

A CLOSER LOOK AT THE TRILLION

BORROWING, REPAYMENT, AND DEFAULT AT IOWA'S COMMUNITY COLLEGES



February 9, 2016
Education
Appropriations
Subcommittee

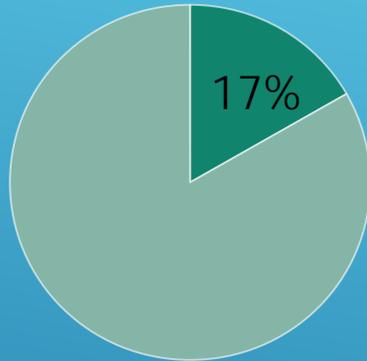
Dr. Laurie Wolf,
Des Moines Area
Community College

DATA

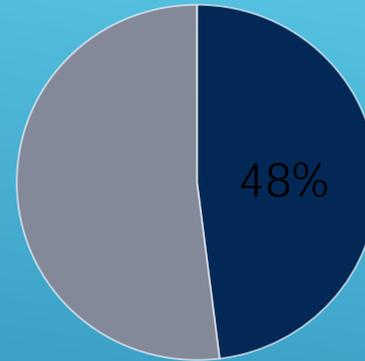
- National Student Loan Data System (NSLDS) data:
 - School Portfolio Report (SPR)
 - Most current data in the system
 - Loan Record Detail Report (LRDR)
 - Loan information frozen at the end of the CDR period
 - Institutions merged student data onto the SPR file
 - Analysis is based on SPR data, with some exceptions:
 - 27,675 borrowers
 - 7,680 defaulters
 - Analysis is performed at the student level unless otherwise noted
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BORROWING RATES BY SECTOR

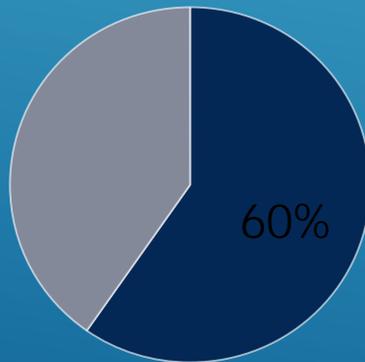
Public 2-Year



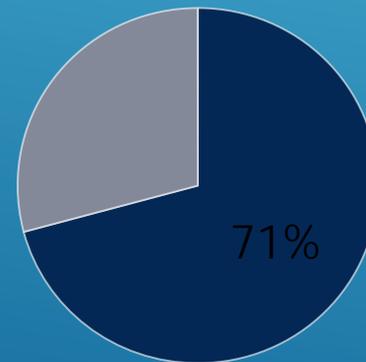
Public 4-Year



Private 4-Year

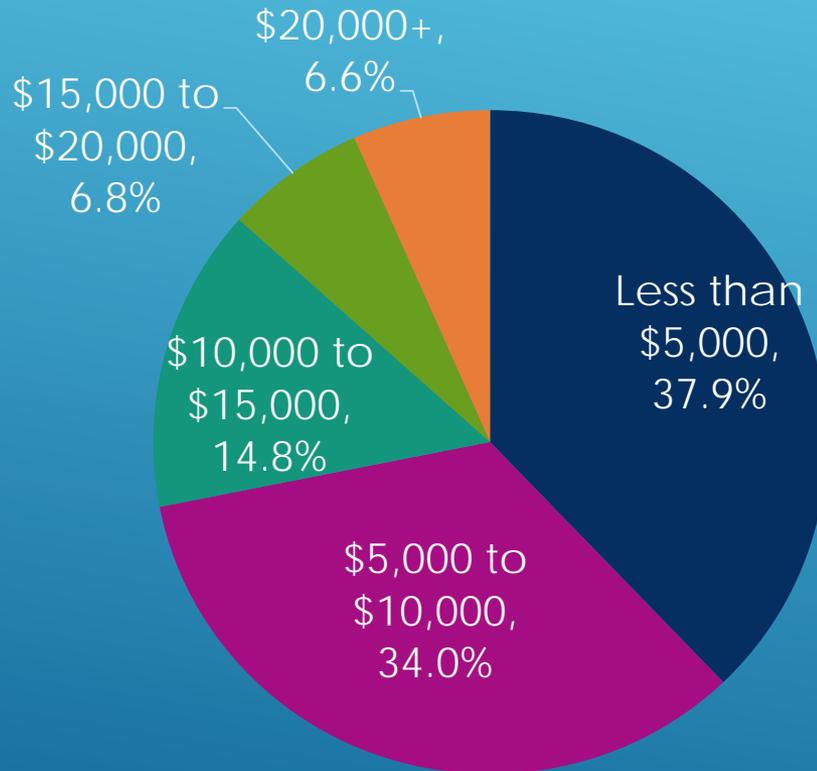


Private For-Profit



Source: U.S. Department of Education. *2011–12 National Postsecondary Student Aid Study (NPSAS:12) Student Financial Aid Estimates for 2011–12*. Table 3. <http://nces.ed.gov/pubs2013/2013165.pdf> and the authors' calculations using NPSAS:12 and variables FEDCUM1, T4LNAMT1, and SECTOR4, weighted by WTA000.

