The State of Student Borrowing

Breaking Down the Student Debt Crisis

Enrollment Management Forum

Joining Us Today

Meet our Student Debt Expert

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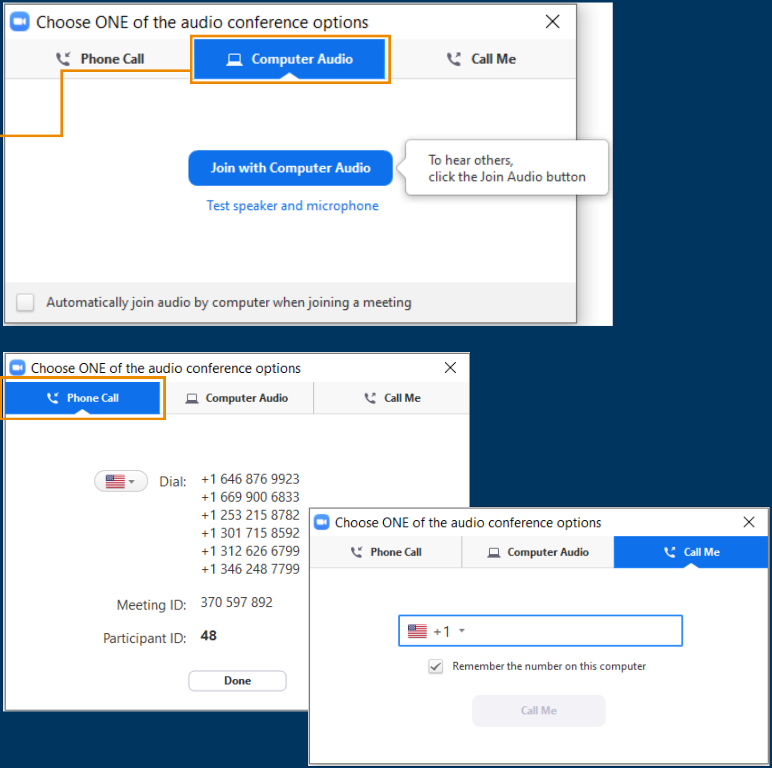

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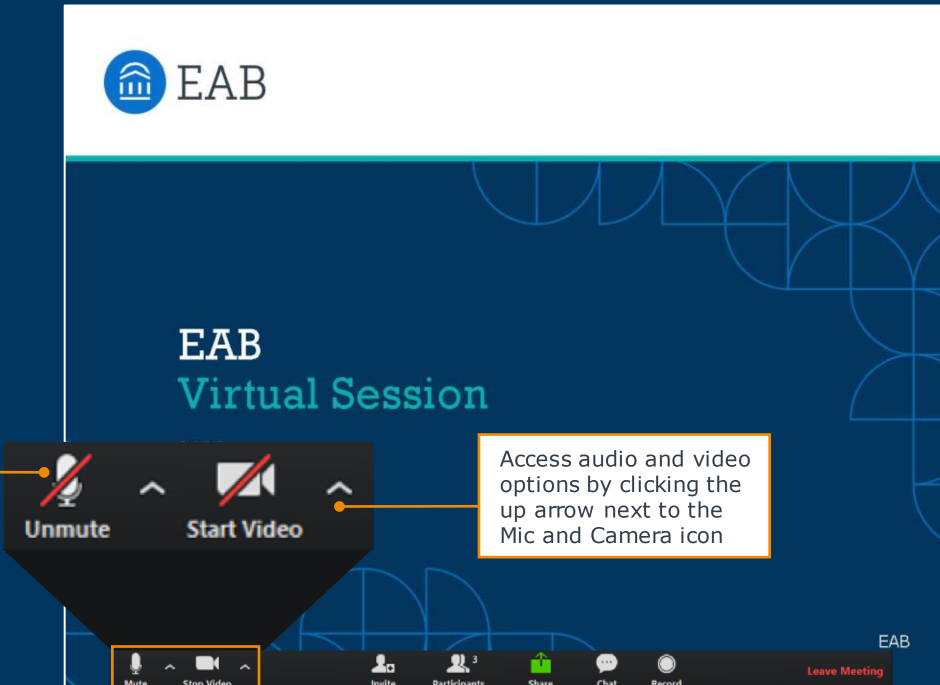

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Zoom Features and Settings

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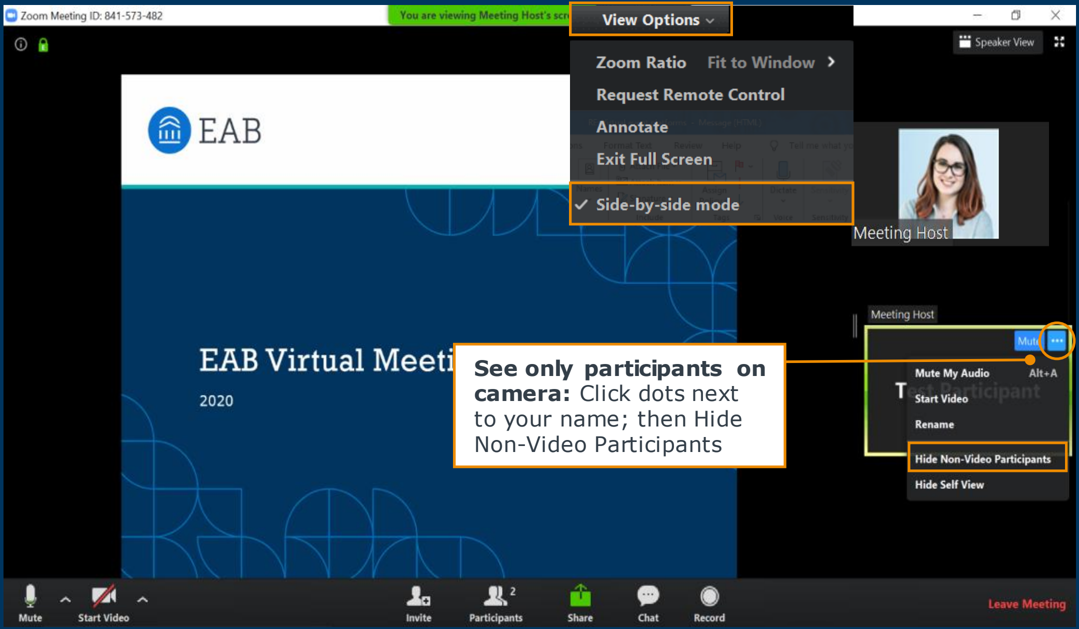


See only participants on camera: Click dots next to your name; then Hide Non-Video Participants

Upcoming Virtual Roundtables:

Minimizing Borrowing on Your Campus

16 Tactics to Help Students Find More Money and Make Better Financial Decisions

- For Selective Institutions
  Tuesday, June 16, 3 pm

- For All Institutions
  Thursday, June 18, 3 pm

- For All Institutions
  Wednesday, July 15, 3 pm

1 **Student Debt and the Current Media Narrative**

2 3 Reasons Students Are Concerned About Taking on Debt

3 What’s Really Going on with Undergraduate Borrowing

4 The Challenging Landscape of Loan Repayment

5 Major University Initiatives to Address Debt

Student Loan Dystopia Bingo

Six Strategies To Avoid Repaying Loans

Flee the Country

Some college graduates, disillusioned by mounting debts and jobs that barely cover their bills, are putting the US (and their debts) behind by moving to places including rural India and Japan, where wages can't be garnished by the government.

Parents Disown You

ProPublica unearthed a scandal in suburban Chicago, where dozens of families gave up legal guardianship of their children in order for them to qualify for federal, state, and university aid as independent students.

Win A Game Show

Paid Off with Michael Torpey on truTV is a gameshow that gives three college graduates a chance to win the sum of their debt in cash in a trivia contest. This year the show is awarding more than $1 million in prize money.

Join the Army

The US Army achieved its annual recruiting goal for 2018 by September of that year, a feat that the head of Army Recruiting attributed to their targeted marketing to students in debt

Natty Light Sponsorship

In January 2019 National Light announced plans to give students and former students $10M over 10 years to offset student-loan debt. The brand, which has made similar moves before, asks people to create videos citing their inspiration for attending college.

Get Paid to Move

Some localities are offering debt relief to college graduates who move there. Maine pays off all debts as part of state tax liability. Newburgh Heights, Ohio will pay off half of debt up to a cap of $50K for those who purchase a house.

Nova, Annie. "These Americans Fled The Country To Escape Their Giant Student Debt." CNBC, October 27, 2018; Cohen, Jodi S. and Melissa Sanchez. "Parents Are Giving Up Custody Of Their Kids To Get Need-Based College Financial Aid." ProPublica Illinois, July 29, 2019; "Paid Off With Michael Torpey." trutv.com, https://www.trutv.com/shows/paid-off-with-michael-torpey/index.html#cast Accessed January 23, 2020; Ettachfini, Leila. "The Army Beat Its Recruitment Goals This Year By Targeting Students In Debt." Vice, September 19, 2019; Taylor, Kate. "Natty Light is Donating $10 Million to Offset 'Crippling' Student-Loan Debt, And It Reveals A Dark Reality About America." Business Insider, January 25, 2019; Nova, Annie. "Maine Is Offering Student Loan Assistance To People Who Live And Work In The State." CNBC, October 15, 2018; "This Ohio Town Wants To Help You Pay Off Your Student Debt." CNBC, March 29, 2019; EAB interviews and analysis.

