Federal Student Loans at Community Colleges

How Colleges Make them Work or Choose Not to Try

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the institute for college access & success

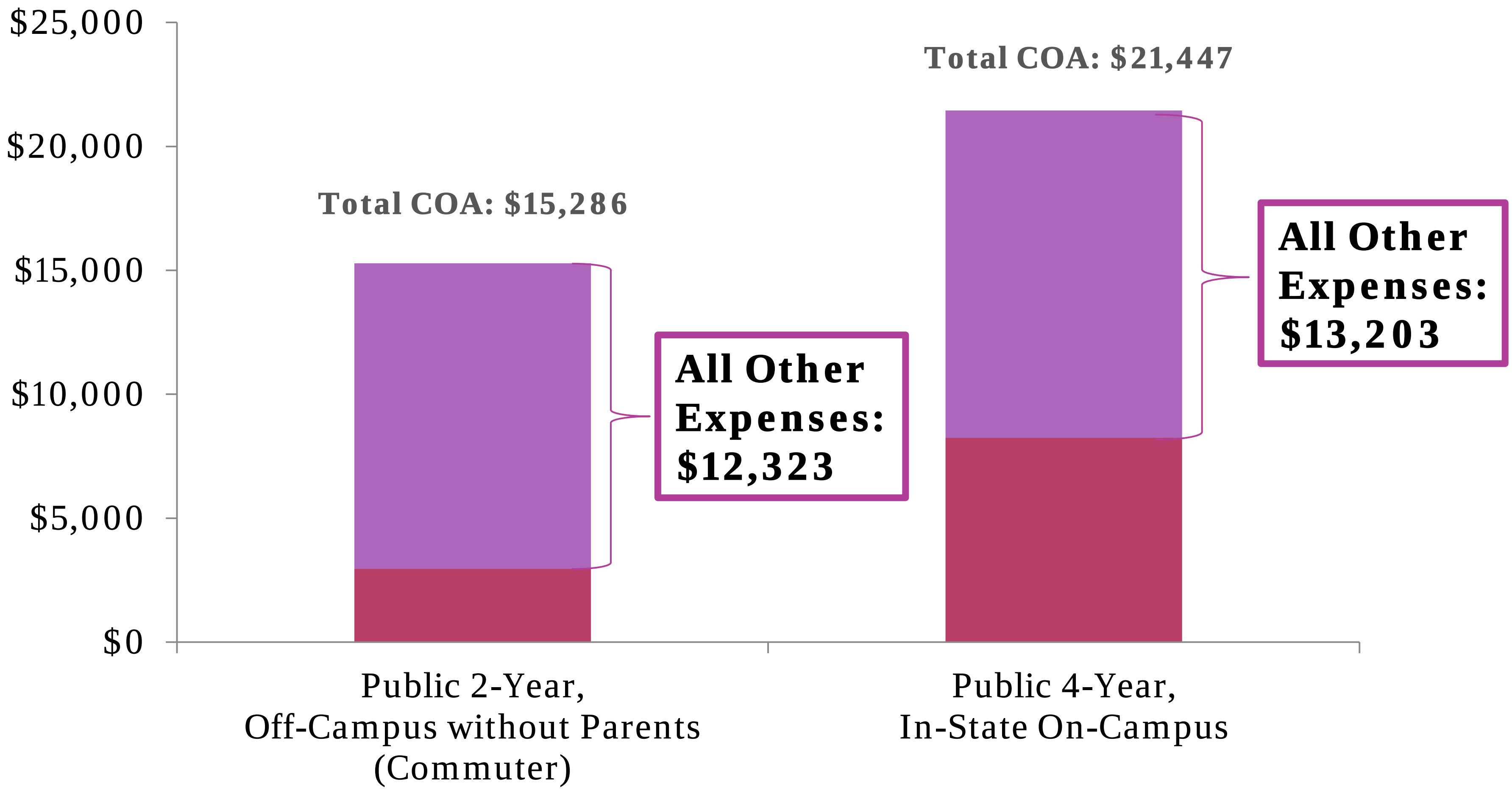
The Institute for College Access & Success