AMOUNT BORROWED

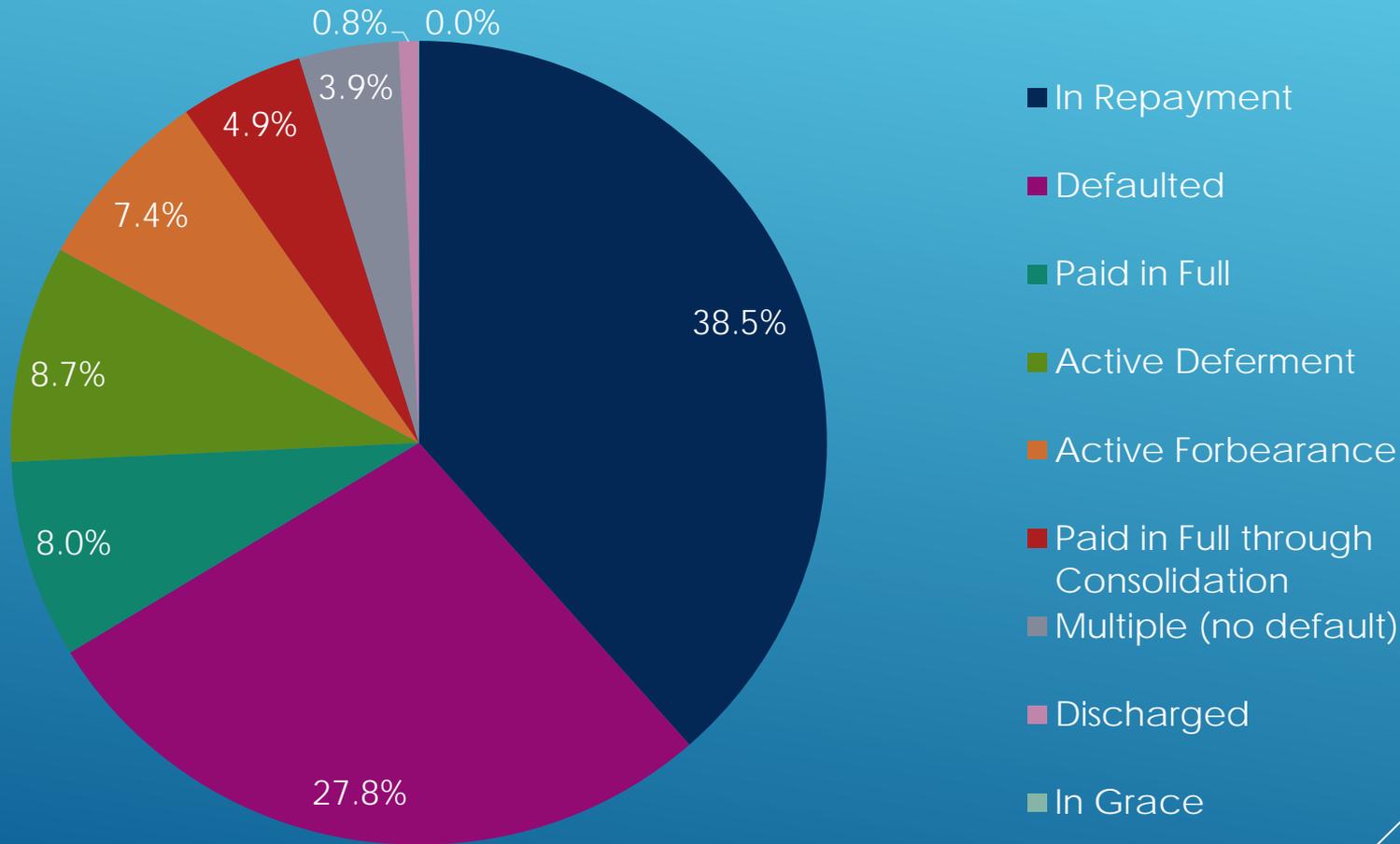


Average debt:
\$8,287

72% of borrowers
owe < \$10,000

LOAN STATUS

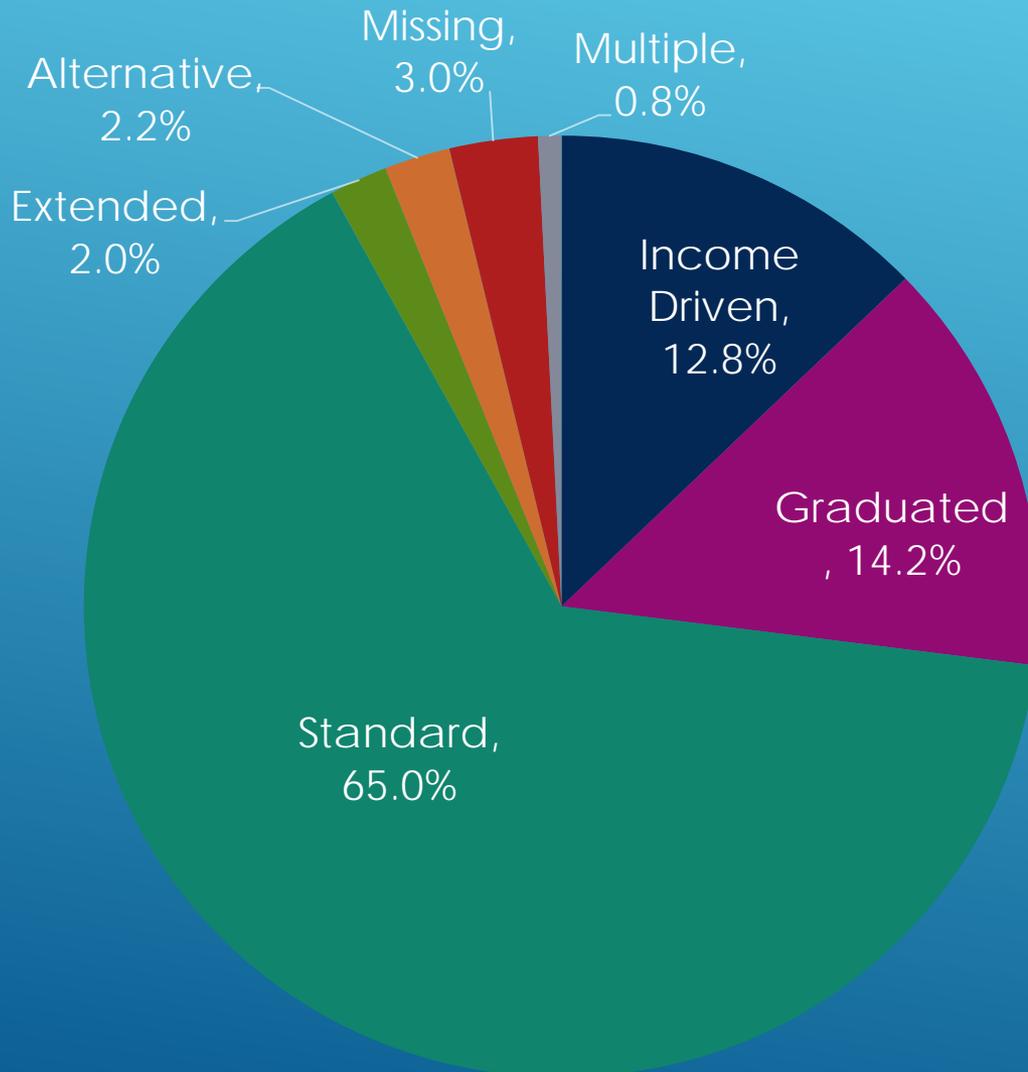
Overwhelmingly, students are either in repayment or in default.



Source: National Student Loan Data System (NSLDS).

REPAYMENT PLANS

FOR BORROWERS WITH AN "IN REPAYMENT" STATUS



Nearly 2/3 are in standard repayment

Only 13% are in an income driven plan

Source: National Student Loan Data System (NSLDS).

