The Challenges of Paying for a Graduate or First-Professional Degree: Trends in Student Borrowing and the Ability to Repay Debt

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Houston Roundtable on Higher Education Law
Houston Roundtable on Higher Education Finance
Publication series
Study opportunities
Conferences
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Networking and commentary
Research projects funded internally or externally
The study of medicine or law, like the practice of medicine or law itself, is undergoing tremendous changes, both in form and substance. Many experienced doctors and lawyers, witnessing the dissolution of large practices and firms and the technological changes in today’s modern law or medical practices, shake their heads at the changes and the pace of changes. The economics of medical or law practice are subject to the same forces as affect the modern service sector, and it is no longer unusual when a practice or firm goes bankrupt, decides to dissolve itself, or restructures itself into a more viable organization. They are adopting “free agency” modes of operating, where entrepreneurial independent contractors are the norm, replacing the more traditional, collective interest partnerships where young doctors, dentists, or lawyers worked for their entire careers. Of course, not all these professionals practiced in such arrangements, and some today are engaged in the
traditional practices. But there can be no doubt that the professions are changing, and that young professionals today will see their practices change during their careers.

So, too, is legal education -- to use one example -- undergoing significant change and restructuring. Most notably, external forces are reshaping the enterprise, both in ways generic to higher education and in more specific fashion involving legal education as a field of study. In the former fashion, legal education suffers from the same threats posed to the entire higher education enterprise: rising costs that outstrip the rate of consumer inflation, instability and uncertainty in federal and state government support for higher education, rapidly-shifting demographics, outmoded technology and facilities, and a general decline in popular support for the educational sector. For instance, a recent report by national higher education leaders, called “blunt” by a New York Times reporter, was characterized as warning that “Rising College Costs Imperil the Nation.”¹

But legal education also faces additional challenges unique to the profession. For instance, although higher education tuition and fee costs have doubled from 1976 to 1994 and real costs grew by 40% during that same period, law tuitions grew

at an even greater rate: if 1975 law tuitions were x, 1997's rates were more than 7x, in both public and private law schools. Moreover, law schools were able to grow during times of increased applications, but scaling down is a more difficult proposition. In 1965, applications to the 24,000 ABA-approved law schools totalled 45,000; by 1975 they had risen to 133,000 applying for 40,000 seats; by 1985 they had declined to 92,000 applicants for 41,000 seats; by 1995, 115,000 applicants vied for 42,000 slots.\

Major curricular changes have also occurred in legal education, as have governance standards. Every law school has had to rewire and retrofit itself to accommodate the new computer-driven changes in libraries, legal research, and instruction. Following the release of the “MacCrate Report,” urging law schools to adopt more skills-training, simulations, and clinical experiences, law schools have dramatically increased these offerings and reconfigured facilities to provide more

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2 The financial data were made available from The Access Group, Inc., a major private lender for graduate and professional schools, especially law schools; I am a trustee of TAG, and various TAG staff assisted me in the gathering of legal data. In several instances, I relied upon data from John Kramer, Financing a Legal Education, ch. 3 in Stephen Gillers, ed. LOOKING AT LAW SCHOOL (NY: Meridian Books, 1997), at 32-72. Additional references may be found in Lewis Kornhauser and Richard Revesz, Legal Education and Entry into the Legal Profession, 70 N.Y.U.L. REV. 829 (1995).

3 American Bar Association, A REVIEW OF LEGAL EDUCATION IN THE UNITED STATES, 67 (Fall, 1995).
and better equipped space for clinical instruction.\textsuperscript{4} To access Lexis, Westlaw, and other computerized research tools, every law school has had to install miles of cables and laser wiring and purchase state of the art computers for faculty, staff, and students. Perhaps most notably, in 1995, the Justice Department settled a major antitrust case brought against the ABA for its accreditation activities;\textsuperscript{5} this settlement will likely increase the competition between collegiate law schools and proprietary institutions, and many of the traditional accreditation functions, including basic salary standards and other quality-control reviews. This sea change in the accreditation process will, in all likelihood, allow universities to take an even greater share of law school revenue generated by tuition and fees than they do at present (usually about 20\%, but often more) and will weaken the autonomy of law schools by lessening their ability to leverage resources from central administrations. Although it was law schools that ran afoul of the Department of Justice, it just as easily could have been medical or dental educators, particularly inasmuch as they rely upon statistical standards that have not been validated, and to the extent that they review salaries and employ similar criteria to those employed by law


