INSTITUTIONAL FLEXIBILITY & ACCOUNTABILITY

Institutions of higher education can be active partners in both improving the student loan borrowing experience and in minimizing student loan delinquency and defaults if regulation provided more flexibility in identifying when and how loan counseling should be required for students, and how much a student should borrow annually as they proceed through their academic career pathways.

Summary

College and university financial aid offices are generally the first line of communication to students regarding student loan borrowing options, responsible borrowing choices, and student loan repayment options. Currently, annual limits on student loan borrowing and loan counseling requirements are a "one size fits all" for students across the nation, without consideration of academic program of study, institution type, student demographics, or students' general knowledge of what responsible borrowing entails.

Loan Counseling and Financial Education

- Provide institutions the ability to require students to complete additional student loan counseling or financial education based on institutional decision (above and beyond what's required through US Department of Education currently).
- The purpose is not to limit the ability of a student to borrow, but to really provide more counseling and information to ensure sensible and responsible borrowing.
- Counseling topics include awareness of where students are in total borrowing, explaining repayment options, and intervention loan counseling, with the goal of really thinking about repayment while making borrowing decisions.
- Schools could consider showing a student's program/career salary alongside student loan borrowing totals with an anticipated monthly payment.
- Some targeted groups might include:
  - Students borrowing at a high rate with risk of non-completion or borrowing more quickly than the average student at the institution.
  - Programs with a history of high borrowing and/or high default rates.

Flexible Annual Borrowing Limits

- Allow institutional aid administrators the flexibility to allow borrowers to exceed their annual maximum limit in those years when unusual program expenses occur.
- Borrowers may need to borrow more in one year of study versus the other years. In consultation with a financial aid counselor, students with high expenses in a particular year (e.g. equipment required in the second year of the program; internships or study abroad experiences in the final years of the program) would shift their annual loan limits to the year with more expenses and borrow less in the other years.
- This could possibly reduce the reliance on private loans to cover these expenses and allow the borrower to manage their upcoming expenses proactively. The current aggregate lifetime limits would remain in place to control overall debt.