DEBT LEVELS AND DEFAULT RATES

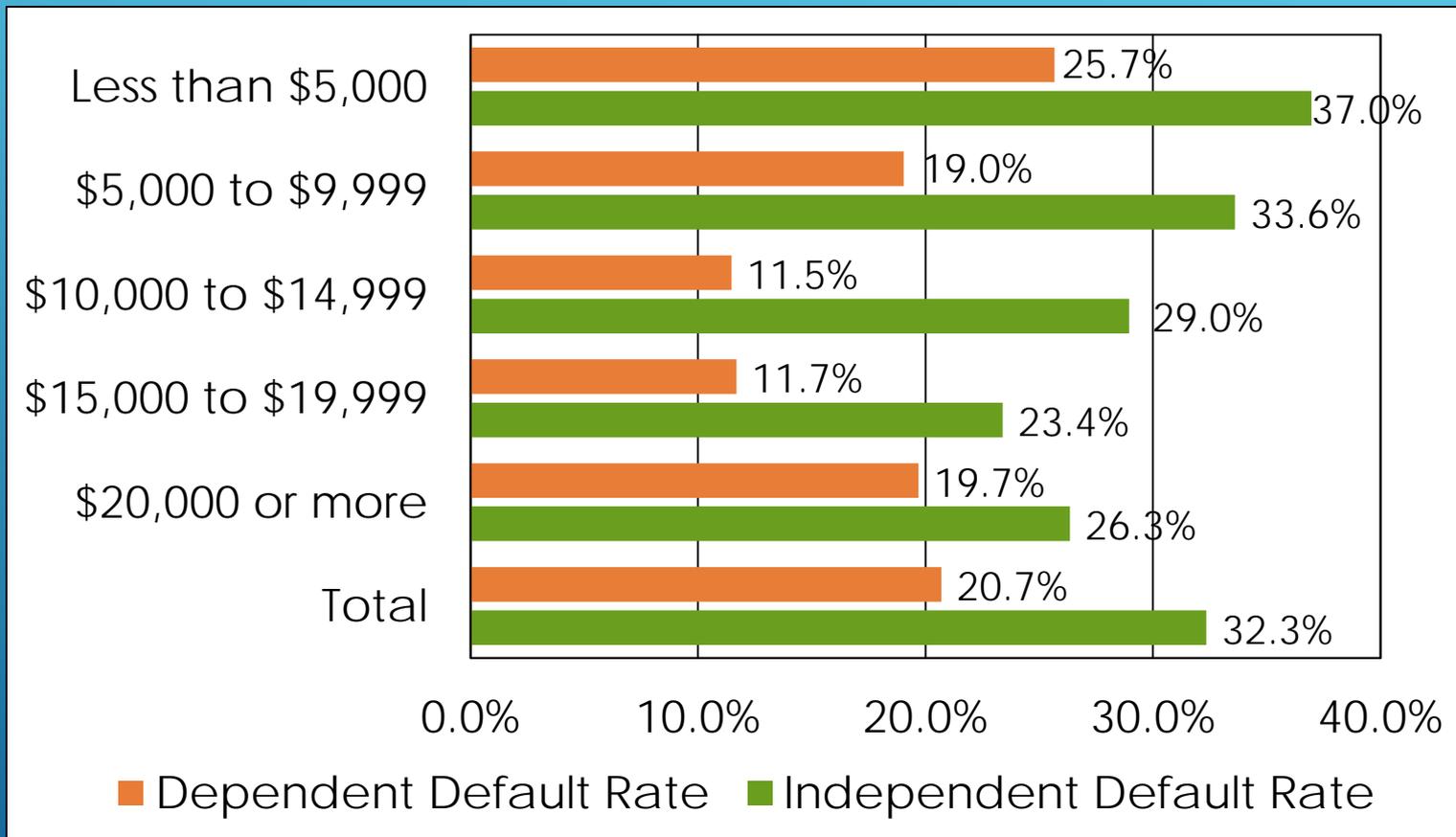
Debt Range	Number of Borrowers	Number of Defaulters	Default Rate
Less than \$5,000	10,475	3,318	31.7%
\$5,000 to \$9,999	9,412	2,566	27.3%
\$10,000 to \$14,999	4,095	930	22.7%
\$15,000 to \$19,999	1,869	392	21.0%
\$20,000 or more	1,824	474	26.0%
Total	27,675	7,680	27.8%

Source: National Student Loan Data System (NSLDS).

43.2 percent of all defaulters borrowed less than \$5,000, and 76.6 percent borrowed less than \$10,000.