\textsuperscript{5}Terry Carter, Another Antitrust Win for the ABA, ABA J., May, 1997, 38 (reviewing ABA antitrust litigation, including consent decree).
accreditors. Until there is some external or agreed-upon internal force to counter this “taxation,” the costs of professional schools will increase, and will increase beyond the College Price Index inflation rates. Finally, there is the increasing tendency of institutions and legislators to charge special fees or enhanced tuition premiums for professional students, such as the University of Iowa’s “clinical training” fee (Law School) or “computer” fee (Business School) or the University of Houston’s premium tuition.⁶ This phenomenon clearly presages additional costs to professional students, and presumes that the increased value to the student warrants less state subsidy or investment than does undergraduate education. This shift in the “who benefits/who pays” pendulum has, perhaps irreversibly swung away from the professional and graduate student, while policymakers are still convinced that society as a whole benefits from increased undergraduate investment.

This chapter reviews recent data on cost trends in professional education, including interest costs, repayment mechanisms, and the issue of foregone wages; examines placement data and the ability to repay and refinance college indebtedness; analyzes differences across graduate and professional fields in terms of their political economy; looks at the developing relationship among college costs, 

⁶Nathan Hill, Business Students Face New Tuition Fee, DAILY IOWAN, October 10, 1997, 1A (proposed $340 fee for UI business majors, engineering fee of $340). Public colleges in Texas are allowed to charge higher tuition for postbaccalaureate professional degree programs.
credit cards, and consumer finance; and reflects upon these rapidly-shifting developments in the ability to finance higher education studies. The cumulative effect of these developments is that there is a dire threat to professional education, and that financing post-baccalaureate studies will become as substantial a transaction for many students as purchasing their first home. This certainly does not bode well for higher education’s inequity-reducing powers.

Cost Trends

This section can be summarized in one word: costly. Table One shows how the costs for legal education have increased by a margin of at least seven times since 1975, across all sectors:

Table One

Average Cost Per Year, U.S. Law Schools
(1975-1997)

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>Private (1975)</td>
<td>$2500</td>
<td>[average]/yr.</td>
</tr>
<tr>
<td>Public (In)</td>
<td>$780</td>
<td></td>
</tr>
<tr>
<td>Public (Out)</td>
<td>$1750</td>
<td></td>
</tr>
<tr>
<td>Private (1997)</td>
<td>$19,000</td>
<td></td>
</tr>
<tr>
<td>Public (In)</td>
<td>$6,000</td>
<td></td>
</tr>
<tr>
<td>Public (Out)</td>
<td>$12,500</td>
<td></td>
</tr>
</tbody>
</table>
If these prices continue to increase at a mere 5.1% (less than the current 7%-8% average), this year's One L would be paying an average of $22,000 at a private law school, $7800 as an in-state student in a public law school, and $12,500 as an out-of-state student in a public law school. Of course, non-resident students can become residents during the pendency of their law school program, but in most states this is not possible, especially if working full time is required to reestablish a domicile. As a personal reference point, when I graduated from Georgetown University Law Center in 1981, its tuition was $180 per credit hour (88 needed to graduate); that $5400 per year equalled $16,200 -- less than one year of GULC schooling fifteen years later. For context, the University of Iowa, where I am visiting this year, charged $2583 for residents in 1996, and $7010 for out-of-state students, though this nonresident surcharge was waived for all students who held graduate assistantships. As a sidenote, it is also becoming more difficult to move to another state for resident tuition purposes, as many states have determined that out-of-state tuition surcharges, while dissuading some potential students from moving and reestablishing a domicile, are still more attractive to students than are the

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7Unless a law student is in a part time program, the ABA prohibits students working more than twenty hours per week. ABA Standard 304(c). There are no provisions for part time medical study.
average private school tuition levels. This leads to some astonishing bargains, such as paying only $7010 out-of-state tuition at the University of Iowa, only $1000 more than the national average in-state tuition, and more than $5000 less than the average private school costs. Some other highly-regarded public law schools, such as the University of Texas at Austin offer such a bargain, and even elite public law schools such as UCLA, Berkeley, the University of Michigan, and the University of Virginia -- where law school (and business school in Virginia) tuitions have been allowed to float to much higher levels -- remain stunning bargains for out-of-state students (and steals for residents).

