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Subject: Direct Loan Closeout Information for 2009-2010 Program Year

The Direct Loan closeout deadline for the 2009-2010 Program Year is **Friday, July 29, 2011**. This is the last processing day of the program year, so all school data must be received and accepted by this date in order to be included in a school's final Ending Cash Balance for the year. **Note:** Exceptions to the last processing day of the program year may be made on a case-by-case basis, if the school's processing period extends beyond the closeout deadline. Schools falling within this category must request extended processing by contacting the Common Origination and Disbursement (COD) School Relations Center at the number provided below.

To be considered successfully closed out, the school must-

- Have an Ending Cash Balance of \$0 and Total Net Unbooked Disbursements of \$0, as reflected on the School Account Statement (SAS), and
- Complete the Balance Confirmation form on the [COD Web site](#).

As part of the closeout process, we will send ongoing notices via Zero Balance or Remaining Balance e-mails. In addition, we will distribute a Notification/Warning Letter via e-mail to schools in May 2011. This letter will go to the Financial Aid Administrator and President at each school that has not confirmed closeout on the [COD Web site](#) (including any schools with a zero balance). It will serve as a reminder to finish processing and confirm closeout before the final deadline. After the closeout deadline, schools with remaining balances will be billed.

A school must be aware of its closeout status even if its Direct Loan processing is handled by a third party servicer. We encourage each school to communicate regularly with your third party servicer to ensure closeout is completed. ***It is the school's responsibility to ensure that it finishes processing and confirms closeout on time.***

As a reminder, reconciliation is performed on a monthly basis, and the final closeout stage should begin no later than the last award end date at the school for a given program and year. A key factor to an easy reconciliation and closeout is staying on top of the process. We encourage schools to review the following information:

- Compare internal student accounts and Business Office/Bursar records with Financial Aid Office records and resolve any discrepancies.

- Ensure that all drawdowns and refunds of cash are accounted for and applied to the correct program year.
- Ensure that all batches have been sent to and accepted by the COD System, all disbursements and adjustments are accurately reflected on the COD System, and all responses are imported into the school's system.
- Ensure that all unbooked loans are booked or inactivated (reduced to \$0).
- Resolve all outstanding rejected records.
- Return all refunds of cash to us.
- Request any remaining funds owed to the school based on actual disbursements accepted by the COD System.

There are numerous tools available to assist schools in reconciliation and closeout efforts. These tools are as follows:

- School Account Statement (SAS)
- 30-Day Warning Report
- Pending Disbursement Listing
- Funded Disbursement Listing (Pushed Cash schools only)
- [G5 Web Site and Reports](#)
- [COD Web site](#) (particularly the School Summary Financial Information, Funding Information, Cash Activity, and Refunds of Cash screens)
- DL Tools software/SAS Compare Program
- Customer Service Representative/Reconciliation Specialist Assistance

Contact Information

We appreciate your cooperation as we work to close out the 2009-2010 Direct Loan Program Year. If you have questions about this bulletin or need assistance with closeout, contact the COD School Relations Center at 800/848-0978. You may also e-mail CODSupport@acs-inc.com.

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News

Student Loan Debt, Reframed

March 16, 2011

WASHINGTON -- Much of the discussion about college student debt revolves around the 15 percent of borrowers who default on their loans, with federal policies assessing institutions' quality in part on the proportion of their graduates who default and advocates for students pushing to win (back) bankruptcy protections for those who face that crushing fate.

Yet all the attention to that relatively small (but growing) slice of borrowers tends to create the impression, says Alisa Cunningham, a researcher at the Institute for Higher Education Policy, that "everyone else" is in just fine shape, debt-wise. Yet [a study released Tuesday](#) by the nonprofit think tank suggests otherwise, showing that a majority of borrowers at least delay some loan payments, and a full quarter (26 percent) actually go into delinquency on their debt at some point during their first five years of repayment.

And those delinquent borrowers face some if not all of the painful ramifications of the higher-profile loan defaulters, including damage to their credit scores and future borrowing ability, and are far less likely to finish college than are their peers who pay off their loans on time, the study finds.

"The default figures lead to a misleading impression that few students are struggling," says Alisa F. Cunningham, vice president of research and programs at the higher ed policy institute and a co-author of the paper, with Gregory Kienzl, IHEP's director of research and evaluation. Defaults alone do not "fully capture the extent of the problems that many borrowers are facing."

The federal government has held colleges accountable for the rates at which students at individual colleges default on their federally subsidized loans since the early 1990s, on the theory that doing so would weed out fraudulent schools and force other institutions and lenders to take the issue of student debt more seriously. The rates fell sharply through the 1990s and early part of the 2000s, before edging up in recent years as graduates' economic prospects dimmed.

Critics have long argued, though, that [the government's method of calculating default rates](#) may mask many struggling borrowers, especially if colleges -- to avoid higher default rates that can threaten their students' access to federal financial aid -- encourage them to take advantage of deferments, forbearances, and other options that allow them to postpone repayment. (The Education Department's [proposed regulation](#) to require for-profit colleges to show that they are preparing students for "gainful employment" would count borrowers who are in deferment or forbearance as not in full repayment, to the dismay of career college officials.)

The study by the Institute for Higher Education Policy examined the records (provided by five large guarantors of federal student loans) of 8.7 million borrowers who entered repayment between October 1, 2004 and September 30, 2009, with a focus on about 1.8 million borrowers who entered repayment in 2005.

As seen in the table below, slightly more than a third of the borrowers in the 2005 cohort made all their payments on time, and 15 percent had defaulted within five years of entering repayment. The rest were granted deferments and/or forbearances, and a total of 26 percent became delinquent on their loans, but did not default on them -- at least within the five-year repayment period studied (an important qualification.)

Repayment Status of Borrowers Who Entered Repayment in 2005

Timely Repayment	37%
Deferment Only (in-school enrollment)	7%
Deferment Only (economic hardship)	4%
Forbearance Only	6%
Forbearance and Deferment	6%
Delinquency Only	5%
Delinquency and Deferment	5%
Delinquency and Forbearance	8%
Delinquency with Deferment/Forbearance	8%
Default	15%

Borrowers at for-profit colleges (two-year and four-year) were likelier than their public and private nonprofit college peers to default, and likelier than other four-year colleges to become delinquent on their loans. Borrowers who had attended public two-year colleges were likelier than other student loan borrowers to have delinquencies, although far smaller proportions of community college students borrowed than did students in other sectors.

The fact that there are two delinquent borrowers for every defaulter -- and that at least some of the delinquent borrowers may well fall into default at some point beyond what was captured in the five-year window -- suggests that policy makers and the government need to pay more attention to delinquent borrowers, the researchers said.

— **Doug Lederman**

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White House to GOP: Debt Reduction Plan Should Not Trim Pell Grants

BY LAUREN SMITH, CQ STAFF

The White House is reportedly pushing back against a Republican proposal to use cuts in some student loan subsidies to pay down the debt rather than to maintain the maximum Pell grant award for low-income college students, according to education advocates.

“We have heard from folks at the White House that they still are very intent and firm . . . that it be used for the Pell, not the deficit reduction,” said Joel Packer, executive director of the Committee for Education Funding, a coalition of education groups that lobby for federal aid. “Whether that means it’s completely off the table — I don’t know. But the White House folks have told us they aren’t supporting using the savings for the deficit reduction.”

The reduction in the subsidy that keeps graduate students from accruing interest on student loans while they are in school — estimated at \$29 billion over 10 years — was first recommended by the administration as a way to help finance the maximum Pell award of \$5,550. Republicans subsequently raised it as a way to reduce the debt in the bipartisan talks on cutting federal spending being led by Vice President Joseph R. Biden Jr. Republicans also seek additional savings by allowing interest to accrue on loans to undergraduates still in school.

But even if Pell grants are not affected by the debt-reduction talks, they may undergo changes as a result of the negotiations over the fiscal 2012 budget. Lawmakers in both parties are looking at proposals to restructure the program, which experts estimate will need an additional \$11 billion in fiscal 2012 to maintain the current maximum award to low-income college students. The program narrowly escaped the chopping block during fiscal 2011 spending negotiations.

“I think there is recognition that it will be extremely difficult to retain the maximum award without some policy changes,” Packer said.

As part of his 2012 budget request, the president proposed trimming several other programs to fund the maximum grant, including eliminating the graduate loan interest subsidy, eliminating a second Pell grant that students can use for summer school, and making structural changes to the Perkins loan, another federally-backed tuition assistance program.

GOP’s Proposal

Republicans generally dislike Obama’s plan, describing it as a quick fix and expressing concern the program is on the path to bankruptcy.

“Pell grants are the perfect example of promises that cannot be kept,” House Budget Chairman Paul D. Ryan, R-Wis., wrote in his fiscal 2012 budget plan, noting program costs have more than doubled since 2008, from \$16 billion to an estimated \$35 billion in fiscal year 2012. “The program is on an unsustainable path.”

Ryan’s budget includes proposals to restructure the program that would cap students’ use of the grant to six years rather than nine years. His plan also would shrink the number of eligible students by changing the aid formula to target only the neediest students, instituting a maximum income cap and eliminating eligibility for students enrolled in school less than half time and for students who receive the minimum award. Overall, his budget plan calls for cutting \$6 billion from Pell grants.

A spokeswoman for Sen. Tom Harkin said the Iowa Democrat is pushing for more money for the program, but is also evaluating proposals to offset the costs of maintaining the maximum award or to reduce the cost of the program.

(CONTINUED)

Supporters of the Pell grant program warn that rushed decisions could have disastrous effects.

“Congress shouldn’t be making harsh, long-lasting policy decisions for a short-term problem,” said Rich Williams, higher education advocate at U.S. PIRG, a federation of state public interest research groups, adding that as the economy regains strength, fewer people will need to rely on Pell grants, relieving some of the program’s financial needs.

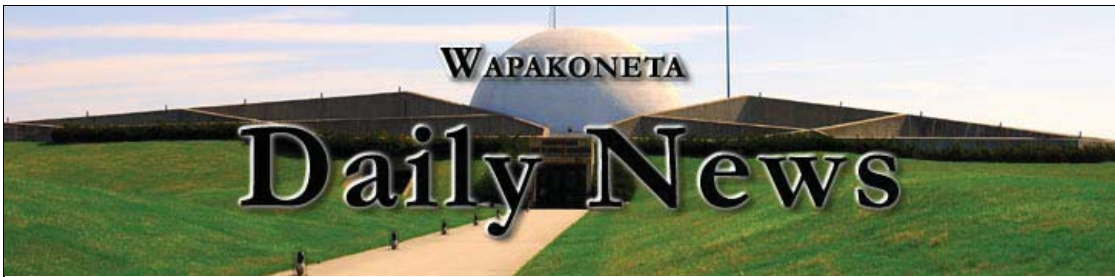
House Republicans are planning to mark up the Labor-HHS-Education appropriations bill in July, meaning lawmakers would need to add policy changes through a rider, or pass a stand-alone bill before they go into markup if they intend to make changes to Pell grants.

