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Report to Rep. Ray Roberts, Chairman, House Committee on Veterans' Affairs; by Elmer B. Staats, Comptroller General.

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The Veterans Administration's (VA's) education loan program was evaluated to determine if the program's primary objective -- to provide additional financial aid to needy veterans attending high tuition schools -- was being accomplished. The evaluation also attempted to determine the default rate being experienced in the program and why participation in the program was so low in the northeast section of the country. Findings/Conclusions: Two major factors limited the program's effectiveness in providing aid to students attending high tuition institutions: (1) the implementing regulations and program guidelines did not restrict loan eligibility to veterans attending high tuition schools because the authorizing legislation was silent on the subject; and (2) the VA has neither provided its regional offices with adequate criteria for evaluating veterans' financial needs nor adequately defined allowable expenses. As a result, about 7[illegible]% of loans made from inception of the program in 1975 through December 1977 were made to veterans attending schools charging low tuition. The VA has not issued clear and comprehensive collection guidelines specifically related to the loan program and, as a result, about half the loans that have come due are in default. Participation in the Northeast was low because of the availability of other financial aid and because of limited promotion of the program. Recommendations: The Administrator of Veterans Affairs should: define, in detail, what types of expenses can and cannot be used to justify a VA education loan; establish criteria to limit the amount of education-related expenses used to justify a loan; require that all resources available to the applicant be reported and considered in determining financial need; routinely collect the information necessary to calculate a valid default

rate; require regions to notify veterans of their repayment obligation as soon as they cease to be at least half-time students; clarify instructions regarding followup action if the veteran fails to respond to the initial repayment notice; instruct regions when the first payment is due; amend the existing interest tables to preclude the veteran from being charged excess interest; instruct regions to collect on defaulted loans by offset against current benefits; and clarify instructions regarding when a loan should be classified as defaulted. The Congress should amend the authorizing legislation limiting program eligibility to veterans attending high tuition schools and require repayment over a period of less than 10 years. (RRS)

6366

REPORT BY THE

Comptroller General

OF THE UNITED STATES

RELEASED 5/19/78

Improvements Needed In VA's Education Loan Program

At the request of the House Committee on Veterans' Affairs, GAO reviewed the VA education loan program to determine if it was meeting its primary objective as stated in the legislative history.

The program was not meeting congressional intent in that about 72 percent of the loans made were to veterans attending schools charging low tuition or none at all. In addition, VA has no assurance that the loans were based on demonstrated financial need.

According to VA data, as of December 31, 1977, 44 percent of all matured loans were in default. The rate may have been as high as 55 percent if GAO findings in nine VA regions were representative of the entire country.

UNITED STATES GENERAL ACCOUNTING OFFICE

HRD-78-112
MAY 11, 1978

COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-114859

The Honorable Ray Roberts
Chairman, Committee on Veterans' Affairs
House of Representatives

Dear Mr. Chairman:

This is our report on the Veterans Administration's (VA's) education loan program.

At your request, VA was provided with a draft copy of the report. However, VA was not given the opportunity to provide written comments on the matters discussed in this report in order that we could issue the report to you prior to VA's appearance before your Committee on May 16, 1978.

As agreed with your office, we have limited distribution of the report to VA. However, the report contains recommendations to the Administrator of Veterans Affairs. As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the House Committee on Government Operations and the Senate Committee on Governmental Affairs not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We believe that the report would be of interest to other parties. We will arrange with your office to have copies provided to them.

Sincerely yours,

Elmer B. Staats

Comptroller General
of the United States

COMPTROLLER GENERAL'S REPORT TO THE HOUSE COMMITTEE ON VETERANS' AFFAIRS

IMPROVEMENTS NEEDED IN VA'S EDUCATION LOAN PROGRAM

D I G E S T

The primary purpose of the Veterans Administration (VA) loan program, as stated in the legislative history, is to provide an additional source of financial aid to students attending high tuition institutions who would otherwise be financially unable to do so. (See p. 7.)

Two major factors tended to limit the program's effectiveness in achieving this objective.

--VA's implementing regulations and program guidelines do not restrict loan eligibility to veterans attending high tuition schools because the authorizing legislation is silent on the subject.

--VA has neither provided its regional offices with adequate criteria for evaluating veterans' financial needs nor adequately defined allowable education-related expenses. (See p. 8.)

As a result, about 72 percent of the loans made from inception of the program in 1975 through December 1977, in the nine VA regions GAO visited, were made to veterans attending schools charging low tuition or none.

In addition, VA has no assurance that these loans are based on demonstrated financial need; many were justified and approved on the basis of questionable expenses which might not be education related. (See p. 8.)

VA has had limited success in collecting education loans that come due. According to VA data, as of December 31, 1977, 44 percent of all matured loans were in default. However, the default rate may have been as high as 55 percent if GAO findings in nine regions were representative of the entire country. VA's central office was not aware of the extent of this problem because it was not collecting all of the data necessary to compute the default rate properly. (See p. 17.)

One reason for the high default rate is VA's inability to locate or otherwise contact veterans after they leave school. This is due, at least in part, to the fact that VA's collection procedures do not provide for promptly contacting veterans as soon as it learns they are no longer attending school at least half time, were not well defined, and were not consistently applied by the regions. This problem might be exacerbated by a 1977 Internal Revenue Service ruling that it can no longer provide address locater service to VA. (See p. 20.)

Participation in the Northeast was low because of the availability of other financial aid and limited promotion of the program. (See p. 14.)

RECOMMENDATIONS

The Administrator of Veterans Affairs should

--define, in detail, what types of expenses can and cannot be used to justify a VA education loan;

--establish criteria to limit the amount of education-related expenses used to justify a loan;

--require that all resources available to the applicant be reported and considered in determining financial need;

--routinely collect the information necessary to calculate a valid default rate for the program;

--require regions to notify veterans of their repayment obligation immediately after they cease to be at least half-time students;

--clarify instructions regarding the type and timing of followup action if the veteran fails to respond to the initial repayment notice;

--instruct regions that the first payment is due on the first day of the installment period selected by the veteran;

--amend the existing interest tables to preclude the veteran from being charged excess interest when payment is made at the beginning of the installment period;

--instruct regions to collect on defaulted loans by offset against current benefits whenever possible;

--clarify instructions regarding when a loan should be classified as defaulted if the borrower does not respond to the initial repayment notice; and

--develop strongly worded collection letters specifically tailored to the loan program.

The Congress should amend the program authorizing legislation (38 U.S.C. 1798) to give the Administrator authority to

--limit program eligibility to veterans attending high tuition institutions, in accordance with congressional intent as stated in the legislative history, and

--require repayment of small loans over a period of less than 10 years.

Because the Chairman, House Committee on Veterans' Affairs, wanted to receive the results of GAO's review prior to VA's appearance before the Committee on May 16, 1978, VA was not given the opportunity to provide written comments on this report.

Contents

ABBREVIATIONS

GAO General Accounting Office

VA Veterans Administration

Vet-Rep veterans' representative

CHAPTER 1

INTRODUCTION

The Veterans and Dependents Education Loan Program, administered by the Veterans Administration (VA), is authorized by the Vietnam Era Veterans' Readjustment Assistance Act of 1974 (Public Law 93-508, Dec. 3, 1974). Under the program as originally enacted, an eligible veteran or dependent 1/ could receive a loan of up to $600 per academic year if he or she

--was attending an educational institution on at least a half-time basis, and

(a) was enrolled in a course leading to a standard college degree, or

(b) was enrolled in a non-college-degree course, which required 6 months or longer to complete, leading to an identified and predetermined professional or vocational objective;

--had sought and was unable to obtain a loan in the full amount needed under the Guaranteed Student Loan program administered by the Office of Education, Department of Health, Education, and Welfare; and

--entered into an agreement with VA providing for repayment of the loan, with interest, beginning 9 months after the veteran ceased to be at least a half-time student and ending 10 years later.

