Iowa Department of Education

Student Loan Debt of Postsecondary Education Graduates in Iowa: 2024

May 21, 2024

State of Iowa
Department of Education
Grimes State Office Building
400 E. 14th Street
Des Moines, IA 50319-0146

Administration

McKenzie Snow, Director

Division of Higher Education

Bureau of Iowa College Aid

David Ford, Bureau Chief

Christina Sibaouih, Section Chief

Todd Brown, Section Chief

It is the policy of the Iowa Department of Education not to discriminate on the basis of race, creed, color, sexual orientation, gender identity, national origin, sex, disability, religion, age, political party affiliation, or actual or potential parental, family or marital status in its programs, activities, or employment practices as required by the Iowa Code sections 216.9 and 256.10(2), Titles VI and VII of the Civil Rights Act of 1964 (42 U.S.C. § 2000d2000e), the Equal Pay Act of 1973 (29 U.S.C. § 206, et seq.), Title IX (Educational Amendments, 20 U.S.C.§§ 1681 – 1688), Section 504 (Rehabilitation Act of 1973, 29 U.S.C. § 794), and the Americans with Disabilities Act (42 U.S.C. § 12101, et seq.). If you have questions or complaints related to compliance with this policy by the Iowa Department of Education, please contact the legal counsel for the Iowa Department of Education, Grimes State Office Building, 400 E. 14th Street, Des Moines, IA 50319-0146, telephone number: 515-281-5295, or the Director of the Office for Civil Rights, U.S. Department of Education, John C. Kluczynski Federal Building, 230 S. Dearborn Street, 37th Floor, Chicago, IL 60604-7204, telephone number: 312-730-1560, FAX number: 312-730-1576, TDD number: 800-877-8339, email: OCR.Chicago@ed.gov

Contents

Executive Summary

The percentage of graduates from Iowa colleges and universities with loan debt has decreased over the past five years, primarily driven by community college graduates. Of the past five classes of graduates from four-year institutions in Iowa, the Class of 2023 is the first to have an increase in both adjusted and unadjusted student loan debt. Meanwhile, graduates within the community college sector continue to have a lower percentage taking on student debt and graduating with lower overall amounts of student loan debt. 54.8% of students graduated with student loan debt at an average of $26,713 in 2023. To pay off the debt at a 5.5%[1] rate over ten years, a student would expect a monthly payment of $290, including $8,076 in interest.

Introduction

Though student loans can provide 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 matriculation, especially among groups traditionally underrepresented in postsecondary education programs.[2] With a predicted national workforce need by 2031 of 72% having some kind of postsecondary credential, including 31% with some college/AA and 41% with a BA or higher,[3] Iowa needs to maintain its current workforce of 74% with some type of postsecondary credential.[4] Of particular interest to the State of Iowa, the Federal Reserve reports that 52% of rural student loan borrowers return to or continue to live in rural areas six years after earning their degrees, while the remaining 48% relocate to urban and suburban settings.[5] Those who remain in rural areas disproportionately hold higher total loan debt ($30,000 or more). 37% of those in this highest quartile of loan debt remain living in rural areas that have lower average salaries than those living in urban and suburban areas.

High debt amounts have immediate negative consequences on students' cognitive and psychological functioning and the likelihood of graduation.[6] 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.[7] Understanding student debt in Iowa can contextualize and inform other public and private sector efforts related to the associations listed previously.

To create this report, 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).[8] This analysis includes the three Regents Universities, 31 private non-profit colleges, and all 16 community colleges.[9] 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 fluctuations in inflation, Iowa College Aid presents average student loan debt as both unadjusted and adjusted for inflation.

