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STUDENT LOAN DEFAULT RATES AS A FUNCTION OF AVAILABILITY
OF COLLEGE CAREER DEVELOPMENT SERVICE INTERVENTIONS

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IN

HIGHER EDUCATION AND ORGANIZATIONAL CHANGE

BY

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Abstract

The cost of a college education is skyrocketing. Those pursuing their college degree are borrowing more money both through federally guaranteed as well as private student loans. Jobs, even for college graduates are difficult to find. Graduates able to find a job related to their field of study are not finding the salaries that they anticipated prior to choosing a field of study. Increasing percentages of student loans are falling into default. Post-secondary educational institutions are looking for ways to prevent student loan default to avoid significant penalties to be imposed by federal government enforcement of the Gainful Employment Act of 2011. The question was whether focusing effort on certain interventions provided to students through their institution's career development center would have an effect on the institution's student loan default rate. This quantitative study obtained data from responses ($n=313$) to a survey sent to career development centers at four-year, degree granting, regionally accredited post-secondary institutions within the United States and her territories ($n=1430$). Using intervention categories and definitions (Spokane, 1991), career development staff were asked to provide information on the frequency of interventions provided to students in order to develop a predictor model using forward stepwise regression. This model indicated those interventions that have the greatest effect on lowering institutional student loan default rates.

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CHAPTER 1: STATEMENT OF THE PROBLEM

American students are graduating from postsecondary educational institutions with increasingly larger amounts of student loan debt (The Project on Student Debt, 2010). Increasing educational expenses along with increasing unemployment levels among graduates lends implication to a connection to the increase in the number of student loans falling into default status (Ryman, 2010, Curran, 2011, U.S. Department of Education, 2011). Credit scores of those persons defaulting on their Title IV funded subsidized and unsubsidized student loans are detrimentally affected, creating barriers to adequate housing, gainful employment, and credit credibility. Annual cohort default rate reports published by the U.S. Department of Education indicate that defaults on Title IV-funded student loans are at their highest level since 1997.

Default is defined by the Higher Education Act of 1965 when non-payment on a student loan currently in re-payment status has persisted for 270 days in the case of a loan repayable in monthly installments. For those Title IV student loans which are repayable in less frequent installments, a loan is considered to default when non-payment has persisted for 330 days (Schlam, 2004). Reporting on the 2009 cohort default rate of 9%, the U.S. Department of Education (2011) indicates this rate has more than doubled since 2004's default rate of 4%. Among the three major categories of institutions of higher education (public, private not-for-profit, and proprietary), the largest percentage of default appears within proprietary institutions at 15%. The American public is demanding

accountability from the federal government, the debtors, and the institutions of higher education.

What is Being Done to Provide a Solution to Rising Student Loan Default Rates?

The United States government, being the guarantor of student loans to the lenders is ultimately paying the price for the increasing number of student loan defaults. Calls for accountability have resulted in new legislation and more user-friendly payment alternatives.

Recent actions on the part of Congress and most recently, executive action on the part of President Barack Obama have presented attempts to create a more conciliatory relationship between debtors and lenders as well as requiring development of methods for which institutions of higher education provide accountability for Title IV funding.

The recently enacted gainful employment legislation (2010) has faced criticism due to its initial focus on proprietary institutions of higher education, however the legislative rhetoric may lend way to including all institutions of higher education. Title IV of the Higher Education Act of 1965 defines gainful employment as an end requirement for proprietary school programs that are not listed as liberal arts as well as non-degreed vocational programs at not-for-profit postsecondary educational institutions that prepare students for recognized occupations (Epstein, 2010). This regulation is expected to impose consequences to those institutions with a default rate of 25% or more for three consecutive years – those consequences being the loss of the institution’s ability to participate in the federal student loan program (U.S. Department of Education, 2010). Further congressional action involves revision of the repayment plans for student loans, providing monthly payments becoming contingent on the borrower’s income. Representative Hansen Clark (D-MI) has drafted a resolution proposing a blanket

forgiveness plan for those currently holding Title IV guaranteed student loans (among other types of personal debt) (H.Res.365, 2012).

On October 26, 2011, President Barack Obama presented the terms of an executive action set to lower the cap on student loan payments, allow for consolidation of student loans, and provide for loan balance forgiveness after 20 years (Field, 2011).

These actions do not address the root of the student loan default rate issue.

Understanding Student Loan Debt

Previous research on the subject of increasing student loan default rates has focused primarily on personal characteristics of those who default on their student loans, attributing those characteristics into a category of those most likely to enter into default status. Volkwein, Szelest, Cabrera, and Napierski-Prancl (1998) found that common factors for those borrowers who eventually fell into default status on their student loans included low GPA, having been placed on financial aid suspension or probation, having attended the institution less than two semesters, and course failure. Other factors such as race/ethnicity, socio-economic status, the student's age at graduation or separation, level of degree, and type of degree all factor into the likelihood of a student's propensity to default on their student loan debt.

At issue, however is questioning what measures may be undertaken to prevent borrowers defaulting on their student loans. While demographic predisposition may be a prevalent underlying factor, it is not controllable by institutions of higher education. These same institutions have services at their disposal to identify students who are more likely to fall into default status, and the ability to intervene to assist those students during times of crisis. This study will focus on career development services.

Career counseling is defined by Spokane as “any activity designed to enhance an individual’s ability to make improved career decisions” (1991, p. 17). Traditional interventions include both individual and group counseling sessions where goals are set and followed, various career and self-assessment inventories are taken, analyzed, and results discussed. Interventions may also include role play, identifying role models, group discussions, job shadowing, assisting students with securing internships related to their chosen field of study, and teaching job seeking skills e.g., resume writing, interviewing skills, appropriate attire.

Students enter institutions of higher education with the expectation that their studies and degrees will enhance their abilities to enter into a career and provide them with lucrative incomes (Shearer, 2009, Lattuca, 2009, Curran, 2010).

Research Question

Does the pattern of career support and development offered by the career development departments of postsecondary educational institutions account for the student loan default rate for those institutions?

Hypothesis

- I. Hypothesis: Through offering specific patterns of career interventions, postsecondary educational institutions will be able to estimate their student loan default rate in order to remain compliant with Title IV federal student financial aid regulations.

Significance of this Study

This study tested the author’s expectation that a particular pattern of high-utility career interventions with college students will result in reduced loan default rates of

college graduates. A benefit of this study would be to provide guidance to institutions seeking to develop career service programs to support compliance with new federal regulations related to gainful employment. In addition, it adds to the literature on the relative effectiveness of various career interventions.

CHAPTER 2: A REVIEW OF THE LITERATURE

According to Ryman (2010), increasing tuition rates are leading to increased student loan debt. Pell and Monetary Award Program (MAP) grant funds are becoming exhausted due to increasing student enrollment at institutions of higher education. Students who meet the income levels prescribed by the federal government often seek governmentally subsidized (and unsubsidized) Stafford loans and private student loans to bridge the gap between college expenses and available financial aid. Unemployment rates for recent college graduates are on the increase, with a reported increase in unemployment rates for recent college graduates of 56% in a three-year period from 2008 – 2011 (Curran, 2011). These two trends increasing college tuition costs and attendant increases in student loan levels, and increasing difficulty in obtaining adequate jobs after graduation from college interact to make it more difficult for individuals to repay student loans following graduation. Thus, student loan defaults are increasing (U.S. Department of Education, 2011). Naturally, lenders and particularly the federal government, which insures these loans as the lender of last resort, are concerned with these trends. As such, the federal government monitors loan repayment rates through “gainful employment regulations.” These may spur institutions of higher education to seek ways to boost loan repayment rates; logically, these efforts may focus on career interventions designed to boost employment of graduates.

Before turning to the literature review proper, we might consider some of the big picture factors that may affect how students pay for college, as well as how colleges

approach payers and lenders. Changes in this big picture are the primary drivers of how higher education institutions may attempt to improve economic outcomes of graduates.

In order to understand how American higher education has reached this point, one need only to look at the history of government involvement in making college education accessible to all persons in the United States. Government involvement in financial aid has been a relatively recent event in the course of higher education in this country's history. It is through understanding how the history of accessibility to college education has progressed from the privileged few in the beginnings of U.S. higher education to opening doors for students of all socio-economic classes that we begin to comprehend the importance of maintaining and improving government financial aid and government sponsored student loans. This includes understanding the circumstances that lead some persons who have taken on student loan debt to default on their obligations. This literature review will address these various topics.

Student Loans and Default Rate

Students and parents typically borrow through the federal government's subsidized and unsubsidized Stafford loans, Parent Plus loans, and privately funded loans (which are unsubsidized and borrowed at market rate) in order to pay the additional cost of a college education not covered by government and private grants. These costs include tuition, books, supplies, fees, living expenses (for either on- or off-campus housing), personal expenses, and transportation (Rifken & McKinney, 1996). Students and their families are becoming increasingly indebted as borrowing becomes a larger component of financing a college education exceeding even the contributions of governmental, institutional, foundational, and private grants and scholarships (Dowd, 2008).

Student Loans: A Brief History

Historically, student loans are a recent development. In the beginning of American higher education, typically only the wealthiest or most connected white males would enter through the doors of primarily church sponsored colleges. Their college educations would usually steer them into the ministry, teaching, some professions, or, in some cases, governmental roles (Archibald, 2002). Costs were typically covered by wealthy families or, in whole or in part by religious institutions. Public colleges began to spread in the nineteenth century, spurred by passage of the Morrill-Wade Land Grant College Act of 1862. Access to education of all sorts—K-12 and into higher education—increased through the latter part of the nineteenth century and into the first half of the twentieth century, but from the perspective of the student, it was almost exclusively a “cash and carry” affair.

