the institute for
college access & success

AT WHAT COST?
HOW COMMUNITY COLLEGES THAT DO NOT OFFER FEDERAL LOANS PUT STUDENTS AT RISK

JULY 2014

EXECUTIVE SUMMARY

Each year, millions of college students borrow money to help bridge the gap between college costs and available income, savings, and grants. Experts all agree that, for those who need to borrow to pay for college, federal student loans are the safest and most affordable option. Unfortunately, some colleges choose not to participate in the federal student loan program, *preventing their students from taking advantage of them*.

Without access to affordable student loans, students who cannot afford school after available grants and scholarships are left between a rock and a hard place. They might borrow through other channels, such as private education loans or credit cards, which are more expensive, riskier, and lack the repayment options and protections of federal student loans. Alternatively, they might work longer hours to pay the bills or cut back on the number of classes they take each term – choices that research has consistently found to reduce students' chances of completing a degree or certificate.[1]

2013-14 National Findings

- Nearly *one million* community college students in 30 states – 8.5 percent of community college students nationally – were enrolled in schools that blocked all of their students' access to federal student loans.
- In 11 states, more than 10 percent of community college students lacked access to federal loans, and in seven states more than 20 percent lacked access.
- Community college students' access to federal student loans varied considerably by race and ethnicity. *Native-American, African-American, and Latino community college students were the most likely to lack access*.
- Community college students who attended schools in non-urban areas were more than twice as likely to lack access as their peers who attended schools in urban areas.

This is the Institute for College Access & Success' fourth assessment of federal student loan participation at community colleges across the country. In addition to national averages and state-by-state data for 2013-14, this issue brief takes a deeper look at activity in North Carolina and California since 2010-11, as well as reviews changes in Georgia.[2]

2013-14 State Findings

- North Carolina: Students saw an increase in loan access between 2010-11 and 2013-14, but it looks to be short lived. The state's efforts to require all community colleges to offer federal student loans have ceased, and many community colleges that had begun offering loans stopped by 2013-14 or plan to stop for 2014-15.
- California: Since 2010-11, seven more California community colleges have stopped offering federal student loans. With more than 250,000 students enrolled at non-participating schools, California remained the state with the largest number of community college students without access to federal student loans.
- Georgia: In response to 2011 changes to the HOPE Program, several of Georgia's technical colleges began offering federal loans. However, some of those same colleges have already dropped out of the program.

Colleges are understandably concerned about the potential negative consequences of student borrowing, but our analysis shows that colleges underestimate both the importance of federal loan access for students and their ability to help students make wise borrowing decisions.

[1] See: Dunlop, Erin. 2013. *What Do Stafford Loans Actually Buy You? The Effect of Stafford Loan Access on Community College Students.* National Center for Analysis of Longitudinal Data in Education Research. Working Paper 94. http://www.caldercenter.org/publications/upload/erinWP.pdf. Pike, Gary R., George D. Kuh, & Ryan C. Massa-McKinley. 2009. *First-Year Students' Employment, Engagement, and Academic Achievement: Untangling the Relationship Between Work and Grades.* NASPA Journal 45(4), pp. 560-582. King, Jacqueline E. 2002. *Crucial Choices: How Students' Financial Decisions Affect Their Academic Success.* American Council on Education.

[2] We found that between 2010-11 and 2013-14, 23 colleges left and 30 colleges joined the loan program (at least three of the colleges that joined the program have plans to stop participating for 2014-15). Over half of these 53 colleges are located in North Carolina, California, and Georgia. Due to methodological changes or changes in institutional classifications, some colleges were a part of our 2010-11 analysis (*Still Denied*) or our 2013-14 analysis (*At What Cost?*) but not both. Changes in participation status include only the 1,101 colleges that were in both analyses.

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BACKGROUND

The more than 1,100 community colleges throughout the United States serve many purposes, from awarding associate degrees and certificates to facilitating transfer to four-year institutions.[3] Community colleges educate almost 40 percent of all undergraduate students in the nation, including one-quarter of all undergraduates who attend full time.[4] These public two-year colleges also provide workforce development and lifelong learning opportunities to people seeking vocational retraining or personal enrichment. As open access institutions, community colleges serve students of all backgrounds, including more very low-income and underrepresented minority students than any other type of college.[5]

While community colleges tend to charge relatively low tuition and fees, these expenses represent just part of what it costs to get through school. Other educational expenses for community college students, including books and supplies, transportation, and living costs, are comparable to those faced by students at all types of schools. In total, the average full cost of attendance at community colleges is $15,000.[6]

Federal, state, and institutional financial aid can help cover these expenses, but students at community colleges are the least likely to get grant aid compared to their peers at other types of colleges.[7] The vast majority (82 percent) of full-time community college students need financial aid to cover college costs, and hardly any of them – only two percent – have their need fully met with grants.[8] When grants and scholarships are not enough to cover college costs, students may decide to work more hours, reduce their course load, drop out of school altogether, or borrow funds so they can focus on their education.

Choosing to borrow for college is a serious decision for any student. Colleges can and should help students weigh their options for paying for school – including encouraging them to borrow only if they need to, and only as much as they need – but they

[3] Unless otherwise noted, for this analysis we use the term "community colleges" to refer to public colleges that offer degree and certificate programs of at least two years in length and at which the vast majority of credentials awarded are at or below the associate degree level. These include colleges that focus on preparing students to transfer to four-year colleges and universities, as well as technical colleges that provide vocational associate's degrees and certificates for particular careers at the undergraduate level. References to the federal student loan program pertain to the William D. Ford Direct Stafford Loan Program. For more detail about the colleges included in this analysis, please refer to the Methodology on page 21.

[4] Calculations by the Institute for College Access & Success (TICAS) on data from the U.S. Department of Education's National Postsecondary Student Aid Study, 2011-12 (NPSAS:12) for undergraduate students. Unless otherwise noted, figures from NPSAS are for citizens and permanent residents at public two-year colleges only. This differs from our general definition of community colleges in this analysis, which includes public four-year schools where the vast majority of credentials awarded are associate's degrees.

[5] Calculations by TICAS on data from the U.S. Department of Education's NPSAS:12. Very low income is defined as students with an expected family contribution (EFC) of zero. Underrepresented minority is defined as African American, Latino, and Native American.

[6] Calculations by TICAS on data from the U.S. Department of Education's NPSAS:12. Figure represents full-time students enrolled for at least nine months in 2011-12. Figure rounded to the nearest $1,000.

[7] Calculations by TICAS on data from the U.S. Department of Education's NPSAS:12.

[8] Ibid.

do their students a great disservice by opting out of the federal student loan program.

While most community college students may not need to take out loans, borrowing may enable students to work less and focus more on their studies, take additional classes, and afford important college-related expenses like transportation and child care. In February 2014, the U.S. Department of Education issued a Dear Colleague Letter reminding colleges about the importance of making federal loans available:[9]

> Many students could not afford to attend even low-cost colleges if it were not for the support provided by the Direct Loan Program. Access to federal student financial aid, including low-cost Federal student loans, increases the likelihood that students will have the financial resources to successfully complete the post-secondary education needed to build a better future for themselves, their families, and their communities.

Experts unanimously agree that federal student loans should always be the first line of defense for students who do borrow. This is because federal student loans are much safer than other types of borrowing, such as private education loans, credit cards, or payday loans. Federal student loans have fixed interest rates, flexible and affordable repayment plans, generous forgiveness programs, and important consumer protections, such as deferments for unemployment, active military duty, and economic hardship, and cancellation if the borrower dies or is severely disabled. Private loans made by banks and other lenders, in contrast, are not required to provide such borrower benefits and protections. Private loans also typically have variable interest rates that cost most for those who can least afford them.

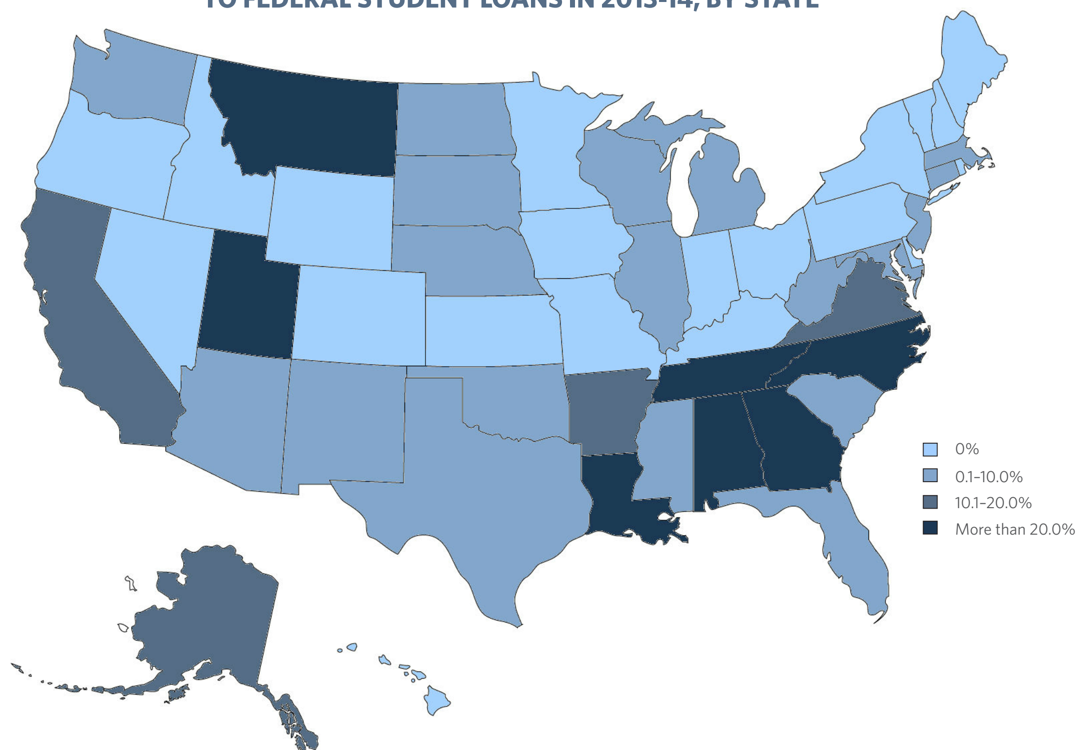
Barring access to federal loans does not keep students from borrowing – it just keeps them from borrowing federal loans. While this policy may be intended to help community college students, it does them a dangerous disservice by intentionally or unintentionally steering them towards riskier and more expensive debt.

2013-14 FINDINGS AND ANALYSIS

Who Lacks Access to Federal Loans?

