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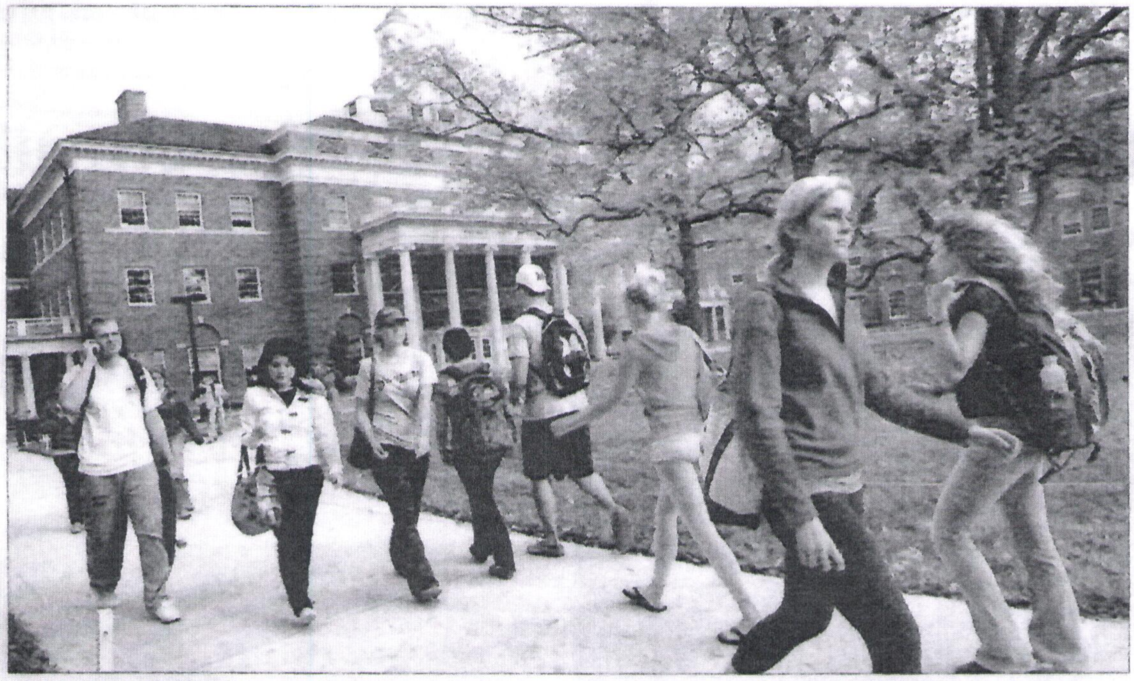
Executive action will ease students' debt



Miami University students make their way between classes outside the Farmer School of Business in Oxford. Some Miami students say the high cost of college needs to be addressed. NICK DAGGY / STAFF

Rules would apply only on federal loans, as college costs keep rising.

By Chris Stewart
Staff Writer

President Barack Obama took executive action Monday to expand a student loan program that will reduce the debt burden for about 5 million Americans and make the repayment process more streamlined for all borrowers.

He also endorsed legislation that would allow graduates the ability to refinance heavy student loan debt.

"At a time when higher education has never been more important, it's also never been more expensive. Over the last three decades, the average tuition at a public university has more than tripled. At the same time, the typical family's income has gone up just 16 percent," Obama said.

The action expands on the president's 2010 Pay as You Earn plan that capped payments at 10 percent of income for those borrowing after October 2007 that takes effect this July. The cap will be extended to about 5 million who borrowed before that date or any time in the past.

"It's a small piece of the puzzle in the grand scheme of things. When you look at the total loan indebtedness of who's in repayment right now, it's (5 million) a very small portion of the population that's going to benefit," said Wright State University Assistant Vice President of Enrollment Management Amy Barnhart, who is also director of financial aid.

The rules would change only on federal educational loans and not those obtained through private institutions said Carrie Cook Bray, a wealth manager at Buckingham Financial Group who counsels families on paying for college.

Obama also threw his support behind a bill introduced by Sen. Elizabeth Warren, D-Mass., that would allow loans made by private banks to be refinanced as Education Department loans at lower interest rates.

About 20 percent of 2012 graduates' debt was made up of private loans, according to The Institute for College Access & Success.

Carly Larkin (right) and her mother Cari Larkin tour the Wright State campus after checking out the motion pictures program. Cari Larkin said she wants to take out no more than $8,000 a year in loans. CHRIS STEWART / STAFF

Cook Bray said student loan debt has piled up higher than Americans' auto and credit card debt combined.

Another piece of the puzzle was directives the president issued to the secretaries of Education and Treasury to improve communication with struggling borrowers and encourage public-private partnerships to help educate borrowers about income-based repayment plans during tax filing season 2015.

In 2012, 71 percent of students graduating from four-year colleges left with an average $29,400 in student loan debt, according to the Institute for College Access & Success.

Cari Larkin, 42, of Groveport said she hopes to take out no more than $8,000 a year in student loans to put daughter Carly, 17, through college beginning next fall. The two were on the Wright State University campus on a visit Monday where Carly was looking into the motion pictures program.

"I certainly don't want her to graduate from college with student debt that amounts to a mortgage payment," Cari Larkin said. "I want her to graduate from college and start living her life as an adult. I want her to make money and buy a house if that's what she wants."

Carly Larkin said her first choice for film, NYU, was too expensive, but Wright State is a current "top contender."

"I know that I'm going to have to be paying back loans, and I'd really like for them not to be insurmountable," she said.

Young people will have a better quality of life by spending just a portion of their income on student loans, especially considering the recent increase in gas and grocery prices, said Scott Cody, a Huber Heights resident, who recently graduated from Clark State Community.

"By helping not bog them down in all that debt for such a short period of time, it's going to help make them better, productive members of society," said Cody on the Springfield campus Monday.

Nina Fulk, a junior at Capital University and Springfield Shawnee graduate, said combined with her husband, they have approximately $35,000 to $40,000 in student loan debt - and she still has three semesters remaining before graduation.

In 2000, student loan debt averaged $17,550–about half what it was in 2012–according to the Institute for College Access & Success.

Students at Miami University said the issue that should take priority is the high cost of college itself. Miami University trustees have announced that this month, they intend to consider a two percent tuition increase.

Trustees last increased tuition in 2013, when the cost went up 1.5 percent to $13,266 for in-state students, and $29,056 for out-of-state students.

"I think we have a big problem in this country with student loans, but I think the problem is that college is so expensive ... the changes for student loans that Obama is talking about are going to be great, but I think we need to look at the core problem, which is that college is so expensive," said Sara Morris, a first-year graduate student in teacher education.

Staff writers Natalie Jovonovich, Eric Robinette and Michael Cooper, along with the Associated Press, contributed to this report.