Minnesota Office of Higher Education

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Cumulative Student Loan Debt in Minnesota, 2015

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About the Minnesota Office of Higher Education

The Minnesota Office of Higher Education is a cabinet-level state agency providing students with financial aid programs and information to help them gain access to postsecondary education. The agency also serves as the state's clearinghouse for data, research and analysis on postsecondary enrollment, financial aid, finance and trends.

The Minnesota State Grant Program is the largest financial aid program administered by the Office of Higher Education, awarding up to $180 million in need-based grants to Minnesota residents attending accredited institutions in Minnesota. The agency oversees tuition reciprocity programs, a student loan program, Minnesota's 529 College Savings Plan, licensing and early college awareness programs for youth.

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Executive Summary

To better understand student debt in Minnesota, the Minnesota Office of Higher Education (the Office) gathers information on cumulative student loan debt from Minnesota degree-granting institutions. These data detail the number of students with loans by institution, the cumulative student loan debt incurred at that institution, and the percentage of students with loans for the 2011-2012, 2012-2013, 2013-2014, and 2014-15 academic years. This is the second report of institution-level cumulative student loan debt data for all types of degrees and all types of institutions in Minnesota.

The Office conducted a survey of Minnesota institutions to obtain median cumulative student loan debt by type of certificate/degree from degree-granting institutions. All institutions, public and non-public, asked to provide cumulative debt information responded to the Office's data request. The Office thanks these institutions for their willingness to contribute to this report.

Cumulative student loan debt refers to the total debt incurred while a student attends a specific institution. Debt incurred from previous institutions is not included. Cumulative debt is only reported for students that completed a certificate or degree at the given institution. The debt figures include debt from federal, state and private sources that is known to the institutions. In addition, students with no debt are not included in the median.

Individual private institutions provided the cumulative student loan debt for their graduates with loans. The University of Minnesota and Minnesota State Colleges and Universities provided the data for their graduates from their central offices.

Key findings from this data collection include:

- Students continue to rely on loans to finance their postsecondary education.
- Student debt increases as the level of degree and specialization increases.
- At the associate and bachelor's degree levels, students graduating from for-profit institutions borrow more, on average, than students at public and private non-profit institutions.
- At the sub-baccalaureate certificate and master's degree levels, students graduating from for-profit institutions borrow similar amounts, on average, as students at public and private non-profit institutions.
- The median debt amounts for graduates at the bachelor's degree level has been declining slowly over the past four years at private not-for-profit and University of Minnesota institutions.
- At the master's and doctorate degree level, students graduating from for-profit institutions borrow more, on average, than students at public and private non-profit institutions.
- At the sub-baccalaureate certificate, bachelor's, master's, and doctorate degree levels, students graduating from private for-profit institutions are more likely to have taken out loans than similar graduates from other types of institutions.
- Debt varies widely from institution to institution, even those within the same sector. Some of the largest debt is incurred by graduates in the private for-profit sector. This sector also shows higher than average default rates – both in Minnesota and nationally.
- Despite ranking near the top nationally in average student debt,[1] Minnesota students' default rates are below the national average.
- Within the Twin Cities, areas with the lowest student loan balances also tend to be the areas with the highest delinquency rates (and the areas with the highest populations of color).

[1] As not all states release data on cumulative median student debt, average student is the standard for comparing across states.

A note about median versus average debt: This report provides data on median debt. Median is the value for which half of borrowers borrowed more and half borrowed less. Many reports on student debt use average debt, rather than median debt. However, a small number of borrowers who borrow large amounts can result in higher average debt, even though the larger amounts are not typical for most borrowers.

Introduction: National Trends

According to the Federal Reserve Bank of New York, borrowing for postsecondary education has increased by 89 percent over a 10-year time period from 2004 to 2014. During this same time period, there was a 77 percent increase in the average balance size of borrowers.[2] Furthermore, the Project for Student Debt found that two-thirds of all student loan balances are held by borrowers aged 30 and older. In Minnesota, average student debt increased slightly to $31,579 in 2014, up from $30,894 in 2013. The 2014 number is also higher than the average of $31,497 in 2012.[3] Additionally, Minnesota continued ranked fifth in the nation in average student debt as it did the previous year. Minnesota ranked third in the percentage of students holding debt in 2014 (70 percent), up from fourth place in 2013 (still at70 percent). This is compared to the 2014 national average of $28,950, up from the 2013 national average of $28,400 (which was up from $27,850 in 2012). This national downward trend is in contrast to Minnesota's trend. Sixty-nine percent of students nationwide held debt in 2014, up from 68 percent in 2013.

One sector of the economy affected by student debt has been the housing market. Since former students have been paying off high student loan debts, less have found it feasible to purchase a home. In addition to student loan debt, Pew Research found that young adults (under 40 years old) were more likely to have other debts in addition to having much smaller net worth. Even with these other debts, student debt loans have exceeded home equity line of credit, auto loans, and credit cards over the last four years from 2010-2014.[4]

The rising student loan burden that graduates are facing are potentially causing younger Americans to hold off on starting a family. According to the Centers for Disease Control, the median age for a woman's first birth has been increasing for years. This data also shows that the birth rate for women between the ages of 20 to 29 is now at a record low.[5]

A worrying trend is that student debt is significantly outpacing wage growth. Over the period from 1990 to 2015, median debt amounts for bachelor's degree recipients increased 164 percent from $12,100 to $31,941. During the same timeframe, median wages for bachelor's recipients increased only two percent from $42,342 to $43,000.[6] In other words, the typical college graduate left school with a debt amount equal to 29 percent of their annual earnings. In 2015, the typical college graduate is leaving school with a debt amount equal to 74 percent of their income.[7]

An increasingly higher proportion of students are graduating with excessive debt as well.[8] In 1994, only 9.8 percent of bachelor's degree recipients graduated with excessive debt. In 2015, about 16.7 percent of college graduates are finishing school with excessive debt Moreover, if we look just at graduates who

[2] New York Federal Reserve, Student Loan Borrowing and Repayment Trends, April 16. 2015

[3] Star Tribune, Minnesota Ranks High in Student Debt, National Study Shows, November 13, 2014, http://www.startribune.com/minnesota-ranks-high-in-student-debt-national-study-shows/282506291/

[4] New York Federal Reserve, Student Loan Borrowing and Repayment Trends, April 16. 2015

[5] Joyce A.Martin, Brady E. Hamilton, Michelle J.K. Osterman, Sally C. Curtin, And T.J. Mathews. Births: Final Data for 2013. National Vital Statistics Reports. Centers for Disease Control. January 15, 2015.

[6] Adjusted to 2015 dollars. Only counts median wages for those between the ages of 22 to 27.

[7] Huffington Post. 3 Charts That Show Just How Dire The Student Debt Crisis Has Become. February 3, 2016

[8] Excessive debt in this context is defined as debt that cannot be paid off by a student within 10 years, based off of their income.

took out loans, about one in four (27.2 percent) bachelor's recipients today are graduating with excessive debt. Students who graduate with excessive debt are 20 percent more likely to say their debt loads influenced their career plans by taking a job outside of their field of study, work more hours than they desired, or to work more than one job.[9]

Harvard University reported in 2016 that 42 percent of 18 to 29 year olds have, or live with someone in their household that has, student debt. The same survey reported that 57 percent of the same respondents felt that the issue of student debt for young people in the United States was a major problem.[10] According to a recent Gallup poll, college expenses and loans are the biggest source of concern for American adults between the ages of 18-49. Interestingly, the income group for which college expenses and loans are among their top concerns are those making over $75,000 a year, since this income group is likely to rely primarily on loans to finance the higher education of their children.

Despite these trends, recent research confirms that postsecondary education still pays for those who are able to complete it. The Project on Student Debt indicates that on average, four-year college graduates experience less unemployment and earn higher salaries than those with only a high school education. For instance, the unemployment rate for young high school graduates was 16.5 percent in 2013, more than double the rate for young college graduates. Additionally, the Hamilton Project found that the gap in annual earnings between a young college graduate and a high school graduate has increased from $4,000 a year in the 1980s to $12,000 per year in 2010.[11]

Furthermore, more and more jobs in today's economy are requiring an education beyond high school. According to Georgetown University's Center on Education and the Workforce, 65 percent of jobs in the United States in 2020 will require some form of education or training beyond high school. In Minnesota alone, the same study says that by 2020, 74 percent of jobs in this state will require some postsecondary education/training.[12] However, increasing levels of college debt still have an impact on individuals, their families, and the economy as a whole.

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[9] Mark Kantrowitz. Why the Student Loan Crisis Is Even Worse Than People Think. Money. January 11, 2016.

[10] Harvard Kennedy School of Government. Student Debt Viewed as Major Problem; Financial Considerations Important Factor for Most Millennials When Considering Whether to Pursue College. 2016

[11] The Hamilton Project. Regardless of the Cost, College Still Matters. October 5, 2012.

[12] A. Carnevale, N. Smith, and J. Strolh. Recovery: Job Growth and Education Requirements Through 2020. Georgetown University Center on Education and the Workforce. 2013.

