Key Issues on Student Debt

INSIDE HIGHER ED

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Sincerely,

Ling Chai Maginn
President/Co-CEO
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Introduction

Experts agree that earning a college credential boosts lifetime earnings. But for many students, earning a degree or another credential – at least from some institutions – requires that they take on debt. While student borrowing is going down, accumulated debt is hitting record highs.

To those who borrow, not to mention parents, politicians and educators, few higher education issues cause as much concern as student debt. Those who make federal policy and those who make campus policy are looking for the right ways to keep debt levels reasonable – while also providing students with a wide array of education options.

The articles in this compilation explore some of the trends in student borrowing, as well as the policy debate in Congress and on campuses. *Inside Higher Ed* will continue to cover these topics, and we welcome your reactions to these articles and your ideas for future coverage.

--The Editors
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News

A selection of articles by *Inside Higher Ed* reporters

Decline in Student Loan Borrowing

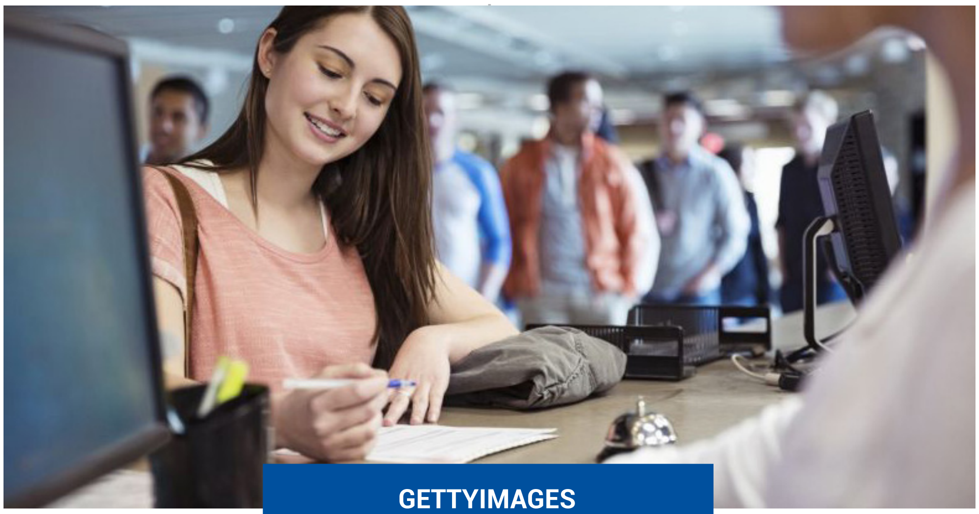
BY ANDREW KREIGHBAUM // JANUARY 30, 2018

U.S. report shows undergraduate borrowing was down in 2015-16 from four years earlier, across nearly all types of institutions. Meanwhile, the proportion of students receiving grant funding rose.

The standard narrative around the student loan "crisis" holds that college has become unaffordable for most students without accumulating massive amounts of debt, and that the problem has gotten worse in recent years.

But new federal data released today show that the overall rate of student borrowing was lower in the 2015-16 academic year than it was four years prior -- the last time such a comprehensive study was released -- even as the average federal loan amount rose slightly among those who borrowed.

According to the National Postsecondary Student Aid Study, a quadrennial survey of undergraduate and graduate students enrolled in college in a given year, 38 percent of undergraduates took out student loans in 2015-16, down from 42 percent in 2011-12. And the proportion of students borrowing was lower for almost every institution type -- community colleges, four-year public institutions, private colleges and for-profit colleges.



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Borrowing rates were also down among both full-time and part-time students.

Two- and four-year for-profit programs saw some of the biggest drops in the proportion of students borrowing. For-profit colleges have been at the center of an ongoing battle over Obama-era regulations to rein in poor-quality programs that graduate students with debt they can't repay, and to provide relief on loan repayment to students defrauded by their institutions. The Department of Education and Secretary Betsy DeVos are in the midst of a rewrite of those rules to take into account complaints from institutions.

Students who borrowed to attend those programs, however, took out significantly more in total student loans. At two-year for-profit programs, the average total student loan amount jumped more than 16 percent, from $7,200 in 2011-12 to $8,400. At two-year community colleges, meanwhile, the average total loan amount remained unchanged at $4,700.

Among all undergraduates, those who borrowed took out an average of $7,600 in loans, an increase of $500 over the previous data.

It's not clear what may be behind the lower overall borrowing rates. The proportion of students receiving federal Pell Grants also dropped between 2011 and 2015, although the average value of the grant did increase by $300. And while the proportion of students receiving state grant aid appeared to jump significantly, that may reflect a change in how the National Center for Education Statistics counts Cal Grants as much as it does higher participation in those programs.

But average overall grant amounts -- including federal, state and campus-based sources -- rose from $6,200 to $7,600.

That growth in grant aid reflects recent upward trends in state-funded aid. Although that growth leveled out in 2015-16, total awards of need-based aid jumped sharply in recent years, according to the National Association of State Student Grant and Aid Programs.

Policy decisions by the Obama administration may have played a role in making state aid more generous. The 2009 stimulus package injected tens of billions of student aid into the higher ed system (in the first year after the stimulus, total expenditures on the Pell Grant Program shot up from $20 billion to $33.5 billion). And the administration and Democrats in Congress insisted that the law include measures requiring states to maintain their own education spending to qualify for the additional federal funds.

And as the job market has picked up since the Great Recession, the annual enrollment of students in higher ed institutions has declined continuously -- possibly meaning fewer students who seek out aid via grants or loans.

The data suggested that for graduate students in particular, the aid picture has become even tighter. The proportion of graduate students getting teaching assistantships declined from 12 percent to 8 percent, and the average value of those assistantships fell more than 8 percent, to $13,400. Meanwhile, the proportion of graduate students taking out federal Grad PLUS loans remained flat at 10 percent, but the average loan amount jumped nearly 20 percent, to $22,300.

Students taking out Grad PLUS loans can borrow an unlimited amount up to the cost of attendance for their program. But the PROSPER Act, House Republicans' version of a Higher Ed Act reauthorization, would cap those graduate loans at $28,500 annually. ■

https://www.insidehighered.com/news/2018/01/30/new-us-data-show-lower-student-borrowing-after-surge-pell-spending

Risks of Risk Sharing

BY ANDREW KREIGHBAUM // AUGUST 5, 2016

As bipartisan consensus emerges in Congress that colleges should share the burden of students who can't repay loans or find jobs, higher ed leaders consider how such a plan would work and whether it would discourage them from educating the disadvantaged.

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Congress will have its fair share of contentious issues in higher ed in January, beginning with debt-free-college proposals backed by a growing number of Democrats. But a bipartisan consensus appears to be forming behind measures to hold colleges and universities more accountable for student financial outcomes like loan repayments.

Members of Congress on both sides of the aisle have introduced legislative proposals to introduce risk-sharing measures that would hold institutions accountable for student outcomes. The idea is that colleges and universities should have a greater stake in the outcomes of the student borrowers they graduate -- if large numbers of students graduate and are unable to pay back their student debt, their institutions could see access to federal programs restricted. And both the Clinton and Trump campaigns have embraced the concept in their policy platforms. Observers in the policy analyst sector expect Congress to take up the issue once the dust settles from the 2016 elections -- as part of a piecemeal approach to the student debt issue or, more likely, as part of a reauthorization of the Higher Education Act.

Policy thinkers say the main question marks beyond the politics of the campaign season and a larger reauthorization bill are what specific metrics colleges and universities would be graded on under such a rating system. Many who have concerns about the idea represent colleges that educate larger numbers of low-income students and feel the institutions will be punished for fulfilling that mission. At the same time, many experts say the federal government needs a tool for holding all colleges and universities accountable for how well they serve their students.

Ben Miller of the Center for American Progress said if risk sharing is to happen in the next Congress, it would likely be in the context of a reauthorization of the Higher Education Act. "Apart from the woefully inadequate cohort default rate, they don't really have to produce any particular results," Miller said of colleges and universities that would be judged on a risk-sharing formula. "I think folks are concerned that the investment in debt is too big to not expect more from the schools."

Organizations representing sectors likely to be most affected by such a measure have staked out remarkably different positions. On one hand, the main industry group for for-profit colleges has said it is open to the tool, as is the Thurgood Marshall College Fund, which represents public historically black colleges and universities. But the United Negro College Fund, which represents private HBCUs, and organizations representing community colleges are outright opposed to any "skin in the game" measures.

Advocates for risk sharing say it's necessary to align the incentives of institutions with students -- to push colleges to think more about who would succeed on their campus and to provide better guidance to the students they do admit. Currently, the only real standard for institutional accountability is the cohort default rate -- should a college go over 30 percent in three consecutive years, it can lose access to federal student loan and grant programs for students. But risk-sharing skeptics argue that the proposals being discussed are punitive measures that would discourage institutions from admitting underserved student populations who pose a high risk of default on loans.

