PROTECTING COLLEGES AND STUDENTS:

Community College Strategies to Prevent Default

ACCT ASSOCIATION OF COMMUNITY COLLEGE TRUSTEES
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The Institute for College Access & Success (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 www.ticas.org.

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Executive Summary

Student loan default, defined as federal loan borrowers' failure to make any payments for at least 270 days, is an issue of increasing importance to community colleges and their students. Just 17 percent of community college students borrow federal loans, but with college costs rising faster than grant aid or family incomes, more students are turning to federal loans to help fill the gap. Driven in part by a sluggish economy in communities across the country, the share of borrowers who default on their federal loans has also been rising.

The consequences of student loan default can be severe for both colleges and borrowers. While there are special protections for colleges at which relatively few students borrow, colleges can lose eligibility for federal grants and loans if too many of their former borrowers default within three years of entering repayment. For borrowers, loan default wrecks their credit, making it hard to buy a car or home, rent an apartment, or, increasingly, find employment. Borrowers who default may see their wages and benefits garnished until the balance — which is very difficult to discharge in bankruptcy — is resolved.

Community college leaders are well aware of the importance of minimizing student loan default, for the good of both the colleges and their students, and many are seeking to address defaults in a time of diminishing state and local resources. In an effort to help colleges better understand and confront the complex challenges associated with cohort default rates (CDRs), the Association of Community College Trustees (ACCT) and The Institute for College Access & Success (TICAS) decided to study colleges' default rates and related administrative practices. We asked nine community colleges from across the country — representing a variety of geographic settings, student body sizes, and academic programs — to participate.

This report details what we learned about student loan defaults across those nine colleges, the strategies colleges use to help students repay their loans, and the federal policies that are needed to enhance community colleges' efforts to reduce or prevent delinquency and default.

Key Findings:

Completion is paramount.

Research consistently finds completion to be the most significant predictor of default: borrowers who complete their program are far less likely to default on their loans than those who do not complete. Across the colleges in our sample, program completers defaulted at a rate of just 9 percent. Those who did not complete defaulted at a rate of 27 percent. Borrowers who completed fewer than 15 credits also defaulted at more than twice the rate of those who completed more credits.[1]

Compared to completion, student characteristics are less conclusive.

Within colleges, borrowers who received Pell Grants or took remedial coursework experienced higher rates of default than borrowers who did not receive Pell Grants or take remedial coursework, but the gaps between those groups ranged widely across colleges. For example, Pell Grant recipients were 4 percentage points more likely to default than non-recipients at one college, and 20 percentage points more likely to default at another college. This demonstrates that the default rates of even higher-risk populations are not set in stone.

[1] Our completion analysis does not consider whether borrowers had transferred to another institution for a number of reasons. See *Methodology* for more information.

Also, while some administrators believe defaults rates are driven up by students who left their colleges many years prior to entering repayment, this did not appear to be the case at most of the colleges in our sample. At seven of the nine colleges, these long-prior students comprised a relatively small share (less than 20 percent) of borrowers entering repayment, and they experienced lower rates of default than more recent students.

Finally, at nearly every college, most borrowers were classified as independent according to federal aid definitions. Default rates for dependent and independent students were generally similar within colleges.

Default rate drivers differ across colleges, so default reduction strategies must, too.

Across our nine sample colleges, there was substantial variation in both the distribution of borrowers and default rates. For example, while students who had not completed at least 15 credits were consistently more likely to default, this group comprised 11 percent of borrowers entering repayment at one college and 69 percent at another. Meanwhile, students who had completed 15 or more credits defaulted at a rate of 7 percent at one college and 23 percent at another.

With the scope and specifics of default differing so much across colleges, it is clear that — apart from deepening investments in student success strategies — there is no one-size-fits-all default reduction solution. Nonetheless, a strategic approach to reducing defaults need not be expensive. Thoughtful, college-specific analyses of default and related administrative practices can in fact lead to more targeted, no or low-cost solutions.

See the nine college-specific profiles in the report for greater details on how college defaults varied, what administrative practices colleges are employing, and additional strategies for colleges to consider to reduce defaults.

Key Recommendations for Colleges:

As we examined colleges' data and existing practices, and identified untapped opportunities, several strategies emerged as effective ways to combat default.

1. **Embrace default reduction as a campus-wide endeavor:** Confining default reduction efforts to the financial aid office makes little sense given both the relationship between default and student success and the importance of federal aid eligibility to the institution as a whole.
2. **Analyze who borrows and who defaults.** Data analysis can uncover the unique characteristics and behaviors of a college's population, and help target services towards the borrowers who need them most.

3. **Provide counseling and information to borrowers when they need it:** College-specific data analyses should drive borrower outreach strategies. Specific tactics may include:
   - Collecting and regularly updating contact information and references from borrowers;
   - Reaching out to default-prone borrowers when they leave campus;
   - Providing supplemental loan entrance counseling, loan request forms, and personal budgeting worksheets; and
   - Informing all students — not just graduating students — about exit counseling requirements.
4. **Participate in the Federal Student Loan Program:** Due in part to concerns about CDR sanctions, some community colleges have stopped offering federal student loans. Yet there is much colleges can do to reduce default rates, and without access to federal loans, community college students are left to turn to far riskier forms of borrowing, such as private loans and credit cards.

Key Recommendations for Federal Policy:

1. **Support institutional administrators and staff who seek to understand and reduce default.** The U.S. Department of Education (the Department) could help by making the National Student Loan Data System more user-friendly for college administrators and by disseminating guidance on colleges' options for managing student debt and preventing delinquency and default.
2. **Improve the administration of CDR challenges and appeals.** CDR challenge and appeal options can be critical lifelines for institutions that may face sanction, yet the Department's current implementation of challenges and appeals — of particular importance to community colleges — is discouraging participation in the federal student loan program.
3. **Improve entrance and exit counseling.** Entrance and exit counseling are required for any student who receives a federal student loan. Yet the information presented via loan counseling is not always timely or well understood. There is much the Department can do to help since so many colleges use the Department's online counseling tools.
4. **Improve and streamline loan servicing.** Students who borrow often report that the system of loan servicing is very confusing. The system should be simplified so that borrowers receive communications branded from the Department and have access to a single web portal and a single phone number for loan management.
5. **Consider changes to federal student loan amounts for part-time students.** Unlike Pell Grants, federal loans are not prorated based on a student's attendance status. The Department should analyze whether prorating federal student loans by attendance status would help encourage students to enroll in more courses per term and/or reduce the risks of debt for part-time students.
6. **Automatically enroll severely delinquent borrowers in income-driven repayment.** By enrolling severely delinquent borrowers in an income-driven plan and engaging in follow-up contact and counseling, the Department may be able to prevent likely defaults and the associated costs for both borrowers and taxpayers.
7. **Implement a Student Default Risk Index (SDRI) for college accountability.** The utility of CDRs is limited since they exclude students who do not borrow, and therefore fail to contextualize the scope of default problems at colleges. The SDRI more accurately conveys a student's risk of default at a given school by multiplying schools' CDRs by the share of students who borrow federal loans. An SDRI would help ensure that federal aid dollars are spent wisely by more closely tying federal aid to the risk to students in enrolling and the risk to taxpayers in investing.

There is no universal solution to prevent students from defaulting, but a college's default rate is far from its destiny. By taking concrete steps to identify who borrows and who defaults, colleges can identify and implement practices that promote successful loan repayment.

Background

Federal loans are indispensable for community college students who need to borrow in order to be able to afford college. Yet, rising student loan defaults pose problems for students and colleges. In the sections below, we describe federal student loans, the consequences of default, and the cohort default rate (CDR) calculation.

Federal Loans Basics

While tuition and fees at community colleges are the lowest of all sectors of higher education, even community college students face affordability challenges. Federal law has long defined college costs to also include indirect expenses, including textbooks, supplies, room, board, transportation, and personal expenses. Including these indirect costs, the total cost of attending a community college full time is about $15,000 per year.[2] The vast majority (82 percent) of full-time community college students need financial aid to cover college costs, and hardly any of them — only 2 percent — have their needs fully met with grant aid that does not have to be repaid.[3]

Federal loans are a crucial lifeline for students who are struggling to afford college, even if few community college students (17 percent) borrow them. Federal Stafford Loans are widely available to students at all types of schools, regardless of the student's income. These loans are subject to annual and aggregate limits. The government pays interest on subsidized Stafford Loans while the student is in school; interest accrues on unsubsidized Stafford Loans from the moment a loan is disbursed.[4]

For students who need to borrow, federal loans are the best deal for students given their low, fixed interest rates and options for deferment, forbearance, income-driven repayment, and loan forgiveness. To qualify for loans, students must attend colleges that participate in the federal student loan program, yet many community colleges across the country have chosen not to participate due to fears of federal sanction. Without access to federal loans, students who need to borrow may resort to private loans, which are more expensive and riskier than federal loans. Experts agree that students should exhaust federal loan options before turning to private loans.

Stafford Loan Borrowing Limits		
	Dependent	**Independent**
1st Year	**$5,500** ($3,500)	**$9,500** ($3,500)
2nd Year	**$6,500** ($4,500)	**$10,500** ($4,500)
3rd Year & Beyond	**$7,500** ($5,500)	**$12,500** ($5,500)
Aggregate	**$31,000** ($23,000)	**$57,500** ($23,000)
Note: Amounts in parentheses reflect the subsidized portion limits.		

Student loan borrowers enter repayment on their loans after they are no longer enrolled at least half time. Borrowers can choose from a variety of repayment plans, including income-driven plans, which set payments based upon a borrower's income, debt, and family size. Balances remaining after 20 or 25 years of income-based payments will be forgiven. Borrowers who work in public service jobs can have loans forgiven sooner. Regardless of which repayment plan a borrower chooses, borrowers experiencing temporary financial struggles can receive a deferment or forbearance for financial hardship that allows them to temporarily postpone or reduce their federal student loan payments and avoid default.

For frequently used terms, see *Glossary* on page 52.

[2] Calculations by TICAS on data from the U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS), 2011-12. Full-time, full-year means enrolled full time for at least nine months in 2011-12. Figures rounded to the nearest $1,000.

[3] Calculations by TICAS on data from the U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS), 2011-12. In this context, the term "full-time" refers to students who attended exclusively full time at one institution in 2011-12.

[4] Unless otherwise specified, references to loans and borrowers throughout this report refer to Federal Stafford loans and borrowers. Unlike other types of federal loans, Stafford loans are widely available to students regardless of income, and are the only loans included in colleges' cohort default rates. Colleges may also have a limited pool of Federal Perkins loan funds to distribute to students, but these loans are not widely available and are not included in the cohort default rates. Federal Parent PLUS Loans, which allow parents to borrow in order to finance the undergraduate education of their dependents, are also not included in colleges' CDRs.

The Consequences of Default for *Students*: A Compromised Financial Future

Staying on track in repayment is important for borrowers because the consequences of student loan default are severe. Federal student loans are considered to be in default after 270 days without payment, although they are not counted in colleges' default rates until 360 days of nonpayment. At the time of default, outstanding interest is capitalized and collection fees may be added, resulting in a loan balance that is higher than the amount borrowed. Defaulted loans are reported to credit bureaus, causing borrowers to sustain long-term damage to their credit rating. Defaulters may also face difficulty in securing a mortgage or car loan, may have their wages garnished, and their federal income tax refunds and other federal benefits seized. Until the default is resolved, collection efforts continue and the defaulter will be ineligible for additional federal student aid.

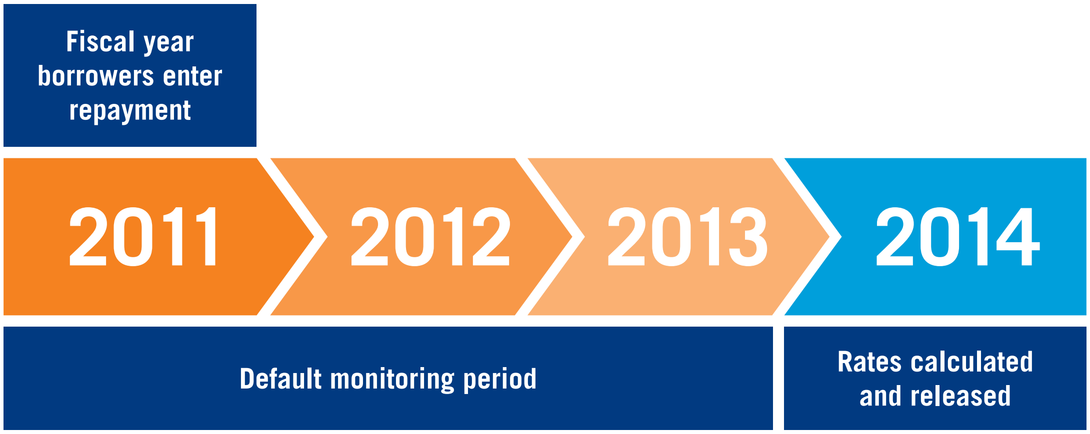
The Consequences of Default for *Colleges*: The "Cohort Default Rate" and its Sanctions

There are also consequences for colleges when their borrowers cannot repay their loans. For each college that is eligible for federal aid and has federal loan borrowers entering repayment, the U.S. Department of Education (the Department) calculates a CDR, which is used as a measure of accountability. A "cohort" is a group of students entering repayment on their federal loan(s) in a given federal fiscal year (FY). A CDR measures the percentage of a cohort that defaults within the year they entered repayment or the next two fiscal years, for a total of three years.

The Department has calculated CDRs since the late 1980s, when the measure began tracking the share of federal student loan borrowers who default on their student loans within two years of entering repayment. The Higher Education Opportunity Act of 2008 expanded that window to three years (commonly referred to as three-year CDRs). The most recent national three-year CDR, tracking defaults between 2010 and 2012, was 14.7 percent. For community colleges nationwide, the CDR for the same period was 20.9 percent.[5]

When a college's CDR is too high, it may face sanctions that include losing eligibility for Title IV federal aid programs, including both loans and Pell Grants. Beginning in September 2014, sanctions will be based on the three-year CDRs. There are two relevant thresholds that trigger these sanctions:

- **CDRs at or above 30 percent may impact institutions' eligibility for Pell Grants and federal loans.** Institutions with CDRs of 30 percent or higher in a single fiscal year are required to establish a "default prevention task force" and to develop and enforce plans to reduce student defaults. They may also be subject to provisional certification to participate in Title IV.[6] Institutions with three consecutive CDRs of 30 percent or higher lose eligibility for federal financial aid, subject to appeal.[7]
- **CDRs above 40 percent may impact institutions' eligibility for federal loans only.** One CDR above this level can lead to sanction that includes loss of federal loan eligibility, subject to appeal.



[5] U.S. Department of Education. Comparison of 3-Year FY 2010 Official Cohort Default Rates to Prior Official Calculation. http://www2.ed.gov/offices/OSFAP/defaultmanagement/cdrschooltype3yr.pdf.

[6] U.S. Department of Education. Federal Student Aid. Default Management. Frequently Asked Questions. http://www.ifap.ed.gov/DefaultManagement/faq/FAQ.html.

[7] Code of Federal Regulations. 34 CFR 668.206. Consequences of cohort default rates on your ability to participate in Title IV, HEA programs. http://www.law.cornell.edu/cfr/text/34/668.206.

CDR Appeals, and the Importance of Borrowing Rates

Colleges have the opportunity to challenge or appeal their CDR calculation and any subsequent sanctions, both before and after CDRs become public.[8] Many common appeals pertain to data errors, which, if fixed, would yield a lower CDR. Some schools may also be eligible to appeal if they have a significant share of low-income students, or if few students at the school borrow.

Participation Rate Index (PRI) challenges and appeals are particularly important for community colleges to understand. The PRI acknowledges that CDRs are less meaningful at colleges where relatively few students borrow, as only a small share of the colleges' total student population is reflected. Specifically, the PRI allows colleges where fewer than 21 percent of students borrow some flexibility in the thresholds at which sanctions are applied. For example, as outlined above, colleges would typically lose eligibility for federal financial aid after three consecutive CDRs at or above 30 percent. However, as described in a recent letter from the U.S. Department of Education, a college where 15-16 percent of students borrow could use the PRI to avoid sanction so long as their CDR was not consistently 40 percent or higher — ten percentage points above the typical sanction threshold.[9] **Hundreds of community colleges have borrowing rates low enough to be able to benefit from such an appeal.**[10]

The acknowledgement in federal law that borrowing rates provide important context for default rates is a very important yet oft-misunderstood aspect of CDRs and CDR sanctions. While the Department's recent letter to colleges explaining the PRI is a crucial step, more could be done to help college administrators, journalists, and potential students understand default rates by consistently providing borrowing rates alongside them. Both ACCT and TICAS have also endorsed replacing CDRs with a "Student Default Risk Index" or SDRI. The SDRI would multiply each school's CDR by the share of students at that school who borrow federal loans to more accurately convey a student's risk of default at a given institution (see more on page 42).