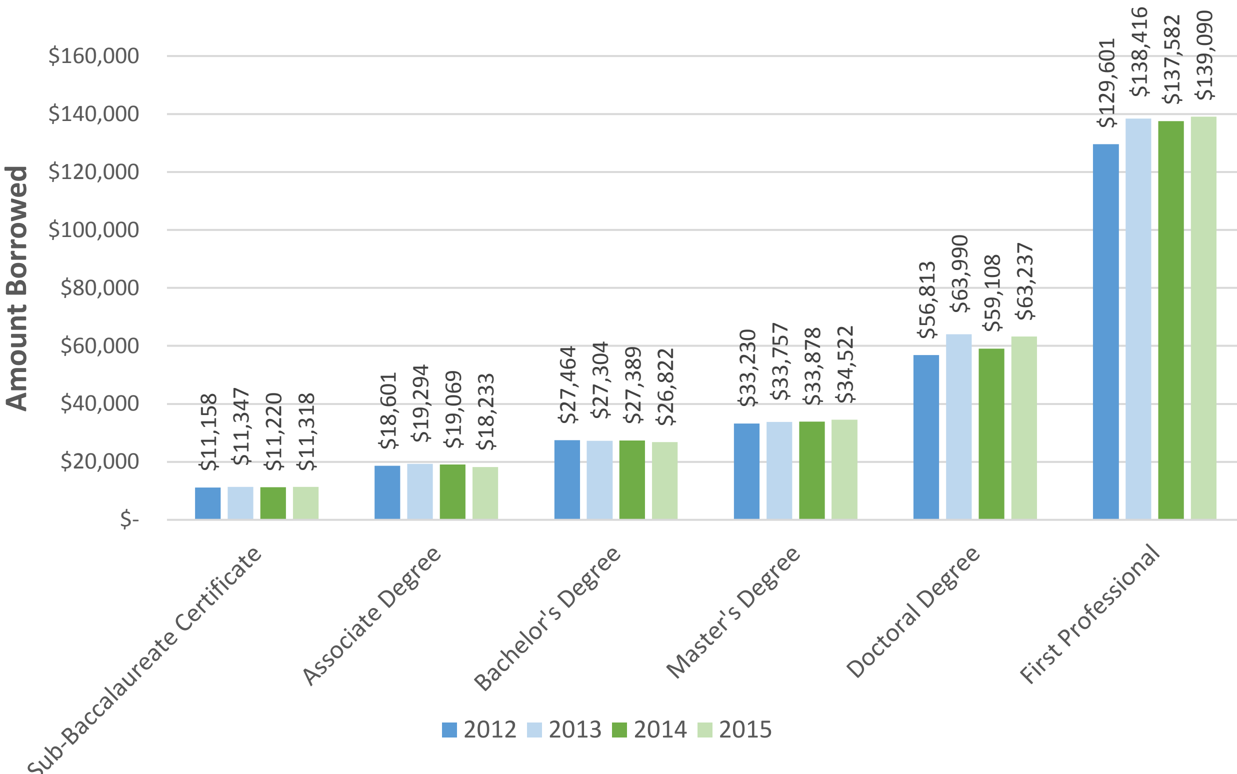
Minnesota Data Collection and Results

The results are reported by the type of degree:

- Sub-baccalaureate certificates
- Associate degrees
- Bachelor Degrees
- Master Degrees
- Doctoral Degrees
- First Professional Degrees (Includes veterinary, medical, dental, pharmacy, and legal degrees.)

All Award Recipients

Figure 1: Weighted Average of Median Debt Among Minnesota Graduates With Loans By Award Level, 2012-2015

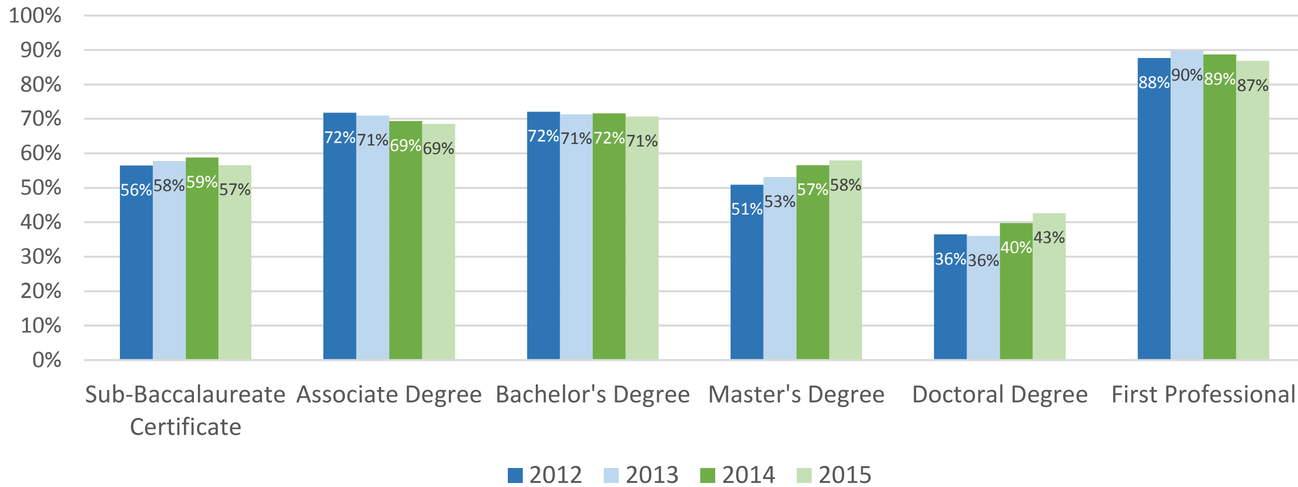


Source: Minnesota Office of Higher Education

Figure 1 represents the weighted average of median debt for students in all sectors, by postsecondary award type.[13] As has been the case in prior years, median debt increases as the level of award increases. Recipients of sub-baccalaureate certificates had the lowest cumulative median debt in 2015 at $139,090. Conversely, recipients of first professional degrees had the highest cumulative median debt in 2015 at $11,318.

[13] The weighted average of median debt is the average of median cumulative debt amounts across each institution by award type, weighted by the number of loan recipients at each institution.

Figure 2: Percentage of Minnesota Graduates with Loans by Award Level, 2012-2015



Source: Minnesota Office of Higher Education

As shown in Figure 2, the number of students with loan debt varies by degree level as well. Notably, the percentage of 2014-15 bachelor's recipients with debt has remained steady in the low 70s. Master's and doctorate recipients have historically taken out student loans at a lower rate than other award types, due to the offering of fellowships, teaching/research assistantships, and tuition waivers. However, the percentage of these students that are graduating with loan debt has steadily been increasing over the past few years. Table 1 displays the average monthly loan payments based on the totals in Figure 1, assuming a 6.8 percent interest rate.

Table 1: Examples of Monthly Payments for Minnesota Degree Recipients, by Degree Type

Degree Attained	Average Median Student Loan Debt for Those with Loans, 2015	Estimated Monthly Payment	Estimated Loan Term
Sub-baccalaureate Certificate	$11,318	$130	10 years
Associate Degree	$18,233	$210	10 years
Bachelor's Degree	$26,822	$205	20 years
Master's Degree	$34,522	$264	20 years
Doctoral Degree	$63,237	$439	25 years
First Professional Degree	$139,090	$907	30 years

Source: Minnesota Office of Higher Education

Note: Assumes a 6.8% interest rate.

Sub-Baccalaureate Certificate Recipients

Students receiving sub-baccalaureate certificates in Minnesota primarily attended public two-year institutions or for-profit institutions. Certificates at the sub-baccalaureate level encompass a variety of disciplines. Examples of certificate programs offered in Minnesota include truck driving, construction, cosmetology, massage therapy and culinary arts, among others. These programs generally take between nine and fifteen months to complete.

Table 2: Cumulative Debt for Minnesota Sub-Baccalaureate Certificate Recipients, 2012-2015[14]

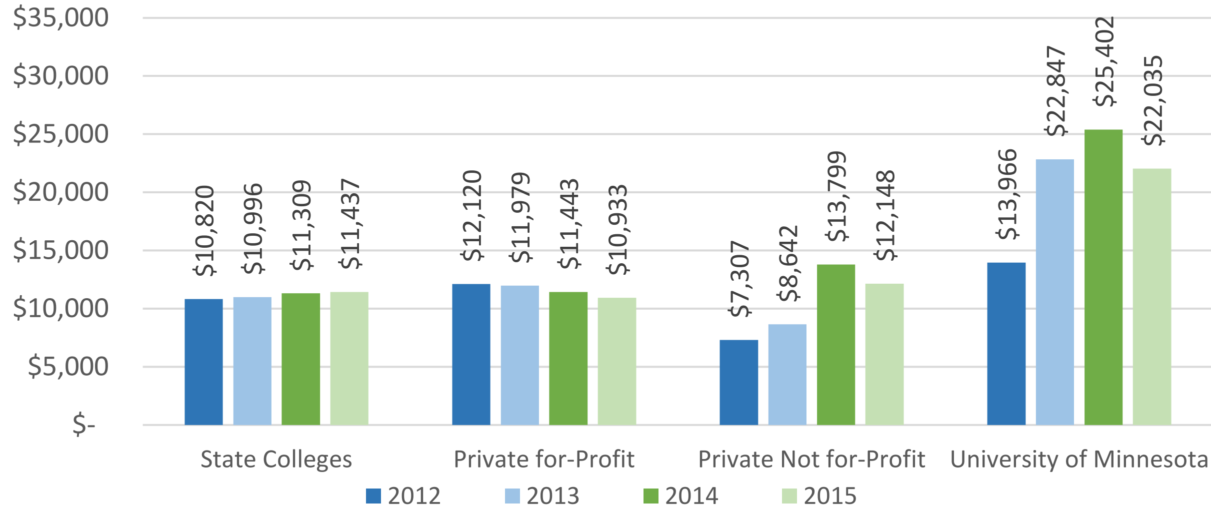
Type of Institution	Year	Number of Award Recipients	Number of Recipients With Loans	Median Student Loan Debt	Percent of Recipients with Loans
State Colleges	2012	10,307	5,462	$ 10,820	53%
	2013	10,090	5,402	$ 10,996	54%
	2014	9,471	5,071	$ 11,309	54%
	2015	8,974	4,660	$ 11,437	52%
Private for-Profit	2012	2,446	1,995	$ 12,120	82%
	2013	3,087	2,461	$ 11,979	80%
	2014	3,780	3,011	$ 10,855	80%
	2015	2,672	2,161	$ 10,933	81%
Private Not-for-Profit	2012	523	49	$ 7,307	9%
	2013	459	36	$ 8,642	8%
	2014	708	149	$ 13,799	21%
	2015	336	99	$ 12,148	29%
University of Minnesota	2012	85	41	$ 13,966	48%
	2013	95	38	$ 22,847	40%
	2014	65	19	$ 25,402	29%
	2015	274	18	$ 22,035	7%
Minnesota Total - All Sectors	2012	13,361	7,547	$ 11,158	56%
	2013	13,731	7,937	$ 11,347	58%
	2014	14,024	8,250	$ 11,220	59%
	2015	12,256	6,938	$ 11,318	57%
	Cumulative Percent Change from the Previous Year for All Sectors				
	2013	2.77%	5.17%	1.69%	2.33%
	2014	2.13%	3.94%	-1.11%	1.77%
	2015	-12.61%	-15.90%	0.87%	-3.77%

Source: Minnesota Office of Higher Education, Cumulative Debt Survey, 2015

[14] Model College, The Travel Academy, and Vesper College were retroactively added to the Private Not-for-Profit totals for 2014.