Unsustainable Solution: Beneficent Billionaire

Billionaire Donations Make Easy Headlines But Don't Solve the Problem

Gift Provides Massive Debt Relief For An Entire Graduating Class And Parents

THE WASHINGTON POST

- Robert Smith, a billionaire investor and founder of Vista Equity Partners, pledged a **gift that totals $34 million to cover the full student debts incurred by the 2019 Morehouse College graduating class**
- The gift was later **expanded to also cover debts that students' parents incurred** through financing their education
- **396** graduates were covered in total

Donation Illuminates Inequities and Lack of Sustainability

Recent black graduates of 4-year colleges owe, on average, $7,400 more than their white peers

Students at HBCU's more likely to take out loans than other students

Relying on benevolent gifts is not scalable, as the likelihood and feasibility of future similar gifts is low

Burch, Audra D.S, David Gelles and Emily S. Rueb. "Morehouse College Graduates' Student Loans to Be Paid Off by Billionaire." The New York Times, May 19, 2019; Douglas-Gabriel, Danielle. "Robert F. Smith's Morehouse Pledge is Getting A Lot Bigger." The Washington Post, September 20, 2019; Goldstein, Dana. "The Morehouse Gift in Context: An Average Black Graduate Has $7,400 More in Debt Than White Peers." The New York Times, May 20, 2019; EAB interviews and analysis.

Cancel Debt Movement Goes Mainstream

A Once-Fringe Movement Shows Up on Candidate Platforms

Formerly Relegated to Wish Lists of Activists…

"The Occupy Movement Takes on Student Debt"

– The New Yorker, September 2014

…Debt Cancellation has Gained Traction Across the Political Spectrum

Voters

A recent Hill-HarrisX poll shows that **58%** of registered voters "support a proposal that would make public colleges, universities free for all and cancel all existing student debt"

Candidates

Of the top four democratic candidates, one favors full cancellation (Sanders), one plans to eliminate debt for 95% of borrowers (Warren), and two have more modest proposals to reduce or cancel debt

Government Officials

A. Wayne Johnson, a senior loan official in the Trump administration, resigned, calling the system **"fundamentally broken"**

Vara, Vauhini. "The Occupy Movement Takes On Student Debt." The New Yorker, September 17, 2014; "Majority Of Voters Support Free College, Eliminating Student Debt." thehill.com. https://thehill.com/hilltv/rising/461106-majority-of-voters-support-free-college-eliminating-student-debt Accessed January 23, 2020; Camera, Lauren. "Where The 2020 Candidates Stand On Free College And Student Debt." U.S. News & World Report, September 12, 2019; Mitchell, Josh. "Trump Education Official To Resign And Call For Mass Student-Loan Forgiveness." The Wall Street Journal, October 24, 2019; EAB interviews and analysis.

"Fundamentally Broken" Forgiveness Program

Approval for Only 1% of Grads Seeking Loan Forgiveness

A Troubling History of Public Service Loan Forgiveness

2007

Noble Origins

PSLF was created to incentivize undergraduates to pursue low-earning public service careers, promising **tax-free debt forgiveness after 10 years of payments.**

2017

Botched Launch

The first cohort of PSLF qualifiers faced a **99% rejection rate.**

2018

Failed Fixes

Dept. of Ed. provides $700 million for those rejected from PSLF. **Temporarily Expanded PSLF has a 99% rejection rate.**

2020

Too Expensive?

As more borrowers become eligible, the projected future cost for PSLF through 2029 is **$17.5-22.9 billion** (with proposals to cancel the program altogether).

> "I think there is a 4% chance my debt will actually be forgiven."
>
> *Grace, 33 year-old making payments toward PSLF*

Here's Why So Many Americans Feel Cheated By Their Student Loans, BuzzFeed News, 2019; Matthew M. Cingos, "Complex by Design: Reforming Public Service Loan Forgiveness," Statement before Congress (2019), CBO, "Reduce or Eliminate Public Service Loan Forgiveness."; EAB interviews and analysis.

The Newest in Employee Benefit Packages

Companies Begin Paying Off Portions of Student Debts

Millennials Spend More Income On Repayment, Employers Rewrite Benefit Plans

More pay goes to loan payments…

25%

Percentage of millennials with student debt spend more than 11% of their take-home income on payments

…early adopters explore loan repayment…

"Is Offering Student Loan Repayment The New 401(k)?"

-Fast Company, 2015

2015: Society of Human Resource Management begins tracking number companies offering student loan repayment

… and more companies sign on to new employee benefit

2x

Increase in percentage of companies (4%-8%), offering some kind of student loan benefit, 2018-2019

On The Horizon…The Employer Participation Repayment Act

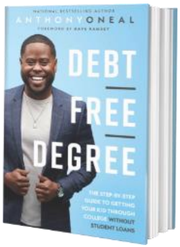
- Bipartisan bill introduced February 2019
- Would allow employers to contribute up to $5,250 tax-free to employees' student loans (updating existing program which only applies to employees seeking additional education)

Farrell, Diana, Fiona Greig, and Erica Deadman. "Student Loan Payments: Evidence from 4 Million Families." JPMorgan Chase & Co. Institute, July 2019; Dishman, Lydia. "Is Offering Student Loan Repayment The New 401(k)?" Fast Company. December 17, 2015; 'Thune, Warner Introduce Legislation to Aid Student Debt Repayment." February 13, 2019 https://www.thune.senate.gov/public/index.cfm/2019/2/thune-warner-introduce-legislation-to-aid-student-debt-repayment; Wessels, Karen, Samuel Robinson and Anca Popa. "2018 Employee Benefits: The Evolution of Benefits." Society for Human Resource Management, 2018; "2015 Employee Benefits Survey Report." Society for Human Resource Management. 2015; EAB interviews and analysis.

"If You Pay for College, You're Doing It Wrong"

Dave Ramsey's No-Debt Media Empire Reaches Large Audiences

Bestselling Books



"Anthony ONeal teaches parents how to help their kid pay for college without debt, even if they haven't saved for it."

Debt Free Degree

Anthony ONeal

#1
New York Times Bestseller

Viral Videos

"You're smart. Student loans are not."

The Rachel Cruze Show

Rachel Cruze

191K
YouTube subscribers

Popular Podcasts

"There's a massive student loan crisis in America. Millions have found themselves buried beneath a mountain of debt."

Borrowed Future

George Kamel

★★★★★
4.9 stars from 5,874 ratings

...and a Luxury Cruise?

"You're debt free, you've earned this...mark your calendars, adjust your budget, and get on board for the first-ever Live Like No One Else Cruise."

Dave Ramsey

Join the waitlist!

Source: www.daveramsey.com; EAB interviews and analysis.

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A Closer Look at Growing Student Debt Aversion

1

Diminishing ROI of College

The financial returns of a college degree are changing for several key student populations

2

Unknown Risk of Non-Completion

The value of the decision to enroll isn't guaranteed when measured against graduation rates

3

Extended Repayment Timelines

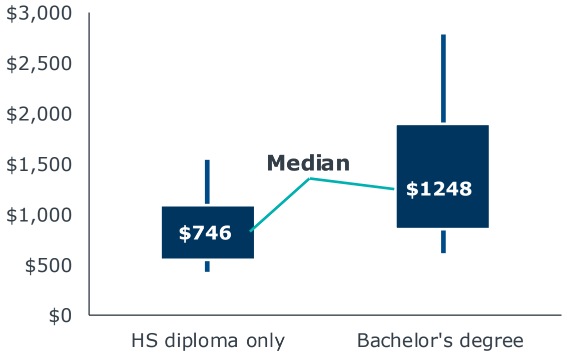
It takes longer for recent cohorts to repay student loans than in the past

Growing Debt Aversion Despite Income Premium

If a Degree Has High ROI, Why Are Students Loan Averse?

A College Degree Still Boosts Earnings

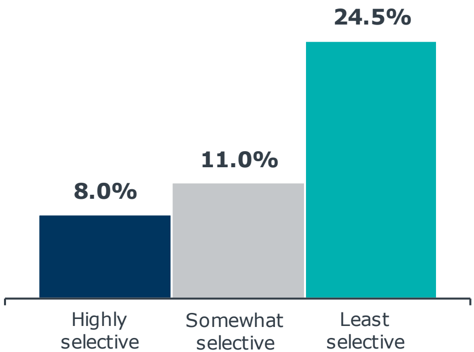
Average Weekly Earnings by Degree Attained[1]



42% income premium for college graduates over those without a degree

As Selectivity Decreases, Loan Aversion Increases[2]

Percentage of Students at 4-Year Public Institutions Showing Debt Aversion



39% of high school students exhibit evidence of loan-averse behavior

1) U.S. Bureau of Labor Statistics
2) Sara Goldrick-Rab & Robert Kelchen, *Making Sense of Loan Aversion: Evidence from Wisconsin*, 2013

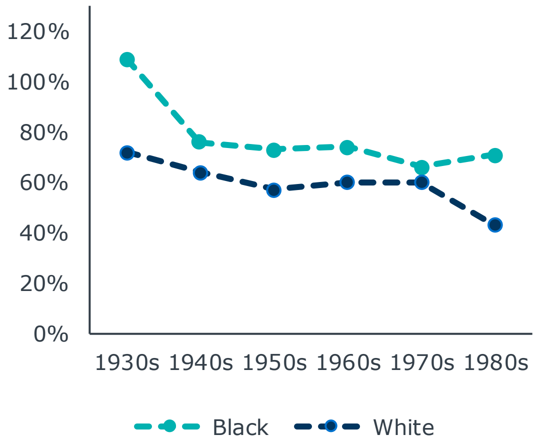
Boatman, A., Brent J. Evans, and Adela Soliz, 2017, *Understanding Loan Aversion in Education: Evidence from High School Seniors, Community College Students, and Adults*; EAB interviews and analysis.

