Indiana University
Increasing Student Loan Debt: Learning from the Past and Present to Address the Future

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INDIANA UNIVERSITY
Presenters

Roy Durnal  
Director, Student Services Center  
Indiana University  
Student Services Building  
408 N. Union St.  
Bloomington, IN 47405  
812-855-8258  
rjdurnal@indiana.edu

David Johnson  
Vice Provost for Enrollment Management  
Indiana University  
Student Services Building  
408 N. Union St.  
Bloomington, IN 47405  
812-855-8908  
vpem@indiana.edu

Mercedes Randall  
Director, Administration & Fiscal Affairs  
Indiana University  
Student Services Building  
408 N. Union St.  
Bloomington, IN 47405  
812-856-3031  
mrandall@indiana.edu
Indiana University
IU System Enrollment (Fall 2012) - 110,393

- Indianapolis (IUPUI) 30,451
- East (IUE) 4,186
- Fort Wayne (IPFW) 8,326
- Kokomo (IUK) 3,719
- Northwest (IUN) 6,184
- South Bend (IUSB) 8,490
- Southeast (IUS) 6,840

Bloomington Campus
- Carnegie Class - Research I
- Founded 1820
- Enrollment 42,133
  - Undergraduate 32,371
  - Graduate 9,762
  - New Beginners (2012) 7,613
  - Residents (Beginners) 61.7%
National Pressures

- From the Bloomington Herald Times to the New York Times, the issue of affordability in higher education has had a tremendous amount of focus.
- Maguire Associates, in May 2012, stated that “…the college decision is an investment and values decision, not just a pricing decision.”
- The value proposition is unique for each individual. Is the return on investment worth the cost?
National Pressures, Continued

- “Compared to other large investments that Americans make, the information that prospective students have about college costs and quality is woefully incomplete.” (Source: Andrew P. Kelly, for the *Atlantic*, September 26, 2011, sited by Heather Zimar, AACRAO)

- “Affordability is unavoidably subjective” and is dependent on the net price students pay and the return on their investment in regards to their career and lifetime.” (Source: Sandy Baum and Saul Schwartz, Institute for Higher Education Policy, *Is College Affordable? In Search of a Meaningful Definition*. July, 2012)
State Pressures

- Indiana Commission for Higher Education (ICHE)

- Public Opinion- challenging “college is worth it” due to rising cost, growing student debt, and inability for college graduates to find jobs
- ICHE stresses college is worth it
- Indiana residents with only HS diploma are three times more likely to be unemployed today
- Average student debt upon graduation is more than $27,000 and student loan default rate has increased by 35% over the past 3 years
- Average tuition and fees at Indiana’s public colleges has increased by nearly 100% since 2000

Source: 2013 State of Higher Education Address
IU Pressures

- Board of Trustees
  - Affordability
  - Loan Debt
  - Financial Literacy

- Faculty - Bloomington Faculty Council
  - Same Issues as above

- Senior Administration
  - Strengthen Advising and Career Services which add value to the student experience

- Students - Activism
  - IU on Strike
## Cost of Attendance 2012-2013

<table>
<thead>
<tr>
<th>Item</th>
<th>Resident</th>
<th>Nonresident</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuition &amp; Fees</td>
<td>$10,034</td>
<td>$31,484</td>
</tr>
<tr>
<td>Room &amp; Board</td>
<td>$ 8,854</td>
<td>$ 8,854</td>
</tr>
<tr>
<td>Books &amp; Supplies</td>
<td>$ 848</td>
<td>$ 848</td>
</tr>
<tr>
<td>Transportation</td>
<td>$ 860</td>
<td>$ 860</td>
</tr>
<tr>
<td>Personal &amp; Misc.</td>
<td>$ 2,522</td>
<td>$ 2,522</td>
</tr>
<tr>
<td><strong>Cost of Attendance</strong></td>
<td><strong>$23,118</strong></td>
<td><strong>$44,568</strong></td>
</tr>
</tbody>
</table>
Big Ten Cost of Attendance

2012-2013 Resident COA

As reported by College Navigator
Net Price - College Navigator defines the average net price as the difference between the total cost of attendance and the average amount of federal, state, and institutional grant or scholarship aid received by residents.
Average Net Price

- National average net price for beginning resident students at 4-year public institutions in 2010-2011 was $10,471*

- Indiana University Bloomington average net price for beginning resident students in 2010-2011 was $10,324*

- Within the Big Ten** the average net price for beginning resident students in 2010-2011 ranged from a low of $10,324* to a high of $21,342*

*as reported by College Navigator

**not including Northwestern University - private
Big Ten Average Net Price

Average Net Cost

Source: College Navigator
53%* of seniors graduating from Indiana University Bloomington in 2011 had student loan debt**

Within the Big Ten the percentage of seniors graduating in 2011 with student loan debt** ranged from a low of 44%* to a high of 66%*

