

# Increase in student loans, defaulting leads to problems for students, lenders

Caitlin O'Donnell  
News Editor

Jaclyn Cabral always knew she would attend a reputable university. She knew Elon University was her first choice when she stepped onto campus.

But what the 2011 alumna didn't know was that she would be without a job months after graduation — and more than \$90,000 in debt because of student loans.

"You can't get a good job without an education, but you can't get an education without being in debt," she said. "It's a vicious cycle."

Cabral is one in a growing number of recent college graduates struggling under the weight of their loans.

Not only is the average student loan debt \$24,000 for the Class of 2009, according to a report from the Project on Student Debt, but the number of students taking out loans has increased dramatically. A decade ago, a third of college students had to borrow money. Now, that number is up to two-thirds.

## A serious crisis

The student loan crisis is headed in much the same direction as the mortgage crisis of recent years, according to Greg Lilly, associate professor of economics.

"(Loan agencies) didn't make really smart investment decisions on who to give loans to," he said. "They probably lent out too much to students who were much riskier than they thought in terms of paying it back."

Besides major increases in tuition, Lilly said he speculates that the job market is a key factor in the problem.

"A lot of these loans are taken out under the assumption that students will graduate and immediately land a good-paying job that will allow them to repay," he said. "The unemployment rates are still high, the economy is still struggling, college graduates are still (trying) to find permanent, well-paying jobs. It leads to higher defaults."

In Cabral's case, she expected

little-to-no trouble finding a position after college, especially thanks to her competitive internship at the Hill Holliday advertising agency the summer before her senior year. The reality is that while she has been called in for numerous interviews, she hasn't landed the job.

"I'd love to be in an ad agency doing project management or producing but because most of those require experience, I'm trying to go in as an assistant account executive and become more valuable and move in that direction," she said.

In some cases, Lilly said there is a disconnect between what jobs are available and what students choose as majors. By choosing a major with limited career potential, students end up hurting themselves.

"I think often times professors tell students to major in this because you're going to find it interesting or it will be fun," he said. "But professors want to have students in their classes, but often they're not thinking about what comes after college graduation. College is college and the real world is something very different."

## A long-term problem

According to a recent report from the U.S. Department of Education, the default rate on student loans within two years of entering repayment was 8.8 percent for fiscal year 2009, up from 4.5 percent for the fiscal year 2003.

The consequences are serious for both the lender and the borrower, Lilly said.

"Loans are typically the way banks make money," he said. "They engage in an information search to make sure the borrower is a good credit risk. So you're supposed to gain information on collateral in case the person defaults, income prospects, grades. You know this potential borrower better than anyone else."

By providing a loan, the bank is taking a risk, but if its preliminary information is correct, the borrower will pay back an excess of what he or

she borrowed, meaning a profit for the bank or lender. Defaults not only force lenders to take a loss, but can impact the borrower, particularly students with college loans, for the rest of his or her life.

"It hurts their reputation, it hurts their credit score," he said. "It's going to be tougher to get loans in the future. They won't be able to get another student loan, a car loan, a mortgage, until you can build up your reputation again."

Currently employed at a local restaurant, Cabral said she has claimed forbearance on her loans for the time, meaning she has informed the lender that she is currently experiencing a financial hardship and is unable to pay. Otherwise, she would be paying about \$900 a month, an amount she simply can't afford.

This process of delaying repayment can only extend through a year, but Cabral said she is hopeful that she will be employed and more financially stable by January.

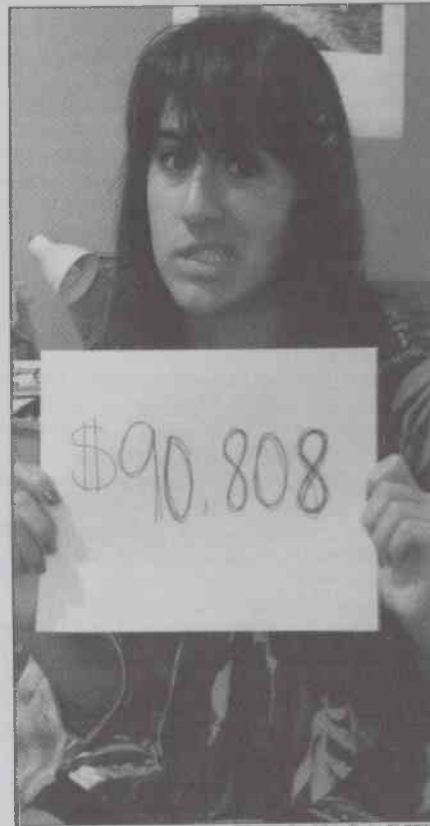
"I'm trying to stay optimistic and am still applying everywhere," she said. "I've been talking to Ross Wade (career counselor), talking to Elon alumni I was friends with. The past two months have been networking."

## Stereotypes challenged

Cabral was one of 10 recent college graduates featured in a story by the Huffington Post called "Majoring in debt: College students struggle under the weight of loans."