Median debt in 2015 among sub-baccalaureate certificate recipients in Minnesota ranged from over $11,437 for the graduates of public two-year colleges to a high of just over $22,035 for a certificate from the University of Minnesota. It is likely that such a significant variation in cost was because of the size and scope of the programs. In the past few years, there has been a gradual increase in the amount of loans recipients from state colleges have taken out, while there has been a gradual decline in the median debt amount of recipients from private for-profit colleges. A significant majority of certificate recipients from private for-profit institutions used loans to finance their studies (81 percent of the students in 2015), while only 29 percent used loans for the certificate programs at private non-profit institutions (Table 2). Looking at public two-year institutions, these numbers remained consistent with regard to student's percent with loans over the three-year period (54 percent).

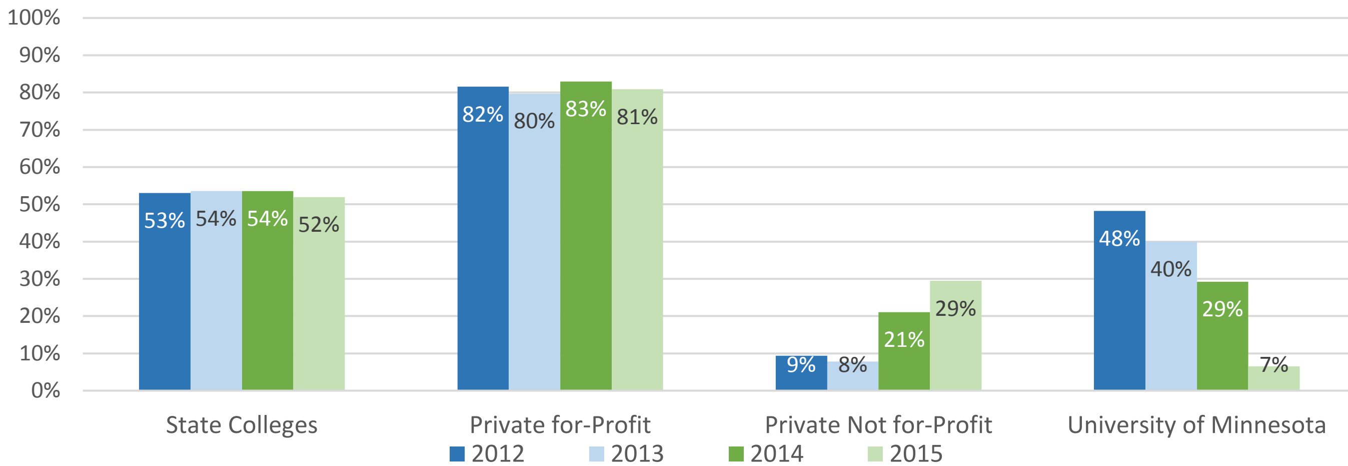
Figure 3: Median Debt at State Colleges has been Slowly Increasing, While Median Debt at For-Profit Institutions has been Slowly Decreasing for Certificate Recipients



Source: Minnesota Office of Higher Education, 2015 Cumulative Debt Survey

University of Minnesota institutions saw a drastic decline in the percentage of certificate recipients who took out loans (Figure 4) from 2012 to 2015 (from 48 percent to seven percent). At the same time, non-profit institutions saw a dramatic jump in the median student loan debt amount for recipients from nine percent to 29 percent between 2012 and 2015.

Figure 3: Half of Certificate Recipients at State Colleges Continue to Take on Debt, As Is a Smaller but Growing Share at Private Not-For-Profit Institutions.



Source: Minnesota Office of Higher Education, 2015 Cumulative Debt Survey

Monthly Payments

If a student accrues $11,318 in debt (which is an average median debt for the certificate recipient in Minnesota), the estimated monthly payment for a 10-year repayment plan would be $130 per month. This estimate is based on a 6.8 percent interest rate for federal unsubsidized Stafford loans. Federal unsubsidized Stafford Loans are the most common student loans. The estimated monthly payment for a 20-year repayment plan would be $86 per month for the same amount of debt.

Associate Degree Recipients

The majority of students receiving associate degrees attended state colleges. Sixty-five percent of 2014-2015 associate degree recipients from a state college had loans and the median student loan debt for those with loans was just over $16,100. Debt level among degree recipients from private non-profit institutions is higher than debt for associate degree recipients from state colleges, and more students from private for-profit institutions took out loans (82 percent).

Table 3: Cumulative Debt for Minnesota Associate Degree Recipients, 2012-2015[15] [16]

Type of Institution	Year	Number of Award Recipients	Number of Recipients With Loans	Median Student Loan Debt	Percent of Recipients with Loans
State Colleges and Universities	2012	15,835	10,468	$ 14,840	66%
	2013	15,991	10,561	$ 15,934	66%
	2014	16,909	11,091	$ 16,190	66%
	2015	16,357	10,556	$ 16,153	65%
Private for-Profit	2012	4,388	4,029	$ 27,899	92%
	2013	3,641	3,351	$ 29,591	92%
	2014	3,090	2,813	$ 30,478	91%
	2015	2,526	2,294	$ 25,732	91%
Private Not-for-Profit	2012	312	242	$ 26,505	78%
	2013	329	248	$ 23,258	75%
	2014	654	426	$ 18,671	65%
	2015	630	519	$ 27,392	82%
Minnesota Total - All Sectors	2012	20,535	14,739	$ 18,601	72%
	2013	19,961	14,160	$ 19,294	71%
	2014	20,653	14,330	$ 19,069	69%
	2015	19,513	13,369	$ 18,233	69%
	Cumulative Percent Change from the Previous Year for All Sectors				
	2013	-2.80%	-3.93%	3.72%	-1.17%
	2014	3.47%	1.20%	-1.17%	-2.19%
	2015	-5.52%	-6.71%	-4.38%	-1.26%

Source: Minnesota Office of Higher Education, Cumulative Debt Survey, 2015

Private not-for-profit institution associate degree recipients have a higher level of debt than students in other sectors. Their median debt was $27,392 and 91 percent had loans (Figured 4 and 5). This is a reverse from the previous year, when students graduating from private for-profit institutions carried a higher debt load.

[15] Leech Lake College was retroactively moved to Private Not-for-Profit in previous years.

[16] The weighting process for percentage of graduates with student loans has been retroactively updated.

Figure 4: Median Debt at State Colleges has Stabilized for Associate Earners, While Debt Levels at For-Profit Institutions Have Dropped Significantly.

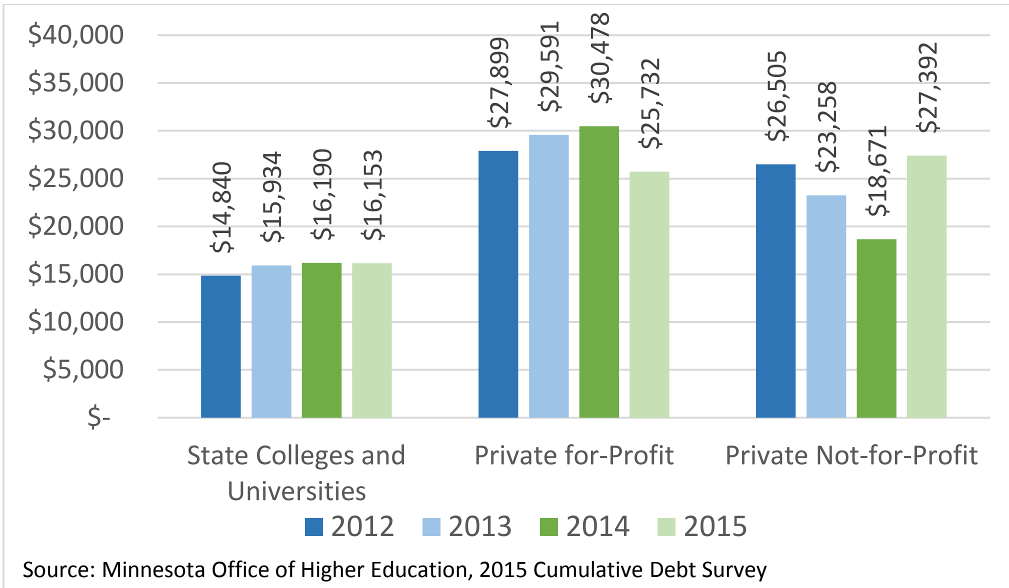
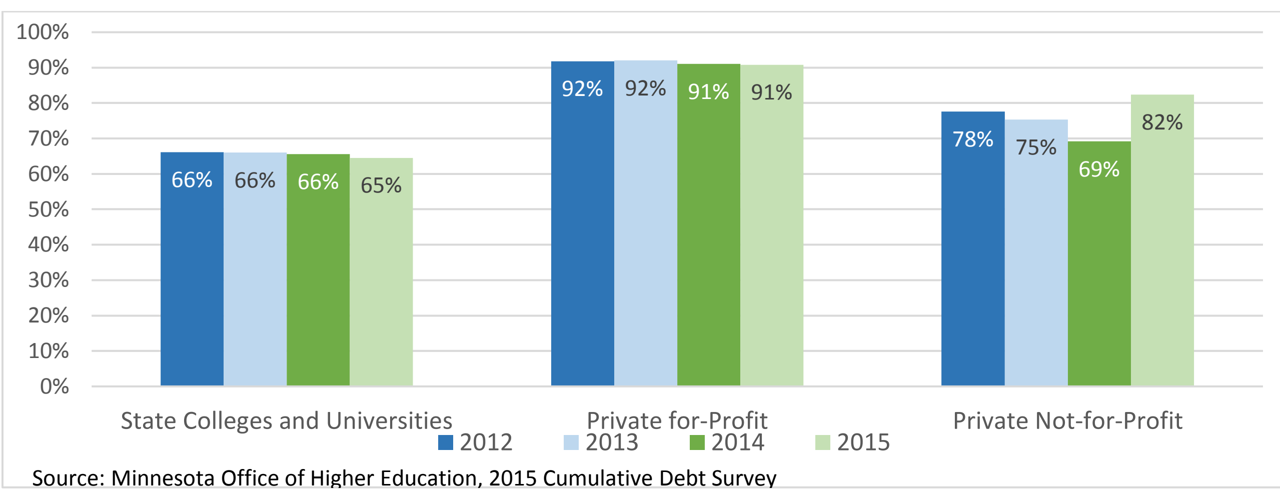


