DEFAULT PREVENTION: INSTITUTIONAL PRACTICES AT TWO-YEAR COLLEGES

Brandon Jouganatos
B.A., California State University, Sacramento, 2008
M.B.A., National University, La Jolla, 2010

DISSERTATION

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Student: Brandon J. Jouganatos

I certify this student has met the requirements for format contained in the University format manual, and that this dissertation is suitable for shelving in the library and credit is to be awarded for the dissertation.

_________________________, Graduate Coordinator
Dr. Caroline Sotello Viernes Turner

Date
DEDICATION

I would like to dedicate this dissertation to my late mother and grandmother for encouraging me at an early age to pursue my academic career.
ACKNOWLEDGMENTS

This path has been truly rewarding yet challenging at times; however, the support of my peers and faculty has given me the sustenance necessary to achieve my goals. First of all, I would like to thank Dr. Lisa Romero for her tremendous support through this research. Her guidance and encouragement as my Chair generated the momentum I needed to make it through this process. She has not only strengthened my analytical lens, but has helped me become a more confident quantitative researcher. Dr. Caroline Turner has been extremely supportive of my research as well and has challenged me to become a better qualitative researcher and presenter. Her accessibility to me was invaluable. I would also like to thank Dr. Carlos Nevarez for his leadership within the program and his support through this process. Although rigorous, Dr. Nevarez’s methods have driven me to become a more critical thinker and researcher.

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am grateful to have studied side-by-side with each one of you and thank you for your continuous support. I look forward to the chapter of our journey.
CURRICULUM VITAE

Education

Master of Business Administration, National University, La Jolla 2010

Bachelor of Arts in English, California State University, Sacramento 2008

Career History

2013-Present  Associate Vice President, Northern Region
National University

2011-2013  Researcher, Doctorate Fellow
STEM Institute

2011-2012  Associate Regional Dean
National University

2010-2011  Director of Student Services
National University

2008-2010  Academic Counselor
National University

2007-2008  Credential Program Specialist
National University

2006-2007  Teacher Practicum/Intern Placement Specialist
National University

2004-2006  Center Administrator
National University

Other Professional Experience

2011-Present  Co-Chair of the Board and Treasurer
Sacramento Regional Higher Education Coalition

Presentations/Conferences

9/2013  College Assistance Migrant Program, Higher Education Migrant Conference
Non-Profit University Panel Speaker, California State University, Sacramento
3/2013  Future Teachers Conference, College of Education
4/2014  California State University, Sacramento

5/2012  Guest Speaker “Trends in Higher Education”
        Kiwanis Club of Carmichael
Abstract

of

DEFAULT PREVENTION: INSTITUTIONAL PRACTICES AT TWO-YEAR COLLEGES

by

Brandon J. Jouganatos

The purpose of this study was to research default prevention strategies colleges can utilize to reverse student loan default among two-year colleges. Specifically, this study sought to identify what current actions financial aid departments are taking toward student loan default prevention. Controlling for different variables guided by theory and research, this study sought to identify any outlier colleges with lower default rates than would be otherwise predicted by their population and/or institutional characteristics. A mixed methods approach was utilized to collect the data for the study; U.S. Department of Education databases allowed the researcher to gather cohort default rates and other institutional characteristics of two-year colleges for analysis. The researcher used the institutional data for regression analysis to determine the predictive relationship between multiple institutional characteristics of two-year colleges and student loan default. The analysis examined and controlled for the following variables: retention rate, student to faculty ratio, percentage of students receiving Pell grants, and total amount of federal student loans received by institution and percent non-white by institution. The researcher also administered a financial aid administrator survey, which included questions pertaining to the financial aid department structure, practices and default prevention.
Finally, interviews with financial aid administrators were conducted to identify what actions have been taken toward student loan default prevention. Resulting from an analysis of the data, two-year colleges were identified as beating the odds by having lower default rates than would otherwise be predicted and institutional default prevention strategies were characterized to reduce student loan default. These results indicate default prevention has a significant impact on lowering student loan default. The findings suggest more knowledge in the field of default prevention is needed to develop effective default prevention strategies. From the findings, it is suggested that further research look into current financial aid practices and the impact of default prevention as a preventative approach to reduce student loan default.
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Chapter 1

INTRODUCTION

The federal government is the largest provider of student financial aid in the United States (Hatfield, 2003). The United States provides more than $150 billion in federal student aid each year to students pursuing a post-secondary education (U.S. Department of Education, 2014b). The U.S. Department of Education considers education grants, work-study programs, and loans all forms of federal aid (U.S. Department of Education, 2014b). Additionally, the U.S. Department of Education further estimates that approximately 14 million students currently receive some form of federal student aid; however, reporting identifies the majority are receiving federal student loans (U.S. Department of Education, 2014c).

Unfortunately a substantial and growing percentage of students receiving federal student loans are defaulting. In the most current default rate report for fiscal year (FY) 2011, the U.S. Department of Education depicted an alarming jump to 10% from just 6.7% in FY 2008 (U.S. Department of Education [DOE], 2013c). This 3.3% increase may seem relatively minor; however, when compared to the FY 2003 default rate of 4.5%, it reflects a more dramatic trend (DOE, 2005). The FY 2011 report further illustrated over 475,500 students defaulted out of 4.7 million (DOE, 2013b). The significance of the FY 2011 default rate can be quantified in U.S. dollars by multiplying the 2010-2011 average student loan amount to the total number of defaulted, reflecting a net default of approximately $3.2 billion (DOE, 2012b). In light of this reporting, the official federal cohort default rate is becoming increasingly higher than in prior years.
Recognizing this trend in federal student loan default is critical due to its financial magnitude within the U.S. economy and the potential implications it has for the hundreds of thousands of students who have defaulted. According to the Congressional Budget Office’s analyses, the volume of outstanding federal student loans between 2000 and 2009 more than quadrupled from about $149 billion to about $630 billion (Congressional Budget Office, 2010).

In addition to the national budgetary implications of the federal loan defaults, colleges and students are at risk of additional repercussions (Dervarics, 2009). Increasing default rates among community colleges are becoming a major concern because cohort default rates are used to determine colleges’ loan and Pell Grant eligibility (Dervarics, 2009). In other words, community colleges with patterns of high default are subject to suspension, inhibiting their ability to provide loans and grant funding to student populations. With average federal default rates continuing to rise, communities reliant on financial aid at colleges possessing high default rates may now be at risk of losing access to federal grant funding and loan options. Although the exact future consequences are unknown for these at-risk communities and colleges, the loss of grant funding could result in limited access to education for many students who rely on these forms of supplemental funding (Dervarics, 2009).

Repercussions for students are also concerning because greater numbers of students are becoming targets for federal student loan collection (Grant, 2011). According to the Department of Education’s Collections Guide on Defaulted Student Loans (DOE, 2011a), students may be subject to one or all of the following garnishments:
federal/state tax refunds, social security/federal/state payments, and even wages.

Additionally, 18 states presently practice their own state disciplinary actions on licensed professionals including those with medical, legal, and teaching licensure, who default on student loans, usually resulting in suspension or revocation (Harris, 2010). Based on future default estimations, it is reasonable to note hundreds of thousands of newly defaulted students may be seriously impacted.

Despite this national problem, existing research on student loan default has primarily focused on the characteristics of loan defaulters rather than institutional characteristics alone. It has been hypothesized that specific student factors are associated with student loan default and loan repayment behavior (Flint, 1997; Podgursky, Ehler, Monroe, Watson, & Wittstruck, 2002; Woo, 2002). These factors include student age, graduation status, college grade point average, amount borrowed, gender, ethnicity, and other student background factors. Volkwein and Szelest’s (1995) conceptual framework organizes the factors and borrower characteristics into three commonly cited categories: Pre-College Measures, College Experiences, and Post-College Measures. Additionally, prior research has compared the importance of borrower vs. institutional characteristics concluding characteristics such as institution size, cost of attendance, and graduation rate do maintain a relationship to default behavior; however, borrower characteristics remain most significant in their connections to default (Knapp & Seaks, 1992; Volkwein & Szelest, 1995; Volkwein et al., 1998; Wilms, Moore, & Bolus, 1987).

Although existing research emphasized the overall importance of Pre-College Measures, College Experiences, and Post-College Measures, graduation status has
frequently been one of the most important variables in the outcomes of past default studies (Dynarski, 1994; Knapp & Seaks, 1992; Meyer, 1998; Podgursky et al., 2000; Volkwein & Szelest, 1995; Volkwein et al., 1998; Wilms et al., 1987; Woo, 2002).

However, it is also essential to note these same research studies determined that ethnicity maintains a substantially strong relationship to default, nearly equal to the association between graduation and default. In addition, the studies determined other background variables are also important predictors of default. This researcher’s study, while different in design from the others, controlled for known default factors including Pre-College Measures, College Experiences, Post-College Measures, and institutional characteristics associated with student loan default to identify institutional default prevention practices linked to lower default rates among two-year colleges.

A variety of other external factors have also been linked to rising default rates including the economy, financial aid policies, and unemployment (Boyd, 1997; Harrast, 2004; Gross, Cekic, Hossler, & Hillman, 2009; Volkswein et al., 1998; Wilms et al., 1987). In fact, several studies noted students who maintain employment and sustain higher incomes are less likely to default than those unemployed or earning lower wages (Choy, 2000; Choy & Li, 2006; Woo, 2002). Faced with economic challenges such as high unemployment and lower earnings, students turn to financial aid, including loans and grants, to supplement cost of living, often increasing the cumulative loan amount borrowed. Consequently, studies have established if loan debt increases, so does the likelihood of default (Choy & Li, 2006; Dynarski, 1994; Gross et al., 2009; Lochner & Monge-Naranjo, 2004).
In response to rising default rates, research concerning default prevention continues to be conducted. Although limited, recent studies determined that different types of interactions with students such as regular meetings with academic, program, and financial aid advisors can positively impact behaviors, such as encouraging persistence, among community college students, thus reducing the likelihood of default (Bean & Metzner, 1985; Orozco, Alvarez, & Gutkin, 2010). Other programs continue to be developed through the use of grant funding such as the Default Prevention Grant Program of the Missouri Department of Education, which was awarded nearly $1 million to develop financial literacy and student loan debt minimization strategies (Missouri Department of Education, 2013).

The efficacy of these default prevention programs' strategies are hypothesized and tested annually to help prevent default in colleges participating in federal loan programs; however, the U.S. Department of Education currently maintains the only nationally adopted approach most colleges have available to date. The U.S. Department of Education’s default prevention plan encourages colleges to implement specific strategies limiting student loan default; but these strategies are only suggested, not mandated, and are not individualized for each college. One of several components of the department’s default prevention plan is establishing a default prevention team comprising trained individuals dedicated to strategic approaches within retention, student success, and default prevention plans (DOE, 2013d). However, many colleges whose fiscal resources do not support a default prevention team have had to develop their own, in some cases low-cost, default prevention strategies, including student service presentations, financial
literacy workshops, and demographic-specific counseling sessions to help educate borrowers on loan responsibilities and the consequences of default (Bean & Metzner, 1985; DOE, 2013d; Missouri Department of Education, 2013; Orozco, Alvarez, & Gutkin, 2010). Other program activities have included budget and financial management workshops infused into courses or orientations to help borrowers develop repayment plans (DOE, 2013d; Missouri Department of Education, 2013). Some colleges have begun to implement unique and progressive approaches beyond the traditional default prevention strategies, such as lifetime job placement and financial aid and retention staff in the withdrawal process of their institutions (Missouri Department of Education, 2013). Colleges have even extended financial literacy to the sidewalk, using chalk to scribe messages promoting financial literacy events on campus and sending hand-written notes to borrowers during loan grace periods with payment reminders (Missouri Department of Education, 2013).

The problem of billions in outstanding loans is addressed by this research, which sets out to further understand which effective institutional default prevention strategies colleges can utilize to reverse the upward trend in student loan default among two-year colleges. More specifically, this study sought to identify what current actions financial aid departments are taking toward student loan default prevention. The study analyzed all U.S. two-year colleges, considering known factors associated with student loan default identified by research to date. Specifically, the default predictors analyzed within the study were guided by historical research concerning population demographics and institutional characteristics associated with student loan default. By controlling for
different variables guided by theory and research, including institution type, ethnicity certification, and population demographics, this study searched for any outlier colleges with lower default rates than would be predicted by their population and/or institutional characteristics. The study of these outlier colleges will provide greater insight into the field of default prevention, and new financial aid practices may be identified. Furthermore, the findings of this study will enhance policymakers’ and educational leaders’ knowledge of effective default prevention practices.

**Statement of the Problem**

Since 1987, national student loan default rates have fluctuated across all post-secondary institutions throughout the United States. After peaking in 1992 at nearly 23%, the national average student loan default rate fell to a record low of 4.5% in 2004, as shown in Figure 1 (DOE, 2013). Since this dramatic decline, default rates have consistently risen among various post-secondary institutions including two-year colleges to nearly 10% within seven years of the FY2011 reporting. Concerning the most recent reports, student loan default rates among two-year colleges have significantly risen above these national averages (DOE, 2012a). In light of this trend, this study researched effective default prevention strategies associated with lower default rates among two-year colleges.
Nature of the Study

For the purposes of this study, the researcher collected quantitative data from the Integrated Postsecondary Education Data System (IPEDS) for institutional characteristic information of two-year colleges and default reporting for each two-year college from the U.S. Department of Education. IPEDS is a system of interrelated surveys conducted annually by the National Center for Education Statistics (NCES). Specifically, IPEDS obtains data from every college and technical/vocational institution participating in the Title IV federal financial aid programs.

This study’s sample included all two-year colleges within the United States participating in any federal student financial aid program, including all federal student
loans authorized by Title IV of the Higher Education Act of 1965 reporting to the National Center for Education Statistics. The sample included all specific institution types such as historically black colleges, tribal colleges, urban colleges, and all other institution types such as non-profit, for-profit, and public. Two-year colleges offering degrees beyond the Associate level were excluded from this study’s sample, as was any college not participating in Title IV federal student aid programs. Additionally, this study excluded all international colleges based on certain Title IV ineligibilities. An inquiry was conducted to answer the following questions:

**Research Question One**

Controlling for population demographics and institutional characteristics associated with greater student loan default rates, are there two-year colleges that have significantly lower default rates than would be predicted by their population and/or institutional characteristics? In other words, are there institutions beating the odds by having lower defaults rates than would otherwise be predicted?

**Research Question Two**

What strategies are financial aid departments of two-year colleges utilizing toward student loan default prevention?

**Operational Definitions**

The following definitions are used within the study:

**Accrued Interest**

Interest building on the unpaid balance of a student loan (DOE, 2013e)
**Borrower**

A person who receives loan funds and is legally obligated to repay with interest at a future date per the conditions established by the loan program (DOE, 2013e)

**Cohort Default Rate**

“Cohort default rate is the percentage of a school's borrowers who enter repayment on certain Federal Family Education Loan (FFEL) Program or William D. Ford Federal Direct Loan (Direct Loan) Program loans during a particular federal fiscal year (FY), and default or meet other specified conditions prior to the end of the second following fiscal year” (DOE, 2013e, para. 1).

**Collection**

Collection is defined as the actions taken by loan guarantors to obtain forms of payment on unpaid loan principal and interest from a borrower. These actions occur after a borrower defaults on the loan (DOE, 2013e).

**Collection Agency**

An organization or business entity that receives defaulted loans from lenders and attempts to collect unpaid loan balances (DOE, 2013e)

**Default**

Failure to pay a student loan according to the terms set forth within the student loan/promissory note terms (DOE, 2013e)

**Deferment**

A period during which a student loan borrower meets a specific set of criteria within his or her loan terms and suspends his or her payments (DOE, 2013e).
Entrance Counseling

First-time students borrowing federal student loans are required to receive specific counseling regarding their rights and responsibilities as a borrower. In addition, the borrower’s loan terms are reviewed (DOE, 2013e).

Exit Counseling

Institutions participating in the Federal Perkins Loan, FFEL, and Direct Loan Programs must offer loan counseling to borrowers prior to leaving school. The interview must occur prior to the borrower being enrolled less than half-time (DOE, 2013e).

Federal Student Aid

The U.S. Department of Education considers education grants, work-study programs, and loans all forms of federal aid (DOE, 2010).

Federal Loan

Loan guaranteed by the U.S. Government (DOE, 2013e).

Financial Aid

Financial assistance in the form of scholarships, grants, student loans, and/or work-study programs (DOE, 2013e)

Forbearance

A temporary pause of student loan payments negotiated with the lender and the borrower. In certain instances, student loan interest is accrued during forbearance (DOE, 2013e).
Free Application for Federal Financial Aid (FAFSA)

A student application for federal financial aid completed by students and parents to determine eligibility (DOE, 2013e)

GI Bill

The GI Bill, also known in its infancy as the Serviceman’s Readjustment Act, provides financial aid to veterans and beneficiaries of the United States Armed Forces.

Grace Period

Specified period of time between the date a borrower graduates or drops below half-time enrollment and the date loan repayment begins (DOE, 2013e).

Interest

A fee charged to the borrower for use of a lender’s money (DOE, 2013e)

Lender

A financial institution that provides funds for educational expenses (DOE, 2013e)

Loan

An advance of funds guaranteed by a signed promissory note in which the borrower promises to repay a specified amount under prescribed conditions. Specifically, it serves as student loan programs with varying interest rates and repayment provisions (DOE, 2013e).

Loan Balance

The total unpaid amount of a specific loan, of which the sum includes the outstanding principal, various forms of interest, and fees (DOE, 2013e)
Promissory Note

The promissory note is a legally binding document confirming the borrower is in debt to the school for Perkins Loans, the lender for FFEL loans, and the federal government for Direct Loans (DOE, 2013e).

Work-Study Program

A program providing a position or job opportunity for a current student of a college or university in return for some variation of a tuition benefit (DOE, 2013e).

Assumptions and Limitations

This study was limited to the quality and quantity of the data gathered and reported by each institution. Specifically, this study was limited to the data collected from IPEDS and the U.S. Department of Education records for the FY11 school year. Nearly 8,000 education institutions complete IPEDS surveys each year, including research universities, state colleges and universities, private religious and liberal arts colleges, for-profit and non-profit institutions, community and technical colleges, and non-degree-granting institutions. The completion of all IPEDS surveys is mandatory for those institutions participating in any federal student financial aid program authorized by Title IV of the Higher Education Act of 1965.

Additionally, consideration should be given to the nature of exploratory studies, as they do not always provide definitive answers to research questions; however, these types of studies can help guide research and can also suggest which research methods might provide more conclusive answers (Babbie, 2004). It is essential to note that
specific findings obtained from this research may not necessarily generalize to other levels of higher education due to the regional, demographic, and student population variables of colleges and universities, as this study will specifically examine only two-year colleges within the United States participating in any federal student loan programs authorized by Title IV of the Higher Education Act of 1965 reporting to the National Center for Education Statistics. Two-year colleges offering degrees beyond the Associate level were excluded from this study’s sample, as was any college not participating in Title IV federal student aid programs. Additionally, this study excluded all international colleges based on certain Title IV ineligibilities.

Additionally, this study’s sample included two-year colleges with ethnicity certifications such as historically black colleges, tribal colleges, and Hispanic-serving institutions. Although limited, only one college was certified as tribal and three colleges were classified as historically black. No other certificated institutions were identified within the sample. It is essential to note, institutions possessing ethnicity certifications such as historically black colleges are likely to have significantly lower default rates as a result of institutional factors (U.S. Department of Education, 2013b).

**Significance of the Study**

The purpose of this study was to research and further understand which effective institutional default prevention strategies colleges can utilize to reverse student loan default among two-year colleges. More specifically, this study sought to identify what current actions financial aid departments are taking toward student loan default prevention. By controlling for different variables guided by theory and research, this
study sought to identify any outlier colleges with lower default rates than would be predicted by their population and/or institutional characteristics. The study of these outlier colleges will provide more knowledge to the field of default prevention and new financial aid practices may be identified. Since research in the area of effective default prevention is limited, this study sought to enhance the overall understanding of effective strategies and aid in developing future strategies and models that will reduce millions of dollars in student loan defaults. Furthermore, the findings of this study will enhance policymakers’ and educational leaders’ knowledge of effective default prevention practices and may guide future policy and practice regarding default prevention programs and their implementation.

