

Education

Student Loan Default Rates in Colorado

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The Bell Policy Center

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The Bell Policy Center

The Bell Policy Center is a nonprofit public policy organization committed to making Colorado a state of opportunity for all. The Bell seeks to reinvigorate the debate on issues affecting the well-being of Coloradans and to promote public policies that open gateways to opportunity.

The Bell Policy Center 2005 White Paper Series:

1. Exploring Colorado's Educational Pipeline
2. Who Goes to College in Colorado, and Who Doesn't?
3. Who Finishes College in Colorado, and Who Doesn't?
4. Who Serves Low-Income Undergraduate Students in Colorado?
5. Who Serves Minority Undergraduate Students in Colorado?
6. Student Loan Default Rates in Colorado
7. The Opportunity Gap: Which Colorado Students Graduate from High School and Attend College?

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Introduction

In today's competitive and knowledge-based job market, more education means more income. Workers who want to make ends meet and provide opportunities for their family usually need an associate's degree at the least, and fare better with a bachelor's degree.

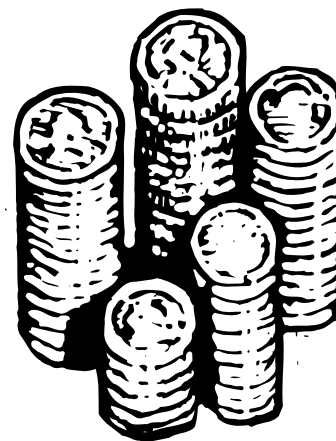
While Colorado has a highly educated workforce largely imported from other states, we do a mediocre job of graduating our own young people from college. The rates of educational success are even worse for Hispanics, blacks and young people from low-income families — those who most need the boost of a college education to avoid a life of poverty and dependence.

Colorado must counteract these shortfalls by offering all its young people an education that leads to financial opportunity and a life of self-sufficiency. The state's economic and social health depends on it.

The Bell Policy Center believes sound social and fiscal policies grow from thorough, objective research. To solve a problem, we must first understand it.

This white paper is the sixth in a seven-part series that uses state and national data to evaluate Colorado's performance in educating young adults, and to identify promising remedies for improvement.

Student Loan Default Rates in Colorado



Executive Summary

How well do Colorado's colleges and universities prepare students for the working world, where a growing and flexible set of skills are essential to job success?

It's hard to track the job history of college graduates. But student loan default rates offer a good indication of success in the years immediately following graduation, compared to the debt accumulated to get a college education.

Students who are successful in the job market are more likely to be actively paying off their student loans. Those who can't find work, or can only find low-paying jobs, have a difficult time making payments.

Students who attend college but don't graduate face a double disadvantage: no leverage to higher earnings and a debt for their incomplete studies.

This brief uses federal student aid statistics from the U.S. Department of Education to examine student loan default rates in fiscal year 2002 at Colorado's 82 trade schools, colleges and universities. The findings include:



Executive summary continued

- Of Colorado's 44,366 student loan borrowers, 2,505 were in default, a rate of 5.6 percent. This is slightly higher than the national average of 5.2 percent.
- The highest default rates occur among graduates with a two-year associate's degree, while the lowest are for those earning a master's or doctor's degree.
- Default rates of 10 percent or more were found at 16 schools, including 11 proprietary colleges, which are private, for-profit institutions offering trade and technical training.
- Proprietary colleges have the highest overall default rates: 9 percent compared to 6 percent for public colleges and 2 percent for private nonprofit colleges.
- Two dozen schools marked default rates of 3 percent or less; all but nine offered a bachelor's degree or higher.
- Colleges that serve the largest numbers of students needing financial aid also have the highest student loan default rates.