DEPENDENCY STATUS

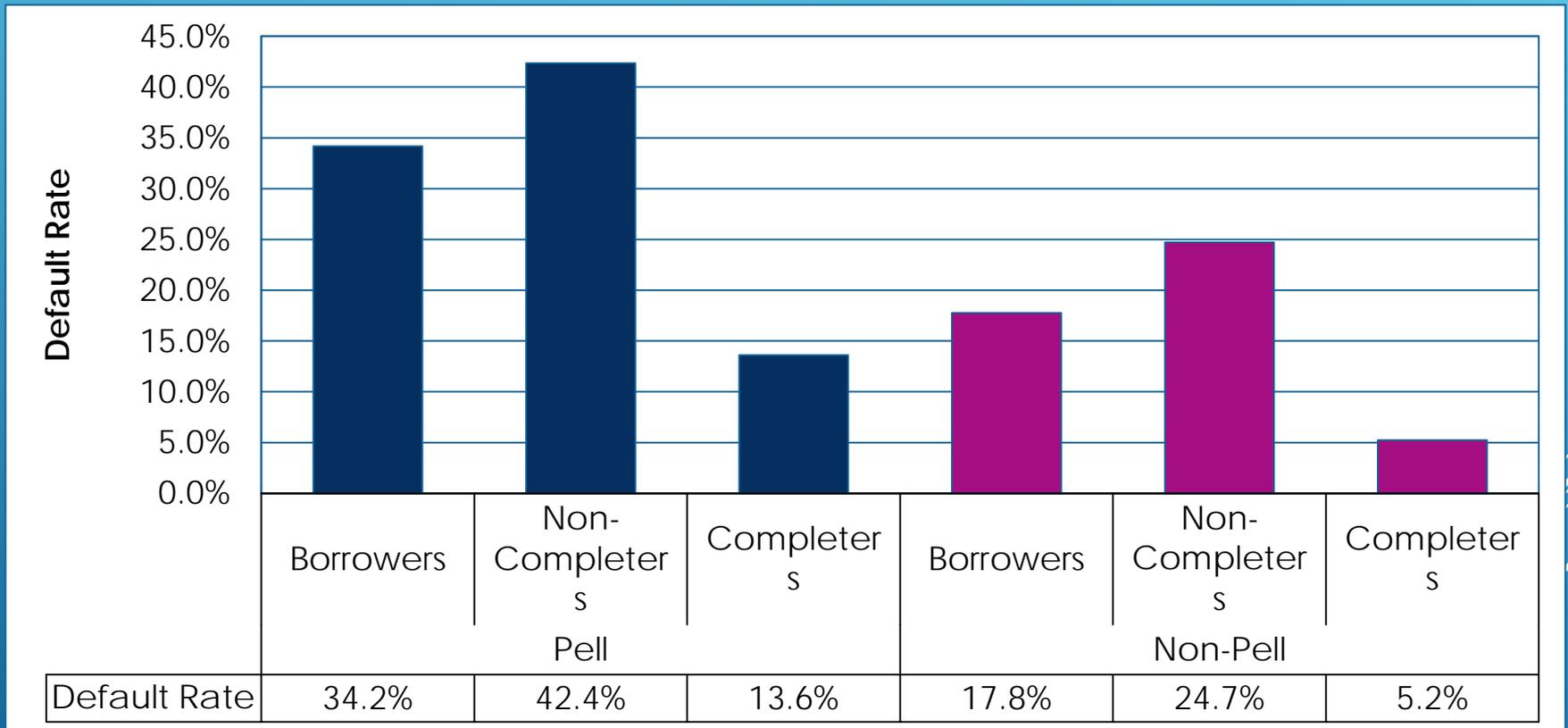
Independent borrowers default at higher rates than dependent borrowers.



Source: National Student Loan Data System (NSLDS) and Iowa community colleges' student information systems.

