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A Generation Hobbled by the Soaring Cost of College

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ADA, Ohio — Kelsey Griffith graduates on Sunday from Ohio Northern University. To start paying off her $120,000 in student debt, she is already working two restaurant jobs and will soon give up her apartment here to live with her parents. Her mother, who co-signed on the loans, is taking out a life insurance policy on her daughter.

"If anything ever happened, God forbid, that is my debt also," said Ms. Griffith's mother, Marlene Griffith.

Ms. Griffith, 23, wouldn't seem a perfect financial fit for a college that costs nearly $50,000 a year. Her father, a paramedic, and mother, a preschool teacher, have modest incomes, and she has four sisters. But when she visited Ohio Northern, she was won over by faculty and admissions staff members who urge students to pursue their dreams rather than obsess on the sticker price.

"As an 18-year-old, it sounded like a good fit to me, and the school really sold it," said Ms. Griffith, a marketing major. "I knew a private school would cost a lot of money. But when I graduate, I'm going to owe like $900 a month. No one told me that."

With more than $1 trillion in student loans outstanding in this country, crippling debt is no longer confined to dropouts from for-profit colleges or graduate students who owe on many years of education, some of the overextended debtors in years past. Now nearly everyone pursuing a bachelor's degree is borrowing. As prices soar, a college degree statistically remains a good lifetime investment, but it often comes with an unprecedented financial burden.

Ninety-four percent of students who earn a bachelor's degree borrow to pay for higher education — up from 45 percent in 1993, according to an analysis by The New York Times of the latest data from the Department of Education. This includes loans from the federal government, private lenders and relatives.

For all borrowers, the average debt in 2011 was $23,300, with 10 percent owing more than $54,000 and 3 percent more than $100,000, the Federal Reserve Bank of New York reports.

Average debt for bachelor degree graduates who took out loans ranges from under $10,000 at elite schools like Princeton and Williams College, which have plenty of wealthy students and enormous endowments, to nearly $50,000 at some private colleges with less affluent students and less financial aid.

Here at Ohio Northern, recent graduates with bachelor's degrees are among the most indebted of any college in the country, and statewide, graduates of Ohio's more than 200 colleges and universities carry some of the highest average debt in the country, according to data reported by the colleges and compiled by an educational advocacy group. The current balance of federal student loans nationwide is $902 billion, with an additional $140 billion or so in private student loans.

"If one is not thinking about where this is headed over the next two or three years, you are just completely missing the warning signs," said Rajeev V. Date, deputy director of the Consumer Financial Protection Bureau, the federal watchdog created after the financial crisis.

Mr. Date likened excessive student borrowing to risky mortgages. And as with the housing bubble before the economic collapse, the extraordinary growth in student loans has caught many by surprise. But its roots are in fact deep, and the cast of contributing characters — including college marketing officers, state lawmakers wielding a budget ax and wide-eyed students and families — has been enabled by a basic economic dynamic: an insatiable demand for a college education, at almost any price, and plenty of easy-to-secure loans, primarily from the federal government.

The roots of the borrowing binge date to the 1980s, when tuition for four-year colleges began to rise faster than family incomes. In the 1990s, for-profit colleges boomed by spending heavily on marketing and recruiting. Despite some ethical lapses and fraud, enrollment more than doubled in the last decade and Wall Street swooned over the stocks. Roughly 11 percent of college students now attend for-profit colleges, and they receive about a quarter of federal student loans and grants.

In the last decade, even as enrollment at state colleges and universities has grown, some states have cut spending for higher education and many others have not allocated enough money to keep pace with the growing student body. That trend has accelerated as state budgets have shrunk because of the recent financial crisis and the unpopularity of tax increases.

Nationally, state and local spending per college student, adjusted for inflation, reached a 25-year low this year, jeopardizing the long-held conviction that state-subsidized higher education is an affordable steppingstone for the lower and middle classes. All the while, the cost of tuition and fees has continued to increase faster than the rate of inflation, faster even than medical spending. If the trends continue through 2016, the average cost of a public college will have more than doubled in just 15 years, according to the Department of Education.

Much like the mortgage brokers who promised pain-free borrowing to homeowners just a few years back, many colleges don't offer warnings about student debt in the glossy brochures and pitch letters mailed to prospective students. Instead, reading from the same handbook as for-profit colleges, they urge students not to worry about the costs. That's because most students don't pay full price.

