TABLE OF CONTENTS

EXECUTIVE SUMMARY

Overview

The U.S. Department of Education (ED) has a unique partnership with the 131 institutions that are participating in the Experimental Sites Initiative, authorized under section 487A(b) of the Higher Education Act of 1965, as amended. Institutions often expressed concern to ED about general problems associated with prescriptive regulations applied across the board, regardless of unique institutional circumstances. Congress in the 1992 Higher Education Amendments approved the initiative, but implementation of the first nine experiments began approximately two years after the statute was enacted.

Prescriptive regulations have long existed. Beginning with the 1995-96 award year, institutions submitted proposals for experiments in alternative approaches to some requirements. Participants are exempt from specific statutory and regulatory requirements while conducting the experiments. An important outcome of the Experimental Sites Initiative is to provide the Department with data based information on whether or not certain regulations make a difference in ensuring the integrity of Title IV programs.

After careful review, ED approved alternative approaches in thirteen areas of student financial aid processes to test ways to address federal objectives and meet the needs of aid administrators and recipients. The experiments relate to a number of programs authorized under Title IV, such as the Federal Family Education Loan Program, the William D. Ford Federal Direct Loan Program, the Federal Perkins Loan Program and the Federal Work Study Program.

For the academic year 2000-01, the most popular experiments were the exemptions from the requirements for loan proration for graduating borrowers, multiple disbursements for a single term loan, and thirty day delay for first time, first year borrowers. Each participant was responsible for submitting an annual report on the results of the experiment(s). Although most of the participants were eligible for the latter two exemptions through the 1998 Higher Education Amendments, they were encouraged to continue participating through the initiative to assist ED in obtaining data based information. ED will use the information in making decisions on recommendations for legislative and regulatory changes to improve service to students and families, and to improve program efficiency and integrity.

This report is based on a comprehensive review of the annual reports for the 131 schools approved to participate in one or more of ten experiments[1] for 2000-2001. In past years, because of the experimental nature of this initiative and the goal to reduce burden, there were no standard reporting requirements. This year however an enhanced report format for nine of the experiments was developed and presented to institutions via an excel spreadsheet posted on the QA Program website. The majority of Experimental Sites participants used the report format (92%), but some submitted results both electronically and by hard copy. The data collected provided quantitative measurements to support the narrative and qualitative results schools previously reported.

Results

Consistently over the reporting years, participating experimental sites schools have reported that the experiments provided two major benefits—increased customer service and reduced

[1] Of the thirteen approved experiments, three have ended. The Federal Work Study Program experiments ended when the requirements changed. The Academic Term experiment ended because the school no longer needed the flexibility in course offerings.

administrative burden for institutions. Institutions overwhelmingly reported administrative relief in the form of decreased work hours and fewer staff involved in administration as a primary benefit. Overall, schools have been able to improve services by modifying the requirements without sacrificing the fundamental intent of the requirements.

The experiments impacted as few as 263 Title IV aid recipients and as many as 41,028 Title IV aid recipients, with the average being 9,222 across institutions. Examining the data from schools reporting on completion rates and withdrawal rates show:

- An average of 98% of the students complete the term in the multiple disbursements for single term loan experiment;

- An average number of students withdrawing was 0.5% in the thirty day delay for first time, first year borrowers experiment; and

- Overall percentage of students withdrawing with non-prorated loans (1.8%) and with prorated loans (0.6%) in the loan proration for graduating borrowers experiment.

Thus for these participants, there is no evidence that risk to Federal dollars has increased, while thousands of students were exempt from requirements that have been reported to be burdensome.

Conclusion

The results of the experiments continue to show:

- there are options, viable ones, that work and meet the intent of requirements – both statutory and regulatory requirements;
- flexibility in requirements benefits both students and institutions; and
- schools do not need prescriptive, uniform laws and regulations according to performance based standards.

The success of many of the experiments has been proven over the last five reporting years primarily through narrative reports from the participating institutions. This year however, quantitative data concerning specific withdrawal rates, number of participants, and savings were gleaned from the reports. Many of the experiments have been included in the FedUp initiative. This activity, and other streamlining efforts, clearly move the initiative forward in its overall mission to assist the Department in its continuing efforts to improve Title IV program administration.

However, the Experimental Sites participants represent only a narrow focus of the entire population of Title IV schools. Up to this point, data collected establishes the need for legislative and regulatory change in schools of certain, similar characteristics. Many schools have participated in experiments for nearly 5 years reporting similar, homogenous data. In order to determine the true value and successes of these experiments, comparative data for diverse and or high-risk populations must be included. Schools varying from the four–year public/private standard must be included in subsequent experiments to provide data to substantiate a change – or argue for the status quo.

THE EXPERIMENTAL SITES INITIATIVE

For the past six years, selected institutions have participated in the Experimental Sites Initiative authorized through section 487A(b) of the Higher Education Act of 1965 as amended. Congress initially approved the Experimental Sites Initiative through the Higher Education Amendments of 1992, however, several institutions began implementing one or more approved experiments late in the 1995-96 award year. Most participants used the initial period to develop the processes and systems necessary to begin their experiments during the 1996-97 award year.

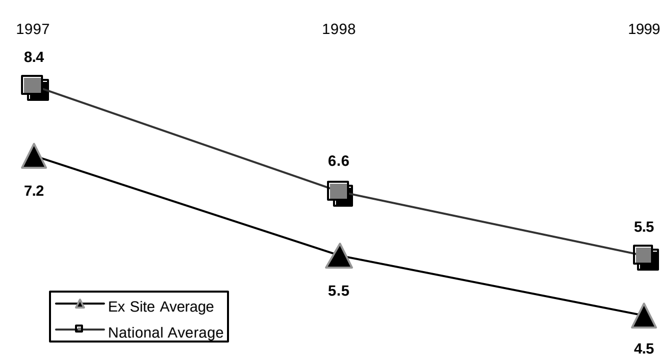
The purpose of the Experimental Sites Initiative is to help the Department identify unduly burdensome requirements that may be unnecessary for the administration and delivery of Title IV programs. The Department will use data-based information to develop policy, revise regulations and make recommendations for statutory changes.

In 1995, some 200 proposals were submitted for consideration. An original list of 135 schools was approved through a screening process involving FSA officials, Case Management and Oversight Staff (CMO), Office of General Counsel (OGC) and OIG. The team reviewed the institution's audit record, program review findings (if any), re-certification status, and default rate. Between 1995 and 1998, the number of approved sites increased to 164 to participate in one or more of 13 experiments. Twenty of the current 131 participating institutions have been involved in experimental sites testing since 1995. The largest majority, 85 have participated since 1996. In 1997, 3 of the current schools entered experiments; 20 in 1998, and 1 in the year 2000. The Department extended participation in the approved experiments until the next reauthorization is complete.

