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Analysis of the Experimental Sites Initiative 2008-09

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Executive Summary

Congress authorized the Experimental Sites Initiative under section 487A(b) of the Higher Education Act of 1965, as amended. The Initiative addresses concerns that Federal requirements place unnecessary burdens on postsecondary students and institutions and may foster unintended consequences counter to the goals of the Higher Education Act. Since 1996, the U.S. Department of Education, Federal Student Aid (FSA), has overseen the Initiative. This Initiative—or "experiments," as they are frequently called—tests the effectiveness of statutory and regulatory flexibility for institutions disbursing Title IV student aid at 90 postsecondary institutions. The Department of Education has waived specific statutes or regulations at postsecondary institutions, or consortium of institutions, participating in the experiments.

As a condition of participation, institutions in the Experimental Sites Initiative submit data to FSA concerning the outcomes of the experiment(s) in which they participate.
This report provides a summary of this information for all seven of the currently active experiments. This report examines the data and comments submitted by institutions participating in the initiative for award year 2008–2009 (AY08–09). These experiments include:

- Loan proration practices for graduating borrowers;
- Overaward tolerance and the disbursement of loan funds;
- Inclusion of loan fees in the calculation of student cost of attendance;
- Credit of Title IV funds to otherwise non-allowable institutional charges;
- Credit of Title IV funds to prior term charges;
- Alternative entrance loan counseling procedures; and
- Alternative exit loan counseling procedures.

In addition to aggregating outcome measures, FSA also reviewed the comments submitted by participating institutions. Not surprisingly, since the institutions participating in the experiments are generally advocates for the underlying changes to Title IV aid delivery that are being tested, the comments focus on the benefits and support a broader implementation of the alternative approaches. FSA encouraged participating institutions to address how the experiment: reduced administrative burden; avoided creating additional costs to taxpayers; and improved aid delivery services or otherwise benefited students? We derived these three questions from the language used by Congress in a technical amendment the Higher Education Opportunity Act (July 2009) specifying the criteria the Secretary is to use in determining the "success" of individual initiatives.

The quantitative data provided on annual reporting templates, comments supplied by participating schools and monitoring of institutional loan default rates generally suggest that the flexibility accompanying the experiments result in non-trivial administrative cost savings without any indication of an increase in loan defaults. All the current experiments also seem to afford the students increased "convenience" surrounding the receipt of aid awards. The loan proration experiments provides for additional Title IV funds for students graduating early in the award year.

The design of the current experiments, however, do not provide sufficient data to support definitive conclusions concerning whether or not existing experiments can be deemed successful, using the parameters of success identified by Congress.

Overview

In 1965, Congress passed and President Lyndon B. Johnson signed into law the Higher Education Act (HEA). The HEA deals comprehensively with postsecondary education, but one of its foremost goals is to ensure that postsecondary education is accessible to all. While these aid programs help make a college education possible for millions of students, their costs to the Federal government are considerable. Therefore, Congress and the U.S. Department of Education (the Department), through FSA and the Office of Postsecondary Education (OPE), has a justifiable interest in protecting the integrity of the student aid programs. To this end, the Department has established regulatory requirements to safeguard these public investments.

All rules, of course, impose the burden of compliance. The Experimental Sites Initiative (ESI), under section 487A(b) of the Higher Education Amendments of 1998, seeks to assess the extent to which select statutes and regulations function to burden the student and the postsecondary institution against the degree they enhance the integrity of the financial aid programs. Although Congress initially granted the Department the authority to conduct these inquiries in 1992, the ESI did not begin until 1996. The results of these earliest efforts contributed to the relaxation of the 30-day delay requirement for the disbursement of funds to first-year, first-time borrowers, as well as the easing of the requirement that single-term loans be disbursed in multiple installments. Congress extended the flexibilities provided by the 30-day delay and multiple disbursements experiments to other institutions through legislation. The Deficit Reduction Act of 2006, Public Law No. 109–171 allows Title IV institutions that have held their default rate at 10% or below for the three most recent fiscal years to be eligible for these flexibilities.

The most recent example of an experiment that led to a change in the HEA expanded the ability of students to demonstrate that they could benefit from postsecondary education. Previously, to ensure that all recipients of federal financial assistance were academically prepared for higher education, eligibility was limited to students who had graduated high school, earned their equivalency or demonstrated their ability to benefit (ATB) by passing an approved ATB test. The ability to benefit experiment extended eligibility to students who had neither graduated high school nor passed an ATB test if the student completed at least six college credits, in core courses acceptable by the community college, with a cumulative grade point average of "C" or better. On average, the student beneficiaries of this experiment were more successful in college, in terms of completing credits they started and higher grade point averages, than students who passed ATB exams. These results prompted Congress, in Higher Education Opportunity Act of 2008, to extend eligibility to students who had not finished high school nor passed an ATB exam, if they had successfully completed six credits in their program.

On the following page, **Table 1** presents a comparison of the 90 institutions participating in the ESI with the other 6,781 postsecondary institutions that participate in Title IV who completed the Integrated Postsecondary Education Data System (IPEDS) Fall Enrollment Survey in 2008. Institutions participating in the Experimental Sites are different in a number of ways from other postsecondary schools. First, all of the ESI schools awarded at least Bachelor's degrees. Only 41% of other schools awarded Bachelor's or higher degrees. Further, 96% of ESI schools awarded graduate degrees compared to 27% of other schools. Second, the vast majority of experimental sites are public (82%), while less than a third (30%) of other schools are public. Schools from the Midwest are over-represented among ESI participants. Finally, the schools participating in the ESI with an average enrollment of 22,358 are significantly larger than other schools with an average enrollment of 2,564.

Table 1. Comparison of Institutional Characteristics within Data Sets

	NSLDS	Participating Experimental Sites Only
Total Number of Institutions	6,781	90
Number of Institutions by Type		
One-year or less	1,763	0
Two-year, Non-degree	515	0
Two-year, Associates	1,746	0
Bachelor's Degree	826	4
First Professional Degree	88	0
Master's or Doctor's Degree	1,842	86
Did not report	1	0
Number of Institutions by Control		
Public	2,021	74
Private	1,854	16
Proprietary	2,906	0
Geographic Region		
New England	408	2
Mid-Atlantic	1,104	11
Southern	1,625	11
Midwest	1,616	38
Southwest	690	8
Western	1,175	20
U.S. Territories	158	0
Foreign	5	0
U.S. Service Schools	408	2
Average Enrollment	2,564	22,358

As a condition of their participation, FSA required that all experimental sites institutions provide outcome data on their experiment(s). Participating institutions submitted these reports to FSA through experiment specific web-based reporting templates approved by the Office of Management and Budget (OMB). These templates collected quantitative data and the institutions' qualitative comments.

As FSA has done in previous analyses of the ESI, we briefly describe each experiment and aggregate the data reported by participating institutions. We also present non-attributed, representative excerpts from the open-ended comments. For the 2008-09 data collection FSA encouraged institutions to address three questions in the open-ended section of the reporting template:

How did the experiment reduce administrative burden?
How did the experiment avoid creating additional costs to taxpayers?
How did the experiment improve aid delivery services or otherwise benefit students?

We derived these three questions from the language used by Congress in technical amendments to the Higher Education Opportunity Act (July 2009) specifying the criteria the Secretary is to use in determining the "success" of individual initiatives. While not all schools explicitly addressed these questions in their comments, we do use the questions to organize the presentation of both the direct answers schools provided to these questions and other comments that addressed the issue.