The data used for this report

On Sept. 14, 2004, the Federal Student Aid (FSA) office of the U.S. Department of Education released the national cohort default rates¹ for fiscal year 2002, the latest year for which data is available.² In part due to the lowest student loan interest rates in 35 years, which hit 3.37 percent in July 2004, the national default rate reached an all-time low of 5.2 percent.³

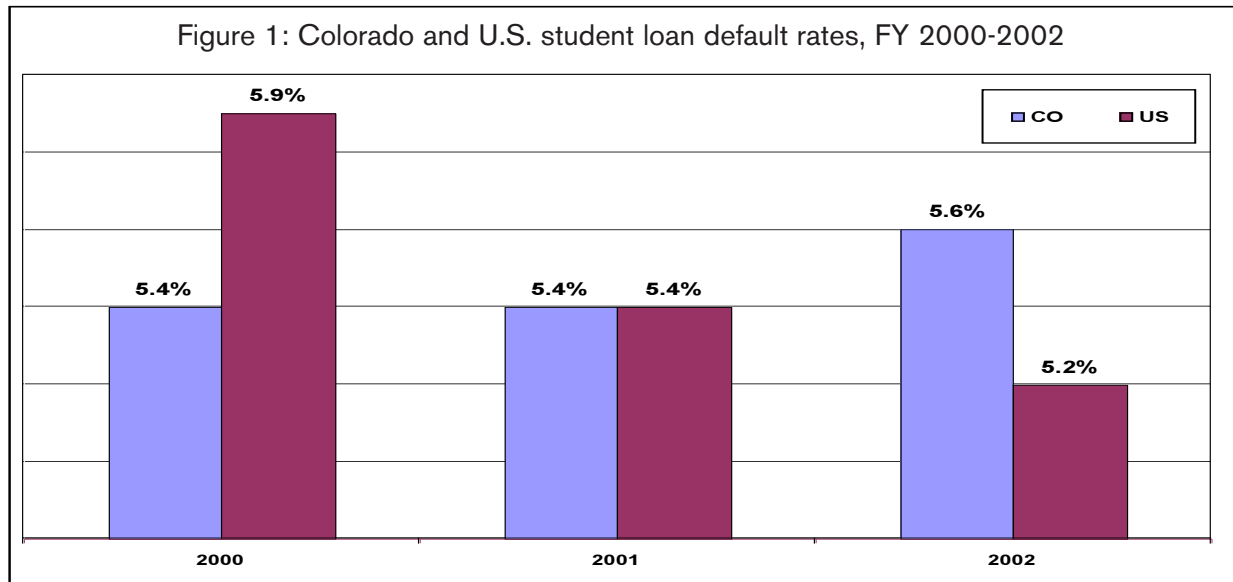
Federal student loans are the largest type of federal student financial assistance, representing 74 percent of all types of aid and amounting to \$45.8 billion in FY 2003, excluding consolidation loans.⁴

In FY 2004, more than \$1 billion was awarded in Federal Family Education Loans and William D. Ford Federal Direct Loans to students in Colorado, compared to \$76 million in state-funded financial aid awarded in the current academic year.⁵ Official cohort default rates are important because they may affect an institution's eligibility to participate in federal Title IV programs.⁶

Defaulted federal student loans cost taxpayers. Most important, the student loan default rates provide an indicator for the labor market outcomes of borrowers, after their studies at a particular institution. For these reasons, the Bell Policy Center researched the default rate files of federal student aid and analyzed the student loan default rates of postsecondary institutions in Colorado for 2000-2002.

Colorado and the nation

In FY 2002, 82 postsecondary institutions in Colorado had 44,366 borrowers in repayment. Of these, 2,505 were in default — a 5.6 percent student loan default rate. The state's default rate was the nation's 17th highest, slightly above the national rate of 5.2 percent. As Figure 1 shows, the latest data represent a small increase from Colorado's 5.4 percent default rate in 2000 and 2001.



Default rates in Colorado, by institution

Table 1 presents the 16 institutions with student loan default rates above 10 percent, according to the latest data available. Eleven of these institutions are private, for-profit entities, which are known as proprietary institutions. In contrast, only one private nonprofit and four public institutions had double-digit default rates.

Of 5,291 borrowers in repayment from these 16 schools, 772 were in default, for an average of student loan default rate of 14.3 percent. Of these 16 schools, 13 offer studies only up to the associate's degree level.