World War II changed this. Returning soldiers who fought abroad in that war often took advantage of the Serviceman’s Readjustment Act of 1944 (more popularly known as the G.I. Bill). The coming of the Baby Boomer generation (1947-1963) created further demand for continued and increasing access to postsecondary educational opportunities. However, through all of this, the United States government sought to steer clear of becoming involved with any offer of (outright) financial aid.

Although the G.I. Bill appeared outwardly to be a form of federal financial aid, in fact, it was not. The G.I. Bill was a form of deferred compensation for those enlisted men and women in World War II (Archibald, 2002). However, the success of those veterans attending college under the G.I. Bill paved the way for further inquiries into a federal financial aid program. The U.S. President’s Commission on Higher Education (1947)

indicated their vision that each citizen of the United States of America should have access to a college education regardless of their socio-economic status, race, creed, color, sex, national origin, or ancestry. This same commission proposed a federally funded, need-based scholarship program which provided access to a college education for all regardless of their socio-economic class.

It was not until 1958 that the United States Congress enacted the National Defense Student Loan Program (Perkins Loan) in response to a generalized fear that the United States was falling behind other countries (specifically the USSR) in science and engineering education (Archibald, 2002). Eight years later, following the election of Lyndon Baines Johnson to the U.S. Presidency, Congress enacted the largest legislation at that point directed toward federal funding for postsecondary education of its citizens.

The Higher Education Act (HEA) of 1965 paved the way through its eight articles for funding various aspects of U.S. institutions of higher education. Title IV funding was specifically designated for student financial assistance. The four parts of Title IV funding bound together previously passed legislation for student aid. Title IV included grants (Part A), federally guaranteed (subsidized) student loans (Part B), relocating the work-study program originally enacted under the Economic Opportunity Act of 1964 (Part C), and the National Defense Student Loan Program (Part D) (Schlam, 2004). Thus, greater assurance of access to public resources for minority groups and the poor (spurred by civil rights and anti-poverty legislation) led to increased expectations that education—including higher education—is by right for everyone.

In 1972, a reauthorization of the 1965 HEA was passed through the U.S. Congress. Within its text, the reauthorization provided not only a new, federally funded

grant program (Pell Grant) but also changed the designation of institution of higher education to that of postsecondary educational institutions. This change of terminology created a wider selection of educational outlets for students from colleges and universities sponsored by state governments and churches to opening the doors for proprietary institutions (for-profit colleges and universities, and vocationally focused institutions) (Archibald, 2002).

Higher education became increasingly accessible with the advent of the unsubsidized Stafford Loan and the increase of the limits on student borrowing. The U.S. Congress passed the 1992 Reauthorization of the Higher Education Act, which created availability of non-need-based federal loan money for all students, as well as broadening the requirements for subsidized student loans. Easier access to these monies created a large influx from 1990 to 1996 of over two million additional students receiving loans (Sommers, Hollis, & Stokes, 2000).

Since the passage of the 1992 Reauthorization of the Higher Education Act students and their families are taking on increasing amounts of debt to finance college educations. The increased debt load for newly graduated students is creating its own set of troubles. The graduating class of 2009 held an average student loan debt of \$24,000 yet graduated with the highest recorded unemployment rates for college graduates increasing from 6% in 2008 to 9% in 2009; this was the highest annual rate recorded to this date for college graduates between the ages of 20-24 years old (The Project on Student Debt, 2010). The graduating class of 2010 held an average student loan debt of \$25,250 – a 5% increase from the class of 2009 (The Project on Student Debt, 2011). The Project on Student Debt (2010) indicates that on a nation-wide college population the

highest student loan debt occurred on the eastern area of the United States while the lowest student loan debt occurred in the western states. The United States Department of Education through its National Center for Education Statistics (2010) provides that the number of undergraduates using subsidized and unsubsidized Stafford loans have steadily increased between the academic years of 1989 and 2008. Beginning in the 1989-1990 academic year (AY), 19% of the undergraduates studying at four-year public institutions of higher education borrowed an average of \$2,300 in subsidized and unsubsidized federal loans for their educational expenses. That figure has steadily increased from that point to 41% of undergraduates studying at four-year public institutions of higher education borrowing an average of \$5,000 during AY 2007-2008. There are similarly equivalent increases in undergraduate student borrowing for educational expenses incurred in other categories of institutions of higher education.

The largest percentage of undergraduate students using federally funded student loans to pay for their educational expenses comes from proprietary institutions of higher education – reflected in AY 1989-1990 at 63% borrowing an average of \$2,900 increasing to 88% of students during AY 2007-2008 borrowing an average of \$5,500. Private, not-for-profit four-year institutions of higher education fare somewhere in the middle of their public and proprietary counterparts with percentages during AY 1989-1990 of 31% of undergraduate students borrowing an average of \$2,700 increasing to 54% of undergraduate students borrowing an average of \$5,200 for AY 2007-2008 (Wei, 2010).

The increasing amount of student debt, the failing global economy, and high unemployment rates for new graduates are among some of the factors being blamed for

an increase in the default rates for student loans. The U.S. Department of Education indicates the default rate for student loans in all sectors of higher education in AY 2007-2008 was 7% - an increase of .3% over AY 2006-2007 rates (Glickman, 2010). Nationwide, the 2008 cohort student loan default rate recorded in 2010 has steadily increased to its highest rate since 1997, recording default at 7%. This rate indicates an increase of .3% over FY 2007, and an increase from the FY 2004 default rate (5%) of 3% or a nearly 57% increase in four years (U.S. Department of Education, 2010).

Aside from economic factors that affect student loan default rates, it has been long suspected that certain characteristics of borrowers may also be attributable to their likelihood to default on student loans. Volkwein, Szelest, Cabrera, and Napierski-Prancl (1998) described various characteristics of those persons who default on their student loans. They examined different aspects of borrowers' college experience such as the institutional type attended, GPA, and field of study. Also included were such categories as whether or not the student lived and worked on campus during their attendance, the number of semesters attended, withdrawal status during a semester, whether there were any incidences of the borrower facing academic suspension or suspension of financial aid, total indebtedness once separated from the institution (through graduation or withdrawal), and the monetary amount of student loans upon default. The data indicated that common factors in those borrowers who eventually fell into default status on their student loans included low GPA, having been placed on financial aid suspension or probation, having attended the institution less than two semesters, and course failure. Christman (2000), and Volkwein and Cabrera (1993) generalized the payment behaviors among those most likely to default on their student loan debt. Elements such as

race/ethnicity, socio-economic status, the student's age at graduation or separation, level of degree, and type of degree all factor in to the likelihood to default on one's student loan (Volkwein, et al, 1998).

Major indicators of likelihood of student loan default are GPA and degree completion. Poor academic performance of a student can affect that student's educational opportunities and may lead to a higher potential of student loan default resulting from the student's withdrawal from the institution either voluntarily or due to academic or financial aid suspension. Persistence leading to degree completion reduces the probability of student loan default (Volkwein, et al., 1998; Nelson, 2011).

Questions have been raised as to the possibility that an institution's own characteristics are such that they might affect or have an impact on individuals' likelihood to default on their student loans. Volkwein and Cabrera (1993) sought an answer to whether institutional characteristics might have a direct impact on student loan default among ethnic minorities. Volkwein et al. (1998) suggested that an institution's characteristics and the fit relationship between an institution and its students have definitive influences on student outcomes in the form of career choices, income, and career success. They categorized initial institutional characteristics as structural or functional (proprietary, 2-year college, 4-year college, and doctoral university). They found that based upon these particular institutional characteristics and characteristics of student categories (race, socioeconomic class, parental education levels) there is only a modest correlation of institutional impact on student loan default. Previous empirical studies to which Volkwein et al. (1998) compared their findings indicated that an institution's size, cost, highest degree offered, and institutional category had no impact on

the likelihood of a student defaulting on their loans when taking into account student characteristics.

The conclusion suggested that institutional characteristics are not influences on whether a student will default on their loans (Volkwein & Cabrera, 1993). Cohn and Geske (1990) suggest that the field of study and levels of training exhibit great influences upon loan repayment and default probabilities. Christman (2000) states that the American public believes that institutions of higher education must be accountable for increasing student loan default rates. The American public holds the institutions accountable for their influences upon former students in encouraging students to maintain a healthy repayment status on their student loans. The federal government also holds high expectations that the institutions of higher education are able to control and influence certain aspects of their students' default rate through financial aid counseling by assisting the students to understand their obligations to repay their student loan debt according to the promissory notes signed for their loans.

There has been no indication of increased likelihood of student loan default based upon a student's individual indebtedness level. Higher student loan debt typically indicates a higher level of degree attainment and therefore an increased likelihood that that student will have the competitive edge when it comes to securing a stable, lucrative position within their field of expertise (Volkwein & Cabrera, 1993).

The National Association of Student Financial Aid Administrators' 2010-2011 environmental scan indicates four events or trends that are currently affecting financial aid: 1) The return on investment for those investing in a postsecondary education in terms of employability and earnings potential remains greater than those who do not invest in or

persist and graduate from a postsecondary institution of higher education; 2)

Environmental challenges in 2004-2005 continue to affect the economic climate today including the economic slowdown that resulted in the Great Recession of 2008 and America's fight against terrorism; 3) Increasing reliance on student loans to pay for postsecondary educations, increasing costs of attendance, and reduced ability for familial financial support; and 4) Changes in current regulations and implementation of new regulations (i.e. gainful employment legislation).

In the current higher education environment, the level of indebtedness does not necessarily indicate higher levels of degree attainment. There are concerns that some proprietary institutions of higher education may be using unethical recruitment tactics, enticing predominantly low-income students into educational programs which do not qualify for necessary certifications or licensures required for employment in those fields. As a result, students either graduate from that institution without proper, legal licensure or certification required to secure employment in that field or leave the institution without graduating yet still bearing the responsibility for the student loan debt incurred with no immediate way to successfully enter repayment (USGAO. 2009). This behavior has negatively impacted the federal student loan programs and negatively affected the reputations of otherwise reputable proprietary institutions of higher education as a result of the premise of guilt by association.