In 2013-14, there were 30 states in which some community colleges had opted out of the loan program, including seven states in which more than 20 percent of students lacked access. The five states with the lowest rates of access were all in the South. In contrast, the 20 states where all community colleges offered federal student loans were not concentrated in any one region.[10] See map below.

SHARE OF COMMUNITY COLLEGE STUDENTS WITHOUT ACCESS TO FEDERAL STUDENT LOANS IN 2013-14, BY STATE



[9] The U.S. Department of Education. 2014. *Impact of Cohort Default Rates on Institutional Title IV Program Eligibility*, ED Dear Colleague Letters: http://www.ifap.ed.gov/dpcletters/GEN1403.html. Accessed June 30, 2014.

[10] Geographical regions defined using the U.S. Census Bureau, American Fact Finder: http://factfinder2.census.gov/help/en/glossary/r/region.htm.

Loan Access by Race/Ethnicity

There were substantial differences in federal loan access for students of different racial and ethnic backgrounds.[11] Nationally and across all groups, 8.5 percent of community college students were enrolled in colleges that did not participate in the federal loan program. Of White students in community colleges, 7.5 percent were enrolled in non-participating schools. That share rose to 10.5 percent for Latino students, 12.4 percent for African-American students, and 20.1 percent for Native-American students, the three groups most likely to lack federal loan access. With 4.5 percent attending non-participating colleges, Asian students were the least likely of any racial or ethnic group to lack access to federal student loans.[12]

Within some states the differences in loan access between White and underrepresented minority students were even sharper. For example, in Alabama 34.7 percent of White students attended non-participating community colleges compared to 63.7 percent of their African-American peers, and in Tennessee 37.1 percent of White students lacked federal loan access compared to 58.9 percent of African-American students. In Texas, only 2.7 percent of White students lacked access compared to 13.3 percent of Latino students. And in Alaska, 6.5 percent of White students lacked access compared to 60.1 percent of their Native-American peers.[13]

TABLE 1: COMMUNITY COLLEGE STUDENTS NATIONALLY WHO LACKED ACCESS TO FEDERAL STUDENT LOANS IN 2013-14, BY RACE/ETHNICITY	SHARE	NUMBER[14]
All	8.5%	987,000
White	7.5%	451,000
African American	12.4%	213,000
Latino	10.5%	214,000
Asian	4.5%	29,000
Native American	20.1%	24,000
Other/Unknown[15]	5.3%	56,000

A full table of community college loan access by state and race/ethnicity is on page 16.

[11] For purposes of analyzing access to loans by race/ethnicity in this brief we included the following racial/ethnic categories: African American, Asian (includes Pacific Islander), Latino, Native American, Other/Unknown, and White. See Methodology on page 21.

[12] Unless otherwise noted, throughout this report Asian-American and Pacific-Islander students are categorized as Asian students.

[13] The high rate of non-participation in Tribal Colleges and Universities (TCUs) contributes to the lack of federal student loan access for Native-American students.

[14] Figures are rounded to the nearest 1,000.

[15] Other/Unknown comprises students classified as international and multiracial, as well as students for whom their race/ethnicity is unknown.

Loan Access by Urbanicity

There were also sizeable differences in federal loan access by locale, specifically urban compared to non-urban areas.[16] For purposes of this analysis, we classify all categories of city and suburb as urban areas and all categories of town and rural as non-urban areas.

Across the country, community college students in non-urban areas were more than twice as likely as their urban peers to attend schools that did not offer federal loans, where rates of non-participation were 13.9 percent and 6.4 percent, respectively. About one quarter (27.9 percent) of all community college students attended schools in non-urban areas.

There were also acute differences in loan participation by locale within states. For example, in California, where the statewide non-participation rate was 12.6 percent, students at schools in non-urban areas were almost three times as likely to lack access as their peers in urban areas (27.9 percent vs. 10.1 percent). And while Connecticut had a relatively low statewide non-participation rate of 3.6 percent, more than half (57.0 percent) of students at non-urban community colleges lacked access compared to less than one percent of their peers at urban schools.

States with the highest non-participation rates also tended to have high rates of enrollment in non-urban colleges: among the eleven states where at least ten percent of students lacked loan access, seven had a greater share of students enrolled in non-urban colleges than the national average. However, 14 of the 20 states in which every community college offered loans also had a greater share of students attending non-urban colleges than the national average.

Of states with community colleges located in both urban and non-urban areas, there were eight states where all students who lacked access attended non-urban community colleges[17] and three where all students who lacked access attended urban schools.[18]

A full table of community college loan access by state and urbanicity is on page 18.

[16] A college's locale is based on its physical proximity to an urbanized area, assigned through a methodology developed by the U.S. Census Bureau's Population Division in 2005. There are four major categories: city, suburban, town, and rural, each with three subcategories. For city and suburb, these are gradations of size – large, midsize, and small. Towns and rural areas are further distinguished by their distance from an urbanized area, and can be characterized as fringe, distant, or remote. Both cities and suburbs are inside an urbanized area (a densely settled core with a population of 50,000 or more), but a city is within a principal city (a primary population and economic center of an MSA – one or more contiguous counties that have a highly populated core area with adjacent communities that are economically or socially integrated with the core) while a suburb is outside of a principal city. Towns are territories inside an urban cluster (core areas with populations between 2,500 and 50,000), and rural encompasses all population, housing, and territory not included within an urban area or urban cluster. For more detail please see: http://nces.ed.gov/surveys/ruraled/definitions.asp and the "degree of urbanization" at http://nces.ed.gov/ipeds/glossary/?charindex=D.

[17] These eight states are Arizona, Michigan, Montana, Nebraska, North Dakota, South Carolina, Virginia, and Wisconsin.

[18] These three states are Massachusetts, New Jersey and West Virginia.

TABLE 2: FEDERAL STAFFORD AND PRIVATE LOAN TERMS AND BENEFITS FOR 2013-14 AND 2014-15 COMMUNITY COLLEGE STUDENTS			
	Subsidized Stafford	**Unsubsidized Stafford**	**Private Loans**
Eligibility	Available to undergraduate students with financial need; enrolled at least half time; no credit check; college must participate in the federal loan program	Available to undergraduate students regardless of need; enrolled at least half time; no credit check; college must participate in the federal loan program	Enrollment requirements vary; credit check required, and usually a cosigner
Maximum Annual Amount	$3,500 as freshman; $4,500 as sophomores	For dependent students: $5,500 for freshman (including up to $3,500 subsidized); $6,500 for sophomores (including up to $4,500 subsidized); for independent students and dependent students whose parents are unable to obtain PLUS loans: $9,500 for freshman (including up to $3,500 subsidized); $10,500 for sophomores (including up to $4,500 subsidized)	Typically up to full cost of attendance minus other aid
Interest Rate	Fixed at 3.86% in 2013-14; fixed at 4.66% for the 2014-15 school year		Variable or fixed, no maximum; based on credit and market rates; up to 13% or more in 2014
Fees	1.051% if first disbursed before December 1, 2013; 1.072% if first disbursed on or after December 1, 2013 and before October 1, 2014; 1.073% if first disbursed on or after October 1, 2014 and before October 1, 2015		At lender's discretion
Charges During School	None	Interest accrues	Interest accrues or payments due
Unemployment/ Economic Hardship Policy	No payments required and no interest charged for up to three years of economic hardship/unemployment	No payments required but interest accrues for up to three years of economic hardship/unemployment	Lender discretion; usually very limited, interest accrues, may charge fees
Income-Driven Repayment	Available		Not Available
Public Service Loan Forgiveness	Various provisions for teachers, government, and nonprofit workers		None
Other Cancellations	Death or total and permanent disability; closed school		Death and disability at lender's discretion; none if school closes
For more information about federal student aid, please visit the U.S. Department of Education's http://studentaid.ed.gov.			

NOTABLE STATE CHANGES

NORTH CAROLINA

In 2010-11, 57.0 percent of North Carolina community college students lacked access to federal loans, the largest share of any state in the country at that time. In 2013-14, 36.0 percent lacked access, but the question for North Carolina is whether the improvement is here to stay.

In North Carolina, this issue has been on a legislative roller coaster in recent years. In 2011, state legislators voted to overturn a year-old requirement – imposed by the prior legislature in 2010 – that all of the state's community colleges offer federal loans. The then-governor vetoed the attempt, keeping the requirement in place. Without enough votes to overturn the veto, smaller groups of legislators banded together to pass a number of veto-proof "local bills" that allowed certain colleges to stop offering loans. Finally, in 2012, legislators overturned the governor's veto, once again enabling all colleges to opt out of offering federal loans.

Confused yet? Imagine how the students feel. While relatively few colleges nationally enter or exit the loan program in any given year, North Carolina stands out for having far more participation status changes than anywhere else. For example, Central Piedmont Community College (CPCC) began offering loans in 2011-12 in response to the state requirement, then made headlines in early 2014 for announcing its upcoming departure from the loan program after just three years.[19]

In explaining the college's decision, Jeff Lowrance, CPCC's Public Information Officer and Assistant to the President, stated that "most of the community colleges in North Carolina have reached the same conclusion as CPCC; the federal Direct loan program puts students and institutions at great risk."[20] However, when CPCC decided to stop offering loans, not enough time had passed for the college's recent borrowers to have had their repayment tracked in a cohort default rate (CDR). And even if it had received a CDR that exceeded sanction thresholds, with a 2012-13 borrowing rate of just 14 percent[21] the college may have been protected from sanctions by making a Participation Rate Index challenge. [22] (For more about CDRs, which measure how many borrowers default within a given time period, and related sanctions see box on page 10; for more on the Participation Rate Index see box on page 12.)

In another college's explanation of its decision to stop offering loans, Dr. Ervin V. Griffin Sr., President and CEO of Halifax Community College in North Carolina, released a memo in June 2013 stating that "the amount of debt students are incurring may exceed the amount they can afford to repay in the future."[23] Yet in the following paragraph, Dr. Griffin states that "the goal of the College is to continue to provide students with access to loans" and that "as an alternative to the Direct Loan program, the College will agree to certify private educational (alternative) loans from any lender the student chooses." This calls into question whether the goal is truly to keep students from borrowing too much, or rather to insulate the college from responsibility if they do. (For more on the risks of private loans compared to federal loans, see page 14.)

