



Analysis of the Experimental Sites Initiative: 2010–11



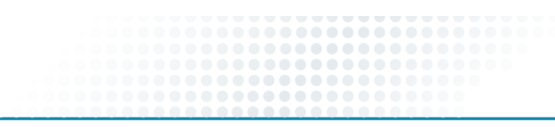


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Executive Summary

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 76 postsecondary institutions. The Department of Education has waived specific statutes or regulations at postsecondary institutions, or consortia 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 experiments. This report examines the data and comments submitted by institutions participating in the initiative for award year 2010–2011 (AY10–11). 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.

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 that the experiments lead to 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.

Many of the current experiments have been in place since 1998. Despite a long history of generally positive findings, none of the current changes being tested by this initiative have moved Congress to change the underlying law or three different administrations to modify governing regulations.



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 improve the access to postsecondary education for potential students with limited economic means. While HEA student 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), have 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 statutory provisions and regulations burden students and postsecondary institutions against the degree they strengthen 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 10percent or below for the three most recent fiscal years to be eligible for these flexibilities.

On the following page, **Table 1** presents a comparison of the 76 institutions participating in the ESI with the other 7,223 domestic postsecondary institutions that participate in Title IV who completed the Integrated Postsecondary Education Data System (IPEDS) Fall Enrollment Survey in 2010. 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 percent of other schools awarded Bachelor's or higher degrees. Further, 97 percent of ESI schools awarded Masters or Doctoral degrees compared to only 28percent of other schools. Second, the vast majority of experimental sites are public (80percent), while less than a third (29 percent) of other schools are public. Schools from the Midwest are over-represented among ESI participants. Finally, schools participating in the ESI have an average enrollment of 22,808, significantly larger than other schools with an average enrollment of 2,760.



Table 1. Comparison of Institutional Characteristics within Data Sets

	IPEDS Excluding ESI	Participating Experimental Sites Only
Total Number of Institutions	7,223	76
Number of Institutions by Type		
One-year or less	1,943	0
Two-year, Non-degree	941	0
Two-year, Associates	1,413	0
Bachelor's Degree	870	2
First Professional Degree	50	0
Master's or Doctoral Degree	2,006	74
Number of Institutions by Control		
Public	2,082	61
Private	1,868	15
Proprietary	3,273	0
Geographic Region		
New England	442	2
Mid-Atlantic	1,131	9
Southern	1,743	7
Midwest	1,726	35
Southwest	748	6
Western	1,272	17
U.S. Service Schools	1	0
Average Enrollment	2,760	22,808

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 2010-11 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 generally similar to those reported last year (AY 2009–10). Participants continue to 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 definitive empirical evidence to support that conclusion.

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



A. Loan Proration for Graduating Borrowers

Undergraduate postsecondary students may borrow funds from the Direct Loan program up to the cost of their education subject 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 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 61 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 61 schools. We provide both the total sums at all 61 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 42,415 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 (2.9 percent). 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 relatively few in number, most students expecting to graduate in less than a full academic year decided to take advantage of the experimental opportunity to take out a non-prorated loan. Just over ten percent (4,322 out of 42,415 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.



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

	Sum	Average Per Institution
Enrollment (from IPEDS)	1,446,064	23,706
Number of Title IV recipients*	826,258	13,545
Total Direct Stafford Loan volume*	6,713,447,857	110,056,522
Total Federal Pell volume*	\$1,420,987,753	23,294,881
Total campus-based volume*	\$337,294,638	5,529,420
Most recent self-reported default rate*	NA	3.01
2) Number of students whose loans would have been subject to loan proration in their graduating term	42,415	695
2a) Number of students who actually received prorated loans	4,322	71
2a1) Number of students in (2a) who graduated with four-year degrees	4,009	66
2a2) Number of students in (2a) who graduated with other degrees	5	0
2a3) Number of students in (2a) who withdrew before the end of the term	20	0
2a3i) Total amount returned to Title IV for students in (2a3) who withdrew before the end of the term	\$24,320	399
2a4) Number of students in (2a) who completed the term (not necessarily graduated)	186	3
2a5) Number of students in (2a) with unknown status	102	2
2b) Number of students in (2) who received non-prorated loans in their graduating term	36,183	593
2b1) Number of students in (2b) who graduated with four-year degrees	27,333	448
2b2) Number of students in (2b) who graduated with other degrees	2,667	44
2b3) Number of students in (2b) who withdrew before the end of the term	550	9
2b3i) Total amount returned to Title IV for students in (2b3) who withdrew before the end of the term	\$618,989	10,147
2b4) Number of students in (2b) who completed the term (not necessarily graduated)	4,122	68
2b5) Number of students in (2b) with unknown status	1,511	25
O1) Estimated savings in administrative work hours per borrower [15 of 61 institutions reporting]	NA	0.86
O2) Estimated savings in administrative costs per borrower [14** of 61 institutions reporting]	NA	\$22

