Ability to Limit Loans
NASFAA Membership Survey
May 2019

SURVEY BACKGROUND:
In an effort to understand more about why some institutions do not participate in the loan program, NASFAA distributed a survey to member institutions do not currently offer federal student loans. This survey was distributed electronically from March 6 – March 10, 2019 to the primary contacts at NASFAA membership institutions that had the following data uploaded into the Integrated Postsecondary Education Data System (IPEDS):

- Average amount of Pell Grant aid awarded to full-time first-time undergraduates (SFA1617): Greater than zero dollars ($0)
- Average amount of federal student loans awarded to full-time first-time undergraduates (SFA1617): Empty or zero dollars ($0)

Based on these two variables it was assumed that an institution chose to participate in Title IV federal financial aid program but was opting not to patriciate in the Federal Direct Loan Program. This list was then filtered by institutions for which NASFAA had contact information, resulting in a sample size of 151.

The distribution resulted in 33 responses, a 22% response rate. Public 2-year institutions comprised 94% of the respondents.

The results of this survey are below.

SURVEY RESULTS:

DOES YOUR INSTITUTION PARTICIPATE IN THE FEDERAL STUDENT LOAN PROGRAMS?

Yes	21%
No	79%
n	*33*

WHY DOES YOUR INSTITUTION NOT PARTICIPATE IN THE FEDERAL STUDENT LOAN PROGRAMS? (MARK ALL THAT APPLY)

I am concerned about losing institutional eligibility for the Pell Grant program due to a high cohort default rate	59%

Students at my institution generally do not need to borrow	56%
My institution does not have the resource capacity to administer the program	26%
Other	11%
n	*27*

WOULD YOUR INSTITUTION CONSIDER PARTICIPATING IN THE FEDERAL STUDENT LOAN PROGRAMS IF YOU COULD MANDATE ADDITIONAL ONGOING COUNSELING FOR ALL OR CERTAIN STUDENTS?

Yes	9%
No	91%
n	*23*

WOULD YOUR INSTITUTION CONSIDER PARTICIPATING IN THE FEDERAL STUDENT LOAN PROGRAM IF INSTITUTIONS WERE PROVIDED SOME AUTHORITY TO LIMIT BORROWING?

Yes	46%
No	54%
n	*24*

IF YES WAS ANSWERED: HOW WOULD YOU MOST LIKELY LIMIT BORROWING? (MARK ALL THAT APPLY)

By program	36%
By enrollment intensity (i.e., full time vs part time)	54%
For all students	45%
n	*11*

SUMMARY OF RESULTS

This survey indicates that a large percentage, nearly 60 percent, of institutions who do not participate in the federal student loan program chose not to do so because they are concerned with their students over-borrowing. While most of these institutions indicated that the authority to provide annual counseling would not encourage them to participate in the program, almost half, 46 percent, stated that they would consider participating if they were given institutional authority to limit borrowing. Mandated annual counseling was not enough to incentivize most institutions to offer federal student loans to their students.

The institutions who indicated they would consider participating in the loan program if they had some authority to limit loans collectively educate almost 33,800 students. These are students who, if their institutions participated in the loan program, would have the opportunity to borrow responsibly for their postsecondary education. Given that 94 percent of the responding institutions were 2-year publics, this is a particularly acute issue for community colleges.

POLICY IMPLICATIONS

The results of this survey pose broad policy questions about the extent to which institutions are held responsible for the borrowing behavior of their students. Under current law, institutions face serious reprecussions, including the loss of Title IV eligibility, if their cohort default rates (CDR) become too high. Unfortunately, while schools face these severe consequences, they no have no meaningful tools to limit loan debt. For example, even if a school detects a pattern of overborrowing among students, it is not persmissible under law to require additional loan counseling, or to limit borrowing to a more reasonable level.

As a result, there are schools who decide to leave the federal student loan program completely, in order to ensure their CDR does not impact their students' ability to ultimately receive the Pell Grant. Students at these schools then have no access to the federal student loan programs as a way to finance their education, as is the case for the nearly 34k students from our survey sample. Fortunately, there is a common-sense policy solution at the federal level to address over-borrowing and also provide students with access to the federal student loan programs: Give schools limited authority to limit loans based on broad categories of students.

This limited authority—not mandate—would allow schools to limit borrowing for certain broad categories of students, with restrictions in place for protected classes. For example, an institution might decide that all of its part-time students will receive half the annual loan amount. Professional judgment (PJ) would still exist to ensure that if a part-time student had a compelling reason to borrow the full amount, they could do so under a PJ review. While not all schools would utlitize this authority, as our survey data show, many schools who are currently not participating in the loan program would consider participating if they were given such a tool.