VETERANS EDUCATION SUCCESS

Veteran Student Loan Debt Before and After the Post-9/11 GI Bill

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ABOUT VETERANS EDUCATION SUCCESS

Veterans Education Success (VES) is a nonprofit organization dedicated to protecting and defending the integrity and promise of the GI Bill and other federal education programs for veterans and servicemembers. VES provides:

- **Research**: Non-partisan research on issues of concern to student veterans, including veteran student outcomes and student debt levels.
- **Free Help for Veterans**: Free legal services, advice, and college and career counseling to veterans, servicemembers, and their survivors and families who faced college fraud or abuse in using their GI Bill.
- **Civic Engagement**: Help for veterans to participate in their democracy by engaging their Congressional representatives, federal agencies, and local media, including speaking out at public hearings.
- **Policy and Advocacy:** Assistance to federal policymakers to improve quality in higher education and protect the integrity of the GI Bill and other student aid.
- **Whistleblowers**: Free assistance to college whistleblowers exposing fraud, and free assistance to federal and state law enforcement to stop college consumer fraud.

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INTRODUCTION

A major goal of the Post-9/11 GI Bill, which modernized veterans' educational benefits, was to provide veterans with the opportunity of a debt-free, postsecondary education—or, at a minimum, to mitigate their student loan debt. The Post-9/11 GI Bill increased federal tuition support for veterans and added support for non-tuition expenses to reflect the increased costs of higher education and the unique financial challenges of non-traditional students, that is, older adults who are no longer dependent on their parents. In November 2013, the U.S. Department of Education (ED) released the data files for the 2011-12 National Postsecondary Student Aid Study (NPSAS). This report analyzes NPSAS survey data from academic years 2007-08 and 2011-12, allowing a comparison of veteran student loan debt before and after the August 2009 implementation of the Post-9/11 GI Bill. Later this year, NPSAS survey data from academic year 2015-16 will be available, providing a longer-term perspective on borrowing under the Post-9/11 GI Bill. Moreover, preliminary results indicate that NPSAS: 16 increases the sample size of veterans and incorporates additional administrative data from the Department of Veterans Affairs (VA).

Currently, NPSAS is one of the few datasets available to examine the impact of federal financial aid policies on veterans' student loan debt. NPSAS is a comprehensive, nationally representative survey of how students finance their postsecondary education. Conducted once every 4 years, it (1) provides a snapshot of student loans and grants in a given academic year, and (2) can be used to compare veterans' use of financial aid to those of different cohorts, such as other nontraditional students who are also financially independent of their parents.[1]

[1]For an overview of the NPSAS: 08 survey methodology, see Appendix B-NPSAS: 08, Technical Notes and Methodology of the NPSAS: 08 First Look Report. For an overview of the NPSAS: 12 survey methodology, see Appendix B-NPSAS: 12, Technical Notes and Methodology of the NPSAS: 12 First Look Report.

EXECUTIVE SUMMARY

Our comparison of data from before and after implementation of the Post-9/11 GI Bill shows that the generosity of the benefit has moderated but not eliminated veterans' student loan debt. There was a significant decline in the proportion of veterans who took out federal student loans at for-profit schools, bringing borrowing more in line with that at 4-year public and private nonprofit schools (see fig. 1). It is unclear, however, what factors contributed to the relatively small changes between 2007-08 and 2011-12 in the percentage of veterans who borrowed at public and nonprofit schools. The higher-level of borrowing at for-profit schools compared to public 2-year schools in 2011-12 may be related to higher tuition at the former.

In contrast, annual borrowing by other independent students who were not veterans was essentially unchanged at for-profit schools (see fig. 7). These data suggest that the decline in veterans' borrowing was influenced by (1) the generosity of the Post-9/11 benefit compared to other GI Bill programs, and (2) an increase in the proportion of veterans who qualified for Pell Grants (see fig. 5). The data also suggest that excluding Post-9/11 benefits when determining the need for unsubsidized federal student loans did not increase borrowing but may have prevented it from declining further (see fig. 2).[2]

Private student loan borrowing also declined sharply in all institutional sectors, particularly at for-profit schools (see fig. 3). The decline was likely related to tightened credit following the 2008 financial crisis. However, the percentage of veterans taking out private student loans remained higher at for-profit schools in 2011-12 compared to other institutional sectors. Compared to federal student loans, private loans generally have much higher interest rates and fewer repayment options.

Although the data must be interpreted with caution because of small sample sizes, the percentage of veterans who graduated in either time period with cumulative debt increased at both for-profit and public 2-year schools but declined at public 4-year schools (see fig. 6). Average cumulative debt for graduates, however, was significantly higher at for-profit than at public schools in both time periods. For example, it was about twice as high as at public 2-year schools and about 17 percent higher compared to public 4-year schools in 2011-12.

[2]Use of the Post-9/11 GI Bill does not diminish veterans' eligibility for either subsidized or unsubsidized federal student loans. Under its predecessor, the Montgomery GI Bill, veterans' educational benefits did reduce their eligibility for unsubsidized (but not subsidized) federal loans.

SCOPE AND METHODOLOGY

Every 4 years, the Department of Education's National Center for Education Statistics (NCES) conducts a comprehensive, nationally representative survey to determine how students finance their college education. The survey's objective is to inform policymakers about the affordability of postsecondary education and the extent to which existing financial aid programs meet students' needs. The survey sample contains about 100,000 undergraduate students at more than 1,600 institutions, including public, nonprofit private, and for-profit private schools. In addition to student interviews, the survey relies on data from institutional and government databases. Primarily, the survey provides a snapshot of the extent to which students receive grants and take out loans *in a given academic year.* However, it does include data on the *cumulative debt* of students who graduate during that school year. The survey sample includes veterans. Veteran status is determined using the Free Application for Federal Student Aid (FAFSA) and during interviews of students participating in the survey who are asked: "Are you a veteran of the U.S. Armed Forces, or are you currently serving in the Armed Forces, either on active duty or in the reserves?"

In 2009, NCES published a profile of military servicemembers and veterans enrolled in postsecondary education using data from NPSAS: 08.[3] The NCES report noted that it provided baseline data with which to compare undergraduate enrollment and student characteristics of current military undergraduates with their future counterparts who will enroll in the new, more generous Post-9/11 GI Bill.[4] We used NPSAS: 08 and NPSAS: 12 to examine the impact of the new GI Bill on veteran student

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[3]U.S. Department of Education, *Issue Tables: A Profile of Military Servicemembers and Veterans Enrolled in Postsecondary Education in 2007-08*, National Center for Education Statistics 2009-182, April 2009. ED's data included all veterans surveyed, even those who were not using GI Bill benefits. It is impossible to determine why veterans are not using GI Bill educational benefits. Some may have already exhausted their GI Bill benefits. Some may be using public school tuition waivers or state scholarships intended for veterans. Some veterans may be attending an inexpensive community college and saving their GI Bill for a planned transfer to a 4-year school. Finally, some may not be eligible because they retired prior to September 10, 2001, had too few months of qualifying service, or had a less-than-honorable discharge. As a result, our analysis of NPSAS survey data also includes all veterans, irrespective of their use of the GI Bill.

