IOWA COLLEGE AID

Student Loan Debt of Postsecondary Education Graduates in Iowa: 2023

This report examines federal student loan debt from graduates of Iowa's postsecondary institutions during the past five years.

April 2023

EXECUTIVE SUMMARY

Over the past five years, the percentage of graduates with student loan debt has continued to decrease, primarily driven by community college graduates. Average total debt, unadjusted for inflation, among college graduates has increased slightly or remained steady over the same period. When one accounts for inflation, graduates' average loan debt decreased between 16% (Regents) to 23% (community colleges). A source of reduced debt is likely from postsecondary institutions not raising tuition, fees, room, and board at the same rate as inflation (College Board, 2022). Overall, 57% of students graduated with student loan debt at an average of around $25,800 in 2022. To pay off the debt at a 4.99%[1] rate over 10 years, a student would expect a monthly payment of $270 and to pay over $7,000 in interest.

INTRODUCTION

Though student loans open access to many students that may not otherwise be able to afford higher education, student loan debt is a serious concern among potential students and limits the likelihood of college matriculation, especially among marginalized groups (Boatman et al., 2017). Potentially more concerning to a state such as Iowa, the Federal Reserve reports that only 52% of rural student loan borrowers still live in rural areas after six years, compared to 66% of non-borrowers (Tabit & Winters, 2019). Meanwhile, only 37% of those in the fourth quartile ($30,000 or more) of loan debt remain living in rural areas.

High debt amounts have immediate negative consequences on students' cognitive and psychological functioning and the likelihood of graduation (Destin & Svoboda, 2018; Walsemann et al., 2015; Dwyer et al., 2012). Increased student loan debt has strong associations with delaying marriage and having children, deferring homeownership, taking on other forms of debt, and avoiding public service jobs (Gicheva, 2016; Davies et al., 2015; Rothstein & Rouse, 2011; Velez et al., 2019). Given the potential of partial Federal student loan forgiveness or continuing the status quo, there is a need to monitor the loan debt of graduates of Iowa's colleges and universities.

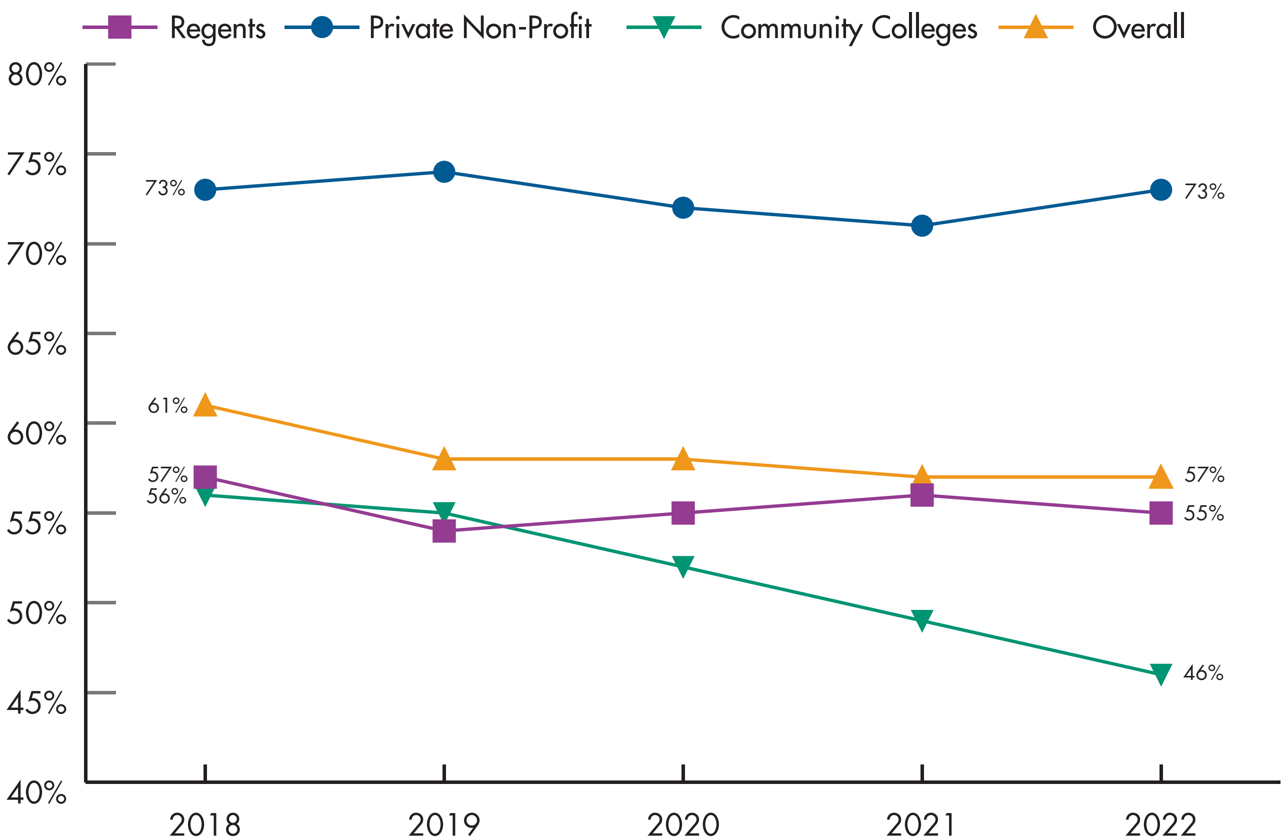
An unbalanced panel of self-reported data from Iowa's colleges and universities was used by the Iowa College Student Aid Commission (Iowa College Aid) to create this report.[2] This analysis includes the three Regents Universities, 30 private non-profit colleges, and all 16 community colleges.[3] All values reflect graduated undergraduates that began college at these postsecondary institutions (see Appendix A for methods and Appendix B for non-weighted figures). Due to high inflation rates over the past two years, Iowa College Aid presents average student loan debt as unadjusted and adjusted for inflation.

