"Over-Borrowing" Not the Problem at For-Profit Colleges

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Some for-profit college industry lobbyists blame students for the high debt and default levels at their schools, claiming that their students borrow more than they need in federal loans. ***However, there is no evidence to substantiate claims of "over-borrowing" at for-profit colleges.***

Most students attending for-profit colleges borrow only what they need to cover their tuition and fees.

- Three out of five (60%) undergraduate federal loan borrowers at for-profit colleges borrow no more than their tuition and fees minus grant aid (i.e., net tuition and fees).[1]
- The students who borrow more than their net tuition and fees cover, on average, only $2,800 of their other educational expenses, such as room and board, books and supplies, and transportation to school.[2] Federal student aid can be used to help cover the full cost of attendance, which includes those non-tuition expenses.

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

- Each college determines the cost of attendance for its programs, including estimating appropriate amounts for room, board, books, supplies and transportation.[3] If colleges think students are spending too much on living expenses, they can lower the allowable amount in their cost of attendance to something more reasonable.
- Colleges are required by law to provide loan counseling to students who take out federal loans and can use loan counseling to influence students' borrowing behavior.[4] After the University of Phoenix improved its loan counseling in 2009, the company reported that the number of students taking out the maximum federal loan declined from approximately 90% to 60%-70%.[5]

Reducing students' eligibility for aid *won't* address the root causes of high for-profit college default rates, but it *will* hurt students' ability to cover college costs.

- **For-profit colleges cannot blame their high cohort default rates on "over-borrowing."** Students attending public colleges are almost twice as likely as their counterparts at for-profit colleges to borrow to cover college costs beyond their net tuition and fees and borrow more, on average, to cover those costs ($3,600 compared to $2,800).[6] Yet public college default rates are *half* those of for-profit colleges.[7] Even after adjusting for differences in their student demographics, the for-profit college industry's own study found that their graduates are twice as likely to default on their loans as graduates from other types of colleges.[8]
- **College costs have long been broadly defined to include indirect costs of attendance,** and for-profit colleges agree that these are legitimate college costs for which students should be able to receive financial assistance. For instance, the Career College Association lobbied for the GI Bill to provide a housing allowance for online students.[9]

[1] Calculations by TICAS on data from the U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS), 2007-08. The figures in this fact sheet reflect borrowing by undergraduate students, who accounted for 89% of enrollment in for-profit colleges in 2009-10, based on data from the U.S. Department of Education, Integrated Postsecondary Education Data System (IPEDS).

[2] Calculations by TICAS on data from the U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS), 2007-08.

[3] U.S. Department of Education, 2011-12 Federal Student Aid Handbook, Chapter 2, "Cost of Attendance (Budget)," http://www.ifap.ed.gov/fsahandbook/attachments/1112FSAHbkVol3Ch2.pdf.

[4] U.S. Department of Education, 2011-12 Federal Student Aid Handbook, Chapter 6, "Providing Consumer & Safety Information," http://www.ifap.ed.gov/fsahandbook/attachments/1112FSAHbkVol2Ch6.pdf.

[5] Chas Edelstein, Apollo Group Co-CEO, 2010 Q4 earnings call, October 13, 2010, available at http://www.apollogrp.edu/investor/Transcripts/APOL-Transcript-Q410.pdf.

[6] Calculations by TICAS on data from the U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS), 2007-08.

[7] U.S. Department of Education. The two-year FY09 default rate for public colleges was 7.2% compared to 15.0% for for-profit colleges. http://www2.ed.gov/offices/OSFAP/defaultmanagement/instrates.html

[8] Charles River Associates for the Career College Association, "Report on Gainful Employment," April 2010, pages 14-16, available at http://nwcareercolleges.org/documents/CRA-GainfulEmployment-full.pdf.

[9] "Veterans Failing Shows Hazards of For-Profit Schools in GI Bill." *BusinessWeek*. September 23, 2010, http://www.bloomberg.com/news/2010-09-23/veterans-failing-to-learn-show-hazards-of-for-profit-schools-under-gi-bill.html. Career College Association lobbying disclosure act lobbying report filed on Oct. 20, 2010, http://bit.ly/hTebMt. "Retooling the GI Bill." *Inside Higher Ed.* July 22, 2010. http://www.insidehighered.com/news/2010/07/22/vets.