Oregon student debt doubles in a decade, colleges increasingly dependent on borrowed money

PORTLAND STATE'S LAST SUMMER GRADUATION
Along with their caps, gowns and brand-new diplomas, many Portland State University graduates will also get monthly student debt obligations. PSU students and their parents took out $153.2 million in student loans in the 2013-14 academic year, more than double a decade earlier. As state support waned, the state’s public colleges rely increasingly on student debt to stay in business. PSU gets about 30 percent of its revenue from student loans. (Doug Beghtel, The Oregonian/2012)

Jeff Manning | jmanning@oregonian.com
Email the author | Follow on Twitter
on September 25, 2014 at 1:32 PM, updated September 26, 2014 at 6:16 AM

Dean Wright, a junior at Western Oregon University this fall, is an invaluable commodity in today’s Oregon -- a bright, ambitious kid from decidedly modest means determined to transcend his hardscrabble background.

After two years at community college and a long, hot summer washing cars at a Volkswagen dealership on McLoughlin Boulevard, the 20-year Milwaukie native feels like his college career is finally beginning in earnest.

If all goes as planned, he’ll become a middle-school history teacher, ascend into the middle class, pay his taxes and buy his share of stuff to make the economy hum.

But college loans threaten this traditional, "virtuous circle" of higher education.

By living at home and getting multiple state and federal grants, Wright managed to get through the first two years at Clackamas Community College debt-free. That will change now -- Wright’s already borrowed $12,000 for his first year at Western. He figures he could be $35,000 in the hole by graduation.

Eventually, he intends to get a master’s degree, which means borrowing thousands more.

What’s extraordinary about Wright’s story is just how ordinary it is.

As state funding for higher education in Oregon shrank to an embarrassing 47th in the nation by 2013, college costs have been put squarely on the backs of students and their families. This is a new burden -- a tax on the ambitious, poor and middle-class -- not faced on this scale by prior generations.

An analysis by The Oregonian of federal student loan data shows students at Oregon’s colleges and their parents borrowed more than $12.2 billion over the last decade.

Click here to see a large collection of interactive graphics that show vivid evidence of the higher education boom that lasted much of the last decade and a dramatic slowdown at many institutions in the last two years.
Oregon student debt doubles in a decade, colleges increasingly dependent ...
Oregon student debt doubles in a decade, colleges increasingly dependent ...

Decades of neglect from politicians and relentless tuition hikes have Oregonians feeling priced out of college and increasingly leery of student debt.

Students increasingly "question the value proposition of higher education," said Jay Kenton, interim president of Eastern Oregon University in La Grande. "They see people who've gotten a degree and are now $30,000 in debt and back in the unemployment line. That word spreads like wildfire."

***

While college loans have become a painful burden for students, they're a $100 billion-a-year windfall to the nation's colleges and trade schools.

Some 5,500 schools participate in the federal direct loan program run by the U.S. Department of Education, 76 of them in Oregon in 2013-14. Some of the loan bounty goes directly to students to pay living expenses. But the bulk of the $12.2 billion borrowed over the last decade in Oregon was divvied up by Oregon colleges.

Students and parents of students at Portland State University borrowed $153.2 million in 2013-14, more than any other Oregon school. Last year at the University of Oregon and Oregon State University, students borrowed $151 million and $129 million, respectively

PSU officials confirmed that 30 percent of PSU's revenue now comes via student loans.

Though their enrollments are small compared to Oregon's big three, Concordia University in Portland (2013-14 student loan volume of $110.2 million,) Pacific University in Forest Grove ($66.9 million) and Oregon Health Sciences University ($49.9 million,) posted some of the biggest big student debt numbers last year.

All three run significant graduate programs, which charge much more in tuition. Also, grad students face fewer restrictions on how much they can borrow.

If a school can get accredited by one of a hodgepodge of accrediting entities across the country, they can participate in the
Tristan Fujita on reaching $100,000 in college debt

Tristan Fujita left college with a degree in athletic training and student debt that at one point topped $100,000. "I got myself into this position, it's my responsibility," she said. "But it's not right that people should walk out of school with ... this kind of financial burden."

Era of extreme debt

Students have borrowed at least $1.3 billion, $3.6 million a day the last three years running, to attend Oregon colleges, part of a vast cost shift from society to individual students.

The Oregonian is publishing an occasional series examining rising student debt and the chokehold it has on students, the colleges they attend and the state’s overall economy. Today’s story examines the broad problems, based on an analysis of data gleaned from 35 colleges plus federal and state education reports. The next installment, coming Tuesday, examines the plight of Oregon’s community college students.