1 Current as of March 2023.
2 Unbalanced refers to the panel not using the same set of postsecondary institutions across each year.
3 The Iowa Valley Community College district reports to the state as Marshalltown Community College and Ellsworth Community College campuses. Because of the pandemic and the difficulties it put on institutions accessing their data, Iowa College Aid was unable to collect information from all private non-profit institutions for the 2019-20 and 2020-21 academic years.

PERCENT OF IOWA COLLEGE GRADUATES WITH STUDENT LOAN DEBT

From 2018 to 2022, the percentage of graduates with loan debt decreased from 61% to 57% (see Figure 1). The decrease is mainly due to community college graduates with debt dropping 10 percentage points. The percentage of Regents' graduates with debt continues to hover around 55%. Private non-profit postsecondary institutions were on a downward trend from 74% in 2018 to 71% in 2021 but rebounded to 73% in 2022.

Figure 1. Percentage of Iowa College Graduates with Student Loan Debt: 2018-22

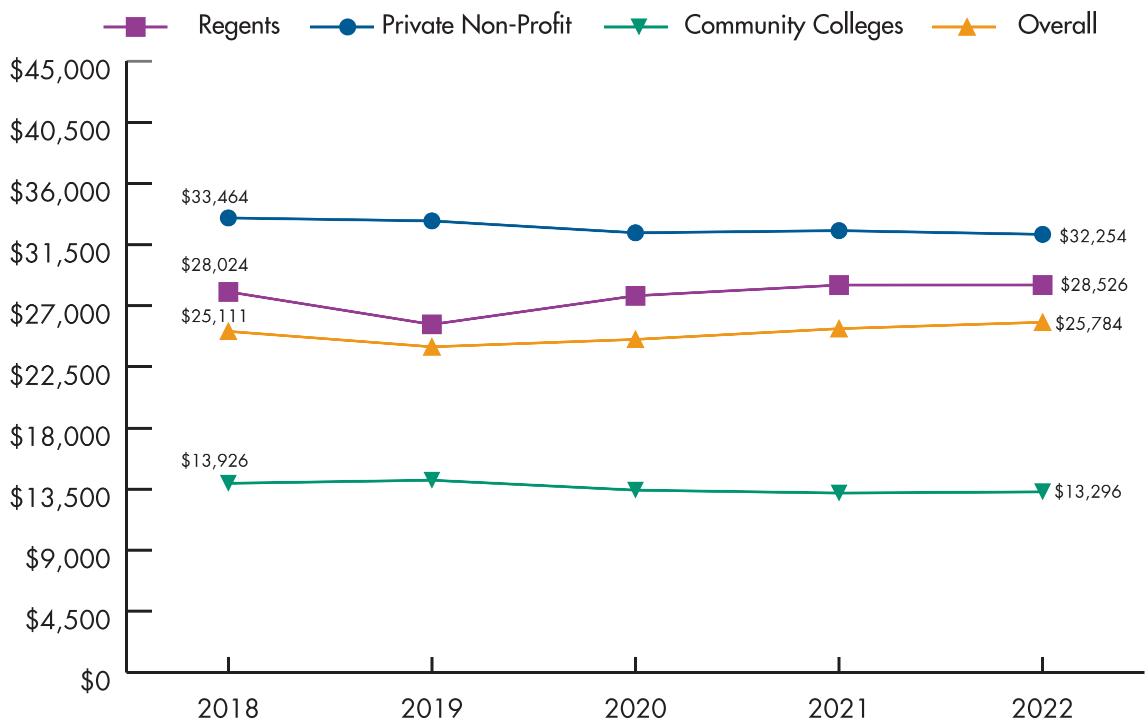


