Outside the Box

Opinion: Debt gets a bad rap. As a college president, I've seen how loans have helped lower-income students the most

Published: Oct. 6, 2022 at 9:01 a.m. ET

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For many students, having skin in the game is the right decision

In many cases, student loans are the single enabling factor that provides access to a quality higher education.
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Many commentators have applauded President Biden's recent move to cancel up to $20,000 of student debt for low- to middle-income borrowers.

One unintended side effect, however, has been a souring of public sentiment on student loans. If the government has to step in and bail out students, the thinking goes, that must mean that student debt is a real problem in this country and that student loans are bad news — debilitating traps to be avoided.

Viewing student loans in this dim light would be a mistake, though, for several reasons.

First, not all student debt is the same: The nearly $1.6 trillion of federal student loan debt represents a wide spectrum of institutions. As with any industry, there are some bad actors in the space who are happy to take a student's money and leave them with little to show for it. But there are also plenty of high quality, student-centered education providers who represent a very good investment for students to make — one that will vault them up the economic ladder. Painting all institutions with the same brush just doesn't make sense, nor does lumping together all higher education loans.

Additionally, the scale of the debt that students are carrying is generally misunderstood. While there certainly are $100,000 horror stories, the average student debt from federal loans actually hovers around $30,000. At my own school, it's closer to $26,000. To put that in perspective, that's about the same price as a late model used car — and it's certainly a better investment in the future.

These factors might be reason enough not to make student debt out to be something scarier or more harmful than it is. But there's an even more compelling reason: In many cases, student loans are *the* enabling factor that provides access to a quality higher education.

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For low- and moderate-income students, access to, say, $6,000 a year can be the difference between attending college or not. That makes the federal student loan a key tactic for how a majority of families fund a college education.

If the public narrative is that "student loans are bad" and families should shy away from taking them out, there are only two potential scenarios that will play out, neither of which is beneficial for the student.

Scenario 1 is that the college eats the cost and, as a result, spends less per student, lowering the quality of the education they're providing and reducing the return on investment for every student's tuition dollars. (The simple fact of the matter is that first-class advising, dedicated career placement resources and strong graduation rates do cost some money.)

The other scenario is that those families who steer clear of loans will have to make up the cost themselves. Some will do that, but many will not. That will reduce the number of low- and moderate-income students nationwide who are able to access a quality education that will pay off for them in the long run.

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Beyond the access that student loans enable, it's worth mentioning that it's not such a bad thing for students to have some skin in the game when it comes to the cost of college. It is part of the education and preparation for the real world, and it encourages students to approach their education in a serious and responsible manner, no matter what major they choose.

If students are going to be on the hook for some of the cost of college, though, it's only fair that schools do their part to lend a helping hand.

At a practical level, they can offer financial literacy classes to students. Many students can ace a calculus test but are missing the basics when it comes to things like writing a check or understanding compound interest. A financial wellness class that covers these basics, as well as fundamentals around loan planning and repayment, would go a long way towards putting them on more solid footing.

At a more strategic level, schools need to play an active role in helping students discern what they want to do after graduation. They can't let students get lost and drift through college on autopilot. Students need to be thinking about what they're going to do afterward, and colleges need to help them find their calling, because at the end of the day, that is going to be key in paying off their loan.

Ultimately, a high-quality education is available at hundreds of private and public colleges and universities across the country that are ready to serve as engines of opportunity. Student loans help keep that engine running.

If we overreact to the student debt crisis by demonizing all student loans, access to that quality higher education is put at risk. That doesn't benefit anyone, least of all the low- to moderate-income students who stand to gain from that access the most.

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