



Are Repayment Rates the new CDR?

Dave Deibel

School Relations Director, ECMC Solutions

ddeibel@ecmc.org

"Happiness can be found even in the darkest of times if one only remembers to turn on the light."

~ Albus Dumbledore



Session Takeaways

- Let's get up to speed
- Everything you want (and need) to know about Repayment Rates
- Why it matters and what you can do now



An Update.....

- Student loan repayment now key federal issue due to \$1.5 trillion in outstanding debt.
- Broad dissatisfaction with current evaluation and bipartisan support for college accountability.
- CDR's have been the only minimum performance threshold for 5000+ schools accessing \$130 billion.

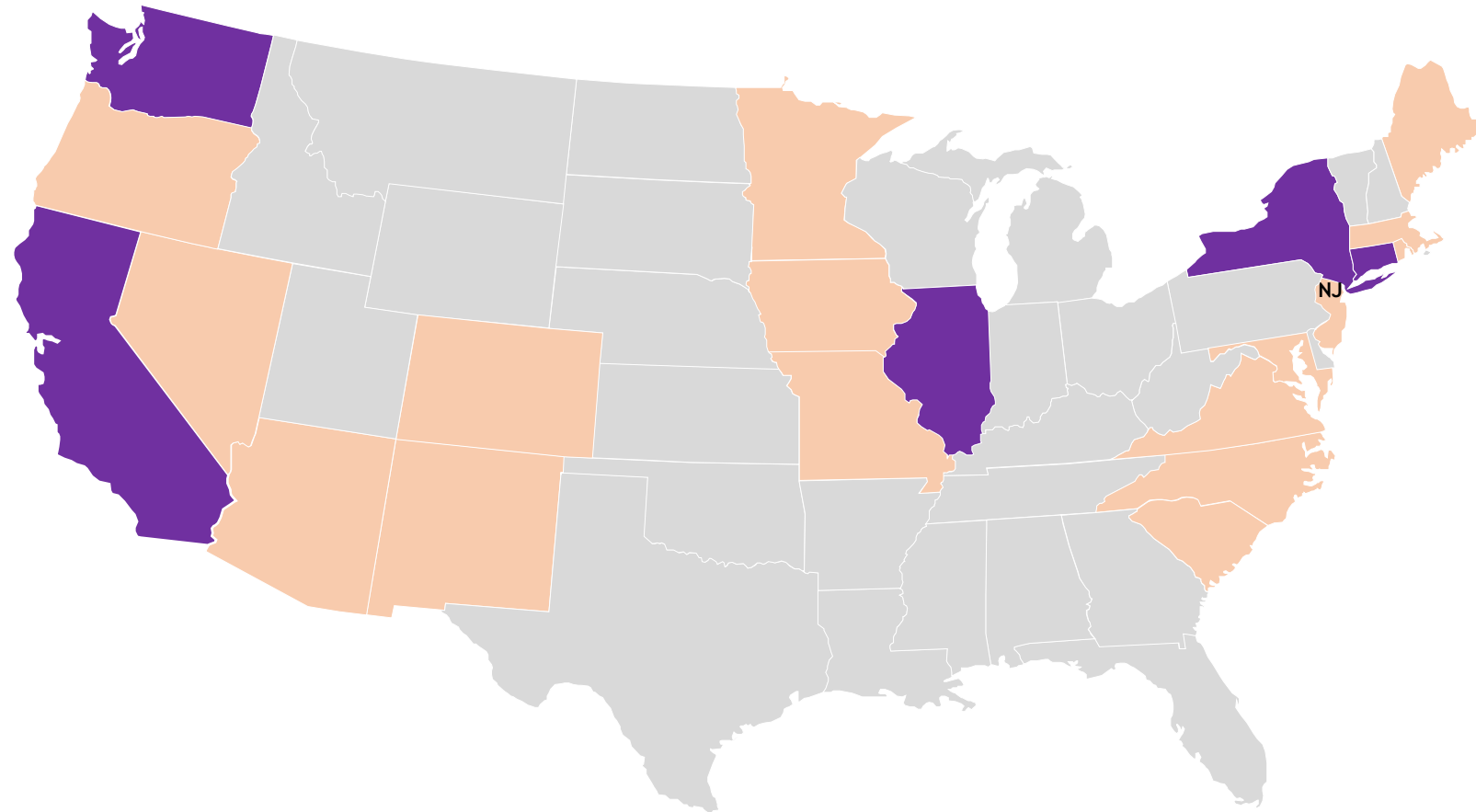


An Update....

