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Student Loan Debt: Comparing Trends in Georgia to a National Sample

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I. Introduction

In early 2012, cumulative student loan debt surpassed credit card and auto loan debt becoming the largest category of debt in the United States behind home mortgages. Since 2007 cumulative student loan debt has doubled and currently exceeds \$1.08 trillion (Dai, 2013; Chopra, 2012; Touryalai, 2014). The combination of rising student loan debt and a sluggish economic recovery since the Great Recession has drawn considerable attention from policy makers, economists, journalists, and even President Barack Obama (David, 2014). Although a college degree is still considered a wise investment and the value of a college degree in terms of earnings over the lifespan continues to grow (Leonhardt, 2014), recent research questions the impact that student loan debt might be having on the broader economy.

Since the post-recession economy has grown slowly, especially for job creation (Tharpe, 2012), some economists are curious if student loan debt might be contributing to the slow economic recovery—the thesis being young people with student loan debt might be less likely to make major purchases such as homes or new cars. Brown and Caldwell (2013), from the Federal Reserve Bank of New York, tested that proposition and found that young student loan borrowers, compared to young non-borrowers, retreated more dramatically from both housing and auto markets after the Great Recession. In 2012, three years into the economic recovery, student loan borrowers were continuing to retreat from both housing and auto markets. In a follow-up study Brown and Caldwell found student loan borrowers in 2013 re-entering the market for automobile purchases but continuing to retreat from housing markets, even though housing experienced a recovery in 2013.

This report uses data from several sources to compare trends in Georgia to national trends on student loan debt. This study draws primarily on data from The Project on Student Debt, the Federal Reserve Bank of New York Consumer Credit Panel/Equifax, and Georgia's Student Finance Commission (see Appendix for information on data and methods). This report replicates Brown and Caldwell's (2013) study with a sample from Georgia. The results suggest that while a slightly lower proportion of young Georgians have student loan debt, those who do have similar amounts of debt compared to those from a national sample (Figure 5); the 2013 total for 25-year-olds was \$25,000. During the 2000s, before the 2007-2009 Great Recession, Georgians with student loan debt were more likely than their peers nationwide to have purchased a home or a new vehicle, but post-recession they were less likely to have made similar purchases. In 2013, Georgians with student loan debt have re-entered auto markets similarly to their peers across the nation. Comparing total amounts of debt between Georgia residents and their peers nationwide show congruent results: Georgians have slightly more debt pre-recession and slightly less total debt post-recession.

Although this study is not able to isolate and measure the impact of Georgia’s HOPE Scholarship program on student loan debt, it reports trends in HOPE Scholarship funding from its inception in 1993. Georgia was one of the first states to implement a robust merit-based scholarship available to all residents of the state (who met certain standards), and the HOPE Scholarship has provided more than \$5.8 billion in direct aid to assist Georgians with higher education costs. Although factors like the increasing cost of higher education, and declining state funding might mitigate the influence of the HOPE Scholarship, without HOPE funding it is likely that student loan debt in Georgia might be higher than it currently is.

This report is divided into six sections. The next part briefly reviews current debates about student loan debt. Section three uses data from The Project on Student Loan Debt to compare debt levels between graduating seniors from Georgia colleges to those graduating from colleges across the United States. The fourth section presents statistics about HOPE Scholarship awards in Georgia. Section five shows the results from our current analysis of the Consumer Credit Panel data comparing Georgians with and without student loan debt to a nationwide sample. Part six summarizes the results and discusses other factors that might influence these findings, such as students who borrowed money but never finished college and students who borrowed money to attend private, for-profit colleges. The report concludes with suggestions for further research.

II. Current Debates and Statistics on Student Loan Debt

Since topping the \$1 trillion threshold in 2012, student loan debt has emerged as a controversial and hotly debated topic over the last few years. This section first presents statistics and arguments that student loan debt is problematic for both young student borrowers and for the overall economy. Although the majority of student loan debt research over the past few years tends to view the issue as problematic or even a crisis, these arguments are tempered in the last part of this section with a review of recent findings from the Brookings Institution suggesting student loan debt is not a serious drawback for the vast majority of student borrowers and has not yet reached crisis proportions.

THE CRISIS PERSPECTIVE

A Google search of the term “student loan debt crisis” yields 1,090,000 results. Numerous websites and various activist organizations view student loan debt as a national crisis (e.g., see studentdebtcrisis.org). Beyond pundits and activists some mainstream journalists and economists are growing worried about the rise of student loan debt and the impact it might be having on young borrowers and the overall economy.

Joseph Stiglitz is one economist who views the rising amounts of student loan debt as problematic. Stiglitz (2013) sees ominous parallels between the housing bubble in the 2000s and trends associated with student loan debt. He views many students as unsophisticated consumers who are encouraged to borrow beyond their means. Thirteen percent of borrowers of all ages owe more than \$50,000; 17 percent of student borrowers were 90 or more days delinquent in payments at the end of 2012. Delinquency estimates jump to 30 percent when borrowers who are in deferment or forbearance are taken out of the equation (Stiglitz, 2013).

Stiglitz (2013) argues that compared to most industrialized nations, the United States places a larger burden on individual families and students to finance higher education and, with the rising costs of college, obtaining a degree costs more in the United States than in comparable countries. Because tuition and fees have doubled since the 1980s and median income has only gone from \$46,000 to \$50,000 (inflation adjusted) over the same period it is not surprising that student loan debt has increased enormously. More people are going to college because the lifetime wage premium for those with a college education continues to grow. Those with college degrees earn \$12,000 more per year than those without diplomas; this gap has tripled since 1980.

Stiglitz takes the position that the level of student loan debt has reached crisis proportions and is contributing to the slow economic recovery since the Great Recession. He cites a study of Rutgers University graduates that reported 40 percent of those with student loan debt delayed buying a home and 25 percent claimed that their debt load influenced decisions about attending graduate school and family formation. Stiglitz (2013) uses the term “predatory” to describe the

recruitment and lending practices of many for-profit colleges and universities. Until recently predatory lending was terminology applied mainly to payday loan companies and unscrupulous mortgage lenders. A U.S. Senate investigation led by Iowa's Tom Harkin found the recruitment practices of many for-profit colleges misled students concerning costs, graduation rates, transferability of credit, and job placement rates of other students (U.S. Senate, 2012).

Others that agree with Stiglitz's position on student loan debt include the New York Times Editorial Board (2013, 2014), The Project on Student Debt (2013), U.S. Senator Elizabeth Warren (Ehrenfreund, 2014), the U.S. Consumer Financial Protection Bureau (Chopra, 2012), the National Association of Consumer Bankruptcy Attorneys, and bloggers from business magazines such as *Forbes* (Touryalai, 2014) and *Business Week* (Gage & Lorin, 2014).

