

December 17, 2019

The Honorable Bobby Scott
Chairman
House Committee on Education and Labor
2176 Rayburn House Office Building
Washington, DC 20515

The Honorable Virginia Foxx
Ranking Member
House Committee on Education and Labor
2101 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Scott and Ranking Member Foxx:

On behalf of the National Council of Higher Education Resources (NCHER), I am writing to express our views on H.R. 4674, the College Affordability Act, which the committee passed in late October. NCHER represents state, nonprofit, and private organizations that provide a holistic approach to student success, from administering 529 college savings plans to operating state-funded grant, loan, scholarship, and college access and success programs for first-generation, low-income students. The NCHER membership includes federal student loan servicers and collectors who contract with the U.S. Department of Education to collect on Federal Direct Loans and entities that underwrite, administer, service, and recover private education loans to students and parents. It also includes loan holders, servicers, and guarantors with legacy Federal Family Education Loan Program (FFELP) portfolios; third-party servicers that work with colleges and universities to assist them in reducing student loan delinquency and default rates; and financial literacy and wellness providers that work with students and schools to help them understand their postsecondary education obligations. Our members work hard to promote access and choice for postsecondary education, including informing the public about the availability of higher education financing.

NCHER believes that the committee's effort to reauthorize the Higher Education Act in the 116th Congress is a critical opportunity to better support today's college students in their pursuit of higher education. We support the College Affordability Act's stated goals of lowering the cost of college for students and families, improving the quality of higher education by holding schools accountable for student success, and expanding opportunities for students from all backgrounds. Federal policymakers must ensure that students are able to secure the necessary support and financing to enroll in the college or university of their choice and they receive the education necessary to allow them to graduate and get a job; after all, we know that non-completers are more likely to become delinquent and default on their student loans. But these goals will only be realized if the current federal student aid process is simplified. The overly complicated patchwork of repayment plans and the complexity of the Free Application for Federal Student Aid or FAFSA are the primary challenges that student and parent borrowers have with understanding the federal financial aid system and they must be streamlined to reduce barriers to higher education for low- and moderate-income students who often believe that a postsecondary education is unaffordable.

Students and families also need access to better support services to assist them in making good educational choices and understanding, managing, and paying for the costs of a postsecondary education. State-based and state-affiliated nonprofit agencies have been highly successful in providing these important services for decades so that students understand the higher education finance options available to them. We look forward to continuing our important work on behalf of students and families and working with both the House and Senate, Democrats and Republicans, to promote a high-quality postsecondary education for all students.

As the committee moves the bill to the House Floor, NCHER offers its support for the following provisions included in H.R. 4674, the College Affordability Act:

