Part 1, Module 5:
Using Loans to Pay for College

Lesson Overview:
The purpose of this lesson is to help students evaluate the best type of loans to take out if they need additional assistance while in school. In the online learning module, students will learn about the various types of loans, interest rates, and repayment options. This group discussion is designed to help students understand the responsibility that comes with taking on student loans. The in-class exercise will require students to read an article on student loan debt and generate discussion surrounding the issue.

As a result of this lesson, students will:

- Critically think about their future financial plans.
- Evaluate what potential traps students could fall into when taking out loans.
- Recognize the debilitating effects of taking out too many loans in their name.

Materials you will need to teach this lesson include:

- The article, "Student Loans Can Result in Debt that Won't Go Away" downloaded and printed out for each student.
- The Discussion Questions worksheet downloaded and printed out for each group of 4 students

Students will need:

- A pen or pencil

Instructions:
Instructor: As you learned in Module 5, you will need to be conscientious about the type and amount of student loans you take out. This activity will help you evaluate the risks involved with taking out a great deal of student loans.

I need you to get together in groups of four at this time. (Assign group numbers for each.) I'm going to pass out an article on student loans, and each group will get a "Discussion Questions" worksheet. When you get your group's worksheet, you need to assign a writer for the group. Go ahead and read through the article on your own, and then you can start working on answering the questions together as a group. I'll give you about 10 minutes to do so now. I'll let you know when your time is up. List out topics and responses that come up as a group. You will share some of these insights with the class at the end of the activity.

Students: Read through the article on their own. Go through discussion questions together.

Instructor: Now that you've had some time to discuss these questions, I'm going to start with group 1 over here. What did you think about question number 1? Did you have any new insights because of the article? (Split up questions that will be discussed among the groups. For example, you may have group 1 and 3 discuss question 1, Group 2 and 4 discuss question 2, and so on.)

Instructor: Continue calling on groups and having them share responses to a new question until each group has shared.

Instructor: Conclude the lesson by summarizing the topics that came up during the discussion with the students. Reiterate the importance of having a realistic financial plan in place to the students.

Optional Homework Assignment:

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Student Loans Can Result In Debt That Won't Go Away

In what is truly a sign that America's system of higher education is morphing into a strange and dangerous beast, Ben Bernanke -- the nation's top banker and chairman of the Federal Reserve -- said on Wednesday that his son is slated to finish medical school with a whopping $400,000 in student loan debt, the *Wall Street Journal* reported.
Bernanke's son's case is a high-profile example of what is a nationwide epidemic: mounting debt from student loans. College graduates from the class of 2010 carried an average of $25,250 in student loan debt, and the nation's total student debt almost reaches $1 trillion: This is a 14-fold increase from 15 years ago and dwarfs the country's credit card debt, which is just shy of $800 billion.

"I graduated with a lot of experience with nonprofits and the public sector, and that's what I wanted to do with my career," said James Moreau, 27, a first-generation college graduate who earned a bachelors degree in public relations at Boston's Suffolk University in 2006. "But because of my student debt, I had to turn down jobs, like working for AmeriCorps, because I couldn't afford to take them."

Moreau, an independent marketing consultant in Boulder, is more than $120,000 in debt from his loans. He is paying them down in $650 monthly installments. At that rate, he figures that he'll need 30 years to pay them off.

Though Moreau's business is now doing well, it's been a long haul. After college, he landed a series of marketing jobs, but companies kept downsizing his position in response to the Great Recession. Alternately unemployed or short on cash, he was left rattled and wanted a plan for a worst-case scenario, which he figured would be bankruptcy.

But Moreau can't solve his problem through bankruptcy. Unlike other consumer debt, student loans are virtually impossible to discharge through a bankruptcy, said Maureen Thompson, legislative director of the National Association of Consumer Bankruptcy Attorneys.

"It's pretty much not possible because you have to prove 'undue hardship,'" she said. "And in order to prove you have 'undue hardship,' you have to litigate it." And litigation takes an attorney, which requires money -- something the borrower clearly doesn't have, otherwise he would be sending in loan payments.

Student debt -- which encompasses both federal and private loans -- is unusual in this regard and results from the political process as opposed to any unique feature of the financing itself, Thompson said. "When the government launched its student loan program in the 1960s, there was a lot of negative publicity around the idea that consumers would have unlimited ability to discharge the debt," she said. "So they created a law that forced consumers to wait five years before they could discharge it."

Over the decades, as the legislation evolved, the five years stretched to seven, which then morphed into a permanent ban on erasing government debt through bankruptcy. When the bankruptcy laws were rewritten in 2005, legislators added in a provision limiting the discharge of private student loan debt to "undue hardship."

Legislation has been introduced to ease the restrictions on private loan debt, but there's no parallel legislation for government debt. Instead, consumers can apply to federal programs, such as the Income-Based Repayment Plan, to request relief for the federally funded portion of their loans.

But the fact that bankruptcy would probably not solve Moreau's problems leaves him frustrated. "You can't declare bankruptcy on student loans," Moreau said. "I can't say, 'Listen, I can't pay these.' When I say that, the bank says, 'Okay, we'll tack more interest on, and you still have to pay them.'"

So Moreau still has to figure out an alternative. "My thinking now is that maybe in five or 10 years, I will be ahead of the curve enough where it won't be such an issue," he said with a sigh. "But that remains to be seen."

Berlin, Loren. "Student Loans Can Result in Debt that Won't Go Away." *Huffington Post*. 02 Mar 2012: n. page. Print. <http://www.huffingtonpost.com/2012/03/02/student-loans-debt_n_1314499.html>.

Group Number: ____________

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Group Members: ____

Class name and time: ____

Discussion Questions
Worksheet

1. How do you know what student loan debt is necessary versus what is excessive?

2. Thinking about James Moreau's situation, do you think getting a degree in what you love, or getting a degree that can help you pay back your students loans is more important?

3. Do you think it is fair that you cannot discharge federal student loans in bankruptcy? Why or why not?

4. What do you think can be done to prevent situations such as the ones listed in the article?