*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.



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

Students receiving prorated loans who graduated with four-year degrees	92.8%
Students receiving prorated loans who graduated with other degrees	0.1%
Students receiving prorated loans who withdrew	0.5%
Students receiving prorated loans who completed the term	4.3%
Students receiving prorated loans with unknown status	2.4%
Students receiving non-prorated loans who graduated with four-year degrees	75.5%
Students receiving non-prorated loans who graduated with other degrees	7.4%
Students receiving non-prorated loans who withdrew	1.5%
Students receiving non-prorated loans who completed the term	11.4%
Students receiving non-prorated loans with unknown status	4.2%

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 counts. 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 (92.8 percent + 0.1 percent = 92.9 percent) than among borrowers with non-prorated loans (75.5 percent + 7.4 percent = 82.9 percent).

This finding is the exact opposite of what advocates of allowing non-prorated loans for students in their final term would predict. The primary goal of allowing students with less than a full academic year left to borrow the full annual amount is to encourage degree completion. We suspect 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. Borrowers who chose to borrow only the prorated amount likely had greater access to alternative means for paying for their final term than the borrowers who took advantage of the experimental opportunity to borrow the annual maximum. 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 \$22 per student and 0.86 hours (52 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 15 of the 61 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

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 expediting graduation and students being able to forego private educational loans as the main benefits enjoyed by both taxpayers and the students themselves.

How did the experiment reduce administrative burden?

Not prorating loans reduces the burden of our limited staff by not having to deal with the time consuming burden of the constant monitoring and adjusting of those loans.

Prorating loans increases the time it takes to process each student file. It takes it from an automated process to a manual process. By not prorating loans we significantly reduce the time it takes to process each student file.

Individual loan eligibility calculations were not required for students subject to proration and we did not have to explain proration to students.

How did the experiment avoid creating additional costs to taxpayers?

The loan experiment avoids creating additional costs to the taxpayers by keeping students enrolled in their final term, by providing them with sufficient funds. These students then go on to graduate and get jobs (and pay taxes) which means that they are less likely to default on their student loans. Taxpayers bear the cost of student loan defaults, so keeping students from defaulting is a real benefit to the taxpayers.

The taxpayer benefits when the student graduates earlier. Simply by graduating a semester earlier, the student potentially enters repayment five months earlier. 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. The student enters the job market earlier with the potential to become a full-time wage earner and increase his/her role as a taxpayer.

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

Had students been subject to proration, the students would have turned to private lenders to borrow additional loan funds. Additionally, these students would now have to repay multiple loans to multiple lenders, and be faced with interest rates and repayment terms that are not as favorable as those offered by the Federal Direct Student Loan program.

Some groups of students incur additional costs during their final semester. The most common situation is that of student teachers in our Education programs who are displaced to a different part of the state and have to maintain more than one household.

Loan proration amounts are difficult to communicate to students and are confusing. By allowing our institution to package all students with the simple annual loan limits and publish this information in a consistent manner, students are better able to understand their eligibility.



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 Direct Loan program. 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 Direct Loans regardless of FWS.

Table 3 provides a summary of the information supplied by the 23 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 participants supplied through the online reporting template. We found overawards of \$300 or less allowed by this experiment were relatively rare and when they did occur constituted a minor portion of the affected students' loan. We found less than two percent of all students with Direct Loans experienced an overaward. The total dollar amount of these overawards constituted under 3 percent of the loans made to students with overawards and only 0.04 percent of all Direct Loan funds made at participating schools.