The Importance of Default Prevention

In recent years, converging challenges have contributed to rising default rates, including a lagging economy, high unemployment, and rising college costs. At the same time, state funding for public higher education has dwindled, creating growing competition for resources in financial aid and student advising offices. Regardless of whether colleges are at risk of CDR sanctions, they have a responsibility to help students make wise borrowing decisions and avoid default after they enter repayment. This responsibility extends beyond federally-required entrance and exit counseling.

Given the implications of default for both borrowers and institutions, community colleges cannot afford to relegate default management to the fringe of strategic and budgetary decision-making. The issue deserves the attention of not just financial aid administrators, but also community college faculty members, leaders, and trustees. As this report seeks to highlight, **there are concrete ways in which colleges can analyze their CDR data, design strategies to support the unique needs of their borrowers, and effectively combat default rates — all while continuing to provide the federal loans upon which their students rely**.

[8] The Department generally sends draft CDRs to schools in February, providing them an opportunity for internal scrutiny, before releasing official rates no later than September 30. Details about the CDR calculations, timing, and the variety of appeal types can be found in the "Cohort Default Rate Guide" published by the Department. Source: U.S. Department of Education. Federal Student Aid, Operations Performance Division. Cohort Default Rate Guide. September 2013. http://ifap.ed.gov/DefaultManagement/CDRGuideMaster.html

[9] While the PRI is an important protection for low-borrowing colleges, both ACCT and TICAS have long called for improvements to how PRI challenges and appeals are administered. Currently, PRI appeals are only available if the college is imminently subject to loss of eligibility. Instead, the Department should allow low-borrowing colleges to file PRI challenges and appeals in any year in which their CDRs are above typical sanction thresholds. Source: U.S. Department of Education. Impact of Cohort Default Rates on Institutional Title IV Program Eligibility. February 27, 2014. http://ifap.ed.gov/dpcletters/GEN1403.html.

[10] TICAS. *At What Cost? How Community Colleges that Do Not Offer Federal Loans Put Students at Risk.* 2014.

Summary of Findings

In recent years, sputtering local economies have contributed to increases in both student borrowing and borrower default. Limited job prospects for borrowers who graduate or re-enter the workforce have made it difficult for some to repay their loans. Tasked with helping local residents restart their careers, community colleges have seen the effects of the recession up close and are therefore on the front lines of helping students make educated decisions about borrowing and repayment.

Despite the apparent link between the economy and default, some colleges have bucked these trends. For example, Grossmont College's FY 2011 draft CDR fell by more than 5 percentage points from FY 2010, even though both groups of borrowers entered into job markets with similarly high rates of unemployment. Edmonds Community College's draft CDR has also dropped about five percentage points since FY 2009. At Minneapolis Community and Technical College, the number of borrowers entering repayment increased by more than 50 percent between FY 2009 and FY 2011, but the college's default rate has remained relatively steady and well below sanction thresholds. As these and other open enrollment colleges in our report have demonstrated, default rate trends are far from immutable.

Apart from reinforcing the clear and strong relationship between completion and default, our analysis of nine community colleges revealed significant variation among default rates and the strategies colleges rely upon to combat them. While our analysis does not speak to the factors that cause student loan default, it does make clear that the profiles of student borrowers and defaulters differ across colleges, underscoring the lack of a one-size-fits-all approach to reducing defaults. **With a better understanding of their own populations of borrowers and defaulters, colleges will be better equipped to target investments of time and resources to protect both colleges and students from the consequences of default.**

Analysis of College Default Patterns

Some broad trends across colleges emerged from the default rate data, administrative practices, and institutional struggles. We explore those trends below, with individual college data and practices explored in the profiles to follow.

Completion is paramount.

Research consistently finds completion to be the most significant predictor of repayment success: borrowers who complete their program are far less likely to default on their loans than those who do not complete. This was true for every college in our sample, with the two most consistent factors associated with default being program non-completion and credit non-completion.

Across the colleges in our sample, program completers — represented by 3 in 10 borrowers entering repayment across our nine sample colleges on average — defaulted at a rate of just 9 percent. Those who did not complete defaulted at a rate of 27 percent. Default rates were particularly high — 33 percent — for those who left their programs in the middle of an academic term. Program completers were far less likely than non-completers to default at every college in our sample, but the proportion of borrowers entering repayment who had completed their programs varied substantially across colleges (ranging from 13 percent to 41 percent).

Similarly, borrowers entering repayment who had completed at least 15 credits — an important student momentum point — defaulted at a rate of 16 percent, whereas those who had completed fewer than 15 credits defaulted at a rate of 38 percent. The share of borrowers in the cohort who completed at least 15 credits ranged from 31 percent to 89 percent across the nine colleges.

Importantly, at nearly all colleges, far more borrowers had completed at least 15 credits than had completed their program, suggesting that many students make substantial progress toward a credential yet leave the college without a credential.[11]

For frequently used terms, see *Glossary* on page 51.

[11] Our completion analysis does not consider whether borrowers had transferred to another institution for a number of reasons. Community colleges may not be aware of students' transfer status, making data collection challenging. The value of a transfer — defined as subsequent enrollment in another institution — also differs depending on the institution and even program in which the borrower enrolls at the receiving institution. Further, given that students who transfer are not guaranteed credentials from the receiving institution, students who transfer with a credential from their originating institution in hand are far better positioned to enter the labor market and subsequently repay their loans.

Student characteristics are less conclusive.

Pell Grants. Within colleges, Pell Grant recipients — the vast majority of whom have family incomes below $40,000 — experienced higher rates of default than borrowers who did not receive Pell Grants, but the gaps between those groups ranged widely across colleges. Pell Grant recipients were 4 percentage points more likely to default than non-recipients at one college, and 20 percentage points more likely to default at another college. There was also a 19 percentage point range in colleges' Pell Grant recipient default rates, with recipient default rates ranging from 18 to 37 percent across our sample colleges. These variations among Pell recipient rates of default are important and call into question widespread assumptions that low-income borrowers are highly likely to default.

Remediation. Similarly, students who took remedial coursework were generally, though not always, more likely to default than students who had not taken remedial coursework. The share of borrowers who took remedial coursework ranged from 12 percent to 85 percent across colleges. Default rates for remedial borrowers ranged from as low as 6 percent to as high as 33 percent.

Timing of Enrollment. Some administrators believe default rates to be driven up by students who had left their college many years prior to entering repayment — a group that more recent default prevention efforts are less likely to reach. However, this did not appear to be the case at most of the colleges in our sample. At most colleges in our sample, the vast majority of borrowers entering repayment had attended the college at some point within the two years prior to entering repayment, and the default rate of these recent students was higher than that of students who had not attended the college in recent years ("long-prior" students). Notably, though, at the two colleges with more substantial shares (above 20 percent) of long-prior students entering repayment, that group did experience a higher rate of default than more recent students.

Dependency. While most borrowers at nearly all colleges were independent, default rates of dependent and independent students were generally similar within colleges.

Program-specific outcomes need careful attention.

We asked colleges for the academic programs in which borrowers entering repayment had enrolled. Unfortunately, the data we received generally had too many limitations to allow for comparisons across colleges. In most cases, these cohorts of borrowers were very small, which made meaningful, program-specific conclusions challenging to draw.

From conversations with administrators and the limited data we had, it generally seemed that selective programs, especially those in medical specialties such as nursing and dentistry, had lower default rates than other programs. As one college surmised, this may be linked with the fact that graduates from these programs generally earn higher incomes. Otherwise, there are few claims we are able to assert from these data.

While this is an area ripe for further exploration, multiple colleges shared that it is difficult to effectively track program-level borrowing since the names of programs offered at each institution can frequently change and students often change their programs of study or select programs that do not reflect their true coursework.

No two colleges are identical.

Given the diversity of communities that community colleges were created to serve, as well as the multitude of national, state, and local initiatives in which so many of these institutions participate, it should come as no surprise that both the borrower populations and subsequent default rates of specific groups vary across the nine colleges in our sample. As described above, very few trends appeared across all colleges at the same scale. Given that significant variation, individual colleges' own analyses are crucial starting points in determining how to target institutional default reduction efforts.

Analysis of College Practices

The nine colleges in our sample engage in a variety of strategies in an effort to reduce default rates, both on the "front end" of students taking out federal loans, as well as the "back end" of students entering and sustaining repayment.

Awarding and Administering Aid

In an effort to support wise borrowing decisions, several colleges reported having changed the way they craft financial aid awards. Some colleges that had previously packaged the maximum allowable federal loan amounts to all students now package smaller amounts, or ask students to specify the amount they need to borrow.[12] Others encourage students to maximize their Federal Work-Study Program eligibility before requesting loans. Still other colleges have changed their disbursement practices, paying out loans over multiple periods rather than all at once.

Supplementing Entrance Counseling

While some colleges simply inform students about the federal requirements for borrowing student loans, many go beyond these basic requirements. Some colleges provide students in-person or online financial aid advising, or ask students to fill out supplemental forms when they request unsubsidized loans. Some loan request forms include budgeting worksheets that require students to calculate their monthly costs and help them understand their repayment options and obligations. One college collects supplemental references from students in order to track them after they graduate or stop-out, while another works with loan servicers to keep students' contact information up-to-date. To the extent that colleges provide financial aid assistance beyond what is required, it is much more aggressive on the front end of borrowing than on the back end when students leave.

Promoting Default Reduction via Campus-wide Efforts

Because completion is so closely linked with students' likelihood of defaulting, some colleges are pursuing default prevention efforts beyond the confines of college financial aid offices. A few colleges in our sample reported convening campus-wide committees to monitor cohort default rates and brainstorm default reduction efforts. Others have dedicated existing staff or even hired new personnel to oversee such work. While college leaders increasingly understand the importance of this work, not every college in our study has embraced default reduction as a campus-wide endeavor.

It is noteworthy that several colleges already pursue a variety of student success efforts that may have a positive impact on reducing default rates, even if they are not broadly recognized as default reduction strategies. These include student success courses for underprepared students, mandatory orientations, academic alert systems to identify struggling students, and efforts to close programs that do not produce graduates who have quality employment prospects or who struggle to repay their loans. While these efforts are not targeted at default reduction specifically, they should help to reduce defaults indirectly by promoting student success.

[12] For a description of loan packaging, see *Glossary* on page 52.

Outreach to Borrowers Entering and Struggling in Repayment

Colleges typically focus less on exit counseling than entrance counseling, and efforts to promote exit counseling are primarily centered on successful students. For instance, multiple colleges in our sample host financial aid fairs weeks before most students were slated to graduate, encouraging them to complete exit counseling and reinforcing the importance of repayment. Some colleges place holds on transcripts until students complete exit counseling. While important, these efforts miss many of the students most likely to default: those who never graduate or attain 15 credits or more.

Some colleges have also developed tools to reach students through emails, letters, and phone calls at discrete periods after they graduate or disenroll, but most colleges cede the role of helping delinquent borrowers to loan servicers and third parties. Citing limited internal capacity, at least six of the nine colleges participating in this report rely on a third-party partner for default aversion assistance, borrower education, or data analysis.

Common Challenges

Community colleges' efforts to reduce student loan defaults exist within a broader and evolving environment of federal policy and available administrative tools. Below are some of the challenges in the current environment.

Colleges' Capacity to Analyze Data Varies

Few colleges had conducted analyses of their own borrower and defaulter cohorts prior to participating in this study. Our data request was intended to minimize burden, yet some colleges still struggled to identify their borrowers entering repayment by the categorical variables we asked them to investigate. What was simple for some colleges to analyze proved to be difficult or even impossible for others. Data are available through the National Student Loan Data System (NSLDS) and the colleges' own student information systems. Yet not all colleges had a specialist on staff who knew how to manipulate the complex NSLDS reports and match these with institutional data. Data limitations were especially evident for exit counseling records that include details on which students had completed the federal exit counseling tool. While all colleges have access to exit counseling reports through NSLDS, only a few had experience using them.

The Exit Counseling Conundrum

While colleges are obligated to ensure borrowers complete exit counseling prior to entering repayment, many students fail to do so. For the borrowers most likely to default — those who leave the college unexpectedly and/or before accumulating significant credits — enforcement of exit counseling requirements is challenging.

Only two colleges in our study were able to determine which borrowers in their FY 2010 cohort had completed exit counseling. At both colleges, a minority of borrowers completed exit counseling, yet those who did complete exit counseling defaulted *at much lower rates* than those who did not.

As both a data analysis challenge as well as an implementation challenge, the difficulty colleges experience accessing exit counseling data hinders colleges' abilities to craft targeted default reduction activities.

An Evolving Loan Servicing Environment

Several colleges raised concerns about the number of federal loan servicers with which both colleges and borrowers need to interact. Colleges previously needed to communicate with far fewer servicers, and many colleges reported that the number of servicers has created confusion for students.

In the institutional profiles that follow, we explore each college's data, administrative practices, and default reduction strategies. We also suggest additional strategies for each college to consider. The default rate data for each college are available in Appendix B.

EXISTING RESEARCH ON DEFAULT REDUCTION

Just 17 percent of community college students borrow federal student loans, and only 9 percent of community college students borrow the maximum federal loan they are eligible for,[1] but community colleges are right to be thinking through how to reduce student loan default. This report is designed to aid colleges in their development of default reduction strategies, and builds upon existing research on student borrowing, factors that drive students to default, and successful default and delinquency reduction strategies.

What Works in Reducing Student Loan Default

- **Helping students to complete certificates and degrees.** Researchers have identified degree, certificate, or credential completion as among the most significant factors associated with loan default.[2] In particular, past studies of default data have shown that students' success, including completion and credit accumulation, are more strongly linked with default than demographic and socioeconomic student characteristics.[3] Borrowers who graduate are more likely to find jobs, earn higher salaries, and repay their loans in a timely fashion.[4]
- **Campus-wide commitments to default prevention.** A 2004 study explored multi-year reductions in default rates across seven Texas-based Historically Black Colleges and Universities (HBCUs). The reductions were attributed to the creation of default-management teams that include faculty, staff, and administrators; the appointment of default prevention managers who liaised between the office of financial aid and other departments; and activities that included borrower education, communication, and data analysis.[5]
- **Targeting likely defaulters.** Many meaningful strategies that go above and beyond regulatory requirements may be prohibitively expensive if applied to all borrowers. As opposed to an "all or nothing" approach, colleges can target interventions toward those who are most likely to default.[6] Helpful strategies may include academic tracking systems to identify at-risk borrowers and incorporating financial aid subject matter in remedial education courses.[7] Other efforts may include targeted in-person exit counseling, which has been linked with reduced rates of default even after controlling for whether the borrower graduates.[8]
- **Outreach to students who have left campus.** One community college that successfully reduced its CDR from sanction levels reported that contacting borrowers to resolve loan delinquency was a key part of its strategy.[9] For another college, resolving delinquency required an average of 24 contact attempts, but the effort resulted in an 8 percent decrease in the college's three-year CDR.[10]
- **Keep some responsibilities in-house when partnering with third parties.** Third-party services can be helpful in managing grace and repayment periods through default aversion, but some operations should remain in-house. As one vendor points out, "it is not advisable…to turn the entire default management function over to a third party, given that institutions ultimately remain responsible to the [U.S. Department of Education] for their default rates."[11]

1 TICAS. *Data Show No Evidence of 'Over-Borrowing' at Community Colleges.* June 12, 2014. http://www.ticas.org/files/pub/Over-borrowing_at_community_colleges.pdf.

2 Jacob P.K. Gross et al. *What Matters in Student Loan Default: A Review of the Research Literature.* Journal of Student Financial Aid, Volume 39, Number 1. 2009. https://www.cgsnet.org/ckfinder/userfiles/files/What_Matters_in_Student_loan_Default.pdf.