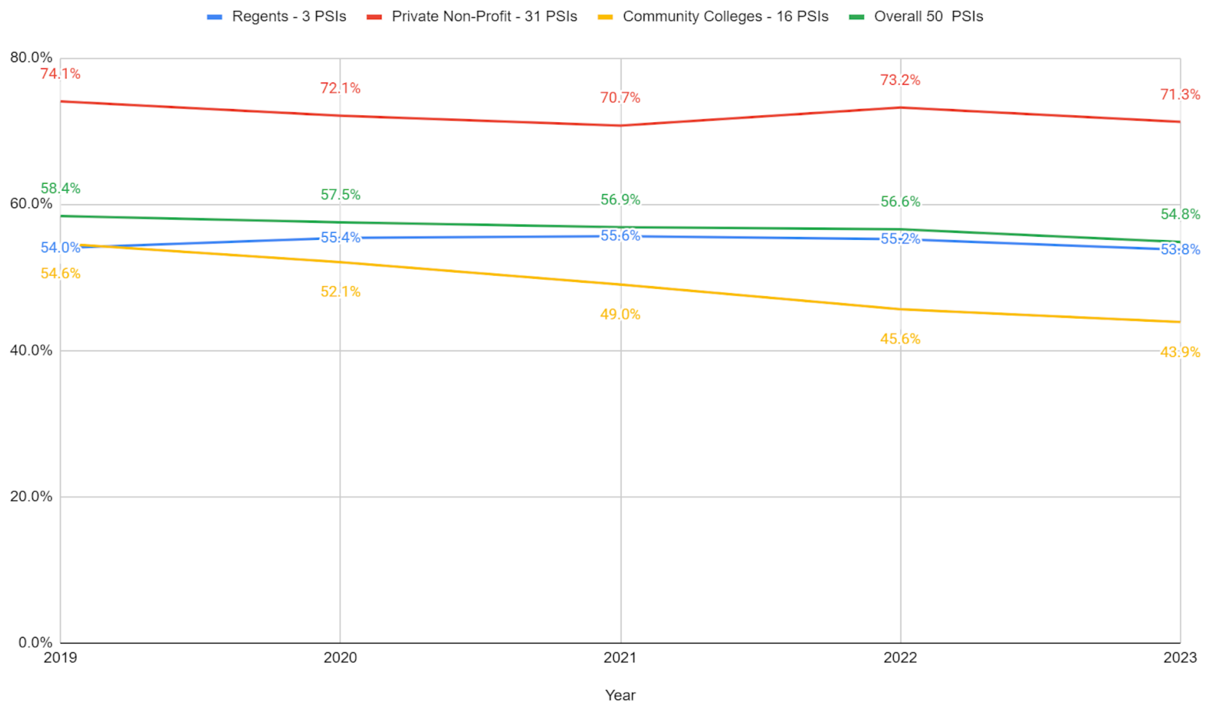
---

[1] Current as of April 2024.
[2] Boatman et al., 2017
[3] Carnevale et al., 2023
[4] IWD, 2023
[5] Tabit & Winters, 2019
[6] Destin & Svoboda, 2018; Walsemann et al., 2015; Dwyer et al., 2012.
[7] Gicheva, 2016; Davies et al., 2015; Rothstein & Rouse, 2011; Velez et al., 2019
[8] Unbalanced refers to the panel not using the same set of postsecondary institutions across each year.
[9] The Iowa Valley Community College district reports to the state as Marshalltown Community College and Ellsworth Community College campuses.

Percent of Iowa College Graduates With Student Loan Debt

From 2019 to 2023, the percentage of graduates with loan debt decreased from 58.4% to 54.8% (see Figure 1). The decrease is mainly due to community college graduates whose debt dropped by nearly 11 percentage points. Graduates from Iowa Regent Universities and private non-profit institutions have less consistent trends in their percentage of graduates with student loan debt, increasing in one year and then decreasing the next. 54% to 56% of Regents graduates continue to have student loan debt, while 71% to 74% of private non-profit graduates have some degree of student loan debt.

