

Testimony of Ben Miller
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on
“Reauthorizing the Higher Education Act: Accountability and Risk to Taxpayers”
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Chairman Alexander, Ranking Member Murray and other members of the committee, thank you very much for the opportunity to testify today.

Oral remarks

Federal student aid is a deal between taxpayers, students, and institutions. When students don't keep up their end of the bargain we hit them hard—wrecking their credit, docking their wages, seizing their tax refunds or Social Security checks. But there's almost no accountability when colleges break their promises or repeatedly fail to educate their students.

Yes, there are thousands of institutions that deliver on the American dream by leading students into the middle class. But the results of our current accountability system are grim, especially for students traditionally underserved by postsecondary education. One million borrowers default on their federal Direct loans each year.¹ Half of African American borrowers default on their loans within 12 years of entering college.² Pell Grant recipients comprise nearly 90 percent of defaulters.³

Poor outcomes cost taxpayers too. We invest billions in schools that repeatedly fail to educate most of their students. Our economy suffers from the lost earnings potential of students who did not receive the knowledge and skills needed to succeed in the workplace.

The Department of Education's main accountability metric is the cohort default rate. Yes, default is a horrible outcome. But this measure is little more than a finger wag. Just 10 schools risked losing federal aid last year for high default rates--99.9 percent of defaulters attended schools that have little to fear from this measure.⁴

¹ Office of Federal Student Aid, “Default Rates,” available at <https://studentaid.ed.gov/sa/about/data-center/student/default> (last accessed November 2017).

² Ben Miller, “New Federal Data Show a Student Loan Crisis For African American Borrowers,” Center for American Progress, October 2017, <https://www.americanprogress.org/issues/education-postsecondary/news/2017/10/16/440711/new-federal-data-show-student-loan-crisis-african-american-borrowers/>.

³ Ben Miller, “Who are Student Loan Defaulters?” Center for American Progress, December 2017, <https://www.americanprogress.org/issues/education-postsecondary/reports/2017/12/14/444011/student-loan-defaulters/>.

⁴ Ben Miller, “Improving Federal Accountability for Higher Education,” Center for American Progress, October 2017, <https://www.americanprogress.org/issues/education-postsecondary/reports/2017/10/24/440931/improving-federal-accountability-for-higher-education/>.

Repayment rates are potentially a stronger and more aspirational accountability measure. They send a message that our loan system should expect student success, not just avoid the worst possible outcome.

But we still have to figure out the proper way to define and use repayment rates. For instance, there's no agreement on what constitutes successful repayment. The most common approach is to say a borrower needs to pay at least \$1 of their principal balance by the end of three years. We may be better off judging if borrowers are on track to repay within 20 or 25 years. We also must address issues around repayment rate benchmarks and how to treat subsequent enrollment.

These are tough issues that demand additional data already held by the Department of Education to understand the potential effects of different repayment rate regimes.

Congress must also understand that repayment rates are just one component of making federal accountability work. A reauthorization of the Higher Education Act must establish a federal accountability system that aligns the interests of students, schools, and taxpayers.

That starts with using multiple accountability measures and looking at results by racial, ethnic, and socioeconomic subgroups. Using just one indicator is insufficient because it is too easy for bad actors to game. And we must look at outcomes through an equity lens to catch unacceptable performance gaps and ensure our higher education system is the ladder of opportunity it needs to be.

There's more to accountability than just outcomes, though. We need stronger gatekeeping to keep lousy actors out of the aid programs and ongoing guard rails to keep schools from breaking bad.

Recent history illustrates how insufficient our guardrails are. In the late 1990s and early 2000s we had several for-profit colleges that had good business models and decent outcomes. But financial incentives encouraged them to grow too big or they were bought by Wall-Street backed firms that altered how they operated. It took years for us to see the change in outcomes, and it wasn't pretty. At their peak, private for-profit colleges were a little over 10 percent of students and nearly half of defaulters. Stronger guardrails should have discouraged hyper growth or blocked sales to questionable owners.