3 Compared to measures of student success such as completion and GPA, student characteristics including first generation college enrollment, Pell Grant receipt, dependency, race, gender, and age, have been shown to be less strongly related to default outcomes. Sources: Dr. Laurie Wolf. Des Moines Area Community College. "Will Student Loan Default be the Demise of Student Access?" 2014 NASFAA conference.; Matt Steiner and Natali Teszler. TG Research and Analytical Services. *Multivariate Analysis of Student Loan Defaulters at Texas A&M University.* 2005. http://www.tgslc.org/pdf/tamu_multivariate_analysis.pdf.

4 Mary Nguyen. Education Sector. *Degreeless in Debt: What Happens to Borrowers Who Drop Out.* February 2012. http://www.educationsector.org/sites/default/files/publications/DegreelessDebt_CYCT_RELEASE.pdf.

5 TG. *Breaking New Ground: The Texas Historically Black Colleges and Universities Default Management Consortium.* 2004. http://www.tgslc.org/pdf/hbcu.pdf.

6 Matt Steiner and Sandra Barone. TG Research and Analytical Services. *Detecting Early Signs of Default Risk at Austin Community College.* May 2014. http://www.tgslc.org/pdf/Detecting-Early-Signs-of-Default-Risk.pdf.

7 TG. *Taming the Default Rate Beast: Strategies for implementing a successful default management program.* 2013. http://www.tgslc.org/pdf/Taming-default-rate-beast.pdf. Matt Steiner and Sandra Barone. TG Research and Analytical Services. *Detecting Early Signs of Default Risk at Austin Community College.* May 2014. http://www.tgslc.org/pdf/Detecting-Early-Signs-of-Default-Risk.pdf.

8 Matt Steiner and Natali Teszler. TG Research and Analytical Services. *Multivariate Analysis of Student Loan Defaulters at Texas A&M University.* 2005. http://www.tgslc.org/pdf/tamu_multivariate_analysis.pdf.

9 Lisa Hopper and Trish Trantham. National Parks Community College. NPCC's 3yr Cohort Default Rate Crisis. http://www.lasfaa.org/docs/conferences/Fall2013/handouts/NPCCs3yrCohortDefaultRateCrisis.pdf.

10 Higher Education Solutions. *Outsourcing Case Study: Tyler Junior College.* 2014. http://www.edfinancial.com/Media/HES/docs/TJC-Case-Study-final-2-18-14.pdf.

11 TG. *Taming the Default Rate Beast: Strategies for implementing a successful default management program.* 2013. http://www.tgslc.org/pdf/Taming-default-rate-beast.pdf.

Institutional Profile Edmonds Community College

Edmonds Community College (EdCC) opened in 1967 16 miles north of Seattle in the city of Lynnwood, Washington on the site of a decommissioned WWII-era U.S. Army radio station. The campus largely serves students living in south Snohomish County — one of Washington State's fastest-growing — with over 81 percent of students living within eight miles of the college. As with most of Washington State's 34 community and technical colleges, enrollments at EdCC grew rapidly at the onset of the Great Recession, but have since receded.

Today, Edmonds Community College has longstanding construction, horticulture, paralegal, science, and parent education programs. Although EdCC serves a large number of local residents living off-campus, it also provides two on-campus residence halls for students. The college has a robust transfer program, including a partnership dating back to 1975 with Central Washington University that allows students to earn a bachelor's degree on the EdCC campus. Many students also transfer to nearby public universities like the University of Washington (Bothell or Seattle) or Western Washington University. EdCC graduates go on to work throughout Greater Puget Sound.

Like other colleges throughout Washington, EdCC has struggled to manage enrollments and student services amid rapidly declining state appropriations, which fell by more than 26 percent from 2008 to 2012. Even as requests for financial aid have increased, the number of students who take out federal loans has remained relatively low compared to other colleges in Washington and in our survey, possibly due to a required loan request process for students who wish to borrow instead of automatic loan packaging. Still, with the transition to three-year CDRs, EdCC has intensified its focus on default management and prevention, but has not yet felt a need to adopt more aggressive measures or partnerships.

EDMONDS COMMUNITY COLLEGE

COLLEGE SNAPSHOT	
Location: Lynnwood, Wash. (Suburb: Large)	
Fall 2012 enrollment:	9,537
In-state tuition & fees:	$4,408
Average net price:	$7,727
Share receiving Pell Grants:	18%
Share receiving federal loans:	11%
Share students of color:	40%

	FY 2011 (Draft)	FY 2010	FY 2009
CDR	**15.0%**	**20.3%**	**19.5%**
Defaulters	123	107	118
Borrowers	819	527	604
FY 2010 cohort's top programs of study: Liberal Arts, Paralegal, Patient Care, Counseling			

"We embed financial literacy into our gatekeeper courses, which are defined as those with high enrollments and low-completions. Those courses are targeted for interventions to give students the help they need to be successful."

– Edmonds Community College Official

For frequently used terms, see *Glossary* on page 51.

HIGHLIGHTS FROM FY 2010 COHORT DEFAULT RATE DATA

Program Completion	› **One-third of borrowers entering repayment (33 percent) had completed their program of study** The default rate among completers (11 percent) is less than half that of non-completers (25 percent) at EdCC. While the link between completion and default is consistent with available research and the trends of colleges in our survey, the default rate among EdCC program completers is slightly higher than the default rate of completers at most other colleges in our sample (9 percent on average).
Credit Completion	› **The vast majority of borrowers entering repayment (83 percent) had completed at least 15 credits** This percentage is among the highest of the colleges in our survey. This could be because most borrowers persist for long enough to earn 15 credits, or it could be because the practices and policies of the college serve to keep new students from borrowing. However, while a substantial share of borrowers had completed at least 15 credits, a far smaller share (33 percent) had completed their program of study.
Remediation	› **The default rate of borrowers who took remedial coursework was similar to that of borrowers who had not taken remedial coursework (21 and 19 percent, respectively)** While the share of borrowers who had taken remedial coursework was not atypical (58 percent compared to 53 percent on average across sample colleges), most colleges saw larger gaps between the default rates of remedial and non-remedial borrowers.
Dependent Status	› **Four out of five borrowers entering repayment (80 percent) were independent** While independent students did not default at a markedly higher rate, their large share of the cohort may help the college target outreach activities.

Edmonds Community College, Continued

DEFAULT PREVENTION STRATEGIES

CURRENT STRATEGIES

- **Students file requests for federal loans**

  Students may view their year-to-year eligibility for federal student loans using the online EdCC financial aid portal, but this is not automatically included or packaged in a students' financial aid award. Instead, students must manually submit a request for student loans with the amount they wish to borrow — up to the maximum for which they are eligible. Financial aid staff credit this request process with keeping the number of students who borrow to a minimum, as well as making students more conscious about the amount they truly need to borrow.

- **Focus on college completion**

  As an Achieving the Dream institution, EdCC has worked to enhance retention and student success. This has included a thorough review of high-enrollment, low-completion "gatekeeper" courses, institutional focus on momentum points, and the development of two student-success courses, which embed financial literacy in the curricula. EdCC is also ramping up outreach efforts to students who left the college with significant numbers of credits, to encourage them to return to campus and complete. Understanding the link between completion and loan repayment, EdCC hopes to further drive down student default and delinquency through these efforts.

- **Collaboration with loan servicers to update student contact information**

  EdCC regularly receives numerous requests from student loan servicers to help them update student contact information for the purposes of locating students whose information may be out of date. Four servicers cover the vast majority of borrowers. EdCC is working to obtain more personal or professional student e-mail addresses, as college-issued addresses are often not checked regularly by delinquent borrowers.

STRATEGIES TO CONSIDER

- **Analysis of, and outreach to, non-completers**

  Compared to the number of borrowers who complete at least 15 credits, few at EdCC complete their academic programs. Additional analysis of those students who disenroll without completing a credential could provide the college useful information about which students are becoming delinquent and ultimately defaulting.

- **Tap into state efforts to help students repay**

  The Washington State Board for Community and Technical Colleges is currently considering a statewide contract for third-party tools to help colleges keep defaults in check. While EdCC to date has not seen a need to use a third party, a state partnership could make it easier and more affordable for the college if it needs to do so in the future.

- **Educate leadership about CDR appeals**

  EdCC is not at risk of CDR sanctions, and the share of students at the college who borrow loans is low enough that the college could appeal sanctions if its CDR were to rise above typical sanction thresholds. Given the importance of the Participation Rate Index (PRI) appeal to low borrowing colleges, the financial aid office may want to educate college leadership about the PRI in case the protection is needed in the future.

- **Incorporate budget worksheets with loan request processes**

  Given that EdCC already utilizes a loan request process for subsidized and unsubsidized Direct Loans, the college could also include a personal budgeting worksheet with the loan request. Budgeting would help students calculate the amount they need to borrow in order to fill out the loan request in an informed manner. Worksheets could also be used to review loan repayment options and obligations for students.

Institutional Profile Grossmont College

Grossmont College is the largest institution of higher education serving East San Diego County, California. Together with its smaller sister institution, Cuyamaca College, the campuses form the Grossmont-Cuyamaca Community College District (GCCCD) and serve a combined 28,000 credit students each semester.

Grossmont College plays a particularly important role in El Cajon, a suburb 15 miles east of downtown San Diego. The college is the second largest employer in the city.[13] El Cajon's unemployment rate exceeded 10 percent as recently as 2013,[14] and the city's median family income of $45,750 is well below California's median of $61,400.[15] Grossmont College also sits just 20 miles north of the U.S.-Mexico border, and with 29 percent Hispanic/Latino students, it is a federally designated Hispanic-Serving Institution (HSI).

When nearby Cuyamaca College exceeded the 30 percent three-year CDR threshold in FY 2009, the GCCCD heightened its scrutiny of CDRs and — despite the colleges' low borrowing rates and subsequent protection from CDR sanctions — considered opting the district out of the federal loan program altogether. Campus officials report that the primary reason they did not opt out is because students enrolled in health science programs rely heavily on loans, since many take heavy course loads and are unable to work part-time to offset college costs.

The decision to continue offering federal loans was made amid numerous other California community colleges opting out of the program. For the time being, most of the GCCCD's neighboring colleges have chosen to remain in the federal loan program. Grossmont is not at risk for sanction at current default rates; it does not currently have a default management plan, nor does it contract with third-party vendors for default aversion. However, campus officials intend to examine best practices as they develop their own strategies.

COLLEGE SNAPSHOT	
Location: El Cajon, California (Suburb: Large)	
Fall 2012 total enrollment:	17,758
Tuition & fees:	$1,387
Average net price:	$3,784
Share receiving Pell Grants:	23%
Share receiving federal loans:	3%
Share students of color:	54%

	FY 2011 (Draft)	FY 2010	FY 2009
CDR	**15.2%**	**20.7%**	**19.8%**
Defaulters	65	72	74
Borrowers	427	347	373
FY 2010 cohort's top programs of study: Nursing, General/Transfer Studies, Business			

"As students consider loans, we ask them to pause and reflect on whether they really need this money at this time. We believe this mechanism serves our students well."

– Grossmont College Official

[13] City of El Cajon, California. Comprehensive Annual Financial Report: Fiscal Year Ended June 30, 2010. http://www.ci.el-cajon.ca.us/content/budget/FinancialReports/CAFR%202011-12.pdf.

[14] U.S. Bureau of Labor Statistics. Local Area Unemployment Statistics. El Cajon, CA. http://www.bls.gov/data/#unemployment.

[15] U.S. Census Bureau. State & County QuickFacts. El Cajon, CA. http://quickfacts.census.gov/qfd/states/06/0621712.html.

HIGHLIGHTS FROM FY 2010 COHORT DEFAULT RATE DATA

Program Completion	**Almost three-quarters of borrowers entering repayment (72 percent) left the college before completing their programs** Despite a significant percentage of borrowers who completed at least 15 credits (see below), far fewer had completed their programs. The default rate at Grossmont College for those who complete their programs is just 8 percent, compared to 25 percent for those who did not complete.
Program and Credit Completion	**More than a third of borrowers entering repayment (36 percent) had withdrawn from the college in the middle of a term** The share of borrowers at Grossmont College who withdrew while a term was in progress — between semesters — was the highest among all colleges in our sample. More than half (54 percent) of all defaulters had withdrawn mid-term, underscoring the importance of this population to the college's default rate. **However, most borrowers entering repayment (79 percent) had completed at least 15 credits** This suggests that most borrowers have some attachment to the institution and a track record of success at the institution, including some of the students who withdrew mid-term.
Remediation	**Seven in ten (70 percent) borrowers entering repayment had taken remedial coursework** The high share of borrowers who took remedial courses was 17 percentage points above the average for our college sample (53 percent). These remedial students defaulted at a rate of 23 percent, compared to 14 percent for students who had not taken remedial courses.

DEFAULT PREVENTION STRATEGIES

CURRENT STRATEGIES

- **Loan requests and discretionary denials**

  Borrowers must fill out a loan request form that provides information about loan interest rates, time limits on subsidized loans, enrollment intensity requirements, the obligations of repayment, and the distinction between subsidized and unsubsidized loans. In rare cases (roughly 1 in 50 loan requests), financial aid staff use their professional discretion to deny loans if they deem additional borrowing is against the students' best interests.

- **Additional entrance counseling for borrowers with higher debt levels**

  Borrowers with total loan indebtedness greater than $10,500 go through additional loan counseling with a financial aid advisor and submit a budgeting worksheet and an educational plan.[16] A similar review threshold is also in place for borrowers who request more than the base amount ($3,500 for freshman borrowers) in unsubsidized loans. According to the school, these steps require students to "think twice" before borrowing more than they need.

- **Institutional surveys on student satisfaction**

  Grossmont's research and planning department surveys students on their satisfaction with various aspects of the institution and makes survey responses publicly available.[17] With regard to financial aid, past surveys indicate that the vast majority of students are satisfied with financial aid services — particularly online services. Notably, more than 9 in 10 students believe that financial aid helped them succeed in their coursework.

- **Student focus groups**

  In order to better identify the challenges faced by students, the college conducted student focus groups. During these sessions, students cited a major challenge with textbook costs and other educational expenses, and mentioned a desire to better understand their financial aid options and the timing of the process.

STRATEGIES TO CONSIDER

- **Expand exit counseling efforts, particularly for students who disenroll without completing a credential**

  More than half of defaulters leave campus in the middle of a term, and Grossmont currently emails those students about federally-required loan exit counseling. However, this group is more likely to default than those who disenroll at the end of a term or complete a credential, so additional outreach may be warranted. Steps could include phone calls, middle-of-term financial aid events, emails to personal addresses collected upon enrollment, and letters on college letterhead.

- **Interventions targeting remedial borrowers**

  With 70 percent of borrowers entering repayment having taken remedial coursework, along with 80 percent of defaulters, outreach to remedial students in particular could help these students stay on track. College staff reported that they will soon launch a business-process analysis for student services, part of which should include a discussion about how to target likely defaulters, such as borrowers who take remedial coursework.

- **Coordinate with statewide efforts**

  At the time of publication, the California Community College Chancellor's Office had recently contracted with a vendor to provide free financial education to students. The tool offers budget wizards and financial calculators that could be integrated with the college's proprietary forms and processes.

- **Improved analysis on default and the impact of financial aid practices**

  The college could further examine financial aid practices that may be linked with default. For instance, the college could track which students complete exit counseling, conduct a dropout analysis to determine why so many borrowers may be leaving, and determine whether voluntary completion of budget planning impacts borrowing.

[16] Grossmont College. Financial Aid and Scholarships. Direct Loans. http://www.grossmont.edu/fa/DirectLoanInfo.asp.

[17] Grossmont College. College-Level Student Satisfaction Surveys. 2010 and 2011. http://www.grossmont.edu/planning/.

Institutional Profile Guilford Technical Community College

Over the past several decades, the "Piedmont Triad" in the north-central region of North Carolina has seen its textile, woodwork, and tobacco industries all but disappear. Jobs in these sectors are being gradually replaced with those in global logistics, transportation, and health care. In 2009, FedEx opened its Mid-Atlantic Hub in the Triad, which it is estimated will create thousands of new jobs in the coming years.[18] But many of the region's poor, particularly African Americans, continue to struggle with high rates of unemployment.[19]

With a diverse undergraduate enrollment of more than 14,000, Guilford Technical Community College (GTCC) seeks to play a key role in propelling Guilford County and the region's economic transformation. The college has historically served as a center for specialized technical training but has expanded to include transfer degrees in liberal arts. As many North Carolinians returned to school in the wake of the recession, GTCC has also seen a corresponding increase in the number of students requesting federal loans.