Presently there are over 6,000 schools participating in the Title IV programs. In the 2000-2001 academic year, 131 (2%) of Title IV schools were approved by the Department to participate in experiments. The experiments impacted as few as 263 Title IV aid recipients and as many as 41,028 Title IV aid recipients, with the average being 9,222 across institutions.

Many of the experiments focus on school default rates to support their success. It may be noteworthy that the overall default rate for experimental sites participants is lower than the national three-year average.

Default Rate Trends (97-99)



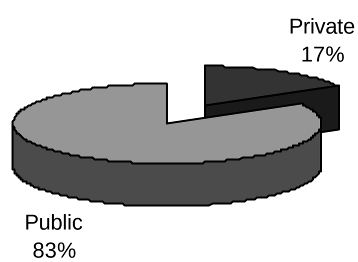
When the Department of Education submitted its last full report to Congress in March 1998 to detail the status of the program, a lot of emphasis was placed on anecdotal data from the Experimental Sites participants. Carefully articulated reporting standards had yet to be implemented. A main recommendation of that 1998 report was a consistent reporting format to capture not only testimonial evidence, but also statistical data in order to facilitate objective interpretation of an experiment's success or lack thereof. ED continues to work hard to refine the reporting requirements so that we will have meaningful performance data to make a case for change.

Consequently, for the 2000-2001 reporting year, reporting templates were established to begin capturing quantitative data and more accurately frame experimental results. In June of 2001, ED sent all Experimental Sites partners notice that a standard report format (Excel spreadsheet- See Appendix C) had been developed by a committee of participating institutions. The electronic version was also posted on the QA Website at: http://qaprogram.air.org/SiteReport.html. Completed reports were to be submitted to ED no later than October 1, 2001.

GENERAL OBSERVATIONS/ FINDINGS

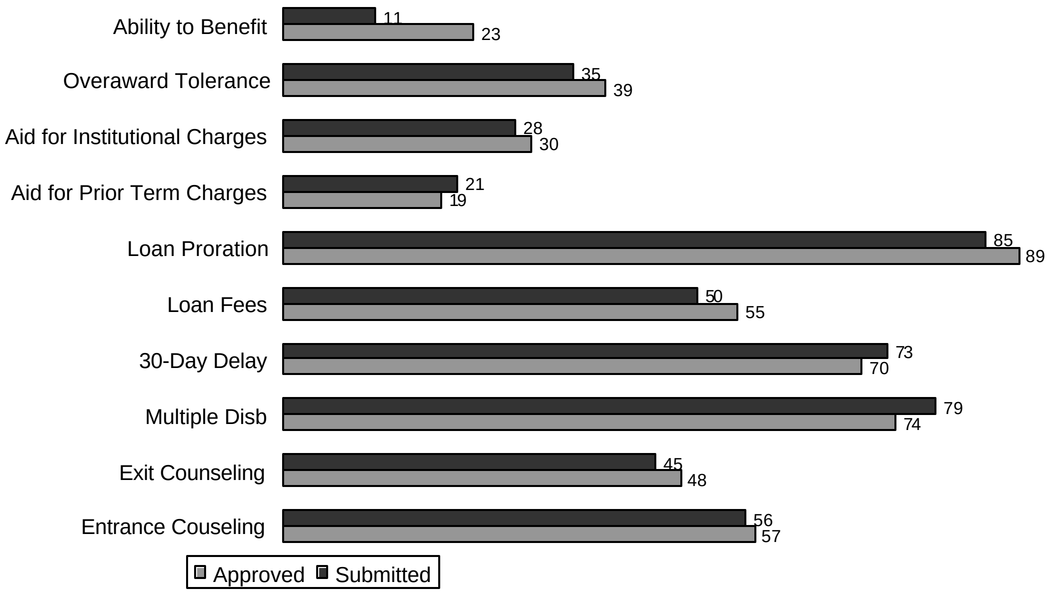
Nature of Participants

The 131 participating schools are made up of participants from across the country. A total of 109 (83%) of them are public institutions with 22 (17%) representing the private, non-profit institutions. Approved schools represent only a narrow focus of the nation's student populations. A total of 121 of the experimental sites schools are coded as not having an ethnicity reported, while 10 of the schools are community colleges and are coded as serving Hispanic populations. These 10 schools participate in only the Ability to Benefit experiment. None of the participating institutions are Proprietary schools, Historically Black Colleges and Universities, or Tribal schools.



The greatest numbers of participants are from region 5 and region 9. Collectively, the two regions make up about 55 percent of all Experimental Sites schools. The most popular experiments were Loan Proration for Graduating Borrowers, Multiple Disbursement for Single Term Loans, and Thirty-Day Delay for First Time, First Year Borrowers.

Experimental Site Submissions 2000-2001



It was discovered that not all institutions obliged to submit annual reports did so, while some provided them as late as December 2001, well past the October 1st deadline. In some cases, data fields were left blank and aggregating across all sites was still problematic. Schools that no longer participate in some experiments, voluntarily submitted data to assist ED's data collection efforts.

Nonetheless, in examining the respective experiments - both qualitatively and quantitatively - this report will provide a brief background of the experimental sites activity associated with the statutory/regulatory relief followed by corresponding observations and recommendations. As supplementary information, the report contains: a list of Experimental Sites participants, the collected comments of the Experimental Sites participants, and the report templates developed and voluntarily used on nine of the current experiments.

Following is a short review of each experiment, with accompanying analysis and "opportunities" for action. These individual assessments will be followed by the supplementary information consolidated in separate appendices.

List of Experimental Sites

1. Multiple Disbursements for Single Term Loan
2. Thirty Day Delay for First Time, First Year Borrowers
3. Loan Fees in Cost of Attendance
4. Loan Proration for Graduating Borrowers
5. Credit Title IV Aid to Prior Term Charges
6. Credit Title IV Aid to Institutional (Non-allowable) Charges
7. Entrance Loan Counseling
8. Exit Loan Counseling
9. Overaward Tolerance
10. Ability to Benefit
11. Academic Term*
12. Federal Work Study Time Records*
13. Federal Work Study Payment*

** Denotes experiments have ended*

ANALYSIS OF EXPERIMENTAL SITES DATA

Multiple Disbursement for a Single Term Loan

BACKGROUND

The statute/regulations state that students, who receive a loan for only 1 term, receive it in two disbursements, so the student receives 50% at the beginning of the term and 50% at the midpoint of the term.

The HEA Amendments of 1998 changed the regulations by providing exceptions to the multiple disbursement requirements for schools to deliver the loan proceeds in one installment if:

- The student's loan period is not more than one term; and
- The school in which the student is enrolled has an FFEL cohort default rate, Direct Loan Program cohort rate, or weighted average cohort rate of less than 10 percent for each of the three most recent fiscal years.

