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# Analysis of the Experimental Sites Initiative: 2009–10



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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 79 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 2009–2010 (AY09–10). 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 to 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 results 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 experiment provides for additional Title IV funds for students graduating early in the award year. These findings mirror the positive observations made in the past.

Some of the current experiments have been in place since 1996. Despite a long history of generally positive findings, none of the current changes being tested by this initiative have moved any of the seven different Congresses to change the underlying law or three different administrations to modify governing regulations. Perhaps one of the reasons the current experiments have failed to incite change is their designs 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 in 2009.

## 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 79 institutions participating in the ESI with the other 6,810 postsecondary institutions that participate in Title IV who completed the Integrated Postsecondary Education Data System (IPEDS) Fall Enrollment Survey in 2009. Institutions participating in the ESI 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, 97% of ESI schools awarded graduate degrees compared to 28% of other schools. Second, the vast majority of experimental sites are public (81%), while less than a third (29%) 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 22,907 are significantly larger than other schools with an average enrollment of 2,854.

**Table 1. Comparison of Institutional Characteristics within Data Sets**

	NSLDS Excluding ESI	Participating Experimental Sites Only
<b>Total Number of Institutions</b>	6,810	79
<b>Number of Institutions by Type</b>		
One-year or less	1,790	0
Two-year, Non-degree	871	0
Two-year, Associates	1,383	0
Bachelor's Degree	840	2
First Professional Degree	52	0
Master's or Doctor's Degree	1,874	77
<b>Number of Institutions by Control</b>		
Public	1,969	64
Private	1,847	15
Proprietary	2,994	0
<b>Geographic Region</b>		
New England	407	2
Mid-Atlantic	1,089	9
Southern	1,649	8
Midwest	1,648	36
Southwest	693	7
Western	1,170	17
U.S. Territories	153	0
U.S. Service Schools	1	0
<b>Average Enrollment</b>	2,854	22,907

As a condition of their participation, FSA required that all ESI schools 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 2009-10 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 experiments. 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 last year (AY 2008–09). Participants strongly support broader adoption of the experiments in which they participate. 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 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 risk of loan 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 66 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 66 schools. We provide both the total sums at all 66 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 40,165 students out of 1.4 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 twelve percent (4,725 out of 40,165) 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 alternative financing options available are not as attractive. There may also be reduction of administrative burden in financial aid offices associated with students utilizing private student loans.

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

Loan Proration—Institution Self-reported			
	Sum	Mean	Percentage
Enrollment (from IPEDS)	1,440,409	21,824	
Number of Title IV recipients*	836,375	12,672	
Total FFEL/Direct Stafford Loan volume*	6,674,854,139	101,134,154	
Total Federal Pell volume*	\$1,277,025,718	19,348,875	
Total campus-based volume*	\$331,957,335	5,029,657	
Most recent self-reported default rate*	NA	3.14	
2) Number of students whose loans would have been subject to loan proration in their graduating term	40,165	609	
2a) Number of students who actually received prorated loans	4,725	72	
2a1) Number of students in (2a) who graduated with four-year degrees	4,320	65	
2a2) Number of students in (2a) who graduated with other degrees	11	0	
2a3) Number of students in (2a) who withdrew before the end of the term	8	0	
2a3i) Total amount returned to Title IV for students in (2a3) who withdrew before the end of the term	\$7,764	118	
2a4) Number of students in (2a) who completed the term (not necessarily graduated)	307	5	
2a5) Number of students in (2a) with unknown status	79	1	
2b) Number of students in (2) who received non-prorated loans in their graduating term	33,911	514	
2b1) Number of students in (2b) who graduated with four-year degrees	27,862	422	
2b2) Number of students in (2b) who graduated with other degrees	1,643	25	
2b3) Number of students in (2b) who withdrew before the end of the term	294	4	
2b3i) Total amount returned to Title IV for students in (2b3) who withdrew before the end of the term	\$423,304	6,414	
2b4) Number of students in (2b) who completed the term (not necessarily graduated)	3,911	59	
2b5) Number of students in (2b) with unknown status	201	3	
O1) Estimated savings in administrative work hours per borrower [17 of 66 institutions reporting]	NA	0.80	
O2) Estimated savings in administrative costs per borrower [16** of 66 institutions reporting]	NA	\$18	



