

MEMORANDUM

UNITED STATES DEPARTMENT OF EDUCATION
Institute of Education Sciences
National Center for Education Statistics

To: Shelly Martinez, Senior Statistician, Statistical and Science Policy Office, OMB

From: Thomas Weko, Associate Commissioner, Postsecondary Studies Division, NCES

Subject: Reweighting National Postsecondary Student Aid Study Student Loan Estimates

Date: 16 July 16, 2009

To yield estimates that are nationally representative, the NPSAS weighting process uses national program totals as control totals. For student financial aid, the largest single program—in terms of the number of students affected as well as the dollars involved—is the Federal Stafford loan program. Therefore, having accurate data on the dollar amounts of Stafford loans by loan type, institution type, and graduate/ undergraduate level is crucial for weighting Stafford borrowing in the survey. Prior to NPSAS: 08, the dollars used for these weights were the gross loan commitments collected by the Department of Education. For NPSAS: 08, we decided to use net disbursements instead, because they more accurately reflect the amount of money students are actually borrowing. For 2007-2008 the overall difference between these two measures, gross and net, is about 18 percent, or \$10 billion.

Why Do Commitments and Disbursements Differ?

Gross commitments are the amounts that schools and lenders expect to award to students based on their loan applications. This number is available near the beginning of the lending process and is very important for an early gauge of how much capital lenders will need and how much money is expected to flow from lenders to schools. Loan funds are given out throughout the loan period (usually the term or semester), not all at once, so the net disbursements are the running total of how much has actually gone to students. Funds must flow from the lender to the school and then to the student. In each step there is some drop-off in amounts as students change their minds about whether or how much to borrow, decide not to enroll or drop out, forget to pick up their checks, or a myriad of other reasons. Deadlines usually keep students from suddenly deciding to borrow, but that can happen as well. Mistakes are corrected, amounts are reconciled, and, in the end, the amount that has been disbursed is less than originally posted.

Why change now?

The National Postsecondary Student Aid Study was developed in response to requests from ED budget and policy officials and OMB that NCES provide data to support federal student aid policymaking. To ensure that NPSAS is relevant to federal policymaking, NCES Postsecondary Studies has assigned high priority to releasing NPSAS on a timely basis, targeting its quadrennial release to support the work of each incoming (or, returning) administration.

When NPSAS began using Stafford loan totals for poststratification in 1995-1996, a decision was taken to use gross commitment data for poststratification, based on the view that gross commitment data were (a) timely; (b) widely used; and (c) an accurate measure of what students actually borrow and apply to schooling costs.

Net disbursement amounts are available only after accounts between schools, lenders, and the Department of Education have all been reconciled. In 1995-1996 this number was not available to the Department (and NPSAS) until an annual reconciliation of accounts took place. Gross commitment data were used because they permitted NPSAS data to reach policymakers only seven months after the June 30th close of the federal student aid year. Gross commitments were the norm for reporting on lending totals: the student loan industry and schools typically used the gross commitment numbers to indicate loan volume. Moreover, gross commitments and disbursements were not widely different from one another.

Much has changed since 1995. A new Federal loan data collection system was implemented in 1994, and in the years following disbursement data gradually became more swiftly available and usable. The Department now collects these data weekly through electronic means, and the net disbursement data are more readily available after the award period ends. Industry practice is changing as well. Lenders and others now publish both gross commitments and net disbursements, and disbursement totals are now understood to be the best measure of actual student borrowing (e.g. In 2008 The College Board has shifted from reporting commitments to disbursements in its annual Trends in Student Aid publication). Most important, the gap between commitments and disbursements has gradually been growing, reaching 17.6 percent for 2007-2008.

In light of these changes, NCES decided that it was no longer acceptable to use loan commitments as a control total for poststratification. To ensure consistency in methodology and comparability of findings, which is especially important for trend analysis, we decided that the data from earlier NPSAS cycles should be reweighted, using Stafford loan disbursement totals for the poststratification process.

In June of 2009, NPSAS: 04 weights were adjusted to sum to the total Stafford loan net disbursements, making them comparable to NPSAS: 08. The revised NPSAS: 04 weights will produce estimates that differ from the estimates in any tables and publications produced before June 2009. Using the revised weights has the largest effect on estimates of average Stafford loan amounts, and therefore on estimates of averages of all composite financial aid variables that include Stafford loans, such as total loans, total aid, and cumulative loans. For undergraduates, the revised NPSAS:04 weights reduced the average Stafford loan amount by about \$600, reduced the average total loan amount by about \$500, reduced the average amount of total aid by about \$300, and reduced the cumulative amount ever borrowed by about \$800.

NPSAS data users have been advised by email, the NPSAS website, and the DAS website that reliable Stafford comparisons between earlier years (1996 and 2000) and 2004 and 2008 cannot be made until reweighting is completed. Revised weights for NPSAS: 2000 and NPSAS: 1996 will be made available in September and October 2009, respectively. The revised weights will be announced at the NPSAS website and at the DAS website.