

Student loan debt exceeds credit card debt in USA

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DETROIT — Many college students are carrying more than a heavy class load this fall.

Total student loan debt exceeds total credit card debt in this country, with \$850 billion outstanding, according to Mark Kantrowitz, publisher of FinAid.org and FastWeb.com, websites that provide information about student aid and scholarships.

Consumers owe about \$828 billion in revolving credit, including credit card debt, according to seasonally adjusted numbers in a report on July credit from the Federal Reserve.

DEBT: Credit card use keeps falling amid economic uncertainty

YOUR MONEY: Student loan program changes affect rates, repayment

Finaid.org says it first happened in June.

Oddly, some students don't even know how much they owe — or to whom.

"I'm scared to know," said Carla George, 20, of Detroit, a junior majoring in biology at Wayne State University. She knows that her mother, at one point borrowed about \$10,000 through a federal Parent Loan for Undergraduate Students. The PLUS loan lets parents borrow for costs not covered by a financial aid package.

George estimates that she has taken out at least \$10,000 in other loans.

"I think it's a whole bunch more," she said.

A college diploma and a good job are supposed to be the payoff for years of hard work in school. But for thousands of today's students, there's going to be a payback, too — as those loans come due after graduation.

Some college students are failing financially long before they get a diploma — or a grown-up paycheck.

"Students are far worse off today with student loan debt," said Alan Collinge, who runs a website called StudentLoanJustice.org, where students discuss their troubles with college loans.

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With tuition far outpacing inflation for the past 20 years, student borrowing has continued to grow — a whopping 25% last year. Some students who are borrowing never expected to, but their parents have lost jobs or suffered other financial setbacks in the recession.

Dramatic drops in home values also have made it far tougher for some parents to cover college costs by simply taking out a home equity loan.

For many college grads, that monthly student loan payment is turning into quite a scary number.

Kate Baker, 30, pays \$600 a month — and has watched less-encumbered friends her age buy houses, travel and generally enjoy more disposable income.

Baker doesn't regret borrowing huge sums to major in government and urban studies at Smith College, a private liberal arts school for women in New England. She's convinced that her Smith degree has given her an edge and could be the main reason she has been employed for the past 10 years — even if, she jokes, she's also going to be in poverty until she's 50.

"As you look longer term, it's scary that my retirement account is basically non-existent," said Baker, who makes about \$50,000 a year as a development director for Wayne State University Press, and another \$5,000 as mayor pro tem for Ferndale, Mich.

What can you do to hold down your debt so you're not digging out of it for years after graduation?

Get a handle now on "the number" — what you will need each month for loan payments.

If, for example, you have \$30,000 in student loans, you could be paying about \$350 a month for 10 years — if they're Stafford Loans at a current unsubsidized rate of 6.8% and have 1% in fees. Including interest, you'd be paying off nearly \$42,000.

To swing this without hitting the lottery, you're going to need a job that pays far more than the minimum wage. One estimate, according to a calculator at www.Finaid.org, is an annual salary of \$42,000, assuming you use 10% of your monthly gross for loan payments.

If you start out making \$25,000 a year or less, get ready to move back into Mom and Dad's basement to make those loan payments.

Candy Wright, group manager credit counseling for GreenPath in Farmington Hills, Mich., said many young grads are having a hard time lately finding a job that can pay enough to cover their loans. She warns them to be realistic about borrowing.

A visit to your college career office can provide a look at estimated salaries in your chosen field and region of the country.

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OTHER THINGS TO CONSIDER

Hold down your costs. Evan Rutkofske, 20, who lives with his parents in Grosse Pointe Woods, Mich., took some classes at Macomb Community College last year and was able to transfer 30 credit hours to Wayne this year. He saved a few thousand dollars. Community college can offer a chance to save \$4,000 or \$5,000 up front in the first year of college compared with the cost of a bigger university. Depending on where you go and how many classes transfer, the savings could be greater.

Keep track of your borrowing. Reyna Gobel, 33, said she misplaced information on one of 16 student loans that she took out as an undergraduate and ended up defaulting on one. Some graduates may not discover that they've got a rogue loan until they are turned down for a mortgage or a car loan -- or a collection agency starts calling. Gobel also learned that one bad loan means you can't get additional federal student aid for grad school. "Know what you owe," said Gobel, who lives outside of Dallas and is the author of "Graduation Debt: How to Manage Your Student Loans and Live Your Life." A form for keeping track of student loans can be found at www.finaid.org/loans/studentloanchecklist.phtml. You also can access all your federal student loan information on the National Student Loan Data System website at www.nslds.ed.gov.

Pay now if you can. Sallie Mae came up with a new twist on this idea by launching a product called the Smart Option Student Loan that requires that borrowers make at least a fixed payment of \$25 a month while in college. The idea is to keep balances from growing higher each month. "It's less than a dollar a day," said Charles Rocha, senior vice president for student lending for Sallie Mae. On a \$10,000 loan, it's possible to save about \$6,275 in interest -- or about one-third of interest charges -- over 10 years. Student borrowers also should exhaust all options for federal loans before considering private loan programs, such as the Smart Option product.

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