We also need more flexible consequences that go beyond terminating financial aid for the worst performers. We need stronger minimum bars for receiving federal aid. But we also need incentives to boost performance of schools with mediocre results.

Accountability must also acknowledge the diversity of our higher education system. While all colleges should be held accountable for their loan outcomes, we should not pretend that the business model and incentives of a college backed by Wall Street are the same as the local community college.

Finally, the rest of the higher education system must step up. No one has kept up their end of the bargain around funding or cost containment. States, the federal government, and accreditors have played accountability hot potato for too long. The result is too many states fail to provide proper oversight of the colleges serving their students, and some accreditation agencies turned a blind eye while places like Corinthian Colleges and ITT Technical Institute faced rafts of lawsuits and complaints.

It has been nearly a decade since Congress last reauthorized the Higher Education Act. Since then, millions of students have suffered from unaffordable loans and insufficient educations. Millions more will be harmed going forward if we don't get accountability right this time.

Thank you again for the opportunity to testify and I look forward to answering any questions you may have.

Additional comments on repayment rates

The case for and limitations of repayment rates

Currently, the Education Department's sole measure for judging colleges' student loan outcomes is to look at the percentage of borrowers who default within three years of entering repayment.⁵ Though default is unquestionably the worst outcome for a loan borrower, it's an insufficient measure for federal loans, especially when tracked for such a short timeframe. That's because federal debts contain a host of repayment options that allow borrowers to pause payments without going delinquent. These tools can easily push defaults outside the three-year measurement window, making results appear overly rosy. For instance, a Center for American Progress analysis found that of borrowers who defaulted within 12 years of first entering college, only a slim majority did so in the first three years after entering repayment.⁶

Creating a repayment rate measure would not fix the potentially insufficient measurement window, but such a rate would offer a broader view of what it means to struggle with student debt. It would look at whether borrowers make progress retiring their loans, rather than avoiding default through deferment or forbearance—thus holding colleges accountable if larger numbers of their borrowers appear to be making few if any payments. Repayment rates can also identify colleges where more borrowers may be relying on tools to pause payments because they are facing economic hardships or unemployment—potential signs their education was of insufficient quality.

Focusing on repayment, not just default, would also set a higher performance bar for institutions. Meeting default rate requirements simply entails pushing students to enter any

⁵ <https://www2.ed.gov/offices/OSFAP/defaultmanagement/cdr.html>

⁶ Miller, "Who are Student Loan Defaulters?"

status other than default. By contrast, most suggested definitions of successful repayment require borrowers to be making payments toward retiring their debt, or in some cases using repayment options tied to their income.

Repayment rates, however, are a complicated measure that touch on issues related to how students move through higher education and repayment. Failing to understand these nuances can result in a repayment measure that unfairly labels successful programs as failures. To avoid that challenge, there are six policy choices that Congress must consider as it weighs how to define and use repayment rates.

Policy Choice #1: What is successful repayment and how should it be calculated?

While there is strong bipartisan interest in making repayment rates an accountability metric, there is less agreement about what should constitute successful repayment and how it should be calculated. Different approaches to calculating a repayment rate would likely produce wildly different results. Unfortunately, insufficient data from the U.S. Department of Education make it impossible to tell exactly what the effects of various calculations are. Before it implements any proposed repayment rate, Congress should obtain detailed modeling data to ensure it fully understands the ramifications of any calculation.

Defining successful repayment

To date there are two main proposals for how to define successful repayment. The most recent comes from legislation introduced in the U.S. House of Representatives to reauthorize the Higher Education Act. It proposes that successful repayment means a borrower did not default, is not in certain deferment statuses, and is not more than 90 days delinquent at the end of the third fiscal year in repayment.⁷ Borrowers who have an in-school deferment or a military service deferment at the time of measurement count as repayment successes.