	Sum	Mean	Percentage
Students receiving prorated loans who graduated with four-year degrees			91.4%
Students receiving prorated loans who graduated with other degrees			0.2%
Students receiving prorated loans who withdrew			0.2%
Students receiving prorated loans who completed the term			6.5%
Students receiving prorated loans with unknown status			1.7%
Students receiving non-prorated loans who graduated with four-year degrees			82.2%
Students receiving non-prorated loans who graduated with other degrees			4.8%
Students receiving non-prorated loans who withdrew			0.9%
Students receiving non-prorated loans who completed the term			11.5%
Students receiving non-prorated loans with unknown status			0.6%

\*These figures are taken from the demographic reporting template and do not necessarily correspond to experiment-specific entries.  
 \*\*We excluded one school 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 (91.4% + 0.2% = 91.6%) than among borrowers with non-prorated loans (82.2% + 4.8% = 87.0%). 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 \$18 per student and 0.80 hours (48 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 17 of the 66 participating schools that completed this optional burden section of the reporting template, we excluded the one school that provided a cost estimate in excess of \$1,000 from the average cost estimate. As this school's time estimate was less than 10 hours it was included in the average time calculation.

**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?

*This experiment reduced administrative burden by reducing the amount of time and effort required for loan proration in student graduation status review, manual award processing, student counseling, and alternative loan processing.*

*This experiment provides a significant reduction in administrative work burden to our staff. Our automated packaging program awards all students initially on the assumption of full year full time attendance, and awards are revised as students inform us that they will attend for less than a full academic year. Under loan proration, we would be required to identify the approximately 250 to 300 students subject to this requirement out of a total pool of approximately 10,900 loan borrowers. We would then have to collect information on the students' expected number of units required to be completed in their final quarters of attendance, send follow up reminders to those who did not respond, perform recalculations to determine the prorated loan award amount, generate revised award offers, send e-mail revision notices to the affected students, and submit loan correction records to the COD.*

### How did the experiment avoid creating additional costs to taxpayers?

*Proration is a disincentive--it not only encourages students to delay graduation by at least one term, it can also dissuade students from pursuing an unpaid internship opportunity. Given the current economic climate, internships can be a huge stepping stone to gainful employment, either with that employer or as necessary background experience for other potential employers. The best way to save taxpayer money is to do whatever possible to ensure a student's quick entry into repayment of their student loan debt. Proration does not promote this goal.*

*It reduced or eliminated the student's need to borrow alternative loans through banks. This increased the likelihood of the student ultimately repaying their federal loans.*

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

*Our 9th semester undergraduate borrowers benefit greatly from this experiment. It helped them finance the final semester needed to obtain their degree. Studies have shown that students who receive their degree have much lower default rates than those who are not able to finish.*

*They [students] do not understand why they cannot borrow the full amount of their loan at a time when they have additional expenses related to seeking employment (such as preparing resumes, clothing, transportation, etc. Had students been subject to proration, the students would have turned to private lenders to borrow additional loan funds. The elimination of manual intervention gets the aid out to the student quicker and increases the accuracy of our student awards. The most significant benefit is that it allows the student to maximize their Subsidized Stafford Loan prior to borrowing a Unsubsidized Loan which is the least favorable of the two loans.*

*Private student loan markets have increased their credit-worthiness thresholds which translate to reduced borrowing eligibility by students and their families. Students and families have also seen a dramatic reduction in access to other forms of financing due to the poor economy. It has been more important than ever that we are able to offer maximum federal student loan limits to needy, graduating students.*

