Lost in the Trillion:
New Insights on Student Loan Borrowing and Default

Craig Anderson, Strada Education Network
Dr. Jay Box, Kentucky Community and Technical College System
Ivy Love, ACCT
Agenda

• Introduction to the project
• Strada interest in and perspective on the project
• Context of KCTCS system
• Discussion of report
• Policy recommendations and promising institutional practices
• Q and A
Completion With a Purpose®

Enhancing student success from postsecondary education to employment and on to rewarding careers and fulfilling lives.
On Second Thought: U.S. Adults Reflect on Their Education Decisions
June 2017 Inaugural Report

Empowering the Consumer Voice in Education

Strada Education Network
GALLUP

Education Pulse

Strada
GALLUP®
Second Thoughts by Degree, Institution, and Major

- 12% Would change degree
- 28% Would change institution
- 36% Would change field of study
• Invested $75 million (2014-2017)
• Awarded 265 grants
• Sponsored nearly 400 community, mission related and national engagement events
• 2 million students impacted
• 735 institutions impacted
• 1,000 employers engaged across 40 communities

KEY INITIATIVES
• Quality Assurance & Performance Analytics
• Investment in States
• Innovation in College and Career Preparation
• Education-to-Employment
• Key Education Transitions
• National Engagement
- Student Connection’s Success Center and Borrower Connect
- 300,000 students served
- > 520 campuses nationwide
- $3 billion in potential student loan defaults prevented
• Proactive Default Prevention
  • Focus on student success
  • Financial wellness tools and concepts
• Reactive Default Prevention
  • Analyze Defaulters
  • Grace period outreach
  • Consistent efforts
Who We Are

KCTCS
A System of 16 Colleges
and more than 70 locations

Ashland CTC
Big Sandy CTC
Bluegrass CTC
Elizabethtown CTC
Gateway CTC
Hazard CTC
Henderson CC
Hopkinsville CC
Jefferson CTC
Madisonville CC
Maysville CTC
Owensboro CTC
Somerset CC
Southcentral Kentucky CTC
Southeast Kentucky CTC
West Kentucky CTC
Who We Serve

2015-16 Academic Year

- Enrollment: 107,056
- Part-time Students: 60%; Full-time Students: 40%
- Annual Tuition (24 Semester Credit Hours): $3,624
- Cost of Attendance: $14,449
- Students Receiving Financial Aid: 65%
- Borrowing Rate (2015): 28%

700+ credential options, from certificates to associate degrees; 30,765 total credentials awarded in 2015-16.
Who We Serve

• Kentucky’s poverty rate in 2016 was 47th in the nation at 18.8%.

• 42.2% of defaulters in Kentucky borrowed less than $5,000 while enrolled in community college.

• Kentucky’s low-balance borrowers are the most at-risk, with a default rate of nearly 40%.
# Why We Are Concerned

<table>
<thead>
<tr>
<th>COLLEGE</th>
<th>Final FY 2012 CDR</th>
<th>Final FY 2013 CDR</th>
<th>Draft FY 2014 CDR</th>
<th>Potential Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ashland Community &amp; Technical College</td>
<td>27.6%</td>
<td>29.9%</td>
<td>26.4%</td>
<td>-3.5%</td>
</tr>
<tr>
<td>Big Sandy Community &amp; Technical College</td>
<td>27.1%</td>
<td>27.0%</td>
<td>29.4%</td>
<td>2.4%</td>
</tr>
<tr>
<td>Bluegrass Community &amp; Technical College</td>
<td>24.0%</td>
<td>22.4%</td>
<td>21.1%</td>
<td>-1.3%</td>
</tr>
<tr>
<td>Elizabethtown Community &amp; Technical College</td>
<td>25.8%</td>
<td>25.7%</td>
<td>20.8%</td>
<td>-4.9%</td>
</tr>
<tr>
<td>Gateway Community &amp; Technical College</td>
<td>28.9%</td>
<td>29.4%</td>
<td>23.2%</td>
<td>-6.2%</td>
</tr>
<tr>
<td>Hazard Community &amp; Technical College</td>
<td>31.9%</td>
<td>28.9%</td>
<td>25.4%</td>
<td>-3.5%</td>
</tr>
<tr>
<td>Henderson Community College</td>
<td>22.5%</td>
<td>27.5%</td>
<td>24.8%</td>
<td>-2.7%</td>
</tr>
<tr>
<td>Hopkinsville Community College</td>
<td>20.4%</td>
<td>23.0%</td>
<td>21.4%</td>
<td>-1.6%</td>
</tr>
<tr>
<td>Jefferson Community &amp; Technical College</td>
<td>25.0%</td>
<td>25.6%</td>
<td>20.2%</td>
<td>-5.4%</td>
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<tr>
<td>Madisonville Community College</td>
<td>18.4%</td>
<td>21.0%</td>
<td>20.2%</td>
<td>-0.8%</td>
</tr>
<tr>
<td>Maysville Community &amp; Technical College</td>
<td>28.8%</td>
<td>29.9%</td>
<td>24.4%</td>
<td>-5.5%</td>
</tr>
<tr>
<td>Owensboro Community &amp; Technical College</td>
<td>24.2%</td>
<td>26.3%</td>
<td>24.4%</td>
<td>-1.9%</td>
</tr>
<tr>
<td>Somerset Community College</td>
<td>29.9%</td>
<td>27.1%</td>
<td>25.6%</td>
<td>-1.5%</td>
</tr>
<tr>
<td>Southcentral Kentucky Community &amp; Technical College</td>
<td>29.3%</td>
<td>29.0%</td>
<td>26.5%</td>
<td>-2.5%</td>
</tr>
<tr>
<td>Southeast Kentucky Community &amp; Technical College</td>
<td>32.3%</td>
<td>31.9%</td>
<td>34.1%</td>
<td>2.2%</td>
</tr>
<tr>
<td>West Kentucky Community &amp; Technical College</td>
<td>22.9%</td>
<td>26.5%</td>
<td>24.7%</td>
<td>-1.8%</td>
</tr>
</tbody>
</table>

