

August 20, 2012

The Honorable Martha J. Kanter  
Under Secretary  
U.S. Department of Education  
400 Maryland Ave, SW  
Washington, DC 20202



Re: Providing Context with September Release of 2-year and 3-year Cohort Default Rates

Dear Dr. Kanter:

Over the past several years, we have been in touch with your staff about how the Department's release of college cohort default rates (CDRs) could be done in a way that is both more useful and meaningful to consumers, journalists, and even colleges themselves. I am writing this letter to share specific recommendations for how this could be done for the upcoming release of two-year CDRs for fiscal year 2010 (FY10) and three-year CDRs for fiscal year 2009 (FY09).

As you know, CDRs are important indicators of college quality, but how representative and meaningful they are depends on how many students at the college borrow (e.g., they are much more representative at a college where more than 90% of students borrow than at a college where less than 9% of students borrow). To better communicate this context in the upcoming release(s) of CDRs, we strongly recommend the Education Department change the way it presents the data publicly. This step is all the more critical given rising default rates and increased attention to them, including the recent spike in [unfounded fears at some community colleges](#) of being sanctioned despite their having very low borrowing rates.

We appreciate that the Department has acknowledged this issue and tried to address it. Beginning with the release of FY08 two-year CDRs, the Department included a "percentage calculation" that was intended to provide a sense of students' likelihood of borrowing. However, this "percentage calculation" cited does not provide the meaningful context intended and is even potentially harmful: The "percentage calculation" cited is the number of students who entered repayment as a proportion of students enrolled – a calculation without relevance. As a result, this figure has not provided the meaningful context that the borrowing rate would. For example, the University of Phoenix has a "percentage calculation" of 34.1 for FY2009, but College Navigator shows that, at the online campus and most physical locations, at least [65 percent of undergraduates](#) took out federal student loans in 2010-11.

Instead, we recommend the Department provide the proportion of enrolled undergraduate students who borrow. The percentage of undergraduate students who borrow federal loans is already disclosed on College Navigator, and it has already been used by the Department in conjunction with CDRs. Specifically, the Department's release of trial three-year CDRs has included columns noting each college's number of borrowers and students enrolled – allowing one to calculate the percentage of undergraduate students at each college who borrow federal loans. This has only recently been possible, as colleges began reporting the number of undergraduates taking out federal student loans on the IPEDS Student Financial Aid survey for the 2008-09 year and beyond.

With the release(s) of CDRs next month, we urge the Department to replace the “percentage calculation” currently provided on the CDR search site with the much more meaningful percentage of students borrowing listed on College Navigator using IPEDS SFA variables. Doing so will better allow potential students, journalists, and college administrators to ascertain students’ actual risk of defaulting on student loans after attending a particular college. It will also help to avoid or mitigate the risk of community colleges unnecessarily pulling out of the federal student loan program in response to unfounded fears of being sanctioned based on their default rates.

Please feel free to contact me or my colleague Debbie Cochrane at (510) 318-7900 if you have any questions or if we can be of any assistance in these efforts.

Sincerely,

A handwritten signature in black ink, appearing to read 'LAUREN ASHER', with a stylized flourish at the end.

Lauren Asher  
President

cc: David Bergeron, Acting Assistant Secretary for Postsecondary Education