[4]In August 2016, the Department of Education released: *After the Post-9/11 GI Bill: A Profile of Military Service Members and Veterans Enrolled in Undergraduate and Graduate Education*, National Center for Education Statistics 2016-435. The report compared grants and loans received by military undergraduate and graduate students who were also receiving veterans' educational benefits in 2007-08 and 2011-12. Military students included individuals who were on active duty, in the reserves or national guard, and veterans). The report, however, did not disaggregate the source of the grants (federal, state, institutional) or loans (federal subsidized and unsubsidized or private).

grants and loans at for-profit, public 2-year, public 4-year, and nonprofit 4-year schools.[5] Our report provides important historical context that can be used to analyze the results from NPSAS: 16, which is scheduled to be released later in 2018.

While the 2009 NCES report used NPSAS: 08 survey data to examine the debt incurred during that academic year by all military undergraduates—active duty military, veterans, and reservists—our analysis focused on veterans because they are the principal beneficiaries of the Post-9/11 benefit.[6] In addition, rather than examining the student loan debt of more traditional students who are financially dependent on their families, we compared the debt of veterans to that of other independent students who are not veterans.[7] Finally, as in the 2009 NCES report, we excluded the relatively small number of veterans who are graduate students (11 percent in 2011-12) because they already have an undergraduate degree and face different challenges than veteran undergraduates who are more likely to be first-time college students. Our analyses also incorporated several additional data points: (1) cumulative debt incurred over several school years for veterans and other independent students who graduated in either 2007-08 or 2011-12, (2) private loans, and (3) total debt, including federal, state, institutional, and private loans. Although NPSAS is based on a representative sample of all students, in some cases, particularly private and cumulative loan debt, the sample of veterans is small and the data must be interpreted with caution. We report such data, however, because they are not currently available from any other source.

Interpreting the data. Understanding several key differences between the Post-9/11 GI Bill and its predecessor, the Montgomery GI Bill, is important in interpreting the results of this analysis and the implications for policymakers.[8] First, under the Montgomery GI Bill, veterans received a monthly

[5]During the 2011-12 school year, about two-thirds of veterans pursuing a postsecondary education relied on the Post-9/11 benefit; the other one-third continued to rely on older benefit programs, such as the Montgomery GI Bill. From fiscal years 2009 through 2012, the proportion of veterans using the Post-9/11 GI Bill to pursue a postsecondary education increased from 6 percent to 63 percent. When the benefit was first implemented, 2 months remained in fiscal year 2009 and veterans were using other VA educational benefits such as the Montgomery GI Bill. See Government Accountability Office, *VA Education Benefits: VA Needs to Improve Program Management and Provide More Timely Information to Students*, GAO-13-338, May 22, 2013.

[6]According to data provided by VA, 10 percent of individuals using the Post-9/11 GI Bill from August 2009 through September 30, 2015 were active duty military. Once they meet the eligibility requirements, servicemembers can use the Post-9/11 GI Bill while still on active duty. Alternatively, the “Top-Up Program” allows them to use the benefit to supplement costs not covered by the Department of Defense’s Tuition Assistance Program. The Tuition Assistance Program covers tuition and fees up to a maximum of $4,500 per year. Top-Up payments cannot exceed the amount *not paid* by Tuition Assistance and/or the total amount of tuition and fees. Using the Post-9/11 benefit to supplement what is likely a small gap in Tuition Assistance coverage reduces the remaining months of GI Bill eligibility and is probably not a cost-effective tradeoff.

[7]Veterans are a category of independent—that is, non-traditional—students who are not financially dependent on their parents. “Other independent students” refers to independent students who are not veterans.

[8]The Montgomery GI Bill was the most popular VA educational benefit prior to the implementation of the Post-9/11 Bill but there are additional benefit programs available to eligible veterans, including Montgomery GI Bill-

payment that was on par with tuition and fees for in-state tuition at public 4-year institutions but generally less than that at for-profit and nonprofit schools.[9] The Post-9/11 GI Bill pays tuition and fees directly to the school, covering in-state tuition at public schools and up to a cap of $22,805 at for-profit and nonprofit schools for the 2017-18 academic year.[10] The cap is adjusted annually for inflation. In addition, any gap between a school's tuition and the Post-9/11 benefit can be reduced or eliminated if the school participates in the Yellow Ribbon Program. Under this voluntary program, the VA matches the amount that the school provides to help close or eliminate any tuition gap.[11] Second, unlike the Montgomery GI Bill, the Post-9/11 benefit offers a monthly housing stipend and pays up to $1,000 for the cost of books.[12] Third, the Montgomery GI Bill benefit reduced a veteran's eligibility for federal unsubsidized loans, but the Post-9/11 benefit is excluded when determining eligibility for both subsidized and unsubsidized federal loans.[13] As shown by table 1, the design of the Post-9/11 benefit reduced—with the exception of the exclusion of benefits when determining eligibility for federal student loans—the likelihood that veterans would need to borrow while pursuing a postsecondary education.

Selected Reserve, Survivors' and Dependents' Educational Assistance Program, Reserve Educational Assistance Program, and Vocational Rehabilitation and Employment Program. For a description of these programs see GAO-13-567, July 25, 2013.

[9]For the 2008 school year, veterans using the Montgomery GI Bill received $1,321 a month for full time attendance. The 2017-18 monthly payment is $1,928.

[10]The Post-9/11 GI Bill afforded a 4th year of benefits to veterans who decided to continue with the Montgomery GI Bill until they had exhausted that benefit. This provision may have discouraged veterans who had started school using the Montgomery GI Bill from transitioning to the new benefit in August 2009.

[11]Only veterans who qualify for 100 percent of the Post-9/11 benefit are eligible for the Yellow Ribbon program. Schools may limit the number of veterans who participate in the program or the amount they contribute. According to VA, 1,870 schools participated in the Yellow Ribbon program during the 2013-14 academic year.

[12]The monthly housing stipend is based on an enlisted rank of E-5 with dependents and is adjusted for the zip code of the veteran's school. For example, the 2018 monthly allowance is $1,095 for Boise, Idaho, but $3,669 for New York City. For veterans enrolled in solely on-line classes, the monthly allowance is one-half of the national average. According to NCES, the average cost of books during the 2012-13 academic year ranged from about $1,200 at public and nonprofit schools to about $1,700 at for-profit schools.

[13]The interest rate on subsidized federal student loans is lower than for unsubsidized loans and interest begins accruing after a student graduates or drops below half time. In contrast, interest begins accruing on unsubsidized loans while a student is still in school.

Table 1: Key Differences Between the Post-9/11 and Montgomery GI Bills and the Potential Impact on Veteran Borrowing			
Program differences	**Montgomery GI Bill**	**Post-9/11 GI Bill**	**Potential borrowing impact**
Tuition and fees	may not be sufficient at private institutions	more likely to be sufficient	⇓
Yellow Ribbon program	No	Yes	⇓
Housing and book stipend	No	Yes, paid directly to veteran	⇓
GI benefits reduce eligibility for federal student loans	Yes[a]	No[b]	⇑

[a]Montgomery Bill benefits were excluded when determining eligibility for *subsidized* loans, but taken into consideration for *unsubsidized* loans.
[b]Post-9/11 GI Bill benefits are excluded when determining eligibility for both subsidized and unsubsidized federal loans.

In addition, several important changes were made to the Post-9/11 benefit by the Veterans Educational Assistance Improvements Act of 2010 (P.L. 111-377), which were implemented throughout 2011.

