IMPROVING FEDERAL STUDENT AID TO BETTER MEET THE NEEDS OF STUDENTS

HEARING

BEFORE THE

SUBCOMMITTEE ON HIGHER EDUCATION AND WORKFORCE DEVELOPMENT

OF THE

COMMITTEE ON EDUCATION AND THE WORKFORCE

U.S. HOUSE OF REPRESENTATIVES

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IMPROVING FEDERAL STUDENT AID TO BETTER MEET THE NEEDS OF STUDENTS

Tuesday, March 21, 2017
House of Representatives
Committee on Education and the Workforce,
Subcommittee on Higher Education and Workforce Development
Washington, D.C.

The subcommittee met, pursuant to call, at 10:10 a.m., in Room 2175, Rayburn House Office Building, Hon. Brett Guthrie [chairman of the subcommittee] presiding.

Present: Representatives Guthrie, Messer, Grothman, Stefanik, Allen, Lewis, Mitchell, Smucker, Davis, Courtney, Adams, DeSaulnier, Krishnamoorthi, Polis, Sablan, Takano, Blunt Rochester, and Espaillat.

Also Present: Representatives Foxx, Scott and Bonamici.

Staff Present: Courtney Butcher, Director of Member Services and Coalitions; Emmanual Guillory, Professional Staff Member; Tyler Hernandez, Deputy Communications Director; Amy Raaf Jones, Director of Education and Human Resources Policy; Nancy Locke, Chief Clerk; Dominique McKay, Deputy Press Secretary; James Mullen, Director of Information Technology; Krisann Pearce, General Counsel; Jenny Prescott, Professional Staff Member; Alex Ricci, Legislative Assistant; Mandy Schaumburg, Education Deputy Director and Senior Counsel; Emily Slack, Professional Staff Member; Alissa Strawcutter, Deputy Clerk; Tylease Alli, Minority Clerk/Intern and Fellow Coordinator; Jacque Chevalier, Minority Deputy Education Policy Director; Denise Forte, Minority Staff Director; Mishawn Freeman, Minority Staff Assistant; Christine Godinez, Minority Staff Assistant; Stephanie Lalle, Minority Press Assistant; Veronique Pluviose, Minority Civil Rights Counsel; Katherine Valle, Minority Education Policy Advisor, and Christopher Zbrozek, Minority Education Detailee.

Chairman GUTHRIE. A quorum being present, the Subcommittee on Higher Education and Workforce Development will come to order.

Good morning, and welcome to the first hearing of the Subcommittee on Higher Education and Workforce Development for the 115th Congress. I am honored to serve as the new chairman of this subcommittee. I want to thank Dr. Foxx for choosing me for this gavel, and I want to thank my colleagues for trusting me to lead this important subcommittee.

It is also my honor to welcome our new ranking member, Representative Susan Davis. I look forward to working together this Congress. I am confident we will advance solutions that help prepare students with the knowledge and skills they need to succeed in the classroom, in the workforce, and in life.

Today's hearing is a part of the committee's broader effort to strengthen higher education. We all know and have seen the significant opportunities provided by a postsecondary education. Unfortunately, as we have also seen, realizing the dream of a higher education has become increasingly difficult for many individuals across the country.

As Chairwoman Foxx pointed out at a hearing earlier this year, college costs are rising at a rapid rate. In fact, since 2006, average tuition and fees have increased by more than 40 percent at 4-year public institutions, and almost 27 percent at 4-year private nonprofit institutions.

Meanwhile, for a variety of reasons, students are not completing their education. It is estimated that among students who started college in the fall of 2010, only 55 percent had earned a degree or certificate by 2016. That is not even 4 years. It is 6 years, with nothing to show for it in the end.

These are just two statistics that will help illustrate the challenges individuals face when they consider whether or not they should or can pursue a higher education. They are also two of the reasons we are working to make higher education more accessible and affordable. One of the ways we can accomplish this goal is by simplifying and improving Federal student aid.

Over the years, the Federal student aid system has become too complex. Students and their families are forced to navigate 6 different types of Federal loans, 9 different repayment plans, 8 different forgiveness programs, and 32 deferment or forbearance options, each with its own rules and regulations. Sounds complicated, right?

Now, imagine you are a student with no background or experience in navigating such financial options and responsibilities. Faced with all these choices and decisions, some individuals do not even know where to begin. Others simply give up. We need to get rid of the complexity. We need to eliminate the confusion students face, and there are a number of ways we can do both.

Just yesterday, I introduced a bill, the Empowering Students Through Enhanced Financial Counseling Act, that would improve the timing, frequency, and content of financial aid counseling.

These changes to current policy would help students and their families better understand their options and responsibilities when it comes to paying for college. It is an idea that has enjoyed strong bipartisan support in the past, and I am hopeful it will be part of the discussion as we move forward with efforts to strengthen higher education.

Another idea is streamlining Federal aid into one grant program, one loan program, and one work study program, "streamlining" being the operative word there. It is not about cutting. It is about cleaning things up, making it easier for individuals to explore their options, find the right school, figure out how to pay for their education, and determine the best way to repay loans.

These ideas are just two of many solutions that have been proposed. Each makes different reforms, but they all have the same goal: make the system more efficient and more responsive to the needs of students.

Simplifying Federal student aid is one principle in a comprehensive framework that will guide our work to strengthen higher education, but it is a critical one. Doing so will provide students and their families with a more timely and clearer picture of the financial assistance they are eligible to receive.

It will ensure taxpayer dollars are supporting those students who need help the most, and perhaps, more importantly, it will help more Americans realize that the dream of a higher education is within reach.

I look forward to hearing from our witnesses today and learning more about their ideas for simplifying and improving student aid. I know this discussion will help guide our work ahead as we move forward to reauthorize the Higher Education Act.

This hearing is especially important to me. When my third child, my daughter, was born, I remember holding her and her brother coming into the room, and I started looking at them there together and how nice it was, baby and young son, and then it hit me. I said 18 years from now, they are going to be in college at the same time. Well, this is the 18th year, so I have a senior and a freshman, one in an out-of-state school and one in a private school. So, higher education financing is something that is on my mind.

With that, I want to now recognize Ranking Member Davis for her opening remarks.

[The information follows:]

Prepared Statement of Hon. Brett Guthrie, Chairman, Subcommittee on Higher Education and Workforce Development

Today's hearing is part of our committee's broader effort to strengthen higher education. We all know and have seen the significant opportunities provided by a postsecondary education. Unfortunately, as we have also seen, realizing the dream of a higher education is becoming increasingly difficult for many individuals across the country.

As Chairwoman Foxx pointed out at a hearing earlier this year, college costs are rising at a rapid rate. In fact, since 2006, average tuition and fees have increased by more than 40 percent at four-year public institutions and by almost 27 percent at four-year private nonprofit institutions. Meanwhile, for a variety of reasons, students aren't completing their education. It is estimated that among students who started college in the fall of 2010, only 55 percent had earned a degree or certificate by 2016. That's not even four years. It's six years—with nothing to show for it at the end.

These are just two statistics that help illustrate the challenges individuals face when they consider whether or not they should or can pursue a higher education. They're also two of the reasons we are working to make higher education more accessible and affordable. One of the ways we can accomplish that goal is by simplifying and improving federal student aid.

Over the years, the federal student aid system has become too complex. Students and their families are forced to navigate six different types of federal student loans, nine different repayment plans, eight different forgiveness programs, and 32 deferment and forbearance options—each with its own rules and requirements. Sounds complicated, right?

Now, imagine you are a student with no background or experience in navigating such financial options and responsibilities. Faced with all of these choices and decisions, some individuals don't even know where to begin. Others simply give up.

We need to get rid of the complexity. We need to eliminate the confusion students face. And there a number of ways we can do both.

Just yesterday, I introduced a bill—the Empowering Students Through Enhanced Financial Counseling Act — that would improve the timing, frequency, and content of financial aid counseling. These changes to current policy would help students and their families better understand their options and responsibilities when it comes to paying for college. It's an idea that has enjoyed strong bipartisan support in the past, and I'm hopeful it will be part of the discussion as we move forward with efforts to strengthen higher education.

Another idea is streamlining federal aid into one grant program, one loan program, and one work study program—"streamlining" being the operative word there. It's not about cutting. It's about cleaning things up—making it easier for individuals to explore their options, find the right school, figure out how to pay for their education, and determine the best way to repay their loans.

These ideas are just two of many solutions that have been proposed. Each makes different reforms, but they all have the same goal: Make the system more efficient and more responsive to the needs of students.

Simplifying federal student aid is one principle in a comprehensive framework that will guide our work to strengthen higher education, but it's a critical one. Doing so will provide students and their families with a more timely and a clearer picture of the financial assistance they are eligible to receive. It will ensure taxpayer dollars are supporting those students who need help the most. And, perhaps most importantly, it will help more Americans realize that the dream of a higher education is within reach.

I look forward to hearing from our witnesses today and learning more about their ideas for simplifying and improving student aid. I know this discussion will help guide the work ahead as we continue our efforts to reauthorize the Higher Education Act.

Mrs. DAVIS. Thank you. Thank you, Chairman Guthrie. I, too, look forward to a strong working relationship, and thank you to the witnesses for being here. I look forward to hearing your testimony.

The Higher Education Act was enacted to expand access to college and provide an affordable degree to anyone wanting to pursue an education post-high school. Today's hearing provides us with an opportunity to hear from experts about ways to improve the Federal student aid system established in this legislation.

Since HEA's enactment, the United States has made substantial progress in college access. Students of color and low-income students are going to college at higher rates than ever before. Although we should celebrate these outcomes, we know there is tremendous room for improvement.

When we look at the data closely, we realize that low-income students are still accessing higher education at lower rates than their more affluent peers back in the mid-1970s. This means that instead of making college less affordable by slashing billions from Federal financial aid programs like the President's partial budget request, us Democrats believe that with sufficient investment, the right targeting towards the students with the greatest need, and an easy access to financial aid, the current system could better serve America's working families.

Through the HEA, the Federal Government has been able to provide Pell grants, Federal loans, and campus-based aid to millions of undergraduate and graduate students, but the Pell grant program now covers the smallest share of undergraduate costs since its inception.

As state disinvestment and demographic changes have driven tuition up, Congress has failed to allow the program to keep up with costs and instead has made changes to reduce eligibility in order to keep the costs down.

We must strengthen Pell by increasing the maximum award, indexing the award to inflation, reinstating Summer Pell, and preserve any remaining funds to reinvest in the program in future years. Otherwise, low-income students will increasingly rely on loans to afford their education. With more students taking out larger loans, we must improve the system so students have access to favorable terms and streamlined income-driven repayment plans.

Proposals that remove the availability of subsidized loans for undergraduate students and eliminate PLUS loans for parents to create a one loan system would force low-income families to take out private loans, which lack the consumer protections of Federal student loans.

As our country fully shifts to a knowledge-based economy, workers with graduate degrees are increasingly sought after, but throughout the years, graduate students have been excluded from the Federal loan system. If we want all students to have access to high-paying jobs, Congress must preserve access to these loans as well.

Congress also has a unique opportunity to strengthen the campus-based aid programs during this reauthorization. Campus-based aid allows students to work part-time to receive additional grant aid and borrow additional subsidized loans.

So, we should preserve and bolster these programs, not eliminate them, as is currently being proposed.

Robust and targeted investments are just two pieces of the puzzle. We should make financial aid easier to access. Too many students are unaware of the financial aid options provided by the government and forego the application process, and we know, you know, that it is a bit overwhelming and those who do apply find the form complex and confusing.

Although the form has been greatly improved since its creation, we must ensure that students have a simple and functional tool at their disposal, and the recent outage of the IRS data retrieval tool used when filing the Free Application for Federal Student Aid, what we know as FAFSA, has already increased the burdensome verification process.

So, we must work together to ensure the temporary shutdown of this tool does not negatively dissuade students from applying for aid or attending college.

Mr. Chairman, we need to improve the system to work for all students, and we must create policies that pay close attention to those who have been traditionally underserved by our system. This will ensure that we can pass a strong reauthorization of HEA focused on access, on affordability, and, very important, completion.

Thank you, Mr. Chairman. I yield back.

[The information follows:]

Prepared Statement of Hon. Susan A. Davis, Ranking Member, Subcommittee on Higher Education and Workforce Development

Thank you, Chairman Guthrie. And thank you to the witnesses for being here. I look forward to hearing your testimony.

The Higher Education Act was enacted to expand access to college and provide an affordable degree to anyone wanting to pursue an education post high school. And today's hearing provides us with an opportunity to hear from experts about ways to improve our federal student aid system established in this legislation.

Since HEA's enactment, the United States has made substantial progress in college access. Students of color and low-income students are going to college at higher rates than ever before. And although we should celebrate these outcomes, there is room for improvement. When we look at the data closely, we realize that low-income students are still accessing higher education at lower rates than their more affluent peers back in the mid-1970s.

This means that instead of making college less affordable by slashing billions from the federal financial aid programs like the President's

partial budget requests, House Democrats believe that with sufficient investment, the right targeting toward the students with the greatest need, and easy to access financial aid, the current system could better serve America's working families.

Through the HEA, the federal government has been able to provide Pell Grants, federal loans, and campus-based aid to millions of undergraduate and graduate students.

But the Pell Grant program now covers the smallest share of undergraduate costs since its inception. As state disinvestment and demographic changes have driven tuition up, Congress has failed to allow the program to keep up with costs and instead, has made changes to reduce eligibility in order to keep the cost down. We must strengthen Pell by increasing the maximum award, indexing the award to inflation, reinstate Summer Pell, and preserve any remaining funds to reinvest in the program in future years. Otherwise, low-income students will increasingly rely on student loans to afford their education.

With more students taking out larger loans, we must improve the system so students have access to favorable terms and streamlined income-driven repayment plans. Proposals that remove the availability of subsidized loans for undergraduate students and eliminate PLUS loans

for parents to create a "one loan" system would force low-income families to take out private loans, which lack the consumer protections of federal student loans. And as our country fully shifts to a knowledge-based economy, workers with graduate degrees are increasingly sought after. But throughout the years, graduate students have been excluded from the federal loan system. If we want all students to have access to high paying job, Congress must preserve access to these loans as well.

Chairman, Congress also has a unique opportunity to strengthen the campus-based aid programs during this reauthorization. Campus-based aid allows students to work part-time, receive additional grant aid, and borrow additional subsidized loans. We should preserve and bolster these programs – not eliminate them as the President requests.

Robust and targeted investments are just two pieces of the puzzle. We should make financial aid easier to access. Too many students are unaware of the financial aid options provided by the government and forego the application process. And those who do apply find the form complex and confusing. Although this form has been greatly improved since its creation, we must ensure that students have a simple and functional tool at their disposal. The recent outage of the IRS Data Retrieval Tool used when filing the Free Application for Federal Student Aid (FAFSA) has already increased the burdensome verification

process. We must work together to ensure the temporary shutdown of this tool does not negatively dissuade students from applying for aid or attending college.

Chairman, we need to improve the system to work for all students and we must create policies that pay close attention to those who have been traditionally underserved by our system. This will ensure that we can pass a strong reauthorization of HEA focused on access, affordability, and completion.

Thank you, Chairman. I yield back.

Chairman GUTHRIE. Thank you. I thank the ranking member for yielding back. Pursuant to Committee Rule 7(c), all members will be permitted to submit written statements to be included in the permanent hearing record. Without objection, the hearing record will remain open for 14 days to allow such statements and other extraneous material referenced during the hearing to be submitted for the official hearing record.

I would now like to turn to introduction of our distinguished witnesses. Ms. JoEllen Soucier is the executive director of financial aid for the Houston Community College System in Houston, Texas.

Ms. Kristin Conklin is a founding partner for HCM Strategists, LLC, a government relations strategy and development firm.

