

Obama offers help to students

NEWARK -- Angela Caputo left college with more than \$100,000 in student loans, a little less than half of that owed to the government.

Her monthly payment is daunting.

"I spend about half my **income** paying back my loans," said the 22-year-old from Hockessin.

Nationwide, student debt has surged in recent years and now surpasses credit cards. Total student debt has reached \$952 billion, according to FinAid.org.

In a speech Wednesday, President Barack Obama announced a series of executive actions aimed at taming high student loan payments. Students with federal loans serviced by private lenders will have the first six months of next year to consolidate their debt at an interest rate reduction between 0.25 percent and 0.5 percent. Borrowers will also have their minimum monthly payment on federal loans reduced from 15 percent of their adjusted gross income to 10 percent. And if someone has not finished paying their loan after 20 years of payments, the debt will be forgiven. The old forgiveness threshold was 25 years.

The administration cast the measures as a way to put more money in the pockets of

borrowers and stimulate the economy. But Delaware college students and graduates like Caputo are unsure how much the **changes** would help them. Caputo would stand to lower her monthly payments by less than \$10 if she consolidated. "I'm not sure if it would be beneficial enough for me to do it," she said.

The changes help graduates in fields with low entry-level salaries that tend to go up as they gain experience, such as teachers, nurses and social workers.

"These are real savings that will help graduates get started in their careers," U.S. Secretary of **Education** Arne Duncan said during a conference call.

Victoria Brown, 19, of Middletown, figures she might be among the **future** college graduates needing to take advantage of the potentially lower payments.

The University of Delaware junior already has about \$10,000 in government loans, and she expects to accrue a lot more debt

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before graduation after switching her major recently. She wants to be a music teacher.

"And there's not a lot of music education jobs out there right now," she said. "If I don't have a job, I'm going to pay the minimum."

For a recent college graduate carrying a high debt load and making \$30,000 a year, it could save more than a \$100 month. But many graduates already have monthly payments that are less than 10 percent of their income.

"Clearly, I think the political goal is, 'Hey people with student loans, I will give you relief. This will put more money in your pocket and that will stimulate the economy,' " said Neal McCluskey of the Cato Institute, a conservative free-market think tank.

White House officials portrayed the changes as deficit **neutral** due to the elimination of billions in government subsidies to student lenders, but in McCluskey's view it's hard to imagine how it won't be "a loss to the taxpayers if they are eating interest rates paid by the borrower."

Local college officials said the changes will serve as another tool to help students with debt and will have the biggest impact on students having trouble finding work.

"Our goal is to make sure when they are walking across the stage and into a job, their debt is the least of their worries," said Jerry McNesby, vice president for finance at

Delaware Technical & **Community** College. "We have high placement rates of graduates getting jobs, but that doesn't mean they aren't going to have difficulty making ends meet the first year."

Some analysts predict the changes could negatively affect private student lenders, such as Sallie Mae. The company employs more than 1,000 workers at its office near Stanton.

Shares of Sallie Mae's parent company, SLM Corp., dipped 13 percent Tuesday when news of the student loan changes broke. The stock regained some of its losses Wednesday, however. Local Sallie Mae officials did not comment on what effect the move might have on its Delaware workforce.

"The proposal's emphasis is consistent with Sallie Mae," said Patricia Nash Christel, a spokeswoman. "Our loan customers have the lowest default rate due in part to our proactive counseling and outreach."

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Marquis Waters, 21, a senior at the University of Delaware, said the plan is a good idea because it would help people who don't make a lot of money after they graduate. / THE NEWS JOURNAL
JENNIFER CORBETT

CARRYING BURDENS

Percentage of current undergraduate students with government loans:

UNIVERSITY OF DELAWARE: 50.55 percent

DELAWARE STATE UNIVERSITY: 84 percent

DELAWARE TECHNICAL & COMMUNITY COLLEGE: 10.5 percent

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