CHALLENGING THE CRISIS PERSPECTIVE

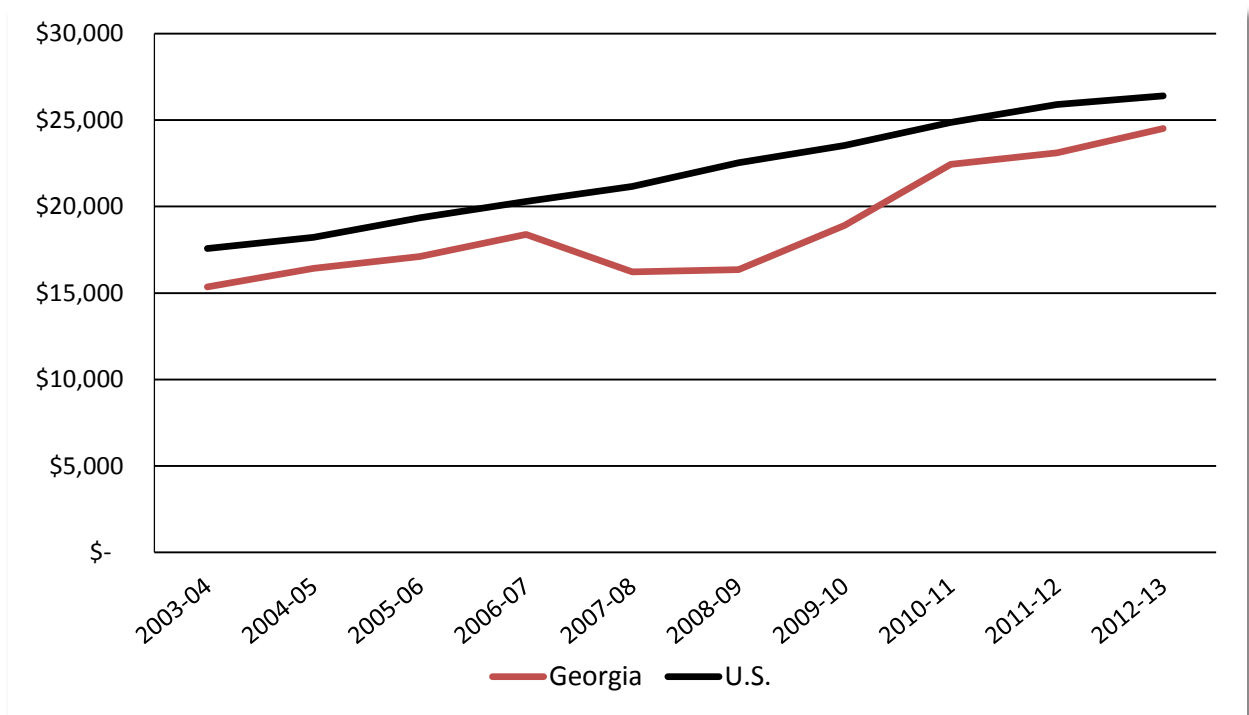
A recent study by Akers and Chingos (2014) from the Brookings Institute offers evidence that student loan debt may not be a national crisis as much of the previously cited research suggests. They use data from the Federal Reserve Board's Survey of Consumer Finances that measures education debt levels and household incomes longitudinally from 1989 to 2010. They have three major findings that challenge the crisis assessment of student loan debt in the United States. First, they estimate that roughly 25 percent of the increase in student loan debt since 1989 is attributed to Americans returning to school especially to obtain graduate degrees. Their data shows debt levels increasing from \$6,000 to \$16,000 for four-year degrees, but going from \$10,000 to over \$40,000 for graduate degrees.

Akers and Chingos (2014) also found that lifetime incomes of college educated Americans more than kept up with increases in debt levels between 1992 and 2010. Households with student debt had increases of \$7,400 in annual income and \$18,000 more in debt. This extra amount of debt could be paid off in just 2.4 years based on their increased annual incomes. A third finding from their study was a consistent median and a declining mean monthly payment required to pay down student loans. The median proportion of a person's monthly income required to pay on student loans has varied between 3 percent and 4 percent between 1992 and 2010. The mean monthly student loan payment fell from 15 percent in 1992 to around 7 percent of income in 2010. One reason for this finding is that policy makers extended the timeline for making payments to give borrowers monthly relief.

III. Comparing Student Loan Debt Levels between Georgia and U.S. College Graduates

This section uses data from The Project on Student Debt (PSD), which is an initiative of the Institute for College Access and Success (see projectonstudentdebt.org). Since 2005 PSD has reported the average cumulative debt levels of graduating seniors from public and private non-profit four-year colleges in the United States. Figure 1 compares average student loan debt levels for seniors, who borrowed money to attend school, graduating from Georgia colleges compared to those from a national sample.

Figure 1. Average Student Loan Debt for Seniors Graduating with Debt from Public and Non-Profit Four-Year Institutions (Nominal dollars)



Source: Institute for College Access and Success, College InSight, <http://www.college-insight.org>

Based on this dataset, in general, Georgia's debt load averages are consistently below the national ones, but the growth in average debt burden largely appears to be consistent with national trends. During the 10-year period described in Figure 1, the gap between Georgia graduates and their national counterparts has generally ranged between \$1,800 and \$2,800. In 2013, the average graduating senior in Georgia with debt owed \$24,517 while their national counterparts owed \$26,408 on average (a \$1,891 difference). In 2005, the difference between Georgia and the national average was \$1,796. Between 2008 and 2010 the gap did widen. In 2009, the average national graduate with debt had \$22,526 in loans outstanding, \$6,180 more