The influx of monies resulting from federal and state grants and Stafford loans into the system of higher education places the issue of accountability to the country's taxpayers squarely into the hands of those institutions benefitting from receipt of those funds. The question of accountability involves the coordination of services in institutions

of higher education that would 1) provide students with the skills to secure gainful employment; 2) enable students to assess their obligations and abilities in repaying student loans; 3) allow students to assess their career direction at the beginning of their educational career and; 4) create student awareness of the marketability and income potential for each field of study to justify the amount of debt incurred by the student.

Sources of Default Rate Data

Numerous organizations provide up-to-date information and data regarding the student loan default rate, and other organizations conducting and publishing research and opinions based upon the data sets.

The United States Department of Education provides current and past data beginning in the early 1980s that reflect not only the cohort rates for student loan default, but also report on the student loan default rates of individual institutions of higher education. Initial reporting for the cohort rates are based on two-year calculations, however, in 2014, student loan default rates will be reported based on three-year calculations. Other government based organizations reporting this same information include the Integrated Postsecondary Education Data System (IPEDS) which is reported through the National Center for Education Statistics (NCES).

The annually released report, “Federal Perkins Loan Program Status of Default” (2011) commonly known as *The Orange Book*, provides details of student loan default rates for individual institutions of higher education throughout the United States. The report details information for each individual institution the number of borrowers newly entering repayment status, and the number of those borrowers who entered into default during the cohort year being examined. Other details provided include the total number of

borrowers from each institution in default at the time of the report, and the amount of outstanding loans for the institutions.

Private organizations such as The Project on Student Debt, Eduventures, American Association of University Professors (AAUP), American Council on Education (ACE), and The Association of Private Sector Colleges and Universities (APSCU) utilize the data provided through the governmental agencies for research and reporting.

Data provided through the various reporting agencies are by far not completely accurate. The reported percentages do not take into account those students who, without benefit of forbearances and deferments would find themselves in default status (Cunningham & Kienzl, 2011). Examining data reflecting the payment behavior of the 2005 cohort, Cunningham and Kienzl (2011) indicate that while 37% of borrowers entering repayment status paid their obligations without becoming delinquent or postponing scheduled payments leaving approximately 64% either using postponement methods or falling into delinquency and eventually default. The percentages of borrowers entering into forbearance or deferment status are not reflected in the annually reported cohort default rates. The fact that this information is not included in the calculation of annually reported student loan default data lends its way to a deficiency in the accuracy of those data.

The Federal Response: A Focus on Gainful Employment

Amid increasing student loan default rates, allegations of unethical student recruitment tactics, and failure to realize responsibility of accountability to the American taxpayers by proprietary institutions of higher education, the United States Congress has drafted the Gainful Employment Act of 2010. Set to take effect on July 1, 2012

(Fed.Reg., 2010), the Gainful Employment Act seeks to further define and modify terms of the original mention of gainful employment within the Higher Education Act of 1965 (Sec. 481A(b)(1)(A)(i), 1965). The original act provides only a cursory mention of gainful employment as a requirement for Title IV eligibility. There are no clearly defined parameters from which one may draw conclusions as to the original intent of the term (see Kantrowitz, 2010). The Gainful Employment legislation focuses primarily on proprietary career colleges requiring they follow specified mandates, and better prepare students for gainful employment. If these mandates are not followed and verifiably documented by the institution, that institution faces potentially losing their Title IV eligibility (Hamilton, 2010).

The task of providing definitions of gainful employment and establishing measurable criteria to maintain Title IV eligibility has created much consternation and heated debate. Using such calculations as debt-service-to-income thresholds, maximum pay back periods for student loans, and student loan default rates for the various categories of educational institutions, the U.S. Department of Education opened discussions that would attempt to specifically define the term gainful employment (Kantrowitz, 2010).

The language and intent of the Gainful Employment legislation has created debate between legislators, for-profit institution administrators, and investors. High returns on investments provide the primary reason for shareholders to entrust their capital to proprietary institutions.. The Gainful Employment legislation has the power to threaten those ratios should the proprietary institutions fail to meet the mandates. Proprietary institutions argue that by accepting students who are not accepted into traditional

institutions they are helping to fulfill President Barack Obama's goals to increase college graduation rates by the year 2020. Legislators are concerned that for-profit institutions of higher education are too heavily reliant upon federal financial aid funding therefore forcing students to over borrow on Stafford loans (that is borrowing beyond what their expected salaries will support in repayment of their student loans) and creating the highest student loan default rate of all institutions of higher education. While mandating for-profit institutions to re-evaluate their programs, pricing, and student debt-to-income ratios, the Gainful Employment legislation has the potential to affect all institutions of higher education by allowing the federal government to investigate student debt to future income ratios for all institutions of higher education and examine the costs of tuition and various programs (Miller, 2010).

Concerns from proponents of proprietary institutions are erupting that they are being purposefully targeted over public and private not-for-profit institutions of higher education. Hamilton (2010) purports that Congress instructed the Department of Education to create specific language for career colleges and for-profit institutions because this category of higher education receives more than 90% of its revenue stream from federal grants and loans. To avert any conception of misdeeds by proprietary career college recruiters, the gainful employment legislation provides that these institutions must substantiate claims that they are preparing students for gainful employment in recognized occupations. They must also disclose debt burdens to market income potential to students should the debt-to-income ratio not be met.

In light of the debates, Congress set specific criteria provided under the gainful employment legislation mandate that those for-profit institutions providing trade and

technical programs must prove. The criteria mandates that at least 35% of an institution's previous students must be listed as paying down their student loan balances as agreed. Gainful Employment further stipulates that students be able to prove success in attaining positions within their field of study with mid-level to high incomes (indicating a significant ROI to the taxpayer/investor), and that the student loan payment is less than 30% of their discretionary income and less than 12% of the average salary for positions within their field of study. Should any for-profit institution fail to meet these criteria for three consecutive years they face the suspension of their ability to participate in Title IV funding. Suspension of their ability to participate in Title IV funding would be devastating to the institution given most for-profit institutions of higher education rely on federal financial aid programs for up to 90% of their revenue stream (Dervarics, 2011; Hamilton, 2010; Miller, 2010).

Previous Efforts to Reduce Default Rate

There is no singular answer as to the reasons borrowers default on their publically funded, federally guaranteed (subsidized and unsubsidized) student loans. Researchers have posited numerous theories beginning in the early 1990's when default rates were at their highest levels (22% in 1990) (U.S. Department of Education, 2010). Supported theories for why borrowers default on their loans have included socio-economic status, ethnographics, GPA, persistence, attrition, degree completion, and student aptitude (Volkwein, et al., 1998, Cunningham & Kiezl, 2011). While the characteristics of those borrowers considered at-risk have been identified, there remains the question as to what approaches postsecondary educational institutions are employing to reduce their default rates. In the past, cohort default rates have been calculated annually. The United States

Congress revisited the Higher Education Opportunity Act in 2008, creating new legislation and new calculations for cohort default rates. The new language and provisions within the Act are due to be implemented in 2014, and will hold colleges and universities accountable for those borrowers who default on their student loans within the first three years of the loans becoming due and payable.

Responding proactively to the implementation of the new language and revised calculations of the Higher Education Opportunity Act of 2008, colleges and universities are seeking methods by which they may establish default management plans. Dillon and Smiles (2010) characterize default management plans as those efforts by colleges, universities, and other postsecondary institutions that will improve “student retention and graduation rates, [offer] better loan counseling, [create] partnerships with outside financial aid experts, and improve[d] financial aid packaging” (p. 2). All institutions of higher education which participate in the Title IV financial aid program are mandated to follow guidelines set forth by the U.S. Department of Education. These guidelines include reporting enrollment to the Department of Education, and ensuring student borrowers receive entrance and exit counseling. Institutions participating for the first time with Title IV financial aid programs (and those who have undergone a change in ownership) must develop and implement default prevention and management programs with which they may better control and account for their student loan default rates (U.S. Dept of Education IFAP, 2011).

For-profit schools are already building default prevention and management programs prior to implementation of the new cohort default rates in 2014 by the federal government; many are already analyzing their three-year default rates. The analyses are

indicating potential loss of federal financial aid Title IV funding eligibility given their current default rates (Blumenstyk & Brainard, 2010). Institutions are integrating creative methods of locating students following separation from schools into default prevention and management programs. An increasing number of private, for-profit colleges and universities are partnering with consulting companies whose specialties include creative approaches in locating student borrowers at risk of defaulting or who have defaulted on their student loans. The partnerships with consulting companies and with other schools are proving successful in putting student back into good standing status, thereby removing them from the default lists (Blumenstyk & Brainard, 2010).

Efforts to Reduce Default Rate through Career Development Services

There has been much discussion over a viable definition for the term gainful employment and its connection to educational programs and the student loan default rate, yet no relationship has been established alluding to the importance of the quality or the intrinsic value of an institution's career development services offered to students and alumni. A suggestion by the Department of Education (2011) to include job placement services in an institution's default prevention and management program indicates, "an employed borrower, even one earning less than if he/she had completed school, is better able to make loan payments than an unemployed borrower" (p.4).

The quality of career services within an institution of higher education is beginning to become a concern for students, alumni, and to those administering the default prevention and management programs. I will explore existing literature on the history of college career service interventions, and whether those interventions affect a student's likelihood of paying or defaulting on their student loan obligations.

History of Career Development in Higher Education

The modern day career services in a college setting have systematically evolved from the earliest days of vocational counseling. Pope (2000) created a model of the evolution of career development based upon societal changes beginning in the late 19th century. His social transitions stage model analyzes various eras that affected the manner in which society sought employment. It was through these transitional stages that career development received its foundation and became an emerging aid for today's college graduates' career searches.