"In a country where education is highly valued and reviewed as a necessity, the cost is simply outrageous," she wrote in a brief biography on the site. "Even if I get a job with a good starting salary in my field, I know I will be paying back my college loans for almost the rest of my life."

Her stance on the price of a college education was not met without some criticism. One commenter questioned why "students from average blue collar families feel compelled to attend very expensive private schools." Another



Elon alumna Jaclyn Cabral was recently featured in a story by the Huffington Post about excessive student debt. The publication ran this photo of her total debt.

said Cabral "hijacked" her younger sister's education and should pay for her to attend college. Others said it was her decision to attend a private university.

But, Cabral insists, she made the right financial decisions and the cost of her education was well worth it.

"Elon is a well-recognized university known to provide the best education for the money spent," she said. "It was totally worth it for me and the experiences I've had. I'm in debt and the economy sucks, but I'd never take it back. There is no reason not to have the same opportunity as anyone else. It's not fair that people's grandparents who have millions of dollars can afford to go, but people who work hard can't."

# Marriage bill passes Senate, moves to statewide vote in May

Kassondra Cloos  
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When it comes to marriage equality in North Carolina, the polls seem to show the state is confused. Elon Poll results from February indicated the population was split almost down the middle on whether to vote on a constitutional amendment to ban same-sex marriage. Only 28 percent of respondents said they supported full marriage rights for gay couples.

But senators in the North Carolina state legislature insist they are doing what North Carolina citizens want by giving the state an opportunity to vote on whether the state constitution should include an amendment to define marriage as a union between one man and one woman. Same-sex marriage is already illegal in North Carolina but a constitutional amendment would make the existing law nearly impossible to overturn.

It would also likely deal a harsh blow to the state economy.

The United States' economy currently relies much more on the creation of ideas, such as inventions, than the manufacturing of goods, said Tom Tiemann, professor of economics at Elon University. More open-minded people tend to be better at idea-sharing, a coveted trait in hiring new employees, and the best idea-sharers tend to gravitate toward areas that are also more tolerant and accepting of differences, such as gay rights.

"Ideas come from people bouncing into each other," Tiemann said. "Firms that do that are pretty sure they'll find it harder

to attract new people (if the amendment is passed). North Carolina does better than Virginia or South Carolina because it has changed faster than other parts of the south. There's a less entrenched political - social structure."

While North Carolina has never been an overly gay-friendly state, its position as the only southern state to exclude marriage laws from its constitution was economically beneficial for companies seeking new personnel. The state may experience a "brain drain" following the decision in May, he said.

"By putting (the marriage bill) in the constitution, it says this is really a bedrock value here in North Carolina. It's really hard to get rid of."

-Tom Tiemann  
PROFESSOR OF ECONOMICS

Carolina and commute on odd weekends when one of them got a job in Washington, D.C. But since the amendment has come to the table, they're starting to reconsider.

"They're talking about selling their house and moving because of this," Tiemann said. "They're not the only ones."

Senior Mary Nease is a North Carolina native and said she thinks the amendment is a terrible thing and goes against the First Amendment of the United States. The United States was founded on the separation of church and state, she said, and the only support she has seen for the amendment is for religious reasons.

"Legal marriage is very different from religious marriage," she said. "If two individuals want to enter into a

relationship, it should be totally separate from a religious union."

Many of the senators who supported the bill to put the amendment on the ballot have said their personal opinions did not factor into their decisions, but they are instead giving North Carolina what it has demanded for years.

"I think the senators are being kind of weak on it," Nease said. "They're doing the political thing of being weak on their stance."

Freshman Aviya Payne said she thinks the amendment is redundant and finds it sad that, in 2011, this is still an issue. She does not think senators are being honest by saying they are doing what citizens have asked, she said.

"There are plenty of things people ask for the opportunity to vote and don't get the chance," Payne said. "There's obviously something deeper than that."

The amendment will pass if a simple majority of North Carolina residents vote in favor at the upcoming election in May. It's hard to tell right now whether there is enough support, however, because Republican politics will play a large role, according to Tiemann. The turnout for primaries is typically 13 percent of the population, he said, but if there is a lot of interest in the Republican primary, it will likely pass because Republican residents will have more reason to go to the polls than the Democrats.

If it does pass, a two-thirds majority of both legislative houses and the general population will be required to repeal the amendment. If it passes, there may even be an effect on the number of students applying to Elon from the north, Tiemann said.

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## BY THE NUMBERS:

In March 2009, **44%** opposed any legal recognition for same-sex couples.

**28%** supported civil unions or partnerships, but not full marriage rights.

**21%** supported full marriage rights.

As of February 2011,

**35%** oppose legal recognition.

**29%** support civil unions.

**28%** support full marriage rights.

**56%** oppose constitutional amendment to ban same-sex marriage.

Information courtesy of the Elon Poll.