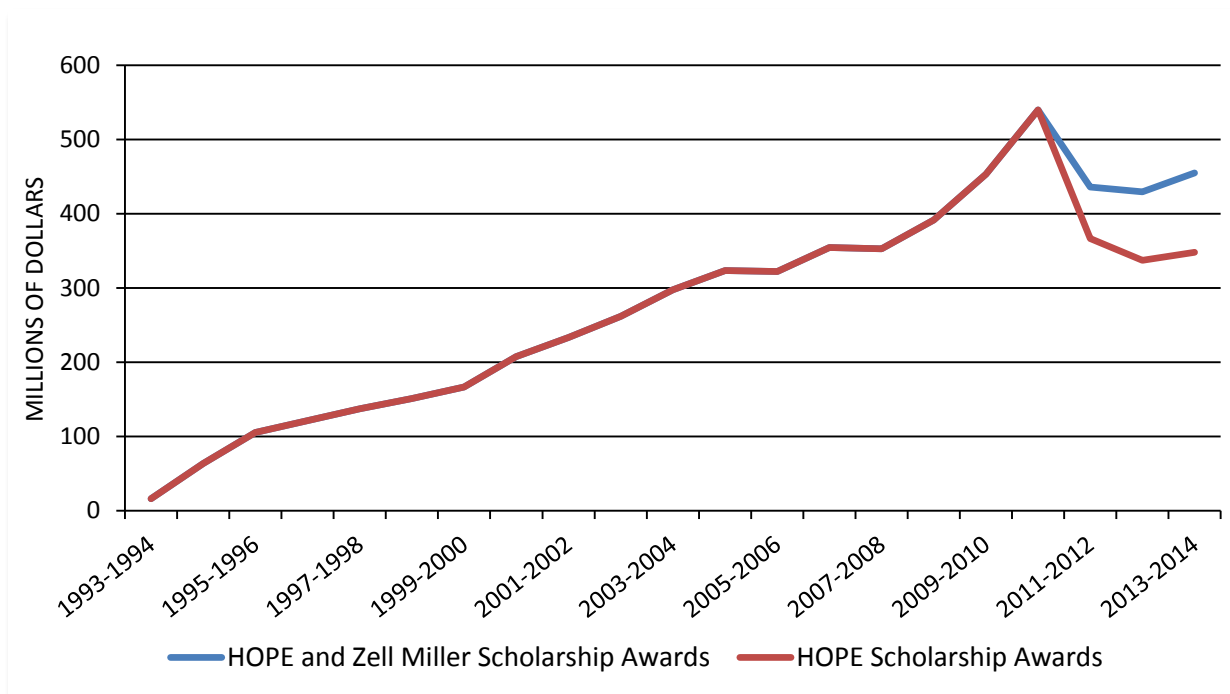
than the average Georgia graduate at \$16,346; however, by 2011, Georgia indebtedness rates caught back up and the previous pattern appears to have re-established itself. According to The Project on Student Debt, in 2009, Georgia ranked 48th lowest in average student debt load (for those students who had debt) and 24th in terms of the percentage of students graduating with debt (at 58 percent). In 2013, Georgia was still 24th in the percentage of students graduating with debt (at 61 percent), but now 37th in terms of average debt burden – a rank comparable to the pre-recession rank of 37th in 2005 and 36th in 2006. The rank for percentage of Georgia graduates with debt also is similar to the pre-recession rank of 25th and 31st for 2005 and 2006 respectively, and around 56-57 percent of students graduating with debt (The Project on Student Debt, 2007, 2010, 2014).

IV. HOPE and Zell Miller Scholarship Awards in Georgia 1993-2014

In 1993, Georgia was the first state in the country to implement a lottery-financed, merit-based scholarship. Since its inception, qualified students in Georgia have received more than \$5.8 billion to help pay the cost of higher education. Since Georgia implemented the HOPE (Helping Outstanding Pupils Educationally) Scholarship, 16 other states have started merit-based scholarship programs with similar goals of broadening access to higher education and incentivizing many of the best high school graduates to pursue college education in their home states (Tennessee Higher Education Commission, 2012). Because Georgia's HOPE Scholarship program has remained one of the largest and most robust merit-based programs in the country, this analysis presents descriptive data on HOPE awards over the past 20 years.

The following three charts show the total amount of HOPE Scholarship monies awarded, the number of HOPE recipients, and per student expenditures from the date of HOPE inception in 1993 through the 2013-2014 school year. In 2011, facing projected deficits in the HOPE program, Governor Nathan Deal and the state legislature created the Zell Miller Scholarship program and modified the HOPE Scholarship. Zell Miller Scholarships pay 100 percent of tuition and are awarded to students who graduate from high schools with a 3.7 or higher GPA and maintain a 3.3

Figure 2. HOPE and Zell Miller Scholarship Total Disbursements by Fiscal Year

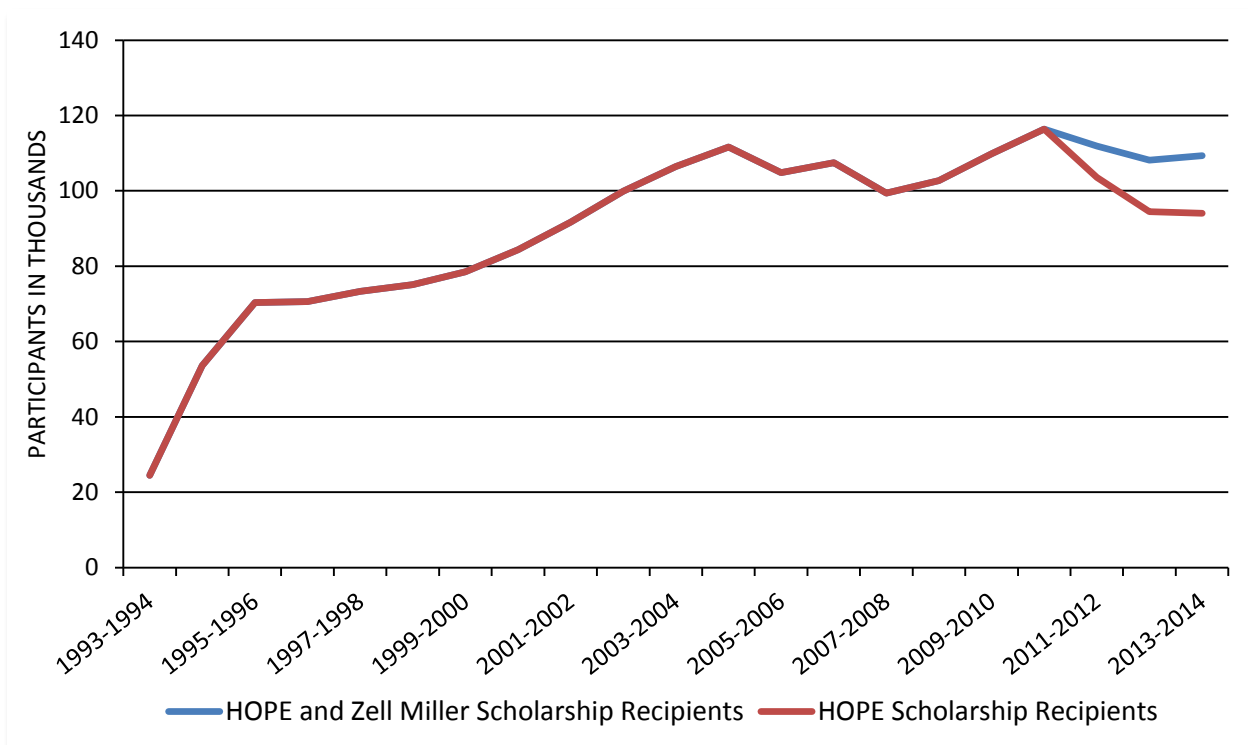


Source: Scholarships and Grants Database, Georgia Student Finance Commission, February 2015

NOTE: In FY 2012, the Zell Miller Scholarship was established. The scholarship's 3.7 GPA requirement moved a subset of students would have previously qualified for the HOPE Scholarship (3.0 GPA requirement) into the Zell Miller Scholarship category.

GPA in college. HOPE Scholarships pay up to 90 percent of tuition for students graduating from high schools with a 3.0 GPA (for full criteria see [GCollege411](#)). In figures 2-4 the blue line indicates data from both HOPE and Zell Miller scholarships, while the orange line includes only HOPE Scholarship data.

