NASFAA's "Off the Cuff" Podcast – Episode 229 Transcript

OTC From the Field: A System on Auto-Pilot? One Expert's Perspective on the Need for Student Loan Repayment and Accountability Reform

Justin Draeger:

Hey, everyone. Welcome to another edition of Off the Cuff. I'm Justin Draeger.

Kevin Carey:

I'm Kevin Carey.

Justin Draeger:

Kevin Carey is joining us from New America. He's the vice president for education policy and knowledge management. Did I get that right, knowledge management?

Kevin Carey:

Yeah, it's kind of a consulting thing, mostly education policy.

Justin Draeger:

Okay. And you direct the education policy program there at New America, and people might be very familiar with you, Kevin, because you've been published in a lot of places. New York Times, Wired magazine, you published a book back in... had a book published back in 2015 and I still see you proffering opinion pieces in a lot of different places, we'll talk about some of those today. I have to ask, I feel like the question of the week though is how prolific of a Twitter user are you and how concerned are you about Elon Musk?

Kevin Carey:

I struggle with my Twitter consumption, I think like many people in media, and so I don't Tweet it all that much. I kind of... I mean, I was talking to a friend of mine who's an editor, the other day and I said, one thing I remind myself is that nearly all of the nonfiction writers I admire the most aren't on Twitter.

Justin Draeger:

Oh, is that right?

Kevin Carey:

Yeah, because they seem to be out just writing books and stuff or great long articles and things like that. So I mean there's a community of higher ed people on Twitter that I actually really enjoy engaging with and some of them are college professors and some of them are folks in around DC and they're very knowledgeable, and I enjoy that dialogue. The rest of Twitter, the sort of like, I can take it or leave it and should probably leave it more than I do.

Justin Draeger:

I don't want to out you in terms of, I want to protect your privacy, but like in terms of social media use, what is your platform of choice? Is it mostly Twitter, even if you're not posting? Is that where you're mostly consuming?

Kevin Carey:

Yes. Yeah.

Justin Draeger:

I went out to just kind look at your bio on LinkedIn and I've noticed on LinkedIn are two types of profiles. There's one profile that is, this is my title, this is what I do. And then there's another one that sort of encapsulates who they are, like I could do, I'm Justin Draeger, president of NASFAA or Justin Draeger, higher education thought leader if I was being aspirational. I do the former. I'm very literal. This is my job. Which one are you, and should we infer anything from it?

Kevin Carey:

I think I'm just the LinkedIn is like my CV, then kind of leave it at that.

Justin Draeger:

Okay. So it's just your title. So do we infer anything about how you view public policy? Since you're a public policy thinker and that's your history background in education, are you enmeshed in the theoretical or in the practical?

Kevin Carey:

I would say some of both. I mean New America where I work, we have a lot of people who work on education policy and a big higher education policy team that is intensely practical in its work. I mean, they are involved very much in the day to day, the minutia sometimes, the technical issues around, if you think about like the negotiated rule making process that's underway at the department of education, probably I would say no organization outside of the department of education is better represented in that process than New America because that's where the decisions get made. Right? So we are very, very focused on kind of these issues. At the same time, we are a think tank, and so when there was an opportunity, which already seems like a while ago now, to think big about sort of restructuring the nature of how the federal government funds and interacts with state governments and almost the biggest possible picture thinking, which is necessarily theoretical because if you don't have some good theories you're not going to get very good results, we engaged with that as well.

Kevin Carey:

I am probably more on the journalism and theory side of things than the neg reg stuff. The other people on my team are better at that.

Justin Draeger:

Well, that speaks to the hearts and minds of financial aid administrators, who I often say live at the nexus of policy and implementation. You can have the best policy idea, but if it's not implementable in some way, then you're headed for a policy disaster, and we could probably come up with a couple examples of where that's come up, most recently in negotiated rule making when we're talking about income driven repayment plans that need to be refined or public service loan forgiveness that needs to be worked out. And I find our members are often challenged by policy ideals or goals that they would support, but when it comes time to implementation, things tend to fall apart. So let's focus in on that for just a moment since you kind of straddle that line. I want to look at a Chronicle piece that you did last November, where you made the point that college degrees are not fungible assets, at least traditionally the way that we think about them. And you said, "College degrees are more like a combination of services and intellectual property provided by a private free market that is chronically prone to failure." So flesh that out for me, where are the market failures?