The findings this year were similar to those reported two years ago (AY 2006–07). FSA did not produce a report based on 2007-08 data, as we anticipated that the current experiments would end with reauthorization. Participants strongly support the experiments in which they participate and argue for broader adoption. While schools are able to point to anecdotal information and plausible assumptions in support of deeming the current experiments successful, the designs of the current experiments simply do not provide the definitive empirical evidence to support that conclusion.

We provide more detail on the data submitted by participants in the technical appendix accompanying this report.

Individual Experiments Results

We present the results for each of the current experiments below.

A. Loan Proration for Graduating Borrowers

An undergraduate with unmet financial need may borrow up to an annual limit that is determined by the student's year in school. However, the law requires loans to be prorated if the borrower attends a period of study shorter than a full academic year. Schools prorate the loan amount by multiplying the student's annual limit by a coefficient equal to the number of hours (or weeks) for which the student is registered divided by the total number of hours (or weeks) in the academic year. The Department allowed institutions participating in the ESI loan proration experiment to exclude graduating students from this limitation. This allowed graduating students to borrow up to the annual limit for a partial year of study if they expected to graduate at the end of that period of study.

Congress established loan proration rules to limit the Federal government's exposure to default. Proration also minimizes the additional principal added to students' accumulated FFEL/Direct Loan debt during a final partial year. Proponents of this experiment argue that prorating loans, especially for soon-to-be graduating students, can have an adverse affect on the prospects for graduation. Although students' direct expenses, such as tuition and books, may decrease in proportion to the number of hours for which they are registered, indirect expenses, such as room and board, do not. Because of a lack of funds, students may have to delay their graduation or, in extreme cases, drop out. Supporters of this experiment also point to the administrative burden of calculating and explaining prorated loans as a reason to allow graduating students to borrow the full annual amount.

Table 2 provides aggregate information for the 74 schools participating in this experiment. The first several rows of **Table 2** provide the total number of students enrolled, recipients of Title IV aid, and volume of aid disbursed through various federal aid programs at these 74 schools. We provide both the total sums at all 74 schools as well as the average values per school.

Following this contextual information, **Table 2** aggregates the information participants of this experiment supplied through the online reporting template. The first thing to notice is that only 39,178 students out of 1.7 million students attending the schools participating in this experiment would have been subject to loan proration in a graduating term. It is important to keep in mind that entering a graduating term that will not be part of a full academic year affects only a small minority of aid recipients in any given year. While the situation is rare, most students in it decided to take advantage of the experimental opportunity to take out a non-prorated loan. Less than fifteen percent (5,805 out of 39,178) of the students eligible for a non-prorated loan through this experiment chose not to take advantage of it and, instead, took out a prorated loan. The vast majority of students who would have been subject to loan proration in a graduating term decided to take out the larger non-prorated loan. The fact that most students expecting to graduate in the middle of year took advantage of expanded access to federal loans suggests that the alternatives financing options available are not as attractive. There may also be reduction of administrative burden in financial aid offices associated with certifying private student loans.

Table 2. Loan Proration Experiment Participants' Self-reported Values

Loan Proration—Institution Self-reported

	Sum	Mean	Percentage
Enrollment (from IPEDS)	1,738,182	23,489	
Number of Title IV recipients*	885,959	11,972	
Total FFEL/Direct Stafford Loan volume*	6,893,882,622	93,160,576	
Total Federal Pell volume*	$981,611,130	13,265,015	
Total campus-based volume*	$373,315,679	5,044,806	
Most recent self-reported default rate*	NA	2.55	
2) Number of students whose loans would have been subject to loan proration in their graduating term	39,178	529	
2a) Number of students who actually received prorated loans	5,805	78	
2a1) Number of students in (2a) who graduated with four-year degrees	5,256	71	
2a2) Number of students in (2a) who graduated with other degrees	45	1	
2a3) Number of students in (2a) who withdrew before the end of the term	38	1	
2a3i) Total amount returned to Title IV for students in (2a3) who withdrew before the end of the term	$28,300	$382	
2a4) Number of students in (2a) who completed the term (not necessarily graduated)	360	5	
2a5) Number of students in (2a) with unknown status	106	1	
2b) Number of students in (2) who received non-prorated loans in their graduating term	30,701	423	
2b1) Number of students in (2b) who graduated with four-year degrees	25,099	338	
2b2) Number of students in (2b) who graduated with other degrees	897	23	
2b3) Number of students in (2b) who withdrew before the end of the term	261	5	
2b3i) Total amount returned to Title IV for students in (2b3) who withdrew before the end of the term	$261,567	$5,476	
2b4) Number of students in (2b) who completed the term (not necessarily graduated)	3,609	52	
2b5) Number of students in (2b) with unknown status	835	11	
O1) Estimated savings in administrative work hours per borrower [16** of 74 institutions reporting]	NA		0.65
O2) Estimated savings in administrative costs per borrower [15** of 74 institutions reporting]	NA		$14

	Sum	Mean	Percentage
Students receiving prorated loans who graduated with four-year degrees			90.5%
Students receiving prorated loans who graduated with other degrees			0.8%
Students receiving prorated loans who withdrew			0.7%
Students receiving prorated loans who completed the term			6.2%
Students receiving prorated loans with unknown status			1.8%
Students receiving non-prorated loans who graduated with four-year degrees			81.8%
Students receiving non-prorated loans who graduated with other degrees			2.9%
Students receiving non-prorated loans who withdrew			0.9%
Students receiving non-prorated loans who completed the term			11.8%
Students receiving non-prorated loans with unknown status			2.7%

*These figures are taken from the demographic reporting template and do not necessarily correspond to experiment-specific entries.
**We excluded two of the schools that reported time estimates in excess of 10 hours and three schools that reported dollar values in excess of $1,000.

The next several rows of **Table 2** provide counts of various outcomes for students who borrowed a prorated and a non-prorated loan. Given the disparity in the size of the two populations, it is difficult to make direct comparisons between the two strings of numbers. Therefore, we provide the percentage of each group in the various outcomes at the bottom of **Table 2**. The percentage graduating with a four-year or two-year degree among borrowers taking out prorated loans was higher (90.5% + 0.8% = 91.3%) than among borrowers with non-prorated loans (81.8% + 2.9% = 84.7%). This finding is the exact opposite of what advocates of allowing non-prorated loans for students in their final term would predict. The primary benefit of allowing students with less than a full academic year left to borrow the full annual amount is to encourage degree completion. We suspect that the fact that prorated borrowers are *choosing* to borrow less explains this counter-intuitive finding, but we lack the type of data we need to confirm this suspicion. We would need to compare graduation rates from two groups of students with a single term remaining in their program – one that is given the opportunity to borrow non-prorated loans and the other that is not – to evaluate more definitively the relationship between non-prorated loans and degree completion.

The experiment also provided participating schools administrative relief because staff in their aid offices did not have to perform burdensome calculations for prorated loan amounts and then explain to students why the dollar amount of the loan was less than they may have been expecting. **Table 2** displays the average estimated dollar savings of $14 per student and 0.65 hours (39 minutes). Note that in calculating burden estimates here and for other experiments, we did not include time estimates that were greater than 10 hours per student or cost estimates that were greater than $1,000. We suspect that schools supplying such large estimates were providing a burden estimate for all students or providing time estimates in minutes rather than hours. So while 18 of the 74 participating schools that completed this optional burden section of the reporting template, we excluded the two schools that provided time estimates greater than 10 hours and three schools that provided cost estimates in excess of $1,000.

Institutional Comments

Nearly all of the institutions participating in this experiment expressed appreciation for the flexibility to allow students to take their full year's loan eligibility in a graduating term. FSA encouraged participating institutions to address the three questions in bold type below in the open-ended section of the reporting template. While we organize the presentation of all school comments by question, not all of the comments were direct responses to the questions.

