

BUSINESS EDUCATION

M.B.A. Students Have Billions in Federal Loans, Data Show

The government released figures as part of a push for schools to make more information available about the finances of graduates



Harvard Business School awards \$35 million in financial aid to half of its incoming M.B.A. class each year. PHOTO: VICTOR J. BLUE/BLOOMBERG NEWS

By Kelsey Gee

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The cost of getting an M.B.A. has risen sharply in recent years. Now the Education Department is providing an in-depth look at how much government debt students who pursue the degree are taking on.

Data released by the department show that roughly 92,800 people who took out federal student loans and graduated with a master's degree in business administration in 2016 and 2017 together had about \$3.7 billion in such loans.

The average amount each student owed to the federal government was about \$39,900, according to a Wall Street Journal analysis of the data. That represented a 1% increase from the approximately \$39,400 each student owed on average from the graduating classes of those same schools in 2015 and 2016.

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Some of the largest average debt loads were held by M.B.A. graduates of Northwestern

University's Kellogg School of Management, with an average \$116,420, and New York University's Stern School, with an average \$105,931, the data show.

Several public and private business schools that are also highly ranked had average student loan debt in the \$85,000 to \$100,000 range, including Yale University's School of Management, University of Chicago's Booth School of Business and the University of Virginia's Darden School.

Representatives of the business schools said they couldn't confirm the government estimates but didn't dispute the figures. Business schools also noted that the estimates don't cover the growing private loan market, which many people tap to help pay for the cost of getting a degree.

The Education Department released the preliminary data in May as part of an effort to push colleges and universities to publish more detailed data on the finances of their graduates, by degree and field of study. The department plans to issue more complete data on graduates' finances this fall.

The goal is to help students calculate the costs and benefits of an M.B.A., which can provide a significant salary boost to degree holders in certain circumstances. Unlike undergraduate programs, grad schools haven't previously been required to disclose how much students borrow or earn with the degree.

The figures are from a government database of student loans. The data released compared two overlapping two-year periods, but didn't cover prior periods.

The cost of a traditional two-year M.B.A. has more than doubled since the global financial crisis sent droves of college graduates back to school starting in 2008, to an average of \$30,100 a year in 2016, according to the latest figures available from the Education Department.

The new data will help a population of students who shoulder a large share of the \$1.5 trillion in outstanding school debt, said Kevin Carey, director of education policy at the New America

Foundation think tank.

The figures shed light on graduate programs for which students “take on, in some cases, very large debt burdens,” he said. The gamble is often justified for students who land high-paying jobs after school, said Mr. Carey, but students have had little insight into the range of financial outcomes from earning an M.B.A or another advanced degree.

For students like Dom Marrone, an M.B.A. student at Harvard Business School, the steep price of tuition and fees has changed the math for when a degree is likely to pay off. Taking out six-figure loans to pay for business school is a better bet at schools like Harvard, which has said that students can expect to earn \$140,000 or more after graduation and where graduates can benefit from a strong alumni network, he said.

“In my personal opinion, unless you get into one of the top five or 10 programs, it’s not worth it,” said Mr. Marrone, who said he took out \$100,000 in private loans to pay for the first year of his program, including fees and living expenses.

Harvard estimates the full cost of its M.B.A. at \$220,000, including living expenses. The 29-year-old said he is still debating whether to borrow another \$100,000 to pay for his second year or seek the funds another way, like from selling stock that he owns.

“A ton of people today have masters degrees, so an M.B.A. is not really a differentiator at work like it might have been in the past,” he said.

Mr. Marrone is one of 400 graduate students who took a novel approach to borrowing last year. Led by two of his Harvard Business School classmates, Nikhil Agarwal and Chris Abkarians, the students pooled their loans together to negotiate for lower interest rates from private lenders.

Federal loans disbursed under the popular Graduate PLUS program carry a fixed interest rate of 7.08%, and many private lenders offer lower rates, depending on the borrower’s credit, Messrs. Agarwal and Abkarians found. That can save students thousands of dollars over the life of a loan.

Messrs. Agarwal and Abkarians convinced New York City-based loan refinancing firm Laurel Road to tailor a new loan product for their group of M.B.A. candidates and other graduate students, garnering an interest rate between 5% and 6% for most of the borrowers.

Laurel Road also waived the standard origination fee lenders tack onto most private loans, saving each student around \$8,300 on their combined \$25 million debt, Mr. Abkarians said. The co-founders named their group LeverEdge, and said that this year the pool has grown to 2,500 students seeking lower interest rates on \$230 million in combined loans.

Some schools are starting to experiment with ways to rein in the cost of an M.B.A. Harvard and the University of Chicago both opted to hold first-year M.B.A. tuition steady this coming academic year at \$73,400 and \$72,000, respectively, according to school officials. Both schools faced sizable drops last year in the number of applications submitted.

Harvard Business School admissions director Chad Losee said the school awards \$35 million in financial aid to half of its incoming M.B.A. class each year, and added, “We realize it’s still expensive.”

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How are you managing student loan debt? Are you working in the field of study? Join the conversation below.

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