Though called a repayment rate, this measure is more a reflection of an active repayment status or excused absence. It does not tell us much about a borrower's long-term repayment trajectory. And by testing for delinquency only at the end of the measurement window it allows a college to get credit for a borrower that corrected their status only days before being assessed.

The most commonly used definition of repayment rates lacks some of the flaws in the House bill, but raises other issues. This definition has appeared on both the College Scorecard and as part of the original proposals from the Department of Education to define what it means to provide training that leads to gainful employment in a recognized occupation. It defines success as a borrower who has not defaulted and repaid at least \$1 of their original principal balance

⁷ Kristin Blagg, "Large uncertainty under the PROSPER Act's proposed student loan accountability metric," Urban Institute, January 18, 2018, <https://www.urban.org/urban-wire/large-uncertainty-under-prosper-acts-proposed-student-loan-accountability-metric>.

after three years in repayment. This measure deems a borrower as a success if they simply owe anything less than what they borrowed.

The challenge with this approach is a \$1 reduction in principal after three or more years in repayment is not evidence of a path toward paying off a loan in any reasonable amount of time. For example, a borrower who owes \$10,000 with a 5 percent interest rate when they enter repayment would have retired just over a quarter of what they owed after three years in repayment on the standard 10-year plan. Even if they are paying off the loan over 25 years, they should have reduced their principal by almost 10 percent.⁸

What Congress should do: Given these concerns, Congress should strive for a more ambitious bar for what it means to achieve repayment success. It should define success as meaning borrowers have not defaulted and owe no more than what we would expect to still be outstanding on their loan if they were to pay down the debt over a 25-year period. What this tests for is whether it looks like borrowers are going to pay off their loans within the longest timeframe afforded prior to loan forgiveness. The goal is to ensure we do not issue too many loans that appear to be headed toward eventual forgiveness.

Calculating repayment rates

The next issue is whether to calculate repayment rates based upon students or dollars involved. Both have benefits and drawbacks. Unfortunately, without better data available, it is difficult to know which is the superior approach.

A student-based calculation treats all borrowers equally. This formula defines a threshold for the percentage of students who attended an institution or program who must have demonstrated successful repayment within the desired number of years after entering repayment. In the most common form of repayment rates, this has meant saying programs or institutions must have at least 45 percent of their borrowers repaying.

The main argument for a student-based approach is it ensures that poor results of lower-debt dropouts do not get masked by successful completers. Within a given program or institution students who graduated tend to have higher debt levels than those who dropped out. But dropouts are also more likely to struggle with their loans. A student-based measure ensures a school will remain concerned about dropouts because they can hurt its overall rate.

A dollar-based approach, by contrast, allows a sufficient number of successes to cancel out failures. There are two ways to use a dollar-based approach: to weight students or pooled. The weighted student approach calculates the result for each student, but expresses the result in terms of their loan balance. An example illustrates what this means. Imagine a school had two borrowers who entered repayment, one who owed \$10,000 and another who owed \$30,000.

⁸ Ben Miller, "Do Income-Based Repayment Plans Really Ruin Repayment Rates?" New America, December 2013, <https://web.archive.org/web/20150405035404/www.edcentral.org/income-based-payment-plans-really-ruin-repayment-rates/>.

The borrower who owes \$30,000 repays while the other does not. In a dollar-weighted formula the repayment rate is thus 75 percent (\$30,000 divided by \$40,000) because three-quarters of the loan dollars are held by students who are repaying.

Using a student-weighted dollar approach is less desirable than a student-based approach. Focusing on dollars instead of students lessens the plight of dropouts. It is also less intelligible as a consumer measure.

A pooled approach is the better option for judging repayment based on dollars. This calculation treats all the loans issued to a given institution or program as if they were one big loan, and then tests whether the total amount is repaid. In other words, if the total original principal balance of all loans at a school is \$100,000, the school would have to show that the cumulative remaining balance after several years meet the bar for successful repayment.