- Promoting financial literacy through enhanced counseling. The College Affordability Act requires institutions of higher education to provide annual, in-person, or online counseling so that students better understand their financial obligations, including their outstanding loan balance, anticipated monthly payment under federal repayment options, and information on how interest accrues and is capitalized if a borrower does not pay more than the minimum payment. These important changes should assist students in better understanding, accessing, and paying for postsecondary education.
- Streamlining student loan repayment. The College Affordability Act authorizes two plans for students to repay their federal student loans. First, it includes a standard repayment plan that includes a graduated repayment schedule ranging from 10-25 years. Second, it includes an income-based repayment plan setting payment at 10 percent of the amount by which the adjusted gross income of the borrower (and spouse) exceeds 250 percent of the poverty line for the borrower's family size. The bill also provides for automatic annual recertification of a borrower's income and family size for those borrowers enrolled in income-driven repayment. We support simplifying and streamlining the myriad of student loan repayment plans, improving the federal financial aid system for all borrowers.
- Increasing Pell Grants. The College Affordability Act increases the maximum award for the Pell Grant program, repeals the ban on incarcerated individuals, continues the Year-Round Pell Grant Program, extends federal eligibility for Pell Grants of certain short-term programs, and creates a new Pell Grant Bonus. These important – and long overdue - changes will expand college access and completion to low-income students and their families.
- Protecting students and families. The College Affordability Act includes the text of the “Stop Student Debt Relief Scams Act,” which will prevent improper access to the Department's information technology systems for fraud, commercial advantage, or private financial gain; requires institutions of higher education to provide a warning to borrowers that they may be contacted by third-party debt relief companies; and prevents improper access to the National Student Loan Data System. These important changes should help protect students and parent borrowers and crack down on unlawful or unscrupulous companies who target struggling borrowers and drive them deeper into debt.
- Improving federal student loan servicing. The College Affordability Act requires the Department to develop a common manual of standardized procedures and policies for federal student loan servicers, which could include best practices around payment allocation, repayment options, and due diligence, consistent with past language in the Labor, Health and Human Services, Education, and Related Agencies Appropriations Act. We expect that this important change will result in the establishment of high-quality and strong national servicing standards and protections for all Direct Loan borrowers.
- Expanding support for underserved students. The College Affordability Act includes several provisions aimed at expanding postsecondary education for homeless individuals and foster care youth. For example, the bill requires the Secretary of Education to issue guidance, provide annual professional development opportunities, and issue a report on best practices for serving homeless and foster care youth. These important provisions will open the door to higher education for underserved students who need additional support services to enroll and complete postsecondary education.

NCHER requests the following changes be made to H.R. 4674, the College Affordability Act:

- Extending Account Maintenance Fees (AMF) paid to the nation's guaranty agencies. State and nonprofit guaranty agencies are authorized under the Higher Education Act of 1965 to provide important services to students, borrowers, families, and the federal government by helping to manage

the federal student loan program at the local level and increasing access to and success in postsecondary education. These agencies receive AMF payments from the Department to support college access and success activities, assist struggling borrowers in avoiding default on their federal student loans, help defaulted borrowers rehabilitate their loans and repair their credit history, and other administrative activities. NCHER supports extending AMF so that the agencies are able to perform critical functions that assist borrowers and protect federal taxpayers.

- Allowing defaulted borrowers to rehabilitate their loans twice. Loan rehabilitation allows borrowers to make nine voluntary, on-time payments within ten consecutive months and have their defaulted loans rehabilitated, allowing them to regain all benefits of the federal student loan program, including eligibility for federal student aid, and to have the default record stricken from their credit report. Unfortunately, current law restricts loan rehabilitation to one-time per loan. As college costs continue to rise, many borrowers continue to struggle to repay their loans and re-defaults are at record highs. NCHER believes borrowers should be able to rehabilitate their loans twice, which will assist those struggling to repay their student loans and address the growing problem of re-defaults.
- Providing Direct Loan borrowers with additional disclosures. In order to protect consumers and allow them to make accurate and informed decisions when borrowing for college, the Truth in Lending Act requires all lenders to disclose the true cost of a loan in standard and easy-to-understand language. The only lender that currently enjoys an exception to this universal requirement is the Department of Education, which is the largest provider of student and parent loans. Federal student loan borrowers cannot make fully informed choices on the best loan option available to them – either public or private – because they are not provided with accurate information about the full cost of their federal loans. NCHER supports providing all student and parent borrowers with important information on the annual percentage rate or APR on their loans, including the interest rate and all other loan costs.
- Promoting the use of state and nonprofit organizations with expertise in helping borrowers. With federal student loan debt totaling nearly \$1.6 trillion and with unacceptably high delinquency and default rates, it is clear that student and parent borrowers need access to more specialized support services throughout their postsecondary education to help them understand their financial decisions. NCHER supports exploring ways to help students and families better understand their financing and repayment options before, during, and after their college careers, leveraging the expertise and infrastructure of state and nonprofit agencies who have been highly successful in providing these important services for decades. The financial literacy needs of students and families vary widely due to individual circumstances and, in order to be most effective, cannot be a one-size-fits-all proposition.
- Revising the preferred lender list restrictions. The current preferred lender list restrictions over-burden institutions with paperwork and unnecessary reporting requirements if they choose to maintain a list of such lenders for private education loans. Because of the rules, many schools have shied away from having preferred lender lists and largely ended working with state agencies or state-designated authorities to counsel students and parents on various sources of federal, state, and private financial aid available to students. NCHER supports removing the preferred lender list restrictions to allow colleges and universities to work closely with their state partners, while maintaining the important disclosure and code of conduct requirements in current law that prevent abuse and protect students.
- Capping the amount parents can borrow under the PLUS program. Today, parents can borrow the full cost of college for all of their dependent children, including amounts for living expenses, under the Parent PLUS program. While some can afford to borrow such high amounts, many parents become saddled with debt for which they have no ability to repay. NCHER supports capping the amount that parents can borrow to finance the cost of postsecondary education. This would remove the incentive for those with lower credit scores – those more likely to struggle with their repayment burden – to take out student loans they can ill afford.

