Heavy educational borrowing is a problem for the graduates who must labor for the better part of theirT
careers paying off school loans. It’s a problem, too, for the profession, which is shaped by theT
collective debt. But the burden is not the veterinary community’s alone.T

Ultimately, the issue could become a problem for taxpayers as a whole.T

Historically, the U.S. government has backed the majority of student loans through a federallyT
guaranteed student loan program. The “guarantee” in the name applies to the private lenders, who areT
compensated by the government for 95 to 97 percent of their investment should a borrower default.T

Last year, under the Student Aid and Fiscal Responsibility Act, which was attached to the health-careT
overhaul passed by Congress, the U.S. Department of Education assumed control of all new federallyT
backed student loans. The goal is to streamline the lending process and save money — an estimatedT
$40 billion to $62 billion over the next decade that would have been paid in subsidies and fees to theT
banks and other private financial institutions previously involved.T

In addition, the government now will reap all interest payments on such loans. At the same time, itT
assumes all risk.T

Under the Direct Loan Program, graduate students such as those in veterinary school may borrow up toT
$138,500 from the U.S. Treasury at 6.8 percent interest. They may tap federal Direct PLUS Loans forT
the balance of what they need to attend school (as determined by their school) at 7.9 percent interest.T

PLUS used to stand for Parent Loan for Undergraduate Students, but its availability was expanded toT
graduate and professional students in 2006.T

While educational loans traditionally have been viewed as worthy, important and solid investments forT
society, students loans aren’t exactly no-risk propositions.T

“It's amazing when you consider that a 22-year-old with no job, no collateral and no credit history canT
borrow $100,000 from taxpayers just by signing a note,” observed Timothy Fitzgibbon, vice presidentT
of Debt Management Services for the National Council of Higher Education Loan Programs, whichT
represents organizations involved in administering and servicing student loans, including privateT
lenders, guaranty agencies and collection agencies.T

And while credit counseling increasingly is part of a school’s financial-aid process, the priority ofT
financial aid programs is helping students access the funds they need to get through school.T

“You don’t want to exclude certain students from certain careers because they don’t have the financialT
resources to afford it. So it’s a tricky line to negotiate,” said Haley Chitty, a spokesman for the NationalT
Association of Student Financial Aid Administrators. “You want to provide access to higher educationT
to everyone.”T

Moreover, it would be against a school's own interest to deny students the resources they require toT
attend that school, Fitzgibbon noted. "Is it reasonable to expect a school to tell a student who wants toT
enroll: 'We're too expensive'?" he asked rhetorically.T

Fitzgibbon added that veterinary students have good company when it comes to shouldering schoolT
debt. “You could interchange ‘veterinarian’ with almost any profession you can think of and you’d beT

accurate in saying the cost of attendance is outpacing the starting salary," he said.T

Default rates on student loans have not been a big problem in recent years, although they've risen fromT a 20-year low of 4.5 percent in 2003 to 7 percent in 2008, according to U.S. Department of EducationT figures.T

But taxpayers may be on the hook in ways other than swallowing the costs of default. The Income-T Based Repayment program, for example, which began in July 2009, allows borrowers to limit theirT federal educational loan payments to no more than 15 percent of their income. Details on how incomeT and payments are calculated are posted online.T

Following an extended period of consistent payment, participants' remaining balances are forgiven. ForT borrowers who work in public service, balances may be forgiven after 10 years; for everyone else,T balances are forgiven after 25 years.

The program may be a blessing for graduates with high debt and not-so-high salaries. "The flip side ofT that is, it's a taxpayer cost," Fitzgibbon said. "(Making) loans easier to forgive — does that really makeT college more affordable for students, or just more expensive for taxpayers?"T

Most federal loans are considered an entitlement for which student risk and creditworthiness are notT factors for approval, according to the U.S. Department of Education. Credit risk is considered forT PLUS loans, but a student who doesn't pass a credit check may still receive a loan if someone who canT pass the credit check co-signs on the loan, according to department spokeswoman Sara Gast.T

Gast noted that under the old system in which private lenders provided federally-backed loans, privateT lenders generally could decide not to make a loan based on a borrower's creditworthiness.T

"If a borrower was turned down by one lender, schools generally worked with the borrower to find anT alternative private lender or, ultimately, the Department (of Education) would make the loan," she said.T

As to whether the department has concerns about the growing burden of higher-education debt, GastT said, "The Department and its (private sector) associates have an aggressive financial literacy programT to help students make good individual borrowing decisions. Among other programs, borrowers areT required to participate in entrance counseling before they get their first loan and exit counseling as theyT leave school."T

At Sallie Mae, Inc., one of the largest private companies in educational financing, a spokeswomanT declined to discuss in detail the company's views of and responses to students' increasing debt load.T

"While our underwriting is proprietary, I can tell you that it is designed to help our customers beT successful and to maintain the highest likelihood of successful repayment, and it includes looking at theT applicant's and co-signer's income and debt, among other factors," said Patricia Nash Cristel, managingT director of Corporate Communications. T