Accountability Draft Recommendations

Focus Area: Current Accountability Measures

The accountability subgroup considered eight current accountability measures. For each, we debated keeping the measure in place, altering it, or eliminating it altogether. The subgroup did not recommend eliminating any of the existing accountability measures, although we recognize future accountability measures could make existing measures less useful.

Recommendation 1: We recommend keeping the following current accountability measures in place, unchanged:

- **Withdrawal rates:** A rate defining the share of students who drop out from an institution during the year.
- **Financial responsibility scores:** A composite score that runs from -1.0 to 3.0 and looks at financial reserves, equity, and net income.
- **90/10 rates:** The requirement that private for-profit colleges cannot receive more than 90 percent of their revenue from the U.S. Department of Education (ED).
- **Program reviews:** ED reviews of institutional compliance with federal aid rules.
- **Financial and compliance audits:** Independent reviews of institutional finances; audits of for-profit colleges also look at compliance with federal aid rules.

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Recommendation 2: We recommend keeping the following current accountability measures in place, but altered as follows:

- **Cohort default rates (CDRs):** Rates establishing the share of borrowers who default on their loans within three years of entering repayment. The subgroup supported potential modifications to the CDR measure, as outlined in Option B, below.
- **Gainful employment:** A means to judge career training programs based on how much of graduates' income goes to student loan payments. Programs must meet standards for debt as share of annual earnings and discretionary income—earnings minus allowances for necessities. The subgroup supported the concept of gainful employment and certain alterations to the current rule, but the future of the regulation remains uncertain at this point due to recent ED rulemaking action.

The subgroup could not reach consensus on the state of accreditation. We welcome public comment on this topic.

Focus Area: Student Loans

Recommendation 3: We recommend applying one of the two following options for student loan accountability.

- **Rationale:** Receiving some type of education beyond high school is more important now than ever before. But as students are presented with an endless menu of choices to best fit their career aspirations and educational needs—some of which come at a significant cost—policymakers are concentrating their efforts on making sure students are set up for success as a result of their investment. One of the primary ways institutions are held accountable is through the CDR, a key metric that measures students' ability to repay their federal loans. Institutions spend many hours analyzing

and reacting to CDRs, especially when the rates are released to the public. Colleges and universities with default rates above 30 percent for three consecutive years or 40 percent for a single year may lose eligibility to award federal student aid. But few institutions actually lose eligibility. In his 2018 book, *Higher Education Accountability,* [1] Robert Kelchen notes that only 11 colleges have lost access to all federal financial aid due to high CDRs between 1999 and 2015. Due to the apparent loopholes in using the CDR as an accountability metric, many consider it to be ineffective. We believe moving from a cohort default rate to another measure of accountability, such as repayment rates, must fairly recognize the institution's contribution to reducing student borrowing and to prioritizing improved success and completion. For instance, if an institution is to share in the repayment risk when a student enrolls and obtains federal student loans, the proposed measurement should provide credit to institutions with programs focused on completion initiatives for at-risk students. Credit should be given for implementing programs such as financial literacy, focused advising, faculty mentoring, freshman bridge classes, and implementation of financial aid best practices. Additionally, credit should also be given to institutions focused on providing student loan initiatives designed to help students understand loan obligations. This would differentiate between institutions focused on student success and those concerned primarily with the use of federal aid program dollars to meet budget needs. Research proposals have suggested moving to a review of repayment rates for individual programs—rather than the institution as a whole—for risk-sharing. This will require additional data modeling to avoid unintended consequences, such as limiting access for low-income students to certain academic programs. Because academic programs vary between institutions and educational sectors, it is unclear how this change could be implemented without adding more complexity, uncertainty, and regulatory burden to the overall review process. A one-size-fits-all approach fails to take into consideration different institutional missions. Per the NASFAA issue brief on institutional risk-sharing[2] a poorly designed risk-sharing model could have an impact on at-risk students and limit access. New accountability measures should identify institutions that are not providing a quality education and leave students with the inability to pay back their student loans.

