Editor's Column: Wisdom, Balance, and Common Sense

In formulating good policy that would provide access to and success in higher education in America—or virtually any policy development—there are few more effective cornerstones than wisdom, balance, and common sense. Wisdom most often flows from solid experience. If we were to frame modern student aid history from the post-World War II era, beginning with the GI Bill (1945), the establishment of the College Scholarship Service (1953) and its fundamental principles, Sputnik and the National Defense Education Act (1958), and the authorization of the federal Higher Education Act (1965), as the "early years" of our relatively young life as a profession, there would be much wisdom reflected. While our culture, demographics, educational costs, and dynamics have changed, wise principles still pass the test of time.

Winston Churchill once said that the person who can see further back can often see further forward. Much can indeed be learned from a review of our founding principles, including the common theme of *partnership*—that is, expecting that all parties involved in developing policy would provide their fair and reasonable share in supporting access to and success in higher education. The partners would include federal and state governments (i.e., the taxpayers); parents and students; educational institutions; private organizations, employers, and industry; communities; and financial organizations. Economists, researchers, and professional associations would also play a role.

However, balance in providing this support is also essential. The realities of limited resources, the realistic assessment of opportunity, the current lack of preparation too often found among students, and the constraints of family, institutional, and governmental budgets require establishing priorities and making compromises.

For example, when funds are not always available as needed, alternatives may be developed, enrollments deferred, or various financing programs may emerge. Ideally, in each case a reasonable level of burden and sacrifice is expected, whether this takes the form of a second-choice school; part-time matriculation; or low-cost, government-backed loans. Everyone must share in the burden at a fair and balanced level. The formation of sound policies necessitates such balance.

Common sense is another essential element in guiding good policy development. Funds that are not available should not be committed. Sacrifices might be necessary in the spirit of compromise. Face validity or "transparency" would justify policy decisions grounded on common sense. The public should receive honest, simple, consistent, and clear explanations of policy decisions, including those decisions that may regrettably fall short of providing the access that has always been the goal of our profession. Focus should be on the "big picture" and discussions be designed to achieve basic policy goals rather than driven by distractions created by the new technology demands or the complaints of a small but loud contingent of constituents.

In the early years, our principles for achieving the basic goal of access to college were guided by a partnership approach. Working together to create good policy encouraged a wonderful spirit among everyone involved.

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These early years were followed by the expansion of student aid programs and an increase in the number of providers, along with growing complexity in the process and government regulations. However, as evidenced by the Keppel Commission (1974), professional organizations, government officials, policy makers, and economists continued to work together through the 1970s in the spirit of partnership that was so crucial to providing the American dream of education for so many, "who but for such assistance"—as originally described in the Higher Education Act of 1965—would otherwise not have been able to pursue their aspirations.

A number of events and other dynamics changed the spirit of partnership and trust that had been so essential to creating sound policy. By the mid 1980s, Congress had created a new formula for distributing federal student aid that no longer consistently provided for a reasonable and balanced measure of family responsibility. Rather, it became a formula for rationing resources. The double-digit rates of tuition increases during this same era also left many families struggling to afford education for their students. These changes in the federal formula forced many institutions to create a separate methodology for measuring a family's ability to pay that was more in line with traditional principles. As a result, the Institutional Methodology (IM) was developed with the help of The College Board, and is used by many schools to award non-government, institutional awards.

The collaborative partnership that had been the basis for establishing student aid policy was even more severely impacted by legislation enacted following the Department of Justice's 1989-1991 investigation of the meetings of the "Overlap Group." The Justice Department's focus had been on a small number of schools that had been meeting periodically to share certain data from students who had been concurrently admitted to these schools. However, the ruling effectively served to further discourage the collegial environment wherein student aid professionals developed financial aid policies and principles. Wisdom, balance, and common sense were replaced by rote adherence to regulation.

