November 3, 2014

Ms. Wendy Macias
U.S. Department of Education
1990 K Street, NW, Room 8017
Washington, DC 20006

Dear Ms. Macias:

These comments provide a response to the U.S. Department of Education's intent to establish a negotiated rulemaking committee to prepare proposed regulations to govern the Federal Direct Loan program. The comments are submitted by the Institute for Higher Education Policy (IHEP), on behalf of the Postsecondary Data (PostsecData) Working Group. IHEP is a nonpartisan, nonprofit organization committed to promoting access to and success in higher education for all students, especially students who traditionally have been underserved by our education system. Based in Washington, D.C., IHEP develops innovative policy- and practice-oriented research to guide policymakers and education leaders in developing high-impact policies that will address our nation's most pressing education challenges. IHEP convenes the PostsecData Working Group, which engages thought leaders from over 20 organizations on issues related to postsecondary education data quality and use. The comments presented are produced and supported by the Center for Law and Social Policy (CLASP), Georgetown University Center on Education and the Workforce, the Institute for Higher Education Policy (IHEP), National Center for Higher Education Management Systems (NCHEMS), National College Access Network (NCAN), New America, State Higher Education Executive Officers (SHEEO), The Institute for College Access and Success (TICAS), Thomas Weko (American Institutes for Research), and Young Invincibles.

When used effectively, responsibly, and contextually, data can empower policymakers, researchers, and practitioners seeking to improve higher education performance. We need robust, valid, and secure data in order to answer the critical questions that will drive this change, and to uncover compelling success stories, areas for improvement, and previously unrecognized inequities. However, current data are insufficient for these tasks, particularly regarding student debt and loan repayment. For example, data are not regularly available publicly to answer questions such as:

- How much student loan debt are graduates and non-graduates incurring?
- How successful are borrowers in repaying their debts?
- How many borrowers are accessing income-driven repayment plans, and how effective are PAYE expansion policies?
- How long are borrowers carrying student loan debt?
- How much are borrowers repaying compared with their original debt balance?
- How much debt forgiveness do borrowers receive?
- How common is student loan default in the short- and long-term?
- How are borrowers using the system, and what role do different plans and servicers serve?

Given our collective desire for more robust data collection and greater data transparency, ***the members of the PostsecData Working Group strongly recommend that a portion of the negotiated rulemaking agenda for the Pay As You Earn (PAYE) expansion be reserved for a discussion of the data reporting that should accompany such a program expansion.*** Specifically we recommend the committee identify key student loan debt and repayment measures, specifications, and disaggregates that should be required to be reported publicly on a regular basis. We also recommend that the rulemaking committee include members with at least a working understanding of postsecondary data collection and reporting practices and deficits.

These comments are not intended to make technical recommendations about the exact specifications of measures, metrics, or data points that should be reported, but rather to identify key data-related topics and measures that negotiators should discuss through the rulemaking process. Furthermore, the rulemaking committee may only take the first step in identifying key measures to be reported. If so, we recommend that the committee call for a Technical Review Panel (TRP) to determine the final definitions and approaches to be used in collecting and reporting these data. We acknowledge that the committee, and a subsequent TRP, must carefully consider a number of technical and definitional details related to each measure, along with the accompanying reporting burden. We urge the committee to weigh any new collection and reporting burden—on institutions, servicers, or the Department of Education—against the added benefit that more robust data will offer to data users.

Data Measures

The PostsecData Working Group has identified nine data measures for the committee to consider alongside the PAYE expansion. Publicly reporting data on these, or similar, measures will allow policymakers, analysts, practitioners, and students and families to answer key questions about the operations of the student loan program. Below, we outline the measures for discussion, including examples of how each of these measures would be useful for different constituents.