Campus officials are keenly aware of their institution's rising default rate. Prior to this report, leaders at GTCC had already recruited senior staff to analyze default patterns and had developed default aversion strategies. The campus works with a third party to provide financial literacy and outreach, such as emails and letters to delinquent borrowers.

In recent years, many of North Carolina's community colleges have stopped offering federal loans, and in 2013-14, more than a third of the state's community college students lacked access to them.[20] In the face of those trends, GTCC's decision to continue offering federal loans while working to reduce student defaults could serve as a model for other schools in the state that have questioned whether they should remain in the federal student loan program.

GTCC
GUILFORD TECHNICAL COMMUNITY COLLEGE

COLLEGE SNAPSHOT	
Location: Jamestown, N.C. (Suburb: Midsize)	
Fall 2012 total enrollment:	14,793
Tuition & fees:	$2,382
Average net price:	$12,722
Share receiving Pell Grants:	64%
Share receiving federal loans:	38%
Share students of color:	57%

	FY 2011 (Draft)	FY 2010	FY 2009
CDR	**29.9%**	**26.0%**	**19.0%**
Defaulters	573	262	166
Borrowers	1911	1005	872
FY 2010 cohort's top programs of study: Liberal Arts, Education, Nursing			

"Our program offerings are determined in part through our work with the community. Programs that are antiquated end up getting closed. With the arrival of FedEx, Global Logistics Technology is one example of [a program we have developed to respond] to a changing economy."

– GTCC Official

[18] "FedEx in the Piedmont Triad," City of High Point. http://www.highpointnc.gov/edc/fedex.cfm.

[19] Between 2007-2011, when many students in the FY 2010 CDR cohort were enrolled at GTCC, the average unemployment rate was about 16% for African Americans in Guilford County and about 9% for whites. Source: Guilford County Department of Public Health, Community Health Assessment. http://www.co.guilford.nc.us/publichealth/divisions/wp-content/uploads/2014/03/chapter13.pdf.

[20] TICAS. *At What Cost? How Community Colleges that Do Not Offer Federal Loans Put Students at Risk.* 2014.

HIGHLIGHTS FROM FY 2010 COHORT DEFAULT RATE DATA

Program Completion	**Borrowers who withdrew in the middle of a term were particularly likely to default, with 41 percent of these borrowers defaulting** This is the highest rate of default for this population among our sample colleges, across which the average rate of default for students who withdrew mid-term was 33 percent.
Credit Completion	**A relatively large share (43 percent) of borrowers entering repayment had completed fewer than 15 credits, and that group was more likely to default than those who had completed at least 15 credits** The share of borrowers entering repayment who had earned fewer than 15 credits was larger than at most other colleges (43 percent compared to 31 percent on average across all sample colleges). At GTCC, students who had earned 15 or more credits defaulted at a rate of just 17 percent, compared to 38 percent for those who had not attained 15 credits.
Remediation	**Borrowers who had taken remedial coursework were much more likely to default than those who had not taken remedial coursework (33 percent compared to 17 percent)** GTCC's share of borrowers with remedial coursework was not unusual in our survey, but these students appear more at risk than at other colleges. The 16 percentage point gap between remedial and non-remedial student default rates was the largest amongst our sample colleges.
Exit Counseling	**Only one-third of borrowers entering repayment had completed exit counseling, and those who did experienced far lower rates of default** GTCC was one of the few colleges in our sample that provided exit counseling data for their cohort of borrowers. The one-third of borrowers who completed exit counseling defaulted at a rate of 11 percent; the two-thirds of borrowers who did not complete exit counseling defaulted at a rate of 33 percent.

DEFAULT PREVENTION STRATEGIES

CURRENT STRATEGIES	STRATEGIES TO CONSIDER
GTCC-specific entrance counseling Workshops supplement federal loan entrance counseling requirements, giving students additional exposure to default awareness and financial literacy when they enroll. **Independent investigation of defaults** GTCC conducted independent analyses prior to this report, identifying the demographics of groups with high rates of default. Data-savvy campus staff also track exit counseling completion by loading NSLDS Loan Exit Counseling "extract records" into the school's student information system.[21] This helps financial aid advisors with limited staffing resources to target their outreach to students at high risk of defaulting on their loans. **Borrower-specific communications strategies at enrollment, withdrawal, and delinquency** Outside of the Master Promissory Note, GTCC collects references from borrowers when they enroll. Students who withdraw receive information about loan counseling. The college also uses its own logo and letterhead on all outreach and correspondence to delinquent borrowers. **Experimental site to limit unsubsidized borrowing** As part of the U.S. Department of Education's Experimental Sites Initiative (ESI), GTCC has worked to limit unnecessary unsubsidized Direct Loan borrowing and is currently evaluating the impact of this initiative.	**Track student outcomes before and after implementing strategies** Track how outcomes such as persistence, completion, and default rates differ for students before and after implementing strategies such as the Experimental Sites Initiative on unsubsidized borrowing, and for those completing entrance counseling workshops or orientation in-person vs. online. **Encourage exit counseling completion** Students completing exit counseling default at much lower rates than those who do not. GTCC currently holds students' diplomas until they complete exit counseling, but with less than a quarter of the FY 2010 cohort earning degrees before entering repayment, interventions encouraging all students to take exit counseling will have greater impact. **Deepen connections between academic and financial aid interventions** Almost two-thirds (63 percent) of defaulters had not completed 15 credits. Additionally, GTCC's own analysis has revealed that 60 percent of defaulters received a "satisfactory academic progress" warning of some sort during enrollment. It is clear that default prevention at GTCC needs to be closely tied to student success efforts. For example, student success courses, which are targeted toward remedial students, could be leveraged to educate students who borrow on financial planning and loan repayment. The college could consider integrating tailored outreach on student loans and borrower responsibilities within existing academic counseling components.

[21] NSLDS loan exit counseling extract record layouts are available to all schools, but not always used. See Information for Financial Aid Professionals (IFAP). U.S. Department of Education. July 25, 2013. http://www.ifap.ed.gov/nsldsmaterials/041414NSLDSLoanExitCounselingExtractRecordLayoutsforSchools.html.

Institutional Profile Iowa Western Community College

For nearly 50 years, Iowa Western Community College (IWCC) has served as a major hub of higher education for the people of Southwest Iowa.

In recent years, IWCC has seen an increasing number of dual-enrollment students from local high schools, as well as recent graduates with intent to transfer. The average age of IWCC's student body is 20 years old, 54 percent of students are predominantly full-time, and about one in five live in on-campus housing.

As enrollments have gone up, so too has the number of students who borrow federal loans. While the growing number of borrowers has not translated into default rates at risk of sanction, IWCC's latest official CDR of 23.6 percent — an increase from the previous year — was enough to draw the attention of administrators and trustees. The college is currently in the process of putting together a team of campus administrators, staff, and faculty to explore what more they can do to reduce and prevent student defaults.

The state of Iowa has also become more interested in the issue of student borrowing and default. For the FY 2010 cohort, the overall rate of default for all institutions in the state shot up to 18.4 percent — the fourth highest in the nation.[22] In making default prevention integral to its 2012-13 strategic plan, the Iowa College Student Aid Commission has sought to help "colleges and universities profile their defaulters and create proactive default prevention plans to help reduce Iowa's growing default rate."[23] IWCC's analysis for this project dovetails with those efforts.

COLLEGE SNAPSHOT	
Location: Council Bluffs, Iowa (City: Small)	
Fall 2012 enrollment:	7,367
In-state tuition & fees:	$4,285
Average net price:	$9,740
Share receiving Pell Grants:	40%
Share receiving federal loans:	57%
Share students of color:	18%

	FY 2011 (Draft)	FY 2010	FY 2009
CDR	**20.0%**	**23.6%**	**16.6%**
Defaulters	341	354	218
Borrowers	1,701	1,499	1,307

FY 2010 cohort's top programs of study:
General Studies, Business, Nursing, Criminal Justice, Education

"Default reduction needs to be a campus-wide effort and I don't think we've adequately informed the campus of what's going on. Whether it's the lunch lady or the faculty, everyone needs to know."

– Iowa Western Community College Official

[22] U.S. Department of Education. FY 2010 3-Year Official Cohort Default Rates by State/Territory National. July 28, 2013. http://www2.ed.gov/offices/OSFAP/defaultmanagement/2010staterates3yr.pdf.

[23] Iowa College Student Aid Commission. Strategic Plan 1012 Update. Page 20. http://www.dom.state.ia.us/planning_performance/files/plans/strategic/CollegeAidStrategicPlan2012Update.pdf.

HIGHLIGHTS FROM FY 2010 COHORT DEFAULT RATE DATA

Program Completion	**Six in ten borrowers (63 percent) entering repayment had not completed their programs of study** Iowa Western program completers defaulted at a rate of 10 percent compared to 32 percent for non-completers, consistent with existing research on the relationship between student success and default.
Remediation	**More than half of borrowers (58 percent) entering repayment had taken remedial coursework and they defaulted at a higher rate** As a result, the share of defaulters who took remedial coursework (71 percent) was about 12 percentage points higher than the average for colleges in our survey (59 percent). Remedial students entering repayment were nearly twice as likely to default (29 percent) as non-remedial students (16 percent).
Pell Grant Recipients	**Iowa Western borrowers who received Pell Grants were much more likely to default than borrowers who did not receive Pell Grants** The gap of 17 percentage points between the default rate of Pell recipients (30 percent) and non-recipients (13 percent) was among the largest of our survey colleges.
Dependent Status	**More than half of borrowers (54 percent) entering repayment were dependent** This percentage — highest among all colleges in our survey — makes sense in light of representing a young student body that mirrors a more traditional student population than are enrolled at most community colleges. Three quarters of IWCC students are twenty-four years old or younger and about 20 percent of students live on campus, a rarity among community colleges. Dependency is not associated with default at IWCC or in our sample of colleges more broadly, but the borrowing needs of younger dependent students may be different from the needs of older independent students who live off campus.

Iowa Western Community College, Continued

DEFAULT PREVENTION STRATEGIES

CURRENT STRATEGIES	STRATEGIES TO CONSIDER
Students file requests for federal loans Financial aid awards package subsidized and unsubsidized loans for borrowers, but students must formally request them using a form which discourages students from automatically borrowing more than they may need.[24] **Targeted grants promoting student success** IWCC has directed grant dollars toward student groups likely to benefit from support. For example, one recent grant funded retention efforts for first-generation nursing students. With completion rates linked closely to default at the program level, narrowly targeted efforts to bolster student success are likely to have a positive impact on default trends. **Delinquent borrower communication** IWCC works with servicers to identify and contact students on a monthly basis at three discrete stages of urgency when they are fewer than 270 days delinquent. The letters, which use letterhead with campus logos, include contact information for IWCC's financial aid office and maintain a link between students and the campus, as opposed to leaving the task of default aversion entirely to third parties.	**Supplement loan requests with additional entrance counseling resources and workshops** IWCC could supplement its loan authorization form with additional financial aid tools, such as budget worksheets that require students to estimate their total borrowing needs. With one in five students living on campus (a figure that campus officials report is higher among financial aid recipients), IWCC also has the opportunity to reach more students in person than many other community colleges. **Cite loan repayment options in communications to delinquent borrowers** In addition to urging students to contact the college for more information about how to resolve their delinquencies, letters could provide examples of alternatives to default, such as income-driven repayment plans, deferment, or forbearance. Depending on a student's income, family size, and debt level, income-driven repayment plans can help keep monthly student-loan payments affordable. **Analyze and support non-completers** With a large share of defaulters (63 percent) leaving the college between terms and without a credential, additional analysis could reveal more about these students, such as how many are transferring, and how best to reach them once they have left IWCC. **Target scholarship funds to students with financial need** IWCC has a robust scholarship program that awards funds to students based on high school grades, extracurricular achievements, and other merit criteria. With a goal of minimizing Pell Grant recipients' need to borrow, the college could investigate ways by which to target additional grant aid to students who have financial need.

[24] IWCC's Direct Loan Authorization Form informs students: "You are not required to borrow the maximum; in fact, we encourage you to borrow only what you need to finance your education." Source: Iowa Western Community College. Financial Aid. Resources and Links. http://www.iwcc.edu/Future_Student/financial_aid/resources.asp.

Institutional Profile Lane Community College

Lane Community College (LCC) serves Oregon's Lane County and sits on the outskirts of the cities of Eugene and Springfield, an area with a population of about 350,000. About 50 miles east of the Oregon Coast, much of the surrounding metro area is forested and rural. And, given that both LCC and the University of Oregon call the City of Eugene home, it is often thought of as a college town.

At the beginning of the Great Recession, Lane County lost more than 20 percent of the jobs in two major local industries — construction and manufacturing[25] — and the unemployment rate ballooned to 13.5 percent.[26] With thousands of unemployed workers looking for new skills and retraining, enrollment at LCC surged 40 percent between 2007-08 and 2011-12.[27] During the same period, more students also began to take out federal loans and today more than two-thirds of first-time, full-time undergraduates at Lane take out federal student loans.

The college has struggled to adequately support its rapidly growing student population without additional resources for individualized counseling and support; LCC's state funding has been frozen at the 2008 level. Nonetheless, LCC has implemented a required default management plan, including revamping disbursement processes, ending automatic packaging of unsubsidized loans, analyzing student borrowing patterns, requiring academic plans, and contracting with a third party to provide financial literacy tools and to conduct default reduction outreach.

In turn, the college has seen a reduction in unsubsidized loan borrowing of 47 percent. Moving forward, LCC officials hope to make default management and prevention a priority not just in the financial-aid office, but across the college as well.

Lane Community College℠

COLLEGE SNAPSHOT	
Location: Eugene, Oregon (Rural: Fringe)	
Fall 2012 enrollment:	12,192
Tuition & fees:	$3,682
Average net price:	$8,505
Share receiving Pell Grants:	59%
Share receiving federal loans:	71%
Share students of color:	21%

	FY 2011 (Draft)	FY 2010	FY 2009
CDR	**30.0%**	**30.6%**	**19.5%**
Defaulters	1,196	952	461
Borrowers	3,977	3,105	2,357
FY 2010 cohort's top programs of study: Nursing, Business, Human Services			

"We have support from the executive team on default prevention efforts, but it's hard to get the participation from folks that don't work directly in our area."

– Lane Community College Official

[25] Lane Workforce Partnership. Press and Publications. The Current and Future Direction of the State and Lane County Economies. Dec. 10, 2009. http://laneworkforce.org/press-and-publications/.

[26] Bureau of Labor Statistics. Local Area Unemployment Statistics. Lane County. http://www.bls.gov/data/#unemployment.

[27] Lane Community College. Institutional Research, Assessment, and Planning. Lane Enrollment & Headcount. https://www.lanecc.edu/research/ir/lane-enrollment-and-headcount.

Lane Community College, Continued

HIGHLIGHTS FROM FY 2010 COHORT DEFAULT RATE DATA

Program Completion	› **Just 13 percent of borrowers — and only 4 percent of defaulters — had completed their program** Among colleges in our sample, LCC had the lowest share of completers in its FY 2010 cohort. The default rate among completers was 10 percent, compared to 34 percent among non-completers.
Pell Grant Recipients	› **Among the colleges in our sample, LCC has the largest gap — 20 percentage points — in default rates of Pell recipients and non-recipients** The high default rate among LCC's Pell Grant recipients (37 percent) is twice the default rate of some other colleges' Pell student default rates.
Dependent Status	› **About two-thirds (65 percent) of borrowers entering repayment were independent; 35 percent of them defaulted as compared with 22 percent of dependent students** The share of independent students at LCC was about average for colleges in our sample, but unlike other colleges, the difference in default rates for independent and dependent students was substantial. LCC officials hypothesized that this difference was linked to the college's recent enrollment surge, which likely consisted of older enrollees. These students may have lacked the necessary preparation for college and may have had other financial and life responsibilities.
Timing of Enrollment	› **LCC's cohort analysis demonstrates how fluid community college student enrollment can be** 11 percent of borrowers in the repayment cohort were last enrolled prior to the start of the 2007-08 year. Further, according to the college, 23 percent of students in the cohort had been enrolled at some point since they had entered repayment.