In general, schools claimed meaningful administrative relief and pointed to the presumed benefit of encouraging graduation as the main benefit enjoyed by both taxpayers and the students themselves.

How did the experiment reduce administrative burden?

Loan proration is a manual process that requires additional staff time to manually calculate and update loan records. Additional staff time is also necessary to advise students of the proration calculation and assist them in identifying other potential resources needed to fund their final semester.

Loan proration eliminated the need for significant programming changes, the need for manual award revisions, and reduced/eliminated student inquiries regarding award revisions

The goal was NOT to reduce administrative burden, but rather to better serve students by allowing them to borrow from the less expensive federal loans, rather than from the more expensive private loans.

How did the experiment avoid creating additional costs to taxpayers?

By allowing the university to prorate loans for graduating students, students are allowed to borrow enough to fund their final semester and obtain their degree. Students that graduate and obtain a degree are more likely to find employment and therefore are able to repay their loans reducing the number of defaulted loans. Fewer defaulted loans saves the taxpayers' money.

We believe that eliminating loan proration reduced the need for alternative loans, thus making successful repayment more likely (and reducing the overall taxpayer cost).

The increase to tax payers is minimal to increase the loan, and it places the student in a better position to graduate and secure a job, thus increasing their chance to pay their debt back on time.

Many students whose loan eligibility is reduced via pro-rating, especially Subsidized loan reductions, are faced with the following choices: (1) Borrow more through the Unsubsidized loan than they might otherwise, and thereby increase the amount of interest they must pay (2) Borrow an alternative loan and pay even more interest (3) Skimp further on books, food, utilities or other living expenses and jeopardize their ability to successfully complete their education (4) Enroll in fewer credits, and try to work more, postponing their graduation (5) Drop out without graduating. The first two options increase the debt burden of the student, which impacts their decisions about employment, discretionary spending, etc. Students who drop out without a degree, but a lot of loan debt, will find it harder to be gainfully employed, pay their loans, or be a contributor to society.

It seems that the rules are currently backwards. For example, we are supposed to pro-rate a loan for a student in his/her final term of attendance leading to a degree. Yet, we have no problem allowing a first or second year student who transfers to our institution from another school where he/she did not borrow for fall costs to have the full annual federal loan amount for the spring semester. The risk of a student not completing a degree and then defaulting on his/her loans is much higher for the student in the earlier years as opposed to those on the cusp of graduating. Perhaps students should only be allowed to borrow by term (1/2 for semesters, 1/3 for quarters, etc.) with the exception being to allow students in their final term of study when it is not for a full academic year to borrow the annual amount for one term. The taxpayers could very well benefit from this.

Although it would initially appear that not prorating loans for students who attend less than three terms in their senior year would result in higher costs for the federal government and for taxpayers, it is possible that there is in fact a savings. For the 2009-10 award year (based on initial notification that the Experimental Sites program had expired), UCR began collecting data from graduating seniors who indicated that they expected to graduate in one or two terms. When the students were notified that their loan eligibility would be significantly reduced, we received inquiries from many students asking if they could receive their full loan limits if they remained enrolled for another term and took additional courses to supplement their academic record or redistributed their required courses for graduation over an additional term. Since qualifying students would also receive additional Federal Pell Grant, Federal SMART Grant, Federal Perkins Loan, and/or Federal Work-Study funding for the additional quarter(s) of attendance, the extension of experimental sites for 2009-10 resulted in a savings of both the additional federal grant and federal loan funds these students would have received if they elected to attend another term.

The taxpayer benefits when the student graduates earlier. Simply by graduating a semester earlier, the student potentially enters repayment five months sooner. If the student had subsidized loans, the subsidy ends earlier for the loan, reducing the total interest paid by the government (ultimately by the taxpayer) on behalf of the student.

How did the experiment improve aid delivery services or otherwise benefit students?

The benefit that students receive from non-proration, while difficult to quantify monetarily, outweighs the added risk of loan default. Under proration, many students suffer reduced aid eligibility that in some cases falls below their cost of attendance.

Loan proration can actually have a negative impact: students may delay graduation because of a lack of resources or the necessity of working additional hours; and default rates may increase if students in this population are forced into alternative loans to finance their last term.

Not prorating was beneficial to teaching majors who were student teaching and could not work at all during their last semester.

The groups of students who benefit most from this experimental exemption are late filers, students who graduate in the summer, and students who need less than 12 units to graduate.

B. Overaward Tolerance and the Disbursement of Loan Funds

Department of Education regulations require schools to correct any overaward that occurs prior to the full disbursement of a loan made through the FFEL/Direct Loan programs. The regulations allow for a $300 tolerance if the student's aid package includes Federal Work Study (FWS). Schools participating in this experiment were allowed to apply a $300 tolerance to all overawards of FFEL and DL regardless of FWS.

Table 3 provides a summary of the information supplied by the 34 institutions participating in this experiment. The first several rows of **Table 3** provide the total number of students enrolled, recipients of Title-IV aid, and volume of aid disbursed by various federal aid programs at these colleges and universities.

The remaining rows of **Table 3** aggregate the information that participants supplied through the online reporting template. We found that overawards of $300 or less allowed by this experiment were relatively rare occurrences and when they did occur constituted a minor portion of the affected students' FFEL/Direct Stafford loan. We found that less than one percent of all students with FFEL/Direct Stafford loans experienced an overaward. The total dollar amount of these overawards constituted just over three percent of the loans made to students with overawards and only 0.03 percent of all FFEL/Direct Stafford loan funds made at participating schools.

Table 3. Overaward Tolerance Experiment Participants' Self-reported Values

Overaward Tolerance—Institution Self-reported Values

	Sum	Mean	Percentage
Enrollment (from IPEDS)	734,654	21,607	
Number of Title IV recipients*	397,449	11,690	
Total FFEL/Direct Stafford Loan volume*	$2,950,333,041	$86,774,501	
Total Federal Pell volume*	$467,254,200	$13,742,771	
Total campus-based volume*	$136,894,734	$4,026,316	
Total Number of FFEL/Direct Stafford borrowers	357,584	10,517	
Most recent self-reported default rate*	NA	2.37	
2) Total number of students with loan funds overawarded by $300 or less	3,436	101	
3) Total Stafford loan volume for students in 2)	$24,117,823	$709,348	
4) Total amount of overawards by $300 or less in 2)	$741,788	$21,817	
Average amount of overaward for those with overawards of $300 or less	NA	$216	
O1) Estimated savings in administrative work hours per borrower [7 of 34 institutions reporting]	NA	0.69	
O2) Estimated savings in administrative costs per borrower [5** of 34 institutions reporting]	NA	$23.95	
O3) Average cost of attendance for FFEL/Direct Stafford loan population [10 of 34 institutions reporting]	NA	$23,022	
Percent of students with FFEL/DL Stafford loan that experienced an overaward			0.96%
Total amount of overawards by $300 or less divided by FFEL/DL Stafford loans made to students such an overaward			3.08%
Total amount of overawards by $300 or less divided by total FFEL/DL volume			0.03%

*These figures are taken from the demographic reporting template and do not necessarily correspond to experiment-specific entries.
** We excluded two of the schools that reported values in excess of $1,000.