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

	Sum	Average Per Institution	Percentage
Enrollment (from IPEDS)	531,402	23,104	
Number of Title IV recipients*	334,619	14,549	
Total Direct Stafford Loan volume*	\$2,578,826,209	112,122,879	
Total Federal Pell volume*	\$616,667,683	26,811,638	
Total campus-based volume*	\$119,021,883	5,174,864	
Total Number of Direct Stafford borrowers	301,665	13,116	
Most recent self-reported default rate*	NA	3.00	
2) Total number of students with loan funds overawarded by \$300 or less	5,692	247	
3) Total Stafford loan volume for students in 2)	\$42,209,436	1,835,193	
4) Total amount of overawards by \$300 or less in 2)	\$1,005,684	43,725	
Average amount of overaward for those with overawards of \$300 or less	NA	\$177	
O1) Estimated savings in administrative work hours per borrower [6** of 23 institutions reporting]	NA	0.86	
O2) Estimated savings in administrative costs per borrower [6** of 23 institutions reporting]	NA	\$25	
O3) Average cost of attendance for Direct Stafford loan population [10 of 23 institutions reporting]	NA	\$25,854	
Percent of students with Direct Stafford loan that experienced an overaward			1.89%
Total amount of overawards by \$300 or less divided by Direct Stafford loans made to students such an overaward			2.38%
Total amount of overawards by \$300 or less divided by total Direct Loan volume			0.04%

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

** We excluded one school that reported values in excess of 10 hours and of \$1,000.



Based on the responses of 6 of the 23 participants, we derived an average estimate of just under one hour (0.86) saved by not having to administratively deal with the overaward. We calculated an average dollar savings of \$25. 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 (\$25) is equal to 14.1 percent of the average dollar amount of the overawards less than \$300 (\$177). 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 community or religious organizations 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?

The University conducts this experiment by carefully monitoring the resolution of overawards. Every effort is made to resolve overawards without using the overaward tolerance. The rationale for this experiment is to reduce the impact of small, late overawards on students and to reduce the administrative cost associated with processing loan reductions. Implementation of this experiment has been invaluable in the resolution of small overawards, especially during the spring semester. Applying a standard \$300 overaward tolerance to both federal campus based aid and federal loan programs simplified the overaward calculation and review process.

The heaviest administrative burden involves the complex corrective actions that must be taken by the financial aid and bursar offices for such small overaward situations. 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.

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.

Although the taxpayer would benefit in instances where subsidized loans would have been reduced, the amount of the reduction is insignificant when compared to the overall loan program.



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

For the group of students with no required adjustments they received funds faster. With one standard overaward calculation it has been easier to explain to students why their aid was adjusted.

The largest benefactor of this experiment is the student. Because the loans are not reduced, the students are able to retain the funds. Students do not understand the complexities of financial aid and often view the reduction of loan for a scholarship as punitive, especially in those instances when the reduction results in a charge to their student account. In some instances the student no longer has the funds which precipitated the reduction. This could cause undue hardship for students by preventing enrollment for a subsequent term.



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 34 colleges and universities participating in this experiment.

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

	Sum	Average Per Institution	Percentage/ Amount
Enrollment (from IPEDS)	902,224	26,536	
Number of Title IV recipients*	519,452	15,278	
Total Direct Stafford Loan volume*	\$4,312,510,609	126,838,547	
Total Federal Pell volume*	\$904,743,647	26,610,107	
Total campus-based volume*	\$198,571,939	5,840,351	
Most recent self-reported default rate*	NA	3.34	
2) Total number of students for whom loan fees included as part of COA	129,919	3,821	
3) Total amount of loans for students in (2) who have loan fees included	\$1,329,772,170	39,110,946	
4) Total amount of loan fees included in COA for students in (2)	\$16,499,530	485,280	
5) Number of students for whom loan fees were NOT included in COA	273,703	8,050	
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	158,372	4,658	
7) Total number of students who could have had the loan fees included in their cost of attendance	377,976	11,117	
O1) Estimated savings in administrative work hours per borrower [4 of 34 institutions reporting]	NA	1.12	
O2) Estimated savings in administrative costs per borrower [4 of 34 institutions reporting]	NA	\$33	
Borrowers who had loan fees included in COA			32%
Borrowers who did not have loan fees included in COA			68%
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 found that the majority (68percent) of borrowers attending schools participating in the experiment did not have their fees included in their COA calculations. One reason for this is that 39 percent (158,372 / (129,919 + 273,703)) 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 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. Still the percentage of students who did opt to include loan fees in their cost of attendance in AY10-11, 32 percent, was nearly double the 18 percent who requested including fees in AY09-10. This decrease in the popularity of the experiment among borrowers occurred despite the fact that the average loan fee was nearly twice as much (\$225) in AY09-10 than it was in AY10-11 (\$127).