DEFAULT PREVENTION STRATEGIES

CURRENT STRATEGIES	STRATEGIES TO CONSIDER
Unsubsidized loan requests and credit-limit appeals Starting in 2013-14, rather than offering the maximum in unsubsidized loans up front, LCC began offering them only by request and encouraging students to maximize their Federal Work-Study eligibility before requesting loans. The loan request form informs students about the consequences of default and projects their monthly payments under a 10-year standard repayment plan and annual salary needed to afford them. Students taking more than 150 percent of the credits required for their program must also file a "credit limit appeal form," which contains a full page in which students must identify their existing student loan debt as well as their remaining federal loan eligibility. **Analysis of borrowing trends** For the past several years, campus officials have tracked the share of students who borrow unsubsidized loans in order to gauge the impact of new practices like unsubsidized loan requests. In the 2013-14 year, LCC saw a 47 percent drop in the share of unsubsidized recipients who borrow, as compared with the prior year. LCC officials expressed concern that they have seen a modest uptick in the number of students who pursue private educational loans, possibly because these students did not understand that unsubsidized loans were available. **Transcript holds for exit counseling** When students have been out of school for 60 days or longer and they have yet to complete exit counseling, a hold is placed on their transcripts, incentivizing the completion of exit counseling requirements.	**Focus default prevention on non-completers** LCC's current strategies of appeals for students with excessive credits and transcript holds for exit counseling completion mainly target students with significant credit accumulation. However, for the FY 2010 cohort, 55 percent of defaulters completed fewer than 15 credits, and 96 percent of defaulters did not complete their programs. To target these populations, LCC could explore how loan counseling and default prevention could be incorporated into existing student success efforts, and whether new efforts are warranted. Additional requirements for academic plans and in-person counseling could focus on students who struggle to accrue credits in a timely manner, have enrolled at other institutions without having earned a degree, or have high levels of debt. **Expand use of student budgeting tools** LCC students are only required to budget for their expenses when they reach 150 percent of normal time or request additional unsubsidized loans. The college could incorporate budget planning and the use of budgeting tools into all loan counseling efforts so that more students could benefit. **Include exit counseling and other outcomes in analyses of practices** LCC notes that exit counseling data can be incorporated into its student-information system (Banner), but the college does not currently analyze the data that could be used to assess the effectiveness of transcript holds and related practices. Future data inquiries could also include an evaluation of the college's default outreach and third-party services with select groups of students who may be at risk for delinquency.

Institutional Profile Minneapolis Community and Technical College

Situated in the heart of downtown, Minneapolis Community and Technical College (MCTC) serves more than 15,000 credit students annually and plays a significant role in the Twin Cities metropolitan area.

MCTC was born when a local technical college and open-access community college merged in 1996. Today, the college has the fourth-largest economic footprint of any institution in the Minnesota State Colleges and Universities (MnSCU) system, generating $377 million in annual activity.[28]

The local economy is home to a manufacturing base that employs 33 percent of all Minnesota workers,[29] and along with its related support industries, produces electronics, medical devices, chemical products, plastics, and machinery. The area also has several high-tech research firms, banks and financial institutions, retailers, and healthcare providers. MCTC's urban location allows students to intern and work part-time in these fields; nearly two-thirds of MCTC's credit students attend school part-time.

Many graduates of MCTC's degree and certificate programs seek immediate employment in local industries, while others transfer to earn a four-year degree; the college has a transfer-out rate of 25 percent. Institutions receiving MCTC transfer students include the 24 technical and community colleges, University of Minnesota, seven four-year institutions in the MnSCU system, and several private colleges.

As MCTC enrollments grew during the Great Recession, borrowing rates also increased. Since 2009, the number of students entering repayment in a cohort has risen by nearly 1,200 students — or 51 percent — even as default rates have remained near 20 percent. Students' ability to repay their loans has depended in part on available job opportunities. Thus far, with a current metro-area unemployment rate of less than 5 percent,[30] the Twin Cities' recovery has outpaced most metropolitan areas across the United States.

COLLEGE SNAPSHOT	
Location: Minneapolis, Minn. (City: Large)	
Fall 2012 credit enrollment:	10,091
In-state tuition & fees:	$5,336
Average net price:	$14,309
Share receiving Pell Grants:	57%
Share receiving federal loans:	53%
Share students of color:	57%

	FY 2011 (Draft)	FY 2010	FY 2009
CDR	**21.1%**	**23.7%**	**18.2%**
Defaulters	733	649	417
Borrowers	3,458	2,735	2,291
FY 2010 cohort's top programs of study: Liberal Arts, Nursing, Business Management, Law Enforcement, Human Services			

"One of our biggest challenges is obtaining current phone numbers and addresses for our students in order to contact them. We're happy to have a staffer [for default management] working to confront that challenge."

– Minneapolis CTC Official

[28] Neal St. Anthony. "Inside Track: Study finds MCTC is an educational, economic force." *Star Tribune*. April 6, 2013. http://www.startribune.com/business/201672111.html.

[29] Minneapolis Community & Technical College. Educational Programs. Train for a Career. http://www.minneapolis.edu/Educational-Programs/What-is-Your-Goal/Career-and-Technical-Education

[30] U.S. Bureau of Labor Statistics. Local Area Unemployment Statistics. Minneapolis-St. Paul-Bloomington Metro Area. http://www.bls.gov/data/#unemployment.

HIGHLIGHTS FROM FY 2010 COHORT DEFAULT RATE DATA

Credit Completion	**More than one-third of borrowers entering repayment (36 percent) had not completed at least 15 credits, and 39 percent of those borrowers defaulted** Students who had not completed 15 credits experienced the highest rate of default at MTCC. Those who obtained 15 credits or more defaulted at a rate of 15 percent, compared to a default rate of 39 percent for those who did not complete at least 15 credits.
Program Completion	**Only 18 percent of borrowers entering repayment had completed their program** Non-completers made up a very high percentage (82 percent) of those entering repayment in the MCTC cohort — the second highest of this survey. Default rates were also much higher for students who withdrew, and were particularly high for those who withdrew in the middle of an academic term (31 percent). Default rates for students who completed were comparatively low (11 percent), consistent with academic research in this area and data from other colleges participating in this survey.
Timing of Enrollment	**About one in five borrowers (18 percent) had left the college years prior to entering repayment** The share of borrowers entering repayment who left the college several years prior is relatively large and higher than all but two other sample colleges. MCTC staff shared that the college is heavily committed to students who seek to transfer to four-year colleges. These "long-prior" borrowers defaulted at a rate of 11 percent, compared to a default rate of 27 percent for more recent students.
Pell Grant Recipients	**Seven in ten borrowers entering repayment (71 percent) were Pell Grant recipients, and those borrowers had a default rate of 28 percent** These shares were among the highest for colleges in this survey. The high share of defaulters receiving Pell Grants, and higher rate of default among Pell Grant recipients (28 percent) vs. non-Pell recipients (13 percent), may indicate that those students receiving Pell Grants and taking out student loans need additional support.

Minneapolis Community and Technical College, Continued

DEFAULT PREVENTION STRATEGIES

CURRENT STRATEGIES

- **System-wide third-party partnerships**

  MnSCU recently contracted with a third party for system-wide access to tools that provide financial literacy and debt management, respectively. Students can view videos that provide suggestions on how much to borrow; as well as resources on budgeting, loan repayment, and comparing projected student loan debt-to-income ratios.

  The services are also packaged with follow-up services that notify and warn students when they are in the early stages of delinquency or if they drop below at least half-time enrollment, jeopardizing their in-school deferment.

- **Financial literacy: orientation & outreach**

  MCTC incorporates financial literacy into its mandatory new student orientation sessions, including an overview of its new third-party resources. The college also conducts financial literacy workshops and FAFSA help sessions each April and May, covering topics such as student budgeting.

- **Dedicated staff and institutional leadership focusing on default management**

  The MCTC financial aid team recently hired a financial aid administrator to work on default management. Among the responsibilities this position is tasked with include contacting delinquent borrowers. Additionally, MCTC's president has indicated an increasing interest in the cohort default rate and has asked for ongoing updates from financial aid staff. Administrators plan to update the college's default management plan as well.

STRATEGIES TO CONSIDER

- **Examine loan packaging policy**

  Students at MCTC are automatically packaged the full eligibility for federal Direct Loans, both subsidized and unsubsidized, up to a student's cost of attendance. Although students can manually change the amount they wish to borrow (i.e. an opt-out process), MCTC could consider a mechanism whereby students must identify the loan amount they feel best fits their needs (i.e. an opt-in process).

- **Integrate student budgeting tools into loan request processes**

  New third-party tools allow students to "budget" for academic and non-academic expenses. These tools could connect to the loan request process to make it easier for students to make informed decisions about borrowing levels prior to disbursement.

- **Conduct outreach and target in-person counseling toward likely defaulters**

  The college could offer additional services and support, such as in-person advising, to students who are more likely to default. This could include borrowers who have completed fewer than 15 credits by the end of their first two semesters, or those enrolled in high-default programs.

- **Conduct analyses of borrowers and defaulters**

  The college shared that it had data on which borrowers had completed exit counseling and which had not, but that the college had not yet done any analysis of it. At other colleges in our sample, students who had completed exit counseling were much less likely to default than those who had not. With a new staff position and new third-party partnerships, MCTC is better equipped to further analyze what factors are driving defaults at the college, and develop appropriate interventions.

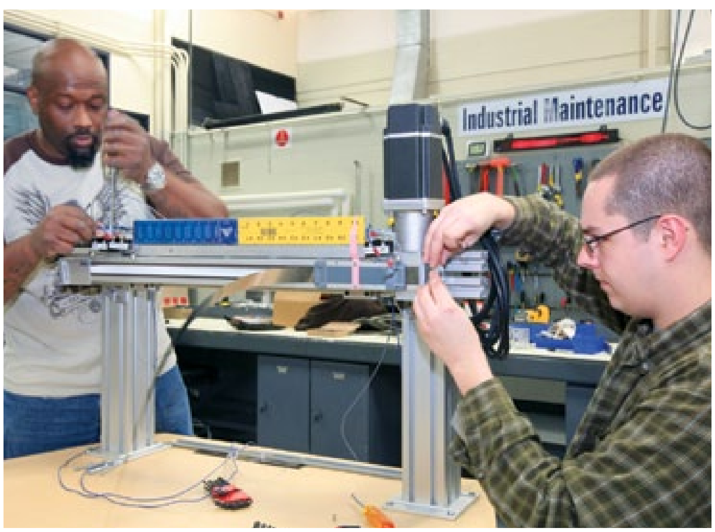
Institutional Profile Moraine Park Technical College

With three campuses, Moraine Park Technical College (MPTC) serves roughly 19,000 credit and non-credit students each year in Fond du Lac and the counties within the MPTC District. The regional economy consists primarily of agriculture, manufacturing, health care, and financial services. More than 92 percent of MPTC class of 2013 graduates found jobs within six months of graduation, with 81 percent in fields related to their programs of study. Roughly one-half of employed graduates are in health care and medical fields.[31]

The State of Wisconsin has over 100 years of history with, and focus on, vocational, technical, and adult education. The state has 16 public, primarily associate degree-granting institutions that are technical colleges, and together they form the Wisconsin Technical College System. Additionally, the University of Wisconsin System has 13 small, transfer-oriented colleges for freshman and sophomores that offer associate of arts and science degrees. Together, these colleges serve about 14,000 credit students per year.

Like other colleges in the system, Moraine Park has strong links to the workforce through technical education. All of the associate degree programs offered by MPTC are in applied science. The average age of MPTC program students is 30 years-old, and 82 percent of students attend part-time.[32]

In the wake of the Great Recession, rates of borrowing and default at MPTC have risen recently and have challenged the college's ability to provide the necessary advising to students. While MPTC's CDR remains well below sanction levels, its current rate has been a cause for concern among administrators who want to ensure students are well served. As a result, MPTC recently contracted with a third party to more aggressively contact delinquent borrowers and educate current students on repayment options.



Moraine Park Technical College

COLLEGE SNAPSHOT	
Location: Fond du Lac, Wis. (City: Small)	
Fall 2012 enrollment:	6,074
Tuition & fees:	$3,854
Average net price:	$9,617
Share receiving Pell Grants:	22%
Share receiving federal loans:	31%
Share students of color:	5%

	FY 2011 (Draft)	FY 2010	FY 2009
CDR	**13.3%**	**14.6%**	**8.2%**
Defaulters	110	94	46
Borrowers	821	642	559
FY 2010 cohort's top programs of study: Nursing, Accounting, Business Management			

"Moraine Park has worked diligently to reach out to students and stress the importance of loan repayment and exit counseling. Some strategies have worked better than others, however we continuously work on improving our methods to educate students in both a positive and proactive manner."

– Moraine Park Technical College Official

[31] Moraine Park Technical College. Graduate Data. Graduate Follow-up Reports. http://www.morainepark.edu/about-mptc/college-data-and-demographics/graduate-data/.

[32] Moraine Park Technical College. 2012-13 College & Foundation Annual Report. http://libs.morainepark.edu/docs/college-wide/reports/annual-report-2013.pdf.

HIGHLIGHTS FROM FY 2010 COHORT DEFAULT RATE DATA

Program Completion	**Only 37 percent of borrowers entering repayment completed their programs of study** Even though 9 out of 10 borrowers entering repayment had attained at least 15 credits, far fewer had completed their programs of study at MPTC. The default rate for completers was just 7 percent, compared to 19 percent for non-completers.
Credit Completion	**The vast majority of borrowers entering repayment (89 percent) had attained at least 15 credits** The percentage of borrowers who had completed at least 15 credits was higher at MPTC than at any other college. Borrowers who had attained at least 15 credits had a default rate of just under 10 percent. Meanwhile, among the modest share of borrowers who did not complete a minimum of 15 credits, more than half defaulted (52 percent) — the highest percentage among colleges in our survey.
Remediation	**Students who took remedial coursework were less likely than those who did not take remedial coursework to default (6 and 16 percent, respectively)** The share of borrowers in the cohort who had taken at least one remedial course at MPTC is also very small (12 percent compared to 53 percent on average across sample colleges).
Timing of Enrollment	**40 percent of borrowers in the cohort entered repayment years after their last date of MPTC enrollment** For students in the FY 2010 cohort whose last date of enrollment fell before the start of the 2007-08 academic year, MPTC reported the highest share of any college in our survey. Also unusual is the fact that these long-former students defaulted at a higher rate than more recent students (17 and 13 percent, respectively). The sizeable number of students from prior years may pose challenges from a default management perspective, since students are highly mobile and are often much harder to contact than recent graduates.
Exit Counseling	**Just 13 percent of borrowers entering repayment had completed exit counseling** MPTC identified that very few students in the cohort had completed required online exit counseling. But of those who did, their default rate was just 9 percent, compared to 16 percent for those who had not completed exit counseling.

DEFAULT PREVENTION STRATEGIES

CURRENT STRATEGIES	STRATEGIES TO CONSIDER
Additional loan request forms required for unsubsidized loans Borrowers who are eligible for federal subsidized loans are automatically offered their maximum subsidized loan eligibility, but must fill out a supplemental request form for any unsubsidized amount. Borrowers eligible for only unsubsidized loans are packaged up to $3,500 in the first year and $4,500 in the second year, and similarly must fill out a request form for an additional loan amount if they need it to meet their expenses. This extra step can work to limit unnecessary borrowing that will accrue interest while the student is in school. **Outreach to delinquent borrowers** In conjunction with a third party, the college sends increasingly "urgent" letters to borrowers if they become 30 days delinquent or more. MPTC financial aid staff estimate that approximately 350 letters are sent each quarter, often several times to a single borrower. **Multiple efforts to promote student success** MPTC makes use of a student success center, an academic alert system, a mandatory program orientation for new students, Federal TRIO programming, and other practices to promote retention and student success. **Assess programmatic outcomes** MPTC looks at whether specific programs are adequately preparing students for viable careers. Programs whose related employment opportunities are limited — and whose borrowers may face particular challenges repaying loans —are closed.	**Incorporate budget worksheets with federal loan request forms** MPTC could require students who request unsubsidized loans, or loan amounts above a given threshold, to fill out budget worksheets for academic and non-academic expenses that help borrowers understand what their repayment obligations will be once they enter repayment. **Analyze the effectiveness of existing academic and financial aid interventions** A large share of borrowers take at least a semester's worth of credits and a large share of remedial students avoid default, but why is this so? MPTC could use student surveys to assess the degree to which on-campus student success initiatives impact persistence and default and examine ways to further integrate student success efforts and default aversion. **Conduct outreach and target in-person counseling toward likely defaulters** While prior efforts to offer optional in-person financial aid counseling were not well attended, MPTC could promote in-person advising to students who are more likely to default, such as borrowers who have completed fewer than 15 credits by the end of their first two semesters, or those enrolled in high-default programs. MPTC could also communicate directly with non-completers regarding borrowers' obligations and responsibilities.