The amount of the loan, up to the authorized maximum, would be determined by subtracting the total amount of financial resources available to the veteran that may reasonably be expected to be expended for educational purposes from the actual cost of attending the institution (as defined by law and the VA Administrator).

1/About 3.2 percent of the loan recipients are spouses, widows, and dependent children. In this report, we have used the term "veteran" to refer to all loan recipients.

Although the authorizing legislation does not specifically refer to high cost institutions, the legislative history shows that the program's primary purpose is to provide a source of financial aid, in addition to VA educational assistance benefits, to students attending high cost institutions who would not otherwise be financially able to enter or continue pursuing a program of education. In 1974 the Senate Committee on Veterans' Affairs, which authored the initial loan program provision, stated in Senate Report No. 93-907:

> "For those veterans choosing to pursue a course of education leading to a standard college degree and attending certain higher cost institutions additional sums * * * will be required. To the extent that the additional costs are beyond the financial resources available to the veteran (including existing Federal loan programs), direct loans from the Veterans' Administration up to $2,000 an academic year are provided for." 1/

In 1976 the Senate Committee on Veterans' Affairs reiterated the intent of the loan program in Senate Report No. 94-1243 on proposed legislation to amend the GI Bill:

> "* * * the Committee places much greater emphasis on the VA direct loan for those veterans attending higher cost institutions who will require loans in addition to the VA monthly educational assistance allowances in order to meet educational and living expenses. Difficulties in obtaining guaranteed student loans by all students make it all the more important that the VA direct loan program be an efficient and accessible program making loans to those entitled as intended by Congress and this Committee."

In 1977 the House Committee on Veterans' Affairs, in House Report No. 95-586 on proprosed legislation to amend the GI Bill, stated:

> "A compelling reason for raising the maximum loan amount [from $600 to $1,500 per academic year] last year was to provide additional assistance to

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1/Maximum loan amount was reduced in conference to $600 per academic year.

veterans attending higher cost institutions to help meet higher education and living expenses at those institutions."

PROGRAM ADMINISTRATION

The VA education loan program is administered by the Department of Veterans Benefits in Washington, D.C., and 58 regional offices. The Department is responsible for providing program guidance through regulations that are implemented by the regional offices

Steps in the loan process are:

--The veteran becomes aware of the loan program through various means of publicity--such as word of mouth, newspapers, veterans' representatives (Vet-Reps) on campus, and school financial aid officers.

--The veteran obtains and completes an application, usually after talking to the Vet-Rep or school financial aid officer.

--The veteran submits the application to the school, which certifies enrollment, the amount of tuition and fees, and room and board costs when paid to the school.

--The completed application is forwarded by either the veteran or the Vet-Rep to the VA regional office for consideration.

--After the regional office approves the loan, the veteran signs and returns a promissory note to VA, which then disburses the money. (The loan is to be repaid over a 10-year period starting 9 months after the veteran ceases to be at least a half-time student.)

--VA regions notify the veteran 45 days before the due date of the loan to select a repayment plan.

--If the veteran does not start repayment, or does not select a repayment plan, the loan is classified defaulted 4 to 6 months after payment is due.

GROWTH OF THE PROGRAM

Initial participation in the loan program was less than expected. VA predicted that 136,000 veterans would use the program in the first year--1975--but only about 8,000 loans were actually made. According to VA, usage was low because:

--The maximum loan amount ($600) was not sufficient.

--The interest rate (8 percent) was too high.

--Veterans were able to secure Guaranteed Student Loans.

--An increase in the regular GI Bill monthly educational assistance allowance reduced the need for the loan.

--The application process was too bogged down in red tape.

--The program was not well publicized.

The Congress responded to the low usage rate by amending the program. In October 1976, Public Law 94-502 increased the maximum loan amount to $1,500 per academic year, reduced the interest rate to [illegible] percent, and extended eligibility to veterans participating in the newly authorized Post Vietnam Era Veterans' Educational Assistance Program. VA was also directed to undertake an aggressive outreach program to make veterans aware of the loan program.

After VA's outreach efforts and the legislative amendments, participation in the loan program increased significantly. The following table shows the total number and amount of loans made in the first 3 years of the program.

Calendar year	Loans Number	Amount
1975	7,996	$ 4,530,277
1976	8,581	5,371,996
1977	20,377	23,249,440
Total	a/ 36,954	$33,151,713

a/These loans were made to about 29,000 persons.

Effective January 1978, Public Law 95-202 increased the maximum loan amount to $2,500 per academic year and eliminated the requirement that the veteran must have been denied a Guaranteed Student Loan.

The program continued to grow during the first quarter of calendar year 1978, when 8,800 loans totaling $11.4 million were made. VA anticipates continued growth, projecting loans totaling $76.6 million in fiscal year 1978 and $83 million in fiscal year 1979.

OBJECTIVES AND SCOPE OF REVIEW

We evaluated the loan program to determine

--if the program's primary objective--to provide additional financial aid to needy veterans attending high tuition schools--was being accomplished;

--the default rate being experienced in the program; and

--why participation in the program was so low in the northeast section of the country.

We also obtained certain demographic characteristics of veterans who applied for loans. (See app. I.) Our review was made at (1) the VA central office in Washington, D.C., (2) VA regional offices in Montgomery, Alabama; Los Angeles and San Diego, California; Chicago, Illinois; Wichita, Kansas; Boston, Massachusetts; St. Louis, Missouri; Newark, New Jersey; and New York, New York, and (3) 24 selected postsecondary schools in these nine VA regions.

We discussed the program with VA central office and regional officials, Vet-Reps, and school officials. We reviewed the legislative history of the authorizing and amending legislation, VA's implementing regulations, and loan activity reports. At each region we selected random samples of loan recipients, defaulters, and unsuccessful applicants and reviewed their claim folders. A total of 943 cases were reviewed, consisting of 377 disbursed loans, 311 defaulted loans, and 255 denied loans. (See app. II.)

CHAPTER 2

PROGRAM NOT MEETING CONGRESSIONAL INTENT

The primary purpose of the VA education loan program, as stated in the legislative history, is to provide an additional source of financial aid to students attending high tuition institutions who would otherwise be financially unable to pursue a program of education at such schools.

Two major factors tended to limit the program's effectiveness in achieving this objective. First, because the authorizing legislation is silent on the subject, VA's implementing regulations and program guidelines do not restrict loan eligibility to veterans attending high tuition schools. Second, VA has neither provided its regional offices with adequate criteria for evaluating veterans' financial needs nor adequately defined allowable education-related expenses.

As a result, about 72 percent of the loans made from inception of the program through December 1977, in the regions we visited, were made to veterans attending schools charging low tuition or no tuition at all. In addition, VA has no assurance that the loans are based on demonstrated financial need; many of the loans were justified and approved on the basis of such questionable expenses as gifts, entertainment, charitable contributions car payments, and home improvements.

