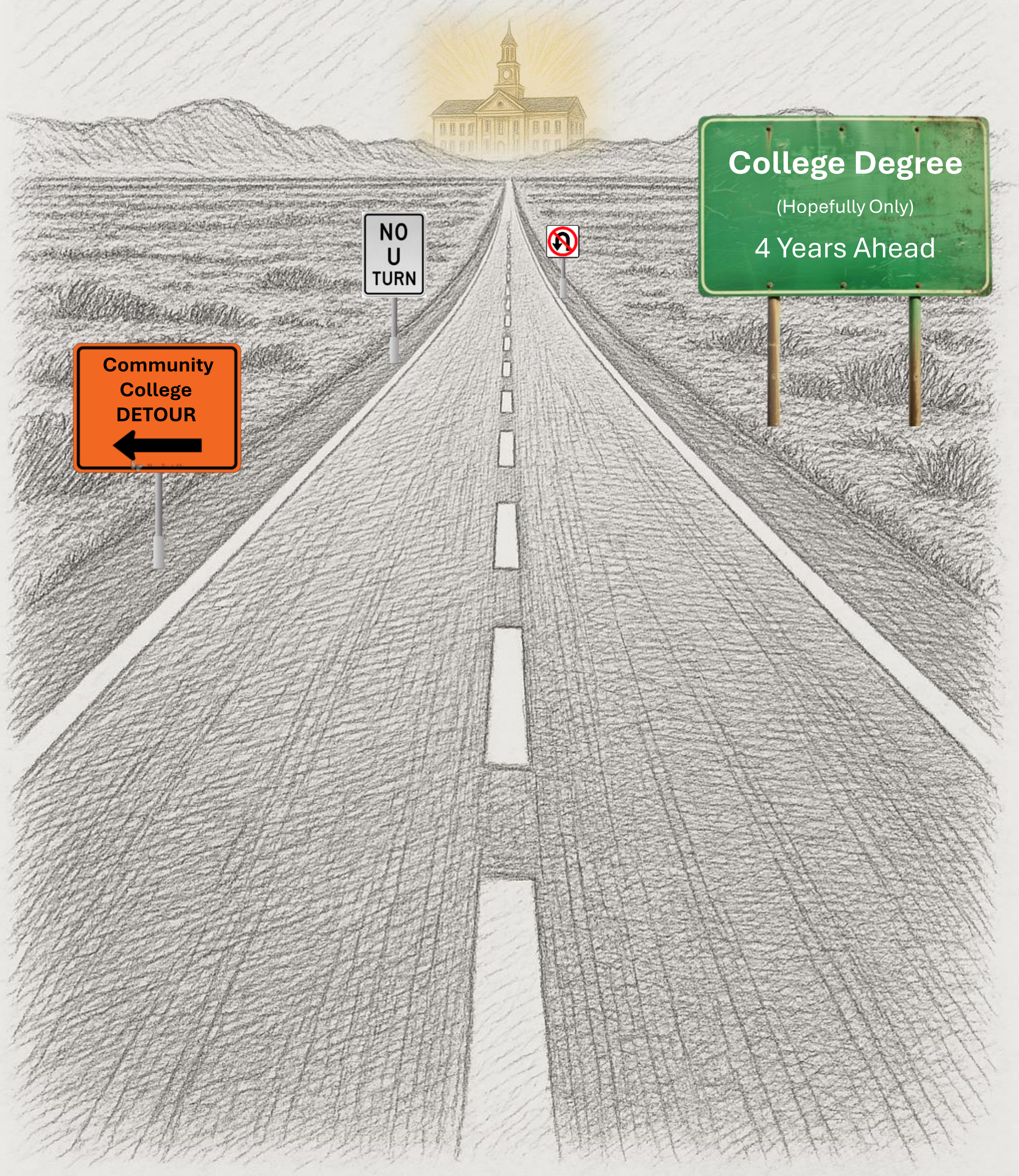
Kill Student Debt,
Save the American Dream



Now is the time to reform higher education in the U.S.
This is how we should do it.

College Aid Pro™

Introduction

On October 4, 1957, the Soviet Union successfully launched Sputnik into the Earth's atmosphere, kicking off the Space Race and escalating the tensions of the Cold War.

Sputnik also inadvertently launched what has been 80 years (and counting) of U.S. policy on higher education. What started as a panicked urgency to educate the U.S. population and jumpstart our dominance in science and technology, has ended in a misaligned market that has created a **College Cost Bubble** and a suffocating **Student Debt Crisis**.

