

# NASFAA's "Off the Cuff" Podcast – Episode 218 Transcript

OTC From the Field: A Conversation With Economist Dr. Sandy Baum

Speaker 1:

Financial aid offices are facing staffing shortages across the country due to increased turnover caused at least in part by burnout amid the pandemic an aging workforce, and several other factors leading schools struggling to compete for skilled workers in a highly competitive job market. The succession planning pathway at NASFAA's 2022 Leadership and Legislative Conference & Expo, next month in Washington, DC is designed to help your office prepare for the future. Learn more about the conference, the safety measures being taken, and register today at [nafsaa.org/leadership](https://nafsaa.org/leadership).

Justin Draeger:

Hey, everyone. Welcome to Off the Cuff. I'm Justin Draeger. NASFAA's President. This week, we're doing something just a little bit different. We are going to be circling back to a conversation that I had with economist Sandy Baum in December. It was a webinar for NASFAA. But there's a portion of it that we want to replay today. It focuses on things like priorities. If we had to choose in a world of limited resources between free community college, debt forgiveness, doubling Pell, what is the most important thing that'll have the biggest impact on students? We talk about institutional accountability, whether that should be program level or institutional level. We talk about for-profit education and whether they should be singled out or separated when it comes to accountability. And we talk about income-driven repayment, like where it goes wrong, who should qualify, and what these plans should look like.

Justin Draeger:

So take a listen. At the end, we're going to circle up on the latest happening in the news, with our producer, Hugh. And I just want to give a shout out and thank you to our Leadership Conference, which is sponsoring this episode, Check Out Succession Planning, which is one of the leadership tracks that we'll be running at this year's conference in Washington, D.C.

Justin Draeger:

If I were to ask you, in a world of limited resources, which is the world which we all live in, but especially economists, and you had to prioritize one, two, three, free community college, limited debt forgiveness, or doubling the Pell Grant Program, where's the priority? What's your one, two, three?

Sandy Baum:

Doubling the Pell Grant. I mean, to me, the issue is we want to increase educational opportunities. We want more people to go to college, and succeed in college, and improve their lives. And forgiving debt isn't going to make anybody... Well, it's not going to make many more people go to college. So we really need to look forward to how we make sure that we correct some of the errors, in terms of limiting access to higher education. So I would... And the Pell Program... Pell is not perfectly designed. And I think that, if I were in charge and didn't have to convince everybody else, there are ways that I would modify it. But basically it's a program that's very well targeted to people who have limited resources. And those are the people who really need help to make sure that higher education is in reach for them. So, that would be my number one.

Justin Draeger:

Okay. For people who are listening in, I'd ask you... I know we have many hundreds of people here, almost 700. If you want to go into the chat and put your number one, two, and three, I'd love to see

some of the responses. And just a reminder, you could submit questions through the Q&A box, and we'll be getting to those questions in just a little while.

Justin Draeger:

So, Sandy, one of the things about doubling the Pell Grant Program, one of the concerns that's been brought up, is that there are some schools that are not serving students very well and, in particular, for-profit or proprietary schools. So I kind of want to talk institutional accountability for a minute, before we circle back to the student aid programs. On the institutional accountability side, right now, there is a proposal to basically bifurcate the Pell Grant Program between non-profit and public institutions and for-profit institutions. You were recently part of a working group that sort of looked at some of the underlying principles that we should apply to institutions and for-profit schools. Let me just ask. Do you see a difference between proprietary schools and public and non-profit schools?

Sandy Baum:

Oh, I see a huge difference between proprietary schools and public and non-profit schools. I mean, the whole financial model is different, and the incentive structures are different. The oversight... The Board of Regents, or the Board of Trustees, the State Oversight of public institutions, that's all really different. Every institution needs to be fiscally secure, but nobody's trying to get rich and make a profit off of public and non-profit institutions. There's a huge difference. I think that when people ignore that, it just doesn't make any sense at all. So I think there's so much evidence that the for-profit structure, while it may potentially have some advantages in some ways, obviously is much more likely to lead to fraud and abuse and, bad outcomes for students. So that just doesn't seem debatable to me.