These debt loads, especially when combined with undergraduate loan obligations that were postponed while in subsequent schooling but come due together after the six or nine month forebearance period, will only get worse. In 1995, 19 law schools had tuition costs of $20,000 or more; by 1997, 70 had passed this mark (nearly a third of the total 180 law schools). Also in 1997, fifty law schools report total estimated costs of attendance (tuition plus living expenses) in excess of $30,000 for the school year. By 2002, next year’s One L’s at more than

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two dozen law schools will have to shoulder costs of attendance of over $155,000 for their three years of schooling. Add the intern and resident programs for medical students and it is clear this is the equivalent of a nice house or condominium in many cities. And many of these students will only have the limited credit available to students, the modest collateral accumulated by students, and the small earnings while in school of summer clerks. (This also ignores professional start up costs prior to licensure.) While some schools, such as the University of Iowa, provide a compact curriculum that allows students to finish their JD in two years plus summers and while some schools offer evening programs that slow down the curriculum to allow full time employment while in law school, there are a finite number of ways to raise the funds needed for professional school.

Moreover, there is the interest due on borrowed money. Federally-subsidized loans have a forebearance, an in-school deferred feature which means that such loan recipients can keep adding to their indebtedness by additional borrowing while in school. However, in 1997, the postbaccalaureate limits of both Stafford programs were $60,000, while the mean debt was $72,000, or 20% higher. This means

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9These cost data were provided by Access Group staff.

10Id. See also, Kramer, supra at note 2, at 60-61 (1995 median debt data showed law students owing $60,200, medical students owing $64,000, and dental students owing $68,000).
interest obligations are ticking on many federal and private loan packages; money, even subsidized money, does not come free.

Take as an example a recent graduate who has gone through college with no debt -- a rare phenomenon, but certainly possible for children of wealthy parents who purchased a prepaid tuition plan contract when they first appeared a decade ago. She attended a good law school, one that left her in debt up to her Stafford limit, $60,000. If she were to repay that load over 10 years at 8%, it would take $730 per month, and would total $87,380; this would be 20% of an annual salary of $45,000 (and an even higher percentage of her net salary after taxes). Her job also pays $5,000 more than the $40,000 that the average 1995-96 law graduate made. Or she could choose to consolidate her loan and finance it over 30 years at 8.25%, which would give her a coupon book with monthly $451 payments, but the total would grow to $102,368.  

Current income contingent options, while an important tool in some instances, similarly run up a huge total repayment. If the same student were to arrange an income-contingent repayment option (ICR), she would tie her repayment obligations to her current and future income levels. Thus, the $60,000 debt, tied to 15 percent of her annual $45,000, would grow to $135,200 over 25 years, double and a quarter

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11Calculations by Access Group staff. See also, App. I.
the original amount borrowed. Of course, she would receive raises over time, making the repayment amount greater. If she earned $60,000 over the same period, she would repay over $180,000 -- three times the original amount borrowed.

“Freedom isn’t free,” goes the song, and neither is borrowed money, even with repayment dollars cheapened by inflation.

All of this repayment tied to income, of course, presupposes passage of a bar and a job offer. (In the scenario above, she makes slightly more than the average lawyer, for computation purposes.) Law placement data show that in 1995-96, the most recent year for which such data are available, the median law first-year salary was $40,000, pre-tax. Eighty seven percent of law graduates reporting found full-time employment within six months of graduation; this is down from the 1990 level of 92%. Another 6.4% found part-time work. Of those in full-time work, 11% held non-legal jobs (this includes persons previously employed who attended part-time law programs). Thus, 70.7% found full-time legal positions.\(^{12}\) All of this is cyclic, and the 1997 economy has improved job prospects accordingly.\(^{13}\) Even so, it is a complex system of borrowing/debt/repayment that is premised upon eventual

\(^{12}\)Kramer, supra at note 2, at 41-42 (1995 NALP data). See also Hope Viner Samborn, Business is Booming, ABA J. 35 (October, 1997) (reporting 1996 level as 71.4%).