PELL RECEIPT

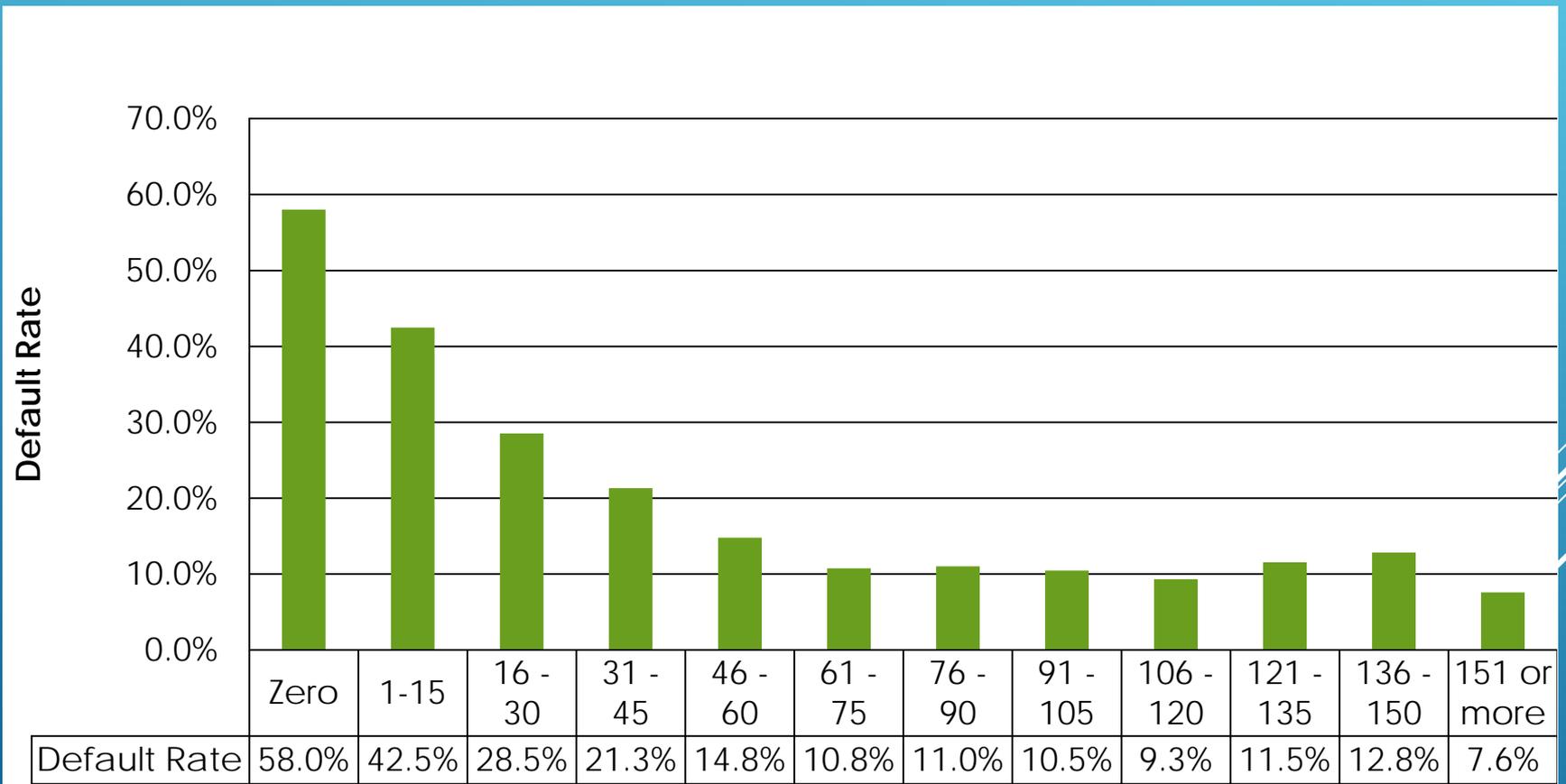
Completion can make a big difference for all borrowers, but especially Pell recipients.



Source: National Student Loan Data System (NSLDS) and Iowa community colleges' student information systems.

CREDITS EARNED

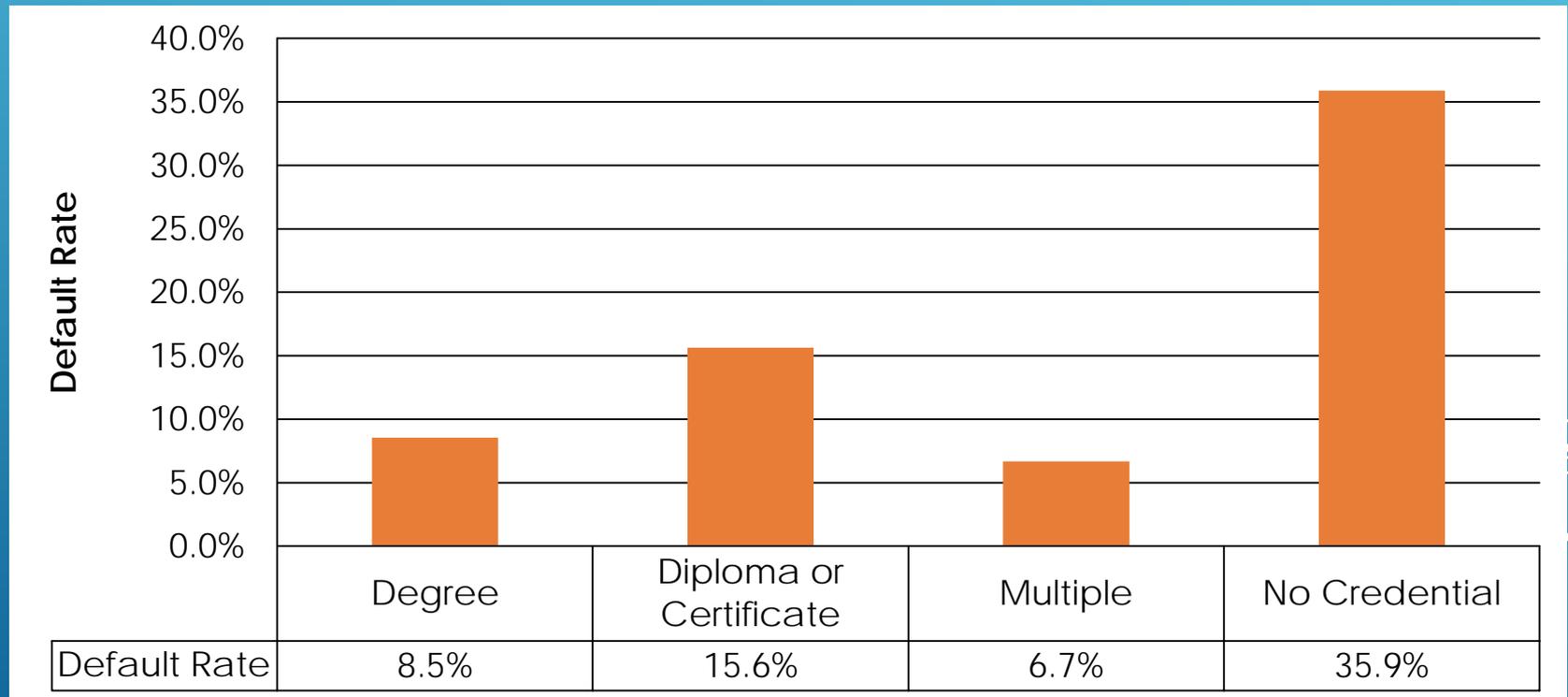
The highest default rates occur for those who earn 15 or fewer credits. Sixty percent of defaulters fall into this group.



