IHEP

Making Sense of Student Loan Outcomes:

How Using Repayment Rates Can Improve Student Success

AMANDA JANICE AND MAMIE VOIGHT

January 2016

A Report By
Institute for Higher Education Policy

Acknowledgements

This report is the product of hard work and thoughtful contributions from many individuals and organizations. We would like to thank the Institute for Higher Education Policy staff who helped in this effort, including Michelle Asha Cooper, president; Lacey Leegwater, director of planning and special projects; Jamey Rorison, senior research analyst; and Stephanie Dolamore, research intern. We also thank the policy experts and college and university representatives who graciously agreed to participate in the convening. The expertise of these participants and the data shared by the institutions helped to provide the foundation and context for this discussion. Although many have contributed their thoughts and feedback throughout the production of this report, the research and recommendations presented here are those of the authors alone.

INSTITUTE FOR HIGHER EDUCATION POLICY
1825 K Street, NW, Suite 720
Washington, DC 20006

202 861 8223 TELEPHONE
202 861 9307 FACSIMILE
www.ihep.org WEB

The Institute for Higher Education Policy (IHEP) is a nonpartisan, nonprofit organization committed to promoting access to and success in higher education for all students. Based in Washington, D.C., IHEP develops innovative policy- and practice-oriented research to guide policymakers and education leaders, who develop high-impact policies that will address our nation's most pressing education challenges.

Table of Contents

Executive Summary

With ever-mounting concern regarding student debt, policymakers, institutions, and students and families seek better information on college affordability and student borrowing. For these stakeholders, **student loan repayment rates** can answer key questions about the manageability of student debt for borrowers attending specific institutions or programs. These rates provide important information, especially when calculated specifically for low-income college students, who often face the greatest challenges with college affordability and student debt.

Repayment rates, which measure the percentage of borrowers who are actively paying down their student loan debt or the percentage of dollars in active repayment, have permeated recent higher education policy discussions. More nuanced than cohort default rates (CDRs), repayment rates illustrate how effectively borrowers retire their student loan debt, rather than only whether they avoid default. With this added nuance, repayment rates can promote mindfulness regarding college affordability and student debt, and by disaggregating the rates by economic status, race/ethnicity, and other characteristics, they can shine a light on inequities in college financing that place the greatest burden on underserved students. These illuminating data can help policymakers and institutional leaders redesign policies and practices to better serve students.

The Institute for Higher Education Policy (IHEP) convened institutional practitioners and policy experts to examine repayment rates within the context of institutional improvement, accountability, and information for students and families. Specifically, these experts sought to investigate if and how repayment rates should be incorporated into our postsecondary systems to help advance student success, highlighting the impact of college affordability on all students, particularly low-income students, students of color, and other underserved populations. This paper considers the intricacies of repayment rate measures within multiple contexts, evaluates the most appropriate metric specifications, and identifies potential data quality improvements. Interest regarding repayment rates has recently resurged[1], as policymakers included them as a core measure in risk-sharing legislation[2] and the Department of Education released them on the revamped College Scorecard.[3] This report begins with an overview of the development of repayment rates in higher education policy, then focuses on the key takeaways learned from discussions with these experts.

1 Stratford, M. (2015, September). A tougher test for colleges. Inside Higher Ed. Retrieved from https://www.insidehighered.com/news/2015/09/23/new-college-scorecard-repayment-data-fuels-debate-over-accountability-higher-ed; Miller, B., and Flores, A. (2015, September 17). Initial analysis of College Scorecard earning and repayment data. Center for American Progress. Retrieved from https://www.americanprogress.org/issues/higher-education/news/2015/09/17/121485/initial-analysis-of-college-scorecard-earnings-and-repayment-data/

2 Student Protection and Success Act of 2015, S. 1939, 114th Cong. (2015). Retrieved from https://www.congress.gov/bill/114th-congress/senate-bill/1939/text

3 U.S. Department of Education. (2015, September). College Scorecard data download and documentation. Retrieved from https://collegescorecard.ed.gov/data/

Through this project, IHEP's goal was not only to spark conversation on the high-level uses and vision for repayment rates, but also to recommend whether and how the rates should be used—and by whom. With participants who ranged from policy experts to institutional practitioners, the day of discussions led to the following 11 major findings. These takeaways are divided into four distinct areas: general principles for repayment rate usage, calculation specifications, considerations for setting high and attainable performance standards, and recommendations for the Department of Education.

Principles for Using Repayment Rates

1. **Policymakers should frame repayment rates not as a measure of academic quality, but as a measure of student and taxpayer protection.** Institutions associate "quality assurance" strictly with academic integrity and student learning. As such, policymakers should frame repayment rates as measures of student protection or fiduciary responsibility for federal loans rather than measures of educational quality. Speaking a common language can help promote productive debate about the merits of repayment rates and avoid conflict that centers on rhetoric as opposed to substance.

2. **Policymakers and institutions should disaggregate repayment rates.** To better explore the repayment behavior of targeted student subpopulations and design appropriate intervention or accountability strategies, repayment rates should be disaggregated by indicators such as completion status, Pell receipt, and race/ethnicity.

3. **Offices within institutions should collaborate with each other to use repayment rate data to better serve their students.** To effectively use repayment rates to spur institutional improvement, financial aid and institutional research offices must work together to gather and analyze the data, and senior leadership must be willing to consider recommended changes identified through the analyses.

Calculating Repayment Rates

1. **Policymakers and institutions should use the borrower as the unit of analysis in repayment rates.** A borrower-based rate, which measures the percentage of borrowers in repayment, is easier to understand and communicate than a dollar-based rate, which measures the percentage of loan dollars in repayment.

2. **Policymakers and institutions should count borrowers in income-driven repayment (IDR) plans as in repayment only if they are reducing loan principal.** Some borrowers enrolled in IDR plans may be in good standing on their loans but not making payments large enough to reduce principal. Borrowers should be considered in repayment only if they are reducing principal, regardless of their repayment plan.

IDR plans should help protect the borrower, but should not serve as a shelter for institutions or servicers when calculating repayment rates.

3. **Policymakers and institutions should calculate separate repayment rates for student and parent loans and should include all undergraduate debt.** Policymakers and institutions should combine all undergraduate loans in the calculation, including Perkins loans, and also collect repayment data on private loans (if possible), to accurately represent student debt. Policymakers and institutions also should calculate separate Parent PLUS loan repayment rates to inform Parent PLUS policy.

4. **Policymakers should not hold institutions accountable for substantial consolidated debt accrued at other institutions.** Each consolidation loan should be included in the repayment rate of only the institution with the largest share of that consolidation loan's debt, even if the student borrowed at multiple colleges, or repayment of consolidated loans should be weighted based on the amount of debt accrued at each institution.

Setting High and Attainable Performance Standards for Repayment Rates

1. **Policymakers and institutions should define successful repayment as more than a $1 reduction in principal.** Although some participants debated what should count as success in a repayment rate, many agreed that the common definition for successful repayment—a $1 reduction in principal—is too small to provide meaningful information.

2. **Policymakers should use repayment rates to supplement, but not replace, CDRs as an accountability measure.** If used for accountability, repayment rates should be paired with CDRs, which provide a core consumer protection by measuring the most harmful repayment outcomes.

3. **Policymakers should hold servicers accountable for repayment rate performance.** If repayment rates are incorporated into an accountability system, policymakers should hold both servicers and institutions accountable, as they both hold fiduciary responsibility for federal loan dollars.

