Maine's For-Profit College Students Carry Heavy Debt Burdens and Struggle in Repayment

Center for Responsible Lending

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Students at Maine's for-profit colleges carry higher levels of debt, borrow in higher percentages, and have worse repayment rates on that debt compared to their peers at public and private non-profit institutions. Because African Americans, females, and low-income students are disproportionately enrolled in Maine's for-profit colleges, these poor outcomes fall more heavily on these vulnerable subgroups.

This report uses the most recent data released from the U.S. Department of Education (College Scorecard, September 2016)[1] to present a snapshot view of the condition of higher education within the state of Maine. It compares public, private, and for-profit institutions based on their average demographic makeup and indications of student financial burden[2] after leaving school.[3] Financial burden comparisons are for colleges offering predominantly 2-year degrees only, as Maine does not have for-profits that offer predominately Bachelor's degrees.

Specifically, the Center for Responsible Lending finds the following:

- ***Disproportionate impact.*** The for-profit sector enrolls 6**%** of all Maine undergrads. For-profit enrollment at the institution level is disproportionately low-income (60%, as measured by the proxy Pell Grantees[4]), African-American (8%), and female (76%) compared to public and private peers. This means that the poor outcomes discussed below fall disproportionately on these populations.

- ***Higher percentage of students borrow.*** The average proportion of students that borrow at Maine's for-profit institutions is 75% compared to 41% and 66% respectively at public and private institutions.

- ***Higher debt burdens.*** The median debt level of students that have graduated from for-profit institutions is substantially higher ($23,781 compared to $10,940 and $16,000 for public and private institution peers, respectively).

- ***Lower repayment rates***. The higher debt levels contribute to another troublesome outcome: for-profit students have a repayment rate that is approximately two-thirds of public school peers and one-half that of private school peers (44% compared to 67% and 87% respectively).

Supporting Data and Discussion

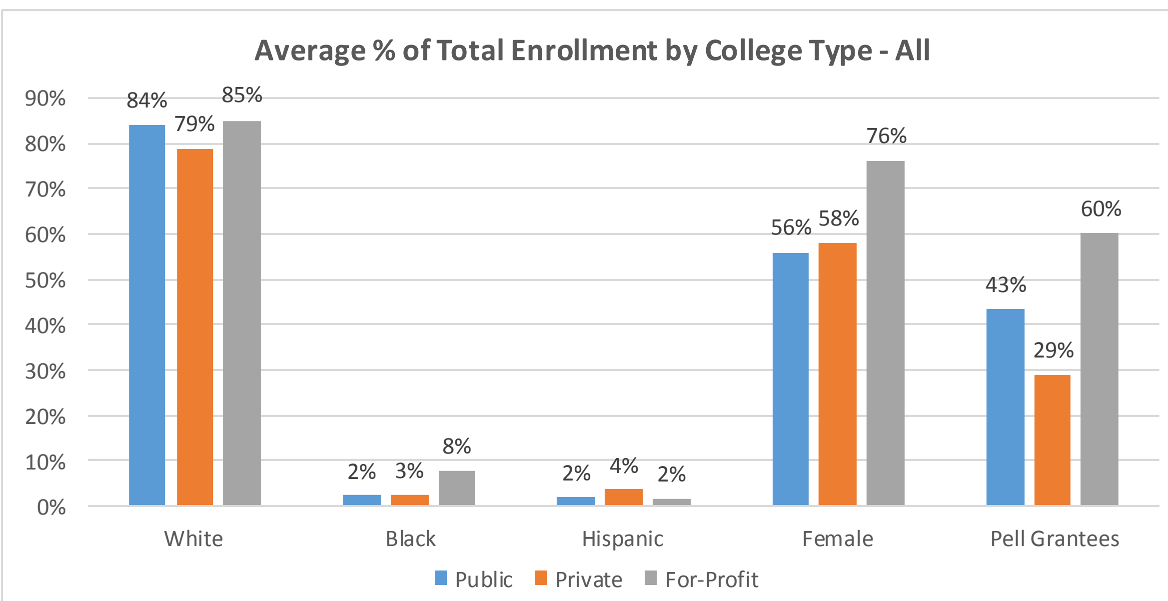
The table below shows Maine's distribution of colleges and students by school type.

Maine's Distribution of Colleges and Students By College Type

ME Colleges by Type	Number of Schools in Category	Total Undergrad Population	% of Total
Public	15	37,866	68%
Private	13	14,555	26%
For-Profit	11	3,606	6%
Total	39	56,027	100%

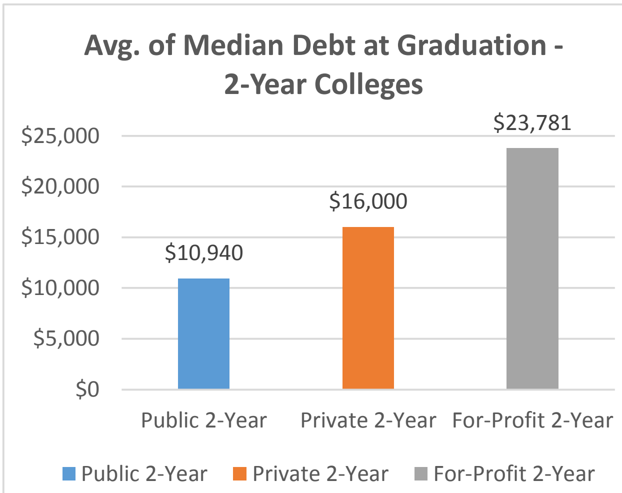
The comparisons in the demographic chart below generally show that the for-profit higher education industry targets lower income students (reflected in the percentage of students receiving federal Pell grants) and enrolls a higher percentage of African-American and female students compared to the public and private institutions. Maine's for-profit institutions are highly dependent on federal financial aid with four out of the eight reporting for-profit institutions garnering more than 70% of their revenues from student Pell grants and federal loans. Further, of these four, three of the institutions received more than 80% of their revenues from these sources.[5]

