

## Virginia College Proactively Manages Student Loan Debt

Difficulty:

**A**VERAGE

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### *Discussion activities to be done after completing this EA lesson*

Today's report is about the increasing problem of student debt. How is one US college tackling the problem? How does their system help students? What is the current national situation?

### *Extension discussion topics*

#### **A. Talking about and going over the specific topic / idea / issue in listening text**

*Introduction = How is one US college tackling the problem of student debt? How does their system help students? What is the current national situation?*

1. What is the problem with student loans, according to Deborah DiCroce of Tidewater Community College?
  - She thinks the time lag between getting a loan and having to repay it is too long...
  - ... so students tend to consider it more like a handout...
  - ... and don't realize that the loan still has to be repaid even if they don't get the job they expect.
  - Community Colleges have lower fees so more and more students are enrolling there, but they may not be able to afford to repay the loans. (*not actually stated in the report*)
2. So, what does Tidewater Community College's do when students apply for loans?
  - Students have to submit a current budget of their income and expenses.
  - They also have to submit a projected post-graduation budget, based on what their first job might pay.
  - That way students can see if they will be able to afford to repay the loan.

What do you think about this idea?

3. What did we learn about student loan debt in the United States?
  - For the first time it is higher than credit card debt.
  - The average student debt is \$24,000.
  - Starting in 2012 a new "pay-as-you-earn" debt-relief plan will come into force.
  - This will cap loan payments at ten percent of discretionary income.
  - After twenty years of repayment the debt will be forgiven.

Do you think this is fair? Other types of debts are not forgiven for ordinary people. Can you think of any other occasions when debts are forgiven? (*countries, e.g. third world, Greece, ...*)

## B. Expanding on (one of) the topics / ideas / issues in listening text

*Topic = Student Loan Debt.*

1. In your country can students apply and obtain loans to pay for their university education? Who gives the loans? When do the loans have to be repaid? What sorts of interest rates are applied to student loans? Do the loans have to be repaid in full or are they "forgiven" after a certain number of years? If you don't know, find out and compare your answers with fellow students from other countries. Do you think your country's policy is better or worse than others? Why?
2. Do you / did you have to pay for university education? Do you / did you have a student loan? Why did you take it out? Just to pay for tuition, or for living expenses also? Are you paying it back already? How does having to repay the loan affect you? Do you find it easy or difficult to meet the payments? Are the payments deducted from your income before you are paid or not? What do you think of this "pay-as-you-earn" system? If you have never had a student loan, you probably know someone who has. From what you know, try to answer the above questions on their behalf.
3. As university fees increase and as more and more people go to university but without necessarily finding a job afterwards, student debt is becoming a bigger and bigger problem. Can you suggest any ways to tackle the problem? (*e.g. less emphasis on university education, more apprenticeships...*)  
What is the government doing in your country, or the country where you are now, if anything, to tackle the problem?  
Given the current economic situation, what do think might happen in the future regarding student debt? (Think particularly about the fact that governments are having to cut expenditure.)

## C. Extending discussion of (one of) the topics / ideas / issues in listening text

*Topic = Budgeting.*

1. What are the advantages of using a budget each month? Do you keep a monthly budget? Why / why not?
2. If you already keep a budget, do you find it easy to do? Do you do it regularly every month? What is your biggest expense each month? Do your expenses vary from one month to another? Which types of expenses vary the most? Why is that? Do you manage your budget correctly, i.e. you spend less than or certainly no more than you earn each month? Do other people you know keep a monthly budget? What about the others in your class?
3. If you don't already keep a budget, with the help of your teacher, draw up a personal budget (it can be imaginary) and compare it with those of the others in your study group. In what ways are they similar? In what ways are they different? Why is this? From your budget, do you think you are good at looking after your money? How could you improve? Do you have any money to save each month? Do you have a goal to save for? How long will it take you to reach that goal? What events can affect your budget both positively and negatively? (*pay increases, bonuses, birthdays (for both), weddings, car repairs, house repairs, etc.*)

## *Audioscript*

Navy veteran Reason Chandler wanted to earn a college degree after leaving the military, but he needed the money to pay for it. So, like almost half of the 46,000 students at Tidewater Community College in Virginia, he applied for financial aid, taking out loans and grants to help fund his education.

"I am 26, so it gives me, I have a little more life experience than someone who's 18 directly from high school."

To get their loan checks, Tidewater students must complete a current budget of income and expenses, and a projected post-graduation budget, based on what that first job might pay. That way, school administrators say, a student will know better what money is left to pay the debt.

"(Well), my starting salary for urban and regional planning was around \$35-\$40,000 a year, and I look back at right now how much I borrow and how much my payments would be. My payments would be around 136 a month."

That's reasonable, says Tidewater Community College President Deborah DiCroce.

"(If you) take out a mortgage to buy a house, that very next month that first payment is due. Same thing with car payment. That's not true with this. It is, there's too much time lag between it, so what we're trying to do is close that gap so that the student understands it's not a handout. It's not for free, and on top of that you're gonna owe that money whether you are successful in realizing your goal or not."

DiCroce says Tidewater tied student budget plans to financial aid packages to help avert the crisis that administrators saw growing. As the economy failed, Tidewater's enrollment swelled, with more students seeking the low-cost education of a community college.

Also on the rise - the number of students using debt to finance college.

"Last year, graduates who took out loans left college owing an average of \$24,000. Student loan debt has now surpassed credit card debt, for the first time ever."

Late last month, President Obama announced a debt-relief plan for America's college students and recent graduates. Beginning next year, the "pay-as-you-earn" plan caps loan payments at ten percent of discretionary income, and forgives the debt after twenty years of repayment.

"That's one way to deal with it. And maybe that's the only way we have to deal with it right now, but for me I prefer to look at it on the front end."

Reason Chandler is glad he did the financial prep work beforehand, and says he borrowed less. After all, he told us, he has graduate school to pay for next.

Laurel Bowman, VOA News, Norfolk, Virginia.