**Conclusion**

Using a mixed methods approach, this study explored and gave further understanding to which effective institutional default prevention strategies colleges can utilize to reduce student loan default among two-year colleges. The general purpose of this study sought to identify what current actions financial aid departments were taking toward student loan default prevention. The overall goal was to provide more knowledge to the field of default prevention and help identify new financial aid practices to aid educational leaders in reducing the percentage of student loan defaults within the United States. Results from this inquiry are proposed to guide and inspire future research, policy, and practice regarding default prevention programs and their implementation.
Remaining Chapters

Chapter 2, introduces the theoretical framework and structural perspective guiding this study’s research questions and then provides a review of the history behind the student loan systems and how they have grown to fit current needs. In addition, changes to the structure of the financial aid office and student services due to new objectives needing to be met were reviewed. Detail is also provided regarding the impact on students, communities, and institutions as tuition continues to rise. Context was then given to default characteristics found, followed by a review of default prevention plans developed for colleges.

Chapter 3 provides an outline of the research study and methodology used to answer the research questions. Chapter 4 then addresses the findings from the research, specifically answering the research questions and analyzing both the qualitative and quantitative results. Chapter 5 provides a summary of the research and gives recommendations for future studies.
Chapter 2

LITERATURE REVIEW

Introduction

Chapter 1 provided an overview of the current student loan default reporting issued by the U.S. Department of Education and the associated concerns with rising federal student loan default. Chapter 2 provides a more comprehensive evaluation of the literature and existing research regarding federal student loan default and default prevention. It begins with a discussion of two theoretical frameworks guiding this study. Volkswein and Szelest’s (1995) conceptual framework guided this study’s variables through the examination of relative influences of student and organizational characteristics related to student loan defaults. Additionally, Tolbert and Hall’s (2009) structural perspective of organizational complexity served as the lens through which the financial aid department qualitative data was analyzed, followed by an examination of pertinent history, background information, and literature on student services, financial aid, student borrowers, and student loan default prevention.

When considering the lowering of default rates, attention needs to be directed toward identifying which effective institutional default prevention strategies colleges can utilize to reduce student loan default among two-year colleges. The basis of this research is to provide more knowledge to the field of default prevention and help identify new financial aid practices. This study assumes a correlation between certain institutional factors and student loan default rates. Although limited, a few studies using national
databases have evaluated the various associations between borrower or institutional characteristics and default behavior (Harrast, 2004; Gross et al., 2009; Wilms et al., 1987). However, studies released in the 1980s and 1990s provided foundational knowledge about default factors ranging from student characteristics, college experiences, financial debt, and employment or income after college. There has been little emphasis on the institution beyond characteristics (Harrast, 2004; Gross et al., 2009; Wilms et al., 1987). Even though most existing research suggests major correlations between ethnicities other than Caucasian and default, little is known to substantiate these differences (Gross et al., 2009). Researchers have noted reasons including family income, unemployment, discrimination, and other economic challenges are associated with inability to repay (Boyd, 1997; Harrast, 2004; Gross et al., 2009; Volkwein, Szelest, Cabrera, & Napierski-Prancl, 1998; Wilms et al., 1987). Recent studies suggest that default is mostly caused by those factors somewhat within the student’s and institution’s control such as degree completion, academic standing, and persistence (Steiner & Teszler, 2005; Volkwein & Szelest, 1995; Volkwein et al., 1998; Woo, 2002).

In addition to borrower and institutional factors associated with default, consideration has been given to the influence of federal financial aid policy on default rates. Since the U.S. government’s implementation of the federal aid system in 1965, the U.S. economy has experienced several fiscal constraints over the years, prompting Congress to make various amendments limiting grants and creating a greater dependency on loans in order to sustain access to education (Gross et al., 2009). Given the increases
in loans and reductions in grants, research suggests a relationship between different levels of debt and default. Specifically, studies have established that as debt increases, so does the likelihood of default (Choy & Li, 2006; Dynarski, 1994; Gross et al., 2009; Lochner & Monge-Naranjo, 2004).

Finally, limited research exists as to what specific default prevention practices are effective in lowering default rates. However, of those studies, researchers have examined various student loan counseling and literacy programs and established there is positive impact on lowering default rates (Gross et al., 2009; Podgursky et al., 2002; Seifert & Worden, 2004; Steiner & Teszler, 2005; Wilms et al., 1987). Overall, the aforementioned studies on student loan default have established a base on which further research can build to inspire the exploration of new prevention strategies and practices concerning lowering default rates. This study utilized a mixed methods approach of quantitative analysis of the national databases and further investigation of default prevention practices of two-year colleges using qualitative research methods. Results from this inquiry are proposed to guide and inspire future research, policy, and practice regarding default prevention programs and their implementation.

**Theoretical Framework**

Volkwein and Szelest’s (1995) conceptual framework guided this research through the examination of relative influences of student and organizational characteristics related to student loan defaults. Volkwein and Szelest (1995) specifically posited a four-part perspective incorporating Pre-College Measures, College Experiences, Post-College Measures, and Organizational Characteristics. This framework was
founded on multiple studies examining both student loan default behavior and institutional characteristics. The basis of this framework suggests a relationship between student borrower variables and institutional characteristics known as default predictors. Overall, the framework supports the idea that student borrower variables have a greater influence on student default behavior than intuitional characteristics alone. Figure 2 illustrates Volkswein and Szelest’s (1995) conceptual framework as it organizes the individual/personal and institutional variables known to influence default behavior.
Figure 2. Volkswein and Szelest’s Conceptual Framework (1995).

This framework’s organization of individual and personal variables was used to guide the selection of those independent variables used within Part One of the quantitative analysis of this study. Specifically, the framework’s variables are classified into three broad categories, each with several defining characteristics: Pre-College Measures, which included characteristics such as gender, age, ethnicity, family background, household size, and household income; College Experience, which included characteristics defined by grade point average, program completion/degree recipient, academic level, and type of institution attended; and finally, Post-College Measures, which included characteristics such as loan indebtedness and type of career. Volkswein and Szelest (1995) maintain through multiple studies that these specific variables have
the most significant impact on student default behavior. This study used the
aforementioned theory’s identified variables to influence the selection of associated
institutional characteristics used for analysis. In addition, this framework was used to
guide the focus of the organizational influences on student borrower behavior as they
relate to default predictors.

Additionally, Tolbert and Hall’s (2009) structural perspective of organizational
complexity was used to guide Part Two of the quantitative research and serve as the lens
through which the qualitative data were analyzed. This perspective identifies most
organizations as comprising many subparts that have different purposes and
responsibilities characterized by complexity (Tolbert & Hall, 2009). Tolbert and Hall
(2009) noted this complexity requires different levels of coordination and control;
therefore, institutions with greater complexity will require more coordination and control
to sustain functionality. Specifically, this perspective places an emphasis on the
following categories of complexity: Horizontal complexity, Vertical complexity, and
Spatial complexity (Tolbert & Hall, 2009).

Figure 3 outlines the three forms of organizational complexity. Specifically, each
of the three forms of complexity was used as a lens to help identify and understand the
institutional practices of the financial aid departments within two-year community
colleges and their impact on student borrowers.
The first form, Horizontal complexity, is correlated to the work tasks performed and is subdivided into various jobs and groups in which the complexity is associated with the knowledge and skill sets among members of an organization (Tolbert & Hall, 2009). The second form, Vertical complexity, is described as hierarchal and involves the division of decision-making tasks and supervisory responsibilities within the organization (Tolbert & Hall, 2009). The third form, Spatial complexity, involves the extent to which organizations have different sites in different locations and the variations existing between. Overall, Tolbert and Hall’s (2009) perspective will help inform the organizational understanding of the institutional impact on student borrowers.
Additionally, Tolbert and Hall’s (2009) three dimensions were used to navigate the multifaceted role of the financial aid office and the complexity of the various funding sources, including the local state and federal government, the exponential numbers of student borrowers, and the external influences including the economy and policy.

Financial aid administrator responsibilities are similar in their complexity, as they must navigate multiple, complex systems on students’ behalf, perform outreach activities to educate borrowers, provide personal counseling, make professional judgment adjustments for families undergoing hardships, advocate for policies and funding to meet the needs of their students, handle budgeting and reporting, and much more. (National Association of Student Financial Aid Administrators [NASFAA], 2010, p. 1)

Collectively, Tolbert and Hall’s (2009) three forms of complexity were used to consolidate the organizational influences of the departments, roles of the administrators and student borrowers to identify any significant themes between those colleges analyzed. As depicted in Figure 4, these two frameworks provided this study with a balanced perspective in the analysis of two-year colleges.
Figure 4. Framework relationship.

The two frameworks work parallel to one another, guiding the interpretation of the multiple student and institutional variables used within the study and helping the researcher interpret and understand institutional structure and practices of the examined two-year institutions. The application of these two frameworks is significant to the analysis, as certain influences of default are within the institution’s control and others not; therefore, the dynamics of each influence is reflected upon using the frameworks as context. The X factor is also referenced within this relationship, as there are additional influences beyond these frameworks. Volkswein and Szelest’s (1995) conceptual
framework maintains specific variables have the most significant impact on student default behavior; therefore, the framework’s variables were used to influence the selection of student population and institutional characteristics associated with greater default probability. As institutions beating the odds by having lower default rates than would otherwise be predicted were identified, Tolbert and Hall’s (2009) framework provided a deeper perspective into those institutions identified by providing the researcher a lens through which to understand the organizational and structural complexity of the organization, financial aid departments, and departmental practices and strategies. Together, these two frameworks help the researcher interpret and analyze any institutional impact on student borrowers and default prevention.

**History**

Since the 17th century, American colleges have been primarily responsible for providing financial aid to students through the distribution of scholarships and work-study programs (Hess, 2007). Over the last 300 years, the United States has developed and standardized a financial aid system that has evolved into a billion-dollar industry shifting the financial aid distribution to the government. Major historical events such as World War II influenced the first variations of government-based aid including the GI Bill, as illustrated in Figure 5. The GI Bill, also known as the Serviceman’s Readjustment Act of 1944, was initiated by President Franklin D. Roosevelt and U.S. Congress to encourage mass populations of veterans to seek an education by way of financial aid prior to their re-entry into the U.S. job market (Hess, 2007). The funding from this initiative was to be used for education tuition and was not a loan for repayment...
but rather a service benefit. Federal initiatives such as the GI Bill have continued to shape financial aid within the United States. Table 1 illustrates a historical timeline including several significant U.S. federal student aid policies and initiatives.
<table>
<thead>
<tr>
<th>Year</th>
<th>Policy/Initiative</th>
<th>Historical Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1944</td>
<td>Serviceman’s Readjustment Act (GI Bill)</td>
<td>GI Bill began government funding of higher education by providing veterans of WWII funds for college education</td>
</tr>
<tr>
<td>1958</td>
<td>National Defense Education Act</td>
<td>The National Defense Student Loan (NDSL) program, the very first student aid program for non-veterans, was created. Students now had access to student loan monies to study in critical fields such as mathematics, science, and foreign languages.</td>
</tr>
<tr>
<td>1964</td>
<td>Economic Opportunity Act</td>
<td>The College Work-Study (CWS) program was created from this act. CWS offered students employment opportunities while they pursued their college degrees.</td>
</tr>
</tbody>
</table>
| 1965 | Higher Education Act | -Established Title IV programs  
-Increased federal money given to universities  
-Created scholarships/loans for students  
-Established a National Teacher Corps  
-Initiated the first grant program Educational Opportunity Grant Program (EOP)  
-Initiated the Guaranteed Student Loan Program (GSL) |
<table>
<thead>
<tr>
<th>Year</th>
<th>Policy/Initiative</th>
<th>Historical Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1978</td>
<td>Middle Income Student Assistance Act of 1978</td>
<td>The act expanded the Basic Educational Opportunity Grant eligibility and raised the Guaranteed Student Loan program income ceiling</td>
</tr>
<tr>
<td>1980</td>
<td>Establishment of the U.S. Department of Education</td>
<td>Separated from the Office of Health to become a standalone department ensuring equal access to education</td>
</tr>
<tr>
<td></td>
<td></td>
<td>-Established the Federal Need Analysis</td>
</tr>
<tr>
<td>1994</td>
<td>Direct Loan Program</td>
<td>Low interest government loan program</td>
</tr>
<tr>
<td>1997</td>
<td>Tax Payer Relief Act</td>
<td>-HOPE Scholarship Tax Credit</td>
</tr>
<tr>
<td></td>
<td></td>
<td>-Lifetime Learning credit</td>
</tr>
<tr>
<td></td>
<td></td>
<td>-Tax deductions for interest paid on student loans</td>
</tr>
<tr>
<td></td>
<td></td>
<td>-Education IRAs for tax free college savings</td>
</tr>
<tr>
<td>1998</td>
<td>Higher Education Act Amendments of 1998</td>
<td>-Raised funding levels for Federal Pell Grant</td>
</tr>
<tr>
<td></td>
<td></td>
<td>-Students attending high-defaulting, sanctioned institutions are not eligible for Pell Grants</td>
</tr>
</tbody>
</table>
Table 1 continued

<table>
<thead>
<tr>
<th>Year</th>
<th>Policy/Initiative</th>
<th>Historical Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>Higher Education Reconciliation Act</td>
<td>-Gradually reduced loan fees</td>
</tr>
<tr>
<td></td>
<td></td>
<td>-Increased loan limits</td>
</tr>
<tr>
<td></td>
<td></td>
<td>-Added SMART grants</td>
</tr>
<tr>
<td></td>
<td></td>
<td>-Established Academic Competitiveness Grant</td>
</tr>
<tr>
<td></td>
<td></td>
<td>-Prohibited in-school loan consolidation</td>
</tr>
</tbody>
</table>

Source: DOE (2013e)

Depicted in Table 1, the Higher Education Act of 1965 was signed into law almost 50 years ago, affording subsidized federal and state financial support to students attending institutions of higher education. The overall objective of this act and others like it was to guarantee students access to a postsecondary education regardless of their financial dispositions; however, financial aid researchers, Chen and DesJardins (2008) noted a “dramatic shift in college student funding from grants to loans, and a widening gap in educational attainment between students from affluent and poor families” (p. 2). Today, approximately 14 million postsecondary students are receiving more than $150 billion in student aid each year, predominantly in the form of student loans (DOE, 2010). This shift raises major concerns about low/middle-income communities, as many families are not educated, positioned, or prepared to receive loans or seek alternative funding; consequently, a need for more student-support service programs that infuse financial literacy and tuition planning is emerging among colleges.
The increasing number of student loan defaults have not only generated growing concern among student populations, but also among education activists citing, “the number of borrowers defaulting on federal student loans has risen substantially, highlighting concerns that rising college costs, low graduation rates and poor job prospects are getting more and more students over their heads in debt” (Pope, 2011, para. 1). These concerns are beginning to surface based on many factors, including the impact on rising tuition costs, student borrowers, and even education institutions.

**Private Higher Education**

The United States has experienced substantial growth within private higher education over the last 20 years, as for-profit and non-profit colleges and universities have significantly increased enrollment (Zumeta & LaSota, 2010). With over 1,600 non-profit and 1,000 for profit institutions operating in the U.S., private higher education represents a significant populace of higher education institutions (Zumeta & LaSota, 2010). For-profit and non-profit institutions differ in relation to their operation and enterprise; however, both institution types are designated as private. Specifically, non-profit institutions are governed by a board of directors similarly to public institutions whereas for-profit institutions are privately operated as a company or publicly traded on the stock market to generate profit sharing to shareholders (O’Malley, 2012). The prospects of these private institutions have been based on the labor markets and other economic demands, which have driven the development of many of their programs. Enrollments among the for-profit college and universities experienced the greatest increase between 1996 and 2008, with two-year degree granting institutions growing by
50% while four-year institutions including graduate schools grew by more than 600% mostly attributed to large profit university chains with multiple campuses (Kinser, 2007; Zumeta & LaSota, 2010).

Among private institutions of higher education, for-profit colleges and universities have developed internal strategies to maximize profits through online education, greater adjunct professor populations and variable tuition pricing ultimately providing these institution types with greater advantages, resources, and capabilities of responding to education demands (Turner, 2006). Furthermore, most decisions in regard to program offerings and curriculum are generally driven by the job market and assumptions of which courses of study will lead to higher paying jobs (O’Malley, 2012). In an analysis of California, Colorado and Arizona college enrollment between 1995 and 2000, the distribution of degrees at public and non-profit institutions represent a higher percentage of liberal arts, arts and sciences, and general studies whereas for-profit institutions offer degrees primarily focused in career disciplines such as business, health, technology, and engineering (Turner, 2006). Turner (2006) posited the for-profit institutions focus on these disciplines because the skillsets are more manageable to train and certify whereas interdisciplinary training is not needed to achieve a career or employment.

Although limited and debatable among researchers, few studies have compared average earnings of for-profit and public community college students; however, findings have generally indicated no significance differences in earnings (Cellini, 2012; Chung, 2008; Deming, Goldin, & Katz, 2012; Grubb, 1993). On the other hand, Deming et al.
(2012) noted the likelihood of student loan default and unemployment is greater for for-profit students. With an emphasis on these indicators and the likelihood of student loan default, employment and the ability to repay student loans remains to be significant (Johnson, 2011). However, Flint (1997) noted that although institutional default rates maintain a relationship to influences such as income, they are more related to other factors such as collection activities and loan counseling conducted at the institution.

**Federal Student Aid Programs 2012-13**

All institution types including public, non-profit, and for-profit receive different forms of federal student aid, which include federal student loans. Figure 5 illustrates all available federal student aid programs for the 2012-13 financial aid year. The figure specifically describes each program and the type of aid it provides, including annual amounts available. In addition, the figure identifies the four main types of federal student loans distributed by the federal government. Specifically, only the listed loan programs are included in the calculation of cohort default rates of two-year colleges:
<table>
<thead>
<tr>
<th>Program</th>
<th>Type of Aid</th>
<th>Program Details</th>
<th>Annual Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Pell Grant</td>
<td>Grant: does not have to be repaid</td>
<td>Available almost exclusively to undergraduates</td>
<td>2011-12: up to $5,550 (2012-13 amount not determined as of this document’s publication date)</td>
</tr>
<tr>
<td>Federal Supplemental Educational Opportunity Grant (FSEOG)</td>
<td>Grant: does not have to be repaid</td>
<td>For undergraduates with exceptional financial need; Federal Pell Grant recipients take priority; funds depend on availability at school</td>
<td>$100–$4,000</td>
</tr>
<tr>
<td>Teacher Education Assistance for College and Higher Education (TEACH) Grant</td>
<td>Grant: does not have to be repaid</td>
<td>For undergraduates, postbaccalaureate, and graduate students who are or will be taking coursework necessary to become elementary or secondary school teachers; recipient must sign Agreement to Serve saying he or she will teach full-time in designated teacher-shortage area for four complete years (within eight years of completing academic program) at elementary or secondary school serving children from low-income families</td>
<td>Up to $4,000 a year; total amount may not exceed $16,000; Graduate student: Total amount may not exceed $8,000</td>
</tr>
<tr>
<td>Iraq and Afghanistan Service Grant</td>
<td>Grant: does not have to be repaid</td>
<td>For students who are not Pell-eligible due only to having less financial need than is required to receive Pell funds whose parent or guardian died as a result of military service in Iraq or Afghanistan after the events of 9/11; and who, at the time of the parent’s or guardian’s death, were less than 24 years old or were enrolled at least part-time at an institution of higher education; Maximum is same as Pell maximum; payment adjusted for less-than-full-time study</td>
<td>Maximum is same as Pell maximum; payment adjusted for less-than-full-time study</td>
</tr>
<tr>
<td>Federal Work/Study</td>
<td>Money earned while attending school; does not have to be repaid</td>
<td>For undergraduate and graduate student: jobs can be on campus or off campus; students are paid at least federal minimum wage</td>
<td>No annual minimum or maximum amounts</td>
</tr>
<tr>
<td>Federal Perkins Loan</td>
<td>Loan: must be repaid with interest</td>
<td>For undergraduate and graduate students; must be repaid to school that made the loan; 5% rate</td>
<td>Undergraduate students: up to $5,500; Graduate and professional students: up to $8,000</td>
</tr>
<tr>
<td>Direct Subsidized Stafford Loan</td>
<td>Loan: must be repaid with interest</td>
<td>For undergraduate students; U.S. Department of Education pays interest while borrower is in school and during grace and deferment periods; student must be attending at least half-time and have financial need; 6.8% rate</td>
<td>$3,500–$5,500, depending on grade level</td>
</tr>
<tr>
<td>Direct Unsubsidized Stafford Loan</td>
<td>Loan: must be repaid with interest</td>
<td>For undergraduate and graduate students; borrower is responsible for all interest; student must be enrolled at least half-time; financial need is not required; 6.8% rate</td>
<td>$5,500–$20,500 (less any unsubsidized amounts received for same period), depending on grade level and dependency status</td>
</tr>
<tr>
<td>Direct PLUS Loan</td>
<td>Loan: must be repaid with interest</td>
<td>For parents of dependent undergraduate students and for graduate and professional students; students must be enrolled at least half-time; financial need is not required; Unsubsidized: Borrower is responsible for all interest; 7.9% rate</td>
<td>Maximum amount is cost of attendance minus any other financial aid student receives; no minimum amount</td>
</tr>
</tbody>
</table>


*Figure 5. Federal student aid programs 2012-13.*

Figure 5 illustrates the four major loan programs authorized under Title IV of the Higher Education Act including Federal Perkins Loan, Direct Subsidized Stafford Loan, and Direct Unsubsidized Stafford Loan Direct Plus Loan. Each loan type applies to
different student academic levels such as undergraduate or graduate and is based on other noted eligibility criteria. As indicated in Figure 5, the dollar allowances of each loan type also vary based on cost of attendance and other noted factors. It is also worthy to note each loan type maintains different interest rates.