Figure 5: Two-Thirds of Associate Recipients at State Colleges and Universities Continue to Graduate with Debt



Monthly Payments

Assuming a 6.8 percent interest rate, monthly payments for a student with $18,233 in debt (average median debt for an associate degree graduate in Minnesota) would be $210 per month for a 10-year repayment plan or $139 under a 20-year repayment plan.

Bachelor's Degree Recipients

In 2015, bachelor's degree recipients from public and private non-profit institutions borrowed at similar amounts. Between two-thirds to three-fourths of graduates financed their education with loans. Most students attending public and private non-profit institutions in Minnesota are dependent students. This is important to know, as the Federal Stafford Loan sets yearly and maximum borrowing limits for undergraduate dependent students. Dependent students are allowed to borrow $5,500 in their first year, followed by $6,500 in their second year and $7,500 in their third and fourth years for a maximum of $31,000 over four years.[17] Bachelor's degree recipients with loans from the private for-profit sector borrowed just over $47,000, with 86 percent having loans (Figures 6 and 7).

Table 4: Cumulative Debt for Minnesota Bachelor's Degree Recipients, 2012-2015[18] [19]

Type of Institution	Year	Number of Award Recipients	Number of Recipients With Loans	Median Student Loan Debt	Percent of Recipients with Loans
State Universities	2012	10,891	7,900	$ 25,316	73%
	2013	10,904	7,976	$ 25,424	73%
	2014	10,615	7,820	$ 25,897	74%
	2015	10,845	7,979	$ 25,496	74%
Private for-Profit	2012	1,519	1,397	$ 47,990	92%
	2013	1,472	1,317	$ 48,338	89%
	2014	1,450	1,309	$ 48,274	90%
	2015	1,157	998	$ 47,330	86%
Private Not-for-Profit	2012	10,196	7,235	$ 27,968	71%
	2013	10,650	7,364	$ 27,883	69%
	2014	11,006	8,052	$ 27,635	73%
	2015	10,986	7,968	$ 27,413	73%
University of Minnesota	2012	9,994	6,607	$ 25,289	66%
	2013	10,130	6,649	$ 24,977	66%
	2014	10,200	6,631	$ 24,728	65%
	2015	10,165	6,474	$ 24,567	64%
Minnesota Total - All Sectors	2012	32,600	23,139	$ 27,506	71%
	2013	33,156	23,306	$ 27,368	70%
	2014	33,271	23,812	$ 27,389	72%
	2015	33,138	23,419	$ 26,822	71%
	Cumulative Percent Change from the Previous Year for All Sectors				
	2013	1.71%	0.72%	-0.50%	-0.97%
	2014	0.35%	2.17%	0.08%	1.82%
	2015	-0.40%	-1.65%	-2.07%	-1.26%

Source: Minnesota Office of Higher Education, Cumulative Debt Survey, 2015

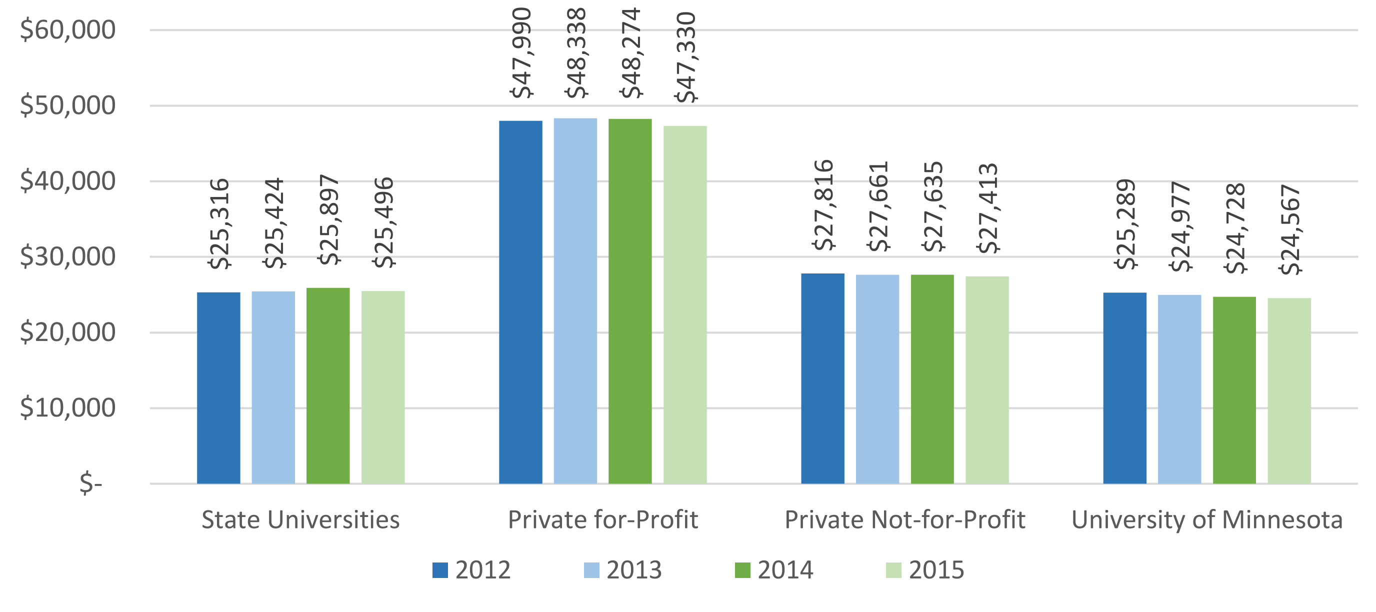
[17] Dependent students are those who are less than 24 years old. Independent students are generally those who 24 or older.

[18] University of Minnesota system totals have been retroactively updated for 2013.

[19] The weighting process for percentage of graduates with student loans has been retroactively updated.

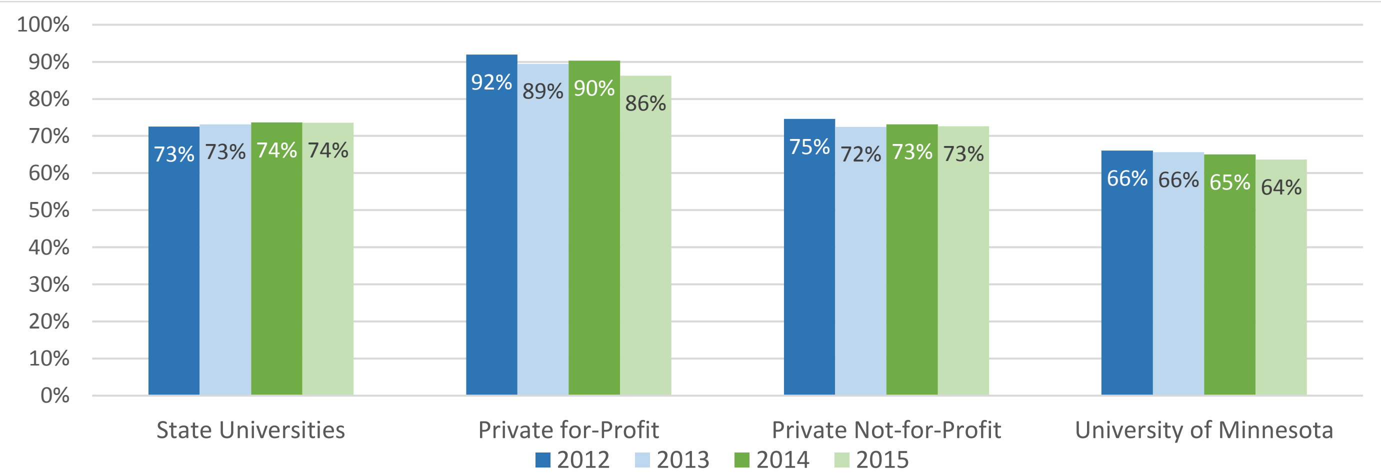
The higher borrowing levels in the for-profit sector is likely due to both higher tuition and higher borrowing limits on Federal Stafford Loans for independent students. Most students attending for-profit institutions in Minnesota are independent. Recipients at for-profit institutions also pay over $20,000 more for their degree compared to bachelor's recipients at other types of institutions. The percentage with loans averaged at least 12 percent more at for-profit institutions as compared to the other three sectors.

