

# What the World Needs Now: Cross-National Student Loan Programs

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New England institutions have long been in the forefront of recruiting foreign students. Recently, the numbers of foreign students studying in the United States has declined partly as a result of visa problems, widespread perceptions that the United States no longer welcomes foreign students and increasing anti-Americanism abroad. The primary barrier to increasing numbers of foreign students, however, has been, and still is, lack of financing.

If we could solve this problem, foreign students could help substantially in meeting the demographic shortfall of domestic high school graduates facing New England colleges in coming years. The U.S. Department of Education projects very modest growth in 18-year-olds nationally by 2009 and declines in some parts of New England.

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Foreign students are not eligible for most forms of student financial assistance. The result is that a majority of international students in our colleges come from families that are able to pay full tuition. Studying at an American university has for the most part been a luxury item for non-U.S. families. The rapidly expanding middle class worldwide has largely been shut out of U.S. higher education because of financial constraints.

This could change. A well-engineered cross-national student loan program could democratize and expand international student enrollment the way the early guaranteed student loan program expanded college opportunity for U.S. students. A number of fundamental

changes abroad have made it possible to think about a loan program for foreign students coming to the United States.

## **Less loan-averse**

In the struggle to meet demand, national higher education systems around the world are changing from small elite systems where a few (usually affluent) students who meet rigid admissions requirements receive free tuition, to systems where students are asked to share the cost of their education through paying tuition. No government can afford to maintain free tuition and greatly expand numbers of students.

With the imposition of tuition, student loans inevitably follow. Despite initial objections to tuition, students and their families value higher education so much that they are willing to accept this change and borrow to pay for something they deem so valuable. People who previously would not have considered borrowing to pay for college are now willing to do so. In addition, because growing numbers of people in many countries are transitioning from low- to middle-income status, a much larger number of people are able to repay student loans.

**Admissions and financial aid officers at New England colleges tell us if they could finance foreign students, they could reverse the decline in their numbers and begin a period of real growth.**

This is good news for New England *if* we can find a way to provide financial support for these new middle-income foreign students and their parents. So far, grants for these students have been quite limited and loan programs virtually non-existent.

## **Sophisticated infrastructure**

One reason we have not been able to meet demand by foreign students for financial aid is that many countries have not had the financial infrastructure to support credit-based aid. To ensure a steady and reliable source of student loan funds, certain financial sureties must be in play. Lenders must be assured of a market for the student loans they make; those who would buy these loans must be assured that default rates will be manageable, and that the loans can be reliably collected. Almost all developed and many developing countries have domestic student loan programs. Therefore, many countries now have reliable ways of evaluating student and parent credit-worthiness, established loan servicing organizations and financial agencies capable of creating a credit market.

A cross-national student loan program is therefore more possible than ever. The demand is there too.

Admissions and financial aid officers at New England colleges tell us that if they could finance foreign students, they could reverse the current decline in their numbers and begin a period of real growth.

What kind of mechanism could make this happen? New England has a rich history of creating public/private partnerships to help students finance their educations. In 1956, a foresighted group of civic leaders created the nonprofit Massachusetts Higher Education Assistance Corp. (now American Student Assistance) which solicited philanthropic donations from private sources to guarantee loans to Massachusetts students. The New England Education Loan Marketing (Nellie Mae) Corp. was founded in 1981, becoming a leading student loan secondary market. TERI (The Education Resources Institute), founded four years later, has become the world's largest non-governmental guarantor of student loans.

A consortium of New England education and financial institutions, possibly under the leadership of NEBHE, could once again make New England a pioneer in higher education finance by devising a workable student loan system for foreign students coming to study in the region. The availability of this type of financing could fuel tremendous growth in enrollments and substantially assist our institutions of higher education as they face projected declines in the pool of U.S. students of traditional college age.

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