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Department of Education "Raises a Warning Flag" on Student Debt

HIGHER EDUCATION
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In a recent speech at the Federal Student Aid Training Conference in Atlanta, U.S. Secretary of Education Betsy DeVos warned that the growth of student loan debt held by the federal government is growing in an unsustainable manner.

During her speech, Ms. DeVos noted that, “It took 42 years—1965 until 2007—for the student loan balance to grow to 500 billion dollars. It took *only six years* for the loan balance to double—to one trillion dollars—in 2013. One-seventh the amount of time it took to get to 500 billion.”

What does this mean to institutions of higher education? The Trump administration has signaled several times that it is seeking reform by making changes to the Higher Education Act of 1965 though pending legislation called Promoting Real Opportunity, Success, and Prosperity through Education Reform, or PROSPER. The bill, which has been stalled in committee for much of 2017 and 2018, is intended to address some of the concerns raised by Ms. DeVos.

What this means for students and institutions are potential changes to the types of programs and the benefits under them, such as reducing the overall package to one loan, one grant and one work-study program, which would assist in streamlining the process of granting and managing the programs.

In her comments, Ms. DeVos signaled that the federal government would seek to change its practices and become “a more responsible lender.” She also challenged institutions of higher education to “become honest about their individual roles in the cost-value proposition,” adding that, “Every school should focus on helping each student find the right pathway, and they should help students *graduate* with high-quality career prospects and with low debt.”

Institutions know this challenge is not new, but in the current climate, cost management is not easy when attempting to attract faculty, manage fund-deferred maintenance and invest in future programs and technologies. Benchmarking through use of the Composite Financial Index or following other metrics can assist the process, but ultimately it requires that institutions continue to think differently about how they can expand their revenue prospects by responding to today’s needs and market.

Institutions, then, should be focused on not only their mission, but also on their brand and how that brand is received in the market. The brand will not only deliver today’s students, but is also key to lifelong engagement of alums, benefactors and employers so the mission can be passed along to the next generation.

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