America's infrastructure began changing in the late 19th century from farming as the primary means of familial support to integrating the emerging industrial age. Pope (2000) identifies this as Stage 1 (1890-1919) which witnessed the emergence of vocational placement services. Stage 2 (1920-1939) focuses on educational guidance as it was moved into the elementary and secondary schools. Stage 3 (1940-1959) saw the emergence of educating counselors in the colleges and universities. Stage 4 (1960-1979) is the era in which career development became predominant in counseling. Stage 5 (1980-1989) was a transitional phase between industry and the emergence of computers (the Informational Age). This stage saw the appearance of career counseling and placement counseling. Stage 6 (1990-2000) internationalized career counseling due to globalization, increased and changing technologies, the "beginnings of multicultural career counseling, and a focus on school-to-job transition" (p. 195). With technological and scientific breakthroughs emerging on a nearly daily basis, it would not be far-reaching to imagine that we are firmly embedded in Stage 8 which could be identified as

the period in which colleges and universities shifted emphasis back into accountability through student career self-efficacy and placement.

Career Interventions with College Students

An ancient Chinese proverb sums up best the mission of today's college career development – “If you give a man a fish, you feed him for a day. If you teach a man to fish, you feed him for a lifetime”. The presence of career development within today's institutions of higher education has taken on the task of providing students and alumni with the skills necessary to enter the world of careers rather than spoon feeding them actual jobs.

Parents send their children to college not just for the educational value but as the first step to pursue a profitable career. Curran (2010) found that of fifty-five hundred college freshmen and high school seniors indicated that nearly 60% expected that their institutions would prepare them for their careers. Curran also found that if parents and students believe in an economic value for a college degree, they will tend to excuse the cost of education. Career development began working with students at the college level to meet the expectations of securing employment for graduates (Pope, 2000). Colleges and universities are offering career courses, creating the potential for students uncertain about their career choices to increase their self-efficacy in career and decision making.

Grier-Reed and Skaar (2010) examined a course based upon Piaget's theory of cognitive development. The theory of cognitive development in respect to a constructivist career course provides a student with the ability to assimilate information received through the course into their own circumstances, or to build their career and life decisions from new information learned from the course. It is from the offerings of the three

modules within the course (which include finding skill sets and strengths, problem solving, and goal setting) that students became empowered. Their empowerment led to stronger career self-efficacy yet left the students' career indecision unchanged. In essence, the students completed the course with confidence that they would be able to choose and pursue a career, but had not yet made that decision. Fouad, Cotter, and Kantamneni (2009) examined the effectiveness of career courses on students' career decision self-efficacy and found that while the career course did increase career decision making efficacy it did not significantly decrease the perception of educational and career barriers. Unlike Grier-Reed and Skaar (2010), Fouad et al. (2009) found that the career course decreased career decision-making difficulties.

Spokane (1991) suggests several career intervention types. Categorized as individual career counseling, assessments, career decision-making, and group interventions, these forms of career interventions have varying levels of success. Usage of intervention techniques that divert away from the traditional individual interventions is only recently beginning to be the subject of studies evaluating the effectiveness of such interventions. Whiston, Sexton, and Lasoff (1998) intended to duplicate findings by Oliver and Spokane in their 1988 meta-analysis which examined the effectiveness of various career counseling methods. Though Oliver and Spokane's meta-analysis found that career interventions are very effective, Whiston, Sexton, and Lasoff determined instead that career interventions are only moderately effective. They also found that while computerized interventions were the most cost effective, individualized career interventions were the most effective of all the methods explored.

Increasing usage of technology along with the appearance of innovative ideas is

advancing student awareness of services offered by college career services. In the past, the offices of career services were placed in areas of campus that were not readily noticeable by the students. Students would begin seeking out these services at the end of their college experience expecting assistance with placement into positions reflecting their educational focus. Campus career counseling centers are often overlooked not only by the students (until their final semester in school when they realize they must find employment), but also by the very institutions in which they are housed. Students often are not aware of the existence of the career counseling offices in their schools until late in their educational career (Fouad et al., 2007).

Placement rates following graduation are a distinct measure of an institution's accountability and whose reporting is often required by legislators and academic accreditation organizations. However, the viability of the reported rates is not truly measurable due to low response rates to surveys produced by the institutions. Placement rate percentages are often based upon low response rates. Lipka (2008) cites a placement survey completed by Nichols College which reports an impressive placement rate for its graduates of 96%; the rate was based upon a survey response rate of 66%. Similar results from other reporting institutions of higher education are also based upon low response rates to surveys.

How then do institutions of higher education measure success rates for their career services? Lipka (2008) cites career service office directors who state that they do not rate success through their placement rates which are controlled not by their placement services but by the economic climate. Instead, they rate their success through measures that they can control – student attendance at and participation in institutionally sponsored

career fairs, regular contact with and involvement in skill building exercises through their institution's career services, and participation in events supporting institutional alliances with potential employers. College career services are responding to issues raised as a result of the stagnant job market through the creation of programs and skill building aids and making them available to current students, recent graduates and alumni (Marchand, 2010).

Recent data indicate decreases in jobs available to recent graduates. The National Association of Colleges and Employers (NACE) (2011) indicates for those college graduates applying for jobs only 20% of the class of 2009 was successful in securing employment by graduation. NACE further indicates a decrease of the college graduate employment status from the class of 2008 of 6%, and a decrease of 31% from the Class of 2007. The fault in the data is that it does not indicate the number of graduates actually applying for jobs before graduation, nor do they indicate the number of graduates that make up the whole population. Without that information, it is at best speculative to determine whether the interpretation of the data place career development services' effect on student employment as successful or unsuccessful.

So, do the jobs exist, or are students simply not applying for the jobs? In 2009, Michigan State University indicated that 1,800 employers reported a 35% to 40% loss in job opportunity for new college graduates in 2009 over 2008 employment statistics (Marchand, 2010). The United States Department of Labor's Bureau of Labor Statistics reported little change in new hires and new separations in the labor market as of May, 2011 with job openings holding relatively steady at 3.0 million, but severely less than the

4.5 million job openings listed at the beginning of the recession in December, 2007 (U.S. Department of Labor, 2011).

The data indicate that jobs in the current market are not readily available for students graduating from college. Students are facing bleak numbers of available jobs in the market today and must instead accept positions outside of their field of study. Many times, these positions pay well below what the student expected to be paid as a result of their education. College career development services have long ago abandoned the practice of job placement for students. Students are still graduating with debt from educational loans that must be repaid.

The call for increased accountability, the current declining job climate, and the heightened expectations of parents and students that college will provide professional preparation is leading institutions of higher education to re-create their career development service programs (Reese and Miller, 2010). Lipka (2008) asserts that less exclusive colleges are developing and marketing programs that all but guarantee their students jobs following graduation.

Measuring the efficacy of services offered to students at an institution of higher education's career services program is not well represented in research literature. Reese and Miller (2010) refer to a meta-analysis completed by Ryan in 1999 that identified nineteen components regularly found in career interventions; of which written exercises, individual interpretations, identifying available careers, networking, and modeling were identified as being the "most influential in creating positive outcomes for participants" (p. 208).

Students entering higher education are facing barriers to their career decisions including family pressures, career choice self-efficacy, and economic constraints. Fouad et al. (2009) posit that “individuals who have difficulties making career decisions may have unclear goals, little knowledge about possible alternative choices, poor motivation to make a choice, or may be indecisive” (pp. 338-339). Fouad et al. (2006) found that while students were exhibiting difficulties in career decision making, half of all students were unaware of career services offered by their institution, and less than half of those aware of career services utilized those services. Students’ perception of how helpful and influential their institution’s career services would be to them directly influenced the students’ usage of those services offered.

Students had significantly more concerns with their career decisions than the control group, and indicated a need for help in addressing their concerns (Puchkoff & Lewin, 1987). Fouad et al. (2006) found that 51% of students were aware of the career development services offered on campus, however only 6% took advantage of individual career counseling services. Student awareness of institutionally sponsored career fairs and job postings available were 69% and 68% respectively. Participation in these activities by students was 13% and 15% respectively. It is interesting to note that among the student population at this university 88% of the students responding to the survey were aware of counseling services available at the University Health Center, yet only slightly more than 50% of the students were aware of the career development services offered in the same location as financial aid and admissions (Fouad et al., 2009).

Major Career Interventions

There are many varying definitions of career interventions due to the wide scope

of the term. Spokane & Oliver (1983) broadly define career interventions as “any activity designed to enhance an individual’s ability to make improved career decisions” (see Spokane, 1991, p. 17). However, Spokane (1991) more specifically defines career intervention based upon the three principal forms. Those forms are techniques, strategies, and programs.

Spokane (1991) defines the first form of career intervention as “a time-limited application of career intervention principles designed to accomplish a focused goal or to alter a specific vocational behavior” (p. 22). Modern day career services interventions are looking at and utilizing techniques that better match potential employees to employers on a global scale.

Strategy, the second form of career intervention is defined as “a philosophy or plan of action, or a group of techniques intended to change the vocational behavior of an individual, group of individuals, or an organization” (Spokane, 1991, p. 22). It would seem that within the context of forming strategies in career counseling, the profession would fall in agreement with Savickas’ (2003) purpose statement to reaffirm “career counseling’s historic mission of helping individuals adapt to societal expectations and personal transitions in their work lives” (p. 87). Savickas’ purpose statement may be applied to career counseling services within a college or university.

