National College Access Network

Building Connections. Advancing Equity. Promoting Success.

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Senators Cortez Masto, Harris, Jones, and Warren:

Thank you for the opportunity to submit our suggestions for the most effective ways to empower students of color and make higher education more equitable for all students. We understand that this is already a busy year for higher education and greatly appreciate the chance to lay out our priorities and convey how they will improve outcomes for students of color.

The National College Access Network (NCAN), founded in 1995, represents more than 450 members across the country that all work toward NCAN's mission to build, strengthen, and empower communities committed to college access and success so that all students, especially those underrepresented in postsecondary education, can achieve their educational dreams. NCAN's members span a broad range of the education, nonprofit, government, and civic sectors, including national and community-based nonprofit organizations, federally funded TRIO and GEAR UP programs, school districts, colleges and universities, foundations, and corporations. All are dedicated to helping underrepresented students access, afford, and succeed in higher education. The undersigned NCAN members from Alabama, California, and Massachusetts understand the day-to-day challenges students face from their organization's dedication to direct service.

Thank you for your consideration of these policy proposals.

Pell Grants

The Pell Grant has served as the cornerstone of financial aid for low-income students pursuing higher education since its creation in 1972. Almost 60 percent[1] of African-American students and nearly half of Hispanic students enroll in higher education with a Pell Grant. Unfortunately, the program's purchasing power has

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[1] The Institute for College Access and Success, "Pell Grants Help Keep College Affordable for Millions of Americans" (2018), https://ticas.org/sites/default/files/pub_files/overall_pell_one-pager.pdf

continuously been in decline[2], and Congress has not made a substantial investment in Pell since the 2009-10 stimulus package. At its peak in 1975-76, the maximum Pell award covered more than three quarters[3] of the cost of attendance (COA) at the average four-year public university. Today, it covers less than 30 percent.

While the efforts of Congress during the last two appropriations cycles have temporarily and partially curtailed this pattern, bolder investments must be made in this program to empower underserved students. In fact, in NCAN's letter[4] to Appropriations Committee leaders in April of 2018, we proposed restoring the purchasing power of the Pell Grant to 50 percent of the average COA for a four-year public university. This would require an annual increase of nine percent to the program's maximum award each year over the next decade. Given that affordability remains a persistent and significant barrier in higher education today, we feel strongly that action this bold is necessary.

FAFSA Simplification

For students who cannot afford to pay their cost of attendance in full, the Free Application for Federal Student Aid (FAFSA) is the gateway to financing their higher education. The form poses more than 100 questions to students and families, several of which are applicable to less than one percent of filers. Moreover, low-income students stand a one in two chance of being flagged for verification once they have submitted the application. Thus, the application process needs meaningful reform in order to prevent students from continuing to leave tens of billions of dollars[5] in federal aid on the table every year.

NCAN proposes a Streamlined FAFSA[6] that will help all students more easily complete this form. Under this user-tested model, students would follow one of three pathways, depending on their tax filing and income status, and low-income students would answer as few as 25 questions. Crucially, students enrolled in a federal means-tested benefit program – and have therefore demonstrated their low-income status to the federal government – would not need to complete the financial section of the form and would be automatically awarded a maximum Pell Grant award. Students without tax schedules would only answer a handful of additional financial questions beyond what is available from their tax return, and only high-income families with tax schedules would be asked about assets. Overall, the Streamlined FAFSA resulted in improved completion times by 29 percent and a 56 percent reduction in error rate.

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[2] Spiros Protopsaltis and Sharon Parrott, "Pell Grants — a Key Tool for Expanding College Access and Economic Opportunity — Need Strengthening, Not Cuts" (2017) https://www.cbpp.org/pell-grants-cover-shrinking-share-of-college-costs

[3] Protopsaltis and Parrott (2017)

[4] Carrie Warick, "NCAN's Bold New Proposal to Congress Would Restore Pell's Purchasing Power" (2018) http://www.collegeaccess.org/BlogItem?dg=4b37414405d24a2e8fc290827c58b107

[5] Carrie Warick, "Half the FAFSA: Cutting the Red Tape to Postsecondary Aid (2017) http://www.collegeaccess.org/images/documents/HalfTheFAFSA_NCAN2017.pdf

