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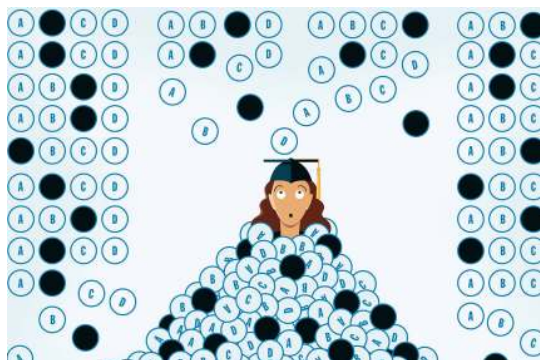
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JOURNAL REPORTS: FUNDS & ETFS | NEWS CHALLENGE

Test Your Smarts on...Student Debt

How much do you know about borrowing levels, federal vs. private loans and other aspects of student debt? Take this WSJ quiz.



How much student debt on average is held by recipients of bachelor's degrees? See Question No. 2. PHOTO: JOHN W. TOMAC FOR THE WALL STREET JOURNAL

By Cheryl Winokur Munk

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Student-loan debt has been on a relentless upward trajectory over the past two decades. It stood at \$1.4 trillion nationwide as of the fourth quarter of 2017, according to the Federal Reserve Bank of New York's quarterly report on household debt and credit. Student debt is the second-largest source of household debt, behind housing loans.

Rising student debt is a vexing problem for many people. More students are taking out loans—and for larger amounts, on average—and repayment rates have slowed, according to Federal Reserve data.

How much do you know about student debt? Take our quiz.

1. Fill in the blank: Roughly _____ Americans are carrying student debt.

- A. 44 million
- B. 60 million
- C. 20 million
- D. 12 million

ANSWER: A. About 44 million Americans were carrying student debt as of the fourth quarter of 2016, up from 22.5 million people in 2004, according to data from the New York Fed's Consumer Credit Panel, which analyzes credit records from Equifax, the consumer-credit reporting agency.

2. For recipients of bachelor's degrees, what is the average student debt, including federal and private loans, for the academic year 2016-17?

- A. \$15,940

B. \$19,669

C. \$26,975

D. \$39,423

ANSWER: D. Mark Kantrowitz, a student-loan expert, estimates that the average debt at graduation for bachelor's-degree recipients rose 6% to \$39,423 from an estimated \$37,173 in 2015-16, and was up 12% from an estimated \$35,051 in 2014-15. These figures don't include average parent debt for their children's higher education, which is also on the rise.

3. Fill in the blank: The percentage of students who borrow fluctuates from year to year, but hovers around _____ of students.

A. one-half

B. one-tenth

C. one-third

D. one-fourth

ANSWER: C. Student loans are a perpetual go-to resource for families to pay for college. In 2016-17, students in 36% of surveyed families with undergraduates borrowed for college, using student loans, credit cards or some other type of loan, according to a 2017 Sallie Mae study on how Americans pay for college. Seventy-two percent of student-loan borrowers use only federal loans, 5% use only private loans, and 22% use both.

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4. The advantages of federal student loans over other student loans include:

A. The interest rate on federal loans is almost always lower than on private loans or a credit card.

B. Borrowers don't need a credit check or cosigner to get most federal student loans.

C. If borrowers demonstrate financial need, they can qualify to have the government pay their interest while they are in school.

D. All of the above.

ANSWER: D. Federal loans offer all of these benefits and more compared with other options, such as private loans, according to the office of Federal Student Aid, a part of the Education Department that provides grants, loans and work-study funds for college or career schools. Another benefit of federal student loans is that they offer flexible repayment plans and options to postpone loan payments if the borrower is having financial troubles. Also, depending on their job and if they meet certain requirements, borrowers may be eligible to have a portion of their loan obligation forgiven.

5. True or false: Private student loans (from banks, credit unions, and private organizations or foundations) have the same options as federal loans when it comes to lowering monthly payments.

ANSWER: False. Unlike federal student loans, there are no standard options to lower monthly payments on a private student loan. Some lenders will offer modified repayment plans that are similar to the federal programs, but each lender has its own decision-making process and criteria.

6. True or false: Families have to demonstrate financial need to qualify for student loans.

ANSWER: False. The federal and state governments, colleges and private organizations offer various loans to college students and their parents. Some of these loans are need-based, while others are not. Depending on the loan, it may be interest-free while the student is in school.

Typically, private loans aren't need-based, and interest rates may be higher than those on federal loans.

7. Fill in the blank: Student-loan refinancing refers to _____.

- A. Taking out a new federal loan.
- B. Taking out a new loan with a private lender for some or all of the borrower's current student debt.
- C. Deferring payment on a loan indefinitely.
- D. All of the above.

ANSWER: B. Student-loan refinancing is the process of taking out a new loan with a private lender. Students might do this to lower their monthly payments, but there are other ways to accomplish this that may be more appropriate, such as interest-rate reductions for signing up for automatic payments, says Rick Castellano, a spokesman for Sallie Mae. Borrowers who choose to refinance federal loans should be aware that some of the repayment options on their existing loans, such as income-based repayment, will no longer be available, he says.

8. True or false: There are no consequences to being late or defaulting on student loans.

ANSWER: False. If a borrower doesn't make payments on time, the lender or servicer will report the missed payments to national credit-reporting firms, which hampers the borrower's credit rating. A collection agency could come after the borrower, who could also be subject to wage garnishment or tax-refund withholding. Not only that, if the borrower has a cosigner on the loan, he or she could also be negatively affected. According to a recent study by LendEDU, an online marketplace for student and consumer loans, 62% of parent cosigners said their credit scores have been negatively affected by cosigning on private student loans, and 40% of parent cosigners said cosigning has hurt their ability to qualify for a mortgage, auto loan or other type of financing.

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