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Some Graduate Schools Never Pay Off

By Michael Itzkowitz

Getting a graduate degree is an impressive accomplishment — only 14% of people have one, and it typically helps you earn more. For example, those with a doctoral degree on average earn \$4 million over their lifetimes, in comparison to \$2.8 million for those who have obtained a bachelor's degree. And let's not forget about the prestige that comes with the title you get to put in front of or behind you signature on emails. I mean, who doesn't want to make mom proud?

All kidding aside, most people who go to graduate school do so because they want to gather expertise in a specific area of interest, such as, law, medicine, education, or social work. And nobody starts a graduate program with the goal of drowning in student debt when they finish. But the harsh reality is that some graduate schools and programs leave graduates even worse off financially than before they started.

In this analysis, we look at graduate programs across the US, specifically focusing on whether these schools allow students to pay down their educational debt after they attend. If they can't, it's going to be a difficult road ahead for them, as these degrees are pricey for students. Some are also a risky bet for the taxpayers who help subsidize these educational pursuits.

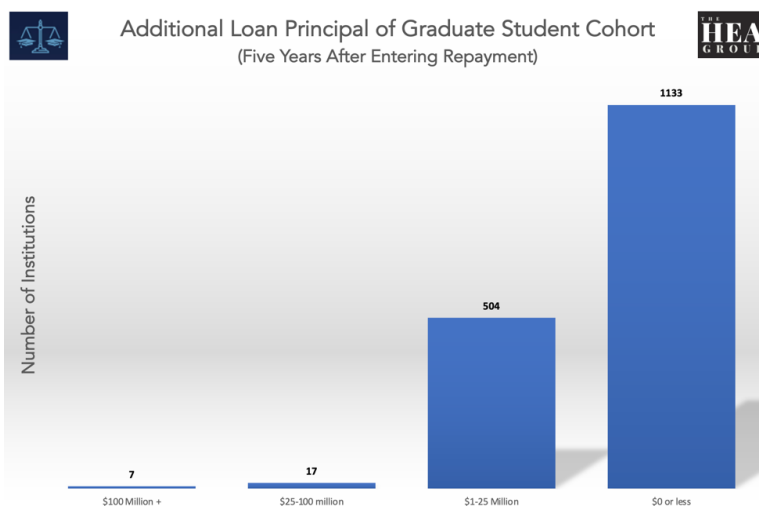
Methodology

This analysis uses U.S. Department of Education data to assess whether students have been successful in paying down their educational loans after pursuing an advanced degree. In total, we include 1,661 institutions of higher education and 6,371 graduate programs in this study. Specifically, we examine a two-year cohort of graduate students to determine how much they owe on their federal education loans five years after they've left an institution (2018–19, 2019–20) and entered repayment (2013–14, 2014–15). Furthermore, we examine individual graduate programs across the US, and calculate a debt-to-income ratio for each. For this, we use the median debt and earnings data, measured four years after they've completed their program of study.

How Much Do Graduate Students Owe on Their Loans Five Years Later?

Believe it or not, some graduate schools leave students owing millions of dollars more on their loans five years after they enter repayment. Some even show their cohort of graduate students accumulating hundreds of million in loan interest without

being able to make a dent on their loan principal whatsoever. This generally happens when students aren't earning enough to keep up with minimum payments on their educational debt.



For example, out of the 1,661 institutions in this analysis, 528 (32%) show their students owing more on their loans than the amount they initially borrowed, even five years after entering repayment. Even more concerning, 24 show their former graduate students having accumulated over \$25 million in interest alone at each of their institutions, as these borrowers fail to earn enough to keep their loan balance from ballooning.

Graduate Schools Where Students Owe \$100 Million (Or More) on Their Loans

While most institutions see their graduate students paying down at least some of their interest soon after leaving, others see a massive accumulation of interest, with borrowers unable to make payments large enough to prevent their balance from growing. In fact, some individual institutions leave their graduate students owing more than \$100 million in addition to the amount they initially borrowed five years prior in their pursuits to obtain a sought-after graduate credential.

Graduate Schools Where Students Owe Over \$100 Million In Interest After Five Years

Institution name	Predominant degree	Sector	Degree and certificate seeking graduate students	Graduate 5-year dollar-based repayment rate	Graduate amount of federal loans	Total amount of loan remaining 5-years later	Difference in Loan balance after five years
WALDEN UNIVERSITY	Bachelor's	For-profit	42,033	121%	\$1,379 M	\$1,668 M	\$289 M
UNIVERSITY OF PHOENIX	Bachelor's	For-profit	21,238	118%	\$1,333 M	\$1,568 M	\$235 M
CAPELLA UNIVERSITY	Bachelor's	For-profit	27,149	122%	\$899 M	\$1,096 M	\$197 M
STRAYER UNIVERSITY	Bachelor's	For-profit	8,631	129%	\$647 M	\$836 M	\$189 M
LIBERTY UNIVERSITY	Bachelor's	Private, non-profit	45,361	118%	\$661 M	\$780 M	\$119 M
DEVRY UNIVERSITY	Bachelor's	For-profit	4,786	119%	\$584 M	\$694 M	\$109 M
NOVA SOUTHEASTERN UNIVERSITY	Bachelor's	Private, non-profit	14,574	110%	\$1,046 M	\$1,155 M	\$109 M

