

## Data Show No Evidence of “Over-Borrowing” at Community Colleges

*Colleges Don't Need More Authority to Limit Student Aid Options*

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Some community colleges have expressed concerns that their students borrow more than they need in federal loans. However, **the data do not support claims of “over-borrowing” at community colleges.** The vast majority of community college students do not borrow federal loans at all, and the few who do borrow do not take out large loan amounts.

### Community college costs are substantial.

- College costs have long been defined to include indirect costs of attending college. Factoring in housing and food, books and supplies, transportation, and personal expenses as well as tuition and fees, the average full cost of attendance at community colleges is \$15,000, compared to \$23,000 at public four-year colleges.<sup>1</sup>
- The vast majority (82%) of full-time community college students need financial aid to cover college costs, and hardly any of them – only two percent – have their need fully met with grants.<sup>2</sup>

### Community college students do not borrow large amounts of federal loans, and most don't borrow at all.

- The vast majority (79%) of eligible community college students do not take out federal loans.<sup>3</sup> Only 21% of eligible community college students took out federal student loans in 2011-12, the most recent year of data available. Only 9% borrowed as much as they could have.<sup>4</sup>
- The few community college students who borrow federal loans, whether they attend full time or part time, take out much less on average than federal loan borrowers at other types of colleges. For example, full-time community college students who borrow take out, on average, \$2,000 (or 30%) less than their counterparts at other types of schools.<sup>5</sup>
- Community college students do not borrow much to cover non-tuition costs of attendance. On average, those who take out more in federal loans than their net tuition and fees (i.e., tuition and fees minus grant aid) borrow only \$4,150 to help cover housing and food, books and supplies, transportation to school, and personal expenses.<sup>6</sup>

### Limiting students' access to federal loans would reduce their odds of completion.

- About 2.8 million full-time students attend community colleges. This is one quarter (25%) of all full-time students, more than the share attending nonprofit or for-profit colleges.<sup>7</sup> Cutting their aid would seriously undermine state and national college completion efforts.
- Students who need more resources would be forced to drop out, work excessive hours, or drop classes, choices which research has shown greatly reduce their odds of success.<sup>8</sup>

### Colleges already have sufficient tools to ensure that students only borrow what they need.

- Colleges are required to provide both “entrance” and “exit” counseling to students who take out federal loans.<sup>9</sup>
- Many colleges, including many community colleges, take other steps to help students make wise borrowing decisions, including helping students create multi-year borrowing plans, coordinating with academic counselors to make sure borrowers stay on track, and providing additional counseling to borrowers with high cumulative debt.
- In addition, on a case by case basis, financial aid officers can use their professional judgment to lower a student's loan eligibility.<sup>10</sup>

**Even after students borrow, colleges can implement strategies to reduce student loan defaults.** For example, National Park Community College in Arkansas successfully lowered their default rate eight percentage points in two years by improving their financial aid administrative policies, including loan counseling, and dedicating more staff time to educating delinquent borrowers about their repayment options.<sup>11</sup>

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

<sup>2</sup> Calculations by TICAS on data from the U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS), 2011-12. In this document, the term “full-time” refers to students who attended exclusively full-time at one institution in 2011-12.

<sup>3</sup> Calculations by TICAS on data from the U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS), 2011-12. In this document, the term “federal loans” refers to federal Stafford loans and the term “eligible community college students” refers to undergraduate community college students who were U.S. citizens or resident aliens and attended only one college, at least half-time, in 2011-12. Unless otherwise noted, dollar figures are rounded to the nearest \$50. TICAS would like to thank the Woodstock Institute (<http://woodstockinst.org>) for collaborating with us on the data analysis.

<sup>4</sup> Calculations by TICAS on data from the U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS), 2011-12. A student’s annual maximum Stafford loan amount is determined by his or her class level, dependency status, and total cost of attendance minus all financial aid except for loans. While 9% of eligible community college students borrowed the annual maximum in Stafford loans, 85% borrowed less, and for 6%, annual maximum Stafford loan amounts could not be determined.

<sup>5</sup> Calculations by TICAS on data from the U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS), 2011-12.

<sup>6</sup> Ibid.

<sup>7</sup> Ibid.

<sup>8</sup> American Council on Education, Center for Policy Analysis. 2002. *Crucial Choices: How Students’ Financial Decisions Affect Their Academic Success*. See also CALPIRG. 2009. *Working Too Hard to Make the Grade: How Fewer Work Hours and More Financial Aid Can Help California Community College Students Succeed*. Pike, G. R., G. D. Kuh, & R. Massa-McKinley. 2009. *First-Year Students’ Employment, Engagement, and Academic Achievement: Untangling the Relationship Between Work and Grades*. *NASPA Journal* 45(4), pp. 560–582.

<sup>9</sup> U.S. Department of Education, 2012-13 Federal Student Aid Handbook, Chapter 6, “Providing Consumer & Safety Information,” <http://ifap.ed.gov/fsahandbook/attachments/1213FSAHbkVol2Ch6.pdf>.

<sup>10</sup> For more on these strategies, see *Making Loans Work: How Community Colleges Support Responsible Student Borrowing*, TICAS, 2012.

<sup>11</sup> “NPCC’s 3yr Cohort Default Rate Crisis,” Fall 2013 presentation at the Louisiana Association of Student Financial Aid Administrators. <http://www.lasfaa.org/docs/conferences/Fall2013/handouts/NPCCs3yrCohortDefaultRateCrisis.pdf>.