Savickas (2003) posits that career counseling is facing a crisis that is affecting the ability of new career counselors to effectively adapt strategies used in the past to the new, global information age. Further, he comments that new career counselors are severely undertrained and unprepared to meet the needs of clients and to facilitate clients due to charges of de-professionalism within the industry. One might question the

credentials of career services personnel within a college or university. Are these institutions putting enough focus on the training, background, and success rates that their primary career services personnel possess in career counseling? While this question remains unanswered within the current literature, it will be a question addressed within this study's research.

Spokane (1991) identifies the third form of career intervention program as "an organized compilation of techniques or strategies with specific and well defined objectives that is designed to alter systematically the vocational behavior of a group of individuals in a specific behavior setting...over time" (p. 22). Within the setting of a postsecondary educational institution, a career services program should offer a variety of career focused engagements which set specific goals, objectives, intervention activities, and rubrics with which a successful outcome may be measured (p.186). A career services program should focus not only on current career opportunities, but be proactive to the future trends of local, national, and global interests anticipating advances in technology and sciences.

Is it possible to assess the career services programs offered to students at colleges and universities by measuring their effectiveness based upon specific criteria? In the terms of this research success is defined as meeting or exceeding the current definition of gainful employment (Fed.Reg., 2010) by providing students with the skill sets necessary to secure gainful employment and in turn improving the levels of students' good standing student loan repayment histories.

Implemented on July 1, 2012, the Gainful Employment Act of 2010 set its mark on America's colleges and universities' student loan default rate calculations. By extending the reporting period for student loan defaults from two years to three years the federal government has created an unintended outcome with institutional career services programs. Colleges and universities in the United States who participate in Title IV funding are looking at their projected student loan default rates based upon the three year reporting period. They may be realizing that their career service programs must be upgraded and updated to fulfill students' and parents' expectations of employment following graduation.

Colleges and universities offering career services to their students and alumni do so using different career intervention methods. Current trends in career counseling have evolved from one-on-one meetings between student and counselor to utilization of computer technologies (Kleeman, 2006). According to NACE (2011), typical intervention methods may include one-on-one counseling (85% of colleges offer this service), usage of computer technologies in the form of interactive websites available to the students and alumni (68%), job fairs (55%), workshops, on-campus interviews with corporate partners (70%), employment services for students and alumni, and assistance with internship placement (76%).

The above percentages indicate a significant decrease in career services offered by colleges and universities from a similar survey performed by NACE (2007). The NACE survey indicated 98% offered one-on-one counseling, 94% offered career fairs, 94% offered on-campus interviews, 93% offered internship placement assistance, and 62% offered employment services for students and alumni. The dramatic decreases in

these services lead one to question why this is so given the current economic climate and given the rise in the student loan default rate.

Delivery of Career Interventions in Higher Education

Why do colleges and universities in the United States need to offer career counseling services to their students and alumni? The facts are laid out for us. The cost of getting a college education is continuing to skyrocket. This is creating a situation where government grants no longer cover these costs for students. To complete their education, students are borrowing from governmentally sponsored Stafford Loans which must be re-paid. In 2009, students graduated with an average debt load of \$24,000 for their undergraduate degree (The Project on Student Debt, 2010). In order for students to re-pay their student debt obligations they need to be employed. It is in the best interests of all stakeholders for colleges and universities to offer career counseling services to their students to avoid exacerbating the rise in student loan defaults, and potentially jeopardizing the institution's participation in Title IV funding.

Providing a quality based career services program as part of a student's college or university education experience is as important to the educational institution as it is to the student. Parents and students alike look to their educational institution to prepare the student for a successful career in their field of study. With the onslaught of new career colleges, for-profit 4-year colleges and universities appearing en masse in recent years, competition to attract and successfully recruit new students has become fierce between for-profits, private not-for-profits, and public institutions. A major recruiting tool for these institutions will be the outcomes of their career services programs.

Do Career Interventions Affect Default Rates?

Evaluating the outcomes of career services programs as a category is a task for which currently there is no process. There is no singular model to which one may assess equally across-the-board success (Maguire & Killeen, 2003). However, future research to develop such a model would benefit students, parents, and other stakeholders by allowing equalized comparative capability for career services programs all institutions of higher education.

Current literature seeking to evaluate career services programs' outcomes utilizes various analyses. Outcomes may be based on soft outcomes defined as "how respondents felt about their career goals" (Maguire & Killeen, 2003, p. 7) or hard outcomes defined as through what methods respondents achieved their goals. The statement from the U.S. Department of Education (2011) "an employed borrower, even one earning less than if he/she had completed school, is better able to make loan payments than an unemployed borrower" (p.4) indicates the societal benefit of an effective career services program within a college or university.

Research Question

Does the pattern of career support and development offered by the career development departments of postsecondary educational institutions account for the student loan default rate for those institutions?

CHAPTER 3: METHODOLOGY

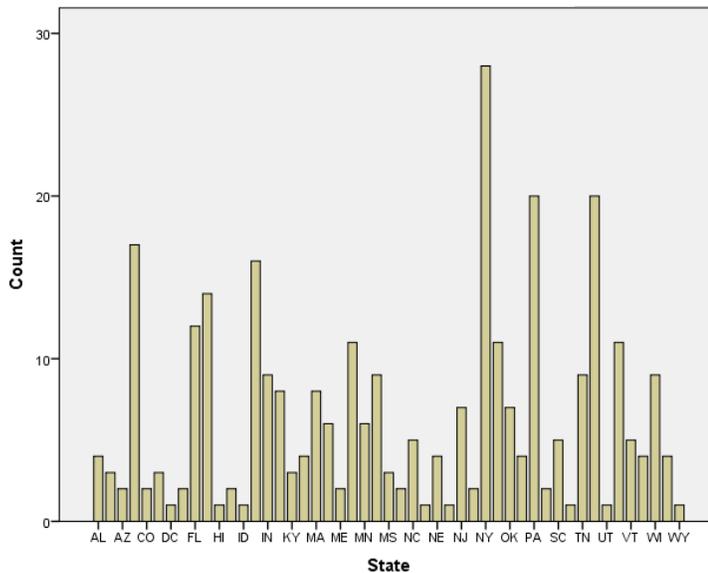
Participants

Participants for this study were a sample of those persons serving as directors in career development services (N = 355) from regionally accredited colleges and universities from each of the 50 U.S. states, the District of Columbia, and U.S. Territories. The mailing list was provided by the National Association of Colleges and Employers (NACE). In March, 2012, NACE sent the initial invitation to 1,430 contacts with a link to the survey instrument. All institutions in this sample were 1) regionally accredited, 2) located in the United States, the District of Columbia, and U.S. Territories, and 3) four-year degree granting institutions. Reminders were sent to all invitees approximately 7 days following the initial mailing. Forty-two respondents were eliminated from the study due to missing data, yielding a final sample of 313 respondents. The remainder of this report will focus on these 313 cases.

Participation across the United States is shown in Figure 1 Institutional survey participation across the United States. Only two states—Alaska and Nevada—had no representation. Responding institutions were classified as publically supported not-for-profit (N = 124, 40%), private not-for-profit (N = 181, 58%), and for-profit proprietary (N = 3, 1%) with five institutions not reporting their classification. A range of degrees was offered across the institutions: Associate's (N = 95, 30%), Bachelor's (N = 313, 100%), Master's (N = 262, 84%), Doctoral (N = 134, 43%), and Professional (N = 56, 18%).

Most respondents (N = 275, 88%) reported having the role of director of career development for their institution. Nearly a third (N = 94, 30%) reported that they personally provided career intervention services to students, and approximately a third (N = 91, 29%) indicated that they supervised others.

Figure 3.1. Survey Response Rates by State



The career centers at which our respondents worked varied in size. The number of combined full-time, part-time, and student employees in the career development offices ranged from 1 to 60 persons (mean = 7.99, *SD* = 8.55). The mean percentage of full-time staff in these offices was 72.15 (*SD* = 28.93).

Measures

Survey. The instrument constructed for this study was the Career Center Survey (See Appendix). Participants were advised that completion of the survey was completely voluntary. If they chose to complete the survey, the first three questions identifying individual institutions were mandatory to answer in order to continue with the survey.

Instructions also noted that the remaining questions were optional. Directions reiterated protections regarding confidentiality and anonymity of both the respondent and their institution.

The instrument had two sections. The first, titled Institutional and Career Service Department Information, established institutional information. Each respondent was asked to identify the best description of their institution (i.e., publically supported not-for-profit, private not-for-profit, and for-profit proprietary), the degrees offered (i.e., associate, bachelor, master, doctoral, professional, and certificate), accrediting agency, and total number of students served by the institution. The final questions in this section focused on the institution's career development office, seeking information on the number of employees (including full-time, part-time, and student workers) and the percentage of full-time employees.

The second section, titled College Career Development Interventions, includes twelve subsections focused on categories of services offered in college career development offices as defined by Spokane (1991). The interventions reflected in the subsections are individual, assessment, group, experiential learning, instructionally-based, relationship building, stand alone computerized interventions, prevention and consultation, sharing occupational information resources, social networking, occupational stress measures, and work satisfaction measures. See Table 3.1 Definitions of Career Interventions.

