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Capitol Hill Day – June 16, 2016

Higher Education and the Student Loan Industry

Educational policy and initiatives in the U.S. are increasingly driven by organizations and foundations with little expertise in the college classroom. Instead of a focus on providing all our citizens with accessible, high quality education, these groups advance state and federal initiatives designed to profit private companies and advance self-serving hidden agendas at the expense of students. Once understood to be a public good, post-secondary public education in the U.S. is increasingly seen as the next frontier to be exploited by corporate profiteers.

Of particular concern is the Lumina Foundation with its ties to the for-profit student loan industry. The Lumina Foundation was created with money from the 2000 sale of the USA Group (a student loan and guarantor company, parent to USA Funds) to Sallie Mae. The Lumina Foundation’s main goal is purportedly to increase the number of citizens with a college degree to 60%, to which end it supports Complete College America. While this latter group advocates the need to push more students through college more quickly, it neglects the pressure students face as they struggle to balance school, family, and work. Given Lumina Foundation's ties to the student loan industry, and its subsidies to Complete College America, the urgency of increasing the number of college degrees in a shorter period of time suggests that the real emergency for such organizations is not public education, but rather the production of more degrees and more debt.

At graduation, more than 70% of bachelor’s degree recipients have student debt, a figure that has grown substantially over the past decade. In 2014, student debt reached a staggering $1.2 trillion figure, eclipsing both credit card and auto debt. Amid rapidly growing tuition, largely a result of state disinvestment from higher education, students are forced to borrow more to achieve their degrees as eligibility and funding for traditional financial aid lags behind tuition costs. The push for degree completion leaves many students saddled with debt, but in many cases not fully equipped with the high-quality education that students need for success.

Solutions to increasing the number of college degrees as proposed by corporate interests thinly disguised as philanthropic foundations typically focus on delivery costs of education as a commodity, rather than on the intricate connections between teaching and learning. The goal is production of diplomas rather than the intellectual development of informed, thinking citizens. The call for more flexibility in the application of federal financial aid to "innovative" and alternative educational programs reduces colleges to the level of credential factories, merely validating prior learning or competencies. Instead of recognizing the essential value of an educational process based on interactions between students and full-time faculty, ideologically driven foundations minimize a postsecondary degree to the least common denominator.

Like many other higher education organizations, we are deeply concerned with the proliferation of for-profit institutions whose practices and policies create a system in which both the student and the federal government are paying dearly for a potentially inadequate education. There has unfortunately been a history of predatory practices of recruiters of for-profit schools urging students, many of whom are veterans using the GI Bill, to take out large loans for substandard academic programs. 47% of student borrowers at for-profit schools default on their loans within five years, a rate much higher than community colleges, 4-year public schools, and 4-year not-for-profit institutions.

Students that attend institutions that operate in bad faith, like the now defunct Corinthian College, should have a standardized, clear, and streamlined way to submit claims and receive restitution.

Though we are encouraged by the Department of Education's recent draft regulations that strengthen protections and simplify measures to help students who are affected by these schools, we caution that solutions after institutions fail still represents a problem. We urge lawmakers to put greater oversight on for-profit institutions to prevent fraud, abuse of federal funding, and dilution of educational standards.

The AAUP urges Congress to prioritize the needs of students instead of the interests of corporate lobbyists and the for-profit student loan and for-profit education industries. We ask that you renew the Perkins Loan program beyond the current extension through September 2017, and reduce the eligibility restrictions for both undergraduate and graduate students, including the requirement that students exhaust their subsidized and unsubsidized Stafford loan eligibility before they can receive a Perkins Loan.