Potential Change:

- 26.19%
- 26.94%
- 24.54%
- 2.41%
Southeast KY Community & Technical College

Economic Challenges:

• Approximately **one-third of the population lives in poverty**, more than double the national rate.

• Median household income:
  - SKCTC region: **$26,843**
  - Kentucky: **$43,036**
  - US median: **$53,046**

• Unemployment rate is **15.25%**
Southeast KY Community & Technical College

Societal Challenges:

- **Education Level**: 29.67% of the region has less than a high school diploma or equivalent
- **Opioid Epidemic**
- **Bell County** in nation’s top 20 for incarceration.

(2015 data via Kentucky Center for Education and Workforce Statistics)
Lost in the Trillion Report

Ivy Love
Three-year Cohort Default Rates

- **Public 2-year**
  - 2009: 18.5%
  - 2010: 14.0%
  - 2011: 11.3%
  - 2012: 7.3%
  - 2013: 6.5%

- **Public 4-year**
  - 2009: 18.5%
  - 2010: 14.0%
  - 2011: 11.3%
  - 2012: 7.3%
  - 2013: 6.5%

- **Nonprofit 4-year**
  - 2009: 14.0%
  - 2010: 11.3%
  - 2011: 7.3%
  - 2012: 6.5%
  - 2013: 6.5%

- **For-Profit 4-year**
  - 2009: 22%
  - 2010: 15%
  - 2011: 10%
  - 2012: 5%
  - 2013: 5%

- **All Institutions**
  - 2009: 22%
  - 2010: 15%
  - 2011: 10%
  - 2012: 5%
  - 2013: 5%

Source: ED.
Defaults are concentrated among low-balance borrowers.

Share of 2011 Borrowers Who Defaulted by Year 3, by Loan Size

- **Share of Borrowers in Default**
- **Share of All Defaults**

Source: CEA and ED.
Defaulters are often non-completers.

Share of 2011 Cohort that Defaulted by Year 3, by Completion Status

- Public 2-year
- Public 4-year
- Nonprofit
- For-Profit

- Completers
- Non-Completers
- Share of Borrowers who Completed

Source: CEA and ED.
Borrowers are increasingly using income-driven repayment (IDR) plans.

![Borrowers Enrolled in Federal Repayment Plans, Q3 2016](chart)

- **Standard**: Highest enrollment with 14 million recipients.
- **Income-Driven**: 6 million recipients.
- **Graduated**: 4 million recipients.
- **Extended**: 2 million recipients.
- **Alternative**: Least enrollment with approximately 100,000 recipients.

Source: ED.
And more loan volume is in IDR plans than in any other type of plan.

Source: ED.
Low-balance borrowers use IDR plans at low rates.

Amount Borrowed by Borrowers in Active Repayment, by Repayment Plan

Source: GAO.
Lost in the Trillion
## Kentucky Community and Technical College System

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Colleges</td>
<td>16</td>
</tr>
<tr>
<td>Number of Colleges Participating in the Loan Program</td>
<td>16</td>
</tr>
<tr>
<td>Enrollment, Fall 2014</td>
<td>86,559</td>
</tr>
<tr>
<td>Tuition and Fees, 2014-15</td>
<td></td>
</tr>
<tr>
<td>(Cost of attendance)</td>
<td>$3,624</td>
</tr>
<tr>
<td></td>
<td>($14,449)</td>
</tr>
<tr>
<td>Tuition and Fees, 2011-12</td>
<td></td>
</tr>
<tr>
<td>(Cost of attendance)</td>
<td>$3,240</td>
</tr>
<tr>
<td></td>
<td>($14,065)</td>
</tr>
<tr>
<td>Pell Rate, 2014-2015</td>
<td>48.3%</td>
</tr>
<tr>
<td>Borrowing Rate, 2014-2015</td>
<td>30.5%</td>
</tr>
</tbody>
</table>
How much do students borrow?