Experimental Sites participants were initially issued an amended Program Participation Agreement in which they were approved and required to:

1. Measure the number of borrowers who withdrew before the midpoint
2. Measure the number of borrowers who completed the term

They were *encouraged* to:

3. Compare the number of borrowers withdrawing and completing a term to prior year data
4. Develop reporting on additional performance measures such as:
    - Reduction in emergency loans
    - Fee deferrals
    - Administrative workload.

The side-by-side comparison chart below denotes the differences between the original and revised reporting requirements.

PPA Requirements	Revised Reporting Requirements
# borrowers who withdrew before midpoint	*# students who withdrew before midpoint*
Measure the number of borrowers who completed the term	*# students completing term*
Compare # withdrawing & completing term to prior year data	*# students w/ Single Term Loan and amounts*
Develop reporting on : *•Reduction in emergency loans* *•Fee deferrals* *•Administrative workload*	*Amount of Title IV funds returned for withdrawn students*

The experiment is designed to make loan funds available to students in a timelier manner without encouraging mid-term withdrawals, decrease administrative burden on schools, and minimize the impact to institutional default rates.

Although a number of Experimental Sites schools were eligible for exemption under the 1998 statutory provisions, many participants wanted to continue reporting experimental results to assist the Department in obtaining information to recommend changes to the statutory provisions that would extend this requirement to a broader group of schools. A small portion of the remaining participants has a default rate higher than 10 percent. These schools, while not exempted from the current statutory provisions, are allowed to continue the experiment based on the Department's extension of the experiments.

GENERAL OBSERVATIONS

Withdrawal Rates - Schools reported on the number of borrowers who withdrew before the midpoint and results indicate that the withdrawal rate for students with single term loans is minimal. In fact, the overall average percentage of students who withdrew after receiving a single disbursement was 1.3%. As we examine the data more closely and break it down into categories of Title IV recipients, we see that the highest percentage of withdrawals occurred in Private schools with less than 10,000 Title IV recipients.

Breakdown by School Category			
School Type	Title IV Recipients	Withdrawal %	Participants
Public	<10,000	1.5%	43
Public	>10,000	1.3%	25
Private	<10,000	10%	9
Private	>10,000	1.5%	2

Borrowers Completing the Term - Data for the number of borrowers completing the term mirrors that of withdrawals, with an average of 98% of students completing the term.

Loan Default Rates - Fluctuations to institutional default rates appeared minimal also. Overall, only 9 of the 79 schools had some type of increase in their default rate over the 1997, 1998, and 1999 cohort reporting years. While, a direct correlation cannot be established between the success of the experiment and a school's default rate; default rates do provide an indicator of high risk student populations.

RECAP

Multiple Disbursement for a Single Term Loan

- ✓ Withdrawal rate for students with single term loans is minimal.
- ✓ Overall average percentage of students who withdrew after receiving a single disbursement was 1.3%
- ✓ Average of 98% of students complete the term.
- ✓ Fluctuations to institutional default rates are also minimal.

Thirty Day Delay for First Time, First Year Borrowers

BACKGROUND

According to statute/regulation, students enrolled in the first year of study or students that have not previously received a loan, must not have their loan proceeds disbursed until 30 days after the first day of the student's program of study.

The HEA Amendments of 1998 changed the regulations by providing exceptions to holding loan proceeds for thirty days after the first day of the student's program of study, for first time, first year borrowers if the school in which the student is enrolled has an FFEL cohort default rate, Direct Loan Program cohort rate, or weighted average cohort rate of less than 10 percent for each of the three most recent fiscal years for which data are available.

The majority of Experimental Sites participants were already eligible for this exemption, but opted to continue reporting so they could help the Department obtain information in order to recommend statutory change for a broader group of schools. Participants with default rates greater than 10%, and not exempted by the current regulatory provisions, remain in the experiment based on their approved extensions.

The original amended Program Participation Agreement stated that participants were approved and required to:

Measure the number of borrowers who withdrew within 30 days and the amount disbursed to them
Submit report that includes demographic criteria used and the number of borrowers by category, if demographic data are used to retain delayed disbursement for borrowers most likely to withdraw

Schools were *encouraged* to:

1. Compare the number of borrowers withdrawing within 30 days to previous data and develop additional performance measures such as default rates of borrowers

This side-by-side comparison chart denotes the differences between the original and revised reporting requirements.

PPA Requirements	Revised Reporting Requirements
# borrowers who withdrew within 30 days	*# 1st time/1st yr students withdrawing within 30 days of enrollment*
Amount disbursed to withdrawn students	*Total amt. returned to Title IV for withdrawn student*
Compare # withdrawing within 30 days to previous data	*Total amount of Title IV Loans for students*
Default rates of borrowers	*# first time, first year borrowers*

OBSERVATIONS

Withdrawals - Experimental results from 73 schools reveal that the average number of first time, first year borrowers withdrawing within 30 days of enrollment was only 0.5%. While the total average number of borrowers who withdrew within 30 days and the amount disbursed to them cannot be determined, the data does indicate the total average amount of Title IV returned by an institution for withdrawing students was only $8,500.

Breakdown by School Category			
School Type	Title IV Recipients	Withdrawal %	Participants
Public	<10,000	0.05%	31
Public	>10,000	0.05%	23
Private	<10,000	1.4%	12
Private	>10,000	0.03%	2

The chart below illustrates a small sampling of actual withdrawal rate data:

Institutional Withdrawal Rates			
Institution	**1st time, 1st year borrowers**	**Number of 1st time withdrawals**	**% of withdrawals**
Montana State University – Northern	165	1	0.6%
University of Texas at Arlington	187	0	0.0%
Indiana University – East	508	13	2.5%
Idaho State University	1458	9	0.6%
Southern Illinois University at Edwardsville	664	4	0.6%
Kent State University	2026	27	1.3%
Northern Arizona University	972	11	1.1%
Indiana University – South Bend	423	9	2.1%
Montana State University – Billings	480	1	0.2%

Reduced Administrative Burden - The result of this exemption has not only increased customer service and student retention, but also allowed schools to realize reduced administrative burden to staff. Schools noted that students attending for the first time were able to buy books, pay fees, and other start-up costs that eliminated the confusion of multiple refund checks. The administrative hours saved in processing deferments and emergency loans were also greatly reduced. Oklahoma State University reported a total savings of 1256 (7 months of work for 1 staff person) processing hours and $50,240.00

RECAP
30 Day Delay for First Time, First Year Borrowers

- ✓ Average number of students in this category withdrawing within 30 days of enrollment was 0.5%.
- ✓ No negative impact on institutional default rates.
- ✓ Total average amount of Title IV returned by an institution for such withdrawing students was nearly $8,500.