Kevin Carey:

Well, I mean, the point I was trying to make was I think kind of the language of assets has been moved over very seamlessly in a way to the structure of the way people talk and think and therefore make decisions about higher education, and it's not a perfect fit by any means. I mean, a degree is valuable obviously, and therefore people say well, it makes sense that you should borrow money to pay for it the same way that you take out a money to buy a car or a home. But you can't sell it to pay your loan back. Right? I mean, it gets you a job, but as I said, it's not... and so that sort of asset mentality, I think has led us a long way down this very problematic place we find ourselves in as a society with this enormous amount of student loan debt, which has become like an extremely salient political issue, and I think created an enormous set of policy challenges to sort of deal with.

Kevin Carey:

And when I talk about market failures, I mean, a million people were defaulting on their loans every year before we stopped that because of the pandemic. Those are all failures from my standpoint. Right? I mean, a few here and there. You can just say it's a big world and people will make some odd decisions. A million people a year means that the market by itself is systematically leading a non-trivial number of people to make high stakes financial decisions about how much to borrow, how much to pay and what kind of programs to enroll in that didn't work out well for them, in a pretty bad kind of way. And I always tell people you shouldn't think that every non-default is a success. Right? You can not default because defaulting is bad, but still making some poor, bad choices, mediocre choices, less than optimal choices and end up borrowing too much money for the wrong program at the wrong place. And-

Justin Draeger:

Yeah.

Kevin Carey:

Go ahead.

Justin Draeger:

Well, let me dive into that for just a moment, because I do wonder in some ways, if more of a market failure are people who are in repayment or in forbearance, and then back in repayment who end up with larger balances than when they started with and constantly find themselves further and further behind. And then through the complexities of the loan programs, combined with loan servicing that's very disparate and at different times managed differently, they find themselves hopelessly buried and no pathway towards potential forgiveness. Some of that's being rectified today, but default is sort of an enigma to me. It's always been sort of a challenge because we can identify the people who are most likely, or more likely maybe, to default non-completers who go to certain types of institutions or programs, but there are so many safety nets with student loan default. Is it the complexity or is it a market failure at the school? I guess I'm wondering is the forbearance and growing balances more of an indicator of a market failure than even a default?

Kevin Carey:

Yeah. I mean, those numbers are very troublesome and I think one of the challenges in doing this kind of job is to always keep track of what's changing. And it's tricky, especially when the world is changing and you want to keep track of it and then the way the rest of the world understands it is way behind that. Right? And so one thing that just, I think no one who doesn't do this for a living understands is the pretty radical change in repayment systems and patterns over like 15 years. Right? Where it just used to be that the standard 10-year repayment plan was overwhelming how people paid their loans back, and then we had these kind of, we call them safety net systems, right? Is IDR a safety net if most of the money is an IDR now, or is IDR just the way loans are paid back?

Justin Draeger:

What's the answer? Well, statistically we know that what, like half the people in active repayment, more than half the people are in an IDR plan.

Kevin Carey:

Yeah. Yeah.

Justin Draeger:

So in a way, that is now the new norm. So people are so under in terms of their income to debt thresholds, that they can't afford their loan payments, they're on an IDR plan. And then this reminds me of Congressman Petri, who is very much focused on this idea of just universal IDR that everybody would sort of be on this sort of program. Is that de facto where we're headed?

Kevin Carey:

I mean, it is if the system works, but we haven't proven that it works yet because it only works with the loan forgiveness part of it on the backend. Right? Or the whole theory of that depends on a functioning loan forgiveness component, and we have yet to prove that we can pull that off. We're making progress, but obviously it's been very rough going, made rougher by the fact that it was the PSLF program that came in first because it was 10 years instead of 20 and you had this extra component of certifying payments that as being... you had to certify the type of employer, not just that the payments themselves were made, and that has been obviously very, very difficult for lots of reasons.