- **Debt:** How much student loan debt are graduates and non-graduates incurring?
  Currently available data on cumulative debt, published on the College Scorecard, does not disaggregate by completion status or provide contextual information about the percentage of students taking on debt. Through this rulemaking, the committee should investigate ways, including institutional reporting or reporting using the National Student Loan Data System (NSLDS), to publish the percentage of students taking on debt and their cumulative debt amounts disaggregated by (at least) completion status. These data also should capture and report on the origination fees and interest rate for each loan borrowed. Calculating the percentage of students taking on debt will require strong linkages between data systems that house student loan data and those containing enrollment data. College Scorecard collects and maintains data on average cumulative debt by institution.

  > *Example use-cases:* Students and families could use institution-level data on cumulative debt and borrowing frequency to assess their likely debt loads at various institutions and thereby make more informed college decisions. These data must be reported separately for completers and non-completers to avoid confounding small amounts of debt accumulated during short enrollment periods prior to dropout with small amounts of debt accumulated toward degree attainment. Policymakers also could use these data to evaluate which institutions provide an affordable education for students.

IHEP
INSTITUTE FOR HIGHER EDUCATION POLICY
1825 K Street, NW, Suite 720
Washington, DC 20006
202 861 8223 TELEPHONE
202 861 9307 FACSIMILE
www.ihep.org WEB

- **Repayment rates:** How successful are borrowers in repaying their debts?
  As more students enter income-driven repayment plans that aim to minimize default, cohort default rates will become less useful measures and will need to be supplemented with repayment measures.[1] The rulemaking committee should evaluate the multiple repayment rate specifications that have been considered through gainful employment regulations and Higher Education Act reauthorization discussions and make recommendations for calculating and reporting repayment rates to show how effectively students are repaying debts.

  > *Example use-cases:* Policymakers can use data on repayment rates to inform institutional accountability initiatives. Institutions can use these data to understand how well they are preparing students to repay their debts, thereby informing tuition-setting, financial-aid, and career service policies and practices.

- **Repayment plan usage rates:** How many borrowers are accessing income-driven repayment plans?
  To evaluate the extent to which PAYE is reaching more borrowers, the directive of President Obama's June 2014 Memorandum,[2] data should be collected and regularly reported on the distribution of borrowers (and/or loans) by repayment plan, including the proportion of students in deferment, forbearance, delinquency, or default. Federal Student Aid (FSA) has reported these data previously on an ad-hoc basis on the FSA Data Center.

  > *Example use-cases:* Knowing how many—and what proportion of—students use each repayment plan will allow policymakers to evaluate the effectiveness of PAYE expansion efforts. These data, if disaggregated by servicer, also can provide insights into servicer success at enrolling students in income-driven repayment plans as opposed to forbearance or deferment.

- **Time in repayment:** How long are borrowers carrying student loan debt?
  One concern often voiced about income-driven repayment plans is that borrowers can end up repaying for long periods of time, possibly impacting other consumer behaviors such as buying a home or saving for retirement.[3] However, consistent and reliable data are not publicly available to evaluate how long borrowers actually are taking to repay their debts—whether they are in an income-driven plan or not. Better data also are needed to understand the amount of time spent—and the proportion of borrowers, as mentioned above—in deferment and forbearance.

---

[1] Young Invincibles, National Student Financial Aid Administrators, Institute for Higher Education Policy, New America, HCM Strategists, "Automatic for the Borrower: How Repayment Based on Income Can Reduce Loan Defaults and Manage Risk." (Washington, DC: 2014). Retrieved from: http://younginvincibles.org/wp-content/uploads/2014/03/Automatic-for-the-Borrower-3.19.14.pdf

[2] The White House, Office of the Press Secretary, "Presidential Memorandum – Federal Student Loan Repayments." June 9, 2014. Retrieved from: http://www.whitehouse.gov/the-press-office/2014/06/09/presidential-memorandum-federal-student-loan-repayments

[3] Lauren Asher, Diane Cheng, and Jessica Thompson, "Should All Student Loan Payments Be Income-Driven? Trade-offs and Challenges." (Oakland, CA: The Institute for College Access and Success, 2014). Retrieved from: http://www.luminafoundation.org/publications/ideas_summit/Should_All_Student_Loan_Payments_Be_Income-Driven.pdf

Example use-cases: Researchers and policy analysts can use data on time in repayment to evaluate the extent—and impacts—of long-term student debt. Understanding how long typical borrowers remain in repayment after leaving a particular institution or program also can inform students as they plan for their futures.