MOST LOANS MADE TO VETERANS IN LOW OR NO TUITION SCHOOLS

The authorizing legislation for the program contains no specific reference to high tuition institutions. However, the legislative history clearly indicates, and VA officials agree, that the primary purpose of the loan program is to provide an additional source of financial aid to veterans attending high tuition schools who would otherwise be unable to do so. VA's General Counsel told us that, because the authorizing legislation was silent on this matter, VA did not have the authority to limit loans to veterans attending high tuition schools. As a result, most loans have gone to veterans attending low or no tuition schools.

In related legislation the Congress has defined high cost institutions as those with tuition and fees in excess of $700 per academic year. Using this criterion, we found that only 28 percent of the loans during calendar years 1975-77, in the nine regions we visited, were made to veterans attending high tuition schools. The following table shows the percentage of loans disbursed at various tuition levels.

Tuition and fees per academic year	Loans made Percent	Cumulative percent
No charge	16	16
$ 1 - $ 350	29	45
351 - 700	27	72
701 - 1,500	13	85
1,501 - 2,500	7	92
Over 2,500	8	100

Also, loan usage was concentrated within public schools rather than private schools, which generally have much higher tuition costs. About 80 percent of all loans made during the first 3 years of the program went to veterans attending public schools. This is consistent with other VA data, which shows that about 81 percent of Vietnam Era veterans receiving educational benefits are enrolled in public institutions.

The southern and western sections of the country dominate program usage; veterans attending school in these areas received 41 and 39 percent, respectively, of all loans. The Midwest accounted for 16 percent of all loans and the Northeast, only 4 percent. The Northeast did, however, have the highest percentage of loans to veterans attending high tuition schools (54 percent).

FAILURE TO ESTABLISH ADEQUATE GUIDELINES FOR DETERMINING FINANCIAL NEED

The Congress intended that education loans be made only to veterans who need assistance in meeting education-related expenses. However, VA has not developed adequate guidelines for its regional offices to use in determining financial need. Specifically, VA has neither adequately defined the type of expenses considered reasonably related to attendance at an institution nor given the regions any guidance on the amounts to be allowed for education-related expenses. In addition, VA does not require that all resources available to the applicant be reported or that information supplied by applicants be verified.

As a result, regional adjudicators who review and approve loan applications have no basis for determining or verifying the veteran's need for an education loan. Most expenses shown by veterans on their loan applications are allowed. Differences of opinion among adjudicators within and between regions result in the same expense item being allowed on one application and disallowed on another.

The authorizing legislation defines "financial need" as the difference between the actual cost of attendance and the total amount of financial resources available to the loan applicant that may reasonably be expected to be spent for educational purposes. Actual cost of attendance, according to the law, includes

--tuition, fees, room and board (or expenses related to reasonable commuting), and books and

--an allowance for such other expenses as the Administrator determines to be reasonably related to school attendance.

VA has not further defined expenses reasonably related to attendance other than allowing living expenses for dependents and limiting commuting costs to 12 cents per mile. The nine regions we visited had not developed any criteria to further define the cost of attendance or the expenses reasonably related to attendance. Adjudicators in each region were given almost total discretion in determining the reasonableness of educational expenses.

Questionable expenses allowed

Because of inadequate guidelines, adjudicators were allowing almost all types of expenses, regardless of whether they were reasonably related to education. Some examples of expenses which VA regions were allowing as education related are shown below.

Personal debt	Medical and dental expenses
Car payments	TV payments
Car insurance	Donations
Car repairs	House storm windows
House mortgage	Government overpayment
Phone bill	Attic fan and insulation
Furniture	Recreation
Clothing	Legal fees

Life and health insurance	Court fine and costs
Department store charges	Entertainment
Holiday gifts	Utilities

Some regions had disallowed some of these expense items. For instance, the Atlanta regional office allowed recreational expenses, whereas the St. Louis regional office did not. Wichita regional office adjudicators disagreed on whether recreational expenses should be allowed. The Los Angeles regional office allowed medical and dental expenses, but the San Diego regional office did not. In Montgomery, life insurance premiums were allowed by one adjudicator but disallowed by another. Also, adjudicators in one region said that, if disallowing a questionable expense would result in an applicant not being eligible for a loan, they would allow the expense. These types of expenses are included in the category "other expenses" in the examples discussed below.

Variances in amounts allowed

VA's lack of criteria has led not only to differences in interpreting what types of expenses are reasonably related to education, but also to adjudicators accepting widely varying amounts of expenses as claimed by the veterans. In the following cases, the amounts allowed for books and supplies ranged from $50 to $620; commuting expenses ranged from $120 to $1,350; noninstitutional room and board ranged from $1,440 to $5,200; and other education-related expenses ranged from nothing to $5,308.

--A married veteran in Kansas with two dependent children applied for an $800 loan in October 1976 to attend a technical school for a calendar year. He estimated expenses of $12,148 and resources of $10,560. He therefore showed a financial need of $1,588 and received a loan of $1,590. The expenses consisted of $388 for books and supplies, $308 for tuition and fees, $1,100 for commuting, $5,044 for noninstitutional room and board, and $5,308 for other expenses. Included in the other expenses were $2,976 for various credit card and installment payments, and $1,920 for automobile payments, even though he was also allowed $1,100 for commuting expenses.

--A married veteran in New York with one dependent child applied for an $800 loan in October 1976 to attend a 4-year private school for one academic year plus a summer term. He estimated expenses of $13,267 and resources of $9,672 for the academic year.

Therefore, this veteran showed a financial need of $3,595 and received the $800 loan. The expenses consisted of $620 for books and supplies, $4,517 for tuition and fees, $730 for commuting, $4,680 for noninstitutional room and board, and $2,720 for other expenses. Included in other expenses was $2,000 for recreational purposes.

--A married veteran in Alabama with two dependent children requested $2,000 in May 1977 to attend a public non-college-degree program for about 11 months. He estimated expenses of $9,540 and resources of $5,040 for the period. Therefore, he showed a financial need of $4,500 and received the $2,000 loan. The expenses consisted of $500 for books and supplies, $240 for tuition and fees, $800 for commuting, $5,200 for noninstitutional room and board, and $2,800 for other expenses. Included in other expenses was $1,600 for automobile payments, even though he was allowed $800 for commuting expenses.

--A single veteran in California with no dependent children applied for a $1,500 loan in July 1977 to attend a 2-year public school for one academic year. She estimated expenses of $5,848 and resources of $2,660 for the period. Therefore, she showed a financial need of $3,188 and received the $1,500 loan. The expenses consisted of $200 for books and supplies, $30 for tuition and fees, $1,350 for commuting, $3,700 for noninstitutional room and board, and $1,568 in other expenses.

--A single dependent in New York applied for a $600 loan in August 1976 to attend a 2-year private school for one academic year. She estimated expenses of $4,360 and resources of $1,858 for the period. Therefore, she showed a financial need of $2,502 and received the $600 loan. The expenses consisted of $50 for books and supplies, $1,750 for tuition and fees, $160 for commuting, $2,400 for noninstitutional room and board, and no other expenses.

--A single veteran in Alabama with no dependent children requested an $800 loan in June 1975 to attend a private non-college-degree program for one academic year. He estimated expenses of $7,207 and resources of $3,240 for the period. Therefore, he showed a financial need of $3,967 and received the $800 loan. The expenses consisted of $450 for books and supplies, $241 for tuition and fees, $120 for commuting, $1,440 for room and board, and $4,956 for other expenses. Included in other expenses was $1,140 for utilities and $1,560 for food, even though $1,440 had been approved for room and board.