Mrs. Youlonda Copeland-Morgan is vice president of enrollment management with the—we have a ball game—I am from Kentucky, that is coming up, University of California, Los Angeles, who will be playing the Wildcats this Friday night. Two great programs.

Dr. Matt Chingos, who is a senior fellow at the Urban Institute, where he studies education-related topics at both the K–12 and postsecondary levels.

I will now ask the witnesses to stand and raise your right hand. You do not have to stand, but since you are standing, raise your right hand.

[Witnesses sworn.]

Chairman GUTHRIE. Let the record reflect the witnesses answered in the affirmative. Thank you.

Before I recognize you to provide your testimony, let me briefly explain our lighting system. You each have 5 minutes to present your testimony. When you begin, the light in front of you will turn green. When 1 minute is left, the light will turn yellow. When your time has expired, the light will turn red. At that point, I will ask you to wrap up your remarks as fast as you are able. Members will each have 5 minutes to ask questions.

First, recognized for 5 minutes for her testimony is Ms. Soucier. Thank you. You are recognized for 5 minutes.

TESTIMONY OF JOELLEN SOUCIER, EXECUTIVE DIRECTOR OF FINANCIAL AID, HOUSTON COMMUNITY COLLEGE SYSTEM, HOUSTON, TEXAS

Ms. SOUCIER. Chairman Guthrie, Ranking Member Davis, and members of the subcommittee, good morning. Thank you for inviting me to testify today. I am very proud to be here.

I've been a financial aid administrator for 29 years, and am passionate about my work. I became a financial aid director in 1992, and have held leadership positions in various sectors of higher ed.

My current institution, Houston Community College, serves approximately 40,000 aid recipients each year, of which over 30,000 receive a Pell grant. When I entered college, I was a first-generation student from a low-income household. Without financial aid, college would not have been possible.

Today, my testimony will identify some of the current complexities and resulting challenges that exist, in the hopes that we can move towards simplifying the entire financial aid process.

The challenges can be categorized into four key areas, the Federal application process, consumer information, student aid programs, and student loan repayment.

The discussion around financial aid simplification often centers upon the number of questions on the Federal application. While the number can be stunning, 83 for independent and 126 for dependent students, the advent of more advanced skip-logic has assisted with shortening the time it takes to complete the online application. Still, applying for financial aid remains a barrier for many.

The confusion with the process can be demonstrated by my experience at Houston Community College. Our communication plan consists of robust messages. We have over 70 different email communications sent through our aid delivery process. We employ 25 staff in our call center.

We have a detailed phone messaging system, over 50 staff covering 14 aid offices across the city, and a communications coordinator feeding financial aid messages through various social media platforms. Regardless of these immense efforts, our students are confused and frustrated.

In September of 2015, President Obama and Secretary Duncan announced that beginning on October 1, 2016, the application would use prior-prior income. This change results in earlier information, reduces administrative burden, and faster delivery of aid to students.

This type of streamlining is needed in all areas of the financial aid process. The upcoming reauthorization provides a great opportunity to focus on improving consumer information that students and families receive.

There are over 65 consumer information topics that appear in over 140 different regulations, many added in recent years. As you might imagine, administrators in my system spend hours tracking, collecting, reporting, and disclosing information.

Navigating consumer information is particularly difficult for the 31 percent of our credit students that are first- generation. These families have no experience with college, and the students truly do not understand the incredible amount of information that we provide, not to mention disclosures come at a time when students are completing all other steps required to enroll in college.

The most important document for an aid applicant is the award letter. It informs the applicant of aid for which they may qualify. I use the word “may” because each program has different eligibility requirements, and based on student behavior and enrollment decisions, the student may or may not receive those funds.

There are a number of grant, loan, and work programs that a student may see on an award letter, each with its own criteria and requirements. It is confusing to the student and tends to change each year, making it nearly impossible for a family to plan for the student’s entire college educational costs.

Obtaining student loan funding is the most complicated process of all the aid programs. The complexity makes it difficult for students to understand loan eligibility.

Reauthorization is a perfect time to examine the need to retain annual and aggregate limits based on grade levels, dependency status, program of studies, and attendance.

At Houston Community College, over 18,000 students borrow from the student aid programs each year. We need greater authority to help borrowers stay within reasonable levels of debt, and require additional loan counseling based on the needs of our borrowers. Right now, schools have very little control over how much students borrow, and are prohibited from acquiring annual loan counseling.

Reauthorization provides an opportunity to make loan repayment easier for students. Right now, there are nine widely available repayment plans. Understandably, this creates a great deal of perplexity for borrowers. Many of our students can benefit from income-driven repayment options, but are unable to navigate the many programs to determine their best options.

Houston Community College has been challenged with an 18 to 22 percent default rate over the past 5 years. We contracted with a third-party agency to increase outreach to students and assist them in determining the best option for repayment. Our fiscal year 2014 draft rate, which was released a couple of weeks ago, came in at 11.7 percent as a result of these increased efforts.

Since my time is limited, you will find that my full remarks provide more detail and context regarding the student challenges with financial aid.

In conclusion, I have seen the complexity of the student aid process increase greatly over the past 25 years. The entire process from application to repayment has become an intricate puzzle that only a seasoned professional can navigate and understand.

There are numerous opportunities for improvement, simplification, and consolidation. It is my hope that today's testimony will help you understand the challenges that students face as they attempt to work through the process.

Thank you for your time and attention.

[The statement of Ms. Soucier follows:]

Testimony of JoEllen Soucier
Executive Director of Financial Aid
Houston Community College System

Presented to the
U.S. House of Representatives
Committee on Education and the Workforce
Subcommittee on Higher Education and Workforce Development

Improving Federal Student Aid to Better Meet the Needs of Students

March 21, 2017

Chairman Guthrie, Ranking Member Davis, and members of the Subcommittee on Higher Education and Workforce Development:

Good morning. Thank you for inviting me to testify today.

I am honored and proud to provide this testimony.

I have been a financial aid administrator for the past 29 years and I am very passionate about the work I do and the services I provide to current and prospective students. I obtained my first financial aid director position in 1992, at age 24, and have held financial aid leadership positions at a proprietary college, two private universities, and two large community colleges since. I have been a member of the New Hampshire, Massachusetts, Florida, and Texas Associations as well as a member of the National Association of Student Financial Aid Administrators since 1990. I received a Citation of Appreciation award from the New York association in 2015 for my work with professional development. I have served on a number of NASFAA task forces, including the innovative learning methods and one grant, one loan. I have presented on a number of financial aid topics at NASFAA annual conferences and numerous state conferences over the years. My current institution, Houston Community College, serves approximately 40,000 aid recipients each year of which over 30,000 receive a Federal Pell Grant.

When I entered college in 1986, I was a first generation student coming from a very low income, single parent household. If it wasn't for financial aid, college would not have been an option and I would not be where I am today. I personally understand how frightening the financial aid process can be for students.

My testimony will identify some of the current complexities and resulting challenges that exist within the federal student aid system in hopes that we can move toward simplifying and streamlining the entire lifecycle of the financial aid process. I offer this testimony within the context of the window for change that the Higher Education Act presents, and I do so in the spirit of making the process more accessible and understandable for our nation's neediest students.

Paying for college is inherently complicated. The varying types of institutions, student demographics, and reasons for pursuing a postsecondary education, combined with the multiple funding streams for students and parents all work against simplicity in the student aid programs and cause a great deal of confusion for our students and families.

The challenges that students face with the current financial aid system can be categorized into four key areas:

1. The federal application process;
2. Consumer information;
3. The student aid programs; and
4. Student loan repayment.

#1: The Federal Application Process

The discussion around financial aid simplification often centers upon the number of questions that are on the Free Application for Federal Student Aid (FAFSA). While that number can be stunning, 83 questions for independent students and 126 for students who must report parental data, the advent of more advanced skip-logic has assisted with shortening the time it takes students to complete the online application. Today, our lowest income students can bypass many of the questions on the FAFSA. Historically, students would invest about an hour to complete the FAFSA application, but today it takes the average student less than 15 minutes to complete once they have successfully set up their FSA ID. Even less if they are eligible to import their tax information directly from the Internal Revenue Service (IRS) through their Data Retrieval Tool (DRT).

In September of 2015, President Obama and Secretary Duncan announced via executive action, using their existing authority in HEA [Sec. 480(a)(1)(B)], that beginning on October 1, 2016, the federal application would use prior-prior year (PPY) income instead of prior year (PY) income. The change, supported by financial aid administrators, resulted in earlier availability of the application, faster delivery of aid to students, and reduced administrative burden for financial aid administrators. Students need this type of streamlining in all areas of the financial aid process.

Moving to an early FAFSA was a great achievement, but we should not stop there. The use of PPY opens the door for further streamlining and simplification of the FAFSA, including greater collaboration between the IRS and the Department of Education (ED). Our students, especially low income students, do not understand the complexity of the financial aid application process leaving us practitioners and customer service professionals with the daunting task of explaining it to students. My heart breaks when I have to explain to a student that they cannot receive their aid due to regulatory requirements that they did not understand or were not aware of during the application and enrollment process.

At Houston Community College, our communication plan consists of a robust set of short, succinct, and targeted messages. We have over 70 different email communications sent throughout the application and aid delivery processes. We employ 15 full-time and 10 part-time staff in our call center, have a detailed phone messaging system, over 50 staff covering 14 physical financial aid offices, and a social media coordinator feeding financial aid messages through the various social media platforms. Regardless of these immense efforts, our students are confused and frustrated.

To help with the application process, a greater collaboration between the IRS and ED could result in a reduced number of questions having to be answered by the student and parent. The IRS DRT, with adequate system security measures in place to protect consumer privacy, could be expanded to include additional items from the federal tax return, giving schools and the federal government more information while at the same time reducing burden on students and families.

Related to the form itself, the National Association of Student Financial Aid Administrators (NASFAA) has developed a financial aid application model that sends student and family information through different pathways based on their predicted financial strength. For example, if a student indicates they are already a recipient of the federal means-tested programs such as food stamps or social security benefits, they go no further and are awarded the maximum Pell Grant. If a student demonstrates greater financial capability, they will be asked more detailed questions during the application process to accurately assess the family's financial strength. Such a model ensures that our lowest income students, those who find the federal form most daunting, have the shortest, most streamlined experience. It is models such as this that provide us with opportunities for further simplification of the federal application process.

One of the most difficult parts of the application process for students isn't necessarily completing the federal application form, but all of the extra work students must do to verify the accuracy their reported data. For example, this year ED implemented a verification process for non-tax filers that increases burden to families and increases the amount of time it takes for students to receive an award notification.

Here I offer an example of how this plays out at my institution. Houston Community College received over 80,000 federal applications during 2015-2016:

- 38,600 were selected for verification by the Central Processing System
    - 48% of our students needed to provide additional information before we could process their application
    - 18,100 students reported that they "Will Not File" taxes and were Pell Eligible, these are our lowest income students
- In addition, 13,700 applications failed the federal database matches and students had to provide additional documentation to meet the general eligibility requirements.

For the 2017-2018 processing year, these 18,100 students who indicated they will not file taxes will have to request additional information from the IRS before we can proceed with their application. It would be much more efficient if the IRS DRT could confirm the non-tax filing status during the application process, thereby reducing burden on both the students and the aid administrators and, eliminating delays in processing.

We practitioners believe that a more robust IRS DRT, along with the potential of collecting data electronically from other federal databases, would allow for an application process that is tailored to student and family financial conditions and would reduce the need for schools to constantly verify data submitted by students. The current application process has mechanisms in place that can cause a student to be selected for verification after they have already received aid for the year or after they have completed attendance for the year. If a student does not or cannot comply with late institutional requests for information, they are at risk of losing aid already received or losing future aid eligibility due to owing funds back to the federal government. This system does not promote student persistence and program completion.

Another example of a barrier to college enrollment during the application process is the requirement for students to be registered for selective service. This requirement has been around for a long time. At Houston Community College, we have a number of students who fail the selective service data base match and are required to obtain a letter from selective service and submit the letter to us along with documentation and explanation as to why they did not register with selective service when required. The aid administrator, in turn, has to make a determination, or professional judgment, as to whether the student should qualify for aid. In my opinion, it should never be our intention to deny our citizens the ability to improve their quality of life. However, some institutions, or even administrators within the same college, will deny the student aid eligibility while others will approve the student and process federal aid. This particular requirement causes confusion and frustration for students, creates barriers, and causes inequities among institutions and students. The purpose of the selective service eligibility requirement, along with other burdensome requirements for students (e.g. drug sale and possession), should be closely examined.

#2: Consumer Information

The upcoming reauthorization provides a much-needed opportunity to focus on streamlining the consumer information that students and families receive. The massive amounts of consumer information that schools are required to provide leaves students feeling overwhelmed and unable to parse out the most important pieces. This deluge of information is a result of additional requirements being added with no apparent review of existing disclosures or eye toward streamlining.

There are over 65 consumer information topics that appear in over 140 different regulations. Schools must deliver this information to both prospective and current students, either on paper or electronically, during the application and enrollment process. These disclosures are provided at a time when students are completing the variety of steps required to accomplish enrolling at the institution, obtaining financial assistance through numerous different funding sources, selecting classes, securing housing, getting books and supplies, and--of course--preparing for academic coursework, among much more. Each individual process comes with a plethora of information and disclosures. Accessing higher education for many students and families is an overwhelming and frustrating experience.

At Houston Community College, over 31% of our credit students are first generation. These families have no experience with attending college, and the students truly do not understand the incredible amount of information being provided by the schools. Students and families struggle trying to decipher the difference between messaging that requires action versus messages for information purposes only.

I believe it would benefit students and families if Congress could conduct a thorough review of all existing consumer information requirements to identify those that could be streamlined, are duplicated, or are no longer applicable. The past five years have seen a slew of new consumer information requirements such as the College Scorecard, the financial aid Shopping Sheet, College Cost Comparison Worksheet, Gainful Employment, and many more. All of which were designed to help students and families and, to my knowledge, none of which were ever tested beforehand by that population. Yet, from a school's standpoint, I can't say that I've seen a significant increase in student awareness from these new requirements, even though schools have gone through significant efforts to remain in compliance with the regulations. What we have experienced is greater confusion and frustration from students and families.

Administrators throughout the Houston Community College System spend many hours tracking, collecting, reporting and disclosing information. The various reporting and disclosure requirements have different deadlines, disclosure methods, sources from which the information is obtained, and disclosure recipients. In early March, for example, Houston Community College sent out 306,000 communications to faculty, staff and students for one of the consumer information disclosure requirements. A week later, 25,000 of the emails were opened (8%) and only 516 people (less than .5%) actually clicked on the report itself. The offices or administrators responsible for complying with the consumer information requirements are often unclear, and schools spend hours of staff time trying to develop mechanisms to comply. Many hours are spent by information technology and institutional research staff to generate timely and accurate information. I feel this time would be better spent working on initiatives for student success and program completion.

The Gainful Employment (GE) requirements, for example, have created an incredible burden on schools and may jeopardize workforce programs that schools have worked closely with business and industry to develop. Schools are being required to label programs based on data that may not accurately reflect the quality or purpose of the program in terms of meeting the career goals of a student. Targeting programs that are designed to provide students with specific workforce skills is a mistake, in my opinion. Many low income students need financial aid funding for these workforce programs to secure good paying jobs. The current GE reporting and disclosure requirements do not take into consideration the enrollment and attendance behavior of our students, many who continue on for an associate's degree after completing the certificate program.