In addition to the four types of federal student loans, specific grants exist at the federal and state level to supplement educational expenses based on eligibility criteria. These supplemental funds are different from federal student loans, as they are not to be repaid. Figure 5 illustrates the five main grants available, of which Federal Pell Grant is most well-known.

Separate from federal student loans and grants, a third element of financial aid exists, known as loan forgiveness. Loan forgiveness programs are designed to promote various public service employment opportunities such as teaching, law enforcement, and other public service jobs. Borrowers who meet specific program eligibilities through the employment criteria are subject to loan forgiveness benefits that include absolving portions federal student loans.

**Financial Aid and Student Services**

Studies have continually shown the underutilization of financial aid at community colleges has been attributed to the lack of knowledge about the process and general awareness about federal aid options (McKinney & Roberts, 2012). In fact, most public high schools fail to provide adequate information regarding financial aid and college financial planning (McKinney & Roberts, 2012). Based on these current circumstances, the role of educating students about financial aid information is now passed on to college
financial aid counselors. In a recent report issued by College Board (Christopher, 2010), the role of financial aid counselor was cited as one of the most critical components of student success. However, the report further identified obstacles preventing counselors from effectively working with the students including: “limited space, and resources, staff turnover, communicating effectively with diverse and dispersed student population, keeping technology up to date” (McKinney & Roberts, 2012, p. 764).

The financial aid office of any college is essential to the operation of the educational institution and the support of the student population it serves. The National Association of College and University Business Officers (NACUBO) and similar associations noted the financial aid office maintains clear objectives as follows:

- “Maintains operational procedures for application, selection, and notification that will assure students of prompt consideration for aid” (NACUBO, 1988, p. 10)
- “Ensures the selection of those applicants who most closely meet the qualifications for aid” (NACUBO, 1988, p. 10)
- “Attaining the widest possible use of available funds, while providing adequate funding for each applicant” (NACUBO, 1988, p. 10)
- “Assisting students to become better managers of their financial resources through financial counseling” (NACUBO, 1988, p. 10)

Despite these essential objectives, the role of the financial aid office has become multifaceted. Departments must now navigate the complexity of various funding sources including those from the state and federal governments. Other complexities include adaptation to external influences including the economy and policy while supporting
exponential numbers of student borrowers. The role of financial aid administrators must
now
navigate multiple, complex systems on students’ behalf, perform outreach
activities to educate borrowers, provide personal counseling, make professional
judgment adjustments for families undergoing hardships, advocate for policies
and funding to meet the needs of their students, handle budgeting and reporting,
and much more. (NASFAA, 2010, p. 1)

In addition, these student aid professionals are required to “analyze, interpret, and apply
federal and state laws, statutes, and regulations to maintain program compliance at their
institutions and distribute funds properly” (NASFAA, 2010, p. 1).

Impact of Rising Tuition Costs

Over 3.6 million loan borrowers from 5,900 schools started repayment in
FY2009; however, more than 320,000 students entered default (DOE, 2011). As student
loan default rates continue to rise, so does the estimated annual tuition cost of education
institutions. During the 2009/2010 academic year, the average cost for undergraduate
tuition was estimated to be $12,804 at public institutions and $32,184 at private
institutions; however, between 1999 and 2010, the average cost for undergraduate tuition
at public institutions rose 37% and 25% at private institutions (DOE, 2011b). Due to
increasing tuition, student loans used for tuition costs are likely to increase as well, with
higher payments in the near future.

The above figures demonstrate the average annual cost of a college education has
more than quadrupled since 1980, the impact of which has been masked by colleges
granting increases in financial aid to assist with offsetting the differences (Kenny, 2002).
Unfortunately, due to economic instability and its impact on budgets, trending tuition
increases will not be offset as in years past, therefore increasing students’ dependency on loans to cover the differences. As a result, the debt load for students will likely increase (Kenny, 2002).

At the same time, students are working harder to complete their degree programs, as students are now taking courses concurrently at a variety of institutions to secure specific courses at less expensive prices (Clark, 2010). This shift has begun to make colleges more competitive within the industry of education as many have re-evaluated their college budget cuts, reduced various quality measures, and consolidated course offerings. According to Education Sector (2013), an independent think tank, private colleges have already begun to implement these cost containment changes (Gillen, 2013).

Figure 6 illustrates the impact of tuition increases on various institutional stakeholders.

**Figure 6.** Effects of tuition increase on stakeholders.
Impact on Student Borrowers

In addition to tuition increases and potentially higher loan amounts, default consequences and other potential repercussions for students have also become areas of concern as greater numbers of students become targets for federal student loan collection (Grant, 2011). According to the Department of Education’s Collections Guide on Defaulted Student Loans (DOE, 2011a), students may be subject to one or all of the following garnishments: federal/state tax refunds, social security/federal/state payments, and even income wages. Additionally, 18 states presently practice their own state disciplinary actions on licensed professionals who default on student loans, usually resulting in suspension or revocation of their licenses (Harris, 2010). Based on future default estimations, it is reasonable to note hundreds of thousands of newly defaulted students will be seriously impacted in similar ways regardless of their economic disposition.

Historically, education has been recognized as an upper-class opportunity due to the cost associated with a formal education being relatively expensive. Due to various funding programs and public policies, education is now theoretically available to families of all income levels; however, the general cost of an education has not decreased. Even with federal aid programs, many students are still not equipped to seek funding opportunities. McKinney and Roberts (2012) noted 42% of community college students who were eligible to receive the Pell Grant did not even apply for the Free Application for Federal Student Aid during the 2007-2008 academic year. As tuition increases across most colleges, students are forced to explore alternative funding programs to supplement
the limited grant aid from the federal aid system or not attend all together. According to Kim, DesJardins, and McCall (2009):

Research demonstrates that students from lower income families tend to be more responsive to tuition changes and the availability of financial aid, and often under invest in college education if the price of college increases without financial aid offers to offset these increases. (p. 742)

Despite the various forms of financial aid available, each has a different yet distinct impact on the students, including their college choice, motivation to withdrawal, and risk to default (Kim et al., 2009).

**Impact on Educational Institutions and Communities**

The nation’s colleges and student populations are also at risk of other federal default implications (Dervarics, 2009). Increasing default rates among individual community colleges are becoming a major area of concern, as the default rates are used to determine a college’s loan and Pell Grant eligibility (Dervarics, 2009). Colleges possessing high default rates, which is defined as maintaining a default rate of 25% or greater for three consecutive fiscal year reports, risk losing access to various federal grant funding and loan options for its students (DOE, 2013). According to the U.S. Department of Education’s (2013c) most recent report, at least eight colleges are currently at risk of losing their financial aid eligibility due to excessive default rates. Although exact future consequences are unknown for these colleges, the loss of grant funding could result in limited access to education for many who largely rely on these forms of supplemental funding (Dervarics, 2009).
As the U.S. Department of Education has placed a greater emphasis on high student loan default and the various mandated calculation methods, concern among many colleges, including for-profits and career colleges, has increased substantially (Lewis, 2008). The concern occurred after a study was released in 2008 by Indiana University in the *Journal of Student Financial Aid*, which challenged the use of default rate as an indicator of institutional quality (Gross et al., 2009).

**Default Factors**

Despite the magnitude of the student loan default dilemma, there are a limited amount of definitive studies on student loan default and default predictors. Many existing default studies are limited to specific institutions, institution types, states, and other specific student demographic populations; however, the findings of these studies have directed the focus to the students rather than the institutions. It has been hypothesized that specific student factors are associated with student loan default and loan repayment behavior (Flint, 1997; Podgursky et al., 2002; Woo, 2002). Among these studies, the factors included student age, graduation status, college grade point average, amount borrowed, gender, ethnicity, and many other aspects of students’ backgrounds and college experiences. Specifically, students who maintain low grade point averages, high loan amounts, and poor persistence are more likely to default on student loans (Flint, 1997; Podgursky et al., 2002; Volkswein & Szelest’s, 1995; Woo, 2002). Common findings among these studies determined default probability is primarily linked to these borrower characteristics. Volkswein and Szelest’s (1995) conceptual framework
organizes such factors and borrower characteristics into three commonly cited categories: Pre-College Measures, College Experiences, and Post-College Measures.

In addition to student borrower characteristics, prior research has compared the importance of borrower vs. institutional characteristics, concluding characteristics such as institution size, cost of attendance, and graduation rate do maintain a relationship to default behavior; however, borrower characteristics remain the most significant in their connection to default (Knapp & Seaks, 1992; Volkwein & Szelest, 1995; Wilms et al., 1987). Specifically, colleges with large student populations, high tuition, and low graduation rates all contribute to the likelihood of default behavior (Knapp & Seaks, 1992; Volkwein & Szelest, 1995; Volkwein et al., 1998; Wilms et al., 1987). Studies beginning as early as 1987 and continuing through 1994 have all reported similar results, noting characteristics such as race and ethnicity were correlated to the overall difference among default rates (Astin, 1982; Flint, 1994; Hearn, 1984; Knapp & Seaks, 1992; Mortenson, 1989; Olivas, 1986; St. John & Noelle, 1989; Wilms et al., 1987). However, it essential to note these same research studies have also determined ethnicity by itself, as a background characteristic of the borrower, has a relationship to default behavior almost as strong as or stronger than the association between graduation or persistence to default itself (Knapp & Seaks, 1992; Volkwein & Szelest, 1995; Volkwein et al., 1998; Wilms et al., 1987). In a recent study conducted by Volkwein and Szelest (1995), the same findings not only verified ethnicity as one of the main predictors of student loan default and repayment behavior, but also refined general understanding of the relationship between ethnicity, sex, and marital status. Volkwein and Szelest (1995) determined
being female and married among Hispanic and African American populations dramatically lowered the probability of default more so than in White populations. Similarly, other background characteristics such as having a parent who attended college and not having dependent children had the most positive impact on African Americans, the population with the highest default rate (Volkwein & Szelest, 1995).

Although prior research has emphasized the importance of Pre-College Measures, College Experiences, and Post-College Measures, graduation status, noted as a main performance variable, has frequently been one of the most important measures in the outcomes of past default studies (Dynarski, 1994; Knapp & Seaks, 1992; Meyer, 1998; Podgursky et al., 2000; Volkwein & Szelest, 1995; Volkwein et al., 1998; Wilms et al., 1987; Woo, 2002). Figure 7 outlines both Pre- and Post-college experience measures as they relate to the persistence of students’ first year at two-year community colleges.

Figure 7. Conceptual model of within-year persistence for first-year community college students.

Specifically, Figure 7 organizes the main components of student persistence into five categories: demographics, social and cultural capital, pre-college experiences, environmental pull factors, and college experiences (McKinney & Novak, 2013). Within each category, specific measures are identified to highlight the main predictors of default behavior. Prior studies on default behavior have shown the significance of each predictor; however, Figure 7 identifies each of them in relation to persistence rather than independently (Dynarski, 1994; Knapp & Seaks, 1992; Meyer, 1998; Podgursky et al., 2000; Volkwein & Szelest, 1995; Volkwein et al., 1998; Wilms et al., 1987; Woo, 2002). An example of a measure’s relationship to persistence can be identified among community college students who attend college on a part-time basis, as they are less likely to persist than students who attend full-time (McKinney & Novak, 2013). The
identification of relationships between attendance and persistence are noteworthy to default behavior because research supports there is a correlation between poor persistence and the greater probability of default (Dynarski, 1994; Knapp & Seaks, 1992; Meyer, 1998; Podgursky et. al., 2000; Volkwein & Szelest, 1995; Volkwein et al., 1998; Wilms et al., 1987; Woo, 2002). Thus, key variables such as persistence provide insight into student borrower characteristics associated with default behavior.

Overall, findings among default studies determined default probability is primarily linked to student borrower characteristics; however, default research does support the importance of institutional characteristics and their influences, concluding that institutional characteristics do maintain a noteworthy relationship to default behavior (Knapp & Seaks, 1992; Volkwein & Szelest, 1995; Volkwein et al., 1998; Wilms et al., 1987). Therefore, a fulsome understanding of student default must consider both individual and institutional characteristics.

**Default Prevention**

In response to rising default rates, research concerning default prevention continues to be released from various sources including the federal government, universities, and non-profit organizations. Although limited, recent studies have determined increases in various types of student interactions, such as meetings with academic counselors, financial aid department members, and student service staff, can have a positive impact on behaviors such as persistence among community college students, thus reducing the likelihood of default (Bean & Metzner, 1985; Orozco, Alvarez, & Gutkin, 2010). Presently, different programs continue to be developed;
however, the inclusion of student contact as an institutional practice remains to be the most common element among these programs.

Programs developed through the use of grant funding including the Default Prevention Grant Program of the Missouri Department of Education, which was awarded nearly $1 million, have developed various financial literacy and student loan debt-minimization strategies (Missouri Department of Education, 2013). Within Missouri’s default prevention program, a series of common best practices was developed to help default prevention across participating colleges. In a manner similar to the U.S. Department of Education’s default prevention plan, colleges are encouraged to develop a default prevention team comprising trained individuals dedicated to retention, student success, and default prevention (Missouri Department of Education, 2013). With these focuses in mind, colleges then develop presentations and counseling sessions to help educate borrowers on loan responsibilities and the consequences of default (Missouri Department of Education, 2013). Other activities include budget and financial management workshops infused into courses or orientations to help aid borrowers develop repayment plans (Missouri Department of Education, 2013). In addition to workshop activities, colleges implement unique approaches such as lifetime job placement and including financial aid and retention staff in the withdrawal process (Missouri Department of Education, 2013). Other unique approaches within the program include writing sidewalk chalk messages to promote financial literacy events on campus and sending hand-written notes to borrowers during loan grace periods with payment reminders (Missouri Department of Education, 2013).
Other default prevention programs include the Oklahoma Guaranteed Student Loan Program and The University of Texas-Pan American model, both of which were established in collaboration with state-level support. The programs provide a substantial amount of resources for all parties including student borrowers, borrowers’ families, financial aid departments, and communities. Fortunately, many of these programs are made available online, which makes them available to colleges and universities nationwide. Such resources have become essential to states where research and/or programs regarding default prevention are limited or non-existent. Institutions also have access to federal resources created by the division of Federal Student Aid of the U.S. Department of Education, which are available for public use; however, the information is not as comprehensive as the independently developed programs, which include cutting-edge pilot programs, and updated default factors guided more recent research.

In addition to default programs, certain colleges and universities have allocated specific financial aid department staff to focus on only default prevention, depending on the resources of institutions. Their activities include a variety of generally noted best practices as identified within the U.S. Department’s DPP; however, other responsibilities include working with third-party default-management companies, tracking delinquent borrowers using various methods including technology, and developing out-of-school repayment campaigns (HigherEdJobs, 2014). Collectively, default prevention personnel are becoming more common across colleges and universities; however, most institutions do not establish these specific positions until their cohort default rates are identified as at-
risk by the U.S. Department of Education. Institutions are required to do so as a requirement of a default prevention plan.

At the federal level, the U.S. Department of Education developed various committees to establish guidelines for all colleges to follow regarding default prevention as a result of fluctuating student loan default among student borrowers. They organized these guidelines into a Default Prevention Plan (DPP), designed to provide at-risk colleges with a unique, long-term solution to student loan default on a particular campus (DOE, 2013e). Over years of implementation and development, regulators determined a properly developed and executed Default Prevention Plan will identify the unique root causes of default at a specific institution and lay out the steps an institution can take to address the identified problems (DOE, 2013e). In fact, each plan is to be uniquely designed for an institution based on the characteristics of the college’s student population and institutional policies and procedures. Regulators established general steps institutions are to use when developing and implementing an effective Default Prevention Plan (DOE, 2013e). Table 2 outlines the 10-step plan.
Table 2

*Default Prevention Plan*

1. **Hire a Default Prevention Officer.**
   - This will be a person to administer your default prevention program.

2. **Establish a Default Prevention team.**
   - This will be a group of specialists who will ultimately conduct data analysis to determine the reasons for default at your school and formulate a set of intervention strategies.

3. **Study your Student Population.**
   - Identify any common characteristics of your defaulters and non-defaults, and borrowers and non-borrowers.

4. **Change Packaging Philosophy.**
   - Once potential defaulters have been identified, target this portion of the student population through a change in packaging philosophy.

5. **Build on Early Intervention strategies already in existence.**

6. **Study or track Servicer and lender performance.**
   - Compare the performance of servicers based on number of claims filed per month, and number of claims paid per month; identify problem areas; identify “best practices” of services; open dialogue with services and lenders, gather and analyze data on a monthly and yearly basis, and solicit their assistance in lowering the default rate

7. **Fine-Tune your Loan Servicing Procedures for the period while the borrower is at your school.**
   - The financial aid office plays a critical role while the borrower is in school. Stay in contact with your borrowers.
Table 2 continued

8. Fine-Tune your servicing efforts during the grace period and repayment.
   - The moment the borrower leaves school is the beginning of the most complicated part of the default prevention process. All of the loan partners – schools, lenders, guaranty agencies and servicers – become involved.

9. Review all of your borrower education materials.
   - This will include Entrance and Exit Counseling materials, website information, brochures, flyers, etc. Seek to enhance these materials.

    - Institutions have a great deal of data about students. School resources such as admissions, financial aid, academic affairs (including both administration and faculty), registrar, placement, alumni affairs, and the business office will maintain data which may be important in identifying factors which are contributing to the rate of delinquency and default at an institution.

Source: DOE (2014a, p. 1)

Table 2 identifies 10 elements, each specifically addressing a major component of the U.S. Department of Education’s default prevention plan. It is essential to note all elements of the default prevention plan are recommended for all colleges, including those not mandated to implement. These elements are strongly recommended to improve student success through increasing student retention and reducing default (DOE, 2014a).

