



SPRING CONFERENCE

Kansas City, Missouri

2003

Session 33

Entrance and Exit Counseling Flexibilities and Outcomes

Do Entrance and Exit Counseling Make a Difference in TIV Loan Default Rates?

This session provides an overview of research conducted at Penn State University to study the effects of entrance and exit counseling on loan default behaviors.

Evaluating Interventions

- Experimental Design
 - In order to attribute changes in some outcome to a particular intervention, an experimental design must be employed
 - Often, a change in outcome, such as decreasing default rates, is attributed to some particular intervention without controlling for competing explanations for that change
 - PSU example of what not to do– loans and scholarships

- Randomization
 - Randomization is important if we are interested in making causal statements
 - Randomization “standardizes” groups, and in theory, eliminates competing explanations for the study outcome
- Treatment and Control Groups
 - Treatment groups involve some intervention, such as traditional entrance/exit counseling
 - Control group receives no treatment

Penn State's Entrance/Exit Counseling Study

- Randomly selected and assigned 6,000 of 9,000 newly admitted undergraduate students awarded TIV loans to 1 of 3 treatment groups and a control group
- Each group (cohort) was compared to the overall population on factors such as loan type, loan amount, income, ethnicity, residency, etc., to determine cohort representativeness

Treatments

- Cohort 1
 - The regulatory entrance and exit counseling requirements were followed

■ Cohort 2

- Alternate exit counseling for Federal Stafford Loan borrowers who fall from degree status to non-degree status, are in good academic standing but do not return for the next semester, and who withdraw during a semester
- These students receive a letter with lender, loan consolidation, and forbearance information, and an estimate of their monthly payment amount

- Cohort 3
 - Alternate exit counseling for Federal Perkins Loan borrowers who leave Penn State for any reason
 - Students are provided with the federally required information with one exception, copies of promissory notes are not included, and students are called to establish payment arrangements

- Cohort 4
 - Control Group...no treatment

Methodology

- Students who did not accept their offer of admission were eliminated from the original cohorts
- Members of each cohort with TIV loans have been tracked yearly since 1996 to determine loan default rates

Results

- At no point in the study have the differences in default rates for each cohort been statistically significant

- The following table shows results from the six-year study for the 2001-2002 academic year
- The original sample reduction comes from eliminating students who did not accept their offer of admission

Loan Entrance / Exit Counseling Study: Cohort Reporting at End of Year Five: 1996-97 through 2001-02							
FFEL and Perkins Borrowers							
Cohort Group	Original Sample	Students with TIV Loans	Federal Entrance Counseling -FFEL	Federal Exit Counseling	Student in Default		
					Grad	Not Grad	Total
Cohort 1	1273	1040	918	947	2	47	49
Cohort 2	1239	1019	0	714	6	37	43
Cohort 3	1257	1042	0	94	7	49	56
Cohort 4	1276	1041	0	0	3	40	43
	Cohort 1: Regulatory entrance counseling and exit counseling.						
	Cohort 2: No entrance counseling with modified exit counseling - letters with detailed information are sent at end of semester.						
	Cohort 3: No entrance counseling with modified exit counseling - Perkins borrowers receive modified exit counseling materials.						
	Cohort 4: Control group - no entrance or exit counseling						

- As can be seen, the number of students with TIV loans is approximately 82% for each cohort

Loan Entrance / Exit Counseling Study: Cohort Reporting at End of Year Five: 1996-97 through 2001-02							
FFEL and Perkins Borrowers							
Cohort Group	Original Sample	Students with TIV Loans	Federal Entrance Counseling -FFEL	Federal Exit Counseling	Student in Default		
					Grad	Not Grad	Total
Cohort 1	1273	1040	918	947	2	47	49
Cohort 2	1239	1019	0	714	6	37	43
Cohort 3	1257	1042	0	94	7	49	56
Cohort 4	1276	1041	0	0	3	40	43
	Cohort 1: Regulatory entrance counseling and exit counseling.						
	Cohort 2: No entrance counseling with modified exit counseling - letters with detailed information are sent at end of semester.						
	Cohort 3: No entrance counseling with modified exit counseling - Perkins borrowers receive modified exit counseling materials.						
	Cohort 4: Control group - no entrance or exit counseling						