Table 1: Colorado postsecondary education institutions with student loan default rates of more than 10 percent, FY 2002

Institution	Level	Sector	Borrowers in Default	Borrowers in Repayment	Default Rate
IntelliTec College – Grand Junction	Associate's Degree	Prop	26	113	23
San Juan Basin Technical College	Non-Degree 1 Year	Pub	4	27	17.7
Westwood College of Aviation Technology	Associate's Degree	Prop	137	787	17.4
Westwood College - Denver North	Bachelor's Degree	Prop	245	1525	16
College America Denver	Bachelor's Degree	Prop	44	301	14.6
Colorado School of Professional Psychology	Master's or Doctor's Degree	Priv	1	7	14.2
Parks College	Associate's Degree	Prop	114	851	13.3
Americana Beauty College #2	Non-Degree 1 Year	Prop	8	64	12.5
Blair College	Associate's Degree	Prop	55	444	12.3
Glenwood Beauty Academy	Non-Degree 1 Year	Prop	1	26	11.9
IntelliTec Medical Institute	Associate's Degree	Prop	19	168	11.3
IntelliTec College – Colorado Springs	Associate's Degree	Prop	16	141	11.3
Artistic Beauty Colleges-Arvada	Non-Degree 1 Year	Prop	4	36	11.1
Trinidad State Junior College	Associate's Degree	Pub	22	201	10.9
Pueblo Community College	Associate's Degree	Pub	61	555	10.9
Otero Junior College	Associate's Degree	Pub	15	145	10.3

*Prop is proprietary, Pub is public, Priv is private nonprofit.



In contrast, Table 2 lists the 24 postsecondary institutions with a student default rate of 3 percent or less. They represent the three different types of institutions almost equally: nine institutions are private nonprofit, eight are proprietary and seven are public.

The Center of Advanced Therapeutics in Denver, the Rocky Mountain Montessori Teacher Training Program in Boulder, the Teikyo Loretto Heights University in Denver, the HealthOne School of Medical Technology in Denver, and the Artistic Beauty Colleges in Lakewood, all had a perfect or zero rate of student loan defaults.

Unlike the schools with the highest default rates, 15 of these 24 institutions offered a bachelor's degree or graduate degree levels of studies.

Table 2: Colorado postsecondary education institutions with student loan default rates of 3 percent or lower, FY 2002

Institution	Level	Sector	Borrowers in Default	Borrowers in Repayment	Default Rate
University of Northern Colorado	Master's or Doctor's Degree	Pub	74	2449	3
University of Colorado at Boulder	Master's or Doctor's Degree	Pub	109	3610	3
Rocky Mountain College of Art & Design	Bachelor's Degree	Prop	4	131	3
Colorado School of Mines	Master's or Doctor's Degree	Pub	15	502	2.9
Colorado Technical University	Master's or Doctor's Degree	Prop	27	917	2.9
Artistic Beauty Colleges-Westminster	Non-Degree 1 Year	Prop	2	69	2.8
Colorado State University	Master's or Doctor's Degree	Pub	98	3909	2.5
University of Colorado at Denver	Master's or Doctor's Degree	Pub	44	1783	2.4
Iliff School of Theology	Master's or Doctor's Degree	Priv	1	43	2.3
Bel-Rea Institute of Animal Technology	Associate's Degree	Prop	8	338	2.3
Colorado Christian University	Master's or Doctor's Degree	Priv	14	643	2.1
Denver Career College	Associate's Degree	Prop	4	189	2.1
Regis University	Master's or Doctor's Degree	Priv	31	1525	2
Boulder College of Massage Therapy	Associate's Degree	Priv	3	147	2
University of Denver	Master's or Doctor's Degree	Priv	36	1823	1.9
University of Colorado at Colorado Springs	Master's or Doctor's Degree	Pub	22	1137	1.9
Artistic Beauty Colleges-Thornton	Non-Degree 1 Year	Prop	1	51	1.9
Colorado College	Master's or Doctor's Degree	Priv	2	264	0.7
University of Colorado Health Sciences Center	Master's or Doctor's Degree	Pub	4	513	0.7
Artistic Beauty Colleges-Lakewood	Non-Degree 1 Year	Prop	0	88	0
HealthOne School of Medical Technology	Non-Degree 1 Year	Priv	0	4	0
Teikyo Loretto Heights University	Bachelor's Degree	Priv	0	3	0
Rocky Mountain Montessori Teacher Training Program	Non-Degree 1 Year	Priv	0	20	0
Center of Advanced Therapeutics	Non-Degree (600-899 hours)	Prop	0	9	0

