5-18-2015

Student loans and repayment rates: Johnnies among nation's best

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Recommended Citation

Hemesath M. 2015 May 18. Student loans and repayment rates: Johnnies among nation's best [blog]. Quad 136. [Accessed 2017 June 12]. http://blogs.csbsju.edu/mhemesath/2015/05/18/student-loans-and-repayment-rates-johnnies-among-nations-best/.

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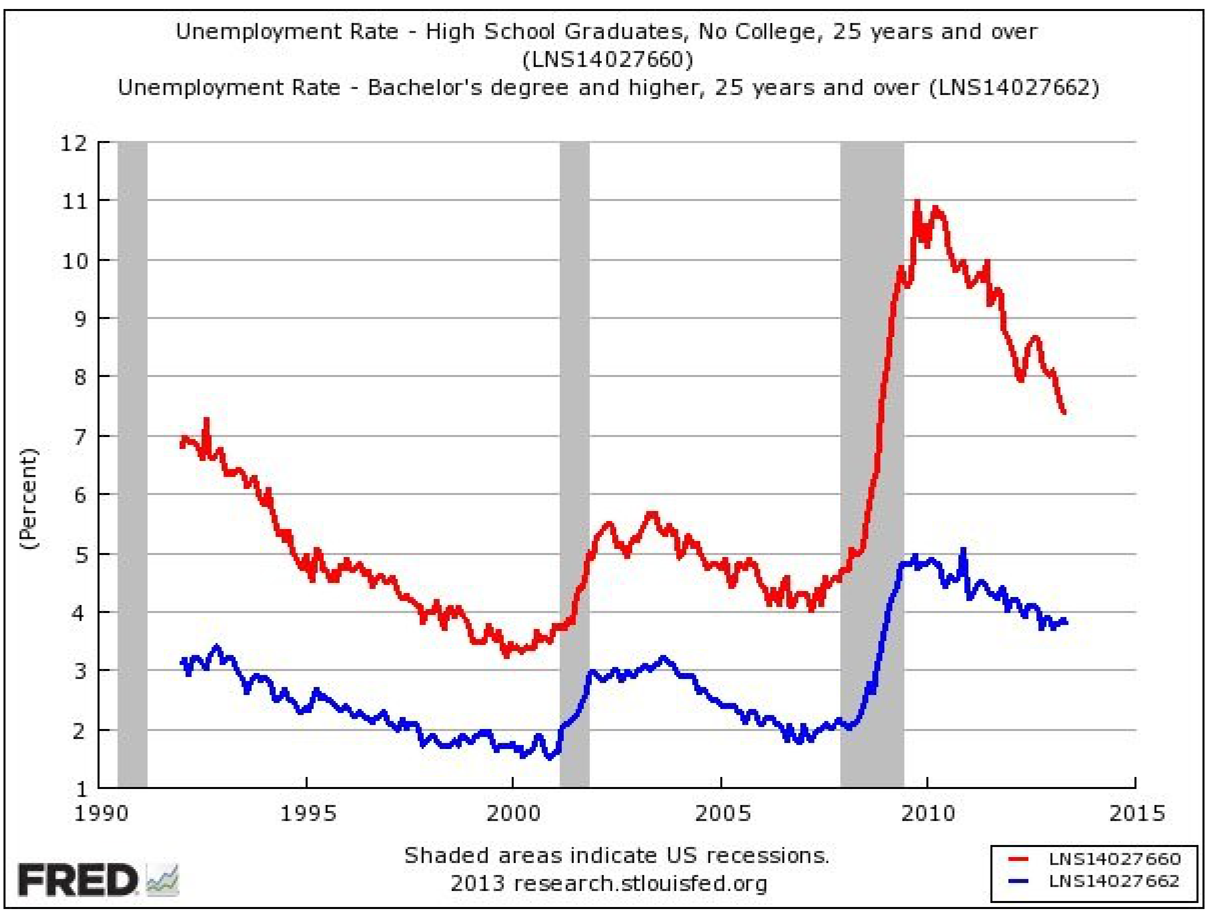
One of the biggest concerns about the rising cost of higher education is that some students are being required to take out more loans to fund their investment. While there is concern about the dollar value of the loans (though evidence suggests that average loan amounts are not growing in real terms, see here and here), the underlying concern is that students will not be able to repay their debts given their job prospects and income (though employment prospects continue to be significantly better with a degree than without one).



As part of the growing cottage industry that attempts to evaluate college quality and value-added, the Brookings Institution has calculated a new measure that includes loan repayment rates as one measure of a college's performance.

At the College of Saint Benedict and Saint John's University we know we have very low default rates, but this is the first data I have seen comparing schools and attempting to calculate predicted default rates based on student demographics.

A Brookings researcher describes the analysis:

> *Brookings' new report on college quality attempts to evaluate schools based on their contributions to the economic success of alumni. Federal loan repayment is one of the measures, in addition to mid-career salaries and careers in high-paying occupations. The challenge in evaluating colleges is to isolate the college's contribution from its students'. Students with higher test scores and from families with higher incomes…will usually earn more money after college compared to their less-advantaged peers. Also, colleges that offer higher-level degree programs (like medical degrees, master's degrees, and bachelor's) will tend to have higher-earning graduates than colleges that offer associate's degree or certificates.*

Using these data, Saint John's University has one of the biggest differences in the country between the Brookings predicted Federal loan repayment rates for our students–89.7%–and actual repayment rates–98.9%. Other schools doing well in this calculation include Brigham Young, Grinnell and Notre Dame.

What this outcome suggests is that, like most of the hand-wringing over higher education's woes, the story on student loans is more complicated than can be captured in a headline and the details vary widely by institution. Even schools like Saint John's, that are tuition dependent and whose modest endowments for financial aid often require students to take out some loans, can be great investments for the long run. As long as students borrow modestly (the median debt at graduation for the two thirds of our students who borrow is about $28,200), they can comfortably pay off those loans with the good job prospects and incomes their bachelor's degrees provide.

The decision to borrow for higher education should be done thoughtfully, with an eye on the job market (something the Ohio State law grad with $328,000 in debt failed to do) and some evidence that the degree you are earning and the school you are attending has provided previous graduates with good economic outcomes, but a student loan is likely to be the best investment you will ever make.

By Michael Hemesath | May 18th, 2015 | Categories: Economics, Higher Education | 0 Comments

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Michael Hemesath is the 13th president of Saint John's University. A 1981 SJU graduate, Hemesath is the first layperson appointed to a full presidential term at SJU. You can find him on Twitter [at] PrezHemesath.