Figure 1. Percentage of Iowa College Graduates with Student Loan Debt: 2019-2023

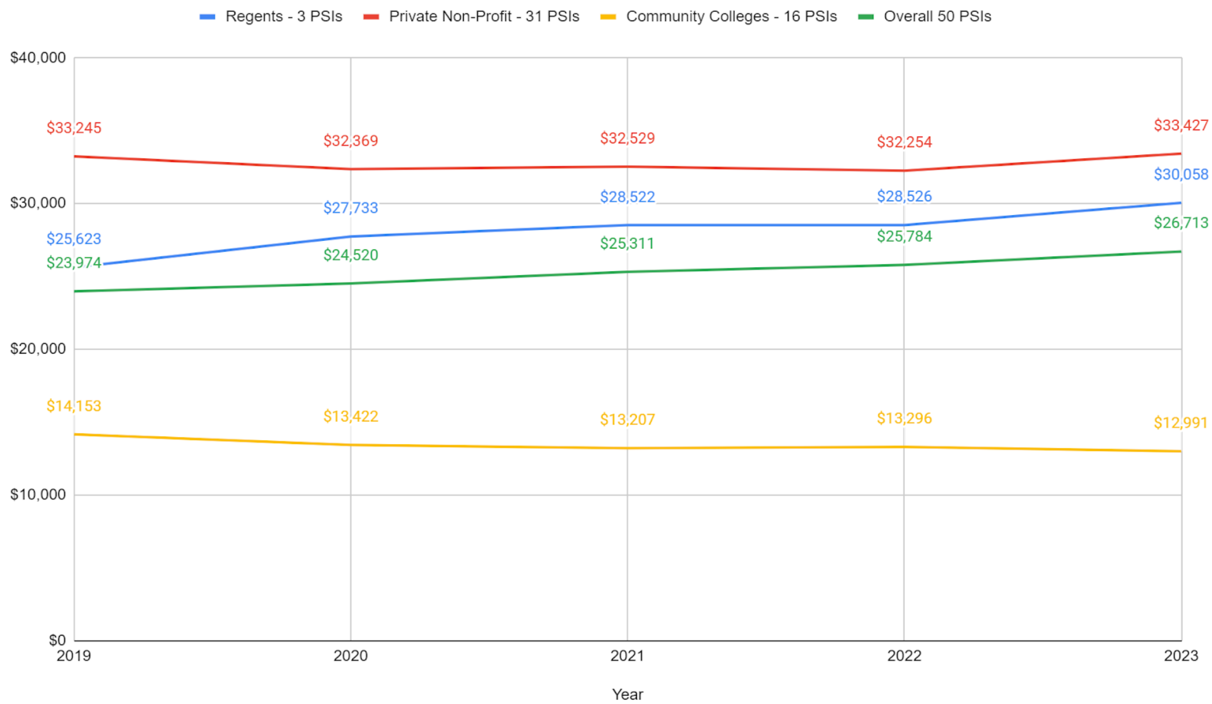


Note. All values are weighted by the number of students graduating from their respective institutions and year. PSI-Postsecondary Institutions.

Unadjusted Average Student Loan Debt of Iowa College Graduates

Without accounting for inflation, the overall amount of student loan debt for an Iowa college graduate increased $2,739 over the period or 11% (see Figure 2). The trend is largely concentrated among Iowa Regents' university graduates. For the Class of 2019, the average Regents' graduate had $25,623 in student loan debt, and the amount of debt for the Class of 2023 was $30,058. Graduates in the private non-profit sector dropped their student loan debt by $800 to $1000 from the Class of 2019 to the Classes of 2020 and 2021, respectively. By the Class of 2023, the student debt was $180 more than the Class of 2019. Student loan debt among community college graduates dropped by $1,162, or 8.2%, over the period; the initial drop occurred between the classes of 2019 and 2020. While there was a slight $215 decrease in debt among the Class of 2021, debt increased by nearly $90 for the community college graduate Class of 2022. The Class of 2023 dropped in total student loans by $305.

Figure 2. Unadjusted Average Student Loan Debt of Iowa College Graduates: 2019-2023