*Prop is proprietary, Pub is public, Priv is private nonprofit.

Table 3, on the facing page, presents the default rates of the institutions with the largest number of borrowers in repayment. These institutions tend to serve the largest number of students, particularly students with financial need, in the state, so it is important to assess their respective default rates.



As Table 3 shows, Westwood College-Denver North has the highest default rate at 16 percent, almost double the rate of the next institution, Remington College-Denver at 8.5 percent. Both are proprietary.

They are followed by three public institutions, Colorado State University at Pueblo at 6.9 percent, Metropolitan State College of Denver at 6.3 percent and Mesa State College in Grand Junction at 6.2 percent.

Institutions with the lowest default rates are the University of Colorado at Colorado Springs and Denver, the University of Denver, Regis University of Denver and Colorado State University in Fort Collins, all with default rates falling between 1.9 and 2.5 percent. All five are either public or private nonprofit, and offer graduate level studies.

Table 3: Student loan default rates of Colorado postsecondary education institutions with more than 1,000 borrowers in repayment, FY 2002

Institution	Level	Sector	Borrowers in Default	Borrowers in Repayment	Default Rate
Westwood College - Denver North	Bachelor's Degree	Prop	245	1525	16
Remington College - Denver Campus	Bachelor's Degree	Prop	171	2003	8.5
Colorado State University-Pueblo	Master's or Doctor's Degree	Pub	74	1070	6.9
Metropolitan State College of Denver	Bachelor's Degree	Pub	196	3084	6.3
Mesa State College	Master's or Doctor's Degree	Pub	77	1236	6.2
Front Range Community College	Associate's Degree	Pub	61	1007	6
Art Institute of Colorado	Bachelor's Degree	Prop	65	1630	3.9
University of Colorado at Boulder	Master's or Doctor's Degree	Pub	109	3610	3
University of Northern Colorado	Master's or Doctor's Degree	Pub	74	2449	3
Colorado State University	Master's or Doctor's Degree	Pub	98	3909	2.5
University of Colorado at Denver	Master's or Doctor's Degree	Pub	44	1783	2.4
Regis University	Master's or Doctor's Degree	Priv	31	1525	2
University of Denver	Master's or Doctor's Degree	Priv	36	1823	1.9
University of Colorado - Colorado Springs	Master's or Doctor's Degree	Pub	22	1137	1.9

*Prop is proprietary, Pub is public, Priv is private nonprofit.

Default rates in Colorado, by sector

Public institutions had the largest number of borrowers in repayment, followed by proprietary and private institutions. However, as Table 4 shows, Colorado proprietary institutions had the highest default rate at 9.2 percent, followed by the public institutions at 6 percent and private institutions at 2.1 percent.