- Students in default who are PSU graduates represent from 0.2% to 0.7% of their cohort
- When considering only PSU graduates in each cohort, default rates range from 0.3% to 1.1%
- These differences among cohorts are not statistically significant

Loan Entrance / Exit Counseling Study: Cohort Reporting at End of Year Five: 1996-97 through 2001-02							
FFEL and Perkins Borrowers							
Cohort Group	Original Sample	Students with TIV Loans	Federal Entrance Counseling -FFEL	Federal Exit Counseling	Student in Default		
					Grad	Not Grad	Total
Cohort 1	1273	1040	918	947	2	47	49
Cohort 2	1239	1019	0	714	6	37	43
Cohort 3	1257	1042	0	94	7	49	56
Cohort 4	1276	1041	0	0	3	40	43
	Cohort 1: Regulatory entrance counseling and exit counseling.						
	Cohort 2: No entrance counseling with modified exit counseling - letters with detailed information are sent at end of semester.						
	Cohort 3: No entrance counseling with modified exit counseling - Perkins borrowers receive modified exit counseling materials.						
	Cohort 4: Control group - no entrance or exit counseling						

- Students in default who have not graduated from PSU represent 3.6% to 4.7% of their cohort
- These differences among cohorts are not statistically significant

Loan Entrance / Exit Counseling Study: Cohort Reporting at End of Year Five: 1996-97 through 2001-02							
FFEL and Perkins Borrowers							
Cohort Group	Original Sample	Students with TIV Loans	Federal Entrance Counseling -FFEL	Federal Exit Counseling	Student in Default		
					Grad	Not Grad	Total
Cohort 1	1273	1040	918	947	2	47	49
Cohort 2	1239	1019	0	714	6	37	43
Cohort 3	1257	1042	0	94	7	49	56
Cohort 4	1276	1041	0	0	3	40	43
	Cohort 1: Regulatory entrance counseling and exit counseling.						
	Cohort 2: No entrance counseling with modified exit counseling - letters with detailed information are sent at end of semester.						
	Cohort 3: No entrance counseling with modified exit counseling - Perkins borrowers receive modified exit counseling materials.						
	Cohort 4: Control group - no entrance or exit counseling						

- The overall default rates of the four cohorts range from 4.1% to 5.3%
- These differences among cohorts are not statistically significant

Loan Entrance / Exit Counseling Study: Cohort Reporting at End of Year Five: 1996-97 through 2001-02							
FFEL and Perkins Borrowers							
Cohort Group	Original Sample	Students with TIV Loans	Federal Entrance Counseling -FFEL	Federal Exit Counseling	Student in Default		
					Grad	Not Grad	Total
Cohort 1	1273	1040	918	947	2	47	49
Cohort 2	1239	1019	0	714	6	37	43
Cohort 3	1257	1042	0	94	7	49	56
Cohort 4	1276	1041	0	0	3	40	43
	Cohort 1: Regulatory entrance counseling and exit counseling.						
	Cohort 2: No entrance counseling with modified exit counseling - letters with detailed information are sent at end of semester.						
	Cohort 3: No entrance counseling with modified exit counseling - Perkins borrowers receive modified exit counseling materials.						
	Cohort 4: Control group - no entrance or exit counseling						

Discussion

- There are no significant differences in default rates among the treatment groups or the control group, suggesting that entrance and exit counseling have no effect on loan default
- These results suggest that additional research should be conducted to identify more effective strategies for lowering default rates

What's Next?

- Penn State is conducting predictive modeling studies in an attempt to identify, at the student level, those borrowers most likely to default
- This work is being conducted by building longitudinal data sets with institutional, NSC, and NSLDS data and employing logistic regression and discrete-time survival analysis

We appreciate your feedback and comments. We can be reached at:

Shari Howell slh2@psu.edu

Randy Deike rcd7@psu.edu



SPRING CONFERENCE

Kansas City, Missouri

2003