Sandy Baum:

I think that people in the for-profit sector... But that doesn't mean that every non-profit college is doing a better job than every for-profit college. And this is part of the problem. It's one thing to make a generalization and to talk about averages and to talk about tendencies. And it's another thing to say, "Okay, so non-profits are good and for-profits are bad," because there are some for-profit institutions that serve students very well. There are some types of programs that function better in for-profit schools, by and large. I mean, if you look at short-term certificates, if you look at completion rates in community colleges, we have a real problem. And there are programs at for-profit institutions that do a really good job of training people for specific occupations. So I don't think you can draw such a clear line.

Sandy Baum:

And one of the things you asked about this group, and what I feel is that we have this huge problem. I mean, a big part of the student debt problem is that we have all these people going off to colleges that don't serve them well, and borrowing all this money, and not graduating. And if we didn't have that problem, the student debt problem wouldn't look so serious. We have to do something to hold institutions more accountable. And, certainly, a larger share of for-profit institutions are acting in a way that would change if we had an effective accountability system. But it's not all for-profit institutions. And, certainly, there are non-profit, both public and private, institutions that are also not serving students well. And I think we need to hold them accountable, as well. So it's imperative that we find a solution. And it needs to be a solution that will last, and will last politically, no matter who's in control, and no matter what the moment about the free market is. We have to do something that will work. And it's going to have to be something, therefore, I think, that holds all institutions accountable, recognizing the for-profit institutions are different.

Sandy Baum:

Another issue, to me, is just look at the for-profit institutions that convert to being non-profit. The more we have rules and regulations... Let's say, if you're on the for-profit side of the line, you're going to be subject to all these constraints, the more they're going to figure out ways to get on the other side of the line, whether it's by offering services being bought, offering services, converting. So it's going to be, we're going to be chasing a moving target and it's not going to be effective. So that's another pragmatic reason for holding everybody accountable, if, not necessarily, in exactly all the same ways. And so that, as a starting point, means talking about accountability more broadly, seems to me to be the most constructive way to talk about it.

Justin Draeger:

So it sounds like what I'm hearing you say is that a school's taxable status, or business model, isn't necessarily the driver of student outcomes. But there are, perhaps, floors of accountability that should apply to all schools, more than what we have today, and that you do see a reason for maybe some additional accountability standards for proprietary institutions. Did I accurately summarize?

Sandy Baum:

Yeah, that's right. Yeah.

Justin Draeger:

Okay. So let-

Sandy Baum:

And, in something measures are directed at student outcomes. And some measures are directed at what your financing structure looks like. Right? And things that are directed at institutional financing, they're going to be different for for-profits. But student outcomes, we need good outcomes everywhere.

Justin Draeger:

Okay. So, let me ask you one question and then we'll move into these floors of accountability, because this would impact all schools. But, is bifurcating the Pell Grant the best way, as is currently proposed, is that the best way to hold for-profit or proprietary schools accountable?

Sandy Baum:

I really don't think it is. I think I would share your view that adding this complexity to the Pell Grant Program is not a good idea. I mean, I have spent years, as many other people have, talking about how important it is to simplify the Pell Grant Program, make it easier for people to understand, to make it easier to administer. This is not the way to do that. And it does seem to me... And, certainly, there are schools that now have access to Title IV aid that shouldn't. But then they shouldn't have access to Title IV aid. We shouldn't say you get a smaller Pell Grant if you go to that school. That, to me, is... I mean, that part's back to when we going to make grants do as a rating system. And you'd get more money if you went to a higher-rated school.

Sandy Baum:

This is not going to serve students well. I really think that we should be better about eliminating schools, altogether, from Title IV aid, not by giving their students smaller Pell Grants, because if you think that all

these students who are going to these schools that rip them off are going to say, "Oh, I get a few hundred dollars less than Pell Grant. If I go there, I guess I better go someplace else." I don't think that's going to work.

Justin Draeger:

No. And I would venture to guess most students don't even pay attention to the taxability status, necessarily, of the school they're attending.