Overall, the focus of default prevention continues to be developed at the state, federal, and local levels, providing institutions with more innovative and valuable information to better support their student borrower populations. Although, it is known that institutional characteristics, which are mostly not within an institutions control, in
addition to student characteristics, the greatest influence of which are not in the institutions control, interact to produce an institutional default rate. Although consideration should be given to managing default rates, the greater focus is for students to attend college to receive an education, to enhance their career preparation, and help them secure their financial futures. To help students accomplish these goals, institutions will need to implement measures and provide resources; therefore, the importance of this section is that, in spite of these known factors concerning student borrower default, there is a series of actions and strategies the colleges could and should take to moderate defaults.
Chapter 3

METHODOLOGY

Introduction

This chapter describes the research design and provides an explanation of the research study. Specifically, this chapter explains the collection of quantitative and qualitative data and the selection of those interviewed participants. In addition, an in-depth discussion is provided regarding the collection of the quantitative data for the study as it relates to the variables hypothesized as predictors for student loan default. First, a discussion of the research design and method of the study is presented. A mixed methods approach was selected to illustrate any possible statistical significance among those hypothesized predictors and to explore the qualitative experiences and default prevention practices of the college financial aid departments.

Research Design

The research design utilized for this study was sequential mixed methods. According to Creswell (2009), this type of research seeks to develop the results of one method with another. Specifically, this study began with the quantitative analysis followed by the qualitative analysis. The results of the quantitative analysis and those identified two-year colleges were expanded upon in the qualitative analysis component of the study using interviews to explore further findings.

Figure 8 illustrates the research model, specifically identifying the data sources, sequence of data collection, and placement of analysis.
Figure 8. Database and modeling.

Figure 8 further outlines the placement of the quantitative analysis prior to the qualitative analysis, as the findings from the quantitative portion of the study are essential to the qualitative interviews. The results of the quantitative analysis guided the identification of the six two-year colleges used for the qualitative portion of the study. In the next section, the role of the researcher is presented in relation to this study.

**Role of the Researcher**

The researcher has been an administrator at institutions of higher education for twelve years, primarily serving post-secondary populations. Working in higher education for over a decade has turned the desire to see students succeed into a passion. Due to the ever-changing educational climate, students experience many obstacles and challenges
while in school, and student loan default is just one of many impacting sizable populations. It has become an inspiration of the researcher to provide students with the necessary financial literacy to make appropriate decisions when planning for college. More specifically, this research sought to help two-year colleges reduce student loan default and provide a greater understanding of effective default prevention practices.

For the purposes of this study, the researcher collected all data being analyzed. Specifically, the researcher collected quantitative data from existing national databases, IPEDS and NCES. Concurrently, the researcher surveyed voluntary financial aid administrators at U.S. two-year colleges. The qualitative data were collected from financial aid administrators working within two-year colleges, which were identified using the Integrated Postsecondary Education Data System (IPEDS). The researcher was the sole individual to analyze the data collected. Moreover, the researcher’s role was not affiliated with any two-year college personally or professionally; therefore, he remained neutral when collecting and analyzing data, as well as took precautions to prevent any compromise to the anonymity of the data. In the next section, the setting, population, and sample are expanded upon, including a brief discussion of the two-year college criteria.

**Setting, Population, and Sample**

The sample for this study included a specific grouping of U.S. two-year colleges reporting to the National Center for Education Statistics, which were used for the quantitative component of the study. Specifically, this sample included all institution types of two-year colleges in the Unites States including for-profit, non-profit, and public institutions participating in Title IV federal aid programs, \( n=1126 \). Those extracted data
sets used for the quantitative portion of the analysis were collected from the *Two-year Default Report 2011* from the U.S. Department of Education, which illustrated the reported default rates for each two-year college. In addition, IPEDS was used to obtain the reported institutional characteristics for the same population of two-year colleges. The surveys were also distributed to this population of two-year colleges.

For the qualitative section, the researcher selected six two-year colleges from the sample used for the quantitative section of the study. The quantitative sample controlled for predictive variables associated with student loan default. Specifically, this sample included three two-year colleges with the lowest cohort default rates and three two-year colleges with the highest cohort default rates. Once the six samples were identified, the researcher interviewed each financial aid administrator at each of the two-year colleges using open-ended interview questions. The processes by which the data were collected and the instrumentation was utilized are explained in the next section.

**Data Collection and Instrumentation**

**Quantitative Data**

The researcher collected quantitative data sets from the Integrated Postsecondary Education Data System (IPEDS) database of the National Center of for Education Statistics, which provided the specific institutional characteristic data of each two-year college. In addition, cohort default reporting from the U.S. Department of Education provided the default rates of each two-year college within the sample. Both datasets were inputted into SPSS for analysis. Concurrently, the researcher collected survey data from financial aid administrators at all U.S. two-year colleges using an online survey system.
(see Appendix A). The data collected from the surveys was also entered into SPSS for separate analysis. All of the quantitative data were collected in the fall of 2013.

**Qualitative Data**

The qualitative data of this study were collected through open-ended interviews with financial aid administrators at two-year colleges in the spring of 2014 (see Appendix A). The interviews were conducted with administrators from three two-year colleges with the lowest cohort default rates and three two-year colleges with the highest cohort default rates. The interview questions were designed to collect more information regarding each college’s current structure and default prevention practices. Additionally, all the interviews were transcribed and coded for themes.

**Data Analysis**

**Quantitative Analysis**

**Research question one.** Controlling for population demographics and institutional characteristics associated with greater student loan default rates, are there two-year colleges that have significantly lower default rates than would be predicted by their population and/or institutional characteristics? In other words, are there institutions beating the odds by having lower defaults rates than would otherwise be predicted?

Multiple regression was used to determine the relationship between multiple institutional characteristics of two-year colleges and student loan default. The institutional characteristics were comprised of predictive variables associated with student loan default. This regression analysis contained multiple independent variables and one dependent variable. The dependent variable of interest is cohort default rate.
The analysis examined and controlled for the following independent variables: retention rate, student to faculty ratio, percent of students receiving Pell grants, total amount of federal student loans received by institution and percent non-white by institution.

The independent variables were used within the multiple regression analysis to determine if there were two-year colleges that have significantly lower default rates than would be predicted by their population and/or institutional characteristics are provided below.

- Retention Rate
- Student to Faculty Ratio
- Percent of Students Receiving Pell Grant
- Total Amount of Federal Student Loans Received by Institution
- Percent of Non-White by Institution

The independent variables noted above are identified as nominal and are reported within the IPEDS database system. Correlations between all independent and dependent variables were examined prior to the regression to check for multicollinearity and other key assumptions in regression analysis. Descriptive statistics were used to describe the data and examine variable frequencies, mean, median, mode, and standard deviation, as appropriate. These statistics are presented later in Chapter 4.

In addition, quantitative survey data were also collected in support of answering research question 2 pertaining to strategies financial aid departments utilize for student loan default prevention. The variables used to evaluate the survey data collected are outlined below.
Implementation of Default Prevention Practices
Commitment to Default Prevention Practices
Effectiveness of Current Financial Aid Practices

Specifically, each variable noted above was used to evaluate a specific grouping of survey questions. Of the 19 questions included within the survey, implementation of default prevention practices related to eight questions, commitment to default prevention practices related to six questions, and effectiveness of current financial aid practices related to five questions. In the next section, the analysis of the qualitative data is described.

Qualitative Analysis

Research question two. What strategies are financial aid departments of two-year colleges utilizing for student loan default prevention?

The qualitative data of this study were analyzed using the basic qualitative research approach (Merriam, 2009). Specifically, all interviews were recorded and carefully transcribed. Each interview transcription was thoroughly coded and analyzed to identity any themes or significances. This process also included identifying any recurring patterns that characterize the data. Specifically, those themes extrapolated from the analysis were evaluated for meaning and significance. The next section describes the protection of the study’s participants including those interviewed.

Protection of Participants

The interviews did not obtain any specific personal information of the participants. Any identifiers, such as name, age, or sex were not included on the
transcription itself or anywhere in the research. All interview participants confirmed their consent after reading and signing the consent information form to participate in the study (see Appendix B). All participants were provided the option to skip any questions or stop at any time without penalty. All participants in the study were over the age of 18. Results of this study were reported in aggregate without the release of information that could be used to identify any individual or institution involved. The accuracy of each participant’s interview was vital to the integrity of the data; therefore, the researcher conducted member checking to ensure accuracy.

The electronic surveys did not obtain any specific personal information of the participants, as all responses were kept confidential and anonymous to the degree permitted by the technology used. The survey tool, Survey Monkey, was used to maintain confidentiality by masking participants’ IP addresses from the survey author. Once the survey results were analyzed, all participant responses were disposed of and never shared with any other parties. It is essential to note all participation was voluntary. All survey participants confirmed their consent after reading the consent information page to participate in the study (see Appendix B). All participants were provided the option to exit the survey at any time without penalty. All survey participants in the study were over the age of 18.

In addition, the quantitative data sets were collected from national databases, which are available to public. Specifically, the study only utilized raw published data sets from their respective public websites. The individual names of two-year colleges are
associated and matched with cohort default rates; however, the data sets were only used for comparison purposes of the study.
Chapter 4

ANALYSIS OF THE DATA

Chapter 4 provides the findings of the quantitative and qualitative research from this study. This chapter is organized into two sections: report of the quantitative data and report of the qualitative data. The first section presents the quantitative research beginning with descriptive data of the study’s sample, followed by analysis of IPED and NCES database information used to address research question 1. Research question 1 sought to identify two-year colleges with significantly lower default rates than would otherwise be predicted by their population and/or institutional characteristics. This section concludes with an analysis of the survey data used to address research question 2, which identifies current default prevention practices of financial aid departments at two-year colleges. The second section in this chapter presents the report of the qualitative data beginning with a summary of themes. The qualitative research includes an analysis of the interview data collected to provide additional understanding of current default prevention practices of two-year colleges and addresses research question 2. Both sections provide an overview of the analysis and a report of the results followed by a brief discussion of significant findings.

The purpose of this study was to identify actions financial aid departments at two-year colleges are taking to prevent student loan default prevention. Furthermore, the researcher, by means of this study, sought to identify institutions beating the odds by having lower defaults rates than would otherwise be predicted by their student and institutional characteristics. The practices of these colleges were examined and compared
to colleges with high default rates to identify effective default prevention practices. Additionally, the researcher who conducted this study hopes to contribute to the limited research on effective default prevention practices and inform educational leaders of the various nationwide prevention practices currently used. To do so, this study examined the following research questions.

Research Question 1: Controlling for population demographics and institutional characteristics associated with greater student loan default rates, are there two-year colleges that have significantly lower default rates than would be predicted by their population and/or institutional characteristics? In other words, are there institutions that are beating the odds by having lower defaults rates than would otherwise be predicted?

Research Question 2: What strategies are financial aid departments of two-year colleges utilizing toward student loan default prevention?

To answer the first research question, multiple regression analysis was employed. Consistent with the focus of this study, the cohort default rate is the dependent variable. The cohort default rate was used to determine the rate of default for each two-year college. The independent variables are retention rate, student to faculty ratio, percentage of students receiving Pell grants, total amount of federal student loans received by institution, and percent non-white by institution. Each independent variable is statistically significant to cohort default rate, meaning it is predictive. This fact makes it possible to create a predictive variable set comprising independent variables used to identify two-year colleges possessing significantly lower default rates than would otherwise be predicted.
The second research question was answered by the combination of quantitative and qualitative analysis. The quantitative analysis utilized survey data collected from financial aid administrators, which was analyzed using crosstabulation to determine significance between default prevention practices. The qualitative analysis includes data collected through semi-structured interviews with financial aid administrators at two-year colleges. Specifically, two groups of colleges were interviewed: three two-year colleges with the lowest cohort default rates and three two-year colleges with the highest cohort default rates. Each interview was analyzed to identify any themes or significances pertaining to default prevention practices at each college.

**Report of Quantitative Data**

**Sample**

The sample for this study included U.S. two-year colleges participating in Title IV federal aid programs reporting to the National Center for Education Statistics (n=1126). Data from the *Two-year Default Report 2011* of the U.S. Department of Education illustrates the reported cohort default rate of two-year colleges. This data were combined with data from the Integrated Postsecondary Education Data System (IPEDS) database, which identifies characteristics of each college. These data sets were used to describe and analyze this sample population of two-year colleges. The final dataset includes a total of 1,126 two-year colleges.

**Descriptive Statistics**

Descriptive statistics were used to describe the sample institution type, the institution size, and the percentage of students receiving financial aid. This information
provides characteristics of the sample used in the study and offers context to their utilization of financial aid. Figures 9-10 illustrate the descriptive data of the total sample of two-year colleges (n=1126).

Figure 9 shows the total sample of two-year colleges by institution type (public, private non-profit, private for-profit).

![Pie chart showing institutional types of two-year colleges](image)

**Figure 9.** Two-year colleges (sample population) by institution type.

Representing more than half the total population, 59% (n=664) of the two-year colleges within the sample were identified as public, indicated in green. Thirty-five percent (n=394) of the total sampled populations of two-year colleges were identified as private for-profit, indicated in red. The remainder of the sample represents 6% (n=68) private non-profit two-year colleges, indicated in blue. It is worthy to note, for-profit colleges represent the second largest group of this total population.
Figure 10 illustrates the total population of two-year colleges in five size categories.

As indicated in blue, 33% (n=372) of two-year colleges within the sample maintained an enrollment of 1,000 students or less. Thirty percent (n=338) of the total sampled population of two-year colleges maintained an enrollment between 1,000 and 4,999 students. The remainder of the sample represents 19% (n=214) enrollment between 5,000 and 9,999 and 13% (n=146) with enrollment of 10,000-19,999. Only 5% (n=56) of two-year colleges within the sample maintained an enrollment of 20,000 and above. Overall, it is essential to note 63% of colleges identified within this sample maintain an enrollment of 4,999 or less.

Figure 10. Institution size categories.
Of the 1,126 two-year colleges, only one college was certified as tribal and three colleges were classified as historically black. This descriptive information is included for consideration, as institutions possessing ethnicity certifications such as historically black colleges are likely to have significantly lower default rates as a result of institutional factors (DOE, 2013d). The small number of ethnicity certificated institutions within this sample is representative of the total number identified across all institutions of higher education. In addition, the majority of ethnicity certificated institutions are classified as four-year institutions.

Table 3 illustrates the financial aid descriptive data of the sample of two-year colleges.

**Table 3**

*Percentage of Students Receiving Financial Aid and Average Dollar Amount Awarded (n=1126)*

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>M</th>
<th>SD</th>
<th>Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent of Students Receiving Federal Loans</td>
<td>41</td>
<td>29.12</td>
<td>1-100</td>
</tr>
<tr>
<td>Average Dollar Amount of Federal Loans by Student</td>
<td>5632</td>
<td>1808.04</td>
<td>1-11,998</td>
</tr>
<tr>
<td>Percent of Students Receiving Pell Grants</td>
<td>49</td>
<td>20.33</td>
<td>5-100</td>
</tr>
<tr>
<td>Average Dollar Amount of Pell Grant Aid by Student</td>
<td>3921</td>
<td>723.36</td>
<td>1,278-5,998</td>
</tr>
<tr>
<td>Percent of Students Receiving Federal, State, Institutional, or other Grant Aid</td>
<td>61</td>
<td>19.69</td>
<td>9-100</td>
</tr>
<tr>
<td>Average Dollar Amount of Federal, State, Institutional, or other Grant Aid by Student</td>
<td>4490</td>
<td>1635.94</td>
<td>591-24,745</td>
</tr>
</tbody>
</table>
Table 3 reports the “M,” which provides the mean for each characteristic, and the “SD” represents the standard deviation from that mean number. The table provides these values as percentages of students who received different forms of federal aid and the average dollar amounts received by student. Of the total sample, the mean percentage of students who received federal loans (41) represents nearly half the total sample. Similarly, the mean percentage of students who received federal, state, institutional, or other grant aid (61) represents almost one-third of the total sample. The mean dollar amount of federal student loans received by students (5,632) is greater than the mean of dollar amount of federal, state, institutional, or other grant aid (4,490), which indicates students are receiving more federal student loans than grant aid.

Default Predictor Variables

The descriptive information of the default predictor variables used for the quantitative analysis is presented in Table 4. The selection of each variable was guided by framework and literature to be predictive of student loan default. These variables were integrated into the quantitative analysis to address research question 1, which sought to identify two-year colleges with significantly lower default rates than would otherwise be predicted.

Table 4 provides the means and standard deviations of two-year college default rates and predictor variables.
Table 4

*Means and Standard Deviations of Two-year College Default Rates and Predictor Variables*

<table>
<thead>
<tr>
<th>Variable</th>
<th>N</th>
<th>Mean</th>
<th>SD</th>
<th>Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cohort Default Rate</td>
<td>1126</td>
<td>13.51</td>
<td>5.786</td>
<td>0-37</td>
</tr>
<tr>
<td><strong>Predictor Variables</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retention Rate</td>
<td>1107</td>
<td>61.94</td>
<td>12.384</td>
<td>0-100</td>
</tr>
<tr>
<td>Student to Faculty Ratio</td>
<td>1126</td>
<td>20.37</td>
<td>8.642</td>
<td>0-51</td>
</tr>
<tr>
<td>Percent Receiving Pell Grants</td>
<td>1126</td>
<td>48.72</td>
<td>20.330</td>
<td>0-100</td>
</tr>
<tr>
<td>Total Dollar Amount of Federal Loans Received by Institution</td>
<td>1126</td>
<td>7,175,150</td>
<td>10,880,057.92</td>
<td>0-99 Million</td>
</tr>
<tr>
<td>Percent Non-White</td>
<td>1126</td>
<td>34.77</td>
<td>24.464</td>
<td>0-100</td>
</tr>
</tbody>
</table>

Table 4 reports the means and standard deviations of two-year college default rates and predictor variables. The mean of the cohort default rate is 13.51 with a range of 0 to 37. The retention rate mean is 61.94 with a range of 0 to 100. The mean of the student to faculty ratio is 20.37 with a range of 2 to 51. The mean of percentage of who received Pell grants is 48.72% with a range of 5 to 100. The mean of total dollar amount of federal student loans received by institution is $7,175,150 with a range of $6,403 to $98,459,811. The mean of percent non-white is 34.77% with a range of 0 to 100. Non-white race/ethnicities includes Asian, American Indian or Alaskan Native, Native Hawaiian or Pacific Islander, Black or African American, and Hispanic.
Correlation of Default Predictor Variables

Pearson correlations were computed to examine the intercorrelations of the default predictor variables. The significance of each result is indicated by “p,” which identifies the probability of an error. The “p” value must be less than or equal to .05 for statistical significance. The symbol “r” represents the correlation coefficient. A positive correlation is indicated when one variable increases and the other also increases. While a negative correlation is indicated when one variable increases and the other decreases (Morgan, Leech, Gloeckner, & Barrett, 2013).

Table 5 provides correlation coefficients, significance of two-year college default rates, and predictor variables.
Table 5

Correlation Coefficients and Significance of Two-year College Variables (N=1126)

<table>
<thead>
<tr>
<th>Variables</th>
<th>Cohort Default Rate</th>
<th>Retention Rate</th>
<th>Student-to-faculty Ratio</th>
<th>Percent of undergraduate students receiving Pell grants</th>
<th>Total amount of Federal student loan aid received by undergraduate students</th>
<th>Percent non-white by institution</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Cohort Default Rate</td>
<td>r 1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Retention Rate</td>
<td>r -.253**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Student-to-faculty Ratio</td>
<td>r .087**</td>
<td>-.020</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Percent of undergraduate students receiving Pell grants</td>
<td>r .068*</td>
<td>.130**</td>
<td>-.103**</td>
<td>.009</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>5. Total amount of Federal student loan aid received by undergraduate students</td>
<td>r .145**</td>
<td>-.170**</td>
<td>.100**</td>
<td>-.009</td>
<td>.009</td>
<td>.757</td>
</tr>
<tr>
<td>6. Percent non-white by institution</td>
<td>r .007</td>
<td>.165**</td>
<td>.231**</td>
<td>.224**</td>
<td>-.027</td>
<td>1</td>
</tr>
</tbody>
</table>

*p < .05; **p < .01
Table 5 shows five of six pairs of variables are significantly correlated. The strongest negative correlation, which is considered a large effect size according to Cohen (1988), is between cohort default rate and retention rate, $r(-.253) = -.000, p < .01$. This fact means institutions with higher retention rates were likely to have lower cohort default rates. The second strongest correlation is a positive correlation between cohort default rate and total amount of federal student loan aid received by undergraduate students, $r(.145) = .000, p < .01$. This fact means institutions with a greater amount of student loans are more likely to have higher cohort default rates. The third strongest correlation is a positive correlation between cohort default rate and student to faculty ratio, $r(.087) = .004, p < .01$. This fact means institutions with more students per faculty are more likely to have higher cohort default rates. The fourth strongest correlation is a positive correlation between cohort default rate and percentage who received Pell grants, $r(.068) = .004, p < .05$. This fact means institutions with greater percentages of students receiving the Pell grant are more likely to have higher default rates.

