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Higher Ed, Higher Costs
Part 1: Paying for College, Drowning in Debt
TRANSCRIPT

Airdate: December 8th, 2008
Duration: 10:15 min

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JIM LEHRER: Next tonight, a two-part look at the growing costs of higher education. Tonight, student debt and its consequences. Our report is by the NewsHour's special correspondent for education, John Merrow.

JOHN MERROW, NewsHour Correspondent: About 60 percent of students at four-year colleges go to public institutions like this one, the University of Massachusetts, Boston. These colleges are relatively inexpensive, but that doesn't mean they're cheap.

How many of you, when you graduate, will owe money? Wow, almost everyone.

How much will you owe?

STUDENT: \$25,000.

STUDENT: \$30,000.

STUDENT: \$40,000.

JOHN MERROW: \$40,000?

STUDENT: Yes, \$40,000.

STUDENT: \$55,000.

STUDENT: About \$65,000.

JOHN MERROW: UMass Boston isn't unique. You would hear similar answers on just about every college campus in America. I heard them 22 years ago when I reported on this same issue for what was then called the MacNeil-Lehrer NewsHour.

But it's not just deja vu all over again. It's worse.

College costs have been climbing for years. Since the early '80s, tuition and fees have grown 375 percent, almost three times more than median family income. The average public college now costs about \$14,000 per year, and private colleges are approaching \$35,000.

'I don't care what it costs'

JOHN MERROW: With a deteriorating economy forcing cuts in state spending, the trend is likely to continue. More students than ever are borrowing from federal and private lenders to foot the bill.

IAN WITHERBY, student: I think that it becomes a sort of standard practice to just accept the fact that, if you want to get what you want out of life, you're going to have to be in debt.

JOHN MERROW: Ian Witherby will graduate from UMass Boston this spring with a degree in philosophy and at least \$65,000 in federal and private loans.

How long is it going to take you to pay off the amount of money you're going to owe?

IAN WITHERBY: I have no idea. Wild guess, off-the-cuff, 20 years.

JOHN MERROW: But you're 24 now.

IAN WITHERBY: Yes.

JOHN MERROW: You'll be 44, 45 years old?

IAN WITHERBY: Yes.

JOHN MERROW: Does that scare you?

IAN WITHERBY: Do what you love and the rest will follow. It doesn't matter what you're doing or what you're making as long as you're doing what you really want to be doing.

JOHN MERROW: "I don't care what it costs," is that what you're saying?

IAN WITHERBY: It's pretty darn close to that, yes.

ANNABELLE ROSARIO, student: You're kind of just like in a daze when you're in school. You're like, "You know what? I got to go to school. I got to do this. I got to do that. I got to pay? All right, I have to come up with this amount of money? I'll do it."

JOHN MERROW: Two years ago, Annabelle Rosario was like Ian Witherby, taking out high-interest private loans to cover the cost of her degree. But after graduating from UMass Dartmouth in 2007, her debt -- \$67,000 -- began to take its toll.

ANNABELLE ROSARIO: It's just thinking about, like, I'm going to be living at home forever, because I can't afford to move out. I can't do some of the things that everybody else is doing, because I have to pay all these bills every single month.

JOHN MERROW: To make her loan payments, which will soon total about \$900 per month, Annabelle works as a high school career counselor and answers phones at a domestic abuse hotline. If she continues to make minimum monthly payments, her debt could swell to over \$100,000.

What does your mom say?

ANNABELLE ROSARIO: She feels really bad because she couldn't help as much as she wanted to. You know, you have those kids who their parents -- they were fortunate enough to have their parents or grandparents pay for their education.

And then you have those kids who are below the income level that, you know, that they couldn't pay for it, and then you had the state pay for their education. And then you have people in the middle who get stuck with paying the loans and all these outrageous, like, bills. It's not fair.

JOHN MERROW: Many students like Annabelle and Ian feel they have no choice if they want to succeed in today's economy.

Putting education on the backburner

PATRICK CALLAN, National Center for Public Policy and Higher Education: Middle-class families understand that the only thing worse than graduating from college with huge debt is not going at all.

JOHN MERROW: Pat Callan has been studying the changing trends in higher education for 38 years.

PATRICK CALLAN: Without some education or training beyond high school, this economy is going to punish you. You can't even get in the queue for a job that will get you in the middle class.

JOHN MERROW: But debt and fear of debt are, in fact, keeping many out of college, according to Congressman George Miller.

REP. GEORGE MILLER, D-Calif.: We know now that we think there's about 250,000 students every year who are fully qualified to go to college that now decide not to because of financial reasons. They may go later; they may go part-

time; or they may not go at all. That's not really good for the American economy.

ALYSON KARAKOUZIAN, student: Good job. Hold on tight.