While the first half of this 80-year run was a resounding success (which we call the **Era of Access**), the second half (the **Era of Aspiration**) has produced unintended consequences that are now crippling our higher education system.

Today, there are glaring, undeniable symptoms of a broken system:

- Millions of Americans are drowning in *trillions* in student debt that was supposed to facilitate a clear path to a better life
- College enrollment has peaked and the value of a degree is in question
- Non-profit colleges whose mission is to educate the population are rewarded for and even boast about how *few* students they let in
- Cost of attendance has surpassed $100,000 *per year* at some schools
- College endowments look like hedge fund balance sheets, with the top 25 largest endowments totaling over *$486 billion* in collective value

We find ourselves at a crossroads where most Americans agree that something has to change about how we send our kids to college. The sense of panic and urgency we feel now is not the same as it was in 1957, but it is just as real.

The time is now to come together and implement real reform that will preserve what makes American colleges and universities the envy of the rest of the world, while resetting the expectations of what going to college in the U.S. means.

The **Era of Accountability** should start now.

This is how we can get there.

Era of Access

(1945 to 1982)

The modern system of higher education in the U.S. was dramatically accelerated by the launch of Sputnik in 1957, but the foundation was formed with the introduction of the GI bill in 1945. Following the end of World War II, the GI bill was intended to be a means to reintegrate returning soldiers into post-war society and to invigorate the U.S. workforce.

Unlike much of the world at that time, college in the U.S. was not controlled by the federal government. Instead, the U.S. allowed private organizations and individual states to determine the supply of colleges and universities. The GI Bill's focus, therefore, was not on explicitly educating veterans, but rather on providing funding in the form of free grants.

The GI Bill was a resounding success and is considered one of the most transformative pieces of federal legislation ever produced, causing postwar college and vocational school attendance to jump exponentially.

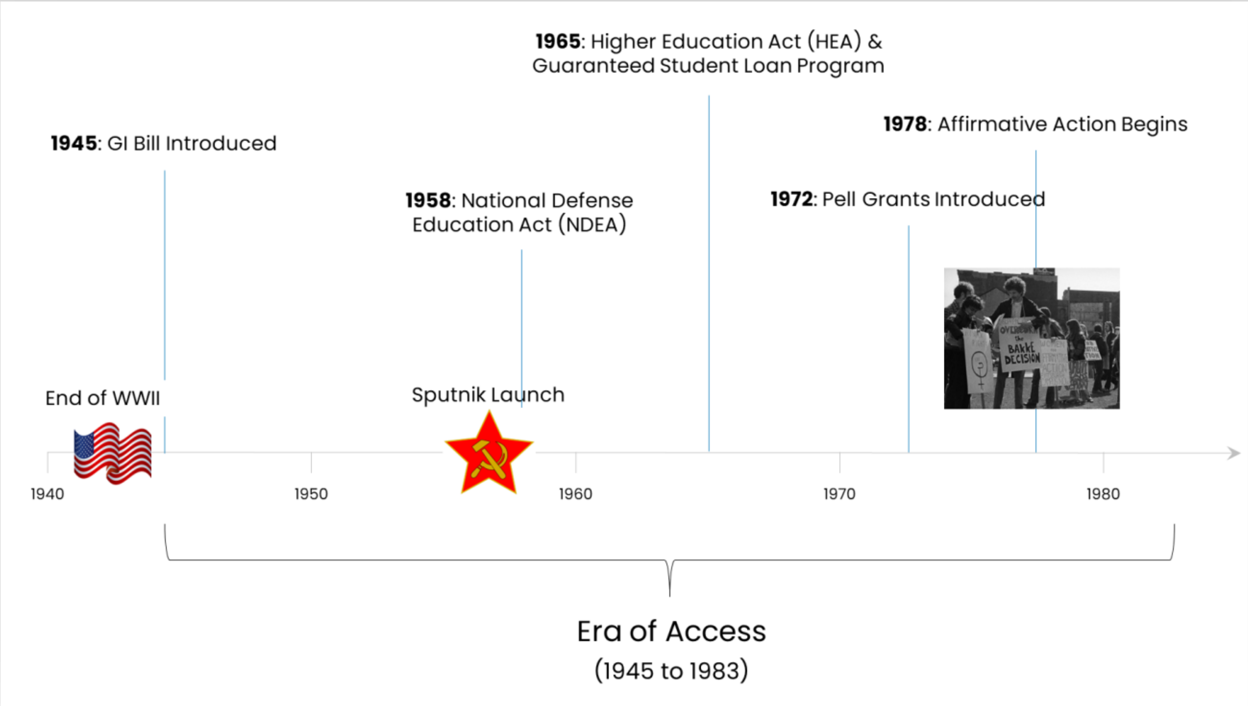
12 years later, the Sputnik launch shocked the U.S., and lawmakers had a choice to make: establish a federal college system with access for all Americans or continue to leave the college system to the states and private markets.

