Connecticut's For-Profit College Students Graduate at Low Rates, Carry Heavy Debt Burdens

Center for Responsible Lending

Robin Howarth, Senior Researcher

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Students at Connecticut's for-profit colleges graduate at lower rates than their peers at public and private non-profit institutions. Those who do graduate carry higher levels of debt and higher default rates on that debt. Because African Americans and Hispanics are disproportionately enrolled in Connecticut's for-profit colleges, these poor outcomes fall more heavily on people of color.

This report uses the most recent data released from the US Department of Education (College Scorecard, September 2016)[1] to present a snapshot view of the condition of higher education within the state of Connecticut. It compares public, private, and for-profit institutions based on their average demographic makeup, completion rates, and indications of student financial burden[2] after graduation.[3]

Specifically, the Center for Responsible Lending finds the following:

- ***Disproportionate impact.*** The for-profit sector enrolls 11.1% of all Connecticut undergrads. For-profit enrollment at the institution level is disproportionately low-income (65%, as measured by the proxy Pell Grantees[4]), African-American (18%), and Hispanic (23%) compared to public and private peers. This means the poor outcomes discussed below fall disproportionately on low-income communities and people of color.

- ***Lower graduation rates.*** Students at four-year for-profit schools have substantially lower completion rates (35%) compared to their public and private peers (55% and 67%, respectively).

- ***Higher debt burdens.*** For those who do graduate, for-profit students have substantially higher debt levels ($28,199 compared to $21,844 and $24,509 for public and private school peers, respectively). It is also notable that a greater percentage of undergrads borrow at for-profit institutions: 60.9% compared to 50.8% and 52.4% for public and private peers.

- ***Higher default rates.*** The higher debt levels contribute to another troublesome outcome: for-profit students have a default rate three times that of their public and private school peers (11.8% compared to 3.8% and 3.7% respectively). Further, after accounting for those students in default, only 59% of remaining students at four-year for-profit institutions are able to repay any of their debt three years after separation, compared to 88% for both public and private school peers. Similar discrepancies exist for low-income and female subgroups.

