

# TEACHING TIPS

from the Federal Reserve Bank of Kansas City



Teacher Edition

BASED ON THE  
SPRING 2013 TEN MAGAZINE ARTICLE  
"ASSESSING THE IMPACT: U.S. STUDENT  
LOAN DEBT REACHES \$1 TRILLION"

Students will be introduced to the topic of rising student loan debt, which has occurred along with an increase in default rates on these loans. They will read research information that suggests that this rising debt comes mainly from an overall increase in enrollments. Students will learn about the consequences of borrowing and the responsibilities of loan repayment. The importance of investing in human capital through education to increase lifetime earnings is emphasized throughout the article. The article is available at: [http://www.kansascityfed.org/publicat/ten/pdf/spring2013/Assessing\\_the\\_Impact.pdf](http://www.kansascityfed.org/publicat/ten/pdf/spring2013/Assessing_the_Impact.pdf).

## Reading the Article with Students

Teacher Note: The discussion activities listed below are geared to the Common Core and Financial Literacy Standards listed on page 2.

1. Ask students to read the article and write three to five "Very Important Points" (VIPs) that they learned about the topic, using words from the text (textual evidence) to support each point. They should also develop one question they still have about the topic after completing the reading.

2. As a group, discuss the VIPs using the following format:

- Why do you consider this information a VIP?
- What are the causes, consequences or implications of this information? Cite textual evidence if possible.
- How does this information apply to your life?

3. Ask students to use their additional question on the topic as basis for an online research activity. They should find three online sources that give facts pertaining to their question and summarize information. They can report research results back to the class at a later date.

4. As an alternate activity, discuss the questions on page 2 after the reading.

## Suggested Use

## KEY PERSONAL FINANCE & ECONOMIC CONCEPTS

Review the meanings of some of the personal finance and economic concepts contained in this article.

**BANKRUPTCY:** A legal proceeding involving a person or business that is unable to repay outstanding debt.

**DEBT:** Money owed to someone else.

**DEFAULT:** The failure to repay a loan when due.

**ECONOMIC GROWTH:** An increase in real output as measured by real GDP or per capita real GDP.

**HUMAN CAPITAL:** The health, education, experience, training and skills of people.

**LOAN:** The act of giving money to another party in exchange for future repayment of the principal amount along with interest and other finance charges.

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1. Cite evidence from the article to explain why college loan debt has increased substantially since 2005. (The article states that there has been an increase in loan debt mainly due to an overall increase in enrollments. This enrollment increase is occurring because more occupations now require education beyond high-school level. There has also been a modest increase in average debt per student.)

2. Explain why college loan payment delinquencies are not treated the same as other loan delinquencies. Cite the legislation that supports this difference. (The Bankruptcy Amendments and Federal Judgeship Act made private student loans exempt from being discharged, or eliminated, in 1984. This was followed by the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 that made all student loans exempt from discharge. Other loan debt can be discharged through bankruptcy.)

3. What are some economic factors that have made the repayment of college loans difficult for recent graduates? Give examples from the text in your answer. (The recent recession with rising unemployment rates made it difficult for many graduates to find jobs and begin loan payback. Graduates that bought homes and were caught in the housing crisis had additional debt.)

4. List some financial consequences of not paying off college loan debt. (Consequences include wages being garnished; creditors refusing to lend to those in default; tax refunds being intercepted and used as payment.)

5. What is currently being done to improve student knowledge about loan borrowing and repayment? (Universities, colleges and the U.S. Department of Education are developing new programs to educate students on this topic.)

6. Cite information from the article to support the fact that lifetime earnings are higher for those with a bachelor's degree. (The College Board estimates that lifetime earnings are 66% higher for those with a bachelor's degree as compared to a high school diploma. Median lifetime earnings are estimated to be \$2.3 million for bachelor's degree holders as compared with \$1.3 million for those with high school degrees.)

7. Apply the information learned throughout this article to your life by writing a short essay on how you will use these facts to help you advance your education.

## Direct Discussion Questions

## Key Personal Finance & Economic Concepts continued

**LABOR FORCE:** The people in a nation who are age 16 or over and are employed or actively looking for work.

**RECESSION:** A decline in the rate of national economy activity, usually measured by a decline in real GDP for at least two consecutive quarters (six months).

**STUDENT LOAN DEFERMENT:** The process of postponing loan payments for a period of time, with the payment of interest possibly being taken over by the federal government.

**STUDENT LOAN FORBEARANCE:** The process of putting loan payments aside temporarily, with interest accumulating, until the borrower can make payments again.

**STUDENT LOAN DEBT FORGIVENESS:** The process of pledging to work in an underserved area in return for credit from the federal government that helps loan repayment.

**SUBSIDIZED STUDENT LOAN:** A benefit given by the government where loan interest is paid while a student is in school, for 6 months after graduation, and during deferments.

**UNEMPLOYMENT:** The number of people without jobs who are actively seeking work.

For more economic concepts, definitions and lessons, check out *Virtual Economics 3.0* from the National Council on Economic Education (online at [www.councilforeconed.org](http://www.councilforeconed.org)).

Federal Reserve Bank of Kansas City:

TEN Magazine - Spring 2013

Assessing the Impact: U.S. Student Loan Debt Reaches \$1 Trillion

[http://www.kansascityfed.org/publicat/ten/pdf/spring2013/Assessing\\_the\\_Impact.pdf](http://www.kansascityfed.org/publicat/ten/pdf/spring2013/Assessing_the_Impact.pdf)

Student Loans: Overviews and Issues

<http://www.kansascityfed.org/publicat/reswkap/pdf/rup%2012-5.pdf>

Consumer Financial Protection Bureau

Paying for College

[www.consumerfinance.gov/paying-for-college/](http://www.consumerfinance.gov/paying-for-college/)

Major Financial Decisions

How Much Will College Cost?

<http://www.majorfinancialdecisions.org>

## Links and Standards

Common Core Standards

CCSS.ELA-Literacy.RI.9-10.1; 11-12.1 (Textual evidence)

CCSS.ELA-Literacy.RI.9-10.2; 11-12.2 (Textual evidence)

CCSS.ELA-Literacy.RI.9-10.10; 11-12.10 (Textual complexity)

National Standards for Financial Literacy

Income

- Gr. 8, Benchmark #3, 5

- Gr. 12, Benchmark #3

Credit

- Gr. 8, Benchmark #2, 8

- Gr. 12, Benchmark #8

Teaching Tips is a FREE

resource from the Federal Reserve Bank of Kansas City.

It is available on our web site at [www.kansascityfed.org](http://www.kansascityfed.org).

For more educational resources from the Federal Reserve Bank, contact Michele Wulff ([michele.wulff@kc.frb.org](mailto:michele.wulff@kc.frb.org)).