“That’s a really short window of time,” said Jon S. Fansmith, associate director of government relations at the American Council on Education, which represents presidents and chancellors of accredited colleges and universities. “When you’re talking about making changes to numerous elements added through multiple bills over a 30-year time frame, it gets very complicated.”

The Pell grant program is one of the federal government’s largest education initiatives and has been a top priority of Obama. The quasi-entitlement program faces a new shortfall each year because it is funded through both discretionary and mandatory spending. With the economic difficulties of the past few years, more people are qualifying for the grant and more people are going back to school to earn degrees, leaving the program strapped for cash even more than usual.

“The buzzword is making Pell sustainable,” said Fansmith. “I think both parties and both chambers are now, when they talk about Pell, looking at ways to bring the program costs down. I think that’s the main focus.”

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Wednesday, June 1, 2011

Bill takes aim at loans

Thursday, 26 May 2011

By WILLIAM LANEY

Managing Editor

A Democratic legislator says college graduates would find it simpler and easier to repay student loans for college if a bill he plans to introduce in the U.S. Senate becomes law.

The Congressman also believes the bill would generate \$1.8 billion in savings which could be used to bolster the federal Pell Grant program. U.S. Sen. Sherrod Brown, who is currently seeking co-sponsors for the bill, the Student Loan Simplification and Opportunity Act of 2011, and who plans to introduce it in the Senate in the coming days, said the goal of the legislation is to help college graduates by simplifying the student loan repayment process. This should also help them avoid finance penalties.

"While you always sense at a graduation the inspiration, the achievement and the accomplishment of the graduates, you also sense more today than five years ago or 25 years an anxiety about jobs and about leaving school with far too much debt," Brown said Wednesday noting 66 percent of Ohio students from four-year colleges graduate with an average of nearly \$26,000 in student loan debt. "Students should not have to sign away their economic future when they sign up for college.

"Last year, we passed the single largest investment in student aid — all at no cost to taxpayers — by ending wasteful subsidies to private lenders to service federal loans," he said during a media teleconference. "It's time to cut out the middleman once and for all by giving college graduates the chance to transfer debt to a direct loan servicer. By preventing graduates from writing two separate checks to two separate servicers, we will decrease the likelihood that a borrower may miss a payment and end up further in debt."

Brown explained his proposal would provide borrowers with Family Federal Education Loan (FFEL) debt and direct loan debt to convert those loans into lower interest direct loans and to consolidate them into one loan during a nine-month period from Jan. 1 to Oct. 1, 2012.

It also should provide \$1.8 billion in savings during the next 10 years which could be reinvested in the Pell Grant program, which helped finance college education for approximately 240,000 Ohioans in 2008-09.

"The Student Loan Simplification and Opportunity Act is a win for borrowers and taxpayers by providing much needed funds for the Pell Grant program and students can access higher education," Brown said, "and by reducing the principal that students owe on their loans it also allows already strained borrowers reduce their debt load."

Brown's proposed legislation is supported by Denison University Financial Aid Director Nancy Hoover, who also is chair of the National Direct Student Loan Coalition. She said students can become easily confused when they repay their loans with multiple institutions.

"We see this is as a win-win for student borrowers who have graduated and for future students who are trying to go to school by having access to Pell grants," Hoover said. "It certainly provides simplification and eliminates confusion because they get overwhelmed after graduation as they look to get into graduate school or to find a job and they have paperwork from multiple loan providers."

She said financial aid directors across the nation favor the simplification of repaying debt and she cited a Wall Street article that noted this graduating class carries the most college debt ever.

Nationally, there are 21 million eligible loans that would qualify for savings under Brown's bill — most borrowers have more than one loan — and students would save up to \$887 million due to the 2 percent reduction in principal of their FFEL loan.

Last Updated (Friday, 27 May 2011)

U.S. Sen. Sherrod Brown presents bill to simplify student loan repayment process



Written by

Jessica Alaimo

6:09 AM, May. 26, 2011|

U.S. Sen. Sherrod Brown touted a plan Wednesday he said would make repaying college loans easier and cheaper, and make more grants available for low-income students.

In 2010, the federal government stopped contracting with private lenders to service new student loans, instead administering all payments through the U.S. Department of Education.

However, 6 million people found themselves caught in the middle when the transition took place July 1, Brown said during a conference call with reporters.

When their loans kick in, people will have to write two checks -- one to a private lender, such as Sallie Mae, and one to the government.

Brown's plan would allow them to consolidate their payments. For these institutions, fewer loans serviced means fewer government subsidies to them.

Brown estimated his proposal would result in \$1.8 billion in savings during 10 years -- payments that otherwise would have gone to private servicers. He wants to direct these funds to the Pell Grant program, which provides grant money to low-income students and could face cuts under the proposed federal budget.

It also would help borrowers. Brown said those consolidating into the federal program could save 2 percent off their principal balance and give them access to loan forgiveness in exchange for public service.

"While you always sense at a graduation inspiration, achievement and accomplishment, you also sense anxiety about jobs, but also about leaving school with far too much debt," Brown said.

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Nancy Hoover, director of the financial aid program at Denison University, said having to make multiple payments adds to the stress of leaving school, leading to a higher default rate. Hoover also spoke during Brown's conference call.

"Students were confused and overwhelmed with trying to pay different servicers," Hoover said.

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SAFRA One Year Later

It's been a year since the Student Aid and Fiscal Responsibility Act took effect. How is it working and what is to come?

By Tom Robinson
June 2011

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The Student Aid and Fiscal Responsibility Act (SAFRA), passed in May 2010 as part of the Healthcare Reform Act, was an attempt to rein in the student loan industry and save money by taking private lenders out of the equation. But a year later, educators, parents, and legislators are asking, is the program delivering on its goals?

SAFRA was the result of a contentious decades-long battle to end private loans and dismantle the Federal Family Education Loan (FFEL) program in favor of the Direct Lending (DL) program managed by the Federal Student Aid (FSA) office of the U.S. Department of Education. Proponents of Direct Lending—perennial advocate Bob Shireman, a former Department deputy, for one—have been pushing the concept for decades. The tipping point that brought that to fruition actually came two years earlier.

Anticipating the FFEL-to-DL program and wary of the worsening credit crunch, Congress passed the Ensuring Continued Access to Student Loans Act (ECASLA) in October 2008. It authorized Arne Duncan, the U.S. Secretary of Education, temporary authority for the Education Department to purchase FFEL loans—effectively providing a secondary market for these loans. The FFEL program constituted 78 percent of the total dollar amount of federal student loans originated between 2005 and 2008. By 2009, the FFEL program's share had fallen to 69 percent, and to a mere 18 percent in 2010 as difficulties experienced by private lenders during the financial crisis and uncertain prospects for the guaranteed loan program led many schools to switch to the direct loan program. The student loan volume is estimated to be \$1.4 trillion over the 2010–2020 period. Although the Education Department probably could have financed all the loans required by students in FY2010, some felt that such a rapid scale-up might cause problems, so the mandate to switch was set for July 1, 2010 (FY2011).



CUSTOMER SERVICE EFFORTS

One of the most obvious changes is the servicing component. The DL program had been serviced by ACS, a division of Xerox. With the increase in loan volume now flowing through FSA, new servicers were needed. In June 2009, four contactors were selected to service the \$550 billion portfolio and assume servicing responsibilities for all newly originated DL loans: AES/PHEAA; Great Lakes Education Loan Services; Nelnet Servicing, LLC; and Sallie Mae.



Low-income and minority students dependent on Pell grants are hit hardest in the student finance budget war.

The chosen service contractors went through an arduous procurement process. Initially, applicants had to be prequalified by having already serviced a significant volume of student loan assets, thus narrowing the field considerably. Only then did the formal bid process, requiring a lengthy and detailed Request for Proposal, begin. Finalists selected were just beginning what would be a six- to nine-month period of further review and onsite visits. One of the primary goals of this stringent due diligence was to determine if the would-be servicers could meet the onerous Federal Information Security Management Act (FISMA) cyber security standards.

The servicing firms would be awarded loans based on five performance metrics. Three metrics measure the satisfaction among separate customer groups, including borrowers, financial aid personnel, and student aid and other federal agency personnel who work with the servicers. The other two metrics measure the success of default prevention efforts as reflected by the percentage of borrowers and percentage of dollars in each servicer's portfolio that go into default.

Financial aid administrators are generally pleased with the new servicers. The ratings—which are posted to the Education Department's website quarterly—have been positive.

Indian Hills Community College (Iowa) was a direct lending school prior to SAFRA. Initially, Financial Aid Director Jo Altheide was skeptical of the changes coming as new servicers came on board, replacing ACS. "I thought it would be more detrimental than it actually was," she recalls, adding that "in the long run, it will be better for both students and [the institution]." She credits the servicers for taking suggestions to heart. During the transition, the new contractors were providing training for staff, assisting with exit and entrance counseling, and improving students' financial literacy.

U.S. Rep. George Miller (D-CA), author of the Student Aid and Fiscal Responsibility Act, agrees. "From all accounts, the move to full participation in the Direct Loan program is going exceptionally well. The program is working, as it has for the last two decades," he says. "Our decision to invest in students and eliminate wasteful subsidies to banks was the right one."

ADMINISTRATORS STRUGGLE TO JUGGLE

Many financial aid administrators felt like they had just recovered from a drubbing from Andrew Cuomo's investigations into student lending. Banks that had been following guidelines set by the Federal Family Education Loan program were painted as crooks. All aid administrators were tarred with the same brush as the handful who had crossed the line. The dust had barely settled, when the Education Department announced it would be discontinuing the FFEL program in place of a solely Direct Lending program.

Some administrators considered FFEL a religion and were mortified that it would end. Others were nonplussed. Regardless of feelings, the switch to DL would mean massive changes in practices and systems. To further complicate matters, institutions were caught between a rock and a hard place. Federal officials were issuing orders to convert systems and be ready to do business by July 1, 2010 in

anticipation of passage of the requisite legislation. Meanwhile, Congress was bickering and unable to get a bill through. Should schools risk the sizeable cost and

- What to Expect in the Future**
- Increased consumer-centric benefits for borrowers
 - New not-for-profit servicers
 - Current servicer fallout due to more competition and reduced fees
 - Increased use of internet and smartphone technology
 - Republican pressure to reduce Pell grants to pre-Obama levels
 - More financial literacy tools for borrowers
 - Emphasis on default reduction
 - New loan products aimed at reducing future debt
 - Multiple loans serialized with a common servicer

enormous management energy to convert IT systems and business processes if the statute didn't pass—or risk being caught without access to Title IV funds if it did? The National Association of Student Financial Aid Administrators recommended going ahead with the conversion, and virtually all schools did.