The idea of risk sharing is part of an evolving focus on issues of higher education in the policy-making realm. Whereas advocates and policy makers in the past were concerned with improving enrollment numbers and later graduation rates, there is a growing preoccupation with outcomes like student indebtedness.

"We've seen more and more proposals and more and more conversation about the fact that federal policy should be looking at the end game and be looking at the success of the students and incentivize institutions to do the same for these dollars that way," said Julie Peller, director of federal policy for the Lumina Foundation.

Lumina funded a risk-sharing policy brief released by Seton Hall University professor Robert Kelchen, which envisioned standards that would measure colleges and universities against peer groups serving similar student populations. The plans would also have separate components for Pell Grants and federal student loans. Currently, colleges with poor outcomes on student loans can see access to Pell Grant funds reduced as a consequence. Other proposals for the idea have been released by the American Enterprise Institute and the Institute for College Access and Success.

All three plans suggest replacing the cohort default rate as the standard by which colleges maintain eligibility for federal funding. The TICAS plan proposes that accountability measures be based on a Student Default Risk Indicator, which accounts for both the cohort default rates and the borrowing rate at a college. The AEI plan also calls for protections against economic factors outside of an institution's control that affect graduates' ability to find work and pay back loans. It proposes tying a risk-sharing formula to the national unemployment rate.

Those proposals attempt to address concerns over access as well. The AEI plan suggests offering colleges more Pell Grant funds to award to students in their first year, so they can spend their first year without taking on significant debt. The TICAS plan would offer financial incentives

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based on enrollment of low-income students to colleges with low default risk indicators.

On the Hill, Senator Lamar Alexander, a Tennessee Republican who is chair of the Senate education committee, released a white paper on risk sharing along with a request for comments. Other bills were introduced by Senate Democrats Elizabeth Warren of Massachusetts, Jack Reed of Rhode Island and Dick Durbin of Illinois.

A handful of organizations whose members serve large numbers of low-income, first-generation or minority students remain outright opposed to any risk-sharing plan. Cheryl Smith, senior vice president of the United Negro College Fund, said such proposals would create a perverse incentive for those institutions to admit fewer disadvantaged students.

"People are looking for kind of the quick fix to solve a lot of different things, whether it's rising college costs, student debt, increasing graduation rates, and, you know, if you use a blunt instrument, we think you're going to have unintended consequences," she said.

Groups advocating for community colleges have likewise taken a dim view of risk sharing. The American Association of Community College said in a policy paper last year that risk sharing poses a threat to two-year colleges, which already have "massive 'skin in the game.' " Even small declines in revenue from risk-sharing penalties would be costly for those institutions, and the policy could lead more community colleges to opt out of participating in federal loan programs, the association argues.

The idea of risk sharing is intuitively attractive but would not be easy to carry out without drawbacks, said Terry Hartle, senior vice president for the American Council on Education.

But there's significant disagreement about the implications of risk sharing even among institutions likely to be impacted by those measures. Johnny C. Taylor Jr., the president and CEO of the Thurgood Marshall College Fund, said colleges serving low-income and first-generation students should be even more sure than elite universities that they are admitting students who can succeed.

"I think the concept of risk sharing is not only appropriate, but it's wise. The issue is how you go about doing it," he said. "At the end of the day, if we establish what are going to be standards for which you will be held accountable and then we are comparing like for like institutions, then it is totally appropriate."

The likelihood of some kind of risk-sharing proposal appears to be growing with or without the cooperation of skeptical stakeholders. Steve Gunderson, president and CEO of Career Education Colleges and Universities, said leaders of both parties have committed to the concept as an element that should be included in any reauthorization of the Higher Education Act in the next Congress. And the for-profit association is open to being held accountable for student outcomes.

"We are not going to have in this country a premise that says everyone is entitled to free college with no accountability," he said. "That's just not realistic in today's age."

One of the challenges for any debate over risk-sharing measures is that there isn't one single proposal for various stakeholders to critique. The proposals already released for risk-sharing measures show an awareness of the concerns raised by skeptics. Those fears aren't without merit, said Barmak Nassirian, director of federal relations and policy analysis at the American Association of State Colleges and Universities.

He said any plan adopted by Congress will have to thread the needle between insufficient accountability for colleges and limiting access.

"The test here is a simple one -- institutions should generally leave the vast majority of students they admit better educated and better off, not worse off," he said. ■

https://www.insidehighered.com/news/2016/08/05/leaders-both-parties-want-colleges-have-more-skin-game-student-outcomes

The Conservative Approach to Student Loans

BY ANDREW KREIGHBAUM // FEBRUARY 22, 2017

Right-leaning policy thinkers push agenda to simplify loan system, inject bigger role for private lenders. But proposals to eliminate PLUS loans are likely to draw opposition from advocacy groups.

For much of the new year, Jason Delisle has taken every available opportunity to argue against a return to the bank-based federal student loan system that existed before 2010.

On panels, in policy papers and in guest columns and op-eds, the American Enterprise Institute resident fellow has made the case that returning to a bank-based system from the current set-up where the government originates all federal student loans -- a plank of the GOP platform -- is misguided policy.

"I'm [generally] inclined to believe that if the market is involved, the product will be better," Delisle says. "This was a case where that wasn't true."

With Republicans controlling the White House and Congress for the first time in a decade, questions about how they will approach federal student aid, and how far they will veer from the path on loan policy staked out by President Obama, are abundant.

Conversations with Delisle and other conservative policy analysts -- those seemingly likeliest to seed ideas for a party with renewed power -- suggest that the change might not be radical. Not surprisingly, they generally favor a bigger role for private capital in the student loan system, but they seem disinclined to undo the transformation wrought by the Obama administration. That's not because they love federal direct lending but because they don't think the previous bank-based system was truly market-driven either. Their other major goal -- simplifying the student financial aid system -- is shared by many across the political spectrum.

The question is how to get there. And while denizens of the think tank world agree on some policy steps to

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reach those objectives, it's not yet clear how effectively those ideas are reaching policy makers in the administration or Congress.

The Flaws in FFEL

Republican politicians, including President Trump, have argued for returning to lending done by private banks after more than half a decade in which student loans were made directly by the federal government. But there's broad opposition to such a move on both the right and the left.

Under the old system, the Federal Family Education Loan Program, banks made subsidized loans to student borrowers that were guaranteed by the federal government, with the rates set by Congress. Critics say the FFEL program was a giveaway to banks that didn't improve loan performance or create real competition among lenders.

"There's this argument that it's inserting private market competition, which it isn't -- that's not true," said Alexander Holt, a policy analyst at New America's Education Policy Program.

Just because market-oriented analysts don't want to blow up the direct loan program for undergraduates doesn't mean they're happy with the status quo. That the federal government originates more than 90 percent of student loans is a frequent lament on the right. But instead of a return to FFEL, they propose curtailing that government role by eliminating the Grad PLUS and Parent PLUS loan programs, two uncapped federal lending programs.

Delisle is as vocal an opponent of the PLUS loan programs, which he says is "essentially crowding out the private market," as he is of a return to bank-based student lending.

While the graduate loan program has high repayment and low default rates, Delisle and other PLUS opponents say, those students could get financing for graduate education from the private loan market. And they say the Parent PLUS loan saddles parents with loans they cannot

> "There is a recognition that we've been adding and adding layer upon layer and it's gone too far. So you've got to do something about that."

repay. Headlines pulled from GAO reports about elderly borrowers having their Social Security benefits garnished to pay for loans have added fuel to calls for scrutinizing or eliminating the program outright.

"We should roll back as much federal direct lending as possible," said Lindsey Burke of the Heritage Foundation. "The path for doing that should start by eliminating the PLUS program altogether."

Groups like Heritage argue that the availability of government financing for higher education through programs like PLUS is actually driving increases in college tuition -- an example of the so-called Bennett hypothesis. Private lenders, Burke said, would also be able to differentiate interest rates depending on a student's planned major or course of study if the law was changed to permit that. The U.S. could better keep student lending under control if private lenders could set the terms of a loan based on a students' educational achievements and plan of study for their next degree, they argue.

Conservative policy analysts are also agreed on the idea of simplifying the myriad choices for student loans and grants to something resembling a "one grant, one loan" approach.

There's, again, some support on the right and the left for simplifying the loan and grant options on offer to students. And prominent lawmakers like Tennessee Republican Lamar Alexander, the chairman of the Senate Health, Education, Labor and Pensions committee, have in the past proposed legislation to streamline the number of those options.

"There's this big mess of information that basically makes it difficult for students to know what options are affordable to them," said Beth Akers, a senior fellow at the Manhattan Institute.

