Is “Education As a Work Activity” Leaving Clients In Debt?

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Kinsey Dinan
Deputy Director, Office of Evaluation and Research
NYC Human Resources Administration
Excerpt from a 311 complaint transcript received by NYC’s *Know Before You Enroll* campaign:

Caller states that [SCHOOL X*] is committing fraud and false advertising. They promised her a job after her training for medical assistant for billing and coding. To finish the program she had to get student loans which have left her with a debt of $17,000. She is very dissatisfied with the result of the help she received after completing the program. The advertisement they put out in various places including the newspaper is a lie and fraud.

* School name redacted, but it is one of the schools cited repeatedly among HRA clients with loans in the survey results discussed below.
Presentation Overview

• Background
• The survey: Key questions and methodology
• Survey results
  - Comparison of clients with and without loans.
  - Among clients with loans, a review of loan knowledge and amount.
  - School-level results for clients in certificate and AA programs.
• What next?
Background

• There are large and growing differences in wages and unemployment rates by education level.

• Post-secondary tuition is also rising fast – particularly with the growth of the for-profit post-secondary education sector – leading to increasing student debt levels and default rates.

• Predatory practices and low graduation rates raise further concerns about the impact of pursuing a post-secondary education.

What are the implications for cash assistance policies regarding Education as Work Activity?
Current NYC policies include*:

- Class hours can be counted in most occupationally-oriented programs from short-term training through Associates degrees at public, private non-profit, and proprietary schools.
- BA/MA students cannot count class hours, but work assignments will accommodate their class schedule (school internships or federal work study can also be counted).
- As per federal rules, there is a 12-month lifetime limit on counting education as a primary work activity.

* Rules apply to TANF/MOE clients as well as “Safety Net” cash assistance clients without dependents.
• At a single point in time, up to 3000+ clients have education/training as a primary work activity (~4% of engaged clients).
• Many more participate over the course of a year: ~15K individuals referred to the Training Evaluation and Monitoring office (TEAM), with ~12K education/training requests approved (10/11-9/12).
• In most cases, clients enroll in school before coming to TEAM for work activity approval.

**Staff have become increasingly concerned about the cost of the programs that many clients are selecting—and about the level of student debt that many are incurring.**
The Survey

• Research questions:
  - Among cash assistance clients enrolled in school, how many are taking on student debt? What level of debt? How much do they understand about their loans?
  - How do clients with student loans differ from those without them? Are there differences in how they select their schools? In their fields of study?
  - How does student loan status vary by program type (e.g., degree vs. non-degree) and institution type (e.g., public vs. for-profit)?

• Surveyed ~1400 cash assistance clients at the TEAM office in 2012; matched to administrative data for demographic characteristics and benefit receipt information (96% matched).
Key Findings

• **One third** of respondents reported taking out loans, with similar rates for certificate and Associate’s degree programs. Loan amounts averaged close to $10K.

• Clients with loans were **twice as likely** to first learn of their school through an advertisement or on the Internet.

• Strong association between institution type and loan status: **77% of students who have loans are in for-profit schools** as compared to 13% of students without loans.

• More than 80% of students reported Pell/NYS TAP grants, regardless of whether they also took out a loan—but tuition was substantially higher among students with loans.
Key Findings

• Among clients with loans, **loan-related knowledge is low**, particularly among those in for-profit schools. Nearly 60 percent reported not knowing how much their monthly loan payments would be—even within wide dollar ranges.

• Clients with loans are heavily concentrated in a small number of for-profit institutions.
  - Among certificate students, **6 schools account for 64% of clients with loans**. Those without loans attend a wide variety of public, not-for-profit, and for-profit institutions.
  - Among Associate’s degree students, **5 for-profit schools account for 65% of clients with loans**. Most of those without loans are enrolled in one of the city’s community colleges (CUNY campus schools).
*Program type reflects the highest degree being sought. Respondents pursuing a GED along with their Associates degree, for example, are considered Associate’s degree students. Also, “Bachelor’s” includes 6 respondents who reported seeking a Master’s degree, and GED/ESL includes remedial college preparation programs.
Student Loan Status \( (n=1410) \)

- Loan (34%)
- No loan: Free (19%)
- No loan: Not free (42%)
- Don't know (4%)
Program Type by Loan/No loan

Loan
(n= 483)

- Bachelors: 36%
- Associates: 52%
- Certificate: 12%
- GED/ESL: 9%

No loan
(n= 864)

- Bachelors: 16%
- Associates: 32%
- Certificate: 44%
- GED/ESL: 9%
## Table 1. Select Characteristics by Loan/No loan

<table>
<thead>
<tr>
<th></th>
<th>Loan (n= 456)</th>
<th>No loan (n= 838)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>87.7%</td>
<td>79.4%</td>
</tr>
<tr>
<td>Child &lt;18 years on case</td>
<td>72.4%</td>
<td>67.7%</td>
</tr>
<tr>
<td>Age (mean)</td>
<td>30.0 years</td>
<td>29.5 years</td>
</tr>
<tr>
<td>Race/ethnicity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hispanic</td>
<td>31.1%</td>
<td>37.0%</td>
</tr>
<tr>
<td>Black, non-Hispanic</td>
<td>60.3%</td>
<td>51.1%</td>
</tr>
<tr>
<td>White, non-Hispanic</td>
<td>4.6%</td>
<td>6.0%</td>
</tr>
<tr>
<td>Asian</td>
<td>2.0%</td>
<td>4.9%</td>
</tr>
<tr>
<td>Other, mixed race</td>
<td>2.0%</td>
<td>1.1%</td>
</tr>
</tbody>
</table>