Interestingly, all predictor variables have a significant $p$ value; however, the percent non-white ($p = .821$) do not have a significant correlation with the cohort default rate, which means it is not a predictor of student loan default in this sample. This finding was not anticipated because multiple research studies including related frameworks have indicated race and ethnicity are both significant predictors of student loan default (Volkswein & Szelest, 1995). A possible explanation for this finding is explained later in this chapter. Next, the results of the multiple regression analysis are presented.
**Multiple regression.** A multiple regression analysis was then conducted to evaluate how well the selected institutional characteristics predicted the default rate of two-year colleges. The predictors are composed of five institutional variables: retention rate, student-to-faculty ratio, percentage of students who received Pell grants, total amount of federal student loans received by institution, and percent non-white by institution, while the criterion variable is the cohort default rate. The linear combination of predictor variables is significantly related to the cohort default rate, $F(5, 1101) = 21.54, p < .001$. The sample multiple correlation coefficient is $.089$, indicating $8.9\%$ of the variance of the cohort default rate in the sample can be accounted for by the linear combination of predictor variables.

Table 6 indicates the relative strength of the individual predictor variables. All bivariate correlations between these variables and the cohort default rate are positive, except retention rate, which was expected. Of these five variables, four are statistically significant ($p < .05$). Specifically, percent non-white by institution was found not to be significant, as predicted in the previous correlation section. On the basis of these correlation analyses, the strongest predictor of cohort default rate is retention rate $r(-.253) = .000, p < .01$. 
Table 6

*Multiple Regression Analysis Summary for Predictors of Cohort Default Rate (N=1107)*

<table>
<thead>
<tr>
<th>Variable</th>
<th>B</th>
<th>SE B</th>
<th>β</th>
<th>t</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retention Rate</td>
<td>-.114</td>
<td>.014</td>
<td>-.250</td>
<td>-8.437</td>
<td>.000</td>
</tr>
<tr>
<td>Student to Faculty Ratio</td>
<td>.051</td>
<td>.020</td>
<td>.076</td>
<td>2.701</td>
<td>.012</td>
</tr>
<tr>
<td>Percent Receiving Pell Grants</td>
<td>.027</td>
<td>.008</td>
<td>.008</td>
<td>3.412</td>
<td>.001</td>
</tr>
<tr>
<td>Total Dollar Amount of Federal Loans Received by Institution</td>
<td>5.030E-8</td>
<td>.000</td>
<td>.097</td>
<td>3.275</td>
<td>.001</td>
</tr>
<tr>
<td>Percent non-white</td>
<td>.002</td>
<td>.007</td>
<td>.011</td>
<td>.340</td>
<td>.734</td>
</tr>
<tr>
<td>Constant</td>
<td>17.783</td>
<td>1.010</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Note. R²=.089; F (5, 1101) = 21.54, p<.001*

**Profiles of Two-year Colleges with High Default**

The researcher used the results of the regression analysis to select two specific groups of colleges, three with the lowest cohort default rates and three with the highest cohort default rates. Financial aid administrators from each of these colleges were then interviewed for the qualitative section of this study. Controlling for statistically significant predictive variables, which were identified within the regression analysis, the researcher selected three two-year colleges possessing significantly lower default rates than would be predicted. The researcher applied the same method to the selection of three two-year colleges with the highest default.

Tables 7-18 organize the six college profiles into two groups, high-default group and low-default group. Identifiable descriptive data such as default rate or retention rate are provided in a range format to maintain anonymity.
High-default group.

Table 7

College One Profile

<table>
<thead>
<tr>
<th>Institution Type</th>
<th>Institution Size</th>
<th>Predictor Variable</th>
<th>Variable Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public</td>
<td>1000-5,000</td>
<td>Default Rate</td>
<td>30-40</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Retention Rate</td>
<td>40-50</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Student to Faculty Ratio</td>
<td>15-25</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Percent Receiving Pell Grants</td>
<td>75-85</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total Dollar Amount</td>
<td>2-3 Million</td>
</tr>
<tr>
<td></td>
<td></td>
<td>of Federal Loans</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Received by Institution</td>
<td></td>
</tr>
</tbody>
</table>

Table 7 illustrates college profile 1 as a public two-year college with an enrollment range of 1,000-5,000 students. With a cohort default rate range between 30 and 40, nearly 75% of the institution's population received the Pell grant. The retention rate range is between 40 and 50, which is below the mean for the total sampled population (61.94). The total dollar amount of federal loans received by institution ranges between 2-3 million, which is significantly lower than the mean for the total sample ($7,175,150).
Table 8

**College One Ethnicity Profile**

<table>
<thead>
<tr>
<th>Ethnicity</th>
<th>Profile</th>
<th>Asian</th>
<th>White</th>
<th>Native Hawaiian/Pacific Islander</th>
<th>Hispanic</th>
<th>Black</th>
<th>American Indian/Native Alaskan</th>
<th>Ethnicity Unknown</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1%</td>
<td>53%</td>
<td>1%</td>
<td>2%</td>
<td>34%</td>
<td>7%</td>
<td>2%</td>
</tr>
</tbody>
</table>

Table 8 separates percentage of non-white students by race or ethnicity. Nearly half the college’s student population, 53%, identified as white, and 34% identified as Black or African American. Interestingly, the college has less than 10% who identified as Asian, American Indian/Native Alaskan, and Hispanic combined. It is worthy to note this college ranks the highest in percentage of white within the high default group.

Table 9

**College Two Profile**

<table>
<thead>
<tr>
<th>Institution Type</th>
<th>Institution Size</th>
<th>Predictor Variable</th>
<th>Variable Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public</td>
<td>5,000-10,000</td>
<td>Default Rate</td>
<td>30-40</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Retention Rate</td>
<td>30-40</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Student to Faculty Ratio</td>
<td>30-40</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Percent Receiving Pell Grants</td>
<td>40-50</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total Dollar Amount of Federal Loans Received by Institution</td>
<td>1-2 Million</td>
</tr>
</tbody>
</table>

Table 9 illustrates college profile 2 as a public two-year college with an enrollment range of 5,000-10,000 students. With a cohort default rate range between 30-40, nearly 50% of the institution’s population received the Pell grant. The retention rate range is between 30 and 40, which is significantly below the mean for the sampled
population (61.94). The total dollar amount of federal loans received by institution ranged between $1 and $2 million, which is significantly lower than the mean for the total sample (7,175,150).

Table 10

*College Two Ethnicity Profile*

<table>
<thead>
<tr>
<th>Ethnicity Profile</th>
<th>Asian</th>
<th>White</th>
<th>Native Hawaiian/ Pacific Islander</th>
<th>Hispanic</th>
<th>Black</th>
<th>American Indian/ Native Alaskan</th>
<th>Ethnicity Unknown</th>
</tr>
</thead>
<tbody>
<tr>
<td>2%</td>
<td>2%</td>
<td>1%</td>
<td>30%</td>
<td>59%</td>
<td>1%</td>
<td>5%</td>
<td></td>
</tr>
</tbody>
</table>

Table 10 separates the percentage of non-white students by race or ethnicity. Interestingly, nearly one-half of the college’s student population identified as Black or African American, and 30% identified as Hispanic. It is worthy to note the college has less than 6% who identified as white, Asian, American Indian/Native Alaskan, and Native Hawaiian/Pacific Islander combined.

Table 11

*College Three Profile*

<table>
<thead>
<tr>
<th>Institution Type</th>
<th>Institution Size</th>
<th>Predictor Variable</th>
<th>Variable Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private For-Profit</td>
<td>1,000-5,000</td>
<td>Default Rate</td>
<td>30-40</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Retention Rate</td>
<td>30-40</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Student to Faculty Ratio</td>
<td>15-25</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Percent Receiving Pell Grants</td>
<td>90-100</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total Dollar Amount of Federal Loans Received by Institution</td>
<td>2-3 Million</td>
</tr>
</tbody>
</table>
Table 11 illustrates college profile 3 as a private for-profit two-year college with an enrollment range of 1,000-5,000 students. With a cohort default rate range between 30 and 40, nearly 100% of the institution's population received the Pell grant, which is significantly higher than the mean of the sampled population (48). The retention rate range is between 30 and 40, which is significantly below the mean for the sampled population (61.94). The total dollar amount of federal loans received by institution was between $2 and $3 million, which is significantly lower than the mean for the total sample (7,175,150).

Table 12

College Three Ethnicity Profile

<table>
<thead>
<tr>
<th>Ethnicity</th>
<th>Enrollment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asian</td>
<td>1%</td>
</tr>
<tr>
<td>White</td>
<td>23%</td>
</tr>
<tr>
<td>Native Hawaiian/Pacific</td>
<td>0%</td>
</tr>
<tr>
<td>Indian/Native Alaskan</td>
<td>44%</td>
</tr>
<tr>
<td>Black</td>
<td>31%</td>
</tr>
<tr>
<td>American Indian/Native</td>
<td>0%</td>
</tr>
<tr>
<td>Alaskan</td>
<td>1%</td>
</tr>
</tbody>
</table>

Table 12 separates percentage of non-white students by race or ethnicity. Interestingly, nearly one-half of the college’s student population, 44%, identified as Hispanic, and 31% identified as Black or African American. It is worthy to note this college ranks second highest in percent of white within the high default group. Interestingly, the college has less than 1% who identified as Asian, American Indian/Native Alaskan, and Native Hawaiian/Pacific Islander combined.

Profiles of Two-year Colleges with Low Default

The researcher applied the same method to the selection of three two-year colleges, as indicated in the section above. However, to identify the low-default colleges,
the researcher selected three two-year colleges having significantly lower default rates than would be predicated using the predictive variable set identified within the regression analysis. It is essential to note the low default group contained two for-profit institutions and one public institution. This finding is not representative of literature. As indicated in Chapter 2, for-profit institutions generally have higher default rates; however, literature also suggests for-profit institutions tend to offer degree programs directly linked to the labor market, in some cases increasing the likelihood of student employment and reducing the probability of default. Additionally, the researcher was not able to include an employment variable into the predictive variable set used within the regression analysis, which may have altered the inclusion of for-profit colleges within the low default group. Based on these findings, the researcher is not suggesting the for-profit institutions within this group sustain low default rates as a result of default prevention.

Low-default group.

Table 13

College Four Profile

<table>
<thead>
<tr>
<th>Institution Type</th>
<th>Institution Size</th>
<th>Predictor Variable</th>
<th>Variable Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private For-Profit</td>
<td>1,000-4,999</td>
<td>Default Rate</td>
<td>0-10</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Retention Rate</td>
<td>60-70</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Student to Faculty Ratio</td>
<td>15-25</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Percent Receiving Pell Grants</td>
<td>70-80</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total Dollar Amount</td>
<td>1-2 Million</td>
</tr>
<tr>
<td></td>
<td></td>
<td>of Federal Loans</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Received by Institution</td>
<td></td>
</tr>
</tbody>
</table>
Table 13 illustrates college profile 4 as a private for-profit, two-year college with an enrollment range of 1,000-5,000 students. With a cohort default rate range between 30 and 40, nearly 100% of the institution's population received the Pell grant, which is significantly higher than the mean of the sampled population (48). The retention rate ranges between 30 and 40, which is significantly below the mean for the sampled population (61.94). The total dollar amount of federal loans received by institution ranged between $2 and $3 million, which is significantly lower than the mean for the total sample (7,175,150).
Table 14

*College Four Ethnicity Profile*

<table>
<thead>
<tr>
<th>Ethnicity</th>
<th>Profile</th>
<th>Asian</th>
<th>White</th>
<th>Native Hawaiian/Pacific Islander</th>
<th>Hispanic</th>
<th>Black</th>
<th>American Indian/Native Alaskan</th>
<th>Ethnicity Unknown</th>
</tr>
</thead>
<tbody>
<tr>
<td>4%</td>
<td>49%</td>
<td>3%</td>
<td>19%</td>
<td>18%</td>
<td>2%</td>
<td>5%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 14 separates the percentage of non-white students by race or ethnicity. Interestingly, nearly one-half of the college’s student population, 49%, identified as White, and 19% identified as Hispanic. It is worthy to note this college ranks second highest in percentage of whites within the low-default group. Eighteen percent identified as Black or African American. The college has less than 9% who identified as Asian, American Indian/Native Alaskan, and Native Hawaiian/Pacific Islander combined.

Table 15

*College Five Profile*

<table>
<thead>
<tr>
<th>Institution Type</th>
<th>Institution Size</th>
<th>Predictor Variable</th>
<th>Variable Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public</td>
<td>1,000-5,000</td>
<td>Default Rate</td>
<td>1-10</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Retention Rate</td>
<td>40-50</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Student to Faculty Ratio</td>
<td>15-25</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Percent Receiving Pell Grants</td>
<td>30-40</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total Dollar Amount of Federal Loans Received by Institution</td>
<td>4-5 Million</td>
</tr>
</tbody>
</table>

Table 15 illustrates college profile 5 as a public two-year college with an enrollment range of 1,000-5,000 students. With a cohort default rate range between 1 and 10, less than 40% of the institution’s population received the Pell grant, which is lower
than the mean of the sampled population (48). The retention rate range is between 40 and 50, which is below the mean for the sampled population (61.94). The total dollar amount of federal loans received by institution ranged between $4 and $5 million, significantly lower than the mean for the total sample ($7,175,150).

Table 16

*College Five Ethnicity Profile*

<table>
<thead>
<tr>
<th>Ethnicity Profile</th>
<th>Asian</th>
<th>White</th>
<th>Native Hawaiian/Pacific Islander</th>
<th>Hispanic</th>
<th>Black</th>
<th>American Indian/Native Alaskan</th>
<th>Ethnicity Unknown</th>
</tr>
</thead>
<tbody>
<tr>
<td>1%</td>
<td>58%</td>
<td>0%</td>
<td>18%</td>
<td>12%</td>
<td>3%</td>
<td>8%</td>
<td></td>
</tr>
</tbody>
</table>

Table 16 separates the percentage of non-white students by race or ethnicity. Interestingly, over one-half of the college’s student population, 58%, identified as White, and 18% identified as Hispanic. It is worthy to note this college ranks the highest in percentage of whites within the low-default group. Twelve percent identified as Black or African American. This college has less than 4% who identified as Asian, American Indian/Native Alaskan, and Native Hawaiian/Pacific Islander combined.
82

Table 17

**College Six Profile**

<table>
<thead>
<tr>
<th>Institution Type</th>
<th>Institution Size</th>
<th>Predictor Variable</th>
<th>Variable Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private For-Profit</td>
<td>5,000-10,000</td>
<td>Default Rate</td>
<td>1-10</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Retention Rate</td>
<td>25-35</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Student to Faculty</td>
<td>25-35</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Ratio</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Percent Receiving</td>
<td>80-90</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Pell Grants</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total Dollar Amount</td>
<td>15-20 Million</td>
</tr>
<tr>
<td></td>
<td></td>
<td>of Federal Loans</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Received by</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Institution</td>
<td></td>
</tr>
</tbody>
</table>

Table 17 illustrates college profile 6 as a private for-profit, two-year college with an enrollment range of 5,000-10,000 students. With a cohort default rate range between 1 and 10, nearly 90% of the institution's population received the Pell grant, which is significantly higher than the mean of the sampled population (48). Interestingly, the retention rate range is between 25 and 35, which is significantly below the mean for the sampled population (61.94). The total dollar amount of federal loans received by institution ranged between $15 and $20 million, significantly higher than the mean for the total sample (7,175,150).

Table 18

**College Six Ethnicity Profile**

<table>
<thead>
<tr>
<th>Ethnicity Profile</th>
<th>Asian</th>
<th>White</th>
<th>Native Hawaiian/Pacific Islander</th>
<th>Hispanic</th>
<th>Black</th>
<th>American Indian/Native Alaskan</th>
<th>Ethnicity Unknown</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asian</td>
<td>3%</td>
<td>21%</td>
<td>2%</td>
<td>30%</td>
<td>42%</td>
<td>2%</td>
<td>1%</td>
</tr>
</tbody>
</table>
Table 18 separates the percentage of non-white students by race or ethnicity. Interestingly, less than one-quarter of the college’s student population, 21%, identified as white, and 42% identified as Black or African American. It is worthy to note this college ranks the highest in percent of Black or African American within the low-default group. 30% identified as Hispanic. The college has less than 7% who identified as Asian, American Indian/Native Alaskan, and Native Hawaiian/Pacific Islander combined.

Financial Aid Administrator Survey

Research question 2 is another quantitative component of this study. This question was answered through the analysis of a 19-question Likert-type scale survey. Each question asked pertained to the colleges’ current default prevention practices. The questions were clustered into three themed variables: implementation of default prevention practices, commitment to default prevention practices, and effectiveness of current financial aid practices. This survey was administered to financial aid administrators of U.S. two-year colleges willing to take the anonymous survey on behalf of their financial aid department. A total of 138 administrators took the survey out of 1126, providing a 12.2% response rate.

Figure 11 illustrates the first theme, implementation of default prevention practices by questions 1-8, which were clustered to address this particular theme.
Figure 11. Survey implementation of default prevention practices.

Figure 11 illustrates the frequency of implementation of default prevention practices. To the eight questions, 54% (n=75) of respondents indicated "never" when asked about their college’s participation in bilingual services, cultural responsive services, and family workshops. Interestingly, nearly 34% (n=47) of respondents noted having a default prevention plan. Additionally, 36% (n=50) of respondents indicated working with third-party default management organizations.

Table 19 illustrates the theme’s collection of responses and the mean, mode, and standard deviation.
Table 19

*Mean, Mode and Standard Deviation for Implementation of Default Prevention Practices*

<table>
<thead>
<tr>
<th>Questions</th>
<th>N</th>
<th>Mean</th>
<th>Mode</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Default Staff (Q1)</td>
<td>129</td>
<td>2.48</td>
<td>1</td>
<td>1.129</td>
</tr>
<tr>
<td>Borrower Contact (Q2)</td>
<td>124</td>
<td>2.49</td>
<td>2</td>
<td>1.063</td>
</tr>
<tr>
<td>Default Profile to Target (Q3)</td>
<td>119</td>
<td>1.98</td>
<td>1</td>
<td>1.073</td>
</tr>
<tr>
<td>Bilingual Services/Materials (Q4)</td>
<td>120</td>
<td>1.82</td>
<td>1</td>
<td>1.058</td>
</tr>
<tr>
<td>Third Party Vendor (Q5)</td>
<td>119</td>
<td>2.81</td>
<td>4</td>
<td>1.096</td>
</tr>
<tr>
<td>Cultural Responsive Services (Q6)</td>
<td>121</td>
<td>2.52</td>
<td>4</td>
<td>1.291</td>
</tr>
<tr>
<td>Family Workshops (Q7)</td>
<td>120</td>
<td>1.63</td>
<td>1</td>
<td>.925</td>
</tr>
<tr>
<td>Default Plan (Q8)</td>
<td>118</td>
<td>1.80</td>
<td>1</td>
<td>.954</td>
</tr>
</tbody>
</table>

Note: Calculated using SPSS 21

The mean results for questions 1 through 8 are between 1.63 and 2.81, indicating occasional to frequent implementation of default prevention practices. The mode (1) was reported for five of the eight questions indicating “never” to the implementation of various default prevention practices.

Figure 12 illustrates the second theme, commitment to default prevention practices, by questions 9-14, which were clustered to answer this particular theme.
Figure 12. Commitment to default prevention practices.

