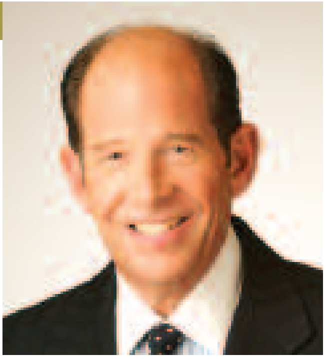

Debt Relief

EVAN S. DOBELLE

The aggressive tactics some private lenders use to encourage colleges and universities to offer their loans to students have thrown light on a larger financial crisis facing many Americans: going to college increasingly means going into debt. We must introduce fairness and transparency into college financing, particularly in our student loan system.

College Board data suggest that the total volume of private student loans has grown at an average rate of 27 percent per year since 2001 to a total of $17 billion, accounting for 20 percent of total student loan volume. While loans made through government student loan programs have interest rates under 7 percent, private lenders charge rates as high as 19 percent. To make matters worse, these private loans are often targeted to students and families with poor or no credit histories—the very families that should be receiving the most favorable loan conditions. Studies show that many students and families don't know which kind of loan they have.

U.S. Sen. Edward M. Kennedy (D-Mass.) wants to shine the light a little brighter on how predatory practices exacerbate an already difficult situation for lower-income students. The reauthorization of the Higher Education Act passed by the Senate in July includes key provisions from the "Student Loan Sunshine Act," filed by Kennedy and Richard J. Durbin (D-Ill.), banning lenders from offering gifts or other inducements to colleges and requiring full disclosure of the reasons why an institution of higher education has selected a lender as its "preferred lender."

Said Kennedy in introducing his legislation, "At a time when students and families are turning to private and alternative loans more than ever, we need to make sure they're being offered under the best terms possible, not because a lender has sought to make a sweetheart deal with a school."

Other policymakers are also working to reduce student debt burdens.

In Maine, Gov. John Baldacci signed a new law allowing college graduates who continue to live and work in Maine to claim a tax credit equal to the amount of their student loan repayments (up to the level of tuition and fees for the University of Maine System or the Maine Community College System). University System of New Hampshire trustees approved expansion of the Affordable College Effort designed to help students with low expected family contributions meet the full direct cost of attending public institutions in New Hampshire without incurring loan debt. Congress recently approved raising the maximum Pell Grant, tying repayment of guaranteed student loans to borrowers' incomes and forgiving loans for certain borrowers who take public service jobs.

Still, a new report from the Washington, D.C.-based Institute for Higher Education Policy reveals that adults who are working but lacking financial security, and their children, must come up with an average of nearly $4,000 a year out of their own pockets to continue their college educations. The report shows these families navigate a minefield of conflicting work and family demands, as well as confusing financial-aid policies that can penalize students for earning wages.

Little wonder that nearly half of working poor adult students who began a degree or certificate program in 1995–96 had left college six years later without obtaining a credential and only 28 percent had earned a bachelor's degree, compared with 44 percent of higher-income students.

The institute wisely recommends allowing these students to claim expenses such as room, board and books under certain education tax credits and increasing the exempted amount that working independent students can earn under federal need analysis, thereby increasing their eligibility for Pell Grants.

New England's leaders of education, government and business are working to help students overcome the obstacles of a class-based system of college access. Improving college readiness and preparation only to have less-advantaged students locked outside the college gates by the specter of unacceptably high debt is both cruel and economically self-destructive.

As Kennedy concludes: "No one should have to mortgage their future to afford college today. It's vitally important that we increase need-based aid for students and give them new tools to manage their student debt."

Evan S. Dobelle *is president and CEO of the New England Board of Higher Education and publisher of* THE NEW ENGLAND JOURNAL OF HIGHER EDUCATION. *Email: edobelle@nebhe.org.*