Jennifer Williamson, a Portland lawyer and Oregon legislator, has been watching with dismay the run-up of college costs and borrowing since she was a student in 1992. For her, the issue is personal as she borrowed money to attend law school.

"It's just offensive how expensive college is and what it does to people's lives," she said. "You get 25 years of that and it gets unsustainable. It's the next mortgage bubble. It's going to burst, I don't know when."

***

Even in the face of those increasing numbers, some argue the student debt issue is overblown.

It's not unreasonable to expect students and their families to invest...
Oregon student debt doubles in a decade, colleges increasingly dependent ... http://blog.oregonlive.com/education_impact/print.html?entry=/2014/09/o...
students are delayed, or even drop out, simply because the classes they need are not available when they need them.

Without a degree, Pace struggled to get established in law enforcement. In 2005, he got a job with the Hillsboro Police Department. But it didn't work out. His luck turned in 2007, when he caught on with the police department in Toledo, a small timber town in Lincoln County.

Pace's associate's degree from PCC was sufficient to qualify him for the position. He quickly proved himself with his boss and co-workers. And that was a good thing, for a student loan debt collector was coming after him.

To get out of default, Pace in 2011 arranged a repayment schedule with Education Credit Management Corp., his debt collector. ECMC claimed he missed the ninth payment on a nine-month repayment plan. Pace denied it and has the cancelled check to prove it. Nevertheless, in January 2012 ECMC garnished $400 from his paycheck.

"It was devastating," Pace said. "Here I am working supposedly in a professional capacity. I had to explain it to my chief and to my sergeant."

He eventually managed to consolidate his student loans in a program open to police officers and is now current. But his still-damaged credit has made it prohibitively expensive to buy a house.

Now 39, Pace is still with Toledo police. He's been promoted to sergeant. He's also headed back to PSU to finish up his degree in criminal justice. PSU now makes the course available on-line, so he won't have to commute to Portland for class.

He figures finishing his degree will cost him another $20,000, which he intends to borrow.

***

Tristan Fujita didn't drop out. She graduated on time with a degree from George Fox University in 2011.

Yet, by the time she left, she owed nearly $80,000. "I was young and stupid," she said. "I went to an expensive private school. I also took out private loans."

Fujita's story offers a cautionary tale of how quickly the modern college experience can spin out of control. A native of Port Orchard, Wash., Fujita was an accomplished high school soccer player who had spent her share of time in the training room. She enrolled in George Fox's athletic training degree program. With her parents not in a position to contribute, she turned to the college lenders. After maxing out her government loans, she borrowed from Sallie Mae, one of the largest private lenders in the business.

Fujita said no one at George Fox ever warned her about her burgeoning debt. She almost left the school after her sophomore year out of concern for the cost. She got special dispensation from school officials to live off-campus. Normally, the small Christian school in Newberg prefers students live and eat on campus, which costs $15,000 a year on top of the $36,000-a-year tuition.
She graduated in spring 2010 and passed her athletic trainer licensing in August. But with the stubborn recession and high unemployment still gripping the state, it took months to find a job. She says Sallie Mae reneged on its promise to consolidate her loans and demanded $800 a month.

Like Pace, Fujita couldn't make the payments.

They weren't alone. In 2013 alone, as 53,019 additional new Oregonians began repaying their federal student loans, nearly 15 percent of the loans -- more than 7,800 individual loans -- were in default, according to U.S. Education Department data. The U.S. Consumer Financial Protection Bureau estimates 7 million Americans have defaulted on more than $1 billion in college debt.

Fujita started hearing from Sallie Mae reps demanding money. "They weren't ever mean," Fujita recalls. "But they would call every hour of every weekday and sometimes on weekends."

Her credit took a severe hit. When she and her husband looked into buying a house, Tristan's history with Sallie Mae was a problem. In the end, they bought the house, but her name is not on the title.

Fujita fairly quickly got her professional life on track. Now 25, she works for an orthopedic surgeon in Gresham, a job she's thrilled with. After much frustration she worked out a payment plan with Sallie Mae and is slowly paying down the debt. She still owes $65,000, which will take her years to clear.

"I got myself into this position, it's my responsibility," she said. "But it's not right that people should walk out of school with ... this kind of financial burden. I just wanted to do the right thing, to go to school, and do something that will make the world better.

"At the end of the day, you have to wonder, is it worth it?"

-- Jeff Manning

© 2014 OregonLive.com. All rights reserved.