The advantage of a pooled approach is there is no need to figure out the threshold for repayment rates. The summed loan balance either did or did not repay. This approach also gives schools credit for students who pay down a lot because they can counterbalance other balances that may have grown. Whether that's a desired goal or not depends on how worried Congress is about the plight of low-balance borrowers.

What Congress should do: Obtain data and modeling from the U.S. Department of Education to understand the effects of different repayment calculations. This should include asking for how results might vary by income and race.

Policy Choice #2: What should be the repayment rate benchmark?

Congress also needs to determine thresholds for repayment rates. Unfortunately, there is no widely accepted benchmark for a repayment rate measure. Earlier iterations of the gainful employment regulation suggested programs should face sanctions if 35 percent or fewer of their borrowers repaid. A judge, however, ruled that the Education Department did not properly justify that threshold. A House bill to reauthorize the Higher Education Act suggested a threshold of 45 percent on a measure with a different definition.

The lack of accepted repayment rate benchmarks creates challenge for its use. From a philosophical standpoint, the notion that having fewer than half of borrowers successfully repay seems like an awfully low bar. At the same time, there has not been enough research into the repayment path of borrowers who do not repay. This makes it hard to understand whether the bar for successful repayment is high enough that setting such a seemingly low benchmark is acceptable.

What Congress should do: Obtain better data from the Education Department to model the effects of different repayment rate benchmarks. This should be supplemented by student-level analysis of how non-paying borrowers experience repayment. For instance, this analysis should look at whether borrowers missing the repayment test are simply payments that are not large

enough, are using deferments or forbearances, or doing other things that explain why they come up short.

Policy Choice #3: How should repayment rates address subsequent enrollment at another institution?

Any discussion of repayment rates needs to include a discussion about how to treat students' subsequent enrollment at other institutions. This is especially an issue for students who go to graduate school, but also matters for those who transfer among undergraduate institutions.

Students who acquire debt from multiple institutions create complicate the repayment rate in two main ways: (1) balance growth due to in-school deferment and (2) behavioral changes due to higher debt levels.

When students enroll at another institution of higher education, they get an in-school deferment, in which some loan types will continue accumulating interest that is then added to their principal balance the next time they enter repayment. This matters because a student who enters repayment, then transfers or goes to graduate school, could appear to fail a repayment test solely because they aren't paying accumulating interest while enrolled again. Failing to account for interest accumulation while enrolled at another institution can make the original school's results seem unfairly negative for reasons outside of its control.

This problem is likely a bigger deal with graduate school enrollment than with transferring. That's because students who enter graduate school most likely had a longer gap between enrollment than someone who transfers. By taking time off between finishing their undergraduate education before going to graduate school many of these students enter repayment—establishing the initial balance for measuring repayment—and then receive an in-school deferment where their balance grows. By contrast, students who transfer are less likely to have a large enough gap between enrollment to enter repayment. As a result, their balance tracked for repayment rate purposes is more likely to be determined after their enrollment in another institution.

Long-term repayment data from the Department of Education suggest that in-school deferments may be contributing to students to owing more than they originally borrowed. Of students who started school in 2003-04, borrowed, and in 2015 owed more than they originally borrowed, 54 percent had used at least one in-school deferment. That's 12 percentage points higher than individuals who owed less than they originally took out but had not paid off their loan.⁹

The second issue with debt from multiple colleges is that a higher total loan balance can affect repayment behavior. Imagine a student starts at community college and borrows \$5,000. They

⁹ National Center for Education Statistics, "Datalab, Beginning Postsecondary Students 2004-2009, Table ccabka13," available at <https://nces.ed.gov/datalab/> (last accessed January 2018).

then go to a public four-year school and borrow another \$20,000. That additional debt burden may make them more likely to use income-driven repayment (IDR) because they get a larger payment reduction, possibly resulting in them not paying enough to retire the original debt at a speedy pace. Alternatively, they may not be able to handle that total balance, forcing them into a deferment or forbearance. Similarly, if a borrower cannot afford the full payment on their loan balance, then partial payments may not reduce the lower debt from the first school as much as it otherwise would.