## 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 27 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 two percent of all students with FFEL/Direct Stafford loans experienced an overaward. The total dollar amount of these overawards constituted under three percent of the loans made to students with overawards and only 0.04 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)	577,086	21,374	
Number of Title IV recipients*	369,689	13,692	
Total FFEL/Direct Stafford Loan volume*	\$2,829,900,303	104,811,122	
Total Federal Pell volume*	\$590,782,029	21,880,816	
Total campus-based volume*	\$117,128,629	4,338,097	
Total Number of FFEL/Direct Stafford borrowers	336,411	12,460	
Most recent self-reported default rate*	NA	2.46	
2) Total number of students with loan funds overawarded by \$300 or less	5,465	202	
3) Total Stafford loan volume for students in 2)	\$39,854,030	\$1,476,075	
4) Total amount of overawards by \$300 or less in 2)	\$1,027,080	\$38,040	
Average amount of overaward for those with overawards of \$300 or less	NA	\$188	
O1) Estimated savings in administrative work hours per borrower [7* of 27 institutions reporting]	NA	1.02	
O2) Estimated savings in administrative costs per borrower [7** of 27 institutions reporting]	NA	\$22	
O3) Average cost of attendance for FFEL/Direct Stafford loan population [11 of 27 institutions reporting]	NA	\$24,150	

Percent of students with FFEL/DL Stafford loan that experienced an overaward	1.62%
Total amount of overawards by \$300 or less divided by FFEL/DL Stafford loans made to students such an overaward	2.58%
Total amount of overawards by \$300 or less divided by total FFEL/DL volume	0.04%

\*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 27 we derived an average estimate of just over one hour (1.02) saved by not having to administratively deal with the overaward. We calculated an average dollar savings of \$22. We calculated this estimate after excluding one school because it reported time and cost saving in excess 10 hours and \$1,000. We suspect this school may have reported their estimate of total savings and not savings per student. This estimated administrative burden (\$22) is equal to 11.5% of the average dollar amount of the overawards less than \$300 (\$188). 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?**

*This experiment reduces administrative burden by treating loans and campus based aid consistently, and by reducing staff time required to repackage students' awards and return small loan amounts to the loan servicer.*

#### **How did the experiment avoid creating additional costs to taxpayers?**

*This experiment avoided creating additional costs to taxpayers by reducing potential excessive administrative costs that could result from having to attend to a high number of small overaward adjustments.*

*Due to the small amount of additional loans these students have a minimal impact on the total borrowing per student.*

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

*This experiment improved delivery services or otherwise benefitted students by freeing valuable staff time to concentrate on more important and significant issues and by keeping students from not having to spend time and effort to deal with small adjustments to their awards.*

*It provides flexibility for last minute changes to awards when outside scholarships are received.*

### 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 potential reduction of student loan principal, significant reduction of administrative burden in financial aid offices, and the ability to accommodate small amounts of outside aid students received after the school packaged federal, state, and their own aid awards.

Just as we did in previous sections, we present **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 39 colleges and universities participating in this experiment.

**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)	886,114	22,721	
Number of Title IV recipients*	534,321	13,701	
Total FFEL/Direct Stafford Loan volume*	\$4,331,694,753	\$111,069,096	
Total Federal Pell volume*	\$848,278,918	\$21,750,741	
Total campus-based volume*	\$196,632,749	\$5,041,865	
Most recent self-reported default rate*	NA	3.76	
2) Total number of students for whom loan fees included as part of COA	69,438	1,780	
3) Total amount of loans for students in (2) who have loan fees included	\$780,509,661	\$20,013,068	
4) Total amount of loan fees included in COA for students in (2)	\$15,616,046	\$400,411	
5) Number of students for whom loan fees were NOT included in COA	318,984	8,179	
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	156,183	4,005	
7) Total number of students who could have had the loan fees included in their cost of attendance	355,637	9,119	
O1) Estimated savings in administrative work hours per borrower [5 of 39 institutions reporting]	NA	0.57	
O2) Estimated savings in administrative costs per borrower [4 of 39 institutions reporting]	NA	\$13	
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			\$225

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

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 40% (156,183 / (69,438 + 319,984)) 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 \$225. 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.

Excluding loan fees in the COA eases administrative burden. Averaging the responses of the five of the 39 participating institutions that provided estimates, we calculated a timesaving of 34 minutes (0.57 times 60 minutes). The cost estimate of \$13 seems in line with the time estimate of just over half an hour.