[6] Warick (2017)

Addressing verification – the audit-like process that requires students to resubmit information in order to prove their income status – is also necessary to helping students complete the FAFSA. The U.S. Department of Education (ED) recently took action[7] to reduce the burden that verification imposes on students and families, and Congress can supplement these efforts by amending Section 6103 (I) of the Internal Revenue Code in order to achieve an enhanced data sharing agreement between ED and the U.S. Department of Treasury (Treasury). This agreement would allow for the secure transfer of tax data from Treasury to ED, thereby eliminating unnecessary questions from the FAFSA and guaranteeing that aid awards are disbursed accurately.

Financial Aid Offers

Analysis of more than 500 financial aid award letters[8] revealed that financial aid offers – meant to clarify the options students have for financing their higher education – are confusing and often leave students without critical consumer information needed to make a financially informed college decision. Aid offers vary greatly in format, are filled with inconsistent terminology, and often mislead students by conflating grant aid with loans. This is especially pertinent for students who need to borrow in order to finance their education. Given the research[9] citing disproportionate loan burden held by students of color, clear communication of cost and aid type is essential. Congress should mandate that these crucial documents from all Title IV institutions maintain a level of consistency that allows students to directly compare offers from each of the institutions to which they have been accepted. More specifically, Congress should require:

Federally-defined, student-friendly terminology: The aforementioned analyses found 136 different depictions of offers for federal unsubsidized loans. Moreover, 24 institutions did not use the word "loan" at all. The following terms should have readily available, consumer-tested, and universal definitions: "cost of attendance," "direct costs," "indirect expenses," "gift aid," "loans," "net costs," "estimated bill," "work-study," and "Parent PLUS loan."

Enhanced transparency with regards to cost: Students should not receive an aid offer and still have questions about how much their higher education will cost. Financial aid offers should unmistakably list a total COA and include a line item breakdown of both direct and indirect expenses. Moreover, aid offers should demonstrate to prospective students how much of his or her COA is being covered by grant aid, and, separately, how much is being covered by grants and loans. This gives students a clear understanding of how much it will cost them to attend.

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[7] Federal Student Aid, "Changes to 2018-2019 and 2019-2020 Verification Requirements" (2019) https://ifap.ed.gov/eannouncements/010919Chngsto1819and1920VerificationReq.html

[8] New America and uAspire, "Decoding the Cost of College" (2018) https://www.uaspire.org/News-Events/uAspire-and-New-America-Release-Decoding-the-Cost

[9] Judith Scott-Clayton, "The Looming Student Default Crisis is Worse Than We Thought" (2018) https://www.brookings.edu/wp-content/uploads/2018/01/scott-clayton-report.pdf

Common format practices: How schools list and define financial aid affects how students do the math. Institutions should be required to present aid options differentiated by type. For example, over two-thirds of the letters analyzed in the aforementioned analysis lump grant aid and loans together[10], making it unclear what is gift aid and what needs to be paid back with interest. Additionally, Parent PLUS loans should not be included as a line item under grants or loans, nor should they be used in calculations of total aid offered. Instead, they should be listed as additional options to cover costs along with Federal Work-Study, tuition payment plans, savings, etc.

Loan Counseling

The federal student loan system is multilayered and difficult to navigate. This complexity – albeit just one factor – contributes to the unfortunately common outcome of students being unable to repay their loans. In fact, evidence indicates that the system is so opaque that students do not fully understand the agreement they are signing[11] when they take out a federal loan. A 2014 study[12] shows that one in ten borrowers underestimated the total they owe by $10,000 or more, and that one in eight were unaware that they owed anything at all.

One way in which the federal government attempts to mitigate these all-too-common misunderstandings is loan counseling. Undergraduates and graduate students alike are required to receive loan counseling from their institution just prior to their first disbursement and again after they graduate, drop out, or decrease their credit load to less than full time. Regulatory code for both entrance and exit counseling requires that institutions illustrate the impact of default, and emphasize that repayment is mandatory almost regardless of a borrower's individual circumstance. These sessions can be delivered in-person or online.

