Sitting in his Empire State Building office at Global Student Loan Corporation during the week that followed the September 11 attacks, Keith Jepsen found himself staring out his window. Like many other New Yorkers, his gaze and his thoughts were drawn to the pall of smoke that marked where the World Trade Center towers used to stand.

The phone rang, breaking his reverie. The call was from a campus financial aid director, accepting Jepsen’s invitation of weeks before to become a beta site for GSLC’s brand-new private loan for international students at American universities.

The FAA was well known to Jepsen, who directed New York University’s student financial aid for 11 years before becoming president of GSLC in July 2000. Jepsen was glad for the acceptance, but he was most impressed by the words that followed.

“You know, after what happened last week, we need this loan program,” the caller said. Since then, similar sentiments have been voiced by many FAAs from among the schools that expressed early interest in GSLC’s doings.

Lots of support
“I’ve been inundated with calls in support of assistance for international students,” Jepsen relates. “It’s been in every conversation.” Chris Walsh, dean of financial aid at Syracuse University, is one of those who came on board. “It’s more important than ever that we keep the doors open for international students,” says Walsh, “There’s only a very small population with ulterior motives.”

Global Lending

An online venture wants to originate and service private loans for foreign students pursuing in-person or virtual degree programs at American universities. Amid the calls for heightened scrutiny of international students, this product is being welcomed by FAAs.

By Richard D. R. Hoffmann
reports of some students leaving the country as a result of the attacks, observers believe it unlikely that such understandable reactions would reverse that trend.

“All of our students are in a 100% online environment,” says John Kline, director of business and finance at the University of Phoenix Online Campus. He has heard about some resident international students leaving nearby Arizona State. But neither Kline nor Robert Collins, vice president of financial aid for the bricks-and-mortar University of Phoenix that has also signed on with GSLC, have seen any change in current enrollments of international students, or in the number of prospects.

“The figures for foreign students in residence on traditional campuses won’t be off for long either,” Jepsen believes. “The attacks will stimulate a recommitment among people to promote international financing, and I expect that will have a positive long-term affect.”

Problems and potential fixes
UCLA’s Johnson believes that higher education institutions will be required to more closely track the progress and whereabouts of foreign students. Add that to increased anti-fraud scrutiny expected from the federal government. Some of the September 11th terrorists are believed to have enrolled in US schools, remaining in the country, without ever attending.

Senator Feinstein is working on student visa reform legislation, which may include $32.3 million for a tracking system. She calls foreign student visas “one of the most unregulated and exploited visa categories,” and she also favors a six-month moratorium on their issuance, while the Immigration and Naturalization Service (INS) goes through an overhaul.

“We will be working closely with INS to prevent abuses,” Jepsen says. “But I personally don’t believe it needs to build a new system to track foreign students. There’s already one in place to which more than 85 percent of schools already report—the National Student Clearinghouse (NSC). We will be counting on NSC to verify student enrollments for the loans that we arrange.”

A different loan
GSLC’s loans are unique, because they are available to foreign students resident in the US, as well as students enrolled in US-based distance education through institutions in their home countries. GSLC has negotiated agreements with financial institutions and governments to originate and/or guarantee the loans, which are competitively priced. Repayment is deferred while the student is in school. Students will be able to apply for a loan from a university’s financial aid web page and be approved or disapproved within 24 hours.

“We have agreements with financial institutions in various countries, including China and Russia, and we’re working on more,” Jepsen says. He’s wary of discussing the details of the agreements or even which countries are involved for competitive reasons. “We’ve awakened the giants of the student loan industry, which I understand are looking at this carefully.” Still, Jepsen doesn’t expect competitors anytime soon, due to the set-up and web-based software complexities.

Help where it’s needed
Schools cite several benefits. A loan can be used by a student as proof of his or her financial status, which is information that must be submitted to apply for and keep a US student visa. Also important to students and the schools they attend, a GSLC loan requires no US co-signer.

Walsh is not alone in his assessment. “We can’t have a knee-jerk reaction,” agrees Ron Johnson, director of student financial aid at UCLA. “We’ve had hundreds of thousands enter the U.S. to get their degrees without incident.”

International students studying in America totaled 514,723 in 1999/2000, which are the most recent figures available from the Institute for International Education. That represents 3.8 percent of the overall US higher education student population. US Senator Diane Feinstein (D-CA) cites an official estimate that 245,000 foreign students have entered the US in 2001.

America leads the way
The numbers make the US far and away the premier destination for international students. Despite widespread

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"FAAs will tell you that finding a US co-signor is a major stumbling block," Jepsen says. "There are also many more foreign students that can't afford to come to the U.S., perhaps as many as two or three times the existing foreign student population." Jepsen adds, calling his estimate conservative.

Reports from the front
"We have a substantial international student population here at Syracuse," says Walsh. "We've been looking for years for financing that really meets their needs." Walsh notes that GSLC's loan insulates international students from a number of financial uncertainties, such as the fluctuation of currency markets or political changes in their home countries.

"It's a good alternative financing option," says UCLA's Johnson. Despite UCLA's large international population, UCLA has only about $80,000 in institutional funds available to them each year, he adds.

"We believe that working with GSLC will bring us together with other institutions with whom we can share information regarding our operations abroad," Phoenix's Kline says. "We'll get to talk business—like discussing what attracts international students to US programs—so we can make sure we're offering what they need."

Coming soon
The Global International Student Loan should be available in February 2002, in time for fall 2002 borrowing. Beta tests begin this month at 20 schools Jepsen culled from the 200-plus that expressed early interest. Web-based loan software is being provided by APSA Data Corp. Implementation is essentially a matter of installing a link between GSLC and a school's web pages, which is expected to go quickly.

"Our biggest challenge is restraining ourselves," Jepsen says. "We chose our beta group with several criteria in mind, including size and geographic dispersion. We wanted schools with an active interest in being global that are technically proficient enough to give us a thorough test." Once testing is completed, GSLC will sell to a wider audience.

GSLC's beta group of 20 includes Syracuse, UCLA, University of Phoenix, Graceland University in Iowa, Drexel, Indiana, Iowa, Kent State, Penn State, MIT, SUNY Potsdam, the University of Chicago Business School, and the schools of the University of Maryland system.

Joining the beta testers are NYU, Maryland's University College, Johns Hopkins, Nova Southeastern and the New Jersey Institute of Technology, which formed the test bed for the pilot of Global's distance-learning loan last year. That earlier product is offered in conjunction with Citibank's CitiAssist product line. Jepsen says that volume of the distance education loan is in the "many hundreds" of loans, but he admits that its market may not be quite ready for prime time.

GSLC is the sole subsidiary of privately held EduFund International (EFD). Venture capital firm Wheatley Partners holds a majority interest and Citibank Student Loan Corp. is a minority investor. For more information, click on www.globalslc.com. Details on the Global-CitiAssist Distance Learning Loan may be found at www.nyu.edu/financialaid/global_citiassist_distance.html.