What legislators should do: Addressing the problem of debt from multiple institutions requires distinct solutions for subsequent student enrollment and the potential effects of having a greater loan balance.

For the subsequent enrollment issue, institutions should be held accountable for the balance owed upon entering repayment after the in-school deferment. In other words, if a student borrows \$10,000, enters repayment, then goes back to school where the balance grows to \$12,000, that last amount should be the starting point for measuring whether a borrower has reduced their original balance. This approach ensures that the first school will not be held accountable for in-school interest accumulation due to attendance at another institution.

Looking at a balance once a student leaves a second school also has implications for what cohort a student should be placed in. Students should only be measured for repayment purposes after it has been at least three years since their last in-school deferment and subsequent grace period. This means a student who is in repayment for two years and then goes to graduate school gets placed into a later cohort that starts after they enter repayment again. While this may seem more complicated to administer, it's a necessary change to ensure that borrowers are judged on a better measure of their balance upon entering default, and then tracked for sufficient time to be fairly assessed on whether they can repay.

Concerns about how greater debt balances affect repayment is best addressed by assuming all payments get applied to debt from each school. An example highlights how this would work. Assume a borrower has \$20,000 total, with \$5,000 coming from one school and \$15,000 from another. Their monthly payment is \$200, with \$50 going to the \$5,000 debt and the rest to the other loan balance. The repayment rate calculation should act as if the entire \$200 payment went to both sets of loans. While this does result in double counting payments, it ensures that neither school is potentially harmed by the presence of debt from another institution.

Policy Choice #3: How should repayment rates address income-driven repayment?

The income-driven repayment (IDR) plans present complexities for repayment rates. These plans are a crucial safety net for borrowers that must be preserved. They help borrowers avoid default on debts they could not otherwise afford and give them an eventual path out from under their loans. An IDR plan, however, is not a get-out-of-jail-free card for institutions. Schools

where large numbers of students avail themselves of IDR plans may be providing educations that are too expensive compared to their economic return.

Using IDR can alter a borrower's perceived repayment success in a few ways. First, by offering borrowers payments below what they would make on the standard 10-year plan, it is possible that a borrower may be making all their required payments but still seeing their balance grow due to interest accumulation or their principal balance not get retired more slowly. However, it is important to understand that just going on IDR does not guarantee a borrower will fail to cover their interest payments. For example, a borrower who owes \$10,000 must earn about \$32,500 to make payments on IDR akin to what they would on the 10-year standard plan. If they make more than about \$23,500 then they will still cover some of their accumulating interest.¹⁰

The timing lag of IDR payment calculations further complicates this issue. In most cases, a borrower's payment for IDR purposes is based upon their income from the calendar year for which they most recently filed taxes. In other words, a borrower applying for IDR today might well be using 2016 income. This matters because students who go onto IDR right away will likely have their payments based off of the lower income they had in their last year of school, not their current earnings. This likely results in lower payments for their first year in IDR, which can affect overall interest accumulation.

It would be easy to label a borrower making IDR payments that do not keep up with interest as a failure under a repayment rate test. But this brings up the second challenging effect of IDR—these plans make repayment progress non-linear. Many borrowers on IDR plans are still expected to repay within a 20 year timeframe, by paying down a much greater share of their loan balance within the final few years of repayment. Consider, for example, a borrower who owes \$6,000 with a 5 percent interest rate and starts making \$16,000 in annual income on the Revised Pay as You Earn plan. In their first few years of repayment they will not keep up with interest growth. If their income grows at a steady rate of 5 percent, they will start paying down principal in the sixth year of repayment and pay off their loan entirely before receiving forgiveness.