### **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?**

*This experiment allows the university to reduce the number of students that loan fees are added to. Without the experiment the university would be required to add loan fees to all students that borrow Title IV loan funds, potentially increasing the total amount of debt accumulated by students. The addition of loan fees to students who borrow Title IV loans is a manual and extremely time consuming process. The requirement to add the loan fees for all students would require additional staff time resulting in the need for additional administrative resources.*

*Prior to direct lending with standard fees, this was more of an administrative burden. We can now have a standard calculation that can be used at the time of creating and adjusting all federal loans that adds, increases, or decreases the fees in the COA.*

#### **How did the experiment avoid creating additional costs to taxpayers?**

*The addition of loan fees in the cost of attendance potentially results in increased student borrowing. By not including loan fees student debt is not increased. The result is lower overall student debt and lower payments at the time of repayment which reduces the chance of the student going into default. Lower default rates save taxpayers money.*

*Since we are a state run institution, any reduction in workload/administrative burden is a direct saving to the taxpayer. Without these experiments we would need to hire more staff which cost the university and therefore the taxpayer more money.*



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

*Service delivery was improved because students were not subjected to a change in our estimate of costs, changes which are confusing and often require a student contact with office or email exchange.*

*The experiment enabled us to provide student packages more quickly because we did not have to compute and add loan fees to their cost of attendance budgets and improved services to students overall by making available for other student service and counseling functions that time that would have been spent doing so.*

*The ability to add loan fees on a case by case basis provides the university with the flexibility to add the loan fees when additional aid is reported and therefore reduces the need to cancel or reduce already awarded loan funds. Students are often confused by loan reductions and therefore this experiment helps to eliminate that confusion. Additionally, by not initially including loan fees for all students their individual debt load is reduced resulting in lower loan payments at the time of repayment.*

## 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 21 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)	471,622	22,458	
Number of Title IV recipients*	243,539	11,597	
Total FFEL/Direct Stafford Loan volume*	\$2,065,614,848	\$98,362,612	
Total Federal Pell volume*	\$347,484,861	\$16,546,898	
Total campus-based volume*	\$88,782,189	\$4,227,723	
Most recent self-reported default rate*	NA	2.27	
3) Number for whom Title IV aid was credited to non-allowable institutional charges	92,828	4,420	
3a) Total dollar amount of Title IV funds for Title IV aid recipients	\$1,168,604,895	\$55,647,852	
3b) Total amount of Title IV aid credited to non-allowable institutional charges	\$76,429,129	\$3,639,482	
3c) Number of students who used some of their 2009–2010 aid for credit to non-allowable institutional charges, who either graduated or were able to continue their enrollment into the following semester	80,603	3,838	
4) Number of students declining automatic credit of Title IV aid to non-allowable institutional charges	527	25	
4a) Total dollar amount of Title IV funds for Title IV aid recipients in (4)	\$3,094,115	\$147,339	
4b) Total amount of otherwise non-allowable institutional charges for students in (4)	\$211,976	\$10,094	
4c) Number of students in (4) who either graduated or were able to continue their enrollment into the following semester	469	22	
5) Number of students who took advantage of crediting of Title IV aid to non-allowable institutional charges for multiple terms	60,499	2,881	
O1) Estimated savings in administrative work hours per borrower (only 3 of 21 reported)	NA	insufficient data	
O2) Estimated savings in administrative costs per borrower (only 3 of 21 reported)	NA	insufficient data	



	Sum	Mean	Percentage
Percentage of all Title IV recipients for whom aid was credited to non-allowable funds			38.1%
Average Title IV aid received among credited students			\$12,589
Average non-allowable charge among credited students			\$823
Non-allowable funds credited as a percentage of Title IV aid to credited students			6.5%
Percentage of credited students who graduated or were able to continue enrollment			86.8%
Percentage of all Title IV recipients who declined automatic crediting			0.2%
Average Title IV aid received among credited students			\$5,871
Average non-allowable charge among declining students			\$402
Non-allowable funds credited as a percentage of Title IV aid to declining students			6.9%
Percentage of declining students who graduated or were able to continue enrollment			89.0%

\*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 21 schools. Following this information, we see that it is extremely rare for students to decline automatic crediting of their accounts. **Table 5**, indicates that 38.3 percent of all Title IV participants did have outstanding expenses to credit aid against  $((527 + 92,828) / 243,539)$  and very few objected. Less than six students in 1,000 with other charges declined automatic crediting of their accounts for otherwise non-allowable institutional charges  $(527 / (527 + 92,828))$ .

