

Students

<http://chronicle.com/weekly/v54/i44/44a01602.htm>

From the issue dated July 11, 2008

At Davidson, Getting Rid of Loans Shows Early Signs of Success

By BECKIE SUPIANO

Top colleges competed fiercely this spring to offer the best financial-aid packages for lower-income and middle-class students — and, in many cases, eliminated loans altogether. It is not yet clear what impact those new policies will have. But if Davidson College is any indication, they may well do just what the colleges wanted.

Davidson, which announced in the spring of 2007 that it would eliminate loans from its financial-aid packages, had a head start on colleges that made the move this year. It has already seen an uptick in the number of incoming students who demonstrate financial need.

"We're getting the group we're courting," says Christopher J. Gruber, dean of admissions and financial aid.

Davidson is a small, selective, liberal-arts college where tuition, room, and board for the 2008-9 year will be \$42,950. Since replacing loans with grants and work-study jobs, it has seen an increase in the number of applicants submitting the paperwork to determine if they qualify for need-based aid. And more students who do qualify are enrolling.

Last year 33 percent of Davidson's incoming class demonstrated need. For this fall's class, the first whose members would have known about the policy when they applied, that number has risen three percentage points, to 36 percent.

The college's goal is to have 40 percent of incoming students receiving need-based aid by 2011.

No-Loan Trend

Princeton University, in 1998, was the first institution to eliminate loans for low-income undergraduates. The university did away with loans for all undergraduates in 2001. And in the decade since its first announcement, the university has seen a rise in its share of needy students.

No-loan financial-aid policies have spread, but the idea did not catch fire until about two years ago.

In all, 50 colleges have made financial-aid pledges that meet the criteria set by the Project on Student Debt, a nonprofit advocacy group that wants to reduce student dependence on loans. Those institutions have eliminated or reduced loans for all students or for those whose families are below a certain income or education level — and they have done so in a way that is easily understood.

"There's no question that there's been increased interest from colleges of all types in the issue of student debt and the role their financial-aid policies play in students' debt burden," says Lauren J. Asher, vice president of the advocacy group.

The issue won increasing attention in the national media after Harvard University announced, in December, that it would sharply increase aid for families earning up to \$180,000 a year and would eliminate loans from all aid packages. Many top colleges felt the need to take similar steps in response.

Davidson may serve as a good example of what is possible.

"One of the things that is notable about Davidson, other than that they beat the famous Harvard announcement ... is that they are the second-smallest endowment to do it," says Jonathan P. Epstein, a senior consultant with Maguire Associates,

an education-consulting firm.

Davidson's endowment of \$489-million, while much larger than the national median, is a far cry from the multibillion-dollar holdings of Ivy League universities that have expanded financial aid. Davidson expects its loan-elimination plan to cost \$3.5-million a year, Mr. Gruber says, between the increase in the number of students on need-based aid and their increased levels of need. That cost will be met with private donations.

Mr. Epstein says Davidson's early results are not surprising. If a college goes to a no-loan policy, he says, "it's going to do what you want it to do."

'Right Direction'

It is too soon to say how loan-reduction or elimination policies will affect Davidson in the long run, says Matt Reed, a policy analyst with the Project on Student Debt.

Ms. Asher, of the same group, says that over the next several years, it will be important to track the proportion of students qualifying for aid, the graduation rates of students with different income levels, and whether the overall level of borrowing goes down. Continuing to promote the elimination of loans is also key, she says. After all, such policies are effective only if families know about them.

Davidson is pleased with students' reaction so far. "We're moving in the right direction with a year to promote it," Mr. Gruber says.

Still, Mr. Epstein says, there are limits to Davidson's serving as a model. Most colleges cannot afford such a large-scale change in their financial-aid policies.

"My take is, it's not something that, as announced policy, is going to spread across the country," he says. "But it's hard to imagine there is not a slow ripple" of colleges that will respond, at least to compete for individual students.

Davidson's experience shows that students, too, will respond.

<http://chronicle.com>

Section: Students

Volume 54, Issue 44, Page A16

[Copyright](#) © 2008 by [The Chronicle of Higher Education](#)

[Subscribe](#) | [About The Chronicle](#) | [Contact us](#) | [Terms of use](#) | [Privacy policy](#) | [Help](#)