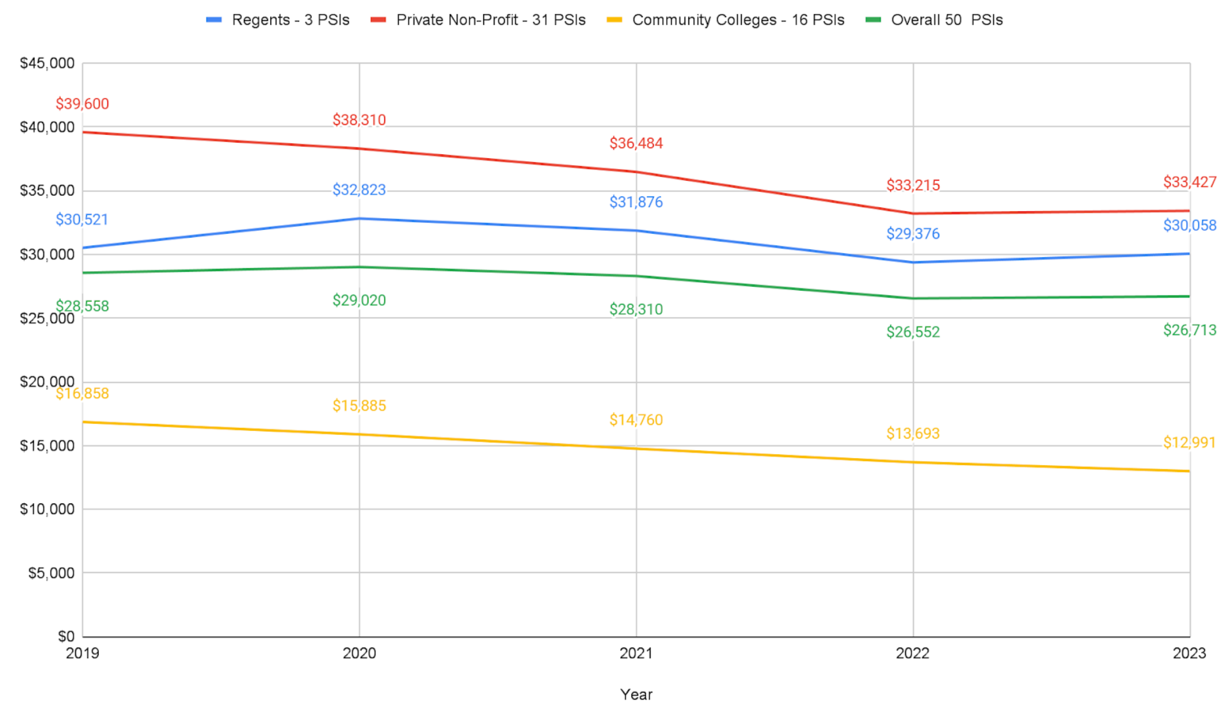


Note. All values are weighted by the number of students graduating with debt by their respective institution and year. PSI-Postsecondary Institutions.

Adjusted Average Student Loan Debt of Iowa College Graduates

When accounting for inflation, there is a greater change in the value of the debt incurred among graduates in all sectors. The overall debt of an Iowa college graduate dropped from nearly $28,560 to $26,710 or 6.9%. However, this masks variation within and between the sectors. For example, the amount of average debt among students attending Iowa Regents Universities increased between the classes of 2020 and 2021 compared to the Class of 2019, while the classes of 2022 and 2023 are $1,145 and $463 lower, respectively, than the Class of 2019. The private non-profit sector experienced nearly a $6,400 decrease in student loan debt between the Class of 2019 and the Class of 2022. Though the Class of 2023 had a $200 increase in debt compared to the Class of 2022. Decreasing average student loan debt by nearly $3,900, or 30%, throughout the period, community college graduates have experience a consistent decrease in debt for each graduating class.

Figure 3. Adjusted Average Student Loan Debt of Iowa College Graduates: 2019-2023



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

PSI-Postsecondary Institutions.

Limitations and Recommendations

There are several limitations to the analysis. First and foremost, the analysis does not include the debt of any student who opted out of continuing college and/or did not earn their degree or credential in Iowa. 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.[10] Additionally, the data only account 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, this report only includes the debt of students that started and finished at their respective institution. Because of collection methods, the outcome measures also do not reflect the debt of transfer student graduates.

These limitations aside, there exists an overall decrease of percentage of graduates taking on student loan debt among college students over the past five years. Graduates from the community college sector are the primary driver of this decreasing trend. Meanwhile, both Regents and private non-profit institutions remain remarkably consistent in the percentage of graduates taking on student loan debt.

It is difficult to determine why this is occurring. One possibility for the decreasing debt among community college graduates is the introduction of the Last-Dollar Scholarship (LDS) which began providing financial assistance to over 6,500 students in 2019-20.[11] Additionally, the period did experience decreases in overall and economically disadvantaged student enrollment among Iowa community colleges, which may be a part of these shifts in student debt.[12] If there are fewer economically disadvantaged students at community colleges, there may be reason to assume fewer students would take on debt. As some of these enrollment trends reverse[13] and a $20,000 cap on Expected Family Contribution[14] has been placed on access to the LDS,[15] the decreases may or may not hold over future cohorts.

