STUDENT LOANS

Is Access to Education at Risk?

By Matt L. Ottinger

While many are feeling the brunt of the current global financial challenges, among those who could find themselves in the eye of the economic storm are students vying for college loans.

Sallie Mae, the nation's top student loan provider, remains committed "to fund every eligible federal student loan application received from every student at every school," according to Martha Holler, vice president of corporate communications. Holler does note, however, that some private lenders have stopped offering these loans.

Sallie Mae is providing various educational tools to inform students about what financial assistance is still available and how to obtain such loans. Holler explains the company is also fine-tuning its efforts to secure funds.

Students at Indiana University (top) and the University of Southern Indiana are among those dealing with the limitations the current credit crunch has placed on access to student loans.

"We have tightened the underwriting criteria on our private student loans, and we advise students to secure a co-signer for their loan," Holler offers. "This not only helps them qualify for a private loan, but also helps us keep the loans affordable for customers; it can help lower the loan's interest rate."

According to University of Southern Indiana (USI) Director of Student Financial Assistance Mary J. Harper, the credit crunch isn't impacting students with federal loans at her school because they don't rely on private lenders.

"USI participates in the Federal Direct Lending Program, which ensures availability of student loans because the program is administered by the U.S. Department of Education and loans are made directly by the federal government to borrowers," she says. "Our students do not need to use a lending institution."

Harper explains some schools, however, are facing problems.

"Students who attend schools that participate in the Federal Family Education Loan Program (FFELP) may experience difficulty in obtaining federal loans because some lenders are choosing not to participate in the higher education loan market," she contends. "Changes in federal regulations have made higher education loans less profitable and some lenders are choosing not to participate. A problem occurs when the student selects a lender and the lender then decides to no longer participate in the higher education loan industry."

According to commentary by Bill Thon, executive director of workforce and economic development at Ivy Tech Community College Northwest, lenders that abandoned or suspended federal loans in 2008 had provided around 13% of all FFELP loan originations in 2007.

Going alternative

Education availability for non-traditional adult students is also a key consideration in Indiana. A recent Indiana Chamber of Commerce study – "Indiana's Adult Education and Workforce Skills Performance Report" – found the state has a strong need for workforce education, with Indiana ranking 41st in the percentage of working adults with an associate degree or higher.

Harper explains that some students pursue additional funding in the form of alternative loans, which are not associated with the federal loan programs. Alternative loans are credit-worthy, private loans that are becoming more and more difficult to obtain because of the credit crisis. She says alternative loans can be used to fill the gap between what a student receives from federal aid and the cost of education.

"The alternative loan market has tightened up as lenders are requiring higher credit standards and students are assessed higher fees," she states. "We counsel students on maintaining a good credit rating, managing credit cards and maintaining low debt."

INFORMATION LINK

Resources: Mary J. Harper, University of Southern Indiana, at www.usi.edu

Martha Holler, Sallie Mae, at www.salliemae.com