Making Repayment Data More Usable: Recommendations for the Department of Education

1. **The Office of Federal Student Aid should improve student loan reports available to the public and to institutions.** The Department of Education's Office of Federal Student Aid should publish institution-level repayment rates regularly and enhance the data available to institutions about students' accrued debt and repayment progress so the institutions can use the data to facilitate student success.

These recommendations, detailed further throughout the report, can help policymakers and institutions use repayment rates to implement policies and practices that protect students from overly burdensome debt and help them achieve financial stability after college. To make repayment rates actionable for institutions to best serve all students, federal policymakers should take care in defining the metric; set high, attainable repayment standards; and make repayment data easily available to institutions.

Introduction: Why Repayment Rates?

With student debt on the rise and at the center of public discourse, we need better measures of student loan performance. Repayment rates offer one solution to measuring student loan burdens more effectively. They measure the percentage of student borrowers or loan dollars successfully being repaid, with successful repayment often defined as a $1 reduction in loan principal. The rates can act as a useful performance indicator for policymakers to protect student borrowers and for institutions to promote timely and successful repayment among their students. If used effectively to inform postsecondary policy and practice, this measure can lead to stronger student outcomes.

Cohort default rates (CDRs), which measure the percentage of students who default on their loans within three years of leaving college, are the most frequently used measure of post-college outcomes for borrowers, largely because they are statutorily mandated and institutions are held accountable for meeting CDR performance thresholds. However, CDRs identify only the worst student outcome—default[4]—while repayment rates provide a more nuanced view of how student borrowers fare in repayment and a more accurate picture of the range of negative outcomes that can occur with student loans beyond only default. In a repayment rate, students who are in forbearance, deferment, delinquency, or a repayment plan that requires only small, non-principal-reducing payments are counted as negative outcomes even if those students are still in good standing on their loans (i.e., not in default).

Evidence has shown that some colleges manage their CDRs by encouraging students to enter deferment or forbearance, essentially delaying default past the three-year accountability window, even if those choices are not the best options for the student.[5] Repayment rates could help combat this problem by counting deferments and forbearances as negative outcomes as well. Furthermore, as more borrowers enter income-driven repayment (IDR) plans that help students avoid default, CDRs may decline without actual improvement in student loan repayment.[6] As such, policymakers and institutions should have access to and use repayment data to more effectively protect student borrowers and alter policies to promote better repayment outcomes. For instance, institutions can use repayment rates to evaluate which borrowers (e.g., noncompleters, students in specific programs, low-income students) are least likely to make adequate progress on their loans and target financial aid and interventions accordingly. Also, policymakers have proposed using repayment rates to enhance institutional standards and protect students through minimum performance thresholds, risk-sharing, or consumer disclosures.

To effectively create and use repayment rates, policymakers and institutions need to determine which loans or borrowers will be counted (i.e. who is included in the denominator), what amount of payment counts as successful repayment, and the length of time within which payments are counted. Additionally, policymakers must consider how to treat loans and borrowers enrolled in income-driven repayment (IDR) plans, as well as loans consolidated from multiple institutions. These considerations are integral to the design and effectiveness of a repayment rate.

Given the importance of repayment rates in postsecondary policy and practice, this paper provides background on the use of repayment rates over the past several years and delves into 11 recommendations for how to use, define, and report data on repayment rates. Informed by a panel of policy leaders and institutional representatives, these recommendations aim to inform the next generation of policies that use repayment rates, while also encouraging colleges and universities to explore repayment data to identify ways to help students succeed.

The Evolution of Repayment Rates: A Brief History

Repayment rates gained prominence during the gainful employment (GE) regulatory process[7] and have been considered in other policy proposals, such as the Higher Education Affordability Act of 2014 (S. 2954)[8] and the Student Protection and Success Act of 2015 (S. 1939).[9] Throughout these policy developments, the way the rate is calculated and the purposes for repayment rates shifted. Although this paper does not focus exclusively on GE, understanding background information about the regulations helps ground the ongoing conversation on how repayment rates could be used *outside the GE context*. The grid in Appendix A shows the progression of repayment rate calculations through GE notice of proposed rulemakings (NPRM) and other policy proposals. It explains differences in proposed uses and the calculation specifications, which also are discussed below.

Gainful Employment

Repayment rates emerged in the 2011 GE (GE 2011) regulations as an accountability metric. Within the framework, a

4 The Department of Education. (2015, September 30).Three-year official cohort default rates for schools. Retrieved from http://www2.ed.gov/offices/OSFAP/defaultmanagement/cdr.html

5 The Institute for College Access and Success. (2012, August 21). Steps the department should immediately take to curb default rate manipulation [Memo]. Retrieved from: http://ticas.org/sites/default/files/pub_files/TICAS_memo_on_CDR_evasion_082112.pdf

6 IDR plans are designed to make student loan repayment more manageable by basing monthly payments on the borrower's income. Although not all students enrolled in IDR plans make interest-only payments or see their loans negatively amortize, they are more likely to do so than a borrower enrolled in a standard repayment plan. Federal Student Aid. "Income-Driven Plans". Retrieved from https://studentaid.ed.gov/sa/repay-loans/understand/plans/income-driven

7 The GE regulations require programs that prepare students for "gainful employment in a recognized occupation" to disclose and report metrics to qualify for federal student aid. These regulations affect most for-profit programs and certificate programs at nonprofit and public institutions. U.S. Department of Education. "Fact Sheet: Obama Administration Increases Accountability for Low-Performing For-Profit Institutions". Retrieved from http://www.ed.gov/news/press-releases/fact-sheet-obama-administration-increases-accountability-low-performing-profit-institutions

8 Higher Education Affordability Act of 2014, S. 2954, 113th Cong. (2014). Retrieved from http://www.gpo.gov/fdsys/pkg/BILLS-113s2954is/pdf/BILLS-113s2954is.pdf

9 Student Protection and Success Act of 2015, S. 1939, 114th Cong. (2015). Retrieved from https://www.congress.gov/bill/114th-congress/senate-bill/1939/text

program risked losing Title IV eligibility if its repayment rate fell below a 35% threshold and failed the debt-to-earnings test for three out of four years.[10] GE 2011 calculates a dollar-based repayment rate using the following formula, which counts a loan as in repayment if the balance at the end of the year is at least $1 less than at the beginning of the year.[11] In other words, the *entire original principal balance* counts in the numerator (as a loan being repaid) if a borrower paid at least $1 in principal on that loan that year. If the borrower paid less than $1 of the principal, then the entire original principal balance would count in the denominator, but not the numerator.

$$\frac{\textit{Original Outstanding Principal Balance (OOPB) of Loans Paid in Full (LPF)} + \textit{OOPB of Payments Made Loans (PML)}}{\textit{OOPB}}$$

Using this formula, Table 1 shows institutional-level repayment rates by sector and control to demonstrate how different types of institutions would have been affected by the originally proposed regulations at various thresholds using 2009 data.

In 2012, in the Association of Private Sector Colleges and Universities v. Arne Duncan and the Department of Education, the U.S. District Court struck down the 35% repayment rate threshold, finding that the Department of Education (ED) did not sufficiently justify why it chose that threshold.[12] Despite agreeing that ED has the authority to regulate, the court determined that the repayment rate and threshold were intimately connected with the debt-to-earnings ratios—which comprised the accountability structure within the law—and thereby invalidated the entirety of the accountability framework.