Due to high inflation rates over the past two years, students' average total student loan debt can be presented in one of two ways. Unadjusted student loan debt has remained relatively consistent over the past five years. When accounting for inflation, there are significant decreases across the community college and four-year private non-profit sectors in student loan debt. These significant decreases are possibly due to postsecondary institutions nationwide raising tuition, fees, room, and board below the inflation rate.[16] Iowa College Aid documented a decrease in tuition and room and board prices across postsecondary institutions between 2020 and 2021.[17] The rapid growth in the use of the LDS and the average Iowa Tuition Grant (not-for-profit) state award growing from $4,618 to $6,140 may also be contributing to decreases in debt among students in these sectors (ICA, 2023b).[18]

---

[10] US ED, 2015
[11] ICA, 2020
[12] IDE, 2022
[13] IDE, 2023
[14] Beginning in the 2024-25 academic year, the Student Aid Index will be used to determine economic eligibility for the Last-Dollar Scholarship.
[15] IA SF560, 2023
[16] College Board, 2023
[17] ICA, 2022
[18] Throughout the sample period, students attending Regents institutions had little access to direct state aid through the form of scholarships and grants.

As many postsecondary institutions struggle with a combination of past inflationary pressures and declining enrollment,[19] the decline in adjusted debt may lead to questions about the long-term financial sustainability of some postsecondary institutions.[20] The slight increase in both adjusted and unadjusted student loan debt between the Classes of 2022 and 2023 in both the public and private four-year sectors may indicate a return to pre-pandemic trends of increasing both adjusted and unadjusted student loan debt. How current trends in Iowa's four-year sectors' student loan rates and debt will or will not manifest in student aversion to the four-year sector remains to be seen, but the state will need to maintain the labor supply of those with a bachelor's degree or higher (41%) as well as those with some college or associate's degree (31%).

References

Boatman, A., Evans, B. J., & Soliz, A. (2017). Understanding loan aversion in education: Evidence from high school seniors, community college students, and adults. *Aera Open*, *3*(1), 2332858416683649. https://journals.sagepub.com/doi/pdf/10.1177/2332858416683649.

Bureau of Iowa College Aid (ICA). 2023a. *Iowa college and university enrollment report*. https://docs.google.com/spreadsheets/d/1Kzfm4cNZV3ekzyn7gcv6mzbBKTy44s-oqWuNhoM2AU4/edit#gid=1079848359.

Bureau of Iowa College Aid (ICA). 2023b. *Program Summary*. https://docs.google.com/spreadsheets/d/1JDLZBPnErFKoPJgejcQaA_SsL8gN-DvVAbeV6BUIH7w/edit#gid=1037487011.

Bureau of Iowa College Aid (ICA). (2022). *Condition of higher education in Iowa: 2022.* https://drive.google.com/file/d/1VUqt4tLEwjtbOkjTLwKCiYejIiIStE_5/view.

Bureau of Iowa College Aid (ICA). (2020). *Receipt of multiple scholarship and grant awards: 2019-20 report*. https://publications.iowa.gov/34306/1/2019-20_Multiple_State_Programs_Report.pdf.

Carnevale, A.P., Smith, N., Van Der Werf, M., & Quinn, M.C. (2023). After everything: Projections of jobs, education, and training requirements through 2031. *Georgetown University McCourt School of Public Policy*. https://cew.georgetown.edu/wp-content/uploads/Projections2031-National-Report.pdf.

College Board. (2023). *Trends in college pricing and student aid 2023*. https://research.collegeboard.org/media/pdf/Trends%20Report%202023%20Updated.pdf.

Davies, W., Montgomerie, J., & Wallin, S. (2015). Financial melancholia: Mental health and indebtedness. https://research.gold.ac.uk/id/eprint/16269/1/FinancialMelancholiaMentalHealthandIndebtedness.pdf.

Destin, M., Svoboda, R.C. Costs on the Mind: The Influence of the Financial Burden of College on Academic Performance and Cognitive Functioning. *Res High Educ* 59, 302–324 (2018). https://doi.org/10.1007/s11162-017-9469-8.

Dwyer, R. E., McCloud, L., & Hodson, R. (2012). Debt and graduation from American universities. *Social Forces*, *90*(4), 1133–1155. https://doi.org/10.1093/sf/sos072.

[19] ICA, 2023a; Spitalniak, 2023
[20] Miller, 2023

Gicheva, D. (2016). Student loans or marriage? A look at the highly educated. *Economics of Education Review*, pp. *53*, 207–216. https://doi.org/10.1016/j.econedurev.2016.04.006 .

Iowa Department of Education (IED). (2023). *Fall enrollment Iowa community colleges: Released 2023*. https://educate.iowa.gov/media/8913/download?inline=#:~:text=Iowa%20community%20college%20enrollment%20has,increase%20in%20community%20college%20enrollments.