Sandy Baum:

Right.

Justin Draeger:

There's a level of sophistication there, that's sort of inside baseball to those in the policy community. So let's talk about the floors of accountability for all institutions. Would you support this sort of a concept around program, not necessarily institutional, but program eligibility at institutions based on measurable criteria, like repayment rates within a certain program, regardless of what type of school you go to?

Sandy Baum:

Yes, I do think we need something like that. But, also, I'm actually working on a project now with my colleague, Erica Blum at the Urban Institute. And we'll come out with something in a couple of months with some ideas about this. But, fundamentally, I think we need a system that has multiple metrics. I mean, if you just pick the repayment rate or the completion rate or something like that, there are all kinds of reasons why one institution might have some, a student body that has problems in that area. Or there might be just some historical reasons, or geographical reasons, why they struggle. But if you pick a few metrics, like something about how students should pay their loans, and something about how they graduated, something about how much money they earn when they come out, and you insist that schools meet three out of four of the metrics, or something like that, you should be able to come up with something that gets rid of the worst schools, in terms of participation in these programs.

Sandy Baum:

So I don't think anything will be perfect. I think anything you come up with will be problematic in some ways. I don't think there's one best answer. I think picking thresholds is difficult. So, when people say, "Here, I have the perfect answer," I think, "Yeah, probably you don't. And we'll need to debate it and it will, of course, be political." But you need to have all institutions meet some threshold, in terms of whether they make students' lives better or not. And we have institutions in all sectors that don't do a very good job of that.

Justin Draeger:

So I'm a financial aid administrator, or director, or a leader of enrollment management on my campus. Given the policy conversations that are happening right now, in D.C. and in policy circles, it's probably a good idea for me to have a better understanding of the outcomes on a program-by-program basis, including what might be the repayment rates, and/or default rates, on a program-by-program basis. Do you think that's a fair assessment?

Justin Draeger:

Yes.

Justin Draeger:

Okay.

Sandy Baum:

I do think that's a fair assessment. I think that... Can I just say one thing about the program level? I mean yes, program level, because we all know, like they found that program at Harvard, in theater, that nobody made any money. But if you're at a liberal arts college, you're probably saying, "What do you mean program level?" I mean, I think we have to be careful about it because it's not like if you majored in philosophy at Skidmore College, we should call that a program and look at earnings, a year out. I mean, there are places where we really need to look at the whole institution, or the whole college, or the whole undergraduate program, and other places, particularly those where they're really separate tracks to totally separate programs, that program level is correct. Another complexity.

Justin Draeger:

Well, there's two additional offshoots from that. One is you talked about sort of a liberal arts degree. And that's not necessarily a direct career path pathway program. So there might be other additional floors of accountability you could look at, there. But one of the things we've talked a lot about, on accountability, is characteristics of your student population. And maybe a better way to say that is the selectivity of the school. So, if you are accepting students with higher academic outcomes, from high school, you are going to have a much different picture than, maybe, a school that's open access. How do you compare institutions to one another when their student population makeup is so different?

Sandy Baum:

This is one of the things that you can imagine we had big discussions about in this for-profit working group. But, of course, you shouldn't evaluate a school and give it a grade, based on its graduation rate. So Stanford gets an A-plus, because they are so selective. That doesn't make any sense. However, no matter how poorly prepared your students are, they are coming to college to get a credential. And if they don't graduate, it's a problem. So I think that you need to have a floor. And it's going to be a floor that's going to have basically no meaning for selective institutions. If you're looking at the completion rate floor. But, still, some people would be better off if they hadn't gone to college at all. And that's not okay. You can't just pick people up off the streets in that way. So I do think that you need to take that into consideration. But I don't think that we can make excuses and have low standards for institutions just because they're educating at-risk students. Those students also deserve to have good outcomes.

Justin Draeger:

All right. Let's turn back to the student aid programs where I think we'll have some intersections on several things, concepts here, access like access to what, equity and distribution, and accountability. Let's start with undergraduates. And then we'll sort of move through to parents, and then graduate students, assuming that there might be differences between those three populations. Maybe there's not as many as we sometimes imagine there are. But, with undergraduate students, can they currently borrow too little or too much?