Excluding loan fees in the COA eases administrative burden. Averaging the responses of the 4 of 34 participating institutions that provided estimates, we calculated a timesaving of a little over an hour (1.12). The cost estimate of \$33 seems in line with the time estimate.

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. One school pointed out that the move to 100 percent direct lending, and thus uniform fees, mitigated some of the burden of including loan fees in the COA. 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?

Student's financial aid awards are packaged initially without regard to student loan fees in the cost of attendance. The experiment reduces the administrative burden of calculating the actual or/average cost of loan fees and increasing the budget to compensate for these costs for over 19,000 loans.

It eliminates the extra work required for us to add a very small amount (.5percent) of funds into the cost of education. It eliminates the work required for us to change this amount in the cost of attendance every time a loan changes. These changes would have to be done manually as our software does not support the process.

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 majority of our students elect not to request budget add-ons for loan fees. Consequently, they are borrowing less than they would if each student maxed out on the amount of their federal loan eligibility including additional borrowing amounts to cover the loan origination fees. This reduction in borrowing represents a savings to the federal government, and thus to the taxpayers. Not adding loan fees automatically to student cost of attendance budgets not only did not create additional cost to taxpayers but actually reduced costs to taxpayers by a small amount in eliminating the minuscule incremental federal loan eligibility that usually results from adding loan fees to COA.

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



Loan fees are added to students' budgets on a case by case basis in an attempt to clear minor overawards. This process is preferable because it gives us the freedom to resolve small overawards without affecting the aid a student may have already received. Adding loan fees to individual student budgets in special cases has proved useful in avoiding small over-awards for students who receive funds from outside sources after Stafford loans have been fully disbursed. Fees are also useful for students who need a little extra work study at the end of the academic year. This flexibility is useful.

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 17 schools that participated in this experiment.

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

	Sum	Average Per Institution
Enrollment (from IPEDS)	422,470	24,851
Number of Title IV recipients*	220,162	12,951
Total Direct Stafford Loan volume*	\$1,942,749,497	\$114,279,382
Total Federal Pell volume*	\$352,640,982	\$20,743,587
Total campus-based volume*	\$80,838,256	\$4,755,192
Most recent self-reported default rate*	NA	2.95
3) Number for whom Title IV aid was credited to non-allowable institutional charges	83,070	4,886
3a) Total dollar amount of Title IV funds for Title IV aid recipients	\$1,180,660,143	\$69,450,597
3b) Total amount of Title IV aid credited to non-allowable institutional charges	\$42,999,108	\$2,529,359
3c) Number of students who used some of their 2010–2011 aid for credit to non-allowable institutional charges, who either graduated or were able to continue their enrollment into the following semester	71,963	4,233
4) Number of students declining automatic credit of Title IV aid to non-allowable institutional charges	301	18
4a) Total dollar amount of Title IV funds for Title IV aid recipients in (4)	\$2,875,575	\$169,151
4b) Total amount of otherwise non-allowable institutional charges for students in (4)	\$220,771	\$12,987
4c) Number of students in (4) who either graduated or were able to continue their enrollment into the following semester	280	16
5) Number of students who took advantage of crediting of Title IV aid to non-allowable institutional charges for multiple terms	48,539	2,855
O1) Estimated savings in administrative work hours per borrower (4 of 17 reported)	NA	1.40
O2) Estimated savings in administrative costs per borrower (all 4 of 7 reported values > \$1000)	NA	Unreliable data