Not all North Carolina community colleges agree with that approach. While Guilford Technical Community College (GTCC) is concerned about student borrowing and default rates, it remains committed to offering federal loans.[24] Lisa Koretoff, Director of Financial Aid at GTCC, thinks that a belief that community college students do not need to borrow – one that is at odds with some students' realities – may be at the heart of other colleges' decisions to stop offering loans. Ms. Koretoff, who herself paid for college using a credit card, believes that federal loans are an important option and notes that some programs – like nursing – require that students reduce their work hours or not work at all. Rather than put these students' success at risk by pulling out of the loan program, GTCC is developing strategies to manage its CDR and help students make wise borrowing decisions.

CALIFORNIA

California community college students' access to federal loans continues to decline, with seven more schools in the California Community College (CCC) system dropping out of the loan program since 2010-11.[25] Over the past six years, the number of CCCs that do not offer federal loans has doubled to 22.[26] With more than 250,000 students enrolled in non-participating colleges in 2013-14, California remained the state with the largest number of community college students without

[19] Thomas, Jennifer. March 7, 2014. "CCPC Opts Out of Federal Student Loan Program." *Charlotte Business Journal*. http://www.bizjournals.com/charlotte/news/2014/03/07/cpcc-opts-out-of-federal-student-loan-program.html?page=all. Accessed June 30, 2014.

[20] Ibid.

[21] Information about Central Piedmont Community College from the U.S. Department of Education's College Navigator website is available at http://nces.ed.gov/collegenavigator/?q=central+piedmont&s=all&id=198260#finaid. Accessed June 30, 2014.

[22] When a college contests its CDR or sanction after receiving a *draft* rate, it is called a *challenge*. When a college contests its CDR or sanction after receiving an *official* rate, it is called an *appeal*. Unless otherwise noted, for ease of understanding we refer to appeals throughout the remainder of the report.

[23] Halifax Community College. 2013. Memo. "William D. Ford Federal Direct Loans." http://www.halifaxcc.edu/catalog/memo.pdf. Accessed June 30, 2014.

[24] Personal communication with Lisa Koretoff, Director of Financial Aid at Guilford Technical Community College, in June 2014.

[25] The seven colleges are College of the Desert, El Camino College, El Camino College – Compton Center, Hartnell College, Victor Valley College, Yuba College, and Woodland Community College. Woodland Community College was not a separate college in our analysis for *Still Denied*, which used the U.S. Department of Education's Integrated Postsecondary Education Data System (IPEDS) 2008-09 data to identify colleges. However, federal loan volume data from the U.S. Department of Education makes clear that the school previously offered loans: Federal Student Aid Data Center, Title IV Program Volume Reports, https://studentaid.ed.gov/about/data-center/student/title-iv. Accessed June 19, 2014.

[26] TICAS. 2009. *Getting with the Program*. http://www.ticas.org/files/pub/getting_with_the_program.pdf. East San Gabriel Valley Regional Occupational Program, which is not a part of the CCC system, also does not offer federal loans, bringing the total number of non-participating community colleges in California to 23.

access to federal loans.[27] Also, for the first time since we began documenting community college participation status by state in 2008, the share of students without access in California was higher than the national share.

Very few community college students in California borrow federal loans: only four percent of undergraduate students at community colleges in California borrowed in 2011-12, compared to 20 percent across the country.[28] But for those California students who do borrow, federal loans are a critical resource. In 2012-13, students in the California Community College system received nearly $300 million in federal student loans, making loans the third largest source of financial aid across the college system.[29]

As in other states, representatives of colleges that have stopped offering federal loans point to concerns about cohort default rate (CDR) sanctions, particularly as the long-feared change to a three-year CDR calculation goes into effect later this year. (For more about CDRs, which measure how many borrowers default within a given time period, and related sanctions see box on page 10.) However, what sets the California colleges apart is that all of the newly non-participating colleges appear to have low enough participation rates to successfully appeal sanctions if their default rates exceed threshold levels.[30] (For more on the Participation Rate Index see box on page 12.)

It is unclear whether these colleges understand that they are not at risk of sanctions. The chancellor of the Yuba Community College District (YCCD), home to Woodland Community College and Yuba College which both recently exited the federal loan program, publicly said district staff could not find sufficient assurance that the colleges could appeal CDR sanctions, should sanctions someday apply.[31] Still, the district acknowledges that some students will need to borrow. YCCD Chancellor Dr. Douglas B. Houston explained that students in certain programs will "have to drop out of the workforce" to attend classes full time, and that "for them, it's going to be a hardship."[32] As such, the district announced that it intended to direct students who need to borrow to Sallie Mae for private loans.[33] While this protects the college from the potential negative repercussions of student borrowing, it directs students towards riskier and more costly private loans.

While individual colleges and districts make decisions about whether to offer loans, the California Community College Chancellor's Office is doing what it can to support colleges in offering loans. In a March 2014 memo to college CEOs, system Chancellor Brice W. Harris underscored the importance of federal loan access:[34]

> Many California community colleges have an average 'net price' for full-time students of more than $10,000 per academic year after grant and scholarship aid is applied. Federal student loans play a significant role in meeting these financial 'gaps' and allowing students to pursue and complete their higher education aspirations.

The Chancellor's Office also launched a default prevention and management initiative last year to help its colleges run successful federal loan programs. Chancellor's Office staff have conveyed interest in reaching out to non-participating colleges as the initiative develops to encourage them to reenter the program.[35]

GEORGIA

Comparing loan access in 2010-11 and 2013-14 paints an incomplete picture of what has been happening in Georgia. Since 2010-11, when 55.1 percent of students lacked loan access, more than a dozen schools began offering loans.[36] However, some of those same schools quickly reversed course and stopped offering loans by 2013-14. So while the share of students without loan access in 2013-14 (26.5 percent) was a clear improvement over 2010-11, it also represents a decline in loan access from the intervening years.[37]

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[27] For this report, our definition of community colleges includes both public two-year colleges and public four-year colleges that award primarily associate's degrees and credentials (for more detail, see Methodology on page 21). As such, there are 117 California colleges in our analysis, including all of the colleges in the California Community College (CCC) system and four schools (Beaumont Adult School, Charles A. Jones Career and Education Center, East San Gabriel Valley Regional Occupational Program, and Los Angeles County College of Nursing and Allied Health) that are not a part of the CCC system.

[28] Calculations by TICAS on data from the U.S. Department of Education's IPEDS 2011-12. Unless otherwise noted, calculations on IPEDS data include students attending public two-year colleges only.

[29] Calculations by TICAS using the California Community Colleges Chancellor's Office (CCCCO) Data Mart: http://datamart.cccco.edu/datamart.aspx. Accessed June 18, 2014.

[30] Under current rules, colleges with participation rates under 21 percent may appeal sanctions. The exact data needed to calculate a college's participation rate for the purpose of a CDR sanction appeal are not publicly available, but using the latest available data from the CCCCO Data Mart we estimate that all seven CCCs that recently stopped participating have borrowing rates well below 21 percent. Please note that our estimates are conservative because the borrower count includes all student and parent loans (including a small number of borrowers who may not have federal Stafford loans), and the share of students enrolled at least halftime is as reported on the census date and not the more generous definition that the Participation Rate Index (PRI) challenge and appeal allow (students enrolled at least halftime for one day within a twelve-month period). For more on the PRI challenge and appeal see page 22.

[31] Kalb, Loretta. July 15, 2013. "Yuba Community College District Suspends Federal Student Loan Program." The Sacramento Bee. http://www.sacbee.com/2013/07/15/5566610/yuba-community-college-district.html. Accessed June 30, 2014.

[32] Nicholson, Jeff. August 26, 2013. "Yuba College Giving Students Options for Loans." *Appeal Democrat*. http://www.appeal-democrat.com/yuba-college-giving-students-options-for-loans/article_d3da6048-13c5-5c41-85e8-5b72c2f90603.html?mode=jqm. Accessed June 30, 2014.

[33] Ibid.

[34] Brice W. Harris, State Chancellor. 2014. Memo. "First Monday – March 2014." California Community Colleges Chancellor Brice W. Harris.

[35] Personal communication with a representative of the California Community Colleges Chancellor's Office, in September 2013.

[36] Federal loan volume data from U.S. Department of Education, Federal Student Aid Data Center, Title IV Program Volume Reports: https://studentaid.ed.gov/about/data-center/student/title-iv. Accessed July 1, 2014.

[37] Note that we excluded one college (Heart of Georgia Technical College) from our 2013-14 analysis because it was not active in IPEDS 2011-12. In addition, eight other Georgia community colleges (seven of which were technical colleges) in our 2010-11 analysis (using 2008-09 IPEDS data) are not listed separately in our 2013-14 analysis (using 2011-12 IPEDS data) due to mergers. By 2013-14, three more Georgia community colleges (one of which was a technical college) were no longer listed as separate institutions due to mergers. See our list of colleges' participation statuses at http://projectonstudentdebt.org/files/pub/CC_participation_status_2013-14.pdf.

The loan program participation changes in Georgia have been largely driven by changes to Georgia's merit-based HOPE Program (including HOPE Grants and Scholarships) beginning in 2011-12. The changes that year included reducing students' eligibility by increasing merit requirements and reducing the size of eligible students' awards.[38] Concerned about the effect of these changes on their students' ability to pay for college, and to help students fill the newly created gap, 15 more Technical College System of Georgia (TCSG) schools began to offer federal loans.[39]

In 2013-14, the Georgia State General Assembly reset the minimum GPA required for a HOPE Grant from 3.0 to 2.0, restoring eligibility for many students.[40] This change was made in the wake of TCSG enrollment dropping dramatically when the minimum GPA had increased: between 2011 and 2012, the number of full-time equivalent students in the technical college system dropped 24 percent.[41]

By 2013-14, some newly participating colleges began to express concerns about higher than expected borrowing and delinquency rates (none had been participating long enough to have had recent borrowers' repayment tracked in a cohort default rate (CDR)). That year, five TCSG colleges, including Southern Crescent Technical College (SCTC), stopped offering loans.[42] In a May 2013 notice, SCTC President Randall Peters expressed concerns that some graduates' loan payments - if debt outpaces later earnings - may become a burden, stating that "this is a potential financial nightmare that our students do not want or need. I honestly do not want to put our students in a situation that creates this type of financial hardship."[43] However, colleges can help students borrow wisely, and struggling federal loan borrowers can opt for repayment plans that base their payments on their incomes.[44] Further, with a net price of almost $10,000 - close to $1,400 more than nearby public four-year Gordon State College - some SCTC students will likely need to borrow to cover the gap between college costs and available grants.[45] For those students, federal loans are the safest and most affordable option.