\(^{13}\)Samborn, supra note 12.
employment as an end result of completing law school. Bachelor degree employment data suggest law school and other professional school training are a very good return on the investment: in 1994-95, the average annual wage for a BA-holder was $25,750. These data show that postponing legal education in order to work and save money may be a foolish economy, especially as tuitions outstrip inflation and raise-levels.

Of the approximately $3.4 billion spent on legal studies in the United States in 1996-97, governments pay the bulk, with the federal government providing 42% ($1.3 billion) and states providing 15% ($.55 billion); families or personal sources pay 31% ($1.0 billion); law schools themselves pay 7% ($.25 billion); and other private sources pay 6% ($.20 billion). Of course, the nearly one third paid by families and law students grows substantially as they repay government loans over time, reflecting the reality that personal finance is the major underwriter of legal education and other professional schooling.

The Higher Education Act treats postbaccalaureate students as presumptively independent of their parents, and determines need on the basis of students’ income

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14Kramer, supra note 2, at 43.

15Access Group staff estimated these data. See also Kramer, supra note 2 at 51 (1995 data).
and resources. After earning an undergraduate degree, many law school and other professional school applicants have credit profiles that are not promising -- what with enormous loan indebtedness, lack of collateral traditionally required for borrowing large sums of money, small earnings from part-time or summer work in low paying student-type jobs, and, increasingly, substantial credit card debt. Diane Saunders, in another chapter in this volume, estimates from national debt data that graduate students who applied for private education loans averaged seven credit or debit cards apiece, with an average of nearly $6000 currently owing; fully 10% had credit card debt exceeding $15,000.16

Not only are credit cards easily available to college students, but increasingly, colleges and universities allow students to pay tuition bills with approved credit cards; some campuses even negotiate with card companies to enable them to be the sole source of tuition credit payment, with discounts in the repayment interest charges and a financial award to the institution. Ironically, some colleges have discontinued this practice, as too many students or parents used credit cards and drove up the amount of money colleges had to pay the credit card companies; the state of Kansas, for example, ended its practice when they had to reimburse

$850,000 in one year to credit card companies.\textsuperscript{17} It is one thing to use credit cards to pay for incidentals, books, or other college expenses, and doing so may even teach students to use credit responsibly, but it is another to finance college tuition by plastic at 18 plus percent interest.\textsuperscript{18} As crushing as students’ loan repayment debt loads can be, at least they are postponed while they are in school, are regulated by the government, and are able to be consolidated into several repayment schemes.

It probably is a good thing I did not have any credit cards while I was an undergraduate (even on full scholarship) or when I was a graduate student in English (making $225 per month at Ohio State University in 1972-1975). Instead, I lived like a church mouse and several times could not afford to visit my parents in New Mexico at Christmas time. I certainly do not believe everyone should live as ascetic a life as I did, but I did manage to finish my doctorate with only $400 in indebtedness -- a loan I had needed my freshman year at the College of Santa Fe. Because I was 17 and my father would not co-sign for me, I convinced a priest to do

\textsuperscript{17}Robert D. Hershey, Jr. $5000 on My Credit Card? But Mom, It’s for Tuition, NY TIMES, October 12, 1997, BU-11. In 1997, it is estimated that Visa and Mastercard alone will be used for charging over $7.5 billion worth of tuition, room, and board. Id. See also Halimah Abdullah, Easy Credit Lures Students Down Path to Onerous Debt, NY TIMES, Aug. 24, 1997, (excessive loan and credit card debts for students).