Disaggregating College ROI by Birth Year

Later Birth Cohorts See Stagnant Income and Declining Wealth Premiums

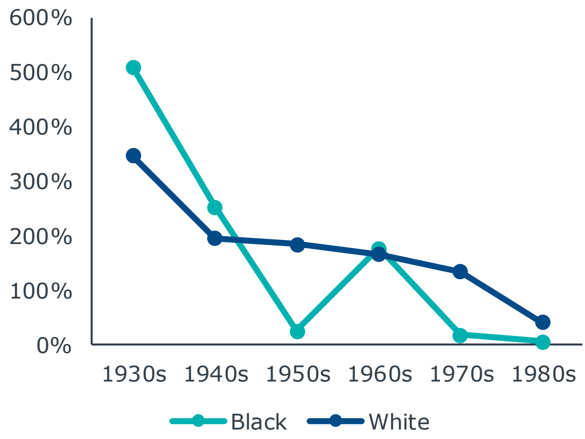
A Degree Does Increasingly Little for Income Premium of Younger Cohorts

Expected Income Premiums for Black and White Graduates, by Birth Cohort



Wealth Premiums "Statistically Indistinguishable From Zero"

Expected Wealth Premiums for Black and White Graduates, by Birth Cohort



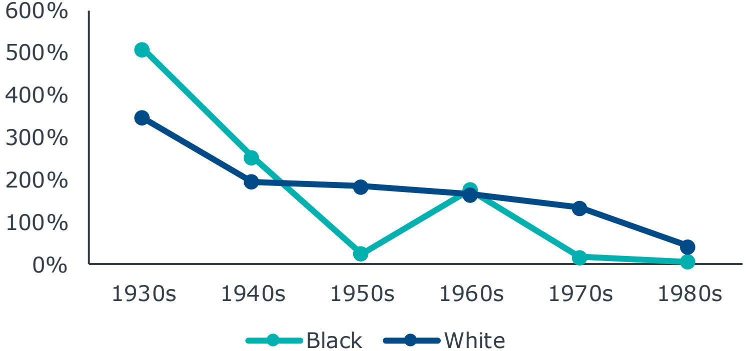
Is College Still Worth It? The New Calculus of Falling Returns, Emmons, Kent, & Ricketts, 2019; EAB interviews and analysis.

"Statistically Indistinguishable from Zero"

Wealth Premiums Look Grim for Younger Graduates

A Degree Does Increasingly Little for the Lifetime Wealth of Younger Cohorts

Expected Wealth Premiums for Black and White Graduates, by Birth Cohort



Why Is Lifetime Wealth Lower for Younger Birth Cohorts?

1 **Changing Rates of Wealth Accumulation**

Older generations acquired assets when they were cheaper

2 **Financial Liberalization**

Recent generations have more opportunity for credit and consumer debt

3 **Rising Cost of College**

Consumer prices have risen 4x since 1978; tuition has risen 14x

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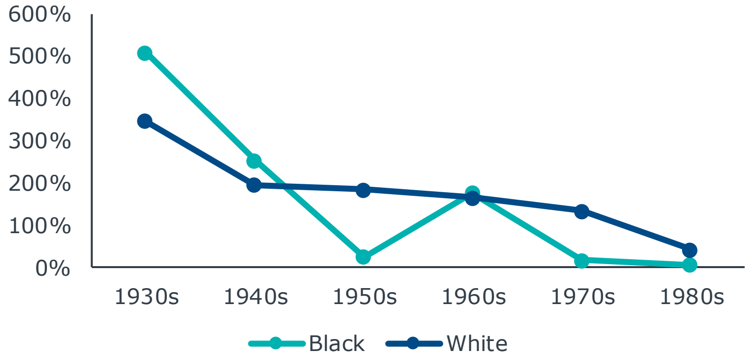

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4 **Expanded College Access**

More low SES students affects overall data set

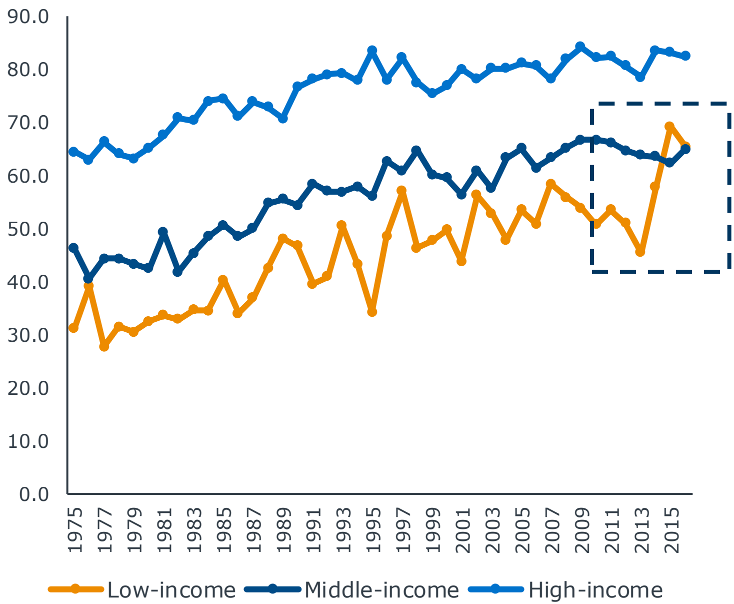
Is College Still Worth It? The New Calculus of Falling Returns, Emmons, Kent, & Ricketts, 2019; EAB interviews and analysis.

Diminished ROI Partly Due to Our Success

Enrolling More Low-SES Students Means Graduating More Low-SES Students

Enrollment in Postsecondary Education by Income Level

Percent of Recent High School Grads in College, 1975 - 2016



"The greatest predictor of post-college income is pre-college income"

Vice President
Large Public University
in the Midwest

Digest of Education Statistics, 2016; EAB interviews and analysis.

ROI Studies Overlook Risk of Non-Completion

What Is the Present Value of a Student's Decision to Enroll?

Most Studies Calculate ROI from the Point of Graduation…but What is the Value of the Decision to *Enroll*, Graduation Unknown?

$344k

Net present value of a college degree, adjusted for risk of non-completion and student ability bias

- Douglas Webber, 2018

$1m

Net present value of a college degree, adjusted for risk of non-completion

- Toutkoushian, Shafiq, & Trivette, 2018

Factors Students Consider When Estimating the ROI of Enrolling in College

- Immediate cost
- True cost (immediate cost plus interest from any debt)
- Opportunity cost (lost earnings)
- Major
- Institution graduation rate
- Student's own perception of likelihood to graduate
- Selectivity or prestige of institution

Three Student Self-Doubts About Degree Completion

Personal Financial Circumstance

Level Of Academic Preparedness

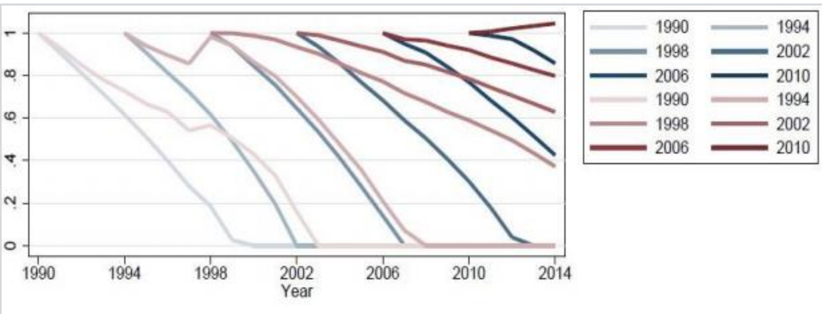
Family Circumstance

Webber, *Is College Worth It? Going Beyond Averages*, 2018; Toutkoushian, Shafiq, & Trivette, *Accounting for Risk of Non-Completion in Private and Social Rates of Return to Higher Education*, 2018; EAB interviews and analysis.

Repayment Is Harder Than in the Past

All Borrowers, And Especially Those with Large Balances, Repay Loans At A Slower Rate

Balance of Median Borrower Repaid Over Time, 1990 to 2014[1]



Key Takeaways

- Borrowers with low balances taking longer to repay
- Large balance borrowers now owe more than their initial payment amount

Year loans enter repayment	1994	2006
Status of median borrower, 8 years later	0% of balance remaining	>40% of balance remaining

1) Blue lines indicate borrowers owing less than $50,000
2) Based on 2,500 respondents to a recent Cengage survey
3) 51% of respondents had student debt; Average debt was $22,411; The Department of Education estimates that it will take 20 years for borrowers to repay loans between $20,000 and $40,000

Looney, Adam and Constantine Yannelis. "Borrowers With Large Balances: Rising Student Debt And Falling Repayment Rates." The Brookings Institution, February 2018; Hess, Abigail. "College Grads Expect To Pay Off Student Debt In 6 Years – This Is How Long It Will Actually Take." CNBC.com. May 23, 2019; "2019 Cengage Student Opportunity Index." Cengage and Wakefield Research; EAB interviews and analysis.