Maureen “Mo” Amos, director of financial aid at Northeastern Illinois University, was one who charged ahead. “Administrators were forewarned of the change to direct lending along the same time as the 2008 presidential campaign, when all three Democratic, Republican, and Independent candidates were pro DL,” she recalls. “I promptly began campus discussions and an implementation policy. NEIU would have been ready whenever the transition was required.”

Ironically, many schools already on the DL program had more discomfort than those who converted to the DL system for the first time. The problem for old DL schools came in having to accommodate relationships with five servicing contractors instead of the one. ACS had been the sole provider up until this point.

The technical conversion went pretty smoothly. The Education Department provided assistance at the annual FSA Conference and via seminars, webinars, tech support, and site visits. Congress even budgeted \$50 million for personal assistance for schools that could not manage. Much of it went unspent. Virtually all 4,400 institutions were online by July, or at least by the start of classes in the fall.

The University of North Florida was not a DL school. “I felt it was sudden,” says Anissa Ange, director of financial aid. “The biggest challenge was no phase-in.” Still, UNF launched early during its summer term. But there were complications. May was in the middle of an aid year (fall-spring-summer). Since the two summer terms straddled the July fiscal year start, there were two interest rates.

Most—but not all—schools managed. As recently as March of this year, University of the District of Columbia President Allen Sessoms admitted to still having problems managing disbursements and refunds. “We were among the ones who had trouble,” he said in a radio interview. “We’re catching up, and have dispersed more in the first week and a half of the semester than we did in the final four months of the previous semester. This is a job that the banks used to do; unfortunately, some of our staff simply weren’t trained.”

Experienced schools voluntarily helped new entrants, as well. Margaret Rodriguez is the senior associate director of financial aid at the University of Michigan. She’s also the chair-elect of the National Direct Student Loan Coalition (NDSLCL), which was started 12 years ago.

Prior to SAFRA, the coalition advocated for federal student aid and ways to make the DL program efficient. Since SAFRA, the coalition has mentored 1,000 schools. NDSLCL still maintains an active listserv for information sharing, and mentors are available to assist colleagues in the business, financial aid, and IT offices. NDSLCL also serves as the eyes and ears for the Education Department, identifying issues that need attention and providing guidance.

The incentive program, by which the servicers are allocated more loans, appears to be working. “My mailbox is inundated with offers,” Altheide notes. “As servicers vie for their share, students will see more benefits. The business model is a good one. As for dealing with four servicers now, no problem. “It’s like a town with five gas stations. Better than just one,” she says.



Under the direct lending program, students like these at Northeastern Illinois University will have a single servicer and be able to control their accounts with a single promissory note.

CAN SAFRA MEET ITS SELF-IMPOSED GOALS?

Proponents of the conversion from FFEL to DL based their argument on the savings that would accrue to the government, and therefore to taxpayers. Some \$68 billion over 10 years expected from SAFRA was earmarked to increase Pell grants and to contribute to deficit reduction. The government, like any bank, would expect to generate revenue based on the difference between the amount of the loans made, less the cost of the capital borrowed, less the servicing and administrative costs for managing the program. For example, if Citibank were making a single four-year car loan, that would be a simple calculation. For hundreds of billions of student loans spread out for decades, the math gets a little dicier.

The \$68 billion number was based on Congressional Budget Office (CBO) projections of the cost of capital for the federal government. Typically, this is based on the tranche of three- to seven-year Treasury notes. At current rates, one might expect the cost of capital (interest paid on the T-notes) to be about 2 percent. If student borrowers are paying 6.8 percent, that would leave a spread of 4.8 percent, or 480 basis points. Even after deducting the cost of servicing and administrative fees, the margin would be pretty healthy, right?

Not so fast, say experts who have been involved in student lending for decades. Over a long period of time, the cost of borrowing will fluctuate. This will lower the margin or even create a negative spread. Further, other factors can—and will likely—impact the numbers.

Take, for instance, the concept of Income-Based Repayment (IBR), which is built into the SAFRA language. Upon graduation, the borrower will only have to repay the loan based on his ability to repay. Given the current economy, high unemployment, and downward salary pressure, the cash flow back to the government will be impeded. Add to that defaults, forbearance, loan forgiveness, collection costs, and so on, and the math gets worse.

According to those same pros, the Direct Lending program has lost money since its inception. Why would one expect it to make money starting in FY2010?

The CBO is already waffling on the \$68 billion savings number. In a March 15, 2010 letter to ranking budget committee member Senator Judd Gregg (R-NH), director Douglas Elmendorf cited an additional \$6 million in administrative costs over the president’s budget, lowering the net savings to \$62 billion.

Borrowing \$100 billion for education has a deleterious effect on the whole U. S. government loan portfolio. Say it causes an incremental 3 basis points. Multiply the federal debt of \$14 trillion by 3 basis points and it will easily wipe out any savings attributable to the DL program. When Congress moves to reduce the federal deficit in this or some future session, it will be looking for assets to sell. The student loan portfolio is more likely to be sold than some other hard asset like that nice white house at 1600 Pennsylvania Avenue.

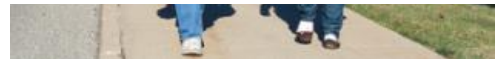
CHANGES TO SAFRA?

Moving forward, SAFRA changes will likely be incremental. New not-for-profit servicing organizations will create some competition for the Big Four. Only \$100 million will be awarded to this group initially. Administrators can expect increased use of internet and smartphone technology, as well as more financial literacy tools for borrowers. Only one of the four servicers originates loans now. Sallie Mae is developing loan products aimed at reducing future debt. Its Smart Option Student Loan offers in-school interest payment options and shorter repayment periods. If a student selects the options to make interest or \$25 monthly payments while in school, a typical freshman can save 30 to 50 percent in interest paid over the life of the loan and pay off the loan five to eight years faster. The typical loan repayment starts after graduation and the term is up to 15 years.

Because the incentive program makes awards on pristine default rates, all the servicers—and simultaneously schools—are placing significant emphasis on default reduction strategies. “Now is the time to assist students in repaying their loans,” Michigan’s Rodriguez says. “Many FFEL loans were purchased by the feds and the old



FFEL lenders are retiring their portfolios. It is important to know who is holding those loans.” Students also need to understand that the economy is tight. Their earning power will likely be impaired, affecting their ability to repay.



Students at Indian Hills Community College should benefit as loan servicers battle to deliver on customer service incentives such as smartphone technology and financial literacy instruction.

UNF’s Ange notes another rarer, but time-consuming problem with servicing older FFEL loans. As banks leaving the program sold their loan assets during the ECASLA buyback, the servicing continuity was lost. It’s difficult to find records or old promissory notes, a frustrating situation for alumni and institutions. By all accounts, the Education Department, servicers, and schools are all working diligently to have multiple loans serialized with a common servicer.

ONE STEP FORWARD?

Financial aid administrators are now focused forward. NASFAA president and CEO Justin Draeger says the main concern on the minds of his association’s members is future funding. The Education Department has to do its projections by February each year and notify schools what fund levels they’ll be receiving. By March, schools had already sent out the acceptance letters and notified students of their aid packages. It took until April 15 to get a budget passed.

What would have happened if the funding didn’t meet the projections and aid packages were overstated? Schools would have had three options: 1. Renege on the offer and start over. 2. Lower the offer. Many schools did include a caveat that the offer was contingent on the funding coming in as projected. 3. Buck up and stand by the offer regardless.

Ange is concerned about funding for the award packages she and her staff sent out in March. While Pell grants may survive intact, the Federal Supplemental Educational Opportunity Grants and state Florida Student Assistance Grants are not so certain. UNF is prepared to handle a shortfall. It has some reserves set aside.

Servicer Matrix	Pre-SAFRA FFEL Loan Originator	Pre-SAFRA DL Servicer	FFEL Loan Servicer	FFEL Guarantor	Post-SAFRA DL Servicer	Post-SAFRA Private Loan Originator/Leader
ACS www.acs-education.com		✓	✓		✓	2
Great Lakes www.mygreatlakes.org	✓		✓	✓	✓	2
Nelnet Servicing, LLC www.nelnet.com	✓		✓	2	✓	
PHEAA¹ www.pheaa.org	✓		✓	✓	✓	
Sallie Mae www.salliemae.com	✓		✓	2	✓	✓

1 PHEAA conducts student loan servicing operations commercially as American Education Services and as FedLoan Servicing for federally-owned loans.
2 ACS, Nelnet, Sallie Mae, and Great Lakes provide technology and outsourcing services to lenders, originators, and/or guarantors.

In addition, the director, who usually commits 125 percent of what she expected to be used by students who actually matriculate, only committed 100 percent this year. If students do not enroll, she doubts that any excess created will be reallocated.

Pell was supposed to be a beneficiary of the SAFRA switcheroo. The \$5,550 cap seems to have survived the last-minute April 15 budget battle, but the sour economy has made more students eligible. Fixing the funding, fixing the cap, and markedly increasing the base makes for poor institutional forecasting. There was Republican pressure to reduce Pell grants’ maximum to \$4,705, but it failed. While this may have seemed “mean-spirited,” tying Pell to CPI, as was done in the SAFRA legislation, is encouraging (or at least enabling) highly undesirable tuition inflation.

The long-term FY2011 Congressional budget resolution maintains the \$5,550 maximum Pell Grant for the 2011-12 award year and gives campuses the ability to offer eligible students a second Pell Grant award this summer.

However, the cuts do impact many large student aid programs for 2011-12, including the Federal Supplemental Educational Opportunity Grant and Federal Work Study. The bill calls for a 0.2 percent cut to all education programs across-the-board.

A serious fight is brewing in Congress over fiscal year 2012 spending levels for federal student aid programs. House Republicans have approved an FY2012 budget outline that would roll back 2012-13 Pell Grants to FY2008 levels. Department of Education data shows that this would result in 1.4 million students being denied Pell Grants. With lower Pell availability, more students will be borrowing, and borrowing more money.

Resources
[ACS](#)
[National Direct Student Loan Coalition assistance](#)
[Great Lakes](#)
[Nelnet Servicing, LLC,](#)
[PHEAA1](#)
[Sallie Mae](#)

While there are many positives inherent in the DL program, the bright promise of saving students and taxpayers billions remains to be seen.

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Loans and the Deficit

July 18, 2011 — [Libby A. Nelson](#) and [Doug Lederman](#)

WASHINGTON — For much of the last decade, the federal student loan programs served as a piggy bank as Congress looked for money to cut or redistribute for other purposes.

The “profits” from lending existed mainly because the revenues produced (as borrowers with high interest rates repaid their loans) significantly exceeded what it cost the banks and the government to make the loans.

But because significant proportions of the programs’ profits flowed to banks and other lenders, slashing them – to increase spending on grants to students, or even to pay down the federal deficit – was often portrayed as taking money from “fat cat” companies to give to needy students, as Congress did when it [poured tens of billions of dollars into the Pell Grant Program in 2010](#).