Unfortunately, there is no ideal solution to the treatment of IDR plans in a repayment rate. Treating all borrowers in IDR as a success creates a good incentive for institutions to push struggling borrowers to sign up for these plans. While that is a good outcome for borrowers, it would provide a way for institutions that charge too much or produce insufficient return to avoid accountability under the repayment rate measure. On the other hand, treating all borrowers who make insufficient payments on IDR as a failure has its own shortcomings. Some unknown share of these borrowers may actually be on an income trajectory that eventually results in paying off their debts before receiving forgiveness. Labeling them a failure would be potentially unfair to institutions. Even an in-between solution has challenges. For example, the first gainful employment rule included a provision that allowed programs to count up to 3 percent of total loan balances using IDR as a success. This acknowledges some usage of IDR is acceptable,

¹⁰ Miller, "Does Income-Based Repayment Really Ruin Default Rates?"

but excessive usage is not. But it also establishes a cliff effect where an institution close to the tolerance has an incentive to potentially counsel struggling borrowers away from IDR. It is also unclear how this tolerance would be applied for borrowers who are on IDR but are making repayment progress.

What Congress should do: Demand more data from the Department of Education about the usage of IDR and how it might affect repayment rates. This includes data on the percent of borrowers and loan dollars using IDR by school or program, what percent of these individuals would fail or pass various repayment rate tests, and how these results vary based upon the measurement timeframe used.

Policy Choice #4: Should repayment rates be assessed at the program or institutional level?

Evidence increasingly shows that on indicators like earnings, the results across programs within a given institution may be as great or greater than the differences observed across colleges. That suggests a program-level approach to accountability may be a more fruitful approach than looking only at an institution overall. It has the added benefit of providing additional flexibility--an institution may very well have exceptional and abysmal programs and a program-level approach potentially holds the latter accountable while leaving the former untouched.

Congress must grapple with two challenges if it wants to consider program-level repayment rates: how to handle non-completion and whether there is always a meaningful distinction between programs.

Non-completion

It is easy to know if a student dropped out from an institution. However, what program they dropped out of may not be as clear. At more traditional institutions that predominantly award bachelor's or associate's degrees, a student may not declare a major or program until after their first or second year. That means a student who drops out before that point may not actually be tracked to a given program yet. How these students get assigned for the purposes of repayment rate accountability could have significant implications for whether a program passes or fails.

The challenge of dropouts not tied to programs appears to be particularly acute at community colleges. Approximately one-quarter of community college students who owed more than they originally borrowed within 12 years of entering school never declared a major or were not in a degree program.¹¹ This is a smaller issue at private for-profit colleges, but their students still represent 10 percent of non-rePAYERS. How those students get distributed across programs could lead to unexpected passage or failure of a repayment rate.

¹¹ National Center for Education Statistics, "Datalab, Beginning Postsecondary Students 2004-2009, Table cgabk5," available at <https://nces.ed.gov/datalab/> (last accessed January 2018).

Simply forcing institutions to assign all students to a program may not be a workable solution. Consider a student who indicates they wish to pursue a specific program, then takes four courses their first term, each in a different program, drops out, and does not repay. Is it fair to attribute the failure to that program when it could in theory be applied to any of the other three?

While it is well established that outcomes vary among graduates of different programs, we do not know if that is also the case for dropouts. The table below shows the percentage of borrowers who started at public colleges and who either owed more than they originally borrowed or defaulted within 12 years of entering college. It shows that the results by program dropouts are relatively similar. This suggests that the important distinctions at the program level may be best considered for graduates only.

