

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



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**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?***

# Background (cont.)

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.*

# Background (cont.)

- 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

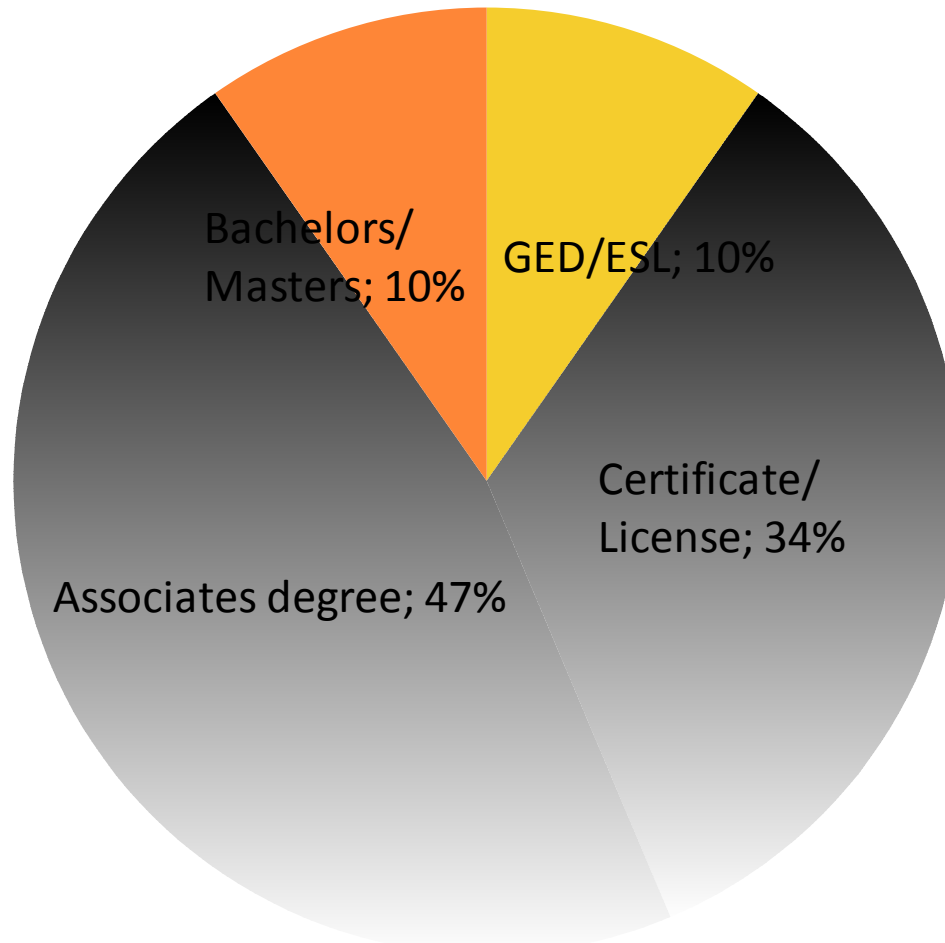
- **One third** of respondents reported taking out loans, with similar rates for certificate and Associate's degree programs. Loan amounts averaged close to **\$10K**.
- Clients with loans were **twice as likely** to first learn of their school through an advertisement or on the Internet.
- Strong association 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

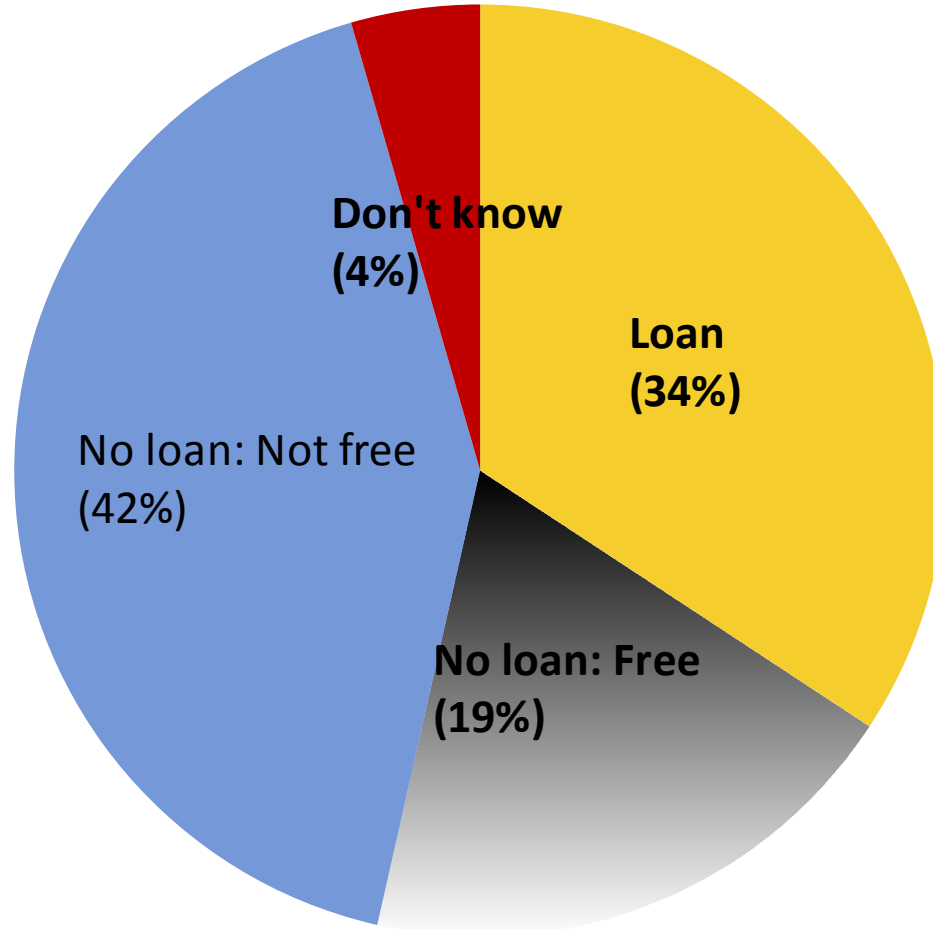
- Among clients with loans, **loan-related knowledge is low**, particularly among those in for-profit schools. Nearly 60 percent reported not knowing how much their monthly loan payments would be—even within wide dollar ranges.
- Clients with loans are heavily concentrated in a small number of for-profit 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\* (n=1409)