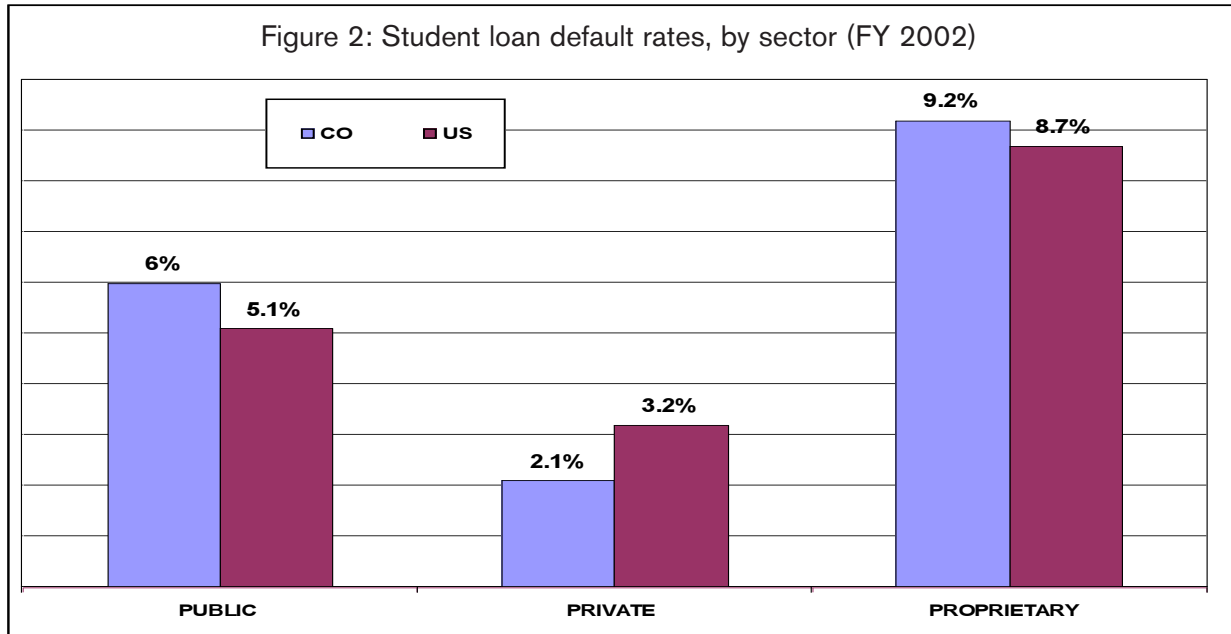
In contrast, private institutions across the country have a larger number of borrowers in repayment than proprietary institutions.

Table 4: Student loan default rates in Colorado, by sector, FY 2002

	PUBLIC	PRIVATE	PROPRIETARY
Borrowers in Repayment	26990	4960	12085
Borrowers in Default	1263	106	1106
Default Rate	6%	2.1%	9.2%