Simplifying the number of aid programs available to students would also make possible a more coherent conversation about the costs of subsidizing higher education, she said. The existing complex financial aid system is less transparent because of its complexity; having fewer channels of aid would make it easier to understand how much the government is spending and who the money is going to, Akers said.

It's not only on the front end of the higher education process, when students apply for loans and grants to finance their education, that complexity has taken hold. To manage their student loan payments after leaving school student borrowers can also choose from an assortment of income-driven repayment plans, which grew in number under Obama.

"There is a recognition that we've been adding and adding layer upon layer and it's gone too far. So you've got to do something about that," Holt said.

And there is growing support for expanding the role of novel financial products like income-share agreements to fund students' postsecondary education and training. In contrast with a student loan, ISAs would require that students pay back a percentage of their income over a set number of years. That would be a better deal than a loan for graduates who earn low incomes but would be costlier for those who end up earning higher than expected incomes.

That would be the easiest change for policy makers to pursue because it wouldn't require an ambitious new federal program -- Congress could simplify clarify the law to make clear what would be allowed under such agreements. There is some momentum for campus-based ISA agreements already but policy analysts say adding more clarity would lead to more involvement from the private market.

While the Republican dominance in the federal government -- the GOP holds majorities in both houses of Congress and the White House for the first time in a decade -- is unusual, there would likely be big hurdles to carrying out much of this policy agenda.

Progressive policy groups, organizations advocating for student access and higher ed institutions themselves would oppose proposals to eliminate PLUS loans entirely, even if they would be open to reevaluating the programs.

Justin Draeger, president and CEO of the National Association of Student Financial Aid Administrators, said there's an ideological assumption that the private loan market can better address the needs met by the PLUS loan programs now. But NASFAA and other advocacy groups argue that the PLUS loan programs provide subsidies to low-income and minority students to attend college and graduate programs who wouldn't otherwise. Removing those programs would cut out a critical source of financing for many students that wouldn't necessarily be filled by the private market, they say.

"In a perfect world, I understand why that seems feasible. But we don't live in a perfect world and the education space is an imperfect market," Draeger said. "You're just going to exacerbate inequality and achievement gaps."

Draeger said NASFAA would be open to examining changes to PLUS, including assessing the ability of some parents to pay back loans. But seeking to eliminate the program entirely would unite a number of stakeholder groups in opposition, he said.

Graduate PLUS loans help offset the cost of other federal student loan programs, according to the Congressional Budget Office -- a finding that will provide ammunition to its defenders. Graduate borrowers are a better financial bet as they repay loans at a higher rate and default at a lower level. And under current Congressional budgeting rules, the Grad PLUS loans make money back for the federal government.

And recent attempts to modify how Parent PLUS loans are awarded have not fared well for federal policy makers. When the Department of Education under President Obama made it more difficult to take out Parent PLUS loans in 2011,

> "We should roll back as much federal direct lending as possible. The path for doing that should start by eliminating the PLUS program altogether."

the changes affected colleges of all sorts that serve large numbers of low-income students. But historically black colleges and universities were hit particularly hard by the changes and many leaders of those institutions were furious at the administration. The relationship between Obama and HBCUs never seemed to recover.

Holt said the proposal may also draw opposition from the for-profit college industry, a sector that takes in a growing amount of revenue from federal federal aid attached to graduate enrollment. That could set up a clash between for-profits and lending companies that hope to play a bigger role in the graduate market, he said.

Progress on simplifying current student loan offerings could also run up against the reality that some aid programs that don't appear significant in the aggregate can disproportionately benefit certain sectors or institutions, said Ben Miller, senior director for postsecondary education at the Center for American Progress.

"Simplification sounds awesome. Everybody wants it," Miller said. "When you start to deal with money -- who it flows to and how much -- things get a lot more complicated."

Holt said while there's broad consensus on simplification as a goal, there's not much agreement on what that actually means. Delisle said that if policy makers are serious about the idea, they could set up an account-based system where students draw down a balance for loans or grants as they make progress toward their degree.

There's also acknowledgment in conservative policy circles that agreement between think tanks and policy shops might not amount to much on Capitol Hill.

"The question is: is that consensus meaningful at all?" Holt said. "Does it translate at all into what the GOP or the Trump administration would be listening to or thinking about?"

And unlike typical Republican administrations -- or even typical GOP candidates -- the current White House does not have deep ties to D.C. policy shops. Delisle, for example, served as an informal policy adviser on higher education for the Jeb Bush presidential campaign. Another former Republican presidential candidate, Florida Sen. Marco Rubio, has frequently consulted with organizations with Washington-based think tanks on higher education legislation.

Trump had no such connections to organizations that study higher ed policy issues, either from government service, advocacy or from crafting campaign platforms. And since winning the Republican nomination, his team of education advisers was assembled basically on the fly.

But even with an outsider president, Delisle said policy analysts like himself can definitely still make their case.

"If anything, I think it's easier," he said. "Ten years ago, a blog was a pretty new thing. There's more opportunities to get information out and do analysis and research and communicate it to folks."

And the dynamics on Capitol Hill have largely stayed the same, even if the objectives of the administration remain a mystery at this point. Alexander, Sen. Patty Murray of Washington, the HELP panel's senior Democrat, and Virginia Foxx, the chair of the House education committee, are known quantities for policy advocates.

But Akers said Republicans for the past eight years have filled an opposition role, pushing back against policies that socialized higher education.

"My feeling is the GOP just did not anticipate being in a leadership position on any of these policy areas," she said. "I think people are scrambling for ideas." ■

https://www.insidehighered.com/news/2017/02/22/consensus-forms-loan-policies-among-conservative-thinkers


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How Parent PLUS Worsens the Racial Wealth Gap

BY ANDREW KREIGHBAUM // MAY 15, 2018

Report finds loan program -- critical to many historically black institutions -- exacerbates economic inequality for low-income black families by adding student debt they can't repay.

A federal loan program designed to help parents finance their children's college education is seen by many as a tool for access, but it may be exacerbating racial inequality, New America argues in a new report.

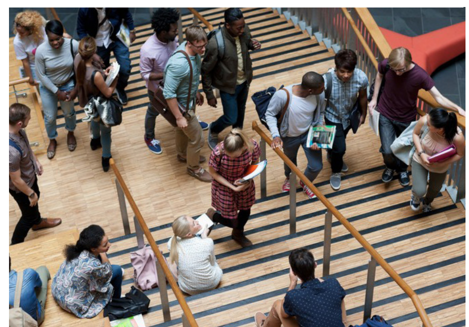
While white Americans who use the loan program, known as Parent PLUS, are primarily the middle- and upper-class families it was designed for, it is also heavily used by low-income African-American families with the least ability to repay, the report finds.

When the Obama administration, with little notice, instituted more stringent credit checks for the program, it faced intense backlash from historically black colleges, which experienced serious losses in students and revenue. The Department of Education eventually settled on a modest borrowing standard for the program, and Parent PLUS disbursements have climbed steadily in recent years even as those of other federal loan programs have dropped off.

Recent data on loan repayment, meanwhile, show a crisis of loan defaults among African-American borrowers. Practically nothing is known about repayment rates for Parent PLUS, the report says, but the repayment data for black undergraduate borrowers suggests their families may be struggling to repay those loans as well.

And unlike with federal direct loans, parent borrowers don't have access to benefits such as income-driven repayment, putting them at risk of default and debt collection that could endanger their retirement security.

The report recommends several interim policy fixes to make sure families are not taking on unmanageable debt, among them the ad-



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dition of an "ability to pay" measure to the credit check for Parent PLUS loans and a ban on colleges packaging the loans in a student's financial aid award letter. And it calls for making the loans dischargeable through bankruptcy as well as adding more accountability for colleges.

Over the longer term, the report argues that policy makers should promote more targeted aid to students of color so that they can pursue a higher education without financing it with serious debt. That aid could be need based or specifically targeted to students of color.

"Saddling both the student and then the parent with debt is a concerning trend and a debt cycle that will be really hard to escape," said Rachel Fishman, deputy director for research at New America's Education Policy program and the author of the report.

> Saddling both the student and then the parent with debt is a concerning trend and a debt cycle that will be really hard to escape.

Any proposal to reform the Parent PLUS program is likely to receive pushback from some sectors of higher ed concerned about restricting access for minority students. But as loan defaults and other outcomes for student borrowers get more attention from policy makers and higher ed researchers, consumer and student advocates say now is the time to re-examine the program.

The Race Gap in Parent PLUS

Fishman writes that the Parent PLUS program has been heavily utilized by low-income black families because of a racial wealth gap fueled by decades of government policy. That has meant that those families disproportionately turn to debt to finance their children's college education.

Officially colorblind legislation passed after World War II in practice often excluded black families from benefits that lifted white Americans into the middle class. The GI Bill provided guaranteed loans for veterans to buy homes in developing suburbs, but redlining -- a practice promoted by the Federal Housing Administration -- kept black home buyers out of white neighborhoods.