Denial of loan applications

During the first 3 years of the loan program, VA adjudicators denied 32 percent of the applications received. We analyzed a random sample of 255 of 1,324 applications denied during the 6-month period ended December 31, 1977, in the nine regions visited. We found that 71 percent were denied because reported expenses did not exceed reported resources--the veterans did not show financial need. VA adjudicators denied very few loans on the basis of disallowed expenses. In addition, in 58 of the 182 cases in which initial applications were denied because resources exceeded expenses, veterans resubmitted applications showing changes in resources or expenses and VA later approved the loans.

For example, a veteran was denied a loan in March 1975 because his resources exceeded expenses. He reapplied, increasing his stated expenses by about $5,100. He was again denied in June 1975 because his resources still exceeded his expenses. He applied a third time, increasing his expenses by about $650 and decreasing his resources by about $2,000, and was granted an $800 loan in October 1975. None of the information he supplied was verified.

All resources not considered in determining financial need

The authorizing legislation provides that the total amount of financial resources available to the veteran that may reasonably be expected to be expended for educational purposes should be considered in determining financial need. The law states that the term "total amount of financial resources" includes, among other things, the annual adjusted effective income of the veteran less Federal income tax paid or payable.

VA has defined "annual adjusted effective income" to be the net taxable income less income tax paid or payable. Thus, nontaxable income, such as compensation and pension benefits, Social Security benefits, disability payments, and unemployment benefits, is not being considered when compiling the veteran's resources.

Several regional officials told us that such income should be included in determining financial need since it is available to meet education-related expenses. Officials at one regional office said they require the reporting of all income, taxable and nontaxable.

The law further provides that financial assistance received by the veteran from non-Federal scholarship and grant programs should also be considered in determining need. Illinois, for example, has a State veteran scholarship program which pays the veterans' tuition and most fees at State-supported schools. One school we visited in Illinois was a 2-year community college which charged $363 an academic year for tuition and fees. Most veterans attending the school received the Illinois veteran scholarship. Although all seven loan recipients in our sample received this scholarship, none of them reported it as a resource in their VA loan application.

Alternative guidelines for determining financial need are available

Although VA has not developed adequate guidelines for determining financial need, most educational institutions have developed their own standard budget--the estimated cost for attending the school for one academic year. These budgets are generally based on the type of living arrangement and family size, and they cover both self-supporting students as well as dependent students living on and off campus. Because institutions use these standard budgets to determine financial need, applicants for assistance do not have to submit information relating to room and board or personal expenses.

Institutions use these standard budgets for both private and publicly financed educational assistance programs. The budgets include

--tuition and fees, room and board, transportation, books and supplies and

--personal expenses, such as clothing, laundry, entertainment, medical insurance, incidental meals, and furnishings.

Examples of standard budgets developed by selected schools for a single, self-supporting student living off campus are:

Type of school	Location	Tuition and fees	Other education-related expenses	Total standard budget
Public 4-year	Kansas	$ 680	$3,830	$4,510
Private 4-year	New York	3,750	5,067	8,817
Public 2-year	California	18	4,440	4,458
Private 2-year	Alabama	1,287	1,213	2,500

Institutions may, when reviewing applicants' financial needs, also consider other expenses, such as medical and debt repayment.

Institutions currently show on the loan application the amount of tuition and fees to be paid by the veteran. VA could request that the schools also provide their standard budget for a student with similar circumstances. This data would include, in addition to tuition and fees, the amounts for room and board, transportation, books and supplies, and personal expenses. If personal expenses exceeded the standards, VA would have to determine their reasonableness. The standard budget, plus any other allowable expenses, would then be compared to the veteran's resources to determine financial need.

OTHER FACTORS INFLUENCING PROGRAM PARTICIPATION

As shown below, the level of program participation varied significantly among different sections of the country.

Number of Loans Disbursed and Denied by Geographic Area, January 1975-December 1977

	Northeast	Midwest	South	West	Total
Applications processed	2,551	9,613	24,598	19,697	56,459
Approved	a/ 1,428	6,242	15,217	14,603	37,490
Denied	1,123	3,371	9,381	5,094	18,969
Denial rate (percent)	44.0	35.1	38.1	25.9	33.6
Loans disbursed	a/ 1,433	5,902	15,068	14,551	36,954

a/The reported number of disbursed loans exceeds the number of approved loans in the Northeast because several regions reported loans transferred in along with loans they had disbursed.

In each VA region visited, a different mix of factors influenced use of the loan program. However, program promotion and the ability to show financial need appeared to be important factors. The ability to show financial need depended on (1) availability of Federal or State aid, (2) availability of part- and full-time jobs, and (3) cost of living.

Regions with little loan activity

The New York and Newark regional offices accounted for only 3 percent of the loans made in the nine regions visited. Neither region received many applications. Also, both have had high denial rates--79 percent for New York and 55 percent for Newark--because applicants had not adequately demonstrated financial need or had not been denied a Guaranteed Student Loan. In addition, neither VA nor the Vet-Reps actively promoted the program in these regions. Both VA regional and school officials maintained that the program may not be needed because

--other Federal and State grants and loans were readily available and were preferred alternatives and

--many veterans with part- or full-time jobs did not need loans.

Regions with low loan activity

The Boston, Chicago, and St. Louis VA regional offices accounted for about 13 percent of the loans made in the regions visited. VA officials at these regions all agreed that program usage had increased significantly since July 1977, when VA's central office directed regions to vigorously promote the program. Denial rates for these regions declined from 56 percent to 39 percent after VA's emphasis on promotion began. Factors influencing program participation in these regions were (1) State tuition grants provided to veterans attending public schools in Illinois and Massachusetts and (2) Federal education grants and college work study programs being more available.

Regions with high loan activity

In Los Angeles, Montgomery, San Diego, and Wichita, the loan program was actively promoted. These regions accounted for about 84 percent of the loans made in the regions we visited. The program was promoted by Vet-Reps, financial aid office personnel, and campus literature.

The following example demonstrates how promoting the program and demonstrating financial need were intertwined and influenced loan usage. One Vet-Rep at a public 4-year school in Kansas promoted the loan program through campus media and veterans organizations, conducted loan counseling seminars which included specific details on completing applications, and provided a list of the types of allowable expenses. Veterans attending this school had received 614 loans as of December 31, 1977. Also, the Wichita region approved 90 percent of loan applications.

Also influencing loan usage in these four regions, according to VA and school financial aid officials, was a scarcity of Guaranteed Student Loans and State assistance. Montgomery VA regional officials also said that poor economic conditions and a shortage of part-time jobs created a need for education loans. Los Angeles, San Diego and Wichita VA officials said high cost of living influenced loan usage.

CHAPTER 3

LOAN DEFAULT RATE IS HIGH AND

COLLECTION EFFORTS NEED IMPROVEMENT

VA has not been particularly successful in collecting education loans that have become repayable. According to VA data, as of December 31, 1977, 44 percent of all matured loans were in default. However, we found errors in this data in five of nine regions visited, indicating that the default rate may be as high as 55 percent. The VA central office was not aware of the extent of this problem because it was not collecting all of the data necessary to properly compute the default rate.

A major reason for the high default rate is VA's inability to locate or otherwise contact the veterans after they leave school. This problem is due, at least in part, to the fact that VA's collection procedures

--do not provide for promptly contacting veterans as soon as it learns they are no longer attending school at least half time,

--were not well defined, and

--were not consistently applied by the regions.

This problem might be exacerbated by a 1977 Internal Revenue Service ruling that it can no longer provide address locater service to VA.