In the 2014 GE regulation (GE 2014), ED proposed a loan repayment rate as a disclosure metric, rather than as part of the accountability structure. Advocates of the metric called for its inclusion for accountability because it incorporated outcomes for both completers and noncompleters, while the remaining debt-to-earnings metric was limited to completers. ED, however, kept it as a disclosure measure only and shifted the definition from a dollar-based to a borrower-based rate, using the following formula. In this definition, borrowers are counted as in repayment if they paid their loans in full or if they paid all of the accrued interest for that year, plus at least $1 of their outstanding principal balance from the beginning of the year.

$$\frac{\textit{Number of Borrowers Paid in Full} + \textit{Number of Borrowers in Active Repayment}}{\textit{Number of Borrowers Entering Repayment}}$$

The 2014 regulation marked a major shift in the calculation from a dollar-based rate to a borrower-based rate, effectively

10 The negotiated rule-making proposal in 2010 outlined multiple thresholds. Programs with repayment rates between 35% and 45% also had to improve and disclose to students their rates.

11 See Appendix B for brief explanations of the calculation variables.

12 Association of Private Sector Colleges and Universities v. Arne Duncan and the Department of Education (U.S. Ct. App.). 2012, February 21. Retrieved from http://www.nacua.org/documents/PrivateSectorCollegesU_v_Duncan.pdf

Table 1: Percentage of Institutions by Sector and Control at Repayment Rate Thresholds—Gainful Employment Data

Sector	Number of Institutions	Percentage at Least 45%	Percentage Between 35% and 45%	Percentage Below 35%
Public four-year or above	590	74.24	14.92	10.85
Public two-year	860	43.14	29.53	27.33
Public less-than-two-year	148	74.32	19.59	6.08
Private nonprofit four-year or above	1,434	78.31	10.53	11.16
Private nonprofit two-year	156	76.28	9.62	14.10
Private nonprofit less-than-two-year	45	64.44	11.11	24.44
Private for-profit four-year or above	218	25.23	32.57	42.20
Private for-profit two-year	565	32.92	23.19	43.89
Private for-profit less-than-two-year	946	40.70	22.09	37.21
Grand total	4,962	56.75	19.21	24.04

Source: Federal Register, U.S. Department of Education. (2010, July 26). Program integrity: Gainful employment—debt measure. Retrieved from https://www.federalregister.gov/articles/2010/07/26/2010-17845/program-integrity-gainful-employment#h-18

Note: Although GE regulations apply to programs, the repayment rates shown here are based on institution-level data.

weighting all borrowers equally rather than placing a heavier weight on borrowers with larger balances, as the 2011 dollar-based GE rate, described above, did. Although a dollar-based rate has the benefit of taking loan size into account, the borrower-based rate is easier to understand. Because GE 2014 used repayment rates for consumer disclosure purposes, ED selected the borrower-based definition that could be most easily understood by prospective students.

Other Accountability Proposals

Outside of GE, organizations and policymakers have proposed using repayment rates for institutional and program accountability, mainly as part of risk-sharing frameworks. In *Automatic for the Borrower*, the Reimagining Aid Design and Delivery consortium explained why repayment rates are an appropriate addition to a risk-sharing mechanism: They would hold institutions accountable for postcollegiate outcomes, even if all students were enrolled in IDR plans, driving CDRs toward zero.[13]

The upcoming reauthorization of the Higher Education Act is prompting additional interest in risk-sharing and repayment rates. Sen. Lamar Alexander (R-TN) released a white paper on risk-sharing in early 2015 in which he suggested the inclusion of a borrower-based loan repayment rate in a risk-sharing framework.[14] The Senate Health, Education, Labor, and Pensions (HELP) Committee followed the white paper with a hearing in May 2015 to explore risk-sharing in more depth. Both Andrew Kelly of the American Enterprise Institute and Jennifer Wang of Young Invincibles testified in favor of including a repayment rate or progress measure. Kelly suggested a measure of repayment progress that examines the remainder of a cohort's loan balance left unpaid after the standard 10-year repayment period.[15] This proposal is longer term than the federally proposed calculations in that it measures whether the cohort's loan volume is manageable within the standard 10-year repayment period. Wang recommended a dollar-based repayment rate that measures the percentage of loans from graduates who are able to pay at least $1 on their loan principal annually.[16] This proposal differs the most from other proposals in that it counts only completers, whereas most other calculations include both completers and noncompleters. Otherwise, it is quite similar to the final GE 2011 regulation calculation. Former Sen. Thomas Harkin (D-IA) introduced the Higher Education Affordability Act of 2014 (S. 2954), incorporating both a dollar and speed based repayment rate into Title IV eligibility. Sens. Jeanne Shaheen (D-NH) and Orrin Hatch (R-UT) also introduced the Student Protection and Success Act (S. 1939) in August 2015, which codifies a borrower-based repayment rate as part of a risk-sharing framework, calculated in a manner similar to the 2014 GE regulations.[17]

In September 2015, ED released an extraordinary amount of data alongside the revamped College Scorecard. Included in these data are borrower-based repayment rates, which measure the fraction of student borrowers who show progress on their loans through a declining loan balance at one, three, five, and seven years into repayment.[18] Since its release, organizations have conducted a number of analyses and reviews of the data to answer key questions. The Center for American Progress explored earnings and repayment data by institution control (public, nonprofit, for-profit), and the Institute for College Access (TICAS) and Success examined three ways the Scorecard's repayment rate and default data highlight the difference between for-profit and community colleges.[19]

Using College Scorecard data, Table 2 shows the distribution of repayment rates. In general, these Scorecard rates tend to be higher than the GE rates shown in Table 1, for several reasons. First, borrowers are more likely to have difficulty repaying larger loans. As a result, dollar-based rates that weight larger loans more heavily (e.g. the GE rates in Table 1) tend to be lower than borrower-based rates that weight all loans equally regardless of size (e.g. College Scorecard rates in Table 2). Also, the Scorecard rates in Table 2 measure repayment status after three years, whereas the GE rates in Table 1 measure repayment status after one, two, three, and four years, combined. Because they may still be seeking steady employment, borrowers in their first or second year of repayment are less likely than those in their third year to be making adequate progress on their loans. Regardless of the calculation method, however, for-profit institutions consistently have lower repayment rates than the other institutions.

Given the frequency with which policymakers and other postsecondary experts continue to discuss integrating repayment rates into accountability systems, it seems likely that they will be incorporated more holistically into federal policy in the future. As it stands, repayment rates remain a disclosure

13 Reimagining Aid Design and Delivery Consortium. (2014, March). *Automatic for the borrower*. Retrieved from http://www.ced.org/pdf/Automatic_for_the_Borrower.pdf

14 Senate Health, Education, Labor, and Pensions Committee. (2015, March 23). *Risk-sharing/skin-in-the-game concepts and proposals*. Retrieved from http://www.help.senate.gov/imo/media/Risk_Sharing.pdf

15 Kelly, A. (2015, May 20). *Exploring institutional risk-sharing*. Retrieved from www.help.senate.gov/imo/media/doc/Kelly3.pdf

16 Wang, J. (2015, May 20). *Reauthorizing the Higher Education Act: Exploring institutional risk-sharing*. Retrieved from http://younginvincibles.org/wp-content/uploads/2015/05/Jennifer-Wang-Revised-Risk-Sharing-Testimony.pdf

17 Sen. Thomas Harkin (D-IA). Higher Education Affordability Act of 2014 (S.2954). Retrieved from http://www.gpo.gov/fdsys/pkg/BILLS-113s2954is/pdf/BILLS-113s2954is.pdf; Student Protection and Success Act of 2015, S. 1939, 114th Cong. (2015). Retrieved from https://www.congress.gov/bill/114th-congress/senate-bill/1939/text