Loan Fees in Cost of Attendance

BACKGROUND

Statute requires institutions to include loan fees in the cost of attendance for every student borrower.

The goal of the experiment was to evaluate a strategy for reducing unnecessary indebtedness encouraged by applying an automatic fee percentage to the cost of attendance when awarding Title IV funds. Without the exemption, institutions are required to include loan fees in the cost of attendance for every student borrower (which is used as a base for calculating students' financial need). This provision helps ensure that all true costs of education are included in determining aid eligibility. Adding these fees up front raised the total cost of attendance, which often increased the amount students could borrow. In some cases, the addition of loan fees also changed the type of loan a student was eligible to receive.

The experiment allowed participating institutions to exclude federal loan fees from the cost of attendance in determining students' financial need. In implementing this experiment, institutions changed their practice so as not to include loan fees automatically in the cost of attendance. Rather, financial aid officials reserved the option of including fees in the cost of attendance only in special circumstances, or upon a borrower's request. For example, including loan fees in a student's cost of attendance often allowed the institution to reduce or eliminate an overaward situation.

In the original amended Program Participation Agreement, participants were approved and required to:

1. Measure the number of borrowers for whom loan fees are included in COA
2. Measure the amount of Title IV loan funds disbursed to borrowers for whom loan fees are included in COA

Schools were *encouraged* to:

3. Develop additional performance measures, such as:
   a. Number of borrowers whose Title IV disbursements are less than their loan eligibility
   b. Reduction in administrative workload

The side by side comparison chart denotes the differences between the original and revised reporting requirements.

PPA Requirements	Revised Reporting Requirements
# borrowers for whom loan fees are included in COA	*# students for whom loan fees included as part of COA.*
Increased amt. Title IV loan funds disbursed to borrowers for whom loan fees were included in COA	*Amt. of loans, total amt. of loan fees for students who have loan fees included.*
# borrowers whose Title IV disb. are less than their loan eligibility	*# of students that did NOT have loan fees but received the max. loan limit.*
Reduction in Admin workload	*# of students for whom loan fees were NOT included in COA.*
	# of students who could have had the loan fees included in their COA.

OBSERVATIONS

The original intent of the statute was to ensure that students received adequate loan awards to meet their costs of attendance. The institutional reports support that the exemption not only reduces unnecessary student borrower indebtedness and federal expenditure, but also reduces administrative burden for institutions that no longer have to perform additional calculations in regard to applying loan fees.

Reduced Administrative Burden - A primary benefit of the experiment has been a reduction in the administrative burden borne by participating institutions. This experiment provides a choice between paying loan fees up front or including these fees in the principal of loans. For those who pay the loan fees up front, the experiment provides some minor relief over the long term by reducing the amount of debt incurred. In the short-term, such students may experience some additional financial stress.

Student Indebtedness - Schools believe the mandatory loan fees promote increased borrowing by the student. By not including the mandatory loan fees in the cost of attendance, schools are hoping to reduce the overall loan indebtedness of the student and, at the same time, reduce the amount of interest that the federal government currently subsidizes. School reported data indicated that the exemption reduced the student debt burden of 84% of students who received FFEL/Direct Stafford loan funds. The data also indicated an overall institutional average of the amount of loan fees included in student's cost was $233. That amount was theoretically added to cover the actual or average cost of their loan fees, origination fees, or insurance premiums levied in conjunction to Title IV loans.

While this experiment may produce a slight decrease in students' total loans, the decrease may be too small to have effects on student outcomes, such as changes in withdrawal rates or cohort default rates. However, although small, the cumulative amount of the loan fees constitutes a considerable amount lent to student borrowers and financed by the federal government.

RECAP
Loan Fees in COA

- ✓ Overall institutional average amount of loan fees for FFEL/Direct loan students is $233.
- ✓ Schools reported that this experiment reduced the debt burden of 84% of students who received FFEL/Direct Stafford loan funds at their institutions.

Loan Proration for Graduating Borrowers

BACKGROUND

The staute/regulations provide that a graduating student, for a program of study with less than a full academic year remaining, receive a loan amount calculated from the number of semester, trimester, quarter or clock hours enrolled divided by the number of semester, trimester, quarter or clock hours in the academic year.

At the onset, the intent of the loan proration provision was to impact default rates by insuring that students graduating before the end of the award year borrow only the loan amount that is proportional to their number of credits. However, approved experimental sites can allow students who intend to graduate, have been subject to loan proration, and who have the financial need, to borrow their full term amount. Such an exemption was meant to further assist graduating borrowers with financial hardships and save Aid offices from manual processes; while at the same time, minimize withdrawal, and loan default rates.

Experimental Sites participants were approved and required through their amended Program Participation Agreement to:

1. Monitor the number of borrowers in the experiment who withdraw and who complete the term

They were *encouraged* to:

2. Report on the amount of Title IV loan increases for borrowers in the experiment
3. Report on default rates for borrowers in the experiment compared to the default rate of a prior cohort

This side-by-side comparison chart denotes the differences between the original and revised reporting requirements.

PPA Requirements	Revised Reporting Requirements
# borrowers who withdraw	*# students that withdrew*
# borrowers who complete term	*# students that graduated, and completed term*
Amount of Title IV increases for student in experiment	*Amount of Title IV funds returned for withdrawn students*
Report default rates of borrowers in experiment	*# students subject to loan proration*
Compare default rates to prior cohort	*# received non-prorated loan*

OBSERVATIONS

Withdrawals - The majority of schools reported that as students received additional loan funds through non-prorated loans, withdrawal rates did not increase. They cited that students at the level of graduation have too much invested to withdraw. Data reported on student withdrawals is as follows:

Non-Prorated loans

The overall percentage of experimental students who received a non-prorated loan and withdrew is 1.8%.

Prorated loans

The overall percentage of students who received prorated loans and withdrew was 0.6%.

The graph below represents a sampling of the institutions in the proration experiment. As can be seen, withdrawal rates for both students receiving prorated and non-prorated loans are minimal.

Comparison of withdrawal rates for student with prorated and non-prorated

Institution	Non-prorated loans	Withdrawals	%	Prorated Loans	Withdrawals	%
University of Maryland at College Park	92	1	.01	529	2	0.3
University of Illinois at Chicago	148	0	0.0	181	2	1.1
SUNY-Stony Brook	46	0	0.0	150	1	0.6
Montana State University – Billings	10	0	0.0	104	0	0.0

Default Rates - Participants have seen little adverse effect to their overall default rate. Of the 85 participants, only 16 experienced some type of increased fluctuation in the last three reported years. In many instances, that fluctuation was by only .1 of a percentage.