Institutional Profile St. Philip's College

As part of the Alamo College District (ACD), St. Philip's College and its four sister colleges have served the Greater San Antonio Area and Bexar County for more than 100 years. St. Philip's College was founded in 1898 primarily as a small sewing school to educate and train recently emancipated slaves. Since then, St. Philip's College has undergone monumental transformation, evolving from a parochial day school to an industrial school to a high school, and finally into a fully accredited two-year college.

St. Philip's College operates a main campus located on the east side of San Antonio, a southwest campus serving as a hub for technical training, and seven small subsidiary locations at military installations, hospitals, high schools, and the Central Texas Technology Center. The economy of Greater San Antonio has seen recent growth in retail, energy, and healthcare sectors, and continues to host a strong military presence and tourism industry.

Like most south Texas cities, San Antonio's history is interwoven with Spain and Mexico, and the central city is home to a large Hispanic and Latino population, which makes up 63 percent of the city's residents[33] and 53 percent of St. Philip's enrollment. St. Philip's College is the only college nationwide to be federally designated as both a Historically Black College (HBCU) and a Hispanic-Serving Institution (HSI). Given its cultural heritage, the institution did not admit white students until 1955. It is now a diverse urban campus.

With 31 institutions of higher education in San Antonio — including public universities such as the University of Texas at San Antonio and Texas A&M San Antonio — many of the students at St. Philip's transfer to four-year programs, having saved a great deal of money by completing their first two years at St. Philip's.

Like other colleges in the Alamo College District, St. Philip's relatively inexpensive tuition and fees have played a role in a low student loan borrowing rate of just 8 percent. Still, the transition from a two-year to three-year CDR prompted administrators to take new actions to prevent student delinquency and default. These efforts are beginning to show results, with the college's latest draft rate falling by more than 6 percentage points from the FY 2010 rate.

ALAMO COLLEGES
ST. PHILIP'S COLLEGE

COLLEGE SNAPSHOT	
Location: San Antonio, Texas (City: Large)	
Fall 2012 enrollment:	10,313
Tuition & fees:	$2,038
Average net price:	$4,750
Share receiving Pell Grants:	32%
Share receiving federal loans:	8%
Share students of color:	70%

	FY 2011 (Draft)	FY 2010	FY 2009
CDR	**17.2%**	**23.4%**	**23.1%**
Defaulters	136	192	188
Borrowers	787	819	811

"We just don't have the resources necessary to track students when they're leaving the college, or to follow up aggressively when they exit."

– St. Philip's College Official

[33] U.S. Census Bureau. State & County QuickFacts. San Antonio, TX. http://quickfacts.census.gov/qfd/states/48/4865000.html.

HIGHLIGHTS FROM FY 2010 COHORT DEFAULT RATE DATA

Program Completion	› **With 41 percent of borrowers entering repayment having completed their program, St. Philip's borrower cohort includes a greater share of graduates than any other college in our sample** The default rate among completers (11 percent) is substantially lower than that of non-completers (28 percent) at St. Philip's College. This is consistent with existing research that documents the relationship between college completion and default.
Credit Completion	› **The lion's share (86 percent) of students entering repayment had completed at least 15 credits, but those who had not completed 15 credits defaulted at a very high rate (42 percent)** The relatively high share of borrowers accruing 15 credits or more may be attributable to the college's loan packaging policy, which limits automatic packaging to second-year returning students, and may lead to higher borrowing rates among returning students. Unsurprisingly, those attaining at least 15 credits defaulted at a rate far lower (18 percent) than those who did not (42 percent).
Remediation	› **The vast majority of borrowers entering repayment (85 percent) had taken remedial coursework** The large share of borrowers entering repayment who had taken remedial coursework was more than 30 percentage points higher than the average share across our sample colleges. According to St. Philip's staff, approximately 58 percent of all St. Philip's students in 2010-11 took at least one remedial course. Students with remedial coursework also experienced a much higher rate of default (23 percent) than borrowers who had not taken remedial coursework (13 percent).
Dependent Status	› **Hardly any borrowers entering repayment — 4 percent — were dependent students** Staff reported that the average age of students at St. Philip's is 26 years old — many of whom are likely to be independent — and suggested that many in-district dependent students living with their families would have a lower cost of attendance and therefore be less likely to borrow. The small share of dependent student borrowers may also be related to the college's loan packaging policy, whereby new students must request loans, while returning students have loans automatically packaged.

DEFAULT PREVENTION STRATEGIES

CURRENT STRATEGIES	STRATEGIES TO CONSIDER
Students file requests for federal loans Incoming, first-time students must initiate a loan request through the secure online financial aid portal. Students must manually enter the amount they wish to borrow, instead of being automatically offered their maximum eligibility. Only returning students have loans automatically packaged, starting with the same amount requested the prior academic year. This process discourages students from borrowing more than they need. **New third-party partnership for default prevention and borrower assistance** Beginning in spring 2012, the Alamo Colleges contracted with a third-party vendor for default management services. The services include default aversion consultation, grace period phone counseling, repayment monitoring, and contact campaigns for delinquent borrowers. Additionally, data analytics provide a forecast of future CDRs, call center contact results, and repayment portfolio information. St. Philip's staff believe these tools have "definitely had an impact" on helping to reduce the number of students in default and have increased students' access to loan information. **Financial literacy and student success activities are present on campus and district-wide** With a centralized student-services building, financial aid advisors at St. Philip's interact with students upon enrollment and exit. Each April, staff organize a "Financial Literacy Month," which includes information sessions, tabling, and campaigns that promote loan repayment. St. Philip's also requires all incoming students with fewer than 15 credits to take a freshman seminar that teaches study skills, goal planning, and major selection. The seminar includes a financial aid component.	**Maintain person-to-person interaction with students** As St. Philip's and the Alamo Colleges have worked to improve their financial aid outreach, some efforts have been diverted to third-party servicers and call centers. Also, over time, college administrators reported having shifted to a "fully automated" process for awarding loans. The campus may want to consider retaining person-to-person interaction with students at key decision points. **Analysis of non-completers with some credit attainment** A significant share of both borrowers and defaulters at St. Philip's have completed at least 15 credits, but only a minority have completed their program. Additional support and outreach may be warranted to help these students complete, given the clear relationship between program completion and default. **Outreach specific to students who do not graduate** College efforts to educate borrowers about repayment obligations are focused primarily on expected graduates in the month of April, whereas students who withdraw without graduating receive emails only. Given the lower levels of campus engagement among this population, as well as their higher rates of default, more intensive outreach and interventions are warranted.

Institutional Profile Valencia College

With four campuses and two centers in the Orange and Osceola Counties, Valencia College is the third largest of Florida's 28 community colleges. Valencia's main campus sits 20 miles from the University of Central Florida (UCF) and serves as a major source of student transfers to the university; one out of four UCF graduates started at Valencia College. With more than 31 percent Hispanic or Latino enrollments, Valencia is also a federally designated Hispanic-Serving Institution (HSI). In 2011, Valencia ranked first in the number of associate degrees awarded by any community college nationwide.

As the home to Walt Disney World, Universal Studios, and SeaWorld, the economy of Central Florida has been traditionally dominated by tourism — an industry hit hard by the Great Recession. The collapse of the local housing market jolted the Orlando metropolitan area to one of the highest foreclosure rates in the nation.[34] More recently, Orlando has been growing faster than its southern competitor, Miami, thanks in part to private reinvestment. The city is home to the burgeoning biomedical complex of Medical City at Lake Nona, where Valencia opened a satellite campus in 2012, and pent-up consumer demand has led to a tourism rebound. While primarily associate degree granting, Valencia College now also has several four-year degree programs.

As a commuter school with no on-campus housing, 60 percent of students at Valencia attend part time, and many work and forgo student loans. However, from 2008 to 2012, Valencia experienced a 40 percent enrollment boom that increased the overall number of student borrowers. Default rates at Valencia have not yet merited urgent concern as they have stayed at least 10 percentage points below federal sanction levels. However, recent CDR fluctuations have garnered the attention of staff and administrators.

COLLEGE SNAPSHOT	
Location: Orlando, Fla. (City: Midsize)	
Fall 2012 credit enrollment:	42,915
In-state tuition & fees:	$2,378
Average net price:	$6,063
Share receiving Pell Grants:	45%
Share receiving federal loans:	25%
Share students of color:	56%

	FY 2011 (Draft)	FY 2010	FY 2009
CDR	**20.4%**	**17.5%**	**18.8%**
Defaulters	1,091	644	504
Borrowers	5,347	3,670	2,672

"Our college-wide default management effort is to infuse financial responsibility throughout the student experience to reduce default."

– Valencia College Official

[34] In 2013, the Orlando metro area had the second-highest share of distressed home sales nationwide. Source: Alexander E.M. Hess et al. "Cities selling the most distressed homes." *USA Today*. January 25, 2014. http://www.usatoday.com/story/money/business/2014/01/25/24-7-wall-st-distressed-homes/4769425/.

HIGHLIGHTS FROM FY 2010 COHORT DEFAULT RATE DATA

Credit Completion	**More than two-thirds (69 percent) of borrowers entering repayment had not completed at least 15 credits. The vast majority (88 percent) of the college's defaulters had not completed at least 15 credits.** Across all colleges, students who had not completed at least 15 credits were more likely to default. At Valencia, this population makes up an unusually large share of borrowers entering repayment (69 percent compared to 31 percent on average for our sample).
Remediation	**Relatively few students entering repayment had taken remedial coursework.** The share of borrowers who took remedial coursework was among the lowest of the colleges in this survey (26 percent compared to an average of 53 percent). However, just 8 percent of Valencia's total credit hours are remedial, or developmental, education, meaning that the low borrowing rate may be explained by lower remedial enrollment at the college overall.[35]
Pell Grant Recipients	**Borrowers who had received Pell Grants experienced a rate of default only slightly higher than that of those who did not receive Pell Grants.** Contrary to some research that claims that low-income students are more likely to default than their better-off peers, the students who received both Pell Grants and loans had a relatively low rate of default at Valencia (19 percent compared to 26 percent across all sample colleges), and were not much more likely to default than students who had not received Pell Grants (15 percent).
Timing of Enrollment	**More than a third (36 percent) of borrowers left the college prior to 2007-08, and those students experienced a slightly higher rate of default than more recent students who entered repayment.** Among our sample colleges, Valencia College had one of the largest shares of students entering repayment who left the college several years ago, and the highest rate of default among those long-prior students. The share of these "older" borrowers at Valencia (36 percent) was more than double the average for other colleges in our survey (16 percent across colleges). Their overall numbers may be due to a high rate of transfer, which would provide students in-school deferments lasting multiple years. However, this would not explain why these students are more likely to default when long-prior borrowers were less likely to default at most other colleges in our sample.

[35] Sanford Shugart. "Rethinking the Completion Agenda." *Inside Higher Ed.* February 7, 2013. http://www.insidehighered.com/views/2013/02/07/moving-needle-college-completion-thoughtfully-essay.y

DEFAULT PREVENTION STRATEGIES

CURRENT STRATEGIES

- **Commitment to default management**

  The financial aid office devotes 1.5 staff positions to default management. A team of campus administrators, faculty, and staff have convened a committee to monitor to college's CDR and default prevention efforts, giving needed attention to the issue and opportunities to brainstorm new interventions.

- **Active presence on campus**

  More than two-thirds of Valencia's financial aid staff interact directly with students. Many staff specialize in financial literacy and make presentations on campus to classes, organizations, and fairs about reducing debt and repaying student loans. During graduation check-out, advisors remind students of the need to complete loan exit counseling. The financial aid "Answer Center" is open for drop-in advising and one-on-one appointments.

- **Intensive focus on student success**

  Valencia has been widely recognized for its student success initiatives, with more than 50 percent of its students graduating or transferring within three years of enrolling. The "Start Right" program includes early advising and mandatory orientation, as well as student success courses for underprepared students. Given the strong correlation between student completion and reducing default, these efforts are crucial.

- **New partnerships for default prevention help contact delinquent borrowers**

  Valencia uses a third-party web-based default prevention tool to maintain direct contact with delinquent borrowers through telephone, letter, and email campaigns. Communications use college logos and branding, and encourage students to contact Valencia directly for assistance. The college also recently began calling students with information about income-driven repayment, deferment, and forbearance.

STRATEGIES TO CONSIDER

- **Supplement advising with individual budgeting and planning**

  Valencia packages federal loans up to students' eligibility and cost of attendance but requires students to accept their loans on the financial aid portal. The college could supplement this process with worksheets that help students to estimate their budget and federal loan needs. Similar resources are available to students to complete voluntarily on the college's student advising portal, "LifeMap," but could be expanded.

- **Broaden contact and analysis of non-completers**

  With a large share of both borrowers and defaulters failing to attain many credits or a degree, the institution could examine ways to ensure that non-completers still complete required exit counseling and move into a repayment plan. Loan information could be integrated into Valencia's outreach to students to encourage them to re-enroll in courses.

- **Analyze students who ceased enrollment years prior to entering repayment**

  Valencia stands out both for having a very large share of students who left the college several years prior to entering repayment and also for that group experiencing a higher default rate than more recent students. This population comprises 40 percent of the defaulters at Valencia, so they are an important population to understand.

- **Conduct additional outreach to borrowers in repayment**

  Valencia could examine more aggressive means of borrower communication, including potential default management services that help students select repayment plans while they are still in their grace period, communications to delinquent borrowers, or options to rehabilitate loans for those who have defaulted. New efforts must be paired with evaluations and analytics to measure the effectiveness of new strategies.

Recommendations for Policy & Practice

While community colleges across the country are already considering and implementing strategies to reduce defaults, our analysis suggests that much more can be done. We make the following recommendations for colleges seeking to better protect both their institutions and their students, and for federal policymakers to ensure that community college students are well served.

Institutional Practice & Policy

1. **Embrace default aversion as a college-wide endeavor.** With a clear relationship between college completion and default, student success strategies and default reduction go hand in hand. Yet, while student success strategies are well understood to require the coordination of an entire college, default reduction strategies traditionally have been the primary responsibility of the financial aid office. Beyond the student success efforts so many community colleges are currently undertaking, institutions and students benefit from the formation of a default management committee that includes staff, faculty, and administrators from across the campus. These committees extend the reach of default management efforts beyond the confines of financial aid offices and into classes, on-campus outreach events, and student orientations. Most students have multiple points of contact with an institution, and a coordinated approach ensures that any outreach is tailored to the needs of borrowers.

2. **Analyze who borrows and who defaults.** Institutions with limited resources may find it difficult to implement a campus-wide default management strategy that reaches every borrower, making it sensible to focus more on "at-risk" borrowers than those who are likely to repay their loans. To improve the targeting of the schools' activities, colleges should actively analyze the borrower cohort data available from the National Student Loan Data System (NSLDS), servicers, and the institution itself. Data analysis can uncover the unique characteristics and behaviors of a college's population, and help target services towards the borrowers who need them most.

3. **Provide counseling and information to borrowers when they need it.** While specific patterns of default vary across colleges, many of the strategies colleges are currently employing — and those we recommend to the nine colleges profiled in this brief — are focused on ensuring students have the information they need, when they need it, to make wise borrowing decisions and stay on track in repayment. While specific strategies at any college should be driven by college-level analyses, many of the colleges in our sample could benefit from:

   – *Regular collection of contact information for borrowers and references:* Having accurate contact information for students is critical to default prevention efforts. Community college students are highly mobile, and information collected upon enrollment (such as school-based e-mail addresses) is often outdated by the time students enter repayment.

   – *Supplemental entrance counseling resources:* In particular, budgeting worksheets or exercises can help to ensure students borrow only what they need and contextualize the responsibilities of loan repayment.

   – *Informing all students about exit counseling requirements:* Exit counseling is "required" for all student borrowers, but many fail to complete it as there is no federal enforcement mechanism. At many colleges, efforts to promote exit counseling could be tailored to better reach likely defaulters.