#3: The Federal Student Aid Programs

The most important document for a student aid applicant is their award notification. This document informs the student aid applicant of the types and amounts of aid for which they may qualify. I use "may" because each program has different eligibility requirements and, based on student behavior and enrollment choices, the student may or may not receive those funds. There are a number of different grant, loan, and work programs that a student may see on an award notification and each has its own criteria and requirements. Some of the programs require additional action to be taken or paperwork that must be completed before the funding is made available to the student. All of this is confusing to the student and tends to change from one year to the next making it nearly impossible for a family to plan for the student's entire college educational costs.

Last year, I served on a National Association for Student Aid Administrators task force called "one grant, one loan." This concept could be a step in the right direction in terms of simplifying the types of aid available to a student as long as it is done in a meaningful way and policymakers recognize that a student's financial aid award letter may never be as simple as one grant, one loan, and one work program. Existing state, local, and institutional grant and loan programs will continue to appear on a student's award letter. At Houston Community College, a student could receive, along with their federal awards, a Texas Public Education Grant (TPEG), a Texas Education Opportunity Grant (TEOG), a Texas Work-Study award, and multiple institutional scholarships.

As Congress begins to examine the various programs, such as the campus-based aid programs, the flexibility those programs offer when allocating funds to students based on unique campus needs should be considered. In addition to flexibility, campus-based programs represent a shared partnership in which the federal government, schools, and students all have "skin-in-the-game." For example, Houston Community College has a team of financial coaches located in the financial aid office that work with students individually, and in groups, on personal budgeting, understanding debt and credit scores, accessing community resources, sound spending, the importance of saving, and more. The campus-based programs (SEOG Grant and Federal Work-study) along with institutional and community programs, provide the financial coaches with resources to assist individual students so they can persist and complete their academic program. In my opinion, maintaining the strongest elements of the current programs is important.

At Houston Community College, over 1,300 students receive an average annual FSEOG award of $800. Many of these students would not be able to attend without that vital funding or who would incur greater loan debt to obtain their college degree. I'm confident that even in a one grant, one loan, one campus-based model, provisions could be implemented that would retain local flexibility and institutional "skin-in-the-game."

Traditionally, work-study has had a great deal of bipartisan goodwill, and as a practitioner, I cannot stress enough the importance of this valuable program in which the federal government, schools, and students all have "skin-in-the-game." In a Student Loan Report[1] released fall of 2016, Texas was ranked as the fourth highest state in terms of federal work-study spending. Houston Community College was ranked fifth in Texas for employing over 700 students who earned over 4 million dollars. Houston Community College employs hundreds of students into work-study jobs who gain valuable job skills and have greater success with persistence and program completion.

The Pell Grant Program is probably the most important aid program for our students at Houston Community College. 75% of our students on aid receive a Pell Grant and 67% receive a full Pell Grant. Preserving the Pell Grant program is of great importance to a large number of students who attend community colleges. The idea of creating greater flexibility in the Pell Grant program is strongly supported by the financial aid community. The loss of year-round Pell Grants a few years back had a negative impact on our full-time students and increased time to completion as some students were no longer able to attend our summer session. The original year-round Pell Grant requirements were cumbersome to administer and took us schools time to organize and administer. However, just as we were beginning to figure it out and make it work, it was eliminated. Offering Pell Grant funding year round allows students to stay enrolled continuously, get out of school faster than they normally would, and reduce their costs and debt burdens.

One idea I have heard mentioned is to provide students with a total amount of Pell Grant dollars available to them via a "Pell Well" of funds that a student could draw down over the course of their enrollment. This would work well at Houston Community College because our students exhibit non-traditional and unusual enrollment patterns. Having a more flexible structure with the Pell Grant would be a benefit to students attending school with a more non-traditional format.

Simplification of the loan programs is greatly needed. Obtaining student loan funding for students is the most stressful and complicated process of all the available programs. The concept of subsidized and unsubsidized loans is not understood by our students and families, many of which have never borrowed a loan. When they accept the two loans, they have no idea that one is going to cost them while they attend college and the other will be interest free. Students also do not understand why the amount they are offered is not the amount they receive due to the origination fees. Eliminating confusing origination fees would have a positive impact on students and speed up the processing of loans for schools.

Related to loans, schools need greater authority to help borrowers stay within reasonable levels of debt. I have seen students enrolled in programs that result in lower paying jobs, such as teaching, borrow in excess of $100,000 simply because they "could" and not necessarily because they needed the funds to pay for their education. However, on the flip side, I have seen students who are enrolled in high cost programs, such as law or medicine, rely heavily on additional loan programs such as the Parent PLUS or Graduate PLUS. Students would benefit long-term from schools having the ability to use a holistic view when determining how much loan debt is reasonable to complete an educational program.

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[1] "Federal Work-Study Program: A National and State Analysis," Student Loan Report. https://studentloans.net/federal-work-study-national-state-analysis/

The complexity of the current student loan programs makes it difficult for students to understand eligibility requirements and available loan amounts. Reauthorization is a perfect time to examine annual and aggregate limits based on grade level, dependency status, program of study, and attendance in final semester/term of a program and determining the need to retain such requirements. Loan origination fees, in its current structure, and the Subsidized Usage Loan Limits (SULA) requirements cause schools the greatest delay in the delivery of loan funds to students. Simplifying and standardizing eligibility requirements and determining the need to retain "SULA" requirements and origination fees could result in significant benefits to students and improve the communication and delivery of loan funding to students.

#4: Student Loan Repayment

Reauthorization provides an opportunity to make the repayment process more understandable and easier for students. According to the Congressional Research Service (CRS), there are over 50 loan forgiveness and loan repayment programs currently authorized, with at least 30 operational as of October 1, 2015.[2] Of these, there are nine widely available repayment plans. Understandably, this creates a great deal of perplexity for borrowers and those who counsel them.

Similar to the growth in consumer information, repayment plans have increased without the reduction or streamlining of those that already exist. While well-intentioned, the introduction of new plans and associated new eligibility criteria has turned the repayment process into a tangled web. Simplifying the repayment programs into just one or two plans and providing schools with the flexibility to increase student loan counseling and education efforts will help prevent students from going into default on their student loans. Having only one income-driven repayment plan and one standard plan would be beneficial to students and schools.

At Houston Community College, over 18,000 students borrow from the federal student loan programs each year; however, we are unable to require students to attend and complete annual loan counseling, making it difficult to educate and communicate student loan responsibilities, requirements, and repayment options. Financial aid offices would appreciate the authority to mandate additional loan counseling based on the needs of the institution and student borrowers.

Many of our students benefit from income-driven repayment options but are unable to navigate through the many programs to determine their best option. Houston Community College has been challenged with an 18% - 22% default rate over the past 5 years. We contracted with a third-party agency a year ago to increase outreach to students and assist them in determining the best option for repayment. The goal is to eliminate the sticker shock students experience when they finish school and get their first 10-year monthly loan amount. Our draft FY 2014 cohort default rate, which was released a couple of weeks ago, came in at 11.7%.

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[2] "Federal Student Loan Forgiveness and Repayment Programs," Congressional Research Service.

Houston Community College also signed onto the White House Student Debt Challenge last year and committed our team of financial coaches to perform workshops and outreach activities to educate faculty, staff, students, and community organizations about the benefits of income-driven repayment options and public service loan forgiveness (PSLF). We know that the added outreach and innovative initiatives provided to assist borrowers with their many options have had an impact on our student borrowers, which is demonstrated through a significant decrease in our cohort default rate.

Conclusion

I have seen the complexity of the student application process and the administration of federal financial aid programs increase greatly over the past 25 years. Although the Free Application for Federal Student Aid itself has been streamlined and improved incredibly from when I first applied for financial aid in 1986, the entire process from application to repayment has become an intricate puzzle that only a seasoned professional, like myself, can navigate and understand.

There are numerous opportunities for improvement, simplification, and consolidation. It is my hope that today's testimony will help you to understand the challenges our students are faced as they attempt to work through the process. Done in a deliberate, careful way, moving toward simplification and streamlining of the entire system will have a positive impact on students, families, financial aid administrators, educators, and the community.

We all know that there are still a very large number of students, young and old, that can benefit from a higher education but may not pursue the opportunities due to fear and frustration. This reauthorization of the higher education act provides us all with an opportunity to eliminate those fears and frustrations and improve a very complex system.

Thank you for your time and attention.

Chairman GUTHRIE. Thank you. I now recognize Ms. Conklin for 5 minutes for your opening statement.

TESTIMONY OF KRISTIN CONKLIN, FOUNDING PARTNER, HCM STRATEGISTS, WASHINGTON, D.C.

Ms. CONKLIN. Thank you, Chairman Guthrie, Ranking Member Davis, and members of the subcommittee for this opportunity.

My name is Kristin Conklin, and I am the first. I'm the first in my family to earn a college degree, the first to create jobs and start a business. I was able to graduate college in 4 years with a Pell grant and State financial aid without any debt.

That might not be possible for today's students. For several years, I have been part of a chorus of experts who have called for radical simplification of the Federal financial aid program. Three key reforms could improve its effectiveness and efficiency.

First, streamline all Federal financial aid programs into one grant program, and all loan programs into one loan program. With one grant, we can consolidate the campus-based programs into a Pell grant that would be easier to obtain and better target with common sense needs analysis changes.

With one loan program, we'd create one set of annual and aggregate loan limits for undergraduates and one set for graduates. We would offer uniform borrower benefits in one income-based repayment program. Loan eligibility would end at new sensible credit hour limits, such as 150 percent of program length.

With one grant, one loan, today's students can easily find how much aid they would be eligible for with a simple look-up table. Just as easily, students could get instant notification on their phones what their Federal awards would be, and what monthly repayment would look like.

Advocates and academics have been calling for this kind of transparency and early notification for a decade.

Second, remove the barriers to on-time completion that are built into a Federal loan program. The single most effective way to make college more affordable is to reduce the amount of time it takes to earn the credential, but here, the Federal Government is setting a too low standard backed by its $158 billion investment, and 47 States follow, which means the simple message we send students today is you all are on track to graduate in 5 years for a bachelor's degree.

Why is this? Policy is capping our awards at 12 credit hours, which is even more, even for students who like to take more. The maximum amount of the grants and loan should be pegged to students taking 15 credit hours a term or 30 credit hours a year. Students should also have access to grant aid throughout the summer.

Third, I think it's important to include tax credits in your financial aid eligibility. Now, this is well beyond the jurisdiction of this committee. When this Congress considers tax reform, I encourage you to consolidate the multiple household based postsecondary benefits into a single refundable lifelong learning tax credit.

These three simple recommendations are more than just student-centered, they are evidence-based. Research says that student aid works best when it's targeted, appropriately timed, and clearly communicated, coordinated with other resources, and designed to provide both incentives and support.

Congress can look to States to see how simplification can make a difference for today's students. Indiana, for instance, offers larger need-based grants to students who take 30 credit hours a year or more, and requires its 21st Century Scholars' students to take a true full-time course load to receive their maximum grants.

We have early encouraging results out of Indiana. Students receiving this financial aid are taking 30-plus credit hours their sophomore year at higher rates than their peers, and improvements are particularly stronger for the 2-year sector.

Minnesota consolidates its Federal and State aid, and it gives large awards to students who take true full-time course loads. As a result, students in Minnesota, two-thirds of them, of the full-time students, are now on track to graduate in 4 years with a bachelor's degree or 2 years for an associate's degree.

In California, Pell grants act as a simple, generous Cal grant. This contributes to the University of California's campuses enrolling a larger percentage of Pell grant students than any other flagship in the country.

The Nation's Federal financial aid system was built for another era. In 1965, when the first significant Federal financial aid program began, 23 percent of Americans had a college degree, and that attainment level was sufficient for a vibrant middle class. That economy and those times are no more.

By 2020, 65 percent of our jobs will require some form of postsecondary education beyond high school. A simplified Federal financial aid system is part of the solution for our Nation. That means many more skilled graduates, a stronger middle class, and more opportunities.

Thank you, and I welcome your questions.

[The statement of Ms. Conklin follows:]

U.S. House of Representatives
Subcommittee on Higher Education and Workforce Training

Subcommittee Hearing:
Improving Federal Student Aid to Better Meet the Needs of Students
March 21, 2017

Written Statement of:
Kristin D. Conklin
Founding Partner, HCM Strategists

Chairman Guthrie, Rep. Davis and Members of the Subcommittee, thank you for the opportunity to appear before you today. As we consider the question of how to improve federal student aid to better meet the needs of students, my testimony provides information about:

- The need to serve more students, better, in the federal financial aid system;
- Recommendations for simplifying further the needs analysis, application and renewal processes for federal student aid;
- Recommendations for consolidating the multiple federal grant and loan programs into a single one-grant, one-loan system, with on-time completion incentives and options for projected savings; and
- Public opinion research for these simplification proposals.

My testimony today benefits from the collective work of experts and colleagues who met between July 2012 and February 2013.[i] Supported by a grant from the Bill & Melinda Gates Foundation, HCM led an expert technical panel focused on offering a cohesive set of options that could put student outcomes at the center of the federal student aid programs, while putting critical aid programs on a more sustainable fiscal path.[ii]

The Need to Serve More Students, Better, in the Federal Student Aid Program

The nation's financial aid system was built for a different age, when access and choice were sufficient programmatic objectives. In 1965, when the first significant federal financial aid program began, 23 percent of Americans had a college degree. That attainment level was sufficient to support a vibrant middle class. That economy and those times are no more. Today, the economy places a premium on postsecondary credentials and the skills those degrees represent. By 2020, 65 percent of all jobs will require some type of postsecondary education.[iii]

Unfortunately, nearly half of all students start college but fail to earn any credential within six years; the outcomes are much worse for African Americans and Hispanics[iv].

Dropout rates of this magnitude were considered a crisis 15 years ago when the nation looked at the rate of high school completion. One reason so many students fail to complete is that our public policies and financing are built on assumptions that no longer hold true. Today's students are older, they juggle work and family while attending school part time, and 47 percent support themselves financially, with 42 percent living in poverty.[v]

A simplified federal financial aid system needs to be seen as part of the solution for a nation that needs many more skilled graduates, a stronger middle class and more opportunity. Each year, the federal government's investment in student financial aid supports nearly $184.1 billion in grant, loan and work-study assistance to more than 20 million students and their families.[vi] Investments in student aid are more than double the spending for any other federal educational program, including Title I of the Elementary and Secondary Education Act (ESEA) and the Individuals with Disabilities in Education Act programs for K-12 schools.[vii] Yet for all of the money it invests, the U.S. government has rarely, if ever, conceived of financial aid as a potential tool to encourage student success in college. *It provides money to (mostly) needy students and hopes for the best.*

In size and scope, student financial aid is more important than ever. Nearly 33 percent of all undergraduates receive a Pell Grant. Nine years ago—before significant increases in the Pell program—revenues from Pell Grants paid almost 20 cents on every $1 received by a college or university in this country. Reliance on Pell funds ranged from 37.7 percent at two-year public colleges to 63 percent at four-year, for-profit private colleges.[viii]

Since 1965, federal policymakers have layered new grant, tax, loan and repayment programs on top of each subsequent reauthorization, budget reconciliation and even emergency spending bill, without stepping back to assess how the pieces work together to accomplish the outcomes currently needed from the programs. Application processes are complex and difficult to understand, particularly for the families who stand to gain the most. Policy discussions traditionally have centered on what it would take to attract and keep private lenders in the program. Student subsidies have been more a matter for program budget development. Even today, loan program subsidies are poorly targeted and cost taxpayers more than necessary to help students manage their repayment obligations and maintain a reasonable debt burden. Eligibility rules don't encourage students to attend full time and finish promptly, and in fact may do the opposite. Participating institutions are held to low eligibility standards and only rarely lose access to federal aid.[ix] That continued access provides little incentive to contain tuition prices; meanwhile, existing statutes and regulations tend to stunt new approaches and bar program participation by innovative postsecondary education providers.