Figure 6: Median Debt for Bachelor's Recipients Continues to Slightly Decrease at Private Not-for-Profit and University of Minnesota Institutions



Source: Minnesota Office of Higher Education, 2015 Cumulative Debt Survey

Figure 7: Borrowing Rates for Bachelor's Degree Earners at State Universities Continue to Remain Higher than for those at University of Minnesota Institutions



Source: Minnesota Office of Higher Education, 2015 Cumulative Debt Survey

Monthly Payments

Assuming a 6.8 percent interest rate, monthly payments for a student with $26,822 in debt (weighted median debt for a bachelor's degree graduate in Minnesota) would be $309 for a 10-year repayment plan and $205 for a 20-year repayment plan. A bachelor's degree recipient from a private for-profit institution with $48,259 in debt would have monthly increase to $545 and $361 for a 10- and 20-year repayment plan, respectively.

Master's Degree Recipients

Average median debt for a Minnesota master's degree recipient was about $34,522 across all sectors in 2015, with graduates from the University of Minnesota having the highest median debt among public sectors at almost $36,000 (49 percent had loans). In the for-profit sector, the median debt for the 73 percent with loans was about $53,700. Borrowing limits are higher for graduate students than for undergraduate students; graduate students can take out $8,500 per year in federal loans, $3,000 more than the highest undergraduate limit. The graduate debt amounts listed do not include debt students incurred as undergraduates.

Table 5: Cumulative Debt for Minnesota Master's Degree Recipients, 2012-2015[20]

Type of Institution	Year	Number of Award Recipients	Number of Award Recipients With Loans	Median Student Loan Debt	Percent of Award Recipients with Loans
State Universities	2012	1,737	1,046	$ 26,919	60%
	2013	1,780	1,118	$ 28,353	63%
	2014	1,751	1,083	$ 29,528	62%
	2015	1,677	1,002	$ 28,377	60%
Private for-Profit	2012	448	298	$ 49,658	67%
	2013	435	297	$ 49,962	68%
	2014	477	316	$ 53,766	66%
	2015	438	319	$ 53,675	73%
Private Not-for-Profit	2012	5,507	2,566	$ 30,899	47%
	2013	5,235	2,520	$ 32,547	48%
	2014	5,348	3,157	$ 32,646	59%
	2015	5,441	3,377	$ 33,842	62%
University of Minnesota	2012	3,549	1,812	$ 37,473	51%
	2013	3,338	1,793	$ 36,144	54%
	2014	3,398	1,656	$ 35,277	49%
	2015	3,472	1,694	$ 35,906	49%
Minnesota Total - All Sectors	2012	11,241	5,722	$ 33,230	51%
	2013	10,788	5,728	$ 33,757	53%
	2014	10,974	6,212	$ 33,878	57%
	2015	11,028	6,392	$ 34,522	58%
	Cumulative Percent Change from the Previous Year for All Sectors				
	2013	-4.03%	0.10%	1.59%	4.31%
	2014	1.72%	8.45%	0.36%	6.61%
	2015	0.49%	2.90%	1.90%	2.39%

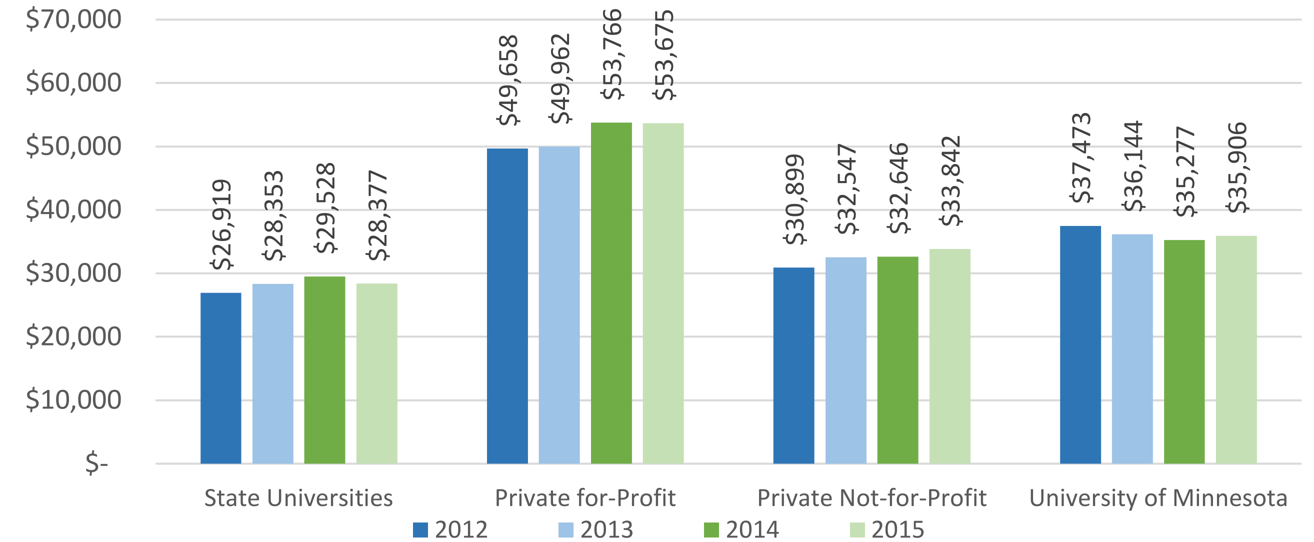
Source: Minnesota Office of Higher Education, Cumulative Debt Survey, 2015

For-profit institutions award a significantly smaller number of master's degrees than other sectors. However, their graduates took out about $17,000 more in loans than master's recipients at other

[20] The weighting process for percentage of graduates with student loans has been retroactively updated.

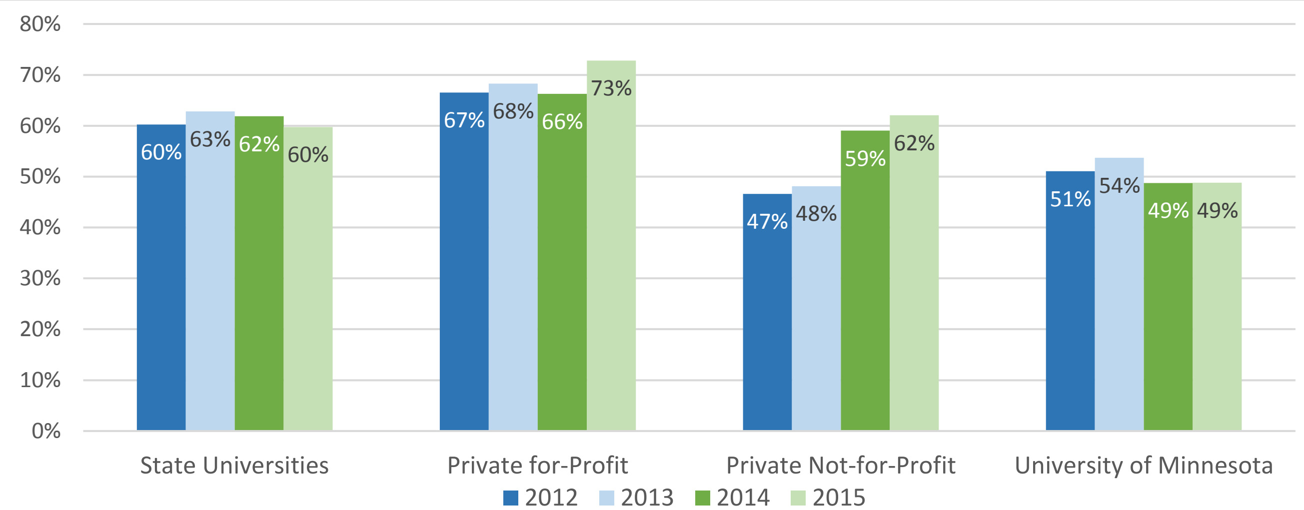
institutions. The private for-profit sector saw the largest increase in graduates who took out loans (7 percent increase from 2014).

Figure 8: Borrowing Levels for Master's Degree Earners at For-Profit Institutions Significantly Remain Higher Compared to Other Institutions



Source: Minnesota Office of Higher Education, 2015 Cumulative Debt Survey

Figure 9: Borrowing Rates for Master's Degree Earners at Private Not-for-Profit Institutions Have Continuously Increased the Past Few Years



Source: Minnesota Office of Higher Education, 2015 Cumulative Debt Survey

Monthly Payments

Assuming a 6.8 percent interest rate, monthly payments for a student with $34,522 in debt would be $397 for a 10-year repayment plan and $264 for a 20-year repayment plan.

Doctoral Degree Recipients

In 2015, doctoral degree graduates borrowed at different rates, based on the type of institution they attended. Graduates from private for-profit institutions took out the most debt, with $169,262 (down from the previous year), while doctoral degree recipients from the University of Minnesota took out the smallest amount. It is important to note a significant increase both in the number of doctoral degree recipients as well as a substantial increase in the levels of median debt at private non-profit institutions. In addition, private non-profit institutions continue to show significant increases in the number of degree recipients who took out loans (15 percent increase from 2014). Median debt amount from the University of Minnesota (just over $44,700) remained stable from the last two years after the increase from 2012 to 2013.