*as reported by the Project on Student Debt

**loan debt includes federal and private student loans
Big Ten Percentage of Graduates with Student Loan Debt

Percentage of Graduates with Loan Debt
Average Student Loan Debt

- National average student loan debt* for students earning a bachelor’s degree and graduating in 2011 was $26,600**
- Average student loan debt* for seniors graduating from IU Bloomington in 2011 was $28,434**
- Within the Big Ten the average student loan debt* for graduating seniors ranged from a low of $21,604** to a high of $33,530**

*loan debt includes federal and private student loans
**as reported by the Project on Student Debt
Big Ten Student Loan Debt

Average Loan Debt

- $0
- $5,000
- $10,000
- $15,000
- $20,000
- $25,000
- $30,000
- $35,000
- $40,000

1 2 3 4 5 6 7 8 9 IU 11 12

Average Loan Debt
Student Loan Debt Study - Facts

- Nationally Student loan debt over $1 trillion
- Value of college education?
  - Education bubble
  - College degree premium
  - Still a good investment
- One in five households owed SLD in 2010
- Rising student debt to income ratio
IUB Student Loan Debt Study: Predictor Variables

General Research Question:

“What are the variables influencing (predicting) the amount of loan debt of students from their freshman cohort through graduation date?”

Source: IU OEM Study, December 2012
## Student Loan Debt Study - Findings

| Model | B       | Std. Error | Beta  | t     | Sig. | Lower Bound | Upper Bound | Zero-order | Partial | Part  |
|-------|---------|------------|-------|-------|------|-------------|-------------|-------------|----------|--------|-------|
| 1     | (Constant) | 32086.78 | 15288 | 2.099 | 0.036 | 2116.47     | 62057.09    |             |          |        |       |
|       | ResideCode | 1784.58  | 784.4 | 0.031 | 2.275 | 0.023       | 246.838     | 3322.318    | 0.02      | 0.031  | 0.028 |
|       | GenderCD  | -768.97  | 775.4 | -0.013 | -0.992 | 0.321       | -2288.982   | 751.052     | -0.008    | -0.014 | -0.012 |
|       | Age      | 379.58   | 646   | 0.007 | 0.588 | 0.557       | -886.832    | 1645.981    | 0.006     | 0.008  | 0.007 |
|       | SAT      | 2.52     | 3.129 | 0.014 | 0.805 | 0.421       | -3.614      | 8.652       | -0.002    | 0.011  | 0.01  |
|       | HSGPA    | -2261.43 | 1318  | -0.06 | -1.716 | 0.086       | -4845.257   | 322.39      | 0.006     | -0.023 | -0.021 |
|       | IUGPA    | -336.96  | 1051  | -0.005 | -0.321 | 0.749       | -2397.523   | 1723.6      | -0.003    | -0.004 | -0.004 |
|       | GradCD   | -844.74  | 910.8 | -0.013 | -0.928 | 0.354       | -2630.219   | 940.736     | -0.029    | -0.013 | -0.011 |
|       | PAGICD   | -1039.17 | 405   | -0.078 | -2.566 | 0.010       | -1833.217   | -245.13     | 0.369     | -0.035 | -0.031 |
|       | Scholarships | -0.33  | 0.02  | -0.238 | -16.919 | 0.000       | -0.373      | -0.295      | -0.112    | -0.224 | -0.206 |
|       | Business | 1927.98  | 913.5 | 0.032 | 2.111 | 0.035       | 137.175     | 3718.774    | -0.011    | 0.029  | 0.026 |
|       | UDiv     | 4825.05  | 1111  | 0.061 | 4.343 | 0.000       | 2647.194    | 7002.902    | 0.024     | 0.059  | 0.053 |
|       | Education | 8310.24 | 1924  | 0.056 | 4.32  | 0.000       | 4538.836    | 12081.64    | 0.045     | 0.059  | 0.053 |
|       | Black    | 450.59   | 1820  | 0.003 | 0.248 | 0.804       | -3116.918   | 4018.101    | 0.003     | 0.003  | 0.003 |
|       | Latino   | -887.87  | 2242  | -0.005 | -0.396 | 0.692       | -5283.586   | 3507.855    | -0.012    | -0.005 | -0.005 |

a Depend Variable: Loans
Student Loan Debt Study – Findings, Continued

• The predictors with the highest statistical significance at $\alpha = 0.10$ were Schol, PAGICD, HSGPA, and ResideCode

  ➢ Schol – For every additional dollar in Scholarships, the student loan decreases by 33 cents
  ➢ PAGICD – For every additional level in AGI, the student will require $1,039 less in loans
  ➢ HSGPA – For every additional point in the GPA score, the student will require $2,261 less in loans
  ➢ ResideCode – One additional unit, loans go up by $1,785
Financial Literacy Initiatives at IU

- University Office of Financial Literacy
  - created in July 2012 as an institutional level department reporting to the Office of the Treasurer