Figure 3. Number of HOPE and Zell Miller Scholarship Recipients by Year

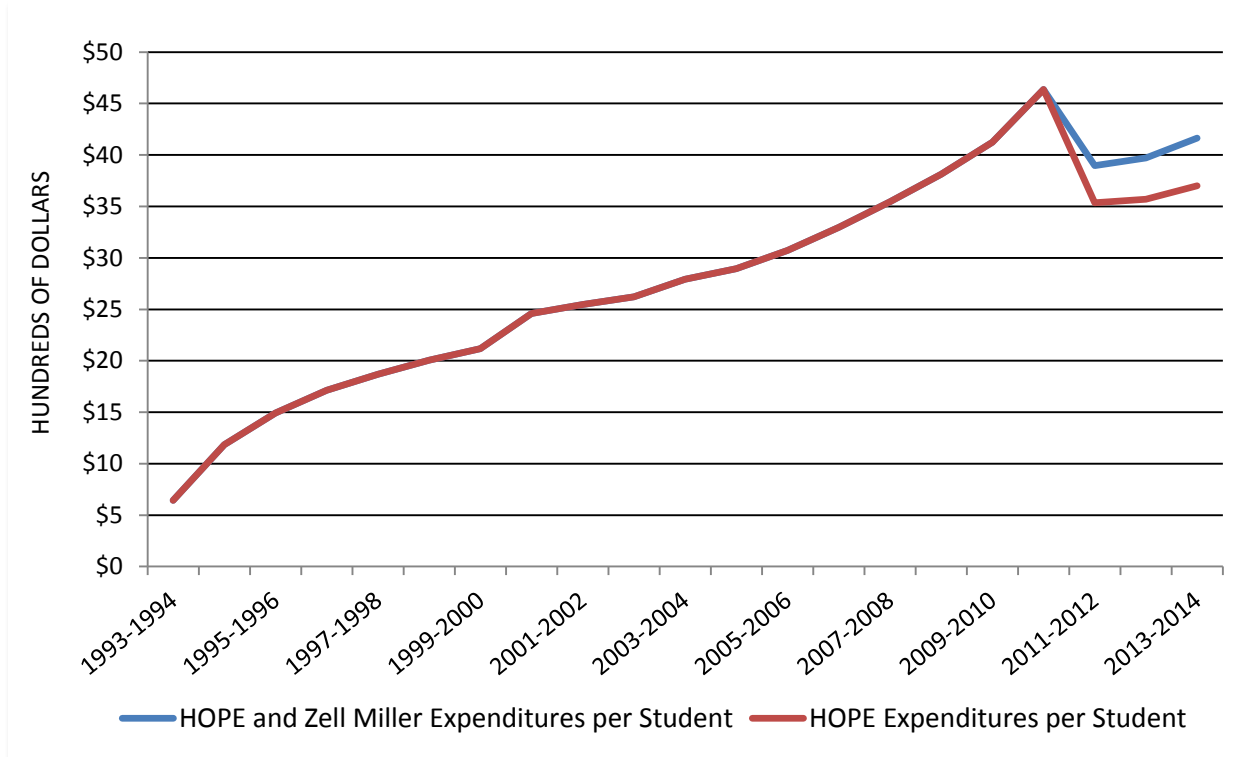


Source: Scholarships and Grants Database, Georgia Student Finance Commission, February 2015

NOTE: In FY 2012, the Zell Miller Scholarship was established. The scholarship's 3.7 GPA requirement moved a subset of students would have previously qualified for the HOPE Scholarship (3.0 GPA requirement) into the Zell Miller Scholarship category.

Figure 2 shows that total scholarship disbursements grew steadily from 1993 to a peak of \$539 million in 2011. After the reforms of 2011 total disbursements (combining both HOPE and Zell Miller scholarship awards) declined for the following two school years before increasing to \$455 million in the 2013-2014 school year. Per student expenditures (Figure 4) show a similar pattern, peaking in 2011 at \$4,637, declining the following year, but increasing during the last two school years to \$4,163 in 2014. Trends for total number of scholarship recipients (Figure 3) show more variation since 1993, but the number of recipients also peaked in 2011 at 116,361, declined slightly for two years before rising to 109,294 in the 2013-2014 school year.

Figure 4. HOPE and Zell Miller Scholarship Expenditures per Student Recipient



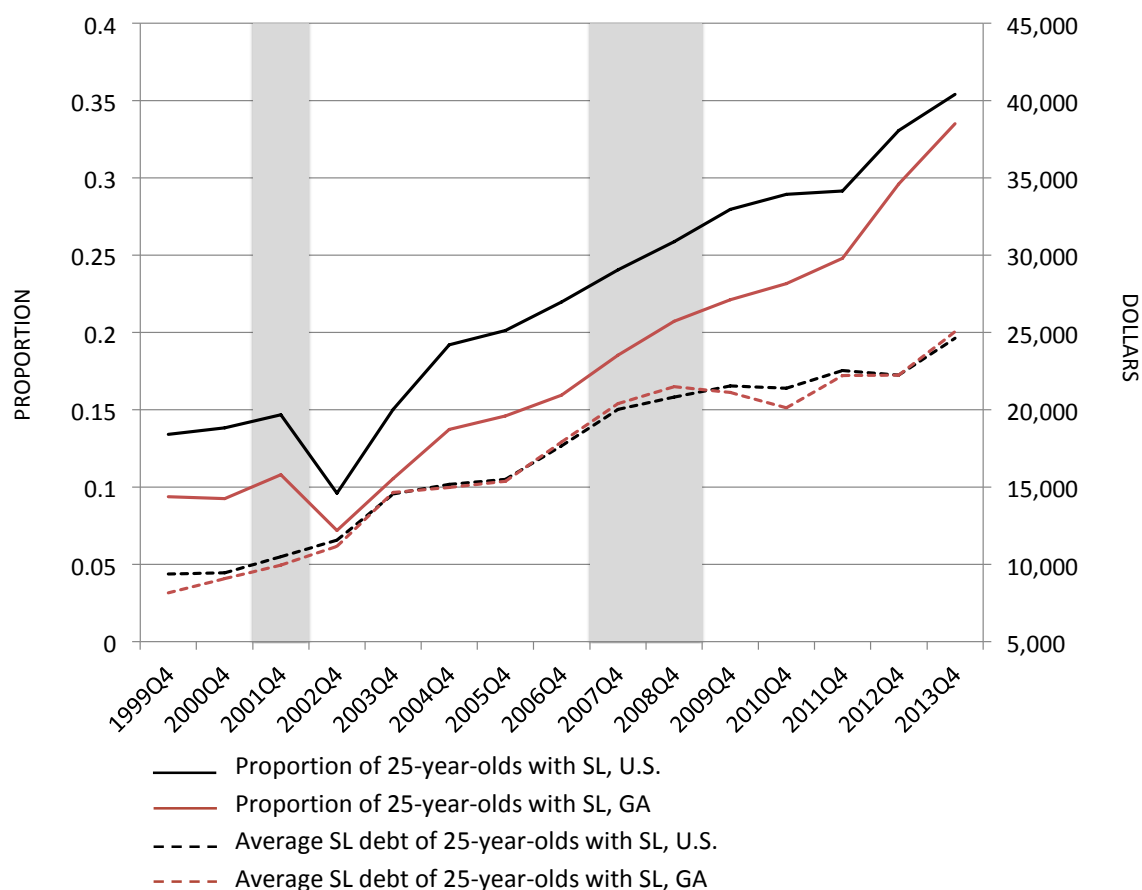
Source: Scholarships and Grants Database, Georgia Student Finance Commission, February 2015

NOTE: In FY 2012, the Zell Miller Scholarship was established. The scholarship's 3.7 GPA requirement moved a subset of students would have previously qualified for the HOPE Scholarship (3.0 GPA requirement) into the Zell Miller Scholarship category.

