COHORT DEFAULT RATES

RECOMMENDATION

- ✓ Congress should prohibit Cohort Default Rates (CDRs) for HBCUs for rates issued in 2016 and 2017.
- ✓ Congress should establish an automatic income-based loan repayment system to allow borrowers to repay education loans with manageable payments. Such a system, administered by the federal government, would lift the burden of debt collection off the backs of colleges and universities and effectively end student loan defaults.

NATIONAL SIGNIFICANCE

HBCUs provide tremendous value to their students and the nation. They represent approximately 3% of all two-and four-year colleges and universities; enroll 10% of all African-American college students; confer 18% of African-American undergraduate degrees; and generate 25% of African-American undergraduate STEM degrees.

Yet, HBCUs are at greater risk federal Title IV sanctions because they serve disproportionately low-income students who must rely on federal loans, and borrow greater amounts, than other students in order to attend college.

BACKGROUND

In 2008, Congress raised the bar for colleges and universities in the Higher Education Opportunity Act, which mandated a new CDR measure that calculates the percentage of student borrowers who default on their loans within three years of leaving school. Beginning in 2014, sanctions, including loss of all federal Title IV student financial aid, may be assessed against schools with three-year CDRs of 30% or higher for three consecutive years.

HBCUs are working actively to lower student default rates. They have implemented default prevention plans; hired third-party consultants to identify delinquent borrowers and encourage them to enroll in income-based repayment plans and rehabilitate defaulted loans; and requested U.S. Department of Education technical assistance on effective default prevention. Despite these efforts, the CDRs of some HBCUs still approach the 30% threshold.

The most recent CDRs released began tracking student borrowers who began loan repayment between October 1, 2011 and September 30, 2012 and defaulted prior to September 30, 2014. This time period followed the worst economic recession in our country in the last 85 years. The aftermath of this recession and its sluggish recovery made it difficult for many recent graduates to find employment and, thus, repay student loans. Moreover, vast disparities in employment, income and wealth continue to exist along racial lines, which especially impact African American students.

HBCUs with small enrollments, in particular, are at risk because a small number of students who default can easily push these institutions over the 30% threshold – jeopardizing the entire institution.

Congress previously recognized the special mission of HBCUs in serving disadvantaged students by exempting them from CDR penalties.[i] Considering the unforeseen impact of the economic downturn on African-American families, Congress should again provide HBCUs relief from CDR sanctions.

---

[i] See 1998 Higher Education Act Amendments (PL 105-244) and Consolidated Appropriations Act of 2001 (PL 106-554).