- Tuition payments were initially pegged to the most expensive in-state tuition at a public school. Thus, for-profit and nonprofit schools in Washington, D.C. received a fraction of their tuition charges because of the low cost of attending the University of the District of Columbia, a public school. The Improvement Act established an inflation-adjusted cap, currently $22,805 for the 2017-18 academic year, at for-profit and nonprofit schools.
- Several adjustments were made to the housing stipend. Initially, the full stipend was available to veterans taking at least 6 credits but, effective August 1, 2011, the Improvements Act requires veterans to take a minimum of 12 credits to receive the full stipend. This change could encourage more full-time enrollment but might also increase loan debt for those who have to reduce their work hours to take more classes. Second, the amount of the monthly stipend is now reduced to reflect periodic interruptions in classes, such as for winter or spring breaks, which could also have an impact on the need for veterans to borrow.

More recently, the Harry W. Colmery Veterans Educational Assistance Act of 2017 (P.L. 115-48) removed the time limit for veterans to use the Post-9/11 GI Bill. Eligible veterans no longer have to use the benefit within 15 years of their discharge from active duty.[14]

NPSAS leaves some questions unanswered. While NPSAS can be used to examine the impact of the Post-9/11 GI Bill on veterans' debt, it cannot answer important questions about the individual circumstances that contribute to borrowing by veterans or non-veteran students (see table 2). In short, NPSAS can tell us how much veterans borrow, but not why or whether the debt they incurred was necessary or not.

[14]The time limit applies to individuals discharged after January 1,2013 (see p. 7 of hyperlinked document).

Table 2:
Factors and Circumstances Contributing to Veteran Student Loan Borrowing

Contributing Factors	Veteran circumstances
Post 9/11 benefit	• receive less than 100 percent coverage of tuition, which affects about 25 percent of veterans who qualify for the Post-9/11 benefit • exhaust 36 months of benefits[a] • incur student loan debt before transitioning from Montgomery to the Post-9/11 GI Bill • find housing stipend to be insufficient[b] • school does not participate in Yellow Ribbon program or participates but with limits • does not qualify for in-state tuition at a public school[c]
Personal circumstances	• support children, have unemployed spouses, or other dependent family members • unemployed or work part time • live in a high cost area • tempted by the availability of low cost, federal student loans because of existing higher interest rate credit card, automobile, or other consumer debt
Counseling	• poor understanding of how federal student aid complements the Post-9/11 educational benefit
Federal and institutional policy	• veterans' educational benefits are not considered when determining the need for federal student aid[d] • school practices may encourage borrowing

Source: Our analysis is based on interviews with higher education associations, veteran service organizations, and selected schools.
[a]Veterans must attend full time in order to graduate in 36 months.
[b]The stipend is identical for veterans with families and for single veterans who may live with parents or have roommates.
[c]Effective July 2015, Sec. 702 of the Veterans Access, Choice and Accountability Act of 2014 (Public Law 113-146) required public schools to offer in-state tuition to veterans and family members using the Montgomery or Post-9/11 GI Bills. To qualify, veterans must enroll within 3 years of discharge.
[d]This policy may allow borrowing to accommodate the personal circumstances enumerated in this table.

Several other important data sources are currently untapped. For example, the Education Department's National Student Loan Data System (NSLDS) contains comprehensive information on the federal student aid received by veterans who completed the FAFSA, including their repayment status. NSLDS data would be more comprehensive than NPSAS, which focuses on aid received during the specific academic year of the survey. However, NSLDS cannot be used because, to minimize the burden, most applicants are not asked if they are veterans.[15] In November 2016, ED announced that it had signed a Memorandum of Understanding (MOU) with the VA to help identify veterans in NSLDS. ED will calculate cohort default rates, median loan debt, and repayment rates at the aggregate and institutional level for veterans and their beneficiaries who are using or have used Post-9/11 GI Bill education benefits and who also receive federal student loans. The data will be publicly reported through VA's GI Bill Comparison Tool, which builds upon ED's College Scorecard, to help veterans make informed choices

[15]Completing the FAFSA is required in order to receive federal student aid—both grants and loans.

about where to invest their time, money, and benefits.[16] No reporting timeline was announced.[17] In addition, it is unclear if the data sharing MOU includes important information that could shed some light on why veterans borrow, such as (1) their eligibility levels, (2) whether they had exhausted their benefits, (3) whether any gap between the tuition charged at a for-profit or nonprofit school had been covered through the Yellow Ribbon Program, or (4) whether they qualified for Pell Grants, which could alleviate the need to borrow.

Because the data on veteran student loan debt will be posted at the institutional level on the GI Bill Comparison Tool, it is imperative that ED and VA implement a system to ensure that the manually developed crosswalk between Title IV and GI Bill participating schools is up to date.[18] In addition, because development of the crosswalk focused on identifying schools that had significant veteran enrollment, about 3 percent of schools were not matched. In 2013, the Veterans of Foreign Wars proposed that ED require Title IV eligible schools that participate in the GI Bill to disclose their VA facility codes in order to ensure that institutional crosswalk is up to date. ED did not adopt that recommendation.

[16]The Comparison Tool, was launched in February 2014. It significantly reduces the number of websites that veterans must visit to compare schools but several outcome indicators pulled from data reported to ED by schools—graduation, default, and median borrowing rates—are not veteran specific. Additional work will be required to develop veteran specific measures at schools, an initiative launched by Executive Order 13607 (Establishing Principals of Excellence for Educational Institutions Servings Service Members, Veterans, Spouses, and Other Family Members) in April 2012 and statutorily required by P.L. 112-249 (Improving Transparency of Education Opportunities for Veterans Act of 2012). The Executive Order and P.L. 112-249 seek to address reports of misleading or predatory behavior on the part of some institutions of higher education towards veterans. Their overarching goal is to ensure that veteran students who are considering or pursuing a postsecondary education are better equipped with comprehensive information to make school and program choices that meet their needs.

[17]In responding to a March 27, 2018, inquiry from Senator Tom Carper, the VA Secretary cited "methodology" roadblocks to implementing the MOU but indicated that both ED and VA were working to "determine the best path forward."

[18]The crosswalk was necessitated by the fact that ED and VA use different numeric systems to identify schools. Because schools can change ED identification numbers as they are sold or merge locations, maintaining an accurate crosswalk is an ongoing endeavor. For example, the 38 schools that Kaplan sold to the Education Corporation of America in September 2015 were still identified in the Comparison Tool as Kaplan-owned a year later even though the campuses were rebranded as Brightwood College.

VETERAN AND SCHOOL DEMOGRAPHICS

Proportion of veterans attending for-profit schools increased from 2008 to 2012.

Between 2007-08 and 2011-12, the proportion of veterans attending for-profit schools grew from 17 percent to 23 percent while the proportion enrolling in public 4- and 2-year as well as nonprofit schools decreased (see table 3).[19]

Table 3: Distribution of Veteran Undergraduate Students by Sector, 2007-08 Compared to 2011-12		
Sector	**2007-08 (percent)**	**2011-12 (percent)**
For-profit	17	23
Public 2 year	42	38
Public 4 year	20	19
Nonprofit 4 year	12	10
Other (those enrolled at more than 1 institution)	9	9
Total[a]	100%	99%

Source: NPSAS.

[a]Percentages may not sum to 100 because of rounding.

Despite Lower Proportion of Veterans, a Disproportionate Share of VA Benefits Payments Went to For-Profit Schools in 2011-12. In 2011-12, 23 percent of veterans attended for-profit schools compared to a combined total of 57 percent who were enrolled at 2-year and 4-year public schools. However, just over one-third of undergraduate veterans' total tuition payments went to for-profit schools in 2011-12—an increase from 16 percent in 2007-08; in contrast, the share of VA benefit payments at both 2-year and 4-year public schools declined from 34 percent to 24 percent and from 26 percent to 17 percent respectively. At nonprofit schools, the share of veterans' tuition payments was 13 percent in both academic years.