Figure 12 illustrates the frequency of default prevention practices indicating level of commitment to default prevention. Fifty-seven percent \((n=77)\) of respondents noted a frequency of five or more financial aid workshops annually. Interestingly, 78\% \((n=108)\) of respondents noted borrower materials were reviewed one to four times annually for accuracy and relevance. Forty-six percent \((n=63)\) of respondents noted never including families in the financial aid workshops. Overall, a range of 35-78\% of respondents noted a frequency of one to four times, indicating an average level of commitment to default prevention.

Table 20 illustrates the theme’s collection of responses and the mean, mode, and standard deviation.
Table 20

*Mean, Mode and Standard Deviation for Commitment to Default Prevention Practices*

<table>
<thead>
<tr>
<th>Questions</th>
<th>N</th>
<th>Mean</th>
<th>Mode</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Default Training (Q9)</td>
<td>118</td>
<td>1.75</td>
<td>2</td>
<td>.583</td>
</tr>
<tr>
<td>Review Borrower Material (Q10)</td>
<td>115</td>
<td>2.06</td>
<td>2</td>
<td>.464</td>
</tr>
<tr>
<td>Financial Aid Workshops (Q11)</td>
<td>116</td>
<td>2.50</td>
<td>3</td>
<td>.639</td>
</tr>
<tr>
<td>Other Department Collaboration (Q12)</td>
<td>116</td>
<td>1.75</td>
<td>2</td>
<td>.720</td>
</tr>
<tr>
<td>Inclusion of Families (Q13)</td>
<td>115</td>
<td>1.72</td>
<td>1</td>
<td>.755</td>
</tr>
<tr>
<td>High School FA Literacy Outreach (Q14)</td>
<td>115</td>
<td>2.34</td>
<td>2</td>
<td>.621</td>
</tr>
</tbody>
</table>

Note: Calculated using SPSS 21

The mean results for questions 9 through 14 are between 1.72 and 2.50, indicating an average frequency of one to four times annually regarding commitment to default prevention practices. The mode was (2) for four of six questions, indicating the average frequency of one to four times annually.

Figure 13 illustrates the third theme, effectiveness of current financial aid practices, by questions 15-19, which were clustered to answer this particular theme.
Figure 13. Effectiveness of current FA practices.

Figure 13 illustrates the level of agreement with effectiveness of current financial aid practices. Interestingly, 56% \((n=77)\) of respondents indicated they strongly disagreed borrower materials are comprehensive. One-half, 50\% \((n=69)\), of respondents noted disagreement with the current frequency of face-to-face loan counseling. Conversely, nearly 59\% \((n=81)\) of respondents indicated they agree the FAFSA process is comprehensive.
Table 21

Mean, Mode and Standard Deviation for Effectiveness of Current Financial Aid Practices

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>Mode</th>
<th>Standard Deviation</th>
<th>Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrow materials are comprehensive (Q15)</td>
<td>1.45</td>
<td>1</td>
<td>.754</td>
<td>116</td>
</tr>
<tr>
<td>FAFSA Process Comprehensive (Q16)</td>
<td>2.79</td>
<td>3</td>
<td>.889</td>
<td>116</td>
</tr>
<tr>
<td>Frequency of Face-to-Face Counseling Sufficient (Q17)</td>
<td>1.58</td>
<td>2</td>
<td>.711</td>
<td>116</td>
</tr>
<tr>
<td>Community Leaders Influence Awareness (Q18)</td>
<td>1.94</td>
<td>2</td>
<td>1.106</td>
<td>116</td>
</tr>
<tr>
<td>Entrance/Exit Loan Counseling are Clear (Q19)</td>
<td>2.19</td>
<td>2</td>
<td>.926</td>
<td>115</td>
</tr>
</tbody>
</table>

Note: Calculated using SPSS 21

The mean results for questions 15 through 19 are between 1.45 and 2.79, indicating a level of disagreement with current financial aid practices. The mode was (2) for three of the five questions, indicating strongly disagree with current financial aid practices.

**Crosstabulation of survey variables.** The analysis of each of the three variables suggests nearly half the colleges maintain some level of default prevention; however, over half disagreed with the effectiveness of current financial aid practices. To further analyze the connections between the survey responses, the researcher used crosstabulation. Crosstabulation and gamma were conducted to identify whether there is a statistically significant relationship between two variables. For each crosstabulation and gamma chart, percentages of each relationship are reported as well as the statistical
significance ($p$). In addition, Pearson chi-square results are provided for each variable relationship. Caution is advised when interpreting the chi-square statistic if any of the expected cell frequencies is less than five.

Tables 22-26 show the crosstabulation of three themed variables: implementation of default prevention practices, commitment to default prevention practices, and effectiveness of current financial aid practices.

Table 22

*Crosstabulation Analysis of Implementation of Default Prevention Practices and Commitment to Default Prevention Practices*

<table>
<thead>
<tr>
<th>Implementation of Default Prevention Practices</th>
<th>Commitment to Default Prevention Practices</th>
<th>Total Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Never</td>
<td>Never</td>
<td>6.3% (1)</td>
</tr>
<tr>
<td>Occasionally</td>
<td>Occasionally</td>
<td>5.7% (3)</td>
</tr>
<tr>
<td>Frequently</td>
<td>Frequently</td>
<td>0</td>
</tr>
<tr>
<td>Very Frequently</td>
<td>Very Frequently</td>
<td>0</td>
</tr>
<tr>
<td>Total Count</td>
<td></td>
<td>3.7% (4)</td>
</tr>
</tbody>
</table>

As shown in Table 22, 50% of respondents indicated default prevention was implemented occasionally; however, 88.2% of respondents noted default prevention practices were conducted one to four times annually. Pearson chi-square results indicate the relationship between the variables is significant ($\chi^2 = 13.83$, df = 6, N = 107, $p < .05$). The analysis shows a statistically significant positive association, gamma (107) = .709, $p < .001$, a very strong relationship.

Along with the crosstabulation analysis, a gamma analysis was conducted to indicate a statistically significant positive association between the two variables. The
analysis shows a statistically significant positive association, gamma (107) = .709, p < .001. This fact means colleges with more implementation of default prevention are more likely to have a greater commitment to default prevention practices.

Table 23 illustrates the crosstabulation analysis of implementation of default prevention practices and effectiveness of current financial aid practices.

Table 23

*Crosstabulation Analysis of Implementation of Default Prevention Practices and Effectiveness of Current Financial Aid Practices*

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Strongly Disagree</td>
<td>Disagree</td>
</tr>
<tr>
<td>Never</td>
<td>29.4% (5)</td>
<td>70.6% (12)</td>
</tr>
<tr>
<td>Occasionally</td>
<td>13.0% (7)</td>
<td>75.9% (41)</td>
</tr>
<tr>
<td>Frequently</td>
<td>2.8% (1)</td>
<td>83.3% (30)</td>
</tr>
<tr>
<td>Very Frequently</td>
<td>0</td>
<td>50.0% (1)</td>
</tr>
<tr>
<td><strong>Total Count</strong></td>
<td>11.9% (13)</td>
<td>77.1% (84)</td>
</tr>
</tbody>
</table>

As noted in Table 23, 77.1% of respondents disagree that current financial aid practices are effective; however, 50% of respondents indicated default prevention was implemented occasionally. Pearson chi-square results indicate the relationship between the variables is not significant ($\chi^2 = 12.55$, df = 6, N = 107, $p > .05$). The analysis shows a statistically significant positive association, gamma (109) = .534, $p < .001$, a very strong relationship.

Along with the crosstabulation analysis, a gamma analysis was conducted to indicate a statistically significant positive association between the two variables. The
analysis shows a statistically significant positive association, gamma (109) = .534, p < .001. This fact means financial aid departments more dissatisfied with current financial aid practices are more likely to have greater implementation of default prevention.

Table 24 illustrates the crosstabulation analysis of commitment to default prevention practices and effectiveness of current financial aid practices.

Table 24

*Crosstabulation Analysis of Commitment to Default Prevention Practices and Effectiveness of Current Financial Aid Practices*

<table>
<thead>
<tr>
<th>Commitment to Default Prevention Practices</th>
<th>Effectiveness of Current Financial Aid Practices</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Strongly Disagree</td>
</tr>
<tr>
<td>Never</td>
<td>25.0% (1)</td>
</tr>
<tr>
<td>1-4 times</td>
<td>8.7% (8)</td>
</tr>
<tr>
<td>5+ times</td>
<td>12.5% (2)</td>
</tr>
<tr>
<td>Total Count</td>
<td>9.8% (13)</td>
</tr>
</tbody>
</table>

Table 24 shows 82% of respondents indicated default prevention practices were conducted one to four times annually; however, 78.8% of respondents disagree that current financial aid practices are effective. Pearson chi-square results indicate the relationship between the variables is significant ($\chi^2 = 16.54$, df = 4, N = 107, $p < .05$). The analysis shows no significant association: not significant, Gamma (112) = .178, p = > .05.

Along with the crosstabulation analysis, a gamma analysis was conducted to indicate a statistically significant positive association between the two variables. The analysis shows no significant association, gamma (112) = .178, p < .05. This fact means
financial aid department perceptions of effective current financial aid practices are not statistically significant to commitment to default prevention practices.

**Crosstabulation of survey responses.** In addition, a crosstabulation was run to examine the relationship between specific survey questions and to determine significance. Specifically, crosstabulation was run on two questions relating to culturally differentiated communication and bilingual services within financial departments. In addition, another crosstabulation analysis was conducted between two questions associated with financial aid workshop frequency and perceptions of face-to-face loan counseling.

Table 25 illustrates crosstabulation analysis of differentiated communication and bilingual services.

**Table 25**

Crosstabulation Analysis of Differentiated Communication and Bilingual Services

<table>
<thead>
<tr>
<th>My college differentiates the way it communicates financial aid and student loan information in a manner that is culturally appropriate to diverse student populations.</th>
<th>Never</th>
<th>Occasionally</th>
<th>Frequently</th>
<th>Very Frequently</th>
<th>Total Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>My college provides student borrowers with bilingual financial aid services and materials.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Never</td>
<td>66.7% (42)</td>
<td>19.0% (12)</td>
<td>9.5% (6)</td>
<td>4.8% (3)</td>
<td>54% (63)</td>
</tr>
<tr>
<td>Occasionally</td>
<td>42.9% (12)</td>
<td>32.1% (9)</td>
<td>21.4% (6)</td>
<td>3.6% (1)</td>
<td>24% (28)</td>
</tr>
<tr>
<td>Frequently</td>
<td>15.4% (2)</td>
<td>30.8% (4)</td>
<td>46.2% (6)</td>
<td>7.7% (1)</td>
<td>11% (13)</td>
</tr>
<tr>
<td>Very Frequently</td>
<td>23.1% (3)</td>
<td>23.1% (3)</td>
<td>38.5% (5)</td>
<td>15.4% (2)</td>
<td>11% (13)</td>
</tr>
<tr>
<td>Total Count</td>
<td>50.4% (59)</td>
<td>23.9% (28)</td>
<td>19.7% (23)</td>
<td>6.0% (7)</td>
<td>117</td>
</tr>
</tbody>
</table>
As depicted in Table 25, 50.4% of respondents indicated never differentiating the communication of financial aid and student loan information in a manner that is culturally appropriate to diverse student populations; however, 54% of respondents noted never providing borrowers with bilingual materials or services. The analysis shows a statistically significant positive association, gamma (117) = .505, $p < .001$, indicating a very strong relationship.

Along with the crosstabulation analysis, a gamma analysis was conducted to indicate a statistically significant positive association between the two variables. The analysis shows a statistically significant positive association, gamma (117) = .505, $p < .001$. This fact means financial aid departments that provided fewer bilingual financial aid services and materials were less likely to differentiate the way they communicated financial aid and student loan information in a manner culturally appropriate to diverse student populations.

Table 26 illustrates a crosstabluation analysis of financial aid workshop frequency and perceptions of face-to-face loan counseling.
Table 26

Crosstabulation Analysis of Financial Aid Workshop Frequency and Perceptions of Face-to-Face Loan Counseling

<table>
<thead>
<tr>
<th>Do you feel financial departments provide sufficient face-to-face loan counseling?</th>
<th>How frequently does your college conduct financial aid workshops for students?</th>
<th>Total Count</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Never</td>
<td>1-4 times</td>
</tr>
<tr>
<td>No Comment</td>
<td>16.7% (1)</td>
<td>33.3 (2)</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>4.5% (2)</td>
<td>20.5% (9)</td>
</tr>
<tr>
<td>Disagree</td>
<td>8.5% (5)</td>
<td>44.1% (26)</td>
</tr>
<tr>
<td>Agree</td>
<td>16.7% (1)</td>
<td>50% (3)</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total Count</td>
<td>7.8% (9)</td>
<td>34.5% (40)</td>
</tr>
</tbody>
</table>

As shown in Table 26, 57.8% of respondents indicated five or more financial aid workshops were conducted annually; however, 51% of respondents disagreed that financial aid departments provide sufficient face-to-face counseling. The analysis shows a statistically significant negative association. Gamma (116) = -.339, \( p < .05 \) indicates a moderate relationship.

Along with the crosstabulation analysis, a gamma analysis was conducted to indicate a statistically significant positive association between the two variables. The analysis shows a statistically significant positive association, gamma (116) = -.339, \( p < .05 \). This fact means financial aid departments that had greater disagreement with the frequency of current face-to-face counseling provided greater quantities of financial aid workshops annually.
Discussion of Quantitative Findings

Results from the variable correlations and multiple regression provided the researcher with predictive variables and a variables set. Specifically, five of the six independent variables used within the multiple regression analysis are statistically significant meaning predictive. Although the variable percent non-white by institution was found to be not significant, it was still included in the multiple regression. As a result of the analysis, the variable set explained an 8.9% of the variance in cohort default rate. These findings answered research question 1, which addressed the identification of two-year colleges having significantly lower default rates than would be predicted by their population and/or institutional characteristics. The findings provided the researcher a predictive set of variables used to select two groups of two-year colleges to interview. The first set contains three two-year colleges with high default, and the second group contains three two-year colleges with lower default than would be predicted.

Research question 2, which addressed default prevention practices, was partially answered through an analysis of survey data, which addressed default prevention and financial aid practices. The 19 questions were clustered into three variables: implementation of default prevention practices, commitment to default prevention practices, and effectiveness of current financial aid practices. Results of the survey for implementation of default prevention practices indicate at least 70% of colleges maintain some variation of default prevention; however, the frequency of such practices ranges between “Occasional” and “Frequently.” Results of the survey for commitment to default prevention practices indicate at least 80% of colleges practices some form of
default prevention and conducted between one and four activities per year. Results of the survey for effectiveness of current financial aid practices indicate nearly 80% of colleges disagree that various current financial aid practices are effective.

The next section presents the findings of the qualitative research. This sections helps answer research question 2, which sought to identify strategies financial aid departments of two-year colleges utilize to prevent student loan default.

**Report of Qualitative Data**

Qualitative data were collected through semi-structured interviews with financial aid administrators at two-year colleges. The interviews explored the default prevention practices of each college. These interviews provided the data to answer research question 2: What strategies are financial aid departments of two-year colleges utilizing with relation to student loan default prevention? Each interview was audio recorded and transcribed. The researcher then used open-coding to identify recurring themes.

There were a total of six interview participants, all of whom were selected based on the default characteristics of each college. Of the six participants’ colleges, three maintained high default and three maintained low default. The colleges and participants interviewed are anonymous, and specific information pertaining to the college or administrator, such as names, does not appear. Participants are identified by number (i.e., Participant 1, Participant 2).

**Summary of Qualitative Data – Interviews**

The following sections provide an overview and summary of the findings from each of the six interviews. Each semi-structured interview covered questions pertaining
to the participant’s financial department and default prevention practices. Each group
was separately analyzed for themes. In addition to the tables indicating various
responses, examples of administrator comments are included for each theme.
Table 27

Summary of Participant Responses by Theme

<table>
<thead>
<tr>
<th>Default Prevention Themes (Low Default Group)</th>
<th>#1</th>
<th>#2</th>
<th>#3</th>
<th>#4</th>
<th>#5</th>
<th>#6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Default Prevention</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td></td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>-Default prevention staff</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-Department Collaboration</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Entrance/Exit Loan Counseling</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>-Face-to-face</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-Required counseling</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-Individual meetings</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repayment Campaigns</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-Before graduation</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-During/beyond grace period</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Satisfactory Academic Progress (SAP)</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Themes (High Default Group)                    |    |    |    |    |    |    |
| Not facilitating workshops                     |    |    |    | x  | x  | x  |
| -Workshops in development                      |    |    |    | x  | x  |    |
| Lack of financial aid staff                    |    |    |    | x  | x  | x  |
| -Based on barrower ratio                       |    |    |    | x  |    |    |
| Seeking default help                           |    |    |    |     |    |    |
| -After default rate exceeded                   |    |    |    |     |    |    |

Themes identified from the low-default group. The following themes were identified from the low-default group of two-year colleges. A theme was identified when two or more participants addressed the topic during their interview.

Default prevention. This theme emerged among the low-default group, with all respondents noting the implementation of various forms of default prevention practices. These practices included measurable objectives, default and delinquency aversion techniques, financial literacy, various counseling activities, and repayment campaigns.
Specifically, all three respondents noted having one or more staff members dedicated to default prevention activities.

Of course, our college has invested in a default prevention team led by the director. This was something we could not go without. They facilitate more extensive activities than my staff could ever do based on their workload. (Participant 1-male, white, 10-15 years in administration)

Default is certainly bad for business you know, which is why my administration authorized staff in default prevention. (Participant 3-female, non-white, 5-10 years in administration)

Additionally, participants 1 and 3 noted specific department collaboration including retention activities supporting default prevention. Interestingly, one administrator of a college from the high-default group indicated the school uses a default prevention strategy.

*Entrance and exit loan counseling.* This theme emerged among the low-default group and the high-default group. This finding is representative of federal aid policy mandating loan counseling for all colleges using federal loans; however, additional components of this theme emerged within the low-default group such as all three respondents of the low-default group noting the effectiveness of face-to-face financial aid counseling.

Trust me, their faces become glazed over and they have no idea what they are doing. If we don’t sit them down and explain it, I feel many get lost in the process. (Participant 1-male, white, 10-15 years in administration)

We believe our approach is effective. We owe it to the students to at least properly educate them on their rights and responsibilities. After all, loans are serious. (Participant 2-female, non-white, 15-20 years in administration)
Required financial aid counseling sessions also emerged as a subcomponent. All participants noted the requirement of financial aid counseling sessions positively affected borrower knowledge. Individual meetings with borrowers emerged as the final subcomponent of this theme. Specifically, participants 2 and 3 noted individual financial aid information meetings were more effective than group information meetings. Interestingly, participant 4, of the high-default group, noted the implementation of face-to-face counseling at his or her college. Similarly, participants 4 and 5, of the high-default group, noted the same for individual counseling.

**Repayment campaigns.** This theme emerged among the low-default group. All three participants noted the implementation of various repayment campaign activities. These repayment activities included contacting borrowers by various methods such as phone calls, letters, and flyers.

> We have to as many touch points as possible. Once they walk out the door, good luck trying to make contact. (Participant 1-male, white, 10-15 years in administration)

> It may seem like we overdo it, but our experience has been positive. Students have told us they appreciate the calls. (Participant 3- female, non-white, 5-10 years in administration)

An additional subcomponent of this theme included participants 2 and 3 contacting borrowers prior to graduation. Similarly, all three participants noted multiple forms of repayment activities with borrowers before and after repayment grace periods. Interestingly, participant 4, of the high-default group, noted the implementation of repayment campaigns; however, it was noted this practice had been recently implemented within the last 12 months.
Satisfactory Academic Progress (SAP). This theme emerged among the low-default group. All three participants noted the implementation of internal processes that follow the academic standing of borrowers. Specifically, borrowers not meeting SAP are contacted as soon as possible and provided relevant information regarding their financial aid status.