V. Comparing Student Loan and Other Debt Levels between Samples in Georgia and the United States

Figure 5 shows the growth rates for the proportion of 25-year-olds with student loan debt and the average debt levels of 25-year-olds with student loans. Since 1999, the proportion of 25-year-olds in Georgia with student loan debt has more than tripled from 9 percent to 33 percent. For most of the past decade, 25-year-olds in Georgia were 5 to 6 percent less likely than their peers across the United States to have student loan debt. This gap has narrowed over the past two years. This trend over the past two years mirrors the decline in the number of HOPE recipients during the same time period (see Figure 3). The trends for the amount of student loan debt held by 25-year-olds are very similar for Georgians and peers across the United States. The average amount owed by 25-year-old Georgians with student loan debt has also tripled, going from \$8,149 in 1999 to \$25,052 in 2013.

Figure 5. Growth of Student Loan Market



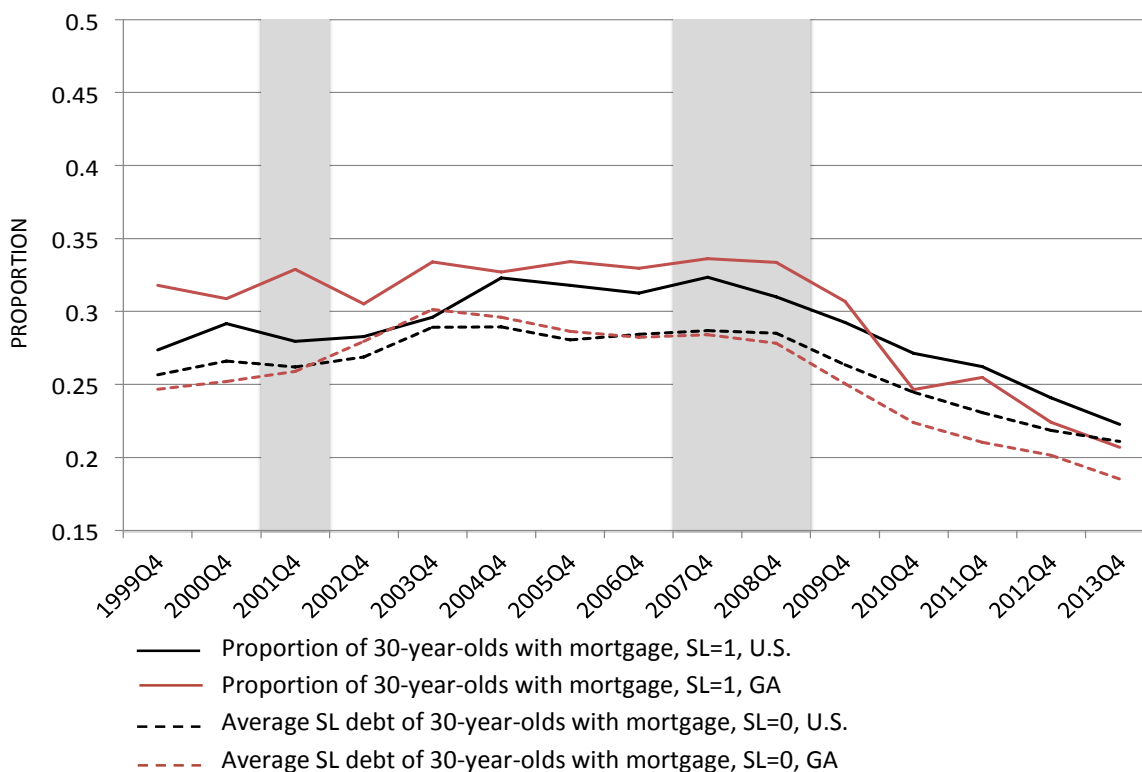
Source: Federal Reserve Bank of New York Consumer Credit Panel/Equifax. Note: Shaded areas indicate recessions.

STUDENT DEBT AND SUBSEQUENT HOMEOWNERSHIP

Brown and Caldwell (2013) used the variable home secured debt for 30-year-olds as a proxy for homeownership. Brown and Caldwell found that for most of the past decade 30-year-olds with student loan debt were more likely to own homes compared to 30-year-olds without student loan debt. After the Great Recession this disparity declined and disappeared altogether in 2011. Figure 6 compares (inferred) homeownership between Georgians with and without student loan debt with their counterparts across the nation.

From 1999 to 2009, 30-year-old Georgia residents with student loan debt were more likely to be homeowners than any other category shown in the chart. They were more likely to own homes than their peers across the United States with or without student loan debt and other 30-year-old Georgians without student loan debt. During 2010 they became less likely than their nationwide peers with student loan debt to have purchased a home. By 2013, they were as likely as non-student loan 30-year-olds across the United States to have purchased a home. Although the housing market is reported to have bounced back in 2013, the overall trend for both student loan borrowers and non-borrowers is a continued retreat from housing markets.