Today, the federal student loan program still produces significant profits – and as politicians here scour the federal budget for ways to cut the deficit as part of negotiations over increasing the federal debt limit, the student loan program is once again on the hit list. But now that the government itself is the sole provider of federal student loans, those revenues are flowing into the federal treasury, and it is clearer than ever before that the “profits” that would be redirected to deficit reduction and other purposes are coming from the borrowers themselves. And that gives the proposed transfer a slightly different look than it had when the profits that were being tapped were being taken away from banks and other lenders.

"The federal government is making a lot of money on students and on parents," says Becky Timmons, assistant vice president for government relations at the American Council on Education. "There’s a risk of almost treating students like an ATM machine."

For decades, the federal government has made loans to students to encourage college-going. Students (or parents) borrow government funds and repay them over time with interest -- some with the government covering the interest payments while the students are in college, others not. For many years, the government used a system of banks, other financial institutions, and state and nonprofit agencies to lend and guarantee the loans. Beginning in 1993, the government began making and servicing some of the loans itself; in 2010, the entire system became government-run.

The revenues from the loan program have often helped to finance government spending on other forms of student aid, but the savings have been applied to the deficit since at least 2005, when [lender subsidies were cut by \\$15 billion](#) by the Republican House of Representatives during the “budget reconciliation” process. At the time, Democrats condemned the move as a “raid on student aid,” arguing that the student loan programs should not be cut at all and that, if they were, the savings should be redirected into other areas of financial aid.

In 2007, in the College Cost Reduction and Access Act, [lender subsidies were cut again](#), that time by \$18 billion. Much of that money went to other financial aid programs, including lowering the interest rate on subsidized student loans. But because the bill was also passed using budget reconciliation, which requires that the measure reduce the government’s deficit, some of the savings were not put back into student aid, said Mark Kantrowitz, the publisher of Finaid.org.

In 2010, the Student Aid and Fiscal Responsibility Act eliminated bank-based lending entirely, for a savings of about \$67 billion in subsidies over 10 years. While about two-thirds of that revenue went to increasing the Pell Grant to its current \$5,550 maximum level, about \$20 billion was redirected to reduce the deficit.

“\$20 billion is a substantial amount of money,” Kantrowitz said. “It’s the amount of the [current] funding shortfall in the Pell Grant program. If it weren’t for this, we wouldn’t have a funding shortfall in the Pell Grant program. We wouldn’t be in the financial difficulties with student aid that we have.”

Ending bank-based lending also ended the last source of politically easy subsidies to cut: it “scraped the bottom of the barrel,” Kantrowitz said. Revenue that had previously been diffused among student lenders, loan servicers and other companies now flowed overwhelmingly to the federal government. In the meantime, the Pell Grant Program exploded, with more recipients as a result of the recession and bigger grants resulting from funding increases and eligibility changes. **The program grew so big that even many supporters say it now needs to be reformed.**

But the perceived need to find areas in the budget to cut is growing, not shrinking. With no lender subsidies left, and few places to find new money to continue supporting the growing Pell Grant Program, legislators (and the Obama administration itself) have begun proposing eliminating subsidies that previously went to students instead. The president’s **2012 budget called** for ending subsidized Stafford loans for graduate students, as well as transforming the Perkins loan program, which serves a relatively small number of low-income undergraduate students, into unsubsidized loans. The savings from both changes would be used to fund Pell Grants.

But more recent proposals would have the government hold on to the savings rather than spend them. The most recent proposal, from Republicans in the tense, secretive negotiations over increasing the federal debt ceiling by Aug. 2, **would reportedly end all subsidized Stafford loans.** The \$46 billion in savings would be used to pay down the deficit. Some students could owe as much as \$9,000 more in federal loans by graduation under the proposal, said Pauline Abernathy, vice president of the Institute for College Access and Success.

“In the past, proposals have been made of this nature, but they have been rejected,” Abernathy said of using the savings solely for deficit reduction. “Even after recent increases in the maximum Pell Grant, it will cover less than a third of the cost of attending a four-year college next year, which is actually the smallest share in the history of the program.”

Much of the tension between loan revenues and grant expenditures springs from the shift away from bank-based lending. The federal government borrows money for student loans at a far lower rate than is available on the market, and, while the interest rate on student loans is often below the market rate, there is still a gap that swings in the government's favor. In the past, lenders pocketed much of the difference. Now that the government is the sole lender, it has made more transparent the extent to which the federal student loan process earns significant money from student loan borrowers (mostly middle-class families) that goes to support other students or achieve other federal goals.

The current student loan interest rate, 3.4 percent, is about as low as it has ever been -- the end of a five-year gradual decrease that began as a campaign promise when Democrats gained control of the House of Representatives in 2006. Next year, the rate will return to its previous level, doubling to 6.8 percent.

If subsidized loans for undergraduate students are eliminated, and if the interest rate goes up to 6.8 percent, some students could end up owing a third more by graduation than they would if they borrowed now, Kantrowitz said. “You’re talking about an additional \$9,000 in debt on top of everything else,” he said. “That starts getting to the point where students will routinely be overborrowing.”

Given the current political environment, that increase in how much students pay and the government takes in is unlikely to be accompanied by a significant increase in need-based grants. Many advocates say they are simply hoping that the Pell Grants are not cut back to pre-recession levels.

But the pending increase in the interest rate is likely to exacerbate the perception among students and families – a perception with a strong basis in reality -- that their payments are subsidizing other government priorities. That is especially true to the extent that federal policy makers stay on their current track of believing that reducing the deficit is more important than spending on financial aid.

President Obama and some lawmakers in each party are reluctant to impose significant cutbacks on the Pell Grant Program, but they seem willing to trade away many other financial aid benefits for students – including the in-school interest rate subsidy -- to protect Pell.

Though the proposal to end subsidized loans drew immediate criticism from advocacy groups and financial aid experts, who say such savings should be directed toward other financial aid programs and not used to pay down the deficit, the subsidized student loans typically have not had the same vocal constituency and support that Pell Grants have.

Their benefits are more opaque: the loans' interest rates affect how much students owe after they leave college, but are less likely to determine whether they can afford to attend at all. There is little evidence that they affect college completion rates. And though a cut in Pell Grants would immediately be noticeable, changes in the interest rate, or in subsidies for borrowers, might not be, said Jason Delisle, director of the Federal Education Budget Project at the New America Foundation. A report from the College Board's Rethinking Student Aid panel backed ending the in-school subsidy, although it said the savings should be redirected to Pell Grants.

"It's a very sort of roundabout way of accomplishing a policy goal which is not really explicit, which is trying to lower the cost of college education for students," Delisle said. "It doesn't change how much they can borrow, it just changes what they end up with in the end. It's also not very transparent.... Most students aren't quite aware of what's happening, that they're getting this benefit or how much it is. If it's taken away, will they know?"

Even if interest subsidies were to be eliminated, he added, the loans are still a better deal for students than what they might get on the private market. They often go to students with poor credit and no qualified co-signer; if they were borrowing from banks, these students might not be able to get loans at all, or would have to pay high interest rates.

The same is true for the interest rate's increase to 6.8 percent, he said, adding that by a conservative estimate it will save the government \$15 billion to \$20 billion over 10 years. "That's a big subsidy when you're lending to a student at that kind of rate," Delisle said. "It's a subsidy the taxpayers are being asked to bear by effectively saying, 'Given the loan, given the risks, given the going rate, we're going to lend at less than that.' "

Whether borrowers and their families will see it that way when the interest rates go up remains to be seen. The entirely government-run lending program is still new – only a year of issuing all federal student loans – and, as the costs and benefits of that approach become clearer, some changes might be made, Timmons said.

"We've only got a couple of years' experience with direct lending in an economic environment unlike any other we've ever seen in our lifetimes," she said. "I think once there's some experience with the government running [all] direct lending, people will need to sit down and see if policy adjustments are necessary to make sure rational policy is being achieved."

The renewal of the Higher Education Act in 2013 might be a good time to tackle those questions, she said, adding that a key one would be "determining what is a reasonable amount of administrative overhead without being a serious profit-making engine."

The risk, of course, is that in deficit-minded times, a program that is a profit-making engine might be considered more rational than most.




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Obama proposes changes to student loan programs ^[1]

Submitted by [Libby A. Nelson](#) ^[2] on October 26, 2011 - 3:00am

WASHINGTON -- President Obama today will announce a plan to consolidate federal student loans for millions of borrowers and expand income-based repayment for current students — both steps he will take without input from or action by Congress, amid rising concern about student debt.

Together, the two changes — part of the president's package of economic measures designed to be enacted by executive order — will affect about 7 million of the federal student loan program's 36 million borrowers. Even before the changes were announced Tuesday afternoon, Congressional Republicans were already questioning whether the administration had the authority to make them.

The majority of borrowers affected will be students who borrowed money under both the Federal Family Education Loan Program, when banks issued federal student loans and collected government subsidies, and the Direct Loan Program, under which the federal government lends money directly to students.

The government began originating all loans through direct lending in 2010, when [a provision to eliminate bank-based student lending was included in the administration's health care overhaul](#) ^[3]. But many students who were enrolled at the time of the change have loans in both programs, meaning they make two payments. The Education Department has said these 5.8 million borrowers are more likely to default, though why is a matter of some dispute. Administration officials attribute it to the fact that borrowers must make payments to two or more entities, while others say the Education Department has failed to fully replace the support for borrowers and colleges that lenders and guarantee agencies had under FFEL.

The consolidation program would combine the two loans into one direct loan and reduce the interest rate by up to 0.5 percent: a 0.25 percent reduction as a reward for consolidating, and a 0.25 percent discount for borrowers who enroll to make automatic payments. (Borrowers who have only a direct loan are already eligible for the automatic payment discount.) Borrowers eligible for consolidation will be notified in early 2012.

The administration also proposed changes to the income-based repayment program, which allows borrowers to repay on a sliding scale if their payments exceed 15 percent of their discretionary income. The change would lower the qualifying debt-to-discretionary-income ratio to 10 percent. Outstanding loan balances would be forgiven after 20 years, five years earlier than under the current arrangement. Congress previously approved legislation that would let these changes begin in 2014, but President Obama plans to change that start date to 2012.

The changes to income-based repayment would apply only to current students. But administration officials said they hope they will draw more attention to the existing program as well: only about 450,000 borrowers are currently enrolled, although administration officials said many more could benefit.

In remarks to reporters Tuesday, Education Secretary Arne Duncan portrayed the move as building on the administration's elimination of bank-based lending in 2009. Just a few hours earlier, during a hearing on the transition from bank-based loans to subsidized loans, Rep. Virginia Foxx, a North Carolina Republican who heads the higher education subcommittee of the House of Representatives Committee on Education and the Workforce, argued that that change hurt customer service for students, and questioned the administration's authority to switch more students to direct lending by executive order.

"I'm wondering if the department is moving forward with this proposal through executive fiat, and if this is the case, what specific authority does the department have to do this administrative action?" Foxx said.