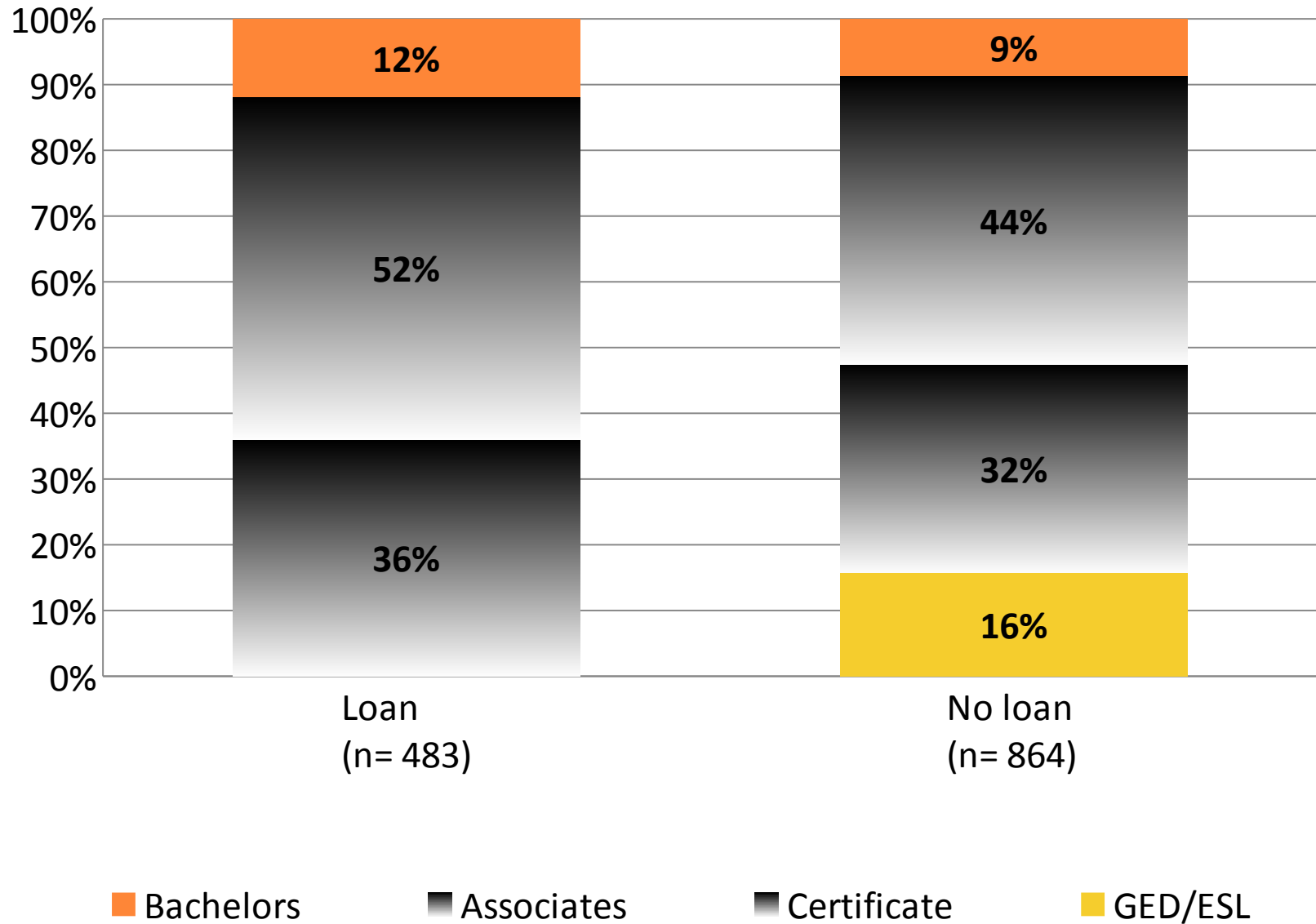


\***Program type** reflects the highest degree being sought. Respondents pursuing a GED along with their Associates degree, for example, are considered Associate's degree students. Also, "Bachelor's" includes 6 respondents who reported seeking a Master's degree, and GED/ESL includes remedial college preparation programs.