Increased Customer Service - Based on the information collected, the response from schools on the merits of this experiment is overwhelmingly favorable. Many participating schools confirmed that allowing students to borrow up to their defined "need" in a particular term affords them the opportunity to complete their educational program with:

a. less stress
b. reduces the amount of borrowed unsubsidized funds
c. lessens the need to work additional hours
d. limits the amount of private loans and credit card usage.

Notably, Western Washington University provided a parallel between their cost savings and the amount of Title IV dollars at risk by stating,

> ***"The amount of direct loan funds placed at risk of default from the one student that withdrew from enrollment was $1833.00. The estimated cost of administering the loan proration requirement was approximately $2,770. In short, the loan proration costs more than the direct loan dollars put at risk of potential default."***

RECAP

Loan Proration for Graduating Borrowers

- Overall % of students with non-prorated loans who withdrew was 1.8%.
- Overall % of students with prorated loans who withdrew was 0.6%.

Credit Title IV Aid

Prior Term Charges and Institutional Charges

Regulations permit that if an institution obtains written authorization from a student or parent as applicable, the institution may use the student or parent's Title IV funds to pay for prior term and/ or non-allowable charges described in that authorization.

The overall intent was primarily to ensure that Title IV funds were applied to educational costs used in calculating students' financial need. The experiment allows schools exemption from obtaining written permission from students/parents to credit the funds in the hopes of simplifying services to students and reducing administrative burden on both Financial Aid and Business offices.

Experimental participants were approved and required to:

1. Inform each student of both their policy on crediting Title IV funds and the procedures for declining the automatic crediting
2. Measure the number of students who decline automatic crediting
3. Measure the number of students and the total amount of Title IV Aid applied to charges
4. Provide a dollar distribution for the Title IV aid in increments of $250.00

Institutions were *encouraged* to:

5. Report on the amount of Title IV aid disbursed to students who declined automatic crediting

This side-by-side comparison chart denotes the differences between the original and revised reporting requirements.

PPA Requirements	Revised Reporting Requirements
Inform students of policy	*Method of informing students*
Measure the number of students declining automatic crediting	*# and % students declining automatic crediting, and amt Title IV disbursed*
Measure # of students and total amount of Title IV Aid applied to	*# students and total amount Title IV Aid credited*
Provide dollar distribution for the Title IV aid in increments of $250.00	*Total amount Title IV funds for aid recipients*

OBSERVATIONS

Student Information - The terms of the experiment indicate that although written authorization is not required, students must be made aware of the policy and procedures of applying current aid to prior term charges. A few schools reported that students are given no prior communication before receiving a bursar's statement with the applied charges. One institution stated that the process of applying current aid to prior charges was "expected" by the student population. Still another maintained that the experiment has been in place for several years and the practice of applying the aid is the rule rather then the exception.

Declining Automatic Crediting – On average students seldom decline the automatic crediting of funds. Only four of the Experimental Sites participants reported one student declining the automatic crediting.

Title IV Aid Credited - Reporting schools cited that with the regulatory relief, students who would normally have been prohibited to register for classes due to unpaid charges, were able to register for the classes they needed while having their accounts paid in full. The data was reported as follows:

Prior Term

a) Average total number of students who had Title IV aid credited to prior term charges was 1480.

b) Average total amount of Title IV aid credited to prior term charges for a prior year was $717,420.65.
c) On average, each student had nearly $485.00 worth of prior term charges.

Non-institutional charges

a) The overall average number of students for whom Title IV aid was credited to non-allowable institutional charges was 3773.
b) The average total amount of Title IV aid credited to non-institutional charges was $1,185,550.50 for all schools participating in the experiment.
c) The average amount of Title IV aid credited to non-institutional charges was $314.00 per student.

Administrative Savings - Schools overwhelmingly proclaimed that the experiment allows for exceptional customer service as well as increased student retention. They commented, time and cost savings were also realized through lessened one-on-one financial aid counseling and authorization forms. Substantial quantitative data was not reported concerning these savings though. Indiana University-East was the only participating institution citing administrative savings of 2 work hours per borrower and $10,000 in cost savings for the institutional charges and 1.5 work hours per borrower and $3,000 in cost savings per borrower for the prior term charges experiment. Kent State reported that exemption from this experiment saved more than 22,000 pieces of paper to be printed and mailed; followed by signatures to be collected, entered into the mainframe systems, and filed in student folders.

RECAP

Credit Title IV Aid

Prior Term Charges

- ✓ Avg. total # students who had Title IV aid credited to prior term charges was 1480.
- ✓ Avg. total amount of Title IV aid credited to prior term charges was $717,420.65.
- ✓ On Avg. each student had $485 worth of prior term charges.

Non-Institutional Charges

- ✓ Overall avg. # students which Title IV aid was credited to non-institutional charges was 3773.
- ✓ Avg. total amt of Title IV aid credited to non-institutional charges was nearly $1,186,000 for all participants.
- ✓ Approx. $314 of non-institutional charges credited with Title IV aid per student.

To further prove or disprove the success of the experiments, data from the Bursar's office is needed. The following data sets would prove meaningful in promoting confidence that students have sufficient financial aid to cover either prior term or non-allowable and current charges, and overall success:

- Number of students who through automatic crediting of prior charges were able to clear student account balances prior to the last day of registration
- Number of students who applied current aid to prior term and or non-institutional charges and had a remaining bill at the term's end.

Entrance Loan Counseling

BACKGROUND

In an attempt to mitigate institutional default rates, the regulations governing mandatory entrance counseling prior to disbursing Perkins, Direct or Federal Family Education (FFEL) loans are intended to ensure that student borrowers are fully informed of their legal rights and responsibilities related to receiving and repaying financial aid. Although not exactly the same for each type of loan, the statute generally necessitates that institutions conduct and document some measure of initial counseling before releasing funds to first-time, student borrowers.[2] Regulations also stipulate documentation substantiating compliance with these provisions. While similar in the context of the spirit and intent of the waivers, it is important to distinguish the difference between the three separate regulatory citations waived in this experiment, as detailed in the amended Program Participation Agreement.

The original amended Program Participation Agreement required participants to:

1. Monitor the default rate of borrowers
2. Submit a report that includes demographic criteria used and the number of borrowers by category, if demographic data are used to target loan counseling

Institutions were *encouraged* to:

3. Report on other performance measures such as surveys to assess borrower knowledge

This side-by-side comparison chart denotes the differences between the original and revised reporting requirements.

PPA Requirements	Revised Reporting Requirements
Monitor default rate of borrowers in the experiment	*Default rate of school*
Report on surveys to assess borrower knowledge	*Surveys on student knowledge/repayment obligations [Exit]*
	# first time/final term borrowers
	Exemption of certain groups
	# students attending in-person counseling [Exit]

[2] 1998 Amendments allow counseling to be in person, by audiovisual presentation or by interactive electronic means.