Discriminatory housing and lending policies meant many black families could not build up the same property equity that white families use to finance higher education.

And the higher education benefits of the GI Bill in practice were often awarded in a discriminatory manner. Black veterans were steered toward vocational programs over a college degree by government agencies and otherwise faced a segregated postsecondary system that underfunded institutions serving black students.

In large part because low-income black families have not been able to accumulate wealth through means like home ownership, Parent PLUS is seen as an important tool for access to college for many students.

When the Department of Education unexpectedly raised credit standards for Parent PLUS in 2011, a change resulting partly from the move to 100 percent federal direct lending, tens of thousands of families were denied access to loans. And colleges that relied on the program took a serious financial hit from a resulting loss in enrollment.

The backlash from those institutions eventually prompted a change of course: an apology from then Education Secretary Arne Duncan in 2013 and a rule-making process in 2014 that ended with a looser credit standard. Policy makers haven't revisited Parent PLUS since that change.

But Ben Miller, director of the postsecondary education program at the Center for American Progress, said the time for such discussions is now with a potential reauthorization of the Higher Education Act on the horizon.

"I think the fact that there isn't as strong of a sense of urgency around the PLUS program the way there was during the rule making should mean there is a window for discussion," he said.

In an analysis of federal data published last year, Miller found that 12 years after entering college, the median black borrower owed more than their original student loan amount. It's one of multiple recent reports that have found significant racial disparities in student loan outcomes.

Judith Scott-Clayton, associate professor of economics and education at Columbia University's Teachers College, found in an analysis for the Brookings Institution that black borrowers in particular are at risk of becoming delinquent or defaulting on their loans. She projected that nearly two in five borrowers who entered college in 2003-4 would default on their loans by 2023.

The New America report argues that even those findings don't take into account the additional debt burden of parent borrowers and suggests that outcomes for Parent PLUS loans likely correlate with those of student borrowers. Fishman recommends that policy makers promote additional transparency around the program by releasing better data and requiring that institutions stop packaging the loans in students' financial aid award letters.

More significantly for students, the report urges that ability to pay be considered when making Parent PLUS awards. And in the longer term, it calls for more targeted aid to reduce the cost of college education up front for low-income students of color.

Fishman acknowledged that any attempt to restrict lending to parents would be met with concerns over access. But taking on the loans is risky for some families, she said.

"The bottom line is these students need more money, and the money cannot be loans," Fishman said.

Tiffany Jones, director of higher education policy at the Education Trust, which advocates for closing gaps in access and affordability for college students, said any consideration of restricting lending should be mindful of restricting access to college for black families.

"We would much prefer that low-income students are paying for college with grant aid, rather than loan aid," she said. "In the absence of that, we want to be careful that we're not limiting opportunities."

Historically black college groups took issue with a previous report from New America that suggested institutions had used PLUS loans to hide prices from students and limit exposure to defaults. Lodriguez Murray, the vice president for public policy and government affairs at the United Negro College Fund, said he appreciated that the latest report took care to spell out how many black families have come to rely on PLUS loans to finance higher education.

But he said the recommendations of the report should have gone further in addressing the needs of black families overburdened by the PLUS program, possibly by offering income-driven repayment or loan forgiveness. And he said work-force discrimination and salary disparities contribute to the wealth gap in ways the higher ed system alone cannot address.

"What we don't need to work on is symptoms," he said. "We need to make recommendations that get to the root and help level the playing field." ■

https://www.insidehighered.com/news/2018/05/15/report-finds-parent-plus-loans-worsen-outcomes-poorest-families-urges-policy-reforms

New Questions on Racial Disparity and Student Debt

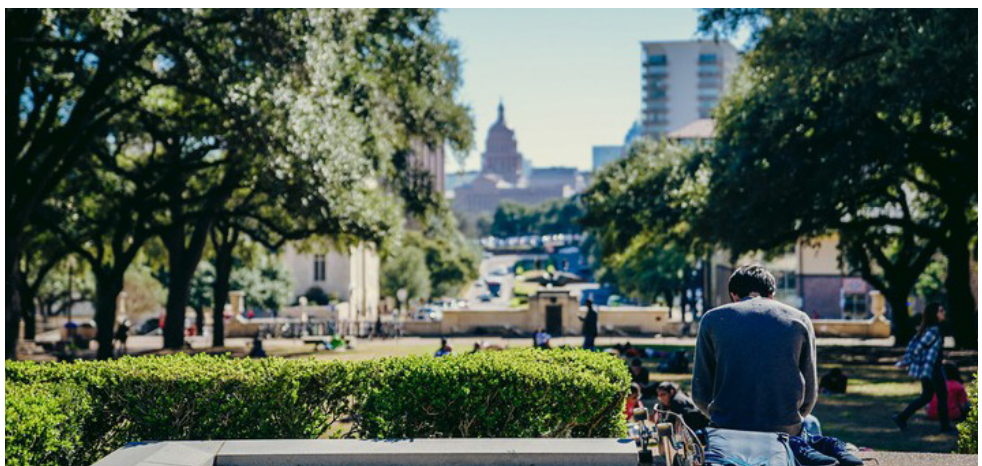
BY ANDREW KREIGHBAUM // MAY 18, 2018

Early takeaways from new federal data show lower proportion of some nontraditional student types and racial disparities in graduate borrowing.

The proportion of the U.S. college-going population made up by nontraditional students -- at least by some common markers -- has dropped off in recent years as the economy has continued to improve.

And among those pursuing graduate education, the share of black students accumulating significant student debt levels has shot up sharply, outpacing other student groups.

Those are among the takeaways of researchers reviewing new federal data on postsecondary students with a particular focus on how they pay for their educations.



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The latest iteration of the National Postsecondary Student Aid Study (NPSAS), a nationally representative survey of postsecondary students, was released this week. The data from the survey, which is administered every four years, reflect the student population for the 2015-16 academic year.

Higher ed researchers have weighed in with early thoughts via outlets like Twitter or in longer analyses of findings from the new data.

Ben Barrett, a policy analyst with the Education Policy Program at New America, noted in a blog post that the share of students with nontraditional characteristics has grown steadily over the past decade. That's been true of racial and ethnic diversity, low-income and first-generation status, age, and attendance status.

But the NPSAS data show significant recent reversals in those trends for the percentage of undergraduates receiving a Pell Grant as well as the share of first-generation college students. The dropoff in Pell recipients was driven entirely by changes in enrollment at community colleges, which serve a disproportionate number of those students. The share of first-generation students, however, declined in every sector of higher ed.

The proportion of older and financially independent college students has also shrunk since 2012, the previous survey year, possibly because of a stronger economy. Typically, when the economy is weaker, workers return to college to get new credentials and improve their job prospects. But with a more robust job market, there is less demand for higher ed, particularly in the community college sector.

"To be sure, these trends have occasionally differed in surprising ways across institutional sectors of higher education, and the dip over the past four years may have more to do with an improving economy than any critical reversal in enrollment trends," Barrett writes.

The proportion of students of color enrolling in undergraduate programs has continued to grow as has the share of students attending part time. So colleges and universities in the U.S. will need to continue to focus on how they serve a more diverse student population.

A growing body of data and research suggests that the higher education system has been falling short in serving African American students in particular.

Most recently, a report from New America this week argued that the federal Parent PLUS loan program has exacerbated the racial wealth gap by allowing low-income black families to take out debt they can't repay to finance the cost of a child's college education.

The new federal data indicate that those racial disparities could bear greater scrutiny in graduate education as well. Robert Kelchen, an assistant professor of higher education at Seton Hall University who studies higher education finance, used the new NPSAS data to examine the racial makeup of grad students taking out six figures in loan debt (including both undergrad and graduate loans).

For most racial and ethnic groups, the percentage of students with at least $100,000 in loan debt remained fairly steady -- within one percentage point -- of 2012 levels. But for black students, the share of such borrowers shot up from 21 to 30 percent. That's three times, Kelchen noted, the rate for white students.

He said the two most likely reasons for the disparity are fewer family resources for black students to draw on to finance an education as well as their chosen field of study -- more of those students may be entering fields like education that offer fewer graduate assistantships, for example. Other recent research, meanwhile, have found that female and black graduates are paid less than white male peers with college degrees, suggesting an even bigger premium on a graduate degree.

Racial disparities also exist in the proportion of graduate students with no debt, although those numbers have changed little since the 2004 survey year.

"Students are going to either be stuck with that debt for a long time or taxpayers are going to have to forgive a large portion of it," Kelchen said.

The only real federal aid available to graduate students right now is income-driven repayment, Kelchen said, which offers loan forgiveness after 25 years. But that backend subsidy will get more scrutiny from policy makers as projections of the federal costs for graduate lending rise.