Sandy Baum:

You know, I don't think anybody knows exactly the answer to that. I do think that the difference between the amounts that dependent and independent undergraduate students can borrow are problematic, because the undergraduate limit hasn't gone up for a long time. Maybe it should be higher. I mean the dependent student limit. Maybe the independent student limit should be lower, because is a lot of independent students are really struggling to repay those loans.

Sandy Baum:

So, saying whether it's the right level and, of course, now, with income-driven repayment, the problem is, if you can't pay it back, the taxpayers will pay it. I mean, I think I would say the current dependent student loan limit, maybe it could be a little bit higher, but not a lot higher. And if we had larger Pell Grants, then it would take some of the pressure off of that borrowing.

Justin Draeger:

You were talking about income-based repayment even before it was like widely accepted and became sort of national policy before more than a third of our borrowers found themselves in IBR. And I'm sort of curious. Has this program become sort of an important safety net, or has it become a way for us to basically do backend grants that should have been done on the front end, or both, or neither?

Sandy Baum:

Yeah. That's sort of a combination plus a lot of other things. I think people, who are saying it's not serving its purpose, are wrong. I think that it serves a really, really important purpose because it means that people... I mean, we can argue about how much is unaffordable monthly payment. But, basically, we are limiting the amount that people can have to pay based on their incomes. And we are saying, if over the long run, you just don't make enough money to pay it back, we'll forgive it. So I think those are really important principles. And I think we've done a good job of establishing that the program is flawed. It's flawed. One reason it's flawed is because it's so hard for students to get into, and stay in. So you have all these students who sign up for income-driven repayment. And then they get kicked out because they don't succeed in verifying their incomes.

Sandy Baum:

Surely we can solve this problem. I mean, we have made a lot of progress. And we're making more progress towards using the IRS to make it easier for this to happen automatically. It doesn't solve the problem if students have to fight so hard to stay in it, and if they have to understand so much to make this work. I mean the students who really need it the most, they have no idea what we're talking about. Right?

Sandy Baum:

So we need to make it as easy as possible for them, even giving students the choice and saying, "You have to pick which plan would be better for you." The students who need it the most don't know which plan would be better. I know there's a big debate about whether we should have... Everybody thinks, I think, that we should consolidate the income-driven plans. And we don't need to have six different ones. But should we also have the standard 10-year plan? And the way that I see that is that we should make it very clear that you can make bigger payments than the required payments. You really don't have to... Wait. Hold on, one second.

Sandy Baum:

You can make larger payments. You can pay back your loan as though you are on a 10-year plan. You should know what would be required to do that. But it doesn't mean that you need to have a different plan, because having to choose between those plans is going to be complicated. It's just going to be messy for students. And it's not always better to pay it off faster. So we're asking people to figure out like, "What's the interest rate on your loan?", and, "What's the interest rate you could get if you put the money in the bank?", and, "Which one is better?" So I think a simple plan, automatically enroll people in this, would just make a lot of difference.

Sandy Baum:

A lot of the discussion about it is like, "Oh, maybe the payments are too high. Let's just lower everybody's payments." But you know, when you look at this, if you lower everybody's payments, nobody's going to ever repay their loans. And we should design a system where, typically, people do repay their loans. They can take as long as they need to repay them. But they repay them. But, for people whose education didn't pay off, we forgive. And you don't necessarily have to wait 20 to 25 years to get your loan forgiven in a better-designed system.

Sandy Baum:

And let me say one more thing, which is like my pet peeve about this. Right now, the amount that you repay, if you don't finish paying off your loan, if you pay for 20 years, and then get forgiven, it doesn't matter how much you borrowed. Two people with the same income over 20 years, one of them borrowed \$30,000, and one of them borrowed \$50,000, and they make exactly the same payments. And that makes no sense.