Notably, all of the institutions that show their graduate students accumulating the largest amount of loan interest are private non-profit and for-profit institutions. At these institutions, each cohort of graduate students borrowed between \$584 million and \$1.38 billion over a two-year period, and each saw their loan balance grow between 10% and 29% over that time. Graduate students at Walden University saw their cumulative loan balance grow the most, as their students accumulated \$289 million in additional loan interest over their individual principal.

Lowest Performing Programs

Specific programs may be contributing the most to the increasing indebtedness we see at some graduate schools. Below, we examine the graduate programs at institutions where students' loan balances grew the across the United States. We show those where students take on most debt in comparison to their relative income four years after earning their graduate degree.

Debt-to-Earnings Ratio for Graduate Programs at Low-Performing Institutions

Institution	Additional Loan Balance after Five Years	Field of Study	Type of Degree	Median earnings	Median Debt	Debt-to-Earnings Ratio
Walden University	\$289 M	Psychology, General.	Doctoral Degree	\$72,197	\$175,633	243.3%
Walden University	\$289 M	Curriculum and Instruction.	Graduate/Professional Certificate	\$62,564	\$122,882	196.4%
Walden University	\$289 M	Mental and Social Health Services and Allied Professions.	Master's Degree	\$49,822	\$80,386	161.3%
University of Phoenix	\$235 M	Educational Administration and Supervision.	Doctoral Degree	\$70,202	\$73,109	104.1%
University of Phoenix	\$235 M	Curriculum and Instruction.	Doctoral Degree	\$74,890	\$77,545	103.5%
University of Phoenix	\$235 M	Educational/Instructional Media Design.	Doctoral Degree	\$81,130	\$79,671	98.2%
Capella University	\$197 M	Criminal Justice and Corrections.	Doctoral Degree	\$79,205	\$138,500	174.9%
Capella University	\$197 M	Psychology, General.	Doctoral Degree	\$68,993	\$108,914	157.9%
Capella University	\$197 M	Mental and Social Health Services and Allied Professions.	First Professional Degree	\$47,165	\$73,945	156.8%
Strayer University	\$189 M	Educational Administration and Supervision.	Master's Degree	\$45,764	\$81,000	177.0%
Strayer University	\$189 M	Health and Medical Administrative Services.	Master's Degree	\$48,777	\$81,207	166.5%
Strayer University	\$189 M	Public Administration.	Master's Degree	\$55,281	\$81,723	147.8%
Liberty University	\$119 M	Theological and Ministerial Studies.	Doctoral Degree	\$70,894	\$86,863	122.5%
Liberty University	\$119 M	Religious Education.	Master's Degree	\$40,837	\$48,041	117.6%
Liberty University	\$119 M	Clinical, Counseling and Applied Psychology.	Master's Degree	\$46,350	\$50,911	109.8%
Nova Southeastern University	\$109 M	Dentistry.	Doctoral Degree	\$114,794	\$406,377	354.0%
Nova Southeastern University	\$109 M	Mental and Social Health Services and Allied Professions.	Doctoral Degree	\$76,348	\$219,112	287.0%
Nova Southeastern University	\$109 M	Special Education and Teaching.	Master's Degree	\$48,527	\$125,828	259.3%
DeVry University	\$109 M	Human Resources Management and Services.	Master's Degree	\$59,771	\$45,892	76.8%
DeVry University	\$109 M	Business Administration, Management and Operations.	Graduate/Professional Certificate	\$70,409	\$46,692	66.3%
DeVry University	\$109 M	Accounting and Related Services.	Graduate/Professional Certificate	\$67,831	\$42,015	61.9%

*Chart focuses on institutions where students owe more than an additional \$100 million in graduate student debt five years after entering repayment. Programs highlighted are top three programs with highest debt-to-income ratio.

At Walden University, for example, students who earn a doctorate in Psychology graduate owing \$175,633 in Federal student debt, 243% more than the \$72,197 they earn four years after graduation. Similarly, those who earn a graduate certificate in Curriculum and Instruction leave their program owing \$122,882 in federal student loan debt, while earning a much lower salary of \$62,564. Students who take on this much debt relative to their anticipated earnings after graduating are likely to struggle with repayment, if not find it unmanageable altogether.

Conclusion

Right now, there are few protections in place to prevent students from owing too much while earning so little after earning their graduate credential. While some of this underperformance can be addressed program by program, we also see individual institutions where entire cohorts of students end up owing millions more on their educational debt than the amount they initially borrowed. With no checks and balances in place, this cycle where students take on massive amounts of debt—that they will never be able to fully pay back—will continue to occur.