Based on the responses of 7 of the 34 we derived an average estimate of 41 minutes (0.69 times 60 minutes in an hour) saved by not having to administratively deal with the overaward. We calculated an average dollar savings of nearly $24. We calculated this estimate after excluding two of the schools' reports that were over $1000. We suspect these two schools may have reported their estimate of total savings and not savings per student. This estimated administrative burden ($23.96) is equal to 11% of the average dollar amount of the overawards less than $300 ($216). Since these are loans and students will eventually pay this money back, this level of administrative cost may be excessive.

Institutional Comments

The institutions participating in the overaward tolerance experiment were overwhelmingly supportive of extending this regulatory relief to more schools. Participants indicated that overawards of $300 or less were usually the result of the awards made by entities outside of the financial aid office's direct control. Current Title IV rules require the aid office to bear the full responsibility of making adjustments. FSA encouraged participating institutions to address the three questions in bold type below in the open-ended section of the reporting template. While we organize the presentation of all school comments by question, not all of the comments were direct responses to the questions.

Schools pointed out that extending the same $300 dollar tolerance to students without FWS awards resulted in only a slight additional risk to the taxpayer in terms of increased student indebtedness. However, tolerating small overawards allowed students to avoid potentially problematic delays in registering for classes that could result from their failure to resolve these small overawards in a timely fashion.

How did the experiment reduce administrative burden?

> *While it may not be a large amount of person-hours saved, it allowed us to not penalize students for insignificant overawards. Our policy is to resolve overawards whenever there is undisbursed aid to reduce. Students understand that--it is logical. Reductions, especially of small amounts, appear to students to be nitpicking--they have a much harder time understanding why they seem to be singled out.*
>
> *Reduced the need to put students into repayment for de minimus amounts of funds. Reduced billing, collection, and award revision costs. Reduced student inquiries regarding award revisions and need to repay money or petition to document additional expenses.*

How did the experiment avoid creating additional costs to taxpayers?

> *We don't believe there is a significant increase or decrease in cost to taxpayers, particularly given our limited use of the tolerance. Our average overaward was $139, the median was $174. Such a small amount does not cause a significant change in cost to taxpayers.*
>
> *No significant federal funding was lost as a result of this experiment since the total amount overaward tolerance was only $2,692 out of a Stafford Loan program in excess of $189 million.*

How did the experiment improve aid delivery services or otherwise benefit students?

> *Students benefit because they are not subject to the effects of owing a bill to the institution. Even a small bill could result in registration holds, book charging holds, release of transcript holds, etc., that would increase the likelihood of a student walking away from their degree program, perhaps never to return. It also fosters a negative view of higher education as a whole and of the particular institution specifically.*

The experiment improved aid delivery to students in that the student does not receive confusing correspondence from our office correcting or reducing loans for relatively small amounts of loans they were planning to repay regardless.

C. The Inclusion of Loan Fees in the Cost of Attendance

The statute requires financial aid administrators to include loan fees in the calculation of a student's cost of attendance (COA). The Department gave institutions participating in this experiment the option of including loan fees in the calculation of student need in special circumstances or at the borrower's request. This flexibility allowed for a quasi-customized adjustment of aid levels, potential reduction of student loan principal, and significant reduction of administrative burden in financial aid offices.

Just as we did in previous sections, we begin **Table 4** with contextual data about the total number of students enrolled, recipients of Title-IV aid, and volume of aid disbursed by various federal aid programs at 48 colleges and universities participating in this experiment.

We found that the vast majority (82%) of borrowers attending schools participating in the experiment did not have their fees included in their COA calculations. One reason for this is that 38% (196,406 / (428,072 + 93,417)) of borrowers at participating institutions were already borrowing the annual maximum and thus their eligibility for federal loans was unchanged by the inclusion of loan fees. Another reason for lack of student desire to include loan fees is that many lenders have reduced these fees over time; the average loan fee that was included in COA was only $127. An increase in eligibility of this magnitude, particularly if it were only an increase in loan aid, may not have been large enough for students to make the effort of requesting the inclusion of fees in their COA.

Table 4. Loan Fees in Cost of Attendance Experiment Participants' Self-reported Values

Loan Fees—Institution Self-reported Values

	Sum	Mean	Percentage/ Amount
Enrollment (from IPEDS)	1,183,588	24,658	
Number of Title IV recipients*	611,652	12,743	
Total FFEL/Direct Stafford Loan volume*	$4,810,550,424	$100,219,800	
Total Federal Pell volume*	$689,443,388	$14,363,404	
Total campus-based volume*	$252,480,216	$5,260,004	
Most recent self-reported default rate*	NA	2.81	
2) Total number of students for whom loan fees included as part of COA	93,417	1,946	
3) Total amount of loans for students in (2) who have loan fees included	$889,450,590	$18,530,221	
4) Total amount of loan fees included in COA for students in (2)	$11,842,216	$246,713	
5) Number of students for whom loan fees were NOT included in COA	428,072	8,918	
6) Total number of students who did NOT have loan fees included in their COA, who received the maximum annual loan limit for the award year	196,406	4,092	
7) Total number of students who could have had the loan fees included in their cost of attendance	418,783	8,725	
O1) Estimated savings in administrative work hours per borrower [6** of 48 institutions reporting]	NA	0.69	
O2) Estimated savings in administrative costs per borrower [7 of 48 institutions reporting]	NA	Unreliable data	
Borrowers who had loan fees included in COA			18%
Borrowers who did not have loan fees included in COA			82%
Average amount for whom loan fees were included in COA			$127

*These figures are taken from the demographic reporting template and do not necessarily correspond to experiment-specific entries.
** We excluded one of the schools that reported a value in excess of 10 hours.

Excluding loan fees in the COA eases administrative burden. Averaging the responses of the six of the 48 participating institutions that provided estimates, we calculated a timesaving of 41 minutes (0.69 times 60 minutes). We did exclude one school's response from this calculation because it was greater than 12 hours. The cost estimates varied widely and often did not seem reasonable to us in light of the time estimate provided by the schools, so we do not report them here.

Institutional Comments

FSA encouraged participating institutions to address the three questions in bold type below in the open-ended section of the reporting template. While we organize the presentation of all school comments by question, not all of the comments were direct responses to the questions.

Depending on their computer system and the manner in which they implemented the experimental flexibility in including loan fees in COA calculations, schools reported either

substantial or trivial administrative savings. Schools pointed to reductions in overall student indebtedness as the primary benefit to tax payers. Several schools trumpeted the ability to resolve overaward situations that arose by adding previously excluded loan fees to the student's COA.

How did the experiment reduce administrative burden?

Including loan fees in students' cost of attendance would be a completely manual process which would take hundreds of man hours of time, and would significantly delay delivery of students' awards. The option to exercise this experimental exemption results in a significant reduction in administrative work burden on our counselors in having to review, edit, recalculate, and revise awards to reflect the final correct loan fees for students who elect not to borrow or choose to borrow less than the amount they are initially offered.

Not having to determine an average loan fee to be added into the cost of attendance saves IT time for the school.

The rationale for this practice is that loan fees are a relatively small expense and that students frequently are already borrowing the maximum annual loan. This experiment has reduced complexity in our operations by simplifying student budget maintenance and has served to keep student debt in check.

How did the experiment avoid creating additional costs to taxpayers?

In many cases, adding the loan fees to a student's cost of attendance would have no impact on the amount or type of awards the student is offered. We add loan fees to the cost of attendance at the student's request or to resolve an overaward. In this way, we are not encouraging unnecessary borrowing by the student--and saving the tax payer money. To date, we have not noticed any negative consequences for students in terms of their persistence.

The experiment may have saved the taxpayer money because 4,776 students could have potentially had their loans increased by including loan fees in the cost of education. If the student were eligible for increased subsidized amounts, the amount of the subsidized interest would increase per borrower.

