Moving Past Loan Default Rates: Experts Discuss Additional Accountability Metrics to Improve Student Success

By Hunter B. Martin, NASFAA Staff Reporter

As college costs rise, more people have turned to lawmakers to hold institutions accountable for providing high quality student success outcomes. Seeking to address accountability metrics and provide recommendations to lawmakers working to reauthorize the Higher Education Act (HEA), a panel of higher education experts discussed loan repayment rates on Tuesday.

The current primary metric used to measure accountability at the institutional level is the cohort default rate (CDR), which is "outdated and insufficient as a stand alone measure," said Michael Itzkowitz, a senior fellow at Third Way, the center-left think tank that hosted the event.

The use of the CDR metric has faced a great deal of criticism over improperly targeting community colleges and calls for improvement to more accurately reflect student success outcomes. At the event the panelists debated options to replace the CDR or add other metrics to measure institutional accountability.

"Every year [CDR] captures about 10 schools, even though we know we have thousands and thousands of schools in the system, and many more than 10 that are not serving their students well when it comes to loans," said Lanae Erickson, senior vice president of social policy and politics at Third Way.

None of the panelists said the CDR should be entirely removed from accountability metrics. Instead, they all agreed that it isn't an accurate tool to measure student success outcomes, nor it it being used to penalize schools with high levels of default.

"Congress has the unfortunate history of exempting schools that do fail CDR," said Emily Bouck West, the deputy executive director at Higher Learning Advocates. "I think all students, especially underserved students, should not be taking their federal student aid to programs that leave them with bad outcomes. Policymakers should be asking for more accountability for students and taxpayers."

Bouck West recommended lawmakers focus policy changes on investigating program-level repayment rates to avoid threatening to shut down an entire institution. Programs at some schools might have high levels of repayment, whereas other programs might have high levels of default. These differences could be based on a variety of factors including income levels and the job market post-college.

But policymakers need to also consider how to protect student information and address privacy concerns when collecting data from programs with a small number of students if a program-level measurement of repayment rates were to be added, Bouck West continued. Another consideration she addressed was setting thresholds to make sure data about undefined students and students who switch programs is captured only after those students have spent a certain amount of time in that program.

Panelists also discussed completion rates as related to repayment rates and how non-completers with less than $10,000 in student loan debt are often the most likely to default.

However, Victoria Jackson, a senior policy analyst for higher education at The Education Trust, pointed out that non-completion isn't the only predictor of default that needs to be addressed. Factors outside of higher education — such as racial family wealth gaps and structural racism and discriminiation in the job market — also play a role in the high default rates of black borrowers.

"For example, for black borrowers who obtain a bachelor's degree, they're more likely to default than white students who never complete their degree," Jackson said. "All institutions need to be held accountable for providing students with a quality education that allows them to complete, but we also need to have a more nuanced conversation about [how] even completion is not enough for certain students, and we don't want to penalize institutions that are enrolling larger shares of black students."

Jackson also recommended accountability metrics that go beyond financial matters, such as campus climate surveys and surveying students of color about their perceived value of their education.

"If we have other metrics beyond repayment rates, then we can capture the value of institutions that may have a student population that is going to struggle more with repayment for other reasons," Jackson said. "There are values to higher education besides the financial benefit. You don't want to fully reduce it to, 'Can someone repay their loans?'"

Panelists also addressed how collecting data about repayment rates for transparency measures isn't the same as using that data for accountability purposes. Allowing students to "vote with their feet" places an undue burden on rural students with limited broadband, and placebound students with limited higher education opportunities, according to Austin Lacy, a senior research education analyst at the Research Triangle Institute (RTI International). Instead, the panelists agreed that more metrics need to be added to uphold institutional accountability and raise student success outcomes.

"Without accountability with some teeth there's not going to be meaningful change," Lacy said.

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