

MONEY TO BLOW

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Abstract

Over the past fifty years, students worldwide have become in debt due to funding their college education. Some countries offer free higher education, while other countries do not, and have tuition fees. In those countries before attending college each student must figure out how they will be funding their education. There are different outlets of funding, from the support from parents or seeking out outlets like financial aid and loans. Majority of students utilize scholarships, grants, and loans to fund their education. Like everything in this world there are always rules and with them comes the fine print. Students accept funding without knowing all the details. By doing this we are putting ourselves at risk of debt. While attending school students accrue debt without being aware they are doing so. Educational and financial institutions have information available to build awareness to the rising issue worldwide.

All through high school we aspire to pursue our dreams and what we want to be when we grow up. But, we never take the time to stop and think of all the steps it will take to reach it. Most high school students are naïve when it comes to attending college. All we know is it is supposed to be the best four years of our lives, then after that the real world and our adult lives will follow.

In all honesty, I believe that the United States educational system has failed us as high school students. Yes, high school teaches us the necessities to improve our education, but they do not necessarily prepare you for the daily life lesson and becoming an adult. Left and right we are confronted with challenges that test us in many aspects. College is the mediator between high school and the real world, it is our chance to do the trial run before we are out on our own.

One challenge that many face when wanting to attend college is funding. We stress ourselves out over how are we going to pay for our groceries, our bills, and most importantly our education. And for us, students, our funding comes from many different outlets. Some of our parents are able to help fund their child's education, but most students need to find other mediums to do so. While students seek out other mediums to fund their education, like loans and financial aid, we are unaware of all the details they may include. Students seek out loans without reading all the way into the fine print and over time it comes back to haunt us in the form of debt. Over the last fifty years, the likelihood of students across the developed world accruing debt to finance their studies has grown rapidly (*Hanson, Agnew & Serido, 2015*).

Each year students fill out their Free Application for Federal Student Aid, or better recognized as FAFSA. Federal Student Aid is responsible for managing the student financial assistance programs authorized under Title IV of the Higher Education Act of 1965. These programs provide grants, loans, and work-study funds to students attending college or career

school. (*"Federal Student Aid," n.d.*). According to

Figure I, seventy-eight percent of undergraduates at Ferris State apply for financial aid. Students seek out financial aid as an outlet to fund their education.

Financial Aid - Undergraduates	Ferris State University	Michigan - Public, 4-year or above
% of undergraduates who applied for financial aid	78%	69%
% of full-time undergraduates with financial need	76%	61%
% of full-time undergraduates whose need was fully met	10%	13%
Average percentage of need met of full-time undergraduates	61%	69%
Percent of institutional grants that are need-based	16%	58%
Average need-based grant received by full-time undergraduate financial aid recipients	\$4,645	\$7,295
% of 12-month enrollment (FISAP) receiving Pell Grants	40%	33%
Average Pell Grant amount per recipient	\$3,884	\$3,903
Average Federal Work-Study awarded per recipient	\$2,293	N/A
Total federal work-study awarded	\$1,126,555	N/A
Total state and other work-study awarded (\$)	\$2,299,805	N/A

Figure I: <http://college-insight.org/>

the form of grants, subsidized and unsubsidized loans

and work study. Educational institutions provide us informational services to inform us about the different financial aid that is offered. Though they provide us the information, it is still unclear on what financial aid includes. As college students we think about the short term versus the long term effects. As a student here at Ferris and attending for four years already, I have accumulated \$46,232 in debt. When seeking out my options for financial aid, I was unaware that I would even accrue debt. In the short term it is good that my college is funded for through financial aid, but I did not consider nor was I aware of the long term effects.

After college, students start paying back their debt at different times which generally is implemented within the first six months of graduation. In reference to Figure II, in 2013, the average debt of graduates at Ferris State was \$37,325. Compared to the average debt of the state of Michigan at \$29,583 which makes it about a \$7,500 difference. How am I supposed to pay off my debt in the future if I am unable to find a career after college? Or what if I find myself in a predicament where my parents do not have the disposable income to help support me?

Average debt of graduates 2013	\$ 37,325
Proportion of graduates w/debt 2013	81%
Nonfederal debt, % of total debt of graduates 2013	24%
Bachelor's degree recipients 2013	2,364
Full-time enrollment fall 2012	9,366
2012-13 In-state tuition and fees	\$ 10,354
2012-13 Total cost of attendance	\$ 22,094
2012-13 % Pell Grant recipients	40%

Public 4-Year Institutions and Private Non-Profit 4-Year Institutions			
Average Debt **	Rank *	Proportion with Debt **	Rank *
\$ 29,583	8	63%	19

Figure II: http://projectonstudentdebt.org/state_by_state-view2014.php?area=MI

We cannot make the payments so we default on our loans. In 2013, 1.8 million direct-loan borrowers were in forbearance on \$48.3-billion in debt. By the end of September, there were 2.7 million borrowers in forbearance, and their debt had climbed to \$80.7-billion. That is a 50-percent increase in borrowers-and a 67-percent in loan volume-in just 18 months. In the period of eighteen months the number of direct-loan borrowers in default grew by 600,000, to 2.7 million, while the dollars in default grew by nearly a third, to \$40.1-billion. (*Field, 2015*). Another thing that occurs when students default on loans is that it then becomes the responsibility of the taxpayers to pay off their default. Let us not forget the financial burdens as well.

In the United States we value higher education, it is said that you will be unsuccessful if we do not attend. High school seniors attend college blindly unaware of all the various aspects. We choose to attend college where we are supposed to get an education so we can be successful, but we are placed into a failing system. The educational system establishes the short term goals but does not confront the long term consequences. We, as students, are set up to fail because debt is not something to go away after a year. This is something that can go on for ten years plus. We are placed out on our own with an unrealistic amount of debt that majority of students are not

aware of nor can financially afford. Student debt is a growing problem in society and is something that is continually overlooked. It has a negative effect on the mental health and economic stability of the United States and if not handled soon could continue to spiral out of control.

References

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