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Recommendation 3, Option A: Replace the CDR accountability measure, a rate establishing the share of borrowers who default on their loans within three years of entering repayment, with a new measure to better reflect how students are repaying their student loans. Loans in Positive Repayment Status (LPRS) would replace the current CDR accountability measure for student loans. The LPRS rate would be used to calculate a non-repayment risk rate which would be used as the new accountability metric.

- **Details and Rationale:** Many institutions keep their CDR low by getting students to defer payments during the default rate calculation period. The CDR also fails to show that many students are not in default but are also not making payments on their student loans.[3] In addition, the CDR does not give incentives for colleges to lower rates, since any rate below 30 percent does not result in sanctions.[4]

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[1] Kelchen, R. (2018). *Higher education accountability*. Baltimore, MD: Johns Hopkins University Press.
[2] National Association of Student Financial Aid Administrators. (2018, May). *Issue brief: Institutional risk-sharing.* Retrieved from https://www.nasfaa.org/issue_brief_risk_sharing
[3] Kelchen, R., & Li, A. (2017, April 27). Institutional accountability: A comparison of the predictors of student loan repayment and default rates. *The ANNALS of the American Academy of Political and Social Science.* Retrieved from http://journals.sagepub.com/doi/full/10.1177/0002716217701681
[4] Senate Committee on Health, Education, Labor, & Pensions. (2018). *Higher education accountability* [White paper]. Retrieved from https://www.alexander.senate.gov/public/_cache/files/cfd3c3de-39b9-43dd-9075-2839970d3622/alexander-staff-accountability-white-paper.pdf

The CDR can be misleading, especially for community colleges that do not have a high percentage of loan borrowers. For example, community colleges not only have lower borrower rates, but the total loan amount borrowed is much lower than at many other types of institutions. The CDR does not use borrowing rates, which distorts the overall risk of nonpayment as researched in the TICAS College Accountability Proposal (2016).[5]

LPRS calculates a non-repayment risk rate. The following is the LPRS calculation:

$$\frac{\text{Borrowers in positive repayment status}}{\text{All borrowers entering repayment three years after leaving the institution}}$$

The LPRS calculation reflects the following:

- Borrowers not in default (i.e., not 270 days past due)
- Borrowers in deferment for in-school, unemployment, or economic hardship status
- Borrowers for which forbearance has been granted to keep the borrower out of default for all of the three-year calculated repayment period, provided a minimum of $1 of principle has been paid toward the loan balance or the borrower makes six scheduled monthly payments
- Borrowers on an income-driven repayment plan with a $0 monthly payment are excluded from the numerator and denominator in the calculation
- The institution's borrowing rate would also be part of the calculation (from the TICAS College Accountability Proposal, 2016)

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The LPRS rate, non-repayment rate (100% - LPRS), and borrowing rate would be used to calculate the non-repayment risk rate (non-repayment rate * borrowing rate). The non-repayment risk rate would be the metric for accountability.

	LPRS Rate	Non-repayment Rate	Borrowing Rate	Non-repayment Risk Rate
School A	40%	60%	80%	48%
School B	40%	60%	20%	12%

Outcomes

- Institutions below their national peers in terms of students' non-repayment risk rates would be considered in good standing and would require no further review.
- If an institution is above the national average in non-repayment risk rate for any year, other factors would be taken into consideration before any penalties would be assessed, including the following:
  - Six-year graduation rate compared to peers
  - The institution's percentage of Pell-eligible students (above a certain percentage)

[5]The Institute for College Access and Success. (2016). A new approach to college accountability, balancing sanctions and rewards to improve student outcomes. Retrieved from https://ticas.org/sites/default/files/pub_files/ticas_risk_sharing_working_paper.pdf

- Use of an ED-approved loan management plan (financial literacy)

The accountability subgroup attempted to model this proposal using existing data sources. The modeling of data showed (with the exception of the income-driven payment plan where the payment is zero) an average range of 14 percent non-repayment risk rate for two-year public institutions and up to 46.7 percent for four-year for-profit institutions. Institutions failing LPRS (and the risk of non-repayment) measures would be subject to penalties and/or suspension from the Title IV aid programs.