Note: All values are weighted by the number of students graduating from their respective institutions and year.

UNADJUSTED AVERAGE STUDENT LOAN DEBT OF IOWA COLLEGE GRADUATES

Without accounting for inflation, the overall amount of debt for an Iowa college graduate dropped from $25,100 in 2018 to nearly $24,000 in 2019 (see Figure 2). Since 2019, it has increased to $25,800 in 2022 ($700 above its 2018 value). Between 2018 to 2019, Regents graduates' average debt decreased by $2,400 to $25,600. By 2022, the average Regents' graduated student's debt increased by $500 compared to the 2018 level of $28,000. The debt of private non-profit graduates decreased by nearly $1,200 to around $33,250 over the five years. Finally, community college graduate debt decreased from $13,900 to $13,300 over the period.

Figure 2. Unadjusted Average Student Loan Debt of Iowa College Graduates: 2018-22

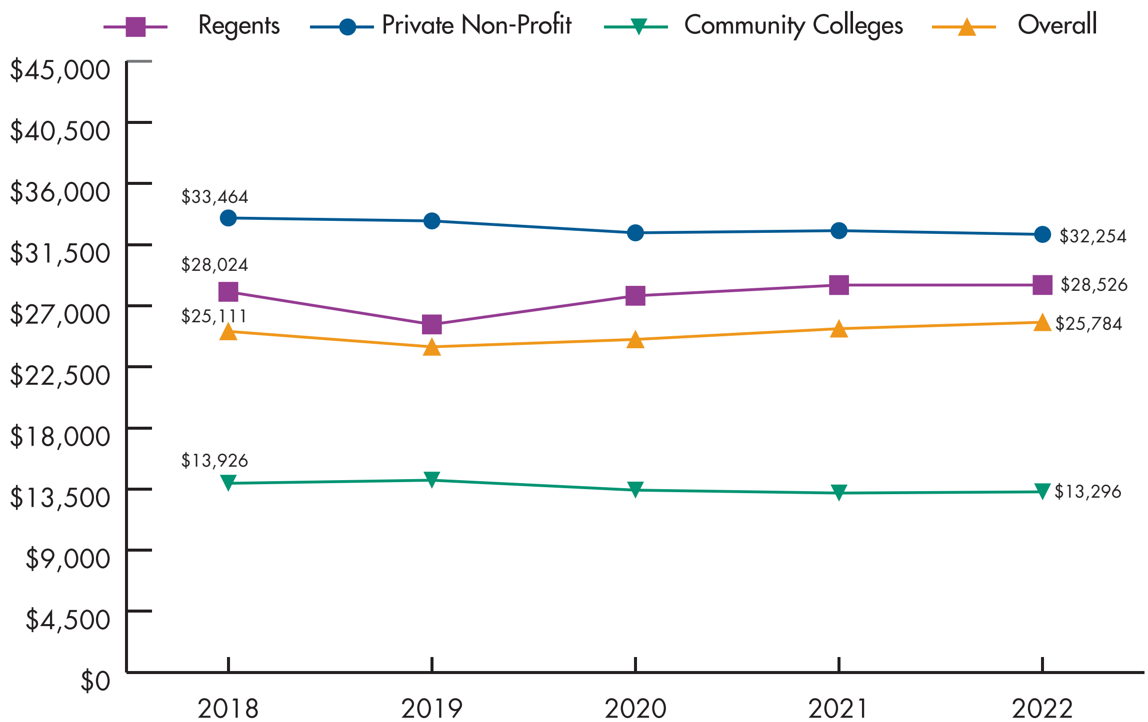


Note: All values are weighted by the number of students graduating with debt by their respective institution and year.