# Student Loan Status (n=1410)



# Program Type by Loan/No loan

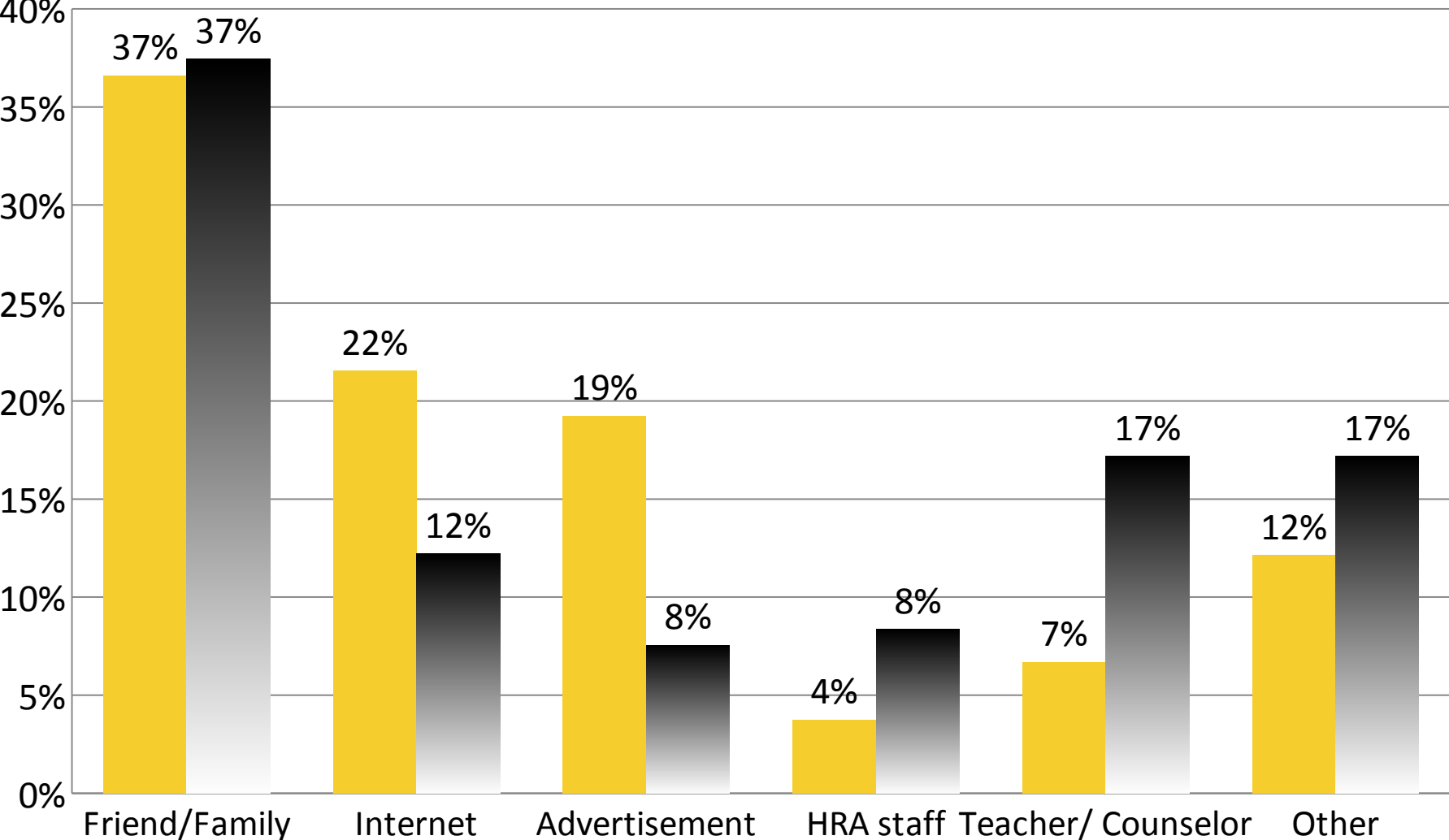


# Table 1. Select Characteristics by Loan/No loan

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

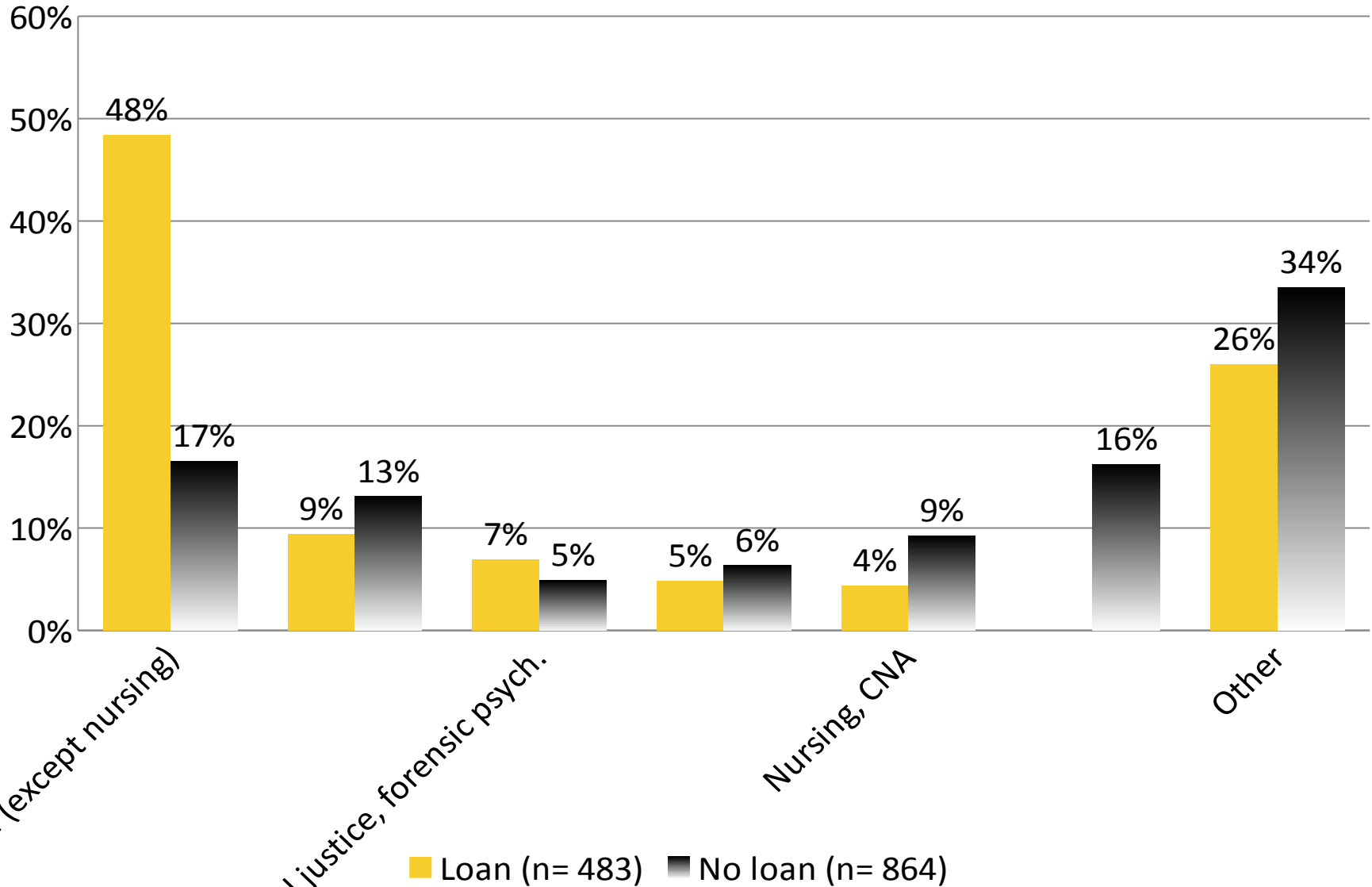
