

Student Loan Programs Scaled Back, Some Terminated

By Carina Zaragoza



The recent subprime mortgage meltdown has made its way into the higher education sector. Coupled with the recent student loan industry fiasco and current economic uncertainty, several leading student loan lenders have announced they will cut back or eliminate altogether loan programs.

The majority of schools affected by these cutbacks are for-profit colleges, or career colleges. Among the schools whose students will be impacted are:

- DeVry Incorporated of Illinois. The college's students will no longer be offered discount loans. DeVry maintains its student loan program is "in good standing."
- University Technical Institute of Phoenix. Likewise, the college's students will no longer be offered discount loans. UTI anticipated the cutback due to economic signals and added other lenders and programs for its students.
- ITT Educational Services of Indiana. ITT added three new lenders that will offer the same loans that were cut by previous lenders.
- Corinthian Colleges, headquartered in California, saw three of its lenders end their loan programs.

The risk and loss as a result of defaulted subprime mortgages have made lenders wary of extending loans to students with poor credit. Last year's College Cost Reduction and Access Act, which cut subsidies to lenders under the Federal Family Education Loan Program (FFELP), cut deeply into the profits of lenders, contributing to their decisions to end loan programs.

Perhaps in anticipation of these cutbacks, or as a gesture to ease the burden of debt for students, Dartmouth College and Bowdoin College have both recently replaced loans with grants.

Bowdoin College, a liberal arts and sciences college located in Maine, announced on January 18, 2008, that it will eliminate loans for all new and current students beginning in the 2008-2009 academic year. Students, who must be receiving financial aid to qualify for the new program, will be given grants to attend the college. The new program is ambitious, given the institution's relatively small endowment of less than \$1 billion.

Dartmouth also will replace loans with grants for all students eligible for financial aid. Dartmouth will require no contribution for students from families with incomes of \$75,000 or less. And Dartmouth is extending this aid to international students, one of the very few institutions to do so.

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