- **Total amount repaid:** How much are borrowers repaying compared with their original debt balance?
  Because of interest accrual and forgiveness benefits, the amount repaid on a loan will be either more or less than the original balance. The total amount paid over the life of the loan will provide crucial information about how borrowers are faring during repayment, as well as how much the federal government is recouping on federal loans. The committee should evaluate the value of reporting these data both as a raw number and as a share of the original loan balance.

  Example use-cases: Federal policymakers can use data on total repayment amounts to better understand the impact of interest accrual and income-driven policies on borrowers' lifetime repayments and to better evaluate the cost implications of income-driven programs for the federal government.

- **Total amount forgiven:** How much debt forgiveness do borrowers receive?
  One of the hallmarks of income-driven repayment plans is their forgiveness provisions. The rulemaking committee should consider reporting measures of forgiveness, such as the total amount forgiven per borrower (and/or loan)—overall, as a portion of the original balance, and in relation to the total amount paid.

  Example use-cases: Understanding loan forgiveness outcomes is essential for policymakers who want to assess the fiscal impacts of income-driven programs. While these data will not be available for some time because of the 20-year forgiveness timeframe, they eventually could enable policymakers to create future income-driven loan policy that is both student-centered and fiscally feasible.

- **Delinquency and default:** How common are student loan delinquency and default, in the short- and long-term?
  Theoretically, students using PAYE should be far more likely to avoid delinquency and default, as they are not required to make payments on their student loans if they have very low incomes. However, some students may still become delinquent or default on their loans, either in income-driven or non-income-driven plans. The Office of Federal Student Aid reports on an annual basis three-year cohort default rates and lifetime default rates, though the latter are not available at the institution level.

  Example use-cases: Data on delinquency and short- and long-term default—especially among students using income-driven repayment plans—will enable financial aid administrators to better understand how they can advise students about repayment requirements and help students seek the help they need in order to avoid delinquency and default. These data also can allow policymakers to measure the effectiveness of income-driven plans in reducing default and evaluate variations in student outcomes among institutions, programs, and servicers.

- **Frequency of movement between repayment plans:** How are borrowers using the variety of repayment plans available to them, and to what extent do borrowers change their plans?
  Understanding how often borrowers move between repayment plans can provide a better understanding of how borrowers interact with the loan repayment system and inform future policy development. If borrowers enroll in income-driven plans for short periods only, that shows they may be assisting borrowers with short-term hardships. If borrowers remain enrolled in one plan for the duration of their loan, that may indicate that the plan is working well for them, or alternately, a lack of information about which plans offer the best options as borrower circumstances change.

  Example use-cases: Little is known about if and how students approach changing their repayment plans. Data on repayment plan changes would help researchers understand the extent of this phenomenon, as well as assess the need for further research about student repayment behavior.

- **Post-college earnings:** What are borrowers' earnings after leaving postsecondary education, and how do those incomes compare to their unpaid student debts?
  Data on post-college earnings will allow analysis of the value of various credentials. In particular, comparing these earnings data to debt amounts can contextualize the information and evaluate the effectiveness of student and government investments. These data tie directly to one of the purposes of income-driven repayment systems—to provide relief for borrowers whose educational investments may not have paid off as expected. Better data on earnings also can inform the development of and adjustments to the specifications of income-driven repayment plans.

  Example use cases: Federal policymakers can use data on borrower earnings, alongside debt totals, to budget more precisely for programs such as PAYE and to gain a better understanding of the income profiles of program beneficiaries. These data also can provide crucial information to prospective students as they make decisions about where to go to college, what to study, and how much to borrow.