This partnership approach further deteriorated under the implied threat of additional investigations and reprisals. It was only in the late 1990s that a small group of institutions, led by their presidents and under an exemption granted in section 568 of the Improving America's Schools Act of 1994 (further extended with the Need-Based Education Act of 2001), began to meet again. The "Presidents' 568 Group" formed a technical committee of financial aid professionals with the intention of addressing a number of difficult problems that seemed to be creating wide variances in how schools determined a family's ability to pay. This "consensus approach"—albeit only reflective of a relatively small number of institutions—may be a glimmer of hope and ultimately serve as a shining light to inspire the return to a more robust partnership approach to developing our working principles.

Other transitions on the state and federal level have changed the environment in which we develop student aid policy, albeit less dramatically. The federal government now provides less grant assistance and much more assistance in the form of loans. As reported in the May 27, 2005, *Chronicle of Higher Education,* many state governments began to provide more non need-based aid in the decade from 1993-94 to 2003-04. Moreover, due to reductions in state support for higher education in many states, tuition in the public sector had increased significantly, far outpacing any increases in state financial aid.

Another major partner in creating good student aid policy—the institutions—have too often shifted the basis for distributing resources from the need-based principles of the past and to an increasingly "enrollment management, net revenue" basis. Is it at all surprising, in this contentious, winner-take-all environment, that families have also become more demanding? What had been the expectation for reasonable level of family savings, sacrifice, and willingness to do their fair share, now has often been replaced by demands for more assistance and disputes over the expected family contribution. This is yet another breakdown in the partnership.

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One current example of this narrower, self-centered perspective is demonstrated by those who espouse the entitlement or "right" of student loan borrowers to have their loan obligations consolidated at long-term and significant expense to both taxpayers and students. If meeting the costs of loan consolidations restricts future funding for next-generation students, access will be further reduced. The original intent—that is, the wisdom—of the loan consolidation option was to serve the unusual need of a very limited number of borrowers whose circumstances left them with unmanageable or extraordinary monthly payments. A fair, balanced, wise, and fiscally prudent public policy would return to *access* as the priority for federal resources, rather than the convenience of former students seeking to reduce payments that they might reasonably be able to afford. This is yet another example of the demise of a partnership approach to good public policy.

As we approach the reauthorization of the Higher Education Act—our next opportunity to refresh the original purpose of our student aid programs—it would be wise to review a more balanced approach for policy development. A return to a common sense approach might go a long way toward fostering the spirit of partnership that can provide the encouragement and opportunity for access to higher education that so many students and families will always need.

Surely, part of our better understanding of good policy development is found in the kind of research and analysis we hope is inspired by NASFAA's *Journal of Student Financial Aid.* In this issue, we are pleased to provide our readers with three such articles.

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The first article, written by a number of authors led by Karen Gross, summarizes a study conducted at a New York law school on the topic of student financial literacy. The authors examine the lack of financial sophistication among their students and describe a course that was designed and implemented to improve financial literacy. The authors offer recommendations for further research and suggestions for ways to adapt the course for other student populations.

Our second piece, by Elizabeth Herr and Larry Burt, reviews a study conducted at a flagship public university in Texas. The research, supported by Noel-Levitz, was intended to identify the characteristics of students most likely to default on their student loans. Based on their findings, targeted intervention methods could be developed. Their results point to steps toward increasing retention and graduation rates as one key to designing an effective default-prevention program.

Our final manuscript summarizes the research conducted by Diann Ackerman Megert at a community college in New Mexico. Megert examined the possibility that the combination of completed advanced math courses and high school grade point average (GPA) may be a better way to select honors scholarship recipients than GPA alone. The results suggest that if retention and successful program completion are the ultimate goals, the use of additional criteria—such as completed advanced math courses—may improve the honors scholarship selection process.

As always, we are grateful to our authors for their fine efforts on behalf of our *Journal,* and trust that their articles will be informative to readers and serve as the basis for further research and policy analysis.

Joseph A. Russo, Editor
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