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AACC Statement on Release of FY 2011 Federal Student Loan Default Rates

Washington, DC—The U.S. Department of Education’s release of fiscal year 2011 cohort default rates serves as a stark reminder that community college default rates remain far too high, and that borrower, institutional and government actions are needed to address this situation. However, the slight decline in community college default rates from 20.9 percent to 20.6 percent hopefully augurs continued reductions in defaults.

In response to the release, American Association of Community Colleges (AACC) President and CEO Walter Bumphus noted, “Despite the fact that twice as many community college students take out federal loans than five years ago, the good news is borrowers still represent fewer than one out of five students.” Nonetheless, he said, “far too many community college students default and it is obvious that aggressive action from all stakeholders in the student loan system is needed to address student borrowing and repayment.”

Enrollment at community colleges ballooned shortly after the onset of the Great Recession, even though budget cuts meant higher tuitions. The recent rise in cohort default rates is not entirely unexpected as it reflects, in part, the struggles some of these students have had repaying their loans in a very weak economy.

Default on student loans is of utmost seriousness and students face consequences ranging from ineligibility for more federal aid to the garnishment of wages. High default rates can also result in financially needy students not being able to access Pell Grants due to high default rates at their college.

“Community colleges are helping address the default problem by implementing recommendations of AACC’s 21st-Century Initiative report to raise retention and completion rates—known to be factors in reducing default,” said Bumphus. “Community colleges are instituting default prevention plans and financial literacy programs, as well as counseling students on debt management.”

AACC has asked the Education Department to work more forcefully to improve the servicing of loans, and action is underway. In reauthorizing the Higher Education Act, Congress can help by enabling institutions to reduce loan maximums for certain categories of students, and changing the penalties associated with high default rates and even the default measurement by including in the calculation the percent of students who borrow.

“Students need adequate resources to pursue their education, but over-borrowing is also a reality. To ensure that community college students succeed and are not burdened with excessive student loan debt is a complicated responsibility for our colleges,” said Bumphus.

He reiterated that addressing this complex issue requires the commitment and action not only of community college leaders but also of Congress, the Department of Education, and other stakeholders.

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As the voice of the nation’s community colleges, the American Association of Community Colleges (AACC), delivers educational and economic opportunity for 13 million diverse students in search of the American Dream. Uniquely dedicated to access and success for all students, AACC’s nearly 1,200 member colleges provide an on-ramp to degree attainment, skilled careers and family-supporting wages. Located in Washington, D.C., AACC advocates for these not-for-profit, public-serving institutions to ensure they have the resources and support they need to deliver on the mission of increasing economic mobility for all.