Since we are a state run institution, any reduction in workload/administrative burden is a direct savings to the taxpayer.

How did the experiment improve aid delivery services or otherwise benefit students?

We only added loan fees when a late scholarship or fee waiver put the student in an overaward. This saved time and money by not having to put the student in repayment and sending them a bill and also taking time to explain to them what was happening. This benefitted the student by not having to come up with funds to repay the school the amount of the overaward and also not upsetting the student with the undue burden of finding the funds to repay the school which is difficult for most students.

The changes in a student's award would be insignificant with the low fees. If fees are to be included the constant revisions and notifications to students causes confusion with the student. By keeping the process simple we provide a better service to students.

D. Credit of Title IV Funds to Otherwise Non-allowable Institutional Charges

Under current regulations, the Department requires institutions to obtain written authorization from a student or parent to apply Title IV funds to otherwise non-allowable institutional charges. The intent of these regulations is to ensure that institutions apply Title IV funds exclusively to educational costs. The Department exempts institutions participating in this experiment from this requirement, but requires schools to make students aware of the policy and procedures for applying current aid to otherwise non-allowable institutional charges. Schools must give students the option of opting out of crediting of Title IV funds against these fees. This administrative relief makes it less time consuming for schools to resolve billing issues for other student expenses such as payment of library charges, parking fees, student health charges, etc.

Table 5 presents the information supplied by the 25 schools that participated in this experiment.

Table 5. Credit of Title IV Aid to Non-allowable Institutional Charges Experiment Participants' Self-reported Values

Loan Fees—Institution Self-reported Values

	Sum	Mean	Percentage
Enrollment (from IPEDS)	595,981	23,839	
Number of Title IV recipients*	277,632	11,105	
Total FFEL/Direct Stafford Loan volume*	$2,305,894,080	$92,235,763	
Total Federal Pell volume*	$292,207,329	$11,688,293	
Total campus-based volume*	$126,887,099	$5,075,484	
Most recent self-reported default rate*	NA	2.26	
3) Number for whom Title IV aid was credited to non-allowable institutional charges	110,605	4,424	
3a) Total dollar amount of Title IV funds for Title IV aid recipients	$1,262,221,943	$50,488,878	
3b) Total amount of Title IV aid credited to non-allowable institutional charges	$82,825,605	$3,313,024	
3c) Number of students who used some of their 2008–2009 aid for credit to non-allowable institutional charges, who either graduated or were able to continue their enrollment into the following semester	93,245	3,730	
4) Number of students declining automatic credit of Title IV aid to non-allowable institutional charges	1,661	66	
4a) Total dollar amount of Title IV funds for Title IV aid recipients in (4)	$12,075,493	$483,020	
4b) Total amount of otherwise non-allowable institutional charges for students in (4)	$333,977	$13,359	
4c) Number of students in (4) who either graduated or were able to continue their enrollment into the following semester	1,582	63	
5) Number of students who took advantage of crediting of Title IV aid to non-allowable institutional charges for multiple terms	70,706	2,828	
O1) Estimated savings in administrative work hours per borrower (only 3 of 25 reported)	NA	insufficient data	
O2) Estimated savings in administrative costs per borrower (only 3 of 25 reported)	NA	insufficient data	

	Sum	Mean	Percentage
Percentage of all Title IV recipients for whom aid was credited to non-allowable funds			39.8%
Average Title IV aid received among credited students			$11,412
Average non-allowable charge among credited students			$749
Non-allowable funds credited as a percentage of Title IV aid to credited students			6.6%
Percentage of credited students who graduated or were able to continue enrollment			84.3%
Percentage of all Title IV recipients who declined automatic crediting			0.6%
Average Title IV aid received among credited students			$7,270
Average non-allowable charge among declining students			$201
Non-allowable funds credited as a percentage of Title IV aid to declining students			2.8%
Percentage of declining students who graduated or were able to continue enrollment			95.2%

*These figures are taken from the demographic reporting template and do not necessarily correspond to experiment-specific entries.

The first six rows of **Table 5** provide some contextual data about total aid disbursed at these 25 schools. Following this information, we see that it is extremely rare for students to decline automatic crediting of their accounts. **Table 5**, indicates that 40 percent of all Title IV participants did have outstanding expenses to credit aid against ((1,661 + 110,605) / 277,632) and very few objected. Only 15 students in 1,000 with other charges declined automatic crediting of their accounts for otherwise non-allowable institutional charges (1,661 / (1,661 + 110,605)).

The few students who did decline the crediting option were, however, more likely to graduate or stay enrolled than students who allowed their Title IV aid to be used to resolve these charges (95% vs. 84%). Just as was the case for the loan proration experiment, this finding is the opposite of what advocates would predict. Automatic crediting is supposed to help foster progress toward a degree by helping to prevent students' unpaid bills from placing holds on registration. We suspect that this finding is, once again, due to differences between the students who opt out of automatic crediting and the students who allow it.

To see if students who declined the automatic crediting were different from the vast majority of students with outstanding institutional charges, we calculated several statistics. We calculated the average: Title IV aid received, non-allowable charges, non-allowable charges as a percentage of the total aid package, and percent of students who either graduated or returned the following term for the majority of students who accepted and then calculated the same statistics for the minority who declined the application of aid to non-allowable expenses. The main difference we see between the two groups was those who declined crediting owed considerably less in non-allowable charges ($201 vs. $749) and also received less in aid ($7,270 vs. $11,412). Both of these differences suggest that it was easier for students who declined crediting to resolve these charges out of pocket. This relative "affluence" is probably responsible for the finding, but we would need to compare persistence data from students in the experimental condition of allowing automatic crediting of charges to persistence data from students where such crediting required the students written permission.

Only three of the 25 institutions supplied the optional data on estimated costs associated with the administrative relief afforded by this experiment. Furthermore, these estimates were disparate. Therefore, we feel that these data are insufficient to support reliable estimates and we do not report them here.

Institutional Comments

Most of the participating institutions' comments included enthusiastic support for this Initiative. FSA encouraged participating institutions to address the three questions in bold type below in the open-ended section of the reporting template. While we organize the presentation of all school comments by question, not all of the comments were direct responses to the questions.

Schools pointed out that this experiment increased not only their convenience in administering Title IV aid programs, but also made resolving institutional charges more convenient for students. The convenience enjoyed by students has the potential of benefitting taxpayers if it helps students avoid delays in completing their degrees due to holds placed on their registrations because of unpaid bills.

How did the experiment reduce administrative burden?

Allowing the credit of Title IV aid to institutional charges reduces administrative burden by minimizing the amount of staff time and resources needed to manage delinquent billing accounts.

There would be additional workload for staff to collect and store a signature on the system, and for counseling students who question the need for our request for this signature and for those who may end up with an unpaid bill.

This experiment reduces the administrative burden in that it simplifies the process by not having to separate out the allowable and non-allowable charges and getting student permission.

Reduced student/parent inquiries regarding unpaid debts. Reduced processing of checks and returned items due to NSF.

The administrative burden of obtaining a student's written authorization does nothing to enhance our student's already thorough understanding of their account balances and related charges.

H**ow did the experiment avoid creating additional costs to taxpayers?**

Allowing the credit of Title IV aid to institutional charges avoids creating additional costs to taxpayers by allowing students to remain registered thus progressing towards degree completion.

Additional costs to the institution could result if this procedure were changed, creating additional workload for staff and additional costs for the thousands of additional bills, refund checks and postage charges needed if this procedure were changed.

How did the experiment improve aid delivery services or otherwise benefit students?