Some TCSG schools take a different approach. For example, Kenneth Wilson, Director of Financial Aid at Albany Technical College – where 55 percent of undergraduates borrowed federal loans in 2012-13[46] – believes that many students are able to attend full time as a result of borrowing.[47] Mr. Wilson credits several practices with helping students borrow wisely and keeping defaults down. Loans are disbursed in two installments per term, and Mr. Wilson notes that borrowers are learning how to better manage their money. There is also a school-wide database where faculty track attendance and record mid-term grades. If the financial aid office sees that a borrower has withdrawn or is failing courses, immediate steps are taken to communicate with the student. And the school's default management committee attends nearly every event on campus, from basketball games to picnics, handing out information on student loan repayment. Accordingly, the college has seen its default rate drop in recent years, from 28.0 percent in FY 2009 to 23.1 percent in FY 2010, and to a projected rate below 20 percent for FY 2011.[48]

Another reason that Georgia community colleges may be leaving the federal loan program is because the state has created two new private loan programs that do not hold colleges accountable in the same way as the federal loan program. In response to the HOPE Program cuts in 2011-12, the legislature that year funded a $20 million Student Access Loan (SAL) Program for the state's students.[49] And this upcoming fall, another new loan – the Student Access Loan-Technical (SALT) Program – will be available exclusively to Georgia's technical college students. Both SAL and SALT require monthly "Keep In Touch" payments, and have a one percent interest rate – except if borrowers default. Then the rate irrevocably converts to five percent for the life of the loan. Forbearance, deferment, and forgiveness options are available in certain circumstances, including for those who choose public service or STEM careers after they graduate (SAL borrowers only).[50]

Technical college students, who have had access to SAL since it became available in 2011-12, now must first exhaust their SALT eligibility, which has lower annual and lifetime limits than SAL: $3,000 compared to $10,000, and $12,000 compared to $40,000, respectively. While SALT may help some students

38 The Georgia Budget & Policy Institute. December 21, 2012. Blog post. "Changes to HOPE: Bad for Georgia's Future." http://gbpi.org/changes-to-hope-bad-for-georgia%E2%80%99s-future. Accessed June 30, 2014.

39 Personal communications with Holly Bates, Student Affairs Coordinator at the Technical College System of Georgia (TCSG); and Judith Witherspoon, Senior Vice President at Edfinancial Services, in May and June 2014.

40 Georgia Budget & Policy Institute. 2014. *Overview: 2015 Fiscal Year Budget for Lottery-Funded Programs: Funding for Pre-Kindergarten and HOPE Falls Short of Students' Needs.* http://gbpi.org/wp-content/uploads/2014/01/Overview-2015-Fiscal-Year-Budget-for-Lottery-Funded-Programs.pdf.

41 Ibid.

42 Personal communication with Holly Bates, Student Affairs Coordinator at TCSG in May and June 2014.

43 Southern Crescent Technical College. 2013. News. "SCTC Plans to Discontinue the Student Loan Program." http://www.sctech.edu/news/. " Accessed June 30, 2014.

44 For more information on income-driven repayment plans, see http://studentaid.gov/idr.

45 The net price of college is the total cost of college minus available grants and scholarships. In 2012-13, the net price for students attending SCTC was $9,680 and the net price for students attending Gordon State College was $8,282. Net price figures are reported by colleges to the U.S. Department of Education.

46 Information about Albany Technical College from the U.S. Department of Education's College Navigator website is available at http://nces.ed.gov/collegenavigator/?q=albany+tech&s=all&id=138682#finaid. Accessed July 7, 2014.

47 Personal communication with Kenneth Wilson, Director of Financial Aid at Albany Technical College, in May 2014.

48 FY 2009 and FY 2010 three-year CDRs available at the U.S. Department of Education, Federal Student Aid, Official 3-Year Cohort Default Rate Search: https://www.nslds.ed.gov/nslds_SA/defaultmanagement/search_cohort_3yr2010.cfm. Accessed June 30, 2014. FY 2011 three-year CDR based on personal communication with Kenneth Wilson, Director of Financial Aid at Albany Technical College, in May 2014.

49 SAL loans are funded at $19 million for FY 2014-15 per Georgia House Bill 744, signed by Governor Nathan Deal on April 28, 2014: http://www.house.ga.gov/budget/Documents/2015_FiscalYear/FY_2015_Bill_Gov_Signed.pdf.

50 Georgia Student Finance Commission. 2014. *Student Access Loan Technical Program. Regulations – 5300. 2014-15 Award Year.* http://www.gsfc.org/main/publishing/pdf/2015/2015-Student%20Access%20Loan%20-%20Technical.pdf; and Georgia Student Finance Commission. 2014. *Student Access Loan Program. Regulations – 5100. 2014-15 Award Year*. http://www.gsfc.org/main/publishing/pdf/2015/2015-Student%20Access%20Loan.pdf.

afford technical college costs, it is not clear whether its funding level ($10 million for 2014-15)[51] will cover all eligible applicants – less than half of students who applied for assistance through the already existing SAL program received a loan.[52] Additionally, unlike federal loans, SAL and SALT do not offer income-driven repayment plans, which tie borrowers' monthly payments to a reasonable share of their income.[53] This option is especially critical when borrowers are struggling to find enough work to pay their bills, and gives borrowers the peace of mind of a safety net should their financial situation deteriorate.

While these state loan programs were clearly expected to supplement and not replace federal loans for needy students, their existence may remove an incentive for colleges to offer federal loans. That is because, while federal loans hold both students and colleges accountable, the SAL and SALT programs do not hold colleges accountable when students default. As such, Georgia colleges that understand students need loans, but do not want to be responsible for defaults, can have it both ways: the state loan programs provide students loan access without asking colleges to help students make wise borrowing decisions and stay on track in repayment. While it is clear why colleges might find this appealing, it is far less clear how students fare. The Georgia Student Finance Commission does not publish SAL Program delinquency or default rates.[54]

Also concerning, the independent, nonpartisan Georgia Budget & Policy Institute (GBPI) has reported that "an overwhelming number of participants in the low-interest Student Access Loan Program are from low-income households."[55] This is particularly troubling given that low-income college graduates are already much more likely to borrow, and graduate with more student loan debt, than their higher income peers.[56] Given that the SAL and SALT programs are not intended to supplant federal loans, this raises questions about whether these programs are even further indebting low-income students. GBPI has recommended the funding for these loans instead be put towards a need-based grant program to minimize students' need to borrow.[57]

WHY DO COLLEGES OPT OUT?

When leaving the loan program, community college representatives typically cite their perceived inability to keep students from borrowing unnecessarily or to influence whether those borrowers repay their loans. While concerns about appropriate borrowing and student loan defaults are understandable given the severe consequences of default for both students and institutions, it is simply not the case that there is nothing colleges can do to help students borrow wisely

[51] SALT loans are funded at $10 million for FY 2014-15 per Georgia House Bill 744, signed by Governor Nathan Deal on April 28, 2014: http://www.house.ga.gov/budget/Documents/2015_FiscalYear/FY_2015_Bill_Gov_Signed.pdf.

[52] Georgia Budget & Policy Institute. 2014. *Overview: 2015 Fiscal Year Budget for Lottery-Funded Programs: Funding for Pre-Kindergarten and HOPE Falls Short of Students' Needs*. http://gbpi.org/wp-content/uploads/2014/01/Overview-2015-Fiscal-Year-Budget-for-Lottery-Funded-Programs.pdf.

[53] Currently, there are four types of income-driven repayment plans available to federal student loan borrowers. Income-contingent repayment generally caps monthly payments at 20% of borrowers' discretionary income, and forgives remaining loan balances after 25 years. Classic income-based repayment (IBR) allows borrowers with a partial financial hardship to cap monthly payments at 15% of discretionary income, with forgiveness after 25 years. 2014 IBR and Pay As You Earn cap monthly payments at 10% of discretionary income for borrowers with a partial financial hardship, with forgiveness after 20 years. For more information on income-driven repayment plans, see http://studentaid.gov/idr.

[54] Personal communication with Jonathan Stroble, Senior Manager, External Affairs at the Georgia Student Finance Commission, in June 2014. The SALT program will begin in fall 2014.

[55] Georgia Budget & Policy Institute. 2012. *Hope on a Tightrope*. http://gbpi.org/wp-content/uploads/2012/10/HOPE-on-a-Tightrope.pdf.

[56] TICAS. 2014. *Quick Facts about Student Debt*. http://projectonstudentdebt.org/files/pub/Debt_Facts_and_Sources.pdf.

[57] Georgia Budget & Policy Institute. 2012. *Hope on a Tightrope*. http://gbpi.org/wp-content/uploads/2012/10/HOPE-on-a-Tightrope.pdf.

TABLE 3: STAFFORD LOAN USAGE BY COMMUNITY COLLEGE STUDENTS IN 2011-12

	Share of *students* who borrowed Stafford loans	Share of *students* who took out their annual maximum Stafford loan	Share of *borrowers* who took out their annual maximum Stafford loan
All students	**17%**	**7%**	**43%**
Dependent students	14%	5%	37%
Independent students	19%	9%	46%
Full-time students	**23%**	**9%**	**40%**
Dependent students	19%	7%	36%
Independent students	27%	12%	43%
Part-time students	**19%**	**8%**	**45%**
Dependent students	14%	5%	38%
Independent students	22%	11%	47%

Source: Calculations by TICAS on data from the U.S. Department of Education's NPSAS:12. Full-time students are defined as those who attended public two-year colleges exclusively full-time in 2011-12. Part-time students are defined as those who atteded half-time or more at least part of the year. Less-than-half-time students, who are not eligible for Stafford loans, are included in the figures for all students, but not in the figures for full-time or part-time students. While 7% of community college students borrowed their individual annual Stafford maximum, 70% borrowed less than their maximum, and for 23% their maximum could not be determined. While 43% of Stafford borrowers at community colleges borrowed their individual annual Stafford maximum, 56% borrowed less than their maximum, and for 1% their maximum could not be determined.

and repay their loans on time.

Are Students Borrowing Too Much?

Despite unprecedented attention to increasing student loan debt, national data are clear that few community college students borrow loans, and a minority of community college completers has student loan debt. In 2011-12, only 17 percent of all community college students borrowed federal student loans, and 37 percent of those graduating with an associate's degree had borrowed over the course of their undergraduate career.[58]

Similarly, while annual loan limits can sound high compared to the relatively low tuition at community colleges, few students borrow that much (see 2013-14 loan terms and limits on page 5). Even among those who do borrow, only a minority borrows the maximum despite non-tuition community college costs being similar to those at other institutions. (See Table 3 on previous page.)

Are Defaults Avoidable?