KCTCS FY2013 Cohort Total Debt

- Less than $5,000: 36.8%
- $5,000 to $10,000: 10.1%
- $10,000 to $15,000: 14.1%
- $15,000 to $20,000: 8.6%
- $20,000+: 30.4%
Overwhelmingly, borrowers are either in active repayment or default.
Borrowers mostly use the standard plan, almost one-third use an IDR plan.

KCTCS FY2013 Cohort, Repayment Plans for Students actively paying loans

- Standard: 50.8%
- Income Driven: 30.4%
- Graduated: 13.7%
- Other: 5.1%
Defaulters are concentrated among low-balance borrowers.
IDR participation rates increase as debt increases.

Share of KCTCS Borrowers Select Repayment Plans, by Debt Bin
Across all groups, most defaulters were in the standard plan.
System Comparisons

Kentucky, Louisiana, and Iowa
Amount Borrowed

Iowa:
- Less than $5,000: 6.6%
- $5,000 to $9,999: 37.9%
- $10,000 to $14,999: 14.8%
- $15,000 to $19,999: 6.8%
- $20,000+: 6.6%

KCTCS:
- Less than $5,000: 10.1%
- $5,000 to $9,999: 36.8%
- $10,000 to $14,999: 30.4%
- $15,000 to $19,999: 8.6%
- $20,000+: 14.1%

LCTCS:
- Less than $5,000: 7.3%
- $5,000 to $9,999: 48.4%
- $10,000 to $14,999: 27.8%
- $15,000 to $19,999: 10.6%
- $20,000+: 5.9%
Loan Status

Iowa

- In Repayment: 38.5%
- Defaulted: 6.0%
- In Forbearance: 8.0%
- In Deferment: 8.7%
- In Forbearance: 3.9%
- Paid in Full: 27.8%

KCTCS

- In Repayment: 35.1%
- In Forbearance: 4.0%
- Defaulted: 3.0%
- In Deferment: 8.6%
- Multiple Statuses: 7.8%
- Paid in Full: 12.7%

LCTCS

- In Repayment: 39.3%
- In Forbearance: 4.0%
- Defaulted: 5.5%
- In Deferment: 11.2%
- Multiple Statuses: 12.7%
- Paid in Full: 24.6%
Repayment Plan

Iowa
- Standard: 65.0%
- Income Driven: 14.2%
- Graduated: 8.0%
- Other: 12.8%

KCTCS
- Standard: 50.8%
- Income Driven: 30.4%
- Graduated: 13.7%
- Other: 5.1%

LCTCS
- Standard: 58.4%
- Income Driven: 23.6%
- Graduated: 14.4%
- Other: 3.6%
Defaulters are concentrated among low-balance borrowers.
Default rates follow a similar pattern.

<table>
<thead>
<tr>
<th>Debt Bin</th>
<th>Iowa Default Rate</th>
<th>KCTCS Default Rate</th>
<th>LCTCS Default Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $5,000</td>
<td>31.7%</td>
<td>39.3%</td>
<td>28.7%</td>
</tr>
<tr>
<td>$5,000 to $9,999</td>
<td>27.3%</td>
<td>35.6%</td>
<td>24.9%</td>
</tr>
<tr>
<td>$10,000 to $14,999</td>
<td>22.7%</td>
<td>29.1%</td>
<td>18.4%</td>
</tr>
<tr>
<td>$15,000 to $19,999</td>
<td>21.0%</td>
<td>27.7%</td>
<td>18.9%</td>
</tr>
<tr>
<td>$20,000 or more</td>
<td>26.0%</td>
<td>24.8%</td>
<td>16.7%</td>
</tr>
</tbody>
</table>
A larger proportion of high-balance borrowers use IDR.

