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Reducing student loan burden through smarter borrowing

How Western Governors University changed how students think about debt

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Student loan debt and default rates are one of the most pressing issues in American higher education. While educators, lawmakers, and students nationwide continue to debate potential solutions on a national level, Western Governors University (WGU) employed their own plan. Their innovative approach, which they named the Responsible Borrowing Initiative (RBI), now serves as a model for countless institutions.

The RBI helps students understand borrowing on an individual level—showing them how much they should borrow, along with what repayment would look like under different scenarios. This three-pronged approach, beginning with lower tuition, has led to better post-graduation outcomes and puts graduates in a better position to pay off their student debt more successfully.

With its use of Ellucian Banner, WGU has leveraged student data to increase transparency in academic lending and drive smarter borrowing decisions. In the seven years since RBI launched, WGU's borrowing and default rates have fallen significantly, even as national student loan debt has continued to climb. Additionally, the university has made significant progress in reducing the burden of traditionally underserved populations, such as first-generation undergraduates.

A critical adjustment

For its initial launch, the RBI worked with incoming students who already had significant debt. This limited their borrowing potential and provided an early test case for the system. The transition to RBI for borrowers was initially met with resistance, but WGU put substantial efforts into data-driven decisions with technical refinements improving the student messaging and experience. As a result, adoption of the tool quickly increased, with 65 percent of students accepting their recommended loan amount in the program's first year.

Under the RBI, Western Governors University:

- **Reduced average student debt** per graduate by 32%
- **Dropped the three-year cohort default rate** of first-generation undergraduates to 4.4% and of students of color to 4.5%
- **Decreased the cohort default rate among all undergraduates to 4.2%**, a cohort default rate significantly less than half the national average of 10.1%

Making a calculated decision

With the Student Loan Scenario (SLS) calculator, “We can present each student with a personalized view of their current and future financial responsibilities with respect to Title IV financial aid,” said Bob Collins, vice president of financial aid at WGU. The calculator references national student loan data stored in the Banner database to pair students with their optimal loan scenarios. WGU worked with Ellucian to develop a custom API that connects Banner to the SLS calculator, so students can get information and make a decision on how much to borrow in real time.

Borrowing made personal

From 2013 to 2020, the average student debt for undergraduates who took out loans fell 32 percent. Additionally, the three-year cohort loan default rate dropped to less than half the national average to a mere 4.2 percent, including among traditionally underserved populations like first-generation college students—a direct result of transparency and personalization. Students are offered a personalized view of their current and future financial responsibilities with respect to their financial aid. They can further adjust settings based on their own needs and get a clear picture of how they can repay their loans after graduation.

“By encountering the SLS calculator at the right time in the process,” Collins says, “students can take ownership of their financial journey and understand the impacts of their borrowing habits.”

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