as a bureau supervisor with the with Miami-Dade County Corrections Department pays \$88,700 — way too much money for the family to qualify for the kind of need-based assistance that doesn't have to be repaid. In Jackson's packages, most of the money for school would come from loans that will not be forgiven. Both father and daughter, in turn, see University of Florida — a public school at which she'll rack up just \$15,000 in debt — as the best bet.

"I can't see how it could be positive," Gato Jackson says, "for a kid to graduate college and go into today's economy with \$40,000 in debt — with loans accruing interest and due immediately." Experts would agree with him, saying not only do student loans impede both professional and personal aspirations, such as home-buying. But they also, according to research, are burdening middle-income kids — the ones from families most expected achieve the American dream — at rates even higher than their lower-income peers.

"There's a safety net in place for young adults from low-income backgrounds," according to a statement from Jason N. Houle, a Robert Wood Johnson Health and Society Scholar at the University of Wisconsin-Madison. "Many middle income families make too much money for their children to qualify for student aide packages. While at the same time, they may not have the financial means to cover the high costs of college."

Houle looked closely at 4,414 students tracked by the National Longitudinal Study and has in even newer findings showing that — when compared to kids from families earning less than \$40,000 — students with parents making between \$40,000 and \$59,000 a year left college with \$1,085 more debt. And students from families earning between \$60,000 and \$99,000 each year graduated with \$1,447 more debt. Both groups had more debt than their peers from families earning over \$100,000.

"We value the American Dream and believe that achieving a college degree is all you need to overcome the disadvantages of family backgrounds," Houle writes. "My study begins to challenge this idea." It's certainly the trend at Coral Gables Senior High School, says the school's college assistance program advisor Elizabeth Stack. There, middle income kids are more likely to become saddled with loans and not, say, Pell grants — free federal money for low income college students. Stack says she starts explaining



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to her ninth graders the impending challenges of paying for college.

“Seniors all excited because they’ve applied, gotten in — and then the ax comes down,” she says. Mark Kantrowitz, a publisher of Edvisors.com in Pittsburgh says college debt is steady and strong for kids of both middle and low income levels. But middle class kids tend to choose more expensive, private colleges. They’re also likely to borrow to the limit, using the extra funds to finance the food and entertainment expenses.

“They have higher aspirations,” Kantrowitz says. “And there’s a strong correlation between the price of college and the amount of debt a student has.”

Basically, you could still be paying your student debt when your own kids are applying to college.

“You need to live like a student when you’re in school so you don’t have to when you graduate,” Kantrowitz says.

But it’s actually the increase in expectations of student life that’s pushing up the cost of college, says Richard Arum, a professor of sociology and education at New York University. In treating high school seniors as prospective customers, schools are racing to build gyms, dorms, and student centers. At the same time, 36 percents of students he recently surveyed reported studying alone just five hours or less each week — all while overall GPAs are rising.

“They’re charging all this money, [but] what evidence do they have that it’s produced any academic gains?” Arum asks. “That’s no way to design an education system that’s in the longer term interest of the students or the country”

This is a monthly series of columns by Miamian Brett Graff, a former U.S. government economist who writes about how economic forces are affecting real people.