Source: National Student Loan Data System (NSLDS) and Iowa community colleges' student information systems.

CREDENTIALS EARNED

Those who earned no credential had the highest default rate and made up almost 90 percent of defaulters. For non-completers who subsequently used an in-school deferment, the default rate was 18.3 percent.



Source: National Student Loan Data System (NSLDS) and Iowa community colleges' student information systems.

REPAYMENT PLANS

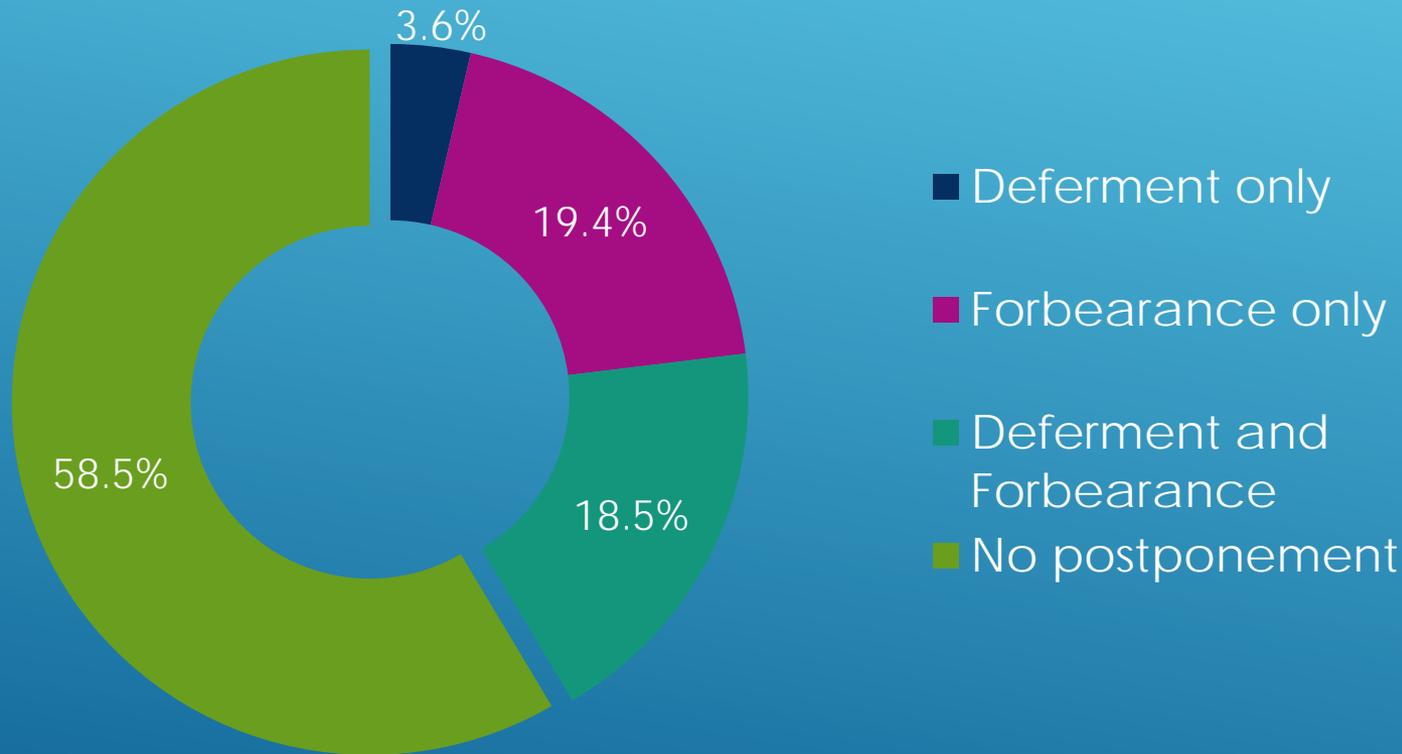
Ninety three percent of defaulters had the Standard Plan as their last payment plan.

