

## EDUCATION CRACKDOWN ON HIGH-DEFAULT SCHOOLS SHOWS RESULTS; TRADE SCHOOL RATES DROP SHARPLY

From U.S. Department of Education

■(WASHINGTON) The U.S. Education Department's ongoing campaign to crack down on postsecondary schools with high student loan default rates has produced a sharp drop in historically high defaults at for-profit trade schools, U.S. Secretary of Education Richard W. Riley report Wednesday.

Proprietary schools saw rates decline from 30.2 percent in fiscal year 1992 to 23.9 in FY '93, a drop of 20.8 percent.

The department released the FY '93 student loan default rates of some 8,000 colleges, universities, and other institutions in federal student loan programs. The FY '93 default rate is the most current data available, representing a snapshot in time of borrowers scheduled to begin loan payments in FY '93, and who defaulted in either that year or the following year.

Riley attributed the decline to a number of factors, including stronger oversight of "high-risk" schools, an improved process for granting eligibility and certification of schools and programs, and the department's default reduction initiatives. For example, schools are now required to provide financial counseling to student borrowers upon enrollment and at graduation.

The Higher Education Amendments of 1992 (P.L. 102-325) mandate that schools with default rates of 25 percent or greater for three consecutive years face loss of eligibility in the Federal Family Education Loan Program (FFEL). This year, 432 schools are affected by this provision. Historically Black colleges and universities are exempt from sanctions until July 1998.

In addition, under department regulations, a total of 222 schools (including some of the 432 that face loss of FFEL) with FY '93 rates of 40 percent or greater may have their eligibility for all federal student aid programs, including the Federal Pell Grant Program, restricted or terminated. Schools have the right to appeal adverse actions by the department.

Riley also credited modern technology with helping to lower the default rate, citing the department's ability to verify immigration status and identify applicants who provide false information, previously defaulted on a student loan or received an overpayment. Last year, the National Student Loan Data System blocked the issuance of \$230 million in loans to some 140,000 ineligible applicants. Riley said new incentives for guaranty agencies will also help students avoid default and should reduce defaults further.

"These results show our increased commitment to accountability is paying off," Riley said. "We'll keep working to cut defaults further and protect taxpayers' investment in higher education."

*"As Charles Lamb says, there is nothing so nice as doing good by stealth and being found out by accident, so I now say it is even nicer to make heroic decisions and to be prevented by 'circumstances beyond your control' from ever trying to execute them."*

William James