Specifically, the three regulatory citations exempted dictate:

For Direct Loans: Exemption from 34 CFR 685.304(a). This waiver exempts participants from regulations for entrance counseling, including the need to hold any type of introductory briefings or document any corresponding rule compliance. Within this regulation, however, there is a sub-provision that allows participants in the direct loan program, as part of the school's quality assurance plan described in 685.300 (b)(9) to adopt an alternative approach to initial counseling. To do so, the direct loan school must:

a. Clearly monitor the success of any unique approach:
c. Focus specifically on student borrowers most likely to default; and
d. Include clear performance measures that demonstrate the effectiveness of the alternative approach

For FFEL Loans: Exemption from 34 CFR 682.604(f). As with the Direct Loan exemption, this waiver frees participants from regulations pertaining to entrance counseling, including the directive to either hold any type of entrance counseling or document compliance. The FFEL regulations do not allow the use of alternative means of counseling as part of an institutional quality assurance plan.

For Perkins Loans: Exemption from CFR 674.16(a)(1)(iv), (viii), (xi) and (xii). The four specific regulatory citation waivers as listed in the respective Experimental Sites Program Participation Agreement make no mention of entrance counseling per se, but only exempt the participating sites from having to formally advise student borrowers of certain loan specifications (i.e. maximum amounts, monthly estimates). CFR 674.16 does not mention entrance interviews - in-person, or otherwise. Neither is there mention of compliance documentation.

Prior to the 1998 HEA amendments, institutions were required to conduct entrance interviews in-person for Direct and FFEL loans, with an individual knowledgeable about SFA programs reasonably available to answer questions following the session. Institutions were also required to maintain documentation in each borrower's file certifying that the entrance counseling had indeed been performed. Technology has created new opportunities for computer-based sessions and online compliance tracking and many schools have enthusiastically embraced it. The Department of Education hosts its own Entrance Counseling website.

OBSERVATIONS

Varying Uses of Experimental Exemption - Most institutions realize the central importance of effective debt management education for their student borrowers – whether it is through entrance interviews, or part of a comprehensive program that spans a student borrower's college life. Therefore, many institutions participating in this experiment continue to perform entrance counseling, but rather, use their experimental exemption to:

- Release loan funds immediately in the academic term, but subsequently conduct some type of counseling at a later date;
- Exempt only certain groups from the entrance counseling process (ex. non-traditionally aged students, graduate students, transfer students, and Executive MBA students. It is likely that these students are already knowledgeable about effective debt management);
- Free themselves from cumbersome "entrance counseling certification" for each student – such as maintaining documentation in each student file to verify that entrance counseling was performed.

In almost all cases, participants reported that the exemptions afforded by the experiment saved considerable institutional time and resources and that the experiment also increased convenience to students who could receive loan funds more quickly in the academic term.

Default Rates -The primary performance measurement for evaluating this particular experiment was institutional default rate. However, because of the multitude of environmental factors that affect default rates, this metric is perhaps not the best indicator of the experiment's success.

Almost all Experimental Sites participants documented no adverse effect upon default in the absence of entrance counseling. The outcomes seem to demonstrate that there is not a strong one-to-one correlation between entrance counseling and default rates – at least in the short term.

Administrative Savings - Most respondents had monitored their overall default rates over the course of several years while participating in the experiment and found that alternative approaches to entrance counseling had allowed for the realization of significant time and administrative cost savings. Only a few institutions (6) associated actual time/cost savings per student by completing the optional reporting field.

More Consistency - The Department may want to create more uniformity between the rules governing Perkins, Direct and FFEL loans. Perhaps expand upon the direct loan program quality assurance system provisions for documenting alternative approaches which can allow flexibility only if it is backed up by demonstrable rationale.

Exit Loan Counseling

Background

Federal policy requires schools to provide mandatory exit counseling pertaining to loan repayment obligations to all student borrowers proximate to their graduation date or before they cease at least half-time study. The 1998 amendments to the HEA allow counseling to be in person, by audiovisual presentation or by interactive electronic means. The provision still requires institutions to document the activity for each student borrower, or in the case of interactive electronic counseling, take "reasonable steps to ensure that each student borrower receives the counseling materials and participates in and completes the counseling."

The statute/regulations governing FFEL, Direct and Perkins loans have been made uniform through amendments.

Original amended Program Participation Agreement mandated participants to:

1. Monitor the default rate of borrowers
2. Submit report results that include demographic criteria used and the number of borrowers by category, if demographic data are used to target loan counseling

Institutions were *encouraged* to:

3. Report on other performance measures such as surveys to assess borrower knowledge

OBSERVATIONS

Exit loan counseling should be a recap of debt management instruction that should have been conducted throughout the student's entire tenure at the institution. The student has already signed a master promissory note, which should make documentation of the exit interview less necessary and also reduce paperwork.

Varying Uses of Experimental Exemption - Most institutions realize the central importance of effective debt management education for their student borrowers – whether it is through exit interviews, or part of a comprehensive program that spans a student borrower's college life. Therefore, many institutions participating in this experiment continue to hold exit counseling through one means or another, but rather, use their experimental exemption to:

- Only target specific groups known to have high default rates or who incur above average debt loads (i.e. medical students).
- Free the institutional financial aid office from cumbersome "entrance counseling certification" for each student – such as maintaining documentation in each student file to verify that entrance counseling was performed.

Default Rates - The primary performance measurement for evaluating this particular experiment was institutional default rate. However, because of the multitude of environmental factors that affect default rates, this metric is perhaps not the best indicator of the experiment's success. Most respondents had monitored their overall default rates over the course of several years while participating in the experiment and found that alternative approaches to exit counseling had allowed for the realization of significant time and administrative cost savings. A total of 16 institutions actually associated actual time/cost savings per student by completing the optional reporting field. Average cost savings among those respondents was nearly $11.00 per borrower.

Almost all experimental sites participants documented no adverse effect upon default in the absence of exit counseling. The outcomes seem to demonstrate that there is not a strong one-to-one correlation between exit counseling and default rates – at least in the short term. Properly tracked long-term individual/ cohort default rates may better pinpoint specific problem areas/students most likely to default on their loans.

RECAP
Entrance and Exit Counseling

- ✓ Overall consensus of no strong correlation between entrance/exit counseling and default rates.
- ✓ Schools use exemption in various ways.
  1. Release loan funds immediately and subsequently conduct some type of counseling at a later date.
  2. Exempt only certain groups from the counseling process
  3. Free themselves from cumbersome counseling certification documentation.

Online Enhancement - The Department may want to consider creating an exit counseling site similar to entrance counseling.