The few students who did decline the crediting option were, however, slightly more likely to graduate or stay enrolled than students who allowed their Title IV aid to be used to resolve these charges (89% vs. 87%). 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. However, the two percentage point difference observed in 2009-10 was substantially less than the 11 percentage point difference observed for the same comparison in 2008-09.

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 (\$402 vs. \$823) and also received less in aid (\$5,871 vs. \$12,589). 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 of a slightly higher percentage of those declining the crediting option graduating or remaining in school than those who accepted the option.

The Department would need to compare data from students randomly assigned to the experimental condition of allowing automatic crediting of charges to data from students randomly assigned to following current rules where such crediting requires the student’s written permission in order to definitively address whether or not allowing crediting helped or hindered student progress toward degree.

Only three of the 21 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. Students enjoy the convenience of avoiding delays in completing their degrees due to holds placed on their registrations because of unpaid bills.

### **How did the experiment reduce administrative burden?**

*We did not have to disburse funds to students and then send them a bill for the non-institutional charges incurred. This saved time as well as money since we did not have to generate bills to students or explain to them why we returned funds when they still had a balance due the university.*

*This waiver allows our accounting system to seamlessly handle the charges and credits and produce an understandable billing statement for the student. Not a single student has declined this option. This waiver relieves both students and office staff from the burden of completing, collecting and tracking authorization forms.*

*We were able to realize savings in printing & mailing costs associated with sending over 12,000 students a form to request written authorization (a minimum of \$6000) and the cost of clerical staff to process the completed paperwork.*

*The experiment eliminated unnecessary refunds for students that had an unpaid balance from a prior award year or had unpaid institutional charges. Processing refunds requires time and effort to review refund amounts for accuracy, in addition to the actual processing time and costs required to produce checks or electronic ACH refunds. The experiment also allowed us to avoid the additional time and effort that would have been required to collect unpaid prior award year charges and institutional charges that were paid with Title IV funds.*

### **How did the experiment avoid creating additional costs to taxpayers?**

*The experiment avoided additional costs to taxpayers by: reducing the number of Title IV aid refunds processed; 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.*

*Students with a past due balance to the University are unable to enroll in classes for upcoming terms. By allowing Title IV aid to pay institutional charges the University bill was paid in full before the refund was created. This resulted in impacted students being eligible to register for classes required for degree completion. The timely completion of the degree provides students the opportunity to gain employment. This employment provides students with the resources to repay previously borrowed loans which reduce the number of defaulted loans and saves taxpayer money.*

### **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 no longer be available, potentially delaying their time to graduation.*

*One less certification/authorization is a good thing! Our project streamlines the application and disbursement process.*

## 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 15 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 seven reports.

**Table 6** indicates that ability to apply aid funds to charges from a prior term affected eleven percent of the Title IV recipients at participating schools. The average amount of these charges was \$586; the value in 2009-10 constituted a 17 percent decrease to the average per student charge in 2008-09 (\$707), but was close to the value reported in 2006-07 (\$614). Nearly all (86%) 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 15 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)	432,643	28,843	
Number of Title IV recipients*	219,023	14,602	
Total FFEL/Direct Stafford Loan volume*	\$1,915,321,309	\$127,688,087	
Total Federal Pell volume*	\$317,019,813	\$21,134,654	
Total campus-based volume*	\$91,361,213	\$6,090,748	
Most recent self-reported default rate*	NA	2.22	
3) Total number of students who had Title IV aid credited to prior term charges	24,171	1,611	
3a) Total amount of Title IV aid	\$294,446,391	\$19,629,759	
3b) Total amount of Title IV aid credited to prior term charges for a prior year	\$14,170,145	\$944,676	
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	20,731	1,382	
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			11.0%
Average Title IV aid received among students with credited charges for a prior year			\$12,182
Average charge from prior terms			\$586
Credits to charges from prior terms as a percentage of Title IV aid to students for whom aid was credited			4.8%
Percentage of students for whom aid was credited to prior year that graduated or continued enrollment			85.8%