18 Borrowers who default are not counted as in repayment even if they subsequently make progress on their loans. U.S. Department of Education. (2015, September). College scorecard data documentation. Retrieved from https://collegescorecard.ed.gov/data/documentation/

19 Miller, B. (2015, September). Initial analysis of college scorecard earnings and repayment data. Center for American Progress. Retrieved from https://www.americanprogress.org/issues/higher-education/news/2015/09/17/121485/initial-analysis-of-college-scorecard-earnings-and-repayment-data/; Cochrane, D. (2015, September). Three ways the scorecard data show the difference between for-profit and community colleges. The Institute for College Access and Success. Retrieved from http://ticas.org/blog/three-ways-scorecard-data-show-difference-between-profit-and-community-colleges

Table 2: Percentage of Institutions by Sector and Control at Repayment Rate Thresholds—College Scorecard Data

Sector	Number of Institutions	Percentage at Least 45%	Percentage Between 35% and 45%	Percentage Below 35%
Public four-year or above	580	95.69	3.28	1.03
Public two-year	761	84.89	11.56	3.55
Public less-than-two-year	136	98.53	1.47	0.00
Private nonprofit four-year or above	1,084	95.48	1.29	3.23
Private nonprofit two-year	61	81.97	11.48	6.56
Private nonprofit less-than-two-year	51	90.20	3.92	5.88
Private for-profit four-year or above	178	67.42	17.42	15.17
Private for-profit two-year	309	54.05	21.04	24.92
Private for-profit less-than-two-year	985	67.82	16.45	15.74
Grand total	4,145	82.53	9.41	8.06

Source: IHEP Analysis of 2014 3-Year Repayment Rates in College Scorecard Data (2016, January). Data retrieved from: https://collegescorecard.ed.gov/data/
Note: Included in this analysis are degree-granting institutions separated by level of the highest degree awarded. Only those institutions with reported data (not privacy suppressed or null in value) are included in these calculations, meaning institutions with small cohorts are also excluded from the analysis.

metric under GE, they appear on the College Scorecard, and the Student Protection and Success Act—which relies on repayment rates for its risk-sharing proposal—has been referred to the Senate HELP Committee. Although not yet fully ensconced in federal law, the metric may be incorporated through the next reauthorization of the Higher Education Act.

What Should Be Next for Repayment Rates?

Given this history and continued interest in incorporating repayment rates into federal policy as a borrower protection, IHEP convened 17 federal policy and institutional experts to explore key questions about how to use, define, and report data on repayment rates. Experts focused primarily on using these data for institutional improvement and accountability efforts, with less emphasis on consumer information:

- **Institutional Improvement:** Experts agreed that institutions should use repayment data to inform their continuous improvement efforts and identify early those students with troubling repayment patterns, to prompt intervention before delinquency or default. Institutions also can use the rates to flag trends in how specific student groups, such as noncompleters or low-income students, fare in repayment, informing broader institutional decisions about the distribution of financial aid, for example.
- **Accountability:** Although some, including many policy experts at the convening, have advocated strongly for incorporating repayment rates into an accountability system through either performance floors or risk-sharing, institutional representatives did not fully agree on whether and how the rates should be used to hold institutions accountable.
- **Consumer Information:** Policy and institution experts at the convening acknowledged that repayment rates might be useful for students, but they emphasized institutional improvement and accountability as more effective leverage points.

Given the potential usefulness of repayment rates to inform institutional improvement efforts, four colleges and universities attempted the repayment rate calculations described in the sidebox in advance of the convening. They based their analysis on information available in the School Portfolio Report (SPR), which pulls data from the National Student Loan Data System (NSLDS). Every college can request an SPR from the Office of Federal Student Aid (FSA) to replicate these, or other, analyses. These institution-level calculations helped ground the discussion in the realities of the data and informed the ultimate recommendations about how to use repayment rates most effectively.

Sidebox: Institutional Repayment Rate Analysis

Four colleges presented aggregate repayment rate results at the 2015 convening based on analytic instructions provided by IHEP, which are summarized in Table 3. The cohorts measured by the colleges are consistent with the 2014 GE regulations for the dollar- and borrower-based rates, and the pooled and on-time rates are derived from the New America report, *Improving Gainful Employment*.[20] The SPR does not include all the variables necessary for these calculations, so institutions approximated missing variables to the best of their ability. The approximations used for this project resulted in inconsistencies with other federally reported data, such as the repayment rates reported on the College Scorecard. Given ED's more complete access to data, the Scorecard figures likely are more precise that those calculated by the institutions. Despite these inconsistencies, the institutional data helped ground and inform the discussion as experts explored how to define and use repayment rates. Details from the analyses of the four institutions are discussed in conjunction with the recommendations, as relevant.

Table 3: Repayment Rates Requested From Participating Institutions

Calculation	Dollar-Based Repayment Rate	Borrower-Based Repayment Rate	Pooled Repayment Rate	On-Time Repayment Rate
Numerator	Original outstanding principal balance (OOPB) of paid in full (PIF) loans + OOPB of active repayment (AR) loans	Number of borrowers PIF + Number of borrowers in AR	Current outstanding principal balance (COPB)	Total COPB
Denominator	OOPB of all loans	Number of borrowers entering repayment	OOPB	Projected COPB if all loans were on standard 10-year repayment plan

Note: Definitions of these variables and other proposed calculations are available in Appendix B.

20 New America Foundation. (2013, November). *Improving gainful employment*. Retrieved from https://www.newamerica.org/downloads/Improving_Gainful_Employment_FINAL.pdf

Recommendations for Leveraging Repayment Rates to Promote Student Success

Participants in the expert convening discussed the current context and potential future uses for repayment rates to inform policy considerations. The diverse set of stakeholders reached several points of consensus, or near-consensus, regarding (1) principles for using repayment rates, (2) calculating repayment rates, (3) setting high and attainable performance standards for repayment rates, and (4) recommendations for ED to make repayment data more usable.

Principles for Using Repayment Rates

1. **Policymakers should frame repayment rates not as a measure of academic quality, but as a measure of student and taxpayer protection.** A language disconnect emerged between some of the federal policy experts and the institutional representatives when framing repayment rates as a measure or proxy of "quality assurance." The institutional representatives argued that repayment rates are not necessarily a representation of educational quality because they are mired in student choice and behavior. For many in the institutional setting, "quality" refers strictly to the institution's academic integrity and production of student learning. Institutional participants were much more comfortable describing repayment rates as a measure of consumer or taxpayer protection or fiduciary responsibility to federal loans, and policy representatives agreed that these descriptions captured what they meant by "quality assurance." The language used for the repayment rate and its purpose as a consumer and taxpayer protection or a measure of fiduciary responsibility for federal loans is incredibly important to productive, ongoing debate and discourse about how to use the measure.

2. **Policymakers and institutions should disaggregate repayment rates.** Both institution and policy experts agreed that certain disaggregates help explore the nuances of student loan repayment effectively, and that disaggregates are sorely needed to understand fully the impact of college affordability and student debt on underserved populations. However, comprehensive data on disaggregated repayment rates are not available nationally. In the new College Scorecard data, ED disaggregated repayment rates by completion status, income, Pell receipt, dependency, gender, and first-generation status, but many of these disaggregated data points are missing, making the data difficult to use. ED should revisit its suppression rules to ensure data are made as accessible as possible, while protecting student privacy and preventing identification of individual borrowers. These disaggregated data could be used in policy analysis or policy development to identify gaps or hold institutions accountable for the performance of specific target groups of students.