Overaward Tolerance

BACKGROUND

The regulation regarding overawards states that schools must correct any overawards that occur prior to the full disbursement of a loan. The FFEL/DL loan programs have a provision that allows a $300 tolerance if a student has Federal Work Study (FWS). If there is no FWS in the student's aid package, an overaward threshold is not allowed under FFEL/DL. The regulatory relief in the experiment, however, exempts the correction of overawards for FFEL and Direct loans of $300 or less that arise before the loan is fully disbursed. The experiment intent, which is now an item on both the current Negotiated Rulemaking Agenda and the Fed Up Initiative, is to reduce staff time in manual calculations, and establish consistency over all federal programs.

The amended Program Participation Agreement for schools participating in the overaward tolerance experiment encouraged reporting of:

1. Overawards that arise both before and after final disbursement.
2. Average amount of overaward for those $300 or less
3. Number of students and amount of overawards $300 and over

The side-by-side comparison chart denotes the differences between the original and revised reporting requirements.

PPA Requirements	Revised Reporting Requirements
# of all overawards in increments of $100	*# students and amount of overawards $300 and over*
	# students loan funds $100 or less; $100.01-$200 and $200.01-$300
Avg. amount of overawards	*Avg. amt. overaward for those $300 or less*
Institution's standard budget	*Avg. COA*
	Change in % borrowers receiving overawards

Impact of Overawards - One goal of the experiment was to test the frequency and dollar impact of these overawards. Participants' data revealed that on average the number of overaward situations (161) compared to the total number of students who received FFEL/Direct Stafford loans (8194) was a minimal 1.9%.

Sufficiency of Tolerance Level - Data also indicated that the majority of overawards occur in the 200-300 dollar range. The chart below illustrates. Pennsylvania State University, one of the largest respondents, concluded their total overaward amount - $39,456 - is less than 1% of the total Stafford Loan volume so folding those exceptions into their current automation processes to match current student based aid tolerance rules will allow students to:

- Benefit from our ability to deliver their funds with less delay for small changes in their eligibility for Title IV aid,
- Reductions to awards that must be made are easier to explain to students since the same rules apply to all of their Title IV aid

- Staff in the Office of Student aid can focus on student cases where larger adjustments to aid are required.

Overaward Range	Total Average of Students	Average Overaward Situations	Percentage
$100.00 or less	52	161	32%
$100.01-200.00	41	161	26%
$200.01-300.00	67	161	42%

RECAP

Overaward Tolerance

- ✓ Average # of overawards (161) compared to the total # who received FFEL/Direct Stafford loans (8194) was a minimal 1.9%.
- ✓ Majority of overawards occur in the $200-300 range.

Only two of the reporting schools noted that the majority of overawards on their campus were greater than $300.00. The overall consensus remains that the ability to uniformly apply a $300.00 level of tolerance equally across all Title IV programs greatly eases administrative burden and likelihood of manual error. The schools desired a higher tolerance level. One of those institutions suggested a 10% tolerance of the average cost of attendance for each student.

Ability To Benefit

BACKGROUND

Statute/regulations require that schools may only provide federal aid to students who are academically qualified to study at the postsecondary level. Consequently, students must have either a high school diploma or its equivalent or pass an independently administered ATB test. The intent of the provision is to ensure that the recipients were academically qualified for postsecondary study. Under the provisions of the exemption, schools may offer financial aid to those students who don't have a high school diploma or its equivalent and have not passed the ATB if the students have completed at least six college credits with a grade of "C" or better, solely without Federal Aid.

For the 2000-2001 academic year, schools compared cumulative GPA's, units attempted, and units earned for students who:

- Completed and passed the Ability-to-Benefit test
- Were granted a waiver from the Ability-to-Benefit test
- Received financial aid and were not required to take the Ability-to-Benefit test (high school diploma or its equivalent).

OBSERVATIONS

The Ability to Benefit experiment was not included on an enhanced report format. Plans are underway to develop an ATB report template for the 2001-02 report cycle. Nonetheless, eleven institutions submitted hard copy reports for 2000-01.

Educational Access - The handful of institutions taking part in this experiment were unanimous in suggesting that the major benefit of the experiment was to expand the group of students who have a bona fide ability and desire to benefit from advanced study by qualifying for federal financial aid. The experiment was cited as a means to offer a useful incentive to students who had started college without such aid eligibility and persist with their education. The ATB experiment, somewhat more than others, is underlined by the idea of reasonable access to higher education and seems to be employed at institutions traditionally serving underrepresented populations. The extension of ATB benefits is also cognate to President Bush's new bill that is based upon increasing access to education.

Performance Measures -The evaluation metrics for this experiment compared credits attempted and completed, as well as the overall GPA of students passing and failing a departmentally approved ATB exam, to the GPA of a control group of regular students with high school diplomas. Due to the fact that there were too many inconsistencies from the data supplied by the reporting institutions, comparative analysis is difficult. Nonetheless, there was not significant variance between academic performances of the three groups of students:

- Those possessing a high school degree;
- Those who did not have a high school degree, but passed the ATB test; and
- Those who did not have a high school degree, but failed the ATB test and passed 6 credits of university level work without Federal Aid.

For example, Modesto Junior College submitted a chart to summarize their findings:

	ATB Passed		ATB Waived		Financial Aid		All Others	
Means	FY '00	FY'01	FY '00	FY'01	FY '00	FY'01	FY '00	FY'01
Cum GPA	1.93	1.96	2.68	2.77	2.46	2.31	2.34	2.03
Cum Units Attempted	23	21.3	44.6	40.0	29.2	26.1	27.3	24.0
Cum Units Earned	21	19.5	47.5	42.4	28.0	25.0	25.9	22.5
Total Students	**66**	**77**	**5**	**6**	**1968**	**2543**	**14507**	**22268**

The data indicates that the greatest variance in cumulative GPA is between students who passed the ATB and those who received a waiver. Students who received financial aid under the exemption fare, on average, as well as other matriculating students. While the performance measures for this experiment do provide acceptable results, the criteria could be refined to further highlight challenges and successes.

Since all financial aid recipients are subject to satisfactory academic progress standards over the entire course of their studies, the ATB requirement seems to pose an unnecessary initial obstacle to a relatively small group of students who should be reasonably eligible to access Title IV funds.

RECAP
Ability to Benefit

- ✓ Cited as a “true” experiment that provides educational access to students
- ✓ Overall data supports that participating students have competitive GPA’s
- ✓ The experiment provides little risk to federal dollars due to Satisfactory Academic Progress regulations

Academic Term

Muhlenberg College (PA) was the only institution participating in the Academic Term experiment. Prior statute/regulation required schools to define an academic year as having a minimum of 30 weeks of instruction. If courses are taken during an accelerated time period (shorter than 30 weeks), student financial aid is calculated under non-standard term formulas.

