



## Veteran Student Loan Debt 7 Years After Implementation of the Post-9/11 GI Bill

In May 2018, we [reported](#) on trends in veteran student loan debt from just before the 2009 implementation of the more generous Post-9/11 GI Bill (2007-08) to 3 years after the new benefit became available (2011-12). Those trends have emerged with greater clarity in the most recent U.S. Department of Education (ED) survey data for the 2015-16 academic year—7 years after veterans first began using the new benefit. This Issue Brief updates our May 2018 findings by examining trends across all three survey data sets—2007-08, 2011-12, and 2015-16. A full set of updated tables and figures are available by clicking [here](#).

### Highlights

- Overall, the generosity of the current Post-9/11 GI Bill is a factor in reducing the need to borrow for those veterans using their education benefits. Moreover, increased use of the more generous Post-9/11 GI Bill may have contributed to the continued decline in borrowing evidenced in survey data from the 2015-16 academic year. According to the Department of Veterans Affairs (VA), the proportion of veterans using the Post-9/11 GI Bill increased from 60% in [FY 2011](#) to almost 90% by [FY 2016](#).<sup>1</sup>
- After a steep decline from 2007-08 to 2011-12, the proportion of veterans taking out *federal loans* at for-profit schools showed little change in 2015-16. However, borrowing by veterans attending 4-year public and nonprofit institutions, which had not changed as dramatically by 2011-12, declined further (see fig. 1). The proportion of veterans taking out federal student loans also declined at 2-year public institutions.
- In contrast to student veterans, the proportion of other independent students with *federal loans* was substantially higher across all sectors from 2007-08 to 2015-16, further evidence that the generosity of the Post-9/11 GI Bill was a factor in the decline in veteran borrowing.
- The proportion of veterans taking out *private loans* declined at for-profit and public 4-year institutions from 2011-12 to 2015-16. There was insufficient data to report on community colleges and non-profit institutions.
- Compared to other sectors, the average cumulative student loan debt of veterans who graduated after earning a bachelor's degree in 2015-16 was about 20% higher at for-profit schools. The proportion of veterans with cumulative debt was the lowest at nonprofit institutions and similar at for-profit and public schools.
- 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 (see our [May 2018](#) recommendations).

### Background

A major goal of the Post-9/11 GI Bill, which modernized veterans' educational benefits, was to provide veterans with the opportunity for 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 ever-increasing costs of higher education. This benefit covers in-state tuition at public institutions and up-to-an annually adjusted cap at private institutions, plus a living and book stipend.

The Post-9/11 benefit design, individual circumstances, and institutional policies can influence the likelihood of veterans' taking out student loans, including:

### Design

- receiving less than 100 percent coverage, which affects about 25 percent of veterans who qualify for the benefit
- not qualifying for in-state tuition at a public school<sup>2</sup>
- exhausting the maximum 36 months of benefits<sup>3</sup>
- enrolling *part-time* or in an *exclusively online* degree program, which reduces the living and book stipends.<sup>4</sup>

### Circumstances

- having previous student loan debt
- finding the housing stipend to be insufficient<sup>5</sup>
- supporting children or having unemployed spouses
- working part-time or being unemployed
- having higher interest rate consumer debt, which can be paid down using lower interest rate federal student loans<sup>6</sup>

### Institutional Policies

- don't participate in the Yellow Ribbon program or participate with limits<sup>7</sup>
- don't participate in the federal student loan program (as is the case with some [community colleges](#))
- well-documented history of some for-profit schools' encouraging veterans, even those with 100% coverage, to sign up for federal loans—"just in case"<sup>8</sup>

By statute, for-profit schools can receive up to 90% of their revenue from Title IV, providing an incentive to recruit military-connected students whose educational benefits are excluded from the cap—the 90/10 loophole. For every \$1 in revenue from military educational benefits, a school can earn an additional \$9 by enrolling students who depend on Title IV to pay for school.

### Methodology

Our analysis relied on data from the National Postsecondary Student Aid Study (NPSAS)—NPSAS:16. The survey is conducted once every 4 years by the Department of Education's National Center for Education Statistics (NCES). The goal of NPSAS, a comprehensive, nationally representative survey, is to determine how students finance their college education. The survey sample contains about 89,000 undergraduate students at more than 1,800 public, nonprofit, and for-profit postsecondary institutions. In addition to student interviews, NPSAS relies on data from institutional and government records.



NPSAS provides a snapshot of the extent to which students, including veterans, receive grants and take out loans in a given academic year. In prior surveys, veteran status was determined using the Free Application for Federal Student Aid and during interviews of survey participants.<sup>9</sup> In 2015-16, NCES matched Social Security numbers from student enrollment data with VA administrative records to identify veterans in its sample.