In part due to the success of the GI Bill, the government opted for the latter. The result was a broader program called the National Defense Education Act (NDEA) that provided federal funding for all Americans interested in going to college. Unlike with the GI Bill, however, this funding was to come in the form of low-interest loans, not free grants.

Over the next 20 years, two fundamental themes emerged as U.S. higher education policy evolved. The federal government would continue to push for expanded access, but it would limit its involvement to providing and facilitating capital.

By the end of the 1970s, the U.S. had done an admirable and successful job implementing policies to encourage and facilitate higher education. What started with veterans had expanded to the broader population, with specific programs for low-income and underrepresented groups. As intended, the American Dream became more and more accessible for most Americans.

Starting in the early 1980s, however, initial cracks began to show. While the demand and supply for higher education continued to grow, the underlying market dynamics were slowly devolving in unintended ways.



Era of Aspiration

(1983 to 2025)

Beginning in the 1980s, we begin to see early evidence of what has now become a distorted market for higher education in the U.S. It is worth noting that in the moment, and for the subsequent few decades, the public was not immediately aware that there was something wrong. In fact, the policies we enacted along the way (again, with seemingly the best of intentions) only served to exacerbate the problem.

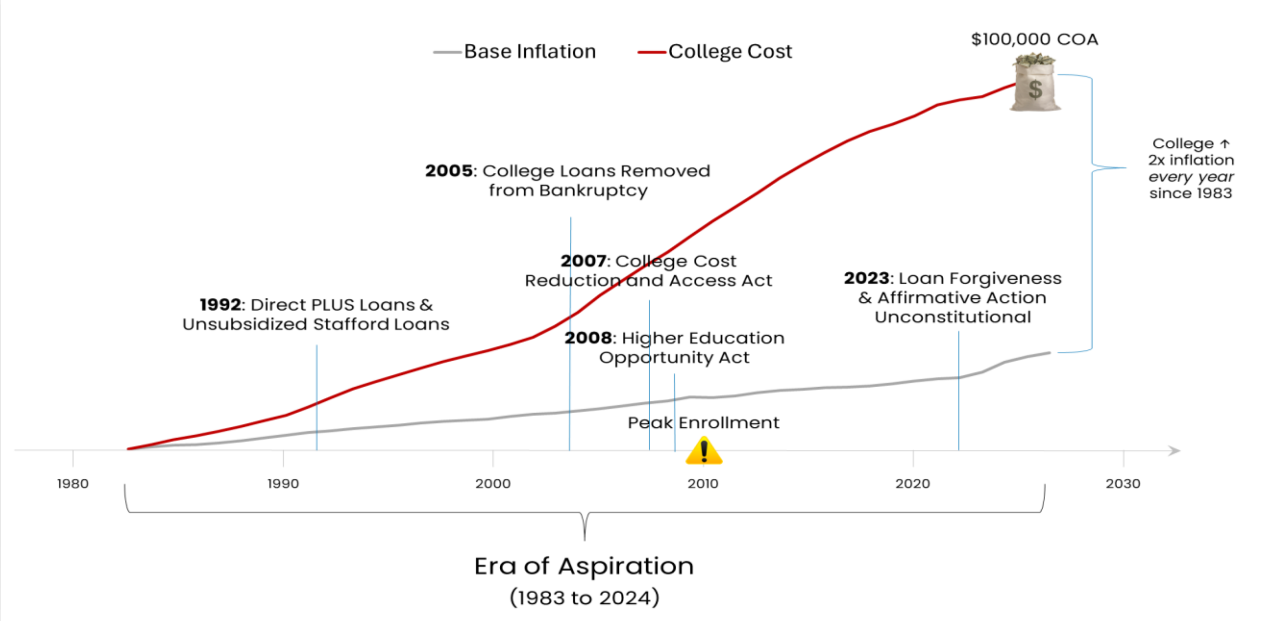
We were the proverbial frog in a pot of hot water that was slowly increasing in temperature. We didn't realize it was boiling until it was too late.

