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Student Loans and Their Consequences

This paper will consist of information proving how student loans harm status in the economy, most importantly particular status. This paper will provide information on how they are affected and how they go about it. Alongside the information given, examples will be also given to show the statistics side of the issue being presented. As individuals participate in the studies, society is being given a rough estimate on how this issue has been affecting the economy over the decades.

Student loans has always been an issue that society deals with in order to get a better education in life. As time goes on, unfortunately, those debts grow, and many people are not aware at the velocity it does. As students take loans out to attend a higher institution, they do not really know what kind of debt they are getting into. Student loans has always shown no remorse for financial situations and economic status. Students from all backgrounds take loans out; however, there are economic status that suffer more than others. As statistics show, the lower economic class always suffer when it comes to the loans, but the students with African American background and origin, suffer the most.

African American students have always been shown the least appreciation and concern by white dominated institutions. As time evolved, these problems were fixed: however, the principle of these institutions will always remain. White dominated institutions always shown the appreciation of the white male accomplishments; however, rarely speak about the black male accomplishments. As these beliefs continue to remain, the black people trying to push forward with life will never be entirely appreciated. Student loans have always proven to keep the black accomplishments at a low point.

As history went on, student loans have become more complex. Now there are different types of loans and most importantly interest rates. Two types of loans that are now very common for students to take out are the subsidized and the unsubsidized loans. The subsidized loans tend to hold interest rates until after the graduation of students while the unsubsidized charge interest rates while they are in school. Students tend to favor the subsidized more because the interest rates are not charged until completion of graduation. This is important evidence because it shows what kinds of loans these students take out. However, when students ask for a certain amount, it means they are applying for that loan meaning there is a chance of them not receiving the entire amount.

India was a place where the debt of loans had taken a toll on its people. The famous story of the student named Rajani had affected their nation to question why this occurs. As the student Rajani was trying to better her education, it seemed impossible money wise. She was not able to afford her educational fees and was rejected by multiple banks when she applied for loans. Unfortunately, because she was of lower economic status in India, she was not able to pay her fees out of pocket which led to her unfortunate suicide (Kanitkar, p. 3980). Investigations towards these banks had started to rise questions regarding the ways that they leverage people's lives. It was found that it was very common for farmers with educational degrees but are unemployed commit suicide in these places. In this situation, there was an investigation to see why these things were happening and it showed that people from less incomes are more likely to take loans out and not be able to afford to pay them back afterwards meaning they are over leveraging.

There are multiple ways to find out how many people in each economic status is affected and who is affected. A common way to find this out is by taking a poll. Many polls are taken throughout the years to test all this information. However, it is not an exact percentage of the amount of people that go through it, but it is a rough estimated. It was found that many of the students that take loans out are women. These women then graduate and work in low paying jobs which affects their ability to sustain a healthy life and be able to pay back their loans in total. A survey that tested about 628 borrowers found out that roughly about 52% of the borrowers are women that contribute at least 10% of their income to pay back their loans (Off Our Backs, p.19). Some of these women stated they had wished to take a less amount because of their life after school.

As the amount varies when it comes to different incomes, people dedicate a certain percentage of their income to pay back their loans. Those who have taken out about 5,000 dollars in loans usually dedicate 4.24% of their income to pay it back. In another survey, 11% of the borrowers had said that they dedicated 10% of their paycheck to paying back loans. Turns out that two-thirds of the 11% were women with low paying jobs.

When it comes to repayment, it is different for all income levels. The ratio varies for each income level based on how much they can pay back based on their jobs (Shen and Ziderman, p.324). As expected, the low income class falls less than half in being able to repay their loans. The average for the low income class is 45.59 with a median of 37.19. The average for the lower middle class falls a bit over half being 53.84 with a median of 56.09. Surprisingly, the average of the upper middle falls less than the lower middle in being 51.07 with a median 50.04. The upper middle class is known as the white collar workers which earn a bit more than the lower middle class. This class has more responsibility in providing by paying higher taxes in the economy.

When it comes to different continents there are different ratios as well. Africa is known to have the lowest repayment ratios out of all. Their average ratio is less than half which is 41.84 with a median of 37.19. Europe has fallen into the second lowest with an average of 63.59 with a median of 64.70. Asia has fallen right in the middle with an average of 65.28 with a median of 69.74. Australia has fallen into the second highest with an average of 66.59 and a median of 66.59. Lastly, America has fallen the highest for being able to repay with an average of 71.75 with a median of 79.39. In between all the countries together, the average able to make repayments is 60.85 with a median 64.63.

Students who take out loans are not only affected economically but also mentally. It is proven that students with more loans and lower economic status lose more sleep and are said to be sleep deprived when having to work harder to keep up with their loan standard (Walsemann, Ailshire, Gee, p. 440). When it comes to ethnicity, whites sleep 69.6 hours compared to blacks which sleep 13.4 hours. This usually occurs because of the requirements individuals are being held to in order graduate on time and be able to pay the loans back as soon as possible. Another example of people being affected by student loans is their parents net worth. When their parents have a negative net worth, they tend to sleep for 5.3 hours. When their parents have a low net worth, they sleep for about 19.8 hours. When their parents have a middle net worth, they tend to sleep for 49.9 hours. Lastly when they have a top net worth, they sleep for 25 hours. The calculations were based on the different levels of incomes and races estimating the mean of each group.

Another factor that affected different economic levels when it came to loans was initiative and ambition. As portrayed, loans can consume a person's time and money. As interest rates on the loans grow, a person has to work twice as hard to make the money to be able to pay back the loans and make a living of their paycheck as well. As stated in the book, *Game of Loans: The Rhetoric and Reality of Student Debt,* loans are known to take away the ambition of an individual when they are giving a lot of their paycheck away. "... people with student loan debt had become less likely than those without debt to take on a mortgage debt by the time they reached age 30” (Akers and Chingos, p.89). This statement in the book had shown how people with loan debt are usually discouraged in taking risks like trying to buy a house. This brings down the amount of entrepreneurs in society and leaves people stuck in their status. Then as interest rates rise, they only bury people more and more in misery of having to pay back loans.

Furthermore, it is tested and proven that student loans affect different status in multiple ways. It is shown that lower classes are the ones to suffer more when it comes to repayment and how it eliminates their ambitions for a better life.

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