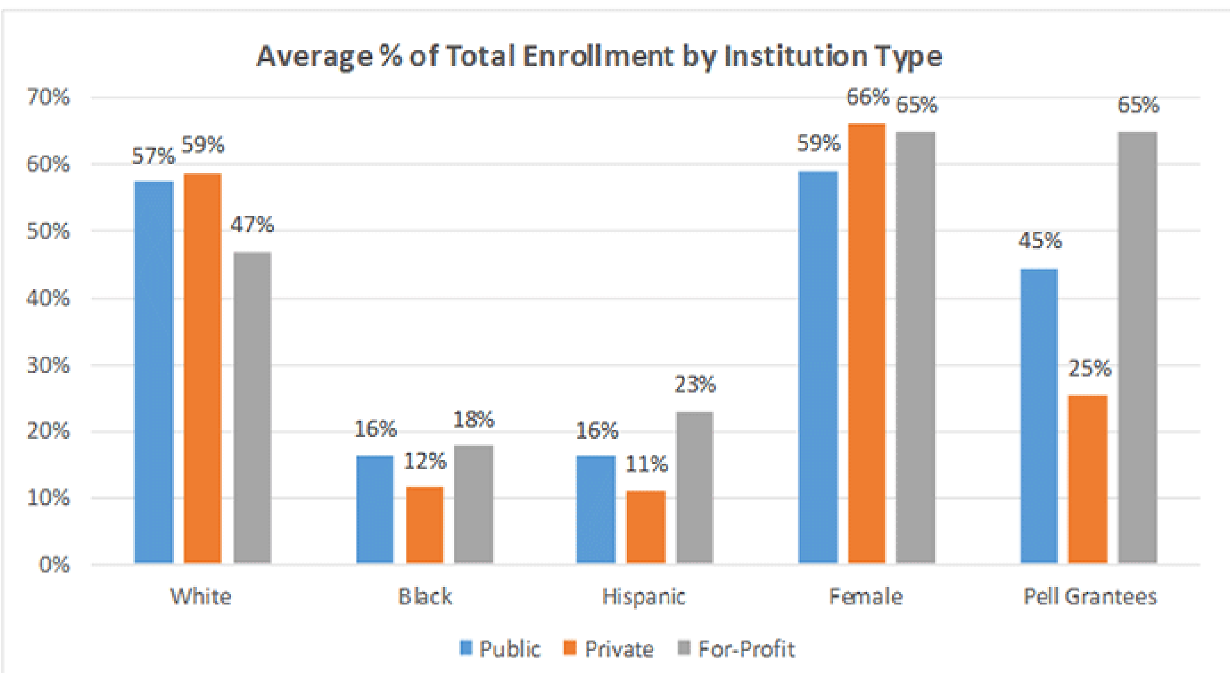
Supporting Data and Discussion

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

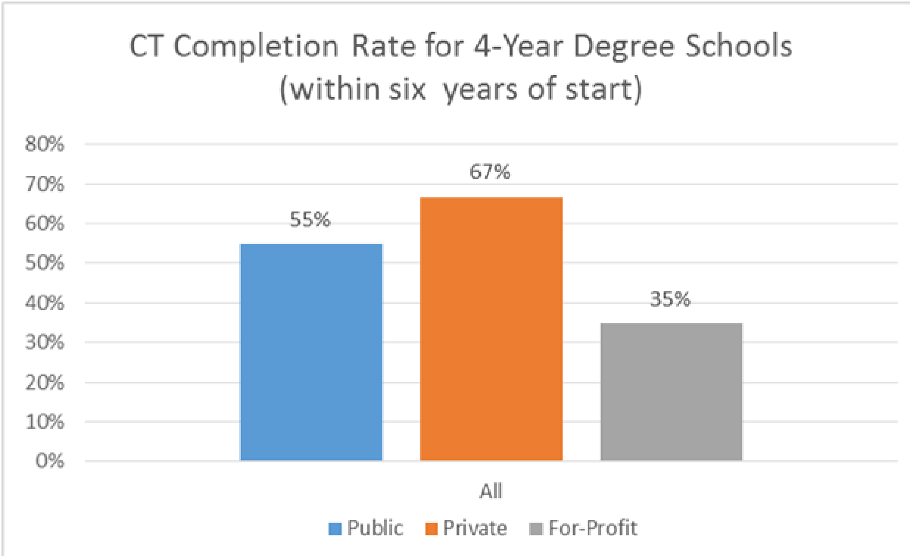
Connecticut's Distribution of Colleges and Students by College Type			
Type	**# of Schools in Category**	**Total Undergrad Population**	**% of Total**
Public	31	100,315	60.2%
Private	18	47,897	28.7%
For-Profit	39	18,534	11.1%

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 Hispanic students compared to the public and private institutions. Connecticut's for-profit institutions are highly dependent on federal financial aid with 16 out of the 25 reporting for-profit institutions garnering more than 70% of their revenues from student Pell grants and federal loans and 7 of the 25 institutions receiving more than 80%.[5]

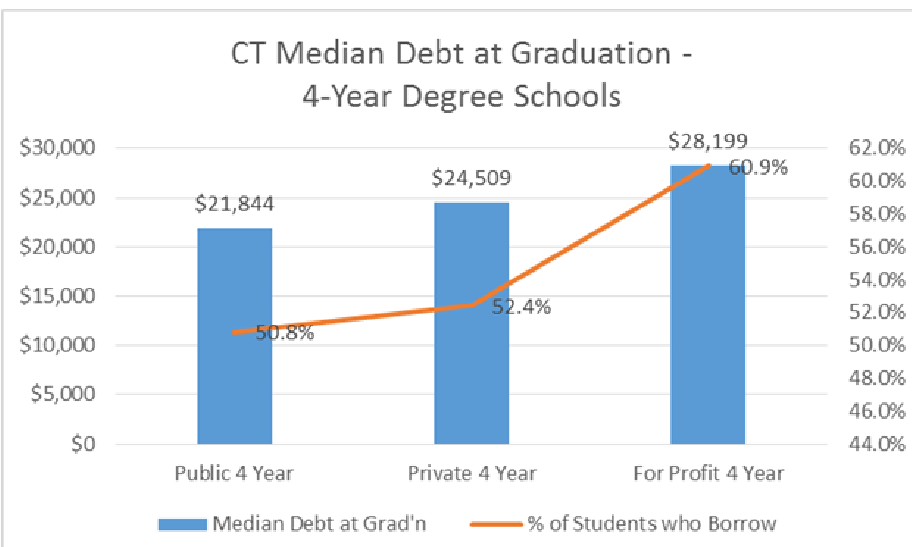
Connecticut Higher Education Demographics