- Insufficient way to hold institutions accountable- affects virtually no institutions or borrowers.
- Need a metric for institutional accountability(skin in the game) and to measure student success.
- Frustration of using institutional metric as opposed to program level metric.
- Rise of the IDR's- amount of DL's in IDR now higher than in standard repayment program.
- College Scorecard- only currently reported RR metric(2015).



State Student Loan Servicer Legislation



HEA: An Update

- Last Reauthorization was in 2008.
- Political environment and complexity of the legislation lead to delays.
- Split control of Congress makes it unlikely to happen in 2019.
Negotiations stalled at staff level.
- Alexander and Murray: continue to push existing legislation or start anew?
- “Skin in the game” is a bipartisan concept(FWS and SEOG)
- NASFAA- Making Financial Aid Work For All



Three Major Legislative Proposals

Student
Protection and
Success Act :
2017 by Sen.
Shaheen &
Hatch

Prosper Act:
2017 by
Representative
Foxx(House
Republicans)

College
Affordability
Act: 2019 by
Representative
Scott(House
Democrats)

Repayment Rate Legislation

	DEFINITION	HOW IS IT MEASURED OR CALCULATED?
College Scorecard	Based on the percentage of borrowers whose loan balances decreased by at least \$1 among all borrowers who entered repayment.	The repayment rate is calculated for one, three, five, and seven years following when a student left college and entered repayment.
College Affordability Act	Creates the Adjusted Cohort Default Rate(ACDR) Risk of losing federal aid based on adjusting rates and would exclude borrowers in forbearance more than eighteen months.	<p>3 years > 20% 6 years > 15% 8 years > 10%</p> <p>Adds an on time RR- defined as share of borrowers who make at least 90% of their payments on time</p>
Sen. Alexander	Create cohort repayment rate based on % of loan dollars repaid five years after leaving school. Risk sharing- funds collected sent to schools with high RR's among their low income borrowers.	School's repayment rate after five years must be higher than 20%(consistent with full repayment in 15 years). Could be used at program level too.
PROSPER Act	Based on the percentage of students in repayment at the program level. This measure includes loans to graduate students, but not parents, and also provides an exemption to programs with a small percentage of borrowers.	End program's access to federal financial aid if a program's repayment rate is below 45% for three successive cohorts.



More Recent Legislation

- March 2019: Executive Order focused on institutional accountability specific to program level outcomes.
- Expand the CS by Jan 2020.
- Expanded program-level data includes:

Estimated median earnings

Direct Loan debt, default rate and RR

Grad PLUS debt, default rate and RR

Parent PLUS debt, default rate and RR



EO Continued...

- DOE report to make policy recommendations on student loan risk sharing.
- Institutional accountability for graduates ability to repay loans.
- Goal of this EO: colleges will consider future earnings when determining cost of their programs.

Repayment Rates

- First gained prominence in 2011(GE regulatory process)
- The repayment rate is defined as the percentage of borrowers in each repayment cohort whose payments reduced the loan principal by at least one dollar after the specified number of years.(3)
- Repayment status on each loan is attributed to the school for which the loan was taken. Therefore, a student can be counted in the repayment cohorts of more than one institution.
- IDR borrowers only counted in the rate if reducing principal balance.



Why Repayment Rates?

- Better indicator of student success for institutions and policymakers going forward
- More nuanced than CDR's: illustrate how borrowers retire their debt rather than just avoid default. No more "gaming" the system.
- RR's can prompt earlier intervention than CDR's.