**Source:** NYC Welfare Management System data as of survey date, retrieved October 2012; excludes 4% of the sample who did not provide a case number or whose number could not be matched.

# How Client Learned of School by Loan/No loan



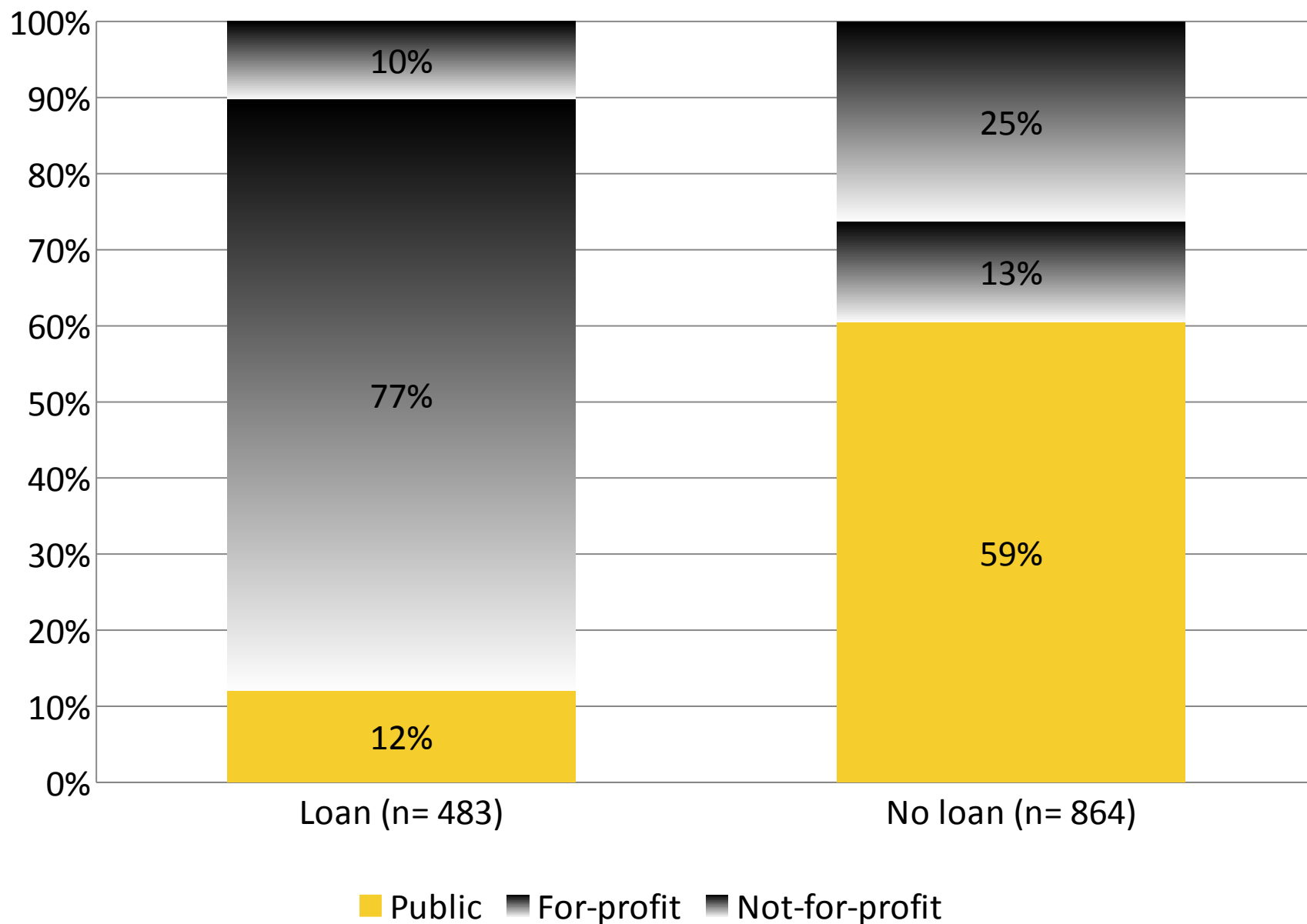
■ Loan (n= 483) ■ No loan (n= 864)