\textsuperscript{18}See Hershey, supra note 17; Roy Furchgott, Graduating With Honors and $100,000 in Debt, NY TIMES, May 18, 1997, 4F (reviewing finances of recent graduate taking new job and determining he cannot possibly pay off his debt).
so. My law studies were a different matter, as my Georgetown law degree was paid for by my working full time, going to school in the evenings and on Saturdays for four years, and by my borrowing heavily for the tuition. I also was required to take out my first credit cards to show I was creditworthy, so I got a gas company card and a Sears card, and charged small amounts on each, which I repaid before interest was due. With this “credit record,” I was eligible for a subsidized loan from the DC lending authority.

This increasingly-complex credit availability has led to a general legalization of the lending process, resulting in a complex statutory and regulatory scheme that is hard for students and their parents to understand, hard for government to administer, and hard for political consensus to develop, as in the bitter battles over default rates, direct lending, and the failed consolidation programs.¹⁹ Moreover, to the extent allowed by law, private lenders are resorting to default arrangement techniques such as limiting some loan amounts to actual costs plus a small amount and instituting

credit scoring criteria for low eligibility. While these developments seem a necessary and prudent business development, there are dangerous crosscurrents at work here. Ironically, student loans were originally designed to be less commercial alternatives for student consumers, who, until the age of majority was upped to 21, often had no legal recourse to credit, collateral, or the other commercial prerequisites for borrowing large sums of money for school expenses. However, credit cards have become, in a sense, less commercial, and are freely hawked and aggressively pitched to college students. (Walking through the Iowa Memorial Union this semester, I gathered information about ten credit card companies pitching woo at UI undergraduates.) There has been a convergence between the freely-issued credit card commodity and the more highly regulated student loan programs. In the conclusion, I speculate upon some possible implications of these developments.

An Aside on Other Post-baccalaureate Fields:

The financing of law, medicine, dentistry, and MBA programs is more alike than not, with the obvious differences in length of time in study and in-school employment options. Few drop out. Most of these students finance their studies

\footnote{Fair, Isaac and Co., The ABC’s of Credit Saving, unpublished 1997 manuscript on file with author (reviewing basics of credit saving techniques).}
similarly (primarily through debt), earn some money while in training, improve their earning capacity so as to amortize their indebtedness, and seek employment in sectors that fluctuate according to external demand, start up costs, and government regulation.

Graduate students are another group entirely. While there are more varied sources of financial support available (many teach or perform research or hold fellowships funded by their university), there is generally higher attrition and uneven rates of times-to-degree receipt.\(^{21}\) For example, data show that the type of financial aid can affect completion rates and the duration of time-to-degree: graduate students who received fellowships or research assistantships complete their degrees sooner and more often than do students with teaching assistantships, tuition waivers, or total family/self support.\(^{22}\) These findings mirror similar research on undergraduate finance patterns, suggesting reduced attrition rates for undergraduates engaged in college work-study programs and grant aid.\(^{23}\) In addition, while starting salaries and


\(^{22}\) Ehrenberg and Mauro, supra note 21.

employment data for professional school graduates show a soft job market, job prospects for PhD graduates are dismal, rendering loan repayment an even greater burden upon them.

A 1995 study found the following postbaccalaureate debt levels for graduates who had completed their studies:

Table 2

1996 Average postbaccalaureate debt, total (monthly payment at 8% interest)*

<table>
<thead>
<tr>
<th>Field</th>
<th>Total Debt</th>
<th>Monthly Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>dental</td>
<td>$67,772</td>
<td>($822/mo)</td>
</tr>
<tr>
<td>medical</td>
<td>$64,000</td>
<td>($777/mo)</td>
</tr>
<tr>
<td>legal</td>
<td>$40,300</td>
<td>($489/mo)</td>
</tr>
<tr>
<td>social sciences PhD</td>
<td>$14,500</td>
<td>($176/mo)</td>
</tr>
<tr>
<td>engineering PhD</td>
<td>$9,300</td>
<td>($113/mo)</td>
</tr>
</tbody>
</table>