Even discounted, the price is beyond the means of many. Yet too often, students and their parents listen without question.

"I readily admit it," said E. Gordon Gee, the president of Ohio State University, who has also served as president of Vanderbilt and Brown, among others. "I didn't think a lot about costs. I do not think we have given significant thought to the impact of college costs on families."

Of course, economists and many parents say that the only thing worse than graduating with lots of debt is not going to college at all, since study after study has shown that graduates earn more over a lifetime. And most college students in the United States manage to eventually pay back their student loans.

To that end, the Obama administration has given out more grants and loans than ever to more and more college students with the goal of making the United States first among developed nations in college completion. The balance of federal student loans has grown by more than 60 percent in the last five years. And in 2007, Congress made sure the interest rates on many of those loans were well below commercial rates; currently, a debate over keeping those lower rates from doubling in July is roiling lawmakers.

But even if student loans are what many economists consider "good debt," an increasing number of borrowers are struggling to pay them off, and in the process becoming mired in a financial morass.

Education Department data shows that payments are being made on just 38 percent of the balance of federal student loans, down from 46 percent five years ago. The balances are unpaid because the borrowers are still in school, have postponed payments or have stopped paying altogether.

Nearly one in 10 borrowers who started repayment in 2009 defaulted within two years, the latest data available — about double the rate in 2005.

Economists do not predict a collapse of the student loan system, which would, in essence, mean wholesale default. And if there were one, it would be unlikely to ripple through the economy with the same devastating impact as the mortgage crash. Though now larger than credit card and other consumer debt, the student loan balance remains smaller than the mortgage market, and most student loans are issued by the federal government, meaning banks wouldn't be affected as much.

Still, economists say, growing student debt hangs over the economic recovery like a dark cloud for a generation of college graduates and indebted dropouts. A study of recent college graduates conducted by researchers at Rutgers University and released last week found that 40 percent of the participants had delayed making a major purchase, like a home or car, because of college debt, while slightly more than a quarter had put off continuing their education or had moved in with relatives to save money. Roughly half of the surveyed graduates had a full-time job.

"I'll be paying this forever," said Chelsea Grove, 24, who dropped out of Bowling Green State University and owes $70,000 in student loans. She is working three jobs to pay her $510 monthly obligation and has no intention of going back.

"For me to finish it would mean borrowing more money," she said. "It makes me puke to think about borrowing more money."

'Nothing Is Free'

Christina Hagan is an Ohio lawmaker who says students need to understand that attending college is not an entitlement. Last year, she was appointed to fill a seat once occupied by her father in the Ohio House of Representatives.

Ms. Hagan, 23, is also a college student.

She will graduate shortly from Malone University, an evangelical college in Canton, Ohio, with more than $65,000 in student debt (among her loans is one from a farm lender; she had to plant a garden to become eligible). Though she makes $60,000 a year as a state representative, she plans to begin waiting tables in the next few weeks at Don Pancho's, a Mexican restaurant in Alliance, Ohio, to help pay down her student loans and credit cards. She pays about $1,000 a month.

"I placed a priority on a Christian education and I didn't think about the debt," said Ms. Hagan, who says she takes responsibility for her debt and others should do the same. "I need my generation to understand that nothing is free."

While Ms. Hagan's perspective is unusually personal, it is a common view among lawmakers here in Ohio and many states. Across the country, elected officials are increasingly unwilling to assume a large share of the bill for public colleges and universities, which seven out of 10 students attend. The change has contributed to sharp increases in tuition and more fund-raising — and the need for students to borrow more.

From 2001 to 2011, state and local financing per student declined by 24 percent nationally. Over the same period, tuition and fees at state schools increased 72 percent, compared with 29 percent for nonprofit private institutions, according to the College Board. Many of the cuts were the result of a sluggish economy that reduced tax revenue, but the sharp drop in per-student spending also reflects a change: an increasing number of lawmakers voted to transfer more of the financial burden of college from taxpayers to students and their families. (Local funding is a small percentage of the total, and mostly goes to community colleges.)

"To say that tuition goes up because the state doesn't pay enough money, well, that is the taxpayers' money," said Ohio's governor, John Kasich, a Republican elected in 2010 whose budget included cuts to higher education because of the end of federal stimulus money.