Kevin Carey:

The other thing is too, one thing that I've learned and kind of changed my mind about around all this stuff is again, 10 years ago when these plans were kind of first being put in action, somebody with kind of a technocratic wonky point of view, which I have sometimes, was just kind of on the parameters. Right? This all makes sense. People say we should have the Australian style system. Well, we've got it now, right? It's 150% of this. What should the payment be and all these things, and it's all going to work out. What I didn't really realize, but I understand now is what that seems like from the point of view of a borrower, and what I think is that for an awful lot of people in these IDR plans, what they see is capitalizing interest. They find themselves in a situation 20 years feels like forever first of all, psychologically. 10 years, I think you can sort of see the end of it; 20 years feels like the rest of your life. And over and over again, people who are in IDR plans, so they're doing the thing that we told them to do and it's working out the way that the policy architects thought it should work out. Then what they say is I've been making payments for like 13 years and I owe more now than when I started.

Kevin Carey:

This feels like a crisis to me. This feels like a trap. This feels terrible. And I think even though everything's kind of going according to plan, and they'll sort of say, yeah, you add up 20 years of payments, it's more money. Right? So am I better off? Like I've paid my loan back because they just kind of take the interest out of it.

Justin Draeger:

So even if their economic loan payments are capped, you're saying psychologically, it creates maybe a mindset of not just being burdened, but sort of crushed by what you're seeing is not progress on paying off your loan. You're seeing an ever increasing loan amount year after.

Kevin Carey:

And this kind of goes to the whole enormous, macro level. Again, this is where we're really getting into the theory, the whole problem of essentially converting our higher education system to debt financing, where we decided that for all kinds of troublesome and regrettable reasons, decided that it was okay to just let it drift over to making borrowing the norm and that the federal government's ability to print money would be the ultimate backstop to access. It would be the final dollars that kind of would balance out if the states decided to pull their money out, if families didn't have enough money, we could always is just lend some more money, but it was for access reasons. Right? And so we imported some of the structures, and kind of all of the psychology, of debt but not all of them. So it's a debt system with no credit checks. It's a debt system where we really, really have a different mentality around our borrowers, but the borrowers don't know that.

Kevin Carey:

You learn about borrowing by watching a TV show or a movie where the main character sits in front of a bank officer. Right? We all see this in a hundred shows. Hey, I need a loan and the bank officer's like, do you have any collateral? Well, no, I don't have any collateral. That's why I need a loan. Well, I'm sorry, ma'am. I'm not going to give you the loan. Right? So built into that, and this goes to the market failure, built into that is this idea that you only get a loan if you are worthy of a loan and then if you have it, it's something you should try to pay off.

Justin Draeger:

All right. So yes. Yes. So I want to start back to the loans. Let me ask you a question of where this leads you then. If there's a market failure in where we've arrived, I think in that same Chronical article, then you're saying that the starting point then needs to be the upfront. It's the skepticism about what we're offering is that one of the solutions and in terms of maybe more accountability for the programs, the schools, outcomes. What is worth investing in? Is that the logical place that takes us?

Kevin Carey:

I think what that takes us to, we need big structural changes in our higher education system so it is much more well funded and much more accountable for success. So people have to borrow quite a bit less and that when they do borrow, there's quite a bit less risk that it's not going to work out for them.

Justin Draeger:

All right. So sticking with the big macro level, 30,000 foot view of this, more funding so people are less reliant on loans, but also more accountability. Maybe that's my word here, but more accountability. How do you balance that again than against innovation? Because if the idea is skepticism upfront, that means proof, instead of taking the credit check and applying it for lack of a better term as an example, credit check against the borrower who doesn't have collateral or assets, we're sort of applying it against the provability of what they're financing. That rests on the institution to a large extent. How do you prove that if you're at the same time trying to innovate, or maybe the taxpayer isn't the place where we should be innovating?

Kevin Carey:

I don't think that accountability is a barrier to innovation. I actually think quite the opposite. I think a sensible, fair system of accountability works better for everyone and people innovate inside of that system. So let me give you an example, for a long time there was no drug regulation in this country, right? We all remember reading a 19th century book about the charlatan going around selling miracle cures, all that stuff. Right? And then in the mid 20th century, the Food and Drug Administration set up essentially an accountability system, a regulatory system for drugs and said, you're only allowed to sell drugs in this country if you can prove that they're safe and that you can prove that they're effective. So they won't hurt people, but they also actually have to work, and that was like enormously controversial. A lot of people didn't like it. They said it was the heavy hand of the government, but they did it anyway.