- Financial Literacy Liaison Committee
  - includes representatives from all campuses to assist with campus financial literacy programs

- Personal Financial Manager Certification
  - individuals at each campus have received formal training as a personal financial manager
Upcoming Financial Literacy Initiatives

- Support financial literacy through First Year Experience programs
- Student workshops on various financial topics
- Online financial literacy tutorial will be required for all new freshmen
- Three separate one credit hour financial literacy classes will be taught online by Kelley School of Business faculty
- Student peer to peer advising program
Office of Enrollment Management Initiatives

- Continue to support and advocate for institutional financial aid, particularly for diverse and underrepresented populations
- New Scholarships Strategy
  - Intersection of Need & Merit Aid
- Active collaboration with campus partners
Dear Student:

This is a personalized summary of your estimated current student loan indebtedness. This information is being provided to you before you take on additional debt for the upcoming academic year. We encourage you to utilize the academic and financial planning resources suggested here (see other side) to minimize future borrowing while you complete your degree at Indiana University.

**Estimate of Your Total Education Loans:** $22,882

*See the “Important Information” section on the other side of this letter regarding all loan estimates.

**Interest Rates**

Student loan interest rates vary based on when you borrowed and the loan type. Calculations in this letter are estimated at 6.80%. The fixed rate for unsubsidized loans has been 6.8% since 2006.

**Estimated Monthly Payment — All Loans**

- **Total Education Loans:** $22,882
- **Standard Repayment Term:** 10 years
- **Assumed Interest Rate:** 6.80%

  **Monthly Payment:** $216
  **Cumulative Payments:** $25,893
  **Projected Interest Paid:** $7,143

**Federal Stafford Loans**

The Federal Stafford Loan program provides the majority of funds for IU students. The total you have borrowed from this program, including both subsidized and unsubsidized loans, is $18,750.

The maximum you may borrow for your dependency status and degree objective is $27,500.

You have borrowed 32.61% of your current limit.

**Other Education Loans**

The estimated total of your education loans includes amounts below, based on Indiana University’s records about your borrowing history:

- **Federal Perkins Loans:** $0
- **Private Loans Certified at IU:** $4,132
- **Other Loans Certified at IU:** $0
  (May include Grad PLUS and Federal Health Profession Loans)

**Academic & Financial Planning Resources**
**Summer Tuition Discount Program**

**Sun, Fun, and Summer School**

Indiana University is making a world-class college education even more affordable this summer with a 25% tuition discount on in-state fees for undergraduate courses on all seven campuses and IUPUI Columbus. Every IU undergraduate is eligible to take advantage of this great deal, and we even welcome students from other universities to get in on the price break.

The amount of your summer tuition discount depends on your status as a student:

- Indiana resident undergraduates receive a 25% discount on summer courses on any IU campus.
- Nonresident undergraduates receive an equivalent dollar reduction in their tuition that is equal in value to the 25% discount that in-state students receive.

The Summer Fees Discount lists current tuition rates and the discounted prices for both resident and nonresident students. Use it to see just how much you’ll save by taking courses this summer.

Let IU help you reach your goals. By taking summer courses, you will save money, graduate on time (or early!), and have an extra incentive to explore new classes. So, get ready to break out the shorts, flip-flops, and laptops and let the learning and saving begin.
Indiana resident undergraduate students get a 25% discount on summer tuition rate on classes taken at any IU campus.

Nonresident undergraduate students receive an dollar reduction to their summer tuition rate that is equivalent to the 25% reduction received by resident students.

A summer only program introduced in summer 2012 as a two year pilot.
Current Juniors and Seniors: Graduate in Four Years and Freeze the Cost of Tuition and Fees.

There are plenty of great reasons to plan to graduate in four years, but if you’re a current junior or senior, this might be the best one yet: when you do, you’ll automatically qualify for a grant from IU.

It’s called the Finish in Four On-Time Completion Award and it covers all increases in tuition and fees during your junior and senior years. In other words, you’ll never pay more than you did during your sophomore year—provided you achieve junior (60 hours after two years) or senior (90 hours after three years) status by Fall 2015 and stay on track to graduate on time.

If you started your college education at any of IU’s eight campuses and achieve junior (60 hours after two years) or senior (90 hours after three years) status by Fall 2015, you’re eligible. Find out how to get started and put your four year plan into action today!
The award offsets any tuition increases for juniors and seniors who meet credit hour benchmarks to graduate in four years.

Students must have started at IU as a freshman and be in their third or fourth year of study.

An academic year award introduced in fall 2013 as a two year pilot program.
Conclusion - Takeaways

- Understanding the Cost & Value Proposition

- Issues
  - Cost
  - Net Price
  - Loan Debt

- IU Solutions
  - Financial Literacy
  - Summer Tuition Discount
  - Finish in Four On-Time Completion Award
  - Continue to Balance Merit and Need Based Aid as we seek to help students to afford an IU education
Questions?