Table 6: Cumulative Debt for Minnesota Doctoral Degree Recipients, 2012-2015[21]

Type of Institution	Year	Number of Award Recipients	Number of Award Recipients With Loans	Median Student Loan Debt	Percent of Award Recipients with Loans
State Universities	2012	-	-	$ -	-
	2013	-	-	$ -	-
	2014	22	-	$ -	-
	2015	21	12	$ 29,567	57%
Private for-Profit	2012	61	58	$ 162,178	95%
	2013	60	54	$ 170,169	90%
	2014	47	43	$ 184,608	91%
	2015	58	52	$ 169,262	90%
Private Not-for-Profit	2012	167	60	$ 53,238	36%
	2013	157	60	$ 64,657	38%
	2014	159	78	$ 54,544	49%
	2015	179	114	$ 69,799	64%
University of Minnesota	2012	882	287	$ 36,268	33%
	2013	975	316	$ 45,719	32%
	2014	962	352	$ 44,788	37%
	2015	903	317	$ 44,760	35%
Minnesota Total - All Sectors	2012	1,110	405	$ 56,813	36%
	2013	1,192	430	$ 63,990	36%
	2014	1,190	473	$ 59,108	40%
	2015	1,161	495	$ 63,237	43%
	Cumulative Percent Change from the Previous Year for All Sectors				
	2013	7.39%	6.17%	12.63%	-1.13%
	2014	-0.17%	10.00%	-7.63%	10.18%
	2015	-2.44%	4.65%	6.99%	7.27%

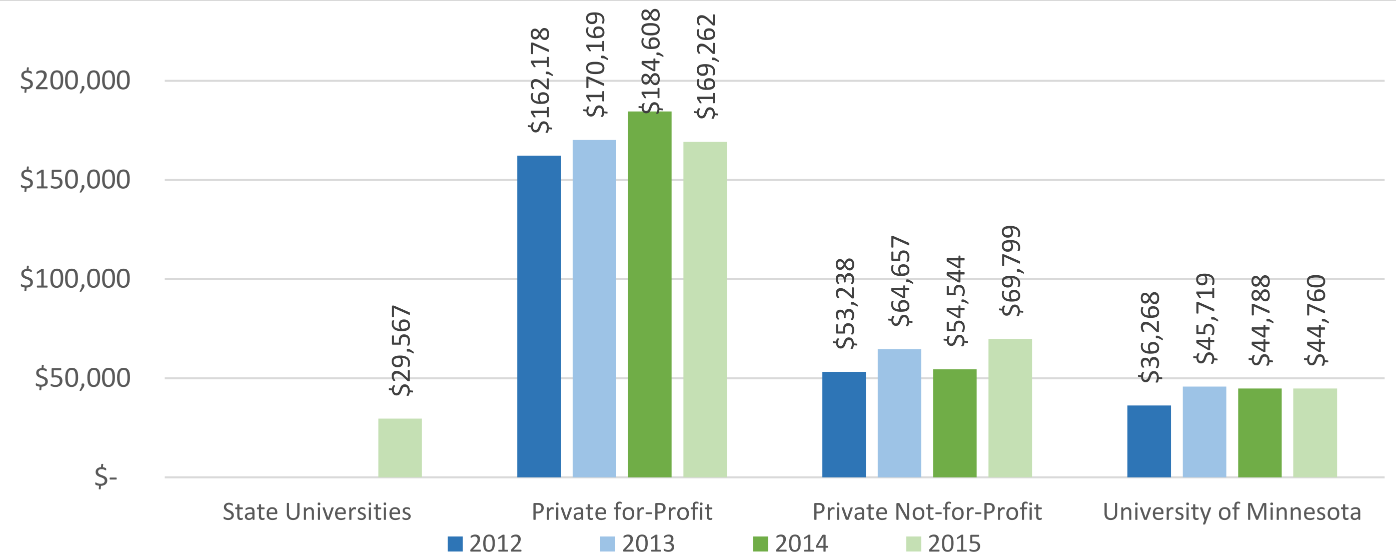
Source: Minnesota Office of Higher Education, Cumulative Debt Survey, 2015

21 The weighting process for percentage of graduates with student loans has been retroactively updated.

The continued trend of median debt increases for the graduates from the private for-profit institutions has appeared to stop. It has decreased down to $169,262 (its lowest level since 2012). However, it is also important to note that the number of students receiving doctoral degrees at for-profit institutions in Minnesota is small – there were a total of 58 recipients in 2015.

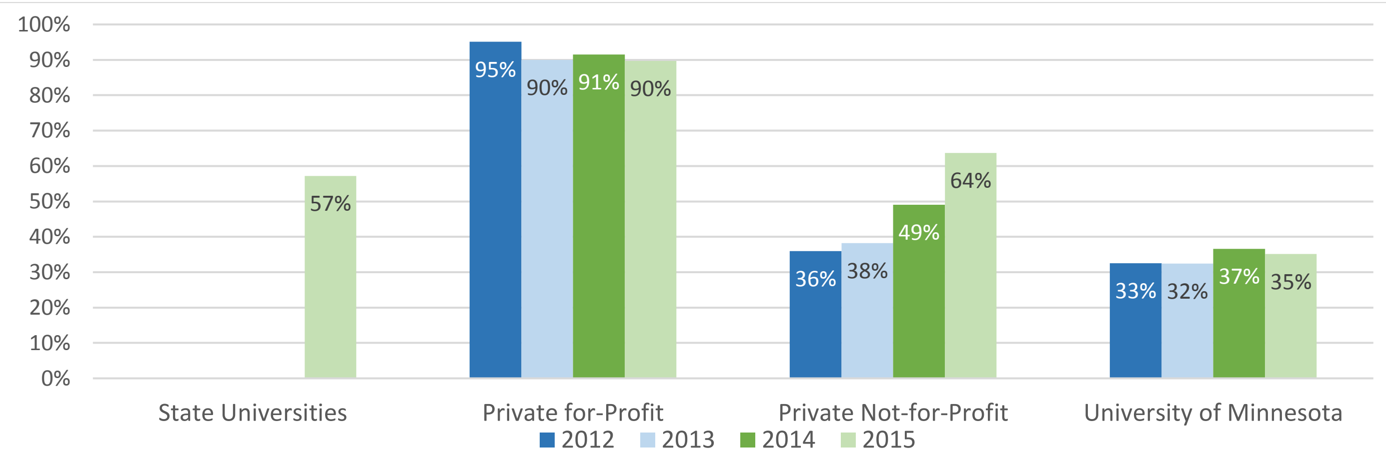
State universities reported the lowest level of debt for doctoral graduates, at $29,567. However, there were only 21 doctoral recipients from this sector.

Figure 10: Debt Amounts for Doctoral Degree Earners at For-Profit Institutions Have Declined, but Still Remain Very High



Source: Minnesota Office of Higher Education, 2015 Cumulative Debt Survey

Figure 11: Debt Holders Continue to Make a Larger Share of Doctoral Degree Earners at Private Not-for-Profit Institutions



Source: Minnesota Office of Higher Education, 2015 Cumulative Debt Survey

Monthly Payments

Assuming a 6.8 percent interest rate, monthly payments for a student with $63,237 in debt would be $728 for a 10-year repayment plan and $483 for a 20-year repayment plan. For a graduate from a for-profit institution (assuming they took out a lot of loans at the median level of debt at that type of institution), monthly payments would be $1,948 for a 10-year repayment plan and $1,292 for a 20-year repayment plan.

First Professional Degree Recipients

The trends for the first professional degree recipients (this group includes veterinary, medical, dental, and pharmacy degrees, as well as degrees in the field of legal studies) are also worrying, but median debt for first professional degree graduates appears to be stabilizing (Table 7). It is of concern that debt levels as well as percent of students with debt are so high, but the pay and the eventual career prospects for the majority of the graduates with these degrees, particularly in medical fields, are quite good.

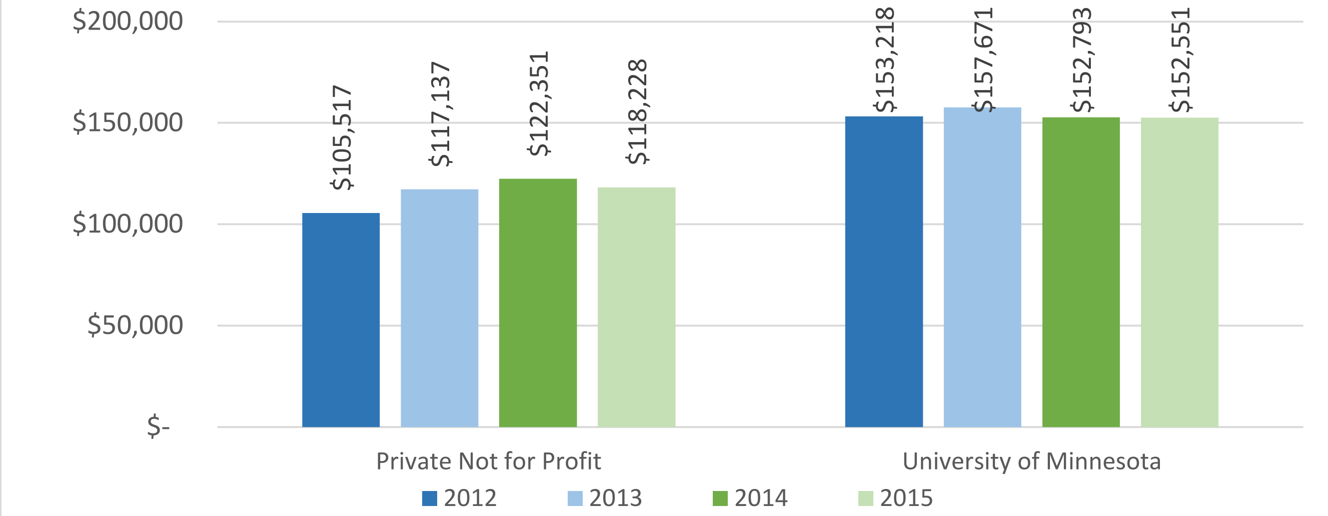
The cumulative median student loan debt showed that University of Minnesota graduates took out $34,000 more for first professional degrees than graduates from private non-profit institutions.