We call the period from 1983 to current day the **Era of Aspiration** because aspiring for a college degree became the expectation for most high school students during this time. The question was where you wanted to go, not if you could or should go.

Colleges and universities took advantage of these cultural and market shifts. Class sizes increased, facilities were expanded, and amenities improved. Along the way, however, the increased demand and available capital for higher education stopped being met with higher supply. In fact, the currency of the realm amongst competing colleges became how few students they let in, not how many they educated. Selectivity and exclusivity turned the college experience into a branding exercise and the market for higher education, especially among private colleges and universities, started to mirror that for luxury goods: artificially limited supply, marketing focused on exclusivity and prestige, and eye-popping price tags.

Add the blank check from the government (i.e. guaranteed loans) and you get the perfect recipe for a market bubble. The cost of college between 1983 and 2024 has grossly outpaced inflation by several multiples and the all-in cost of attendance is now over $100,000 *per year* at some schools.

Yes, getting a college degree generally improves job prospects and life-time earnings potential for graduates. But the associated cost and related debt makes the ROI calculation extremely cloudy.



We also call this the Era of Aspiration because of the government's actions.

As the graph above shows, the cost of college was on an entirely different trajectory than baseline inflation throughout the 1990s and 2000s. Lawmakers did begin to recognize and try to address consumers' concerns, but the solution was not to reign in costs. Instead, the federal government decided to further loosen capital constraints and free up even more money to pay for college.

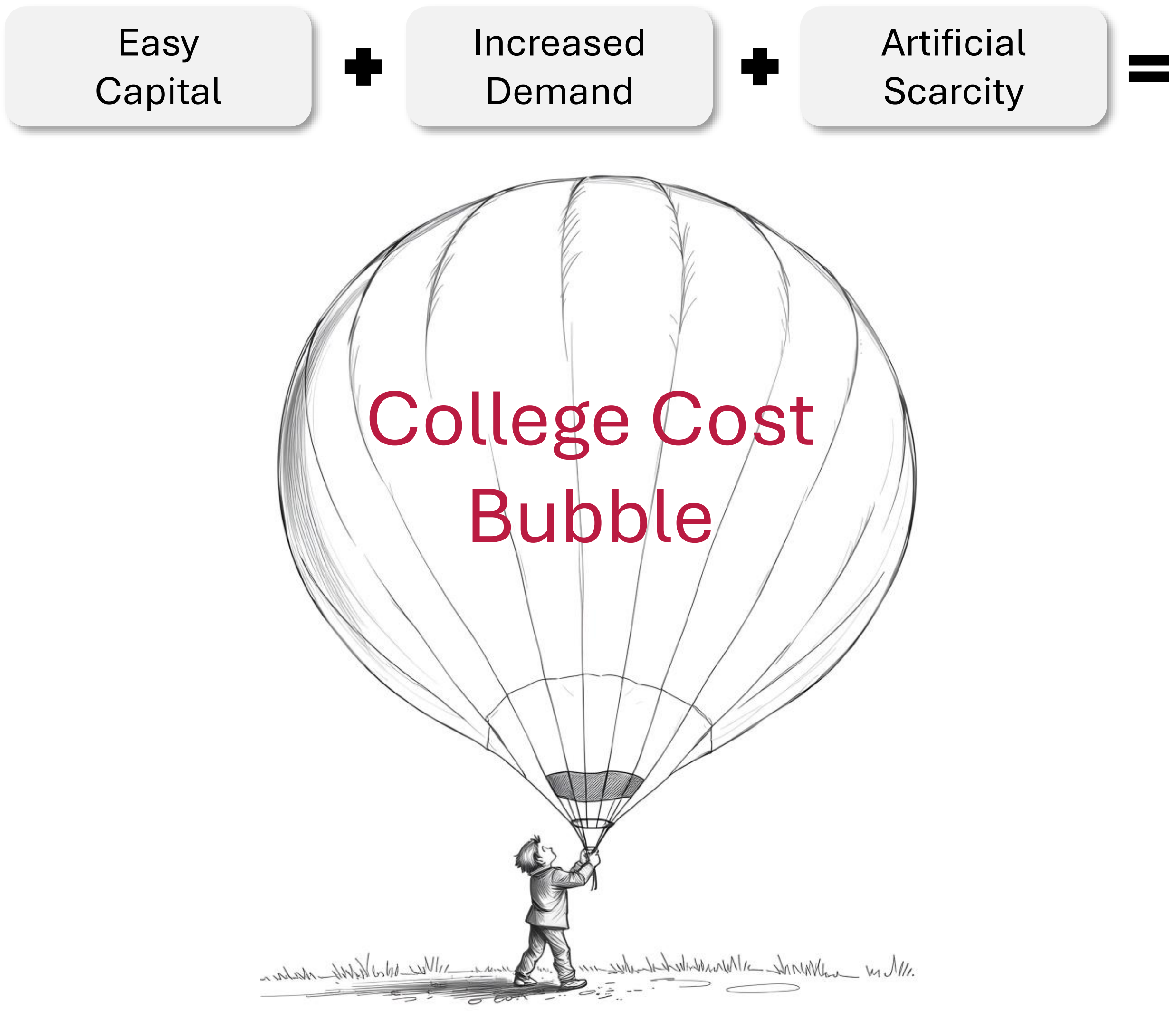
Specifically, the federal government introduced various initiatives to expand grants for low-income students and loan programs for both undergrad and graduate students. The contemporary thinking throughout the Era of Aspiration was, despite the rapidly rising cost of college, a degree was still worth it. If students needed more money to make that happen, then more money they would have.