Iowa Department of Education (IED). (2022). *Fall enrollment Iowa community colleges: Released 2022*. https://www.ccforiowa.org/media/cms/Fall_Enrollment_2022_EB85CB03A11B2.pdf.

Iowa (IA) SF5560. 2023. https://legiscan.com/IA/bill/SF560/2023.

Iowa Workforce Development (IWD) (2023). *Iowa statewide laborshed analysis: A study of workforce characteristics*. https://workforce.iowa.gov/media/1070/download?inline=

Miller, V. (2023, April 2) Iowa Wesleyan, three other colleges, sought $48 million from the state. *The Gazette*. https://www.thegazette.com/higher-education/iowa-wesleyan-three-other-colleges-sought-48-million-from-state/

Nau, M., Dwyer, R. E., & Hodson, R. (2015). Can't afford a baby? Debt and young Americans. *Research in Social Stratification and Mobility*, *42*, 114-122. https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5231614/.

Rothstein, J., & Rouse, C. E. (2011). Constrained after college: Student loans and early-career occupational choices. *Journal of Public Economics*, *95*(1-2), 149-163. https://doi.org/10.1016/j.jpubeco.2010.09.01.

Spitalniak, L. (2023). Inflation will continue to batter colleges through fiscal 2024, Moody's predicts. *Higher Ed Dive*. https://www.highereddive.com/news/inflation-batter-colleges-through-fiscal-2024-moodys/686573/#:~:text=Colleges'%20operating%20costs%20increased%205.2,index%20created%20specifically%20for%20colleges.

Tabit, P. J., & Winters, J. P. (2019). *" Rural Brain Drain": Examining Millennial Migration Patterns and Student Loan Debt* (No. 89163). Board of Governors of the Federal Reserve System (US). https://www.federalreserve.gov/publications/2019-january-consumer-community-context.htm.

Walsemann, K. M., Gee, G. C., & Gentile, D. (2015). Sick of our loans: Student borrowing and the mental health of young adults in the United States. *Social Science & Medicine*, *124*, 85-93. https://doi.org/10.1016/j.socscimed.2014.11.027.

United States (US) Census Bureau. (2023). S0101: Age and sex. *2022 American Community Survey 1-year estimates*. https://data.census.gov/table/ACSST1Y2022.S0101?q=population%20by%20age%20in%20iowa

United States Department of Education (US ED). (2015). *Fact sheet: Focusing higher education on student success*. https://web.archive.org/web/20150731094030/http://www.ed.gov/news/press-releases/fact-sheet-focusing-higher-education-student-success

Velez, E., Cominole, M., & Bentz, A. (2019). Debt burden after college: the effect of student loan debt on graduates' employment, additional schooling, family formation, and home ownership. *Education Economics*, *27*(2), 186-206. https://doi.org/10.1080/09645292.2018.1541167.