To measure how many of their federal student loan borrowers default within a certain period of time after entering repayment, colleges annually receive a "cohort default rate" (CDR) from the U.S. Department of Education. Particularly when a significant share of students at a college borrow, CDRs are a useful and important accountability measure that help indicate whether students are leaving college with debt they cannot repay. Borrowers are considered to have defaulted after 270 days of nonpayment, though they are not counted in colleges' default rates until 360 days of nonpayment. When too many of their borrowers default, colleges can be sanctioned and lose the ability to offer federal loans or Pell Grants to their students.

Concerns about CDR sanctions are heightened in 2014 because it is the first year that sanctions will be based on three-year CDRs. In 2008, Congress changed the CDR to measure the defaults that occur within a three-year rather than a two-year period of time. Implementation of this change was delayed to give colleges several years' notice to adjust to the new, longer CDR window. Beginning in 2014, colleges with cohort default rates of 30 percent or above for three consecutive years can lose the ability to disburse federal loans and federal Pell Grants, the largest source of grant aid available to students.[59] As both colleges and students rely on Pell Grants to help cover costs, such a loss would be devastating. Additionally, any college with a single year's CDR above 40 percent loses the ability to offer federal loans, but retains Pell Grant eligibility. (For more about CDRs, which measure how many borrowers default within a given time period, and related sanctions see box to the right.)

COHORT DEFAULT RATES 101

What is default?
A borrower defaults on a federal student loan after not making any payment for 270 days, though she is not counted in a college's default rate until 360 days of nonpayment. This can only occur after a student graduates or is no longer enrolled in college at least half time, and after a six-month grace period between the end of school and the start of repayment.

What is a cohort default rate?
A cohort default rate measures the share of borrowers who enter repayment in a given year and who default within three years of entering repayment. For the majority of institutions, 2011 cohort default rates are calculated using the equation:

# of borrowers who entered repayment in 2011, and defaulted in 2011, 2012, or 2013 ÷ # of borrowers who entered repayment in 2011 = 2011 Cohort Default Rate

Why do default rates matter?
Institutions with high default rates may face serious sanctions.

DEFAULT RATE	SANCTION
30% or higher in three consecutive years	Potential loss of Stafford loan eligibility and Pell Grant eligibility for three years
Higher than 40% in one year	Potential loss of Stafford loan eligibility for three years

The fear of sanctions due to high CDRs is understandable, but high CDRs are avoidable. A college's demographics are not its destiny, as Albany Technical College (discussed in more detail on page 8) demonstrates. Through the implementation of comprehensive default management strategies, the college has been able to reduce its default rate by more than eight percentage points in two years while serving an increasingly high-need, low-income population.

Indeed, colleges of all types have successfully implemented a variety of strategies to ensure that their students borrow wisely, and that borrowers understand their obligations and loan

[58] Calculations by TICAS on data from the U.S. Department of Education's NPSAS:12.

[59] Federal Pell Grants, available to full- and part-time students, provided up to $5,645 in need-based financial aid in 2013-14. The vast majority of recipients have family incomes of $40,000 or below. Students must complete the Free Application for Federal Student Aid (FAFSA) to receive a Pell Grant, and can apply at any time during the school year.

repayment options.[60] Income-driven repayment plans that cap monthly payments at a reasonable share of borrowers' income can also help in reducing defaults and have been available to all federal student loan borrowers since 2009.[61] (See more about what colleges can do on page 12.)

In addition, many community colleges have another important but little-known protection against CDR sanctions. Colleges where borrowing rates are low, and where CDRs may not be broadly indicative of institutional quality or student outcomes, are able to appeal any sanctions that would otherwise apply based on CDRs. Hundreds of community colleges have borrowing rates low enough to be able to benefit from such an appeal, known as the Participation Rate Index. (See Appendix: *Participation Rate Index Worksheet* on page 22 for a template that schools can use to help determine if they are eligible for such an appeal.) However, few are aware of the protection because their default rates have long been below sanction levels and appeals have not been needed.

COHORT DEFAULT RATE APPEALS

Once institutions are notified of their initial calculated cohort default rate, they can appeal any potential rate sanctions based on certain mitigating circumstances, such as serving predominately low-income students or by having just a few students borrowing each year. Details about the types of appeals available can be found in the Cohort Default Rate Guide published by the U.S. Department of Education's Default Prevention and Management department. The U.S. Department of Education does not publish records of the number or types of challenges, adjustments, or appeals requested by institutions.

The *Participation Rate Index appeal* holds particular promise for community colleges (see box on page 12). Given low rates of borrowing, many currently participating community colleges would be eligible to file a Participation Rate Index appeal if their default rates rise.

Also, while all colleges can and should work to minimize the share and number of borrowers who default given the stakes for students, very few community colleges have reason to fear imminent sanctions, and many colleges that stopped offering loans (including those discussed on pages 6,7, and 8) are not close to sanction thresholds. For federal student loan borrowers who entered repayment in 2010, 20.9 percent from community colleges had defaulted within three years – a rate that has grown in recent years but remains more than 9 percentage points below sanction levels.[62] Among individual community colleges, a very small share had CDRs at or above the 30 percent sanction threshold, and an even smaller share of them had CDRs at or above 30 percent for consecutive years. Some of those with the highest CDRs would be able to appeal sanctions based on their low borrowing rates.[63] (For more about CDRs and related sanctions, see box on page 10; for more about the Participation Rate Index, see box on page 12.)

In other words, community colleges are right to be concerned about whether students are borrowing and defaulting unnecessarily, but they are wrong to believe that their only option is to stop offering loans. In some cases, ceasing to offer loans might not even help; colleges can still face sanctions based on too-high CDRs even after they drop out of the loan program, if too many of their former students who previously borrowed eventually default. In contrast, developing thoughtful and appropriate loan practices as so many colleges, including community colleges, have already done will help current and former borrowers alike make wise borrowing decisions and avoid default – as well as protect students' access to aid.

MYTH	REALITY
One bad year and our students will lose their Pell Grants.	Colleges can only lose access to Pell Grants after three consecutive years of high default rates that are not successfully appealed.
Our default rate is close to 20% – we're in trouble!	A college with a 20% default rate is not at risk of sanction.
If we offer loans to some students, we'll have to give them to everyone.	Financial aid offices have the authority to limit or deny federal loan eligibility on a case-by-case basis.
Our students are all high-risk, so we won't be able to prevent a high default rate.	Default management strategies work, and the U.S. Department of Education will work with colleges to address default concerns.
Our default rate is skewed by our low number of borrowers and jeopardizes student access to Pell Grants.	Institutions with low borrowing rates are protected by law from unfair sanctions.

[60] There are many publications highlighting effective strategies. For example, see TICAS. 2012. *Making Loans Work: How Community Colleges Support Responsible Student Borrowing*. http://projectonstudentdebt.org/files/pub/Making_Loans_Work.pdf; Chitty, Haley. 2010. *A Blueprint to Lower Default Rates: Default-aversion and degree-completion strategies*. University Business Solutions for Higher Education Management Articles: http://www.university-business.com/article/blueprint-lower-default-rates. Accessed June 30, 2014; Dillon, Erin and Robin V. Smiles. 2010. *Lowering Student Loan Default Rates: What One Consortium of Historically Black Institutions Did to Succeed*. Education Sector. http://www.educationsector.org/publications/lowering-student-loan-default-rates. Accessed June 30, 2014; Texas Guaranteed Student Loan Corporation. 2000. *Shoulder to Shoulder: The Progress Made by the Texas Student Financial Aid Community in Preventing Defaults*. http://www.tgslc.org/pdf/shoulder.pdf; and The Texas Historically Black Colleges and Universities Default Management Consortium. 2004. *Breaking New Ground*. http://www.tgslc.org/pdf/hbcu.pdf.

[61] TICAS. June 30, 2009. Press release. "New Federal Income-Based Repayment Plan Goes Into Effect July 1." http://ticas.org/files/pub/July_1_IBR_Alert.pdf.

[62] U.S. Department of Education. 2013. *Comparison of 3-Year FY 2010 Official Cohort Default Rates to Prior Official Calculation*. http://www2.ed.gov/offices/OSFAP/defaultmanagement/cdrschooltype3yr.pdf. Figures from this source refer to public 2- 3-year colleges.

[63] U.S. Department of Education. Official Three-year Cohort Default Rates. http://www2.ed.gov/offices/OSFAP/defaultmanagement/cdr.html. Accessed July 1, 2014. Figures from this source refer to public 2-year colleges.

PARTICIPATION RATE INDEX, BY THE NUMBERS

A college's federal student loan participation rate is the share of its eligible students who actually borrow. The Participation Rate Index is the participation rate multiplied by the institution's default rate. The Higher Education Opportunity Act increased the maximum Participation Rate Index that protects schools from sanctions based on CDRs for fiscal years beginning October 2011.

Currently, a school where less than 21 percent of eligible students borrow can use the Participation Rate Index appeal. The Participation Rate Index must be 0.0625 or less for three-year sanctions, or 0.0832 or less for one-year sanctions.

Here is an example:

College A has 2,500 students who are eligible to borrow federal loans, and 400 borrowers. The college's most recent default rate is 35 percent.

$400/2{,}500 \times .35 = 0.056$

College A could appeal based on its Participation Rate Index and avoid sanctions.

WHAT COLLEGES CAN DO

Colleges are required by law to ensure that federal student loan borrowers complete loan entrance and exit counseling, but otherwise little else is required of colleges in terms of counseling and outreach to borrowers. However, colleges can do much more. Financial aid offices have great flexibility in tailoring information, outreach, and counseling to best suit their students' needs, including education on both the benefits and risks of borrowing.

The U.S. Department of Education provides many publications to help financial aid administrators design and implement their own debt management plans, which need not be limited to the federally required entrance and exit counseling. While many schools see loan counseling and default management as the sole responsibility of the financial aid office, entire institutions rely on federal aid and should take part in serving students well. To maximize their effectiveness, default management plans need to involve the entire campus. For instance, faculty know which students are missing class or falling behind, and can alert the financial aid office. When academic and financial aid counselors work together closely they can more easily advise students and design appropriate interventions when needed.

