

**US Department of Education
Frequently Asked Questions
Recently Released Repayment Rate Data
August 24, 2010**

Why did the Department release its estimates of repayment rates by institution?

- The Department provided the loan repayment rate information by institution that was used to develop its regulatory proposal on gainful employment. We are providing this background information in the interests of transparency and open government, and to promote a better understanding of how the proposed rule was developed.
- In addition, the Department has received several Freedom of Information Act (FOIA) requests for these data, and decided to share this information with the general public rather than restrict it to the few parties that submitted FOIA requests.

Do these data demonstrate how particular programs will score under the proposed regulation?

- No. The institution repayment rates were used to evaluate the proposal at a general level and not to test rates at any specific institution. As the Department emphasized in the IFAP notice releasing the data, it is not possible to use the data to determine the impact on any particular program offered today at an institution for the following reasons:

- Eligibility determinations will be based on both repayment rates and debt-to-income ratios. The income information needed to calculate the debt-to-income ratios is not yet available. Average earnings information from one state was used to identify the debt thresholds that are used in the proposed regulation. According to the Department's estimates, two-thirds of the programs with repayment rates below 35% would remain fully eligible due to their debt-to-income ratios.
- The repayment rate data by program is not yet available. A large data run was made to identify repayment rates by institution to develop the thresholds used in the proposed regulation.
- We are unable to estimate today the impact of the public service loan forgiveness program on the repayment behavior of former students because the public service loan forgiveness program is a new program and occupational data is not available at this time .
- The data do not make any predictions on how institutions will respond over time to improve their program outcomes under the new requirements.

How would the repayment rate be calculated under the proposal?

- As outlined in the NPRM, the repayment rate would be based upon all former students in a program who enter repayment during the four prior federal fiscal years, except those that entered repayment during the last six months of the most recent year (e.g., after March 31).
- It looks at whether borrowers reduced the amount of outstanding principal over the course of that year. Students who pay down principal by at least a dollar, paid off their loans in the past, or are

eligible for public service loan forgiveness, would be considered to be paying down their loan.

- Loans that are in deferment due to further education or military service would be excluded entirely from the calculation.

All students would be weighted by the balance of their loans from their institution at the time they entered repayment, so the calculation is expressed as a percentage of dollars rather than a percentage of students.

Why do some institutions say that their estimates of their former students' repayment rates are higher than the Department's estimates?

- The calculations are technically complicated and may be difficult to reproduce accurately. Also, some institutions may be basing their repayment rates on their default rates. However, while consolidation loans are treated favorably under the default rate calculation, the repayment rate would consider the current status of the consolidated loan rather than automatically treat it favorably.
- The current system does not yet track the detailed information on consolidation loans that will be required under the proposed rule, so institutions may be limited in their ability to use specific student records to estimate the repayment rate used in the methodology in the proposed regulations.
- The repayment rate data were provided as background information about the development of the proposed rule. That information is not going to be used for evaluating any specific institution, and the Department is not going to evaluate the individual institutional rates as a part of this process. However, we will carefully consider

questions and comments about the methodology and data sources. In order for these questions and comments to be considered, they should be submitted to the Department in accordance with the procedures outlined in the NPRM.

Does the Department believe that there are errors in the data for the repayment rate calculation?

- We have not identified any errors in the programming or the data that model the results for the proposed regulation.
- In developing these estimates, the Department took care to ensure that the data calculations matched the proposed methodology. It developed a model to extract this data as a large data run from the National Student Loan Data System. It tested the final program and examined the results.
- The Department also benchmarked the proposed measures against known national estimates of repayment behavior used in credit reform estimates for the student loan programs.
- The Department will continue to carefully consider questions we hear through the public comment process. We may conduct additional analyses based upon those questions.

Why do the repayment rates show many more students struggling to repay their loans than default rates do?

- Cohort default rates only consider a borrower's repayment behavior over a two-year period. For this reason, these rates can easily be influenced by certain behaviors of borrowers early in the repayment period. For example, loans that are in deferment or forbearance for

a year or more cannot go into default during the two years that are measured for the cohort default rate period.

- Additionally, consolidated loans are usually considered to be "paid in full" for purposes of the cohort default rate calculation, while the repayment rate uses a different measure. Finally, a loan that has been delinquent for as long as 359 days may not be in default at the end of the cohort period. Under the proposed rule, these presumptions would not be taken into account.

Why does the Department consider some students who are not in default to be counted as not in repayment for their loans?

- Students experiencing financial hardships can avoid defaulting on their loans through deferments, forbearances, or by using an income-based repayment plan. These tools provide a necessary safety net.
- As discussed in the NPRM, while these protections are appropriate for individual students, academic programs that produce large numbers of students who are forced to rely on these safety net provisions due to large debts and low incomes may not be serving students well.

Shouldn't the Department have given institutions an opportunity to review and correct the data before publicly releasing it?

- The data was provided as background showing how the proposed regulation was developed and not to establish the accuracy of the repayment rate calculation for any specific program or institution. Institutions are not required to consider this information when commenting on the proposed regulation, but may do so.