In 2005, however, the government made a major change that, in conjunction with opening the capital spicket, really perverted the higher education market incentives. This pivotal change was removing the ability for people to expunge college loans in bankruptcy. Whereas individuals would be freed of similar uncollateralized debt, like credit card balances or medical bills, we decided college loans should be excluded. This was no small change and it removed a key consideration in the risk assessment for lenders.

To be clear, the decisions by lawmakers during the Era of Aspiration are understandable and even defensible when considered in a vacuum. With the benefit of hindsight, however, we can see that providing unlimited, easy capital was effectively a blank check for colleges to increase their costs further and faster. And because students and families could no longer get rid of college debt in bankruptcy, more lenders entered the space to take advantage of the artificially low risk.

Even with the cost of college skyrocketing, the perceived necessity of an undergraduate (and increasingly a graduate) degree kept going up. Demand from wealthy international students for a prestigious U.S. degree only complicated the supply-demand dynamics even further. While the true ROI of a college degree became more convoluted, the *perceived* value kept going up.

Add this all together, and you have the perfect storm for a **College Cost Bubble**.



Johnny Goes to College

John is a high school senior and a decent student. His GPA is above average, he's somewhat involved in school programs, and he has a part-time job working at a local restaurant. John is considering going to college, but he isn't overly ambitious about it. Everyone in his class is planning on applying to schools, though, and the expectation from his parents, his teachers, and his friends is that he will, too.

When application season rolls around, John isn't sure where he wants to go or what he wants to study. Business, marketing, and even graphic design sound interesting. John's parents are supportive and assume he'll want to go. They have not talked about money, but John's parents have made it clear they want to help him pursue his dreams and have a great college experience. Mom can't wait to have a college bumper sticker on her car.

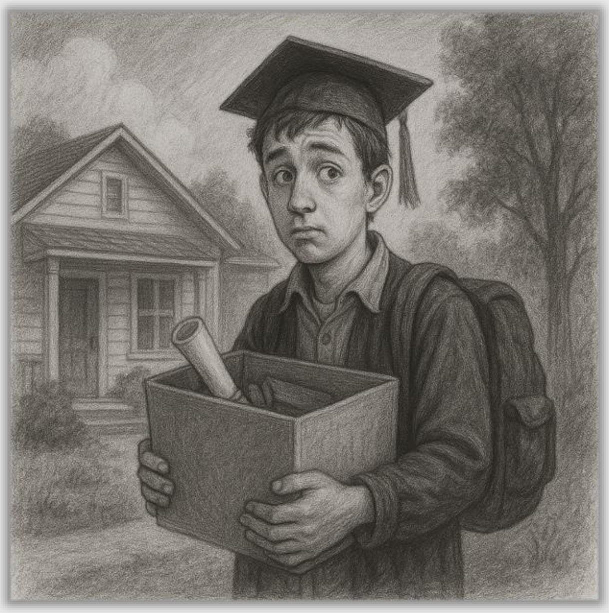
John's counselor nudges him to apply to a few private schools that are within a few hours drive and where she's confident he should get in. He is also applying to his public state school since most of his friends are. When admissions decisions roll in, John is pleasantly surprised. He got into most of them and a couple of the private schools even gave him a merit scholarship!