Participating colleges have also successfully employed policies and practices to help their students borrow wisely:

- At Santa Rosa Junior College in California, potential borrowers must fill out a "Worksheet for Student Borrowers," which asks about educational and career goals, plans for graduation or transfer, existing student loan debt, expected annual salary after graduation, and amount of approximate annual loan payments. Potential borrowers must also fill out a detailed student budget worksheet, and a multi-year plan to think through how much they intend to borrow – and when – before reaching their academic goal. These forms are designed to help students learn about annual and aggregate borrowing limits, as well as availability of other types of aid and how these relate to their academic plans.[64]

- The Virginia Community College System requires students to take a "student development" course, which was initiated based on legislation requiring colleges to offer courses on "student life skills." The legislation specifically mentioned financial literacy principles related to "completing a loan application" and "managing student loans." In recent years, a state task force recommended that an online tool called the "Virginia Education Wizard" be included in all of these courses. One component of the Wizard is explicitly focused on college finances and financial aid. It also offers information to help students estimate their living expenses and future salaries.[65] In the 2013-14 Planning Supplement of its Strategic Plan, Tidewater Community College (TCC) in Virginia discussed its intent to continue "to promote the Virginia Education Wizard as a career and college planning tool for TCCs diverse student body." The supplement reports that TCC has already strengthened the use of the Wizard in on-campus pre-enrollment orientation and incorporated it into its online orientation program.[66]

- Financial aid administrators always have the ability to exercise professional judgment when appropriate. If a counselor feels that a particular student is too much at risk of future default to take out a loan, the counselor can limit or deny the funds so long as she documents legitimate reasons for doing so.

[64] TICAS. 2012. *Making Loans Work: How Community Colleges Support Responsible Student Borrowing*. http://projectonstudentdebt.org/files/pub/Making_Loans_Work.pdf.

[65] Ibid.

[66] Tidewater Community College. 2014. *The Tidewater Community College Strategic Plan: 2013-14 Planning Supplement*. http://www.tcc.edu/welcome/tccfyi/planning/documents/2013-14_FINAL_Planning_Supplement.pdf.

Participating colleges have successfully employed policies and practices to help their students once they have borrowed:

- Seven historically black colleges and universities (HBCUs) in Texas formed a default management consortium in 1998, which helped reduce these colleges' CDRs in subsequent years. Strategies employed included the formation of an oversight taskforce of faculty, staff, and administrators, and the implementation of default management plans that incorporated borrower education, communication, and data analysis.[67] Other practices included establishing one-on-one contact with at-risk borrowers, making exit counseling a requirement for students to participate in graduation ceremonies, and coordinating efforts with outside groups such as churches and chambers of commerce.[68]

- Yet another successful practice colleges have employed is coordinating the financial aid office with other student services professionals and faculty to make students' academic success the top priority. One strategy is the use of early warning systems to identify students in danger of not meeting Satisfactory Academic Progress (SAP) standards. Antelope Valley College in California requires students to meet with a counselor when they have earned 70 units to make sure they have a clear education plan and submit an explanation of their plan for finishing their degree or transferring. Mendocino College in California engages in similar interventions once students hit 60 units.[69]

- Counseling and outreach strategies can make a substantial difference in college default rates. As discussed on page 8, Albany Technical College reduced its default rate by more than eight percentage points in two years by developing counseling and outreach strategies geared towards its student body. National Park Community College in Arkansas did the same, lowering its default rate eight percentage points in two years by improving its financial aid administrative policies, including loan counseling, and dedicating more staff time to educating delinquent borrowers about their repayment options.[70]

Dr. David Volpe recently joined South Louisiana Community College (SLCC), a non-participating college in 2013-14, from Pennsylvania Highlands Community College, a participating college, to become SLCC's Vice Chancellor of Student Services. Under his guidance, SLCC will offer federal loans in 2014-15. Dr. Volpe believes that the benefits of offering federal loans are clear so long as the program is administered wisely, and that it's "absolutely possible to manage a college's cohort default rate."[71] He says his college's decision to offer federal loans isn't about getting more students in seats, but about serving students the best way the college can and making available the resources students need to succeed.

[67] Texas Guaranteed Student Loan Corporation. 2013. *Taming the Default Rate Beast*. http://www.tgslc.org/pdf/Taming-default-rate-beast.pdf.

[68] Dillon, Erin and Robin V. Smiles. February 2010. *Lowering Student Loan Default Rates: What One Consortium of Historically Black Institutions Did to Succeed.* Education Sector.

[69] TICAS. 2012. *Making Loans Work: How Community Colleges Support Responsible Student Borrowing*. http://projectonstudentdebt.org/files/pub/Making_Loans_Work.pdf.

[70] "NPCC's 3yr Cohort Default Rate Crisis," Fall 2013 presentation at the Louisiana Association of Student Financial Aid Administrators. http://www.lasfaa.org/docs/conferences/Fall2013/handouts/NPCCs3yrCohortDefaultRateCrisis.pdf. Accessed June 30, 2014.

[71] Personal communication with Dr. David Volpe, Vice Chancellor of Students Services at South Louisiana Community College, in June 2014.

PRIVATE LOANS

Private loans are one of the riskiest ways to finance a college education. Like credit cards, they typically have variable interest rates, and whether variable or fixed the rates are highest for those who can least afford them — as high as 13 percent in June 2014.[72] Additionally, private loans do not have the important deferment, income-based repayment, or loan forgiveness options that come with federal student loans, and are much harder than other forms of consumer debt to discharge in bankruptcy. Experts agree that students and families should exhaust all of their federal aid options before even considering private loans.

Overall, a very small share of community college students (2 percent) borrow private loans. While we do not know what share of community college private loan borrowers attended non-participating schools, nearly three in four (73 percent) borrowed less than they could have in federal Stafford loans before turning to private loans, compared to less than half of private loan borrowers at other schools.[73]

Community colleges – both those that offer federal loans and those that do not – have varying attitudes towards private loans. Many do not mention private loans on their website at all. Of those that do mention private loans, some clearly discourage private loan borrowing. The City Colleges of Chicago, which offer federal loans, even have a policy of not certifying private loans in lieu of federal loans.[74] (See screenshot below.)

Similarly, Independence Community College in Kansas, which offers federal loans, states that it does not "endorse, promote, or certify private student loans",[75] and the Ivy Tech Community College system in Indiana includes a link to "a list of reasons why federal student loans are usually a better option than private (alternative) loans."[76]

Other colleges' approaches range from stating more generally that private loans can be used as an additional resource to prominently listing private loans as if they were a form of financial aid and even directing students to specific lenders. For example, as with the non-participating college example shown on the following page, it is unclear whether these "preferred lender lists" comply with federal law: colleges are required to disclose, among other things, the criteria under which the listed lenders were selected and students' right to choose a lender not

CITY COLLEGES OF CHICAGO'S PRIVATE LOAN POLICY

Private Education Loan Certification Policy and Disclosures

The City Colleges of Chicago does not maintain a preferred lender list for private student loans, nor does it maintain any other lists of lenders. We encourage students to pursue federal and state financial aid and actively discourage the borrowing of private student loans.

CCC will not certify a private education loan unless the student is not receiving enough financial aid to cover the direct cost of attendance (tuition and fees and books). At the Director of Financial Aid's discretion, students in CCC's signature programs (for example, Nursing, French Pastry 16 or 24 week program, or Physician's Assistant) may be certified for a private student loan beyond the direct cost of attendance. A CCC student who is not in a signature program can only receive a private loan up to his/her direct cost of attendance minus other financial aid. CCC will not certify a private loan in lieu of a Federal Direct Loan. Additionally, a student cannot receive a private student loan if he/she is not in good standing per CCC's academic standing policy.

[72] TICAS. 2014. *Private Loans: Facts and Trends.* http://projectonstudentdebt.org/files/pub/private_loan_facts_trends.pdf.

[73] Calculated by TICAS using the U.S. Department of Education's NPSAS:12. While 73% of private loan borrowers took out less than they were eligible for in Stafford loans, 23% reached their individual annual and/or cumulative Stafford limit or were ineligible for Stafford loans because they attended less than half time, and eligibility cannot be determined for the remaining 3% of borrowers. Individual borrowers' Stafford eligibility for 2011-12 varied by class level, dependency status, and college costs after financial aid. Figures do not add up to 100% due to rounding.

[74] City Colleges of Chicago, Private Education Loan Certification Policy and Disclosures: http://www.ccc.edu/colleges/washington/services/Pages/Private-Education-Loan-Certification-Policy-and-Disclosures.aspx. Accessed July 7, 2014.

[75] To learn about TICAS' work to require private education lenders to obtain school certification prior to disbursing private education loans, see our June 2013 letter to Richard Cordray, Director of the Consumer Financial Protection Bureau: http://www.ticas.org/files/pub/6_17_13_Cordray_Letter.pdf. As a part of the school certification process, students should be informed about their remaining federal loan eligibility before turning to alternative forms of borrowing.

[76] Ivy Tech Community College: http://www.ivytech.edu/financial-aid/loans/. Accessed July 1, 2014.

on the list. (Note: The name of this college has been redacted because the college removed its list of private lenders after being alerted to the problem.)

Despite the widespread recognition that private loans can be a dangerous and expensive way to finance a college education, we came across at least 20 non-participating colleges that prominently list specific banks and lenders offering private loans.[77] These schools clearly acknowledge that some of their students will need to borrow, yet steer them directly to risky private loans instead of providing access to safer federal loans. Offering private loans in lieu of federal loans holds appeal to colleges because they bear no responsibility if borrowers default on private loans, unlike with federal loans. And in addition to the risks of borrowing private loans, not offering federal loans means that colleges have little incentive to help students borrow wisely and navigate the different types of loans available to them.

EXAMPLE OF NONCOMPLIANT PRIVATE LENDER LIST

Home › Financial Aid Office › Types of Financial Aid › Alternative Loan Programs

Special Eligibility Requirements:
Applicants must:
> Be taking at least 6 credits
> Demonstrate unmet financial need

How To Apply:
> To be considered for an Alternative Loan, you must complete the Free Application for Federal Student Aid (FAFSA)
> Must be admitted to [redacted] as a matriculated student.
> Must apply directly though a lender and obtain a pre-approval.

SallieMae Smart Option Student Loan

1-866-972-5004 ***(Click here to view brochure)***
Special Eligibility Requirements: Applicants must:
> Be taking at least 6 credits
> Demonstrate unmet financial need

How To Apply:
> To be considered for an Alternative Loan, you must complete the Free Application for Federal Student Aid (FAFSA)
> Must be admitted to [redacted] as a matriculated student.
> Must apply directly though a lender and obtain a pre-approval.

Wells Fargo Collegiate® Loan

1-800-378-5526
Special Eligibility Requirements: Applicants must:
> Be taking at least 6 credits
> Demonstrate unmet financial need

How To Apply:
> To be considered for an Alternative Loan, you must complete the Free Application for Federal Student Aid (FAFSA)
> Must be admitted to [redacted] as a matriculated student.
> Must apply directly though a lender and obtain a pre-approval.