Recommendations for Simplifying Further the Application and Renewal Processes for Federal Student Aid

The need analysis and application process would be significantly simplified through a three-tiered FAFSA (Free Application for Federal Student Aid) filing system. Applicants in this means-tested program could verify their participation across agencies and access maximum benefits. For most applicants, data sharing with the Internal Revenue Service would pre-fill their application by allowing use of their tax information from two prior years. Students and families with more complex financial situations would submit additional IRS schedules, allowing for aid to be better targeted. A simple app based on income and family size would let students plan early and choose wisely. The need analysis would be based mainly on adjusted gross income (AGI) and family size. It would no longer provide additional aid for families with multiple members enrolled at one point. Together, those changes would encourage more low-income students to file a simplified FAFSA, while targeting federal aid dollars to the neediest students, as reflected in Brookings and the Urban Institute estimates.

Rather than producing a specific value for each applicant's expected contribution, which would establish the grant amount for that student for the academic year, the simplified formula would produce the actual grant amount for that student were she enrolled full time for a full academic year. That contrasts with current practice in which the applicant is not immediately notified of the grant amount for which she is eligible, only that she is eligible for a grant based on the level of her expected family contribution (EFC).

The simplified formula would build on the partnership between the IRS and FSA that allows many FAFSA applicants to retrieve individual tax return income and other financial information directly from the IRS as part of the federal aid application process.

Consolidating the Multiple Federal Grant and Loan Programs into One Grant, One Loan

One Grant Program

The redesigned grant program would merge all existing federal postsecondary grant programs into the Pell Grant program. The Pell program would continue to be focused on the lowest-income students and maintain current initial eligibility standards. Pell Grants could then serve more of today's students, provide them assistance year-round and offer flexibility in disbursement and other rules so students juggling work and children could access flexible, accelerated learning options and earn credentials.

The one grant program should remove the barriers to on-time completion. Federal law defines full-time enrollment for financial aid as 12 credit hours, which is less than what is generally needed to complete a credential on time. Financial aid recipients must demonstrate "satisfactory academic progress" (SAP) toward degree/program completion beyond the initial year of aid receipt, but the federal government does not mandate specific standards.

With respect to determining a student's enrollment intensity, regulations governing Title IV defer to institutional policy, but with one overarching standard: A student must be enrolled for a minimum of 12 credit hours (or equivalent) to be eligible for a financial aid award available to full-time students. Assuming a 120-credit standard for a bachelor's degree, federal policy does not provide an incentive for students to complete a bachelor's program within four years. At 12 credit hours per semester, it would take a student five years, assuming all classes were passed. While the federal standard is derived from the statutory definition of an academic year, it nonetheless provides no incentive for students to complete their program of study promptly—or for colleges to minimize credit creep in programs, offer core courses when needed or put structured degree pathways in place.

All but three states—Illinois, Minnesota and Washington—similarly cap their foundational need-based state financial aid awards at 12 credit hours. Schools establish their own SAP standards within rather broad federal guidelines.

Promoting more intensive enrollment can improve not only time to degree but also the odds of completion. To encourage on-time progression and completion, the redesigned Pell Grant program should be based on the intensity of students' enrollment, with the maximum grant to first-time students set on the basis of at least 15 credits in each of the first two terms. Afterward, the student could receive the maximum by enrolling in at least 15 credits per term, or by having earned sufficient credit to demonstrate a clear path to on-time completion. For example, a student who earned 33 credits in her first year could be awarded a maximum grant if she enrolled in only 12 semester hours in one term her second year, as long as she earned at least 27 credits in that second year. Students could use summer and other nonstandard terms to increase credits and move toward graduation.

Indiana has added completion expectations in the form of incentives to its primary need-based aid grant programs, the Frank O'Bannon Grant program and the 21st Century Scholars program. The Frank O'Bannon Grant program allows students to earn additional financial aid for completing 30 credits each year in college, maintaining a cumulative GPA of at least 3.0, earning an associate degree before enrolling in a bachelor degree program, or completing at least 39 or the equivalent credit hours by the end of the first year and 78 or the equivalent credit hours by the end of the second year in college. Recipients of Indiana's 21st Century Scholars are required to maintain this true full-time course load in order to maintain the maximum grant.

The first cohort subject to the reforms has produced some initial encouraging results, including:

- Students receiving state financial aid are taking 30+ credits their sophomore year at higher rates compared with their peers not subject to reforms in both four-year and two-year institutions;
- At four-year institutions, roughly three-quarters of the 21st Century Scholars and two-thirds of Frank O'Bannon recipients met the 30-credit mark;
- At two-year institutions, nearly half the 21st Century Scholars and one-quarter of Frank O'Bannon recipients met the 30-credit mark; and
- Students at both four-year and two-year campuses demonstrated significant gains in meeting the 30-credit-benchmark, but improvement was greater in the two-year sector.[x]

The federal government can adopt incentives in the single grant program that are similar to Indiana's. In 2012, the Brookings Institution and Urban Institute projected for HCM the 10-year savings from the changes, collectively, to a single grant program. These savings, estimated between $86 billion and $120 billion, assuming current grant maximums. Those savings could be reinvested by offering a larger financial incentive for increased course-taking.[xi] For example, the cost of expanding the maximum grant amount to $7,000, coupled with the other single-grant recommendations contained herein, can be done on a revenue-neutral basis.

These figures illustrate what grant amounts would look like at different intensity levels for different grant amounts using our current application system:

With Increased Grant Amounts: $7,000 Maximum and $700 Minimum[xii]

Credits	0 EFC	1,000 EFC	2,000 EFC	3,000 EFC	4,000 EFC	5,000 EFC
15+	$7,000	$6,000	$5,000	$4,000	$3,000	$2,000
12-14	5,600	4,800	4,000	3,200	2,400	1,600
9-11	4,200	3,600	3,000	2,400	1,800	1,200
6-8	2,800	2,400	2,000	1,600	1,200	800

Using Current Pell Grant Maximum and Minimum Amounts[xiii]

Credits	0 EFC	1,000 EFC	2,000 EFC	3,000 EFC	4,000 EFC	5,000 EFC
15+	$5,550	$4,550	$3,550	$2,550	$1,550	$550
12-14	4,440	3,640	2,840	2,040	1,240	
9-11	3,330	2,730	2,130	1,530	930	
6-8	2,220	1,820	1,420	1,020	620	

One Loan Program

The redesigned federal student loan program would collapse the numerous benefits, rules and restrictions under the current program into a single "foundational" loan program. The one loan program would end the 10 different annual and aggregate borrowing limits in the current program and end the various distinctions among the subsidized Stafford, unsubsidized Stafford and Grad PLUS loans, and it would end the Grad PLUS, Parent PLUS and Perkins Loan programs. The single program would set new borrowing limits: one for undergraduate students and one for graduate students. All borrowers would have to repay under a hybrid version of the two existing income-based repayment (IBR) programs. This one-loan system would eliminate much borrower confusion, thus helping students focus on managing college costs, repaying with interest based on actual income, and considering examples of average incomes for their careers when making appropriate borrowing choices. Collectively, a single loan program as proposed here would save nearly $38 billion over 10 years.

More Details from HCM Strategists' technical panel of experts: A Reformed, Default Income-Based Repayment Program

Income-based repayment could mitigate interest rate risk for both borrowers and taxpayers. A borrower's monthly payment would not be based on any particular interest rate or outstanding principal balance on the loan; it would be based solely on his or her income. The interest rate would serve only to determine the speed at which the loan balance was reduced or retired given a certain level of income. Lower incomes would have the same effect as higher interest rates: the reduction in outstanding principal decelerates. Borrowers may pay a bit longer, but they would never pay longer than 20 years (25 years for high-debt borrowers), thus dampening interest rate risk, particularly for struggling borrowers. On the other hand, borrowers with higher incomes would pay back their loans faster under the new income-based plan than they do currently, which would mitigate the risk to taxpayers that the repayment program is overly generous. In essence, the program would be much more self-correcting than the current income-based repayment program, for both borrowers and taxpayers.

The new program would not include any special status features such as in-school interest subsidies, or routine deferment and forbearance options, but it would still allow borrowers to forgo monthly payments while enrolled at least half-time. The existing suite of benefits is complicated for borrowers to understand, and it requires considerable time and effort for loan servicers and institutions to administer and track. Instead, borrowers would be charged interest while in school. The loss of the deferment and forbearance benefits would be offset by other new benefits. (Income-based repayment allows borrowers to exempt 150 percent of the federal poverty guidelines from their income, thereby providing a form of indefinite deferment or forbearance for borrowers with no or low incomes.) The Congressional Budget Office estimates that provision would save more than $40 billion over the 10-year budget window.[xiv]

A borrower's monthly payment would generally be calculated the same way as the current income-based repayment program in the federal loan system, with several modifications. Under the current plan, a borrower pays 10 percent of his adjusted gross income toward his loan annually (divided by 12 months) after deducting from his income 150 percent of the federal poverty level based on household size. In other words, discretionary income is defined as income in excess of the poverty level-based calculation, and the borrower pays 10 percent of that amount. Today, that deduction for an individual is about $16,500. However, the borrower's monthly payments are also subject to a maximum; they cannot exceed the amount the borrower would pay under a straight-line 10-year amortization plan (the "standard repayment plan"), based on the borrower's loan balance at the time he entered repayment in the IBR plan. That cap makes the current program regressive and allocates benefits to borrowers with higher income in later years. The new IBR suggested here ends the cap and the regressivity it currently creates.

The new income-based repayment program would continue the income deduction based on federal poverty guidelines and maintain the repayment rate at 10 percent of discretionary income, but only for borrowers with incomes below 300 percent of the poverty level appropriate to family size. Borrowers earning more would pay at a rate of 15 percent of discretionary income. That is similar to the structure of the federal income tax: A portion of the taxpayer's income is exempt from taxation—i.e., a standard deduction—and income above that amount is taxed at progressively higher rates. However, in the case of the new IBR plan, there would be just two rates, and borrowers would be subject to one or the other, minus the exemption.[xv]

Borrowers could always opt to pay more per month if they chose. Unpaid interest that was due would accrue, but it would be added to the principal (negative amortization) only after a borrower's debt-to-income ratio fell below a certain point, just like the existing program.

Borrowers who are married, but file separate federal income tax returns, would have to include combined income in the IBR calculation—though the poverty-level deduction would be adjusted to account for household size per the federal guidelines.

In cases where both spouses were repaying student loans, each could base his or her payment on half of the combined household income.

More Details from HCM's technical panel of experts: New Loan Limits
Under the new approach, the current loan system would be replaced by one loan type with an annual limit of $8,750 for all undergraduate borrowers and an aggregate limit of $35,000—i.e., four years of the annual maximum. Graduate and professional students would be subject to an annual limit of $30,000 and an aggregate of $90,000. The total maximum undergraduate plus graduate aggregate limit would therefore be $125,000.

Students would be limited to borrowing for the credit hour equivalent of 150 percent of program length to reduce the number of unneeded courses taken for program completion. The limit would prevent credit creep and encourage institutions and students to focus on clear paths to graduation.

The new loan program would have the same rules regarding maximum award eligibility as the redesigned grant in terms of enrollment intensity. Fifteen credits per semester would be considered full time. First-time students would receive the maximum loan by taking at least 15 credits in both semesters their first year. Subsequently, students must enroll in 15 or more credits per term, or have enough credits to be on a path to on-time completion. For students enrolled less than full time, loans would be issued on a pro-rata basis. As in the current system, students enrolled less than half-time per term would be ineligible for federal loans. Note that those limits are higher than under the current program in some cases (Stafford loans for dependent undergraduates) but lower for others (independent undergraduates, and graduate students because of the elimination of Grad PLUS loans).

Parent PLUS loans would be eliminated. The higher loan limits for dependent undergraduates suggested here would restore some of the borrowing authority for students whose parents would have used the Parent PLUS program. Many parents are also good candidates for obtaining private credit. For students pursuing high-value (high tuition, strong labor market outcomes) undergraduate and graduate programs, new private financing options such as income share agreements can be used, with incentives for financing agreements for low-asset borrowers, including African Americans, Hispanics and Pell Grant students.

Terminating Parent PLUS would help guard against imprudent borrowing and tuition inflation, given that it allowed parents to finance the entire cost of an education, regardless of the tuition.

Graduate students would be eligible for lower limits than the current program because the Grad PLUS program would be eliminated. The annual and aggregate limits, however, still would be higher than under the current Stafford limits for graduate students. In that regard, the program would end the unlimited borrowing feature of Grad PLUS but allow larger loans than Stafford.

Public Opinion Research for these Simplification Proposals

HCM Strategists, with Hart Research and the Winston Group, polled Americans in 2012 to understand impressions of the postsecondary education system today, the appetite for changes to the system, and reactions to potential financial aid reform approaches aimed at helping address the college completion challenge.

The research was conducted in two phases. First, exploratory qualitative research was conducted among various audiences, including Pell-eligible students, parents of Pell-eligible students, voters, Capitol Hill staffers and education policy leaders. That research then informed the design of quantitative research among engaged voters, African American parents and Hispanic parents. Key findings support the recommendations contained herein[xvi]:

- *Completion of a credential should be the top priority for improving federal student aid policie*s. Engaged voters point to several goals as high priorities for reforming federal and state student financial aid programs, with increasing the number of students who earn a degree/credential (64 percent) at the top. They also put a high priority on making sure that college is affordable, holding students and colleges accountable, and providing both students and colleges with incentives to increase completion. African American and Hispanic parents rank all of these as priorities to some degree. Holding down government spending is not selected as a high priority for reforming financial aid among any audience.

- *Large amounts of student debt—and debt with no degree—needs to be addressed*. About four in five (79 percent) engaged voters say that individuals' amassing large amounts of student loan debt to pay for their college degrees or credentials happens a lot in the United States today, and it ranks in the top two or three biggest concerns (55 percent) among engaged voters. A lesser but still notable 50 percent of voters also say amassing large amounts of student loan debt without completing a degree or credential happens a lot, but they are half as likely to cite it as a top concern (25 percent).

Federal financial aid is the foundation for college affordability in America. Decisions today to simplify the federal financial aid programs and remove the barriers to on-time completion can pave the way for more states, communities, institutions and employers to build upon this federal foundation and expand affordable pathways for students.

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[i] HCM's technical panel included Dr. Steven E. Brooks, North Carolina State Education Assistance Authority; Kevin Carey, New America Foundation; Kristin D. Conklin, HCM Strategists (chair); Jason Delisle, Federal Education Budget Project, New America Foundation; Dr. Tom Kane, Harvard University; Andrew Kelly, formerly with American Enterprise Institute (now the University of North Carolina System); Daniel Madzelan, retired, U.S. Department of Education, Office of Postsecondary Education (now with the American Council on Education); and Dr. Kim Rueben, Urban Institute and Urban-Brookings Tax Policy Center. HCM Strategists, a public policy and advocacy consulting firm specializing in health and education, led the development of this paper. HCM team members contributing to this project included Lauren Davies, Terrell Halaska, Dr. Kim Hunter Reed and Dr. Nate Johnson. Additional independent data and analyses and draft reviews were provided by the Urban-Brookings Tax Policy Center, Postsecondary Analytics, Hart Research Associates, the Winston Group, Dr. Sandy Baum, Dr. Sara Goldrick-Rab, Arthur Hauptman, Robert Kelchen, Dr. Michael McPherson, Travis Reindl, Kimrey W. Rhinehardt, Celia Simms, Bruce Vandal and Jane Wellman.

[ii] The technical panel's charge and recommendations come from the consensus deliberations of the American Dream 2.0 coalition. Their final report can be found at http://www.americandream2-0.com.

[iii] Carnevale, A. et al. (2013, June). "Recovery: Job Growth and Education Requirements Through 2020." Georgetown University's Center on Education and the Workforce.