   – *Outreach to at-risk borrowers after they leave campus:* Communications are crucial after borrowers leave campus, and particularly in the event that they become delinquent on their loans. Yet many colleges focus exclusively on current students, and decline to focus on the former students who may be at risk of default.

4. **Participate in the federal student loan program.** While fewer than one in five community college students borrow federal student loans, the availability these loans provides crucial help to students who would be unable to bridge the gap between rising college costs and available income, savings, and grants. Without access to affordable federal loans, students 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 their bills or cut back on the number of classes they take each term, thereby reducing their likelihood of completing a degree.

For frequently used terms, see *Glossary* on page 51.

Federal Policy

1. **Support institutional administrators and staff who seek to understand and reduce default.** Every college in our sample wanted to better understand and communicate with its defaulter populations, but very few colleges were able to easily access the information we sought or had a ready repository of strategies to consider to reduce defaults. One reason for this challenge is that many financial aid and institutional research officials have difficulty manipulating NSLDS data reports. The U.S. Department of Education could help by preparing and disseminating guidance, including best practices, on colleges' options for managing student debt and preventing delinquency and default. The Department should also conduct user testing to make NSLDS more accessible, and assist campus staff on making the best use of the system for default prevention.

2. **Improve the administration of CDR challenges and appeals.** The participation rate index (PRI) appeal, discussed on page 7, is important for community colleges to understand. However, the Department's current administration of PRI appeals is incredibly problematic, requiring colleges to wait until they appear to be on the brink of losing all federal aid eligibility for confirmation that they were never actually in jeopardy due to their low borrowing rates. CDR challenge and appeal options can be critical lifelines for institutions, and how they are implemented may affect whether colleges participate in the loan program.

3. **Improve entrance and exit counseling.** Entrance and exit counseling are required for any student who receives a federal student loan. Entrance counseling can help students understand the risks and benefits of borrowing to help optimize the student's borrowing decisions, while exit counseling reviews information that student borrowers need to know about the types of loans they have, estimated monthly loan payments, which repayment plan might be best for them, the consequences of delinquency and default, and qualifications for deferment or forbearance. While the federal online loan counseling tools have been significantly improved, there are important changes to both timing and content that could greatly increase their effectiveness.

   The information presented via loan counseling is not always timely (e.g., entrance counseling that occurs after a student has signed the promissory note) and not always well understood (e.g., overly technical and text-heavy). Additionally, many — if not most — community college borrowers fail to complete exit counseling. Schools should be required to conduct entrance counseling before a student commits to borrowing, and interim counseling may be warranted at other key decision points, such as when a student has borrowed above a certain threshold or is seeking to certify a private loan. As the White House recently directed,[36] the Department should consult with higher education experts and researchers to test the effectiveness of loan counseling to measure the effect that variations (e.g., in content, timing, and personalization) have on borrower choices and outcomes. The Department

[36] The White House. Office of the Vice President. FACTSHEET: Making Student Loans More Affordable. http://www.whitehouse.gov/the-press-office/2014/06/09/factsheet-making-student-loans-more-affordable.

should also conduct consumer testing to ensure that all information presented is easy to understand and act upon. Lastly, the Department should provide institutions with easily accessible information about the students who have not completed exit counseling before entering repayment, and figure out a way to collect more accurate and up-to-date contact information for federal loan borrowers.

4. **Improve and streamline servicing.** Students who borrow often report that the system of loan servicing is very confusing. There are currently 11 different entities servicing federal loans, each of which uses its own name and brand to communicate with borrowers. As a result, some borrowers report being confused as to why they are receiving written or electronic correspondence from an unknown organization or company, and sometimes multiple ones. Servicers report that they experience a large percentage of unopened mail from borrowers who believe the correspondence to be junk mail or spam, and these borrowers often default on their loans. The system should be simplified for borrowers with all communications branded from the Department. Additionally, borrowers should be able to make loan transactions from a single web portal and a single phone number, regardless of who their servicer is. To aid institutional efforts to supplement servicers' contact with delinquent borrowers, information shared with schools by servicers should be provided in a common digital format.

5. **Consider changes to federal student loan amounts for part-time students.** Unlike Pell Grants, federal loans are not prorated based on a student's attendance status. In other words, students enrolled half-time receive a prorated portion of the Pell Grant that students enrolled full time receive, but those same half-time students may receive the same loan amount as a full-time student. 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. The Department should analyze the potential effects of prorating federal student loans by attendance status to help determine whether prorating loans would help encourage students to enroll in more courses per term or, alternatively, reduce the risks of debt for part-time students.

6. **Automatically enroll severely delinquent borrowers in income-driven repayment.** Severely delinquent borrowers who have missed at least six months of consecutive payments should be automatically enrolled in an income-driven plan. The federal loan promissory note could preemptively ask borrowers to give the Department permission to access their IRS income information should they fail to make six consecutive required payments. Based on their income and family size, the Department could then determine what their income-driven payment would be. For borrowers with very low incomes, payments may be as little as $0. Income-driven payments will be lower than 10-year standard payments for most borrowers under financial strain. By enrolling them in an income-driven plan and engaging in follow-up contact and counseling, the Department may be able to prevent otherwise very likely defaults and the associated costs for both borrowers and taxpayers.

7. **Implement a Student Default Risk Index for college accountability.** Currently, the federal government uses cohort default rates (CDRs) to assess an institution's eligibility for federal student aid funding from the Department (Title IV funding). Colleges with CDRs above certain thresholds may face sanctions that end their eligibility for federal student aid. However, the meaning and utility of CDRs are limited by the fact they exclude any student who does not borrow. For instance, if only two out of 100 students at a college borrow and one of the two defaults, the school would have a 50 percent CDR, but the fact that one student defaults may not represent problems with the education received by the other 99 students.

   The Student Default Risk Index (SDRI) corrects for this by multiplying each school's CDR by the share of students at that school who borrow federal loans. By incorporating the share of students who borrow into the measure, the SDRI more accurately conveys a student's risk of default at a given school. It would further help ensure that federal aid dollars are spent wisely by more closely tying federal aid to the risk of students in enrolling and the risk to taxpayers in investing.

Appendices Appendix A: Methodology

Data Collection and Analysis

ACCT and TICAS selected nine community colleges from across the U.S. to study a cohort of their borrowers entering repayment and the colleges' related financial aid practices. Colleges were selected to include a diverse array of institutional types to best identify strategies in default reduction and prevention applicable to many different community colleges. Neither our analysis nor our universe of sampled colleges is intended to be representative of all community colleges or all defaulters.

ACCT and TICAS asked selected colleges to provide disaggregated data for their cohort of borrowers who entered repayment in FY 2010 across seven categorical variables. Colleges downloaded their official FY 2010 three-year CDR file from the Department's National Student Loan Data System (NSLDS) secure portal, which contains information about individual borrowers' loan types, dates of enrollment, and basic borrower identifying information (such as date of birth and Social Security Number). Institutions then matched individual borrower records with institutional records using the identifying information, and tabulated the raw number of borrowers and defaulters for each of the seven variables requested. These variables were:

- **Pell Grant receipt:** whether or not a borrower received a Pell Grant. Borrowers who received a Pell Grant at any point during their enrollment at the participating college were counted as having received a Pell Grant.
- **Dependency:** whether a borrower was dependent or independent, as defined by federal law and used in the allocation of federal aid. Some colleges classified dependency from the borrower's status at the time of enrollment; others classified dependency based on predominant status during the total time of enrollment (e.g., borrowers who were "dependent" more than half of all terms of enrollment were classified as "dependent").
- **Remediation:** whether or not a borrower had enrolled in remedial coursework at any time during enrollment.
- **Credit completion:** whether or not a borrower had completed at least 15 credits, a "momentum point" correlated with college completion.[37]
- **Program completion:** whether or not a borrower had completed his or her program prior to entering repayment. Non-completers were disaggregated into those who withdrew between two regular terms (i.e., semester, quarter, or session) of the academic calendar, and those who withdrew while a term was ongoing.
- **Program of study:** For up to 20 programs in which at least 10 borrowers entered repayment, the program of study in which borrowers had enrolled, categorized by Classification of Instructional Programs ("CIP") code. Due to the limitations of these data, discussed on page 9, these data are not included in Appendix B.
- **Last date of enrollment:** whether or not borrowers' last date of enrollment at the college was prior to the start of the 2007-08 academic year. This date distinguishes borrowers and defaulters who were last enrolled three or more years prior to entering repayment in FY 2010 — the start of the tracking period of the CDR.[38]

In some cases, colleges provided us additional data upon request, including the shares of borrowers and defaulters who completed exit counseling, as well as the completion rates for programs of study.

Notably, our completion analysis does not consider whether borrowers had transferred to another institution for a number of reasons. Community colleges may not be aware of students' transfer status, making data collection challenging. The value of a transfer — defined as subsequent enrollment in another institution — also differs depending on the institution and even program in which the borrower enrolls at the receiving institution. Further, given that students who transfer are not guaranteed credentials from the receiving institution, students who transfer with a credential from their originating institution in hand are far better positioned to enter the labor market and subsequently repay their loans.

Upon analyzing the college's data returns, we reached out to colleges to learn more about their financial aid practices and default-management strategies through qualitative phone interviews. Guided by the data we received from the institution, we also discussed in particular data points we found surprising, atypical, or otherwise notable.

For frequently used terms, see *Glossary* on page 51.

[37] "Momentum points are measurable educational attainments, such as completing a college-level math course, that are empirically correlated with the completion of a milestone." Source: Leinbach, D. T., and Jenkins, D. Using Longitudinal Data to Increase Community College Student Success: A Guide to Measuring Milestone and Momentum Point Attainment. June 2008. http://ccrc.tc.columbia.edu/media/k2/attachments/longitudinal-data-momentum-point-research-tool.pdf.

[38] Borrowers enter repayment after they drop below half-time enrollment or graduate. Students who were last enrolled at a college prior to 2007-08, but did not enter repayment until FY 2010, may have transferred to another college in the interim.

Appendix A: Methodology, Continued

Limitations

The findings we identified in our analysis revealed only simple correlations and differences between certain categorical variables and default. We do not make any causal claims in this report. No probability sampling was used to determine the participating colleges or the cohort entering repayment. Additionally, the report relies on institutions to self-report in order to provide maximum value to the analysis, and in some cases difficulty clarifying the intent of the categorical variables led to slight variation in definitions (e.g., with how to code dependency status). These results are intended to identify basic data trends that individual colleges can use to better target resources and outreach, and to provide an example of how this research can be replicated — not to produce universal findings.

Institutional Profiles

Facts and figures used in the nine profiles for colleges who participated in this project were drawn from a variety of sources, including the Department's National Center for Education Statistics (NCES), college web sites, data provided directly by colleges, and interviews with college financial aid and institutional research staff, unless otherwise cited. Colleges featured in this report reviewed all data and related assertions made in the institutional profiles prior to publication. The disaggregated default rate data provided by colleges, as well as our descriptive calculations based on those data, can be found in Appendix B. Average figures based upon those data referenced throughout the profiles are unweighted averages of rates across the nine colleges in our sample.

Figures from the "College Snapshot" embedded within each institutional profile were drawn mainly from the NCES College Navigator, which uses data primarily from the Integrated Postsecondary Education Data System (IPEDS).[39] Figures include:

- IPEDS data for fall 2012 undergraduate enrollment (credit-bearing only)
- IPEDS data for academic year 2012-13, full-time first-time undergraduates:
  - in-state tuition & fees
  - average net price
- IPEDS data for academic year 2012-13, all undergraduate students:
  - percentage receiving Pell Grants
  - percentage taking out federal student loans
  - percentage who are students of color, calculated as the share of all undergraduates who are either American Indian or Alaska Native, Asian, Black or African American, Hispanic/Latino, Native Hawaiian or other Pacific Islander, two or more races, or non-resident alien.;
- Official federal three-year CDRs from FY 2009 and FY 2010, and draft CDRs colleges have received from the Department for FY 2011 (received February 2014) and self-reported to ACCT and TICAS
- FY 2010 cohort's top programs of study, drawn from data reported by colleges to ACCT and TICAS on the number of borrowers and defaulters pursuing various programs of study.

[39] IPEDS is a system of interrelated surveys conducted annually by the U.S. Department's National Center for Education Statistics (NCES). IPEDS gathers data on enrollments, program completions, graduation rates, faculty and staff, finances, institutional prices, and student financial aid from every college, university, and technical and vocational institution that participates in the federal student financial aid programs.

Appendices Appendix B: FY 2010 Cohort Data For Colleges in Sample

ACCT and TICAS asked selected colleges to provide disaggregated data for their cohort of borrowers who entered repayment in FY 2010 across seven categorical variables. Colleges downloaded their official FY 2010 three-year CDR file from the Department's National Student Loan Data System (NSLDS) secure portal, which contains information about individual borrowers' loan types, dates of enrollment, and basic borrower identifying information (such as date of birth and Social Security Number). Institutions then matched individual borrower records with institutional records using the identifying information, and tabulated the raw number of borrowers and defaulters for each of the seven variables requested.

This appendix includes data provided by each college, and may not align exactly with the colleges' official FY 2010 CDRs. The averages below are unweighted averages representing the sum of figures for all nine colleges divided by 9. We use unweighted averages because colleges are the primary unit of analysis in this report. "% of all defaulters" is the percentage of all defaulters in the FY 2010 cohort represented by each variable. "% of all borrowers" is the percentage of all borrowers who entered repayment in FY 2010 represented by each variable. The "default rate" is the percentage of borrowers who entered repayment in FY 2010 and defaulted on their loan(s) in FY 2010, FY 2011, or FY 2012. Default rates in this appendix are rounded, unlike official CDRs which are truncated.

Average Rates Across Nine Sample Colleges

Data Category	Data Sub-Category	% of all Defaulters	% of all Borrowers	Default Rate
Total Students	Total number of students	N/A	N/A	22.0%
Pell Grant Recipients	Received Pell Grant	76%	64%	26.2%
	Did not receive Pell Grant	24%	36%	13.9%
Dependent Status	Dependent students	31%	32%	21.2%
	Independent students	69%	68%	22.6%
Remediation	Took remedial courses	59%	53%	23.8%
	No remedial courses	41%	47%	17.6%
Credit Completion	Completed at least 15 credits	50%	69%	15.5%
	Completed fewer than 15 credits	50%	31%	38.4%
Program Completion	Completed program	13%	29%	9.3%
	*Did not complete**	*87%*	*71%*	*27.0%*
	Did not complete: left between terms	63%	55%	24.7%
	Did not complete: left in middle of term	29%	20%	33.3%
Timing of Enrollment	Last enrolled prior to 2007-08	13%	16%	12.9%
	*Enrolled in 2007-08 or later**	*87%*	*84%*	*22.7%*

Notes

* Italicized cells are calculations imputed from other data provided by colleges.

** Cells for data collected from individual colleges on the following pages marked with [**] were omitted by colleges in their data returns and could not be imputed.