3 Reasons Students Are Concerned About Debt

A Closer Look at Growing Student Debt Aversion

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It takes longer for recent cohorts to repay student loans than in the past

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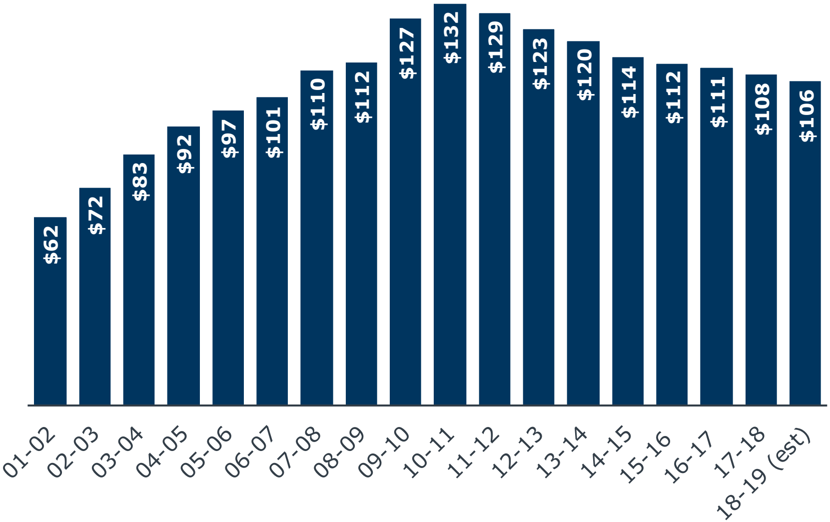
Is Borrowing Really on the Wane?

Aggregate Numbers Raise More Questions Than Answers

Top-Line Data Shows a Decline in Student Loans…

Aggregate Student Loan Amount by Year of Allocation (in Billions of 2018 Dollars)



… But What is Driving This Decline?

- Fewer students?
- Fewer borrowers?
- Lower dollar amounts per borrower?
- More affluent students?
- Students attending less expensive schools?
- Changes in graduate enrollment?

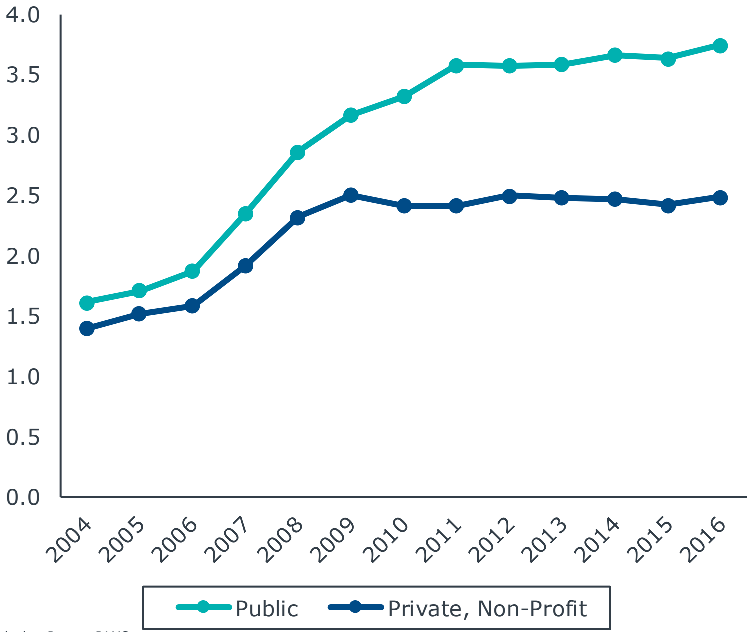
How might any of these phenomena manifest differently across **institution segment**?

Source: College Board, Trends in Student Aid, 2019; EAB interviews and analysis.

Aggregate Borrowed at 4-Years Continues to Rise

4-Year Institution Debt Not Declining

Aggregate (in Billions) Federal Direct and Private Loans to First-Time, Full-Time Students at Four-Year Institutions[1]



Key Takeaway

- No return to normal after recession

Outstanding Questions

- More or fewer borrowers?
- Greater or lesser share of students borrowing?
- Greater or fewer dollars per borrower?

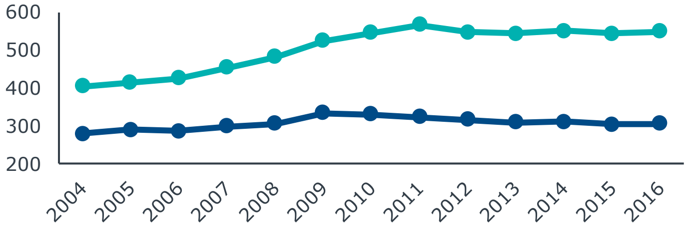
1) Excludes Parent PLUS

Source: EAB analysis of IPEDS data.

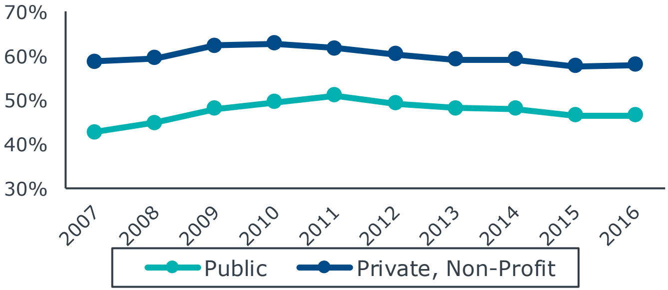
Smaller Share of Students Borrowing

Number of Borrowers Remains Constant While Share of Students Borrowing Shows Decline

Number (in thousands) of FTFT Students Borrowing Federal and/or Private Loans[1]



Percentage of FTFT Students Borrowing Federal and/or Private Loans[1]



Key Takeaways

- Plateau in borrowers
- Decline in share of students borrowing
- Ergo, slight enrollment increase at 4-years
- Decline in students not cause of decline in borrowing

Outstanding Questions

- More or fewer dollars per borrower?

1) Excludes Parent PLUS

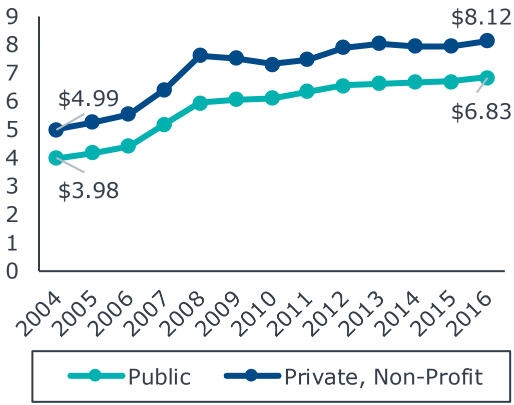
Source: EAB analysis of IPEDS data.

Dollars Per Borrower on the Rise

Borrowing Decline Not a Result of Students Borrowing Less

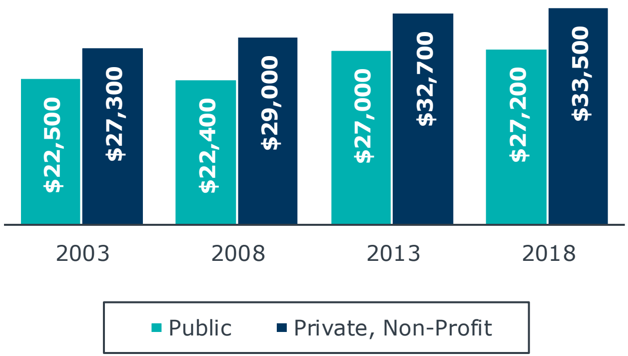
FTFT Borrowers Borrower More

Average Amount Borrowed (in thousands) by FT-FT Borrowers[1]



Graduates Have More Debt

Average Cumulative Amount Borrowed (in thousands) by Degree Recipients Who Borrowed



Key Takeaways

- Steady increase in borrowing per borrower
- Significantly greater debt burden than before recession
- Debt at graduation continues to increase
- Public university debt at graduation now exceeds four years of maximum federal direct loans

1) Federal and private loans, excludes Parent PLUS

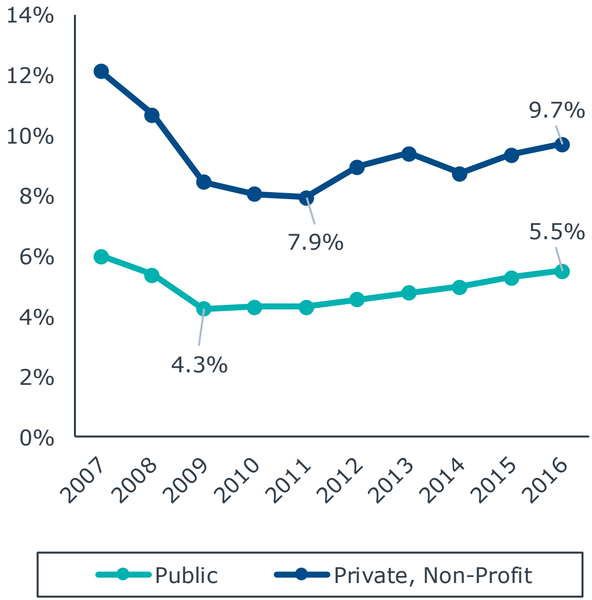
EAB Analysis of IPEDS Data; College Board, *Trends in Student Aid, 2019.*

Private Borrowing Rebounds Post-Recession

Small Share of Borrowers Borrow Alarming Amount of Private Loans

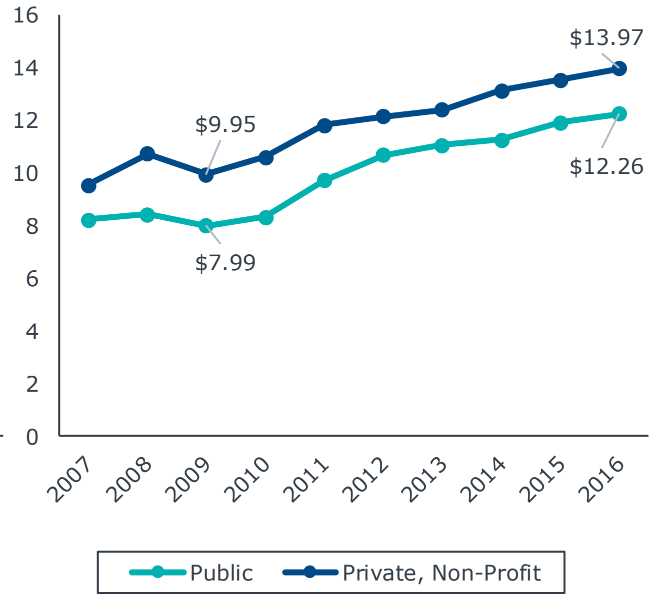
Private Loans Rebound

Percentage of FTFT Students Taking Out Private Loans



Private Loan Continues Upward Trajectory

Average Amount (in thousands) of Private Loans Taken Out by FTFT Students who Took Out Private Loans



Source: EAB analysis of IPEDS data.

