

“No Loan” Policies in Higher Education

**Higher Education Subcommittee
of Arkansas Legislative Council**

Student Debt

- Student debt in the US stands at more than \$1.3 trillion
- That's more than auto and credit card debt
- It's second only to mortgage debt

40,000,000

**Estimated number of Americans
carrying student debt**

MarketWatch, January 2016

\$2,726.27

The amount by which student debt in the
US is estimated to grow *each second*.

MarketWatch, January 2016

\$\$\$19,267,828

...over the next 8 weeks until Election Day.

3.5x

**Nationally, student debt has more
than tripled in the last decade**

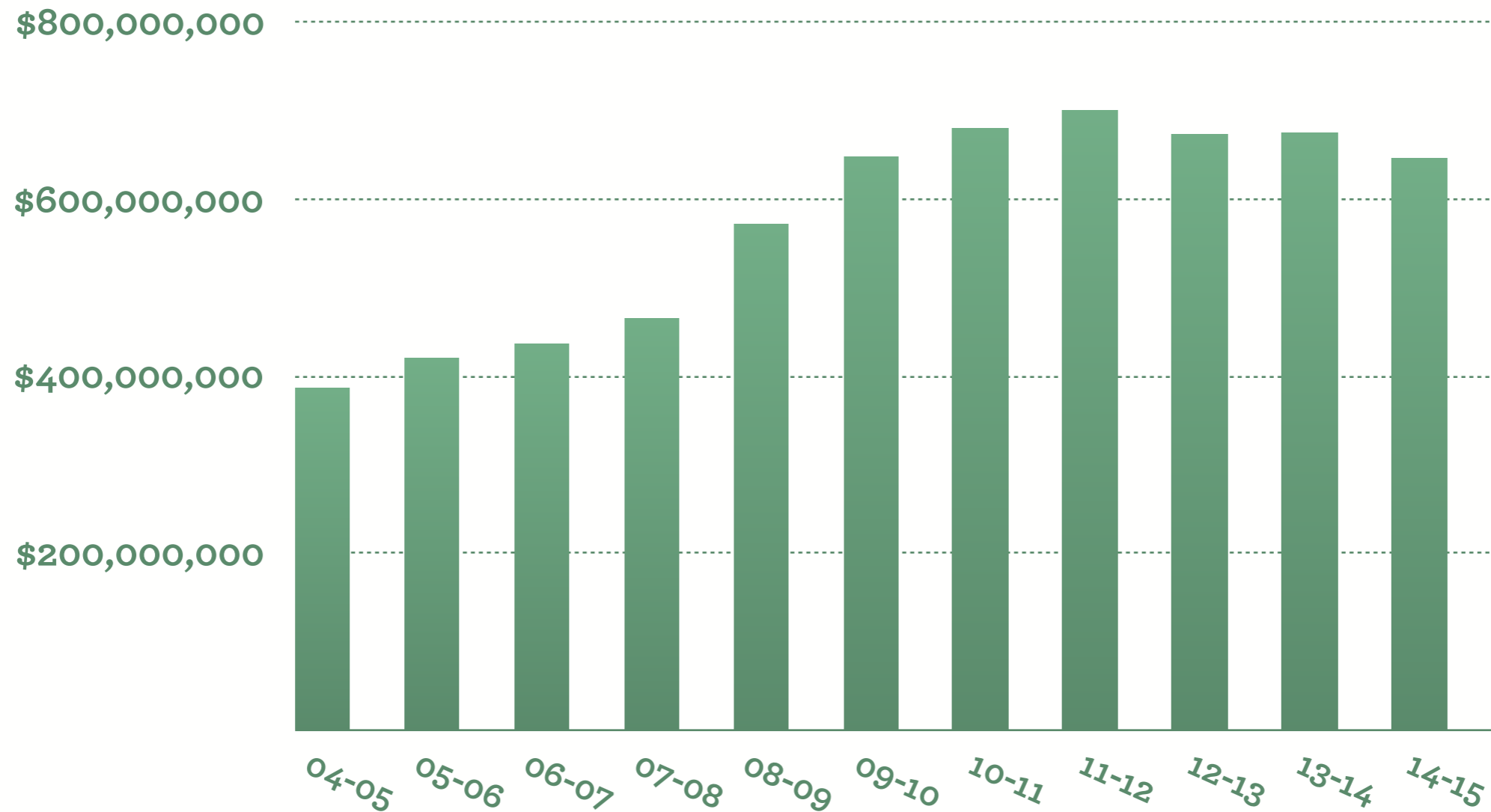
In Arkansas...