Chase Select℠ Certified Private Education Loan

1-866-306-0868
Special Eligibility Requirements: Applicants must:
> Be taking at least 6 credits
> Demonstrate unmet financial need

How To Apply:
> To be considered for an Alternative Loan, you must complete the Free Application for Federal Student Aid (FAFSA)
> Must be admitted to [redacted] as a matriculated student.
> Must apply directly though a lender and obtain a pre-approval.

[77] Our search for private loan information on community college websites was not exhaustive. For examples of community college websites that clearly promote private loans, see http://projectonstudentdebt.org/ccwebsites_2014.vp.html.

TABLE 4: SHARE OF STUDENTS WITHOUT ACCESS TO FEDERAL STUDENT LOANS IN 2013-14, BY RACE/ETHNICITY							
STATE	TOTAL SHARE WITHOUT ACCESS	WHITE	AFRICAN AMERICAN	LATINO	ASIAN	NATIVE AMERICAN	SHARE OF STATE'S COLLEGE STUDENTS AT COMMUNITY COLLEGES
Alabama	42.7%	34.7%	63.7%	--	--	--	36.8%
Alaska	19.8%	6.5%	--	--	--	60.1%	5.4%
Arizona	5.5%	5.3%	2.0%	2.8%	--	--	37.4%
Arkansas	12.7%	11.2%	16.4%	--	--	--	43.0%
California	12.6%	11.6%	15.9%	16.1%	6.5%	--	64.6%
Colorado	0.0%	--	--	--	--	--	38.1%
Connecticut	3.6%	5.0%	0.6%	2.2%	--	--	37.1%
Delaware	0.0%	--	--	--	--	--	33.8%
Florida	6.6%	7.2%	8.7%	5.5%	--	--	45.6%
Georgia	26.5%	30.7%	23.1%	--	--	--	40.4%
Hawaii	0.0%	--	--	--	--	--	50.5%
Idaho	0.0%	--	--	--	--	--	18.2%
Illinois	6.5%	6.9%	10.5%	1.8%	--	--	60.1%
Indiana	0.0%	--	--	--	--	--	36.3%
Iowa	0.0%	--	--	--	--	--	30.1%
Kansas	0.0%	--	--	--	--	--	51.2%
Kentucky	0.0%	--	--	--	--	--	44.4%
Louisiana	44.1%	52.2%	43.0%	--	--	--	37.9%
Maine	0.0%	--	--	--	--	--	31.2%
Maryland	6.7%	3.9%	12.8%	2.1%	3.1%	--	48.4%
Massachusetts	2.7%	0.4%	10.1%	3.0%	--	--	29.8%
Michigan	0.3%	0.1%	0.0%	--	--	--	45.8%
Minnesota	0.0%	--	--	--	--	--	42.6%
Mississippi	9.5%	5.2%	15.1%	--	--	--	54.4%
Missouri	0.0%	--	--	--	--	--	31.3%
Montana	21.9%	3.4%	--	--	--	85.1%	23.8%
Nebraska[78]	0.3%	0.0%	0.0%	0.0%	--	--	50.1%
Nevada	0.0%	--	--	--	--	--	50.4%
New Hampshire	0.0%	--	--	--	--	--	27.1%
New Jersey	6.4%	1.2%	20.0%	8.7%	3.4.%	--	47.9%
New Mexico	3.2%	1.9%	--	1.1%	--	15.1%	62.5%
New York	0.0%	--	--	--	--	--	32.8%
North Carolina	36.0%	39.7%	31.5%	--	--	--	53.1%
North Dakota	4.4%	0.4%	--	--	--	63.7%	25.5%
Ohio	0.0%	--	--	--	--	--	41.6%
Oklahoma	8.6%	8.8%	7.8%	11.5%	--	8.6%	45.0%

[78] Native Americans in Nebraska made up just one percent of community college students in the state, so they are excluded from the chart above. However, over 250 Native-American community college students (and a very small number of other community college students) lacked access to federal loans, enough to bring the overall non-participation rate to 0.3% when rounded.

TABLE 4: SHARE OF STUDENTS WITHOUT ACCESS TO FEDERAL STUDENT LOANS IN 2013-14, BY RACE/ETHNICITY							
STATE	TOTAL SHARE WITHOUT ACCESS	WHITE	AFRICAN AMERICAN	LATINO	ASIAN	NATIVE AMERICAN	SHARE OF STATE'S COLLEGE STUDENTS AT COMMUNITY COLLEGES
Oregon	0.0%	--	--	--	--	--	56.6%
Pennsylvania	0.0%	--	--	--	--	--	26.2%
Rhode Island	0.0%	--	--	--	--	--	26.4%
South Carolina	0.7%	0.3%	1.5%	--	--	--	47.7%
South Dakota	5.0%	1.4%	--	--	--	47.3%	12.2%
Tennessee	41.4%	37.1%	58.9%	--	--	--	37.3%
Texas	6.0%	2.7%	1.4%	13.3%	--	--	59.3%
Utah	25.7%	27.2%	--	24.5%	--	--	21.5%
Vermont	0.0%	--	--	--	--	--	22.7%
Virginia	12.3%	15.3%	12.0%	3.3%	1.7%	--	43.1%
Washington	5.1%	4.7%	7.9%	3.5%	5.8%	--	64.4%
West Virginia	2.3%	2.4%	3.9%	--	--	--	15.8%
Wisconsin	0.4%	0.1%	0.0%	--	--	--	44.0%
Wyoming	0.0%	--	--	--	--	--	72.0%
United States	**8.5%**	**7.5%**	**12.4%**	**10.5%**	**4.5%**	**20.1%**	**45.9%**

Notes: Excludes share of students (denoted by dashes) in a racial/ethnic group when that racial/ethnic group comprises less than 5% of state community college enrollment, and in states where all community colleges participate.

Figures for 'Total Share without Access' include all race/ethnicity categories listed as well as Other/Unknown. See Methodology on page 21.

These figures reflect the definition of community colleges used in this report, which includes both public two-year colleges and public four-year colleges that award primarily associate's degrees and certificates.

TABLE 5: SHARE OF COMMUNITY COLLEGE STUDENTS WITHOUT ACCESS TO FEDERAL LOANS IN 2013-14, BY URBANICITY				
STATE	STATEWIDE	AT URBAN SCHOOLS	AT NON-URBAN SCHOOLS	SHARE OF ALL COMMUNITY COLLEGE STUDENTS AT NON-URBAN SCHOOLS
Alabama	42.7%	64.8%	22.9%	52.7%
Alaska	19.8%	--	19.8%	100.0%
Arizona	5.5%	0.0%	13.6%	40.5%
Arkansas	12.7%	9.1%	14.9%	61.6%
California	12.6%	10.1%	27.9%	14.3%
Colorado	0.0%	0.0%	0.0%	14.3%
Connecticut	3.6%	0.0%	57.0%	6.2%
Delaware	0.0%	0.0%	0.0%	29.7%
Florida	6.6%	5.3%	34.3%	4.4%
Georgia	26.5%	27.3%	24.9%	33.5%
Hawaii	0.0%	0.0%	0.0%	35.3%
Idaho	0.0%	0.0%	0.0%	57.5%
Illinois	6.5%	3.6%	10.9%	39.6%
Indiana	0.0%	0.0%	0.0%	12.0%
Iowa	0.0%	0.0%	0.0%	77.9%
Kansas	0.0%	0.0%	0.0%	69.5%
Kentucky	0.0%	0.0%	0.0%	50.9%
Louisiana	44.1%	40.2%	50.5%	37.7%
Maine	0.0%	0.0%	0.0%	47.2%
Maryland	6.7%	5.6%	12.5%	15.2%
Massachusetts	2.7%	3.4%	0.0%	22.0%
Michigan	0.3%	0.0%	1.4%	19.6%
Minnesota	0.0%	0.0%	0.0%	36.3%
Mississippi	9.5%	--	9.5%	100.0%
Missouri	0.0%	0.0%	0.0%	33.4%
Montana	21.9%	0.0%	26.9%	81.3%
Nebraska	0.3%	0.0%	0.7%	42.2%
Nevada	0.0%	0.0%	0.0%	7.5%
New Hampshire	0.0%	0.0%	0.0%	64.1%
New Jersey	6.4%	8.7%	0.0%	25.7%
New Mexico	3.2%	1.3%	4.7%	54.9%
New York	0.0%	0.0%	0.0%	19.8%
North Carolina	36.0%	14.8%	46.8%	66.4%
North Dakota	4.4%	0.0%	6.9%	64.6%
Ohio	0.0%	0.0%	0.0%	28.2%
Oklahoma	8.6%	7.4%	10.7%	37.7%

TABLE 5: SHARE OF COMMUNITY COLLEGE STUDENTS WITHOUT ACCESS TO FEDERAL LOANS IN 2013-14, BY URBANICITY				
STATE	STATEWIDE	AT URBAN SCHOOLS	AT NON-URBAN SCHOOLS	SHARE OF ALL COMMUNITY COLLEGE STUDENTS AT NON-URBAN SCHOOLS
Oregon	0.0%	0.0%	0.0%	44.2%
Pennsylvania	0.0%	0.0%	0.0%	7.9%
Rhode Island	0.0%	0.0%	--	0.0%
South Carolina	0.7%	0.0%	2.1%	33.2%
South Dakota	5.0%	--	5.0%	100.0%
Tennessee	41.4%	55.7%	27.4%	50.6%
Texas	6.0%	6.1%	5.7%	24.7%
Utah	25.7%	22.3%	46.3%	13.8%
Vermont	0.0%	--	0.0%	100.0%
Virginia	12.3%	0.0%	44.6%	27.7%
Washington	5.1%	3.2%	21.4%	10.3%
West Virginia	2.3%	4.1%	0.0%	43.4%
Wisconsin	0.4%	0.0%	2.5%	13.9%
Wyoming	0.0%	0.0%	0.0%	83.8%
United States	**8.5%**	**6.4%**	**13.9%**	**27.9%**

Notes: For purposes of this analysis, we classify all categories of city and suburb as urban areas and all categories of town and rural as non-urban areas. Dashes indicate that no schools are located in the specific locale.

These figures reflect the definition of community colleges used in this report, which includes both public two-year colleges and public four-year colleges that award primarily associate's degrees and certificates.

RECOMMENDATIONS

All students should have access to federal loans. By offering federal loans – along with the guidance necessary to help students borrow responsibly – colleges provide students with their best chance of staying enrolled and graduating without burdensome debt.