The average tuition payment for veterans attending for-profit and nonprofit schools increased by 37 percent and 43 percent, respectively, from 2007-08 to 2011-12; it rose by a smaller amount at 2-year and 4-year public schools, 24 percent and 17 percent, respectively. Table 4 shows the average tuition payment per veteran for each sector.

[19]More recent data suggest that these trends have reversed. Using GI Bill Comparison Tool data, an April 2018 VES report found that the proportion of GI Bill students enrolled at for-profit schools declined from 2014 to 2016 but increased at public and nonprofit institutions. While the Comparison Tool data includes both undergraduate and graduate student veterans and eligible family members using GI Bill benefits, the NPSAS data reported here is limited to veteran undergraduate students.

Table 4: Average VA Undergraduate Tuition Payments by Sector, 2007-08 Compared to 2011-12			
Sector	Average payment		Percent change
	2007-08 (in 2011$s)	2011-12	2007-08 to 2011-12
For-profit	$8,400	$11,480	37
Public 2 year	$5,610	$6,940	24
Public 4 year	$6,450	$7,550	17
Nonprofit 4 year	$6,830	$9,780	43

Source: NPSAS.
Note: 2007-08 figures are shown in 2011 dollars. Dollar values are rounded to the nearest $10.

For-profit schools enroll a higher proportion of "mostly full-time" veterans and other independent students. Compared to other sectors, the proportion of both veterans (79 percent) and other independent students (76 percent) enrolled mostly full-time was higher at for-profit schools in 2011-12 and the increase from 2007-08 was small (2 percentage points). Veterans, however, are more likely to enroll mostly full-time than other independent students at public schools (see table 5). Mostly full-time enrollment by veterans at public 2-year and 4-year schools increased significantly between the two time periods and stood at 47 and 64 percent respectively in 2011-12, but was unchanged at nonprofit schools. The requirement to take a minimum of 12 credits to receive the full housing stipend, effective August 1, 2011, may have encouraged veterans to enroll mostly full time. The 36-month time constraint of the Post-9/11 benefit may also help explain the high proportion of veterans enrolled mostly full-time, particularly at for-profit schools that offer classes throughout the year, allowing veterans to obtain a bachelor's degree in 3 years.

Table 5: Veterans and Other Independent Students Attending School Mostly Full Time by Sector, 2007-08 and 2011-12				
Sector	Veterans		Other Independent Students	
	2007-08	2011-12	2007-08	2011-12
For-profit	77	79	74	76
Public 2 year	28	47	20	33
Public 4 year	50	64	45	49
Nonprofit 4 year	52	52	51	57

Source: NPSAS.

Veteran incomes are higher than other independent students. Veteran students tend to have higher incomes than other independent students, which affects their eligibility for Pell Grants and subsidized federal loans. For example, in 2011-12, about 34 percent of other independent students had incomes less than $10,000 compared to about 18 percent of veterans. Veterans attending for-profit and nonprofit schools have larger families than those enrolled at public schools. Table 6 compares the incomes and family sizes of veterans and other independent students by sector for 2011-12.

Table 6: Comparison of Incomes and Family Sizes of Veterans and Other Independent Students by Sector, 2011-12				
Sector	**Veterans**		**Other Independent Students**	
	Total income	**Family size**	**Total income**	**Family size**
For-profit	$33,750	2.7	$24,370	2.7
Public 2 year	$37,130	2.5	$29,500	2.5
Public 4 year	$34,020	2.4	$28,770	2.2
Nonprofit 4 year	$50,200	3.1	$36,760	2.5

Source: NPSAS.

Note: Dollar values are rounded to nearest $10.

FINDINGS

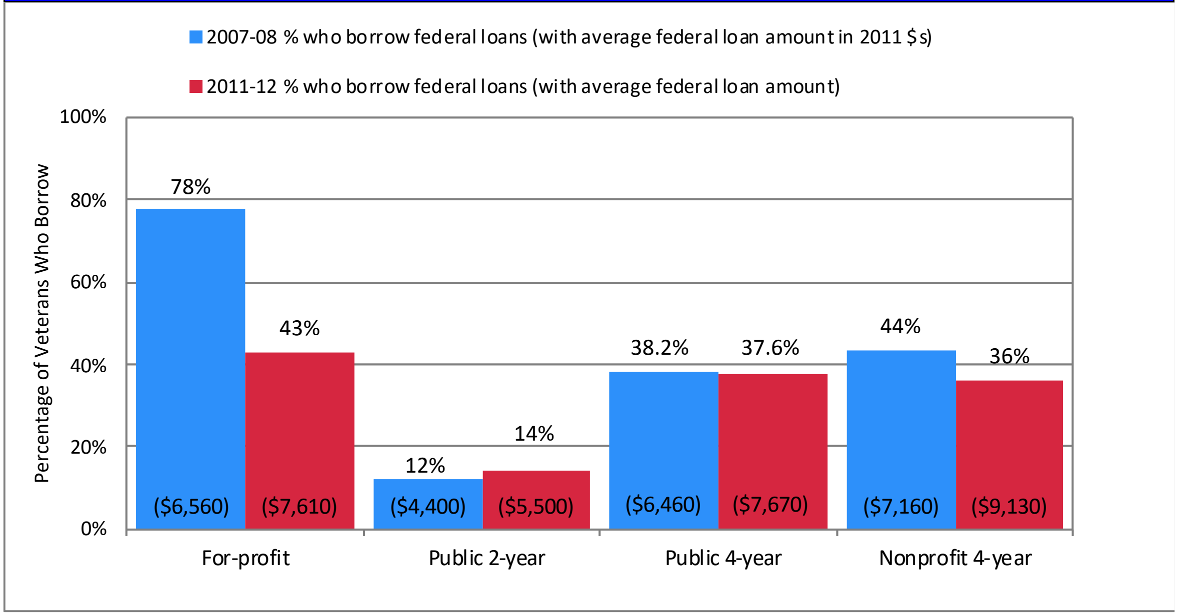
Federal loans. After implementation of the Post-9/11 benefit, there was a large decline in the percentage of veterans at for-profit schools with federal student loan debt, but much smaller changes in their debt levels at public and nonprofit schools. This decline brought the proportion of veterans at for-profit schools with such debt more in-line with that of those who attended public 4-year and nonprofit schools. However, slightly more veterans at public 2-year schools borrowed in 2011-12 than in 2007-08 (see fig. 1).

- The percentage of veterans who took out federal student loans at for-profit schools decreased from 78 percent in 2007-08 to 43 percent in 2011-12, while at public 4-year and nonprofit schools the decline was much smaller—from 38.2 to 37.6 percent and from 44 percent to 36 percent respectively.
- At public 2-year schools, 12 percent of veterans had such loans in 2007-08 compared to 14 percent in 2011-12.
- The disparity between the percentage of veterans who borrow at for-profit compared to public 2-year schools may be related to the higher cost of tuition and fees at the former.[20] Another factor may be the somewhat larger family size of veterans at for-profit (2.7) compared to public 4-year (2.4) and public 2-year (2.5) schools, which may lead to more borrowing if the housing stipend is insufficient because of family circumstances such as an unemployed spouse or day care expenses. Factors other than cost, however, may have contributed to the overall similarity in the percentage of veterans who took out federal student loans at for-profit (43 percent), public 4-year (38 percent), and nonprofit (36 percent) schools in 2011-12.[21]

[20]According to the Department of Education, the national average for tuition and fees at for-profit schools is about $15,000 compared to about $3,000 at public 2-year schools for the 2011-12 academic year.