Our team follows borrower’s academic progress because we know if they leave without completing, they will show up on our default list. (Participant 1-male, white, 10-15 years in administration)

We know who our problem children are, so we work with them very closely. (Participant 3- female, non-white, 5-10 years in administration)

Additionally, participants noted financial aid staff provided borrowers with materials and information to remind them of their rights and responsibilities of loan repayment after attendance. Interestingly, participant 4, of the high-default group, noted the application of SAP for default prevention purposes; however, it was noted this practice was recently implemented within the last 12 months.

Themes identified from the high-default group. The following themes were identified from the high-default group of two-year colleges. A theme was identified when two or more college administrators addressed the topic during their interview.

Not facilitating workshops. This theme emerged among the high-default group. Specifically, all participants noted their financial aid departments offered no specific workshops associated with federal student loan programs or borrower education information.
We currently don’t do any special workshops aside from info nights. We have thought about it, but it’s just hard to get people to show up here. (Participant 5-male, white, 20-25 years in administration)

We just started putting workshops together, but we haven’t been doing them since I worked here and I started over 12 years ago. (Participant 6-female, non-white, 10-15 years in administration)

Despite the lack of workshops, an additional subcomponent theme emerged from this discussion. Participants 4 and 5 noted they were in the process of developing workshops for the fall 2014 student population. These efforts were inspired by the default plans each of the two colleges were presently developing.

**Lack of financial aid staff.** This theme emerged among the high-default group. Specifically, all participants indicated they did not have sufficient staff to facilitate quality or effective financial aid services consistently. Each of the participants provided an anecdote or specific challenge associated with insufficient staff support.

   We are doing the best we can, but I think we could use more help, especially with federal loans and borrowers. (Participant 4-male, non-white, 1-5 years in administration)

   We only have me and my three staff and oh a person who helps our office with administrative paperwork you know for all these students. (Participant 5-male, white, 20-25 years in administration)

   I have been asking for more staff for years. (Participant 6-female, non-white, 10-15 years in administration)

In all instances, the participants noted variations in staffing levels. Specifically, the concept of borrower-to-staff ratio was noted by participants 5 and 6. Both participants emphasized the need for administration of colleges to explore this concept further, noting colleges should be cognizant of the amount of borrowers assigned to financial aid staff.
Interestingly, participant 2, of the low-default group, indicated his or her department lacked financial aid staff.

Seeking default help. This theme emerged among the high-default group. Specifically, all participants noted they were seeking help and guidance from their leadership boards and third-party vendors associated with default prevention and reevaluating all internal practices through the development of default prevention plans. In addition to seeking help, an additional subcomponent theme emerged associated with seeking help. All participants noted their colleges did not initiate any preventative measures, seek help, or initiate a default prevention plan until their college exceeded the two-year cohort default rate threshold of 25%.

When I was handed the report, I knew we needed help from the experts. (Participant 4-male, non-white, 1-5 years in administration)

We saw the number start to go up, but you know, we thought it was the trend. (Participant 5-male, white, 20-25 years in administration)

One of the participants of the high-default group indicated his or her college's default rate dramatically jumped approximately 15% within one fiscal year reporting.

Discussion of the Qualitative Findings

Semi-structured interviews were conducted with financial aid administrators; the interviews were transcribed and coded for reoccurring themes to answer research question 2, which pertains to the identification of strategies financial aid departments of two-year colleges utilize to prevent student loan default. Two groups of themes were identified based on the responses. The themes identified from within the low-default group included default prevention, entrance/exit loan counseling, repayment campaigns,
and satisfactory academic progress (SAP). A significant finding resulting from an analysis of this group was default prevention staff. Each administrator indicated there was some variation of default prevention staff within the financial aid department. This finding is significant because it suggests default prevention staff has an impact on low default.

The themes identified from within the high-default group included not facilitating workshops, lack of financial aid staff, and seeking default help. A significant finding resulting from an analysis of this group was the lack of financial aid workshops. Specifically, administrators indicated their colleges did not provide adequate financial aid workshops for students. This finding is significant because literature suggests financial aid workshops for students decrease the likelihood of student loan default.

**Summary and Discussion**

This study used a sequential, mixed-methods approach to analyze what actions financial aid departments were taking to prevent student loan default. Specifically, this study examined any outlier colleges providing more knowledge of effective default prevention practices. Furthermore, the researcher hopes the findings of this study contribute to the limited research on effective default prevention practices and inform educational leaders of the various nationwide prevention practices currently used. In addition, knowledge gained from this study will enhance the federal government’s and policymakers’ knowledge of default prevention strategies influencing student loan default among two-year colleges. This study answered the following research questions.
Research Question 1: Controlling for population demographics and institutional characteristics associated with greater student loan default rates, are there two-year colleges that have significantly lower default rates than would be predicted by their population and/or institutional characteristics? In other words, are there institutions that are beating the odds by having lower defaults rates than would otherwise be predicted?

Research Question 2: What strategies are financial aid departments of two-year colleges utilizing to with relation to student loan default prevention?

The first research question was answered using the multiple regression analysis. This analysis provided the researcher with a predictive variable set to select two groups of colleges to be interviewed, three two-year colleges with the lowest cohort default rates and three two-year colleges with the highest cohort default rates. Once research question 1 was answered, the researcher gathered data to answer research question 2.

The second research question was answered through the combination of quantitative and qualitative analysis. Survey data was collected and analyzed using crosstabulation to determine significance between default prevention practices, and the findings helped answer research question 2. The qualitative analysis includes data collected via semi-structured interviews with financial aid administrators at two-year colleges. Each interview was analyzed to identity any themes or significances pertaining to default prevention practices at each college.

The results of research question 1 applied the following predictive variables: retention rate percentage, student-to-faculty ratio, percentage who received Pell grants, percent non-white, and total dollar amount of federal loans received by institution
predicting cohort default rate to identify outlier two-year colleges. From this analysis, six two-year colleges were identified because their default rates were higher or lower than predicted. These findings enabled the researcher to answer research question 2. Results of research question 2 revealed several default prevention practices among the low-default group. These findings suggest a relationship exists between the identified default prevention practices and low default rates. Similarly, these findings suggest a relationship also exists between the lack of default prevention and high default rates.

Chapter 5 concludes this study with a discussion and summary of the findings. Findings are presented in the context of the theoretical frames, the findings from literature, policy implications, and suggestions for future research.
Chapter 5

FINDINGS, SUMMARY, AND CONCLUSION

The purpose of this study was to research and further understand effective default prevention strategies colleges can utilize to reverse student loan default. More specifically, this study sought to identify what actions financial aid departments were taking to minimize student loan default. Controlling for predictive variables guided by theory and research, this study investigated determinants of colleges’ default rates, such as retention rate and ethnicities of student populations, to provide more knowledge in the field of default prevention. This study focused on two groups of two-year colleges, high and low defaulting, to compare and contrast default prevention practices to ascertain which are effective. In particular, this study sought to identify institutions where the default rate was lower than would be expected given their institutional and student characteristics. Six of these institutions were targeted for additional inquiry through semi-structured interviews to identify any themes or significances pertaining to default prevention. The theoretical frameworks used within this study included Volkswein and Szelest’s (1995) conceptual framework and Tolbert and Hall’s (2009) structural perspective of organizational complexity. These two frameworks guided this research through the examination of relative influences of student and organizational characteristics related to student loan default.

The remainder of this chapter provides a summary and interpretation of the significant findings of this study. While many of the findings are supported by the literature review and the theoretical frames, there are some significant additions to what
is already known about default prevention. First, while research indicates borrower characteristics are the primary predictors of default, administrator perceptions of default prevention implementation and relevant challenges at high defaulting, two-year colleges were not found in the literature review. Second, participants in this study noted a variety of specific default prevention techniques and approaches currently being implemented to sustain low default at institutions that would have been otherwise predicted to have high default. A collection of these findings were introduced in the Summary and Discussion of Findings section. Recommendations for action are discussed in the next section with leadership and policy implications following. Chapter 5 concludes with recommendations for further study, conclusions, and reflections sections.

**Summary and Discussion of Findings**

This study used a sequential, mixed-methods approach to analyze what actions financial aid departments were taking to prevent student loan default. As noted in Chapter 2, recent studies determined increases in student interactions such as meetings with academic counselors, financial aid department, and student service staff can have a positive effect on behaviors such as persistence among community college students, thus reducing the likelihood of loan default (Bean & Metzner, 1985; Orozco et al., 2010). This study sought to evaluate specific outlier colleges to identify which actions financial aid departments took to prevent student loan default. To analyze these outlier colleges, two research questions were used.

Research Question 1: Controlling for population demographics and institutional characteristics associated with greater student loan default rates, are there two-year
colleges that have significantly lower default rates than would be predicted by their population and/or institutional characteristics? In other words, are there institutions that are beating the odds by having lower defaults rates than would otherwise be predicted?

Research Question #2: What strategies are financial aid departments of two-year colleges utilizing with relation to student loan default prevention?

The first addressed whether there were institutions beating the odds by having lower defaults rates than would otherwise be predicted. The results of this analysis guided the selection of six two-year colleges based on whether default rates were higher or lower than predicted. These findings enabled the researcher to answer research question 1. The selection of the six colleges supported the inquiry revealing default prevention practices among the identified colleges, which was then used to answer research question 2. These findings suggest a fundamental relationship exists between default prevention and low default rates.

Volkswein and Szelest’s (1995) conceptual framework was used to guide the first research question by informing the researcher of the relative influences of student and organizational characteristics related to student loan defaults. Volkswein and Szelest’s (1995) four-part perspective posits pre-college, college, and post-college factors all play a role and need to be considered when evaluating student loan default. Accordingly, variables such as retention rate and student-to-faculty ratio are consistent with this framework and were used to model a predictive variable set. Since this framework was founded on multiple studies examining both student loan default behavior and institutional characteristics, the variables provided the researcher with a variable set that
could be used to predict default rates. The basis for this framework’s application provided the researcher the perspective needed to suggest a relationship between student borrower variables and institutional characteristics. Collectively, borrower and institutional characteristics become known as default predictors within the study.

Figure 14 illustrates the process of identifying the predictive variables used within the multiple regression analysis to determine if there were two-year colleges possessing significantly lower default rates than would be predicted by their population and/or institutional characteristics.


- **Four Part Perspective**
  - Pre-College Measures
  - College Experiences
  - Post-College Measures
  - Organizational Characteristics

- **Predictive Variable Set**
  - Retention Rate
  - Student-to-Faculty Ratio
  - Percent of Students Receiving Pell Grants
  - Total Amount of Federal Loans Received by Institution
  - Percent of Non-White by Institution

*Figure 14. Framework to predictive variables.*
Interestingly, all but one of the predictive variables is statistically significant as a predictor of default. Specifically, the percentage of non-white by institution is not statistically significant, which means it is not a predictor of student loan default in this sample. This finding was not expected because multiple research studies have indicated race and ethnicity are both significant predictors of student loan default. In reference to Volkwein and Szelest’s (1995) conceptual framework, percentage of minority, race, and ethnicity are identified as default predictors. However, this study, which only identified ethnicity as white or non-white, concludes they are not predictors for this sample of two-year colleges. A possible explanation for this finding is race and ethnicities other than white were combined into one variable, percent non-white, at the institutional level rather than analyzed individually for each college. It is important to note this result needs to be further investigated because it conflicts with previous studies about race and ethnicity as default predictors.

The predictive variable set including retention rate, student-to-faculty ratio, percentage of students who received Pell grants, total amount of federal loans received by institution, and percentage of non-white by institution provided the researcher with the necessary information to identify two-year colleges possessing significantly lower default rates than would be predicted by their population and/or institutional characteristics. Specifically, the researcher was able to predict an institution’s likelihood of default and then compare it to its actual default rate. This comparison allowed the researcher to identify outlier colleges for qualitative analysis. As noted in Chapter 4, six colleges were
selected and profiles reported to illustrate two groups of two-year colleges. The first
group was identified as high default and the second as low default.

The findings of the high-default group included colleges with default rates ranging from 30 to 40. As mentioned in Chapter 4, the default range was 0-40 for the total sample population of two-year colleges. Of the three colleges identified, two were public and one for-profit. It is essential to note there were non-profit colleges within this group. This finding is consistent with literature indicating non-profit colleges generally have low default rates. Additionally, the ethnicity breakdown across the high-default group illustrated a predominant Hispanic and Black or African American population. Although as previously noted, race and ethnicity are not predictors of this study’s sample as whole. In the high-default group, race and ethnicity are predictors and representative of literature as well as the theoretical framework. Interestingly, college profile 1 illustrated a 53% white population, which was significantly higher than the other two colleges. The presence of this college’s large white population is not generally supported by other ethnicity studies (Volkswein & Szelest, 1995). An explanation of this finding could be determined by including other default factors not included within this study such as income level or employment. Literature suggests income level and employment are significant predictors of default (Volkswein & Szelest, 1995). However, these were not available to include as predictive variables in this analysis.

The findings from the low-default group illustrate colleges with default rates ranging from 1 to 10. It is essential to note the low default group contained two for-profit institutions and one public institution. Interestingly, literature suggests for-profit
institutions generally have higher default rates than public and non-profit. As mentioned in Chapter 4, literature also suggests for-profit institutions tend to offer degree programs directly linked to the labor market, which in some cases increase the likelihood of student employment and reduce the probability of default. Nonetheless, the for-profit college profiles presented in this group are still representative of the other literature supported predictors including retention rates, student-to-faculty ratios and percentage receiving Pell grants. An additional explanation of this finding is reported in the qualitative section of this study. The qualitative themes identified from these two for-profit colleges indicated extensive default management was present. Additionally, it is interesting to note there were no non-profit colleges within this group, as literature, indicates non-profit colleges generally have the lowest default rates among all institution types. This fact may be explained since less than 6% of this study’s total sample was non-profit, reducing likelihood of their significance. Additionally, the ethnicity breakdown across the low-default group of colleges illustrates populations averaging 20% Hispanic and Black or African American and 40-50% white. This finding is representative of the low significance of this percent non-white variable at the institutional level; however, the low-default colleges did maintain a more diverse student population with averages of 5 to 10% in all other ethnicities. An explanation of this finding could be explained by including income, which was not one of the predictive variables used in this analysis.

Once the six colleges were identified, the researcher addressed research question 2: What strategies are financial aid departments of two-year colleges utilizing with relation to student loan default prevention?
Tolbert and Hall’s (2009) structural perspective of organizational complexity was used to guide part two of the quantitative research, which included the 19-question survey and served as the lens by which the qualitative data was analyzed. This perspective identifies most organizations to comprise many subparts having different purposes and responsibilities, which are characterized by complexity (Tolbert & Hall, 2009). This perspective provided the researcher with a lens to evaluate two-year colleges as well as their financial aid departments. Since components such as college type, size, staffing levels, borrower levels, and organizational structure all varied, Tolbert and Hall’s (2009) perspective guided the researcher through their complexity and the researcher noted each organization would require different levels of coordination and control; therefore, institutions with greater complexity require more coordination and control to sustain functionality. This concept of complexity is directly connected to these variances, including the level of default prevention at each college. This fact means a less complex college sustaining a low default rate could require less control or default prevention.

Using Tolbert and Hall’s (2009) categories of complexity, horizontal complexity, vertical complexity, and spatial complexity, the researcher was able to associate specific colleges within each of the two groups.

Figure 15 outlines the three forms of organizational complexity, as they were applied to the institutional structure and practices of financial aid departments.
As shown in Figure 15, each of the three forms of complexity was used as a lens to help identify and understand the institutional practices of the financial aid departments within two-year community colleges and their impact on student borrowers. The first form, Horizontal complexity, is correlated to default prevention tasks performed, the subdivision of various responsibilities, and default prevention knowledge and skills sets among members of the financial aid department. The second form, Vertical complexity, is associated with the structure and hierarchy of default administrators where the complexity involves the division of decision-making tasks and supervisory responsibilities within the financial aid department. The third, Spatial complexity,
involves the extent to which two-year colleges have multiple satellite campuses with one financial department located at the main campus. Overall, Tolbert and Hall’s (2009) perspective helped the researcher navigate through identified organizational influences and recognize the institutional impact of default prevention on student borrowers.

An overview and summary of the findings from each of the six semi-structured interviews are presented, covering questions pertaining to the participants’ financial department and default prevention practices. Tolbert and Hall’s (2009) perspective was utilized to analyze each group separately for themes. Two groups of themes were identified based on the responses. The themes identified from within the low-default group included default prevention, entrance/exit loan counseling, repayment campaigns, and satisfactory academic progress (SAP). The themes identified from within the high-default group included not facilitating workshops, lack of financial aid staff, and seeking default help. The application of the framework was essential to the analysis because certain departments were comprised of many subparts having different purposes and responsibilities, which are characterized by complexity (Tolbert & Hall, 2009). Significant responses and examples of administrator comments for each theme are presented as findings.

**Low-default Group**

**Default prevention.** Default prevention emerged as a major theme among the low-default group, with all respondents noting the implementation of various forms of default prevention practices. These practices included several different elements such as measurable objectives, default and delinquency aversion techniques, financial literacy
programs, various counseling activities, and repayment campaigns containing several touch points through a student’s loan cycle. A major finding is all colleges within the low-default group had some variation of default prevention staff. The amount of default staff varied across the sample; however, there was one or more staff dedicated to default prevention activities within each financial aid department. This finding is significant, as default prevention staff are merely recommended by the U.S. Department of Education as a component of default prevention plans, but not mandated. This finding may be explained through college resources. Noted in the college profiles, two of the three colleges within this group are for-profit, traditionally having more financial resources. Another significant finding within default prevention included specific department collaboration such as retention activities supporting default prevention. These activities included working closely with the registrar’s office and student services departments to maintain real-time statuses of the borrower populations. Among these major findings, the researcher also collected an assortment of default prevention practices presently practiced at colleges within the low default group.

Figure 16 illustrates default prevention practices gathered from participants. It is essential to note these practices are not identified within the default prevention plan established by the U.S. Department of Education.
Figure 16. Ongoing default prevention practices.

As shown in Figure 16, nine default prevention practices were identified among the low default colleges. These findings are significant, as practices are not components of the U.S. Department of Education’s default prevention plan; therefore, they are developed using alternative methods at the college level. Moreover, these practices were implemented by the financial aid departments in response to the individual needs of each college’s student population. Further analysis is presented later in this chapter in relation to the administrator practices identified from within the survey findings.

**Entrance/Exit loan counseling.** Entrance and exit loan counseling emerged as a major theme among the low-default group as well as the high-default group. The predominance of this finding is representative of federal aid policy mandating loan counseling for all students using federal loans. Within the main theme, the effectiveness
of face-to-face financial aid counseling emerged as a common practice among the three colleges within the low-default group. The participants noted multiple benefits of face-to-face interactions, but mostly indicated borrowers were more accountable for the information exchanged. An additional component of this theme emerged within the low-default group, required financial aid counseling, and was a characteristic of the two for-profit colleges. Administrators noted even if students did not need student loans, they were encouraged to meet with a counselor to discuss future planning. An explanation of this finding could be representative of for-profit college resources and ability to establish private college policy. In all, participants noted financial aid counseling sessions positively affected borrower knowledge. Similarly, individual meetings with borrowers were noteworthy. Administrators noted individual financial aid information meetings were more effective than group information meetings.

**Repayment campaigns.** Repayment campaigns emerged as a major theme among the low-default group. All three participants noted the implementation of various repayment campaign activities. These repayment activities included contacting borrowers through various methods such as phone calls, letters, and flyers. These methods are regarded as effective, though they are supported by the literature. Participants noted contacting borrowers prior to graduation was also an effective method of staying in contact with the student. This method was supported mainly because borrowers are often difficult to reach after graduation should they default. Similarly, participants noted multiple forms of repayment activities with borrowers before and after repayment grace periods.
Satisfactory academic progress (SAP). Satisfactory Academic Progress (SAP) emerged as a major theme within the low-default group. All three participants noted the implementation of internal processes following the academic standing of borrowers. Specifically, borrowers not meeting SAP are contacted as soon as possible and provided relevant information regarding their financial aid status and are often referred to student services. Participants also noted financial aid staff provided borrowers with materials and information to remind them of their rights and responsibilities of loan repayment after attendance. Interestingly, retention rate is the strongest predictor of default of this study’s sample as noted in Chapter 4; however, all three colleges did not note any unique retention practices for those student identified as at-risk. In all instances, the importance of contacting students prior to academic disqualification was most beneficial, regardless of the methods of academic intervention. In the next section of this chapter, the themes identified from the high default group are presented.