Kevin Carey:

That structure turned out to be an enormous boon for the pharmaceutical industry because it gave consumers... it, first of all, became the standard for the entire world. The American, everyone kind of followed along, and because people could buy FDA-approved drugs with confidence, they were willing to pay for them, and investors were willing to invest in these companies because they knew that the market would work on the backend. And I think we need that in higher education. I think all the ambiguity around quality and the existence of mediocre or sub mediocre or frankly bad programs and bad institutions is a barrier to innovation, because that's kind of easy money that people will just kind of go after. And if they can't, maybe they'll actually spend their money trying to do something innovative and good.

Justin Draeger:

So the FDA is sometimes not without critique and I'm not an expert here, but sometimes they would say they're slow to market. They drag on drugs that might help the public or be off label for the public. Setting that aside, so it's not perfect, but I take your point, which is salient, which is it provided a structure. Can you apply the same scientific method though, which is sort of trial group, test, review, can you apply that to higher education where they might be coming up with career programs that benefit a very localized market that should lead to here's the term, but gainful employment, and then still apply that to other programs that are more liberal arts focused, more about breadth than depth? Is that asking too much for a higher ed accountability system?

Kevin Carey:

I mean, we have to. The way that we would think about accountability obviously differs a lot, depending on which part of the system, and I'm very open and sympathetic to the idea that particularly for the undergraduates, and where you're talking about a formative experience, you're talking about an education that is mostly not concentrated in a particular major, particularly if we're talking about bachelor's degrees, something that is kind of... all the good things about liberal arts education I'm a huge believer in. I would note that people who do that, do quite well economically also. So there's not like this problem where we have a ton of people graduating from liberal arts colleges with degrees in the classics who can't pay their loans back. We don't have that problem. People who get classics degrees from liberal arts colleges actually tend to have perfectly good life and economic outcomes

Justin Draeger:

Down the road. Like down the road.

Kevin Carey:

Sure.

Justin Draeger:

Yeah.

Kevin Carey:

Yeah. So all which is to say, I could imagine sort of making that the softest part of accountability, but we have so much... there's so many lower hanging fruit in terms of all of graduate education, which is more or less exempt from accountability right now, even though that's driving an awful lot of student borrowing. Again, another thing that is kind of absent from the broad public conversation around debt that people who have the luxury of doings for a living, understand how much of the debt numbers are being driven by graduate programs and how absolutely graduate programs are the least accountable part of the entire system, particularly at the master's degree level.

Justin Draeger:

All right. So let's pick up on that for just a moment on the debt side. So I'll start with a simple question that might not have such a simple answer, but then I want to jump off there into some of the debt questions. So based on what you just said and many of the arguments that have been made about the progressive or regressive nature of the repayment pause and widespread debt forgiveness, are you pro or against debt forgiveness?

Kevin Carey:

Yeah, I'm not into Twitter very often, but I did tweet this right before we got on today, just because it was sort of on my mind as I was thinking about this podcast, which is it's a weird time to be a higher policy wonk right now in April 2022 because normally almost all the issues are essentially understood and debated by a small group of people. You have some academics, you have some technocrats, you have some interest groups, you have some policy wonks and it's all sort of... and that's true for any issue you. Take out higher ed policy, you put in health policy, defense policy, that's just kind of the way of the world, except for student loan forgiveness, where every single person in the world has a strong opinion about it. It's weird. Right? You go from talking to 10 to people to talking to a million people. The level of awareness of it is a little hard to even wrap your mind around in how politicized it's become.

Kevin Carey:

So I will say to you what I say to everybody on this issue. One, I think we made a real mistake as a society by letting the system run on autopilot as long as we did, and as a result, many, many people borrowed more money for college than they should have had to. We had a system that worked, we just let it get away from us. I think the broad generational grievance among Millennial and Gen Z people that they've been handed a raw deal is a hundred percent accurate, and I think as we think about how to sort of make fundamental changes in our higher education system, some reparation, some helping out the people who have already gone through the system is a good idea.