[21]According to the Department of Education, the national average for tuition and fees at nonprofit schools was about $8,000 higher than at for-profit schools--$23,000 compared to $15,000—for the 2011-12 academic year.

Figure 1: Percentage of Veterans Borrowing Federal Loans and Average Annual Amount by Sector, 2007-08 and 2011-12

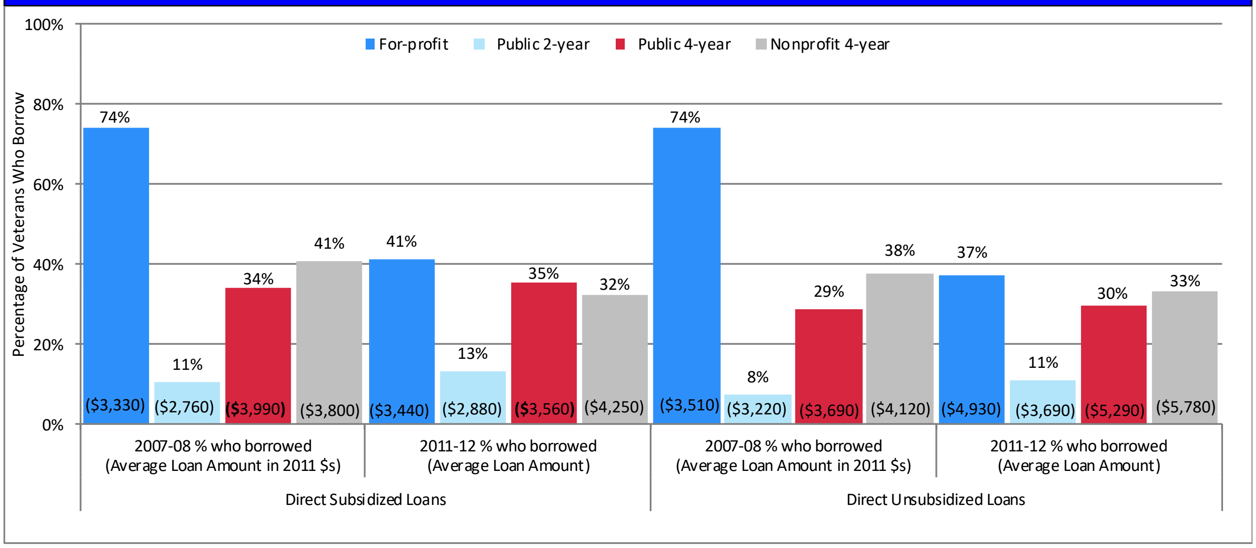


Source: NPSAS: 08 and 12.

Note: The data represent average amount borrowed in a single academic year. Federal loans include subsidized and unsubsidized loans and Perkins loans. The 2007-08 average loan values are in 2011 dollars. Dollar values are rounded to nearest $10. Prior to 2010, federal subsidized and unsubsidized loans, known as Stafford loans, were provided through two programs—the William D. Ford Federal Direct Loan Program or the Federal Family Education Loan Program (FFELP). Under the Direct Loan Program, the Department of Education made the loans directly to students, while under the FFELP program the Department guaranteed loans made by private entities such as banks. FFELP loans were discontinued in 2010 and since then Stafford loans have been referred to as Direct Loans. The Perkins Loan Program provides low interest loans to help needy students finance the costs of postsecondary education. Students attending one of the approximately 1,700 participating postsecondary institutions can obtain these loans from the school. The school's revolving Perkins loan fund is replenished by ongoing activities, such as collections by the school on outstanding Perkins loans made by the school and reimbursements from the Department of Education for the cost of certain statutory loan cancellation provisions. The proportion of veterans with Perkins loans was less than 1 percent in both 2007-08 and 2011-12.

- At for-profit schools, the percentage of veterans with unsubsidized federal loans decreased more than the percentage with subsidized loans. Countering this trend, the average amount of unsubsidized loans increased in all sectors, while the increase in the average amount of subsidized loans was small (see fig. 2). The increase in the amount of unsubsidized loans may be related to the sharp decline in private student loans (see fig. 3 below).

Figure 2: Percentage of Veterans Borrowing Federal Subsidized and Unsubsidized Loans and Annual Average Amount by Sector, 2007-08 and 2011-12



Source: NPSAS: 08 and 12.

Note: The data represent average amount borrowed in a single academic year. The 2007-08 average loan values are in 2011 dollars. Dollar values are rounded to nearest $10. Prior to 2010, federal subsidized and unsubsidized loans, known as Stafford loans, were provided through two programs—the William D. Ford Federal Direct Loan Program or the Federal Family Education Loan Program (FFELP). Under the Direct Loan Program, the Department of Education made the loans directly to students, while under the FFELP program the Department guaranteed loans made by private entities such as banks. FFELP loans were discontinued in 2010 and since then Stafford loans have been referred to as Direct Loans.

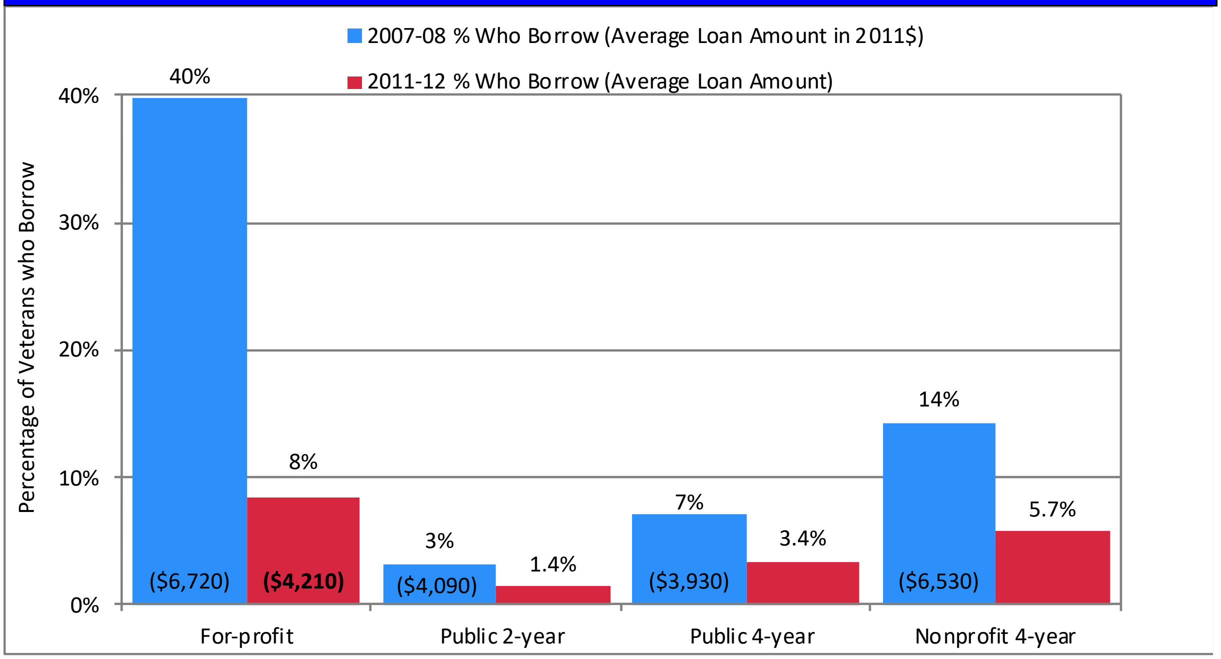
Private Loans. In both time periods, veterans at for-profit schools were more likely to take out private loans than those attending public or nonprofit schools.[22] While the proportion of veterans with private loans declined in all sectors across the two time periods, it fell sharply at for-profit schools from almost 40 percent to 8 percent; the average amount of such loans fell by about 37 percent. In contrast, 1.4 percent and 3.4 percent of veterans at public 2- and 4-year schools and 5.7 percent at nonprofit schools took out private loans in 2011-12 (see fig. 3). It is unclear how much of the decline in private loans was due to tightened credit beginning in 2008, which resulted in a large drop in the origination of such loans.[23] For-profit schools have an incentive to encourage veterans to borrow from private lenders