- Advocate for need-based grant aid, including Pell Grants and California's Cal Grants
- Simplify the FAFSA process, including identifying college best practices to improve awareness of and access to aid
- College-InSight.org: data on college affordability, diversity, and student success
- Increase federal loan participation at community colleges

Community Colleges & Federal Student Loans: The Perception versus the Reality

- With low tuition, community colleges are viewed as the affordable option – where students go so they don't have to borrow
- Total college costs are high, and many students cannot cover them all with earnings, savings, and grants
- Students' options for covering the gap are limited when community colleges don't offer federal loans

Average National COA, 2011-12



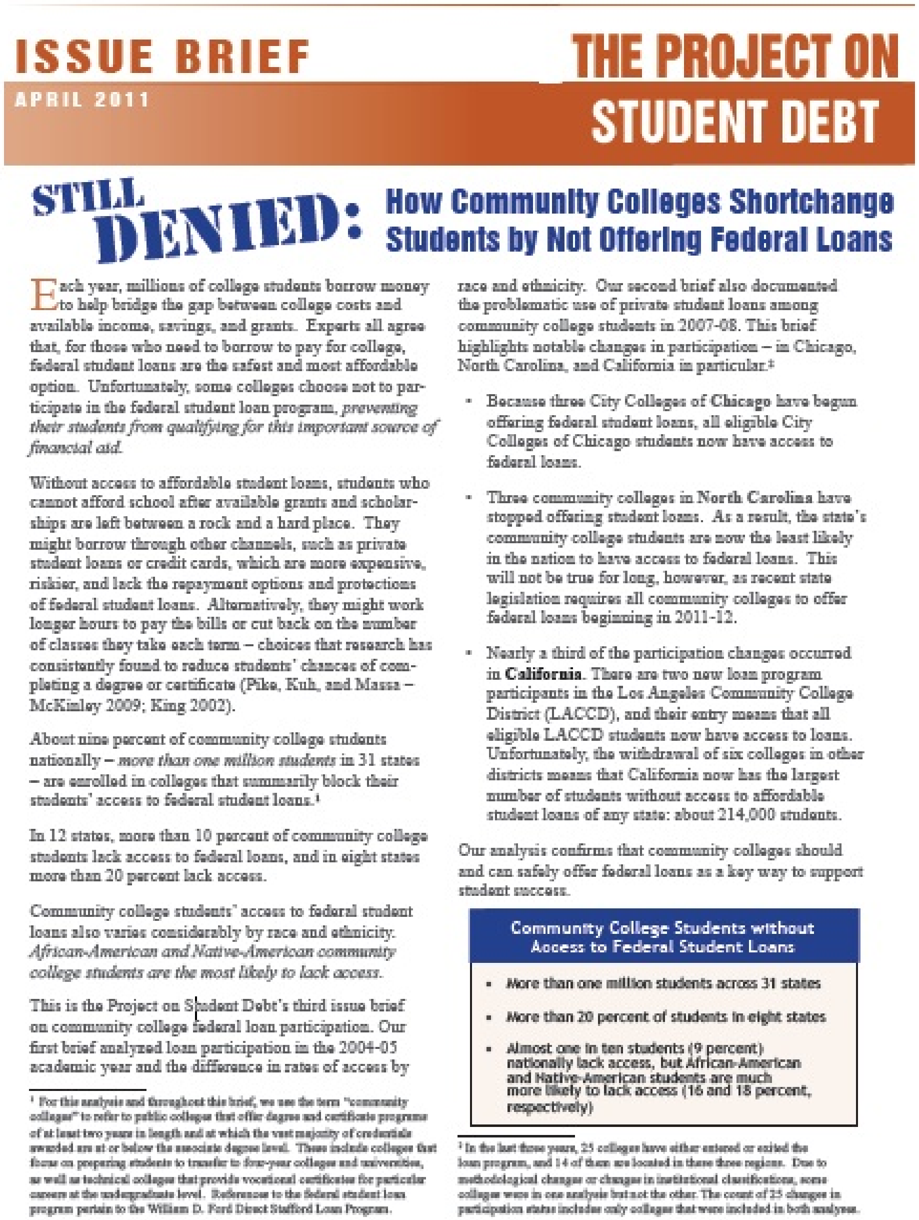
Source: The College Board, *Trends in College Pricing*, 2011.