Sandy Baum:

Imagine if two people paid car loans. And they pay back the same amount, no matter how much they borrowed. I think what we can do is say, "If you only borrowed a little, you only have to pay for a few years. But if you borrow a lot more, then you're going to have to pay for a longer time. Your payments will be affordable, but we handed you this money. You're going to have to pay back more than somebody to whom we handed less money." I think the system that makes how much you borrowed almost irrelevant is really inequitable.

Justin Draeger:

And so you would, you would sort of front load, or you would move the benefit to those who borrowed less, not those who borrowed more, who, if they're paying the same amount, they would receive, conceivably, much larger forgiveness.

Sandy Baum:

Right. Right now, I mean, I think that you shouldn't be rewarded for borrowing more money. Exactly. And, of course, if you borrowed... I mean, if you have two people making the same income, if you didn't borrow much, you're more likely to end up having it paid it back. But yeah, I don't think that we should give the big benefits to the people. I mean, especially with graduate students. I know we're talking about undergraduate students, but graduate students can borrow sort of infinite amounts of money. So if you borrow \$300,000, you're going to make a lot of money to pay that back. Why do we want to give those students bigger subsidies, just because they borrowed so much money?

Justin Draeger:

Okay. We have lots of comments in the chat and we have questions that are rolling in. I'm going to try to hit some of these as we move from topic to topic, but on the topic of undergraduate borrowers, in particular. Question here. "What are your thoughts on annual loan counseling, in general? Do you think loan counseling is a good idea? And I'd have to say, politically, it's kind of hard to ever ever argue against counseling. Except, do we think that it actually makes a difference in how much people have to borrow, particularly if they really have need?"

Sandy Baum:

You know, I don't know. I'm sure that many people listening have much more experience with loan counseling on the ground than I do. And I'm sure there's good loan counseling and bad loan counseling, and how it's designed, and when it's offered, and whether it meets people's needs. Obviously, everybody should have access to good advice. And it's certainly true that when we say, "Just call your loan servicer to get advice," that's probably not working really well in terms of giving people really effective and personalized advice. So we certainly need to do something that will better educate people. But I think it's going to have to be more sophisticated than most of what we now do.

Justin Draeger:

All right. So if people have comments or questions, or want to follow up on anything that Sandy and I talked about, please drop them into social media or send them to us directly. And maybe we'll air them on the podcast. Hugh, catch us up. What's going on latest and greatest in DC this week?

Hugh Ferguson:

Yeah. So this week we have coverage of another letter that got sent to the White House from a group of 80 Democratic lawmakers from both chambers of Congress who are, once again, calling on President Joe Biden to release a memo that's outlining whether or not he has legal authority to unilaterally cancel student loan debt for borrowers. There's been a lot of messaging, from members on both sides of the aisle, looking to bring clarity to this issue. And we're on the lookout for more developments.

Justin Draeger:

Yeah. This is the notorious memo that everybody's waiting for. And it's been built up. I actually wonder if it's going to say anything at all. So hopefully we'll find out one day. Okay. What else is going on? Yeah.

Hugh Ferguson:

Yeah. And then, today, Secretary Cardona gave remarks touting his second year at the helm of Education Secretary, and outlined his priorities for the year ahead. And we'll have a full write-up in today's news, highlighting some noteworthy quotes.

Justin Draeger:

Yeah. People should check that out. I understand he's talked about gainful employment. He talked, a bit, about student debt. So they can check out our coverage in Today's News, on Friday. Anything else?

Hugh Ferguson:

Yeah. And then just lastly, we're continuing with our diversity leadership program series, where we are introducing our members to the latest cohort. So be sure to check out the link in our show notes, to get to know our newest members. And stay tuned for more introductions.

Justin Draeger:

Yeah. Thanks very much. This is a great class of folks. And it's great to learn about them. We've had dozens of people go through this program now, since it's been up and running for a couple years. And those people are going on, and doing great things at colleges, universities, schools, and in their state regional and national association.

Justin Draeger:

So, thanks, very much, Hugh. Remember everyone. It helps us, if you leave a review on your podcast app of choice. Remember to tell your friends. Remember to subscribe. And we hope to talk to you again, very soon.

Speaker 1:

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