Disaggregated data can be particularly useful for institutions as well. In fact, the participating institutions found the most

useful insights by disaggregating their repayment rates, which allowed them to identify student groups who may need more targeted outreach or grant aid. For example, as seen in Table 4, all four institutions demonstrated that completers repay at higher rates than noncompleters, highlighting the need to focus resources on students at risk of not graduating.

Table 4: Borrower-Based Repayment Rates by Completion Status

Institution Type	Repayment Rate of Completers	Repayment Rate of Noncompleters
Public community college system	42%	30%
Public four-year HBCU	51%	34%
Public four-year non-HBCU	77%	63%
Private four-year	89%	82%

Source: IHEP analysis of participant institution data submission, October 2015.
Note: Historically Black Colleges and Universities (HBCU)

To promote equitable outcomes and target interventions appropriately, institutions should disaggregate repayment rates by at least income status (i.e., Pell receipt) and race/ethnicity. The institutions also found it useful to disaggregate by repayment plan (e.g., IDR, 10-year plan). Understanding the repayment patterns of students in IDR plans was particularly useful for the colleges because it provided the financial aid officers with information to use when counseling students about the impacts of different repayment plans. This connection to college affordability should be at the forefront of concern for both institutions and students. Table 5 shows additional potential disaggregates that could help inform institutional decision-making.

Table 5: Potential Disaggregates for Repayment Rates

Financial Status and Demographics	
Pell Grant receipt status	Unmet need
Race/Ethnicity	Earned income while attending
Enrollment in safety-net programs (TANF, SNAP)	Dependency status
Academic Characteristics	
Completion status	Number of terms enrolled
College GPA	Transfer status
Program enrolled	Undergraduate/ Graduate
Post-college Repayment Characteristics and Student Outcomes	
Repayment plan	Loan servicer
Licensure rates	

Note: Temporary Assistance for Needy Families (TANF), Supplemental Nutrition Assistance Program (SNAP)

3. **Offices within institutions should collaborate with each other to use repayment rate data to better serve their students.** Every participating institution agreed that it would not have calculated repayment rates without the impetus of this project, but once they did calculate them, they found the results to be immensely valuable. However, for repayment rates to become an integral component in institutional process improvement, major institutional stakeholders must work together to use and prioritize these data. For example, some institutions found it cumbersome to calculate repayment rates for this project, and their analysis benefited from collaboration across campus offices.

In fact, to complete this project, institutional researchers *had* to collaborate with the financial aid office to access the data and expertise of their colleagues. Financial aid officers also benefited from the extensive data sets and analytic expertise offered by the institutional research office. Both financial aid officers and institutional researchers acknowledged that to see real change on their campuses, institutional leaders also will need to buy in to the importance of the rates. Experts strategized ways to communicate the value-add of these data to senior institutional leadership and suggested leveraging college and university associations to help connect institutional researchers with college leadership.

Calculating Repayment Rates

1. **Policymakers and institutions should use the borrower as the unit of analysis in repayment rates.** Participants selected the borrower as the preferred unit of analysis for repayment rates over loan dollars or a loan portfolio.[21] In other words, they preferred measuring the percentage of *borrowers* in repayment, as opposed to the percentage of *dollars* in repayment. As noted by the second GE regulations, a borrower-based rate is easier to understand, and thus more actionable. For example, institutions engage most directly with individual students, not dollars, so they can design intervention strategies more seamlessly when using a borrower-based rate.

Although some argue that dollar-based rates would be better for accountability purposes because they weight borrowers with more debt more heavily, convening participants noted that the simplicity of borrower-based rates outweighs the conceptual value of dollar-based rates. These sentiments were particularly strong when seeing

> ***Further analysis needed by ED:*** ED should conduct and publish a more extensive analysis that compares dollar- and borrower-based rates across all colleges and universities, to better gauge the impact of using one over the other.

21 For more background on proposed units of analysis for repayment rates, see IHEP's primer on Repayment Rates: http://www.ihep.org/research/publications/primer-repayment-rates

that borrower- and dollar-based rates produced relatively similar—although not identical—results among the convening's institutional participants, as shown in Table 6. ED should conduct and publish a more extensive analysis that compares dollar- and borrower-based rates across all colleges and universities, to better gauge the impact of using one over the other.

Table 6: Borrower- versus Dollar-Based Repayment Rates Among Four Institutional Participants

Institution Type	Dollar-Based Repayment Rate	Borrower-Based Repayment Rate
Public community college system	33%	33%
Public four-year HBCU	39%	42%
Public four-year non-HBCU	79%	73%
Private four-year	80%	88%

Source: IHEP analysis of participant institution data submission, October 2015.
Note: Historically Black Colleges and Universities (HBCU)

2. **Policymakers and institutions should count borrowers in IDR plans as in repayment only if they are reducing loan principal.** Treatment of loans in IDR plans is an increasingly important topic as the volume of those enrolled climbed to nearly 3.9 million by June 2015, an increase of 56% in only one year.[22] Some borrowers enrolled in IDR plans may be in good standing on their loans but not making payments large enough to reduce principal, as they are required to make only small (or no) payments if their income is very low. However, these negatively amortizing loans should not be counted as in successful repayment simply because the student remains in good standing through IDR. Rather, because the borrower is not making active progress on the loan principal, the loan should be counted as *not* in repayment, just as any other negatively amortizing loan would in a repayment rate.

Various experts, including Ben Miller (Center for American Progress), Jennifer Wang (Young Invincibles), the authors of *Automatic for the Borrower*, and the authors of the 2014 final GE regulations, agree that to include those borrowers in the repayment rate numerator (i.e., counting them as in repayment) undermines the purpose of the rate: to measure borrowers' ability to repay loans upon entering repayment.[23] Participants at the IHEP convening echoed these sentiments with gusto, further noting that IDR plans serve an important purpose in protecting the borrower but should not serve as a shelter for institutions when calculating repayment rates.

Although not all borrowers enrolled in IDR plans have negatively amortizing loans, they are more likely than those paying on the 10-year track to see their balances grow rather than decline. Not surprisingly, the institutional data analyses produced for this project show that repayment rates for borrowers enrolled in income-driven plans are generally lower than for those enrolled in non-income-driven plans (see Table 7). This trend holds because students registered for IDR plans have lower required monthly payments than students in the 10-year repayment plan, making IDR loans *more* likely to negatively amortize—and less likely to be in repayment. The substantial difference between repayment rates for IDR and non-IDR loans proved informative for the institutional participants and triggered ideas about how to inform students of the consequences of different repayment plan decisions.