Costs versus Affordability: Full-time, Very Low-Income Applicants, Nationally, 2007-08

Average Total Costs	Public 2-Year	$ 12,895
	Public 4-Year	$ 17,905
	Difference (4-Year minus 2-Year)	**$ 5,011**
Average Net Price	Public 2-Year	$ 8,050
	Public 4-Year	$ 10,061
	Difference (4-Year minus 2-Year)	**$ 2,010**
Average Remaining Costs after All Aid	Public 2-Year	$ 6,210
	Public 4-Year	$ 4,661
	Difference (4-Year minus 2-Year)	**$ (1,549)**

Source: NPSAS, 2007-08. Includes students enrolled full-time through the 2007-08 year with EFCs of zero.

Still Denied: Methodology



ISSUE BRIEF

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THE PROJECT ON STUDENT DEBT

STILL DENIED: How Community Colleges Shortchange Students by Not Offering Federal Loans

Each year, millions of college students borrow money to help bridge the gap between college costs and available income, savings, and grants. Experts all agree that, for those who need to borrow to pay for college, federal student loans are the safest and most affordable option. Unfortunately, some colleges choose not to participate in the federal student loan program, *preventing their students from qualifying for this important source of financial aid.*

Without access to affordable student loans, students who cannot afford school after available grants and scholarships are left between a rock and a hard place. They might borrow through other channels, such as private student loans or credit cards, which are more expensive, riskier, and lack the repayment options and protections of federal student loans. Alternatively, they might work longer hours to pay the bills or cut back on the number of classes they take each term – choices that research has consistently found to reduce students' chances of completing a degree or certificate (Pike, Kuh, and Massa – McKinley 2009; King 2002).

About nine percent of community college students nationally – *more than one million students* in 31 states – are enrolled in colleges that summarily block their students' access to federal student loans.[1]

In 12 states, more than 10 percent of community college students lack access to federal loans, and in eight states more than 20 percent lack access.

Community college students' access to federal student loans also varies considerably by race and ethnicity. *African-American and Native-American community college students are the most likely to lack access.*

This is the Project on Student Debt's third issue brief on community college federal loan participation. Our first brief analyzed loan participation in the 2004-05 academic year and the difference in rates of access by race and ethnicity. Our second brief also documented the problematic use of private student loans among community college students in 2007-08. This brief highlights notable changes in participation – in Chicago, North Carolina, and California in particular.[2]

- Because three City Colleges of Chicago have begun offering federal student loans, all eligible City Colleges of Chicago students now have access to federal loans.
- Three community colleges in North Carolina have stopped offering student loans. As a result, the state's community college students are now the least likely in the nation to have access to federal loans. This will not be true for long, however, as recent state legislation requires all community colleges to offer federal loans beginning in 2011-12.
- Nearly a third of the participation changes occurred in **California**. There are two new loan program participants in the Los Angeles Community College District (LACCD), and their entry means that all eligible LACCD students now have access to loans. Unfortunately, the withdrawal of six colleges in other districts means that California now has the largest number of students without access to affordable student loans of any state: about 214,000 students.

Our analysis confirms that community colleges should and can safely offer federal loans as a key way to support student success.