Repayment Plan Type	Number of Borrowers	Number of Defaulters	Percent of Defaulters	Default Rate
Standard	20,684	7,140	93.0%	34.5%
Graduated	2,639	342	4.5%	13.0%
Income-Driven	1,984	63	0.8%	3.2%
Extended	355	63	0.8%	4.7%
Missing	1,332	33	0.4%	12.0%
Alternative	407	27	0.4%	6.6%
Multiple	274	12	0.2%	3.4%
Total	27,675	7,680	100.0%	27.8%

Source: National Student Loan Data System (NSLDS).

POSTPONEMENTS USED BY DEFAULTERS

Almost three-fifths of defaulters did not use a deferment or forbearance.



Source: National Student Loan Data System (NSLDS).

PAYMENTS MADE BY DEFAULTERS

Payments Made	Number of Defaulters	Percent	Median Debt
No Payment	5,115	66.6%	\$7,493
At Least One Payment	2,565	33.4%	\$8,191
Total	7,680	100.00%	-

Source: National Student Loan Data System (NSLDS).

Two-thirds of students who defaulted made no payment on their debt.

Overall, 43.3 percent of defaulters neither made a payment nor used a deferment or forbearance.

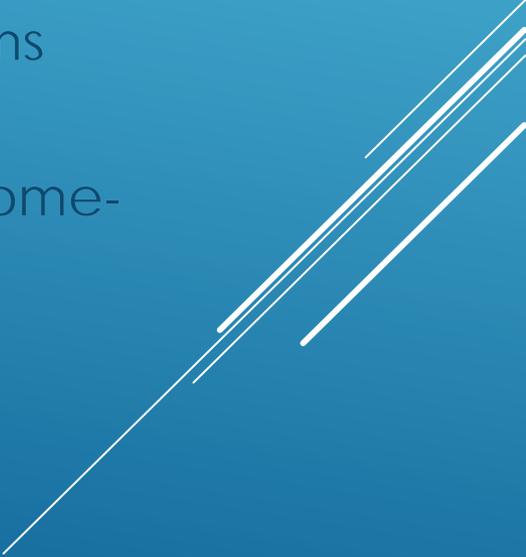
LESSONS LEARNED

- ▶ The “amount of student loan debt” is not the number one indicator of potential student default
 - ▶ Low-debt borrowers need the most support.
 - ▶ Default is highly correlated with progression and completion.
 - ▶ We don't have a loan debt problem – we have an academic advising and completion problem
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LESSONS LEARNED (CONT.)

- ▶ Institutions have the data to refine their default management processes but may lack the capacity to analyze it.
 - ▶ Borrowers with the highest debt volume are reverse transfers.
 - ▶ Many defaulters take no action on their debt – no deferment, forbearance, or payment.
 - ▶ Borrowers are not properly informed of debt burden and repayment options
 - ▶ Borrowers are not aware of Income Based Repayment Plans when they leave.
 - ▶ Borrowers do not always obtain an in-school deferment when enrolled at their next institution.
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STRATEGIES TO REDUCE DEFAULT

- ▶ Focus on students who drop out, especially after short-term enrollment
 - ▶ Consider different procedures for students who are at high risk of default
 - ▶ Collect up-to-date contact information and make it easy for students to update it
 - ▶ Ensure data in student management systems and NSLDS are complete
 - ▶ Get as many borrowers as possible into income-driven plans
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STAGES OF DEFAULT MANAGEMENT ACTIVITIES

- ▶ Pre-Enrollment Activities
- ▶ Initial Enrollment/Registration
- ▶ Application for Financial Aid
- ▶ Application for Re-Borrowing for Second Year
- ▶ Upon Withdrawal
- ▶ Upon Graduation
- ▶ Upon Entering Repayment
- ▶ During Repayment
- ▶ During Serious Delinquency (120+ Days)

REVIEW OF COLLEGE POLICIES

- ▶ Admission-Reverse Transfers
 - ▶ Required Orientation for ALL New Students
 - ▶ First Year Experience Course
 - ▶ Early Alert system
 - ▶ Satisfactory Academic Progress
 - ▶ Registration
 - ▶ Loan Processing
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THANK YOU!