# Area of Study by Loan/No loan



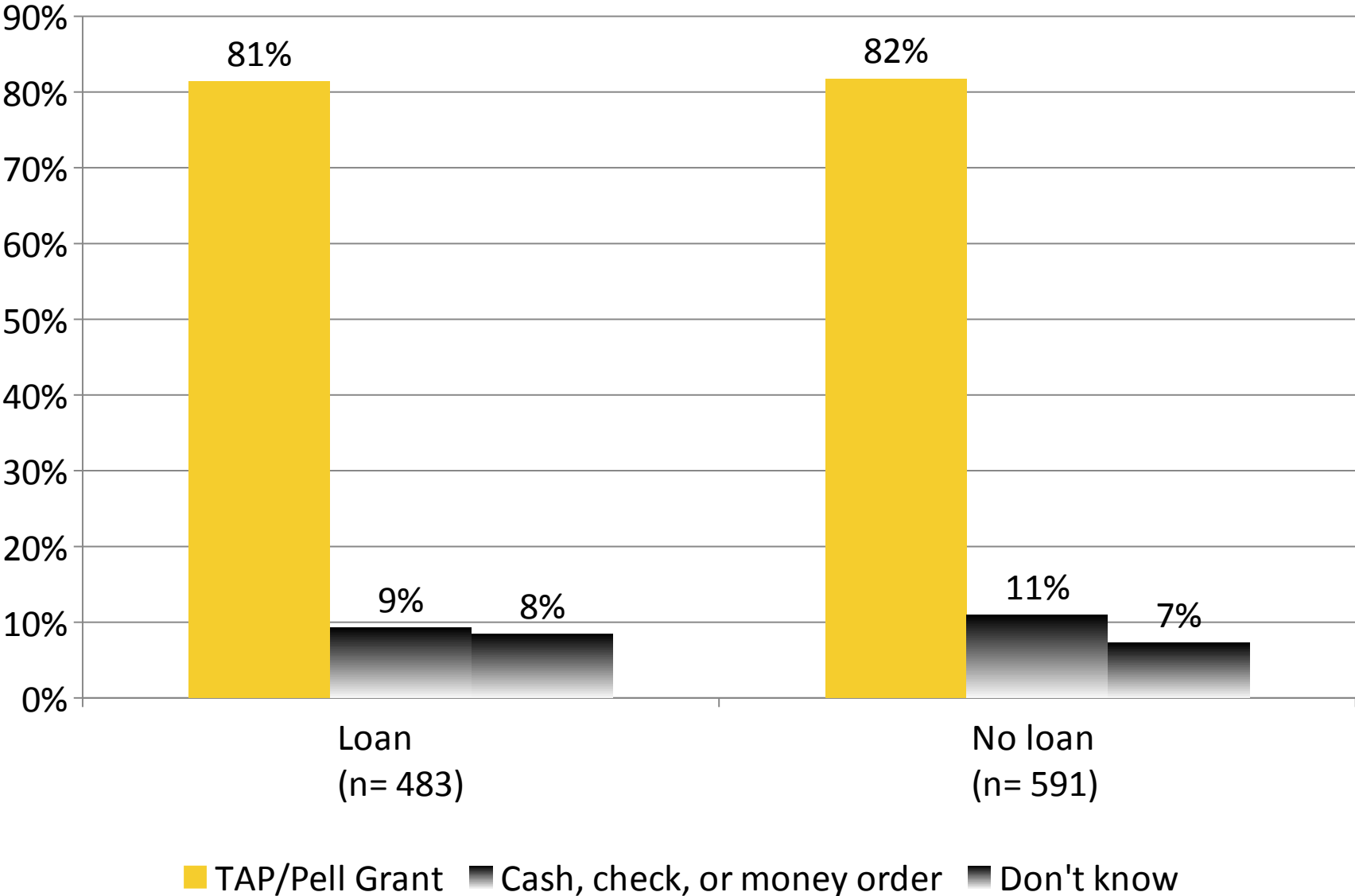
■ Loan (n= 483) ■ No loan (n= 864)