Table 3.1. Definitions of Career Interventions

| Career Intervention | Definition |
|--|---|
| Individual | e.g., one-on-one meetings with career services staff, job search behaviors, resume development, cover letter writing skills, mock interviews |
| Assessments | e.g., interest assessment, personality inventories, abilities/skills/strengths inventories, vocational identity inventories, career interest card sort, work satisfaction inventories |
| Group | e.g., structured workshops, job search behaviors, interview skills, resume writing, on-campus job fairs, job clubs, social networking training |
| Experiential Learning | e.g., internships/apprenticeships, volunteer opportunities, on-campus interviews with employers, job shadowing/externship, alumni mentoring |
| Instructionally-based | e.g., classroom instruction, internships, apprenticeships, volunteer opportunities, on-campus interviews with employers, job shadowing/externship, alumni mentoring |
| Relationship-building | e.g., off-campus for-profit employers, off-campus non-profit organizations, educational institutions |
| Stand alone/Computerized | e.g., posters, pamphlets, virtual career centers, over-the-phone counselor interventions, online videos/training interventions, social media/webinars |
| Prevention and Consultation | e.g., Identity promotion, mobilize persistent career exploration & search, competency promotion, social skills training, ego development, initiative enhancement |
| Sharing Occupational Information Resources | e.g., YouTube, Wikipedia, Occupational Outlook Handbook, O*Net OnLine, career & occupation websites or associated print resources |
| Social Networking Sites | e.g., Facebook, LinkedIn, Twitter, Google+, blogging sites |
| Occupational Stress Measures | e.g., Maslach Burnout Inventory, Work Environment Scale, Occupational Stress Inventory |
| Work Satisfaction Measures | e.g., Job Satisfaction Surveys |

Participants were asked to respond to a web-based, five-point Likert scale survey. The five points indicated responses of 1=Intervention is not offered, 2=Intervention is offered to a few students, 3=Intervention is offered to most students, 4=Intervention is offered to all students, and 5=Intervention is required of all students.

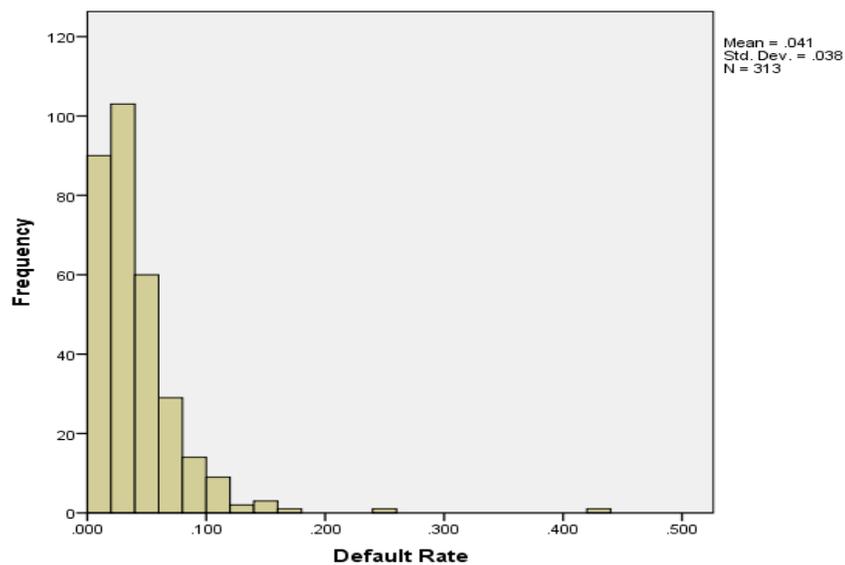
Federal Database. Two sets of variables were drawn from the Integrated Postsecondary Education Data System (IPEDS). The first included each institution's student loan default rate. The second included each institution's 2009 graduation rate. All data were obtained from the Integrated Postsecondary Education Data System (IPEDS) website (<http://nces.ed.gov/ipeds/datacenter/trend.aspx>). This information is mandated reporting by all postsecondary educational institutions participating in Title IV student financial assistance programs, and is compiled and published annually by the U.S. Department of Education. These were the most current data available at the time of this study.

CHAPTER 4: DATA ANALYSIS

This chapter will review descriptive data for predictor and criterion variables in the study. I am reporting the frequency of responses for career service interventions in Table 4.1. Histograms for the criterion variables are provided in Figures 4.1 and 4.2.

The dependent variable Student Loan Default Rate is reported in Figure 4.1. The default rate within three years following graduation at 4% (using U.S. Department of Education data for 2009 cohort) is generally low across institutions with the mean rate at 4%. The student loan default rate data were gleaned from data collected from institutions of higher education from the 2009 cohort by the U.S. Department of Education (2010). As of the date of this study, data reported are the most recent available (2009 - which encompasses the period of A.Y. 2004-A.Y. 2008).

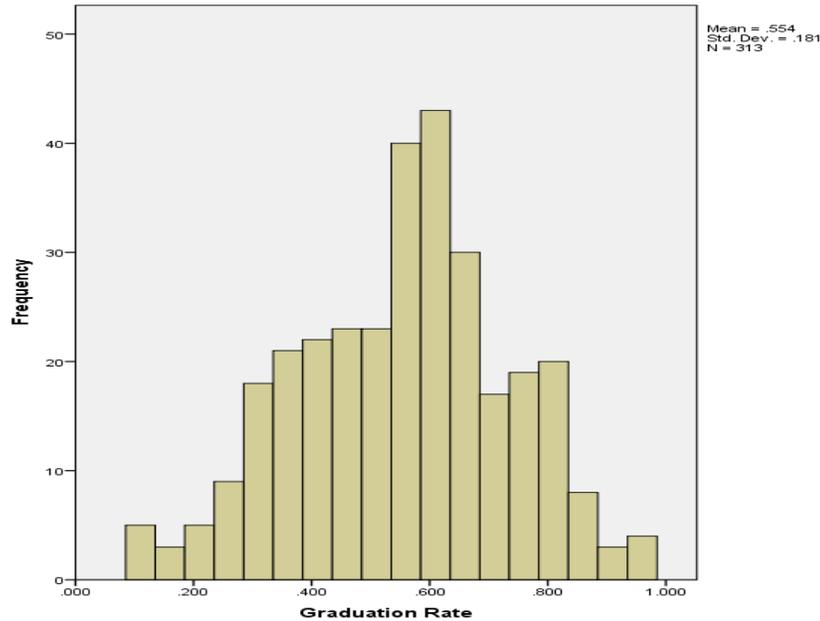
Figure 4.1. Student Loan Default Rates Across Institutions



U.S. Department of Education (2010)

Figure 4.2 indicates the Graduation Rates for all of the responding institutions for the same time frame. ($N=313$).

Figure 4.2. Graduation Rates Across Institutions



U.S. Department of Education (2010)

Criterion Variables

Fourteen variables were used in this study - Graduation Rates, Student Loan Default Rates, and twelve career development service interventions – Individual, Assessment, Group, Experiential, Instruction-Based, Relationship Building, Stand alone, Prevention/Consultation, Social Networking, Information Sharing, Occupational Stress Measures, and Work Satisfaction Measures. Each intervention is defined in Chapter 3, Table 3.3 Definitions of Career Interventions.

Response frequency data are reported in Table 4.1.

Table 4.1.

Career Intervention Frequency of Use Across Institutions

| Intervention | Response Levels ¹ | | | | | |
|------------------------------|------------------------------|-----|----|----|-----|-----|
| | 0 | 1 | 2 | 3 | 4 | 5 |
| Individual | 1 | 1 | 2 | 7 | 298 | 4 |
| Assessment | 2 | 5 | 9 | 12 | 24 | 261 |
| Group | 4 | 1 | 11 | 18 | 277 | 2 |
| Experiential | 4 | 3 | 10 | 43 | 242 | 11 |
| Instruction-Based | 5 | 108 | 72 | 22 | 102 | 4 |
| Relationship-building | 9 | 13 | 27 | 24 | 238 | 2 |
| Stand Alone | 5 | 22 | 14 | 11 | 260 | 1 |
| Prevention/Consultation | 12 | 108 | 44 | 13 | 136 | 108 |
| Social Networking | 6 | 17 | 4 | 12 | 271 | 3 |
| Information Sharing | 3 | 4 | 8 | 13 | 283 | 2 |
| Occupational Stress Measures | 7 | 294 | 2 | 1 | 9 | 0 |
| Work Satisfaction Measures | 5 | 248 | 22 | 7 | 9 | 2 |

Note: N=313 for every variable

¹Scale: 0=No Response; 1=Not offered to any student; 2=Offered to some students; 3=Offered to most students; 4=Offered to all students; 5=Required of all students.

Table 4.2 reports the Pearson-*r* correlation between the graduation rates and student loan default rates for all of the responding institutions and the interventions offered by career services.

Forward Stepwise Regression Prediction Model

Forward stepwise regression models are a method which creates a predictor model using F values to build on a blank slate of independent variables which will predict the greatest effect on an independent variable (Duke University, 2012). For the purpose of creating a model to predict institutional student loan default rates based on career development interventions, I used the forward stepwise regression function in SPSS. Table 4.3 suggests that the stand alone and prevention consultation interventions have the most effect of all of the interventions on student loan default rates. Stand alone

interventions are negatively correlated with institutional student loan default rates (-.12), while prevention consultation is positively correlated with institutional student loan default rates (.12). This would indicate that by using more stand alone interventions, an institution's student loan default rate will be reduced; whereas increased use of prevention consultation interventions will increase an institution's student loan default rate.

Table 4.2.

