

*What We Have: An Overview
of the Student Loan Process*

**The Business of Student Loans
from the School Perspective**

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Note: This is an outline of the remarks I will be making on May 30th at the ABI Student Loan Debt Crisis Symposia in Washington D.C. A fuller version will be available for publication. A relevant bibliography is included. Dated May 2014

The Business of Higher Education: It's Complicated

By Karen Gross, President, Southern Vermont College

- I. Introduction:
 - A. The growing media attention to issues in higher education and the rising focus on the benefits and costs of a college degree. The level of student debt is increasing but the reasons for and consequences of that debt are not well understood.
 - B. Example: recent Sunday New York Times Magazine Article: "Who Gets to Graduate?" (May 18, 2014). Misguided focus on top students.
 - C. Whose voices are being heard in these conversations? Are the issues ones related to educational theory, proposed or existing federal legislation, states' rights, public policy, economic and workplace needs and/or social parity?
 - D. Who are the higher education students (undergraduates) of the future? What is their profile and why does that matter?
 - E. In the trenches approaches and solution? Who has experience getting in the weeds?
- II. Is Education a Business?
 - A. Not a simple question; answer is yes and no.
 - B. There is a useful analogy to the manufacture, sale and financing of automobiles: key similarities and dramatic differences across the three categories.
 - C. The differences outweigh the similarities in all three categories but there are lessons to be learned from the automotive industry, namely the front- end and back-end issues are deeply interconnected. Buying and financing a car and repayment options and remedies for non-payment are known from the get-go. In higher education, we

separate out conversations of access and finance from non-payment or repayment options. This leads to deeply flawed conversations about higher education with students and families.

- D. In both the world of cars and education, there are – with regret – predatory lenders and predatory options that impact outcomes and impair the rights of consumers (purchasers/students).
- E. Role of College Presidents in these conversations: financial acumen; avoiding the bully pulpit and job security. Who can envisage the long-range consequences of student debt?

III. Front-End and Back End Issues: Where does Responsibility Fall?

- A. The student loan process: the role of parents, guidance counselors, and institutions of higher learning.
- B. Informational Asymmetries: Nudge.
- C. Choices of products and career implications.
- D. Debt instruments and their repayment: credit reporting; credit scoring; bankruptcy.
- E. Government vs. private bank lending vs. new lending products. Credit cards redux.
- F. Default rates on the rise: three year rolling cohort rate; institutional impact; institutional solutions (an SVC experiment).

IV. Key Issues to Address

- A. The diversity within the business of education in terms of institutions and their structure; students; costs and goals.
- B. The purpose of higher education and how that militates against some business comparisons.
- C. How actual students and their families select colleges and determine “fit” and the significance, oft-ignored, of “fit.”

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- D. The financial aid process – in the trenches and without sugarcoating.
- E. The dilemma of student debt and an institution's role in controlling the amount of debt incurred and designing systems to improve repayment prospects and curb defaults.

IV. Selected Bibliography:

The following online blogs/articles should inform the discussion and are worth perusing in anticipation of the conference:

<http://www.nebhe.org/thejournal/warren-recommendation-on-student-debt-what-will-work-to-help-americas-students/>

http://www.huffingtonpost.com/karen-gross/the-power-of-small-in-edu_b_4386473.html

http://www.huffingtonpost.com/karen-gross/the-educational-pipeline_b_3745428.html

http://www.huffingtonpost.com/karen-gross/missing-the-fit-low-income_b_3586015.html

<http://www.insidehighered.com/views/2014/03/21/we-need-right-solutions-student-debt-problem-essay#sthash.NY0dKdQn.dpbs>

<http://www.insidehighered.com/views/2013/08/23/obamas-ratings-system-may-be-difficult-pull-essay>

<http://www.nebhe.org/thejournal/saving-pell-grants-in-an-era-of-cost-cutting/>