The survey collects data on any student loans—federal, state, institutional, or private. Fewer than 1 percent of veterans participate in state or institutional loan programs. Some colleges and universities have their own institutional loan programs, which may be funded through endowments, alumni, or corporate gifts. [Private student loans](#) are made by banks and other [institutions](#).

Because veterans are often non-traditional students, that is, older adults who are financially independent from their parents, we also analyzed data on non-veteran independent students, a cohort that ED believes is the most appropriate comparison group for veterans.

Finally, our analysis focused on veteran undergraduate students who are more likely to be first-time college students facing different challenges than veterans pursuing graduate degrees. We also included veterans who are not using the GI Bill because it is not possible to determine their reason for doing so. Although some veterans pursuing a postsecondary degree may not be eligible for the Post-9/11 GI Bill, others may have already exhausted their 36 months of benefits; be using public school tuition waivers or state scholarships for veterans; or, are attending an inexpensive community college and saving their benefits for a planned transfer to a 4-year school.<sup>10</sup>

### Key Findings

- *Profile of veteran students in 2015-16:*
  - just over half (54%) were using benefits—a small decrease from 2011-12 (59%);
  - 54% were enrolled mostly full time, down from 61% in 2011-12;
  - 91% were age 24 or older and 60% were over 30 years old;
  - 46% were married or had dependents;
  - 60% were enrolled in a public institution;
  - compared to 2011-12, veteran enrollment at for-profit schools declined from 23% to 17% while increasing slightly at public and nonprofit institutions.<sup>11</sup>
- *Federal loans.* Forty-two percent of veterans at for-profit schools took out federal loans in 2015-16 compared to about 32% at public 4-year and nonprofit institutions and 11 percent at public 2-year schools. The decline from 2011-12 at for-profit schools was 1 percentage point but borrowing at 4-year public and nonprofits dropped by 6 and 4 percentage points, respectively (see fig. 1). After increasing

from 12% in 2007-08 to 14% in 2011-12, borrowing at 2-year public institutions declined to 11% in 2015-16.

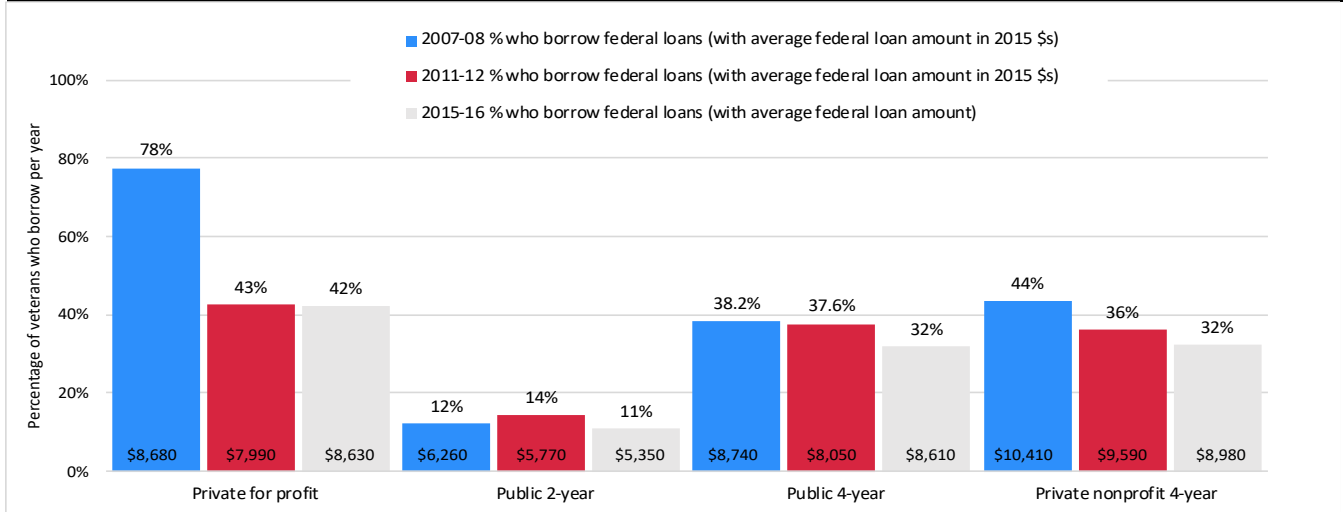
- *Private loans.* Looking at other sources of borrowing, the proportion of veterans taking out private loans declined at for-profit and public 4-year institutions from 2011-12 to 2015-16—from 8.4% to 2.5% at the former and from 3.4% to 2.1% at the latter. Small sample sizes prevent reporting on other sectors. Private student loans have higher interest rates and fewer repayment options than federal loans.
- *Online Enrollment.* About 39% of veterans enrolled at nonprofit institutions are pursuing “exclusively online” programs compared to 41% of veterans at for-profit schools. Among those veterans at public 4-year and 2-year institutions, about 15% and 8%, were enrolled in exclusively online programs, respectively.
- *Pell Grants.* The proportion of veterans receiving Pell Grants in 2015-16 increased considerably at for-profit (6 percentage points) and nonprofit institutions (10 percentage points), but decreased at public 2-year institutions (3 percentage points) and was flat at public 4-year institutions. The average Pell Grant at for-profit, nonprofit, and 4-year publics was similar (about \$3,900) but was lower at community colleges (about \$3,300).<sup>12</sup> From 2007-08 through 2011-12, veteran receipt of such grants had increased across all sectors.
- *Cumulative Debt.* The average cumulative debt of veterans who graduated with a bachelor’s degree in 2015-16 was just over \$31,000 at for-profit schools compared to \$25,000-\$26,000 at public and nonprofit institutions—almost 20% higher. For veterans who earned associate’s degrees, the proportion with cumulative debt was substantially higher at for-profit (66%) compared to public 2-year (49%) institutions, and so was the average amount of debt—\$26,000 compared to about \$17,000, respectively.