# Institution Type by Loan/No loan





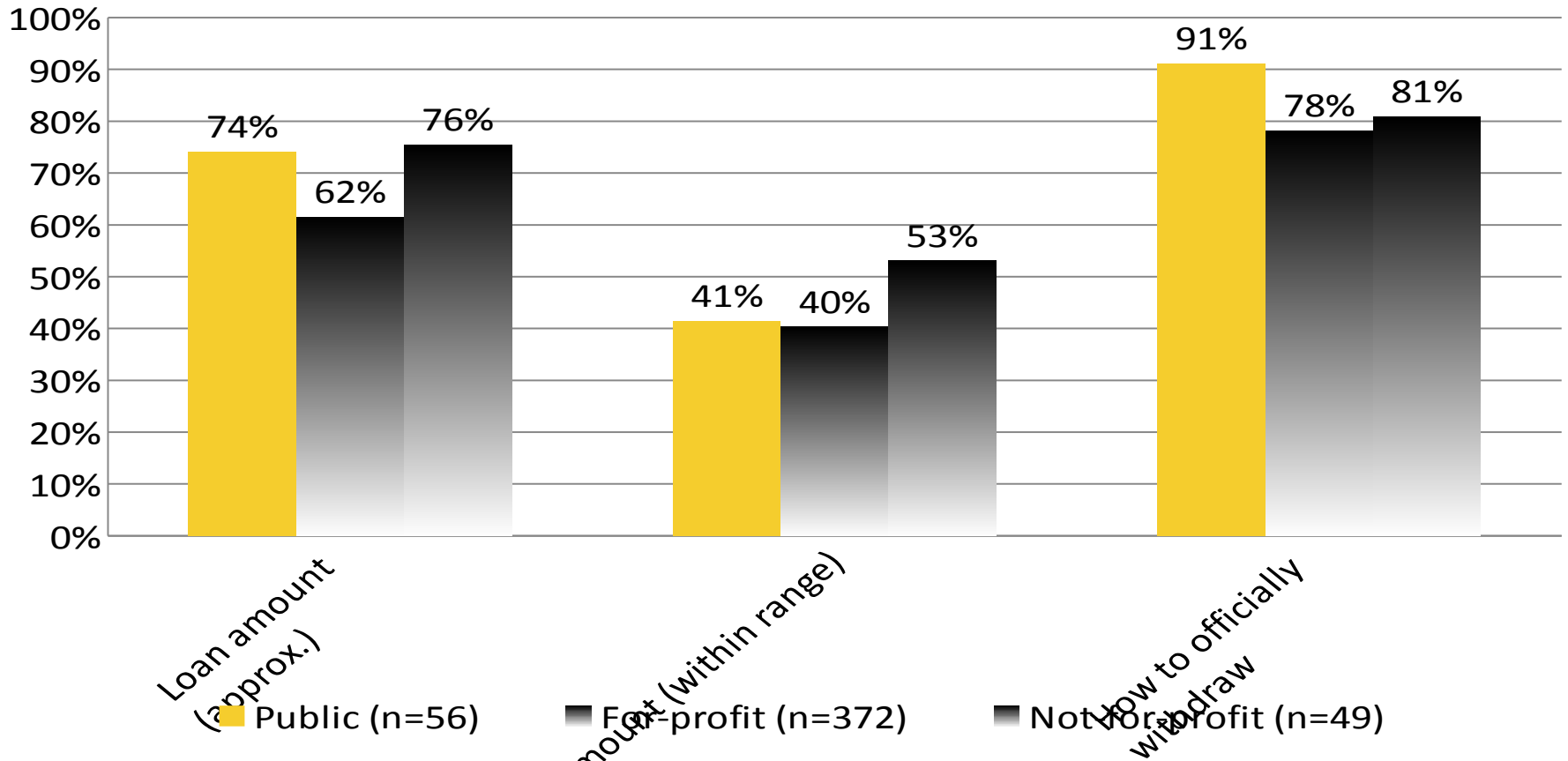
# *Other Payment Methods by Loan/No loan, if program not free*