"Then it becomes a question of how much in student loans taxpayers should forgive, particularly when they're going to graduate and professional students," Kelchen said. ■

https://www.insidehighered.com/news/2018/05/18/early-analyses-federal-data-show-changes-student-and-debt-profiles

A Look at Geographic Distribution of Student Debt

BY PAUL FAIN // APRIL 6, 2018

Northeast and Midwest have the highest portions of college students who borrow.

A new web tool from the Urban Institute reveals the geographic distribution of student loan debt, with interactive data on debt levels and the share of people who took out student loans at both state and county levels.

The Northeast and Midwest have the highest portions of college students who borrow (45 percent and 44 percent, respectively), according a related paper the institute released today. Students from the Northeast also borrowed the most, with an average annual amount of $8,749.

Perhaps unsurprisingly, the share of college students who borrow in a state is "highly correlated with the cost of attending a public four-year college in that state," according to the brief.

Likewise, states with high student debt levels tend to have four-year public institutions with higher average costs. New Hampshire leads both those categories, the institute found. Wyoming, which has low student debt levels, has the lowest average cost at its four-year public colleges.

"States with high tuition for four-year colleges and little financial assistance typically have a large share of college students using student loans to finance their education," the paper said.

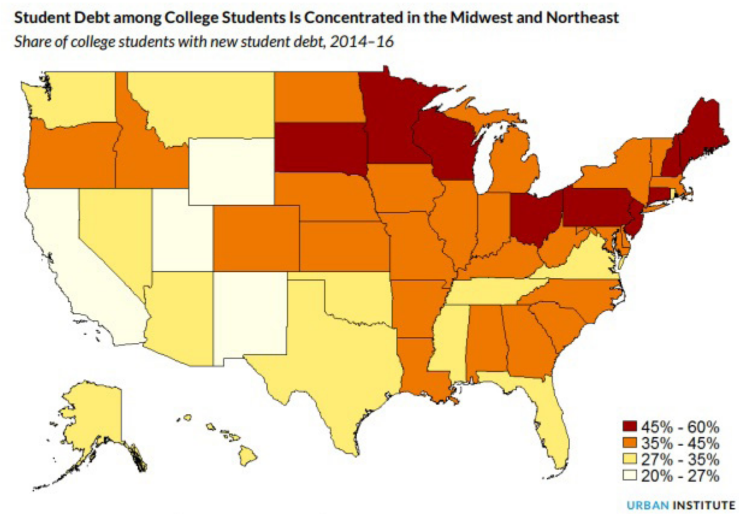
The tool and paper draw from federal data sources as well as credit bureau data and tuition information from the College Board. The tool's 2016 data cover all adults with a credit file, while the related brief is limited to people who were between 19 and 22 years old, for a look at those who take on debt early in their college years.

The Urban Institute's debt-tracking release follows other looks at regional student debt distribution, including those produced by the Institute for College Access and Success and the Washington Center for Equitable Growth.

College students in the western U.S. are the least likely to borrow, the institute found. About 26 percent of students in that region took out loans to attend college, according to credit bureau data. New Mexico, Wyoming and California are at the bottom of this list, with just 23 percent of college students borrowing in California, which has relatively low tuition levels at its public institutions.

On the other side of the country, New Hampshire, Maine and Pennsylvania are among states with the largest shares of undergraduates who borrow -- 58 percent in New Hampshire.

"We present new statistics on the distribution of student debt and the cost of attending college, but it is out of the scope of this study to discuss whether students borrow too much or too little in specific regions," the paper concludes. "If the financial return on a college education is high enough, it is possible that students in a state would be more likely to take out loans to finance their education but less likely to default on those loans." ■



CREDIT BUREAU DATA (FROM AUGUST OF EACH YEAR) AND AMERICAN COMMUNITY SURVEY DATA FROM 2014-2016.

https://www.insidehighered.com/quicktakes/2018/04/06/look-geographic-distribution-student-debt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Decreasing Defaults in Indiana

BY ASHLEY A. SMITH // MAY 1, 2018

Facing increasing student loan default rates, Indiana's community college system has focused on helping students with their financial literacy.

DALLAS -- Community colleges faced with negative perceptions over loans and a growing number of borrowers defaulting are facing pressure to provide better financial literacy education to their students. For many community colleges, only a small minority of students borrow, however, a high rate is problematic to the borrowers and the college.

Officials at Ivy Tech Community College in Indiana revamped their approach to helping students understand the intricacies and consequences of taking out loans and have seen the system's three-year cohort default rates decrease to 18 percent. In 2014, the system had a 22 percent default rate, according to federal data.

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"We know the key to successful repayment is their ability to pay," said Ben Burton, chief student financial resources officer, during the American Association of Community Colleges national conference here, adding that it's important that students complete college, get a job and earn a salary that helps them pay their loans. "In some of our institutions in Indiana, some of our students earn more leaving with an associate degree than they do with a bachelor's degree … We have to get them on the path."

Burton said lowering default rates should involve everyone at the college, including those outside the financial aid office. That means better preparing these students for high-wage jobs so taking out student loans doesn't lead to defaulting.

Ivy Tech hired Student Connections, a loan default prevention management company, that took on the responsibility of lowering borrowers' chances of defaulting by helping them to understand their finances and advocating and serving as an interpreter for students with loan servicing agencies.

Burton said the college had limited resources to provide the one-on-one financial counseling needed to truly help students understand their financial situations.

"When it comes to repaying a student loan, it's confusing and it's not like repaying a car," said Steve Queisser, vice president of strategic partnerships at Student Connections. "The real key to default prevention is retention."

Often students don't understand that a financial aid award letter may include loans, or they may not realize that they're still on the hook for loans even though they didn't graduate, Burton said.

Student loan defaults have been increasing, with federal data showing that about 4.6 million borrowers were in default as of 2017 -- more than double the number that were in default four years earlier. Colleges with high default rates can face federal sanctions. A recent Government Accountability Office report found some colleges are working with consultants to push students into forbearance as a way to lower the institutions' default rates.

Ivy Tech, on the other hand, is focusing on counseling students about their options before they accept the loan. Analysis from the Center for American Progress has shown that defaulters are typically from low-income backgrounds. The average annual income level of an Ivy Tech student is about $20,000, and about 70 percent of the system's degree-seeking students receive financial aid.

Seventy percent of students drop out of college because of nonacademic barriers, and many of those barriers are related to financial literacy skills, Queisser said.

"If debt is a problem and it turns into delinquency, why aren't we doing more about it and helping students understand those burdens?" he said.

Burton said Ivy Tech has built in financial counseling so someone from Student Connections reaches out to the student who is considering taking out a loan to talk with them about what is happening in their life and to explain to them the consequences.

But that doesn't mean students shouldn't take out loans, especially if it helps them graduate and get a job that provides the earnings needed to pay back those loans, he said.

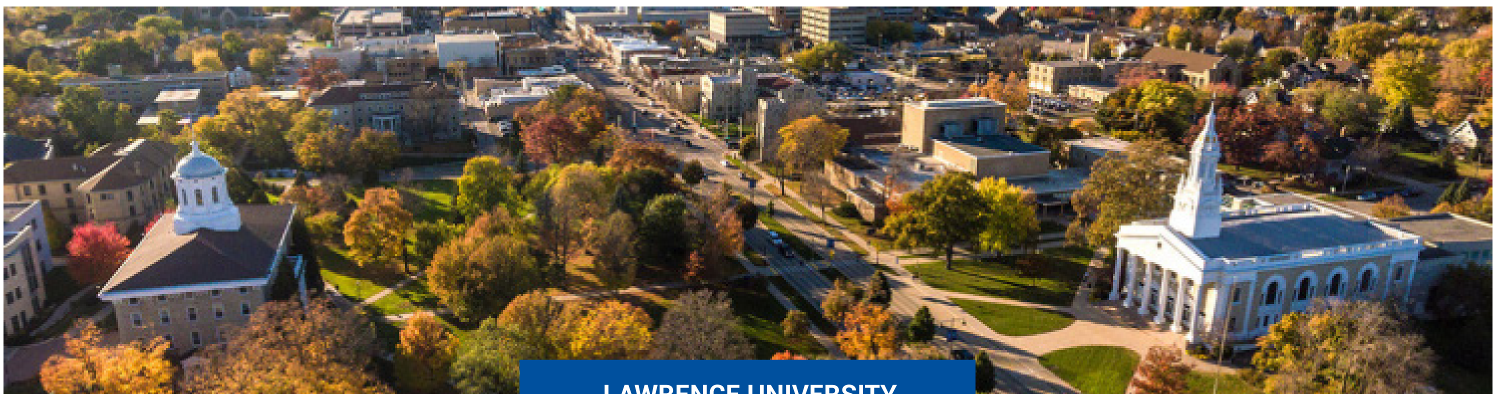
"That's why we want to talk to them," Burton said. "We've built in some counseling based on their risk." ■

https://www.insidehighered.com/news/2018/05/01/ivy-tech-lowers-student-loan-default-rate

A Push to Meet Full Need

BY MARJORIE VALBRUN // APRIL 13, 2018

How Lawrence University, without a mega-endowment, is raising money to join a small group of institutions.