[22]Private loans generally have much higher interest rates and offer fewer repayment options than federal loans. The Consumer Financial Protection Bureau's (CFPB) congressionally mandated 2012 report on private student loans found that students do not always exhaust their eligibility for federal loans before taking out private loans, even though federal loans are the better option. See CFPB, *Private Student Loans*, August 29, 2012, for a discussion of the evolution of private loans, their relationship to federal loans, and the implications of the differences for borrowers.

[23]The decline in private loans, which peaked at about $23.2 ($25.8 in 2016 $s) billion in 2007-08 and dropped to about $6.4 ($8.4) billion in 2010-11, resulted from restricted access to credit and stricter loan requirements following the 2008 financial crisis. In 2016-17, the College Board reported that nonfederal loans are again on the raise, at $11.6.

because, when used to pay tuition, such loans bolster schools' revenue from non-federal sources and help them to avoid exceeding the 90 percent cap on revenue from federal student aid. [24]

Figure 3: Percentage of Veterans Borrowing Private Loans and Average Annual Amount by Sector, 2007-08 and 2011-12



Source: NPSAS: 08 and 12.

Note: The data represent the average amount borrowed in a single academic year. The 2007-08 average loan values are in 2011 dollars. Dollar values are rounded to nearest $10. Sample sizes are too small to produce average loan amounts in the public and nonprofit sectors for 2011-12 and the percentage who borrow should be interpreted with caution.

Total (ANY) Loans. Total loans include all federal loans (subsidized, unsubsidized, and Perkins) as well as state, institutional, and private student loans.[25] The decline in the proportion of veterans at for-profit schools with *any* loan was larger (40 percentage points) than the decline in those with federal loans (35 percentage points). This trend highlights the role of private loans at for-profit schools, which are more common than at public and nonprofit schools.

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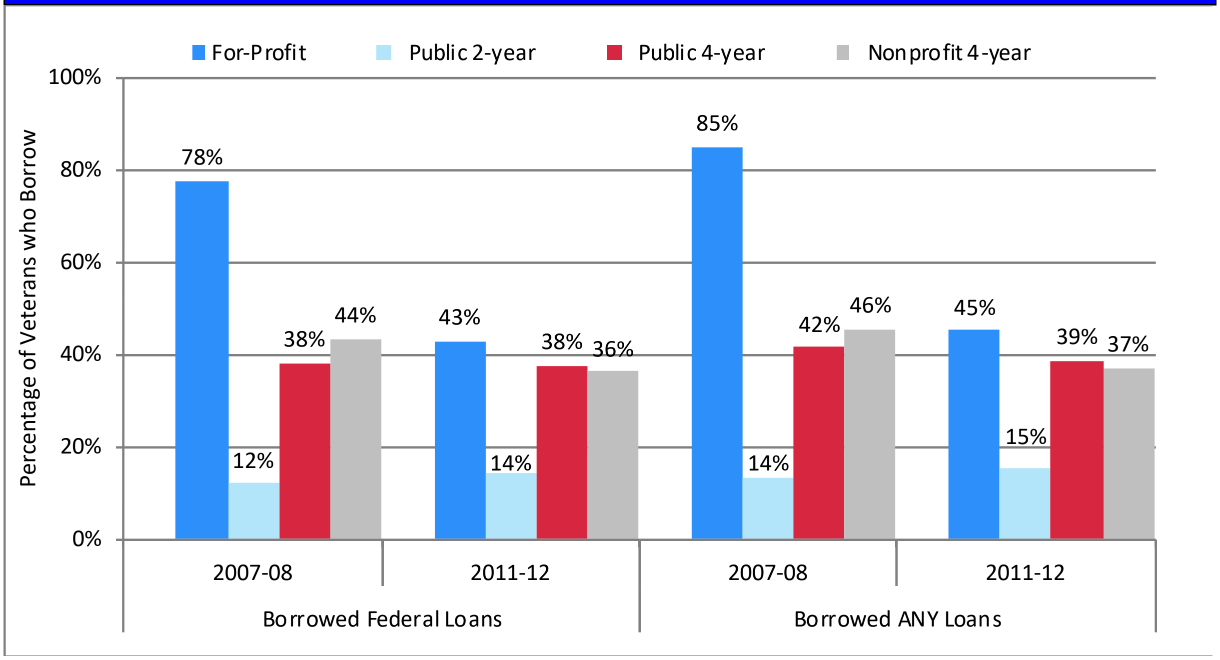
[24]The Higher Education Act caps for-profit school revenue from federal student aid at 90 percent. Schools that exceed this threshold for two consecutive years lose access to federal grants and loans. This provision was enacted in 1992 to help ensure that the quality of the education offered by for-profit schools was sufficient to attract students who did not depend on federal aid to finance their enrollment. However, revenues from DOD and VA educational benefits are counted as private, non-federal dollars because of a loophole in the statute. Therefore, a for-profit school can receive 90 percent of its funding from federal student aid—public funds—and then also receive the remaining 10 percent of it's from DOD and VA education programs—also public funds. As a result, for-profit schools are not incentivized to attract private dollars by offering a high-quality education.

[25]Some schools have their own "institutional" student loan programs, which may be funded through endowments, alumni, or corporate gifts. Private student loans are made by banks and other lending institutions.

Figure 4: Percentage of Veterans Borrowing Federal Loans Compared to Borrowing ANY Loans by Sector, 2007-08 and 2011-12



Source: NPSAS: 08 and 12.

