

EXECUTIVE SUMMARY

# Using—and Improving— Federal Student Aid Data Systems to Support Policy Analysis

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## Executive Summary

As the amount of student loans originated each year continues to rise and concerns about loan debt continue to loom large in the minds of the public, policymakers, and advocates, questions about how students finance postsecondary education will continue to rank high among all stakeholders.<sup>1</sup> Management of the U.S. Department of Education's (ED's) federal student aid programs falls to the Office of Federal Student Aid (FSA). In addition to overseeing its trillion-dollar loan portfolio—nearly \$980 billion of which is owned and managed by ED—FSA is responsible for administering almost \$100 billion in new loans and more than \$30 billion in federal grants annually.<sup>2,3</sup>

FSA maintains more than 30 data systems, each in support of the business activities required to successfully operate one of the largest consumer lending and cash transfer operations in the country. Of those 30, four are essential components of the nation's postsecondary data infrastructure. They include the Postsecondary Education Participants System (PEPS), the Central Processing System (CPS), the Common Origination and Disbursement (COD) system, and the National Student Loan Data System (NSLDS). The amount of data housed in these systems is massive; in January 2014, NSLDS alone contained over 30 billion records, and thousands (if not millions) of new transactions occur every day.<sup>4</sup>

These data are a vitally important component of the nation's postsecondary data infrastructure, poised to contribute to our understanding of vexing questions of postsecondary policy and practice:

- ▶ How can federal student aid programs be best leveraged to promote college access?
- ▶ How do these programs affect students' persistence and completion outcomes?
- ▶ After leaving postsecondary education, how do students balance their education debt with other obligations, and how does debt affect their decisions about their personal and professional lives?
- ▶ Finally, how can aid program administration be strengthened to maximize efficiency, reduce waste, and improve student experience?

Unfortunately, FSA's rich data rarely end up in the hands of the policy analysts and academic researchers who could make effective use of them. Those with the greatest access to FSA data systems are employees of ED, who make "routine use" of the data for the business of government, including the administration of the aid programs themselves, planning for the programs' sustainability, and monitoring the health of the student loan portfolio. Colleges and universities and their partners, such as loan servicers and third-party vendors (e.g., the National Student Clearinghouse), also have varying degrees of access due to their role in the administration of aid programs. Others—including policy analysts in state governments, advocacy organizations, membership organizations, and nonprofit research firms—are often not so lucky.

Recent policy studies and efforts at improving consumer information have demonstrated that when FSA data are put in the hands of qualified researchers, guided by compelling questions, they can be incredibly powerful. This includes helping to better understand the possible causes and correlates of student loan default over time, as well as trends in borrowing and repayment among specific populations of students, such as those attending community colleges.

Systematic solutions meeting a variety of analytic goals are needed if FSA data are to make a larger impact in the policy analysis—and policymaking—community. Those solutions exist; they run the gamut from simply making more policy-relevant tabular data available through existing distribution channels, such as the FSA Data Center, to adopting models, like the Census Research Data Center (RDC), that move data from warehouse to storefront in a secure fashion. Specific solutions include the following:

- ▶ Develop a systematic process for soliciting feedback about the types of FSA data-based analyses that would benefit policymakers and analysts, and posting the resulting information to the FSA Data Center.
- ▶ Improve the usefulness of existing NSLDS-based reports provided to campus-based aid administrators, ensuring their contents support local research designed to improve the management of aid programs.

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- ▶ Build the capacity of the nascent FSA Data Office to respond to more complex research requests, and making explicit FSA's commitment to supporting research designed to improve aid administration and policymaking.
- ▶ Leverage ED's existing *PowerStats* web tool to facilitate secure analysis of new or existing extracts from FSA data systems.
- ▶ Use ED's existing restricted-use data licensing process to make FSA data extracts or ED policy analysis tools (e.g., Pell Estimation Model) available to qualified researchers.
- ▶ Explore whether access to ED's new Enterprise Data Warehouse, which brings together data from several key FSA systems, might be possible under the Census Bureau's RDC model.

In a data environment where an increasing amount of information is in the hands of qualified analysts—be it through state longitudinal data systems, federated student unit record systems operating on a regional basis, improved use of National Center for Education Statistics (NCES) sample surveys, or further leveraging proprietary data systems like those held by the National Student Clearinghouse—today's limited access to the information housed in FSA data systems

cannot continue. Too many researchers are already arguing to too many stakeholders that *their* critical question could be answered if only they had better data from the Department, and too many important questions about policy and practice have gone unanswered because these data are unavailable. External political pressure will only continue to grow, and may have already become too great to ignore. FSA, well aware of the situation it finds itself in, must act now to find the most effective, efficient, and privacy-protected ways to make information available to those calling for it—and then let them know their voices have been heard.

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- 1 U.S. Department of Education. (2016). *Student aid administration: Fiscal year 2017 budget request*. Retrieved from <http://www2.ed.gov/about/overview/budget/budget17/justifications/y-saa.pdf>
  - 2 According to the Fiscal Year 2015 Federal Student Aid Annual Report, "Federal Student Aid has oversight responsibilities for over \$1.2 trillion in federal student loans, of which approximately \$979.0 billion is directly owned and managed by FSA." Office of Federal Student Aid, U.S. Department of Education. (2015). *Annual report FY 2015*. Retrieved from [https://studentaid.ed.gov/sa/sites/default/files/FY\\_2015\\_FSA\\_Annual\\_Report\\_official.pdf](https://studentaid.ed.gov/sa/sites/default/files/FY_2015_FSA_Annual_Report_official.pdf)
  - 3 Ibid.
  - 4 See Looney, A., & Yannelis, C. (2015). *A crisis in student loans? How changes in the characteristics of borrowers and in the institutions they attended contributed to rising loan defaults*. Retrieved from Brookings Papers on Economic Activity website: [http://www.brookings.edu/~media/projects/bpea/fall-2015\\_embargoed/conferencedraft\\_looneyyannelis\\_studentloandefaults.pdf](http://www.brookings.edu/~media/projects/bpea/fall-2015_embargoed/conferencedraft_looneyyannelis_studentloandefaults.pdf)

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