Appendix B: FY 2010 Cohort Data For Colleges in Sample, Continued

EDMONDS COMMUNITY COLLEGE						
		Defaulters		Borrowers in Repayment		Default Rate
Data Category	Data Sub-Category	# of Defaulters	% of all Defaulters	# of Borrowers	% of all Borrowers	
Total Students	Total number of students	107	100%	527	100%	20.3%
Pell Grant Recipients	Received Pell Grant	71	66%	274	52%	25.9%
	Did not receive Pell Grant	36	34%	253	48%	14.2%
Dependent Status	Dependent students	21	20%	107	20%	19.6%
	Independent students	86	80%	420	80%	20.5%
Remediation	Took remedial courses	65	61%	304	58%	21.4%
	No remedial courses	42	39%	223	42%	18.8%
Credit Completion	Completed at least 15 credits	77	72%	440	83%	17.5%
	Completed fewer than 15 credits	30	28%	87	17%	34.5%
Program Completion	Completed program	19	18%	175	33%	10.9%
	Did not complete	*88*	*82%*	*352*	*67%*	*25.0%*
	Did not complete: left between terms	54	50%	241	46%	22.4%
	Did not complete: left in middle of term	34	32%	111	21%	30.6%
Timing of Enrollment	Last enrolled prior to 2007-08	6	6%	37	7%	16.2%
	Enrolled in 2007-08 or later	*101*	*94%*	*490*	*93%*	*20.6%*

GROSSMONT COLLEGE						
		Defaulters		Borrowers in Repayment		Default Rate
Data Category	Data Sub-Category	# of Defaulters	% of all Defaulters	# of Borrowers	% of all Borrowers	
Total Students	Total number of students	74	100%	366	100%	20.2%
Pell Grant Recipients	Received Pell Grant	61	82%	248	68%	24.6%
	Did not receive Pell Grant	13	18%	118	32%	11.0%
Dependent Status	Dependent students	25	34%	125	34%	20.0%
	Independent students	49	66%	241	66%	20.3%
Remediation	Took remedial courses	59	80%	256	70%	23.0%
	No remedial courses	15	20%	110	30%	13.6%
Credit Completion	Completed at least 15 credits	48	65%	290	79%	16.6%
	Completed fewer than 15 credits	26	35%	76	21%	34.2%
Program Completion	Completed program	8	11%	102	28%	7.8%
	Did not complete	*66*	*89%*	*264*	*72%*	*25.0%*
	Did not complete: left between terms	26	35%	131	36%	19.8%
	Did not complete: left in middle of term	40	54%	133	36%	30.1%
Timing of Enrollment	Last enrolled prior to 2007-08	7	9%	56	15%	12.5%
	Enrolled in 2007-08 or later	*67*	*91%*	*310*	*85%*	*21.6%*

Calculations imputed by ACCT/TICAS are italicized

Appendix B: FY 2010 Cohort Data For Colleges in Sample, Continued

GUILFORD TECHNICAL COMMUNITY COLLEGE						
		Defaulters		Borrowers in Repayment		Default Rate
Data Category	Data Sub-Category	# of Defaulters	% of all Defaulters	# of Borrowers	% of all Borrowers	
Total Students	Total number of students	262	100%	1005	100%	26.1%
Pell Grant Recipients	Received Pell Grant	221	84%	726	72%	30.4%
	Did not receive Pell Grant	41	16%	279	28%	14.7%
Dependent Status	Dependent students	81	31%	296	29%	27.4%
	Independent students	181	69%	709	71%	25.5%
Remediation	Took remedial courses	189	72%	567	56%	33.3%
	No remedial courses	73	28%	438	44%	16.7%
Credit Completion	Completed at least 15 credits	97	37%	570	57%	17.0%
	Completed fewer than 15 credits	165	63%	435	43%	37.9%
Program Completion	Completed program	26	10%	245	24%	10.6%
	Did not complete	*236*	*90%*	*760*	*76%*	*31.1%*
	Did not complete: left between terms	158	60%	570	57%	27.7%
	Did not complete: left in middle of term	78	30%	190	19%	41.1%
Timing of Enrollment	Last enrolled prior to 2007-08	4	2%	44	4%	9.1%
	Enrolled in 2007-08 or later	*258*	*98%*	*961*	*96%*	*26.8%*

IOWA WESTERN COMMUNITY COLLEGE						
		Defaulters		Borrowers in Repayment		Default Rate
Data Category	Data Sub-Category	# of Defaulters	% of all Defaulters	# of Borrowers	% of all Borrowers	
Total Students	Total number of students	354	100%	1499	100%	23.6%
Pell Grant Recipients	Received Pell Grant	280	79%	941	63%	29.8%
	Did not receive Pell Grant	74	21%	558	37%	13.3%
Dependent Status	Dependent students	187	53%	806	54%	23.2%
	Independent students	167	47%	693	46%	24.1%
Remediation	Took remedial courses	252	71%	869	58%	29.0%
	No remedial courses	102	29%	630	42%	16.2%
Credit Completion	Completed at least 15 credits	170	48%	1050	70%	16.2%
	Completed fewer than 15 credits	184	52%	449	30%	41.0%
Program Completion	Completed program	54	15%	549	37%	9.8%
	Did not complete	*300*	*85%*	*950*	*63%*	*31.6%*
	Did not complete: left between terms	222	63%	742	49%	29.9%
	Did not complete: left in middle of term	78	22%	208	14%	37.5%
Timing of Enrollment	Last enrolled prior to 2007-08	11	3%	125	8%	8.8%
	Enrolled in 2007-08 or later	*343*	*97%*	*1374*	*92%*	*25.0%*

Calculations imputed by ACCT/TICAS are italicized

Appendix B: FY 2010 Cohort Data For Colleges in Sample, Continued

LANE COMMUNITY COLLEGE						
		Defaulters		Borrowers in Repayment		Default Rate
Data Category	Data Sub-Category	# of Defaulters	% of all Defaulters	# of Borrowers	% of all Borrowers	
Total Students	Total number of students	952	100%	3105	100%	30.7%
Pell Grant Recipients	Received Pell Grant	791	83%	2158	70%	36.7%
	Did not receive Pell Grant	161	17%	947	31%	17.0%
Dependent Status	Dependent students	244	26%	1096	35%	22.2%
	Independent students	708	74%	2009	65%	35.3%
Remediation	Took remedial courses	608	64%	1837	59%	33.1%
	No remedial courses	344	36%	1268	41%	27.1%
Credit Completion	Completed at least 15 credits	429	45%	1877	60%	22.9%
	Completed fewer than 15 credits	523	55%	1228	40%	42.6%
Program Completion	Completed program	38	4%	389	13%	9.8%
	Did not complete	*914*	*96%*	*2716*	*87%*	*33.7%*
	Did not complete: left between terms	579	61%	1894	61%	30.6%
	Did not complete: left in middle of term	335	35%	822	26%	40.8%
Timing of Enrollment	Last enrolled prior to 2007-08	38	4%	352	11%	10.8%
	Enrolled in 2007-08 or later	*914*	*96%*	*2753*	*89%*	*33.2%*

MINNEAPOLIS COMMUNITY AND TECHNICAL COLLEGE						
		Defaulters		Borrowers in Repayment		Default Rate
Data Category	Data Sub-Category	# of Defaulters	% of all Defaulters	# of Borrowers	% of all Borrowers	
Total Students	Total number of students	649	100%	2735	100%	23.7%
Pell Grant Recipients	Received Pell Grant	542	84%	1935	71%	28.0%
	Did not receive Pell Grant	107	16%	800	29%	13.4%
Dependent Status	Dependent students	151	23%	688	25%	21.9%
	Independent students	498	77%	2047	75%	24.3%
Remediation	Took remedial courses	411	63%	1545	56%	26.6%
	No remedial courses	238	37%	1190	44%	20.0%
Credit Completion	Completed at least 15 credits	263	41%	1744	64%	15.1%
	Completed fewer than 15 credits	386	59%	991	36%	39.0%
Program Completion	Completed program	56	9%	492	18%	11.4%
	Did not complete	*593*	*91%*	*2243*	*82%*	*26.4%*
	Did not complete: left between terms	396	61%	1604	59%	24.7%
	Did not complete: left in middle of term	197	30%	639	23%	30.8%
Timing of Enrollment	Last enrolled prior to 2007-08	55	8%	495	18%	11.1%
	Enrolled in 2007-08 or later	*594*	*92%*	*2240*	*82%*	*26.5%*

Calculations imputed by ACCT/TICAS are italicized

Appendix B: FY 2010 Cohort Data For Colleges in Sample, Continued

MORAINE PARK TECHNICAL COLLEGE						
		Defaulters		Borrowers in Repayment		Default Rate
Data Category	Data Sub-Category	# of Defaulters	% of all Defaulters	# of Borrowers	% of all Borrowers	
Total Students	Total number of students	94	100%	642	100%	14.6%
Pell Grant Recipients	Received Pell Grant	58	62%	328	51%	17.7%
	Did not receive Pell Grant	36	38%	314	49%	11.5%
Dependent Status	Dependent students	26	28%	251	39%	10.4%
	Independent students	68	72%	391	61%	17.4%
Remediation	Took remedial courses	5	5%	78	12%	6.4%
	No remedial courses	89	95%	564	88%	15.8%
Credit Completion	Completed at least 15 credits	56	60%	569	89%	9.8%
	Completed fewer than 15 credits	38	40%	73	11%	52.1%
Program Completion	Completed program	16	17%	240	37%	6.7%
	Did not complete	*78*	*83%*	*402*	*63%*	*19.4%*
	Did not complete: left between terms	**	**	**	**	**
	Did not complete: left in middle of term	**	**	**	**	**
Timing of Enrollment	Last enrolled prior to 2007-08	43	46%	254	40%	16.9%
	Enrolled in 2007-08 or later	*51*	*54%*	*388*	*60%*	*13.1%*

ST. PHILIP'S COLLEGE						
		Defaulters		Borrowers in Repayment		Default Rate
Data Category	Data Sub-Category	# of Defaulters	% of all Defaulters	# of Borrowers	% of all Borrowers	
Total Students	Total number of students	185	100%	874	100%	21.2%
Pell Grant Recipients	Received Pell Grant	145	78%	605	69%	24.0%
	Did not receive Pell Grant	40	22%	269	31%	14.9%
Dependent Status	Dependent students	10	5%	39	4%	25.6%
	Independent students	175	95%	835	96%	21.0%
Remediation	Took remedial courses	168	91%	745	85%	22.6%
	No remedial courses	17	9%	129	15%	13.2%
Credit Completion	Completed at least 15 credits	133	72%	750	86%	17.7%
	Completed fewer than 15 credits	52	28%	124	14%	41.9%
Program Completion	Completed program	39	21%	354	41%	11.0%
	Did not complete	*146*	*79%*	*520*	*59%*	*28.1%*
	Did not complete: left between terms	**	**	**	**	**
	Did not complete: left in middle of term	**	**	**	**	**
Timing of Enrollment	Last enrolled prior to 2007-08	2	1%	18	2%	11.1%
	Enrolled in 2007-08 or later	*183*	*99%*	*856*	*98%*	*21.4%*

Calculations imputed by ACCT/TICAS are italicized

Appendix B: FY 2010 Cohort Data For Colleges in Sample, Continued

VALENCIA COMMUNITY COLLEGE						
		Defaulters		Borrowers in Repayment		Default Rate
Data Category	Data Sub-Category	# of Defaulters	% of all Defaulters	# of Borrowers	% of all Borrowers	
Total Students	Total number of students	639	100%	3670	100%	17.4%
Pell Grant Recipients	Received Pell Grant	438	69%	2338	64%	18.7%
	Did not receive Pell Grant	201	31%	1332	36%	15.1%
Dependent Status	Dependent students	359	56%	1781	49%	20.2%
	Independent students	280	44%	1889	51%	14.8%
Remediation	Took remedial courses	182	28%	968	26%	18.8%
	No remedial courses	457	72%	2702	74%	16.9%
Credit Completion	Completed at least 15 credits	77	12%	1152	31%	6.7%
	Completed fewer than 15 credits	562	88%	2518	69%	22.3%
Program Completion	Completed program	67	10%	1154	31%	5.8%
	Did not complete	*572*	*90%*	*2516*	*69%*	*22.7%*
	Did not complete: left between terms	562	88%	2471	67%	22.7%
	Did not complete: left in middle of term	10	2%	45	1%	22.2%
Timing of Enrollment	Last enrolled prior to 2007-08	258	40%	1315	36%	19.6%
	Enrolled in 2007-08 or later	*381*	*60%*	*2355*	*64%*	*16.2%*

Calculations imputed by ACCT/TICAS are italicized

Glossary

Cohort default rate (CDR)	The percentage of a school's borrowers who enter repayment on one or more federal student loans in a given federal fiscal year (October 1 to September 30) and default on those loans within three years. The U.S. Department of Education (ED) releases official cohort default rates once per year.
Defaulter	A federal student loan borrower who does not repay one or more loan(s) for at least 270 days is in "default." For colleges, defaulted loans are not generally counted in their cohort default rate until they are 360 days overdue, leaving a gap of up to 90 days between when borrowers and colleges may first experience the consequences of default.
Deferment	A period during which federal loan repayment is postponed and interest on federal subsidized loans does not accrue. Students may be eligible for deferment if they are: enrolled in a college or career school at least half-time; serving in the military; unemployed; or experiencing economic hardship. On other federal loans (including unsubsidized loans), interest continues to accrue, and any unpaid interest may be added to the loan's principal balance (capitalized).
Dependent student	As determined by federal law, a dependent student does not meet any of the criteria for an independent student (see "Independent student" for a list of criteria).
Disbursement	Payment of student financial aid funds to the student by the school. Students generally receive their federal student funds in two or more disbursements per academic year.
Entrance counseling	A mandatory information session required of all first-time federal student loan borrowers that covers basic facts about loans, managing expenses, and borrower rights and responsibilities. Entrance counseling must be completed before disbursement. It is available through https://studentloans.gov/ or through alternative counseling as designated by the institution.
Exit counseling	A mandatory information session that takes place when the student graduates or drops below half-time enrollment, which explains loan repayment responsibilities and when repayment begins. It is available through https://studentloans.gov/ or through alternative counseling as designated by the institution.
FAFSA	The Free Application for Federal Student Aid (known as the FAFSA) is a form students complete annually to determine their eligibility for student financial aid. The application is the gateway of consideration for federal aid (including the Pell Grant, Federal student loans and Federal Work-Study), state aid, and many institutional aid programs.
Federal financial aid	See *Title IV*.
Forbearance	A period during which payments on federal loans are temporarily suspended or reduced. Students may be eligible for forbearance if they are unable to make loan payments due to financial hardship. During forbearance, principal payments are postponed but interest continues to accrue. Unpaid interest that accrues during forbearance is added to the loan's principal balance (capitalized).

Glossary, Continued

Independent student	As determined by federal law, an independent student is one of the following: at least 24 years old, married, a graduate or professional student, a veteran, a member of the armed forces, an orphan, a ward of the court, someone with legal dependents other than a spouse, an emancipated minor, or someone who is homeless or at risk of becoming homeless.
Loan packaging	A means of offering loans to eligible students. Student loans can be automatically "packaged," or listed in the financial aid award letter students receive after applying for aid, or colleges may exclude loans from aid packages until a student proactively requests a loan.
Loan request form	Any form used by the student to request federal student loans from a college, either electronically or by hard copy submission. Loan request forms are distinct from the application for loans, which is the FAFSA.
Master Promissory Note (MPN)	A legal document in which the student promises to repay the loan(s) and any accrued interest and fees. The MPN explains the loan terms and conditions; repayment, deferment, and forgiveness options; and collects contact and reference information.
NSLDS	The National Student Loan Data System (NSLDS) is the U.S. Department of Education's central database for student aid. NSLDS receives data from schools, guaranty agencies, the Direct Loan program, and other Department of ED programs. It provides colleges a centralized, integrated view of Title IV loans and Pell grants that are tracked through their entire cycle from aid approval through closure. NSLDS Student Access provides information to students about their Title IV loans and/or grants.
Pell Grants	The federal Pell Grant program provides need-based grants to low-income undergraduates and certain postbaccalaureate students to promote access to postsecondary education. Grant amounts depend on the student's expected family contribution (as determined through the filing of the FAFSA, cost of attendance, attendance status (full-time or part-time), and whether the student attends for a full academic year or less.
Remediation; Remedial education	Education designed to bring students who are underprepared for post secondary education to college-ready skill levels. Most remedial education courses are offered in reading, writing, and math. Also known as *developmental education*.
Subsidized federal loan	A loan available to undergraduate students with financial need. The U.S. Department of Education pays the interest on these loans while a student is enrolled at least half-time, during a grace period after graduation, and during deferment.
Title IV	The programs authorized under Title IV of the Higher Education Act of 1965 provide grants, loans and work-study funds from the federal government to eligible students enrolled in college or career school. American colleges and universities are classified as "Title IV eligible" if they are approved to award Title IV aid.
Unsubsidized federal loan	A loan available to undergraduate and graduate students regardless of financial need. Interest accrues from the date of disbursement and continues through the life of the loan. Interest that accrues during grace periods and deferment or forbearance periods will be added to the loan's principal balance (capitalized).

The Association of Community College Trustees (ACCT) is a non-profit educational organization of governing boards, representing more than 6,500 elected and appointed trustees who govern over 1,100 community, technical, and junior colleges in the United States and beyond. These community professionals, business officials, public policy leaders, and leading citizens offer their time and talent to serve on the governing boards of this century's most innovative higher education institutions — community, junior, and technical colleges — and make decisions that affect more than 1,100 colleges and over 13 million students annually. For more about ACCT, see www.acct.org.

The Institute for College Access & Success (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 www.ticas.org.

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