Reporting Specifications

In addition to evaluating and recommending measures for collection and public reporting, the committee also should discuss and aim for consensus around these four reporting specifications associated with each measure:

- **Frequency of reporting.** Should these data be reported on an annual basis, a quarterly basis, or using a different time frame?

- **Reporting entity.** Who should be responsible for reporting these data? Federal Student Aid, institutions, servicers, and private lenders all have access to some or all of these data. Which entity is best equipped to provide quality data on each measure?
- **Level of reporting.** Should data be reported at the national, sector and level, servicer, state, institution, or program level—or all of the above? In many cases, reporting at the institution, program, and servicer level is critical to provide adequate information, and those data can be aggregated up to the sector and level, state, and national level. If reported at the institution level, what level of OPEID reporting would be most appropriate?
- **Unit of analysis.** Should the unit of analysis be the loan level or the student level? What are the challenges associated with each option? For many of these measures, unduplicated counts of borrowers and total dollars provide different information, both sets of which are important.

Disaggregates

Finally, the committee should consider at least the following five variables, by which the measures in Table 1 can be disaggregated:

- **Completion status**. Debt and repayment data can be confusing and/or produce mixed results if not reported separately for completers and non-completers. This high-priority disaggregate is recommended for all measures because outcomes should be expected to vary depending on whether a borrower graduated or not.
- **Loan type** (subsidized Stafford, unsubsidized Stafford, Grad PLUS, Parent PLUS, Perkins, private). Outcomes may vary depending on loan type, and if they do, those outcomes could inform student loan and repayment policy development.
- **Repayment plan.** To understand the differential effects of repayment plans like PAYE, measures such as time in repayment and repayment amounts should be disaggregated by type of plan.
- **Family income** (or an income proxy like EFC or financial aid category).[4] Low-income students are more than twice as likely as their high-income classmates to take on debt, and their success in repaying that debt should be a critical policy concern.[5]
- **Race/ethnicity.** To understand the equity implications of varying debt levels, utilization of income-driven repayment plans, success in repayment, and student-loan policy broadly, the rulemaking committee should evaluate the value of disaggregating data by race/ethnicity wherever possible. Race/ethnicity disaggregates for student loan data can present challenges because this information is not included in NSLDS due to concerns over its relevance to, and possible misuse within, the student loan program.

While much of the upcoming Pay As You Earn negotiated rulemaking agenda will focus on the technicalities of expanding the program, it also should reserve time to discuss the data that will be necessary to evaluate the program moving forward. This is a rare opportunity for the Department of

[4] Potential financial aid categories include "Pell Recipient," "No Pell/Subsidized Loan Recipient," and "No Pell/No Subsidized Loan Recipient." For independent students, "family income" should not include parental income.
[5] The Education Trust, "Pell Grants Help Keep College Affordable for Millions of Americans" (Washington, D.C.: Author, 2014). Retrieved from http://www.edtrust.org/sites/edtrust.org/files/Overall%20Pell%20one-pager%20FINAL%2004-29-14.pdf

Education to identify ways to improve the data collection and reporting practices surrounding all federal student loan data, while streamlining these efforts to the greatest extent possible to manage burden and avoid duplicative reporting. Policymakers, researchers, and institutions are working diligently to improve student outcomes, and access to more robust and reliable data will be immeasurably helpful in these efforts.

Thank you for the opportunity to provide comments on the upcoming negotiated rulemaking agenda. If you have questions about these comments, please contact Mamie Voight, Director of Policy Research, at mvoight@ihep.org or 202-587-4967.

Sincerely,

Center for Law and Social Policy

Georgetown University Center on Education and the Workforce

Institute for Higher Education Policy

National Center for Higher Education Management Systems

National College Access Network

New America

State Higher Education Executive Officers

The Institute for College Access and Success

Thomas Weko (American Institutes for Research)

Young Invincibles