Financial aid awards start to come in next. All of them offer some combination of merit aid, work study, and loans that either he or his parents are eligible for. While each award letter is different, it looks like paying for college shouldn't be an obstacle.

In the end, John picks a private school that offered him a $20,000 merit scholarship. John enjoyed his visit there, the facilities are really nice, and his dad is clearly proud of the merit scholarship he received. The net cost for John's private school ends up being $55,000 per year even after the scholarship is accounted for. After using their 529 and some additional savings, John's parents expect to be short about $35,000 per year. Luckily, John and his parents apply for federal loans and are easily approved after a handful of questions and an instant credit check. Sure, this seems like a lot of money to borrow, but he got in so they'll figure it out. This is just what people do!

Fast forward four and a half years and John has graduated. While he battled homesickness freshman year and changed majors a couple times, he now has a marketing degree and is excited to start working. Regretfully, recruiting at John's school was lackluster and he was unable to get meaningful job leads before graduation. Luckly, he still has that restaurant job and can live at home until he sorts things out.

John did recently get an email from his loan servicer and his first payment will be due in a couple of months. $160,000 was the final tally on college loans, thanks to that semester abroad and the extra semester to finish his last few credits. Hopefully his parents can still help him out with his loans until he lands a good job. They *were* the ones that wanted him to go to college in the first place...



Generations of Johnnies

Every year, there are tens of thousands of college-bound kids just like John. The exact circumstances may differ, but the process and results are the same. Six figures of debt, limited or no meaningful job opportunities upon graduation, and significant loan payments hanging over their heads.

To drive home the real-life impact of this scenario, please consider the monthly payment amounts for Johnny from our example:

Initial Balance: **$160,000**

Estimated Interest: **7.0%**

10 Year Repayment	25 Year Repayment
$1,858 per month	$1,131 per month

If John is forced to stay at his restaurant job for an extended period of time, this monthly payment is clearly debilitating. Even if he *does* land a promising job in his selected field at graduation and he's making $60,000 a year (about the national average), his take-home each month after taxes is just about $4,000. Nearly half of this amount will go towards servicing his loans if he's on a 10-year repayment plan.

Where is there room in there for rent? For utilities? For car payments? For a social life?

How is John going to save up money to get married, start a family, or buy a home? How long will that realistically take?

Social, cultural, and economic incentives make pursuing a college degree seem like the only sensible choice for many kids. But is this outcome a success?

John's case raises many difficult questions we as a country need to address:

- **Was college the right choice for John?**
- **Was the price charged by the college worth the end product?**
- **Should John and his parents have taken out that much debt?**
- **Should borrowing this amount of money have been so easy?**

For many of us, the clear answer to all of these questions is no.

John should have thought twice about what he wanted to get out of college and strongly considered a different path. John's parents should have more fully evaluated the financial impact of committing to this kind of expense (both for themselves and for John). And the loans John's family were given should not have been handed out so haphazardly, given the tenuous and subjective nature of the value provided.

Of course, we want college to be an option and we want to facilitate those who are ready and eager to pursue it. But we need to re-evaluate who is accountable when it doesn't work out as planned.

Era of Accountability

(2025+)

Today, there is an appetite in our country for real structural change. Actions are already being taken by the White House to overhaul the Department of Education because they believe they have a clear mandate to do so. Amidst this backdrop, we believe now is the time to rebuild our higher education market based on what we have learned over the last 80 years.

If done correctly, we can reign in the **College Cost Bubble** and stop the **Student Debt Crisis**, while keeping what makes American higher education great. Every stakeholder in the process needs to have true skin in the game, however, and real and proportionate accountability needs to be shared by everyone involved.

Accountability is disproportionately held by one party today, and that is the college student. Everyone shares the excitement (and dollars) when application, acceptance, and enrollment season happens. But when things don't pan out (for a variety of commonplace reasons), the student is left holding the bag.

Retroactive solutions like broad loan forgiveness initiatives were deemed unconstitutional, are fundamentally unfair, and ignore the root cause. What we need is a proactive approach that changes the incentive structures for all stakeholders (students, parents, government, lenders, and the colleges) from the very beginning.