Kevin Carey:

Should we cancel all the loans? No. I don't think that's a good idea at all. I think the idea of starting with a fixed dollar amount just makes a ton of sense for equity reasons because as we know, often it's the small borrowers who have the biggest trouble making repayment. Right? The person with the... there's apparently a fair number of people who borrowed $150,000 to get bachelor's degrees from private universities and are writers in like Brooklyn. There are not many people like that in real life, but I think they have kind of an outsized voice in this dialogue. Right?

Justin Draeger:

Right. Most defaulters, to your point, have loan amounts that were originated at less than $10,000 in total.

Kevin Carey:

Yeah, and let me say, in addition to loan forgiveness, default reform. So we need to get those people out of default. So it's not just about taking good loans and wiping them away. Let's take all the bad loans and really focus on those people who we know by definition are in trouble, and I really kind of want to focus on that. But should we wipe a out the entire $1.9 trillion? No, I don't think we should.

Justin Draeger:

Okay. So let me pin... will you let me pin you down? What's better, $10,000 or $50,000?

Kevin Carey:

Like if I was Joe Biden, where would I start?

Justin Draeger:

Yeah.

Kevin Carey:

I'd start at 10.

Justin Draeger:

You'd start at 10, because that would have the widest impact and be, dare I say, the least regressive because you'd be helping those who are perhaps most distressed and haven't racked up the large amounts of debt in going back to what you just talked about, graduate debt?

Kevin Carey:

I've never gotten weighted into the regressive debate, so that's not a talking point that I use. One, because I think it means different things to different people. It's very dependent on how you sort of think about different kinds of equity. I want to focus more on helping people who will be helped the most by that kind of policy, and I think just from a numbers standpoint, you're wiping out a lot of... there's a big difference between having some debt and no debt at all. Right? And so we know we have a lot of fairly small debt amounts that we could either get rid of or reduce by a lot. We could help, again, a lot of those people who have small loans, didn't graduate, right? You went for one semester to someplace, realized right away that it was bad.

Kevin Carey:

And some of those people... you asked about sort of the default question, the conundrum given the safety net. It's clear that there are a certain number of people who are at the margins of many, many things get kind of pulled into the higher ed system often in a predatory fashion. It doesn't work out for them. They drop back out again. They have no credential and from their perspective, the idea they should have to pay their loan back is ridiculous. And also, they don't have the money, so they just never make a payment. They don't engage with the system at all. They're just like, no way, man. I'm walking away from it, and they become defaults. And unfortunately, they may walk away from the system, but the system doesn't walk away from them. I want to help those people out. So that's why I would say start with $10,000.

Justin Draeger:

And then I heard you also say that has to come with some reform. So you just talked about default reform, which is something NASFAA also supports. Like let's not take people and then bury them even further into a way that they can't ever recover or contribute societally. But let me ask you about a couple other specific areas of reform. So you talked about the accountability on the school on the front end. We've talked about default reform briefly. What about graduate students, do we cap how much they can borrow?

Kevin Carey:

It's tricky. So yeah, I mean, the fact that graduate students encompasses so many different kinds of programs makes it hard to have one policy for them. So you put a cap on it and you've got all these doctors out there who are borrowing hundreds of thousands of dollars and don't really seem to be in a default crisis. They just have an expensive lengthy post undergraduate education that leads them into a lucrative career that mostly lets them pay their loans back, so we're going to kind of push them into private loans, I guess. I don't know if that's a good idea. At the same time, the thing that I think is very clear is that we have a big piece of the very complicated market, which is the master's degree market that is simultaneously the least accountable on the regulatory side of stuff and is wide open to this open spigot of grad plus borrowing. Unlimited borrowing plus no accountability is a bad combination and I think it is driving a lot of bad behavior at the institutional level. I think we just see people... you can create a master's degree in anything, charge $50,000 for it and the Department of Education will just send you the money no questions asked.

Justin Draeger:

And the hazard here is that you're saying down the road, if those borrowers then are in income-driven repayment plans, their loan debt is actually growing instead of shrinking. It's ultimately headed towards forgiveness. We're actually picking up the entire, or a large portion of the tab.