40%–52%

of students entering repayment from
2006-07 through **2008-09**

failed to repay at least
in principal during the **\$1**
same period



Ironing Out the Details

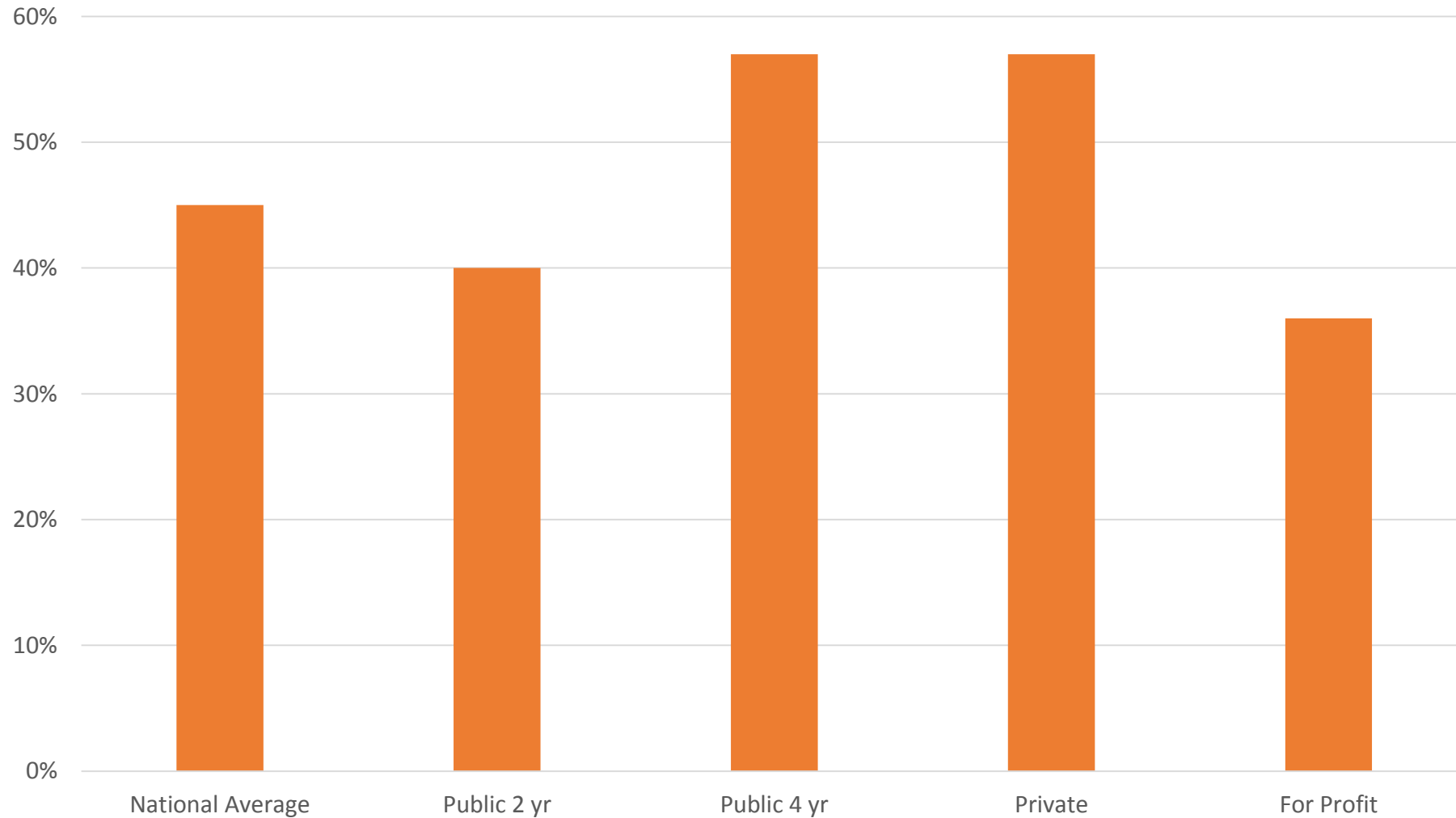
- Calculating Repayment Rates: number of borrowers or amount of dollars? Students and families vs taxpayers and politicians.
- Measure by institution or program
- Measurement time frame- threshold should vary
- RR's by field of study- nurses vs business majors
- May overlook IDR borrowers-contrasting goals and structure.
- Solution- institutional now, program in the future