How we create the Era of Accountability:

1. Turn Off the Easy Money

- ✓ Eliminate fixed-rate, "everyone qualifies" federal loan options
- ✓ Allow college loans to be dismissed in bankruptcy

2. Hold Colleges Directly Accountable

- ✓ Implement stricter requirements to keep non-profit status
- ✓ Allow colleges to co-sign on loans or be the lenders themselves

3. Maintain Access & Encourage Achievement

- ✓ Make community colleges and trade schools free
- ✓ Expand Pell programs to include "Achievement Grants"

Each of these broad initiatives demand and deserve proper attention, and over the upcoming weeks and months, we will be diving deep into each proposal, providing the evidence and rationale for why these reforms can and should happen.

We are not naïve about how easy these reforms will be to implement nor on the extent of the disruption they will have on the market. But really this is the point.

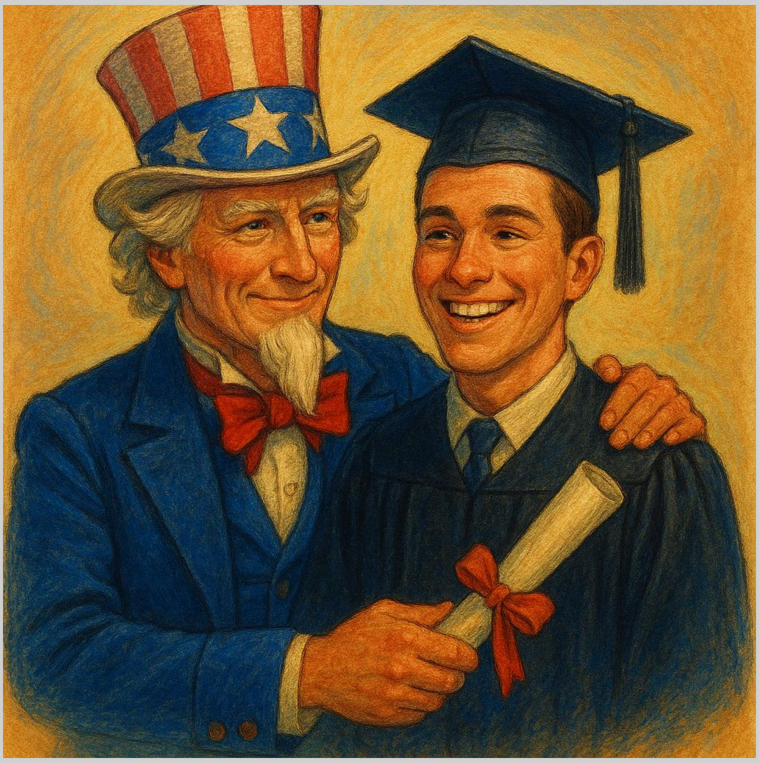
Some of the major market impacts we expect include:

- Not everyone will qualify for a college loan
- Admissions numbers will go down at some four-year programs
- Colleges that cannot justify costs with clear results may not make it
- Some schools will lose their non-profit status and be taxed accordingly
- Enrollment in community college and trade schools will go up
- Large numbers of current borrowers could file for bankruptcy

Ultimately, the end goal is to pop the **College Cost Bubble** and fix the root cause of the **Student Debt Crisis**. Will there be pain along the way? Certainly. But it will be worth it.

Upcoming deep-dive position papers and estimated timing:

May 2025: **Turn Off the Easy Money**
June 2025: **Hold Colleges Accountable**
July 2025: **Maintain Access, Encourage Achievement**



We Want to Hear From You!

To effect real change, we need to have an open discussion and robust debate. While we strongly believe in the reforms we propose, we are not naïve enough to think we have all the answers.

To this end, we welcome both supporters and critics alike to join us in this discussion so that we can all understand the benefits and repercussions of possible initiatives. We aim to find common ground so we can make difficult, long-overdue changes that we all know we need. If you share this mindset, we would love to hear from you.

If you have an opinion on any of the issues we address, please reach out to us at support@collegeaidpro.com using subject line "Kill Student Debt". We will review and consider all feedback, and we may even ask you to be a guest on the "College!" podcast.

To stay involved, please also subscribe to the CAP Newsletter and follow and listen to the "College!" podcast where we will be pushing this conversation forward every week.

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Thank You

College Aid Pro™

Our Mission is to **End the Student Debt Crisis**
By Empowering Families to Shop Smarter for College

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