

OPINION | COMMENTARY

College Too Expensive? That's a Myth

Pell grants, state aid, modest loans and scholarships put a four-year public institution within the reach of most.

By **LAMAR ALEXANDER**

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Paying for college never is easy, but it's easier than most people think. Yet some politicians and pundits say students can't afford a college education. That's wrong. Most of them can.

Public two-year colleges, for example, are free or nearly free for low-income students. Nationally, community college tuition and fees average \$3,300 per year, according to the College Board. The annual federal Pell grant for these students—which does not have to be paid back—also averages \$3,300.

At public four-year colleges, tuition and fees average about \$9,000. At the University of Tennessee, Knoxville, tuition and fees are \$11,800. One third of its students have a Pell grant (up to \$5,775 depending on financial need), and 98% of instate freshmen have a state Hope Scholarship, providing up to \$3,500 annually for freshmen and sophomores and up to \$4,500 for juniors or seniors. States run a variety of similar programs—\$11.2 billion in financial aid in 2013, 85% in the form of scholarships, according to the National Association of State Student Grant and Aid Programs.

The reality is that, for most students, a four-year public institution is also within financial reach.

What about really expensive private colleges? Across the country 15% of students attend private universities where tuition and fees average \$31,000, according to the College Board. Georgetown University costs even more: about \$50,000 a year. Its president, John DeGioia, told me how Georgetown—and many other so-called elite colleges—help



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First, Georgetown determines what a family can afford to pay. It asks the student to borrow \$17,000 over four years and work 10-15 hours a week under its work-study program. Georgetown pays the remainder—at a total cost of about \$100 million a year.

Apart from grants, work and savings, there are federal

student loans. We hear a lot of questions about these loans. Are taxpayers generous enough? Is borrowing for college a good investment? Are students borrowing too much?

An undergraduate today can get a federal loan of up to \$5,500 his first year. The annual loan limit rises to \$7,500 his junior and senior years. The fixed interest rate for new loans this year is, by law, 4.29%. A recent graduate may pay back the loan using no more than 10% of his disposable income. And if at that rate he doesn't pay it off in 20 years, taxpayers forgive the loan.

Are students borrowing too much? The College Board reports that a student who graduates from a four-year institution carries, on average, a debt of about \$27,000. This is about the same amount of the average new car loan, according to the information-services company Experian Automotive. The total amount of outstanding student loans is \$1.2 trillion. The total amount of auto loans outstanding in the U.S. is \$950 billion.

But a student loan is a lot better investment. Cars depreciate. College degrees appreciate. The College Board estimates that a four-year degree will increase an individual's lifetime earnings by \$1 million, on average.

What about the scary stories of students with \$100,000 or more in debt? These represent only 4% of all student loans, and 90% of the borrowers are doctors, lawyers, business school graduates and others who have earned graduate degrees.

About seven million federal student loan borrowers are in default, defined as failing to

...from payment at least some months. That's about one in 20 of all outstanding federal student loans in default—although the Education Department says most of those loans eventually get paid back.

Here are five steps the federal government can take to make it easier for students to finance their college education:

- Allow students to use Pell grants year-round, not only for the traditional fall and spring academic terms, to complete their degrees more rapidly.
- Simplify the confusing 108-question federal student-aid application form and consolidate the nine loan repayment programs to two: a standard repayment program and one based on their income.
- Change the laws and regulations that discourage colleges from counseling students against borrowing too much.
- Require colleges to share in the risk of lending to students. This will ensure that they have some interest in encouraging students to borrow wisely, graduate on time, and be able to pay back what they owe.
- Clear out the federal red tape that soaks up state dollars that could otherwise go to help reduce tuition. The Boston Consulting Group found that in one year Vanderbilt University spent a startling \$150 million complying with federal rules and regulations governing higher education, adding more than \$11,000 to the cost of each Vanderbilt student's \$43,000 in tuition. America's more than 6,000 colleges receive on average one new rule, regulation or guidance letter each workday from the Education Department.

It is vital that more Americans earn their college degrees, for their own benefit and that of the country. A report by Georgetown University's Center on Education in the Workforce tells us that if we don't, we'll fall short by five million workers with postsecondary education in five years.

Mr. Alexander, a Republican from Tennessee, is chairman of the Senate's education committee. He has been secretary of the Education Department, president of the University of Tennessee and governor of Tennessee.

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