More Students Are Studying Now, Paying Later

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EVER since some of the Pilgrims on the *Mayflower* secured their passage on credit, Americans have been buying now and paying later for things they wanted and needed. From this modest, but purposeful beginning, total consumer debt in the United States has reached a staggering $231 billion, with a 200 per cent increase in the last ten years.

Americans can buy almost anything on time including funerals and African safaris. The newest item of growing significance in the inventory of national consumer debt is higher education. It is really no surprise that Americans should turn to credit in paying for college. What is surprising is that it has taken so long for them to do so. This trend has become so popular that between 1955 and 1962 personal loans for education negotiated in one year just by colleges have increased almost 1,000 per cent, from $12,000,000 to $120,000,000.

Pinched purses have had much to do with this rush toward borrowing for an education. Families saving for college manage, on the average, to put only $150 per year in the bank for this purpose. College costs have not stopped increasing nor are they expected to. Experts say that at least a 5 per cent increase per year over the next eight or more years is to be expected. College tuitions have already increased over 35 per cent since 1955, while family disposable income has increased only 21 per cent. At this rate, by 1970 disposable income will have increased in fifteen years by about 32 per cent and college tuition by at least 75 per cent.

Those who arrive at a financial barrier to college unprepared—a number that increases every year—are using loans as compensation for poor planning, misinformation, prolonged insolvency, or just imprudence. Students and parents—about twice as many of the latter as the former—will incur debt this year to pay some or all college bills. So that Junior or Susie can study now, possibly one million students and/or parents will promise to pay later sums ranging from a few hundred dollars to as much as $15,000 over a period of ten or more years.

Necessity, though, is only part of the story. A college education has been shown to have considerable worth in dollars and cents, personal satisfaction, job success, social prestige and, for the girls, all of these—plus the right man. And though, as a nation, we have gained tremendously—culturally and economically—through mass higher education, federal willingness to support higher education, as the last Congress showed, seems to be much more modest than that of the individual student or parent. Credit and the "good life" are sort of one and the same thing in America, and college education provides a minimum guarantee that life will be enjoyed to the fullest. It is not surprising, therefore, that, as rising college costs begin to close college doors, individuals seeking entrance will use credit as a foot to keep them open.

Borrowing for college education did not become a really significant factor until 1958, when the National Defense Education Act created the now famous Defense Student Loan Program. This program provides federal dollars to colleges for loans to students. No interest is charged on these loans while the student is in college, and 3 per cent is charged yearly on the unpaid balance after graduation. Repayment must be completed within eleven years after the completion of formal education. By the end of this year, the 1,525 colleges through which this program operates, will have negotiated about 800,000 individual loans, totaling some $360,000,000, to about 400,000 students. The average student borrower, however, has at the moment only about a $900 debt, which, in terms of the maximum debt of $5,000 permitted under NDEA, is indeed modest.

Given the potentially disastrous impact of increased college costs on student and parent, some of the evidence coming out of the NDEA operation thus far is most reassuring. New entering students comprise 27 per cent of the borrowers and 97 per cent of their loans were negotiated after the student was accepted, but before he arrived on the campus. Colleges are apparently reaching out for students with these loans as they have done in the past only with scholarships and promises of employment.

Seventy per cent of the student borrowers report their family incomes to be below $6,000 per year; 40 per cent say they are below $4,000. Though it is disturbing to discover from these statistics that the already highly subsidized price of education is increasingly out of the reach of the low-income group, it is apparently being brought back into reach for many if it can be repaid over a period of time longer than the four college years. Ironically, it appears that loans, at least low-interest NDEA loans, are reaching more impecunious students than scholarships do. The average family income of scholarship holders is reported to be nearly $8,000 per year in contrast to the approximate average family income of $4,500 of student borrowers.

Among the many pleasant surprises in our short experience with educational loans, none has been less expected than the way girls have turned to loans. It seemed for a while as if men were trying to discourage young ladies from borrowing by likening a girl's educational debt to a negative dowry. Apparently this did not impress the girls, because last year's freshman girls constituted 47 per cent of the NDEA borrowers, although only about one-third of college students are girls. The contrast with their older sisters in graduate school, where only 11 per cent of the borrowers are girls, indicates that in one college generation such reluctance as young ladies might have felt toward educational borrowing has been considerably modified.