Conclusion, Other Considerations

The increasing complexity of this aspect of higher education finance raises serious questions about the continued availability of credit for students, particularly postbaccalaureate professional students. Increasing legislative attention to default rates may preclude some professional schools from participating in government or
private sector programs. It does not take many students to default before their school comes to the attention of loan authorities, and improved research on default behavior should allow credit institutions to pinpoint potentially-troubled accounts and exact more traditional credit criteria as a prerequisite for borrowing large sums, such as cosigners or collateral. Professional schools, which in the past have had only modest “due-diligence” obligations, may discover that a number of their students or potential students are unable to secure student loans; this means, in all liklihood, that they will not be able to meet their tuition payments and enroll in school. Schools may start using credit-worthiness as an admissions criterion, as the Medical College of Wisconsin does at present. In 1997-98, the Medical College of Wisconsin refused admission to 24 applicants otherwise admissable due to a lack of creditworthiness.\textsuperscript{24} Thus, the “need-blind” admission wall carefully erected over the last two decades has begun to show cracks. If such drastic admissions practices expand, they will preclude further study for a number of otherwise academically-qualified applicants who failed to act prudently in their undergraduate (or post-college, pre-professional school) economic behavior.

This pincer movement could operate as well after graduate or professional school completion, when freshly-minted graduates apply for licensure. Law school

\textsuperscript{24}Discussion with MCW admission staff, October 1997.
graduates, for example, in order to be admitted into a state bar or licensed to practice in a given court, must not only pass a bar examiner test(s), but must be found to be of good character and moral fitness. Increasingly, states are taking financial behavior into account in admitting attorneys to practice and in allowing them to continue holding a license if they have financial transgressions (e.g. commingling client funds).\textsuperscript{25} There is now a more seamless web of required financial responsibility across the professional lifecycle, from applicant to apprentice to continuing membership.

Banks and lending authorities are, as a result of the rising tide of debt, acting more aggressively to control undesirable financial behavior. To curb defaults, there are stricter due diligence obligations and aggressive wage garnishment measures.\textsuperscript{26} To preclude fraud, Congress does not allow these debts to be discharged in bankruptcy courts.\textsuperscript{27} To ferret out undesirable credit risks, there is the rising use of

\textsuperscript{25}This is true both in admissions to the bar and in retaining a license to practice after bankruptcy. See, e.g. In re Anonymous, 549 N.E.2d 472 (1989) (applicant to the bar) and In re McAtee v. The Florida Bar, 162 B.R. 574 (Bkrtcy. N.D. Fla. 1993) (suspension from practice).

\textsuperscript{26}See, e.g. Brannan v. United Student Aid Funds, Inc., 94 F.3d 1260 (9th Cir. 1996) (discussing prelitigation collection activity requirements).

credit scoring, a technique widely in use in commercial lending.28 To halt overborrowing, some loan programs have instituted a cap on borrowing and loans limited to cost of attendance plus a small amount, ratcheting up the portion of self help needed for other expenses.29 Eventually, these restrictions will change behavior, likely scaling back the easy credit cards and large credit limits currently available to virtually all undergraduates.

Inquiries need to be made into these developments, to ensure that the changes are fairly implemented and that they are not punitive. For instance, what are the responsibilities of the credit card industry in luring students into debt instruments such as credit cards, knowing full well that many students will fall hopelessly behind on their mounting debtloads? Is it then fair, in turn, to begin applying credit scoring once the students are “hooked” on these same credit cards?30 What obligations do

28Edward M. Lewis, AN INTRODUCTION TO CREDIT SCORING (San Rafael, CA: Athena Press, 1994). See also Kirk Monteverde, Managing Student Loan Default Risk: Evidence From a Privately-Guaranteed Portfolio (unpublished 1997 manuscript, on file with author). The Access Group is now using credit scoring for its private loan application process.