Department officials said the changes to the income-based repayment program have already been authorized by Congress. Students with loans split between the FFEL program and the Direct Loan program have also been able to consolidate their loans for more than a year, and the Higher Education Act gives the department the authority to offer incentives for students repaying their loans.

Still, the administration had hoped to pursue consolidation through legislation: Obama's 2012 budget proposal had included a similar program to encourage split borrowers to consolidate. Officials said they changed course because they did not believe the Republican-controlled Congress would act to make the changes.

Focus on Direct Lending

The hearing Tuesday morning focused on difficulties that colleges encountered while switching to the direct loan program. That transition was sometimes uneven, officials from Baker University, Denison University and Kennesaw State University said. In some cases, customer service or technical support was lacking, and college employees are devoting more time than before to helping students with aspects of their loans.

Still, the administrators gave overall positive reports of the program. None said they would want to see bank-based lending reinstated. By the end of the hearing, representatives on both sides of the aisle commended the Education Department for a relatively smooth shift, even though several Republicans said they disagree with the overall philosophy of direct lending, which they viewed as a government takeover of the loan program.

The increasing interest rates on federal loans, though, came in for criticism. Student loans have become a profit center for the federal government ⁽⁴⁾, which borrows the money at a low rate and lends to students, who repay at a higher one. In the past, much of the difference went to the banks in the form of lender subsidies, a reality that drew sharp criticism from advocates for students.

But the government now keeps the difference, channeling some of the profits into financial aid programs and most of the rest toward deficit reduction (with some even flowing to administration priorities like early childhood education, as in the 2009 health care law). Once more direct and bank-based loans are consolidated, and when the student loan interest rate increases to 6.8 percent next year (when a several-year effort to halve the rate ends ⁽⁵⁾), federal student loans will become even more lucrative for the government.

Department officials said that the consolidation and expansion of income-based repayment will pay for itself, with some of the subsidies presumably supporting the loosened income-based repayment rules. They did not say what would happen with any leftover funds from student loan repayment.

An interest rate of "6.8 percent when the federal government is borrowing at less than 1 percent can create a pretty big slush fund," said Rep. John Kline, a Minnesota Republican who is the committee's chairman, said during Tuesday's hearing. "It is a slush fund. I think it was a mistake to do that."

Some Democratic representatives, including Robert Andrews of New Jersey and John Tierney of Massachusetts, proposed basing the interest rate that students pay on the interest rate the government is charged, plus whatever percentage would be necessary to cover the cost of loan defaults. "Hopefully we can work with them to lower the interest rate further," Tierney said, referring to Kline and Tennessee Republican Phil Roe.

As more loans come under the government's purview, those concerns are likely to increase. Student loans are "a very important resource that we provide," said Rep. Todd Russell Platts, Republican of Pennsylvania. Platts supported the switch to direct lending in committee, although he did not vote for its inclusion in the health care law.

Any profits from lending should be used to expand financial aid programs, he said, adding that Congress should be "ensuring that the assistance is available, and ensuring that any profits or excess funds are put back into investing in students, not going into private hands or elsewhere."

Growing Pressure on Loans

Concern about student debt has reached a fever pitch in recent weeks. Student loans are frequently mentioned by protesters in the Occupy Wall Street movement. A petition started by lawyer and debt activist Robert Applebaum on "We the People," the White House's new website for petitions, gathered more than 31,000 signatures in support of forgiving all student loan debt. ⁽⁶⁾

The administration's proposals are relatively modest in comparison. But officials billed them as a response to the public outcry, calling the petition the first to achieve a White House response. "These individuals have rightly pointed out that the weight of this debt is preventing graduates from all over the country from achieving their dreams," said Melody Barnes, a domestic policy adviser.

Meanwhile, the newly established Consumer Financial Protection Bureau announced a model information sheet for students who are accepted to college and considering their financial aid options. It emphasizes how much students will have to pay per month after graduation and shows college costs in comparison with similar institutions. The Education Department will eventually ask colleges to use the worksheet as a model.

Advocacy groups generally praised the president's proposals. "Many more borrowers are struggling to keep up with their payments in these tough economic times and could benefit from IBR and the proposed Pay-as-You-Earn option," the president of the Institute for College Access and Success, Lauren Asher, said in a statement. Since only direct loan borrowers are eligible for public service loan forgiveness, consolidation will open that option to others as well, Asher added.

But guarantors — who used Tuesday's hearing to air grievances about the switch to direct lending, saying they provided services that the government cannot — are likely to be less pleased. "We are troubled by the apparent decision of the department to foreclose the possibility that ... guarantors can provide supplemental support to Direct Loan borrowers," the National Council of Higher Education Loan Programs said in a statement. "Given the troubled student loan landscape, the [Education Department] should want to leverage the experience and local presence of the nation's guarantee agencies."

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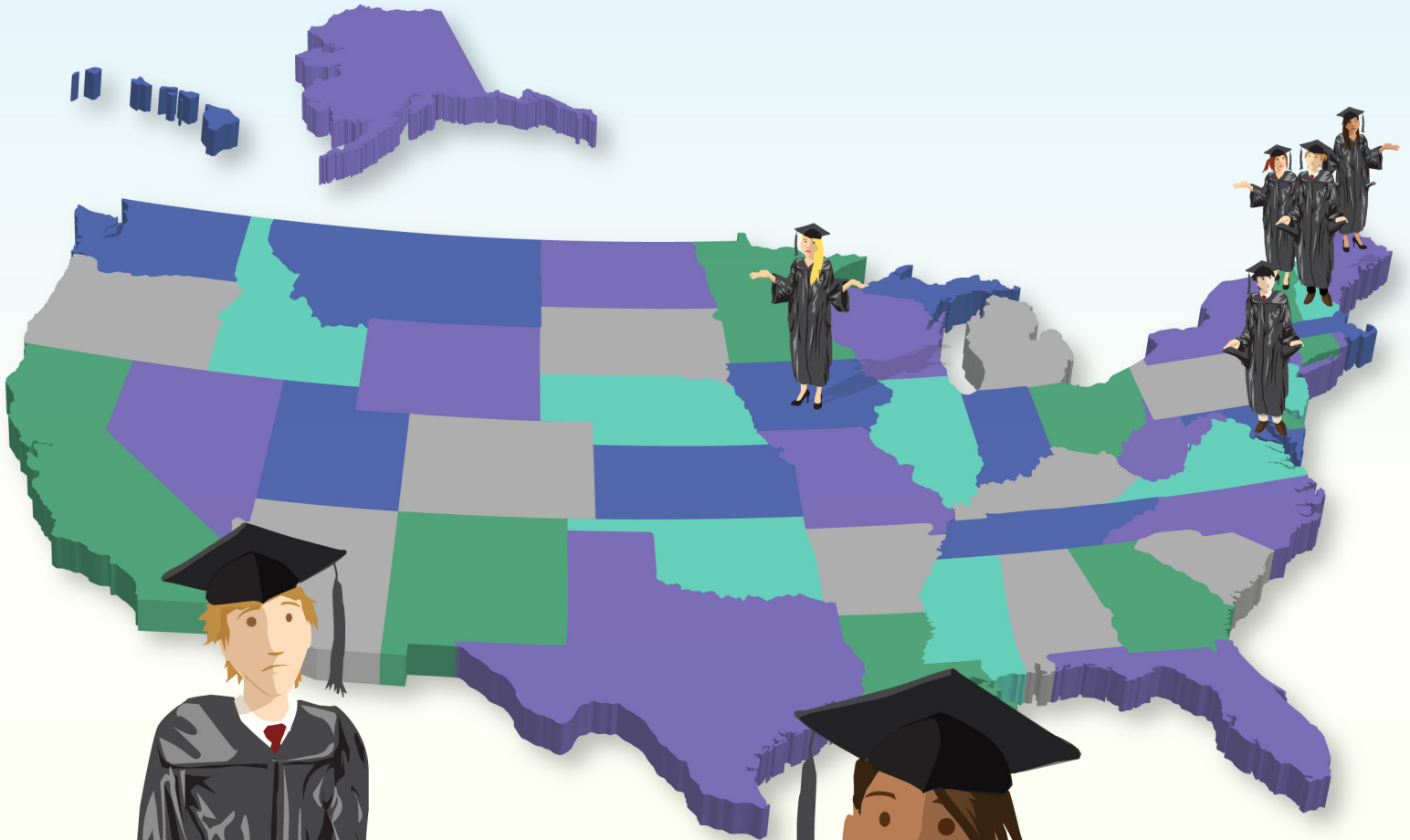
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[5] <http://insidehighered.com/news/2007/06/13/loans>

[6] <https://www.whitehouse.gov/petitions#!/petition/forgive-student-loan-debt-stimulate-economy-and-usheer-new-era-innovation-entrepreneurship-and/jHfPW9c9>

Student Debt and the Class of 2009



Student Debt and the Class of 2009 is our fifth annual report on the cumulative student loan debt of recent graduates from public and private nonprofit colleges. Our analysis of the latest available data found that the debt levels of students who graduate with loans continued to rise, with considerable variation among states as well as among colleges.

We estimate that college seniors who graduated in 2009 carried an average of \$24,000 in student loan debt, up six percent from the previous year.¹ The six percent increase in average debt at the national level is similar to the average annual increase over the past four years, despite the recent economic downturn. It is likely that the Class of 2009 took out the bulk of their student loans before the recession began. Additionally, many colleges made concerted efforts to increase or maintain need-based grant aid when the economy faltered, so that students could afford to stay in school.²

State averages for debt at graduation from four-year colleges ranged widely in 2009, from \$13,000 to \$30,000. As in previous years, high-debt states are concentrated in the Northeast, while low-debt states are mainly in the West. Average debt continued to vary even more at the campus level than at the state level, from \$3,000 to \$61,500. Colleges with higher tuition tend to have higher average debt, but there are many examples of high tuition and low average debt and vice versa.

In the current economic climate, recent college graduates who borrowed for their education face unique challenges in paying back their student loans. The unemployment rate for young college graduates rose from 5.8 percent in 2008 to 8.7 percent in 2009, the highest annual rate on record.³

Given the growing enrollment in and attention to for-profit colleges, it is important to note that this report reflects only graduates of public and private nonprofit four-year colleges because so few for-profit colleges report student debt data. However, based on national surveys conducted by the U.S. Department of Education, we know that on average, graduates of for-profit four-year colleges are much more likely to borrow student loans and borrow significantly more than their counterparts at public and private nonprofit colleges. For more information, see page 5.

A companion interactive map with details for all 50 states, the District of Columbia, and more than 1,000 public and private nonprofit four-year colleges is available at http://projectonstudentdebt.org/state_by_state-data.php.

¹ These figures reflect the average cumulative debt levels of 2008-09 bachelor's degree recipients with loans at public and private nonprofit four-year colleges. See the *Where the Numbers Come From and How We Use Them* section for more information. All dollar figures in this report are given in current or nominal dollars, not adjusted for inflation. Adjusting for the deflation that occurred between 2008 and 2009, the percent increase in average debt of borrowers during that time period would be seven percent.

