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Reducing Federal Loan Eligibility Would Hurt Students at For-Profit Colleges

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

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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 support this claim, and giving colleges greater authority to reduce aid eligibility will make it harder for students to pay for and complete college.***

Half of undergraduate students attending for-profit colleges borrow enough to cover their tuition and fees only.

- Half (50%) of 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 $3,800 of their other educational expenses, such as housing and food, books and supplies, and transportation to school.[2] Federal student aid can be used to help cover the full cost of attendance, which includes these 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 housing, food, 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 will hurt their ability to cover college costs and complete college.

- **College costs have long been defined to include indirect costs of attendance,** and for-profit colleges agree that these are legitimate costs for which students should be able to receive financial assistance. For instance, the for-profit college trade association lobbied for the GI Bill to provide a housing allowance for online students.[6]
- **Virtually all for-profit college students (95%) need financial aid to pay for college**, and hardly any (less than 1%) have their federally determined financial need fully met with grants.[7] Reducing students' eligibility for loans would hurt their ability to cover the remaining costs and graduate.
- **71% of for-profit college students enroll full time,** and one-third of these full-time students (34%) already work full time as well,[8] so it is impractical to expect them to work more to make up the difference.

Student "over-borrowing" is not the cause of high for-profit college default rates.

- Students attending public colleges are over 60 percent more likely than students at for-profit colleges to borrow to cover college costs beyond their net tuition and fees (81% vs. 50%) and students at public colleges borrow more, on average, to cover those costs ($4,650 compared to $3,800).[9] Yet the default rate of public colleges is 40 percent lower than that of for-profit colleges.[10]
- 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.[11]

[1] Calculations by TICAS on data from the U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS), 2011-12. The figures in this fact sheet reflect borrowing by undergraduate students, who accounted for 88% of enrollment in for-profit colleges in 2011-12, based on data from the U.S. Department of Education, Integrated Postsecondary Education Data System (IPEDS). In this document, the term "federal loans" refers to federal Stafford loans and the term "students" refers to undergraduates who were U.S. citizens or resident aliens and attended only one college, 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.

[2] Calculations by TICAS on data from the U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS), 2011-12.

[3] U.S. Department of Education, 2013-2014 Federal Student Aid Handbook, Volume 3, Chapter 2, "Cost of Attendance (Budget)," http://ifap.ed.gov/fsahandbook/attachments/1314FSAHbkVol3Ch2.pdf.

[4] U.S. Department of Education, 2013-2014 Federal Student Aid Handbook, Volume 2, Chapter 6, "Providing Consumer & Safety Information," http://ifap.ed.gov/fsahandbook/attachments/1314FSAHbkVol2Ch6.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] "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 (now named Association of Private Sector Colleges and Universities) lobbying disclosure act lobbying report filed on Oct. 20, 2010, http://1.usa.gov/1liHhuH. "Retooling the GI Bill." *Inside Higher Ed.* July 22, 2010. http://www.insidehighered.com/news/2010/07/22/vets.

[7] Calculations by TICAS on data from the U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS), 2011-12.

[8] Ibid.

[9] Ibid.

[10] U.S. Department of Education. Comparison of 3-Year FY 2010 Cohort Default Rates to Prior Official Calculation, http://www2.ed.gov/offices/OSFAP/defaultmanagement/cdrschooltype3yr.pdf. The three-year FY2010 default rate for public colleges was 13.0 percent compared to 21.8 percent for for-profit colleges.

[11] 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.