30Saul Hansell, Credit Industry Tightens Terms on Money Cards, NY TIMES, July 6, 1997, Al; Patricia Lamieill, Credit Card Come-ons Mislead, Critics Claim,” CEDAR RAPIDS GAZETTE, September 21, 1997, 2C. There is a surprisingly large and technical literature on this phenomenon, as well as increasing press attention to the pitfalls to student credit records and default behavior. For the former, see Dagobert Brito and P. Hartley, Consumer Rationality and Credit Cards, J. POL. ECON. 400 (1995); J. Crook et al., Credit Cards -- Haves, Have-Nots, and Cannot-Haves, 14 SERVICE INDUS. J. 204 (1994). For the latter, see John Milligan, Did Card
lenders have to use credit scoring responsibly? For instance, in a recent study of “Consumer Rationality and Credit Cards,” economists Dagobert Brito and Peter Hartley conclude, “The most desirable [lending company] customers are those who borrow a substantial amount on their cards and yet remain well within their credit limits and therefore are unlikely to default.” However, Fair, Isaac, and Co., the major credit scoring bureau, can prepare a “core group” of predictive variables that would allow lenders to penalize borrowers for excess credit capacity, or the potential for taking on more debt by having higher limits and new credit accounts.

Thus, these seemingly-neutral and objective data could be used to limit new borrowing, even if the person were acting responsibly. The extremely rational behavior of transferring one debt to another credit card -- widely touted by credit card companies with reduced repayment percentages for such consolidation -- could be considered detrimental by other lenders using credit scoring. (During the

Issuers Spark Bankruptcy Epidemic?, U.S. BANKER 8 (Nov. 1996); Roy Furchgott, Graduating With Honors and $100,000 in Debt, N.Y. TIMES 4F (May 18, 1992).

31Brito and Hartley, supra note 30, at 409.

32Hansell, supra note 30, at A1, A9 (techniques used to differentiate customers by credit companies).

33Id. At A9 (“For the last few years the best strategy was to flip from one [credit card] teaser rate to the next, assuming the mail carrier would always bring another low-rate offer.”) See also Brito and Hartley, supra note 30 at 409 (“customers holding more than one card can switch their balances between cards at a relatively low transaction cost.”) Id.
several months I spent writing this chapter, I received five credit card offers with consolidation features.) No agreed-upon criteria or set of core-behaviors have been worked out by this industry, and its very complexity wards off many who would object if they only understood the process.

There is an entire set of questions to be worked out for their effect upon families’ economic behavior. For example, at some point in the trajectories between family savings and student assistance eligibility, there is a place where families can be penalized for their savings. This point is virtually impossible to predict, however, given the fluidity of the process, so families are likely better off with the certainty of saving specifically for their children rather than risking that they will not be eligible for some type of assistance. In the future, government will likely require financial aid offices to verify all students’ family tax returns to ferret out fraud and underreporting.\footnote{In an earlier study, I showed how this phenomenon disproportionately works against economically-disadvantaged families -- those least likely to have access to attorneys, accountants, or taxpreparer services.\footnote{This is my prediction. However, as stories of fraud increase, I believe I will be proven correct. See, e.g., Steve Stecklow, Cheat Sheets: Student Applications for Financial Aid Give Lots of False Answers, WALL ST. J., March 11, 1997, at A1 (examples of fraudulent applications from wealthy parents).}} in an earlier study, I showed how this phenomenon disproportionately works against economically-disadvantaged families -- those least likely to have access to attorneys, accountants, or taxpreparer services.\footnote{Michael A. Olivas, Financial Aid and Student Self-Reports, 25 RES. IN HIGHER EDUC 245 (1986).}
generous tax treatment accorded prepaid tuition plans will likely guarantee their survival and ensure their growth, as will the spreading phenomenon of state full tuition and credit being extended to these plans.\textsuperscript{36} One additional feature the plans may consider is a graduate school savings feature, whether or not it is tied to a tuition guarantee. Because of the recent tax legislation, tuition tax credits, and other college savings devices, it is not clear just what the effect will be upon financial assistance programs.

Nonetheless, it is clear that at no previous time has the entire range of college financing options been so extensive or yeasty. The funny thing is, despite all the problems identified in this paper, and all the unknowns, this may be the golden age of governmental financial aid. Most of the governmental tools are in place, and the private sector has reached to fill the remaining need. If students can gear their lifestyles to more modest means and develop good savings and debt management habits, this might very well prove to be the high water mark for college financing.

<table>
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<th>Monthly Income (Income &gt; $25,000)</th>
<th>Single</th>
<th>Married/HOH</th>
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**Source:** TGA, Inc.