² See for example: Kate Zernike, "To Keep Students, Colleges Cut Anything but Aid," *New York Times*, February 28, 2009, <http://www.nytimes.com/2009/02/28/education/28college.html>, accessed October 13, 2010. Matt Gelb, "Fewer Merit Scholarships Planned," ABC News, March 23, 2009, <http://abcnews.go.com/OnCampus/story?id=7015990&page=4>, accessed January 14, 2010. For information about the more than 50 public and private colleges with no-loan or reduced-loan financial aid policies for low- and middle-income students, please visit our website, <http://www.projectonstudentdebt.org/pledges>.

³ These annual unemployment figures are from unpublished data from the Current Population Survey (CPS), provided by the Bureau of Labor Statistics (BLS) in response to personal communications in November 2009 and August 2010. The figures apply to those in the civilian non-institutional population who have a bachelor's degree or higher and are aged 20 to 24 and are actively seeking work. The unemployment rate measures the proportion of that population who are not working.

Student Debt Highs and Lows, by State

The statewide average debt levels for the Class of 2009 vary widely among the states, but many of the same states appear at the high and low ends of the spectrum as have in previous years.⁴ We base state averages on the best available college-level data, which were reported voluntarily by approximately 1,000 public and private nonprofit four-year colleges for the Class of 2009.⁵ For more information on our methodology, see the *Where the Numbers Come From and How We Use Them* section.

The following tables show the states with the highest and lowest average debt levels for the Class of 2009.

High Debt States		Low Debt States	
District of Columbia	\$30,033	Utah	\$12,860
New Hampshire	\$29,443	Georgia	\$16,568
Maine	\$29,143	Nevada	\$16,742
Iowa	\$28,883	Wyoming	\$17,084
Vermont	\$27,786	Delaware	\$17,200
Minnesota	\$27,467	California	\$17,326
Pennsylvania	\$27,066	Arizona	\$17,393
Rhode Island	\$26,573	Kentucky	\$19,112
Alaska	\$26,344	Louisiana	\$19,677
Ohio	\$25,842	Washington	\$19,780

As in recent years, states in the Northeast are disproportionately represented among the “high debt” states, while those in the West are disproportionately represented among the “low debt” states.⁶ This may be related to the fact that both private and public four-year colleges in the Northeast have higher than average tuition, and that a larger than average share of students in the Northeast attend private nonprofit four-year colleges. In comparison, Western states have a larger share of students attending public four-year colleges and lower than average tuition at public colleges.⁷

In general, private nonprofit colleges have higher tuition than public ones, and higher average tuition at the state or college level is associated with higher average debt. However, there are many colleges with high tuition and low debt, and vice versa. Multiple factors influence average debt levels at a college, such as endowment resources available for financial aid, student demographics, state policies, institutional financial aid packaging policies, and the cost of living in the local area. For more about debt at the college level, see the *Student Debt at Colleges* section.

⁴ The state averages and rankings in this report are not directly comparable to those in previous years' reports due to changes in which colleges in each state report data each year, corrections to the underlying data submitted by colleges, and changes in methodology. To compare state averages over time based on the current data and methodology, please visit College Insight, <http://College-InSight.org>.

⁵ The institutional debt data used in this report are provided voluntarily by colleges in response to questions that are part of the Common Data Set (CDS), <http://www.commondataset.org>. The Project on Student Debt's parent organization, the Institute for College Access & Success, licenses these data through an agreement with Peterson's, a publisher of college guides. The data are copyright 2010 Peterson's, a Nelnet company. All rights reserved.

⁶ These regions are as defined by the U.S. Census Bureau, “Census regions and divisions with State FIPS Codes,” http://www.census.gov/geo/www/us_regdiv.pdf, accessed November 10, 2009.

⁷ Based on calculations by The Project on Student Debt on 12-month unduplicated undergraduate enrollment during the 2008-09 year from the U.S. Department of Education, Integrated Postsecondary Education Data System (IPEDS).

The following table shows each state's average debt and proportion of students borrowing for graduates in the Class of 2009, along with information about the amount of usable data actually available for each state.⁸

Percentage of Graduates with Debt and Average Debt of those with Loans, by State							
State	Class of 2009				Institutions (BA-granting)		Graduates
	Average Debt	Rank	% with debt	Rank	Total	Usable	% Represented in Usable Data
Alabama	\$24,009	16	51%	38	32	17	65%
Alaska	\$26,344	9	53%	35	4	3	95%
Arizona	\$17,393	43	45%	46	10	4	97%
Arkansas	\$19,880	39	57%	28	22	12	65%
California	\$17,326	44	48%	43	128	66	83%
Colorado	\$20,866	30	54%	33	21	15	83%
Connecticut	\$25,038	14	59%	22	23	15	88%
Delaware	\$17,200	45	44%	47	6	1	65%
District of Columbia	\$30,033	1	51%	38	9	6	73%
Florida	\$20,766	31	49%	41	69	30	77%
Georgia	\$16,568	48	58%	24	54	31	83%
Hawaii	N/A	N/A	N/A	N/A	7	2	15%
Idaho	N/A	N/A	N/A	N/A	9	3	43%
Illinois	\$22,049	26	60%	20	76	45	83%
Indiana	\$25,246	13	63%	15	50	34	91%
Iowa	\$28,883	4	74%	2	35	23	89%
Kansas	\$20,454	34	58%	24	29	14	76%
Kentucky	\$19,112	42	54%	33	32	24	88%
Louisiana	\$19,677	41	48%	43	26	13	66%
Maine	\$29,143	3	65%	12	19	9	56%
Maryland	\$19,984	36	49%	41	35	19	75%
Massachusetts	\$24,484	15	63%	15	79	49	78%
Michigan	\$25,458	12	59%	22	59	30	80%
Minnesota	\$27,467	6	73%	3	38	28	83%
Mississippi	\$22,566	20	57%	28	19	9	82%
Missouri	\$21,360	29	66%	9	54	25	72%
Montana	\$22,346	23	68%	8	10	6	59%
Nebraska	\$22,361	22	64%	14	25	12	67%
Nevada	\$16,742	47	37%	49	8	2	94%
New Hampshire	\$29,443	2	72%	5	17	9	75%
New Jersey	\$22,731	19	62%	19	36	21	82%
New Mexico	\$21,478	28	47%	45	11	6	47%

⁸ In order for their data to be considered usable for calculating state averages, colleges had to report both the percent of graduating students with loans and their average debt, and report granting bachelor's degrees during the 2008-09 year. As shown in the table for Hawaii and Idaho, we did not calculate state averages when the usable cases with student debt data cover less than 30% of bachelor's degree recipients in the Class of 2009 or when the underlying data for that state showed a change of 30% or more in average debt from the previous year. Such large year-to-year swings likely reflect different institutions reporting each year, reporting errors, or changes in methodology by institutions reporting the data, rather than actual changes in debt levels.

Percentage of Graduates with Debt and Average Debt of those with Loans, by State

State	Class of 2009				Institutions (BA-granting)		Graduates
	Average Debt	Rank	% with debt	Rank	Total	Usable	% Represented in Usable Data
New York	\$25,739	11	63%	15	171	84	69%
North Carolina	\$19,983	37	56%	31	58	32	64%
North Dakota	\$22,030	27	71%	7	13	4	48%
Ohio	\$25,842	10	66%	9	79	40	82%
Oklahoma	\$20,469	33	56%	31	29	16	72%
Oregon	\$22,417	21	60%	20	29	17	72%
Pennsylvania	\$27,066	7	72%	5	126	81	77%
Rhode Island	\$26,573	8	65%	12	10	6	70%
South Carolina	\$22,277	24	53%	35	35	15	69%
South Dakota	\$23,581	17	78%	1	13	7	75%
Tennessee	\$20,678	32	53%	35	47	32	70%
Texas	\$20,015	35	58%	24	92	45	72%
Utah	\$12,860	49	38%	48	9	5	53%
Vermont	\$27,786	5	63%	15	18	9	67%
Virginia	\$19,918	38	57%	28	44	36	89%
Washington	\$19,780	40	58%	24	30	15	69%
West Virginia	\$ 22,054	25	73%	3	20	11	43%
Wisconsin	\$22,904	18	66%	9	37	26	74%
Wyoming	\$ 17,084	46	50%	40	1	1	100%

Student Debt at Colleges

Student debt levels can vary considerably among colleges due to a number of factors. Higher costs for tuition and fees are associated with higher average debt, though there are many exceptions. State and institutional resources and policies regarding financial aid can also play a role in influencing student debt levels. For example, four colleges (California Institute of Technology, Claremont McKenna College, Princeton University, and Williams College) with no-loan or reduced-loan financial aid policies for low- and middle-income students are notable for charging over \$30,000 for tuition and fees in 2008-09 but graduating bachelor's degree recipients with, on average, less than \$10,000 in student loans.⁹ Additionally, student debt levels are likely influenced by the demographic makeup of the graduating class and the cost of living in the local area.

Many factors can also affect the way that colleges report the debt figures used in this analysis. There are differences in how colleges interpret the relevant survey questions and calculate their average debt figures, despite attempts to provide clear definitions and instructions.¹⁰ There are also colleges that do not report these figures at all or fail to update them. Only 1,065 of the 1,913 public and private nonprofit four-year colleges in the U.S. that granted bachelor's degrees during the 2008-09 year reported figures for both average debt and percent with debt. Some colleges may not receive Peterson's annual survey, choose not to respond to the survey, or choose not to respond to the student debt questions. The available data show great variation from college to college, with average debt figures from \$3,000 to \$61,500. At the high end, 72 colleges reported average debt of more

⁹ For more information about Financial Aid Pledges, please visit our website, <http://www.projectonstudentdebt.org/pledges>.

¹⁰ The survey instructions and other information on our data source can be found in the *Where the Numbers Come from and How We Use Them* section.

than \$35,000. The percentage of graduates with debt ranges from one to 100 percent. Seventy-three colleges reported more than 90 percent of the Class of 2009 graduating with debt.

Our analysis suggests that the available campus-level data are not reliable enough to rank individual colleges with especially high or low debt levels. However, we have identified colleges with reported debt levels that fall into high or low ranges relative to the levels reported by all institutions. These lists illuminate the high and low ends of the spectrum among colleges reporting student debt data.¹¹

For public and private nonprofit four-year colleges, campus-level data on student debt, enrollment, tuition, and the percentage of students receiving Pell Grants are available through an interactive map at http://projectonstudentdebt.org/state_by_state-data.php. These and additional data related to affordability, diversity, and success are also available online at <http://College-InSight.org>, where users can compare data over several years and for states, sectors, individual colleges, and the nation as a whole.