- Encouraging multiple federal student loan servicers. The Department currently uses a competitive structure of not-for-profit and for-profit organizations to provide important services to borrowers with loans made under the Federal Direct Loan Program, which promotes high levels of customer service, establishes a benchmark for quality servicing, and saves taxpayers money. NCHER believes that any potential changes to the federal student loan servicing system should continue to use multiple contractors to provide high-quality servicing, while recognizing the continued need to provide separate default collection services to struggling borrowers. NCHER also supports clarifying that, in the student loan servicing context, the definition of ‘small business concern’ includes state and not-for-profit entities, consistent with the language included in past versions of the Labor, Health and Human Services, Education, and Related Agencies Appropriations Act. This provision will ensure that the Department’s contractors receive credit for subcontracting for services with these organizations, whose missions are to help student and parent borrowers.
- Eliminating unnecessary barriers to assist federal student loan borrowers. Since 1965, guaranty agencies have provided important services to students, borrowers, families, and the federal government. Even though Congress ended all new originations in 2010, these state and nonprofit agencies continue to carry out their public missions and federal responsibilities. In order to facilitate an orderly wind-down of the federal guaranteed loan program, NCHER supports providing just-in-time reinsurance payments to facilitate cash flow into the Federal Fund and removing the 45 percent cap on Federal Direct Consolidation Loans. These provisions will allow guarantors to continue to provide important services to assist struggling borrowers.

Finally, the College Affordability Act includes a number of amendments to Part B of the Higher Education Act impacting FFELP borrowers. NCHER urges the committee to proceed cautiously when changing the terms and conditions of federal loans that are more than 10 years in repayment and are nearing full pay-off. The bill would also allow the refinancing of private education loans. Although Federal Direct Loans make up more than 92 percent of outstanding student loan debt, private education loans are an important funding source that students and parents rely upon to achieve their higher education goals. Private education loan programs, especially those made by state and nonprofit agencies, fill the widening gap between the cost of an affordable postsecondary education and the availability of federal, state, and institutional support. These loans are designed to supplement - not supplant - other funding sources. The NCHER membership actively encourages responsible borrowing and urges students and parents to work with financial aid professionals at their colleges and universities to explore other sources of federal, state, and institutional aid, whether grant or loan, prior to applying for a private education loan. Nearly all private education loans are certified by the school’s financial aid office. Because of cosigner requirements and other underwriting conditions, most private loan borrowers are in good standing and delinquency and default rates are dramatically lower than the federal program.

Chairman Scott and Ranking Member Foxx, thank you for the opportunity to provide our comments on H.R. 4674, the College Affordability Act. NCHER and its members look forward to working with the committee to promote college access and success, strengthen the federal financial aid programs, and ensure that students and families receive accurate and timely information in order to successfully plan and pay for college – building on the bipartisan success of the recently-passed FUTURE Act. If you have any questions on the items raised in this letter, please feel free to reach out to me at jbergeron@ncher.us or (202) 822-2106.

Sincerely,



James P. Bergeron
President