Leveling the Playing Field for FY 2005 Cohort Default Rates

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Career Education Review
Feature Article, October 2007

While many people in education-related industries and political positions would like you to believe that Cohort Default Rates are an indicator of quality of education and there is a big difference between the quality of education provided by public schools versus private career schools (proprietary), the most recent data publicly released by the U.S. Department of Education shows a different story. The difference in the stories is dependent upon how you look at the data.

For the purpose of this article, we "leveled the playing field" by eliminating foreign schools and those institutions with fewer than 30 borrowers from the recently released FY 2005 Cohort Default Rate data. Although small schools are an important part of education, the numbers don't significantly change the data except that the vast majority of these schools (over 1,500) are either private or public institutions. The inclusion of these "small school" statistics in the publicly released "averages" benefits the private and public sectors by making their average look lower. The statistics in this article reflect the data from 4,110 institutions serving over 3.5 million students.

There are 648 institutions with FY 2005 Cohort Default Rates (CDR) over 10%. Of these, 351 are proprietary, 61 are private, and 236 are public. The percent of schools whose default rates went from under 10% for FY 2004 to over 10% for FY 2005 were 40.2% for proprietary, 47.5% for private, and 31.8% for public. Within this group, the percent of schools whose CDR's increased were 68.9% for proprietary, 73.8% for private, and 60.2% for public.

The parallels don't stop there. We also analyzed the schools with Cohort Default Rates between 8% and 10% for FY 2005. These are the next "batch" of institutions that are potentially in danger of going over 10%. There are 394 institutions with FY 2005 Cohort Default Rates (CDR) between 8% and 10%. Of these, 167 are proprietary, 29 are private, and 198 are public. The percent of schools whose default rates went from under 8% for FY 2004 to over 8% for FY 2005 were 43.7% for proprietary, 62.1% for private, and 40.4% for public. Within this group, the percent of schools whose CDR's increased were 55.1% for proprietary, 65.5% for private, and 56.6% for public.

The proprietary schools experienced the largest percent of rates that decreased from over 10% for FY 2004 to under 10% for FY 2005, showing 35.8% for proprietary, 22.0% for private, and 26.5% for public.

As you can see, the data reflects parallels between the proprietary and public sector in every area where increases in default rates occur. Based on these trends, we can anticipate that even larger numbers of institutions will experience increases in future Cohort Default Rates when record-low interest rates are not available and Federal and lender budget cuts will surely adversely affect the borrowers' ability to pay. Knowing these parallels may make the difference for the proprietary schools should lender access issues surface again.

Active, early intervention may be the best hope for controlling these increases. Consistent, informative borrower education processes during school and throughout the cohort default rate measuring period has always been the best method of preventing student loan defaults.

For more information on default prevention programs, please, contact Champion College Solutions at (800)761-7376 or visit our website at www.ChampionCollegeSolutions.com.