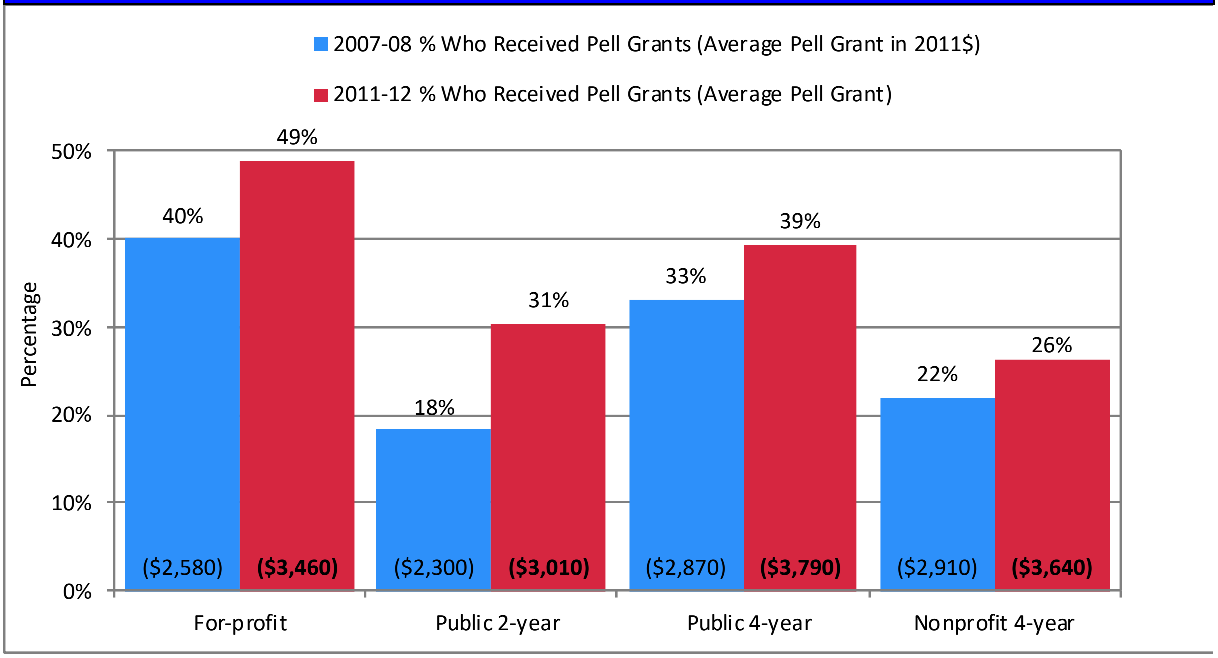
Note: Federal loans include subsidized and unsubsidized as well as Perkins student loans. "ANY" loans include federal subsidized and unsubsidized loans, Perkins loans, plus state, institutional, and private student loans. Fewer than 1 percent of veterans participate in state or institutional loan programs. We excluded the 8 percent of veterans who attended more than one institution in either academic year that were in different sectors.

Pell Grants. Pell Grants, which increased for veteran undergraduates from an average of $2,570 in 2007-08 to $3,410 in 2011-12, also helped to lower veterans' student loan debt.[26] Veterans' access to such grants increased in all sectors but rose the most dramatically at public 2-year schools where the percentage who qualified grew from 18 to 31 percent. The percentage of veterans receiving Pell Grants at for-profit, public 4-year and nonprofit schools grew by a more modest 9 (to 49 percent), 6 (to 39 percent), and 4 (to 26 percent) percentage points, respectively (see fig. 5). The increase in the percentage of veterans qualifying for Pell Grants was not affected by the requirement to exclude GI Bill benefits when determining eligibility for federal student aid because, unlike income, financial aid resources are not considered on the FAFSA.[27]

[26]College Board, Trends in Student Aid 2012. The average Pell Grant for all undergraduate students in 2011-12 was 28 percent higher in inflation-adjusted dollars than the average grant in 2007-08.

[27]By statute, Pell Grants are never reduced because of the receipt of other financial aid, but institutions often reduce the amount of federal, state, and institutional aid packages offered to students in order to adhere to the federal rule that total aid may not exceed the cost of attendance. For example, schools have broad discretion in allocating federal Perkins loans, which are part of the so called 'campus-based aid programs.'

Figure 5: Percentage of Veterans Qualifying for Pell Grants and Average Amount per Recipient by Sector, 2007-08 and 2011-12



Source: NPSAS: 08 and 12.

Note: The data represent average Pell Grants in a single academic year. The 2007-08 average loan values are in 2011 dollars. Dollar values are rounded to nearest $10.

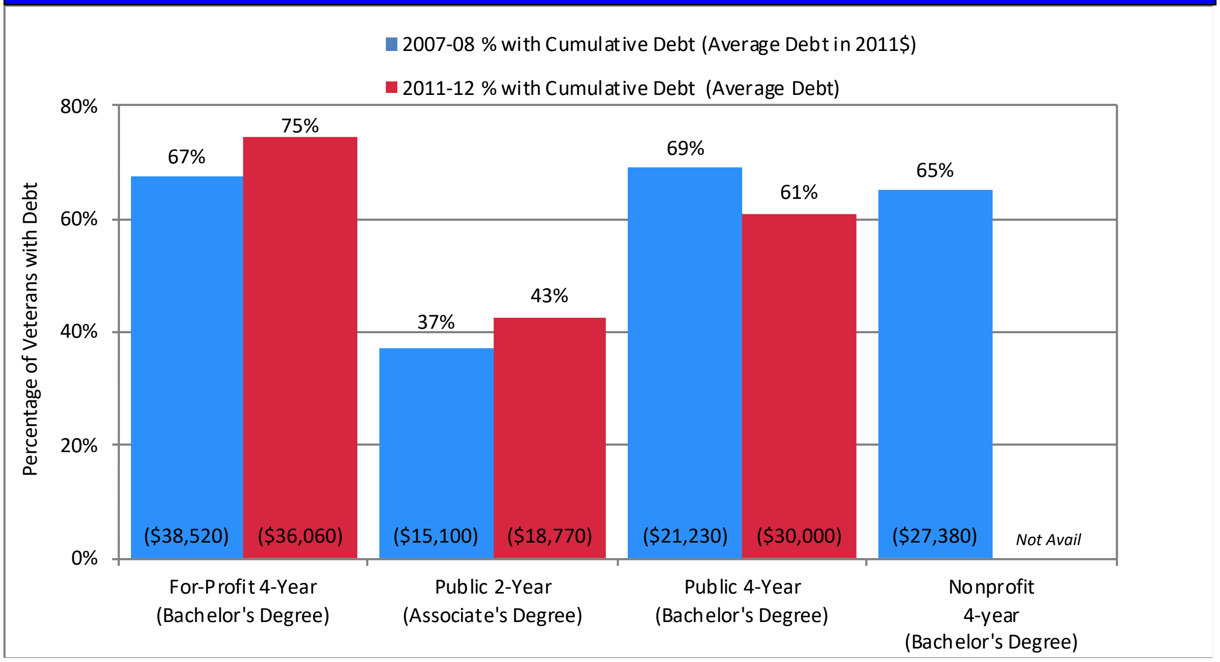
However, the proportion of other independent students in all three sectors who received Pell Grants in both time periods was higher than that of veterans. In 2011-12, for example, 67 percent of other independent students who attended for-profit schools were awarded Pell Grants versus 49 percent of veterans. The disparities are likely explained by the fact that other independent students generally had lower incomes than veterans. For example, compared to veterans, about twice as many other independent students at for-profit schools had incomes below $10,000 in 2011-12.

Cumulative Debt. Cumulative debt for those who graduated in 2011-12 reflects 3 years of experience under the Post-9/11 benefit and therefore may not fully reflect its effect on borrowing.[28] Compared to 2007-08, the average cumulative debt of veterans who graduated in 2011-12 was about 17 percent higher at for-profit ($36,060) than at public 4-year schools ($30,000) and almost 50 percent higher than that at public 2-year schools ($18,770). Compared to 2007-08, the percentage of veterans with cumulative debt who graduated in 2011-12 increased at for-profit and public 2-year schools and declined at public 4-year schools (see fig. 6). Cumulative debt for graduates of nonprofit schools was available for 2007-08 but not for 2011-12. While the proportion of veterans at nonprofit schools who

[28]Cumulative debt is the sum of federal, state, institutional and private loan debt incurred by undergraduate students who indicated that they had graduated in either 2007-08 or 2011-12; the data excludes students who attended more than one institution. Because cumulative debt focuses on the debt accrued over several school years, the totals are predictably higher than debt incurred in a single year (see fig. 1).

graduated in 2007-08 with cumulative debt was similar to that of for-profit schools, the average amount of the cumulative debt at nonprofit schools was about 29 percent lower than at for-profit schools ($27,380 versus $38,520).