Donald E. Heller, an expert on higher education, said elected officials in both parties had figured out that colleges were one of the few parts of state government that could raise money on their own. If lawmakers cut state financing, the schools could make it up by raising tuition.

"It lets legislators off the hook and makes universities look like the bad guy," said Mr. Heller, dean of the College of Education at Michigan State University.

Ohio's flagship university, Ohio State, now receives 7 percent of its budget from the state, down from 15 percent a decade ago and 25 percent in 1990. The price of tuition and fees since 2002 increased about 60 percent in today's dollars.

The consequence? Three out of five undergraduates at Ohio State take out loans, and the average debt is $24,840.

If any state is representative of the role government has played in the growth of student debt, Ohio makes a good candidate. While other states have made steeper cuts in recent years because of the recession, Ohio has been chipping away at it far longer. It now ranks sixth from the bottom in financing per student, at $4,480.

In the late 1970s, higher education in Ohio accounted for 17 percent of the state's expenditures. Now it is 11 percent. By contrast, prisons were 4 percent of the state's budget in the late 1970s; now they account for 8 percent. Federal mandates and court orders have compelled lawmakers to spend more money on Medicaid and primary education, too. Legislators could designate a greater percentage of the budget to higher education by raising taxes, but there is no appetite for that. Governor Kasich has signed a pledge not to raise taxes, as have about two dozen legislators.

Some Ohio elected officials say state colleges and universities have brought the debt problem upon themselves.

They suggest, for example, that state schools are bloated, antiquated and don't do a good enough job graduating students or training them for the work force. Some complain about the salaries of football coaches and college presidents, like Mr. Gee, who has a compensation package of $2 million a year as president of Ohio State. Mr. Kasich questions why all state universities need to offer every major, like journalism or engineering, instead of parceling those programs among the schools.

"It's not just inefficiencies," said the governor, an Ohio State graduate. "It's, 'I want to be the best in this.' It's duplication of resources. It's a sweeping change that is needed across academia."

There is an ideological and political tug of war as well. State Representative John Patrick Carney, a Democrat, said if legislators were serious about financing higher education they could find a way, like eliminating tax breaks for corporations. He noted that even as funds for higher education were being reduced, Mr. Kasich and the Republican-controlled Legislature eliminated the state's estate tax, which will cost the state an estimated $72 million a year.

Mr. Carney said he worried that the constant tuition and fee increases would limit access to college for lower- and middle-income students — a founding principle of public universities. At least two-thirds of Ohio lawmakers attended public colleges or universities, including Mr. Carney, an Ohio State graduate.

"It's hard to say it's affordable when students leave with that much debt," he said.

The new financial reality for colleges has left administrators scrambling to maintain academic quality and all-important rankings with diminished state resources. That puts an even higher premium on attracting top-tier students — the rankings depend on them — and playing down the burdens of college debt.

Buy Now, Pay Later

At Ohio State, "college can be a reality for everyone, no matter your income or background," its Web site says, while at Ohio Northern, future students are urged to get over the "sticker shock," and focus instead on "return on investment."

Oberlin College's Web site tells prospective students that its financial aid policy is simple: "We meet the full demonstrated financial need of every admitted student." The University of Dayton declares itself "one of the most affordable private Catholic schools in the country" and a "lifetime investment, appreciating over the course of time."

The costs for these colleges? At Ohio State, about $25,000 a year for tuition and fees, room and board and living expenses; at Ohio Northern, about $48,000; at Oberlin $60,000; and at Dayton $48,000.

Colleges are aggressively recruiting students, regardless of their financial circumstances. In admissions offices across the country, professional marketing companies and talented alumni are being enlisted to devise catchy slogans, build enticing Web sites — and essentially outpitch the competition.

Affordability, or at least promising that the finances will work out, is increasingly a piece of the pitch.

Almost all colleges promote the money they give away in financial aid, though generally only the most elite schools — like Oberlin in Ohio — are able to provide enough in grants and scholarships to significantly keep student debt down.

College marketing firms encourage school officials to focus on the value of the education rather than the cost. For example, an article on the cover of Enrollment Management, a newsletter aimed at college admissions officials, urged writers of admissions materials to "avoid bad words like 'cost,' 'pay' (try 'and you get all this for...'), 'contract' and 'buy' in your piece and avoid the conflicting feelings they generate."

"There are direct marketing 'words' that can make or break your piece," the article, published in 2009, added.