**Source:** NYC Welfare Management System data as of survey date, retrieved October 2012; excludes 4% of the sample who did not provide a case number or whose number could not be matched.
How Client Learned of School by Loan/No loan

<table>
<thead>
<tr>
<th>Method</th>
<th>Loan (n=483)</th>
<th>No loan (n=864)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Friend/Family</td>
<td>37%</td>
<td>37%</td>
</tr>
<tr>
<td>Internet</td>
<td>22%</td>
<td>12%</td>
</tr>
<tr>
<td>Advertisement</td>
<td>19%</td>
<td>8%</td>
</tr>
<tr>
<td>HRA staff</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>Teacher/ Counselor</td>
<td>7%</td>
<td>7%</td>
</tr>
<tr>
<td>Other</td>
<td>12%</td>
<td>17%</td>
</tr>
</tbody>
</table>
Area of Study by Loan/No loan

- Medical (except nursing): 48% (Loan), 17% (No loan)
- Criminal justice, forensic psych.: 9% (Loan), 13% (No loan)
- Nursing, CNA: 7% (Loan), 5% (No loan), 5% (No loan), 6% (No loan)
- Other: 16% (No loan), 26% (Loan)

Legend:
- Yellow: Loan (n=483)
- Black: No loan (n=864)
Institution Type by Loan/No loan

Loan (n= 483)
- Public: 12%
- For-profit: 77%
- Not-for-profit: 10%

No loan (n= 864)
- Public: 59%
- For-profit: 13%
- Not-for-profit: 25%
Other Payment Methods by Loan/No loan, if program not free

- **Loan (n= 483)**
  - TAP/Pell Grant: 91%
  - Cash, check, or money order: 8%
  - Don't know: 9%

- **No loan (n= 591)**
  - TAP/Pell Grant: 82%
  - Cash, check, or money order: 11%
  - Don't know: 7%
## Table 2. Program Cost by Loan/No loan

<table>
<thead>
<tr>
<th></th>
<th>Loan (n= 478)</th>
<th>No loan (n= 857)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free (or &lt; $100)</td>
<td>N/A</td>
<td>31.5%</td>
</tr>
<tr>
<td>Approximate cost among all other programs...</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Don’t know</td>
<td>20.7%</td>
<td>32.6%</td>
</tr>
<tr>
<td>Reported by semester</td>
<td>33.7%</td>
<td>47.0%</td>
</tr>
<tr>
<td>Mean $ per semester</td>
<td>$5,743</td>
<td>$2,927</td>
</tr>
<tr>
<td>Reported in total</td>
<td>45.8%</td>
<td>20.3%</td>
</tr>
<tr>
<td>Mean total $</td>
<td>$16,750</td>
<td>$9,763</td>
</tr>
</tbody>
</table>
Among clients with loans, Loan-Related Knowledge by Institution Type

- **Loan amount (approx.)**
  - Public (n=56): 74%
  - For-profit (n=372): 62%
  - Not-for-profit (n=49): 76%

- **Fee for: within range**
  - Public (n=56): 41%
  - For-profit (n=372): 40%
  - Not-for-profit (n=49): 53%

- **How to officially withdraw**
  - Public (n=56): 78%
  - For-profit (n=372): 74%
  - Not-for-profit (n=49): 81%
Among clients with loans who know loan amount*, Loan Amount by Program Type

Certificate (n=121)
mean: $9,624

Associate's (n=150)
mean: $8,977

Bachelor's (n=40)
mean: $11,457

*In all, 36% of respondents with loans did not know the approximate loan amount.
Certificate Programs: Top Schools among...

Clients with Loans (n=172)

- Sanford Brown Institute: 62; 36%
- Allen School: 27; 16%
- Career Inst. of Health & Technology: 23; 13%
- Star Career Academy: 12; 7%
- Apex Technical School: 20; 12%
- Empire Beauty School: 16; 9%
- Other: 12; 7%

Clients without Loans (n=270)

- Global Business Institute: 209; 77%
- Franklin Career Institute: 16; 6%
- CUNY Bronx EOC: 13; 5%
- CUNY Hostos: 9; 3%
- Grace Institute: 7; 3%
- Manhattan School of Comp. Tech.: 7; 3%
- Other: 9; 3%
Associate’s Programs: Top Schools among...

Clients with Loans (n=252)

- ASA College: 44; 17%
- TCI College: 87; 35%
- Monroe College: 12; 5%
- Plaza College: 27; 11%
- Mandl School: 38; 15%
- Other: 125; 33%

Clients without Loans (n=375)

- CUNY BMCC: 63; 17%
- CUNY LaGuardia: 125; 33%
- CUNY Bronx Community College: 37; 10%
- CUNY Kingsborough: 56; 15%
- CUNY Hostos: 52; 14%
- Other: 42; 11%
What Next?

• Discuss findings with other city agencies.
  - NYC Department of Consumer Affairs/Office of Financial Empowerment
  - NYC Office of Human Capital Development
  - NYC Center for Economic Opportunity

• Bring results to the schools, public and private.

• **Changes to HRA policies/procedures.**
  
  TEAM hired a Project Manager for Debt Advisement and Counseling in May 2013.