DEFAULT EXPERIENCE

In Senate Conference Report No. 93-1240, dated October 7, 1974, the conferees expressed concern that excessive default rates might jeopardize the success of the VA education loan program. They directed the Administrator to closely monitor and report to the Congress annually on each school's default experience. The reports VA submitted in response to this directive showed the following cumulative default rates for the overall program.

Quarter ended September 30	Loans defaulted Number	Loans defaulted Percent
1975	0	0.0
1976	102	0.8
1977	2,267	7.8

These figures, however, provide a distorted measure of the program's default experience because they are based on total loans made, including those not yet due and payable. We believe a more valid and meaningful base for computing default rates is total loans matured, since these are the only loans on which payments should have been made. VA loans mature and the initial installment is payable 9 months after the veteran ceases to be at least a half-time student. Default occurs 4 to 6 months after the borrower fails to comply with the agreed upon repayment schedule.

Before December 31, 1977, the VA central office was routinely collecting data on the number of loan applications received, approved, and denied each quarter cumulatively and by region. It also collected data on the number and amount of loans made and defaulted on each quarter cumulatively and by school. However, it did not collect data on the number or amount of loans that had matured.

In December 1977 we requested VA to obtain from each regional office the number and amount of loans that had become due since the beginning of the program. According to the data VA collected from the 58 regions, 6,564 loans totaling about $3,800,000 had become due. Of these, 2,893 (44 percent) were in default on December 31, 1977. (Later work we did indicated that this rate was understated. See p. 19.) Using the data collected by VA, we also computed default rates for each region. (See app. III.) These rates ranged from zero percent in Togus, Maine; Baltimore, Maryland; and Columbia, South Carolina, to over 80 percent in Boston, Massachusetts; St. Paul, Minnesota; and Phoenix, Arizona.

As shown in the following tables, the default rate also differs by geographic area and by type of school. (See apps. IV and V.)

Geographic area	Loans defaulted Number	Percent
Midwest	411	39
Northeast	91	36
West	1,244	51
South	1,147	41

	Loans defaulted			
	Public institutions		Private institutions	
Type of school	Number	Percent	Number	Percent
4 year	964	39	227	40
2 year	1,139	50	57	43
Non-college degree	178	43	328	44

Data reported by VA understates the default problem

At the nine VA regions visited, we checked the accuracy of the data on defaulted loans provided to the central office. As shown below, four regions reported default data correctly, while five regions understated the number of loans defaulted by a total of 164 loans. Of the five, two regions that reported no loans in default had actual default rates of 54 and 90 percent. Although New York had a default rate of 50 percent, it was based on only four loans in repayment status. The other two of the five regions had also understated the number of loans in default.

	As reported by VA regions		As determined by GAO	
Regional office	Loans defaulted	Default rate	Loans defaulted	Default rate
Chicago	0	0	43	54
Newark	0	0	60	90
New York	0	0	2	50
Wichita	29	12	75	30
Boston	18	82	31	94
Los Angeles	246	46	246	46
San Diego	48	62	48	62
St. Louis	115	78	115	78
Montgomery	210	38	210	38
	666		830	

With the additional 164 defaulted loans included in the calculation of the nationwide default rate, the rate rises from 44 to 47 percent, based on the number of defaulted loans. If the other 49 regions understated their defaulted loans as much as the 9 we visited, the nationwide default rate could be as high as 55 percent.

In three regions--Boston, Wichita, and New York--the number of defaulted loans and the default rate were understated because regional office personnel were not identifying defaulted loans in a timely manner.

Two VA regions, Chicago and Newark, understated the number of defaulted loans because they misinterpreted VA instructions regarding when loans are classified as defaulted. VA instructions provide that a loan is in default when the borrower fails to meet the agreed upon repayment schedule. If the borrower chooses monthly repayments, default occurs 120 days after the payment is due. If the veteran agrees to repay in quarterly, semi-annual, or annual installments, default occurs 180 days after payment is due.

In a September 1976 central office newsletter, VA stated that, if no repayment plan was received from the borrower, default occurs 120 days after the initial payment is due. Because neither Chicago nor Newark officials were aware of the newsletter, they did not classify any loans in default when the borrower did not agree to a repayment plan. Both offices reported no defaults at December 31, 1977.

COLLECTION EFFORTS NEED IMPROVEMENT

According to regional and central office officials, a primary reason for the high default rate was VA's difficulty in locating and contacting borrowers after they left school. For example, a recent VA survey shows that, of 783 borrowers who had defaulted on their loans, 652 (83 percent) could not be located or did not respond to VA payment notices. In addition, VA officials in several regions said that many veterans view the loan program as an entitlement and not an obligation to be repaid.

Borrowers not contacted promptly after they leave school

VA instructions provide that an education loan becomes due 9 months after the date the borrower ceases to be at least a half-time student and that the initial repayment notice be mailed to the veteran 45 days prior to this due date. The repayment notice reminds the veteran of the obligation to repay the loan, advises the veteran of the date on which the first payment is due, and requests the veteran to select one of five repayment plans--lump sum or monthly, quarterly, semiannual, or annual payments over a 10-year period. These instructions also require that effective followup be made to insure timely receipt of the borrower's reply. However, the instructions do not elaborate on the type or timing of followup action.

Several of the regional offices we visited were not mailing the initial repayment notice on time. Boston, Chicago, and St. Louis were often not sending out repayment notices until after the due date of the first payment. These delays resulted largely because the three regions initially set up repayment dates based on expected dates of graduation, rather than on the expected end of the enrollment period for which the loan was made. Because many veterans leave school before graduation, these offices were not classifying loans as being in a repayment status and thus were not requiring loan repayments on a timely basis. The Chicago regional office had not established the due dates of the first installment on any loans until September 1977. Thus, before that date collection action had not been taken on any loans in repayment status.

After our visit the St. Louis regional office changed its method of establishing due dates for first installments. Instead of using 9 months after expected graduation date, it now uses 9 months after the end of the enrollment period for which the loan was made. Boston planned a similar change. However, the Chicago office was still using expected date of graduation for establishing the due date of the first payment.

In our opinion, even waiting 7-1/2 months after the borrower leaves school before attempting initial contact is too long and contributes to VA's inability to locate borrowers.

Only four of the nine regional offices we visited--Chicago, Montgomery, Wichita, and New York--made any attempt to follow up if the veteran failed to respond to the initial repayment notice. These offices sent various locally developed collection letters urging the veteran to respond and to select a payment plan.

The other five regions made no effort to contact a borrower who failed to respond to the initial repayment notice until the loan was classified as a default, 4 to 6 months after the due date of the first installment. Thus, these five regions made only one attempt to locate the veteran during the 13 to 15 month period after he or she ceased to be at least a half-time student.

Due date for first payment not clear

VA central office officials told us that the first payment is due at the beginning of the installment period selected by the veteran. However, the interest tables VA developed for the loan program compute interest on the basis of repayment being made at the end of the installment period.

The St. Louis, Los Angeles, Newark, Chicago, Montgomery, and New York regions require that the first payment be made at the beginning of the installment period. Thus, in these regions, veterans are charged too much interest. The other three regions--Boston, San Diego, and Wichita--require that the initial installment payment be made at the end of the installment period the borrower selected. Because of this, up to 18 months can pass after the loan becomes due before it is classified as defaulted and collection action initiated if the borrower has selected an annual repayment schedule.

Central office officials had made no attempt to reconcile this problem even though several regions had inquired about it.

