Plenary Session IV – Part A: What’s Up at WICHE?

Knocking at the College Door 2008

The nation and many states are undergoing sweeping shifts of demography, driven in large part by explosive growth among Hispanic/Latino populations. This session will provide information from the newest edition in WICHE’s widely respected series of projections of high school graduates by state and race/ethnicity, Knocking at the College Door, published in early 2008. The projections provide a better understanding of the scope of the demographic shifts in each state and how will they relate to the demand for postsecondary education in the years to come, both in terms of its overall size and its racial/ethnic composition.

Biographical Information on the Speakers

Dolores Mize is vice president for public policy and research for the Western Interstate Commission for Higher Education. Mize had a successful first year at WICHE, redesigning and refocusing some of the work of the organization, raising approximately a million dollars and speaking at numerous state, regional, and national events. Before joining WICHE, Mize spent 10 years with the Oklahoma State Regents for Higher Education, where she accepted several roles, serving most recently as associate vice chancellor and special assistant to the chancellor. From 1999-2007 Mize raised close to $90 million for the state system through federal and foundation discretionary grants. She additionally administered federal formulaic grants and, in partnership with the state’s EPSCoR program, developed a complete grantsmanship support system for all of the state’s public and private colleges and universities. Mize worked in numerous P-16 venues; administered a statewide assessment program in Oklahoma, designed to help prepare students in middle and high school for college; and led the first ever statewide college access marketing campaign aimed at this population. Mize’s work and the efforts of her staff earned numerous awards and recognition from business, state government, public relations, and national groups. Mize just received a grant from Lumina Foundation for Education, entitled Non-Traditional No More: Policy Solutions for Adult Learners, in which three pilot states will undergo comprehensive policy reform to support adult learners in the areas of academic affairs, student affairs, financing and financial aid, and marketing and communications. A key piece of this project is also to help states put their data system houses in order, so they can identify “ready adults” – those who are close to obtaining a degree but who’ve never completed their education. Mize is a well-known advocate for students of all ages and serves on several national boards related to her personal devotion to student success in college.

Brian T. Prescott is the senior research analyst in the Public Policy and Research unit at the Western Interstate Commission for Higher
Education. In this role he has primary responsibility for obtaining and analyzing quantitative data with public policy relevance. As part of this work, he is the author of the 7th edition of *Knocking at the College Door*, WICHE’s widely used projections of high school graduates by state and race/ethnicity. Additionally, he oversees an annual report on tuition and fees charges at public higher education institutions in the West, annually prepares a regional benchmarks report, maintains a web-based fact book, and authors occasional policy briefs. Prescott also has experience working with states on issues of access, success, affordability, accountability, workforce development, and accelerated-learning options. Prior to joining WICHE in 2004, Prescott worked in the Office of State Governmental Relations at the University of Virginia, where he earned a Ph.D. in higher education. He also holds an M.A. in student development in postsecondary education from the University of Iowa and a B.A. from the College of William and Mary.

**Plenary Session IV – Part B: What’s Up in the West? The Impending Loan Crisis (or Not)**

In the budget reconciliation package of 2007, Congress reduced substantially the student loan subsidies provided to banks and other lending institutions, both public and private. These substantial subsidies had traditionally been provided to ensure that lenders would continue to provide adequate loan capital to meet the demand from students for federally insured student loans within the federal family of education loans (FFEL) program. These cuts produced $12 billion in savings, which were used to help reduce the budget deficit, with a portion of the funds actually being used to provide increased funding for the federal need-based grant initiative known as the Pell Grant program.

At the time that these subsidies were proposed and subsequently passed, there was much hue and cry that the cuts were so severe that they would force lenders out of the FFEL program and create a catastrophic credit crunch for students seeking federal student loans. The response from Congress and the Department of Education was that they believed subsidies remained sufficient to provide efficient banks with an adequate return on investment and that any slack could be picked up by the federal Direct Loan Program, which obviously doesn’t share the private sector’s profit orientation.

At least initially, there was no apparent impact on lender participation in the program. Beginning in early spring 2008, however, coincident with the credit crunch experienced as a result of the collapse of the subprime mortgage market and the concomitant difficulties lenders were experiencing due to their bundling of low- and high-risk debt, many lenders began reducing their commitment to student lending. Initially this withdrawal began with non-federally-insured private loans, which had become popular in recent years as a way to supplement
federally insured loans when the latter did not meet all of a student’s perceived borrowing needs. These non-federal loans, lacking the federal guarantee against default, were of much higher risk to lenders; thus, they reduced their availability when this type of credit became a more risky investment.

Within a couple of months, however, a number of lenders also withdrew from offering the federal loans. Why, however, is not clear. The lenders contend that the subsidy cuts were too severe and that the slim profit margins simply don’t make it worthwhile to stay in this line of business. Yet many lenders, particularly large lenders, have remained in the program. Furthermore, it appears that many of the lenders have withdrawn simply because the credit markets have become extremely tight and they have been unable to market the bonds necessary to provide the loan capital they need to stay in this business.

Without doubt, the current environment has created a crisis for student loan lenders. But has it created a crisis for students who wish to borrow? The Department of Education has provided a mechanism for lenders of last resort to step up their participation in the programs. Major lenders, including Sallie Mae, which was established as a secondary market to ensure access to student loan capital and has expanded into the largest national lender, remain active in the program. And a number of colleges and universities have joined the Direct Loan Program, which seems capable of expanding to meet whatever demand comes its way.

These circumstances provide a ripe opportunity for a discussion of what is best for students, institutions, states, and the federal government. Your president, Dave Longanecker, managed these programs as assistant secretary for postsecondary education throughout most of the 1990s and can assure you that this is one of those policy areas in which “where you stand often depends upon where you sit.” Longanecker will lead a discussion in which he hopes to shed a little knowledge and receive a little knowledge, as well.

Biographical Information on the Speaker

David A. Longanecker is the president of the Western Interstate Commission for Higher Education in Boulder, CO. WICHE is a regional compact between 15 Western states created to assure access and excellence in higher education through collaboration and resource sharing among the higher education systems of the West. Previously, Longanecker served for six years as the assistant secretary for postsecondary education at the U.S. Department of Education. Prior to that, he was the state higher education executive officer in Colorado and Minnesota. He was also the principal analyst for higher education for the Congressional Budget Office. Longanecker has served on numerous boards and commissions. He has written
extensively on a range of higher education issues. His primary interests in higher education are: access, promoting student and institutional performance, teacher education, finance, the efficient use of educational technologies, and academic collaboration in Canada, the United States, and Mexico. He holds an Ed.D. from Stanford University, an M.A. in student personnel work from the George Washington University, and a B.A. in sociology from Washington State University.