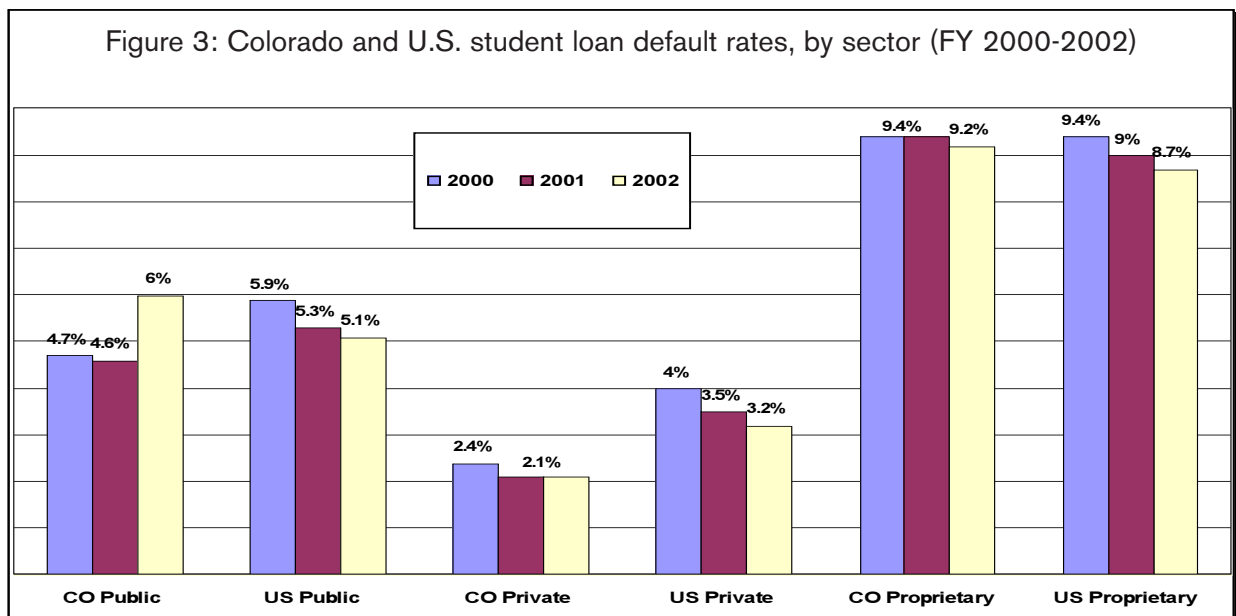


Figure 2 shows that Colorado's private nonprofit sector has much lower default rates than the national average of their counterparts. This may be explained by its low share of student borrowers compared to the national rate. In contrast, both public and proprietary institutions in Colorado have higher default rates than the respective national averages.



As shown in Figure 3 below, the student loan default rate of public institutions in Colorado fell below the national average in 2000 and 2001, but was higher in 2002. This may reflect effects of the economic downturn on graduates' success in finding jobs.

Proprietary institutions in Colorado experienced either equal or higher default rates than the average of their national counterparts in the same period. In contrast, the default rate of Colorado's private nonprofit institutions was consistently lower than the national average during the same period.





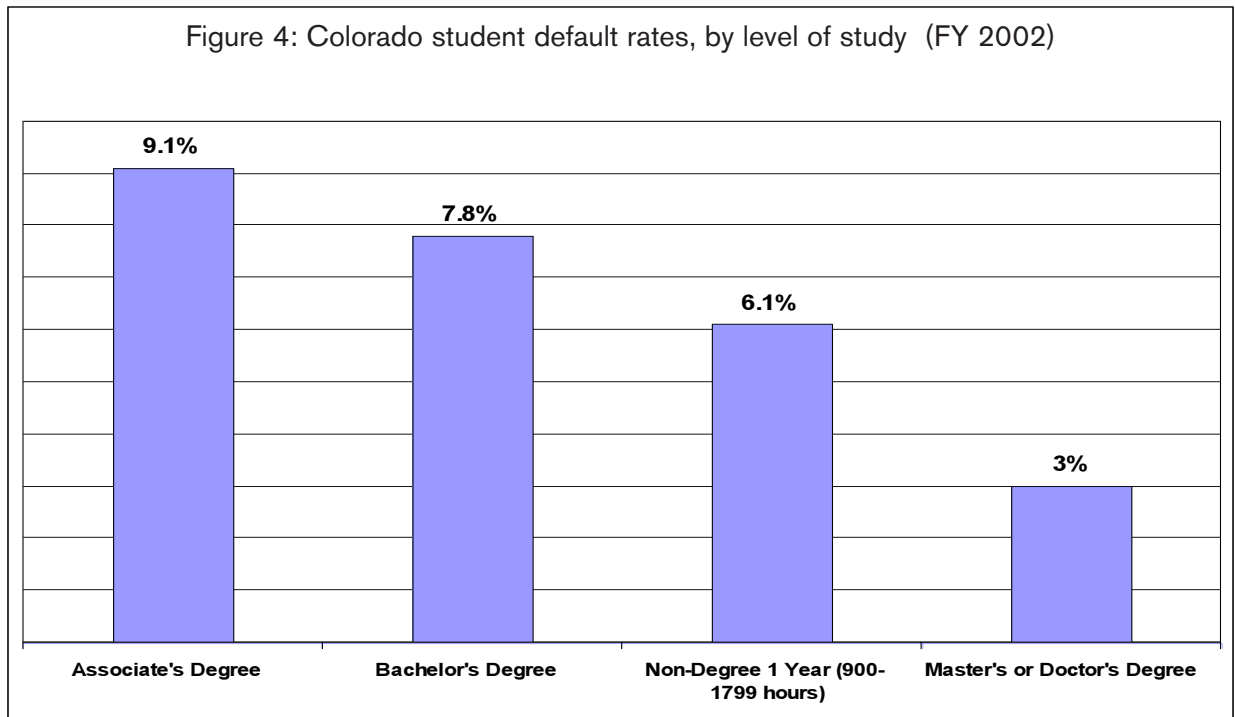
Default rates in Colorado, by level of study

Table 5 shows that the majority of borrowers in repayment in 2002 received loans while studying at institutions offering advanced graduate degrees, followed by institutions offering bachelor's degrees.