- ...55 percent of public and private four-year graduates left with debt in 2014 (38th)
- The average was \$25,344 (36th)
- Of this, \$23,667 was federal loans

\$299 Million

**Estimated student debt for Arkansas'
Class of 2014**

Federal Loan Volume



Arkansas Student Loan Authority

Loan Disbursement

School	2015 Total
UA	\$101,559,006
ASU	\$86,171,139
UCA	\$52,508,831
UALR	\$51,486,752
UAMS	\$48,313,491

Arkansas Student Loan Authority

\$9.02 Billion

Estimated student debt in Arkansas

Arkansas Student Loan Authority

The Unknown

These Arkansas numbers only reflect graduates' debt. We don't know how much debt non-graduates carry.

A brown bear is captured in the middle of a powerful swim in a body of water. The bear's head and front paws are above the surface, while its body is partially submerged. Water is splashing around the bear, creating a dynamic and energetic scene. The background is a mix of blue and green tones, suggesting a natural aquatic environment.

In 2013, only Alaska graduated fewer of its students in six years than Arkansas.

Chronicle of Higher Education

Longer Time, Shorter Odds

- In 2013, just 39.7 percent of students were graduating in six years or less in Arkansas
- Nationally, the number of students who graduate after six years is very small

Real Life 101

Life Delayed, Part 1

- 35 percent said debt made it difficult to buy daily necessities
- 52 percent said it affected their ability to make larger purchases
- 62 percent said they had put off saving for retirement, investments

Life Delayed, Part 2

- 61 percent said debt affected their ability to start a business
- 21 percent delayed marriage
- 28 percent delayed starting a family

Living at Home is Such a Drag...on the Economy

In 2016, 22 percent delayed moving out of a family member's home by at least two years due to student debt, and 17 percent were living at home.

Home-Buying Delayed

- Among non-homeowners, 71 percent cited debt as the reason they haven't bought a home
- Of homeowners, 31 percent said debt impacted their ability to sell a home

Five years

Average delay in buying a new home among
homeowners and non-homeowners

National Association of REALTORS® Research Department and SALT®

“No Loan” Policies

The Harvard Memo

**Can it cost low-income Arkansans
less to attend Harvard than the
University of Arkansas?**

“It seems counterintuitive that a state-funded, public university would cost more than a private school.”

A wide-angle photograph of a Harvard University campus. In the center is a large, multi-story red brick building with a prominent white portico and a central tower. The building is set on a slight rise. In the foreground, there is a large, well-maintained green lawn with several white Adirondack chairs scattered across it. To the left and right of the central building are other brick buildings, some with dormer windows. The sky is a clear, bright blue with a few wispy clouds. The overall scene is bright and sunny, suggesting a clear day.

\$67,800

Estimated annual cost of attendance at Harvard University



\$24,302

Estimated annual cost of attendance at the University of Arkansas

2.8x

**Harvard costs 2.8 times as much
as the University of Arkansas**

“We created a scenario with a total annual household income of \$60,000 [and] a first-year undergraduate student taking 60 hours over the course of one year.”

With Financial Aid...

- ...Harvard costs an estimated \$4,725
- ...and the University of Arkansas costs an estimated \$13,081
- It costs this student 2.8 times more to attend the University

Financial aid calculators at both schools based on \$60,000 household income



“How 'bout *them* apples?”

“Harvard spent the money on many things. But not a dollar went to increasing the number of undergraduates it chose to bless with a Harvard education. In 1990 the University welcomed slightly more than 1,600 students to its freshman class. In 2008, \$32 billion later, it enrolled slightly more than 1,600 freshmen.”

Chronicle of Higher Education, September 2009

Let's Pick a Fair Fight

How does the University of Arkansas compare to peer institutions, particularly research institutions in the south and sunbelt?

Arizona State University

University of Arkansas

ASU

Sticker	\$24,302	\$27,744
\$60,000	\$13,081	\$8,679
\$40,000	\$10,581	\$6,779
\$25,000	\$7,281	\$5,429

NC State University

University of Arkansas

NCSU

Sticker	\$24,302	\$22,999
\$60,000	\$13,081	\$6,778
\$40,000	\$10,581	\$5,260
\$25,000	\$7,281	\$1,614

University of Virginia

University of Arkansas

University of Virginia

Sticker	\$24,302	\$28,856
\$60,000	\$13,081	\$5,003
\$40,000	\$10,581	\$5,609
\$25,000	\$7,281	\$4,000

University of Louisville

University of Arkansas University of Louisville

Sticker	\$24,302	\$18,662
\$60,000	\$13,081	\$0
\$40,000	\$10,581	\$0
\$25,000	\$7,281	\$0

Texas A&M University

University of Arkansas Texas A&M University

Sticker	\$24,302	\$26,885
\$60,000	\$13,081	\$0-\$25,936
\$40,000	\$10,581	\$0-\$24,130
\$25,000	\$7,281	\$0-\$26,460

University of Texas

	University of Arkansas	University of Texas
Sticker	\$24,302	\$24,846
\$60,000	\$13,081	\$0-\$23,957
\$40,000	\$10,581	\$0-\$22,746
\$25,000	\$7,281	\$0-\$24,485