Community College Students without Access to Federal Student Loans

- More than one million students across 31 states
- More than 20 percent of students in eight states
- Almost one in ten students (9 percent) nationally lack access, but African-American and Native-American students are much more likely to lack access (16 and 18 percent, respectively)

[1] For this analysis and throughout this brief, we use the term "community colleges" to refer to public colleges that offer degree and certificate programs of at least two years in length and at which the vast majority of credentials awarded are at or below the associate degree level. These include colleges that focus on preparing students to transfer to four-year colleges and universities, as well as technical colleges that provide vocational certificates for particular careers at the undergraduate level. References to the federal student loan program pertain to the William D. Ford Direct Stafford Loan Program.

[2] In the last three years, 25 colleges have either entered or exited the loan program, and 14 of them are located in these three regions. Due to methodological changes or changes in institutional classifications, some colleges were in one analysis but not the other. The count of 25 changes in participation status includes only colleges that were included in both analyses.

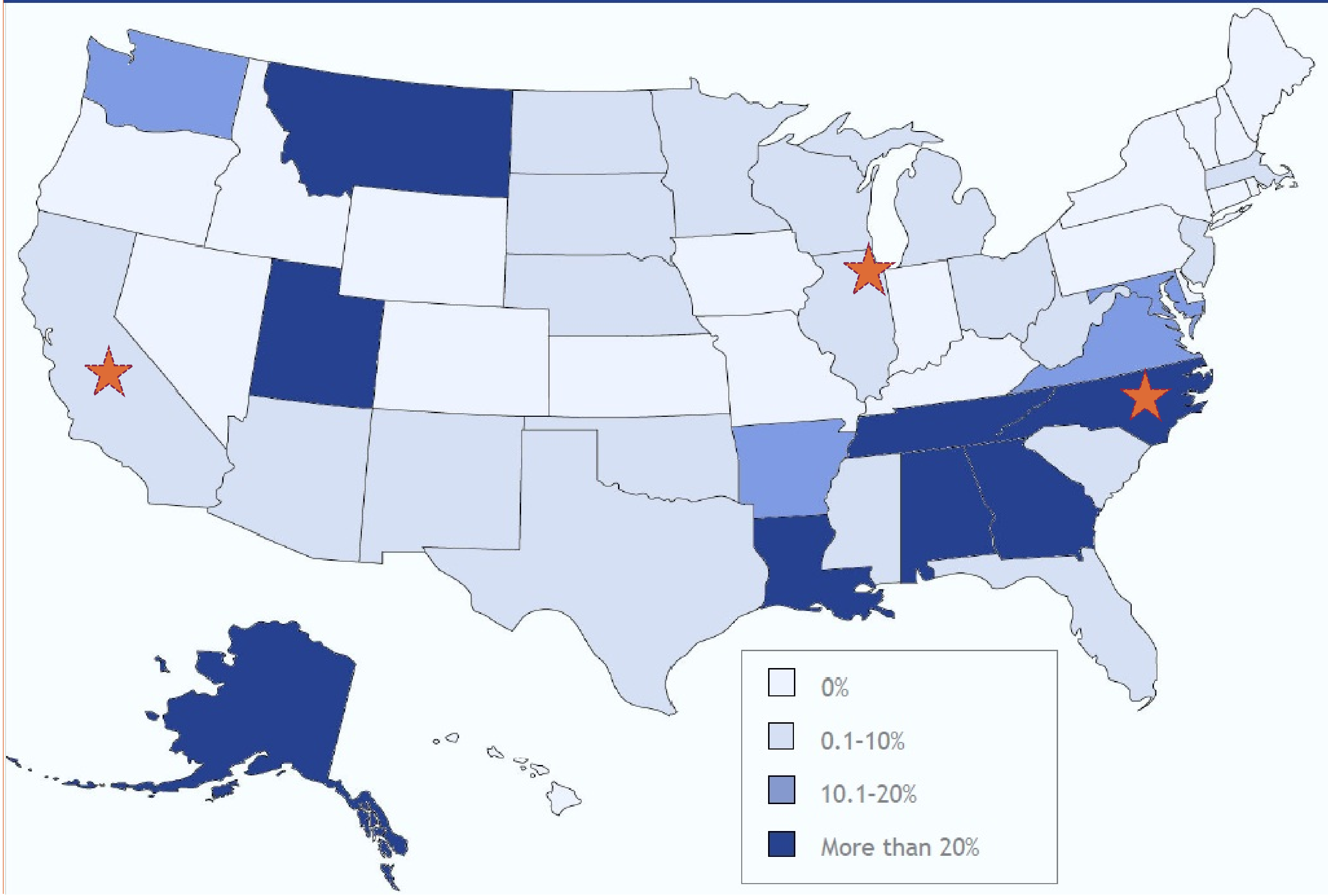
- Linked IPEDS institutional characteristics data to FSA loan volume data
- Checked websites and called schools marked as non-participating to eliminate false negatives