Table 5: Student loan default rates in Colorado, by level of study, FY 2002

	Borrowers in Repayment	Borrowers in Default	Default Rate
Associate's Degree	9667	883	9.1
Bachelor's Degree	10911	853	7.8
Non-Degree 1 Year (900-1799 hours)	653	40	6.1
Master's or Doctor's Degree	22427	682	3

However, as Figure 4 illustrates, institutions offering associate's degrees had the highest student default rates at 9.1 percent, followed by institutions offering bachelor's degrees at 7.8 percent, and those offering one-year programs at 6.1 percent.





Endnotes

¹ This default rate covers student borrowers who attended approximately 6,000 postsecondary institutions that participate in the Federal Family Education Loan (FFEL) and William D. Ford Federal Direct Loan (Direct) programs, which include Stafford and Direct loans. These include subsidized and unsubsidized Federal Stafford Loans, and subsidized and unsubsidized Federal Direct Stafford/Ford Loans. They do not include default rates for guaranty agencies and lenders, or for the Federal Perkins Loan Program. This rate is for institutions with 30 or more borrowers entering repayment in a fiscal year. For institutions with 29 or fewer borrowers entering repayment during a fiscal year, the cohort default rate includes borrowers entering repayment over a three-year period. U.S. Department of Education, Student Financial Assistance, Default Management. August 2001. Cohort Default Rate Guide. Washington, D.C. Chapter 2.1, Page 1.

² An institution's cohort default rate is the percentage of its student borrowers who enter repayment on loans during the fiscal year and default within the cohort default period. The FY 2002 default rate is the percentage of borrowers who began repaying their loans between Oct. 1, 2001, and Sept. 30, 2002, and who defaulted before Sept. 30, 2003.

³ U.S. Department of Education. Sept. 14, 2004. "Press Release: Low Interest Rates, Better Management Factor in All-Time Low Student Loan Default Rate, Paige Says." <http://www.ed.gov/news/pressreleases/2004/09/09142004.html>

⁴ U.S. Department of Education. Sept. 14, 2004. "Briefing on National Default Rates." <http://www.ifap.ed.gov/eannouncements/attachments/0914NationalDefaultRatesBriefingAtt.pdf>

⁵ U.S. Department of Education. Fiscal Year 2001-2006 State Tables for the U.S. Department of Education. <http://www.ed.gov/about/overview/budget/statetables/index.html>; Colorado General Assembly. 2004. Joint Budget Committee, FY 2005-06 Staff Higher Education Budget Briefing, (November): Page 29. http://www.state.co.us/gov_dir/leg_dir/jbc/hedbrf.pdf

⁶ If an institution's three most recent official cohort default rates are 25 percent or greater, the institution loses FFEL, Direct Loan, and Federal Pell Grant eligibility for the remainder of the fiscal year in which the institution is notified of its sanction, and for the following two fiscal years. If an institution's current official cohort default rate is greater than 40 percent, the institution loses FFEL and Direct Loan eligibility for the remainder of the fiscal year in which the institution is notified of its sanction and for the following two fiscal years. U.S. Department of Education, Student Financial Assistance, Default Management. August 2001. Cohort Default Rate Guide. Washington, D.C. Chapter 2.2, Page 3.

For more information on postsecondary education in Colorado, contact Spiros Protopsaltis, policy analyst, at The Bell Policy Center, (303) 297-0456 in metro Denver, (866) 283-8051 toll-free in Colorado, or at spiros@thebell.org.

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