The financial aid award letters to newly admitted students can also be a minefield for students and parents sorting through the true costs of a school. Some are written in a manner that suggests the student is getting a great deal, by blurring the line between grants and loans or not making clear how much the student may have to pay or borrow.

A quick reading of an award letter from Drexel University, received by a New Jersey applicant in March, implied that the student would owe nothing and might actually walk away with money. The expected payment to Drexel, it said in highlighted bright yellow, would be a negative $5,900. The calculation presumed grants, student loans and a $42,120 loan taken out by the parents toward the $63,620 estimated cost — figures also included in the letter but not highlighted.

A Drexel spokeswoman said that the letter was not misleading and that it had not received complaints about it. But for many students, the financial realities of attending a college conflict with the optimistic rhetoric of campus tours, financial aid materials and salesmanlike admissions officers. And many of them don't realize it until it is much too late.

"The overall message was, 'It's doable and normal to go into that much debt,' " said Jillian Potter, 23, who grew up in Ohio and attended Anderson University, a nonprofit private Christian school in neighboring Indiana.

Ms. Potter figured she would have to borrow about $10,000 a year. But the tuition increased every year, and because she didn't declare a major until her junior year, she needed five years to graduate.

A social worker, she now owes $80,000. "I try not to think about it because it's really depressing," she said.

For Evan Frank, Ashland University, a nonprofit private school in Ohio, dangled the possibility of a sports scholarship, he said. Mr. Frank liked the campus and was promised a spot on the football team. His high school guidance counselor encouraged him and so did his family, though they couldn't help financially.

Ashland offered to knock about $12,000 off the costs, and when Mr. Frank called financial aid to ask for more, they suggested he keep applying for scholarships. No one at the time said to consider a cheaper alternative, he said. Ashland costs about $42,000 a year.

"Maybe at the time I was a little naïve," said Mr. Frank, 22, a senior who owes $80,000. "Everyone was like, 'You can get grants, you can always get loans.' I wanted to play football really bad, and I hoped eventually I'd get a football scholarship."

Many students and parents don't have a firm understanding of the cost of attending college, or the amount of debt they will incur. And most colleges aren't much help. Student debt is not their primary concern in the end — the loan money usually gets deposited directly with the colleges, so they get paid either way — and the main job of the admissions staff, after all, is to admit students.

"Ultimately with everything in financial aid, from start to finish, the student and their family need to take responsibility and monitor their aid," Melanie K. Weaver, the director of financial aid at Ohio Northern, said in an e-mail. "With over 3,000 on aid it is difficult for our office of 10 staff members to stay on top of every student."

While there are standardized disclosure forms for buying a car or a house or even signing up for a credit card, no such thing exists for colleges.

Instead, college pricing is complicated by constant tuition increases, a vast array of grants and loans and a financial-aid system that discounts tuition for most students based on opaque formulas. “No one has a vested interest in simplifying the process but families,” said Mark Kantrowitz, the founder of FinAid, a Web site devoted to explaining college financial aid. “It obscures the price of a college and makes the choice of college not depend on the price but other factors.”

Federal regulations require financial aid officers to counsel students when they take federal loans and again when they graduate. The counseling typically consists of making sure they complete a brief online course about student loans and repayment.

Beyond that, it is up to the college to decide what, if any, debt counseling to provide. With a few exceptions, their track record is not very good, according to students and experts on college finance. Until Congress banned the practice a few years ago, some colleges outsourced counseling to private lenders, the same ones offering loans. Now many colleges do little beyond what is required by law, experts say.

Ohio Northern administrators said they were trying to come to grips with the growing debt of their students — an average of $48,886 for borrowers — at a time when enrollment is down slightly, as it is at many of the small nonprofit private colleges with which it competes.

Financial aid officers have not yet told any prospective students that they cannot afford to attend, school administrators said. But Ms. Weaver, the director of financial aid, noted, “We are having that conversation.”

Mr. Frank, at Ashland, said he did eventually receive financial counseling — on the day he arrived for football camp as a freshman.

A financial aid adviser suggested Mr. Frank rethink his decision to attend “because the way it’s looking you are going to be looking at a high amount of debt if you are going to stay here,” he recalled. “I wanted to play football really bad, and I was already moving in for camp,” he said. “I wasn’t going to turn back then.” He never did receive a football scholarship.