[iv] Shapiro, D., Dundar, A., Wakhungu, P.K., Yuan, X., Nathan, A. & Hwang, Y. (2016, November). Completing College: A National View of Student Attainment Rates – Fall 2010 Cohort (Signature Report No. 12). Herndon, VA: National Student Clearinghouse Research Center.

[v] "Today's Student" (2015, September). The Lumina Foundation. https://www.luminafoundation.org/todays-student

[vi] Baum, S. et al. (2016). "Trends in Student Aid 2016." The College Board. https://trends.collegeboard.org/student-aid/highlights

[vii] Delisle, J. and McCann, C. (2012). "How the Pell Grant Program Overtook PreK-12 Educational Programs." 11/14/2012. EdMoney Watch Blog. Washington, D.C: New America Foundation.

[viii] Radwin, D. et al. "2011–12 National Postsecondary Student Aid Study (NPSAS:12)." (2013, August). National Center for Education Statistics. https://nces.ed.gov/pubs2013/2013165.pdf

[ix] Conklin, K. et al. (2015). "Doing Better for More Students: Putting Student Outcomes at the Center of Federal Financial Aid." HCM Strategists, LLC (7).

[x] "Reforming Student Financial Aid to Increase College Completion" (2016, March). Indiana Commission for Higher Education (7).
"Rowing Together" http://www.ecs.org/ec-content/uploads/ECS_FundingReports_HCM_F.pdf

[xi] Appendix: Tables 3 and 4: Savings will depend on additional take-up rate of students from simpler application.

[xii] Table 3 - In practice the student would be able to calculate the grant amount using a formula that subtracts EFC from the Max grant and then multiplies by the intensity of enrollment. We much prefer our simplified system, which would calculate

grant amounts directly based on AGI, number of people in household and course intensity.

[xiii] Table 4 - This policy is roughly equivalent to the 150 percent credit cap proposed for the single loan program.

[xiv] Conklin, K. et al. (2015). "Doing Better for More Students: Putting Student Outcomes at the Center of Federal Financial Aid." HCM Strategists, LLC (16).

[xv] Conklin, K. et al. (2015). "Doing Better for More Students: Putting Student Outcomes at the Center of Federal Financial Aid." HCM Strategists, LLC (17).

[xvi] Hart Associates with David Winston and HCM Strategists, "College Is Worth It" at http://hcmstrategists.com/analysis/462/

Chairman GUTHRIE. Thank you for your testimony. Mrs. Copeland-Morgan, you have the floor, you can get me back on the Cats versus Bruins that is coming up this weekend. I am just kidding. You are recognized for 5 minutes to testify.

TESTIMONY OF MRS. YOULONDA COPELAND-MORGAN, VICE PROVOST OF ENROLLMENT MANAGEMENT, UNIVERSITY OF CALIFORNIA, LOS ANGELES

Mrs. COPELAND-MORGAN. Thank you, Chairman Guthrie, Ranking Member Davis, and members of the subcommittee for inviting me to appear before you today as you consider ways to strengthen Federal student aid to better meet the needs of students.

My name is Youlonda Copeland-Morgan. I am the vice provost for enrollment management at the University of California, Los Angeles. My professional dedication to college affordability and access long preceded my time at UCLA, but I'm here today to share some of the successes we have had at the University of California, and make our recommendations to improve the Federal student aid system.

UCLA is an academically prestigious institution, and has a consistently strong record of admitting, enrolling, and graduating low-income students. In fact, all of the University of California's 10 campuses are equally committed to college affordability and access.

UC's core philosophy is to ensure that all eligible students can enroll at any of our campuses and to keep UC affordable. We have succeeded at this, as demonstrated through these facts.

UC enrolls far more Pell grant recipients than any other top research university in the country. In 2013/2014, 40 percent of our undergraduates were Pell grant recipients compared to 22 percent at other comparable public universities. Forty-two percent of UC's undergraduates are the first in their family to attend college. More than half of our California undergraduates pay no tuition.

But enrolling low-income students is not enough. We need to see them graduate. In this respect, UC is also succeeding. UC's Pell grant recipients' 6-year graduation rates are nearly identical to those of their middle- and upper-income peers.

UC's success is largely the result of its partnership with the Federal Government and the State of California, which together provide a strong network for our California students.

My written statement outlines more details, but in the short time that I have this morning, I would like to outline some of UC's recommendations to the subcommittee.

My simple message is that Congress must increase its investment in Federal financial aid programs, assure that Federal student aid and subsidies are targeted to students with the most financial need, and improve the programs so that they are easy for students and their families to understand and access.

Before I start, I want to note that President Trump's recently released budget plans for next year would cut more than $50 billion from nondefense discretionary appropriations, leading to devastating cuts in all Federal education programs, and essentially eliminating the opportunity for any significant increases in the Federal investment in education for a long while.

Congress must reject these cuts, and UC and staff recommends strong, sustained, and increased funding for the Pell grant program to increase the maximum award. Continue annual inflationary adjustments for the award, restore year-round Pell grants, and provide a Pell bonus to students who take increased credits to accelerate their time to completion.

Protect and strengthen Federal campus-based aid programs, which are critical tools for assisting low-income students in pursuing postsecondary educational opportunities.

Simplify the student aid programs and FAFSA to increase the number of very low-income students and families who apply for and receive financial aid, but assure that Federal aid remains targeted to the most financially needy students.

Updating the Federal Student Loan Program is a high priority in the reauthorization for UC, and we will support changes that enhance student benefits and improve how loans are administered, dispersed, serviced, and repaid.

UC would strongly oppose reform proposals that eliminate in-school interest subsidies for undergraduate borrowers, limits borrowers, repayment options, or curtails graduate incentives to engage in public service.

Again, thank you for this opportunity to testify. The University of California looks forward to working with you to reauthorize the Higher Education Act to expand and improve the law.

[The statement of Mrs. Copeland-Morgan follows:]

SUBCOMMITTEE ON HIGHER EDUCATION AND WORKFORCE DEVELOPMENT
COMMITTEE ON EDUCATION AND THE WORKFORCE
U.S. HOUSE OF REPRESENTATIVES
March 21, 2017

IMPROVING FEDERAL STUDENT AID TO BETTER MEET THE NEEDS OF STUDENTS

WRITTEN TESTIMONY
YOULONDA COPELAND-MORGAN
VICE PROVOST, ENROLLMENT MANAGEMENT
UNIVERSITY OF CALIFORNIA, LOS ANGELES

Thank you, Chairman Guthrie, Ranking Member Davis and Members of the Subcommittee for inviting me to appear before you today as you consider ways to strengthen federal student aid to better meet the needs of students.

My name is Youlonda Copeland-Morgan. I am the Vice Provost for Enrollment Management at the University of California, Los Angeles (UCLA). My professional dedication to college affordability and access long preceded my time at UCLA, but I am here today to share some of the University of California's (UC) successes and make recommendations to improve the federal student aid system.

UCLA is an academically prestigious institution and has a consistently strong record of admitting, enrolling and graduating low-income students. Last year, The Washington Monthly ranked UCLA fourth in the nation in promoting social mobility. In fact, all of UC's ten campuses are equally committed to college affordability and access. A New York Times study in 2015 called the UC system "California's social mobility engine."

UC's core philosophy is to ensure that all students who are eligible for admission can enroll at any of our campuses and that a UC education can be affordable. We have succeeded, as demonstrated through these facts:

- UC enrolls far more Pell Grant recipients than any other top research university in the country. In 2013-14, 40 percent of our undergraduates were Pell Grant recipients compared to 22 percent at other comparable public universities.
- Forty-two percent of UC's undergraduates are the first in their families to attend college.
- More than half of our California undergraduates pay no tuition.
- UC has one of the most generous financial aid programs of any college in the country.
- Almost half of our students graduate with no debt – and of those who do, the average cumulative debt is $20,900, well below the national average of $30,100.
- Within five years of graduating, those students, on average, make more money than their family's total income when they enrolled at UC.

We recognize that admitting and enrolling low-income students is not enough; we need to see them graduate. In this respect, UC is also succeeding. UC Pell Grant recipients' 6-year graduation rates are nearly identical to those of their middle- and upper-income peers.

UC's success is largely the result of its partnership with the federal government and the state of California. In 2015-16, UC undergraduates received:

- $376 million in Federal Pell Grants;
- $12 million in the Supplemental Educational Opportunity Grant (SEOG) program;
- $22 million in Federal Work-Study;
- $25 million in Perkins Loans from our institutional revolving fund;
- $841 million from California's "Cal Grant" program; and
- $734 million from the University of California's own need-based grant program.

This strong network of financial assistance that UC offers covers the cost of tuition for 58 percent of our California resident undergraduates, and helps the lowest income students with other expenses – including food, housing, books and transportation – that are part of the total cost of attendance.

At UC, students and parents are part of this partnership as well. Parents are asked to contribute based on their ability to pay and all students have some skin in the game through a combination of savings, part-time work and student loans.

In considering the importance of these programs to our students, and in looking toward the upcoming reauthorization of the Higher Education Act (HEA), UC believes it is critically important that Congress increase its investment in the federal financial aid programs, assure that federal student aid and subsidies are targeted to students with the most financial need and improve the programs so they are easy for students and their families to understand and access.

The following are UC's policy recommendations to the Subcommittee to consider:

Congress must provide robust and sustained funding for the Pell Grant Program

The Federal Pell Grant program is the foundation of need-based financial aid at colleges and universities across the nation, and the program has significantly expanded access to college for students who would not have been able to enroll in postsecondary education. Unfortunately, however, the purchasing power of the Pell Grant has declined to where the maximum award covers the lowest share of college costs since 1972, when the program was authorized. The average Pell Grant, at $3,724, now covers just 19 percent of the annual cost of attendance at an in-state public university.

More troubling is President Trump's recently released budget plans for next year, which would cut more than $50 billion from non-defense discretionary appropriations, leading to devastating cuts to all federal education programs and essentially eliminating the opportunity for any significant increases in the federal investment in education for a long while.

Especially at a time when a growing number of jobs is expected to require some postsecondary education and training, Congress must reject these cuts and reaffirm its commitment to invest in higher education. Congress must recognize college success and completion as a public good that benefits society by preparing students from families across the socio-economic spectrum to compete and succeed in a global economy.

To meet today's educational challenges, the University of California recommends that Congress provide strong, sustained and increased funding for the Pell Grant program to:

- Increase to the maximum award;
- Continue the annual inflationary adjustment to the award;
- Restore year-round Pell Grants for eligible students;
- Provide a Pell bonus to students who take increased credits to accelerate their time-to-completion; and
- Support rewards to institutions that enroll large numbers of low-income students, offer significant institutional aid and graduate Pell students at the same rate as all their students.

The Campus-Based Aid programs must be strengthened

Federal campus-based aid – the Federal Perkins Loan, Federal Work-Study and Federal Supplemental Education Opportunity Grant (SEOG) Program – are critical tools for assisting students in pursuing postsecondary educational opportunities.

These programs are unique because the federal funds are distributed to institutions, not students. Institutions provide significant matching funds so these programs offer more bang for the federal "buck," and demonstrate institutions' buy-in. Institutions have the flexibility to target students with the greatest financial need and they can use some of the funds for graduate students who have few other federal aid options.

At UC, more than 15,000 undergraduates benefit from SEOG. Our campuses receive nearly $12 million dollars and provide eligible students with an average award of $753.

Nearly 13,000 UC undergraduates receive Federal Work-Study funds, averaging $1,700 per student, from total campus awards of $22.2 million.

The Perkins Loan Program has not received new federal funds in more than a decade, yet UC could loan nearly $25 million to financially needy students from its revolving funds. This year is the last year when schools are authorized to make new Perkins Loans, so when Congress reauthorizes the HEA, UC will look for ways to support changes to the Perkins Loan program that would allow institutions in good standing with the Department of Education in the operation of their Perkins Loan accounts to be authorized to continue to use their revolving funds to make these important loans to our neediest students.

The campus-based programs provide critical support to very low-income students to help them enroll in college, persist and graduate. Without this aid, these students would have to borrow more or work additional hours outside of school, which could affect their academic success. UC urges Congress to protect campus-based aid, and support increased funding to expand these programs.

Federal Student Aid Programs should be expanded and improved

Free Application for Federal Student Aid (FAFSA)
There has long been discussion about the FAFSA and how it can be simplified, and it is worth noting that several positive changes have been made in recent years to simplify the need-analysis process for families, such as the automatic-zero expected family contribution (EFC), and development of the Data Retrieval Tool (DRT), where families who file taxes electronically can check a box and let the IRS share income and asset information with the Department of Education. UC supports these improvements, which have simplified the application process and allowed families to more easily and accurately relay their financial information.

UC sees FAFSA simplification as a desirable way to increase the number of very low-income students and families who will apply for financial aid, and to help students and families understand college costs and the aid they may be eligible to receive. However, UC believes that federal aid should be targeted to the most financially needy families and would have some concern if assets and savings are no longer considered in federal need analysis.

In California, for example, like in many other states, the family financial information from the FAFSA is used to award state aid, and UC uses these same data for awarding institutional grants. Without the information currently provided by the FAFSA, the state and UC would have to develop new forms to gather this information or require applicants to pay for the College Scholarship Service Profile that many private colleges use to discern families' financial need.

Federal Student Loan Programs
Improving the federal student loan programs is a high priority in HEA reauthorization for UC, particularly because our students and parents rely on the federal educational loan programs – including subsidized and unsubsidized Direct Loans, Parent PLUS, Grad PLUS and Perkins Loans – to help cover some of their costs of education. UC's philosophy is to make sure that the total amount that students borrow remains manageable given what we know about our graduates' earnings. A strong federal commitment to the federal loan programs and a sustained investment in these federal student loans is critical to our ability to maintain the manageability of our students' debt.

There is a lot of discussion about "simplifying" the loan programs, which often means reducing the number of borrowing and repayment options for students or eliminating other critical benefits. UC strongly opposes this approach. For example, the "one loan" proposal that has been offered as a possible option in HEA reauthorization would eliminate the undergraduate in-school interest subsidy, representing a total estimated loss to student borrowers of $41 billion, as well as eliminate Grad and Parent PLUS loans. Congress must reject proposals like this and instead support changes that enhance student benefits and improve how student loans are administered, disbursed, serviced and repaid.

In fact, UC *strongly* supports maintaining the in-school interest subsidy for needy undergraduates, which for UC students is valued at over $50 million last year alone. Further, since students and borrowers repay their loans with interest, the federal government should not generate revenue from them, even if the funds are redirected to other aid.

In legislation to improve the federal student loan programs, UC would like to see:

- Increased outreach and communication to borrowers about all repayment plan options;
- Options for payroll deduction and IRS tax filing for loan collection;
- Restoration of the in-school interest subsidy for graduate student borrowers;
- Return of the in-school interest subsidy for undergraduate borrowers during a post-graduation grace period;
- Increased transparency for borrowers, including more information about how interest accrues while a borrower is in school;
- The ability to refinance higher interest loans;
- Elimination of origination fees charged to students;
- A standard and uniform Department of Education interface between borrowers and servicers to assure consistent and excellent customer service; and
- Increased availability of loan forgiveness programs for public service, and efforts to promote awareness of these programs.

In addition, UC supports a strong, continued commitment to improving income-based repayment plans. While we recognize that it may sound simple to eliminate multiple repayment options, we would rather keep the current set of options, despite potential confusion, than offer a single plan that is financially worse for our student borrowers

UC will also support increased annual loan limits in the Direct Loan programs. Annual loan limits for undergraduate students have not been increased in more than a decade and the caps set for freshmen and sophomore students is unrealistically low. Similarly, graduate and professional borrowing limits under the Direct Loan program should be increased.