\*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?**

*Over 3,700 students on our campus had prior award year charges that, without the experiment, would have gone unpaid by federal aid. Those students would have been billed individually, payments collected and applied for some, and collection proceedings for others. This experiment allowed our school to cover those charges without the administrative expense and burden of billing and collection.*

*A significant amount of time is spent explaining to students why they received a refund and subsequently received a bill from the University that must be paid. This experiment also reduces the number of students that are assigned to collections by the University resulting in reduced administrative costs as well.*

### **How did the experiment avoid creating additional costs to taxpayers?**

*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. Student benefits include reduced need to take out a short term loan (with interest) to cover the past balance and allowing them continue progress toward graduation, reducing the possibility of loan default.*

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

*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 educations until prior-term charges can be paid from personal funds.*

*Many contacts to our office deal with questions on paying their bill. In these contacts we learn that students are seeking aid that will cover any outstanding costs they have and that allow them to continue. Students do understand that this potentially impacts current year costs but are more than willing to be proactive and in a caught up state. This puts the student in a situation where their ability to persist is increased. Restrictions on what aid can pay are seen as a barrier. The counter impact here is frustration by the student and increased burden to office staff in dealing with the multiple visits by these students. Only on rare occasions is the outstanding balance so extreme that it is not possible or realistic or in the best interest of the student to provide this service.*

## 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 using alternative means of delivering 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 38 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 38 schools. The participating schools disbursed 4.2 billion dollars in FFEL/Direct Stafford loans in 2009–10. The low average default rate (2.32%) 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 \$5,848.<sup>1</sup> Seven of the 38 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.

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<sup>1</sup> 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)	852,038	22,422	
Number of Title IV recipients*	497,802	13,100	
Total FFEL/Direct Stafford Loan volume*	\$4,192,667,320	\$95,287,894	
Total Federal Pell volume*	\$754,566,436	\$17,149,237	
Total campus-based volume*	\$181,739,237	\$4,130,437	
Most recent self-reported default rate*	NA	2.32	
2) Number of first-time borrowers	106,720	2,808	
3) Total loan funds for students in (2)	\$624,109,138	\$14,184,299	
4) Has the institution exempted certain groups?	Yes=8; No = 35;  Blank =1		NA
O1) Estimated savings in administrative work hours per borrower [5 of 38 institutions reporting, but only 3 reports less than 10]	NA	unreliable data	
O2) Estimated savings in administrative costs per borrower [5 of 38 institutions reporting, but only 3 reports less than \$1000]	NA	unreliable data	
Average loan amount for first-time borrowers			\$5,848 \$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

Only five of the 38 schools supplied the optional estimates of administrative savings per borrower. Unfortunately, two of these schools provided estimates in excess of our ten hour and \$1,000 thresholds. Given the small number of acceptable responses we do not report these estimates because do not believe them to be based on a sufficient amount of data.

**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?**

*This experiment reduced administrative burden because we did not have to set up a system to track entrance counseling completion, notify students of the requirement, and load entrance counseling files to our system.*



*The defined process requires us to conduct and record entrance counseling by a specific method and during a specific time. Planning and recording the action of the student during a specific time significantly increases work-load during the 3 months prior to enrollment. The experiment reduces the administrative burden of recording the actions, developing constant communications, and holding payments from student.*

#### **How did the experiment avoid creating additional costs to taxpayers?**

*It actually reduces costs to taxpayers since less staff and office expenses are needed and reduce state funding at our public institution.*

*We are a large public institution and reducing the administrative burden helped to keep our costs contained.*

*The direct cost of requiring entrance interviews is likely negligible to taxpayers in this experiment. However, in an era where we, as a nation, are striving to simplify the aid process, and in a time where we are trying to encourage students to participate in the process rather than being discouraged by the complexities and perceived bureaucracy, eliminating this step, at least for schools that have consistently low default rates, would be a positive step. We want students to graduate, and the fewer impediments they have to accessing funds, the more likely they are to meet their educational goals.*