Officials at both Ashland and Anderson Universities said they provided thorough financial aid counseling to incoming students.

Ms. Griffith, the Ohio Northern student whose mother is taking out life insurance on her — a precaution that might be unnecessary because some lenders forgive loans upon death — said she wished someone had been frank with her about the consequences of taking on so much debt. (She also received grants.) She is searching for a full-time job in marketing, her major, while earning $225 a week at two restaurants.

"When I was young, I wanted to get out of Putnam County, get out of the cornfields," said Ms. Griffith, who is from rural Ottawa, Ohio. "I would love to get away. But it would be more financially responsible if I got a job near here and lived with my parents."

The Shadow of For-Profits

Wanda McGill has stopped opening her student loan bills.

She isn't sure how much debt she has accumulated, though she thinks it's about $100,000. But Ms. McGill, a 38-year-old single mother, knows for sure she cannot pay it.

Ms. McGill said she dropped out of DeVry University, a for-profit college with a branch in Columbus, two years ago after she ran out of money — even with the loans. She now makes $8.50 an hour working for an employment training center in Florida.

"I was promised the world and was given a garbage dump to clean up," she wrote in an online complaint at consumeraffairs.com. "Like my life was not already screwed up with welfare and all."

The student loan crisis has spread from for-profit colleges to more traditional institutions, but the for-profit colleges continue to represent the worst of the problem. Students complain that they were misled about the costs of education and that their job prospects were exaggerated. Government reports and lawsuits have accused some for-profit colleges of outright fraud, including doctoring attendance records or peddling near-worthless degrees.

The result? Students at for-profit colleges are twice as likely as other students to default on their student loans. Moreover, among students seeking a bachelor's degree, only 22 percent succeed within six years, compared with 65 percent at nonprofit private schools and 55 percent at public institutions. (For-profit students, however, tend to do better at obtaining associate degrees and certificates.)

Leaders of the for-profit industry defended themselves, saying they were providing higher education for lower-class students that traditional colleges had left behind. "The reality is the type of students we attract have no other opportunity," said Steven Gunderson, head of a leading trade organization. "We are the ones that provide a path to the middle class."

Still, the outcomes for many students have been so poor — and the reported abuses and misdeeds by the colleges so abundant — that the for-profit colleges have played another role in the worsening debt problem: drawing attention away from nonprofit private and public colleges and universities, which have been slow to face public scrutiny.

The situation has parallels to the mortgage crisis of a few years ago, said Barmak Nassirian, associate executive director of the American Association of Collegiate Registrars and Admissions Officers. The for-profit colleges are like the subprime lenders — attracting the limelight because they represent the worst of the problem, he said.

"Mainstream higher ed can really self-righteously look at the big problem out there and say, 'The problem lies with the other guy,' " Mr. Nassirian said. "If you are looking at highway robbery and raping and pillaging, that is true. But there are all kinds of unfortunate practices in traditional higher education that are equally as problematic that are reaching the crisis point." Last year, Congress approved regulations to curb abuses in the for-profit sector, but there has been less focus on establishing broader rules for traditional colleges and universities.

The Obama administration has tried to make college pricing easier to understand; as of last year, colleges and universities were required to post calculators on their Web sites that explain the net price after grants and loans, but critics say they can be confusing, misleading or hard to find. And the administration has proposed that colleges be required to offer a "shopping sheet" to make it easier for families to measure the true costs and benefits.

"We just have to get them much more information," said Education Secretary Arne Duncan. "If you're going to college, you need to know not what the first year costs. You need to know what it's going to cost for the long haul."

But even with more information, students and their parents seem willing to pay the ever-escalating price of a college degree, which remains the key rung up the ladder of economic mobility.

Denise Entingh, 44, dropped out after two quarters at Columbus State Community College because she didn't want to wait any longer to get into the nursing program. So she signed on at the Hondros School of Nursing, a for-profit college that advertises "No Waitlist!" on a billboard a few blocks from Columbus State.

Ms. Entingh said she expected to borrow about $45,000 to get a bachelor's degree in nursing from Hondros, which costs more than three times as much as Columbus State.

"It scares the hell out of me," she said of her debt load. "But I think it will be all right. I'm not going to worry about it right now. I had to take that plunge."

Andrew Martin reported from Ada, Ohio, and Andrew W. Lehren from New York.