Appendices

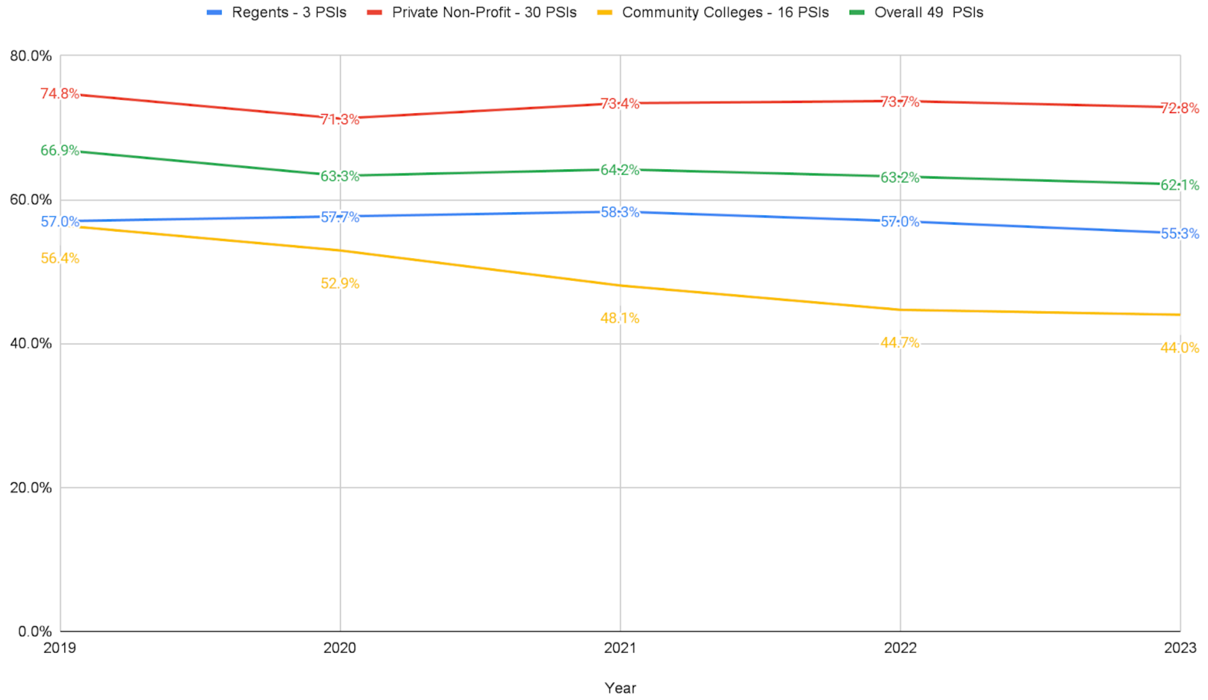
Appendix A. Methods

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 in those reported data 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 had incomplete data for the private non-profit sector. In past reports, a balanced panel of institutions was used which removed private non-profit institutions with incomplete data from the analysis. In response to stakeholders' feedback, this report includes all institutions reporting any data for all years. Because of these anomalies, the statistics for the private non-profit and overall responses should be interpreted cautiously. Additionally, Iowa Valley Community College District reports data as two separate institutions, Marshalltown Community College and Ellsworth Community College, whereas the remaining community college districts report as singular institutions.

To analyze the percentage of graduates with student loan debt, the number of graduates with debt is divided 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, weighting techniques are used to adjust for the size of institutions for each sector. For example, the weighting process creates a situation in which a college or university with 500 graduates is given proportionally greater weight than an institution with only 100 graduates. In the percentage of graduates with a student loan, the weight is by the total number of graduates. In adjusted and unadjusted student debt, the weight is 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 2023, to ensure a consistent date across the current, future, and past reports. July was selected because it represents the last month graduates would have had the ability to take out student loans. This provides the date at which the most recent graduated cohort (and their last month of taking out student loans) would serve as the reference point for all previous years for inflation (e.g., Class of 2023 would serve as the reference point for July 2023 CPI-Urban).