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



Table 5. Credit of Title IV Aid to Non-allowable Institutional Charges Experiment - Continued

	Percentage
Percentage of all Title IV recipients for whom aid was credited to non-allowable funds	37.7%
Average Title IV aid received among credited students	\$14,213
Average non-allowable charge among credited students	\$518
Non-allowable funds credited as a percentage of Title IV aid to credited students	3.6%
Percentage of credited students who graduated or were able to continue enrollment	86.6%
Percentage of all Title IV recipients who declined automatic crediting	0.1%
Average Title IV aid received among credited students	\$9,553
Average non-allowable charge among declining students	\$733
Non-allowable funds credited as a percentage of Title IV aid to declining students	7.7%
Percentage of declining students who graduated or were able to continue enrollment	93.0%

The first six rows of **Table 5** provide some contextual data about total aid disbursed at these 17 schools. Following this information, **Table 5** provides counts of the number of students as well as the dollar amounts of Title IV aid and non-allowable charges involved for two groups of students. The first group of students who did not object to the experimental use of applying aid awards to normally non-allowable charges was substantially larger than the second group that declined. Across the 17 schools, 83,070 students allowed the experimental treatment of aid. Only 301 students declined to participate in this experiment.

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 (93.0 percent vs. 86.6 percent). 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 more in non-allowable charges (\$733 vs. \$518) and received less in aid (\$9,553, vs. \$14,213). The lower average amount of Title IV aid received suggests that it may have 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 17 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.

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.

An unpaid student balance only serves to delay campus-wide services such as registration. The problems tend to increase exponentially (create a snowball effect) and require repeated contacts from the student to the aid office (increase in administrative burden).

Additional workload for staff would be required so we could collect and store a signature on the system, and for counseling students who question the need for our request for this signature. We would also need additional staff time to counsel students who may end up with an unpaid bill.

How did the experiment avoid creating additional costs to taxpayers?

Allowing the institution to pay the account in full without special permission from the student reduced the time spent on each student's account, which in turn saved staff salaries. As a state institution these salaries are paid out of the state budget. Additional costs to the institution could result if this procedure were changed, creating additional workload for staff and additional costs for thousands of additional bills, refund checks and telephone calls needed if this procedure were changed.

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?

When students were issued excess aid they thought their bill had been paid in full for the semester. This (experiment) reduced questions as well as confusion for the student. Students were not required to use their time to make a return payment to the institution from the funds we had just sent to them. Students did not incur late fees for charges they assumed had been paid with financial aid.

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, as well have registration holds placed on their accounts.

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. Therefore, this experiment changed the default prohibition of applying current aid to prior term charges unless the student gave their permission to allowing this practice unless the student objected.

Table 6 presents aggregated data, beginning with contextual data about the total number of Title IV aid disbursed by the 13 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 eight reports.

Table 6 indicates ability to apply aid funds to charges from a prior term affected 15 percent of the Title IV recipients at participating schools. The average amount of these charges was \$742; the value in 2010-11 constituted a 26 percent increase to the average per student charge in 2009-10 (\$586), but was close to the value reported in 2008-09 (\$707). Nearly all (88percent) 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 two of the 13 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

	Sum	Average Per Institution	Average Amt.
Enrollment (from IPEDS)	417,834	32,141	
Number of Title IV recipients*	215,868	16,605	
Total Direct Stafford Loan volume*	\$1,919,210,935	\$147,631,610.38	
Total Federal Pell volume*	\$345,603,489	\$26,584,883.73	
Total campus-based volume*	\$93,138,327	\$7,164,486.73	
Most recent self-reported default rate*	NA	2.55	
3) Total number of students who had Title IV aid credited to prior term charges	33,153	2,368	
3a) Total amount of Title IV aid	\$364,840,037	\$28,064,618.25	
3b) Total amount of Title IV aid credited to prior term charges for a prior year	\$24,611,412	\$1,893,185.52	
3c) Number of students who used some of their 2010–2011 aid to pay 2009–2010 prior term charges, who either graduated or were able to continue their enrollment into the following semester	29,052	2,075	
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	\$0	\$0	
4b) Total amount of Title IV aid credited to prior term charges for a prior year	\$0	\$0	
4c) Number of students who used some of their 2010–2011 aid to pay 2009–2010 prior term charges, who either graduated or were able to continue their enrollment into the following semester	0	0	
O1) Estimated savings in administrative work hours per borrower [2 out of 13 institutions reporting]	NA	insufficient data	
O2) Estimated savings in administrative costs per borrower [2 out of 13 institutions reporting]	NA	insufficient data	
Percentage of all Title IV recipients for whom aid was credited to prior term charges			15.4%
Average Title IV aid received among students with credited charges for a prior year			\$11,005
Average charge from prior terms			\$742
Credits to charges from prior terms as a percentage of Title IV aid to students for whom aid was credited			6.7%
Percentage of students for whom aid was credited to prior year that graduated or continued enrollment			87.6%