Recommendation 3, Option B: Keep the current CDR accountability measurement, but make adjustments to better reflect how students are making payments on their loans

- **Details and Rationale:** The CDR accountability measure is understood and has been in place in 1990. The adjustments listed in the proposal below would more accurately reflect the actual default rate. Adding in the borrowing rate as described in the research in the TICAS College Accountability Proposal (2016) [6] would better reflect overall risk of default.

  We recommend adjusting the CDR as follows:
  - Borrowers for which forbearance has been granted to keep the borrower out of default for all of the three-year calculated repayment period, provided a minimum of $1 of principal is paid toward the loan balance or six monthly scheduled payments have been made.
  - Borrowers on an income-driven repayment plan will be excluded if not in default during the calculation period
  - Borrowers on an income-driven repayment plan with a $0 monthly repayment would be excluded from both the numerator and the denominator.
  - The institutions' borrowing rate would also be part of the calculation (from the TICAS College Accountability Proposal, 2016). The CDR rate would be subtracted from 100 to determine the non-repayment rate.

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	Cohort Default Rate	Borrowing Rate	New Cohort Default Rate
School A	20%	80%	16%
School B	20%	20%	4%

Institutions above the determined acceptable rates would have other factors reviewed including
- Comparison to peer institutions
- Six-year graduation rate compared to peers
- Non-financial accreditation measures of student success
- Institution's percentage of Pell-eligible students (above a certain percentage)
- ED-approved loan management plan (financial literacy)

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[6] The Institute for College Access and Success. (2016). *A new approach to college accountability, balancing sanctions and rewards to improve student outcomes*. Retrieved from https://ticas.org/sites/default/files/pub_files/ticas_risk_sharing_working_paper.pdf

The proposed changes to payments during forbearance and removal from the calculation for borrowers on an income-based repayment plan with a $0 payment could not be modeled. More data collection and modeling are needed. Institutions exceeding established new CDR rates would be subject to risk-sharing payments and/or suspension from Title IV programs.

Focus Area: Student Experience/Progression

Recommendation 4: We support the Transparency subgroup's recommendations and the value of a Student Unit Record Data System (SURDS) for establishing an institutional accountability policy. At this time, we cannot identify what specific data in the SURDS should be used to hold schools accountable, but we recommend that the accountability policy not be punitive toward schools. Once a SURDS has been created, this subgroup recommends future Forward50 groups examine the data and make recommendations around how the SURDS can be best used for accountability purposes.

Focus Area: Outcomes/Alumni

Recommendation 5: We recommend Congress use College Scorecard data and other sources to measure outcomes and alumni success. When an institution places substantially lower than institutions with similar missions, an additional ED-approved review by the regional accreditor would be necessary.

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Using data we hope will be available through a SURDS, institutions should be accountable for the following:

1. Student progression, defined by mission
    a. Graduation rates
    b. Retention rates
    c. Transfer rates
    d. Program completion rates and/or course completion rates
2. Post-college outcomes, within field
    a. Certification exam pass rates
    b. Employment rates in program field
    c. Employment rates outside of program field
    d. Time to employment
    e. Earnings within field
3. College costs
    a. Average debt
    b. Borrowing rate
    c. Student loan repayment

- **Rationale:** Institutions should be accountable to their own missions. Some outcomes are common to all institutions, regardless of mission, such as program completion (graduation, certification, a series of courses toward a goal, etc.) and preparation for next steps (further education, employment, etc.). Institutions should be accountable for those. Drilling down, however, there are some differences by mission. Some community colleges prepare students for transfer to a four-year institution and should be accountable for the number or percentage that transfer. Others prepare students for specific careers, such as nursing, graphic design, or automotive technology. Liberal arts colleges prepare students for any number of careers and for lifelong learning. Institutions that offer graduate programs prepare students for careers in specific academic fields. For these reasons, we recommend that

institutions be held accountable to their own missions, with thresholds that comport with similar institutions. Similarly, institutions should be accountable to earnings compared to earnings in the field—teacher earnings should he held up to other teachers, not to doctors or engineers.

[Comments may be uploaded online here: https://www.forward-50.org/public-comment.]

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