LAWRENCE UNIVERSITY

Lawrence University embarked on an ambitious plan in 2014 to join the exclusive ranks of so-called full-need colleges -- those that provide financial aid to cover all tuition and fees for admitted students with "demonstrated financial need."

MARK BURSTEIN

Entering a space occupied by Ivy League and other elite colleges with hefty endowments and socially conscious bona fides was a bold move for the small liberal arts college in Wisconsin. Only 65 universities nationwide are designated full-need institutions. But Lawrence president Mark Burstein was undaunted; he knew the need among some of the 1,500 students.

He launched an effort to raise $85 million in endowed scholarship funds in five years -- the amount the university estimated it would need to make the commitment. The "Full Speed to Full Need" campaign was an instant hit, widely embraced by students and alumni -- and an anonymous donor who initially gave $25 million and later kicked in another $5 million for good measure.

The university raised $74.3 million in four years. The support has already been used for additional scholarships or grants to 182 students, 138 of them currently on campus. Officials believe they have enough momentum to meet the goal by next year.

The collective financial status of Lawrence students has changed dramatically as a result. During the 2014-15 academic year, 74 percent of the students on financial aid had an average funding gap of $6,000 in their awards, which included all federal grants and loans for which they were eligible, as well as financial support from the university. The gap meant students had to find the money elsewhere. This academic year, 48 percent of the students have a funding gap, and the average dropped to $4,200, according to Burstein.

"We're really trying to help every student on this campus and especially the families that have the largest gap," he said. "This resonated with the Lawrence community and our values. We've been historically a place where students of need come for a transformative educational experience."

> We're really trying to help every student on this campus and especially the families that have the largest gap. This resonated with the Lawrence community and our values. We've been historically a place where students of need come for a transformative educational experience.

The path to full need was not a direct one for Burstein, however. A student inadvertently but fundamentally redirected his thinking about financial aid.

The mental shift occurred during the launch of "open office," one of many student outreach events on the main campus in Appleton, Wis., when individual students visit with Burstein to tell him what's on their minds.

One student, a sophomore, laid it all out.

"He said, 'I love it here,'" Burstein recalled. "'I have a B-plus average. I'm working close to 40 hours a week. I already owe $30,000 in student loans. My mom works in retail and my dad is being evicted from his apartment. What should I do?' "

Burstein suggested the young man transfer to a state college in the student's hometown, which would likely be less expensive than Lawrence, where annual tuition and fees at the time totaled nearly $50,000. (Tuition and fees for the 2018-19 academic year will be $57,816. Tuition has increased about 3 percent for the last four years.)

The student pushed back. "He said, 'I'm sorry, but maybe you didn't hear me. I love it here,' " Burstein said.

The university found additional money for the student, who did not want to be identified, and he graduated from Lawrence in 2016. But Burstein, who still considers the meeting with the student "the most pivotal one for me," was left wondering how many others on campus were in similar straits and how many would end up leaving Lawrence without graduating because the university could not afford to help them all.

"It started to make real for me what it means not to be a full-need university, not to support these students," he said.

Stephen Burd, a senior analyst with the education policy program at New America, a Washington think tank, believes more college administrators should ponder such questions -- and seek to address them. "It's a nice change to see a school trying to go to full need," he said. "Most private colleges are going in the opposite direction and providing more non-need-based aid, more merit aid, and meeting less need. It sounds like Lawrence is doing the right thing."

Burd, an expert on student financial aid, has studied the growth of non-need-based aid and merit aid by American universities and written extensively about how the "pursuit of prestige and revenue" by colleges hurts low-income students.

"Schools are becoming less generous to poor students and trying to get more wealthy students," he said. "And the share of students who are low income is dropping."

At Lawrence 21 percent of students receive Pell Grants, a federal subsidy for low-income students.

Sarah Flanagan, vice president for government relations at the National Association of Independent Colleges and Universities, said other universities should follow the example set by Lawrence.

"It's a noble goal but a hard one to reach, especially if you're a small college and don't have a massively huge endowment," she said. "When everything is smaller in scale ... your cost per student is more expensive to deliver."

Those are "the economics of providing a small, personal, liberal arts education" faced by Lawrence and similar institutions, she said.

If 40 percent of the student body is in poverty, she said, "you gotta have backup money and be able to pay for it from another revenue stream. You have to make up for the tuition that the students would otherwise have to pay. The money has to come from somewhere."

That Lawrence is well on its way to becoming a full-need institution "is an amazing story," she said. (The college is not need blind.)

"They were clearly able to make their alumni and donors understand why this is important. It means not only was the college visionary and generous, but so were their donors. It's impressive and transformative."

Lawrence's endowment was $318.2 million as of June 30, 2017. While its endowment is higher than those of most universities its size, it is not well endowed compared to other full-need universities.

Nonetheless, the move by Lawrence to become full need is hugely consequential, said Susie Kane, an alumna and chairwoman of the university's Board of Trustees.

"It will be transformational for the students and also transformational for the institution," she said.

"Raising $85 million was a tall order, and lo and behold, we raised most of it in a year and half," she said. "We were astounded at what we were able to pull off."

Kane said the infusion of cash means the university won't have to pull funds from faculty salaries or programs to fill the gap in student financial aid.

"It will allow us to focus on other things as well," she said. "We can be focused on broader initiatives."

Kane credits Burstein for much of the success of the campaign but notes that Lawrence has a long tradition of supporting students with scholarships. She and her husband, John, fund three scholarships at the university.

"Attending Lawrence changed who I was," she said. "It gave me the confidence that I could think things through and do whatever I needed to do in life. It's a lifelong gift."

Full Speed to Full Need is part of the university's wider comprehensive fund-raising efforts and the most popular of the university's overall campaigns, said Cal Husmann, vice president for alumni, development and communications.

"I've never seen anything like it in my career," said Husmann. "I've been here since 1994 and seen a lot changes and difficulties, and I've never seen the community rally around one strategic point like this. It feels like a community project."

Burstein said while all the donations, which have ranged from $5 to $5 million, have made a difference, the $25 million from the anonymous donor was a game changer.

He asked the donor to make it a matching grant with a five-year deadline with hopes of raising $5 million a year. The money was matched in a year, prompting the

> "You gotta have backup money and be able to pay for it from another revenue stream. You have to make up for the tuition that the students would otherwise have to pay. The money has to come from somewhere."

donor to contribute the additional $5 million.

Part of Burstein's motivation was to increase Lawrence's graduation rate from 80 percent to 90 percent.

"The No. 1 factor with students not persisting to graduation was the gap in the financial aid awarded," he said. "The larger the gap, the less likely the student was to graduate."

"A lot of young alumni are also getting excited about" the campaign, he said.

Lewis Berger, a senior and past president of the Lawrence University Community Council, or LUCC, the campus's shared governance council, said a lack of financial aid support also has other consequences.

"Our main focus in student government is that students get to be students and not have to work 40 hours a week, or all summer, and not be able to do an internship" because they have to earn money to help pay for college, he said.

"I myself have gotten aid, which has been helpful and allowed me to play soccer and be on student government without having to work," he said. "I know a lot of people who were worried about not being able to continue their education, and Lawrence helped them out."

Cory Nettles, an alumnus and a member of the university's board, said he found the idea of becoming a full-need institution "very compelling."

"I was one of those students who relied on financial aid when I was at Lawrence," he said. "I was the poorest of the poor students. Lawrence was very generous in financial aid and grants."

After Nettles graduated, became a lawyer and then the founder and managing director of a private equity firm, he and another Lawrence graduate started a scholarship fund for African-American students in 1997. He and his wife made a six-figure donation to the university several years ago and gave an additional six-figure amount in 2016 in response to the full-need campaign.

"It was a no-brainer," he said of the most recent donation. "It was an opportunity to pay forward the investment that Lawrence had made in me."

He believes many, if not all, of the 968 donors who've given to the campaign feel the same way.

People understand "emotionally and viscerally" the need to equip another generation of students with the education they will need to succeed in life, he said.

"I was amazed at how much money we raised and how quickly we raised it in response to the president's challenge," Nettles said. "It made us wonder why we didn't do it sooner." ■

https://www.insidehighered.com/news/2018/04/13/how-lawrence-university-pushing-meet-students-full-financial-need

A University's Big Move on Socioeconomic Diversity

BY DOUG LEDERMAN // SEPTEMBER 7, 2017

Using funds from its endowment to expand financial aid, Boston University notches sizable increase in proportion of its freshmen who come from low-income backgrounds.

