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Debt and Learning: Cause and Effect

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Our Universities: Debt and Learning: Cause and Effect

Students make decisions about studying for careers with some facts, but far too few when the costs are so high. Ask anybody with a collection agency in tow and a degree and no job. When education was 80% state subsidized it was not a problem. It is now.

If a decision-making process is flawed and dysfunctional, decisions will go awry.
Carly Fiorina

Whenever someone would walk in my office for a meeting I didn't schedule, I would ask, "How much do you need?" The first response was always, "This is not about money it's about academic excellence," or "This is about a better working environment for faculty and staff," or "This is about propelling the University forward." About 3 minutes into the conversation "the ask" was made and I would say, "See, I told you so."

I would then go into my standard pitch which included this epithet, "This challenge is not ours alone, but the people at Harvard -- who have more money than God -- are sitting around a desk like this one at this very moment decrying the lack of resources." It's the nature of chasing excellence.

As states reduced funding, universities infrequently modified mission and allocated scarce resources to the highest priorities. Debt deferring students are paying the freight with increased tuition and fees as the salve for scarcity's wound. Lately they are not too happy about it.

There are ways to increase resources for the highest priorities… the same way it happens in a household... tough decision making. If libraries are seen as the foundation of success for a university, invest in libraries -- stadiums, students, faculty, and staff -- same deal.

If leadership cannot assign priorities and continues increasing tuition and fees there is a high price to pay in dollars and public confidence. Debt burdens grow, students seek lower-cost alternatives, faculty move and, as always, the marketplace relentlessly rules. Students and families pick the cost/quality/utility equation that works for them.

A devastating statistic from a ***Wells Fargo*** study reported by Halah Touryalai in ***Forbes*** last week is captured in the title, *"Student Loan Problems: One Third Of Millennial's Regret Going To College."*

Increasing costs and the perceived need to serve more and more students with less and less money is backbreaking work for the bean counters and leaves students holding the bag in bewilderment. The debt and learning time-bomb continues to tick.

Last week Louisiana announced a plan to fund projects on community college campuses to train plumbers, welders, nurses, and others for high demand occupations. The protestations of Louisiana's university leadership followed closely, with wailing and gnashing of teeth: Too much for the two year schools.

Populism, politics, and old-fashioned persuasion create community college charm.   Legislators perceive, rightly or wrongly, that investment for a skilled workforce have high public value. The investment in some university education tends to be less easily justified: that is the political reality.

Unfortunately too many institutions say "yes" to students not ready to study: They crave the loan dollars students are willing to sign up for. There is institutional responsibility in this debt burden. There is also political responsibility as government insured loan money is available regardless of ability to pay-back. Responsible behavior must prevail: Otherwise, the public trust, and the lives of individual student borrowers are compromised.

Thirty-three percent say, "This was a mistake?" Something's kaput.

According to the National Association of Consumer Bankruptcy Attorneys in a study published last February graduating college seniors debt loads are growing at 5% per year. More troubling: The 35 to 49-year-old age group debt burdens grew by nearly 50%. Parent's loans for the education of their offspring have increased 75% since 2005, and the average $34,000 borrowed by mom and dad exceeds $50,000 over a 10 year repayment plan. Meanwhile, default rates on government loans are near 20%.

The National Association of Home Builders says student indebtedness is having a negative impact on home buying. The education bubble popping the recovering housing bubble: Same song, different tune.

It must stop but it requires the political will of elected officials to demand accountability from universities and students have some proof of performance in their portfolio before borrowing. Especially as the cost of education increases: A wider gate at lower-cost community colleges, more scrutiny at the more expensive state flagships.

Or, on the other hand, we can tolerate or condone what Sussette Sheree Timmons pulled off according to a ***Dallas Morning News*** story last week. Ms. Timmons enrolled in and dropped out of 13 colleges since 2009, being granted financial aid and not attending or participating: A racket in this exaggerated and thankfully rare case. We hope.

She faces fraud charges. We hope.

Thirteen institutions ignorant? We hope.