When I headed off to college as a 17-year-old freshmen many years ago I felt I was prepared. I had done fairly well in high school so I thought I could handle the academics at college. I was going to college with six of my good friends so I knew I had an emotional support network already in place. The one thing I did not have was enough money.

I had landed a few scholarships, one for academics and one for choral music, but with books, tuition, and housing, I knew I was going to fall short. I did not qualify for a grant, so I needed money. I turned to the student loan program to get through school. Without those loan dollars I would not have been able to pay for school and I would not be the man I am today.

It is easy to see why I think the student loan program is vital to helping those who truly need it be able to go to college, get a job and contribute to our society. However, the Federal student loan program is in need of repair.

We have all heard the news reports of students owing hundreds of thousands of dollars for their education and unable to get a job to pay it back, ultimately resulting in loan default. While this makes headlines, it is an exception rather than the rule. I thought you might want to know the facts about student loans.

The national average for student loans is $29,400, not $100,000. Still, that's pretty high, especially if you can't find a job to help pay it back. Most student loan payback periods are 10 years long so that would make a student's payments about $330 a month. This is a big payment when you are just starting out in life. At NCCC our average loan is for $4,711 – far less than $29,400 or $100,000.

To help out loan servicers offer lots of options including income based payments (the less you make in salary the less your loan payment), deferments, and forbearances (putting off the payments until things improve or reducing your payment). There are even loan forgiveness programs for various things such as national service.

In a larger picture, student loans are getting WAY out of hand. In total students have borrowed over $1.2 trillion dollars. Yikes! Just to put that in perspective, the total credit card debt in the United States is only $885 million. That's a tremendous economic bomb that could go off. Just like that of the housing loan crisis of 2008 from which we are still recovering.

If students are paying back their loans, they are not buying appliances for their new apartments, or a better car, or nicer clothes - they are just making payments. Simply put, new college grads are not driving the economy like they used to. They are just getting by (or moving back in with Mom and Dad until they can afford to get out on their own).

You might think that because community colleges like NCCC are open to all, and often our students are not as well off as other students, that a high percentage are taking out loans to pay for college. But you would be wrong. Only about 17% of community college students take out loans. Our low tuition rates help make that possible. Compare that to for-profit colleges, like the University of Phoenix and Capella University, where 71% of their students take out a loan to afford their much higher tuition rates. If you want to know where much of that $1.2 trillion dollars went – look at the for-profit colleges. They got a lot of it. It sure didn't come to NCCC.

Of course the biggest issue with student loans from higher education's perspective is not those who rack up big debt in order to get their degrees. It's those who rack up debt and DON'T get a degree. They have the monthly payment to make and no post-graduation job to pay it with. This has caused a crisis of loan default.

Nationally about 12% of those in repayment don't pay them or "default" on their college loans. Who's defaulting? It's not the $100,000 borrower. It's the student who borrowed for the first semester or the first year, then never came back to college. If you look at who defaults on the loans there is a big spike at the $2,500 level, or about one semester's cost after scholarships. That might not seem like a lot of money when compared to the $100,000 borrower, but it is a lot when you don't have a job because you dropped out of college.

At NCCC our default rate is 8.8%, well under the national average of 12%. We have taken many steps over the years to lower this rate including offering financial literacy as part of freshmen orientation class, loan counseling for those thinking of getting a loan, exit counseling for those leaving college with a loan, and hiring a third-party company to help students who are in danger of defaulting. Also, NCCC does not automatically offer a loan to all students as some colleges and universities do. You have to ask for a loan, then we help you get one.

Imagine you are a banker and you are forced to approve every loan that comes before you even if the data shows that the client will not be able to pay it back – and then you are held responsible when they don't pay it. That's one of the things that is broken about the student loan system.

All higher education institutions are liable for their default rates and are sanctioned by the Department of Labor if their rate rises too high. Here's the tricky part. Colleges have little control over who gets a loan. We may think this student is probably going to drop out for a variety of reasons, and therefore is a risk to default, but we can't stop them from either taking out a loan, or from borrowing the maximum the federal government allows, even though they don't need that much to pay their college bills. It's very frustrating.

I could also give fair criticism to that $100,000 borrower who selected an expensive college and who sometimes spends that $100,000 to get a degree in a field that only pays $30,000 a year. One has to question the logic of that set of decisions. (Here I go again, constant reader, you knew it was coming.) That student could have gone to their local community college for the first two years, then transferred to the university of their choice, easily cutting that $100,000 of debt in half. I think I have made that point before in my articles. Also, if one choses a high salary career like engineering, one can go to any university and make that pay off in the long run. But selecting a career that does not pay as well, the student might be better off choosing a lower-cost college to prepare for that lower pay career. Just a thought.

At any rate, I am very grateful to the federal student loan program. 12% of students may default on it, but that means that the vast majority, 88% of students, do not. They use it for its intended purpose and pay the government back for the help not only in loan payments but in higher taxes off of higher salaries as well. It is a wonderful tool that just needs some adjusting. Rest assured that NCCC is doing its part to use this tool safeguard taxpayer money while helping students succeed and not weight them down.

If you have any questions or comments about this article or anything else, please feel free to contact me at binbody@neosho.edu.