Still Denied: Who Is Affected

Share of Community College Students throughout the United States without Access to Federal Student Loans, by Race/Ethnicity					
Total	White	African American	Latino	Asian	Native American
9.2%	8.6%	16.4%	8.5%	4.2%	18.5%

- Nearly half (46.9%) of the nation's college students attend community colleges
- 9.2% - or over one million – attend community colleges that choose not to offer federal loans
- Native-American and African-American community college students are much more likely to lack access

Share of Community College Students without Access to Federal Student Loans, by State



Still Denied: Why Colleges Opt Out

- ***The fear:*** Cohort default rates (CDRs)
- ***The reality:*** Very few colleges are at risk of sanctions in any given year. Most community colleges have CDRs below sanction levels, and most of those that don't have special protections including the Participation Rate Index Challenge and Appeal (available to schools where very few students borrow).

- ***The fear:*** Unnecessary borrowing
- ***The reality:*** The vast majority (86%) of eligible community college students did *not* take out federal loans in 2007-08; the few who did took out much less than federal loan borrowers at other types of colleges.

8.0			FINANCIAL AID
8.01		S12	**Access to Federal Student Loans** **Emily Kinner, De Anza College** Whereas, California Community College students' total costs of attendance can exceed $17,000 even with comparatively low fees; Whereas, For students who need to borrow, federal student loans are the safest and most affordable form of borrowing with consumer protections and benefits including fixed interest rates, Income-Based Repayment, and Public Service Loan Forgiveness; Whereas, A growing number of California Community Colleges enrolling more than 200,000 students choose not to make federal student loans available to any of their students; and Whereas, Without access to federal student loans students may instead turn to riskier forms of debt like credit cards or private loans, or work excessive hours to cover college costs; Resolved, That the Student Senate for California Community Colleges advocate for financial aid that supports college access and success; Resolved, That the Student Senate for California Community Colleges affirm that students deserve a full range of choices when it comes to making decisions about how to finance college; and Resolved, That the Student Senate for California Community Colleges urges all California Community Colleges to make federal student loans available to their students by participating in the federal student loan program.

Making Loans Work: Methodology

- CCCSFAAA and TICAS partnered to learn how California community colleges (CCCs) are running successful federal loan programs – and to share these best practices with other schools

- Interviewed financial aid directors at a dozen CCCs
  A few volunteered, others were selected for:
  - Sizeable number of borrowers
  - Sizeable Pell population
  - Disbursing both subsidized and unsubsidized loans
  - Reasonable default rate (both two- and three-year)

Making Loans Work: Promising Practices

- **Seven promising practices focused on running responsible and successful loan programs. Themes include**:
  - Transparency
  - Communication and guidance
  - Coordination with other student services
  - Employing more efficient and effective practices

- **Every school has its own unique set of circumstances**

- **Participating in the federal loan program ensures students have access to the full range of options** for financing their education, without turning to riskier forms of credit, or working too many hours

Making Loans Work: Recommendations

Colleges:

- Offer federal loans
- Consider promising practices and strategies

State System/Federal Government:

- Supplement colleges' technological capabilities
- Assist colleges with default management activities

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