It is reasonable to assume that students that receive financial aid refund checks from their university may think that their university account is paid in full. Otherwise, why would they receive a refund check? As a result of this confusion, students may leave unpaid balances on their accounts that incur interest and billing charges, or have registration holds placed on their accounts.

By removing the requirements to obtain individual written authorization from students, the university is able to offer faster, more efficient service to their students.

E. Credit of Title IV Aid to Prior Term Charges

Just as is the case for non-allowable charges, the Department requires student permission before schools may credit current Title IV disbursements toward charges from a prior term, in a previous academic year. ED allowed institutions participating in this experiment to apply Title IV funds to charges for which they were not originally intended (for example, outstanding charges from a prior term) to evaluate the effect, if any, on student retention. As in the application of Title IV aid to normally non-allowable institutional charges, students must be made aware of the policy and procedures for applying current aid to prior term charges and be given the opportunity to opt out.

Table 6 presents aggregated data, beginning with contextual data about the total number of Title IV aid disbursed by the 17 schools that participated in this experiment. As evidenced by the lack of even a single student who declined to have his or her aid applied to a charge from a prior term, students do not seem to object to this practice. We have seen this complete absence of any students opting out of crediting aid against prior term charges for the last six reports.

Table 6 indicates that ability to apply aid funds to charges from a prior term affected roughly 10 percent of the Title IV recipients at participating schools. The average amount of these charges was $707; the value in 2008-09 constituted a 15 percent increase to the average per student charge over the value reported in 2006-07 ($614). Nearly all (90%) of the aid recipients that benefited from this regulatory flexibility graduated or remained enrolled. Since not even a single student opted out of crediting aid against prior term charges, we cannot compare this progression rate to anything.

We received estimates concerning the value, in terms of dollars and time, of the administrative relief provided by this experiment from only one of the 17 participants. We do not deem this sufficient base to support a reliable estimate.

Table 6. Credit of Title IV Funds to Prior Term Charges Experiment Participants' Self-reported Values

Institutional Charges—Institution Self-reported Values

	Sum	Mean	Average Amt.
Enrollment (from IPEDS)	496,347	29,197	
Number of Title IV recipients*	228,279	13,428	
Total FFEL/Direct Stafford Loan volume*	$1,965,331,602	$115,607,741	
Total Federal Pell volume*	$233,628,148	$13,742,832	
Total campus-based volume*	$103,960,577	$6,115,328	
Most recent self-reported default rate*	NA	2.25	
3) Total number of students who had Title IV aid credited to prior term charges	21,378	1,258	
3a) Total amount of Title IV aid	$247,984,565	$14,587,327	
3b) Total amount of Title IV aid credited to prior term charges for a prior year	$15,107,661	$888,686	
3c) Number of students who used some of their 2008–2009 aid to pay 2007–2008 prior term charges, who either graduated or were able to continue their enrollment into the following semester	19,331	1,137	
4) Number of students declining automatic crediting of Title IV aid to prior term charges for a prior award year	0	0	
4a) Total amount of Title IV aid	NA	NA	
4b) Total amount of Title IV aid credited to prior term charges for a prior year	NA	NA	
4c) Number of students who used some of their 2008–2009 aid to pay 2007–2009 prior term charges, who either graduated or were able to continue their enrollment into the following semester	NA	NA	
O1) Estimated savings in administrative work hours per borrower [1 out of 17 institutions reporting]	NA	insufficient data	
O2) Estimated savings in administrative costs per borrower [1 out of 17 institutions reporting]	NA	insufficient data	
Percentage of all Title IV recipients for whom aid was credited to prior term charges for a prior year			9.4%
Average Title IV aid received among students with credited charges for a prior year			$11,600
Average charge from prior terms			$707
Credits to charges from prior terms as a percentage of Title IV aid to students for whom aid was credited			6.1%
Percentage of students for whom aid was credited to prior year that graduated or continued enrollment			90.4%

*These figures are taken from the demographic reporting template and do not necessarily correspond to experiment-specific entries.

Institutional Comments

Participating institutions were very positive about this Initiative in the qualitative comments they submitted. Most focused on time and effort saved by the schools, students, and families by changing to passive rather than active consent for crediting current aid against prior term charges. FSA encouraged participating institutions to address the three questions in bold type below in the open-ended section of the reporting template. While we organize the presentation of all school comments by question, some of the comments were not direct responses to the questions.

Institutional comments received for the Prior Term Experiment were very similar to the comments received for the Institutional Charges experiment. In fact, some of the schools participating in both submitted the same comments for both. The benefit was primarily increased simplicity in resolving outstanding items on students' bills. Schools argued that this convenience could help students avoid the consequences of having an unpaid bill.

How did the experiment reduce administrative burden?

This experiment reduces administrative burden by reducing the amount of refunding and billing to students. Taxpayer cost is not a factor, since students receive no more aid than they would if they did not have an outstanding prior year charge. Also students are greatly benefited by being able to continue progress toward graduation, reducing the possibility of loan default.

Reduced student/parent inquiries regarding unpaid debts. Reduced processing of checks and returned items due to NSF.

Avoiding the additional collection effort that would have been required to collect the unpaid prior award year and institutional charges that were paid with Title IV funds and eliminating the staff time required to explain to students why they received a refund check but still owe an amount to the university.

How did the experiment avoid creating additional costs to taxpayers?

72% of the population in the experiment had prior-term charges of $250 or less. 46% of the population had prior term charges of $50 or less. Therefore, paying prior term charges with Title IV aid does not create a financial hardship for students. However, the potential for harm is great when the neediest students are stopped from continuing their education until prior-term charges can be paid from personal funds.

Taxpayer cost is not a factor, since students receive no more aid than they would if they did not have an outstanding prior year charge. And students are greatly benefited by being able to continue progress toward graduation, reducing the possibility of loan default.

How did the experiment improve aid delivery services or otherwise benefit students?

Students are extremely confused when they receive a refund from the university and subsequently receive a bill from the university. They do not understand why the university would not use their financial aid to pay all charges due to the university. Often times the bill and refund are received within a matter of days. Due to this confusion the student may ignore the bill which will result in a hold being placed on their university account. This hold prevents a student from registering for future terms. Once the past due balance

is realized and resolved by the student classes needed for graduation may be full, potentially delaying their time to graduation.

If this experiment was not used students would be required to sign a separate form allowing us to apply their aid to prior term charges, this would be very difficult to explain to the impacted students. It is in the student's best interest to allow Title IV aid to pay their entire bill rather than receiving a refund and then paying the remaining bill.

F. Alternative Entrance Loan Counseling Procedures

To decrease loan default rates, regulations require all institutions to provide entrance counseling to students before disbursing Perkins, Direct, or FFEL loans. The regulations are meant to provide first-time borrowers information regarding their rights and responsibilities, especially when it comes to repaying their loans. Although regulations vary somewhat depending on the type of loan, institutions must conduct and document initial counseling to all first-time borrowers. The 1998 amendments to the HEA allowed schools to counsel first time borrowers by audiovisual presentation, interactive electronic means, or in person. Before the amendment, schools were required to conduct in-person counseling.

Many institutions have taken advantage of the 1998 amendments by delivering non in-person entrance counseling. The Department allows schools participating in the entrance loan counseling experiment even greater latitude. Participating institutions may allow a student to receive loan funds at the beginning of the semester even if they have not had time to complete entrance counseling. Participating schools are also excused from "entrance counseling certification", which requires schools to maintain documentation in each student file to verify that entrance counseling was performed.