University of Florida

University of Arkansas

University of Florida

Sticker	\$24,302	\$23,506
\$60,000	\$13,081	\$5,961
\$40,000	\$10,581	\$4,457
\$25,000	\$7,281	\$2,950

UNC-Chapel Hill

	University of Arkansas	UNC-Chapel Hill
Sticker	\$24,302	\$24,898
\$60,000	\$13,081	\$2,838
\$40,000	\$10,581	\$1,066
\$25,000	\$7,281	\$100

“No Loan” Financial Aid

- **Student loans are often a large part of traditional financial aid packages**
- **More than 60 schools have introduced “no loan” financial aid**
- **In most cases, grants replace loans in these aid packages**

In Many Cases...

- **...students must be low- or middle-income (as defined by the school) to qualify**
- **...students must make a minimum contribution, perhaps through work-study**

In a Few Cases...

- **...schools don't eliminate loans, but instead place a low cap on the amount a student can borrow**
- **Regardless, average student debt is still likely to be much lower**

Amherst College	Kenyon College	University of Florida
Appalachian State University	Lafayette College	University of Illinois at Urbana-Champaign
Arizona State University	Lamar University	University of Louisville
Boston University	Lehigh University	University of Maryland, College Park
Bowdoin University	Massachusetts Institute of Technology	University of Michigan at Ann Arbor
Bryan College	Miami University (Ohio)	University of Minnesota System
California Institute of Technology	Michigan State University	University of North Carolina at Chapel Hill
Colby College	North Carolina State University	University of Pennsylvania
College of Holy Cross	Northern Illinois University	University of Tennessee
College of William and Mary	Northwest University	University of Texas at El Paso
Colorado State University-Pueblo	Oberlin College	University of Toledo
Columbia State University	Pomona College	University of Vermont
Connecticut College	Princeton University	University of Virginia
Cornell University	Rice University	University of Washington
Dartmouth College	Sacred Heart University	Vanderbilt University
Davidson College	Stanford University	Vassar College
Duke University	Swarthmore College	Washington and Lee
Emory University	Texas A&M University	Washington University in St. Louis
Fairfield University	Texas State University-San Marcos	Wellesley College
Georgia Institute of Technology	Tufts University	Wesleyan University
Grinnell College	University of Arizona	Williams College
Harvard University	University of California at Berkeley	Yale University
Haverford College	University of California System	
Indiana University-Bloomington	University of Chicago	Source: Edvisors Network, Inc.

“No Loan” Here at Home

Could a “no loan” policy work at our state’s flagship university? What might one look like?

How It Could Work

To eliminate loans for University of Arkansas students from families with household incomes less than \$48,000 would have required about \$20 million in 2015.

At our University...

...more than 6,000 students come from families with household incomes greater than \$110,000—nearly three times our state’s median income.

These students represent the largest and fastest-growing group on campus.

Out-of-State Students

Roughly half of these 6,000 high-income students come from other states, and they represent the fastest-growing component of this bloc.

Out-of-State Growth

From 2011 to 2015, the growth rate among high-income, out-of-state students was 15 percent.

In-State Students

From 2011 to 2015, the growth rate among in-state students whose families earn \$48,000 or less was just 1.5 percent.

In fact, the 2015 YOY change for this group was -5 percent.

Put Another Way...

...our University is losing low-income, in-state students in favor of high-income, out-of-state students.

Where do these out-of-state students go when they graduate?

A Good Time to Mention...

Only about one in five Arkansans have a bachelor's degree.

At just 21.4 percent, we're second only to West Virginia.

Nowhere to Go but Up

Arkansas ranked 49th in college-educated adults (21.4 percent) and 48th in state median income (\$41,262) in 2014.

Out of Balance

Despite ranking near the bottom in educational attainment and median income, Arkansas ranks 36th in the number of people carrying debt and 38th in the average debt carried.

Why Does It Make Sense?

- **Implementing a “no loan” policy requires no new money**
- **The University could better compete for students considering other public research universities**

A No-Loan Policy Could...

- **...free our next generation of students from crushing debt**
- **...serve as a powerful economic development tool**

Keep That Cash at Home

Imagine that \$9 billion in student debt wasn't flowing to out-of-state loan service firms, but was instead invested here in Arkansas.

Recap, Part 1

- We owe \$9 billion in student debt
- We're taking on more debt than our state's economy should support
- We still rank near the bottom for median income and adults with college degrees

Recap, Part 2

- A “no loan” policy at our state’s flagship institution could put higher education within reach for more low-income Arkansans
- It could make Arkansas more competitive

Recap, Part 3

- A “no loan” policy could free the next generation from debt
- Freeing billions otherwise flowing out of state could drive in-state economic activity

Thank You



#StudentDebt