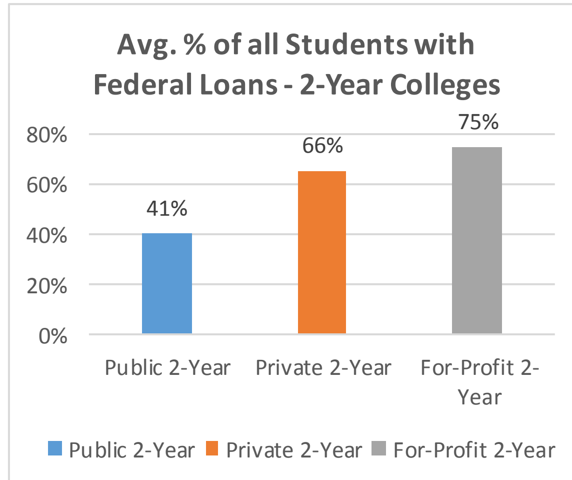
Maine Higher Education Demographics



The debt load charts that follow reveal high median debt for those who graduate from for-profit institutions (particularly in comparison to public sector peers). The charts also shows that more students as a percentage of the total undergraduate population borrow at for-profit schools, increasing the impact of high debt loads. Median debt load statistics are reported for 2-year schools to provide an "apples-to-apples" comparison of financial burden for similar types of degrees and lengths of programs and because as previously mentioned, Maine does not have any for-profits that offer predominantly Bachelor's degrees.

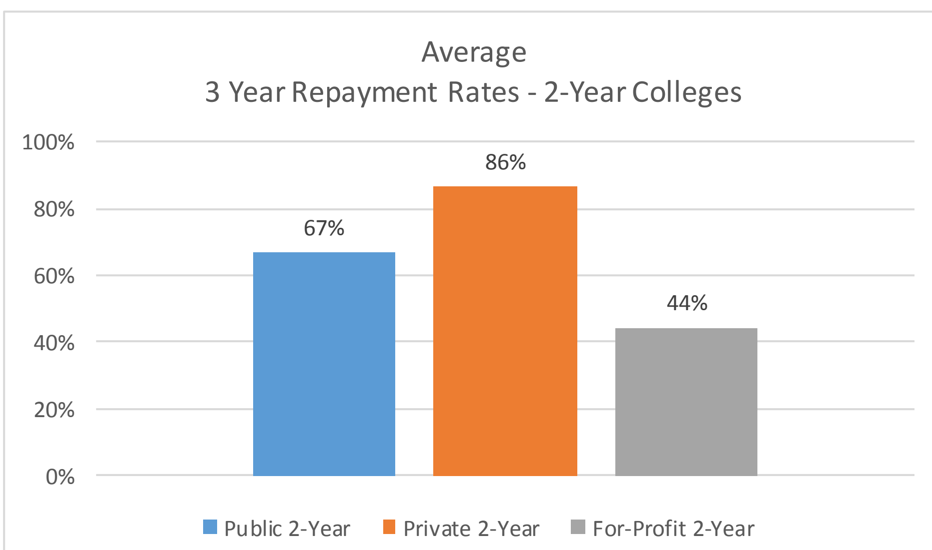
Maine Student Debt Load





High debt loads for students at for-profit colleges contribute to a much lower likelihood of loan repayment compared to students that attend public and private peer institutions (see loan repayment chart below). The repayment rate reflects the percentage of students who have not defaulted and have been able to pay down at least $1 of their federal loans three years after leaving the school. The repayment rates include both completers and those students that withdraw before completion. Of the student cohort entering repayment between 10/1/2011 and 9/30/2012, only 44% of for-profit students not in default[6] were able to pay down at least $1 of their federal loans compared to 67% and 86% for public and private peer institutions.

Maine Student Loan Repayment



[1] https://collegescorecard.ed.gov/data/.
[2] Financial burden is reflected in statistics on median cumulative debt at graduation, the percentage of students that borrow, and the 3-year repayment rate.
[3] The analysis excludes colleges with no reported undergrads or those reporting "grad" as the predominant degree. College Scorecard data is reported at the institution level and our summary demographic and performance statistics are unweighted by institution size. Statistics on borrowing and repayment are for Federal Title IV loans only.
[4] The measure of "Pell Grantees" is commonly recognized as a good proxy for low-income students in the College Scorecard data.
[5]*See* Proprietary School Percentages Report for Financial Reports for Fiscal Year Ending Dates between 07/01/14 to 06/30/15, https://studentaid.ed.gov/sa/about/data-center/school/proprietary. Percentages for Maine's two Kaplan campuses are reported in aggregate with all other Kaplan University campuses in one figure under the headquarters state of Iowa. This report assumes that the Maine campus figures are equal to the aggregate figure reported (81.3%).
[6] 3 Year cohort default rates were similar for for-profit and public 2-Year institutions at 15.9% and 16.8% respectively. The same figure for private school peers was 2.9%.