Muhlenberg was exempt from the requirements that an academic year require a minimum of 30 weeks of instruction and was exempt from the 12-hour rule. However, beginning with the 00-01 academic year, the college no longer offered 11-week classes. Consequently, the school did not have to be considered an experimental site to award aid on a “traditional” basis.

The college reported the Experimental Sites Initiative was a positive experience for all involved. Feedback from students who just graduated because they were permitted to take the non-traditional classes was great. Many knew that without the flexibility they would have needed to wait another year or more to graduate.

Muhlenberg’s current format for course offerings allows them to award aid on a traditional basis, thus negating the experiment. Consequently, the Academic Term experiment ended June 30, 2001.

Federal Work Study Time Records

Two reports detailing the current status of Federal Work Study time records experiments were submitted. DePaul University (IL) along with Southern Methodist University (TX) provided narrative reports.

DePaul University reported 1,500 students comprising a fund volume of $1,622,000.00 received Federal Work Study Funds. This compared to the 10,821 DePaul students receiving some type of Title IV aid for the 2000-2001 academic year. The school reported that its in-house, web-based time sheet reporting system services the hourly paid employee population. The Time Record System (TRS) is a paperless process that can be accessed via the Internet and maintained from remote locations. The system: 1. eliminates the entry of time sheet data by payroll into the HR/Payroll system; and 2. provides an on-line history of data that is available to employees, supervisors, and the Payroll Department. The system includes a Web Authorization that limits timesheet approvals to budget managers or designated supervisors. The university reports the new system has greater reporting capabilities for administrative and auditing purposes; greater accuracy in hours paid; and saved them approximately 1,092 man hours annually.

Southern Methodist University reported that 578 students in the 2000-2001 academic year received $725,937.00 dollars in Federal Work Study funds. Since 1997, a Federal Work Study tracking module called KRONOS has been in place. KRONOS allows the University to track hours worked more accurately, and feed an hours worked report directly to SMU's payroll system for checks to be cut immediately. The system also offers security against fraud by limiting access to the system and ensuring electronic certification is tied to all hours reported. The hours and electronic signatures are archived and readable in the payroll system for a period of 10 years.

Regulation allowing the use of an electronic certification as an alternative to paper time records signed by a supervisor for FWS was authorized in November 2000. The validity and success of such regulatory change has been substantiated in part, to the experiment. The Federal Work Study Time Records Experiment ended on June 30, 2001.

Federal Work Study Payment

Prior to the 2000-01 academic year, Smith College (MA) participated in an experiment offering students the option of having all or a portion of their Federal Work Study earnings paid directly to their student accounts to reduce the balance resulting from tuition, fees, room and board after all other forms of financial aid had been applied. Smith reported the experiment had been a success for students who opted for payroll deduction. Those students found it easier for them to budget their work study earnings and it kept them form having overwhelming balances on their student accounts at the end of the year. The payroll deduction option allowed some students to keep their student account balance at manageable levels and allowed them opportunities that they might not have had with larger balances.

The payroll deduction of FWS earnings was written into the 1998 Reauthorization, thus ending the experiment on June 30, 2000. Smith College continues to offer the option to all FWS students.

Appendix A

List of Participants

By Federal Region
July 1, 2001-June 30, 2002

Region I

Boston University

Harvard University
Massachusetts Institute of Technology
University of New Hampshire
Smith College*

Region II

New York University

Rutgers the State University of New Jersey
SUNY-Binghamton
SUNY-Potsdam
SUNY-Stony Brook
SUNY College at Brockport
SUNY College of Technology
SUNY Health Science Center-Syracuse

Region III

George Mason University

Johns Hopkins University
Pennsylvania State University
University of Maryland at College Park
University of Virginia
Virginia Commonwealth University
Virginia Polytechnic Institute & State University

Region IV

Clemson University

Georgia Southern University

University of Alabama
University of Florida
University of North Carolina-Greensboro
University of North Carolina-Wilmington
University of Tennessee – Knoxville

Region V

Ball State University
Butler University
Cuyahoga Community College
DePaul University*
Holy Cross College
Hope College
Indiana University – Kokomo
Indiana University-Purdue University at Indianapolis
Indiana University – East
Indiana University – South Bend
Indiana University – Bloomington
Indiana University – Northwest
Indiana University – Southeast
Kent State University
Marian College
Michigan State University
Moorhead State University
Ohio University
Purdue University
Rose-Hulman Institute of Technology
Southern Illinois University at Carbondale
Southern Illinois University at Edwardsville
University of Evansville
University of Illinois at Chicago
University of Illinois at Urbana-Champaign
University of Indianapolis
University of Michigan – Ann Arbor
University of Minnesota-Duluth
University of Minnesota-Twin Cities
University of Notre Dame
University of Rio Grande
University of Wisconsin-Eau Claire
University of Wisconsin-Green Bay
University of Wisconsin-Madison
University of Wisconsin-Milwaukee
University of Wisconsin-Oshkosh

University of Wisconsin-Platteville
University of Wisconsin-Stout
Valparaiso University

Region VI

Oklahoma State University

Southeastern Louisiana University
Southern Methodist University*
University of Oklahoma
University of Texas at Arlington
University of Texas at Dallas
Texas A&M University

Region VII

Creighton University

Iowa State University of Science & Technology
Kansas State University
Southwest Missouri State University
St. Louis University
University of Kansas
University of Missouri-Columbia
University of Missouri-Kansas City
University of Nebraska

Region VIII

Colorado State University
Metropolitan State College of Denver

Montana State University – Billings
Montana State University – Bozeman
Montana State University – Northern
University of Colorado at Boulder
University of Utah

Region IX

Arizona State University

Cerritos Community College
Coastline Community College
College of Marin
Columbia College
Glendale Community College
Imperial Valley College
Irvine Valley College
Laney College
Long Beach City College
Los Angeles Harbor College
Los Angeles Mission College
Los Angeles Pierce College
Los Medanos College
Modesto Junior College
Northern Arizona University
Oxnard College
San Diego City College
San Diego State University
University of Arizona
University of California-Berkeley
University of California-Santa Cruz
University of California-Irvine
University of California-Los Angeles
University of California-Riverside
University of Nevada-Las Vegas
University of Southern California
University of the Pacific
Ventura College
Vista Community College
West Hills Community College
Yuba College

Region X

Boise State University

Clark Community College
Idaho State University
Portland State University

Southern Oregon University
University of Idaho
University of Oregon
University of Washington
Washington State University
Western Washington University

* Denotes experiment ended

Appendix B

Comments from Participants

(please refer to attachments)

Appendix C

Experimental Sites Enhanced

Report Templates

(please refer to attachments)