*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 this convenience could help students avoid the consequences of having an unpaid bill.

How did the experiment reduce administrative burden?

Without the experiment staff would have additional workload to collect and store a signature on our 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.

Administrative burden was reduced through this experiment because prior year charges were paid off. This allows receivables staff time to devote on current semester charges and maintaining integrity of the institution's accounts.

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 by to taxpayers by: 1) reducing the number of Title IV aid refunds processed; 2) 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 3) eliminating the staff time required to explain to students why they received a refund check but still owe an amount to the university.

Taxpayer costs were reduced because students can continue to register for courses on time and graduate in a timely manner. Long term, this helps promote academic success and reduce loan default. Loan default adversely burdens the taxpayer.

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

Students benefit from the experiment because their charges incurred later in the semester are paid. This allows them to register for courses in a timely manner, which in turn improves academic success and fast progress towards graduation. A quicker path towards graduation reduces aggregate student loan debt .

This experiment improved delivery services or otherwise benefitted students by giving students wishing to decline automatic credit of aid to prior year institutional charges the option to contact Financial Aid Services to ensure understanding of the impact of this action on their bill with the Student Accounts Office. This experiment also offered the students the convenience of not having to look for alternative loans to pay for prior year charges. Allowing current year aid to apply to prior award year charges increases the



likelihood that students will continue their education and not drop out due to financial reasons.

Students would be required to sign a separate form allowing us to apply their aid to prior term charges, if this experiment were not used. 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 or Direct 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 entrance counseling was performed.

Table 7 summarizes the data 33 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 33 schools. The participating schools disbursed \$5.1 billion in Direct Stafford loans in 2010–11. The low average default rate (2.77percent) at these institutions suggests 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 \$6,844.¹ Six of the 33 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

	Sum	Average Per Institution	Average Amount
Enrollment (from IPEDS)	808,536	24,501	
Number of Title IV recipients*	469,435	12,354	
Total Direct Stafford Loan volume*	\$5,116,544,563	\$155,046,804.93	
Total Federal Pell volume*	\$796,970,114	\$24,150,609.51	
Total campus-based volume*	\$180,813,304	\$5,479,191.03	
Most recent self-reported default rate*	NA	2.77	
Number of first-time borrowers	113,422	3,437	
Total loan funds for students in (2)	\$776,301,302	\$17,643,211	
Has the institution exempted certain groups?	Yes=6; No = 27		NA
O1) Estimated savings in administrative work hours per borrower [4 of 33 institutions reporting, but only 3 reports less than 10]	NA	unreliable data	
O2) Estimated savings in administrative costs per borrower [4 of 33 institutions reporting, but only 2 reports less than \$1000]	NA	unreliable data	
Average loan amount for first-time borrowers			\$6,844

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

Only four of the 33 schools supplied the optional estimates of administrative savings per borrower. Unfortunately, one of these schools provided estimates in excess of our 10-hour limit and two schools reported dollar amounts above our \$1,000 threshold. Given the small number of acceptable responses we do not report these estimates since they are based on insufficient 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?

When this experiment originated, the amount of staff time, both counseling and programming staff, as well as printing and mailing expenses were reduced since entrance counseling was a very labor intensive process.