Table 7: Borrower-Based Repayment Rates by Institution for Income-Driven and Non-Income-Driven Repayment Plan Enrollees

Institution Type	Repayment Rates for Borrowers in IDR Plans	Repayment Rates for Borrowers in Non-IDR Plans
Public community college system	18%	36%
Public four-year HBCU	38%	53%
Public four-year non-HBCU	42%	78%
Private four-year	57%	91%

Source: IHEP analysis of participant institution data submission, October 2015.
Note: Historically Black Colleges and Universities (HBCU)

3. **Policymakers and institutions should calculate separate repayment rates for student and parent loans and should include all undergraduate debt.** In current regulation, repayment rates exclude Parent PLUS loans, Perkins loans, TEACH grants, and private student loans, and institutions participating in this project followed those same guidelines.[24] However, students and/or their parents are responsible for repaying all of the debt taken out to pay for college, regardless of the loan type, so repayment rates should incorporate as many loans as data allow. For example, most participants agreed that Perkins loans would be helpful to include in repayment rate calculations, and that separate Parent PLUS and private loan repayment rates should be calculated to inform Parent PLUS and private loan policies. Participants also discussed whether graduate loans should be included in the repayment calculation, although this project focused on undergraduate loans only. Many agreed that while graduate

22 Department of Education. (2015, August). Income-driven repayment plan enrollment jumps, delinquency rates drop in new student loan data. Retrieved from http://www.ed.gov/news/press-releases/income-driven-repayment-plan-enrollment-jumps-delinquency-rates-drop-new-student-loan-data

23 Miller, B. (2013, December). *Do income-based payment plans really ruin repayment rates?* Retrieved from http://www.edcentral.org/income-based-payment-plans-really-ruin-repayment-rates/; Wang, J. (2015, May 20). *Reauthorizing the Higher Education Act: Exploring institutional risk-sharing*. Retrieved from http://younginvincibles.org/wp-content/uploads/2015/05/Jennifer-Wang-Revised-Risk-Sharing-Testimony.pdf; Reimagining Aid Design and Delivery Consortium. (2014 March). *Automatic for the borrower*, Retrieved from https://www.ced.org/pdf/Automatic_for_the_Borrower.pdf

24 Institutions included Perkins loans if those data were available, but only one college was able to incorporate Perkins data into its repayment rate.

loans are important to include, at this time they are confounded by the consolidation loan issue discussed below and should be reconsidered in the future.

4. **Policymakers should not hold institutions accountable for substantial consolidated debt accrued at other institutions.** While consolidation loans do not present a great challenge in calculating default rates, they are problematic in calculating a repayment rate. Unlike CDRs, repayment rates take into account the *amount* of the debt paid down, rather than only whether a borrower defaults or not. Under GE 2014, a consolidation loan counts equally in the repayment rate for every institution with a loan incorporated into that consolidation loan, even if that institution-level debt represented only a small portion of the consolidation debt. For example, if a student consolidated a $2,000 loan from a community college with a $20,000 loan from a four-year institution with a $50,000 loan from a graduate school, the community college, four-year institution, and graduate school all would be held equally responsible for the repayment success of the resulting consolidation loan. When students accrue debt at multiple colleges, it becomes more difficult for each of those colleges to meet repayment rate benchmarks if all of the debt at all of the colleges is consolidated into one repayment rate.

Experts discussed at length whether this approach is appropriate or whether it would be more sensible for the institution with the largest share of loans to be the only institution held responsible. They noted that it is unfair to hold a college accountable for large debt accrued by the same student at a different institution, but agreed that it is fair to expect an institution to take responsibility for the consolidation loan in a repayment rate if that institution contributed the largest portion of the consolidated debt. Another option would be to include the multi-institution borrower in each institution's repayment rate but weight the impact of repayment progress on the consolidation loan based on the portion of that loan's debt attributable to that institution.[25]

Setting High and Attainable Performance Standards for Repayment Rates

1. **Policymakers and institutions should define successful repayment as more than a $1 reduction in principal.** Convening participants debated how a repayment rate should define success, but most agreed that the common definition for successful repayment—a $1 reduction in principal—is too small to provide meaningful information or indicate repayment success. Instead, participants proposed other ways to measure success, such as identifying a borrower as successfully repaying if the loan balance declines enough for the borrower to be on schedule to retire the debt within a certain time frame (e.g., 10 or 20 years).[26] However, one participant reinforced a central tenant to this conversation by reiterating that success definitions should be contingent on the purpose of the metric. Once repayment rates are incorporated into risk-sharing or other accountability frameworks, then a threshold or tolerance for repayment should be crafted, based on that policy scenario.

2. **Policymakers should use repayment rates to supplement, but not replace, CDRs as an accountability measure.** Although participants saw potential value for repayment rates in an accountability context, they agreed that CDRs would maintain relevance and value even if repayment rates were adopted. In other words, repayment rates should not *replace* CDRs as an accountability mechanism. Because CDRs measure the worst student loan outcome—default—they play a key role in protecting students. Repayment rates add value as a supplemental accountability measure that cannot be managed simply by placing students into deferment or forbearance, as CDRs can.[27] Using repayment rates could encourage institutions to reach out to borrowers earlier. However, focusing only on repayment rates risks encouraging institutions to focus only on students who are on the cusp of repayment, while ignoring those at risk of default. Evidence shows that institutions can help students avoid default,[28] so new policies should take care not to eliminate those institutional incentives to concentrate on students at risk of default, which is by far the most damaging repayment outcome.

3. **Policymakers should hold servicers accountable for repayment rate performance.** In current regulation and proposed legislation, only institutions of higher education—not servicers—are held accountable for repayment rate performance. However, the institutional experts noted that once students leave the halls of the university, it can become difficult to reach them. Servicers fill this crucial communication role in the repayment cycle, and participants noted that they are an integral element to on-time, consistent repayment. Recent reports from the Consumer Financial Protection Bureau (CFPB) show an increasing number of complaints regarding student loan servicers and inadequate information provided by servicers about alternate and appropriate repayment plan options. Additionally, CFPB reports that there are "no consis-

25 This process would weight some borrowers as full students and other borrowers as fractions of a student, based on the proportion of that student's debt taken out to attend that specific institution.

26 Under this concept and a 10-year standard, most borrowers enrolled in income-driven plans would not count as positive outcomes, while many would count as "in repayment" using a 20-year on-track time frame, making it a comfortable threshold to many participants.

27 The Institute for College Access and Success. (2012, August 21). Steps the Education Department should immediately take to curb default rate manipulation [Memo]. Retrieved from http://ticas.org/sites/default/files/pub_files/TICAS_memo_on_CDR_evasion_082112.pdf

28 Dillon, E., & Smiles, R. V. (2010, February). *Lowering student loan default rates: What one consortium of historically black institutions did to succeed*. Retrieved from http://static1.1.sqspcdn.com/static/f/427600/8213939/1282316016107/Default_Rates_HBCU.pdf?token=kdgCSCXz3S6YgKxyLxN%2FEJXgiVI%3D

tent, market-wide federal standards for student loan servicing"; consequently, servicers must use their own discretion to develop policies, which leads to inconsistencies across servicers. In an attempt to address this problem, Congress recently required ED to publish a common policies and procedures manual for federal loan servicers by March 2016 that applies to all Direct Loan servicers.[29]

Further analysis needed by ED: ED should conduct a more comprehensive analysis to evaluate how repayment rates vary by servicer within the same institution.

Indeed, some institutions noted anecdotally that they are aware of some servicer "bad actors" that could potentially contribute to lower repayment rates, and the data bear out these hypotheses. Table 8 shows how widely repayment rates vary by servicer, even within the same institution. These results represent only four institutions, so ED should conduct a more comprehensive analysis to evaluate how repayment rates vary by servicer within the same institution across all colleges and universities.

Table 8: Variation of Servicer Repayment Rates by Institution

Institution Type	Lowest Servicer's Repayment Rate	Highest Servicer's Repayment Rate
Public community college system	20%	33%
Public four-year HBCU	26%	52%
Public four-year non-HBCU	63%	80%
Private four-year	82%	100%

Source: IHEP analysis of participant institution data submission, October 2015.
Note: (1) Servicers were excluded from this analysis if they had fewer than 100 students in the repayment rate denominator or represented less than 10% of the institution's borrowers. (2) Historically Black Colleges and Universities (HBCU)

Although some responsibility for repayment rates certainly rests on the shoulders of colleges and universities—which set prices, distribute financial aid, and provide an education that should prepare students for success after college—institutions at the convening contend that, specifically within the parameters of risk-sharing, servicers also should have some "skin in the game." The national policy experts agreed that servicer accountability standards are ripe for improvement and repayment rates are a worthwhile metric to use.[30]

29 Consumer Financial Protection Bureau. (2015, September). *Student loan servicing: Analysis of public input and recommendations for reform*. Retrieved from http://files.consumerfinance.gov/f/201509_cfpb_student-loan-servicing-report.pdf. U.S. House of Representatives (2015, December 16). Division H—Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 2016. Retrieved from: http://docs.house.gov/meetings/RU/RU00/20151216/104298/HMTG-114-RU00-20151216-SD009.pdf

30 The statutory environment for servicers is entrenched in the Higher Education Act and the Fair Credit Reporting Act, neither of which uses repayment rates as an accountability measure.