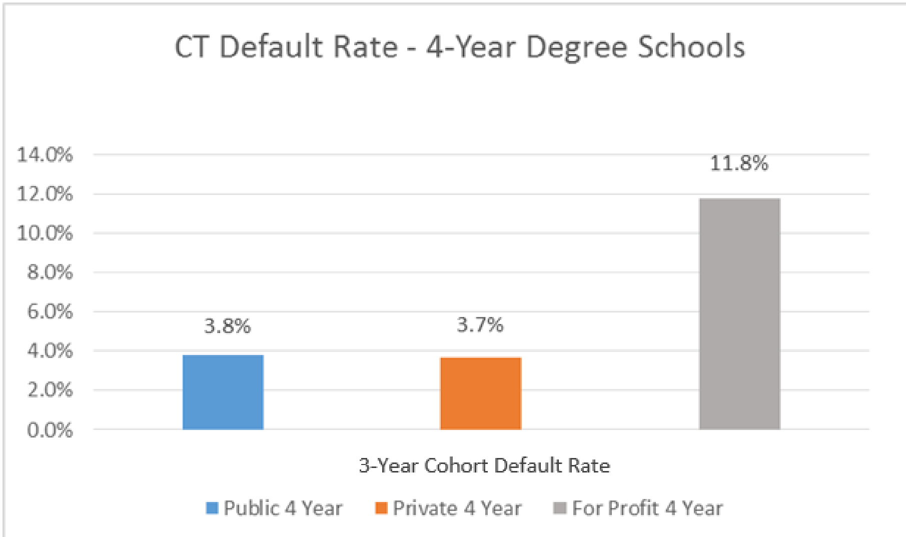
The charts that follow reveal poor completion (graduation) rates and high median debt for those who do graduate from for-profit institutions (particularly in comparison to public sector peers). The chart on median debt also shows that more students as a percentage of the total undergrad population borrow at for-profit schools increasing the impact of high debt loads. Completion rates are reported for 4-year schools, because the data is reported for first-time, full-time students only, thereby limiting its usefulness for less than 4-year schools that typically have a large proportion of part-time, transfer and returning students. Completion includes those who graduate within 150% of the expected time, in this case six years from first enrollment.



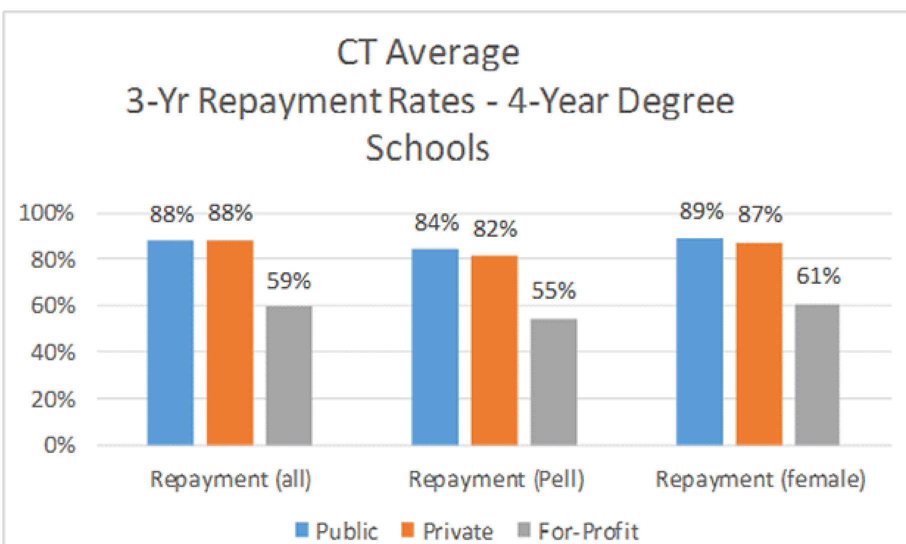
Median debt loads are also reported for 4-year schools to provide an "apples-to-apples" comparison of financial burden for similar types of degrees and lengths of programs. Note that similar comparisons, between certificate programs and 2-year associate degree programs also show that for-profit students borrow far more than students at public institution peers.



The default rate chart below shows the dramatic results of high debt loads, poor completion, and generally poor earnings outlook for students at Connecticut's for-profit 4-year degree schools.[6] The 3-year cohort default rate, averaging a troubling 11.8%, is three times higher at for-profit institutions compared to public and private peers. The 3-year cohort default rate represents a snapshot in time and is reported here for the cohort of borrowers who entered repayment on their federal student loans between 10/1/2011 and 9/30/2012 and defaulted before 9/30/2014.



For those students that manage to avoid default, many are nevertheless unable to make any progress in repaying their debt, as indicated by low repayment rates by for-profit students compared to public and private peers. 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 separation from 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 59% of those for-profit students not in default were able to pay down at least $1 of their federal loans. The repayment rate was even worse for Pell students at 55%.



[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, the 3-year cohort default rate, 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.
[6] Similar default comparisons for certificate and 2-year degree programs also show much higher default rates at for-profits.