High-default Group

Not facilitating workshops. Not facilitating workshops emerged as a major theme among the high-default group. Specifically, participants noted their financial aid departments offered no specific workshops associated with federal student loan programs or borrower education information. Reasoning for no workshops included lack of student attendance resulting in the transition to information packets and other tangible materials. Despite the lack of workshops, participants indicated they were presently developing workshops for the fall 2014 student population. As a result of high default, each college
was in the development stages of a default prevention plan. This finding is representative of literature and is consistent with the steps of a formal default prevention plan.

**Lack of financial aid staff.** Lack of financial aid staff emerged as a major theme among the high-default group. Specifically, participants indicated they did not have sufficient staff to facilitate quality or effective financial aid services consistently. Each of the participants provided an anecdote or specific challenge associated with insufficient staff support; however, the concept of borrower-to-staff ratio was noted to be significant. Participants emphasized the need for administrations of colleges to explore this concept further, noting colleges should be cognizant of the amount of borrowers assigned to financial aid staff.

**Seeking default help.** Seeking default help emerged as a theme among the high-default group. Participants noted they were presently seeking help and guidance from their leadership boards, third-party vendors associated with default prevention, and reevaluating all internal practices through the development of default prevention plan. Interestingly, all three administrators indicated they were presently investigating the application of third-party vendors in an effort to quickly reduce their default rates. Reasoning for this significant pattern included administrators’ lack of experience with regards to default prevention. In fact, all three administrators indicated their interest in the findings of this research study and other resources available. In addition to seeking help, participants noted their colleges did not initiate any preventative measures, seek help, or initiate a default prevention plan until their college exceeded the two-year cohort
default rate threshold of 25%. This finding indicates little to no default preventative practices are taking place at colleges with high default until after the rate is too high.

Research Question 2 was further answered through the analysis of the surveys, which addressed default prevention and financial aid practices. Additionally, Tolbert and Hall’s (2009) three dimensions of complexity were used to navigate the survey distributed to two-year college administrators. Tolbert and Hall’s (2009) perspective was essential to the analysis of this data because the role of the financial aid office and default prevention practices are multifaceted. As noted in Chapter 2, financial aid administrator responsibilities are analogous in their complexity, as they must navigate multiple, complex systems on students’ behalf, perform outreach activities to educate borrowers, provide personal counseling, make professional judgment adjustments for families undergoing hardships, advocate for policies and funding to meet the needs of their students, handle budgeting and reporting, and much more” (NASFAA, 2010, p. 1)

The 19 questions were clustered into three variables: implementation of default prevention practices, commitment to default prevention practices, and effectiveness of current financial aid practices. Collectively, Tolbert and Hall’s (2009) three forms of complexity were used to consolidate the organizational influences to the department, roles of the administrators, and student borrowers to identify any significant themes between those colleges analyzed.

Results of the survey concerning implementation of default prevention practices indicate at least 70% of colleges implemented some form of default prevention; however, the frequency of such practices is low, ranging between “Occasional” and “Frequently.” This finding is representative of literature and supports the qualitative data in this study.
Results of the survey for Commitment to Default Prevention Practices indicate at least 80% of colleges practice some form of default prevention at least one to four times per year. This finding is consistent with the literature noting those practices are regimented into other required financial aid practices. Results for Effectiveness of Current Financial Aid Practices indicate between 40 and 80% of colleges disagree various current financial aid practices are effective. These five practices and their associated levels of disagreement are noted in Figure 17.

![Effectiveness of Current FA Practices](image)

**Figure 17.** Level of disagreement for current financial aid practices.
As figure 17 notes, at least half of those administrators surveyed believed these five major components of financial aid were not effective. This finding is significant because literature suggests financial aid practices are generally perceived to be helpful. Among the findings, the frequency of face-to-face counseling was most significant with nearly 90% noting a level of disagreement. Further investigation of these findings is recommended later in this chapter.

**Recommendations for Action**

The findings of this study provided valuable quantitative and qualitative information for two-year colleges researching effective default prevention practices. As noted in Chapters 1 and 2, the focus of default prevention continues to be developed at the state, federal, and local levels, providing institutions with more innovative and valuable information to better support their student borrower populations. Although, it is known that institutional characteristics, mostly not within an institution’s control, in addition to student characteristics, the greatest influence of which are not in the institution’s control, interact to produce an institutional default rate. Consideration should be given to managing default rates with a greater focus for students to attend college to receive an education, enhance their career preparation, and help them secure their financial futures. To help students accomplish these goals, all institutions will need to implement more preventative measures and take a series of actions to moderate defaults.

In this section, the researcher presents the major findings of this study that motivate these recommended actions and future research. Specifically a new organization of default
factors within the context of an institution’s control is suggested followed by an outline of current default prevention practices conducted at colleges with low default correlated to default prevention plans. In addition, the researcher presents five elements of pragmatic default prevention.

Figure 18 presents those default factors within an institution’s control as they influence an institutional default rate. This organization of default factors emphasizes trends of lower and greater default.

Figure 18. Factors within the institution’s control.
As shown in Figure 18, specific factors identified from this study influence the direction of an institution’s default rate. In addition to the identified factors, the X factor is also referenced within this relationship, as there are additional variables that can influence default both internally and externally. As mentioned in Chapter 2, studies suggest default is mostly caused by those factors somewhat within the student’s and institution’s control such as degree completion, academic standing, and persistence (Steiner & Teszler, 2005; Volkwein & Szelest, 1995; Volkswein et al., 1998; Woo, 2002). As expected, several of these findings were consistent with literature; however, a greater emphasis is made on default prevention.

In addition to the identified factors influencing default, the researcher presents specific default prevention practices identified from within the findings as they correspond to direct components of the U.S. Department of Education’s default prevention plan in Table 28. These practices are presented for consideration and are reinforced by their relationship to default prevention plans.
Table 28

*Components of Default Prevention*

<table>
<thead>
<tr>
<th>Default Prevention Practice</th>
<th>Components Identified</th>
<th>Default Prevention Plan</th>
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<tbody>
<tr>
<td>Possesses default staff</td>
<td>-Dedicated default prevention team</td>
<td>+</td>
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<tr>
<td></td>
<td>-Dedicated default prevention officer</td>
<td>+</td>
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<tr>
<td></td>
<td>-Counselor assigned default prevention duties</td>
<td>+</td>
</tr>
<tr>
<td>Identify/target defaulting</td>
<td>-Identify potential defaulters</td>
<td>+</td>
</tr>
<tr>
<td>populations</td>
<td>-Collaboration with other departments</td>
<td>+</td>
</tr>
<tr>
<td>Early intervention strategies</td>
<td>-Contact prior to graduation</td>
<td>+</td>
</tr>
<tr>
<td></td>
<td>-SAP</td>
<td>+</td>
</tr>
<tr>
<td></td>
<td>-Contact at-risk groups</td>
<td>+</td>
</tr>
<tr>
<td>Loan servicing</td>
<td>-Work with service lenders</td>
<td>+</td>
</tr>
<tr>
<td>Repayment campaigns</td>
<td>-Contact prior to graduation</td>
<td>+</td>
</tr>
<tr>
<td></td>
<td>-Contact prior to repayment</td>
<td>+</td>
</tr>
<tr>
<td></td>
<td>-Contact after repayment</td>
<td>+</td>
</tr>
<tr>
<td>Review borrower materials</td>
<td>-Review presentations</td>
<td>+</td>
</tr>
<tr>
<td></td>
<td>-Review brochures/flyers</td>
<td>+</td>
</tr>
<tr>
<td>Financial literacy</td>
<td>-Loan workshops</td>
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<td>-Financial literacy workshops</td>
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</table>
It is essential to note these practices are representative of those outlier colleges sustaining lower default rates despite their institutional characteristics. Table 28 illustrates the major default prevention practices identified and depicts each practice as it corresponds to main elements of an official default prevention plan. As noted in the table, the plus symbol denotes the component correlates to a default prevention plan and the minus symbol denotes no correlation.

A major finding noted in Chapter 4 indicated administrators of the high-default group possessed an overall lack of awareness of default prevention and their respective colleges had limited resources inhibiting default prevention. Furthermore, those administrators noted they were unable to conduct any preventative actions to regulate their default rates, emphasizing the low practicality of implementing a full default prevention plan, especially limited. In light of these significant findings, the researcher developed and adapted a new model for financial aid administrators to consider. This model is not intended to replace a default prevention plan; however, its application is based on preventative maintenance and intervention to regulate default rates. Figure 19 illustrates the five elements of pragmatic default prevention.
Figure 19. Five elements of pragmatic default prevention.

As shown in Figure 19, the five elements are not as extensive as a full default prevention plan because this model is presented as a more practical approach to managing low default. The basis for this model is to provide administrators with a feasible set of best practices for ongoing prevention that requires limited resources for its sustainability and implementation. Additionally, specific elements may also be implemented as intervention strategies. This model includes what the literature describes as successful components of default prevention and adds new components identified from this study’s research. As noted in Chapter 4, financial aid administrators at high default
colleges indicated no default prevention occurred until it became an issue, meaning the default rate exceeded the 25% threshold. This model is presented as a tool for such administrators to use prior to any evidence of increases in default as well as an approach to intervention of high default. As literature suggests, financial aid departments have heavy workloads not including default management responsibilities; therefore, the logic behind this model is to provide administrators a practical approach to consider that will not exhaust resources.

**Leadership and Policy Implications**

With default rates continuing to rise, finding effective default prevention strategies will continue to be important for educational leaders and policymakers. Providing institutions with more innovative and valuable information to better support their student borrower populations will increase the amount of students who receive an education and sustain secure financial futures. Although, it is known institutional characteristics, mostly within an institution’s control, combined with student characteristics, which are the greatest influences not in the institution’s control, interact to produce an institutional default rate. In an effort to help these students, institutions should consider default prevention as an ongoing process; therefore, the importance of leadership and policy, in spite of these known factors of default, should consider taking action and implementing strategies to moderate defaults. As the nation’s colleges and student populations are at risk of greater default implications and future default estimations are in the hundreds of thousands, the importance of prevention is critical.
Conclusion

This study demonstrates that default prevention has a significant impact on lowering student loan default. This study of those outlier colleges with the greatest predictive profiles of high default suggests the implementation of default practices can significantly lower default rates. The majority of the findings support the primary elements of a default prevention plan noted in Chapter 2; however, a deeper investigation revealed these colleges utilize other innovative approaches and techniques to prevent default, noted in this chapter. As noted in Chapters 1 and 2, default prevention continues to develop at the state, federal, and local levels, providing institutions with more innovative and valuable information to better support their student borrower populations; however, this study sought to extract those practices from colleges beating the odds.

Overall, the literature review, data set analyses, interviews, and administrator surveys support the implementation of default prevention. The analysis of these findings was guided by two frameworks paralleling one another and providing the means by which multiple student and institutional variables could be interpreted within the context of the study. Collectively, these frameworks served as lenses for the researcher as the findings were examined, interpreted, and reported. Volkswein and Szelest’s (1995) conceptual framework maintains specific variables have the most significant impact on student default behavior; therefore, the framework’s influences on the variable sets used within the study were essential. As two-year colleges were identified beating the odds by having lower default rates than would otherwise be predicted, Tolbert and Hall’s (2009) framework assisted in the interpretation of the organizational and structural complexity of
each organization, financial aid department, and departmental practices and strategies.
Together, these two frameworks were essential in the synthesis of the study’s findings.

**Recommendation for Further Research**

The findings of this study are applicable only to the two-year colleges being analyzed in this study; however, other colleges seeking information about default prevention may benefit from this study’s findings. The purpose of this study was to research and further understand which effective institutional default prevention strategies colleges can utilize to reduce student loan default among two-year colleges. Future research might also include an analysis of other aspects associated with the default prevention at other institution types such as four-year colleges and universities.

Recommendations for future research come from the findings of this study. The recommendations are listed below:

1. **Analysis of Current Financial Aid Practices**: It is recommended future researchers analyze the effectiveness of current financial aid practices. Based on the survey findings, a significant population of financial aid administrators noted five main components of financial aid are ineffective.

   - Borrower Materials Are Comprehensive
   - FAFSA Process Comprehensive
   - Frequency of Face-to Face Counseling Sufficient
   - Community Leaders Influence Default Prevention Awareness
   - Entrance/Exit Loan Counseling Are Clear
2. *Preventative Default Management:* It is recommended future researchers analyze the impact of early default prevention. Qualitative findings noted the majority of those high-defaulting colleges had little to no default prevention implementation prior to reaching the 25% cohort default rate threshold.

3. *Third-Party Default Management:* It is recommended future researchers analyze the impact of third-party default prevention. Qualitative findings indicated a pattern across all high-defaulting colleges utilizing third-party default management organizations. Administrators indicated they were inclined to use these services based on their limited knowledge in the area of default prevention.
APPENDICES
APPENDIX A

Survey and Interview Protocols

Survey Questions
Administered using Survey Monkey:

**Frequency Scale: (Very Frequently, Frequently, Occasionally, Rarely, Never)**

1. My college assigns specific staff to default prevention.
2. My college makes contact with student borrowers after completion or graduation of their academic programs.
3. My college has a student default profile that it targets.
4. My college provides student borrowers with bilingual financial aid services and materials.
5. My college maintains a default prevention plan.
6. My college works with third party vendors or organizations that assist with default prevention.
7. My college provides workshops exclusively for families of student borrowers.
8. My college differentiates the way it communicates financial aid and student loan information in a manner that is culturally appropriate to diverse student populations.

**Frequency Scale: (Never, 1 - 4 times per year, 5 or more times per year)**

1. How frequently does your college conduct specific training for staff regarding default prevention?
2. How frequently does your college review its student borrower educational materials?
3. How frequently does your college conduct financial aid workshops for students?
4. How frequently does your department collaborate with other college departments to reduce student loan default?
5. How frequently does your college involve families of student borrowers when conducting informative financial aid activities?
6. How frequently does your college coordinate activities and meet with local high school counselors to provide grade-specific financial aid information to students?
Agreement Scale: (Strongly Agree, Agree, Disagree, Strongly Disagree, I prefer not to comment)

1. Do you feel student borrowers need additional resources and information before obtaining a student loan?
2. Do you feel the FAFSA application process is comprehensive?
3. Do you feel financial departments need more face-to-face loan counseling?
4. Do you feel the opinions of local community leaders drive awareness to student loan default?
5. Do you feel the entrance and exit loan counseling process is clear to student borrowers?
**Interview Questions:**

1. Will you please describe your college’s financial aid department staffing structure?
   a. How many staff members are there and what are their roles?
2. Does your college have specific staff assigned to default prevention?
   a. If so, can you please describe their role or responsibilities?
3. Will you please describe any specific training that your college has provided to staff regarding default prevention?
4. Will you please describe any department resources, databases, or tools that the financial aid department utilizes to reduce your college’s student loan default?
5. Will you please describe any financial aid workshops that your college conducts for students?
   a. Can you please describe the format of the workshops?
   b. Are the workshops designed for specific audiences?
   c. How often does your college conduct the workshops?
6. Will you please describe any other financial aid or default prevention activities that your college conducts?
7. Is there anything else that you wish to share or add?
APPENDIX B

Consent Forms

Consent to Participate in Research
Administrative Interview

(Purpose of the research) Brandon Jouganantos, a doctoral candidate at California State University, Sacramento is asking for your participation in a research project. The purpose of this study is to research the relationships between population demographics and institutional characteristics of individual two-year colleges to rising student loan defaults.

(Research Procedures) The purpose of this survey is to learn about your college’s financial aid practices. The questions will pertain to your department’s structure and any default prevention practices. If you agree to the interview, it will not take more than an hour of your time. The entire interview will be audio recorded and later transcribed by the researcher. The use of audio recording is not required to participate. If you decline to audio record, you will not sign the consent line stating permission to record. If you agree to audio recording, you will need to sign the consent line stating permission to record prior to beginning the interview. You will have the opportunity to look over the transcriptions and omit or change any responses if audio recorded. All transcriptions and participation will be kept confidential.

(Risks) The information requested is private and may be sensitive to the participant; therefore, to reduce this risk, you are welcome to skip any questions or stop at any time without penalty. Refusal to participate will involve no penalty.

(Benefits) It is hoped that this research will give insight into best practices of two-year community colleges in regards to default prevention. From these findings, colleges may benefit by recognizing ways to support student borrowers through financial aid department structure.

(Confidentiality) The transcription of your interview responses will not be shared with anyone but the researcher and yourself. Any identifiers, such as name, age, or sex will not be included on the transcription itself or anywhere in the research. The information obtained will be used to look for common themes brought up by the administrators interviewed. Your participation in this interview will be completely voluntary and confidential. Results of this study will be reported in aggregate without the release of information that could be used to identify any individual or institution involved in this study. All transcriptions will be properly discarded before a year’s time.

If at any time you would like to discontinue participation during or after the interview, the researcher will remove all data and delete any audio recordings from the interview.

(Compensation) You will not receive any compensation for participating in the interview.

[Contact Information] If you have any questions, problems, or concerns about this research you may contact the faculty Chair of this research project, Dr. Lisa Romero, at
(916) 278-2282 or by email at lisa.romero@csus.edu. In addition, if you have any questions, problems, or concerns regarding your rights as a research subject, you may contact the faculty Chair of this research project, Dr. Lisa Romero, at (916) 278-2282 or by email at lisa.romero@csus.edu or contact CSUS IRB using the following website link: http://www.csus.edu/research/humansubjects/.

Refusal to participate will involve no penalty. By signing below you are indicating you have read and understand this page and therefore agree to participate in the research.

_________________________ ___________________________
Signature of Participant Date

_________________________
Signature of participant to permit audio recording of interview Date
Agreement to Participate in Research

Brandon Jouganantos, a doctoral candidate at California State University, Sacramento is asking for your participation in a research project. The purpose of this study is to research the relationships between population demographics and institutional characteristics of individual two-year colleges to rising student loan defaults.

You will be asked to complete a 19 question online survey pertaining to your college’s financial aid department’s structure, practices and resources. Participation in this survey will be voluntary.

[Confidentiality] Your participation in the research and your responses will be kept confidential and anonymous to the degree permitted by the technology used. The survey tool, Survey Monkey, will be used to maintain confidentiality by masking participants IP addresses from the survey author. Once the survey results have been analyzed, all participant responses will be disposed of and never shared with any other parties. The results of this study will be reported in aggregate without the release of information that could be used to identify you or your institution.

[Risks] If you complete the anonymous survey and submit it by selecting the submit button after the completion of the survey, the researcher will be unable to remove anonymous data from the database should the participant wish to withdraw it. However, if you would like to withdraw prior to submitting, you can close the survey, not select the submit button or back out of the survey window and no information will be retained. The information requested is private and may be sensitive to the participant; therefore, to reduce this risk, you are welcome to skip any questions or stop at any time without penalty. Refusal to participate will involve no penalty.

[Benefits] You may not personally benefit from this research; however, it is hoped that this research will give insight into best practices of two-year community colleges in regards to default prevention. From these findings, colleges may benefit by recognizing ways to support student borrowers through financial aid department structure.

[Compensation] This survey is voluntary. Participants will receive no compensation for partaking in the survey.

[Contact Information] If you have any questions, problems, or concerns about this research you may contact the faculty Chair of this research project, Dr. Lisa Romero, at (916) 278-2282 or by email at lisa.romero@csus.edu. In addition, if you have any questions, problems, or concerns regarding your rights as a research subject, you may contact the faculty Chair of this research project, Dr. Lisa Romero, at (916) 278-2282 or by email at lisa.romero@csus.edu or contact CSUS IRB using the following website link: http://www.csus.edu/research/humansubjects/.
[Consent] Prior to beginning the survey, you will be asked to select the appropriate button indicating whether you would like to continue to the survey [agree to participate] or that you would like to decline the survey and be directed out of the survey [decline to participate].
REFERENCES