ADJUSTED AVERAGE STUDENT LOAN DEBT OF IOWA COLLEGE GRADUATES

When accounting for inflation, dramatic changes emerge in the value of the debt incurred among graduates in all sectors. The overall debt of an Iowa college graduate dropped from nearly $29,500 to $25,500. While the average Regent graduate's loan debt dropped by nearly $4,500, the average debt of a private non-profit graduate decreased by nearly $7,000. Meanwhile, the average debt of a community college student decreased by nearly $3,100. Relatively speaking, after accounting for inflation, the debt incurred by a student graduating from Iowa decreased anywhere from 16% (Regents) to 23% (community colleges).

Figure 3. Adjusted Average Student Loan Debt of Iowa College Graduates: 2018-22



Note: All values are weighted by the number of students graduating with debt by their respective institution and year.

LIMITATIONS AND RECOMMENDATIONS

There are several limitations to the analysis. First and foremost, the data does not include the debt of any student who opted out of continuing college. These students are a concern because these opt-outs are three times more likely to default on student loans than those who earn a degree (US DoE, 2015). Secondly, the data only accounts for the debt of student loans certified by the institution or reported to the institutions by lending organizations and does not include Parent Loans for Undergraduate Students (PLUS loans). Finally, our report only includes the debt of students that started and finished at their respective institution. Because of collection methods, our outcome measures do not reflect the debt of transfer student graduates.

These limitations aside, we document a decreasing percentage of students taking on debt among college students, but community colleges primarily drive the trend. Meanwhile, the percent of private non-profit students incurring debt increased two percentage points over the past year. Why this is occurring is difficult to determine from the data. One possibility for community colleges is the introduction of the Last-Dollar Scholarship which began providing financial assistance to over 6,500 students in 2019-20 (ICA, 2020). Additionally, the decreases in overall and economically disadvantaged student enrollment among Iowa community colleges may be a part of these shifts in student debt (IDE, 2022). If there are fewer disadvantaged students at community colleges, there is a reason to assume fewer students would take on debt.

Due to high inflation rates over the past two years, students' average student loan debt can be presented in one of two ways. Unadjusted student loan debt has remained relatively similar over the past five years. When one accounts for inflation, there are significant decreases across the sectors in student loan debt. These significant decreases are likely due to postsecondary institutions nationwide raising tuition, fees, room, and board well below the inflation rate (College Board, 2022). Even Iowa College Aid (2022) documents a decrease in tuition and room and board prices across postsecondary institutions between 2020 and 2021. As many postsecondary institutions struggle with a combination of inflationary pressures and declining enrollment (Iowa College Aid, 2023; Kaufman, 2023), the rapid decline in adjusted debt may lead to some concern about the long-term financial sustainability of some postsecondary institutions and their communities.

Whether one views the average debt as holding steady or decreasing due to inflation, it may be welcome news to many Iowans. Even so, a student paying off the overall average debt of $25,490 at 4.99% over 10 years can expect to pay over $7,000 total in interest and spend $270 monthly to pay off these loans. Instead of spending the money on student loan payments, graduates would have otherwise been used to build wealth to buy a home or provide the financial security to remain in Iowa and start a family.