Finally, we recommend maintaining the federal loan options for graduate and professional students, as well as the Parent PLUS loans. These are all critical tools for many of our students and families as they complete advanced degrees, and helps them avoid potentially costlier private loans.

Again, thank you for this opportunity to testify. The University of California looks forward to working with you to reauthorize the Higher Education Act to expand and improve the law.

I appreciate your interest in hearing our views on how the federal-state-institutional partnership we now have in American higher education can be strengthened to make quality college education available to all Americans.

I have attached for the record two documents: an overview of student aid and outcomes from UC's Office of Student Financial Support and UC's At a Glance fact sheet.

If you have any questions, or would like additional information about UC's recommendations, please contact the UC Washington office at 202-974-6300.

Chairman GUTHRIE. Thank you for your testimony. The ranking member just reminded me that she is an alum of UCLA, and her husband is from Kentucky.

Mrs. COPELAND-MORGAN. She's not conflicted though.

Chairman GUTHRIE. Dr. Chingos, you are recognized for 5 minutes for your testimony.

TESTIMONY OF MATTHEW M. CHINGOS, SENIOR FELLOW, URBAN INSTITUTE, WASHINGTON, D.C.

Mr. CHINGOS. Thank you, Chairman Guthrie. Thank you, Ranking Member Davis, and members of the committee for the opportunity to testify today.

I'm an education policy researcher at the Urban Institute, and the coauthor of "Game of Loans: The Rhetoric and Reality of Student Debt."

The views expressed in this testimony are my own, not those of any organization with which I'm affiliated, its trustees, or its funders.

The main point I want to make today is that the student loan crisis in the news is largely a distraction from the real problems facing borrowers and taxpayers. The reality is that most undergraduates borrow less than $40,000, and the average economic return to a college degree is as high as it has ever been, despite the rise in tuition. The borrowers most likely to struggle are those who never complete a degree, many of whom have relatively small amounts of debt.

Student borrowing has increased dramatically. As a result, Americans are getting more education, as well as Federal and State policy changes.

The available evidence suggests the typical borrower today is in a stronger financial position than she was a generation ago, and the typical monthly burden of student loan debt is largely unchanged since the early 1990s. Most households with education debt pay 4 percent or less of their income each month for student loans.

Yet, all is not well with student lending in the United States. In fact, there are five crises in student lending. First, we have a completion crisis. Only 59 percent of students who start at 4-year public colleges earn a bachelor's degree from any institution within 6 years. At community colleges, it's 39 percent.

Second, we have a default crisis. Millions of borrowers are in default and tend to be those with the least debt.

Third, we have a repayment crisis. Borrowers could avoid defaulting by enrolling in income-driven repayment, but existing programs are confusing and difficult to navigate.

Fourth, we have an information crisis. Many students do not understand what they're getting into. Only a quarter of first-year students can accurately report how much they have borrowed.

Finally, policymakers and taxpayers may soon face a cost crisis in the student lending system, especially because loan forgiveness programs may have larger costs than projected.

The popular media narrative of a broad-based student loan crisis is problematic because it leads to the wrong policy solutions by focusing on all borrowers, and especially borrowers with the most debt, rather than on those who most need help.

For example, proposals to reduce interest rates on outstanding loans, often called "refinancing," would disproportionately benefit affluent households. Instead, Congress should consolidate and simplify the Federal student aid programs to make the best use of limited taxpayer dollars to help students attend and complete college.

First, there should be one Federal grant program. Eligibility should be determined automatically using tax records. All Federal subsidies are currently delivered through other programs, such as the subsidized loan programs, and should instead be delivered as upfront grants. For example, year-round Pell could be reinstated.

Second, there should be one Federal loan program focused on undergraduate students, not a blank check for parents of graduate students. The Parent PLUS Program should be eliminated as creditworthy parents can obtain credit in the private sector.

The Grad PLUS Program should be limited or eliminated. Graduate students attending programs with a return that justifies the cost will be able to obtain funding in the private market.

Third, there should be one income-driven repayment program which allows borrowers to make loan payments as a percentage of their income through the tax withholding system. The sole purpose of the income-driven repayment program should be to insure borrowers against the risk that they'll be unable to afford their payments.

Forgiveness should only be provided as a last resort, and the Public Service Loan Forgiveness Program should be eliminated.

Policymakers seeking to subsidize employment in certain sectors of the economy should do so directly rather than through loan forgiveness.

In conclusion, student loan debt is not inherently good or bad. It enables students to make investments in their futures, but those investments do not always pay off. The key challenge facing policymakers is to reduce bad investments and the harm they cause while resisting political pressure to further subsidize individuals who enjoy taxpayer subsidies, but do not need them.

The upcoming reauthorization of the Higher Education Act provides an important opportunity for Congress to ensure that the Federal student aid programs do less harm and more good for students and taxpayers.

Thank you again for the opportunity to testify today. I look forward to answering any questions.

[The statement of Mr. Chingos follows:]

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Statement of

Matthew M. Chingos*

Senior Fellow, Urban Institute

before the

Education and the Workforce Committee, Subcommittee on Higher Education and Workforce Development

United States House of Representatives

Improving Federal Student Aid to Better Meet the Needs of Students

Tuesday, March 21, 2017

* The views expressed are my own and should not be attributed to the Urban Institute, its trustees, or its funders. I thank Sandy Baum and Kristin Blagg for helpful comments.

2100 M Street NW
Washington DC 20037
urban.org

Chairman Guthrie, Ranking Member Davis, and members of the committee, thank you for the opportunity to testify today about our nation's federal student aid programs. I appreciate the committee's interest in these important programs.

I am an education policy researcher at the Urban Institute here in Washington, DC, and the coauthor of two books on higher education: *Game of Loans: The Rhetoric and Reality of Student Debt* and *Crossing the Finish Line: Completing College at America's Public Universities.* My publisher has provided copies of *Game of Loans* as background information for the committee members. The views expressed in this testimony are my own, not those of any organization with which I am affiliated, its trustees, or its funders.

The student loan crisis you have read about in the news is largely a distraction from the real problems facing student borrowers and taxpayers. The poster child for the crisis narrative is an unemployed college graduate, usually with a graduate degree as well, who is struggling to find a well-paying job and is living in his parents' basement. But, in reality, most undergraduates borrow less than $40,000, and the average economic return to a college degree is as high as it has ever been, despite the well-documented rise in tuition prices.[1] The borrowers most likely to struggle are those who never complete a degree, many of whom have relatively small amounts of debt.

There is No Broad-Based Student Lending Crisis

Student borrowing *has* increased dramatically, with total outstanding debt rising from about $300 million in 2003 to more than $1.3 trillion today.[2] This increase, which continues a trend that began in the early 1990s, partly reflects that more Americans are going to college and completing more degrees. My research with Beth Akers estimates that rising college attendance and degree attainment explain about 30 percent of the increase in borrowing since 1989.[3]

Three federal and state policy changes have also contributed to the increase in student debt:

1) Federal loans are available on an essentially unlimited basis (up to total cost of attendance, including living costs) to graduate students. Indeed, graduate students took out 34 percent of federal student loans in 2013–14, despite making up only 14 percent of US students.[4]

2) The 1992 reauthorization of the Higher Education Act made federal loans available to all students, rather than limiting them to students with demonstrated financial need. This policy change was followed more or less immediately by a rapid acceleration in the amount borrowed per student.

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[1] Beth Akers and Matthew M. Chingos, *Game of Loans: The Rhetoric and Reality of Student Debt* (Princeton, NJ: Princeton University Press, 2016) pp. 68–75.
[2] *Game of Loans*, p. 2; Quarterly Report on Household Debt and Credit (New York: Federal Reserve Bank of New York, February 2017).
[3] *Game of Loans*, p. 44.
[4] *Game of Loans*, p. 16.

3) State governments have decreased their support of public colleges (on a per-student basis), leading to rising tuition. As a result, students are now paying for part of their educational expenses that state taxpayers used to cover.[5]

Despite large increases in student borrowing, the available evidence suggests that the typical student borrower today is in a stronger financial position than she was a generation ago. Between 1992 and 2013, the average household with education debt saw an increase of $23,000 in debt and $7,000 in annual wage income. At first glance, that larger increase in debt than in income appears to indicate that the average household is worse off. But the debt is incurred once, and income is received every year. So the increase in debt can be paid off with just a few years of the higher incomes that households with debt now receive.[6]

A larger debt load could squeeze borrowers in the short run if monthly payments are unaffordable. But this does not appear to have occurred: most US households with education debt pay 4 percent or less of their income each month toward student loans, a statistic that has changed little since the early 1990s.[7]

The Real Student Loan Crises

The fact that the typical borrower is in a reasonably strong financial position does not mean that all is well with student lending in the United States. In fact, we have five crises in student lending that are too often overshadowed by the exaggerated media narrative discussed earlier.

First, we have **a completion crisis**. Only 59 percent of students who start at four-year public colleges earn a bachelor's degree from any institution within six years (the corresponding figure for private, nonprofit colleges is 72 percent). Among students who start at community colleges, only 39 percent earn any degree from any institution within six years.[8] Students who complete degrees receive far more economic return to college attendance than those who do not.[9]

Second, we have **a default crisis.** Every year, more than 600,000 borrowers default on their student loans within three years of starting to repay them.[10] This likely hurts their credit and ability to borrow in the future. But the millions of borrowers in default tend to be those with the

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[5] *Game of Loans*, pp. 58–59.
[6] *Game of Loans*, pp. 77–78.
[7] *Game of Loans*, pp. 79–80.
[8] *Completing College: A National View of Student Attainment Rates – Fall 2010 Cohort* (Herndon, VA: National Student Clearinghouse, 2016), figure 12.
[9] Thomas Hungerford and Gary Solon, "Sheepskin Effects in the Returns to Education," *Review of Economics and Statistics* 69 (1987): 175–77.
[10] Michael Stratford, "Default Rates Drop," Inside Higher Ed, October 1, 2015, https://www.insidehighered.com/news/2015/10/01/student-loan-defaults-drop-obama-admin-again-tweaks-rates.

least debt, not the most.[11] That's because large balances often come with degrees that enable high incomes. Borrowers who do not graduate, and therefore are less likely to earn more money after attending college, are more than twice as likely to default on their loans as graduates.[12]

Third, we have **a repayment crisis**. Borrowers could avoid defaulting on their loans by enrolling in income-driven repayment. But too few do, because they do not know about these programs or find them too hard to understand or navigate. Well-intentioned efforts to expand access to income-driven repayment have created a panoply of programs: old income-based repayment (IBR), new IBR, pay as you earn, and revised pay as you earn, just to name four.[13]

Fourth, we have **an information crisis** that plagues both repayment and borrowing decisions. Most students don't know what they're getting into, or even how much they're borrowing. In a 2012 federal survey, only a quarter of first-year students could accurately report (within 10 percent) how much they had borrowed. Twenty-eight percent of students with federal loans said they had no federal loans, and 14 percent said they had no debt at all.[14]

Finally, policymakers and taxpayers may soon face **a cost crisis** in the student loan system. In particular, loan forgiveness programs may have larger costs than policymakers expected and budget agencies projected.[15] This concern is amplified by a recent Government Accountability Office report that raises serious concerns about the accuracy of cost estimates made by the US Department of Education.[16] It is impossible for Congress to make responsible policy choices without accurate data from the Department of Education.

Addressing the Real Problems

The prevailing media narrative of a broad-based student loan crisis is problematic because it leads to the wrong policy solutions by focusing on all borrowers—and especially borrowers with the most debt—rather than on those who most need the help. For example, proposals to reduce interest rates on all or most outstanding loans (often called "refinancing") would substantially benefit affluent households because the highest-income 20 percent of households hold 44

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[11] Meta Brown, Andrew Haughwout, Donghoon Lee, Joelle Scally, and Wilbert van der Klaauw, "Looking at Student Loan Defaults through a Larger Window," Liberty Street Economics, Federal Reserve Bank of New York, February 19, 2015, http://libertystreeteconomics.newyorkfed.org/2015/02/looking_at_student_loan_defaults_through_a_larger_window.html.
[12] "Two-Year Student Loan Default Rates by Repayment Cohort and Degree Completion Status, 1995–96 to 2011–12," *Trends in Student Aid*, College Board, https://trends.collegeboard.org/student-aid/figures-tables/two-year-student-loan-default-rates-degree-completion-status-over-time.
[13] *Game of Loans*, p. 118.
[14] Elizabeth J. Akers and Matthew M. Chingos, Are College Students Borrowing Blindly? (Washington, DC: Brookings Institution, 2014).
[15] Jason Delisle, "The coming Public Service Loan Forgiveness bonanza," Evidence Speaks Reports 2, no. 2 (Washington, DC: Brookings Institution, 2016).
[16] "Federal Student Loans: Education Needs to Improve Its Income-Driven Repayment Plan Budget Estimates," GAO-17-22 (Washington, DC: US Government Accountability Office, 2016).

percent of debt. At the same time, a borrower struggling to make a $50 payment will likely also struggle to make a $44 payment.

Perhaps even more wasteful are efforts to amend the tax code to provide additional preferential treatment for student loans, as in a recent bipartisan proposal to allow employers to provide tax-free student loan assistance. Because of the structure of the tax system and the nature of student borrowing, this move would provide a regressive handout to the wealthiest borrowers and do nothing to help those who are struggling to repay their loans.[17]

Instead, Congress should consolidate and simplify the federal student aid programs and make the best use of limited taxpayer dollars to help students attend and complete college. The current programs, which resulted from well-intentioned policy changes over many years, need to be streamlined and returned to their core missions: grants to needy students and loans that enable students to invest in their future success.

One Grant, One Loan

First, there should be one federal grant program and one loan program.[18] Eligibility should be determined automatically using tax records, eliminating the need for an application form. For example, eligibility for Pell grants could be based on students' average family income between when they were 10 and 16 years old. This would enable grant dollars to be delivered to families based on a careful analysis of financial need while communicating eligibility early and clearly.

The single grant program should deliver all federal grant aid to college students. We now have strong evidence that the federal higher education tax credits are a waste of taxpayer money.[19] These tax credits, which total about $23 billion, should be eliminated and the funds used (at least in part) to expand the $33 billion Pell program. However, doing so is complicated by the fact that higher education tax credits are outside the jurisdiction of this committee.

The single federal loan program should be a student loan program, not a parent loan program. The Parent Loan for Undergraduate Students (PLUS) program should be eliminated, as creditworthy parents can obtain consumer credit in the private sector. Policymakers seeking to expand access to credit for dependent undergraduate students should increase the loan limits for these students rather than continuing to make their parents choose between taking on debt they are going to struggle to repay and telling their children to look elsewhere for college.

[17] Matthew M. Chingos, "Don't let student borrowers off tax free," *Urban Wire* (blog), Urban Institute, March 3, 2017, http://www.urban.org/urban-wire/dont-let-student-borrowers-tax-free.
[18] There are good reasons to divide the Pell program into two components, one aimed at young people (e.g., through age 24) and another for older adults who return to school (see Sandy Baum et al., "Rethinking Pell Grants," New York: College Board, 2013).
[19] George B. Bulman and Caroline M. Hoxby, "The Returns to the Federal Tax Credits for Higher Education," Working Paper 20833 (Cambridge, MA: NBER, 2015).

The federal loan program should focus on undergraduate students and rein in excessive federal borrowing by graduate students. The grad PLUS program should be limited or eliminated. Graduate students attending programs with a return that justifies the cost will be able to obtain funding in the private market, while low-return programs will no longer be able to operate at taxpayer expense. Policymakers seeking to support programs with low economic returns but high social returns (e.g., social work) should subsidize those programs directly, such as through targeted grant programs.