Kevin Carey:

Well, think the initial hazard is the programs aren't as good as they need to be and they're too expensive. So it's too much of an incentive for institutions to basically create these programs as profit centers. I don't think that's good public policy and I don't think that's good for students. The second order hazard is that... and again, loan forgiveness complicates this further, right? I mean, it already seems inevitable that there's some level of dialogue between the students and the institutions around forgiveness, the gist of which is, Hey, you're not going to have to pay it back. Which is in and of itself, just almost... if you wanted to create a system with spiraling inflationary pricing, all kinds of decisions that aren't really in the best interest of anyone other than who gets the money, that's what you would do. Right? You would kind of start to untether everything from actual pricing.

Kevin Carey:

So I mean, you can cap forgiveness, right? So we could put cap on the amount of PSLF you could get. The Obama administration proposed that, right? So you can either cap loans or you can cap forgiveness. Both of which have their consequences. Both of which would have some pluses and minuses in terms of programs and students, but I will say that I think just having uncapped loans for unaccountable programs forever is not the best option and we should do something other than that.

Justin Draeger:

Okay. Let's focus on another problem area, and I think this one's gotten a lot more attention more recently in the last couple years, but parent plus borrowing, another sort of ballooning area where even when the Obama administration... it was almost an administrative change. I don't think it was a political decision. It was administrative change to add back in a criteria that had been overlooked, which was how far back they were looking at delinquencies and the amounts. It caused massive access issues, which to your point, just illustrates how dependent we are on loans now just to provide access. That wasn't sort of the original mantra of student aid. It was grants provide access, loans provide choice. We're so far away from that anymore, but is part of the solution then figuring out who we will and won't provide plus loans to including at the very least, which seems pretty basic to me, a debt to income ratio, since the parents aren't increasing their ability to repay loans by sending their kids to college.

Kevin Carey:

Right. I mean, yeah, I think the evolution of the parent plus program and the choices that were made on all sides is really illustrative of the point we were just talking about, which as soon as you have uncapped borrowing, it changes the incentive structure. Parent plus became the one federal loan without a cap on it for undergraduates and what that meant in some circumstances was it just filled in the gap. And look, I understand why, and a point I make to people is that if you look at where loan problems often are the hardest to resolve, they're not in institutions that are especially expensive. People like to talk well, it's all these expensive dorms and all this stuff, and too many administrators and too many dean provost... no, not really. You can find institutions that are counting pennies. They're thrifty, right? The problem is they don't really have very much money and their students don't have very much money. And if there's no money, then borrowing is the only way to kind of bring some money to the table, and I think that describes...

Kevin Carey:

You mentioned that this was a controversy, particularly among historically black colleges and universities. Well, I mean, like read Adam Harris' book, The State Must Provide. Public HBCUs in this country have been systematically underfunded from the moment they were created up until and including right now. All the way. Every step of the way states have chosen to give them less money and therefore their students less money, but they need the same quality education, right? There's a national market for professors. It's not any cheaper to give a good college education one place than another. And so I understand why institutions went to the parent plus program in order to fill in the gap. The problem is by definition, you're often lending money to people who have no ability to pay it back. Right? I mean, because you only get there if the students are low income. So-

Justin Draeger:

So the complication is if you do introduce some sort of a credit worthiness standard above what we have today, in this environment you're capping access then. You are going to prevent access, and we saw the enrollment disruptions in the minority serving institution population roughly 10 years ago. But on the other side of that, if I was a borrower who, we talked about the previous example, I go into a lender. This is the traditional model. The lender says, what collateral do you have? I guess there's a fundamental question here for me, which is good underwriting also protects borrowers from getting in too far. Obviously we don't want to get into redlining or anything that would create even greater disparities, but this seems to me this is the intersection of two big policy questions, which is what will we provide access to? Do we provide access to all institutions or to public institutions, for example, or some level of institutions? There are price variations in American higher education; are we providing access to all of them? And then the second question is wouldn't additional underwriting protect the parents as much as cap the amount that would be going to schools then?

Kevin Carey:

I mean, we know we have a crisis of student debt among African Americans. The numbers could not be more clear if you look at the disparate amounts that black students and their parents borrow. If you look at the default rates, if you look at the repayment rates, the numbers are unconscionable. They're much worse than for well off students and for white students. There's no solution to the problem of black student borrowing that doesn't involve black students borrowing less money. Unless people think we're going to somehow go to a system where we don't control borrowing and it just becomes all forgiveness on the backend forever, which it's not going to happen. I don't think that's going to happen, and shouldn't happen. I mean, that's crazy, right? Although it seems like we're closer to that crazy point than maybe many people thought we would ever get to.

