

Student Debt Time Bomb

The American dream of a college education is turning into a nightmare for too many people. More jobs require a college degree, yet the percentage of unemployed and underemployed college graduates age 25 and younger is at its highest in 11 years.

Meanwhile, college costs are soaring, in part because cash-strapped states have less to give to public universities. And parents who've lost jobs or home equity after the financial crisis can't support their children's college costs as they planned.

The average total student debt load increased to \$27,253 in 2012, a 58% jump during a seven-year period when debt as a whole rose 16%. More than 1 million adults have student debt exceeding \$100,000.

Furthermore, student debt as a percentage of household debt has gone up to 8.5%, nearly three times what it was in 2003. The \$870 billion now outstanding in student debt (which includes federal lending) outpaces that of auto loans (\$730 billion) and credit card lending (\$693 billion).

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year-degree debt is going to exceed the average price of a midsize car, you need to look for a less expensive solution."

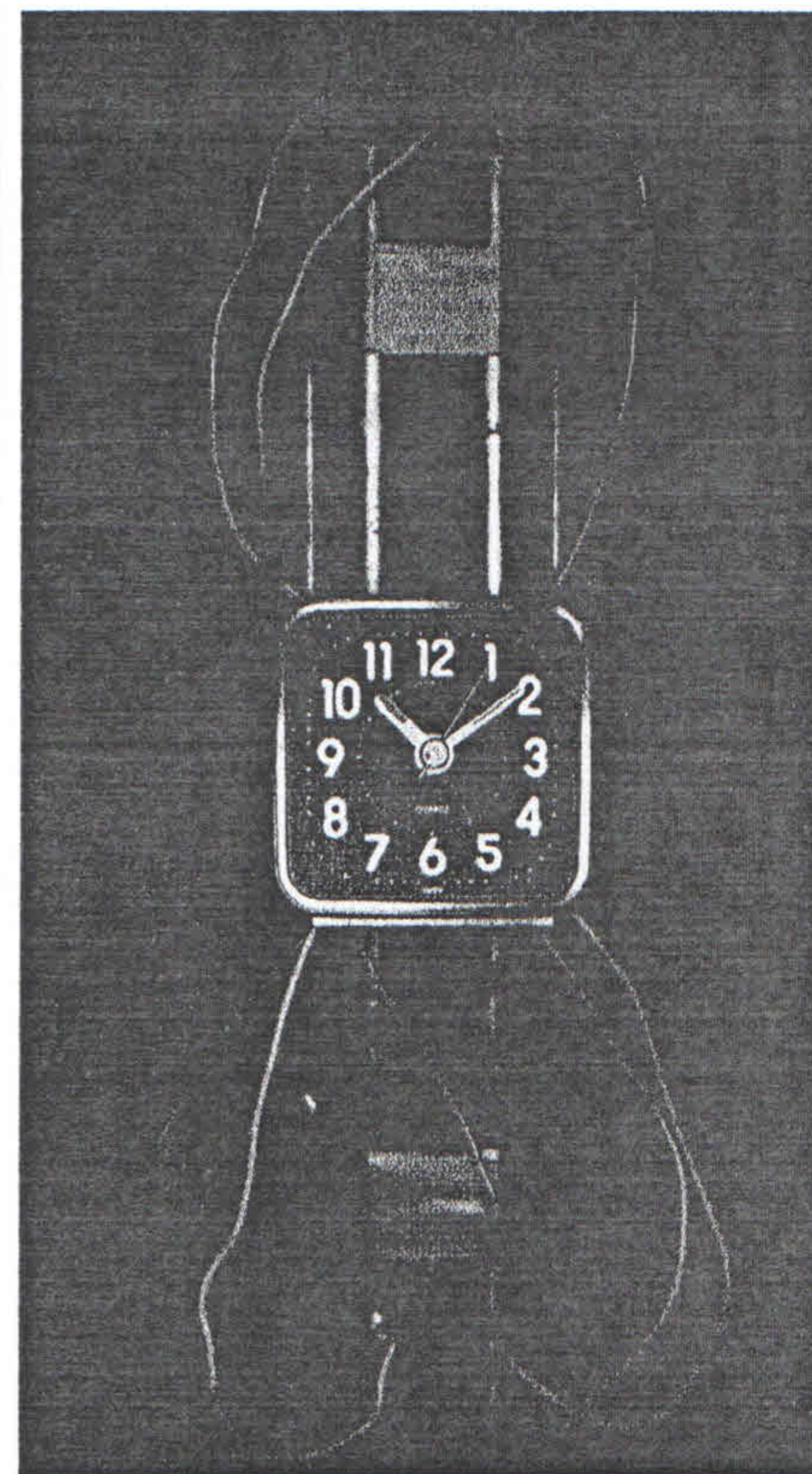
firm that provides advisory services to financial advisors. Coyne says families can lower higher education costs if their children first live at home and go to a two-year community college. Later, they can complete their degree at a four-year institution.

He notes that professors laid off from four-year institutions are now teaching at two-year schools either full time or part time, bolstering the community colleges' reputations.

To help keep costs down, colleges are condensing some four-year degree programs into three years.

The Consumer Financial Protection Bureau has come out with a Web-based tool kit called "Paying for College" (www.consumerfinance.gov/paying-for-college) to help student borrowers facing high payments and lacking alternative repayment and finance options. The site includes an application for financial aid and advice on choosing a loan.

There is also a worksheet that allows students to compute how much they would need for particular colleges with different aid packages.



government is starting to go after the Social Security checks of parents who fail to keep up payments on the PLUS loans, which are typically used to meet tuition and fee expenses underfunded by student loans.

MassMutual financial advisor Marlene Dattilo says that before parents or grandparents cosign a private student loan, they should find out what their risk is for nonpayment and how it affects their credit rating. They should also ask: If the student becomes disabled or dies, is the loan still there and who is responsible for payment?

Dattilo says the family member preparing to cosign should bring the student along for this conversation. "Many times, the parents and grandparents have not discussed money matters at all [with children]," she says. "This is a great time to start."

—Ted Knutson

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year-degree debt is going to exceed the average price of a midsize car, you need to look for a less expensive solution so you don't start your first job behind the financial eight ball," says John Coyne, a member of the board of trustees at Mount St. Mary's University in Emmitsburg, Md., and vice chairman of Brinker Capital, a \$13.5 billion investment management

Undergraduate and graduate students should maximize federal student loan borrowing because the plans offer repayment and loan forgiveness advantages that private loans and federal Parent PLUS loans don't, says Fred Amrein, a Philadelphia-area, fee-only financial consultant specializing in college education funding.

Amrein warns that the federal