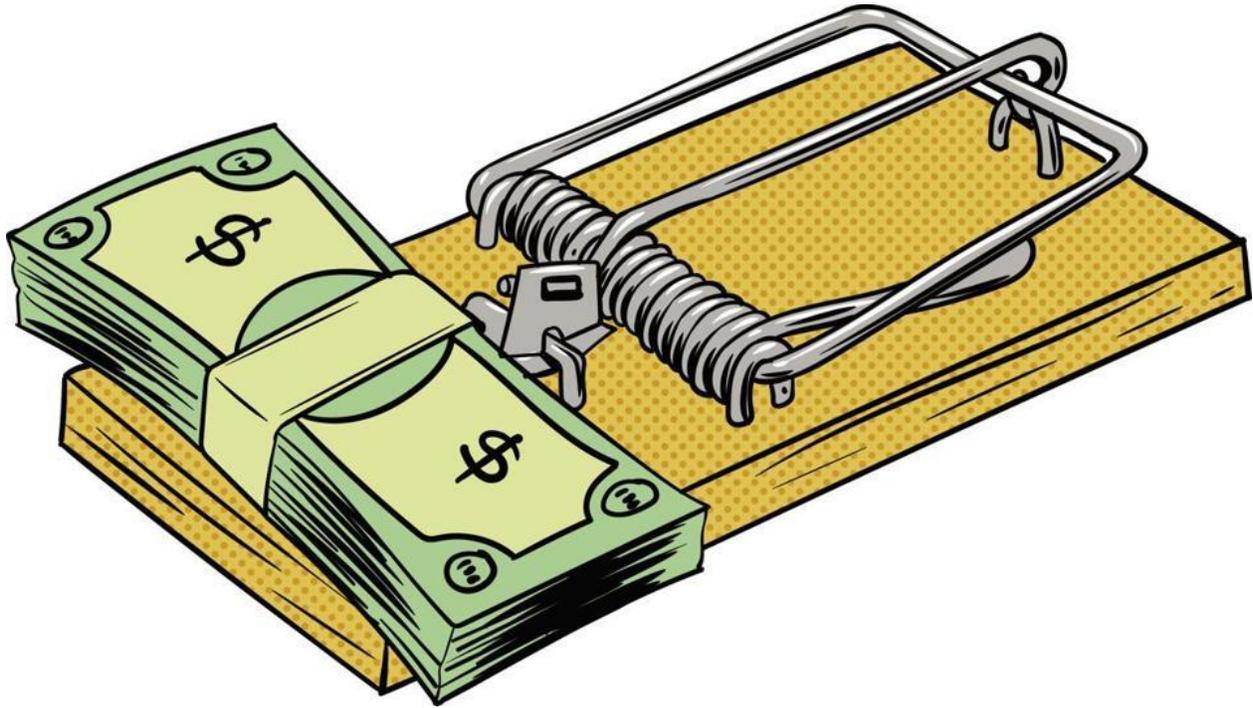


Are schools addicted to student debt?



SHUTTERSTOCK

By Mark Pothier GLOBE STAFF MAY 21, 2016

PHILANTHROPIST BOB HILDRETH is quick to recite this bullet point from a 2013 study by the George Warren Brown School of Social Work's Center for Social Development: Children from low- and moderate-income families who save even a modest amount — less than \$500 — are more than four times more likely to go to college, compared with those who don't put aside anything for a post-secondary education. It cuts to the center of what Hildreth is aiming for with Inversant (formerly called FUEL Education). He founded the Boston nonprofit in 2009, following a career that included stays at the International Monetary Fund and Citibank, as well as his own brokering firm, International Bank Services. Inversant offers a college-savings match, along with guidance and training to help low-income students and their parents

untangle the many strings involved in applying to and financing college — without taking on a crushing load of loan debt. Hildreth spoke with Ideas about his mission, the mushrooming student-loan crisis, and why he's predicting some schools will be forced to close because of their addiction to student-loan money. Below is an edited excerpt.

IDEAS: How can a low-income family that spends the majority of its income on a place to live manage to set aside money for college?

HILDRETH: I meet people every day who say, "Poor people can't save. Why are you being so mean to think that you would take money away from their housing or from their mouths?" But it's not theoretical. We have 1,000 families that have saved a total of \$800,000, and with our matching funds, that's turned into \$1.6 million. I'm not surprised they can do it because \$1 billion leaves Massachusetts every year to go back to Central America, Mexico, and Latin America — all in money transfers to people's families. This program says to them, "What do you want to do with your scarce dollars? Do you want to admit that you have children here who need to go on to higher education in some form and then do something about it?"