Kevin Carey:

So all which is to say this whole policy conversation cannot be confined to rules around borrowing, right? We have to think about the institutions themselves if we're going to provide fewer short term means of financing tuition for low income families at again, I would say you can almost call them low income institutions, then we need to do a better job of supporting those institutions. This is why I think it's going to be tricky for the Biden administration to sort of figure out the right path to take on loan forgiveness and loan repayment, because the Build Back Better plan floundered. I mean, if we had been able to do this at the same time that we restructured the nature of higher education federalism in this country and provided the level of additional resources to our access institutions, to institutions that serve students of color to public institutions, those things all make sense if you do them at once. If you do one part of it and not the other, you're kind of right back where you started faster than almost anyone I think realizes.

Justin Draeger:

To the question of do we provide, is the idea to provide access to all schools regardless of their cost or only schools or up to a certain cost? Am I inferring that what you're saying, because I feel like this is part of the conversation that gets overlooked because we say access as a feel good action word about what financial aid is providing, something I wholeheartedly believe in, but access to what often is the second question that sort of gets skirted. I mean, there are price differentiations in higher ed, maybe for good reasons and maybe not, but are we providing access to all schools regardless of price or... you know?

Kevin Carey:

I mean, we have undergraduate loan limits, right? So they're there for a reason and I don't see any ground swell of people saying we shouldn't have them. I think we should have them. I think for all kinds of reasons, it's good to have that and so we're not therefore, using those programs to just provide unlimited access at the undergraduate level to any institution, at any price. I think that's the only reason you would have that kind of thing, and you want to protect borrowers. You don't want students, undergraduates especially, walking out with too much debt. So this just kind of goes to all these questions of value and quality of accountability.

Justin Draeger:

Okay. Okay.

Kevin Carey:

This is why we can solve a lot of these problems if we do a better job of making sure that what we need to have is the system that people already think we have. All right. If you're a student and a parent, what you think is that the federal government would not lend you money to go to a college that isn't going to give you a good education. I wish that were true. It isn't true right now. We should make it true. And the fact that people think it's true is one of the biggest reasons that the market doesn't work.

Justin Draeger:

Right. So the consumer isn't... it's not a well-informed consumer and not of their own fault, but they're making an assumption that this is all quality across the board.

Kevin Carey:

I don't want to put the onus on the consumer. It's not that we don't have well informed consumers, we don't have well protected consumers.

Justin Draeger:

And so the onus would be on the funder, or in this case the taxpayer, and I guess this is why I read in the Chronicle where you say, you look at sort of the quality piece with a bit of skepticism, or we should as a matter of public policy because in a well-functioning market that would be done by the consumer. In this instance, the consumer is making an assumption that it's all equal in quality because we've reinforced to them so much post secondary ed, post secondary ed, post secondary ed.

Kevin Carey:

Well, and we've taught them to trust colleges, right? You go through life and there are certain institutions and people that you want to trust, that you need to trust and then there are others that you don't. Right? So you don't trust the guy selling you a used car. That's fine. He gets it. You get it. You negotiate. You trust your doctor. You trust your spiritual leader. You trust your family and you trust your educator. You trust your college. People don't want to be... they don't want to have to see all these colleges like used car dealers. Right?

Kevin Carey:

What they want to do is form a personal connection with a learning community that could be lifelong. They want to go in there with that kind of close relationship because you need a close relationship of trust in order to learn. It's not just a product or a service, like a cup of coffee or a streaming DVD service or something like that. Good education is much more than that, but if it's going to work that way, the trust needs to be real. It needs to be worthy. It needs to be authentic. And so therefore, because we can't and should never want to rely on just the consumer in the marketplace to provide all of the quality control for us in the way that we do in other areas, that's where you need a good government regulatory structure to make up the difference on consumer protection.

Justin Draeger:

All right. All right. Kevin, I have a hundred other questions I could ask you. This has been a great conversation. I think it's provided a little bit of insight about how people are thinking about accountability and maybe some of the skepticism and the reasoning behind why some advocates are looking for colleges to sort of prove the value so that we can protect what we all want is protect the student and have them have a positive outcome. So I think our members will have a lot of reactions and we'd be happy to share those with you after the episode.