Share of public college dropouts who owed more than 100% of their original balance or defaulted within 12 years of entering school, by program

	Owed Over 100%	Defaulted
Undeclared or not in a degree program	44	35
Humanities	34	39
Social/behavioral sciences	44	43
Life sciences	38	39
Computer/information science	31	41
Engineering/engineering technologies	41	47
Education	36	27
Business/management	48	39
Health	36	42
Vocational/technical	29	42
Other technical/professional	38	45

National Center for Education Statistics, "Datalab, Beginning Postsecondary Students 2004-2009, Table baabknacc and baabkn1c," available at <https://nces.ed.gov/datalab/> (last accessed January 2018).

There is no clean fix for this issue. One approach could be to treat institutions that require program declaration upon entry differently from those who do not. In other words, a vocational or graduate institution that has little overlap across programs would use a program-level approach, while other schools would be judged institutionally. This adds complexity and could create confusion about who is judged in which manner.

Alternatively, Congress could decide to run repayment tests on graduates at the program level and judge institutions overall on dropout repayment outcomes. In general, program-level accountability is better suited to looking at graduates because they are a more clearly defined

group and it is more reasonable to expect that the outcomes for someone who finished different types of programs might vary more than the results for dropouts. If Congress takes this approach, it would need to set a higher repayment bar since graduates are more likely to succeed in general. This approach creates challenging accountability questions. How should Congress interpret an institution where its dropouts overall fare poorly but its graduates do well? That would lead into questions of not just repayment success but also acceptable completion rates.

What Congress should do: Request greater data from the Department of Education to allow for an understanding of how repayment outcomes vary by completers versus non-completers and whether the Education Department can track non-completion by program.

Program distinction

The point of program-level accountability is to assess where Congress believes outcomes may be so different across majors that it is unfair to lump results together. This approach makes a great deal of sense for career-focused programs that are training students to do very specific and disparate jobs with different salary prospects.

It is less clear whether a program-level approach is as useful for undergraduate liberal arts degrees. For instance, a student receiving an English degree is generally considering the same range of occupational options as someone who majors in history or philosophy. Tracking all these results by program may not be particularly useful, and could also make it harder to assess outcomes because some programs have very few students.

What Congress should do: Congress should consider whether it is feasible to assess results by undergraduate college instead of program, particularly at liberal arts institutions. This avoids making distinctions between, for example, history and English, but would still allow for separating liberal art majors from those pursuing engineering. Additional data from the Department of Education would assist in judging the feasibility of this approach as well as the anticipated effects. This should also consider whether graduate-level programs need any sort of aggregation too.

Policy Choice #6: What should be the consequences for missing the repayment rate benchmark?

The consequences attached to failing a repayment test matter too. Loss of federal aid eligibility must be one of the options on the table. But it cannot be the only one. Schools are so dependent on federal aid that its removal is seen as a nuclear option that is very tough to use. Putting all accountability emphasis only on aid loss thus creates a dynamic where policymakers will be reluctant to use the one tool at their disposal.

What Congress should do: Consider the roles of other incentives in shaping an accountability system. That means considering whether there are performance levels that might only require

disclosures of results. Other results may indicate the need for greater financial protection, such as a letter of credit or risk sharing.

These incentives and measures also cannot operate in a vacuum. Congress should consider performance on multiple measures. For instance, poor performance on several measures might be just as worrying as abysmal results on a single indicator. Similarly, it should establish a system of bonuses that reward institutions that demonstrate the ability to succeed with traditionally underserved populations.

Conclusion

Theoretically, repayment rates are a better measure of student loan success than default rates. They capture a broader range of outcomes and represent a higher standard for the protections we want students to receive. But the repayment rate is also a more complex concept that raises issues around students' long-term trajectories in terms of earnings and income.

Unfortunately, our existing data on loan repayment provides an insufficient base to properly judge the effects of potential tradeoffs to address these issues around student movement and program differentiation. The good news, is the Education Department already has the data needed to understand these tradeoffs better. It just needs to better leverage its data on repayment. As a result, Congress should demand greater data and modeling from the Department of Education about the potential effects of different repayment definitions and formulas before enacting a particular regime into law.