Table 7 summarizes the data that 44 institutions participating in this experiment supplied through the online template. As we have done for the other Initiatives, the first several rows of **Table 7** are devoted to supplying contextual information concerning the total Title IV aid disbursed by these 44 schools. The participating schools disbursed 4.3 billion dollars in FFEL/Direct Stafford loans in 2008–09. The low average default rate (2.28%) at these institutions suggests that the regulatory flexibility enjoyed regarding entrance counseling at these schools has not led to high levels of student loan default.

The rest of the information in **Table 7** provides some detail about the entrance counseling experiment. The average total loan made to first time borrowers at participating schools was $6,138.[1] Eight of the 44 schools indicated they required "only certain groups of students" to complete entrance counseling. These groups of students were deemed by the schools to be most at risk for default, either those in danger of losing academic eligibility or graduate/professional students borrowing large amounts of money.

[1] This is greater than the $3,500 subsidized loan limit for dependent first year for a number of reasons. This average includes loans to independent students, unsubsidized loans (including PLUS), and initial loans to students in their second or later year of study.

Table 7. Alternative Entrance Loan Counseling Procedures Experiment Participants' Self-reported Values

Entrance Loan Counseling—Institution Self-reported Values

	Sum	Mean	Average Amount
Enrollment (from IPEDS)	1,049,036	23,842	
Number of Title IV recipients*	545,104	12,389	
Total FFEL/Direct Stafford Loan volume*	$4,310,121,276	$97,957,302	
Total Federal Pell volume*	$602,626,819	$13,696,064	
Total campus-based volume*	$205,881,272	$4,679,120	
Most recent self-reported default rate*	NA	2.28	
Number of first-time borrowers	118,347	2,375	
Total loan funds for students in (2)	$726,458,124	$16,510,412	
Has the institution exempted certain groups?	Yes = 8; No =35; Blank = 1	NA	
O1) Estimated savings in administrative work hours per borrower [7** of 44 institutions reporting]	NA	1.14	
O2) Estimated savings in administrative costs per borrower [10 of 44 institutions reporting]	NA	unreliable data	
Average loan amount for first-time borrowers			$6,138

*These figures are taken from the demographic reporting template and do not necessarily correspond to experiment-specific entries.
** We excluded three of the schools that reported values in excess of 10 hours

Ten of the 44 schools supplied the optional estimates of administrative savings per borrower. We excluded three time estimates over ten hours and calculated an average timesaving of just over one hour of administrative work per borrower. The ten schools also supplied dollar estimates for these savings. These responses included several large numbers that we suspect represent estimates of dollars saved for more than one borrower. Other schools provided dollar amounts that did not seem reasonable to us in light of the time estimate provided. Therefore, we do not report the dollar saving estimates.

Institutional Comments

The comments supplied by participating institutions indicate a great deal of variation in terms of which particular aspects of the regulatory flexibility allowed under the initiative schools chose to exercise. Some schools handle entrance counseling much as they would under HEA as amended in 1998, i.e., requiring all students to complete entrance counseling prior to an initial disbursement. Other schools routinely make initial disbursements to students who have not yet completed counseling or focus their entrance counseling on specific subsets of students believed to be most at risk for default.

FSA encouraged participating institutions to address the three questions in bold type below in the open-ended section of the reporting template. While we organize the presentation of all school comments by question, some of the comments were not direct responses to the questions

How did the experiment reduce administrative burden?

Providing students with the information is beneficial to the student; however, delaying disbursement until it can be verified that the student has completed the counseling is administratively burdensome. If entrance loan counseling requirements were applicable to our students, it would require a tracking mechanism to be implemented which would involve additional programming to the system as well as additional staff resources.

Instead of focusing on the entrance counseling, we have been able to focus on a financial literacy program campus wide because I could redirect staffing to this project which benefits many more of our students.

Financial Aid is inherently complex as it stands, and reducing the number of steps students need to take in order to secure their financial aid is always positive. Not having to implement this process, require it of students, or do regular follow up to those who don't follow instructions, provides relief to both students and staff in terms of actual time, access to funds, and improves the perception of the financial aid process as being overly bureaucratic. (Please note that if we determined performing entrance interviews had a positive effect, and truly helped students understand their responsibilities, we would not take this position, but throughout our years of participation, it repeatedly has not made a difference.)

How did the experiment avoid creating additional costs to taxpayers?

Less staff time, paper, and mailing costs devoted to entrance loan counseling communications that would otherwise need to be repeatedly sent to new students.

We have not seen an increase in default rates - only minor fluctuations between each year.

How did the experiment improve aid delivery services or otherwise benefit students?

Students benefit from the ability to review the materials as necessary and to receive their funds as quickly as possible. Students are not required to perform yet another task prior to receiving their aid at the beginning of the term, when costs are the greatest.

Providing a web-based loan counseling option allows students to absorb information at their own pace and allows parents to become involved in loan counseling sessions to improve their understanding of loan programs and the implications of indebtedness. We have been utilizing a variety of student consumer information methods while maintaining a very low cohort default rate.

Students are able to access their loan funds more quickly. This allows them to pay their university bill, buy books in a timely way and keep up with their classes.

During the period when entrance interviews were not required, students were able to clear accounts quicker and receive remaining balance refunds more efficiently. While the continued default rate reduction would support the conclusion that students are well aware of the obligations associated with student loans, the return to required entrance processes (although greatly streamlined by electronic processes), has added burden for students who do not complete the process in a timely manner. Despite constant reminders, 10%-15% of new students over the past four years have been unable to clear financially because they fail to complete loan entrance interview requirements in a timely fashion. In some cases this leads to cancellation of registration for non-payment and/or delays in receiving remaining balance refunds.

G. Alternative Exit Loan Counseling Procedures

Under current Federal statute and regulations, institutions must conduct in-person exit loan counseling, sometimes before issuing transcripts or even permission to graduate. Because of the large number of borrowers, exit counseling often becomes a time-consuming and paperwork-intensive task. The Department released institutions participating in this experiment from the "in-person" requirement. This allowed participating schools to investigate other means of reminding borrowers of their financial obligations, including the use of the postal service and electronic communication. The Department also released schools from the requirement to document the participation of each borrower in exit counseling.

Table 8 summarizes the data of 39 institutions participating in the exit counseling experiment . The first several rows of **Table 8** are devoted to supplying contextual information concerning the total Title IV aid disbursed. The average default rate (2.48%) at these institutions indicates that regulatory flexibility enjoyed by these schools has not led to problematic default levels.

Table 8. Alternative Exit Loan Counseling Procedures Experiment Participants' Self-reported Values

Exit Loan Counseling—Institution Self-reported Values

	Sum	Mean
Enrollment (from IPEDS)	945,450	24,242
Number of Title IV recipients*	493,166	12,645
Total FFEL/Direct Stafford Loan volume*	$4,014,181,310	$75,921,961
Total Federal Pell volume*	$527,055,070	$10,378,825
Total campus-based volume*	$197,901,113	$6,777,545
Most recent self-reported default rate*	NA	2.48
2) Conducted exit counseling	Y = 29; N =10	68%
3) Number of final-term borrowers	120,308	3,085
4) Number of borrowers who graduated	86,585	2,220
5) Number of borrowers who withdrew	14,168	363
6) Total amount of Title IV loans for students in (3)	$2,714,826,935	$64,031,767
O1) Estimated savings in administrative work hours per borrower [6** of 39 institutions reporting]	NA	0.88
O2) Estimated savings in administrative costs [7 of 39 institutions reporting]	NA	unreliable data

*These figures are taken from the demographic reporting template and do not necessarily correspond to experiment-specific entries.
** We excluded one of the schools that reported a value in excess of 10 hours

The rest of the information in **Table 8** pertains more directly to the exit counseling experiment. This experiment affected the exit counseling of approximately 120 thousand student borrowers in 2008–09. This group of students had accumulated Title IV indebtedness of over 2.7 billion dollars. Therefore, the average accumulated debt per student was $22,566.