Colleges have the ability to keep defaults low and the vast majority have kept rates below threshold levels. Default sanctions are not an imminent threat for the vast majority of community colleges, and denying access to federal loans does not protect students from debt or the risks that come with it. It merely keeps them from using the type of debt that is likely to be the most manageable, and from getting the guidance and required loan counseling that come with federal student loans and can serve to lower defaults.

The U.S. Department of Education (the Department) took a much-needed step earlier this year by proactively informing colleges about their options for appealing cohort default rate (CDR) sanctions, and highlighting the Participation Rate Index (PRI) in particular.[79] However, both colleges and the Department could and should do more to improve community college students' access to federal student loans and lower defaults.

Federal Recommendations

- The Department should publish colleges' borrowing rates alongside colleges' CDRs to help college administrators, journalists, and the public put CDRs in their proper context. A CDR says more about a college where 90 percent of students borrow than it does about a college where five percent of students borrow, but, without borrowing rates as context, interested parties cannot tell the difference. Additionally, the Department should publish information about federal student loan participation by institution on a regular basis, at least every three years.

- The Department should help address colleges' concerns about CDR sanctions by allowing colleges to certify that their borrowing rates are sufficiently low to allow for a Participation Rate Index appeal. When draft CDRs are sent to colleges along with instructions about how to contest or appeal, colleges could choose to submit the information needed to calculate the school's official participation rate. If a college submits the required data and is found to have a low participation rate, the Department could flag the school's CDR with an asterisk signifying that the rate is based on a small proportion of students. This would likely increase colleges' comfort with and understanding of their CDR and also serve as an opportunity to educate college leaders and administrators about the protections colleges have against unwarranted sanctions.

- The Department should allow colleges to appeal sanctions in any year where their CDR exceeds allowable thresholds, and not make colleges wait until they have exceeded sanction thresholds for three consecutive years before it reviews Participation Rate Index appeals. When a college is first notified that its CDR is above sanction levels, it should be able to submit information to the Department and receive a timely response, which explains whether the college will be able to successfully appeal potential sanctions.

- The Department should continue to provide guidance and outreach to financial aid officers and community college administrators. This should include encouraging colleges to offer federal loans as a way to help their students avoid relying on other forms of consumer debt, providing information about how colleges can counsel potential borrowers and reduce defaults, and clarifying rules for CDR appeals.

- The Department should analyze the potential effects of prorating federal student loans by attendance status. Unlike Pell Grants, federal loans are not prorated based on a student's attendance status. Students who take out full loans but make only part-time progress may be at an increased risk of dropping out and defaulting. Prorating loans would involve reducing student eligibility for federal loans at a time when college is getting harder to afford, but it is possible that it could help encourage students to enroll in more courses per term, thereby completing a degree and reducing their risk of default. It would also address the concerns of some community colleges that part-time student borrowing can outpace their academic progress. Given both the risks and the potential benefits, such a change warrants careful analysis and consideration.

- The Department should enforce federal law on preferred lender lists, which require the inclusion of multiple private lenders, the basis on which colleges chose those specific lenders, and students' right to choose lenders not on the list. Enforcement would serve to call attention to these lists, prompting colleges to improve them or take them down, as the college cited on page 15 did. Community college students who choose to borrow private loans deserve the consumer protections these rules provide, but they cannot benefit if the rules are not enforced.

[79] The U.S. Department of Education. 2014. *Impact of Cohort Default Rates on Institutional Title IV Program Eligibility*, ED Dear Colleague Letters: http://www.ifap.ed.gov/dpcletters/GEN1403.html. Accessed June 30, 2014.

Community College Recommendations

- All community colleges should offer federal student loans. Responsible default management plans and entrance and exit counseling, combined with flexible repayment options and loan forgiveness programs, make federal loans relatively safe for both schools and students.
- Community colleges should counsel students when certifying private loans, including notifying them if they could first borrow more in federal loans.

Other Recommendations

- Financial aid and college associations, as well as the Department, should do more to raise awareness and promote a more thorough understanding of the likelihood of default rate sanctions and the ways to mitigate them. Information and trainings should cover not just the Participation Rate Index and other appeals but also effective and low-cost strategies for reducing student defaults.
- Community college districts and system offices should explore whether there are other ways that they can encourage and facilitate loan program participation. For instance, there may be aspects of loan program administration, such as default management, that a system office could do more efficiently than individual colleges with few borrowers.

METHODOLOGY

The U.S. Department of Education (the Department) does not currently maintain a list of institutions that offer Title IV college financial aid but do not participate in the federal Stafford loan program. To identify the 237 non-participating colleges in 2013-14, we looked at data on federal Stafford loans made to students, by college, for the first quarter of the 2013-14 academic year available from the Federal Student Aid Data Center.[80] We used the Integrated Postsecondary Education Data System (IPEDS) institutional classifications for 2011-12 to identify the 1,134 institutions we have defined as community colleges.[81] For the purposes of this analysis, we included both those classified as "public two-year" and also, in acknowledgement of the increasing prevalence of community colleges offering limited bachelor's degree programs, those classified as "public four-year" colleges at which the vast majority of awards granted by the institution are at or below the associate degree level. We excluded schools that were classified in IPEDS as not active, not primarily postsecondary, not Title IV participating, and not open to the public.

Colleges that had distributed any Stafford loans in the first quarter of 2013-14, as reported by the Department, were classified as participating. Those with no Stafford loan distribution were preliminarily classified as "non-participating," and the participation status of each of these colleges was confirmed by checking the college's website or calling the financial aid office.

To assess the level of students' access to federal loans, we used colleges' 12-month enrollment for 2011-12, the most recent available data as reported by the colleges to IPEDS.

All other data cited in this report are the most recent available for the given source.

For purposes of analyzing access to loans by race/ethnicity in this brief we included the following racial/ethnic categories: African American, Asian (includes Pacific Islander), Latino, Native American, Other/Unknown and White. International and multiracial students, and students for whom race/ethnicity is unknown, were classified as Other/Unknown. We did not list state-by-state loan participation rates for racial/ethnic groups that constituted less than five percent of the state's community college enrollment or for the Other/Unknown category.

A list of all non-participating colleges can be found at http://projectonstudentdebt.org/files/pub/CC_participation_status_2013-14.pdf.

[80] U.S. Department of Education, Federal Student Aid Data Center, Title IV Program Volume Reports, https://studentaid.ed.gov/about/data-center/student/title-iv.

[81] U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System, IPEDS Data Center, http://nces.ed.gov/ipeds/datacenter.

APPENDIX: PARTICIPATION RATE INDEX (PRI) WORKSHEET

This worksheet was created by TICAS to help colleges understand their risk of CDR sanctions, and is available at: http://www.projectonstudentdebt.org/files/pub//TICAS_PRI_Worksheet_2014.xlsx

<table>
<tr><th colspan="2">COLLEGE PARTICIPATION RATE INDEX WORKSHEET FOR FY 2011 3-YEAR CDRS</th></tr>
<tr><td colspan="2">This worksheet is intended to help colleges understand whether or not their 3-year cohort default rate (CDR) puts them at risk of sanctions. Generally, colleges with 3-year CDRs of 30% or greater for three consecutive years, or greater than 40% for one year, may face federal sanctions. However, colleges where fewer than 21% of students borrow federal loans may be able to challenge or appeal sanctions through the Participation Rate Index Challenge or Appeal (a challenge is based on a draft CDR and an appeal is based on an official CDR). As stated in federal regulation (34 CFR 668.214(d)(1)), “You do not lose eligibility under §668.206 and we do not place you on provisional certification, if we determine that you meet the requirements for a participation rate index appeal.”
Important note about student loan defaults: Defaulting on federal student loans has serious consequences for the borrower. Whether or not your college is at risk of sanctions, it is important for colleges to help their borrowers avoid default.
To complete the worksheet, please enter the requested numbers in the beige cells. Your results will appear in the orange cells.</td></tr>
<tr><th colspan="2">PART I: Your College’s Cohort Default Rate (CDR)</th></tr>
<tr><td>What is your college’s FY 2011 3-year CDR?</td><td>32.6%</td></tr>
<tr><td>Is this CDR below sanction thresholds?</td><td>Your college’s CDR is above sanction thresholds. However, your college may be able to challenge or appeal using its Participation Rate Index. Please proceed to Part II.</td></tr>
<tr><th colspan="2">PART II: Calculate Your College’s Participation Rate and Participation Rate Index (PRI)</th></tr>
<tr><td>How many students at your college borrowed federal loans during any 12-month period between April 2, 2009 – September 30, 2010? Note: Leaving this box blank will be treated as if the college had zero borrowers.</td><td>2,028</td></tr>
<tr><td>How many regular students were enrolled at your college on at least a half-time basis during any part (at least one day) of the same 12-month period between April 2, 2009 and September 30, 2010?</td><td>12,864</td></tr>
<tr><td>Your college’s participation rate:</td><td>15.8%</td></tr>
<tr><td>Your college’s Participation Rate Index (PRI):
Note: Colleges with PRIs at or below 0.0625 can challenge or appeal sanctions based on three consecutive CDRs at or above 30%. Colleges with PRIs at or below 0.0832 can challenge or appeal sanctions based on a single CDR above 40%.</td><td>0.0514</td></tr>
<tr><th colspan="2">Part III: Results, Based on the Data You Have Provided Above</th></tr>
<tr><td>Your college’s estimated eligibility for PRI challenges or appeals:</td><td>Your college can use the PRI Challenge or Appeal to avoid sanctions based on three consecutive CDRs at or above 30%.</td></tr>
<tr><td>Your participation rate in context. Based on your college’s participation rate this year, your college would be eligible to use the PRI Challenge or Appeal to avoid sanctions based on three consecutive CDRs if its CDR were up to the following rate:</td><td>39.6%</td></tr>
<tr><td>Your participation rate in context. Based on your college’s participation rate this year, your college would be eligible to use the PRI Challenge or Appeal to avoid sanctions based on a single CDR if its CDR were up to the following rate:</td><td>52.8%</td></tr>
</table>

ACKNOWLEDGMENTS

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The views expressed in this report are those of the Institute for College Access & Success (TICAS) and do not necessarily reflect the views of its funders or any individuals or organizations referenced in this report.

TICAS is an independent, nonprofit organization that works to make higher education more available and affordable for people of all backgrounds. TICAS is home to the Project on Student Debt, which seeks to increase public understanding of rising student debt and the implications for our families, economy, and society. For more about TICAS, see ticas.org.

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