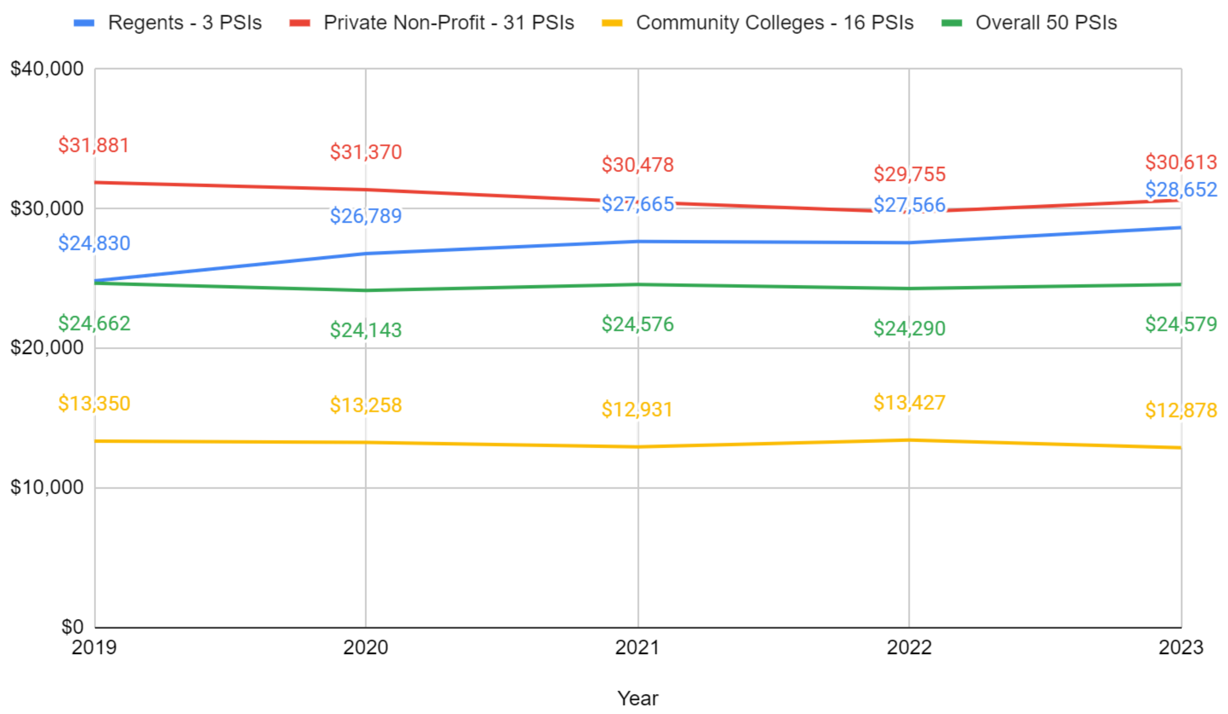
Appendix B. Unweighted Figures

Unweighted Percentage of Graduates with Student Loan Debt: 2019-2023



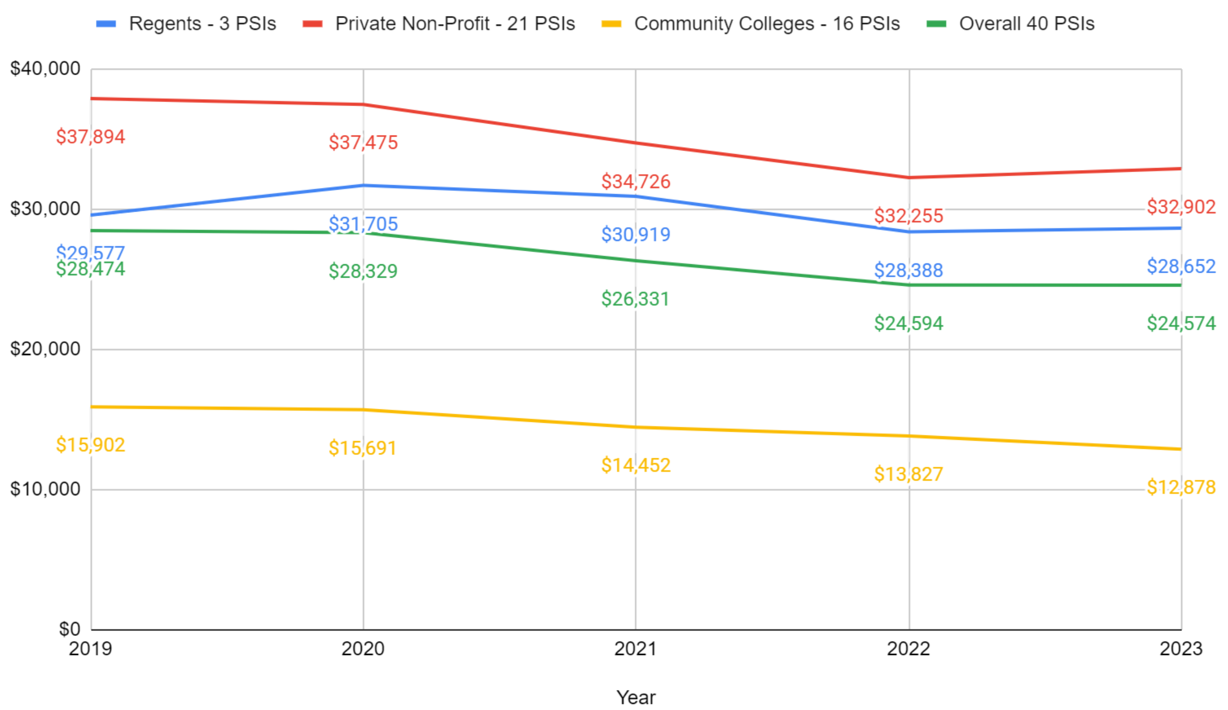
Note. PSI-Postsecondary Institutions.

Unweighted Unadjusted Average Student Loan Debt of Iowa College Graduates: 2019-2023



Note. PSI-Postsecondary Institutions.

Unweighted Adjusted Average Student Loan Debt of Iowa College Graduates: 2019-2023
Note. PSI-Postsecondary Institutions.



Note. PSI-Postsecondary Institution