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

*Students benefited by receiving on-time disbursements, regardless of their entrance counseling status. This allows them to purchase books and supplies in a timely fashion, which in turn improves their chances for academic success.*

*Originally, the experiment allowed quicker delivery of funds to students as well time savings by not participating in counseling that would have very little if any impact on whether they eventually defaulted on their loans, as our experiment showed. Academic success is a key element in limiting defaults.*

*Delivery service is improved for each student as students have access to their funds without having to perform additional required steps in order to obtain their funds. Time saved on the administrative side simply allows more time for staff to focus on other financial aid priorities, and particularly in this difficult economic time, allows for more time to counsel students and their families.*



## 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 34 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 of 3.79% in 2009-10 was higher than the 2.48% average among the 39 institutions in 2008-09, but still indicates that the 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)	822,689	24,197
Number of Title IV recipients*	468,038	13,766
Total FFEL/Direct Stafford Loan volume*	\$4,060,274,993	\$119,419,853
Total Federal Pell volume*	\$690,521,453	\$20,309,454
Total campus-based volume*	\$170,327,264	\$5,009,625
Most recent self-reported default rate*	NA	3.79
2) Conducted exit counseling	Y = 24; N = 10	71%
3) Number of final-term borrowers	111,626	3,283
4) Number of borrowers who graduated	86,070	2,531
5) Number of borrowers who withdrew	15,971	470
6) Total amount of Title IV loans for students in (3)	\$3,074,534,748	\$90,427,493
O1) Estimated savings in administrative work hours per borrower [4 of 34 institutions reporting]	NA	insufficient data
O2) Estimated savings in administrative costs [3 of 34 institutions reporting]	NA	insufficient data

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

The rest of the information in **Table 8** pertains more directly to the exit counseling experiment. This experiment affected the exit counseling of approximately 112 thousand student borrowers in 2009–10. This group of students had accumulated Title IV indebtedness of over three billion dollars. Therefore, the average accumulated debt per student was \$27,558.

Ten of the 34 schools indicated they did not conduct exit counseling at all.

Less than five institutions completed the optional section of the reporting template dealing with estimated administrative savings. We do not report the estimates based on the handful of school that did, because we believed that this small number of data points is insufficient to support reliable estimates.

### **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 reduction in administrative burden is not being required to document completion of exit counseling.*

*Our method allows us to conduct the exit counseling in several ways. It also allows us to eliminate tracking of information during a time when students are extremely busy with other educational requirements to assure graduation. Our default rate remains low.*

*We offer 3 options for exit counseling - web, group sessions, or individual in-office sessions - to better accommodate individual student preference. This experiment reduces administrative burden by offering do it yourself online options to students eliminating the need to follow up to borrowers who do not take advantage of one of the 3 exit counseling options.*

#### **How did the experiment avoid creating additional costs to taxpayers?**

*When the experiment ends our students will still complete exit counseling online, but staff time will be needed to monitor completion and follow up with students who do not complete. As we are a public institution, staff time costs taxpayers money.*

*The experiment avoids additional cost to the taxpayers by reducing or eliminating multiple mailings of information to applicants in pursuit of a response.*

*The direct cost of requiring exit interviews is likely negligible to taxpayers in this experiment, however from a larger perspective, processes that are unnecessary but required for students to obtain their financial aid are often perceived as burdensome to students.*

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

*All students who apply for graduation and all students who withdraw during the term are contacted via email and instructed to complete exit loan counseling on the Direct Loan Servicer's website. Students benefitted from this delivery system because they could complete the exit counseling process when convenient for them and have an online reference to refer to in the future.*

*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 the current experiments has prompted the legislative or executive branch of government to increase the number of schools allowed to use the alternative approach to Title IV aid delivery being tested by institutions participating in the experiment. .

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 some 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 either experimental or current rules. This contributes to very inconsistent estimates of burden reduction across schools. We were only confident enough in the quantitative burden reduction data received for the 2009-10 award year to include both the time and dollar estimates for three 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 of students probably “enjoy” the reduced 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 slightly 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 finding 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.

The Department will design new experiments in such a way as to provide the data necessary for a rigorous evaluation. 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.