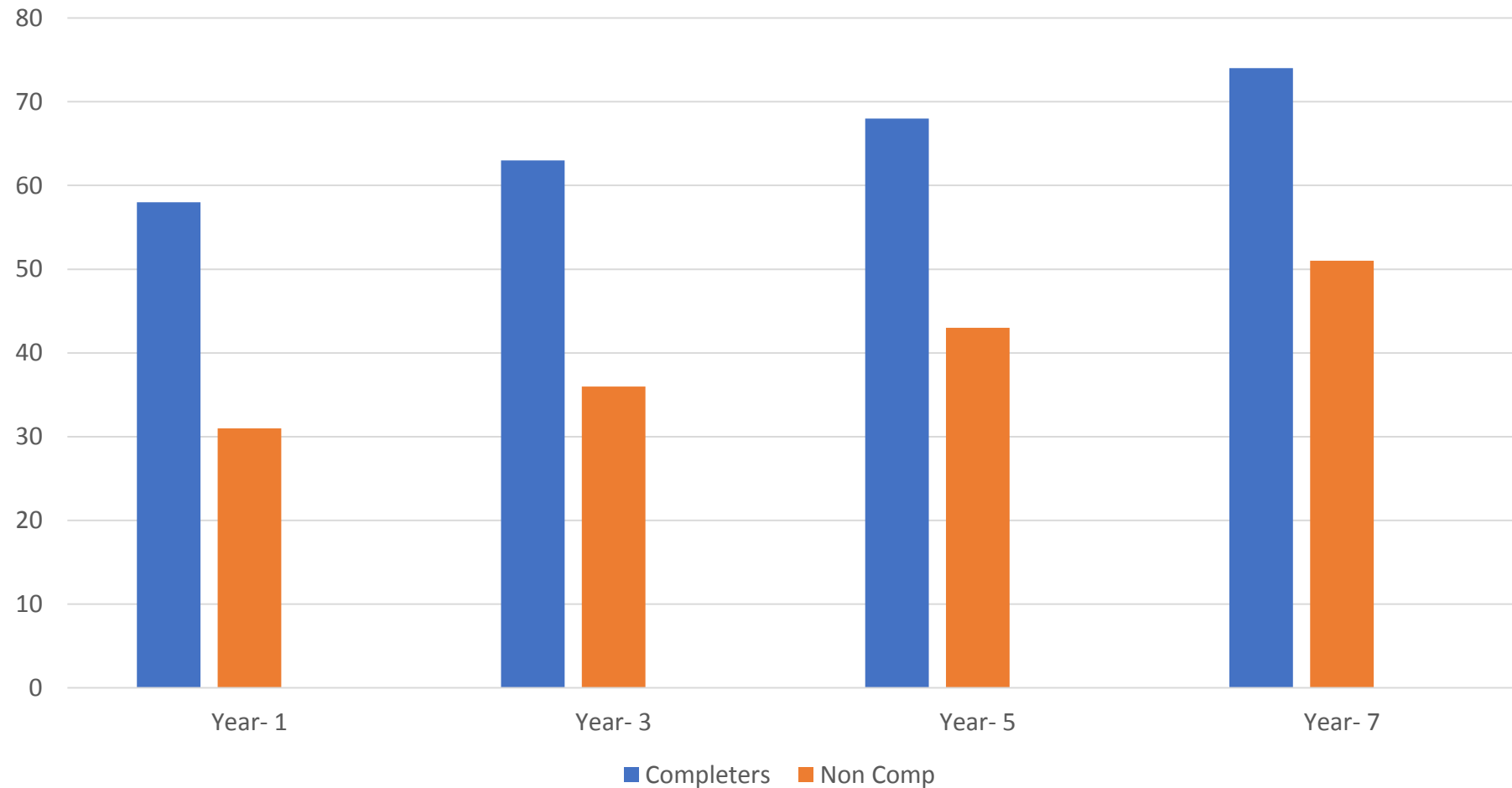
College Scorecard

- Scorecard data include:
 - Costs
 - Graduation Rates
 - Loan Default Rates
 - Loan Repayment Rates
 - Average Amount Borrowed
 - Employment
 - Earnings

College Scorecard RR's by Sector



Repayment Rates: Comp vs Non Comp



AFTER 3 YEARS

60%

degree or
certificate earners

vs.

34%

noncompleters

HAD PAID
DOWN

at least

\$1

*of their federal
loan principal*

What Can Schools Do Now?

- Early student outreach
- Adopt a debt management counseling strategy
- Career Services
- Assess Admissions policy
- Assess Academic Programs- RR's by program

Behaviors that Improve Repayment

- Familiarity with FSA user ID and password for accessing NSLDS.ed.gov and studentloans.gov.
- Creating a budget
- Proactively selecting an affordable repayment plan
- Familiarity with servicer website
- Benefits of setting up automatic payments

Current Sources for RR Data

- College Scorecard
- National Center for Education Statistics surveys
- FSA Data Center
- Gainful Employment
- ECMC