

MIT default rate at 2.5 percent

By Roger Cogswell

MIT student loan funds, the largest source of financial aid for MIT students, lose almost \$100,000 each year due to students who fail to repay their educational loans.

That rate, however, is only a small fraction of the \$3 million that the Institute lends each year, and MIT's rate of default is less than half the nation-wide default rate, according to statistics from the US Office of Education.

MIT administers loans from a number of different funds, including the National Defense Student Loans, loans from banks through the National Insured Student Loan program, and the Technology Loan Fund, an MIT fund used for making loans similar to bank loans. All loans are low-interest and are repaid starting nine months to a year after graduation.

A number of collection problems peculiar to MIT help to hold the default rate here at about 2.5 percent, considerably less than the nationwide rate of 5.7 percent, according to John R. Rogers, Student Loan officer. The large number of graduates who are employed outside their home states and the number for foreign students at the Institute are two factors in the default rate, Rogers explained.

Although students are required to come to the loan office and set up a repayment schedule before they graduate, many students fail to do so, Rogers said. These students, and others who drop out of MIT without notifying the loan office are usually impossible to locate if they fail to repay loans.

In such cases, Rogers said, MIT usually employs a professional collection agency to trace the students. However, the Institute has never gone to court to try to recover a loan.

Foreign students have special problems which are often nearly impossible to overcome. In countries where the cost of living is much lower than in the United States, the student may make enough money to live very

comfortably, but not nearly enough to repay the relatively massive loans which covered the cost of his education.

Many nations also do not allow citizens to send large amounts of money to a foreign nation, such as the United States, for the purpose of paying off a loan. In cases such as this a graduate would have to secure enough money to return to the United States in addition to earning enough money to repay the loan.

In situations like these, Rogers said, when it becomes apparent after several years that it will be nearly impossible for the foreign student to cover his debt, MIT will void the debt.

Rogers cited the personalized nature of loans made through the Technology Loan Fund as the major reason for the relatively low default rate at MIT. Each student who has received a loan is required to have a personal interview after his graduation for the purpose of discussing his repayment schedule. The personal interview allows the Student Accounts Office to formulate each repayment schedule on a completely individual basis.

About 10% of the students on financial aid fail to have this interview, Rogers said. Although a student's diploma may be withheld until he meets his obligation to have this interview, Rogers said that this has never been done.

According to Rogers, the first payment on any loan from the Institute is never due until nine months after the student graduates. This is done in order to give the student a chance to find a job and to discover how he can best repay the loan. Rogers pointed out that students are often given more than nine months before their first payment is due if they are not able to begin payment at that time.

The loan programs formulated through the Technology Loan Fund have been highly successful in conforming to a student's ability to pay, but the defaults which do occur are significantly decreasing the amount of money available for student loans in the future.

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