All federal higher education subsidies should be delivered through the Pell grant program. This means that taxpayers should not pay interest on loans while students are in school, as they currently do on subsidized loans, and instead use those subsidies to provide up-front grants that directly reduce the prices students pay (e.g., by reinstating year-round Pell). It also means that the loan program should break even fiscally—and not make profits off students or entail significant costs for taxpayers.[20]

One Automatic Income-Driven Repayment Program

There should be one income-driven repayment program, which allows borrowers to make loan payments as a percentage of their income through the tax-withholding system. Borrowers could automatically be placed in this program upon leaving college (unless they choose to pay off their loans more quickly), thus significantly reducing defaults and limiting the need for loan servicing.[21] Income-driven repayment must tie the percentage of income paid toward loans to the amount borrowed, so students remain sensitive to the prices charged by institutions and to the amounts they borrow.[22]

As with the student loan program, the repayment program should not be used to deliver subsidies to broad groups of borrowers. Instead, it should be used to insure borrowers against the risk that they will be unable to repay their loans. Forgiveness should only be provided as a last resort (e.g., after 25–30 years), if at all, and the Public Service Loan Forgiveness (PSLF) program should be eliminated. Policymakers seeking to subsidize employment in certain sectors should do so directly, such as through targeted grant programs, rather than through loan forgiveness.

Eliminating PSLF and reducing the generosity of other forgiveness provisions for future borrowers is not only a matter of ensuring that subsidies are delivered fairly. It is also critical to the fiscal sustainability of the student loan programs. PSLF, in particular, is likely to be far more costly for

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[20] Breaking even is difficult to accomplish in practice owing to uncertainty about future borrowers' repayment behavior. For more on this subject, including the debate over accounting methods, see Matthew M. Chingos, "End government profits on student loans: Shift risk and lower interest rates" (Washington, DC: Brookings Institution, 2015); and Donald B. Marron, "The $300 Billion Question: How Should We Budget for Federal Lending Programs?" (Washington, DC: Urban Institute, 2014).

[21] Susan Dynarski and Daniel Kreisman, "Loans for Educational Opportunity: Making Borrowing Work for Today's Students" Hamilton Project Working Paper 2013-05 (Washington, DC: Brookings Institution, 2013).

[22] Matthew M. Chingos, "Jeb Bush's student loan plan should outlive his campaign," Evidence Speaks Reports 1, no. 10 (Washington, DC: Brookings Institution, 2016).

taxpayers than previously anticipated, in part because roughly 25 percent of the workforce is employed in a PSLF-eligible job.[23]

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Student debt is not inherently good or bad. It enables students to make investments in their futures, but those investments do not always pay off. The key challenge facing policymakers is to reduce bad investments and the harm they cause while resisting political pressure to further subsidize students and parents who enjoy taxpayer subsidies but do not need them.

The upcoming reauthorization of the Higher Education Act provides an important opportunity for Congress to ensure that the federal student aid programs do less harm and more good for both students and taxpayers. I hope my testimony will contribute to that important effort. Thank you for the opportunity to testify today. I look forward to answering any questions.

[23] Jason Delisle, "The coming Public Service Loan Forgiveness bonanza."

Chairman GUTHRIE. Thank you very much. I thank all the witnesses for testifying. Now, we will go to member questions. I will first recognize the chairman of the full committee, Mrs. Foxx of North Carolina. Dr. Foxx. I apologize.

Dr. FOXX. It is okay. Thank you very much, Chairman Guthrie, and I want to thank all of the witnesses. You have given great testimony this morning. We appreciate you being here.

Ms. Soucier, I am aware of Houston Community College participating in "Aid Like A Paycheck" experiment, where students receive aid incrementally instead of in a lump sum at the beginning of the year or semester. Have you seen any results from this experiment or any evidence that such a disbursement method would be useful for both students and taxpayers?

Ms. SOUCIER. Yes, thank you. We have been participating in Aid Like A Paycheck for the last 3 years. The data are just starting to come in, but internally, we have seen improvements in retention of students, not for the reasons why you might have guessed.

We have a system in place right now called "Return of Title IV," so when a student withdraws during a semester, we have to recalculate the rate eligibility. And a lot of times they have to return aid that they already received, causing the students to be left with a balance due, which means as long as that balance is due, they can't come back to school, which is a problem, because many of our students drop out for personal reasons and life happens, basically. So, they want to come back, but they can't until that debt is paid, and the problem is they don't have the funds to do so.

So, Aid Like A Paycheck, what it has done is it has spread out the disbursements over the entire semester, so we give out the disbursements every 2 weeks. So, those students who have had to withdraw, they now no longer owe money because they haven't received the funds yet. So, recalculating their aid is causing them to basically break even for the most part, and in a lot of cases, we actually owe them a little bit of money based on the calculation, return on the Title IV calculation.

So, we have seen that students don't have that debt when they want to come back the next semester or a year later. So, it has benefitted students greatly in that aspect.

Dr. FOXX. Thank you very much, great insight. Dr. Chingos, thank you very much for your book. I am going to read it this weekend. You advocate eliminating subsidized loans and instead using the dollars to provide grants that reduce the cost of college for students.

Ms. Conklin's testimony also suggested a one loan program that eliminates the distinction between the subsidized and unsubsidized loans. Ms. Soucier discusses the confusion in delays.

Can you expand on why you suggested elimination of the undergraduate subsidized loan, and your thoughts on whether this subsidy is effective in helping the neediest students, or are there other ways we could better target limited Federal funds? Actual limited, hard-working taxpayer dollars, which is what we are talking about.

Mr. CHINGOS. Thank you for the question, Dr. Foxx. The idea of eliminating the in-school interest subsidy on loans isn't to take resources away from anyone, but it's to deploy them in the way where they are most likely to impact behavior.

So, if we want to help low-income students complete college, I think it's better if we're going to give them a subsidy to give it all as an upfront grant, to reduce the price that they pay for college on day one, rather than reducing an interest rate that accrues during college.

So, I just think it makes the most sense to provide all those dollars as upfront grants rather than burying them in a subsidy that students may not really understand.

Dr. FOXX. Thank you very much. Ms. Conklin, you bring up an important point about what constitutes full-time enrollment. As you point out, 12 hours is now considered full-time by the Federal Government. It is a message to students because only 55 percent of them are graduating within 6 years.

I am intrigued by the State results that States have seen when setting the expectation for on time completion. Would you want to say a little bit more about what this does about college affordability, and can you explain the relationship between enrollment intensity and the odds of completion?

Ms. CONKLIN. Dr. Foxx, thanks for that question. I'll probably run out of time and submit a full answer for the written record.

Simpler tells the truth they need to hear, the best way you are going to save money, as much as 50 percent on your education, is to finish on time. When you give these realistic expectations to students, as we have seen in Indiana, we not only tell students what they need to do, we tell colleges.

In Indiana, they've started opening up their summer resident halls at a discount or for free. We see reduced tuition. We see changes in guidance. That is why we see the improvements across the board in both 2-year and 4-year sectors.

Chairman GUTHRIE. I think maybe you will be able to cover that in further time, but the Chairwoman's time has expired.

Dr. FOXX. Thank you very much.

Chairman GUTHRIE. I appreciate your answer. We will get to that, I am sure, as we move forward. I recognize the ranking member, Ms. Davis, for 5 minutes of questions.

Mrs. DAVIS. Thank you, Mr. Chairman. I wanted to direct my first question to Mrs. Youlonda Copeland-Morgan. The President's budget would make significant cuts, as we know, to campus-based aid programs, and would deprive millions of students of much-needed aid.

How would the elimination of these programs or a reduction in funds impact the students on your campus and across California, and can you be as specific as possible?

Mrs. COPELAND-MORGAN. Yes. Let me just state for the record, I'm a first-generation college student and benefited from all of these programs, and as a result of that, the Federal Government made less investments in my children, which is exactly what we are trying to do here.

First of all, these programs are critical to not only access, but to retention of these students. The idea that we would have one loan and one grant sounds simple enough, but, in fact, life is complex and being a student is complex.

Our responsibilities as financial aid officers are to ensure that students have mentors there who can help them fill the gap, and that's what campus-based aid does. Without campus-based aid, the Federal Perkins Loan Program, Work Study Program, and FSEOG Program, we would not have the tools that are necessary to target the most neediest students, and that's what really allows us not only to provide access to these students, but to graduate them.

So, we're advocating – and I've, as past chairman of the College Board, on our national association, and for decades, we've been saying especially because of the loss in the Federal Pell grant program, the loss of purchasing power there, that we're advocating that we retain these programs. They work.

We certainly believe that there are more improvements that can be made, but the continuous investment in campus-based programs, increase in maximum Pell grant amounts, and continued Federal investment in these programs are key given the demographics of our society today.

Mrs. DAVIS. If we were somehow able to keep the amount the same, and that's the difficulty with trying to simplify is that we lose generally whenever we try to consolidate, that seems to happen, would there be a reduction in the complexity if, in fact, that could be done at some levels, and why do you think that is not likely to happen?

Mrs. COPELAND-MORGAN. I doubt it because the financial aid program—financial aid comes from State sources and institutional sources, which all have different forms, but right now, the current FAFSA allows many States to eliminate having their own application.

So, eliminating or simplifying, oversimplifying, the FAFSA form would simply result to where we were decades ago, where every time a student wanted to apply for State aid or institutional aid, they had to fill out a separate application because the Federal Needs Analysis did not meet the needs of the States or institutions who were interested in making sure that their financial aid is targeted to the most needy students.

I think of this sort as the IRS process. We do not allow all citizens to fill out a 1040A. The IRS process is complicated, overly complicated, but the idea is that we want to be able distinguish our low-income students from middle-income students, from those families who have the ability to pay.

So, I do believe that going back, oversimplifying the FAFSA form, will result in a more complex process for our students.

Mrs. DAVIS. Thank you. Ms. Soucier, I wonder if you could speak for a second, I know in your written testimony you spoke about the fact that many, many students on campus are subject to FAFSA verification, and you mentioned out of 80,000 aid applicants, 38,000 were selected for verification. And you also indicated that low-income students who may have a harder time providing required documents are more likely to be forced out through the verification process because they are not able to complete that.

Could you speak to us a little bit about that, and how do we deal with that? What happens to those students?

Ms. SOUCIER. Sure. I'd be happy to. In what I call my "backroom operation," I have 18 people, and all they do is verification day-in and day-out. There are a multitude of different types of students that attend Houston Community College. We're a melting pot. Our city has people from all over, with all different circumstances.

So, we deal with a lot of unusual situations, especially with the tax law. We deal with a number of students who were unable to fill out their taxes correctly, and we have to look at that information when we're doing verification.

So, basically what's happening is the forms themselves are taking time for students to complete.

Chairman GUTHRIE. Maybe we can get to those as we move forward.

Ms. SOUCIER. Yes, I'd be happy to give you more details on that.

Chairman GUTHRIE. I recognize myself for 5 minutes for questions. Ms. Soucier, the statistics Dr. Chingos highlighted in his written testimony were stunning. According to a study by The Brookings Institute, which Dr. Chingos coauthored, only a quarter of first year students could accurately report how much they had borrowed, and 14 percent of the students who had borrowed money thought they had no debt at all.

This information problem is very concerning to me, and it is why I introduced the bill I mentioned earlier, that would require improved Federal aid counseling for aid recipients throughout their education.

Are you noticing trends Dr. Chingos discussed in his testimony on your campus, and can you discuss the benefits to students where you have been able to counsel them about their financial aid?

Ms. SOUCIER. Absolutely. As a matter of fact, we have six financial coaches on staff at our institution. Those coaches work very closely with students that are willing to come to our counseling sessions and are willing to come to our workshops that talk about debt and student loan repayment options. However, we can't require it, so we are prohibited from requiring them to come before we can deliver the funding to them, so it's difficult to get students to want to come to these sessions and learn about student aid and student loan debt.

If we had the ability to require them to even do an online process, put together some online videos and watch what it means to have a student loan and repay those student loans, I think that would benefit them greatly.

Our students are defaulting on the loans because they don't understand it. They don't understand they even took out a loan. All they're doing is signing a piece of paper, electronically, online. They're accepting a loan. They're going in and doing a quick and easy online promissory note, and they're not reading the fine print, and they don't understand what they're getting into until they graduate and walk away.

Chairman GUTHRIE. I would like to move to Ms. Conklin. Thank you for your answer. Ms. Conklin, I noticed that HCM's proposal eliminates current deferment and forbearance options, which allow borrowers to suspend payments during times of economic hardship.

Can you explain how the Technical Panel arrived at the conclusion the elimination was better for borrowers, and can you discuss the impact such a proposal would have on borrowers struggling to make their payments?

Ms. CONKLIN. Thank you, Mr. Chairman. So, what he's referring to is the Technical Panel I led back in 2012, a bipartisan group of academics and financial aid experts.

What we recommended was the single loan program is an income-based loan repayment program, so basically a family would have the ability to take up to 300 percent of their family income—300 percent of their family income would be deducted from their available income—and then they didn't have a decision to pay up to 15 percent of that.

So, being able to adjust your payments based on your income is the relief that you would need in repayment. Again, you take the lower of the two payments. So, it's putting everybody into that default loan repayment, but itself is the borrower benefit.

Chairman GUTHRIE. Thank you. Now, Dr. Chingos, the topic of the Bennett hypothesis would suggest that increases in available Federal student aid corresponds with increased tuition prices, and often comes up as we discuss the aid programs provided by the Federal Government.

The last thing we want to do as Federal policymakers is make higher education more expensive. Can you discuss your thoughts on the hypothesis and what we should consider as we reauthorize the Higher Education Act?

Mr. CHINGOS. Right. I think the Bennett hypothesis had a lot of intuitive appeal, make more money available for something and it enables institutions or, in the long run, at least makes it easier for them to raise their prices.

The evidence on it is somewhat mixed. I think Federal policymakers ought to be most concerned about situations where the Federal funding footprint is the largest, so cases like with graduate loans where graduate students can borrow up to the total cost of attendance, no questions asked, I think we should be concerned there.

I think we ought to be concerned with institutions where Federal grants and loans make up a very large share of student aid.

Chairman GUTHRIE. Thank you. That concludes my questions. I will now recognize Ms. Adams. I am sorry. I will recognize Mr. Espaillat for 5 minutes for questions.

Mr. ESPAILLAT. Thank you, Mr. Chairman. Dr. Chingos, you have mentioned you advocate for the elimination of loan forgiveness programs. Loan forgiveness programs have for many years, since at least 2007 for sure, have been a part and parcel of a mechanism to bring professional help and public service to distressed areas across the Nation.

For example, school districts that have shown for many years to lack academic achievement levels that we could all be proud of have used forgiveness loans to attract very qualified teachers to come to those school districts, to try to pull them by their bootstraps.

Communities that do not have the adequate health care often resort to loan forgiveness programs to bring in doctors and nurses that will help them become healthy again.

So, this is a very important program, not only for those that will benefit from the loan forgiveness, but for communities across the country that are facing dramatic challenges.

Why adopt this heavy-handed approach to eliminate loan forgiveness programs when, in fact, these are essential and basic to many neighborhoods throughout the country, and particularly those neighborhoods that are facing great challenges in education, health care, and other arenas where we could bring the best professionals that we have available?

In some cases, we have had to go abroad to bring qualified teachers to our school districts. We have had to go abroad to bring medical professionals to our neighborhoods.

Why be punitive and say you are not going to be rewarded for coming into these very and distressed neighborhoods that require the public service that you are able to provide?

Mr. CHINGOS. Thank you, Congressman, for the question. My view is that loan forgiveness is a very blunt instrument for attacking those extremely important problems that you identified. The problem is that loan forgiveness, particularly the public service loan forgiveness program, delivers what amounts to taxpayer subsidies in a very arbitrary manner.