A Deeper Dive on Specific Borrower Populations

Five Commonly Misrepresented Areas of Student Debt

1 **Graduate School Debt**

2 **Debt of Non-Completers**

3 **Debt at For-Profits**

4 **Parent Borrowing**

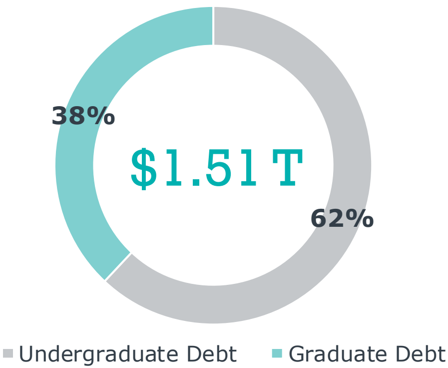
5 **Disparities in Debt by Race**

A Deeper Dive: Graduate School Debt

Grad Studies Leading Cause of Extreme Debt Loads

Nearly 40% of Debt is for Grad Studies

Outstanding US student debt by degree type, Q4 2019



Graduate Borrowers Repay at Higher Rates Than Undergraduates

18.2% 3-Year CDR for all **undergraduate** borrowers

2.8% 3-Year CDR for all **graduate** borrowers

$73k average grad debt balance at completion for **private** universities

$63k average grad debt balance at completion for **public** universities

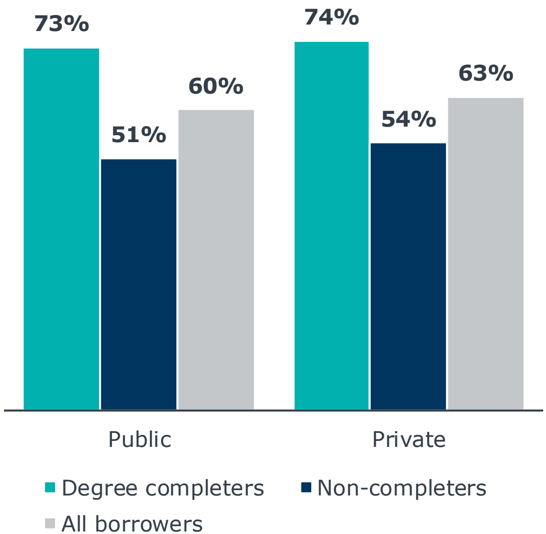
Looney, *The Student Loan Crisis: A Look at the Data*, 2017; EAB interviews and analysis.

A Deeper Dive: Debt of Non-Completers

Debt and No Degree Makes Repayment Much Harder

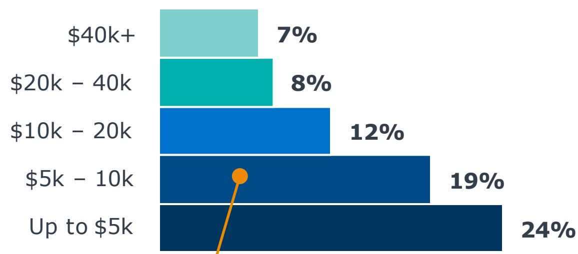
Repayment Rate Much Lower for Those Who Don’t Get a Degree

Median 3-Year Repayment Rate for Bachelor’s Programs by Sector, 2016-2017



Default Rates Inversely Correlated with Amount of Debt

3-Year Cohort Default Rate Among Borrowers Entering Repayment in 2010-11, by Loan Balance



Non-Completers and High Rates of Default

$9k

Average debt load of non-completers[1]

One of the principal reasons low-amount borrowers have higher default rates is because non-completers have lower cumulative debt on average

1) Public 4-year institutions. Federal Student Loan Debt Burden of Noncompleters, NCES, 2013

College Board, *Trends in Student Aid 2018,* figure 12B; EAB analysis of College Scorecard Data; EAB interviews and analysis.

A Deeper Dive: Debt at For-Profits

Graduates of For-Profits Carry Largest Debt Loads

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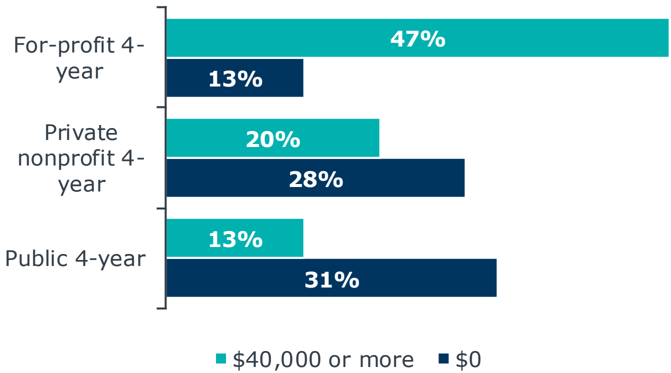
Cumulative Amount Borrowed for Undergraduate Degree Completers, By Institution Type

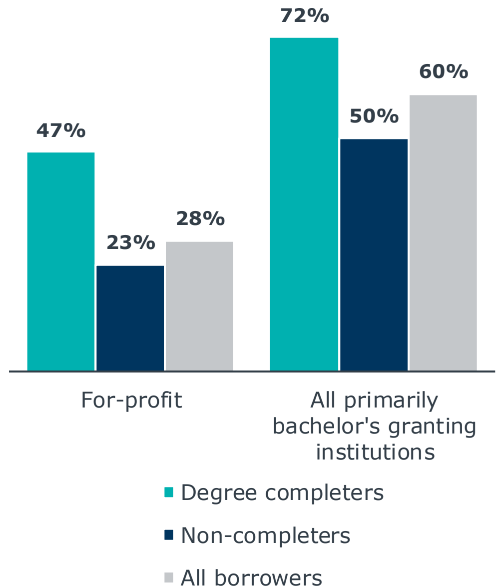


5%

Percentage of all undergraduates enrolled at for-profit institutions

Repayment Rates at For-Profits Lower Than Other Institutions

Median 3-year Repayment Rate by Sector, 2016-2017

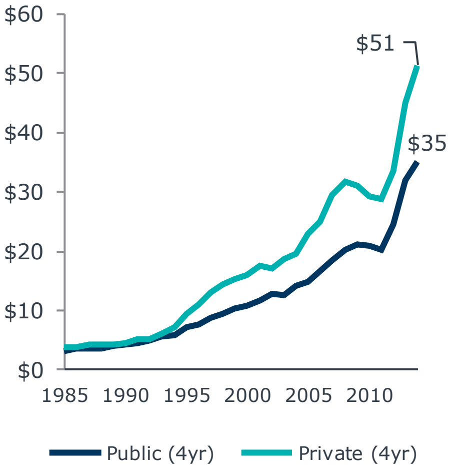


National Center for Education Statistics, *National Postsecondary Student Aid Study (NPSAS)*, 2016; EAB interviews and analysis.

A Deeper Dive: Parent Borrowing

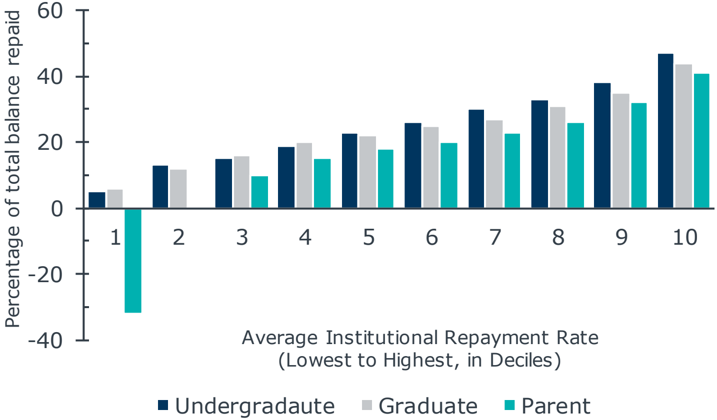
Parent Borrowing Rates Skyrocket…

Average Balance (in Thousands) of Parent Plus Loans When Last Loan Enters Repayment



…and Parents Lag Behind Every Other Group In Repayment

Differences In 5-Year Institutional Repayment Rates Across Institutions And Borrower Types, 2009 to 2014[12]



19% Percentage of college parents that take out loans[1]

1) Between 2012 and 2016, the average Parent PLUS loan for parents of bachelor's degree recipients from four-year institutions increased by $8,350, while the share of parents borrowing parent loans decreased from 21 percent to 19 percent. *Calculations by TICAS of NPSAS 2012 and 2016 data.*