Figure 6: Percentage of Veterans with Cumulative Debt and Average Amount per Borrower by Sector, 2007-08 and 2011-12

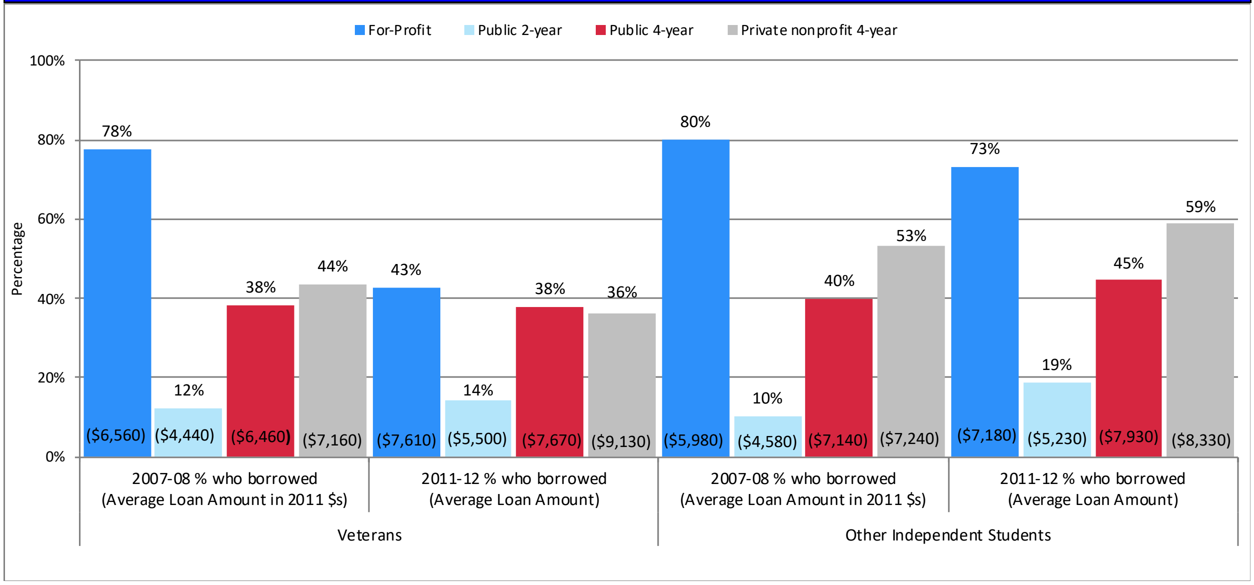


Source: NPSAS: 08 and 12.

Note: The data reflect the average amount borrowed from federal or other sources during the entire period of enrollment. Total cumulative debt for 2007-08 is expressed in 2011 dollars. Values are rounded to nearest $10.

Experience of Other Independent Students. The experience of other independent students who were not veterans suggests that the generosity of the Post-9/11 benefit compared to the Montgomery GI Bill was a major factor in reducing the proportion of veterans who borrowed at for-profit schools. The proportion of other independent students with federal student loans enrolled at for-profit institutions was similar to that of veterans in 2007-08 (about 80 percent) but was significantly higher (73 percent) than that of veterans (43 percent) in 2011-12 (see fig. 7).

Figure 7: Percentage of Veterans and Other Independent Students with Federal Direct or Perkins Loans and Average Amount per Borrower by Sector, 2007-08 and 2011-12



Source: NPSAS: 08 and 12.

Note: Federal Loans include both federal subsidized and unsubsidized loans and Perkins Loans. The 2007-08 average loan values are in 2011 dollars. Dollar values are rounded to nearest $10. Prior to 2010, federal subsidized and unsubsidized loans, known as Stafford loans, were provided through two programs—the William D. Ford Federal Direct Loan Program or the Federal Family Education Loan Program (FFELP). Under the Direct Loan Program, the Department of Education made the loans directly to students, while under the FFELP program the Department guaranteed loans made by private entities such as banks. FFELP loans were discontinued in 2010 and since then Stafford loans have been referred to as Direct Loans.

CONCLUSIONS

Our comparison of NPSAS data from before and after implementation of the Post-9/11 GI Bill contains some encouraging news about veterans' student loan debt but leaves many unanswered questions. The good news is that the percentage of veterans' who incurred federal student loan debt at for-profit schools during the 2011-12 academic year was significantly lower than for the 2007-08 academic year; there was little change in the percentage of veterans with debt, however, at public and nonprofit schools. While the reasons behind these institutional sector differences are unclear, improved data sharing by ED and VA would shed light on the factors that influence why veterans borrow and their ability to repay federal student loans.

Although ED and VA signed a data sharing agreement in November 2016 that will allow ED to identify veterans who received federal student aid, it is unclear if the data sharing will include important information that could shed light on why veterans borrow, such as (1) their eligibility levels, (2) whether they had exhausted their benefits, (3) whether any gap between the tuition charged at a for-profit or nonprofit school had been covered through the Yellow Ribbon Program, or (4) whether they received Pell Grants, which could reduce the need to borrow. For example, ED could (1) compare by institutional sector the average debt levels of veterans with 100 percent coverage under the Post-9/11 benefit to debt levels of veterans with less than full coverage, or (2) determine if veterans who received Yellow Ribbon funding incurred less debt than those that did not. Access to such analyses would improve oversight of federal educational benefits because high levels of debt among veterans with 100 percent coverage or who had Yellow Ribbon funding would raise a red flag suggesting that some veterans may be incurring unnecessary federal student loan debt.

Another data-sharing roadblock is the different nomenclature that ED and VA use to identify schools in their respective databases. Although the two departments manually matched school identifiers in 2013 to create a crosswalk, no system is in place to keep the crosswalk up to date as schools merge, are sold, or apply to change their identifiers. An up-to-date crosswalk is essential for both ED data analysis and federal oversight. ED needs to adopt a 2013 proposal by the Veterans of Foreign Wars to automate the maintenance of the crosswalk, to make sure that the crosswalk is accurate, and to ensure that it does not omit some schools.

Moreover, improved oversight of private student loans is warranted. NSLDS has no data on private loans and NPSAS provides a snapshot of such college financing once every 4 years. As noted earlier, NPSAS's sample of veterans is small and the data must be interpreted cautiously. The Consumer Financial Protection Bureau's report on private student loans also recognized the need for a comprehensive picture of student borrowing that is inclusive of both federal and private student loans. Although the Secretary of Education, who collaborated on the report, recommended that ED and VA work with the Congress to identify the necessary resources for such a database, no action has been taken to date.

RECOMMENDATIONS

We believe that ED and VA should take the following steps:

- expedite implementation of the November 2016 data-sharing agreement in order to provide policymakers and veterans with data on veteran student loan debt;
- include variables in the ED/VA data-sharing agreement that will allow ED to identify factors that contribute to veteran borrowing, such as less than 100 percent eligibility for the Post-9/11 GI Bill, failure to qualify for Pell Grants, or lack of access to the Yellow Ribbon Program;
- establish an automated system that allows the two departments to more efficiently share data pertaining to the same institutions of higher education;
- report annually on the extent to which veterans have federal student loans, their ability to repay, and other factors that have an impact on their federal student loan debt; and
- work with Congress to identify the resources for a comprehensive database on federal and private student loans.