Collection letters need to be strengthened

The VA central office has not developed standard collection letters tailored to the education loan program. As a result, some VA regional offices tried to collect defaulted loans by using standard VA form letters designed for collecting other types of overpayments. These letters were normally sent out at 30-day intervals after default. The initial letter informs the borrower of the indebtedness to the Government, asks the borrower to make arrangements to pay or to complete a financial status report if repayment cannot be made, and mentions that debts can be waived under certain circumstances. The second letter is somewhat stronger, stating that the borrower has failed to make satisfactory arrangements to settle the debt and cautions that continued failure to comply could result in additional expense and personal inconvenience. The third and final letter informs the borrower of the urgent need to contact the VA regional office within 5 days and mentions that VA has authority to accept compromise settlements. It also warns that, unless payment is made, the case can be referred to GAO for collection action.

Other regions have developed their own collection letters, which are sent out at 30-day intervals and which include most of the above information. However, they are more strongly worded, and each letter refers to the loan program as the cause of the indebtedness.

At the time of our visit the Newark regional office had neither used VA's standard collection letters nor developed a collection letter. After our fieldwork the Newark regional office developed a collection letter specifying the nature of the indebtedness and began using it along with VA's standard collection letters.

Although our work in this area was limited, we noted that the regions using the more strongly worded collection letters tailored to the loan program tended to have lower default rates than the other regions.

Some regions not using offset to collect loans

Under VA procedures, once an education loan is classified as defaulted, it becomes an overpayment and can be offset against regular GI education benefits or VA compensation and pension payments.

VA regional officials in Los Angeles, San Diego, Boston, and Montgomery told us that defaulted loans were offset against education benefits whenever possible. The Wichita and St. Louis offices were not offsetting at the time of our visits, but officials said that they would start. Officials at the Chicago, New York, and Newark offices maintained that no loans were in default and that therefore they had not had any opportunities to offset.

Offsetting can be a viable method of collecting loan defaults from a veteran receiving other VA benefits. All regional offices should be informed of the requirement for collecting loans due by offset where possible.

Repayment period should be reduced for small loans

The authorizing legislation states that VA education loans shall be repaid over a 10-year period. Although the act permits the veteran to repay the loan in less than 10 years, it does not give VA authority to require repayment in less than this period when the loan amounts are small. Accordingly, all installment options offered by VA are based on the 10-year period, regardless of the loan amount.

Federal Claims Collections Standards 1/ state that, if possible, installment payments should be sufficient in size and frequency to liquidate the debt in not more than 3 years. The authorizing legislation for the Guaranteed Student Loan Program, administered by Office of Education, Department of Health, Education, and Welfare, requires a minimum repayment of $360 annually, which results in small loans being repaid sooner.

Extending repayments over a 10-year period seems neither necessary for all loans nor a good collection practice.

Efforts to locate veterans hampered by recent Internal Revenue Service ruling

VA officials at the regions visited told us that difficulty in locating borrowers is a major problem contributing to the high default rate. Sources used to locate borrowers included postmasters, credit bureaus, State motor vehicle departments, veterans' claim files, telephone directories, and certified or registered demand notices. Also, VA regions had used address information supplied by the Internal Revenue Service. Some regional and VA central office officials told us that the Service had been the best source of current address information.

However, in November 1977 the Internal Revenue Service advised VA that addresses would no longer be provided for claims collection purposes, if VA continued to redisclose the addresses to a contractor. The Service explained that, although the Tax Reform Act of 1976 (26 U.S.C. 6103) permits it to provide taxpayer addresses to officials of other Federal agencies for debt collection purposes, this information is not to be passed along to third parties. VA was using the address data furnished by the Service to obtain credit reports on borrowers who had defaulted

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1/These regulations, established pursuant to the Federal Claims Collection Act of 1966, are applicable to all debts owed the Government, including those that are to be repaid on an installment basis.

on their loans. VA must have a credit report before it can refer a defaulted loan to GAO or the Department of Justice for further collection action.

In April 1978 VA proposed to the Office of Management and Budget that the Tax Reform Act of 1976 be amended to allow the Internal Revenue Service to provide addresses for use by VA, and its credit bureau contractor, in locating debtors. We concur in VA's proposal. However, VA can also improve its ability to locate veterans by requiring its regions to attempt to locate them immediately after they leave school.

CHAPTER 4

CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

The VA education loan program was intended to provide an additional source of funds to needy veterans attending high cost institutions. Because the authorizing legislation is silent on the subject, VA's implementing regulations and program guidelines do not restrict loan eligibility to veterans attending high cost schools. As a result, loans went to veterans attending low or no tuition institutions. Also, because VA has not established criteria for evaluating financial needs or defined allowable education-related expenses, it has no assurances that loans are based on demonstrated financial need.

VA has not issued clear and comprehensive collection guidelines specifically related to the loan program. As a result, about half of the loans that have come due are in default.

The VA loan program is new and relatively small; however, the increased emphasis placed on it by the Congress and VA will cause it to expand rapidly. For this reason immediate corrective action is warranted.

RECOMMENDATIONS TO THE ADMINISTRATOR OF VETERANS AFFAIRS

We recommend that the Administrator

--define, in detail, what types of expenses can and cannot be used to justify a VA education loan;

--establish criteria to limit the amount of education-related expenses used to justify a loan;

--require that all resources available to the applicant be reported and considered in determining financial need;

--routinely collect the information necessary to calculate a valid default rate for the program;

--require regions to notify veterans of their repayment obligation immediately after they cease to be at least half-time students;

--clarify instructions regarding the type and timing of followup action if the veteran fails to respond to the initial repayment notice;

--instruct regions that the first payment is due on the first day of the installment period selected by the veteran;

--amend the existing interest tables to preclude the veteran from being charged excess interest when payment is made at the beginning of the installment period;

--instruct regions to collect on defaulted loans by offset against current benefits whenever possible;

--clarify instructions regarding when a loan should be classified as defaulted if the borrower does not respond to the initial repayment notice; and

--develop strongly worded collection letters specifically tailored to the loan program.

RECOMMENDATIONS TO THE CONGRESS

We recommend that the Congress amend the VA education loan program authorizing legislation (38 U.S.C. 1798) to give the Administrator the authority to

--limit program eligibility to veterans attending high tuition institutions, in accordance with congressional intent as stated in the legislative history, and

