

CHAPTER VI

THE ADMINISTRATION OF STUDENT LOANS

The survey of student loans made by the Student Loan Information Bureau during the past year and by the Harmon Foundation during the previous year shows that there is no uniformity in the administration of student loans in the various colleges and universities. In formulating policies for the administration of loans, it has not been possible to be guided by prevailing methods, for each institution seems to have a procedure peculiarly its own. No two institutions are guided by the same set of principles. There exists no distinguishable trend of thought, no well worked-out policy making for a definite purpose or end. The administration of loans to students has never been given, nor is it given even today, the proper attention and place in the financial policies of higher education.

In the working out of a policy for the administration of student loans, it is desirable therefore to lift all that is best from the various methods in use and with this material construct a workable plan which will approach, as near as possible, the ideal. There is no "yard stick" with which to measure that which is best in the various plans. The selection of the best elements from the different systems in use must be made judiciously rather than scientifically and supplemented, where necessary, with theoretical conclusions.

Methods of Administration

Loan funds are administered in two ways: the restricted method, loaning the income from the fund only; and the revolving method, loaning both income and principal. Taking the institutions as a whole, there are many more funds administered under the restricted method than there are under the revolving method. These conditions do prevail notwithstanding the fact that of the 93 institutions which answered an inquiry sent out by the Student Loan Information Bureau, 69 replied that they favored the revolving fund. The replies are personal opinions of the individuals who are familiar with and in most cases responsible for the administration of loans. The replies revealed opinions as follows:

- 69—favored revolving fund.
- 5—preferred restricted fund.
- 1—no experience with revolving fund.
- 1—doubtful.
- 16—no answer.