Figure 6. Proportion of Borrowers with Home-Secured Debt at Age 30

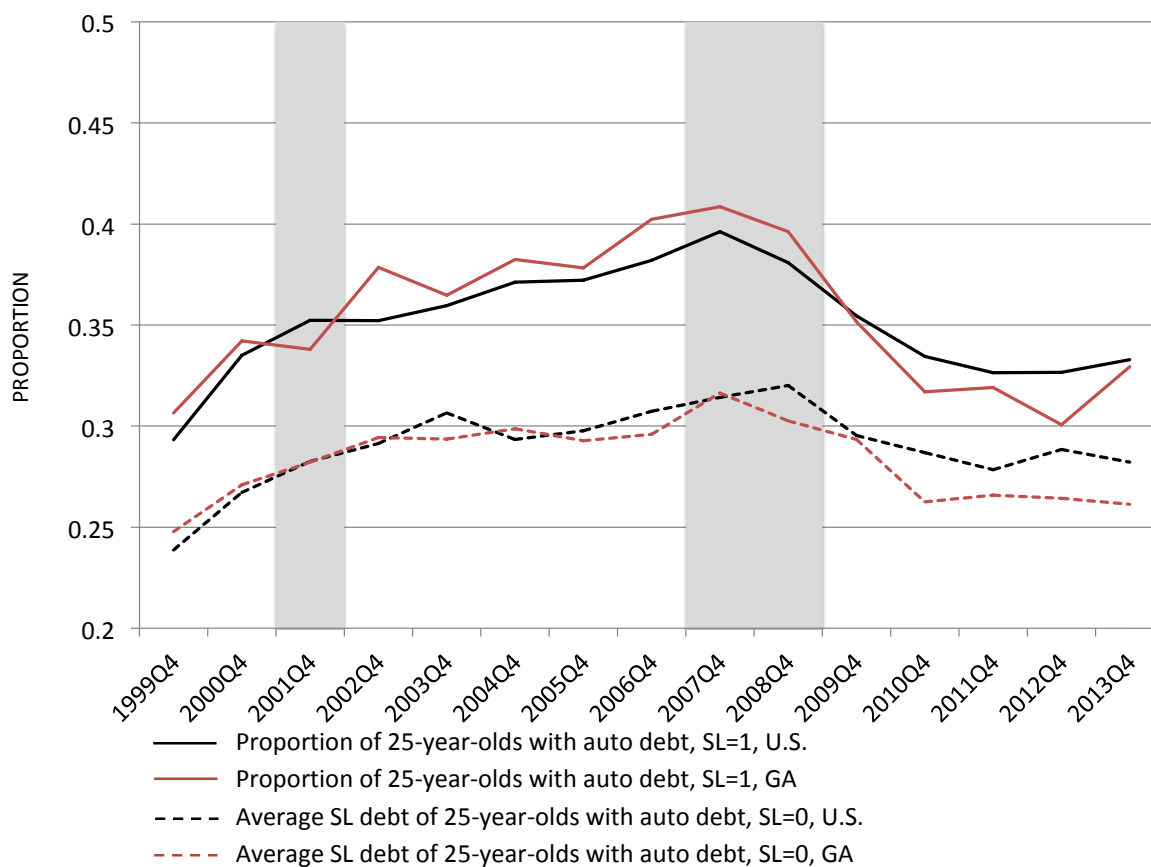


Source: Federal Reserve Bank of New York Consumer Credit Panel/Equifax. Note: Shaded areas indicate recessions.

STUDENT LOAN DEBT AND VEHICLE PURCHASES

Figure 7 shows the proportion of 25-year-olds who used debt to purchase a vehicle. The data show that 25-year-olds with student loan debt were more likely to use debt to purchase a vehicle than their peers in Georgia and across the United States without student loan debt. The trend for Georgia residents with student loan debt is similar to the trend observed with mortgage debt, from 2002 to 2008 student borrowers in Georgia were more likely than student borrowers across the United States to have auto debt, but post-recession Georgians with student loan debt have been less likely than their peers to assume auto debt. Nationwide auto markets recovered in 2013, and the uptick in Georgians with student loan debt, who borrowed money to purchase autos, went from 30 percent in 2012 to 33 percent in 2013. This is their first substantial increase in auto purchasing for this demographic since 2007 when 41 percent of 25-year-old Georgians with student loan debt also had auto debt that year.

Figure 7. Proportion of 25-Year-Olds with Auto Debt

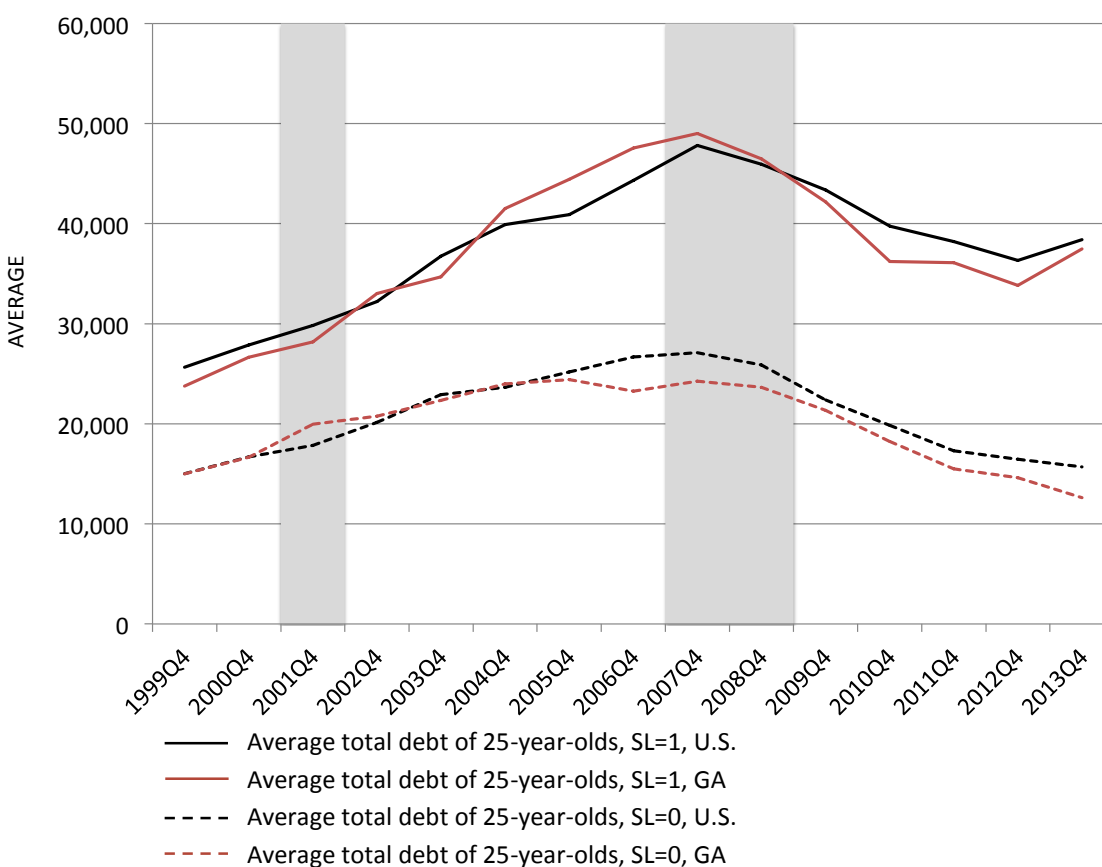


Source: Federal Reserve Bank of New York Consumer Credit Panel/Equifax. Note: Shaded areas indicate recessions.

TOTAL DEBT

Figure 8 compares total debt levels for those with and without student loan debt in Georgia and across the United States. Because Georgians with student loan debt (pre-recession) were more likely than their national counterparts to have mortgage and auto debt, it is not surprising that from 2004 to 2008 they had higher total debt than their peers. Their total debt peaked at \$49,000 during 2007 and then declined more rapidly after the Great Recession. Both categories of student borrowers exhibited increases in total debt during 2013 for the first time since 2007. Non-student borrowers both in Georgia and in the United States showed a steady decline in total debt after the Great Recession. Total debt for student borrowers is more than double the amount compared to 25-year-olds without student loan debt.