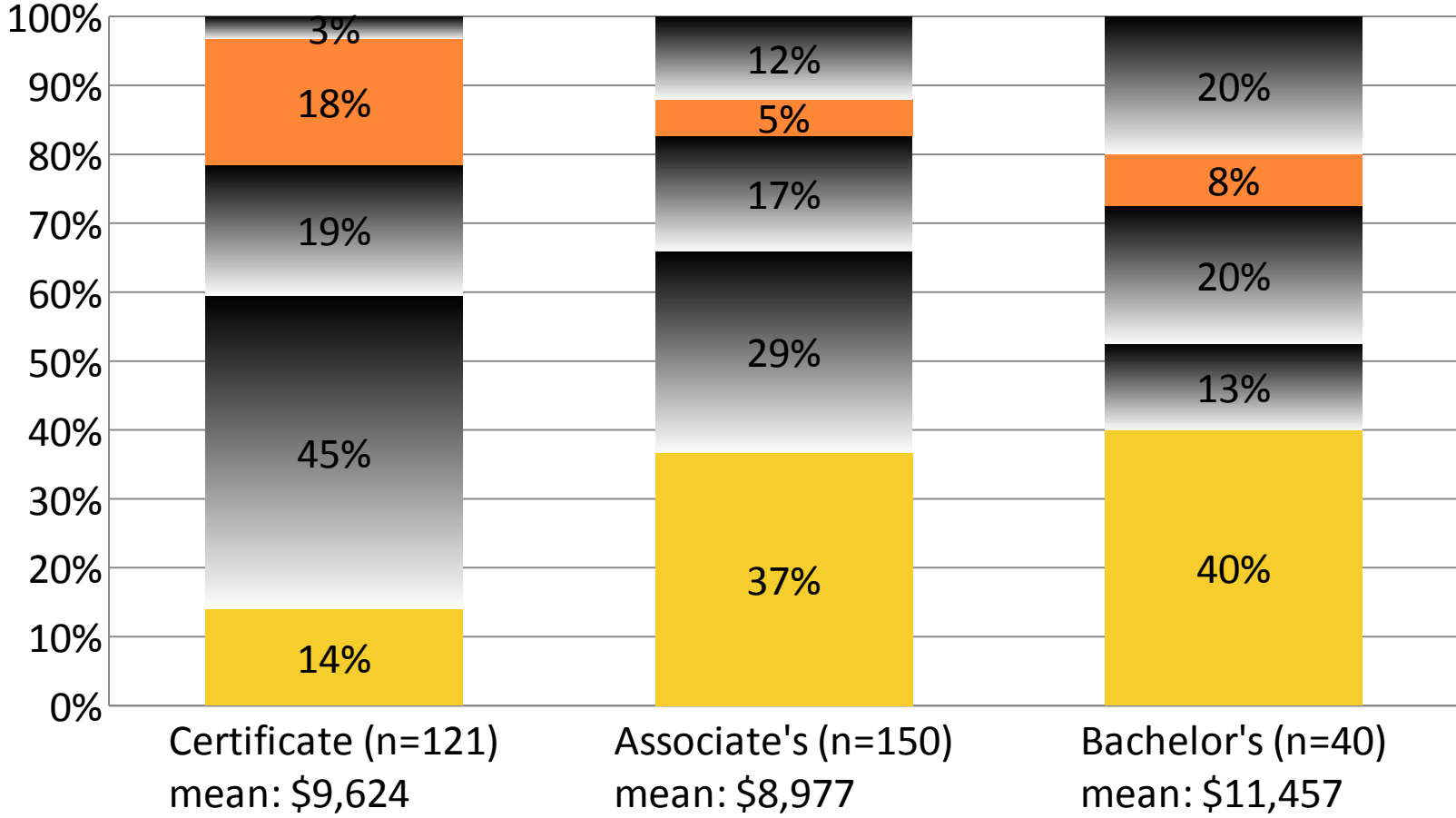
## Table 2. Program Cost by Loan/No loan

|   | Loan<br>(n= 478) | No loan<br>(n= 857) |
|---|------------------|---------------------|
| Free (or < \$100)                                   | N/A              | 31.5%               |
| <i>Approximate cost among all other programs...</i> |                  |                     |
| Don't know  | 20.7%            | 32.6%               |
| Reported by semester                                | 33.7%            | 47.0%               |
| Mean \$ per semester                                | \$5,743          | \$2,927             |
| Reported in total                                   | 45.8%            | 20.3%               |
| Mean total \$                                       | \$16,750         | \$9,763             |

# Among clients with loans, Loan-Related Knowledge by Institution Type



# Among clients with loans *who know loan amount\**, Loan Amount by Program Type

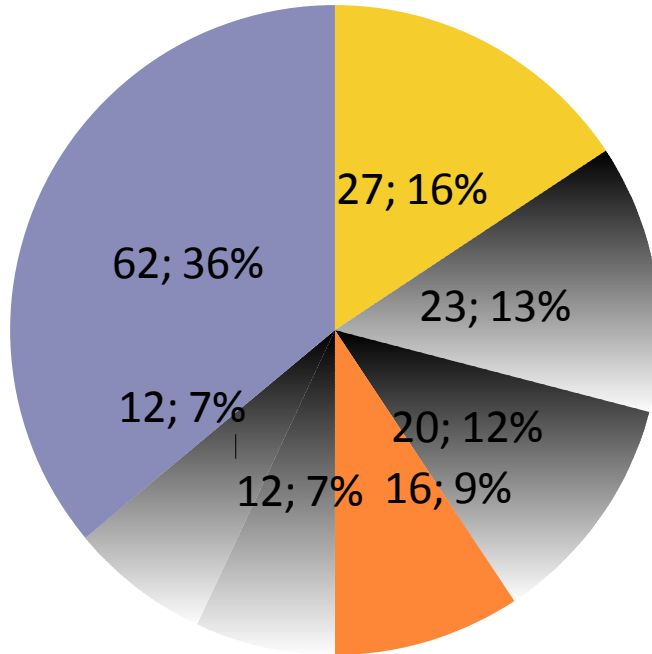


■ \$20,000+   ■ \$15,000-19,999   ■ \$10,000-14,999   ■ \$5,000-9,999   ■ < \$5,000

\*In all, **36%** of respondents with loans did not know the approximate loan amount.