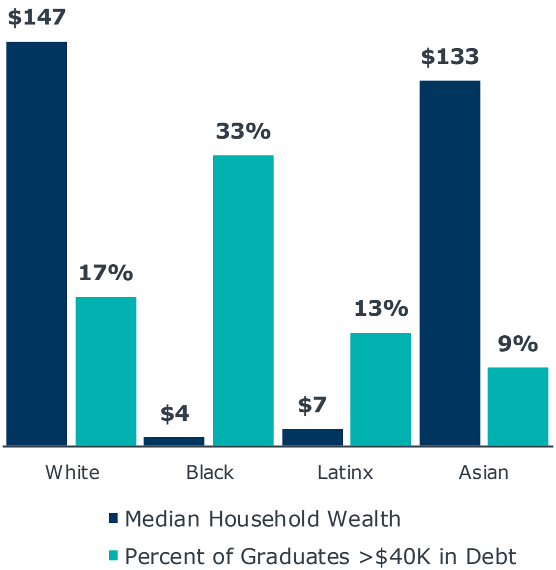
Scott-Clayton, Judith. "The Looming Student Loan Default Crisis Is Worse Than We Thought." Evidence Speaks Reports, Volume 2, #34. Brookings, January 10, 2018; Looney, Adam and Constantine Yannelis. "Borrowers With Large Balances: Rising Student Debt And Falling Repayment Rates." The Brookings Institution, February 2018; EAB interviews and analysis.

A Deeper Dive: Racial Disparities

Structural Racism Torpedoes Outcomes for Black Borrowers

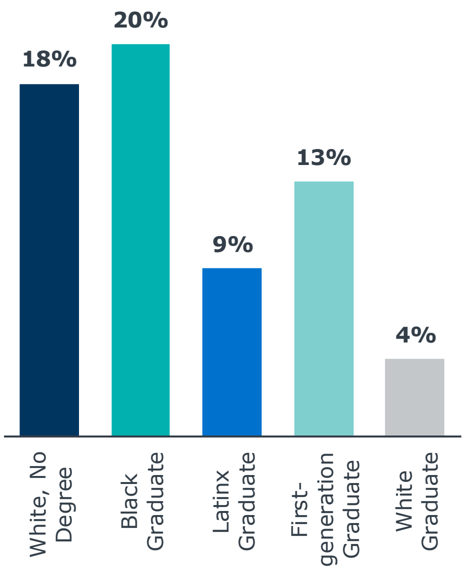
Limited Assets Means More Debt

Median Household Wealth (in thousands) and Percent of Graduates Having Accumulated >$40K Debt



Black Graduates Default More Frequently than White Non-Degree Earners

Percent of Borrowers who Default within 12 Years of Beginning College, 2004-2016



1) Asian household wealth is from 2013

College Board Trends in Student Aid (2019); Scott-Clayton, Judith. *The Looming Student Loan Default Crisis Is Worse Than We Thought,* Evidence Speaks Reports, Volume 2, #34. Brookings, January 10, 2018; "Facts: Racial Economic Inequality." inequality.org. https://inequality.org/facts/racial-inequality/#racial-wealth-divide Accessed January 23, 2020; EAB interviews and analysis.

1. Student Debt and the Current Media Narrative
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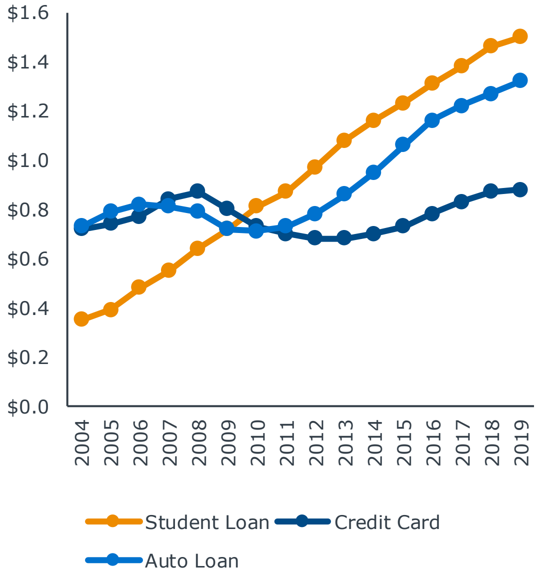
4. **The Challenging Landscape of Loan Repayment**
5. Major University Initiatives to Address Debt

Comparing Student Loans with Other Debt

Student Loans Are the Largest Source of Non-Housing Debt

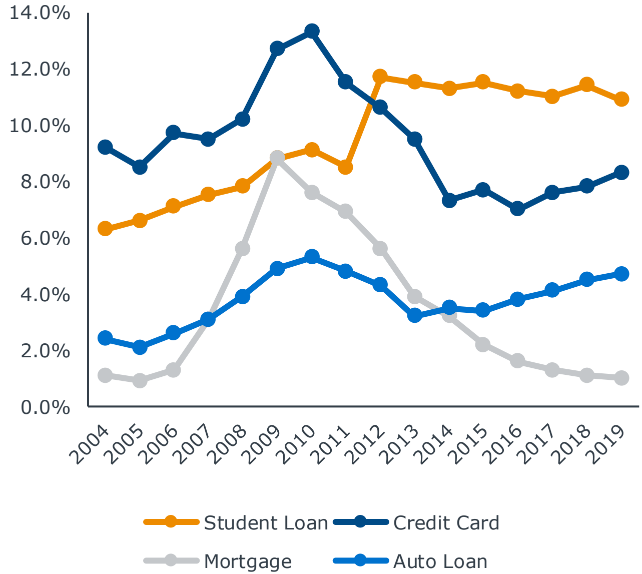
Student Debt 2nd-Largest[1] Debt Source

Balance of Outstanding Debt (in Trillions)



Student Loans Now Most Delinquent Debt

Percentage of Aggregate Balance 90+ Days Delinquent

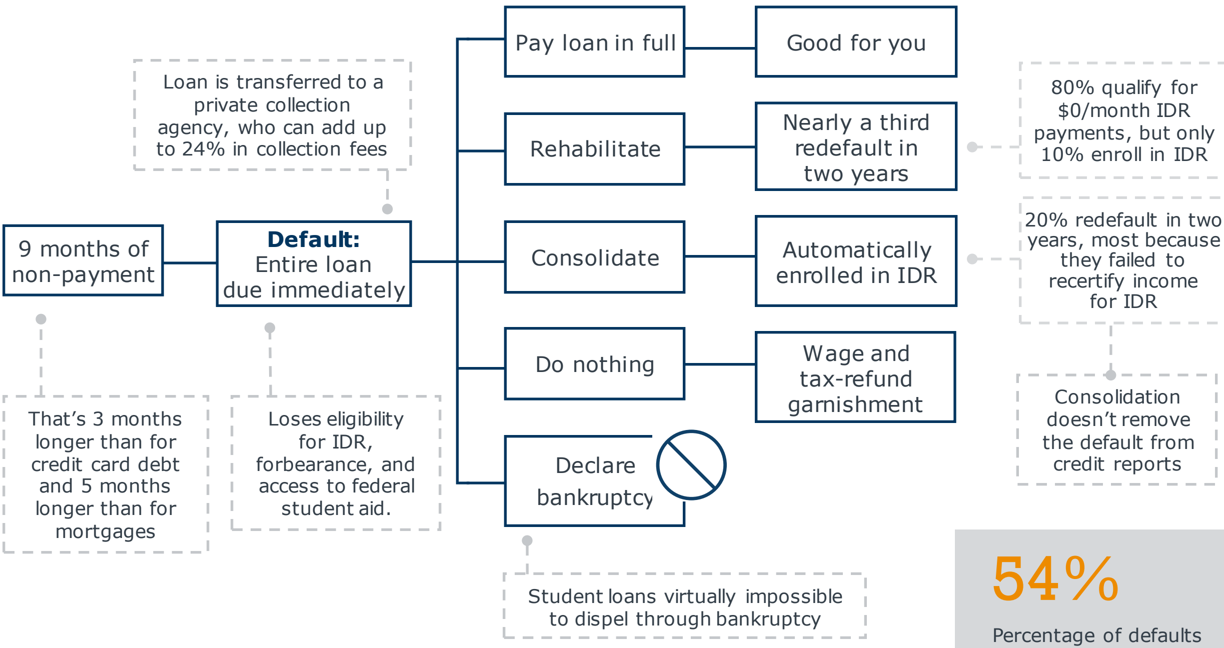


1) Chart excludes housing debt, which is the largest source of debt by far at $9.83 trillion

Federal Reserve Bank of New York, *Household Debt and Credit Report, Q3 2019;* EAB interviews and analysis.

Anatomy of a Default

A Long, Ruinous, and Ineffective Process



54%

Percentage of defaults eventually cured

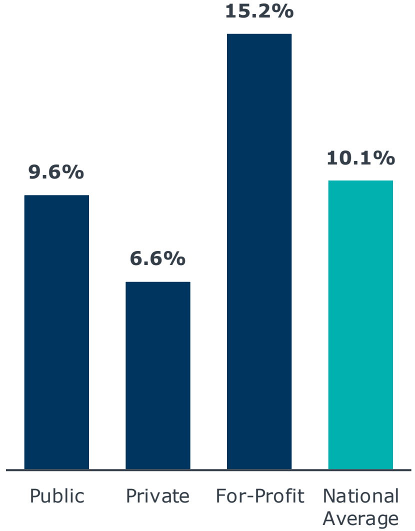
Scott-Clayton, Judith. "The Looming Student Loan Default Crisis Is Worse Than We Thought." Evidence Speaks Reports, Volume 2, #34. Brookings, January 10, 2018; "Update From The CFPB Student Loan Ombudsman: Transitioning From Default To An Income-Driven Repayment Plan." Consumer Finance Protection Bureau, May 16, 2017; EAB interviews and analysis.

