Reducing the interest on students loan research proposals examples

Finance, Investment

The economic strain on the society makes higher education a dream for many students in today’s society. More often than not, parents have to shatter their children’s dreams because they are unable to afford tuition fees. Government scholarships or bursaries cannot meet the needs of the overall fees. In many instances, these government aided grants carry the weight of maintaining a high academic average, and students who need help cannot maintain such average. As a result, the students turn to various lending agency that offer loans at a high interest rate. However, with the current economic crisis, many parents and students have to forego these loans because of the exorbitant interest rates. Because education is compulsory for individuals to have a successful career, there is the need to reduce the interest rates on student loans, so that higher education is affordable to everyone.

Firstly, education is the cornerstone of every society, but according to Batkins, Miller & Gitis (2014) “ the growth in higher education costs is hardly a secret to parents and students[as] ninety-two percent of [the students] agreed that [the] college is too expensive.” Many individuals face the high cost of education daily as they attempt to acquire loans to offset their financial situation. Furthermore, studies show that the fees for tuition outpace the rate of inflation and the published prices show an increase of twenty – eight percent for the published fees during the past ten years. One may argue that there are a number of factors that cause the increase in tuition costs, but the fact that every job requires formal education should force lenders to rethink their interest rate so that more people can afford an education.

Similarly, Gale (2014) reinforces the idea that interest rate on PLUS loans is 6. 41 percent and that borrowers may defer payment until the student leaves school, yet the loan is liable to accumulate interest over this period. It is appalling that in trying to ease the financial burden of repaying the loan, there is an additional cost attached to it. The fact is many students cannot find jobs after they earn their higher education. Nevertheless, a number of lenders require borrowers to sign contracts that require that borrowers " agree to repay [the] loan in line with the regulations that apply at the time the repayments are due and amended. The regulations may be replaced by later regulations" (" A Guide to Proposed Student Loan Book Sell – Off", 2013). However, this is difficult as the interest rates are so high that many people cannot afford this repayment plan, and as such the countries on the whole face the financial burden of having to provide welfare for these highly educated individuals.

There is no doubt that the lending agencies can do more to help individuals who want to live the American Dream. Batkins, Miller & Gitis (2014) postulates that by changing the Title-IV regulations that affect colleges or universities helps to reduce the cost implications of student loans, and helps to moderate the growth in educational costs. With this possibility becoming a reality, more students would be able to further their education and become debt free in a short period. Similarly, " refinancing is a pragmatic solution to the problem of mounting student debt in this country" (Johnson & Ostern, 2013). In addition, the reduced cost of student loan improves the possibility of " repayment while also stimulating the economy by freeing up income in other sectors of the economy" (Johnson & Ostern, 2013).

Higher education means a more workable society with a sound economic foundation. Indeed, every human culture should strive for an educated society filled with hardworking individuals. However, this is not possible if individuals cannot afford to go to colleges and universities. " As student loan volumes hit record levels, and tuition costs continue to grow faster than the rate of inflation; the Department of Education should be looking for any opportunity to help stem the growth in tuition costs" (" Batkins, Miller, & Gitis, 2014). The reality is that educational costs are high. The only option for many individuals is to seek loans to subsidize the cost of education. Many students work two jobs to finance their education, but even that cannot sustain the high cost of tuition.

The idea of not being able to pursue one's educational goals can be devastating for many individuals. One should not have to worry about the huge sum of money owed while attempting to focus on achieving high academic standards. The psychological impact of the high debt repayment schedule is enough to cause emotional and psychological breakdown in borrowers. Even more burdensome is the idea that there is a " one-time fee charged by the lender" (IRS. gov). The reality is that if a person applies for a loan then the person does not have enough money to pay otherwise. Therefore, these additional fees act as a deterrent to those who seek student loans.

Many individuals may argue that the government offers loans to individuals who need financial assistance. In addition, the interest rates are three times less that the private lenders in many instances, but the criteria for accessing these loans is not feasible for many individuals who are interested in acquiring a loan. Many individuals take the time to mature in carrying out their educational goals. Some may not peak academically before tertiary level, yet these low interest rate loans require high grade point average. The fact that an individual's grade point average is not high does not mean that the individual is incapable of mastering tertiary level education, and becoming an asset to the society. Nonetheless, these individuals are deprived of the opportunity to access government aided loans and are forced to borrow from private entities.

The idea of not being able to afford an education is frightening. The job market is quite competitive, and one cannot hope to be financially independent without a formal education at the highest level. However, with the rising cost in education and the loss of jobs, many people will have to forego an education and seek jobs that can barely sustain their lifestyles. Those who cannot find jobs will become deviants in a society or become dependents on the government. The implication of this is great as a country will face higher financial burden of taking care of able-bodied individuals who are capable of working, but cannot do so because they are not qualified to work.

According to a current Lumina Foundation survey,

" the majority of respondents without a certificate or degree beyond high school said that they would feel more secure in both their job and their financial future if they [had] such education. Furthermore, the greater economic benefits of higher education include higher contributions to tax revenues due to higher rates of employment and wages, greater productivity, higher consumption, and reduced reliance on government financial support. And yet state governments are steadily disinvesting in public higher education, (as cited by Ostern & Johnson 2013).”

Nevertheless, many financial institutions do not analyze the disadvantage of maintaining such high interest rates. Instead of reducing the tuition fees, tertiary institutions force families and students to seek loans from private lenders that incur interest rates twice as high as federal loans.

One can conclude that many individuals will prefer to give up on higher education because of the high interest rates. Conversely, there are more benefits to reducing the interest rates in student loans. The reduction in interest rates will provide an increase in the number of borrowers. Furthermore, the reduction in the interest rate would provide the number of current borrowers with a way to access higher-education. One can deduce that the country suffers a financial loss when individuals do not repay the loans in the specified period. This financial loss will continue as many borrowers are unable to repay their loans because the interest is too high. A reduction in the interest rate on student loans means more revenue for the country.

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