Correlations Between Intervention Variables and Outcome Criteria

| Interventions | Interventions | | | | | | | | | | | | Outcome Criteria | |
|----------------------------------|---------------|------|------|------|------|------|------|------|------|------|-------|------|------------------|--------------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | Graduation | Loan Default |
| 1. Individual | 1 | 0.21 | 0.37 | 0.3 | 0.04 | 0.21 | 0.24 | 0.16 | 0.33 | 0.38 | 0.08 | 0.09 | 0.03 | -0.002 |
| 2. Assessment | | 1 | 0.11 | 0.09 | 0.03 | 0.17 | 0.21 | 0.14 | 0.14 | 0.25 | 0.05 | 0.02 | -0.01 | -0.05 |
| 3. Group | | | 1 | 0.22 | 0.06 | 0.21 | 0.22 | 0.1 | 0.15 | 0.18 | 0.03 | 0.11 | 0.09 | -0.03 |
| 4. Experiential | | | | 1 | 0.08 | 0.25 | 0.09 | 0.13 | 0.18 | 0.15 | 0.13 | 0.19 | 0.12 | -0.02 |
| 5. Instruction-Based | | | | | 1 | 0.13 | 0.18 | 0.18 | 0.02 | 0.07 | 0.1 | 0.15 | -0.12 | 0.08 |
| 6. Relationship | | | | | | 1 | 0.24 | 0.18 | 0.14 | 0.31 | 0.11 | 0.16 | 0.04 | -0.05 |
| 7. Stand alone | | | | | | | 1 | 0.28 | 0.18 | 0.3 | 0.06 | 0.1 | 0.05 | -0.12 |
| 8. Prevention/ Consultation | | | | | | | | 1 | 0.15 | 0.17 | 0.17 | 0.23 | -0.07 | 0.12 |
| 9. Social-Networking | | | | | | | | | 1 | 0.31 | -0.08 | 0.11 | -0.05 | 0.02 |
| 10. Information-Sharing | | | | | | | | | | 1 | 0.06 | 0.12 | 0.09 | 0 |
| 11. Occupational Stress Measures | | | | | | | | | | | 1 | 0.2 | -0.05 | -0.02 |
| 12. Work Satisfaction Measures | | | | | | | | | | | | 1 | -0.04 | 0.05 |

Table 4.3.

Intervention Effect on Student Loan Default Rates

| Model | Variables Entered | Variables Removed | Method |
|-------|-------------------------|-------------------|--|
| 1 | Prevention Consultation | | Stepwise (Criteria: Probability-of-F-to enter \leq .050. Probability-of-F-to-remove \geq .100) |
| 2 | Stand alone | | Stepwise (Criteria: Probability-of-F-to enter \leq .050. Probability-of-F-to-remove \geq .100) |

Note. Dependent variable: Student Loan Default Rate. $N=313$. $p \leq .05$, $p \geq .01$

Table 4.4 indicates the experiential intervention is positively correlated with graduation rates (.12) while instruction-based interventions have a negative correlation with graduation rates (-.12). These data indicate that by offering students experiential interventions institutional graduation rates increase. Conversely, according to the forward stepwise regression model instruction-based interventions may have a negative effect on institutional graduation rates. This data might indicate students have a stronger drive to complete their studies and graduate when they receive actual working experience in their field of study as opposed to simply studying the field.

Both effects were statistically significant. Based on the current balance of nearly \$1 trillion in student loan debt (Federal Reserve Bank of New York, 2012), the effect size was practically significant by identifying approximately \$12 billion in student loan debt whose default may be avoided through increased use of stand alone interventions.

Table 4.4

Intervention Effect on Graduation Rates

| Variables Entered/Removed | | | |
|---------------------------|-------------------|-------------------|--|
| Model | Variables Entered | Variables Removed | Method |
| 1 | Experiential | | Stepwise (Criteria: Probability-of-F-to-enter \leq .050, Probability-of-F-to-remove \geq .100) |
| 2 | Instruction-Based | | Stepwise (Criteria: Probability-of-F-to-enter \leq .050, Probability-of-F-to-remove \geq .100) |

Note. Dependent variable: Graduation Rate. $N=313$. $p \leq .05$, $p \geq .01$

CHAPTER 5: DISCUSSION

My purpose in conducting this study was to discover student loan default rates are affected by career development interventions with students. I hypothesized that an institution would be able to predict its student loan default rate based upon existing correlations with career development interventions. The data suggests that a correlation exists between student loan default rates and stand alone career interventions. As a result, I failed to disprove the hypothesis that an institution of higher education is able to predict how their institutional student loan default rate may be affected by using specific career development interventions with their students.

There were a handful of studies conducted in the late twentieth century to determine specific predictors of default. Volkwein, Cabrera, Czelest, and Napierski-Prancl (1998) determined that these included ethnicity, personal, institutional, and socioeconomic characteristics, but these authors did not report data bearing on what one could do to reduce the risk of default on student loans (except, by inference to just not make loans based on these demographics and related characteristics). Thus, I believe this report makes an original contribution on an important topic.

First, I found that graduation rates correlate positively with increased use of experiential career interventions. One might theorize that through the use of experiential training that includes internships, graduate assistantships, volunteering, and job shadowing as opposed to merely instructional career interventions, students are more

likely to maintain focus on their career goals which would include graduating with their college degree.

Second, I found that increased use of stand alone career interventions correlates negatively with institutional student loan default rates; in other words, when colleges use stand alone career interventions, their graduates are at least somewhat more likely to repay their student loans. Thus, increased use of stand alone career interventions would likely reduce defaulted student loan principal. The suggestion that increased use of stand alone career interventions with students decreases institutional student loan default rates provides the basis of a cost-benefit analysis.

The current student loan debt reached the \$1 trillion level in 2012. Fiscal year 2012 revealed that \$142 billion (B) in new student loans were issued (U.S. Department of Education, 2012). The 2010 two-year cohort student loan default rate (reported in 2012) was 9.1%, an increase of .2% over 2009's 8.8% default rate (U.S. Department of Education, 2011). The percentages represent cumulative defaults, adding new defaults onto the total from the previous fiscal year. The U.S. Department of Education released its first 3-year cohort default rate in 2012, indicating the AY 2009 cohort rate at 13.4% (2012), or approximately \$19B of the current year's newly issued loans ($13.4\% * \$142B = \$19B$).

But how much would rigorous application of stand alone career interventions reduce this \$19B figure? We might estimate that it would be approximately 1% based on the observed correlation of .116 ($.116 * .116 = .013$), or \$247 million (M) per year ($\$19B * .013 = \$247M$). Over a 10-year period, this would total nearly \$2.47B. One is reminded

of a quip attributed to the late Senator Everett Dirksen: “A billion here, a billion there. Pretty soon you’re talking about real money” (“Everett Dirksen”, 2012).

At any rate, if we were to rigorously apply stand alone career interventions in college and university career development services, use of this intervention would translate into a total of \$247M annually, and probably more if we sought to develop stand alone career interventions with greater impact specifically on student loan repayment. Financing career development services’ increased offering of stand alone career interventions through grants provided by the federal government from these newly recouped funds would not only pay for the programs, but quite feasibly could significantly reduce future student loan default rates. Furthermore, the bulk of stand alone career interventions could be developed through a centralized publication process and then distributed either to local career service providers or through online channels. Thus, one could develop the interventions both efficiently (through economy of scale) and with a presumably good quality assurance process

Stand alone career interventions are the most cost effective means to reduce institutional student loan default rates (Whiston, Sexton, & Lasoff, 1998) requiring less staff time to “deliver” their information content to the client. Sampson, Peterson, Reardon, & Lenz (2003) found that self-help services (stand alone interventions) are the most cost-effective intervention for those individuals who demonstrate self-efficacy with their occupational and employment decisions. They are more able to work through the steps in identifying career choices independently and less likely to need support from career service staff members.

Career development centers that promote this method of intervention may realize budget savings due to reduced staffing needs and reduced printing costs for publications. Alternatively, centers could shift resources from human counselor-driven career interventions to high utility stand alone interventions (in print, online, or through other media).

Students using stand alone interventions typically are provided the opportunity to explore career interests, educational requirements, job availability for college graduates, and salary expectations. Some guidance from human staff may still be necessary for students depending on their ability to successfully use the stand alone resources made available through career development services. In some instances, an initial guidance session with students would allow for more independent use of the stand alone resources, following which, a staff member may be available to answer questions or assist students experiencing difficulty while using the resources (Sampson, 1997).

Spokane (1991, p. 162) suggests the stand alone resources provided by career services as best being stored and retrieved by a computer (computer assisted career interventions), however he also lists materials such as printed self-help materials, and video-disk technology. Garis and Harris-Bowlsbey (1984 as cited in Spokane) tested the effectiveness of using computers within a stand alone intervention. They suggest that the use of computer assisted career guidance systems is an effective tool as a stand alone career intervention and has been in use over forty years. Over time, use of computer-assisted career interventions (CACG) has increased (Maze, 2009).

Institutional career development services offering CACG systems as an intervention type create the ability for more independent students to investigate and research various careers, leaving the counselors better equipped to work with more dependent students. Using a CACG system provides students with the ability to search careers, educational requirements, and skill sets required for entry into and success with each career choice. One might assume that printed brochures and books would be more commonly provided online resulting in lowered printing costs.

Based on the results of this study, it is reasonable to expect a direct benefit derived from increasing funding for institutional career development centers for stand alone interventions will be an increase in the overall principal re-paid and a decrease in lost principal from defaults. An increase in funding for career development services in America's postsecondary educational institutions earmarked for stand alone interventions should decrease student loan default rates based on the data from this study.

Limitations to the Study

This study had some limitations. Previous research identified specific characteristics of students who are more likely than others to default on their student loans (Volkwein, Cabrera, Czelest, & Napierski-Prancl, 1998); however, I found no previous research in which specific variables (amenable to various types of career interventions) were examined to prevent or reduce the likelihood of student loan defaults. Of course, the absolute size of the relationship between stand alone career interventions and student loan default rates was small, even as it translated to a large dollar value.

However, the findings of this study may seriously underestimate the actual degree of relationship between use of stand alone interventions and student loan default rates.

Respondents (all career center staff) answered questions related to present career intervention categories even as the student loan default rates would have been based on student experiences in the past. Thus there existed a necessarily fuzzy relationship between these prior actual student experiences and the set of career interventions presently offered by institutions. A more precise (and more predictive model) could be obtained by using only the information on the specific types of interventions received by students, and when, and the size of the “dose”. This would probably require following students longitudinally and logging their career intervention experiences throughout their college career. It would also require longitudinal tracking of individual students over a period of time after leaving school in order to match individual student interventions to their subsequent student loan repayment status. Such methods would likely be expensive and well beyond the resources available for the present study. However, given the likely savings involved and return on investment, such investment would appear warranted.