Women are playing an increasingly important role in the economic life of the family and nation. A few hundred dollars of debt assures that this role will be played effectively; girls apparently realize this is a small penalty to pay. Increasingly the young college wife must support her husband through some or all of graduate or professional school. Then she spends the next twenty years balancing the family books each month—or at least trying to—after which time she goes back to work (over 20 per cent of the mothers of college students now do) to help support one or more of her children in college. We are learning—and in this instance the girls are showing the boys—that at least in matters of higher education a personal debt should be listed as an asset, not a liability.

For every student who borrows from his college, from a growing number of various state-guaranteed, subsidized or philanthropic programs, studies indicate that twice as many parents borrow to help pay their children's college expenses. Apparently only very infrequently do both students and parents in the same family borrow.

Parents who choose to borrow may not turn to the same sources as the student, and vice versa. Borrowing by students and borrowing by parents are somewhat different propositions, though presumably for the same purpose. Students turning to their usual sources for loans—colleges, banks and philanthropic groups—need no collateral. Cosigners are still required in many institutions, though as a consequence of the NDEA program some states have made it possible for college students, regardless of their age, to negotiate a binding educational loan contract. Students will, again as a result of the NDEA, have as many as eleven years to repay after finishing their education and military service. There will be no interest charges while the students are at college, and extremely low charges after they leave. Some portion of their loans may even be forgiven if they enter public school teaching.

PARENTS who decide to borrow, out of either convenience or necessity, must use commercial sources, and are advised to shop carefully before buying an educational loan plan. Methods of figuring charges and other arrangements defy classification and, in some instances, even understanding.

In using regular commercial sources the parent will need a cosigner. Depending on the plan he will pay rates of interest and other charges ranging from as little as $400 to as much as $900 while paying back $4,000 over six years. He will be required to purchase death benefit insurance, and start repayments on the full amount within thirty days of the negotiation of the total loan, even though the money is used over a four-year period. Another aspect of packaged commercial educational loan programs that sets them apart from most other commercial loan transactions is that collateral is not required; the insurance serves this purpose. In any case, they are expensive transactions when one considers that the loan, at least in part, is needed to purchase higher education, the price of which is presumably already heavily subsidized to keep it within the reach of those who want and may benefit from it.

No doubt most educational borrowing by parents is done against personal assets such as homes or insurance. We know from studies that there is considerable parental borrowing, but the volume of use of commercial educational payment plans does not statistic-

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Who Can Borrow for College and Where

COLLEGES, banks, private financial organizations (including insurance companies), and philanthropic, civic, church, business, and labor groups constitute the major sources of educational loans.

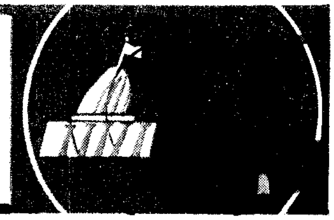
Colleges usually lend money, mostly from federal sources, only to accepted or enrolled students, based upon the individual's need and/or achievement. College loans usually require cosigners but not collateral; rates of interest are well below commercial rates; and long periods for repayment, normally starting after graduation, are allowed. Write to the college for information and applications.

Banks prefer to deal mainly with parents, though in some states they have student programs as well. Most require insurance on the life of the borrower in lieu of collateral. Cosigners are required, most frequently the spouse of the borrower. Interest is comparable to regular commercial transactions. Interest and repayment start immediately. Call or write local banks for complete information.

Private financial organizations and insurance companies offer plans of convenience, if not economy, almost exclusively for parents. Prepayment, or savings, is sometimes a characteristic. These programs, while permitting the largest sums to be borrowed, are also the most diverse and expensive. Most provide for the continuation of payments in the event of death of the borrower. Most urge the purchase of a "plan" for the financing of two to four years of education. For information consult advertising media or ask your school counselor.

Civic, philanthropic, church, business, and labor groups in growing numbers have loan funds. Some lend money to students, some to parents, and some to both. Rates, which vary somewhat with the source, are usually lower than commercial programs, but higher than those of colleges. Parents, individual contacts, or your school counselor are the best sources of information.

While School Keeps



THE AMERICAN HOST PROGRAM is a unique person-to-person project that brings school teachers from the free nations of Europe to spend a month in the U.S. living as guests of American families. The object is simply to offer them an opportunity to gain a better understanding of American life.