Table 7: Cumulative Debt for Minnesota First Professional Degree Recipients, 2012-2015

Type of Institution	Year	Number of Award Recipients	Number of Award Recipients With Loans	Median Student Loan Debt	Percent of Award Recipients with Loans
Private Not-for-Profit	2012	832	709	$ 105,517	85%
	2013	809	714	$ 117,137	88%
	2014	815	731	$ 122,351	90%
	2015	689	613	$ 118,228	89%
University of Minnesota	2012	801	723	$ 153,218	90%
	2013	864	789	$ 157,671	91%
	2014	834	732	$ 152,793	88%
	2015	862	724	$ 152,551	84%
Minnesota Total - All Sectors	2012	1,633	1,432	$ 129,601	88%
	2013	1,673	1,503	$ 138,416	90%
	2014	1,649	1,463	$ 137,582	89%
	2015	1,511	1,312	$ 139,090	87%
	Cumulative Percent Change from the Previous Year for All Sectors				
	2013	2.45%	4.96%	6.80%	2.45%
	2014	-1.43%	-2.66%	-0.60%	-1.24%
	2015	-8.37%	-10.32%	1.10%	-2.13%

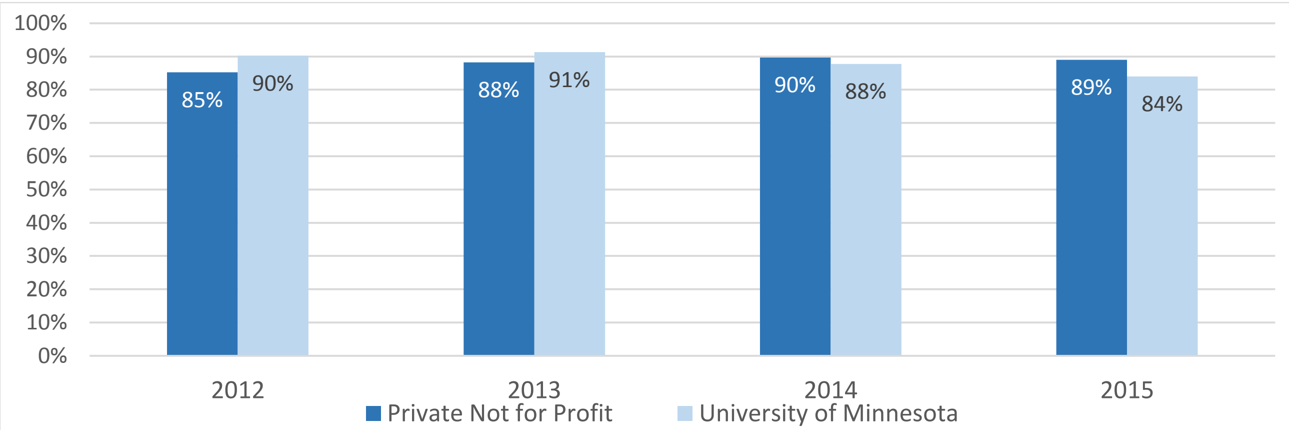
Source: Minnesota Office of Higher Education, Cumulative Debt Survey, 2015

Figure 12: Debt Amounts for First Professional Degree Holders are Stable, but High



Source: Minnesota Office of Higher Education, 2015 Cumulative Debt Survey

Figure 13: Almost All First Professional Degree Earners Graduate with Student Debt



Source: Minnesota Office of Higher Education, 2015 Cumulative Debt Survey

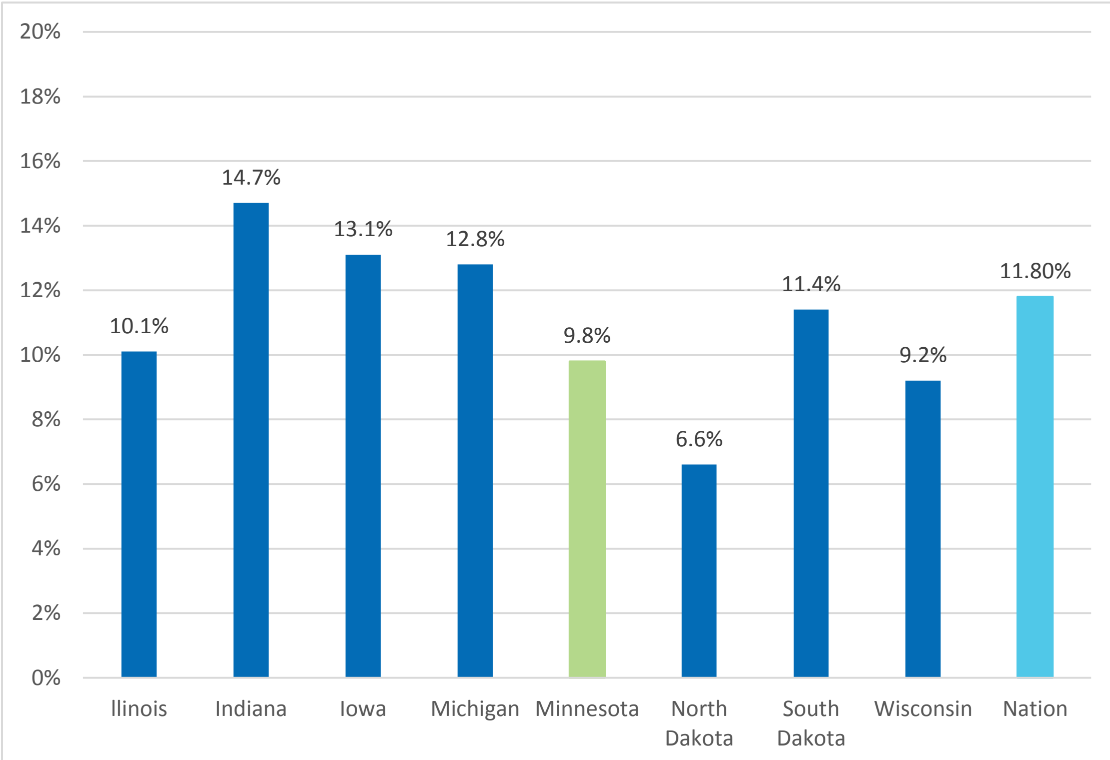
Monthly Payments

Assuming a 6.8 percent interest rate, monthly payments for a student with $139,090 in debt would be $1,601 for a 10-year repayment plan and $1,062 for a 20-year repayment plan. For a first professional degree recipient at the University of Minnesota (assuming they took out a lot of loans at the median level of debt at that type of institution), monthly payments would be $1,756 for a 10-year repayment plan and $1,164 for a 20-year repayment plan.

Default Rates

Student loan default rates are an indicator of whether students are able to repay their loans. While Minnesota students are more likely to borrow and borrow more when compared to national averages, student default rates are lower when compared to peer states and the nation. The default rates highlighted here are for federal student loans and represent students who default on their loans within three years of leaving school. (Figure 14) The 2012 rates are the most recent available at the time of this report. A key pattern is observed when comparing Minnesota to the nation and other similar states; Minnesotans are less likely to default on their student loans compared with the national student body.[22]

Figure 14: Three-Year Cohort Default Rates Remain Below the National Rate in Minnesota, 2012



Source: United States Department of Education

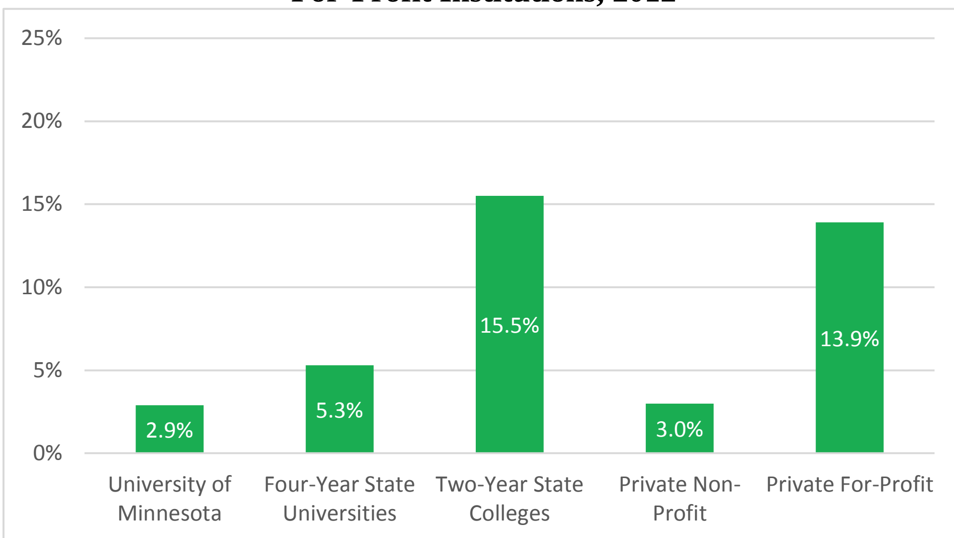
The highest default rates in Minnesota reside in two-year state colleges, while the lowest are for students from the University of Minnesota. (Figure 15). Two-year state colleges have lower retention and completion rates than other institutions, potentially contributing to the higher default rates. Nationally, student default rates have continued to increase over the last few years. The Federal Reserve of St. Louis has highlighted an alarming trend as the numbers of individuals in default has risen from 11 percent to 17 percent over a ten-year time period from 2004-2014.[23] The highest default rates reside within community colleges (20.6 percent), double that of four-year institutions. The national default rate was 8.9 percent for public universities and seven percent for private colleges, according to Georgetown

[22] Default rates represent the percentage of students that enter into default on their federal student loans within two or three years of entering repayment. The federal amendments to the Higher Education Act in 2008 required a change from two-year rates to three-year rates. Beginning in fall 2014, only three-year rates will be published.