Default Isn't Only a 3-Year Problem

Most Defaults Occur Farther Out Than the CDR Will Measure

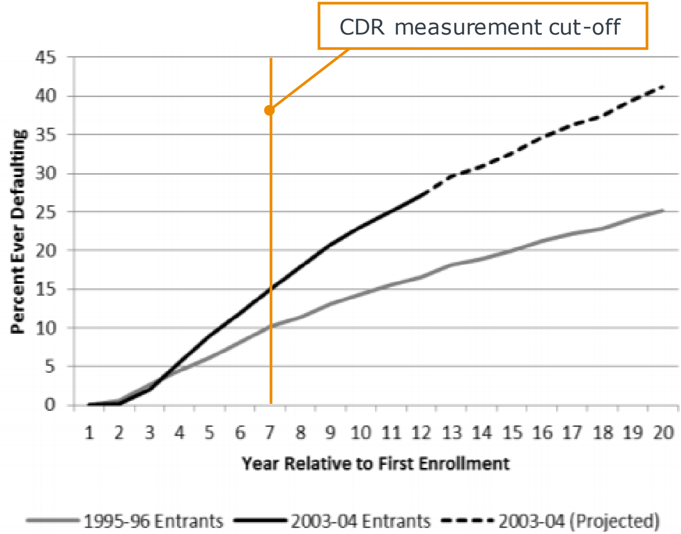
Just Because a Default Doesn't Happen Within 3 Years…

Cohort Default Rates by Sector, 2016



…Doesn't Mean It Never Will

Default Rates by Cohort, 1995-96 and 2003-04 Entrants

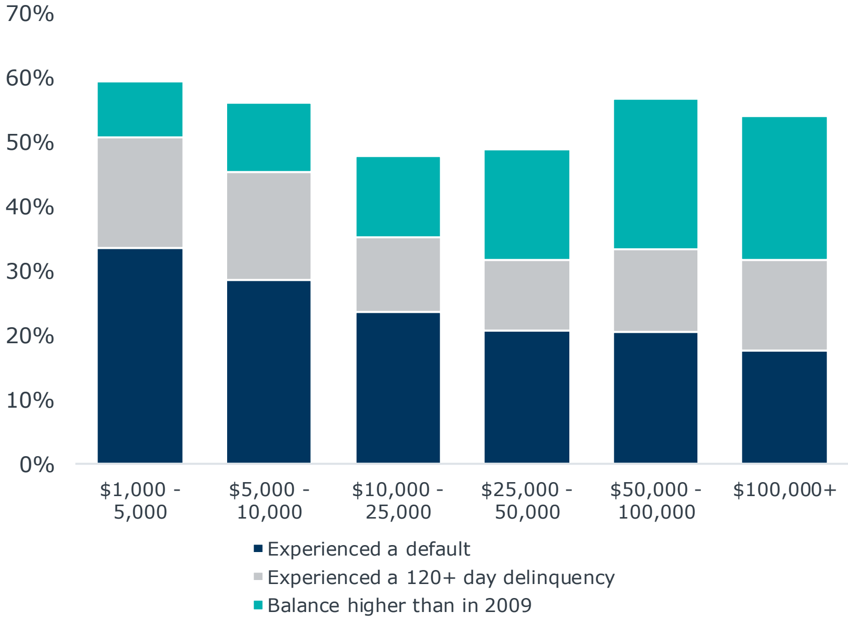


Office of Federal Student Aid, *Cohort Default Rates by Institution Type*, 2016; Scott-Clayton*: The looming student loan default crisis is worse than we thought*, 2018. Office of Federal Student Aid Default Management; EAB interviews and analysis.

Non-Repayment A Bigger Issue than Default

Default Not the Only Negative Outcome

2009 Cohort of Borrowers by School-Leaving Balance as of 2014 Q3



Circumstances of Non-Repayment

Missing Payments: Delinquency is missing a payment. 120+ days is missing six consecutive payments.

Pausing Payments: **Forbearance** is when a student and loan servicer agree to pause payments due to financial hardship.

Enrolled in IDR: Some students enrolled in IDR may be making the required payments but still not be covering the interest accruing.

Federal Reserve Bank of New York Consumer Credit Panel / Equifax; EAB interviews and analysis.

A Liberal Metric of Success

Understanding the College Scorecard's Repayment Rate

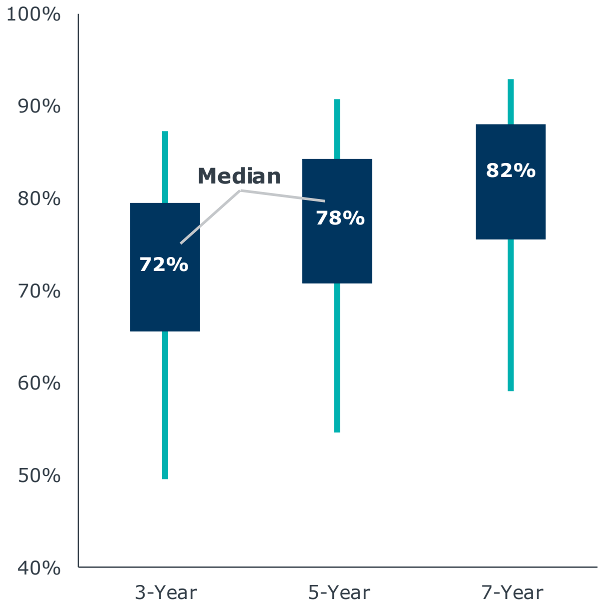
What Is a Repayment Rate?

***Repayment Rate**: the percentage of students having paid down at least **one dollar** of their principal since entering repayment.*

- **Measured at an Institutional Level**. For each institution, the government measures the percentage of students who meet the one dollar down threshold.
- **Measured at 4 Key Milestones**. The measurement is taken 1, 3, 5, and 7 years after the borrower enters repayment.
- **Disaggregated by Key Student Characteristics**. College Scorecard separates out completers vs those who left without a degree.
- **Excludes Deferrals for More Education**. Those students who defer repayment for more education are not included in either the numerator or the denominator.

Repayment Rates Improve Over Time, But Many Borrowers Struggle to Repay

Repayment Rates of Public University Graduates at 3, 5, and 7 Years after Graduating



EAB Analysis of College Scorecard Data.

Drawing Back the Curtain on Repayment Rates

Repayment Rates Don't Paint the Whole Picture of Student Indebtedness

How a "Repayment Success" Might Not Be a Success at All

Success!
College Scorecard captures the student in the institution's repayment rate; this student is "doing just fine"

Student Graduates → **$1 of Principal is Paid Down** → **30% Of Principal Balance Paid Off In 10 Years…**

Budgets Tightly to Make Payments that Cover Interest + Principal

Misses a Few Payments Due to Financial Hardship

Total outstanding balance is still **less** than when loans entered repayment

XXX XXX XX

Credit Score Suffers

…But Still Has Significant Undergraduate Debt

10 years of successful student loan repayment has put financial stress on decisions like:

- Pursuing graduate education
- Buying a home
- Purchasing a car

EAB interviews and analysis.

A Safety Net, Not a Solution

Income-Driven Repayment Lowers Defaults, but Increases Balances

Key Features of IDR

Four distinct plans for federal borrowers only

Pegs payment at 10-20% of discretionary income

Forgives outstanding balances after 20-25 years

Who are the IDR Repayers?

30% Percentage of all federal borrowers in an IDR plan

45% Percentage of the federal portfolio being repaid through IDR plans

$53k Average balance of an IDR repayer

IDR Prevents the Worst Outcomes…

- Reduces financial burden for borrowers with high debt load and low earnings
- Reduces chance of default to virtually zero
- Prevents damage to credit and finances caused by default

…But Slows Progress to Repayment

- Unpaid interest may be capitalized
- Only half of enrollees decrease their balance five years after leaving college
- Requires yearly re-certification of income, which half of enrollees fail to complete every year
- Forgiven balances are taxed as income