Finally, this study did not examine any of the demographic or similar person- or institution-level variables as reported in prior research. If it were possible to obtain data at the student level related to the specific types of career interventions received, then one might also be able to also link person- and institutional-level data into a more general predictive model. This would provide a basis for building on the findings from the earlier research.

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APPENDICES

College Career Development Interventions

Institutional and Career Service Department Information
(required questions are marked with an asterisk*)

1.

* Name of your institution

2.

* Institution's URL

3.

* In which state or United States territory is your particular campus located?

4.

Which of the following options best describes your institution (select the single-best response)

- Not-for-profit: Publically supported
- Not-for-profit: Private
- For-profit: Proprietary

5.

Which of the following degrees does your institution offer? (check all that apply)

- Associate's degree
- Bachelor's degree
- Master's degree
- Doctoral degree
- Professional degrees (e.g., Medicine or Law)
- Other degrees or certificate programs (please specify)

6.

Total number of students served by your institution (e.g., traditional, adult, part-time, full-time, on-line)

7.

What is your institution's approximate placement rate (usually reported 6 months to 1 year after graduation: leave blank if you don't know the rate)

8.

With which accrediting agency is your institution *primarily* associated?

9.

What is your role in the *Career Service* area? (check all that apply)

- I am the Director
- I provide career interventions for students
- I have people that I supervise

10.

How many people work in your *career services center*?

11.

What percentage of the staff at your career services center is full-time?

12.

I would like to receive a summary of the results of this study (please provide your email address. Summaries may be expected prior to end of August, 2012)

Yes

No

College Career Development Interventions

Career Development Interventions (please select the answer that most closely matches the use of each intervention for the students in your institution)

13. Individual Interventions offered by career services? (e.g., one-on-one meetings with career services staff, job search behaviors, resume development, cover letter writing skills, mock interviews)

Not offered to Offered to some Offered to most Offered to all Required of all

any student

1

students

2

students

3

students

4

students

5

14. Assessment Interventions (e.g., interest assessment, personality inventories, abilities/skills/strengths inventories, vocational identity inventories, career interest card sort, work satisfaction inventories)

Not offered to
any student

1

Offered to some
students

2

Offered to most
students

3

Offered to all
students

4

Required of all
students

5

15. Group Interventions (e.g., structured workshops, job search behaviors, interview skills, resume writing, on-campus job fairs, job clubs, social networking training)

Not offered to any student Offered to some students Offered to most students Offered to all students Required of all students

1 2 3 4 5

16. Experiential Learning Interventions (e.g., internships/apprenticeships, volunteer opportunities, on-campus interviews with employers, job shadowing/externship, alumni mentoring)

Not offered to any student Offered to some students Offered to most students Offered to all students Required of all students

1 2 3 4 5

17. Instructionally-based Career Interventions (e.g., career planning & decision-making courses)

Not offered to
any student

1

Offered to some
students

2

Offered to most
students

3

Offered to all
students

4

Required of all
students

5

18. Building relationships with placement providers (e.g., off-campus for-profit employers, off-campus non-profit organizations, educational institutions)

Not offered to
any student

1

Offered to some
students

2

Offered to most
students

3

Offered to all
students

4

Required of all
students

5

19. Stand alone/computerized interventions (e.g., posters, pamphlets, virtual career centers, over-the-phone counselor interventions, online videos/training)

interventions, social media/webinars)

| | | | | |
|-------------------------------|-----------------------------|-----------------------------|----------------------------|-----------------------------|
| Not offered to any student | Offered to some students | Offered to most students | Offered to all students | Required of all students |
| <input type="radio"/> 1 | <input type="radio"/> 2 | <input type="radio"/> 3 | <input type="radio"/> 4 | <input type="radio"/> 5 |

20. Prevention & Consultation Interventions (e.g., Identity promotion, mobilize persistent career exploration & search, competency promotion, social skills training, ego development, initiative enhancement)

| | | | | |
|-------------------------------|-----------------------------|-----------------------------|----------------------------|-----------------------------|
| Not offered to any student | Offered to some students | Offered to most students | Offered to all students | Required of all students |
| 1 | 2 | 3 | 4 | 5 |
| <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

21. Sharing Occupational Information Resources (e.g., YouTube, Wikipedia,

Occupational Outlook Handbook, O*Net OnLine, career & occupation websites or associated print resources)

Not offered to any student

Offered to some students

Offered to most students

Offered to all students

Required of all students

1

2

3

4

5

22. Social networking sites (e.g., Facebook, LinkedIn, Twitter, Google+, blogging sites)

Not offered to any student

Offered to some students

Offered to most students

Offered to all students

Required of all students

1

2

3

4

5

23. Occupational Stress Measures (e.g., Maslach Burnout Inventory, Work Environment Scale, Occupational Stress Inventory)

| | | | | |
|----------------------------|--------------------------|--------------------------|-------------------------|--------------------------|
| Not offered to any student | Offered to some students | Offered to most students | Offered to all students | Required of all students |
| 1 | 2 | 3 | 4 | 5 |
| <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

24. Work Satisfaction Measures (e.g., Job Satisfaction Surveys)

| | | | | |
|----------------------------|--------------------------|--------------------------|-------------------------|--------------------------|
| Not offered to any student | Offered to some students | Offered to most students | Offered to all students | Required of all students |
| 1 | 2 | 3 | 4 | 5 |
| <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

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Systems.

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LETTER TO PARTICIPANTS

This is the text for the initial e-mail to be sent by the National Association of Colleges and Employers (NACE) to their list of career development offices at a nation-wide sample of regionally-accredited institutions of higher education.

Subject line: Career Services Intervention survey

My name is Barbara S. McConnell. I am a doctoral student at Benedictine University in Lisle, Illinois. I am interested in studying the range of career development services offered throughout the United States. Though not sponsoring my research, after reviewing my proposed research, NACE has kindly agreed to distribute this email. I am grateful for NACE's support and assistance with distribution of this survey.

I ask that you complete a survey that will ask you questions about the nature and extent of the various types of career services offered to students and alumni through your career services office. The survey takes approximately 20 minutes to complete.

Participation is voluntary. You do not have to answer any question you do not want to answer however the first three questions are required in order to complete the survey. If at any time you do not want to continue with the survey, you may close the survey and decline further participation.

If you complete the survey, you may request to receive summary results of data collected from it, along with a brief report of the findings of the study. This will include data from a nation-wide sample of institutions regarding the nature and extent of the various types of career services that they offer to students. You may find these data useful to you in the course of planning career services at your institution.

Participants in this study and their institutions will be completely confidential. Note that I will NOT be sharing identifying information, nor any specific information regarding who participated in this study with NACE. Participant identity will be preserved through a system using two data files – the first phase of data management will conceal participant identity and identifying information using a secure coding system that will provide a crosswalk to the second data file. The first data file containing identifying information will be preserved on a compact disc to be securely stored by Dr. Eileen Kolich in the Department of Education and Health Services at Benedictine University. After seven (7) years, the disc will be completely destroyed.

Subsequent analyses will be based on information contained on a password-protected device. All identifying information will have been removed from this second data file. Under no circumstances will your name, your institution's name, or other potential identifying characteristics appear in any reports of the results of this research study.

Your decision to complete the online survey for this study will confirm that you have read and understand these instructions, and freely agree to participate in this study. To proceed, simply click on the following link and complete the survey.

<http://www.zoomerang.com/Survey/WEB22EADZPB4QL>

This survey is scheduled to close at 11:59 pm on Sunday, March 18, 2012 however; I reserve the right to end the survey earlier at my discretion. Please complete the survey as soon as possible to ensure your participation.

If you have any questions or wish to discuss the study at any time, please email me at bsmsurveyresults@att.net, or phone me at (630) 354-8957.

This study has been approved by the Institutional Review Board of Benedictine University. The Chair of Benedictine University's Institutional Review Board (IRB) is Dr. Alandra Weller-Clarke. She may be reached at (630) 829-6295; her email address is aclarke@ben.edu. The chairperson of this dissertation is Dr. John Minogue. He may be reached at (630) 829-6394; his email address is jminogue@ben.edu. The data disc with identifying information will be held by Dr. Eileen Kolich as referred previously. She may be reached at (630) 829-6285; her email address is ekolich@ben.edu.

Sincerely,

Barbara S. McConnell

Benedictine University

bsmsurveyresults@att.net

VITA

Barbara S. McConnell received her doctoral degree in higher education and organizational change from Benedictine University in February, 2013 following a life-long career in business. She also holds two master's degrees (also from Benedictine University); a Master's of Science in Management and Organizational Behavior (MSMOB, 2007) and a Master's in Business Administration (MBA, 2009). She has held several management positions in the business world, and has owned and managed several businesses throughout her career. She holds a Bachelor's degree in Music/Organ Performance from Western Michigan University, and has pursued her love of church music as Director of Music for various churches in Michigan and Illinois.



Doctoral Dissertation Approval Form

STUDENT LOAN DEFAULT RATES AS A FUNCTION OF AVAILABILITY
OF COLLEGE CAREER DEVELOPMENT SERVICE INTERVENTIONS

Submitted in partial fulfillment
of the requirements of
Doctor of Education
in the College of Education and Health Services

Barbara Sue McConnell

Doctor of Education in Higher Education and Organizational Change

Approved:

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|--|---------------------|-------|
| _____ | _____ | _____ |
| Dissertation Committee Director Signature | (Please print name) | Date |
| _____ | _____ | _____ |
| Dissertation Committee Chair Signature | (Please print name) | Date |
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| Dissertation Committee Reader | (Please print name) | Date |
| _____ | _____ | _____ |
| Dissertation Committee Reader | (Please print name) | Date |
| _____ | _____ | _____ |
| Dean, College of Education and Health Services | (Please print name) | Date |