[23] Federal Reserve Bank of St. Louis, What's Behind the Default Rate on Student Loans? June 17, 2014, https://www.stlouisfed.org/on-the-economy/2014/june/whats-behind-the-default-rate-on-student-loans

University.[24] With two year and community colleges having some of the highest default rates, this has led to federal loans like the Pell grant dropping this availability to a school that has a default rate of 30 percent or higher for three consecutive years. This has caused some schools to reconsider the use of federal loans, as their respective schools could face penalties for having consistently high default rates.

Figure 15: Three-Year Cohort Default Rates are Significantly Higher at Two-Year Colleges and For-Profit Institutions, 2012



Source: United States Department of Education

There is evidence that explains why, despite being a high-debt state, Minnesota's default rate is lower than the national average. Minnesota ranks second in the country in postsecondary educational attainment. Those who complete their postsecondary education are more likely to find employment and be in a position to pay off their student loans. Those who do not complete their education are less likely to find employment, and finding themselves in a position where they cannot pay their loans back. Using geographical data from the Mapping Student Debt project can explain this phenomenon. Figure 16 on the right shows the average student loan balance by zip code in the Twin Cities area, where the darker the zip code, the higher the average balance is. Figure 16 on the left shows the average income per zip code in the Twin Cities. While not 100 percent aligned, those areas with the highest debt balances tend to also have residents with the higher incomes. Figure 17 shows loan delinquency rates in the metro. The striking point about this figure is that the areas in the Twin Cities with the highest delinquency rates are the same areas with the lowest average loan balances and average incomes. These areas with the highest delinquency rates are also home to the largest concentrations of persons of color in the Twin Cities. Figure 18 and shoes the percentages of Blacks (left) and Hispanics (right) in each zip code. Given the lower educational attainment rates of Blacks and Hispanics in Minnesota, it gives credence to the idea that those who complete college are more likely to pay off their student loans, regardless of how much they owe.

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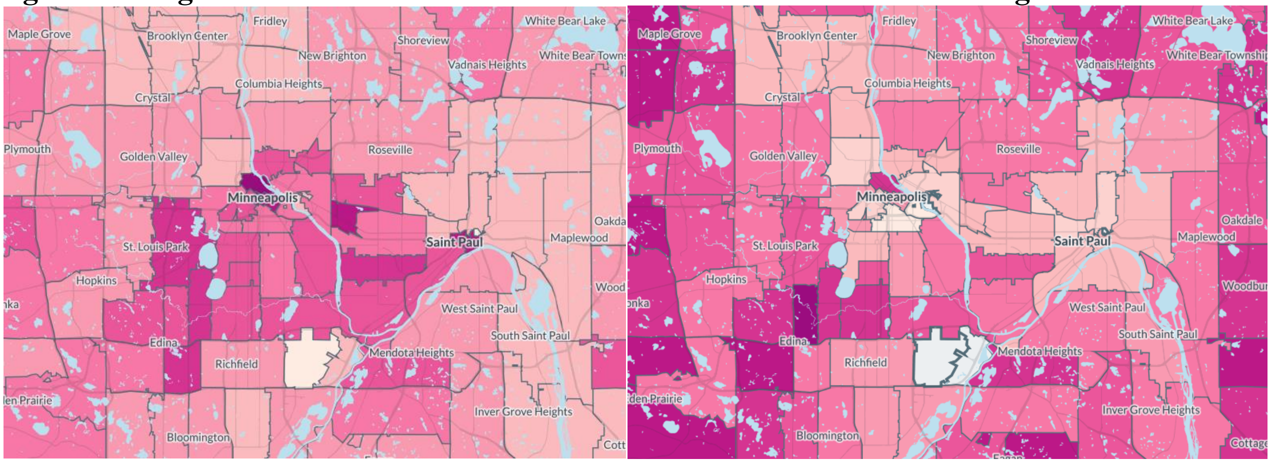
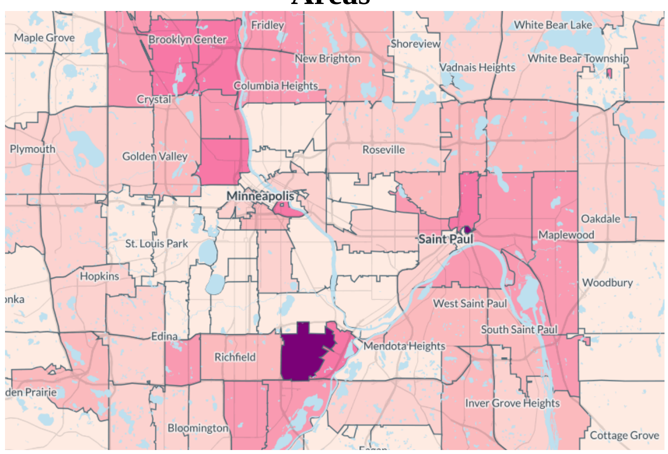
[24] Fortune Magazine, How Free Community College Could Help the Student Loan Crisis, in One Chart, January 14, 2005, http://fortune.com/2015/01/14/free-community-college-loan-default/

Figure 16: Higher Student Loan Balances are Found in the Twin Cities' Higher-Income Areas



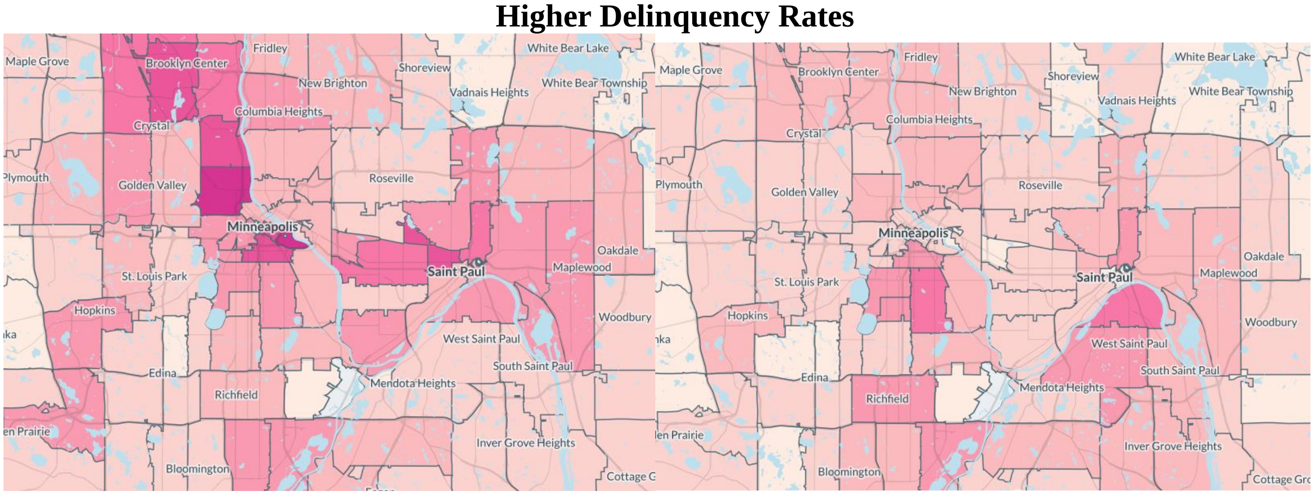
Source: Washington Center for Equitable Growth

Figure 17: Higher Student Loan Delinquency Rates are Found in the Twin Cities' Lower-Income Areas



Source: Washington Center for Equitable Growth

Figure 18: Blacks (Left) and Hispanics (Right) are Concentrated in Areas of the Twin Cities with Higher Delinquency Rates



Source: Washington Center for Equitable Growth

Implications

High student debt can have economic effects on individuals and on our state as a whole. As a state, Minnesota has a high rate of college enrollment compared to other states. Sixty-seven percent of graduates from public high schools in Minnesota enroll in college the fall term after high school graduation. Factor in that Minnesota ranks fifth nationally in average student debt, and that 70 percent of undergraduate students in college take out debt, it creates an economic situation that must be addressed.

Even though no one can say how much debt is too much for each individual, there is a growing consensus among economists that student debt is a drag on the economy. Indebted graduates and dropouts have less money to spend on other things, such as consumption of goods and services and investment. High student debt has the potential to affect the educational and career choices of students. Graduates with high debt might feel constrained about which jobs they can take, thus avoiding lower-paying jobs in teaching, the arts, or public service, in favor of higher-paying jobs. In addition, the prospect of large amounts of debt might have an impact on the decision on whether or not to pursue postsecondary education.

Currently, Minnesota has a college loan default rate of 9.8 percent, which is less than the national average of 11.8 percent. While high debt levels may place Minnesota students at greater risk of default and other financial hardships, there is growing evidence that (regardless on loan balance size) not completing college puts people at a greater risk of default. This report underscores the need for students and their families to understand and plan for the total costs of postsecondary education before they enroll. Research has shown some strategies to be effective in minimizing student debt, including:

- Students can reduce the need for student loans during college by using money-saving strategies. These include earning postsecondary credit while still in high school, purchasing and reselling used textbooks, pursuing scholarships and grants (even beyond one's freshman year), sticking to a weekly food budget, and finding roommates to live with.
- Students can also find the best fit institutions, based on their academic needs and career goals. This can ensure timely completion of programs for students, so that they can minimize the amount of loans that they take out.
- More could be done to educate students – from those working towards their sub-baccalaureate certificate to those graduating with a doctorate – on their expectations of a career after college, as well as what an optimal loan amount could be for those students