Making Repayment Data More Usable: Recommendations for ED

1. **The Office of Federal Student Aid should improve student loan reports available to the public and to institutions.** Current NSLDS reports available to institutions do not include all of the data elements needed to calculate repayment rates, so ED should enhance those reports to be more complete. Ultimately, although the colleges participating in this project envisioned how the repayment rate results could be valuable in helping them serve students better, they did not feel confident in the accuracy of their results because of challenges with the data available in FSA's SPR. For repayment rates to be a useful metric for both institutional improvement and accountability, ED should take the following actions to promote data quality and lessen institutional burden.

Foremost, all participants agreed that ED should be responsible for calculating each institution's repayment rate, whether it is used for disclosure, improvement, or accountability, and for publishing those data regularly. They suggested creating a process similar to the CDR review, where ED provides institutions with the underlying data to verify the rates it calculates. This process alleviates burden for institutions while also providing the student-level data needed to merge with institutional data sources to disaggregate, analyze, and create actionable strategies to improve.

While such a process is developed, FSA should add the original outstanding principal balance (OOPB) at repayment entry to the SPR to supplement the total loan amount, which is now included on the report. The OOPB is the basis of repayment rate calculations and more accurately reflects the amount students owe because it includes interest accrued. However, the total loan amount, available on the SPR, reflects only the original amount borrowed, excluding interest accrual. The SPR also should report consistent and comprehensive data on students' repayment plans, as the colleges' analyses suffered from missing data on repayment plans.

Finally, data on consolidation loans were particularly difficult for the institutions to use. To increase utility, FSA should make the following improvements to SPR data on consolidation loans:

- Presently, consolidation loans are linked to the underlying loans through an identifier in NSLDS, although institutions found these linkages to be inconsistent and incomplete. FSA should enhance comprehensiveness of these linkages so all loans can be matched.
- The SPR includes information on the consolidation loan and the loans taken out at that institution, but *not* on loans taken out at other institutions, even if consolidated into the consolidation loan. Because of this omission, institutions cannot determine with certainty whether they were responsible for the largest portion of a consolidation loan. To provide this information, the SPR could offer the option to view informa-

tion on all loans borrowed by the student, not only those from the requesting institution. Alternately, the SPR could include a flag that notes whether that institution is responsible for the largest portion of a consolidation loan.[31]

- If borrowers prepay their loan or pay off part of the loan prior to consolidation, the school has no way of recognizing this prepayment because the paid-in-full designation due to consolidation overrides these payments in the SPR. This issue is more apparent if the consolidation loan is less than the original loan, but it could also be a factor when students consolidate loans across schools. The SPR should include the loan balance immediately before consolidation to allow institutions to better parse repayment behavior rather than lose granularity due to consolidation.

If FSA enhances the SPRs in these ways, institutions will be able to access and use the data necessary to calculate repayment rates and merge the data with their internal data systems for more detailed analyses. What's more, FSA should calculate and publicly report institution-level repayment rates annually for both completers and noncompleters, and should share the underlying data with institutions to inform their own improvement efforts.

Conclusion

Repayment rates are of keen interest to policymakers, institutions, and policy experts to provide needed insights on college affordability and student borrowers' ability to retire their debts effectively. These rates provide a more nuanced view of borrowers' repayment patterns than other more commonly reported metrics and, paired with CDRs, provide a more complete picture of how institutions fulfill their responsibilities to students, taxpayers, and the federal government. Repayment rates, when disaggregated, also can provide a clearer picture to students, policymakers, and institutions about the impact of college affordability and cost, specifically for underserved and underrepresented student populations. This paper's initial data analysis among a small sample of institutions, combined with critical input from policy experts, illuminated promising ideas and proposals for improving and using the metric while enhancing data accessibility. ED should conduct additional modeling and analysis to see how the trends noted in this paper hold across all higher education institutions, especially as legislative conversations about using repayment rates for accountability continue to evolve in Congress.

Students—too often the most disadvantaged students—ultimately bear the brunt of poor repayment outcomes, so the onus is on higher education stakeholders to use these data effectively to spur institutional improvement that allows students to realize the full value of higher education. Institution and policy experts at the convening underscored that repayment rates are a viable measure for understanding borrower repayment patterns and for improving borrower and institution outcomes. Given the value of these data, ED should report the rates regularly and provide clean, detailed data to institutions to inform institution decision-making and strategy. Ultimately, students, especially low-income students burdened with debt, stand to benefit most from a more concentrated focus on loan repayment outcomes by both policymakers and colleges and universities.

31 An institution can calculate whether it is responsible for more than 50% of a consolidation loan with data already available in the SPR. However, if loans from more than two schools are consolidated, an institution may be responsible for less than 50% of the consolidated debt and still be responsible for the largest share of that debt. For example, 40% of a consolidation loan could apply to one college, with each of two other institutions holding 30% of the consolidation loan. The flag is necessary in these cases.