Figure 8. Average Total Debt for 25-Year-Olds

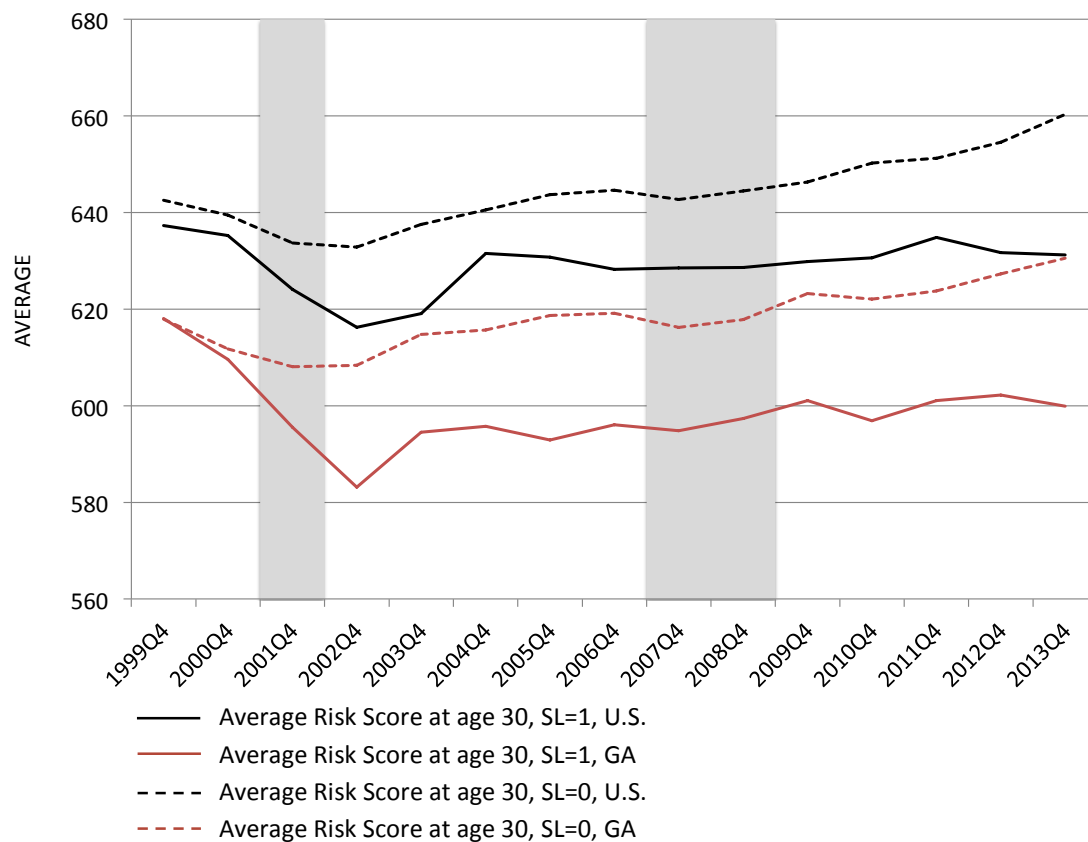


Source: Federal Reserve Bank of New York Consumer Credit Panel/Equifax. Note: Shaded areas indicate recessions.

CREDIT SCORES

Figure 9 shows average Equifax risk scores for 30-year-old borrowers and non-borrowers. The highest scores are for non-borrowers from the national sample; their scores have risen consistently since 2002. The next highest scores are student borrowers from the national sample whose scores are higher than non-borrowers from Georgia until the end of 2013. The lowest credit scores for the past 12 years are for student borrowers from the Georgia sample; their scores have hovered around 600 for the past five years.

Figure 9. Average Credit Risk Scores at Age 30



Source: Federal Reserve Bank of New York Consumer Credit Panel/Equifax. Note: Shaded areas indicate recessions.

VI. Discussion and Future Research

The present findings suggest trends for student loan debt in Georgia have followed national trends. Although overall patterns were similar, student loan borrowers in Georgia seemed to have been more influenced by the Great Recession compared to borrowers nationwide. Before the Great Recession student loan borrowers in Georgia were slightly more likely to have purchased homes and vehicles, but post-recession were slightly less likely to make these purchases compared to student loan borrowers from a national sample. The same pattern existed for total amount of debt. Credit risk scores were the one variable where Georgia student loan borrowers departed from their nationwide peers. Since the 2001 recession, student loan borrowers in Georgia have had credit scores consistently 20 to 30 points below their peers from a national sample.

It is important to be cautious interpreting descriptive data, but the present findings in Georgia lend support to the hypothesis that student loan debt is a drag on certain sectors of the economy. Four years into an economic recovery, young student loan borrowers have not re-entered housing and vehicle markets anywhere close to their pre-recession levels.

Maybe the most interesting finding in this analysis is the apparent discrepancy between the following two pieces of data: 1) For the past ten years, the typical Georgia graduate from a four-year college averaged \$3,103 less student loan debt compared to a national sample, and 2) The Consumer Credit Panel data shows the average 25-year-old student loan borrower in Georgia having the same amount of debt as his/her national peer – \$25,000 in 2013. If college graduates make up the majority of persons with student loan debt, we would expect the average 25-year-old Georgian to have less student loan debt compared to his/her peer in a national sample. Although this study does not have the data to test this discrepancy, three rival hypotheses might contribute to this contradictory finding: 1) college completion rates, 2) the oversized role of private, for-profit colleges in student loan markets, and 3) the effects of the HOPE Scholarship in Georgia. These rival hypotheses are considered below.

The Consumer Credit Panel data, used in this analysis, contains all 25-year-olds including those who have not graduated (or may not graduate) and those who attended all types of colleges—public, private non-profit, and private for-profit. If college completion rates in Georgia lag behind national averages, this might explain all or part of the discrepancy. In a study of college completion by the Chronicle of Higher Education (2010), Georgia's four-year public colleges ranked 30th among all states, with 24 percent of students graduating in four years and 51.6 percent taking six years to graduate. These figures were below national averages of 31 percent and 56 percent respectively. The Chronicle study also measured graduation rates from four-year, for-profit colleges, and the data from Georgia were even worse: 13 percent of Georgia's for-profit students graduated in four years, while 20 percent took six years to graduate. Both of these figures fell below national for-profit college graduation rates, which were 20 percent and 28 percent respectively. Because the data set (from The Project on Student Debt) that estimated Georgia

graduates leaving school with \$3,103 less debt than their U.S. peers did not include data from for-profit colleges, but the Consumer Credit Panel data set makes no such distinction, this might explain the seemingly contradictory findings.

Besides lower graduation rates, for-profit colleges might be contributing in other ways to explaining the (above noted) contradiction in data. Although students from for-profit colleges make up only 11 percent of the student population, they make up 22 percent of the federal student loan market and 47 percent of student loan defaults (Weisman, 2013). This suggests students attending for-profit colleges are contributing to the student loan debt crisis in proportions that far outweigh their relative numbers.