Institutions should be required to provide more robust loan counseling throughout a student's higher education experience. This should include students receiving information[13] before each loan disbursement about budgeting, free credit reports, and the average earning outcomes for different education levels in the state in which they are attending. Moreover, exit counseling should require institutions to make clear the balance owed and when repayment begins, which repayment options are available, and consequences of failing to repay.

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[10] New America and uAspire (2018)
[11] Board of Governors of the Federal Reserve System, "Student Loan Counselling Challenges and Opportunities" (2016) https://www.federalreserve.gov/econresdata/2016-student-loan-counseling-challenges-and-opportunities-introduction.htm#subsection-163-6B41CA24
[12] Emily Andruska, Jeanne Hogarth, Cynthia Needles Fletcher, Gregory Forbes, Darin Wohlgemuth, "Do You Know What You Owe? Students; Understanding of Their Student Loans" (2014) https://eric.ed.gov/?id=EJ1045523
[13] Megan Walter, "House Passes Annual Counseling Bill" (2018) https://www.nasfaa.org/news-item/16135/House_to_Consider_Bipartisan_Annual_Counseling_Bill

Loan Repayment

Despite the fact that completion is a strong predictor[14] of whether or not a student will default on his or her loan, African-Americans who complete a bachelor's degree are five times[15] as likely than their white peers to default on their student loans. Though this issue is rooted in societal inequities beyond the higher education system, there are feasible systems changes that would achieve a lower default rate for students of color.

Whether it be because they have graduated or stopped-out, repayment begins six months after a borrower has left higher education. Borrowers are automatically placed into the Standard Repayment Plan, which is designed to pay off the balance in a fixed period of time, and does not consider a borrower's income whatsoever. Borrowers must proactively select an Income Driven Repayment plan. Enrolling in the more flexible IDR plans is complicated, with at least nine choices along with an annual reapplication requirement. Low-income borrowers, who are disproportionately students of color[16], would be better served by a simplified structure for IDR programs: fewer choices that are promoted with automatic renewal of eligibility based on their tax information.

Gainful Employment

Section 102 of the Higher Education Act states that proprietary institutions and postsecondary vocational programs must "prepare students for gainful employment in a recognized occupation." In 2014, The Gainful Employment (GE) rule was created as a means of ensuring taxpayer dollars were not spent bolstering postsecondary programs that were not providing a satisfactory return on investment for students. Given the exceptionally high[17] default rate among students who enroll in proprietary institutions – an issue that disproportionately affects students of color – GE has proven to be a worthy guardrail.

Independent analysis[18] from Aug. 2018 revealed that more than 350,000 students completed a program between 2008-09 and 2011-12 that does not meet the GE threshold, and that these students were left with a total of $7.5 billion in debt. The current GE measure is the bare minimum needed to protect students from programs that will leave them with debt they are unable to repay.

Given that the vast majority[19] of students enrolled at for-profit colleges take out federal student loans, a basic measure of accountability and quality control is

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[14] College Board, "Trends in Higher Education" (2018) https://trends.collegeboard.org/student-aid/figures-tables/two-year-student-loan-default-rates-degree-completion-status-over-time

[15] Judith Scott-Clayton (2018)

[16] Judith Scott-Clayton (2018)

[17] Judith Scott-Clayton (2018

[18] The Institute for College Access and Success, "How Much Did Students Borrow to Attend the Worst-Performing Career Education Programs?" (2018) https://ticas.org/sites/default/files/pub_files/ge_total_debt_fact_sheet.pdf

[19] Luis Armona, Rajashri CHakrabarti, Michael Lovenheim, "How Does For-Profit College Attendance Affect Student Loans, Defaults, and Labor Market Outcomes?" (2018) https://www.newyorkfed.org/medialibrary/media/research/staff_reports/sr811.pdf?la=en

necessary to protect them as well as and taxpayers. Federal dollars should not be allocated for educational access to programs that leave students, especially those already marginalized by racial and economic status, with student loan debt.

NCAN submits these ideas on behalf of our membership and appreciates the input and support of the undersigned members who are leaders in our advocacy work. Thank you for this opportunity, and please let us know if any of us can be of assistance moving forward.

Sincerely,

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