Appendix A: Summary of Repayment Rate Definitions

	Federal Regulations and Proposed Legislation								Literature	
	Gainful Employment: Notice of Proposed Rulemakings 2010	Gainful Employment Regulations 2011	Gainful Employment: Notice of Proposed Rulemakings 2014	Gainful Employment Regulations 2014	Higher Education Affordability Act of 2014 (S.2954)		Student Protection and Success Act of 2015 (S.1939)	The College Scorecard	Ben Miller / New America	Sen. Alexander White Paper
Potential Use Cases	Accountability	Accountability	Consumer Information	Consumer Information			Risk-sharing	Consumer information	Accountability	Risk-sharing
Unit of Analysis (Dollar or Borrower)	Dollar	Dollar	Borrower	Borrower	Dollar	Speed	Borrower	Borrower	Dollar / pooled repayment rate	Borrower
Numerator	Original Outstanding Principal Balance (OOPB) of Loans Paid in Full (LPF) + OOPB of Reduced Principal Loans (RPL)	OOPB of LPF + OOPB of Payments-Made Loans (PML)	Number of borrowers paid in full + Number of borrowers in active repayment	Number of borrowers paid in full + Number of borrowers in active repayment	Total original outstanding balance of all LPF + Total original outstanding balance of all PML	Amount paid of all cohort loans of the institution / the total original outstanding balance of all such cohort loans of the institution for such year	Number of borrowers who are not in default and who make at least a $1 reduction in principal balance	Number of borrowers paid in full + Number of borrowers in active repayment who have not defaulted on student loans	Total amount of outstanding principal owed at the end of the fourth year	Number of borrowers paying on loan principal
Denominator	OOPB of all loans for students attending the program	OOPB	Number of borrowers entering repayment	Number of borrowers entering repayment	Total original outstanding balance of all loans	Average number of years in repayment for the cohort loans, rounded to the nearest month and weighted based on the dollar amount of the current loan balance	Number of borrowers entering repayment	Number of borrowers entering repayment	Total amount of outstanding principal that should have been owed at the end of four fiscal years given the underlying interest rate and 20-year amortization period	Number of borrowers entering repayment
Number of Fiscal Years Included in the Cohort	Four fiscal years	Two fiscal years	Two fiscal years	Two fiscal years	Two fiscal years		One fiscal year	Two fiscal years	One fiscal year	N/A
Years into Repayment	One to four years	Three and four years	Three and four years	Three and four years	Three and four years		Three years	One, three, five, and seven years	Cohort is evaluated from the time the loan entered repayment until four years after.	N/A
Repayment Period Evaluated	One year	One year	One year	One year	One year		One year	One year	Four years	N/A
Consolidated Loan treatment	LPF does not include any loans paid through a consolidation loan until the consolidation loan is paid in full.	Payments made on certain consolidation loans count as active repayment; those consolidation loans that include a defaulted loan are excluded from the numerator; consolidation loans are not considered LPF until the new consolidated loan is paid, regardless of whether the underlying loans show as paid due to consolidation.	Borrowers who consolidate are not considered in repayment unless the consolidated loans are being paid on—underlying loans paid through consolidation do not count.	Because the Department of Education is calculating the rates, it gives little information as to how it plans to handle consolidation loans that include more than one institution's loans.	Consolidation loans are treated based on their underlying consolidated loans. The original outstanding balance and repayment periods are based on the underlying loans. The underlying loans are not considered paid in full until the consolidation loan is paid in full.		Consolidated loans are included in the debt accrued at the institution or program, but treatment is not detailed.	Not mentioned specifically	Could be attributed only to the institution of the highest credential borrowed for (e.g., all undergraduate debt goes to the graduate institution)	N/A
Income-Driven Repayment Plan Treatment	Not mentioned specifically	PML includes not only those payments that reduce the outstanding balance but also payments made under certain repayment plans, or for certain consolidation loans, payments that do not reduce the outstanding balance, the total of which can only be equal to 3%	Borrowers are considered in repayment if they made all payments required under an income-based repayment plan	Borrowers enrolled in IDR plans who are not actively repaying enough during the year to owe less at the end of the year than they owed at the start are not considered in active repayment.	Not mentioned specifically		Payment is required on the principal amount, regardless of the repayment plan.	To be considered in active repayment, borrowers must pay at least $1 in the principal balance on their loans in the year evaluated, including those enrolled in IDR plans.	Would pool those students in with all of the others, potentially masking negative effects on the loan amount if the other borrowers outweigh by making larger payments	N/A
Threshold	35% and below; 35.1% to 45%; 45.1% and above	35%	A panel of experts should be convened to determine the proper threshold. Also, set a minimum performance level where institutions lose eligibility after one failure below that level.	None; is used as a disclosure measure	No specific threshold is specified	The Secretary of Education is responsible for establishing methodology to define repayment as "quickly" and "slowly" for relative significance.	45% the first year, 10% below the average repayment rates for like institutions as calculated the previous year, to not equal or exceed 70%	None	Either the amount owed is equal to or less than what would be expected, meaning it passes, or it is greater and it fails. This could be made slightly easier by allowing a school or program to pass as long as the amount owed is no more than what it should have been.	Less than 50%

Appendix B: Definitions from the Gainful Employment Regulations

The following variables are used in the GE regulation calculations and may be unclear to those unfamiliar with the regulations. These definitions are intended to clarify the nuances related to included loans and borrowers, as well as the exclusions.

Original Outstanding Principal Balance (OOPB): This variable is used in the July 2010 NPRM as well as the final GE regulations in 2011.[32] OOPB is defined as the amount of the outstanding principal balance on Federal Family Education Loans (FFEL) or Direct Loans owed by students who attended the program, including capitalized interest on the date those loans entered repayment. In the NPRM 2010, the cohort included all those entering repayment in the previous four federal fiscal years (FFYs), but this rule was changed in the final 2011 regulations to include only those in the previous two-year cohort period. It also was updated in 2011 with the following: OOPB does not include TEACH or Parent PLUS loans; for consolidation loans, the OOPB is the OOPB of the FFEL and Direct Loans attributable to a borrower's attendance in that program; and the cohort should include at least 30 borrowers.

Loans Paid in Full (LPF): This variable is used in the July 2010 NPRM as well as the final GE regulations in 2011. LPF include loans to students who attended the program that have been paid in full. However, a loan that is paid through a consolidation loan is not counted as paid in full in this variable until the consolidation loan is paid in full. In GE 2011, it was clarified that to be included as an LPF, the loan—or the underlying loans of any of the included consolidation loans—should not have ever been in default.

Reduced Principal Loan (RPL): This variable was included in only the July 2010 NPRM. RPL was replaced with Payments-Made Loans for the final GE regulations in 2011. An RPL is defined as a loan where payments made by a borrower during the most recently completed FFY reduced the outstanding principal balance of that loan from the beginning of that FFY. It also includes loans for borrowers whose payment during that FFY qualifies for the Public Service Loan Forgiveness (PSLF) program, even if the outstanding principal balance of those loans is not reduced.

Payments-Made Loans (PML): PML was included in only the GE 2011 final regulations, as a replacement for RPL. It includes the following payments to loans that have never been in default:

1. Payments made during the most recent FFY that reduce the outstanding principal balance of a loan, including consolidation loans, to an amount that is less than the outstanding principal balance at the beginning of that FFY. The outstanding principal balance includes any unpaid accrued interest that has not been capitalized;
2. Payments made on a loan from a borrower who is in the process of qualifying for PSLF during the most recently completed FFY; and
3. Payments made by a borrower in an income-based repayment plan, income-contingent repayment plan, or other repayment plan where scheduled payments are less than or equal to the interest that accrues on the loan during that FFY. This component is what differentiates a PML from an RPL.

The dollar amount of any interest-only or negative amortization loans (including PSLF and IDR loans) are limited in the numerator to no more than 3% of the total amount of OOPB in the denominator of the ratio.[33]

For the 2014 NPRM and final GE regulations, the calculation was changed to a borrower-based rate, using the following variables:

Number of Borrowers Entering Repayment: The total number of borrowers who entered repayment during the two-year cohort period on FFEL or Direct Loans received for enrollment in the program.

Number of Borrowers Paid in Full: Of the number of borrowers entering repayment, the number who have fully repaid all FFEL or Direct Loans received for enrollment in the program.

Number of Borrowers in Active Repayment: Of the number of borrowers entering repayment, this variable captures those who during the most recently completed award year made loan payments sufficient to pay all of the accrued interest for that year, plus at least $1 of their outstanding principal balance from the beginning of the year. This includes consolidation loans. Borrowers who defaulted on FFEL or Direct Loans are not included in the number of borrowers with LPF or the number of borrowers in active repayment, even if they have paid in full or are in repayment after default.

32 Federal Register, Department of Education. (2010, July 26). Program integrity: Gainful employment—proposed rule, p. 43638. Retrieved from http://www.chea.org/pdf/DOE_34_CFR_Part_668.pdf; Federal Register, U.S. Department of Education. (2011, June 13). Program integrity: Gainful employment—debt measure. Retrieved from https://www.federalregister.gov/articles/2011/06/13/2011-13905/program-integrity-gainful-employment-debt-measures

33 Federal Register, U.S. Department of Education. (2011, June 13). Program integrity: Gainful employment—debt measure, Retrieved from https://www.federalregister.gov/articles/2011/06/13/2011-13905/program-integrity-gainful-employment-debt-measures