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## Romney Pledges to Simplify Federal Student Aid and Revive Bank-Based Lending

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*[Updated (5/23/2012, 4:23 p.m.) with reaction from the Obama campaign.]*

Mitt Romney, the presumed Republican presidential nominee, outlined his higher-education platform on Wednesday, promising to simplify the federal student-aid system, eliminate burdensome regulations, and revive bank-based student lending.

In a lunchtime speech before the Latino Coalition, Mr. Romney blamed federal student aid for rising college tuition but did not call for specific cuts in programs.

"We must stop fueling skyrocketing tuition prices that put higher education out of reach for some and leave others with crushing debt," he said.

Mr. Romney, who has praised for-profit colleges on the campaign trail, did not mention the sector in his speech, apart from a call for students to have "access to a wide variety of options." However, his platform promises to "welcome private-sector participation instead of pushing it away" and to "encourage market entry by innovative new education models."

The plan vows to reverse a 2010 law that removed banks from the federal student-loan system, calling it "President Obama's nationalization of the student-loan market," and to repeal "confusing and unnecessary regulations that primarily serve to drive costs higher," substituting "common-sense reforms that ensure appropriate student outcomes."

The platform does not specify which regulations Mr. Romney would eliminate if elected, but its embrace of "market innovation" and pledge to "emphasize skill attainment instead of time spent in the classroom" suggest that he might seek to overturn rules that define a federal "credit hour" and to require state approval of

distance-education programs. Both regulations were issued under the Obama administration and are unpopular with for-profit and nonprofit colleges alike.

The plan also hints that he might seek to undo the "gainful-employment rule," calling for expanding disclosures to students "rather than limiting choices through punitive regulations." The rule, which for-profit colleges have sued to overturn, ends federal student aid to programs whose students carry high debt relative to their income and have low loan-repayment rates.

### **Eliminating Overlap and Duplication**

In a [white paper](#) released after the speech, Mr. Romney said the gainful-employment rule had "made it even harder for some providers to operate without distorting their incentives."

"The federal government should allow consumers in the market to make their own choices while providing the information to make those choices well," the paper reads. "This will encourage institutions to seek quality improvements, rather than to create risk-mitigation strategies to avoid federal penalties."

At the same time, the platform promises to "strengthen and simplify the financial-aid system," consolidating "duplicative and overly complex programs." Oren Cass, Mr. Romney's domestic-policy director, said the candidate's goal is to eliminate overlap in federal grant and loan programs and tax benefits.

"It's really at a point now where parents need courses on how to look for the right type of financial aid for their children," he said in a conference call with reporters.

Mr. Romney did not say how he would deal with persistent shortfalls in the Pell Grant program, the cornerstone of federal student aid. However, in the white paper, he promised to "refocus Pell dollars on the students that need them most and place the program on a responsible long-term path that avoids future funding cliffs and last-minute funding patches."

Mr. Cass said Mr. Romney disagreed with Mr. Obama's decision to end bank-based lending, and argued that restoring private-sector competition to the program would "help significantly in bringing the cost of tuition back down and making sure that families can afford it."

### **Mixed Reviews**

Initial reactions to the speech were mixed. Neal McCluskey, a higher-education analyst with the libertarian Cato Institute, was delighted to hear the candidate

link rising tuition to federal student aid. Mr. McCluskey has argued for years that colleges raise their tuition whenever Washington increases federal student aid.

"Governor Romney realizes that more spending will not solve the problem of tuition increases," he said. "To the contrary it has helped fuel the problem."

But Terry W. Hartle, senior vice president for government and public affairs at the American Council on Education, said he was disappointed that Mr. Romney had failed to mention the role that state budget cuts had played in tuition increases.

"There's no evidence of any relationship—let alone causation—between federal student-aid spending and changes in college tuition," he said. "None, zero, zip, nada."

The speech and policy proposals came a day after the Romney campaign announced its education advisers. Topping his higher-education team are Phil Handy, a former chairman of the Florida State Board of Education who was twice appointed by President George W. Bush to the National Board of Education Services, and William D. Hansen, a deputy secretary of education under Mr. Bush who has lobbied on behalf of for-profit colleges.

Roderick R. Paige, Mr. Bush's first secretary of education, is a special adviser to the campaign.

In a conference call with reporters after Mr. Romney's speech, advisers to Mr. Obama defended the president's higher-education record. James Kvaal, policy director for the Obama campaign, told reporters the president was "tremendously proud of his student-loan reforms," calling them "a great example of taking on special interests who were earning billions in excessive subsidies and putting those dollars to use to expand student aid."

Ben LaBolt, the campaign's national press secretary, warned that Mr. Romney would "put big banks and for-profit lenders back in charge" while stripping safeguards put in place by the Obama administration. He accused the Republican candidate of applying "Romney economics" to education, pursuing short-term spending cuts without regard to long-term consequences.