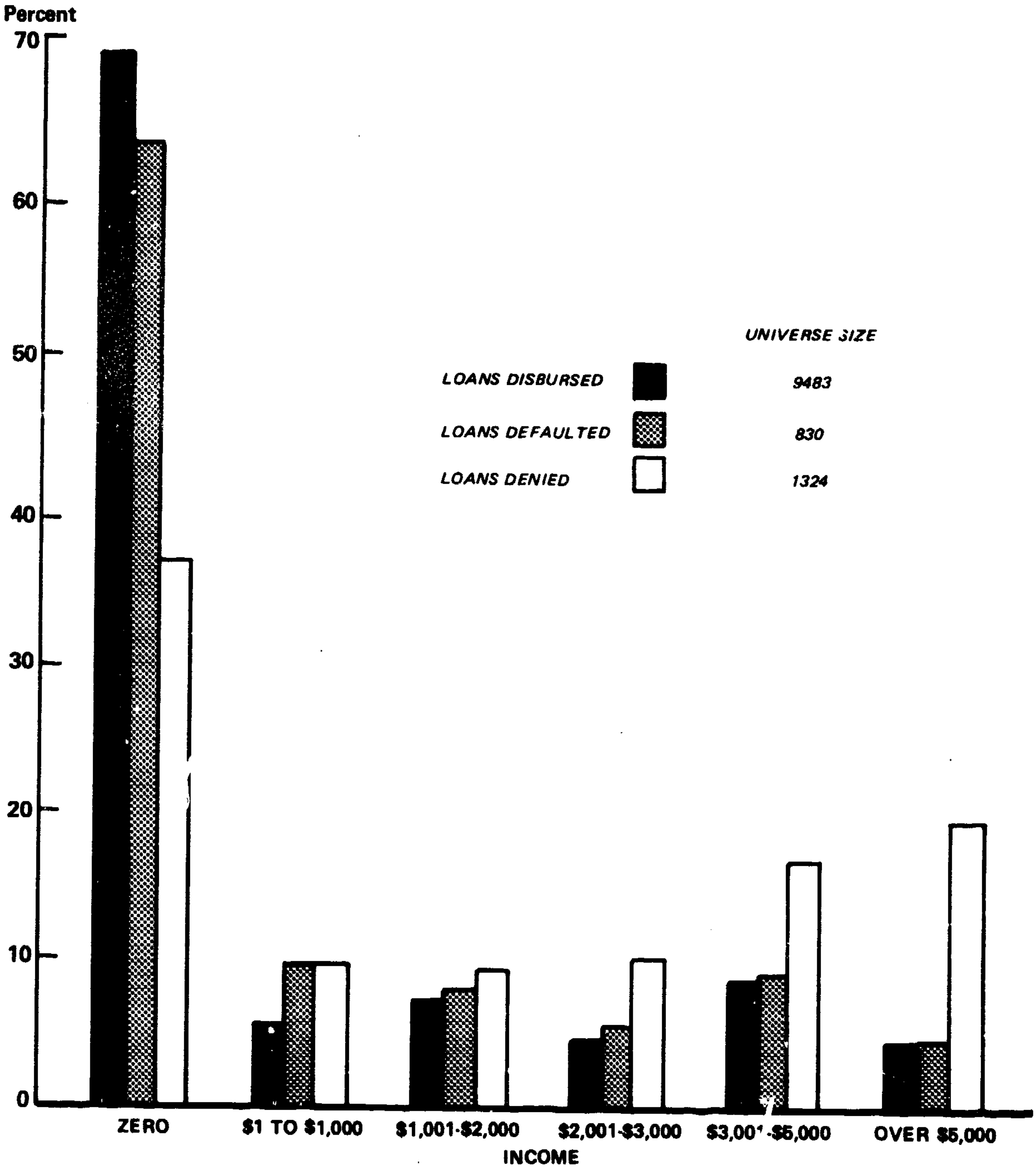
--require repayment of small loans over less than 10 years.

DEMOGRAPHIC DATA ON LOAN APPLICANTS

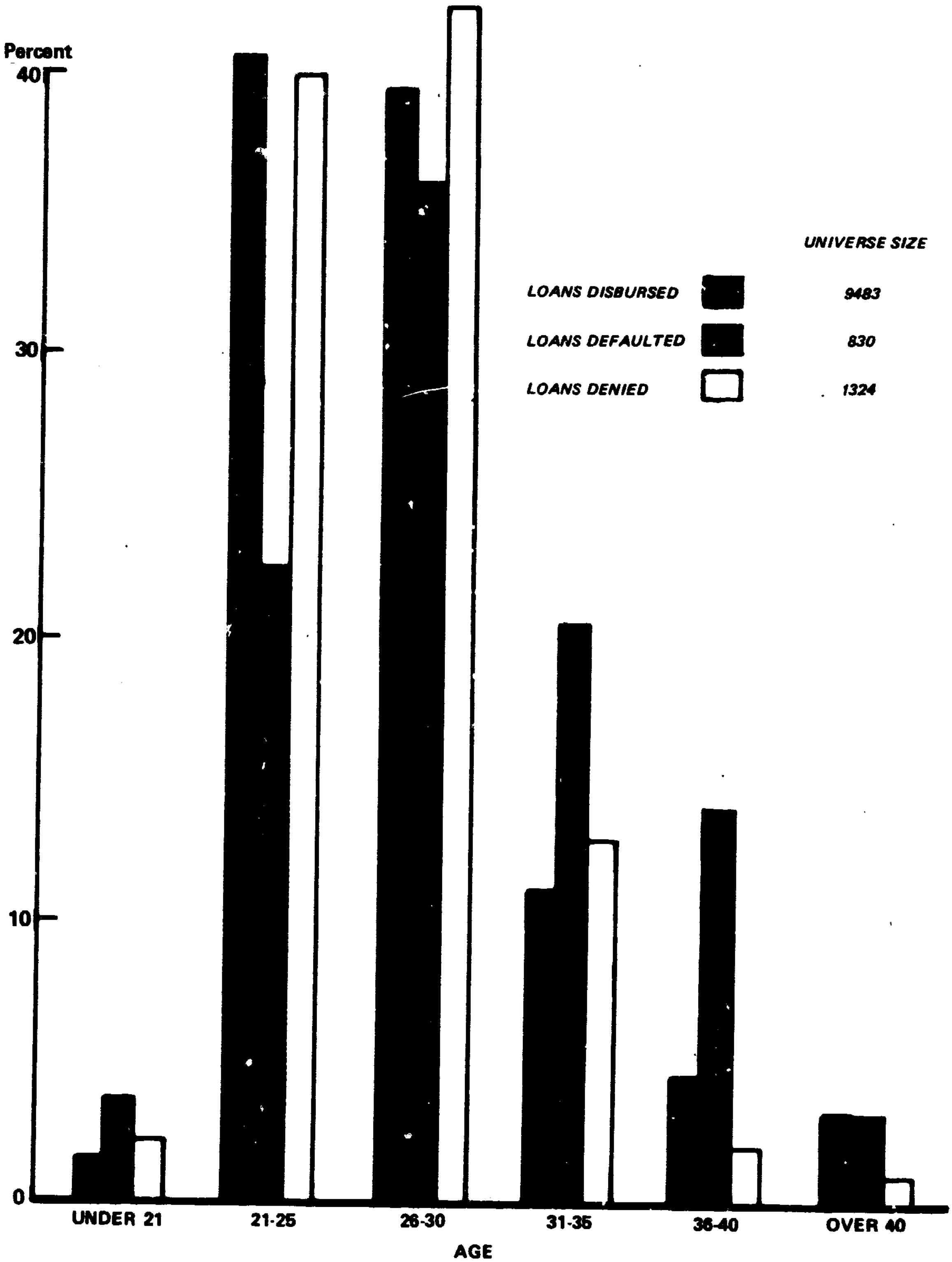
Marital Status, Number of Children, and Education

	Disbursed	Defaulted	Denied
Universe size	9,483	830	1,324
	----------(Percent)----------		
Demographic data:			
Married	44.3	45.8	46.9
Unmarried	55.7	54.2	53.1
Children:			
0	57.0	50.5	51.9
1	21.2	17.6	27.5
2	13.3	16.4	12.8
3	5.0	8.3	5.5
4	1.5	3.2	0.9
over 4	2.0	4.0	1.4
Education completed:			
Non-high school graduate	10.7	9.5	10.4
High school graduate	42.1	51.2	52.0
13-14 years	34.0	27.3	26.7
15-16 years	6.8	4.2	4.0
College graduate or higher	6.4	7.8	6.6

ESTIMATED EARNED INCOME



DEMOGRAPHIC DATA AGE



DESCRIPTION OF STATISTICAL ANALYSIS TECHNIQUES

USED DURING REVIEW

Random samples of disbursed and defaulted loan recipients and denied applicants were selected in each of the nine VA regions visited. We sampled veterans' claim folders to develop requested demographic data--marital status, income, number of children, and education level. Sampling techniques provide a 95-percent confidence level for each region and for all nine regions combined. Sampled data was weighted to represent the total number of recipients and applicants in the nine regions. The 9,483 loans disbursed by these regions represent about 25 percent of all loans disbursed between January 1, 1975, and December 31, 1977. Also, these regions accounted for about 23 percent of the defaulted loans reported by VA on December 31, 1977. The sample of denied applicants consists only of those denied during the 6-month period ended December 31, 1977. The purpose of sampling denied applicants was to determine if their demographic characteristics differed from those of loan recipients.