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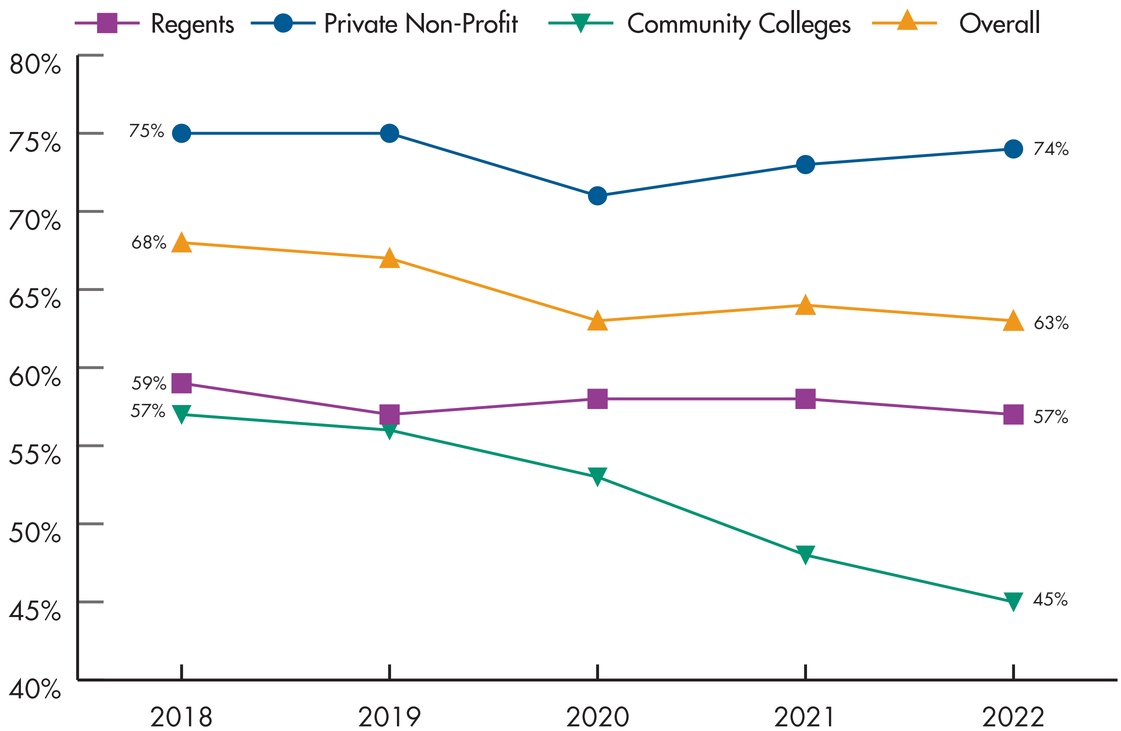
APPENDIX A. METHODOLOGY

Each year, institutions report the total number of undergraduate graduates, number of undergraduate graduates with student loans, and the total amount of student loan debt among these undergraduate graduates from the previous academic year. The only graduates included are those that began college at the respective institution. Due to the pandemic, not all private non-profit institutions could provide Iowa College Aid access to this information. The 2019 and 2020 years we had incomplete data on this sector. In the past reports, we used a balanced panel of institutions and removed private non-profit institutions with incomplete data from the analysis. In response to stakeholders, we include all institutions reporting any data for all years. One should interpret statistics for the private non-profit and overall responses with caution. Additionally, Iowa Valley Community College District reports data as two separate institutions, Marshalltown Community College and Ellsworth Community College.

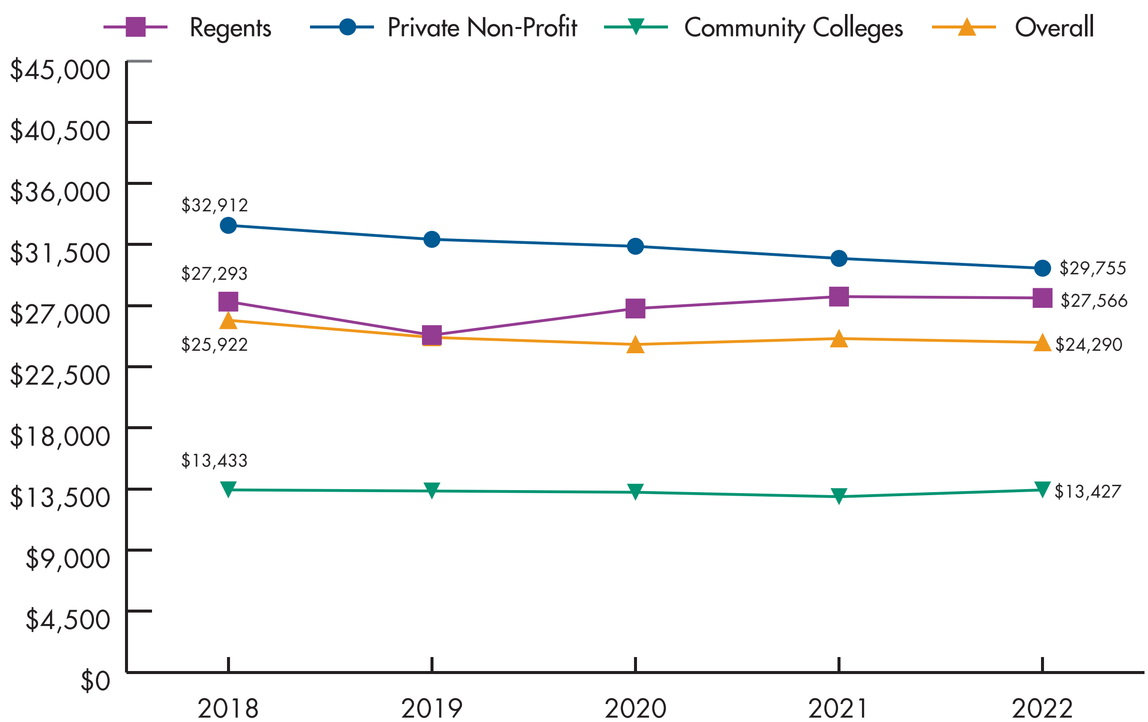
To analyze the percentage of graduates with student loan debt, we divide the number of graduates with debt by the total number of graduates from the college or university. For the average student debt, the total amount of undergraduate student debt at an institution is divided by the total number of graduates with debt at that institution. In aggregating sector-level data, we use weighting techniques to adjust for the size of institutions for each sector. The weighting process creates a situation in which a college or university with 500 graduates is given greater weight than an institution with only 100 graduates. In the percentage of graduates with a student loan, we weight by the total number of graduates. In adjusted and unadjusted student debt, we weight by the total number of graduates with student debt. Finally, the adjusted average loan debt is adjusted to the Consumer Price Index-Urban for July 2022.