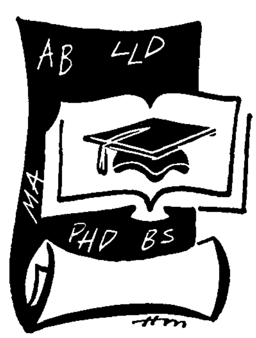
A private, do-it-yourself project operating without government or large foundation support, the program was conceived and initiated by two California schoolteachers, Tom Murphy and his wife Frances. In 1961 they decided to invest their savings in a trip to Europe, where they would spend a year or two studying Western European school systems. During the course of their study, however, they were dismayed by the gross misconceptions about America that were common among the teachers they met. The idea for the American Host Program grew out of their discussions of this problem with the then U.S. Ambassador to France, James M. Gavin, and the U.S. Cultural Attaché in Bonn, Dr. Lewis Hammond. As a result, the Murphys cut short their trip, returned home, and started a program that brought sixty European teachers to the U.S. in 1962 and will sponsor visits for twice that number this summer.

Operation of the program is simple. American families are asked to entertain a teacher in their homes, just as they would entertain any other guests, for one or two weeks; only rarely does a teacher stay longer than two weeks with one family. The host is expected to meet the visiting teacher when she—or he—arrives in the city, provide a room and meals for the visitor, see that the guest has an opportunity to meet friends and neighbors of the family, and make arrangements for him to be taken to the train, plane, or bus when leaving.

Western European teachers are informed about the program through their teacher associations; those who are interested make application, specifying the area of the U.S. they would like to visit. (There is a chronic shortage of host families in the Northeast since a high percentage of the teachers select that area and the Murphys have fewer contacts there than in the West.) Teachers and host families are then matched as well as possible and are given each other's names and addresses so that they can correspond before the visit. In late July, the teachers travel together by chartered plane from Europe to New York, where they spend three days; then each travels to the home of his host. During the next four weeks each teacher stays with at least two host families in the same general geographic area. At the end of the four-week period, the teachers again assemble in New York and return to Europe together.

Success of the program is due, at least in part, to the fact that many European teachers would like to visit the U.S., but are unable to afford a regular tourist's trip. Under the American Host Program, the only cost to the teacher is transportation—less than $400—and even part of that is sometimes paid by sponsoring groups in the U.S. Potential host families, either for 1963 or 1964, can obtain information from the American Host Foundation, Inc., 9942 Catherine Avenue, Garden Grove, California.

TEACHING TRADITIONAL VIRTUES in the schools has become an overriding consideration for some Americans concerned with education. A few have found an answer in substituting nineteenth-century McGuffey Readers for more modern textbooks. For those who find this solution of the problem attractive, an even more traditional possibility is now open. A facsimile of the 1727 edition of *The New England Primer* has just been published by the Bureau of Publications, Teachers College, Columbia University. A famous textbook from which millions of early Americans imbibed learning and morality simultaneously, the primer is perhaps best known for its alphabet rhymes beginning with the often quoted: "A. In Adam's Fall, We Sinned All." Historians and collectors of Americana may also find the volume of interest.



THE EX-GRADUATE STUDENT who never received a Ph.D., but enjoys the dubious distinction of holding an A.B.D. (All But the Dissertation), is a common product of the nation's graduate schools. The long grind of graduate study leaves many students with more responsibilities than money. Therefore, when residence requirements are met and orals are passed, they seek employment before leaping the last hurdle, the doctorate dissertation. Many have the time, energy, and determination to finish the job and earn their Ph.D.s—sometimes five, ten, or even fifteen years after entering graduate school. Others, caught up in professional and family responsibilities, never do.

In an effort to encourage superior students to complete their graduate work in minimum time—and thus reduce the number who never complete it all—the University of North Carolina is launching this year an experimental program of "incentive fellowships." Under a five-year grant from the Carnegie Corporation, the fellowships offer graduate students $2,400 a year for three years. But a portion of each year's stipend is conditional upon completion of certain steps toward the degree by a given date. If these steps are not completed, the conditional part of the stipend is forfeited. For instance, foreign language requirements must be completed by the end of the first year; preliminary orals by the end of the second year; the dissertation by the end of the third year.

Hopefully the program will reduce the number of A.B.D.s and increase the number of Ph.D.s.

STUDENT HOUSING for colleges—especially small colleges—is often a major obstacle to expansion. The National Defense Education Act has made loan funds available to colleges and universities at attractive interest rates, but the smaller colleges, with limited reserve funds and an administrative staff that is perennially shorthanded, often finds it difficult to meet federal loan terms.

One solution to this problem is offered by the CIT Financial Corporation, a commercial financing firm, through a pay-as-you-go-program under which colleges and preparatory schools can pay for facilities out of normal room rental fees. A subsidiary of the parent company, CIT Educational Buildings, Inc., arranges con-