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## College cost crunch felt worldwide, not just in U.S.

### STORY HIGHLIGHTS:

- A college cost crunch is bearing down on governments worldwide
- In former Communist countries students pay fees and many take out loans
- The U.S. has the world's most expensive higher education system

**WASHINGTON** (Reuters) -- A college cost crunch is bearing down on governments worldwide -- not just in America -- and some innovative approaches to student loans are being taken overseas, although you wouldn't know it on Capitol Hill.

As another round of debate gets going in Congress on how to help debt-burdened university students, aides said lawmakers were largely ignoring how other countries do it.

One approach being taken in Australia and New Zealand, for instance, is the wider use of "income-contingent" loans that base post-graduation repayments on a borrower's income. Most U.S. student loans still base repayments on the loan size.

Britain makes income-contingent loans as well, with students repaying them through the tax system to The Student Loan Co. Ltd., a government organization.

In Canada, student loans have been centralized under the government, which hires a services provider, largely removing banks from the picture, said Leesha Lin, operational policy and research director at the Canada Student Loans Program.

"The service was not very good with the banks. A lot of students complained," Lin said in an interview.

Norway monitors student performance and rewards diligence by converting portions of loans into grants that need not be repaid upon satisfactory completion of a course of study.

"Very useful and important things are happening in other countries," said Robert Shireman, executive director of the Project on Student Debt, a group that aims to improve America's labyrinthine and politically sensitive student loan system.

But getting U.S. lawmakers to look abroad for ideas is hard. "It's fascinating how insular Americans are. Discussions of what happens in other countries fall flat," Shireman said.

In the private sector, of course, that is not the case. Just ask Sallie Mae, the largest U.S. student loan group and a major target of congressional reformers' zeal.

The company last week announced its first foreign venture -- a loan program targeting British post-graduate students.

"We're watching these markets very carefully," said Lynn Ross, vice president of international lending for Sallie Mae.

As in America, higher education costs are hammering other developed nations, forcing a reassessment of who pays and how.

In much of Europe, a "free" university education -- meaning one paid for by taxpayers and not students or their families -- was seen for decades as a basic right. No longer.

Britain in the late 1990s became the first European country to impose more than a nominal university tuition fee. Today, UK tuition is capped at about \$6,000 a year for full-time students who started school last autumn. That is still cheap by U.S. standards, but costly compared to most systems.

Following the UK example, tuition is being imposed for the first time in other countries, including in Germany this year.

German banks -- including Dresdner Bank and Deutsche Bank -- have begun offering student loans meant to supplement loans from government-owned banks.

"Student loans are becoming more and more important in Germany," said Markus Langer, a project manager at German university consultancy CHE Consult.

Even in China and former Communist countries where a free college education was once politically sacred, students now pay fees, and many take out loans to make ends meet.

### U.S. tops in college costs

With the world's most expensive higher education system, America asks students to pay an average of \$5,800 a year in tuition to attend a four-year public university; or an average of \$22,200 a year for a private four-year school, according to the College Board, an educational testing and services group.

America's decentralized and competitive higher education system is a global leader, with many of the world's best and brightest students beating a path to U.S. universities.

But for middle-class U.S. voters, college costs are a major anxiety, especially this time of year with college admission letters arriving and financial aid application deadlines near.

U.S. students must navigate a bewildering array of financial aid programs. Besides scholarships and grants that don't have to be repaid, students can borrow directly from the government; from banks through federally guaranteed private loans; or, increasingly, from banks with no federal guarantee.

Income-contingent repayment is available to some U.S. students with federal government loans, but Shireman's group has said the program is too limited and too complex.

Concern is growing about student debt. Typical undergraduates leave school today owing about \$20,000 -- a burden that can limit a young person's choices in life.

Especially worrying to some is students' increasing reliance on bank debt, which now accounts for 20 percent of student loans, up from 7 percent just 10 years ago.

Congressional Democrats have introduced legislation that would cut college loan interest rates, raise grant funding, and steer more students toward direct government loans, which they argue save money for students and taxpayers.

The banks and Sallie Mae dispute this, arguing that their loans are cost-efficient and bring student and schools an array of helpful financial services.

The two sides have been fighting over the issue for so many years now that some of the latest thinking in student loans has already moved on, particularly overseas.


"The debate does suffer in that way," Shireman said.

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