Share of Borrowers in Active Repayment Enrolled in Select Repayment Plans, by Amount Borrowed

<table>
<thead>
<tr>
<th></th>
<th>Less than $5,000</th>
<th>$5,000 to $9,999</th>
<th>$10,000 to $14,999</th>
<th>$15,000 to $19,999</th>
<th>$20,000 or more</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iowa Standard</td>
<td></td>
<td>(higher)</td>
<td>(lower)</td>
<td>(lowest)</td>
<td></td>
</tr>
<tr>
<td>Iowa Income Driven</td>
<td>(higher)</td>
<td>(lower)</td>
<td>(lowest)</td>
<td>(lowest)</td>
<td></td>
</tr>
<tr>
<td>KCTCS Standard</td>
<td>(higher)</td>
<td>(lower)</td>
<td>(lowest)</td>
<td>(lowest)</td>
<td></td>
</tr>
<tr>
<td>KCTCS Income Driven</td>
<td>(higher)</td>
<td>(lower)</td>
<td>(lowest)</td>
<td>(lowest)</td>
<td></td>
</tr>
<tr>
<td>LCTCS Standard</td>
<td>(lower)</td>
<td>(lower)</td>
<td>(lowest)</td>
<td>(lowest)</td>
<td></td>
</tr>
<tr>
<td>LCTCS Income Driven</td>
<td>(lower)</td>
<td>(lower)</td>
<td>(lowest)</td>
<td>(lowest)</td>
<td></td>
</tr>
</tbody>
</table>
Forbearance usage has changed significantly…

Iowa
- Deferment only: 28.0%
- Forbearance only: 7.5%
- Deferment and Forbearance: 18.9%
- No postponement: 45.5%

KCTCS
- Deferment only: 13.2%
- Forbearance only: 3.4%
- Deferment and Forbearance: 51.4%
- No postponement: 32.0%

LCTCS
- Deferment only: 8.8%
- Forbearance only: 2.7%
- Deferment and Forbearance: 59.6%
- No postponement: 28.9%
…but the change is not as drastic for defaulters.

Iowa
- Deferment only: 3.6%
- Forbearance only: 19.4%
- Deferment and Forbearance: 18.5%
- No postponement: 58.5%

KCTCS
- Deferment only: 1.5%
- Forbearance only: 30.8%
- Deferment and Forbearance: 19.1%
- No postponement: 48.7%

LCTCS
- Deferment only: 1.3%
- Forbearance only: 36.0%
- Deferment and Forbearance: 22.1%
- No postponement: 40.7%
Wages and Borrower Outcomes in Louisiana
Louisiana Community and Technical College System

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
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<tbody>
<tr>
<td>Number of Colleges</td>
<td>13</td>
</tr>
<tr>
<td>Number of Colleges Participating in the Loan Program</td>
<td>7 (5 in 2012)</td>
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<tr>
<td>Enrollment, Fall 2015</td>
<td>63,907</td>
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<tr>
<td>Tuition and Fees, 2014-15 (Cost of attendance)</td>
<td>$3,590 ($17,381)</td>
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<td>Tuition and Fees, 2011-12 (Cost of attendance)</td>
<td>$2,587 ($15,537)</td>
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<tr>
<td>Pell Rate, 2014-2015</td>
<td>48.5%</td>
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<td>Borrowing Rate, 2014-2015</td>
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</tr>
</tbody>
</table>
Defaulters earn less, with the lowest debt groups earning the least.
Borrowers who use IDR have higher median incomes than borrowers in Standard plans.
Default impacts your community’s prosperity

When a borrower defaults, they:

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Lose eligibility for</td>
<td>Lose eligibility for</td>
<td>Are assigned to a</td>
<td></td>
</tr>
<tr>
<td>IDR, deferment, and</td>
<td>federal student aid</td>
<td>collection agency</td>
<td></td>
</tr>
<tr>
<td>forbearance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>May have their</td>
<td>Owe fees associated with collection costs,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>wages or tax</td>
<td>up to 25% more than they owe</td>
<td></td>
<td></td>
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<tr>
<td>refunds garnished</td>
<td></td>
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<tr>
<td></td>
<td>Damage their credit for up to 7 years</td>
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</tbody>
</table>
Policy Recommendations and Promising Institutional Practices
Federal recommendations

• Simplify the repayment process.
• Consider new policies for borrowers with low balances.
• Improve borrowers’ repayment plan options.
KCTCS Institutional Policies

Student-Focused Measures:

• Educating students about personal finance and money management skills.
• Financial Aid application intake process
• Starts at New Student Orientation
• “Manage Your Money” link established - provides information and access to tools for life.
KCTCS Institutional Policies

Providing Tools for Informed Decision Making:

- Direct Loan FAQ link on the home web page
- Awareness of total loan indebtedness and estimated payments
- Refresher Financial Literacy Seminar
- Constant communication
KCTCS Institutional Policies

Other Actions:

• Collaborate with KCTCS System Office and Kentucky Higher Education Assistance Authority (KHEAA)
• Quarterly updates to KCTCS Board of Regents
• Meetings with State Officials and the Kentucky Congressional Delegation
Contact

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- Jay Box, jk.box@kctcs.edu
- Ivy Love, ilove@acct.org