Ten of the 39 schools indicated they did not conduct exit counseling at all.

Seven institutions completed the optional section of the reporting template dealing with estimated administrative savings. We excluded one school's time estimates that was over ten hours and calculated an average timesaving of just less than one hour per borrower. As was the case for a number of experiments, the reports of dollars saved were inconsistent and difficult to reconcile with the time estimates provided by the same school. Therefore, we do not report them.

Institutional Comments

As was the case for the entrance counseling experiment, exit-counseling participants adopted a variety of approaches under the regulatory flexibility allowed under the experiment. Many participating schools chose web-based methods as an alternative to in-person counseling. Other schools relied on special group sessions, postal mailings and telephone interviews. Several participating institutions singled out particular subgroups of students for more intensive exit counseling.

FSA encouraged participating institutions to address the three questions in bold type below in the open-ended section of the reporting template. While we organize the presentation of all school comments by question, some of the comments we include were not direct responses to the questions.

How did the experiment reduce administrative burden?

The experiment reduces the administrative burden of collecting documentation from each applicant with demonstration of a good faith effort by the campus.

Not requiring the exits but making them available has eased the work burden on our office by eliminating holding transcripts for graduates who do not complete the exits. Most of the graduates do receive some sort of notification as to the procedure for exiting school and repaying their loans.

How did the experiment avoid creating additional costs to taxpayers?

As with entrance counseling, it is somewhat difficult to determine the impact of this experiment on our default rate. However, since our default rate continues to remain low, we feel that participating in this experiment has not had a negative effect on our default rate. We do our best to let students know that we have repayment information available in our office and on the web, and hope that they will make use of this information when they need it.

The delinquency reports and cohort default rate are carefully monitored for trends that would indicate increases. Alternatives and additional contact with our graduates were available if these indicators warranted a response.

Had we been required to perform exit loan counseling with each student, additional staff would've been necessary as our existing structure would not allow enough time for general counseling with students as well as the time needed for exit counseling, resulting in additional taxpayer dollars needed.

How did the experiment improve aid delivery services or otherwise benefit students?

Students benefit from the experiment because they are not tasked with another requirement as they leave school. This is a busy time for graduating students as they are searching for jobs, focusing on final exams and commencement and possibly even applying for additional degree programs.

The delivery mechanism for exit counseling information made it convenient for students to complete the process and the information continued to be available to them after completion of the exit interview process.

Students have benefited by the replacement of the required process by not being burdened with constant reminders of exit interview requirements and having administrative holds placed on applications to graduate, transcripts, etc. The singular reminder of what they are already aware (loans will be entering repayment) appears to work just as effectively as requiring a formal sign off process.

Conclusion

All of the current seven experiments have been in existence since the 1996-1997 award year. During that time, Congress has reauthorized the Higher Education Act twice and the Secretary has revised the regulations governing Title IV administration annually. To date, none of these current experiments has prompted the legislative or executive branch of government to expand the alternative approach to Title IV aid delivery participating institutions are testing.

The quantitative data provided on annual reporting templates, comments supplied by participating schools and monitoring of institutional loan default rates generally suggest that the flexibility accompanying the experiments result in non-trivial administrative cost savings without any indication of an increase in loan defaults. All the current experiments also seem to afford the students increased “convenience” surrounding the receipt of aid awards. The loan proration experiments provides for additional Title IV funds for students graduating early in the award year.

Why then has none of these experiments led to a larger change? One of the reasons for this is that the data the evaluation currently collects is inadequate to address the present needs of policy decision makers. In fairness to the current evaluation design and reporting templates, they were created long before technical amendments to the HEA bill (July 2009) directed the Secretary to determine the success of the current experiments based on, “the ability of the experimental site to reduce administrative burdens to the institution, as documented in ED's biennial report, without creating costs for the taxpayer; and whether the experimental site has improved the delivery of services to, or otherwise benefited, students.”

The designs of the current experiments are simply not sufficient to support definitive conclusions concerning whether or not existing experiments are successful.

The institutions participating in these experiments generally claimed a non-trivial reduction in the administrative burden when awarding Title IV aid under the alternative rules spelled out in the particular Initiative. There is no reason to doubt these claims, but the current evaluation efforts are failing to adequately measure administrative burden. Empirical estimates of the time and dollar amounts “saved” by experiment are optional items on the reporting templates and thus provided by only a subset of schools participating in each experiment. The Department does not provide schools with guidance on how to measure the level of effort associated with delivering aid under both experimental and current rules. This contributes to very inconsistent estimates of burden reduction across schools. We were confident enough in the burden reduction data received for the 2008-09 award year to include both the time and dollar estimates for only two of the seven experiments in this report.

For most experiments, measuring the cost to the taxpayers has been limited to monitoring participating schools’ student loan default rates. If a participating school’s default rate remains the same or declines this has been taken as evidence of no additional risk to taxpayers. However, the cost to the taxpayer is not limited to aggregate defaults rates. For example, subsidized loans involve a cost to the taxpayer from the day the loan is disbursed until the day the borrower enters repayment. One could argue that in an era of 100% direct lending, unsubsidized loans represent a performing asset of the taxpayer as long as students are making timely payments. Therefore, determining whether costs for the taxpayer are being created requires the Secretary to compare the aid awarded and in the case of loans repaid to students under experimental rules to the aid that would have been awarded (and repaid) under the current rules. We are not collecting this type of data from the participants in the current experiments.

Measuring improved delivery or other student benefits has been primarily limited to anecdotal accounts included in the institutions’ open-ended responses. We acknowledge that the experiments are generally popular with students. The vast majority probably “enjoy” the reduced student burden associated with the alternative entrance counseling, alternative exit counseling,

and overaward tolerance experiments. Most students made eligible for a non-prorated loan in a final term chose to take advantage of that opportunity. Very few students found allowing automatic crediting Title IV aid against non-allowable charges or the exclusion of loan fees from COA calculation objectionable enough to take the time to "opt out" of either of these experiments. Not a single student chose to opt out of allowing current year aid being used to settle prior year changes. Based on student popularity we could make a case that all experiments "improved" student services.

It seems to the Department, however, that by "improved the delivery of services to, or otherwise benefited, students" Congress meant some improved outcomes beyond just student opinion. Unfortunately, the reporting templates for many experiments fail to collect student outcome data. The two that did - the loan proration and institutional charges experiments – found that students who took advantage of the experimental opportunity did worse (not better) than those students who declined. Students in a final term who opted to borrow only the prorated amount of a federal loan were more likely to graduate than those who took advantage of the eligibility for the full year maximum. Students who did not allow aid to be used to pay for other charges were more likely than students who did to graduate or continue their enrollment. As we discussed earlier in the report, we believe that these counter-intuitive finds were due to a selection bias (relatively affluent) students choosing to opt out of the experiments. Still we have no empirical evidence that student outcomes improve with any of the seven experiments.

Going forward the Department will look for ways to strengthen the design of any new experiments in such a way as to provide the data necessary for a rigorous evaluation. When appropriate the Department will look to include student level data on the relationship between Title IV aid received and progression toward degrees. Timeframes will be established for each experiment that allow sufficient time for an alternative to be empirically tested, but that also prevent alternatives from becoming accepted practice at participating institutions. Combining these factors will support informed decisions by Congress and the Secretary about improving access to higher education through more effective delivery of Title IV aid.