This is the time of year when every selective college or university worth its salt boasts about the academic credentials ("more National Merit Scholars than ever before!"), geographic reach ("students from 49 states and 37 countries!"), and, increasingly, the diversity of its freshman class.

One such announcement comes from Boston University today, and amid the many data points about its Class of 2021, one in particular stands out. With a single change in its financial aid policies -- wiping out all loan funds for any student eligible for a Pell Grant -- the private research university increased the proportion of its first-year students who qualify for the federal grants for low-income students to 18.2 percent this fall, from 14.6 percent a year ago.

The financial aid change and the roughly $25,000 investment per student was funded by a gift but represents a very purposeful decision by the university's president, Robert A. Brown, to use the institution's $1.7 billion endowment to drive the Pell percentage higher.


President Robert Brown speaks to Boston U's Class of 2021 Sunday.

"To accomplish this, we made a decision to accept less in the way of [financial] reserves," Brown said.

The Context

Racial and ethnic diversity have long been a goal for academically selective institutions, but the pressure on them to enroll and graduate more students from low-income backgrounds has been building in recent years, amid data showing that such students are hard to find on many of the campuses. Organizations like the Jack Kent Cooke Foundation and the new American Talent Initiative have upped the pressure, arguing that everyone benefits if more low-income students are directed to institutions where they have the best chance of graduating.

A decade ago, BU didn't really even qualify as a selective institution; in 2005, it accepted 68 percent of applicants, a figure that has since dropped to 25 percent. Its competitiveness has been driven significantly by international student enrollment, which has helped increase its ethnic diversity but done little to improve the socioeconomic heterogeneity of its undergraduate student body. BU's proportion of roughly 14 percent Pell-eligible students put it in the middle of the pack among the 270 selective colleges that graduate at least 70 percent of their students.

Bob Brown thought his university could and should do better. So this year, capitalizing on a gift by a trustee, Richard D. Cohen, BU altered its financial aid policy to eliminate any need for loans for any student who qualified for a federal Pell Grant. That loan total typically comes to about $25,000 or $26,000. Dozens of selective colleges eliminated loans for students below certain income thresholds a decade-plus ago, but BU was not among them; in some ways this represents the university playing catch-up.

Last year 14.6 percent of its freshman class, or roughly 530 students, were Pell eligible. This year the number climbed to 18.2 percent, or 635 students, based on the university's Aug. 16 estimate (the total won't be finalized until the census date in October). The percentage of American-born students who are Pell eligible is even higher, roughly a quarter of the incoming class.

The promise of no debt, Brown surmises, appears to have persuaded students who in the past might have forsaken BU to enroll at more generous (or less expensive) competitors instead.

"We figured if we could increase the number of Pell Grant recipients in our entering class, we'd see a bump in diversity and open up some new paths of access to Boston University," Brown said. "So we increased financial aid to meet full need -- without loans -- for most Pell Grant recipients. And it had an impact."

A Significant Uptick

Boston University is not among the 83 selective colleges and universities that have so far joined the American Talent Initiative, the Bloomberg-funded effort aimed at increasing the number of low-income students at the country's top-performing institutions. But officials associated with the initiative applaud BU's move and say they hope others will follow suit.

"We're looking pretty closely at how the higher-graduation-rate institutions are moving from year to year because of the talent initiative, and BU's increase is on the higher end of one-year increases," said Martin Kurzweil, director of the Educational Transformation Program at Ithaka S+R and a member of the effort's steering committee. "It moves them from about average for selective private institutions to significantly above average."

The way Boston went about achieving the increase is also important, said Joshua Wyner, vice president and executive director of the Aspen Institute's College Excellence Program and another ATI leader. One of the keys to increasing the number of low-income graduates (along with sourcing students from different places and embracing practices known to help retain such students) is prioritizing need-based financial aid over other forms of student support, "and clearly BU

"We figured if we could increase the number of Pell Grant recipients in our entering class, we'd see a bump in diversity and open up some new paths of access to Boston University."

has done that," Wyner said. "This shows the leadership and resource allocation that's often necessary to accomplish that."

Enrolling more low-income students is only part of the equation if American colleges are to meaningfully improve the lot of students from the country's lower socioeconomic tiers, Wyner said. "You have to make sure they have access to all fields, including STEM fields, access to research opportunities and the kinds of high-impact practices we know help students graduate."

BU's track record on that count is good: federal data collected by the Education Trust show that the university graduates 83.6 percent of its Pell-eligible students in six years, just a percentage point below its overall rate of 84.6 percent.

One interesting (and perhaps unknowable) question is where the 100-plus low-income students who enrolled at Boston University this fall would have gone had they not been enticed there. The vision of the American Talent Initiative and others who want more needy students to enroll at selective institutions is that those colleges and universities give the students a better chance to graduate and succeed than they would have at colleges where fewer students finish.

But if an institution like BU increases its enrollment of low-income students mainly, say, by wooing students away from slightly less wealthy institutions, and those institutions don't then go out and enroll and graduate more low-income students, the overall situation for needy students in the country won't improve.

"The shuffling of students across institutions without meaningfully increasing the number of those students is not progress," said Kurzweil of Ithaka. "What we're aiming for is to have the higher-graduation-rate institutions collectively serve, and serve well, many more low-income students. If that happens, we will have many more low-income graduates than in the baseline. It has to be a sectorwide movement."

But BU, he said, is a potentially heartening harbinger. ■

https://www.insidehighered.com/news/2017/09/07/boston-university-financial-aid-change-yields-sizable-increase-pell-eligible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Views

A selection of essays and op-eds

Award Season

BY NICHOLAS SOODIK // FEBRUARY 26, 2018

Nicholas Soodik asks why so many colleges are vague or confusing in their letters to accepted applicants about financial aid eligibility.

Award season is upon us. The academy awaits. Excitement and surprise are in the air.

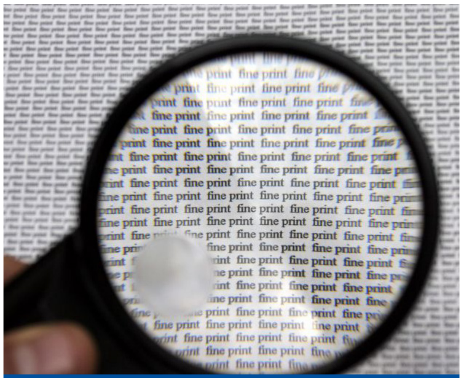
I write not of the Oscars, though. The awards I refer to are the financial aid letters students admitted early to college have begun receiving these past few weeks.

Hollywood has rightfully used its award season to speak out against abuse in the entertainment industry. I want to use the aid award season to speak out about a problem in our industry.

I recently had a phone call with the parent of one of my students, a senior admitted early to several colleges. Confused and uncertain, the parent struggled to understand the financial aid letters his son had received: the size of the Stafford loans, the grant award given by the universities and the necessary PLUS loans (to be taken out by parents). On one of the forms, there was no indication of the net price to attend that institution. Why did one of the letters refer to a "Fed Direct Unsub," and was that the same as an "Unsub DL"?

This parent, himself a financial planner, was at a loss.

He's not alone. The nonprofit uAspire, an organization working to promote college access and affordability, recently examined over 11,000 financial award letters from more than 900 different colleges. These letters explained awards for 6,023 unique students, of whom 76 percent received Pell Grants.



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The results are striking. More than one-third of the letters didn't include the cost of the college on the same page where the financial aid awards were listed. Less than one-third of the letters differentiated between types of aid, such as grants, scholarships and loans, failing to help students understand the difference between gifts and money that needed to be paid back. Some letters subtracted aid from the overall cost of attendance. Other letters even subtracted loans to parents, making it look like a family owed nothing when, in fact, they were on the hook for thousands of dollars in loans.

Imagine trying to buy a house without knowing the size of your mortgage or the interest rate and having only a rough idea of the overall cost of the property. No one would make that deal, and yet we force thousands of students and their families to pay for college without clarifying their financial responsibility.

Award letters are chock-full of confusing jargon and terminology that makes it difficult to compare aid packages from different schools. In the sample studied by uAspire, there were 454 letters that offered the Federal Direct unsubsidized loan, and yet, the researchers identified 143 unique titles for the loan. Of those letters, 26 did not even use the word "loan," instead opting for terms that obfuscated how much was being borrowed.

I am far from the first person to decry the problems with financial award letters. The National Association of Student Financial Aid Administrators, the trade group for financial aid officers, adopted a code of conduct in 2015 that requires members to use standard terms and basic facts in delivering financial aid information. In 2011, the Department of Education unveiled a voluntary financial aid shopping sheet in an effort to make financing college more comprehensible.