APPENDIX B. UNWEIGHTED FIGURES

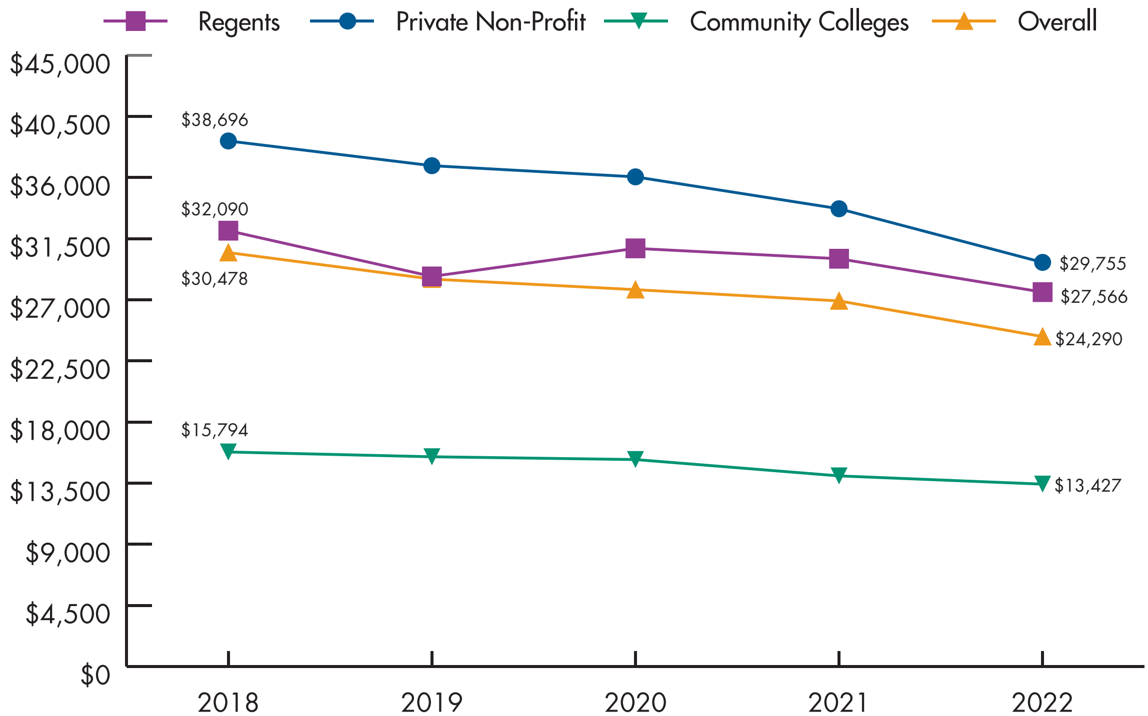
Unweighted Percentage of Graduates with Student Loan Debt: 2018-22



Unweighted Unadjusted Average Student Loan Debt of Iowa College Graduates: 2018-22



Unweighted Adjusted Average Student Loan Debt of Iowa College Graduates: 2018-22



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