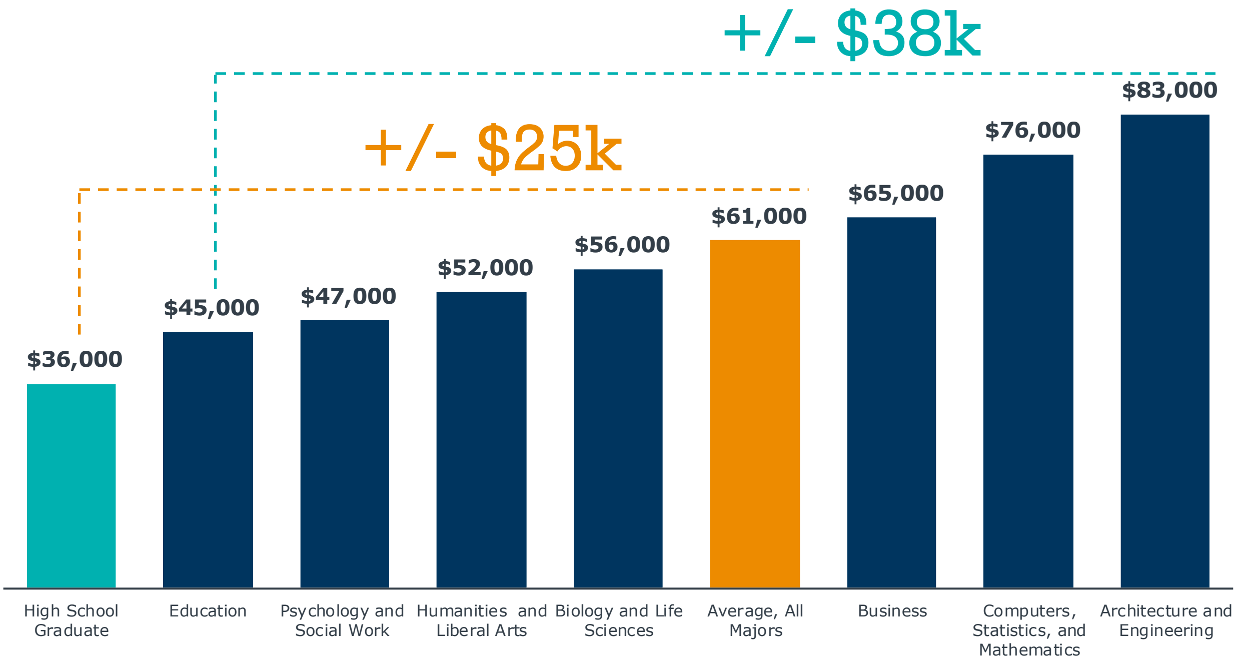
Is twenty years of repayment with taxable forgiveness a success?

EAB interviews and analysis.

Degree and Major a Factor in Repayment Success

Difference in Earnings Between "Degree or Not" Smaller than Between Various Majors

Median Annual Wages of Workers (Ages 25-59) By Educational Attainment and Major Group, 2013



Georgetown University Center on Education and the Workforce analysis of U.S. Census Bureau, American Community Survey Micro Data, 2009-2013; EAB interviews and analysis.

1 Student Debt and the Current Media Narrative

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What is Affordable?

Identifying an Affordability Threshold for Targeting Student Support

Evaluating Affordability Begins with Targeting the Right Students

1

Student Behavior

- Did the student request an **application fee waiver?**
- Did the student request a **deposit fee waiver?**

2

Income Metrics

- Is the family's **income** below a certain amount?
- Is the student **Pell-eligible?**
- Is the **net price** more than a certain percentage of family income?

3

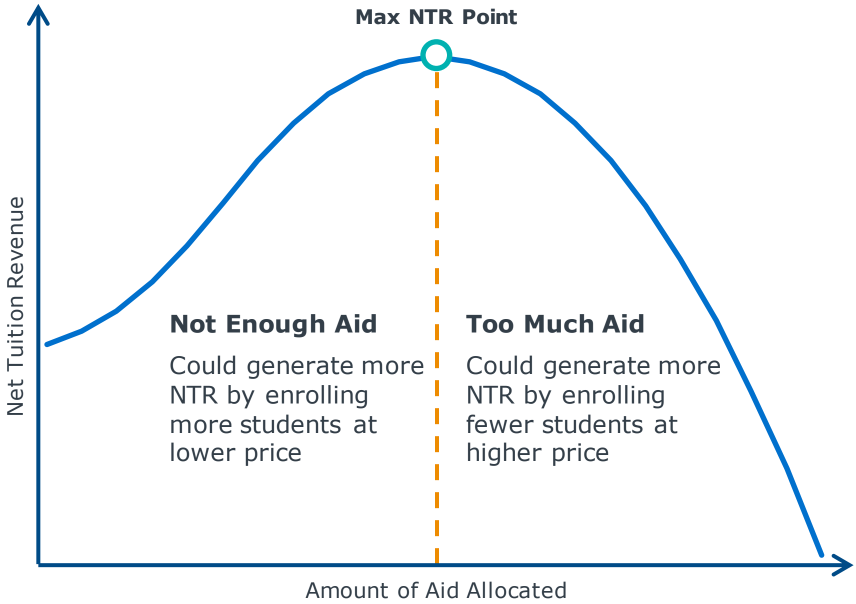
Projected Debt

- Is the student's **unmet need** higher than typically retained students?
- Is the student on pace to accumulate more than a certain **threshold of debt?**
- Did the student apply for **private or PLUS loans**?
- Is the student's **debt-to-expected-income ratio** too high?

EAB interviews and analysis.

Necessary Practice: Financial Aid Optimization

Aid Optimization Necessary to Identify Zones of Unaffordability



Key Features of the Revenue Curve

- **Difficult to Identify Max NTR Point**. It's hard to know where your university falls on the curve without a statistical model
- **It's Fractal**. Curve reflects reality for overall student population as well as individual sub-groups
- **Stakeholders Can Misunderstand Max NTR Point**. Usually the assumption is that the college allocates too much aid.
- **Max NTR Not the Only Goal**. An institution is not likely to be trying to maximize NTR for every population of students

EAB interviews and analysis.

Minimize Debt with Unfunded Aid Dollars

Questions to Pose Your FAO Model about Increasing Aid to Reduce Debt

1 What percentage of incoming students are **taking out loans** to finance their first year of college?

2 Are some of those students taking **more loans** than we think is wise? If so, how many?

3 If we **capped the amount** students need to borrow, how much additional aid would we have to allocate?

4 How would we expect our **yield rate** to change if we increased additional need-based aid?

5 Is there an **affordability threshold** that would have positive marketing potential (e.g., no students borrows more than federal direct loan limits)?

6 How much would we expect reducing debt in this way to positively impact measures of **student success**?

EAB interviews and analysis.

Fundraise with the Promise of Debt-Reduction

Rice University Takes Aim at Student Debt with Fundraising Campaign

Rightsizing Aid to Income Ratios

Household Income	Aid Package
<$65K	**Full grant** for tuition, fees, room and board
$65K-$130K	At least **full tuition** scholarship
$130K-$200K	At least **half tuition** scholarship

Qualifying students are **not required to take out any loans**

Rice Commits to Supporting Low- *and* Middle-Income Families

2018
Rice announces initiative to expand aid for low- and middle-income students

$7-9M
Anticipated annual expenditure for the initiative

$150M
Fundraising campaign Rice launched to support the initiative

Leading to Increase in Giving and Application Numbers

$40M **Total funds raised** for the Rice Investment as of June 2019

29.4% Growth in **applications** *(from 20,923 to 27,084)*[1]

1) 2017 to 2019

Miller, Doug. "Rice University Announces New Program to Dramatically Expand Scholarships for Middle Class." Rice News, September 18, 2018. "The Rice Investment", Rice University, 2019; EAB interviews and analysis.

Improve Repayment by Graduating More Students

5 Core Student Success Competencies

1 Registration and Financial Barriers

- Administrative and Financial Policies
- Simplified Student Academic Planning
- Emergency Grants and Strategic Aid

2 Tech-Enhanced Advising

- Proactive Caseload Management
- Coordinated Support Networks
- Accountability and Incentives

3 Belonging and Preparation

- Academic Preparation Programs
- Social Belongingness Support
- Campus Climate Assessment

4 Teaching and Learning

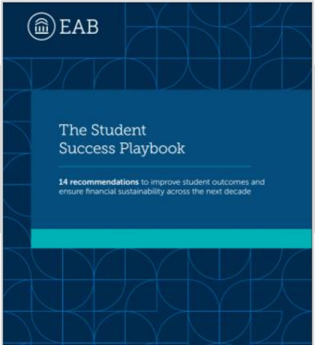
- High-DFW Course Redesign
- Streamlined Curricular Pathways
- Faculty Development Resources

5 Career Development

- In-Class Experiential Learning
- Sequenced Career Exploration Guidance
- Lifelong Learner Support

The Student Success Playbook

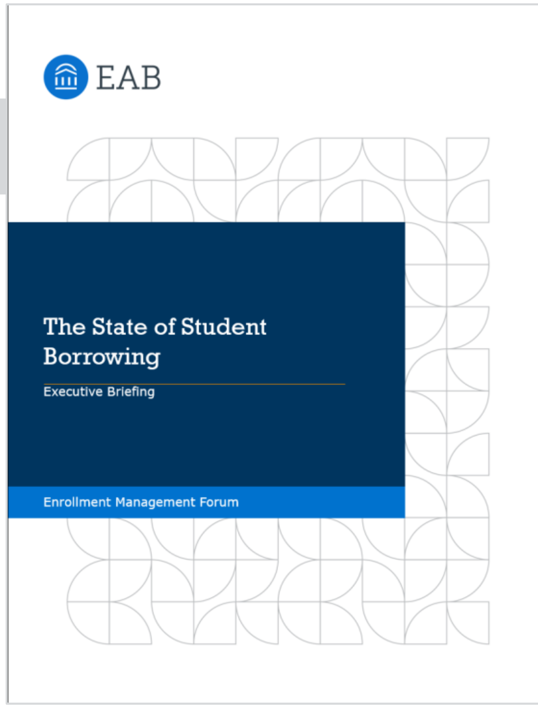
14 recommendations to improve student outcomes and ensure financial sustainability across the next decade



Forthcoming EMF Publication

"The State of Student Borrowing" Executive Briefing

Communicate what's really going on with undergraduate borrowing to other executives and stakeholders on campus



EAB interviews and analysis.

Final Thoughts

Please take a moment to answer this final poll question to provide your overall experience on today's session.

We have also shared a link to a short online evaluation in the **Chat** and we would appreciate if you could take 2-3 minutes to give us additional feedback on your experience today.

EAB

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