Both measures have not lived up to their promise.

Obviously, the problems with the cost of higher education run far deeper than award letters. Sara Goldrick-Rab articulates some of the scope of these problems in *Paying the Price: College Costs, Financial Aid, and the Betrayal of the American Dream.* According to Goldrick-Rab, the new economics of college find higher education more expensive than ever before, families with fewer resources to afford it and less aid available from public institutions.

In 1990, for example, only the poorest quartile of American families had to pay more than 20 percent of their income for college. Today, 75 percent of American college students pay that much. For families most in need of robust financial aid awards -- those making an average of $16,000 -- the net price of college in 1990 took 45 percent of their earnings. Now, that number is around 85 percent.

Unfortunately, these problems stand to get worse. The Congressional Budget Office just released a report evaluating the Republican update to the Higher Education Act, which went through the House at the end of 2017. Euphemistically termed the PROSPER Act, the legislation, according to the CBO, will cut $15 billion in student loans if it becomes law.

Forget about simplifying award letters. The PROSPER Act will eliminate many of the awards altogether.

There may be little that aid officers at colleges and universities can do to battle lawmakers bent on making college less affordable. They can, however, make award season more straightforward. No need for a fancy dress or black tie. Just make what college costs black-and-white. ■

Bio

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https://www.insidehighered.com/admissions/views/2018/02/26/essay-criticizes-aid-awards-letters-many-colleges-send-accepted

Financial 'Safety Schools' Are Hard to Find

BY CARRIE WARICK // MAY 17, 2018

Most public universities are no longer affordable for low-income students, writes Carrie Warick, leaving few financially safe options for applicants.

When applying to colleges, students are commonly told to include a "safety school" to ensure they are accepted to at least one institution. For low-income students, such as those who receive advising from college access programs like members of the National College Access Network, they also need a different type of a safety school: a financial one to which they are not only accepted but also are reasonably sure they can afford.

As parents' concerns about college costs surpass even their worries about having enough money for retirement, whether an affordable college option exists -- particularly for low-income students -- is a crucial question. To answer it, NCAN designed an affordability measure to see whether a low-income student can reasonably expect to successfully piece together all of the possible sources for funding a four-year degree in today's public higher education system.

Why, specifically, a four-year degree? Because it's the surest path to the middle class for low-income students and students of color. And why examine public institutions in particular? Because they were founded to serve all students in their state. Their missions are based on ensuring access. At the very least, low-income students need a single affordable college option.

But unfortunately, only 25 percent of public, four-year residential institutions are affordable for the average first-time, full-time Pell Grant recipient who is working in a minimum-wage job. This percentage plummets to approximately 10 percent when examining public flagship institutions.

This measure of affordability is detailed in NCAN's new white paper, "Shutting Low-Income Students Out of Public Four-Year Higher Education." It weighs the cost of attendance at an institution -- plus $300 to cover emergency expenses -- against students' average total grant aid from federal, state and institutional resources; the institution's average federal loan amount; the average Pell Grant recipient's expected family contribution; and an approximation of students' earnings from part-time work while in school and full-time summer work. Combining all of these aid sources -- which requires an adept navigation of the financial aid sys-

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tem -- still does not allow students to afford 412 of the 551 (75 percent) residential public four-year institutions in the U.S. and Puerto Rico.

This was not always the case, and NCAN members are seeing the impact of the shift in the field.

"When I started in this work in 2004, I could confidently say that if we did our jobs right and our students did their work as well, then paying for college wasn't a barrier to their success," Traci Kirtley, chief program officer at College Possible, told NCAN. "That's no longer true today. Even if students do everything right, many in 2018 are finding that they still can't afford to pursue a college degree."

This is a significant equity issue for our country. It's also a timely one, as policy makers question whether college is "for everyone" and promote shorter-term programs whose outcomes are typically less beneficial. High-income students are already more than four times more likely to complete a bachelor's degree than are low-income students -- 60 percent versus 14 percent, respectively. Additionally, low-income students are almost twice as likely as their high-income peers to obtain a postsecondary certificate or associate degree.

Sub-baccalaureate degrees and credentials are valuable, but the concentration of low-income students in these programs is surely a sign that students do not have equitable choices when picking their career paths. As the definition of postsecondary education expands, it's important that low-income students -- like their higher-income peers -- retain the option to choose their postsecondary and professional paths based on skills and interests, not finances alone.

This reality of college affordability should not be acceptable to either our federal or state policy makers. It should serve as a wake-up call that policies meant to improve our nation's higher education system must address all pathways, thereby helping low-income students pursue a four-year degree should they desire one.

Solutions to college affordability must address multifaceted issues: the complexity of the system, affordability at the access point to all pathways -- especially the four-year degree -- and the debt burden of those who can afford to enroll in the first place. Policy makers and advocates must increase their focus on a cohesive plan to address college affordability. Without a holistic approach, the share of low-income students completing four-year degrees will remain inequitable as they continue to lack at least one viable, affordable college option. ■

Bio

Carrie Warick is director of policy and advocacy at the National College Access Network.

https://www.insidehighered.com/views/2018/05/17/essay-small-percentage-public-universities-are-affordable-low-income-students

The Stakes Are Too High to Lower Support

BY CHRISTOPHER P. CHAPMAN // FEBRUARY 13, 2018

A proposed new cap on federal student loan borrowing will severely impact students pursuing graduate and professional education, argues Christopher P. Chapman.

Anyone can get a car loan, right? And people don't get those off the backs of taxpayers. That's what private lenders are for. What's so different about student loans? Private lenders will fill the gap, just like they do for people who can't buy cars with cash, and everybody's happy.

Perhaps at first blush that argument appears to make sense, but it leans on a false equivalency that places the future of real people at risk and creates the potential that society will ultimately become less than it could be.

Exhibit A is a provision to reduce the annual federal student loan borrowing cap to $28,500 for most graduate and professional students that is included in HR 4508, known as the PROSPER Act, which passed the education committee of the U.S. House of Representatives in December.

Presumably, since such a limit will not cover the cost of education for many graduate and professional programs, the committee expects that private lenders will fill the void. That supposition, however, is betrayed by a fatal flaw: collateral.

Privately financed student loans do not -- and cannot -- work in the way consumer loans do.

Obviously, an education cannot be repossessed, but that's far from the whole story. The linchpin underlying lending decisions is an assessment of an applicant's willingness and ability to repay the obligation. A credit score, which typically acts as the fundamental tool to identify a generic willingness to pay, is of less predictive value given the limited credit history for many student borrowers.

Assessing ability to pay is even more challenging -- after all, student loans for professional school are typically taken out by people who, by definition, have little or no income and expect no income improvement for multiple years.

Further complicating the picture is the fact that, unlike with other consumer loans, loans to students typically do not require payments until a borrower leaves graduate school, often well into the future. During this period, tens of thousands of additional student loan debt and other financial or family obligations may accumulate, materially changing an applicant's financial profile. Moreover, even graduation is no guarantee that a person will earn sufficient income to repay the debt, due to a

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shifting job market, failure to get a necessary license or otherwise.

Such conditions are less than ideal for a bottom line-driven private lender, and in many cases, lending to certain persons might be seen as unsound from a commercial point of view. No private entity will, at least not for long, knowingly operate in a way that generates ongoing losses, no matter how noble the cause.

A primary purpose of government is to ensure that important policy goals -- and societal values -- are not frustrated by the failure of private markets. In fact, the impetus for the creation and the maintenance of the Higher Education Act reflects the value for society in ensuring that access to higher education not be limited to those with wealth and the ability to access private credit.

The annual federal lending cap contained in the PROSPER Act will, literally and figuratively, change the complexion of graduate and professional education. Its impact will be felt most severely among those historically underrepresented students in postbaccalaureate programs: racial minorities and those from economically disadvantaged backgrounds. In an era when advanced degrees are of increasing importance, limiting access will stall -- or even reverse -- decades of progress and return us to an era when the zip code of your high school effectively determined your ability to pursue an advanced degree.

Fortunately, there are various ways to maintain expanded access while allowing the private market to pick up some of the slack. For example, the federal government could act as a lender of last resort for students from economically disadvantaged backgrounds, ensuring that only people negatively impacted by the private market failure would be served.

The stakes are high. And the answers are not simple. But policy makers must understand and appreciate the implications of a federal student loan cap and act judiciously to maintain the promise of the Higher Education Act for all. ■

Bio

Christopher P. Chapman is president and chief executive officer of AccessLex Institute, a nonprofit organization that conducts and commissions research to illuminate the latest data and evidence on the most crucial issues facing legal education. AccessLex also advocates for policies that make legal education work better for both students and society at large.

https://www.insidehighered.com/views/2018/02/13/proposed-new-cap-student-loan-borrowing-will-hurt-graduate-and-professional

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