

CER Exclusive

The More We Look The Same

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December 31, 2010—The U.S. Department of Education's recently released default rate data dating back to the 2004 Federal Fiscal Year (FY 2004) shows the consistencies of program length statistics among the various sectors of higher education.

While some lawmakers and critics of for-profit education would like the public to believe that higher default rates are tied to lower quality education at for-profit institutions, data consistently shows that the program length is a more accurate comparison. Students attending similar programs have similar socioeconomic backgrounds. This strengthens the argument for advocates of education choice to say that the students should be able to choose a public, private, or for-profit institution because the outcome and consequences to taxpayers is very similar regardless of institutional type.

Using the oldest data provided for the FY 2004 cohort default rate (CDR) among students who attended programs less than 2 years in length, proprietary students defaulted at a rate of 8.9 percent while private students defaulted at 9.0 percent. In the most recently released FY 2008 CDR, programs of less than 2 years in length show proprietary schools at 12.4 percent and private schools at 14.1 percent. In every year except FY 2006, private institutional rates were higher than those of proprietary schools.

For students attending 2–3 year programs during FY 2004, proprietary students defaulted at a rate of 9.9 percent while students and public institutions defaulted at a rate of 8.1 percent. In FY 2008, the proprietary school rate was 12.6 percent while the public rate was 10.1 percent. Although the proprietary rate is higher, it is not exorbitantly higher as critics would like the public to believe.

In fact, when looking at the lifetime default rate based on number of loans, similar institutions show remarkably similar rates. In FY 2004 data, proprietary schools net 25.8 percent while 2-year private non-profit are 22.6 percent and 2-year public are 21.1 percent. In FY 2008 data, proprietary schools net 18.6 percent while both 2-year private non-profit and 2-year public schools show 15.6 percent. Again, the consistencies are documented.

So, why the negative focus on proprietary institutions? Data consistently shows similarities between sectors of higher education when examined by program types that serve similar student profiles.

Education is essential to the recovery of our economic crisis. No sector can do this alone. We encourage lawmakers and officials to use this data to improve higher education as a whole by implementing reasonable measurements and restrictions that apply to all institutions; thus, encouraging consistent quality education for all students.

**Default Rates
Cohort Default Rate**

Calculated based on BORROWERS and the two-year window after entering repayment. Cohort is based on fiscal year.

Institutional Category	Cohort Yr 2004	Cohort Yr 2005	Cohort Yr 2006	Cohort Yr 2007	Cohort Yr 2008
	Cohort Default Rate (CDR)%	Cohort Default Rate (CDR)%	Cohort Default Rate (CDR)%	Cohort Default Rate (CDR)%	Cohort Default Rate (CDR)%
Public					
Less than 2 Yrs	5.7%	5.2%	6.4%	7.5%	6.7%
2-3 Yrs	8.1%	7.9%	8.4%	9.9%	10.1%
4 yrs +	3.5%	3.0%	3.4%	4.3%	4.4%
Private Non-Profit					
Less than 2 Yrs	9.0%	9.0%	10.0%	12.6%	14.1%
2-3 Yrs	7.4%	6.7%	6.1%	8.1%	8.2%
4 yrs +	2.8%	2.3%	2.4%	3.6%	3.8%
Proprietary					
Less than 2 Yrs	8.9%	8.9%	10.9%	12.0%	12.4%
2-3 Yrs	9.9%	9.3%	11.1%	12.5%	12.6%
4 yrs +	7.3%	7.2%	8.4%	9.8%	10.9%
Foreign Schools(1)	1.5%	1.0%	1.2%	2.2%	2.2%
Overall	5.1%	4.6%	5.2%	6.7%	7.0%

(1) FFELP only

Budget Lifetime Default Rate

Calculated based on DOLLARS for a projected cohort life of 20 yrs. Cohort is based on origination date.
As reflected in the latest estimates as of 7/1/10 (Combined Stafford Subsidized and Unsubsidized, DL and FFEL)

Institutional Category	Cohort Yr 2004	Cohort Yr 2005	Cohort Yr 2006	Cohort Yr 2007	Cohort Yr 2008
	Budget Lifetime Default Rate %	Budget Lifetime Default Rate %	Budget Lifetime Default Rate %	Budget Lifetime Default Rate %	Budget Lifetime Default Rate %
2 Yr Non-Profit and Public	27.5%	29.3%	31.2%	31.6%	31.1%
2 Yr and 4 Yr Proprietary	42.5%	42.3%	43.5%	47.0%	46.3%
4 Yr Freshmen & Sophomores	20.5%	21.9%	22.3%	22.0%	21.8%
4 Yr Juniors & Seniors	8.5%	9.8%	11.6%	12.3%	12.2%
Graduate Students	3.7%	4.5%	5.9%	6.3%	6.4%
Overall	12.2%	13.2%	14.6%	15.3%	15.8%

Cumulative Lifetime Default Rate

Calculated based on LOANS. Includes defaults occurring from the time loans entered repayment through 9/30/10.

Institutional Category	Cohort Yr 2004	Cohort Yr 2005	Cohort Yr 2006	Cohort Yr 2007	Cohort Yr 2008
	Cumulative Lifetime Default Rate %	Cumulative Lifetime Default Rate %	Cumulative Lifetime Default Rate %	Cumulative Lifetime Default Rate %	Cumulative Lifetime Default Rate %
2 Yr Private Non-Profit	22.6%	19.4%	17.8%	18.8%	15.6%
2 Yr Public	21.1%	19.4%	17.2%	18.0%	15.6%
4 Yr Private Non-Profit	6.1%	4.8%	4.4%	5.8%	5.6%
4 Yr Public	6.9%	5.9%	5.6%	6.7%	6.3%
Proprietary	25.8%	23.0%	20.9%	21.1%	18.6%
Foreign Schools (1)	3.6%	1.9%	2.3%	2.9%	3.0%
Consolidation	8.3%	6.3%	6.0%	8.2%	6.4%
Overall	10.7%	9.1%	8.5%	10.4%	9.8%

(1) FFELP only

PLEASE NOTE: THESE RATES CANNOT BE COMPARED SINCE THEY ARE BASED ON DIFFERENT ATTRIBUTES -- BORROWERS, DOLLARS, LOANS AND INSTITUTIONAL CATEGORIES.