APLU Council of Presidents
Panel on Student Debt Reduction
Remarks of Michael A. McRobbie
President, Indiana University
JW Marriott
Indianapolis, IN
Monday, November 16, 2015
11:35 a.m.

1. INTRODUCTION

Thank you.

Let me begin by introducing MaryFrances McCourt, Indiana University's senior vice president for finance and CFO.

We are very pleased to have the opportunity to speak to you today about the initiatives that Indiana University has in place to optimize the use of student debt in financing an education.

2. ADDRESSING STUDENT DEBT

This audience is, of course, extremely well aware of the fact that education—and particularly higher education—remains one of the greatest and most effective means of developing the abilities of members of our society, and it continues to deliver enormous benefits to all people and to strengthen our nation in countless ways.

But, of course, over the last few decades, the costs of higher education have risen rapidly as more of the burden of paying for an education has shifted from the government to students and their families. One consequence has been that the size of student debt has reached proportions nationally which many regard as alarming. As you know, in 2010, U.S. student loan debt surpassed credit card debt for the first time. In 2012, student loan debt reached a staggering $1 trillion.

Today, the threat of major debt hangs over more and more students and threatens their ability to establish themselves independently, productively, and successfully in society. It is particularly of concern for students from low-income or minority backgrounds and threatens to make a university education almost unobtainable for them. And it is of increasing concern for the middle class.

But the fact is that, for many students, incurring debt in order to earn a college degree is a necessity, and for most it is an excellent investment in their futures.

Given all of this, those of us who work in higher education have a responsibility to help our students make sound financial decisions based on a solid understanding of the implications of taking on excessive debt.

Toward that end, we established an Office of Student Financial Literacy at Indiana University in 2012. Many of you, I know, have established similar offices or similar programs within existing offices at your own institutions.

Le me mention briefly just a few of the programs that have been developed under the auspices of our office.

IU now sends annual student loan debt letters to all student borrowers, updating them on how much they have borrowed and what it will take to repay the loans. Yahoo Finance recently praised our student loan debt letter as one of five “genius ways colleges are tackling the student debt crisis."[1] And the Indiana State Legislature was so impressed with the impact of this letter that they have mandated it for all public institutions of higher education in Indiana.

Our MoneySmarts initiative, which includes an interactive website, one-on-one financial education by student peers, an online module for incoming students, workshops, and classes—all aimed at helping students make informed financial decisions—was recognized as a Model of Excellence by *University Business* magazine earlier this year. Many other awards and acknowledgments over the past year or two have captured the attention at the federal level. Just last month, Deputy Secretary of the U.S. Department of Treasury, Sarah Bloom Raskin, visited Indiana University to meet with our financial literacy leaders and discuss student debt issues with a panel of students.

I am proud to say that, in a very short period of time, the programs of IU's Office of Student Financial Literacy have produced extremely positive results.

Borrowing by IU undergraduate students has decreased by 16.2 percent over three years, resulting in approximately $82.5 million in debt reduction. We have also notably reduced student debt default rates across our campuses. At IU Bloomington, the undergraduate three-year cohort default rate is now at 3.9 percent and four of our eight campuses have seen improvements of 30 percent or more.

Phil Schuman, director of the Office of Student Literacy Financial Literacy; Jim Kennedy, Associate Vice President for University Student Services and Systems; and MaryFrances McCourt, our Senior Vice President and CFO, deserve much of the credit for these initiatives, as do all of their colleagues across all IU campuses, as well as the many students who volunteer as peer mentors.

[1] Mandi Woodruff, "5 Genius Ways Colleges are Tackling the Student Debt Crisis," Yahoo! Finance, May 6, 2015, Web. Accessed June 22, 2015, URL: http://finance.yahoo.com/news/5-genius-ways-colleges-are-tackling-the-student-debt-crisis-194429389.html.

In addition to promoting financial literacy among our students, it is also incumbent on colleges and universities to keep a college education as affordable as possible, to minimize tuition increases, and to innovate to reduce operating costs and to increase productivity. All of these have been areas of intense focus for us over the past several years, and they will continue to be among our top priorities.

There is still much more to be done on Indiana University's campuses and around the nation to address these enormous challenges. We must also keep our attention focused on the relevant facts.

We understand the magnitude of the student debt issue, but we also work to break down this issue to its root causes. The growth in total student debt is driven, in part, by increases in the total number of individuals enrolled in college, as well as by increases in the percentage of students who borrow and the amount they borrow. Graduate student debt and debt at for-profit schools has also had an enormous impact on the growth in aggregate student debt. Approximately 40 percent of outstanding student debt relates to graduate and professional schools. The large spike in graduate debt between 2008 and 2012 may have been the result of policy changes in 2006 that allowed graduate students to borrow an unlimited amount in federal loans.

We also must take a skeptical and questioning approach—as is appropriate for a university—to some of the exaggerated headlines and wilder claims being made about the student debt issue. As of the fourth quarter of 2014, 67 percent of student borrowed $25,000 or less and 86 percent borrowed less than $50,000. Only 4 percent borrowed more than $100,000. These statistics include graduate borrowers who borrowed almost $58,000 on average. If we take graduate students out of the equation, a very different picture results. Despite the levels of graduate student borrowing, studies have shown that default rates for this group are low. The highest default levels actually result from the lower levels of borrowing of undergraduate students.

MaryFrances will now expand on the specifics on our programming and our commitment to bring even more focus and resources to this critical issue.