A Note on For-Profit Colleges

Private for-profit colleges are not included in the lists of high- and low-debt colleges or in the state averages because very few report the relevant data. Debt figures for the Class of 2009 are available for only seven of the 438 private for-profit four-year colleges in the U.S. that awarded bachelor's degrees during the 2008-09 year, a substantial drop in participation from the previous year. For-profit colleges do not generally participate in Peterson's annual survey (or the other surveys based on the Common Data Set) either because they are not sent the survey or because they choose not to respond. In the most recent year for which representative national data are available, almost all graduates from for-profit four-year colleges (96%) took out student loans and borrowed 45 percent more than graduates from other types of four-year colleges.*

* See Quick Facts about Student Debt (http://projectonstudentdebt.org/files/File/Debt_Facts_and_Sources.pdf) for more information.

High Debt Colleges

The colleges on the following lists (see page 6) are notable for having very high average debt levels for the Class of 2009. Because public colleges generally have significantly lower tuition and lower debt levels than private colleges, we list public and private colleges separately on these "high debt" lists. The high-debt public colleges listed here have average debt from \$28,000 to \$39,000. While some may have high in-state tuition relative to other public colleges, the vast majority have in-state tuition and fees under \$10,000.¹² The high-debt private nonprofit colleges listed here generally have average debt from \$39,500 to \$52,000, with one outlier at \$61,500.

Low Debt Colleges

The colleges on the following list (see page 6) are notable for having low debt levels for the Class of 2009, with reported average debt between \$3,000 and \$8,500. Some of these colleges are low-tuition public colleges, but more than one in three (35%) of the low debt colleges charge tuition and fees over \$10,000. Some are highly selective national universities and liberal arts colleges with fairly large endowments, which tend to enroll fewer students who need loans to pay for college and often give generous grant aid to lower income students. Berea College and the College of the Ozarks are "work colleges," where all students work instead of paying tuition. However, students at these colleges may still need to borrow to cover the cost of books and supplies, transportation, or other education-related expenses.

¹¹ These lists present the 20 colleges at the top and bottom of the spectrum in terms of the average debt of borrowers. Only colleges that reported both average debt and percent with debt for the Class of 2009 and had at least 100 bachelor's degree recipients in 2008-09 are included on these lists. We excluded colleges for which our analysis raised serious questions about the accuracy of the data, as well as colleges that informed us that they intend to correct their debt figures with Peterson's.

¹² A high proportion of out-of-state students paying a much higher non-resident tuition may also be a factor for some public colleges on the high debt list. However, due to tuition compacts between states and other policy and data factors, it is difficult to tell how many students pay non-resident tuition at public colleges.

High Debt Public Colleges and Universities (Alphabetical by Name)

Alabama A & M University	AL
Alabama State University	AL
Bowling Green State University-Main Campus	OH
Ferris State University	MI
Fort Valley State University	GA
Indiana University-Northwest	IN
Iowa State University	IA
Langston University	OK
Lincoln University of Pennsylvania	PA
Maine Maritime Academy	ME
Mansfield University of Pennsylvania	PA
Minnesota State University-Moorhead	MN
Pennsylvania State University (multiple campuses)	PA
Plymouth State University	NH
Temple University	PA
University of Alaska Fairbanks	AK
University of Maine	ME
University of Michigan-Dearborn	MI
University of Minnesota-Duluth	MN
University of Nebraska Medical Center	NE
University of New Hampshire-Main Campus	NH

High Debt Private Nonprofit Colleges and Universities (Alphabetical by Name)

American University	DC
Buena Vista University	IA
Cleveland Institute of Art	OH
College for Creative Studies	MI
Eastern Nazarene College	MA
Florida Institute of Technology	FL
Green Mountain College	VT
Kettering University	MI
Lawrence Technological University	MI
Long Island University-Brooklyn Campus	NY
Minneapolis College of Art and Design	MN
Ohio Northern University	OH
Ringling College of Art and Design	FL
Saint Joseph College	CT
Simmons College	MA
The College of Saint Scholastica	MN
University of Dubuque	IA
Wheelock College	MA
Woodbury University	CA
Worcester Polytechnic Institute	MA

Low Debt Colleges and Universities (Alphabetical by Name)

Berea College	KY	Private nonprofit, 4-year or above
Caldwell College	NJ	Private nonprofit, 4-year or above
California Institute of Technology	CA	Private nonprofit, 4-year or above
Cameron University	OK	Public, 4-year or above
College of the Ozarks	MO	Private nonprofit, 4-year or above
CUNY College of Staten Island	NY	Public, 4-year or above
CUNY Hunter College	NY	Public, 4-year or above
Hampton University	VA	Private nonprofit, 4-year or above
Kennesaw State University	GA	Public, 4-year or above
Lamar University	TX	Public, 4-year or above
Lane College	TN	Private nonprofit, 4-year or above
New Mexico Institute of Mining and Technology	NM	Public, 4-year or above
Princeton University	NJ	Private nonprofit, 4-year or above
Sam Houston State University	TX	Public, 4-year or above
Southeastern Oklahoma State University	OK	Public, 4-year or above
The Baptist College of Florida	FL	Private nonprofit, 4-year or above
Tusculum College	TN	Private nonprofit, 4-year or above
University of Wisconsin-River Falls	WI	Public, 4-year or above
Western New Mexico University	NM	Public, 4-year or above
Williams College	MA	Private nonprofit, 4-year or above

A Note on Private (Nonfederal) Loans

Currently, campus-level data on private student loans are very limited. Private student loans are not subsidized by the government and are made to students by private banks and lenders (many of which used to also make federal student loans), as well as by some states and colleges. No more a form of financial aid than a credit card, private student loans are one of the riskiest ways to pay for college. They typically have uncapped variable interest rates that are highest for those who can least afford them. Private loans also lack the basic consumer protections and flexible repayment options of federal student loans, such as deferment, income-based repayment, and loan forgiveness. The most recent available national data indicate that 33 percent of bachelor's degree recipients graduated with private (nonfederal) loans during the 2007-08 year, with an average private loan amount of \$12,550.¹³ There is great variation in private loan borrowing among different types of institutions. Students graduating from private for-profit colleges are the most likely to have taken out private loans, with 64 percent of seniors graduating with private loans.

Although private loans are not reported separately in the data used for this report, colleges are now asked about both federal loan borrowing *and* overall borrowing. These figures suggest that at least 23 percent of the volume of all student debt for the Class of 2009 at public and private nonprofit four-year colleges was composed of private loans. There is great variation in the level of private loan borrowing, even among colleges with similar levels of overall borrowing. For example, only nine percent of the overall student debt at Indiana University-Northwest (IN) was composed of private loans, compared to 41 percent at Bowling Green State University-Main Campus (OH), although both of these public colleges have similar levels of borrowing.¹⁴ Just over half (51%) of the overall student debt for the Class of 2009 at the College of Saint Scholastica (MN) was composed of private loans, compared to 73 percent at Kettering University (MI), although both of these private nonprofit colleges have similar levels of borrowing.¹⁵ These differences in the composition of student debt can significantly affect borrowers' ability to repay their loans, as private loans typically have much higher costs and provide little, if any, relief for struggling borrowers.

While many factors affect private student loan usage, there is evidence that college policies and practices can make a difference in minimizing students' reliance on risky private loans. For example, Barnard College saw significant declines in private loan borrowing after implementing policies of proactively counseling students and parents about their federal grant and loan options when they are known to have applied for private loans. Colorado State University also counsels private loan applicants, leading half of those counseled to pursue their federal borrowing options first.¹⁶

¹³ Calculations by the Project on Student Debt on data from the 2008 National Postsecondary Student Aid Study (NPSAS). Figures reflect the cumulative private (nonfederal) loan debt of bachelor's degree recipients who were U.S. citizens or permanent residents and graduated from a public, private nonprofit, or private for-profit four-year postsecondary institution during the 2007-08 academic year.

¹⁴ At Indiana University-Northwest, 68% of the Class of 2009 borrowed student loans and the average debt of borrowers was \$28,403. At Bowling Green State University-Main Campus, 72% of the Class of 2009 borrowed student loans and the average debt of borrowers was \$28,542.

¹⁵ At the College of Saint Scholastica, 81% of the Class of 2009 borrowed student loans and the average debt of borrowers was \$40,401. At Kettering University, 84% of the Class of 2009 borrowed student loans and the average debt of borrowers was \$41,485.

¹⁶ See Lindsey Luebchow, "Colorado State Does Private Loans Right," Higher Ed Watch, August 23, 2007, http://higheredwatch.newamerica.net/blogs/education_policy/2007/08/colorado_state, accessed October 13, 2010.

Where the Numbers Come From and How We Use Them

Several organizations conduct annual surveys of colleges that include questions about student loan debt, including *U.S. News & World Report*, Peterson's (publisher of its own college guides), and the College Board. To make the process easier for colleges, these organizations use questions from a shared survey instrument, called the Common Data Set. Despite the name "Common Data Set," there is no actual repository or "set" of data. Each surveyor conducts, follows up, and reviews the results of its own survey independently. For this analysis we licensed and used the data from Peterson's.¹⁷ Below is the section of the Common Data Set 2009-10 used to collect student debt data for the Class of 2009:

Note: These are the graduates and loan types to include and exclude in order to fill out CDS H4, H4a, H5 and H5a.

Include:

- * 2009 undergraduate class who graduated between July 1, 2008 and June 30, 2009 who started at your institution as first-time students and received a bachelor's degree between July 1, 2008 and June 30, 2009.
- * only loans made to students who borrowed while enrolled at your institution.
- * co-signed loans.

Exclude:

- * those who transferred in.
- * money borrowed at other institutions.

H4. Provide the percentage of the class (defined above) who borrowed at any time through any loan programs (institutional, state, Federal Perkins, Federal Stafford Subsidized and Unsubsidized, private loans that were certified by your institution, etc.; exclude parent loans). Include both Federal Direct Student Loans and Federal Family Education Loans.

_____ %

H4a. Provide the percentage of the class (defined above) who borrowed at any time through federal loan programs--Federal Perkins, Federal Stafford Subsidized and Unsubsidized. Include both Federal Direct Student Loans and Federal Family Education Loans. NOTE: exclude all institutional, state, private alternative loans and parent loans. _____ %

H5. Report the average per-undergraduate-borrower cumulative principal borrowed of those in line H4.
\$ _____

H5a. Report the average per-undergraduate-borrower cumulative principal borrowed, of those in H4a, through federal loan programs--Federal Perkins, Federal Stafford Subsidized and Unsubsidized. Include both Federal Direct Student Loans and Federal Family Education Loans. These are listed in line H4a. NOTE: exclude all institutional, state, private alternative loans and exclude parent loans. \$ _____¹⁸

Our state-level figures and the lists of high- and low-debt colleges are based on the 1,065 colleges that answered both overall debt questions (H4 and H5 in the above CDS excerpt) for the Class of 2009, and reported granting bachelor's degrees in the Integrated Postsecondary Education Data System (IPEDS), a set of federal surveys on higher education. These colleges represent 56 percent of all public and private nonprofit four-year colleges that

¹⁷ Peterson's Undergraduate Financial Aid and Undergraduate Databases, © 2010 Peterson's, a Nelnet company. All rights reserved.