### Challenges to Continued Relevance of NPSAS for Sector Analysis

The accelerating trend of for-profit to nonprofit conversions poses a threat to the analysis of sector trends in future iterations of NPSAS. Several smaller for-profit schools converted to nonprofit status between 2001-2013—Herzing University, Remington Colleges, Everglades College, and the Center for Excellence in Higher Education. Since these conversions, several large for-profit companies have also transitioned to nonprofit status (EDMC, Grand Canyon, Kaplan) or are in the process of doing so (Ashford). Each of these schools enroll a substantial number of veterans. These more recent conversions did not affect NPSAS:16 data because they all occurred after the 2015-16 academic year. A Century Foundation report has dubbed such conversions “[covert for-profit](#),” characterizing them as an attempt by for-profit owners to escape federal regulations, such as the 90/10 cap on Title IV revenue or the Gainful Employment regulation, while still benefiting by the contractual services provided to the new nonprofit entity or otherwise operating to the private financial benefit of the owners.



Figure 1: Percentage of Veterans Borrowing Federal Loans and Average Annual Amount by Sector, 2007-08, 2011-12, and 2015-16




Source: NPSAS:08,12,16.

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 and 2011-12 average loan values are in 2015 dollars and are rounded to nearest \$10. Private loans are not reported here.

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<sup>1</sup>See p. 8 of hyperlinked document. Only Montgomery GI Bill, Reserve Educational Assistance Program, and Veterans Educational Assistance Program beneficiaries are not receiving the Post-9/11 benefit.

<sup>2</sup>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.

<sup>3</sup>Veterans must attend full time in order to graduate in 36 months.

<sup>4</sup>Only veterans who attend school full time receive the full living stipend. [Part-time](#) students who take six credits or less receive no stipend and those who take classes entirely online receive half the national average. Until [FY 2012](#), veterans enrolled in exclusively online programs were not eligible for a living stipend.

<sup>5</sup>The stipend is identical for veterans with families and for single veterans who may live with parents or have roommates. Finally, the amount of the monthly living stipend is reduced to reflect periodic interruptions in classes, such as for winter or spring breaks. The timing of the stipend is also problematic. Although rent or mortgage payments are typically due at the beginning of the month, the living stipend is paid at the end of the month.

<sup>6</sup>Veterans' benefits are not taken into consideration when determining eligibility for federal student loans, increasing the amount veterans are eligible to borrow.

<sup>7</sup>Participating schools and VA can cover some or all of the gap between tuition and the benefit for veterans who qualify for 100% coverage.

<sup>8</sup>A clear pattern of veteran complaints about certain for-profit schools suggests that they routinely take out loans for veterans without their consent.

<sup>9</sup>"Just in case" reasons include hiding from the beneficiary that tuition is higher than promised or ensuring that the school gets paid even if the VA tuition payment is delayed. Survey participants were 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?"

<sup>10</sup>Veterans may be ineligible because they were discharged from active duty prior to September 10, 2001, had too few months of qualifying service, or had a less-than-honorable discharge.

<sup>11</sup>Excludes 12 percent of veterans who were enrolled in more than one institution in 2015-16.

<sup>12</sup>According to the 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.