IDEAS: Year after year, why do college sticker prices keep rising so much faster than the rate of inflation?

HILDRETH: On average, colleges depend on 30 to 50 percent of their tuition income coming from one source — the federal government through student debt. Knowing that they have that wind at their back, colleges can increase tuition every year by 3 to 4 percent. They do it because they know loan debt isn't their problem. That's no way to be a financially responsible institution.

There is nothing capricious about how colleges now get most of their students. It's about using algorithms that answer the question, "How much do I have to give in aid

to Jenny to make sure that on one hand, I don't give her too much, and on the other, that she won't go to another college?"

IDEAS: The remaining presidential candidates all say they have plans to do something about reducing the cost of college and alleviating the loan burden. Are any of their ideas workable?

HILDRETH: Well, when I think of *not* workable, I think of Bernie Sanders and his idea that we'll adopt a European system where college is 100 percent paid for with taxpayer money. We're not going to do that. The horse has already left the barn here. We've created a totally different system of private and public colleges that are supported through endowments and alumni that have huge impact on the decisions that college make. In Europe, it's the government that makes all the decisions about colleges.

With Hillary Clinton, the issue is that you cannot create loan concessions — like loan forgiveness — to such a degree that we won't find our way out of the student loan mess. It isn't interest rates or principal; it's the more than \$1.2 trillion in existing student-loan debt that's unworkable. And two-thirds of it is not being paid on time. Politicians have yet to admit that this has to be handled head on. A good deal of debt will have to be written off at taxpayer loss, which is a big political problem.

IDEAS: What about Elizabeth Warren's efforts at student loan reform?

HILDRETH: She also doesn't understand, or chooses not to, that \$1.2 trillion debt stock. Were this owed to banks, it would wipe out their entire bad-debt reserves. It's so huge, and the government doesn't have one dollar of reserve against it.

IDEAS: Sanders says we should consider a college degree today the same way a high school diploma was viewed 50 years ago. Does that mean every child needs a college education?

HILDRETH: No, but every kid should have education beyond high school. The jobs that Massachusetts has are overwhelmingly on the side of college education. We have jobs chasing people, whereas all across the country, it's people chasing jobs. Having said that, some of the best schooling that you can get in the state is in technical schools, like Essex Aggie. There is a long list of middle-class people trying to get into those schools, whereas 20 years ago the middle class was doing everything to stay away from them. They know they lead to jobs now.

IDEAS: To a lesser extent, does that also apply to community colleges?

HILDRETH: There is no better value in education than to go to two years at Bunker Hill Community College followed by two years at UMass. People say that's not prestigious enough. Well, you'll come out of that with almost no debt. And if you want to get a graduate degree, you're going to have to pay with dollars or loans. So save your loan capacity for graduate school.

IDEAS: How about middle-class families? They might be able to save some money for college but not nearly enough, and they earn too much to qualify for subsidized assistance.

HILDRETH: We're only doing a triage with Inversant. We didn't have enough money to help both low-income and middle-income families. But the United States government would be well advised to start a national savings program where we use taxpayer dollars to match what middle-class families save for college. It would be a huge success.

IDEAS: You believe a lot of private colleges are on the verge of collapse. Why?

HILDRETH: Because colleges are tuition-driven, and many are no longer making their tuition numbers. They'd accept anyone who applies. Even if the government

does nothing, there is going to be a huge shake-up in the higher-education space over the next 10 years.

IDEAS: Other than the obvious — money — what gets in the way of low-income students going to college?

HILDRETH: Knowledge. We've been talking about a system that becomes more complicated every day. You have to make decisions that can be deadly because of the financial burden they put on kids. Colleges aren't subject to any consumer-friendly constraints. They give you a loan and just list the amount without telling you the interest rate, the repayment period, or anything else. If your daughter had a Stafford subsidized loan, you wouldn't see any payments for four years, and your daughter would have forgotten about it. All of a sudden, in May of her graduation year, somebody calls her up from a debt management company and says, "You will soon owe money. Have you planned on this? Not only that, you're going to owe money every month for the next 10 years." The knowledge gap also extends to the concept of networking, which is critical. We have a bunch of low-income folks who are excellent networkers but with no high-value targets. My father was a high school history teacher. He knew who to call [to get help]. Low-income people, especially if they don't speak English, they don't know who to call.

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