With the advent of on-line entrance counseling the administrative burden is focused on staff assigned to monitoring regulatory changes, specification writing, testing, student notification processes as well as IT staff to do the required programming. Our current



program reduces administrative burden simply by reducing the number of contacts we may have if a student does not complete their required Entrance Loan Counseling.

The fact that no entrance interview is required continues to expedite our ability to disburse funds to students and minimizes the manual efforts of staff. These reductions have enabled us to focus more on service to students and not simply documenting a process.

How did the experiment avoid creating additional costs to taxpayers?

With default rates varying little until that latest economic downturn, there would have been little or no impact on taxpayer expense.

Additional costs would be incurred implementing the resources necessary to ensure loan counseling was completed prior to disbursement. The current system would need to be programmed to be able to pull down files from COD and record on the system that students completed loan counseling. By using an alternative method of providing loan counseling, additional taxpayer dollars are not required and students are still able to receive the necessary loan counseling information.

Over the course of this experiment we have been able to maintain a low default rate which has not contributed to an increase in cost to the taxpayer. In addition funds reach the student, the taxpayers themselves, quicker. We have noticed personally that when a student does not receive their funds because of a delay they ultimately rely on credit. Being able to avoid this additional delay has benefited the taxpayer directly and decreased any direct cost associated with a delay in disbursement.

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

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 the projects which benefits many more 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.

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 32 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 3.12 percent was lower than the 3.79 percent reported in 2009-10 and suggests 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**

	Sum	Average Per Institution
Enrollment (from IPEDS)	829,551	25,923
Number of Title IV recipients*	472,295	14,759
Total Direct Stafford Loan volume*	\$4,130,062,309	\$129,064,447
Total Federal Pell volume*	\$766,212,949	\$23,944,154
Total campus-based volume*	\$177,612,396	\$5,550,387
Most recent self-reported default rate*	NA	3.12
2) Conducted exit counseling	Yes =22; No =9; Blank=1	71.0%
3) Number of final-term borrowers	117,128	3,660
4) Number of borrowers who graduated	90,944	2,842
5) Number of borrowers who withdrew	13,477	421
6) Total amount of Title IV loans for students in (3)	\$3,369,818,178	\$105,306,818.
O1) Estimated savings in administrative work hours per borrower [3 of 32 institutions reporting]	NA	insufficient data
O2) Estimated savings in administrative costs [3 of 32 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 117,000 student borrowers in 2010–11. This group of students had accumulated Title IV indebtedness of over three billion dollars. Therefore, the average accumulated debt per student was \$28,770.

Nine of the 32 schools indicated they did not conduct exit counseling at all.

Only three 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 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?

Requiring students to complete an in-person exit loan counseling session prior to graduating is burdensome on staff resources and is costly to the institution. By directing students leaving the institution to pertinent exit loan counseling materials that can be reviewed at their discretion, staff resources are not drained and students are still made aware of their options and responsibilities as a borrower. The success of this is evidenced by the decline in the loan default rate from an all-time high in FY97 of 5.2 percent, about the time we began participating in this experiment. The FY09 rate was released at 2.2 percent proving that in-person exit counseling sessions are not necessary to deter loan defaults.

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. By reducing the tracking, additional communications to perform the process in a prescribed way, and reduced confusion for students we are able to reduce our office costs of providing information on loan repayments to students.

How did the experiment avoid creating additional costs to taxpayers?

While students can complete exit counseling online, staff time would still be needed to monitor completion and follow up with students who do not complete. Reducing staff time for such tasks ultimately allows us to provide better service to students and can also save taxpayer dollars. The electronic process reduced staff time necessary to support the process and since contact was electronic, mailing costs were eliminated. Use of the electronic option resulted in higher number of students completing the process than other exit counseling methods with a resulting positive impact on our default rate.

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.

We feel that participating in this experiment allows us to avoid requiring students to jump through additional hoops during a very busy time for them (usually graduation). We make every effort to notify students up front about borrower rights and responsibilities, in addition to notifying them of the availability of this information as they approach graduation.



Conclusion

All 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 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 2010-11 award year to include both the time and dollar estimates for only 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 percent 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 charges. 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 do not focus on student outcomes. The two that do include student outcome measures - 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 counterintuitive findings were due to a selection bias with 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 has designed 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 prevents 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.