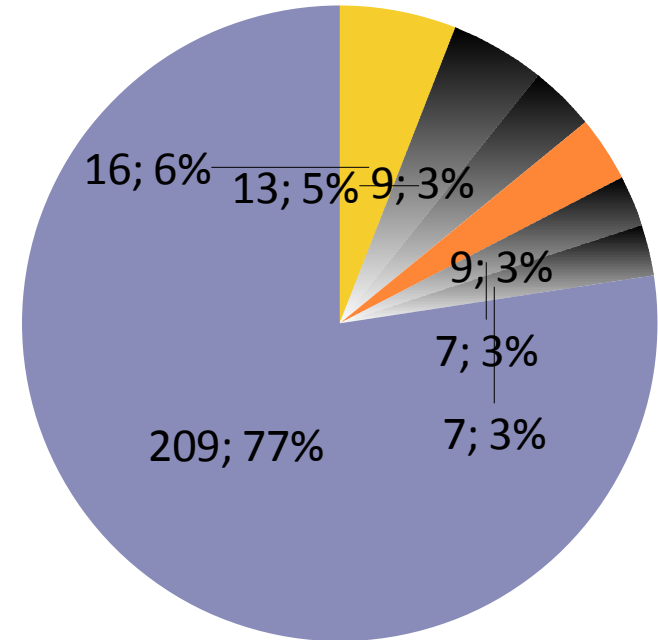
# Certificate Programs: Top Schools among...

**Clients *with* Loans (n=172)**



- Sanford Brown Institute
- Allen School
- Career Inst. of Health & Technology
- Star Career Academy
- Apex Technical School
- Empire Beauty School
- Other

**Clients *without* Loans (n=270)**

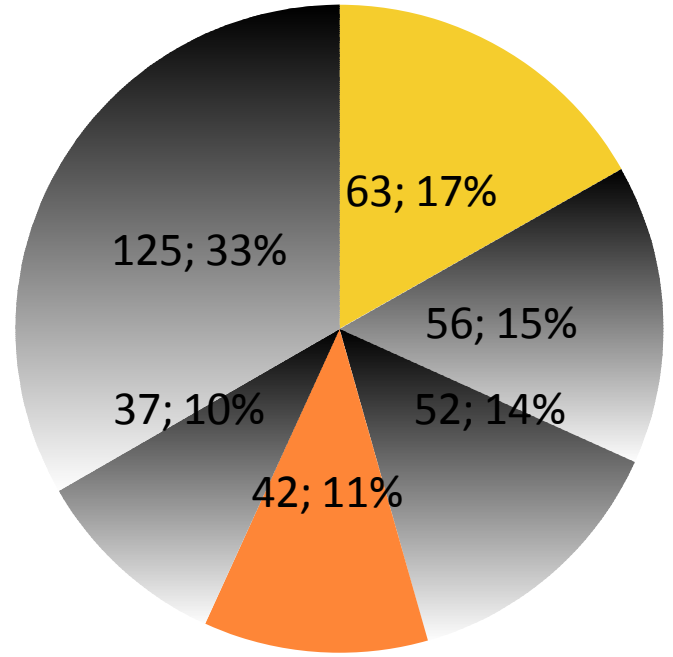
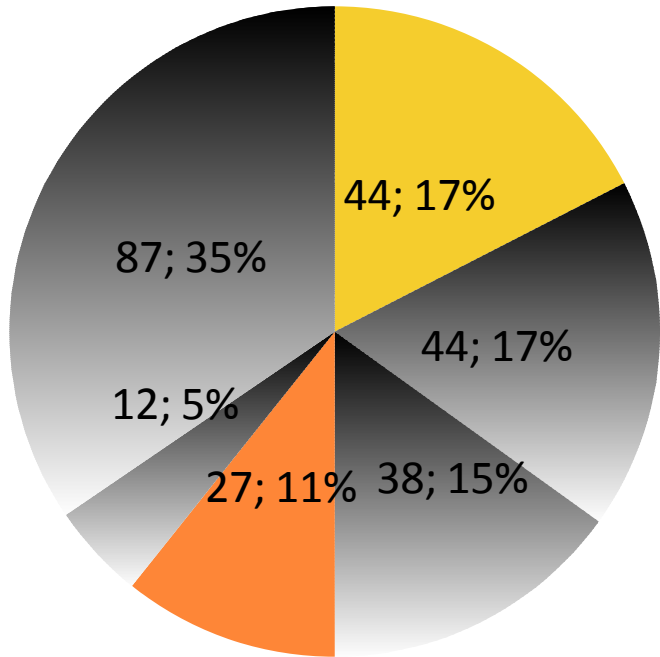


- Global Business Institute
- Franklin Career Institute
- CUNY Bronx EOC
- CUNY Hostos
- Grace Institute
- Manhattan School of Comp. Tech.
- Other

# Associate's Programs: Top Schools among...

**Clients *with* Loans (n=252)**

**Clients *without* Loans (n=375)**



- ASA College
- TCI College
- Monroe College
- Plaza College
- Mandl School
- Other

- CUNY BMCC
- CUNY LaGuardia
- CUNY Bronx Community College
- CUNY Kingsborough
- CUNY Hostos
- Other

# 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.*