Justin Draeger:

Let's move to some rapid fire questions. This really gets at the heart of who Kevin Carey is and whether we can actually trust any of the answers he's provided us so far today. All right, you ready? iPhone or droid?

Kevin Carey:

iPhone.

Justin Draeger:

The last song you listened to.

Kevin Carey:

Stairway to Heaven, Led Zeppelin.

Justin Draeger:

All right. Last concert you attended.

Kevin Carey:

Pre-pandemic Slater Kenny.

Justin Draeger:

The movie or film you're most looking for forward to that's going to be released.

Kevin Carey:

Dr. Strange next weekend.

Justin Draeger:

Okay. What's the one thing you do when you have writer's block, given how prolific you are?

Kevin Carey:

A wise man once said there's no such thing as writer's block, there's only reporters block. So I go back and I read more and I talk to more people.

Justin Draeger:

Okay. What's one book every person you think should read besides your book?

Kevin Carey:

The Emergence of the American University by Lawrence Veysey.

Justin Draeger:

What's one thing you hope to see change in the world? Doesn't have to be higher ed.

Kevin Carey:

World peace. Sorry. We're at war right now.

Justin Draeger:

All right. Kevin Carey. Thanks very much for being here. It's always been a pleasure to work with you and the team at New America. We've found lots of areas of similar interests and overlap, and really grateful for the expertise that you all provide in your engagement with the financial aid community. Thanks very much.

Kevin Carey:

Yeah. Great to be here. Thank you.

Justin Draeger:

All right. Let's bring in our producer this week, Hugh Ferguson. Hugh, welcome back to the podcast. What's going on in the world of financial aid news?

Hugh Ferguson:

Yeah. Thanks, Justin. So lots of news coming out of Ed this week. They kicked things off earlier in the week by announcing updates to their Second Chance Pell Experiment by opening up a third round of the program, which now according to Ed has made a total of 200 institutions of higher education eligible to participate. Any institution wishing to take part in this program needs to meet an extensive list of requirements, which we have outlined for members in a link in our show notes that they can check out.

Justin Draeger:

All right. People can check that out. Exciting news seeing this expand, something we've supported for quite a number of years. All right. What else is going on?

Hugh Ferguson:

Yeah. So on the Hill, senate Democrats this week are requesting that the department provide them with details on how the so called 'Fresh Start' initiative will play out for student loan borrowers who are currently in default, and those members have asked for more information on how the department is approaching the potential wind down of the ongoing student loan moratorium. And this policy could have huge implications for a large swath of borrowers, so we'll be tracking any news on this front.

Justin Draeger:

Yeah. There's some conflicting stuff to be thinking about here. On the one on hand, servicers have taken quite a critique from federal overseers and congressional Democrats. On the other hand, we are starting all of these defaulters fresh, which again, we support, but then dumping millions of them back into the loan servicing system, which I imagine everybody has some angst about, including the loan servicers themselves who are going to be onboarding all these people from the repayment pause plus millions of new borrowers who are getting a fresh start. So a lot to think about there. All right. Anything else?

Hugh Ferguson:

Yeah. And then just lastly, on Thursday Secretary Cardona testified in front of the House Appropriations Labor HHS Education Subcommittee, where he provided testimony on the White House's budget request for the fiscal year 2023. And it feels like we just wrapped up fiscal year '22, because we actually did just get those numbers finalized a few weeks ago, but yeah, appropriators now need to get their new budgets aligned and figure out the funding levels for higher education programs in order to get back on schedule for this cycle, and we'll have a recap of that testimony in Friday's edition of today's news.

Justin Draeger:

And so if people are trying to keep track, this would be funding for the '23/'24 year it's officially kicked off and we'll be watching this closely as it unfolds over the next, I'm sure, Hugh, right, many, many, many months.

Hugh Ferguson:

Oh, I'm sure they'll be very speedy in an election year.

Justin Draeger:

Sure. Okay. Thanks very much, Hugh. Good to see you. Thanks everybody for tuning in and listening. Thanks always for your comments. Remember to subscribe. Tell a friend, and if you have a moment, leave a review that helps other people who are interested in these topics. Find our podcast. We look forward to talking to you again very, very soon.