JOHN MERROW: The financial pressures of supporting a family meant Alyson Karakouzian had to put college on the back burner.

ALYSON KARAKOUZIAN: I supported my husband while he opened his own business. I was happy with my job, but feeling a little unfulfilled.

JOHN MERROW: In 2004, with her husband's towing business finally turning a profit, Alyson thought she could afford to go to college. But there was a problem: Although the Karakouzians, with an income of \$40,000, qualified for financial federal aid, the government expected them to pay about \$4,500 a year out of pocket.

ALYSON KARAKOUZIAN: We live paycheck to paycheck and we live day to day. We don't have savings; we don't have our own home. We looked at that number and said, "Oh, my gosh, we don't have \$4,500. That's out of our reach."

Struggling to avoid debt

JOHN MERROW: And it stayed out of reach until last year. As the price of gas skyrocketed, her husband's towing business tanked, bringing the Karakouzians' combined income to just \$23,000. Ironically, bad business meant big opportunities for Alyson.

ALYSON KARAKOUZIAN: I was at a financial aid office at one of the community colleges, and the financial aid administrator pulled it up, and she went, "Oh, my god, you have a goose egg." And I went, "What exactly does that mean?" And she goes, "That means you qualify for everything. You qualify for every piece of financial aid available."

JOHN MERROW: This September, Alyson, at the age of 32, enrolled as a freshman at UMass Boston, which costs her about \$21,000 a year to attend. She's receiving \$12,000 in grants and the rest in low-interest loans.

But even with the maximum aid from the federal government, paying for her education remains a significant challenge.

You borrowed \$9,000 for this year.

ALYSON KARAKOUZIAN: And that will probably increase each year.

JOHN MERROW: So can you look down the road and say, "How much will I owe when I graduate"?

ALYSON KARAKOUZIAN: I would say between \$40,000 and \$50,000.

JOHN MERROW: Does that scare you?

ALYSON KARAKOUZIAN: It does. But going into debt for education is building yourself up, and it's building the ladder that you have available to climb.

JOHN MERROW: Some students like Delphina Dibia have found ways to pay for college without assuming massive debt, even when federal aid provides little assistance.

So you were accepted to UMass Boston?

DELPHINA DIBIA, student: Yes.

JOHN MERROW: Could you afford to go?

DELPHINA DIBIA: No, it was still too expensive for me.

JOHN MERROW: But it's not a very expensive school.

DELPHINA DIBIA: It's not a very expensive school, but for me it was.

JOHN MERROW: Although she was only 18, Delphina wasn't getting any help from her family. And with few exceptions, until a student turns 24, the amount of aid students receive is based entirely on parent's income, even when the student, like Delphina, is on her own.

To save money, Delphina enrolled at Roxbury Community College, where tuition and fees are about \$3,000 per year.

DELPHINA DIBIA: Since I already know I wanted to do nursing, and I knew there was a way for me to do my prerequisites first at a cheaper school and then transfer to a four-year college, that's the road I decided to take.

JOHN MERROW: After two years, Delphina transferred to UMass Boston and worked in a psychiatric facility to help make ends meet.

Balancing workloads with school

DELPHINA DIBIA: The bad thing was I used to work 64 hours a week -- yes -- and go to school full-time for a whole year. And that's how I saved a lot of money.

JOHN MERROW: That was a year when you didn't sleep?

DELPHINA DIBIA: Pretty much. I worked overnight, and I worked during the weekends, and I came to school during the weekdays.

JOHN MERROW: Her story isn't unusual. Half of all full-time college students work, with about 10 percent working more than 35 hours per week.

PATRICK CALLAN: Some work, like up to about 20 hours a week, is positively associated with doing well in college. But when you get to the point where, first, you get 40 hours a week or 35, and this is -- if we're talking about students who have to struggle to do well academically, it's a death knell.

JOHN MERROW: But even with her job, Delphina had to turn to private lenders to cover the difference. She'll graduate this spring, owing about \$25,000.

DELPHINA DIBIA: They make it so hard for you to go to school. They wonder why so many people are not in school and trying to better themselves, but then you have to think about how much money you're paying for school, you know, and the prices keep going up and up and up and up.

JOHN MERROW: Can you see any reason for optimism right now?

REP. GEORGE MILLER: The only optimism I see is that of the students. They show a lot of confidence in the future, a lot of optimism to take on that kind of debt and believe that it's worth it, and, two, that they'll overcome it. It's quite an amazing decision that these students are making, in terms of their faith in this country.

JOHN MERROW: The national student debt now tops \$550 billion. That's just what's owed to the government. Nobody knows how much students owe private lenders.

With unemployment projected to climb above 8 percent, recent college graduates, the most heavily indebted generation in American history, face tough times.

JIM LEHRER: And tomorrow night, we'll look at the impact of rising costs and a slowing economy on public colleges and universities.