¹⁸ Common Data Set Initiative, "Common Data Set 2009-10", <http://www.commondataset.org>, accessed September 7, 2010.

granted bachelor's degrees in 2008-09 and 76 percent of all 2009 bachelor's degree recipients in these sectors.¹⁹ Around two-thirds (64%) are private nonprofit colleges, which is similar to the ratio found among all colleges.

In this report, the term "colleges" refers to public four-year and private nonprofit four-year institutions of higher education that granted bachelor's degrees during the 2008-09 year and are located in the 50 states plus the District of Columbia.

Estimating National Averages

The most comprehensive and reliable source of financial aid data at the national level, the National Postsecondary Student Aid Study (NPSAS), consistently shows higher student debt than national estimates derived from data that some colleges voluntarily report to Peterson's. For example, the most recent NPSAS showed average debt for the Class of 2008 that exceeded the average based on Peterson's data by about \$1,550. NPSAS is only conducted by the U.S. Department of Education every four years, does not provide representative data for all states, and provides no data for individual colleges.²⁰ Therefore, in years when NPSAS is not conducted, we estimate the national average student debt upon graduation by using the change in the national average from Peterson's to update the most recent NPSAS figure. The college-level data from Peterson's show an increase in average debt of six percent between borrowers in the Class of 2008 and the Class of 2009, from \$21,200 to \$22,550. For the Class of 2008, NPSAS data show that bachelor's degree recipients at public and private nonprofit four-year colleges who graduated with loans in the Class of 2008 had an average of \$22,750 in debt. Applying a six percent annual increase to \$22,750, we estimate that the actual student debt for the Class of 2009 is \$24,000.

Data Limitations

There are several reasons why CDS data provide an incomplete picture of the debt levels of graduating seniors. Although the CDS questions ask colleges to report cumulative debt from both federal and private (nonfederal) student loans, colleges may not be aware of all the private loans their students carry. The CDS questions also instruct colleges to exclude transfer students and the debt those students carried in. Since the survey is voluntary and not audited, colleges may actually have a disincentive for honest and full reporting. Colleges that accurately calculate and report each year's debt figures rightfully complain that other colleges may have students with higher average debt but fail to update their figures, under-report actual debt levels, or never report figures at all. Additionally, few for-profit colleges report debt data through CDS, and national data show that borrowing levels at for-profit colleges are, on average, much higher than borrowing levels at other types of colleges. See page 5 for more about for-profit colleges.

Despite the limitations of the CDS data, they are the only data available that show cumulative student debt levels for bachelor's degree recipients every year and at the college level. While far from perfect, CDS data are still useful for illustrating the variations in student debt across states and colleges.

What Data are Included in the State Averages?

The state averages are calculated from data reported by the 1,065 colleges described above. Debt figures are estimates, which are reported voluntarily by campus officials and are not audited or reviewed by any outside entity. In order for their data to be considered usable for calculating state averages, colleges had to report both the percent of graduating students with loans and their average debt, and report granting bachelor's degrees during the 2008-09 year. We did not calculate state averages when the usable cases with student debt data cover less than 30% of

¹⁹ Out of the 2,256 public four-year and private nonprofit four-year colleges in the federal Integrated Postsecondary Education Data System (IPEDS) for 2008-09, 1,913 granted bachelor's degrees during the 2008-09 year, with 1,516,584 bachelor's degree recipients in the Class of 2009. The 1,065 colleges included in our calculations have a total of 1,152,860 bachelor's degree recipients in the Class of 2009. Of the 1,913 colleges in IPEDS that awarded bachelor's degrees, 490 were not found in the Peterson's dataset, either because they were not surveyed or because the IPEDS institution identifier was missing or incorrect in the Peterson's dataset. Another 358 institutions were in the Peterson's dataset, but did not report figures for both overall debt questions for the Class of 2009.

²⁰ NPSAS uses multiple sources (student-level data obtained by colleges, the National Student Loan Data System, and student surveys), allowing it to better account for all types of loans and avoid errors. The survey is also based on a representative sample of all college students and includes transfer students. NPSAS provides representative samples for only six states: California, Georgia, Illinois, Minnesota, New York, and Texas.

bachelor's degree recipients in the Class of 2009 or when the underlying data for that state showed a change of 30% or more in average debt from the previous year. Such large year-to-year swings likely reflect different institutions reporting each year, reporting errors, or changes in methodology by institutions reporting the data, rather than actual changes in debt levels. We weight the state averages according to the size of the graduating class (number of bachelor's degree recipients during the 2008-09 year) and the proportion of graduating seniors with debt.

The state averages and rankings in this report are not directly comparable to averages in previous years' reports due to changes in which colleges in each state report data each year, corrections to the underlying data submitted by colleges, and changes in methodology. College InSight (at <http://College-InSight.org>) includes averages for states, sectors, and other aggregate groupings of colleges, covering seven academic years; however, we recommend using caution when generating year-to-year comparisons for aggregates with the student debt data or other data taken from CDS. The underlying cohort of colleges reporting data for a particular topic or variable may not be representative of the grouping as a whole, the list of colleges reporting data within each grouping may change from year to year, and colleges may even change sectors.

Recommendations to Improve Student Debt Data

Student debt is widely understood to be a serious and growing problem in the United States. Too many qualified young people are deterred from college by the presumed or actual cost, and the majority of those who graduate from college have substantial debt that can limit their career options and make it difficult to save for a home, a family, retirement, or their own children's educations. It is important for students, policymakers, and the public to have timely and accurate information on student debt at the college level to inform decision making and hold colleges accountable for their policies and practices.

There is currently no comprehensive or externally verified source of data on student debt at the college level that is available on an annual basis. As discussed above, the Common Data Set (CDS) is the only source for college-level cumulative student debt, but the data are far from perfect. Although the federal government has taken a number of steps to fill in the gaps, more action is needed to ensure that reliable data on student debt across states and colleges are available every year.

Data on private student loans are particularly scarce, and the federal government is only beginning to take steps toward improving this situation. In the last two years, the federal Integrated Postsecondary Education Data System (IPEDS), a set of annual surveys of colleges, began collecting disaggregated data on the federal and private (nonfederal) loans received by full-time freshmen. This is the first time data on private loan usage at individual colleges are available from a federal source, but full-time freshmen are often not representative of undergraduates as a whole. Additionally, the Department of Education's proposed regulations for career education programs would require that colleges report the amount students completing these programs received from private student loans and institutional financing plans.²¹ However, these data would be available for career education programs only and, like the IPEDS and CDS survey data, would still depend on the colleges reporting figures fully and accurately.

A few important changes would greatly improve the available data and understanding of the student debt issue:

- **Expand federal collection of student debt data:** The Integrated Postsecondary Education Data System (IPEDS) should begin collecting the same financial aid data for all undergraduates that are currently collected for full-time freshmen, who can represent a very small percentage of students at some colleges. Additionally, IPEDS should collect data on cumulative student debt for graduating students as well as the volume of annual borrowing of both federal and private loans by all undergraduates, instead of just federal loans. Many colleges already report the data on CDS surveys, so there would not be a significant increase in the reporting burden. Collecting student debt figures from IPEDS would lead to

²¹ Notice of Proposed Rulemaking (NPRM), June 18, 2010, <http://www2.ed.gov/legislation/FedRegister/proprule/2010-2/061810a.pdf>, accessed September 7, 2010.

much more comprehensive and accurate data than CDS provides, helping to fill gaps such as the lack of college-level data on student borrowing at for-profit colleges.

- **Require full school certification of private loans:** Many consumer and student advocates, higher education associations including the National Association of Student Financial Aid Administrators, and several groups representing lenders, support the full school “certification” of private loans. Such certification would require that lenders confirm a student’s enrollment and aid eligibility with the college before disbursing a private loan, and that colleges inform students of any remaining federal loan and grant eligibility. This policy change would give school administrators information they need to counsel students about any remaining federal loan eligibility and other safer alternatives to private student loans.²² We urge the Consumer Financial Protection Bureau (CFPB), an agency created by the financial reform bill (The Dodd-Frank Wall Street Reform and Consumer Protection Act²³), to use its rulemaking authority over private student loans to require full school certification. The current system of borrower “self-certification” is insufficient and ineffective.²⁴
- **Include private loans in the National Student Loan Data System (NSLDS):** The CFPB should also use its rulemaking authority to require reporting of private student loan information to NSLDS, which currently has data only on federal student loans. Consumers would then be able to see all their loans, both federal and private, in one place and receive counseling based on their total student loan debt. Colleges would be able to assess the usage of private loans among their students and craft policies to better encourage the use of federal loans first. Like the data on federal loans, the data on private loans would be available for inclusion in NPSAS and other federal datasets. This would also allow the federal government to calculate cumulative debt figures for colleges that include both federal and private loans, eliminating the need for IPEDS or CDS survey questions on the topic and reducing the reporting burden on colleges.
- **Collect and publish loan repayment rates and debt-to-income ratios:** The Department of Education should collect and publish program-level loan repayment rates and debt-to-income ratios for programs required by law to prepare students for gainful employment. Under the proposed draft regulation defining gainful employment, colleges would be required to disclose these rates only for programs whose graduates have very low repayment rates and high debt burdens. Making that data publicly available and easy to find in one place, rather than merely disclosed by individual colleges in a limited manner, would allow students, parents, researchers and policymakers to make informed comparisons between programs. Additionally, collecting and publishing these data for non-completers as well as program completers would better capture the actual student experience in these programs, particularly because students who borrow but do not complete are at high risk of defaulting on their loans.²⁵

²² For example see “Unlikely Bedfellows on Student Loans,” Inside Higher Ed, May 11, 2010, <http://www.insidehighered.com/news/2010/05/11/certify>, accessed October 13, 2010.

²³ *Dodd-Frank Wall Street Reform and Consumer Protection Act*, Public Law 111-203.

²⁴ Self-certification requires the lender to collect a form from the loan applicant with the student’s cost of attendance, estimated financial assistance, and the difference between those two amounts. As currently implemented, self-certification does not require any notification to the college, so college officials may not have the opportunity to check that the cost of attendance and estimated financial assistance figures are accurate or to counsel the student about other options. The relevant regulations can be found at 12 CFR 226.48(e), 34 CFR 601.11(d) and 34 CFR 668.14(b)(29).

²⁵ Gladieux, Lawrence and Laura Perna, “Borrowers Who Drop Out: A Neglected Aspect of the Student Loan Trend,” The National Center for Public Policy and Higher Education, May 2005, <http://www.highereducation.org/reports/borrowing/borrowers.pdf>, accessed October 13, 2010.

THE PROJECT ON STUDENT DEBT

The Project on Student Debt is an initiative of The Institute for College Access & Success, an independent, nonprofit organization working to make higher education more available and affordable for people of all backgrounds. For more about the Institute, see <http://www.ticas.org>.

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