SELECTION OF REGIONS

The nine VA regions visited were selected judgmentally, not randomly. Reasons for their selection include

--geographic location,

--types of schools within the regions, and

--number of loans disbursed and denial rates.

Although the regions were not randomly selected, we believe the demographic data developed is similar to that of recipients and applicants in the remaining VA regions.

Selection of sample size

Random samples of 377 disbursed and 311 defaulted loan recipients were selected, along with 255 denied applicants. These three samples reflect the numbers needed to attain an overall 95-percent confidence level and a minimum of 30 per region needed to provide the same confidence for each region.

Selection was based on the last two digits of the person's VA claim number. A random listing of two digit numbers was generated by computer and used at each VA regional office. The VA number also contains an identifier denoting spouses, widows, and dependents; we noted 12 such recipients in our disbursed sample. We analyzed the data of these persons and found it generally similar to that of veterans; however, the number of such recipients is too small for sound statistical analysis.

Universe Sample Size at December 31, 1977

VA region	Disbursed		Defaulted		Denied (note a)	
	Universe	Sample size	Universe	Sample size	Universe	Sample size
St. Louis	408	31	115	31	65	30
Wichita	1,711	46	75	31	60	31
Montgomery	3,393	97	210	56	364	31
Chicago	408	29	43	30	152	30
New York	34	30	2	2	29	23
Newark	205	31	60	41	20	17
Boston	453	29	31	22	120	31
Los Angeles	1,979	56	246	68	308	32
San Diego	892	28	48	30	206	30
Total	9,483	377	830	311	1,324	255

a/From July 1 to December 31, 1977, as reported by the VA regional office.

DEFAULT RATES BY VA REGION AND

GEOGRAPHIC AREA AT DECEMBER 31, 1977

Geographic area and VA region	Loans disbursed	Loans matured	Loans defaulted	Default rate
Northeast:				
Hartford, Conn.	13	16	10	62.5
Boston, Mass.	453	22	18	a/81.8
Togus, Maine	169	34	0	0
Manchester, N.H.	121	24	11	45.8
Newark, N.Y.	205	67	0	a/0
Buffalo, N.Y.	50	14	4	28.6
New York, N.Y.	34	4	0	a/0
Philadelphia, Pa.	136	20	13	65.0
Pittsburgh, Pa.	21	8	2	25.0
Providence, R.I.	218	37	25	67.6
White River Junction, Vt.	13	9	8	88.9
	1,433	255	91	35.7
South:				
Montgomery, Ala.	3,393	554	210	38.0
Little Rock, Ark.	625	89	41	46.1
Wilmington, Del.	26	4	4	100.0
Washington, D.C.	199	33	21	63.6
St. Petersburg, Fla.	1,315	146	24	16.4
Atlanta, Ga.	2,641	642	233	36.3
Louisville, Ky.	88	20	8	40.0
New Orleans, La.	70	42	6	14.3
Baltimore, Md.	204	45	0	0
Jackson, Miss.	1,270	193	132	68.4
Winston-Salem, N.C.	226	57	32	56.1
Muckogee, Okla.	1,241	313	119	38.0
San Juan, P.R.	4	0	0	0
Columbia, S.C.	279	58	0	0
Nashville, Tenn.	544	68	46	67.6
Houston, Tex.	716	160	71	44.4
Waco, Tex.	1,080	175	87	49.7
Roanoke, Va.	1,055	165	109	66.1
Huntington, W.Va.	92	26	4	15.4
	15,068	2,789	1,147	41.1

Geographic area and VA region	Loans disbursed	Loans matured	Loans defaulted	Default rate
Midwest:				
Chicago, Ill.	408	80	0	a/0
Indianapolis, Ind.	386	107	35	32.7
Des Moines, Iowa	313	46	23	50.0
Wichita, Kans.	1,711	247	29	a/11.7
Detroit, Mich.	514	69	6	8.7
St. Paul, Minn.	13	9	8	88.9
St. Louis, Mo.	408	148	115	77.7
Lincoln, Nebr.	941	125	70	56.0
Fargo, N. Dak.	70	25	7	28.0
Cleveland, Ohio	989	170	94	55.3
Sioux Falls, S. Dak.	72	0	0	0
Milwaukee, Wis.	168	31	24	77.4
	5,902	1,057	411	38.9
West:				
Juneau, Alaska	0	5	4	80.0
Phoenix, Ariz.	452	62	56	90.3
Los Angeles, Calif.	1,979	531	246	46.3
San Diego, Calif.	892	78	48	61.5
San Francisco, Calif.	2,940	607	398	65.6
Denver, Colo.	3,091	329	31	9.4
Honolulu, Hawaii	196	24	9	37.5
Boise, Idaho	287	48	21	43.8
Fort Harrison, Mont.	197	48	11	22.9
Reno, Nev.	25	4	1	25.0
Albuquerque, N. Mex.	1,177	123	78	63.4
Portland, Oreg.	147	49	34	69.4
Manila, Philippines	0	1	0	0
Salt Lake City, Utah	941	86	41	47.7
Seattle, Wash.	2,110	440	256	58.2
Cheyenne, Wyo.	117	28	10	35.7
	14,551	2,463	1,244	50.5
Total	36,954	6,564	2,893	44.1

a/Understated by VA region. Later GAO review work shows the following to be the actual default rates at December 31, 1977: Chicago--54; Newark--90; Wichita--30; New York--50; and Boston--94.

DEFAULT RATES BY TYPE OF SCHOOL

AT DECEMBER 31, 1977

Type of school	Disbursed	Matured	Defaulted	Default rate
Public:				
4 year	15,859	2,460	964	39
2 year	11,545	2,259	1,139	50
NCD (note a)	2,296	411	178	43
	29,700	5,130	2,281	44
Private:				
4 year	3,463	562	227	40
2 year	909	134	57	43
NCD (note a)	2,882	738	328	44
	7,254	1,434	612	43
Total	36,954	6,564	2,893	44

a/Non-college-degree.

NUMBER OF LOANS DENIED, DISBURSED, AND DEFAULTED

BY GEOGRAPHICAL AREA, JANUARY 1975-DECEMBER 1977

	Northeast	Midwest	South	West	Total
Applications received	2,836	9,920	25,994	20,732	59,432
Applications acted upon	2,551	9,613	24,598	19,697	56,459
Approved	a/1,428	6,242	15,217	14,603	37,490
Denied	1,123	3,371	9,381	5,094	18,969
Denial rate (percent)	44.0	35.1	38.1	25.9	33.6
Loans disbursed	a/1,433	5,902	15,068	14,551	36,954
Loans matured	255	1,057	2,789	2,463	6,564
Loans defaulted	91	411	1,147	1,244	2,893
Default rate (percent)	36.0	39.0	41.0	51.0	44.0

a/The reported number of disbursed loans exceeds the number of approved loans in the Northeast because several regions reported loans transferred in along with loans they had disbursed.

(40669)