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Sheila Bair's novel idea: Have colleges help pay student debt

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Washington College raised \$313,000 to go toward paying some student loans

*Bloomberg**Sheila Bair, the president of Washington College, has an innovative idea for curbing student debt.*

As presidential candidates and pundits search for ways to curb student debt nationally, officials at one college are experimenting with a program to make a dent in the problem — by helping to pay off the loans of its graduates.

Washington College, a small liberal arts school in Chestertown, Md., run by Sheila Bair, former chair of the Federal Deposit Insurance Corporation, is putting \$313,000 toward the federal student debt of its graduating seniors, officials announced earlier this week. The sum, which was funded by banks and private donors, will help to reduce the debt of 119 graduates by an average of \$2,630.

Graduating seniors who took out federal loans to pay for the spring 2016 semester will receive a grant from the school in their financial aid package to replace those loans. On average these students will see their loan burden drop by 10.2% as a result of the program before they leave school, meaning they'll have a smaller loan balance on which interest will accrue once they graduate.

Since Bair, the president of Washington College, took the reins at the school last year, the college has been focused on debt and affordability. That includes programs aimed at reducing debt at the front end like George's Brigade, which targets high-performing, high-need students and fully meets their financial need for tuition, room and board.

But officials also "got creative" and found a way to help students once they've already taken on debt, Bair said in an interview with MarketWatch. "Why does a scholarship only have to be at the front end? It should really be on the back end too," said Bair, who was chair of the FDIC, an independent government corporation that provides insurance to depositors in U.S. banks from 2006 through 2011. "Donors responded very well to it. It's a very tangible, direct way to tackle this

problem.”

Washington College is one of many schools across the country looking for innovative ways to keep students in school and out of financial trouble once they graduate against a backdrop of rising college costs and \$1.3 trillion in outstanding student debt. A [handful of elite universities](#) offer financial aid packages so generous that even middle-class students can leave school debt free. Some [regional public colleges](#) are offering students struggling with money small scholarships to get them over any financial hurdles that may prevent them from graduating. [And at Purdue University](#), upperclassmen will soon be able to have a portion of their education funded by the school in exchange for a share of their postgraduate income.

Washington College's initiative could encourage students to finish school, said Mark Huelsman, a senior policy analyst at Demos, a left-leaning think tank. "It's certainly a good thing," Huelsman said. "It can provide an incentive for students to complete and we know that the student debt crisis is fueled in large part by those who take on debt but don't graduate."

Bair described the funds as a sort of "reward" for students on the precipice of graduation. "There's nothing that breaks my heart more than a kid who goes to school for a couple of years and then has some debt and doesn't have a degree," Bair said.

Still Huelsman said he'd also like to see colleges and donors do more to reduce the cost of school up front so that students don't have to take on as much debt. Students who receive federal financial aid pay \$30,255 per year on average to attend Washington College, [according to government data](#). Nearly 70% of students there take on federal loans and have a typical total debt of \$27,000. In addition to George's Brigade, Washington College [announced a tuition freeze](#) for the upcoming year at the school, Bair added.

Huelsman said he wouldn't be surprised to see other schools, particularly small liberal arts colleges, piggy back off Washington's idea. Many [smaller schools have struggled](#) to attract students and stay afloat amid a downward trend in the number of students graduating high school and increased concern from families about college affordability and the relative value of a degree.

Bair said she'd like to see more schools agree to help their graduates pay down their loans and make a dent in the national student debt problem. She [noted that employers](#) are also taking steps to help their workers tackle their loans, but that debt help comes with a tax bill, something that isn't true of the Dam the Debt funds. "It's something that colleges need to more actively engage with donors about," she said. "Encouraging them to make this a place where they give. What better gift than to help a young person get a quality education?"

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