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The Cost of Dropping Out

Millions Struggle With High College Debt and No Degree

By **BEN CASSELMAN**

The rising cost of a college education is hitting one group especially hard: the millions of students who drop out without earning a degree.

A bachelor's degree remains by far the clearest path to the American middle class. Even today, amid mounting concerns about the rising cost of higher education and questions about the relevance of many college degrees, recent graduates have lower rates of unemployment, higher earnings and better career prospects than their less educated peers.

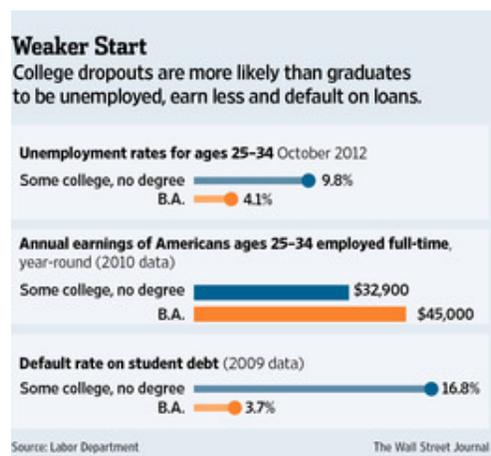
But as more Americans than ever before attend college, more too are dropping out before they ever don a cap and gown. That means millions of Americans are taking on the debt of college without getting the earnings boost that comes from a degree. Dropouts are more than four times as likely as graduates to default on their student loans.

"Graduating with a lot of debt can be daunting," says Lauren Asher, president of the Institute for College Access and Success, an advocacy organization promoting access to higher education. "Having a lot of debt and not graduating is even more daunting."

The complexity of the student-loan system—a web of public, private and subsidized loans that together add up to more than \$1 trillion—makes it difficult to know exactly how much debt is held by dropouts. But the scale is massive. According to a 2011 study by the Institute for Higher Education Policy, a Washington, D.C.-based research firm, 58% of the 1.8 million borrowers whose student loans were began to be due in 2005 hadn't received a degree. Some 59% of them were delinquent on their loans or had already defaulted, compared with 38% of college graduates. The problem has almost certainly worsened since, as the recession wiped out job opportunities for less-educated workers.

"Students who don't graduate with some sort of credential or degree, they are the ones who are having the most problems repaying," said Alisa Cunningham, one of the study's authors. "It doesn't even have to be a really high amount of loans. It's just that they get in trouble because they have their daily lives they have to pay for."

According to the U.S. Department of Labor, 34 million



Bloomberg News

A student walks on the campus of Purdue University in West Lafayette, Ind.

Real Time Economics

More Debt May Be Answer for Students Struggling Financially

Still, those who don't graduate face even bleaker prospects. Among Americans aged 25 to 34—the youngest group that would have completed college under a traditional schedule—the unemployment rate for bachelor's degree holders was 4.1%, versus 11% for those with only a high-school diploma and 9.8% for those who began college but didn't finish. Employed college graduates earned 37% more than dropouts in 2010, according to an Education Department analysis of Commerce Department data.

"In the American system access to postsecondary education is really about access to the middle class," says Anthony Carnevale, an economist at Georgetown University and the director of the school's Center on Education and the Workforce. There are still pathways to success without a degree, Mr. Carnevale says, but they are narrowing.

David Guthrie has seen that reality up close. A 25-year-old college dropout in Fort Wayne, Ind., Mr. Guthrie works as a technician at a local pump company for \$16.62 an hour, or about \$35,000 per year. When his company recently posted a job for an entry-level engineering job, Mr. Guthrie couldn't apply—the job required a bachelor's degree.

Just a few years ago, Mr. Guthrie was on track to be the first in his family to graduate college. Home-schooled, Mr. Guthrie enrolled at the local campus of Purdue University, a well-regarded public college but had to borrow heavily to pay for school. Though he loved his classes, he

Americans over 25 years old have some college credits but haven't received a diploma, a rate that grew by roughly 700,000 people over the past three years.

Meanwhile, the rising cost of college is forcing many students to work long hours, which has been shown to reduce the odds of completing a degree, and is leading others to quit school outright. Ever-higher debt burdens heighten the consequences for those who drop out, making it harder for them to borrow money to buy a house or a car or to go back to school later on.

The problem has long-term economic implications. Economists say the U.S. needs more college graduates in order to remain competitive. But expanding the pool of graduates means reaching out to low-income families, immigrants, minorities and children whose parents didn't earn degrees. Efforts to help such students attend college have often outpaced efforts to make sure they graduate.

Even successfully completing a college degree is no guarantee of a successful career, especially in today's still-shaky economy. There were 1.9 million unemployed college graduates in October, according to the Labor Department, a third of them younger than 35. By one estimate, about half of young graduates are either unemployed or are working in jobs that don't require a college degree.

switched majors and fell behind schedule for graduating and further in debt. When his girlfriend—now his wife—lost her job in 2008, Mr. Guthrie dropped out to get a job.

Now, with more than \$20,000 in debt, it is a struggle to make ends meet. Mr. Guthrie and his wife own just one car—limiting her job options—and say they are frequently behind on their bills. He does hope to return to school, but says that remains a long-shot for now. "When I had to pull out it was kind of a crushing blow to my self esteem," Mr. Guthrie said. "College has been a dream for me for many, many years."

Experts say Mr. Guthrie's situation illustrates the face of American higher education is changing—and how the system has failed to keep up. For decades, the image, if not always the reality, of college was of mostly middle-class children living on campus and going to school full-time.

But as jobs for high-school graduates dry up, colleges are drawing more students who break that mold. One recent study found that just a quarter of undergraduates are "traditional" students, defined as full-time students on a four-year residential campus. Increasingly, the students who fill American campuses attend school part-time, work long hours and commute to school. Many of them are older and have families of their own.

The U.S. higher education system has adapted only slowly to this changing population. At many schools, class schedules change semester to semester, making it hard to work full-time. Professors are often available during limited hours. The result has been low graduation rates among nontraditional students. According to a 2011 study by Complete College America, an Indiana-based nonprofit, the six-year graduation rate for full-time students is just 45.2% for low-income students, 39.9% for African Americans and 27% for students 25 or older when they enroll. Across all categories, graduation rates are far lower for part-time students. "I think we had this mistaken belief that if we'd send students off to college then they'd graduate," says Stan Jones, the group's president.

Some schools are responding. A program at the City University of New York, for example, uses block scheduling and other strategies to help working students graduate more quickly. Other schools are rethinking the traditional model of awarding credits, focusing more on what students know rather than class hours. Robert Mendenhall, president of Western Governors University, one of the pioneers of this "competency-based" approach, says adult students in particular are resistant to sitting through lectures on subjects they already understand.

More important than the specific approach, Mr. Mendenhall says, is the focus on getting students who have started college to get through to graduation day. A fifth of the American workforce has some college but no degree. "Their jobs are going away or have gone away, and they aren't coming back," he said.

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