A third potential explanation of the contradictory findings might be various impacts associated with HOPE (and Zell Miller) Scholarship funding. A literature search found no extant research on the impact of the HOPE Scholarship on levels of student loan debt. Entering college students who qualified for HOPE need to maintain a B average to retain their scholarships. Although studies show HOPE Scholarship attrition rates, after 30 hours of course credits, ranging from 50 percent (Dee & Jackson, 1999) to 70 percent (Georgia Board of Regents, 2001), one study found 13 percent of HOPE recipients retained the scholarship for all four years of college (Georgia Board of Regents, 2001 cited in Henry, Rubenstein, & Bugler, 2004). In a study comparing students with grade point averages just above and just below the B-average threshold, Henry, Rubenstein & Bugler (2004) found HOPE recipients twice as likely to graduate from two-year institutions and 72 percent more likely to graduate from four-year institutions compared to non-HOPE recipients. If HOPE recipients borrow less money than non-recipients, these findings might explain why Georgia graduates tend to have less debt compared to their peers nationwide from not-for-profit or public institutions.

Another reason HOPE Scholarship awards might not lower aggregate student loan debt in Georgia compared to the national sample is that colleges might raise tuition rates in response to increased student aid. This hypothesis was first proposed by William Bennett (1987), the former Secretary of Education, in a *New York Times* Op-Ed article in 1987. Long (2004) used Georgia's HOPE Scholarship as a natural experiment to test Bennett's hypothesis. She compared college costs in Georgia to those of neighboring states over the four years after the implementation of the HOPE Scholarship. Long found no evidence that public institutions increased tuition prices related to HOPE, but costs for room and board increased 10 cents for every \$1 worth of scholarship money awarded. Also, private, non-profit colleges raised tuition costs in relationship to HOPE awards with some colleges recouping as much as 30 percent of what students were receiving in scholarships. Because Long's (2004) results were mixed, she cautions against interpreting her findings as strong support for the Bennett hypothesis.

FUTURE RESEARCH

Although this descriptive study found some support for the hypothesis that student loan debt might be acting as a drag on some sectors of Georgia's economy, more research is necessary to clarify the relationship between student loan debt and young people's engagement with the economy in Georgia. Further research needs to explore the following three questions: 1) What impact does the HOPE Scholarship have on student loan debt? 2) At what level does student loan debt become an inhibiting factor in young people's participation in the economy? and 3) How do student loan borrowers from private, for-profit colleges compare to borrowers from public and non-profit, private colleges in terms of debt levels, defaults, and participating in the economy? These areas for future research are explored briefly below.

Further research needs to establish the "tipping point" where student loan debt becomes a burden for young people entering the economy. It is probable that young borrowers with lower levels of student loan debt are participating more vigorously in the economy compared to those with larger amounts of debt or no debt, but this hypothesis needs to be tested. More research should analyze the relationships among different levels of debt, specific degrees, and earnings associated with those degrees. Obviously, borrowing \$80,000 to earn an MBA or a medical degree is less likely to result in a loan default compared to borrowing the same amount to earn a degree in social work.

A longitudinal study needs to ascertain the impact of the HOPE Scholarship on student loan debt. Students should be followed from entering college until the age of 30 to compare levels of student loan debt among those who received the HOPE Scholarship for four years, those who lost it, and those who never had it. This study should compare all the iterations of HOPE receipt and debt levels for those who graduate and those who drop out of school. This information would be valuable for policy makers in future debates about reforming the HOPE Scholarship.

Although difficult to conduct, much more research needs to investigate the role of Georgia's for-profit colleges in contributing to student loan debt and its impact on the economy. For-profit colleges are much harder to research because they do not respond to voluntary surveys, and there are huge gaps in the data they report to the U.S. Department of Education (U.S. Senate, 2010). The Project on Student Debt found only nine of 584 for-profit colleges responded to its survey on student loan debt for the class of 2012 (The Project on Student Debt, 2013). The issues associated with college completion, student loan debt, and quality of education at for-profit colleges have raised enough concerns to be investigated by the U. S. Senate Committee on Health, Education, Labor and Pensions. In the past four years, they have issued two reports investigating issues associated with student loans and for-profit colleges (U.S. Senate, 2012). The U.S. Senate reports conclude that many important questions are unanswered since reporting requirements are so weak for for-profit colleges. Data collection is weak in the following areas: college completion rates, measuring job placement, published tuition rates, and default rates that are only tracked for three years. Although it is certainly probable that the most severe crisis of

student loan debt is associated with students who attended for-profit colleges, better data and more research is required to establish that link.

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Appendix

DATA SOURCES

This report used secondary data from three different sources. The data comparing student loan debt for graduating college seniors from was from The Project on Student Debt. Data on HOPE Scholarship awards came from the Georgia Student Finance Commission. The data comparing various types of debt for 25- and 30-year-olds came from the Federal Reserve Bank of New York Consumer Credit Panel/Equifax.

THE PROJECT ON STUDENT DEBT

The Project on Student Debt contracts with Peterson's (publisher of Peterson's college guides), which conducts annual surveys of colleges and asks questions about student loan debt. The response rate on their survey varies from year to year. In 2012, their state level averages were derived from 1,075 colleges that answered both of the debt questions. These colleges "represent 55 percent of all public and private non-profit, four-year colleges that granted bachelor's degrees and 79 percent of all bachelor's degrees recipients in these sectors in 2011-2012" (The Project on Student Debt, 2013, p. 22). Several limitations might result in the Peterson's data actually underestimating the total amount of debt of graduating seniors. While the questions ask institutions to report both federal and private (non-federal) student loan data, students might have taken out private loans the institution is unaware of. The questions instruct colleges to exclude transfer students and the debt those students bring with them to their new school. The survey is voluntary and not audited and The Project on Student Debt feels this might create an incentive for schools to under report the amount of debt. A severe limitation of the data is the extremely low response rate from private, for-profit colleges. For the Class of 2012 report only nine of 584 for-profit colleges responded to the student loan debt questions. The appendix of each of the eight annual reports from The Project on Student Debt has more details on the strengths and weaknesses of its data collection methods (see projectonstudentdebt.org/files/pub/classof2012.pdf).

FEDERAL RESERVE BANK OF NEW YORK CONSUMER CREDIT PANEL/ EQUIFAX DATA

The Federal Reserve Bank of New York Consumer Credit Panel (CCP) database is a proprietary data set that consists of detailed credit-report data for a unique longitudinal panel of individuals and households in quarterly increments starting in 1999. The panel is a nationally representative 5 percent random sample of individuals who have a credit report. The data contain a snap shot of the credit profile of these consumers as of the end of each quarter. The sampling procedure produces roughly 12 million records each quarter. Complete details about the dataset can be found in Lee and van der Klaaw (2010). The sample of 25-year-olds in the United States over the time period ranges from about 168,000 to 205,000 individuals; the Georgia sample of 25-year-olds ranges from 5,500 to 6,500 individuals. The sample of 30-year-olds is slightly larger, as individuals of that age are more likely to have credit reports than the younger group.

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