So, it's true that those high needs areas you identified could potentially benefit, but roughly one-quarter of the economy is defined as public service under the law. So, the amount of benefits someone gets relates to sometimes an arbitrary distinction between whether their organization qualifies or not, so doctors in nonprofit hospitals get it, but not doctors in for profit hospitals, even though they may be doing similar work. And the amount of benefit you get relates to not just the importance of the work you're doing, but how much you borrowed for school.

So, you could have two people working in the same nonprofit, one of them worked their way through a public college, didn't take on a whole lot of debt, and the other person went and borrowed as much as they could to get an undergraduate degree and a graduate degree somewhere, and that second person would get a whole lot larger subsidy.

So, I think there is just much better targeted ways of helping people and, as I said in my testimony, subsidizing people in certain sectors of the economy rather than forgiveness.

Mr. ESPAILLAT. Getting to the minutia of things, sometimes you could lose the forest for the trees. Let me give you an example. Bilingual teachers, certified bilingual teachers, which are essential to many neighborhoods, many districts, many States across the country, where we want to bring recent arrivals, English language learners up to par with everybody else, are lacking. And as a result, we have to go to Spain, Chile, all over the planet to get these certified teachers to come in, these bilingual teachers to come into our districts.

Why not create an incentive in our higher education system to have the best that are local here to come to those districts? Health areas, many districts lack primary care physicians, emergency room physicians. We have to go abroad to get doctors. By the way, some of them may not be able to come in through the, because of the Muslim ban now. But we have to go abroad to get these doctors.

Why not create an incentive here locally for our U.S. students to come into these districts and get access to these loan forgiveness programs? What is wrong with that?

Mr. CHINGOS. My view is those incentives be provided directly by either tax credits to those people or just ways to increase their salaries and not through loan forgiveness programs that also have to give away money to a bunch of other people.

Mr. ESPAILLAT. I think tax credit programs are often backdoor mechanisms that are not always needed by the recipient. Thank you, Mr. Chairman. I yield my remaining time.

Chairman GUTHRIE. Thank you, appreciate it. I now recognize Ms. Stefanik for 5 minutes for questions.

Ms. STEFANIK. Thank you, Mr. Chairman, and thank you to the witnesses for your testimony on this very important issue today.

I also was the first member of my immediate family to graduate from college, so making higher education more affordable and more accessible is one of my top priorities.

I have worked closely with schools in my district, in New York's 21st congressional district, to address the challenges of affordability, and these conversations, particularly with community colleges, have laid out what can be accomplished if we modernize the Federal Pell grant program.

So, my first question is for Ms. Soucier. You and other witnesses today have mentioned year-round Pell grants as a way to help students complete their education more quickly. You also mentioned the implementation difficulties of the old year-round Pell grant program.

Earlier this month, I reintroduced the bipartisan Flexible Pell Grants for the 21st Century Students Act, which reinstates year-round Pell grants, but my bill also addresses implementation concerns by specifying that institutions can decide which award year to assign the payment toward for payment spanning two award years.

Would this address some of the implementation concerns you mentioned, and can you expand on how you believe year-round Pells would benefit students?

Ms. SOUCIER. Well, I think year-round Pell was a success once we implemented the complexity of it. It took us a couple of years to get our systems to understand how to treat students under that new framework, but once we did it, we started seeing the benefit of it.

I, personally, did my bachelor's degree in 2–1/2 years, and I know how much money that saved me. I didn't have year-round Pell back then. I just had the straight Pell and lots of student loans.

I know it is a tremendous saving of time and money to enable students to go year-round. It's also a retention tool because keeping the student engaged over the summer is a big deal. We lose a lot of students, especially at the university level, during the summer, as things start to happen in their life. Keeping them engaged during the summer is a huge benefit to the student and the school, and improves completion rates.

So, I do know for a fact year-round Pell benefitted students, and we were actually unhappy to see it go away when it did.

Ms. STEFANIK. Thank you for adding in the importance of college completion, because as we grapple with the student loan crisis, raising that completion rate is a critical piece to the puzzle.

My next question, which is on the same issue, is for Ms. Conklin. In your testimony, you discuss how year-round assistance and increased flexibility would help improve access for nontraditional students.

Can you expand upon how increased flexibility in the disbursement of Federal Pell would assist the student, for example, who is slightly older, is working part-time, is a parent?

Ms. CONKLIN. Thank you, Congresswoman, for your focus on what we call "today's students" in the business. Most of our students today are what used to be nontraditional, and they, in fact, do have to juggle work and children in order to earn their credential.

So, what we are seeing more and more in higher education is real innovation in delivery, where people are able to do self-paced learning, we're able to put remedial courses in the middle of the credit-bearing courses, and give students additional support so they get out of remedial education quickly. All those innovations require flexibility around the disbursement of money.

Some of our most successful programs for nontraditional students, I think about CUNY ASAP, which is being replicated in other places like Ohio, that is a set of guided pathways for nontraditional students. It costs more in those first 2 years to be able to educate them, but at the end, it's a lower cost per degree for taxpayers and for students.

So, what we need to be able to do is frontload some of that Pell money for those early years, to fund that integrative program which has very good results.

Ms. STEFANIK. Thank you very much. I just want to take a moment to thank the committee for their support and thank my colleagues who have signed on as cosponsors. This is a bipartisan bill, and for any of my colleagues who are not cosponsors, I want to encourage you to look at the Flexible Pell Grants for 21st Century Students Act.

This is modernizing Pell. It is bipartisan, and I am hopeful we can get this passed in this Congress. Thank you, and I yield back.

Chairman GUTHRIE. Thank you. Thank you for yielding. I now recognize Ms. Adams for 5 minutes of questions.

Ms. ADAMS. Thank you, Mr. Chair, and thank you, Ranking Member Davis, for hosting this hearing, and to those of you who are here testifying, we thank you very much as well.

Ensuring that students have greater access to an affordable higher education is critical to adjusting our Nation's skill gap and preparing Americans for the jobs and the economy in the 21st century. I would just add to the comments that have been made that I, too, was a first-generation college student.

Last year's Republican platform called for a stop to the direct loan program and to return to a system similar to the Federal Family Education Loan Program, where private lenders originated federally guaranteed loans and services. Think tanks, however, have argued that going back to this type of system would only increase costs to the taxpayers.

Therefore, more recent proposals have now focused on scaling back or eliminating Federal lending for two groups. The authors of these proposals argue that because these two groups of individuals have a credit history, the private market can serve them just as well as the Federal Government, if not better.

My question, Mrs. Copeland-Morgan, I want to focus on Parent PLUS loans, and would like to know if eliminating Parent PLUS loans would be detrimental to students in your opinion, and, if so, why?

Mrs. COPELAND-MORGAN. Indeed, it would be detrimental to the student and to the families. The fact is not all families can get access to private loans. Secondly, there are predatory practices out there in the private loan area, an area that since going to direct loans we've spent less time counseling parents and students on, and also PLUS loans allow families who have not had the ability to save for college to contribute to their children's education. I think that is a fact that is overlooked.

The private loan market simply did not serve our most neediest families well, nor did it serve those families, working middle-income families, well at all.

So, I would certainly remind us to look at some of the challenges that we were dealing with before direct loans.

Ms. ADAMS. Thank you for that response. As you mentioned, eliminating Parent PLUS loans would be detrimental to a number of students, particularly students at HBCUs and low-income students seeking graduate degrees.

I have a letter, Mr. Chair, from Dr. Michael Lomax, president and CEO of UNCF, which supports college success for minority students, outlining the need to provide Federal investment in Pell grants, including restoring year-round Pell, increasing the maximum awards, and so forth, and I would like to submit this for the record.

Chairman GUTHRIE. Without objection, so ordered.

Ms. ADAMS. Thank you. Knowing that the President's budget blueprint raised nearly $4 billion from Pell, this letter is even more important so I thank you for receiving it.

Mrs. Copeland-Morgan, the reauthorization of the Higher Education Act affords Congress with an opportunity to simplify the financial aid system, specifically FAFSA. Research has shown that this form presents barriers for low-income and first-generation students. In fact, about $24 billion goes unclaimed each year, including $2.7 billion in Pell grant funding.

Although the form has been simplified throughout the last two decades, I believe that more can be done, but I also know that simplification comes with tradeoffs. Making it too simple means aid will be less targeted by States and institutions, many of which rely on information found on the FAFSA to determine State and institutional aid, and may no longer have sufficient information to make accurate awards.

Do you agree that these are valid concerns, and, if so, what considerations should we be mindful of as we work to simplify FAFSA?

Mrs. COPELAND-MORGAN. I do agree that oversimplification is a valid concern. I think there are improvements that can be made, for example, taking advantage of the Federal Government's vast database around other need-based programs and simplifying the process for low-income students who have already been verified through other Federal means-tested programs. It's one way of simplifying that.

I think also if we go back to—I want to emphasize this—back to an oversimplified Federal form, it will complicate the process for low-income students. We've been here before, where every State had its own form, every institution had their own form, because the needs analysis from the Federal Government was not sufficient.

The other alternative is to have students use documents like the College Board's Profile Form, which is a fee-based form, which would be another barrier to low-income students.

Ms. ADAMS. Thank you very much. I am out of time. I yield back.

Chairman GUTHRIE. Thank you. I now recognize Mr. Allen for 5 minutes of questions.

Mr. ALLEN. Thank you, Mr. Chairman, and thank you, panel, for being with us today.

Mr. Chingos, the current year statistics point that students are actually entering higher education, and obviously the result is that they do not really know exactly why they are there, or they would probably complete that education.

In other words, you ought to begin with the end in mind, meaning that there should be a career path. That is the reason you get an education, is to get a good job. Everywhere I go in the school systems, I ask these students, why are you getting an education? A lot of them do not know why they are doing that.

So, in your testimony, you state that there are five real loan crises, and none of them involve the $1.3 trillion in loan debt, the number we commonly cite. Why do you think this is the case, and how can we turn the narrative around to focus on solutions to these very high education challenges facing students and borrowers?

Mr. CHINGOS. Thank you, Congressman, for the question. I think the way the narrative around student loan debt has evolved to focus so much on that $1.3 trillion number has as much to do with who is borrowing as how much they're borrowing.

How things have shifted over the last couple of decades is that in earlier years, Federal student loans were a targeted program. They were means tested for almost their entire history until the 1992 reauthorization of HEA. The folks that borrow tend to be lower- and middle-income people.

Now, it evolved to a point where high-income students were borrowing a lot, they were especially borrowing a lot to go to graduate school, and now the top fifth of the income distribution holds something like 40 percent of the outstanding student loan debt.

So, I think what you're seeing is relatively affluent, politically more vocal groups of people trying to represent their interests, which focus on the $1.3 trillion, getting forgiveness for large graduate loans, getting reductions in their interest rates, when the real problems are among folks who are struggling under small amounts of debt, low-income single moms who have a couple of credits at a for-profit college, a couple thousand dollars in debt. Those are the people we should be worried about, even though they're not always the people who get heard the loudest.

Mr. ALLEN. You suggested that the current Federal Student Loan Aid Program is doing harm to students. Where do you see this the most? With the low-income population borrowing substantial sums of money to get an education? Where do you see the most damage here?

Mr. CHINGOS. The real tradeoff we face here is between wanting to provide access to everyone and wanting people to make good investments that will pay off for themselves, because it's their time and money, too, and for taxpayers.

So, I'm very sympathetic to the need to provide as much broad access as possible, but, at the same time, there are lots of students going into programs with very poor track records of success, very high default rates.

So, I think in the next reauthorization of HEA, it's worth taking a hard look at what programs are eligible for students to use Federal dollars to go to them, and how do we hold them accountable, by also providing access to students.

Mr. ALLEN. Ms. Conklin, as you are aware, the Federal Work Study Program received its funding through a complicated two part formula. Can you discuss whether you believe the current funding structure is appropriately targeting aid to needy students, and why this matters to the program's effectiveness?

Ms. CONKLIN. Thank you. It's a good question, and I think it's important to note that Technical Panel whose recommendations I represented today did call for consolidating Work Study into a Pell grant program, but I can see a path that looks like what the chairman described, one grant, one loan, one work study, but that work study would need to be reformed.

Right now, again, the work study distribution is built on an old system. Not all institutions are eligible for it. We see a skewing of dollars that doesn't look like need. Ten percent of work study families make more than $100,000 a year. Only 5 percent of public 4-year students are getting work study.

Columbia University, for instance, is one of those institutions first into the program. They're getting three times more money than Florida State, who has four times more students and many more Pell students.

So, again, simpler targets our Federal dollars on the neediest students and the broad group of open access institutions that support them, so if we keep work study, let's upgrade it for today.

Mr. ALLEN. Thank you so much, and I yield back.

Chairman GUTHRIE. Thank you. The gentleman yields back. I was at parent weekend at my daughter's college in Chicagoland the weekend before the election.

The best political ad I saw all season was this guy came on, and I said I am really going to like this guy, hope I never have to pronounce his name, because the political ad was about dealing with his name, but I am going to do it, and I appreciate it, and it was a great ad.

It was my good friend from Illinois, Mr. Krishnamoorthi. You are recognized for 5 minutes for questions. That was a good ad.

Mr. KRISHNAMOORTHI. Thank you, Congressman. Just call me Raja. Thank you so much. I am honored to be here, to be able to ask questions of you folks.

I was able to attend college based on financial aid and loans and scholarships. You know, making postsecondary education more affordable and accessible is one of my top priorities, and I believe that financial aid should be enhanced if the cost of college is indeed a severe impediment to accessing postsecondary education.

I have a couple of quick questions that I want to ask of you. Dr. Chingos, my constituents are telling me that colleges are spending a lot of money on fancy dining halls and rock climbing walls or unnecessary administration. How can we nudge these schools and institutions to lower the cost of college, which will give greater purchasing power to enhance Pell grants and other student aid?

Mr. CHINGOS. Thank you, Congressman, for the question. I've heard those concerns as well. I think they do apply to a particular part of the higher education market. I don't think at community colleges we're seeing lazy rivers and climbing walls, so I think it's important to bear that in mind.

At the same time, I think we ought to be concerned about rising college costs. So, as Congress thinks about reauthorizing the Higher Education Act, you have to go back and worry about this Bennett hypothesis, as the chairman recognized. Are these programs making it too easy for colleges to raise their prices and spend money on things that students want?

The problem is that to push back against that, you need to have the Federal Government getting involved and trying to create incentives for how institutions spend their money, so sort of a question over the Federal role there and the right way to balance those incentives with the need to provide these important financial aid programs to students that you mentioned. There is some tension there, I guess is what I'm saying.

Mr. KRISHNAMOORTHI. There is a tension, but I do not want to burn up increased aid on increased tuition costs. That is my biggest concern, which is I am all in favor of increasing Pell grants, because I do believe they serve a very important role in allowing needy students to access higher education, but, at the same time, I am just concerned about the galloping costs of higher education.

People in my district are really unable to save and afford college for their kids because it is just getting so far out of reach. I am trying to figure out what carrots and sticks the Federal Government can offer to make sure that costs of college do not rise at the same time we are increasing Federal aid.

Ms. Conklin, I want to follow up what I just said with this statistic. In 2015, researchers from the Federal Bank of New York and Brigham Young University released a paper suggesting that schools raised tuition by 55 cents for each $1 increase in Pell grants that undergraduates received, and by 60 to 70 cents for each extra $1 of subsidized student loans. That is very concerning to me.

Again, I want to enhance financial aid, and I want to make sure that our students have the tools to access postsecondary education, but I do not want it to be burned up in just increasing tuition costs.

Can you comment on this, please?

Ms. CONKLIN. Thank you for the question and for your interest and the representation of Americans concerned about affordability. It's the top two, three concerns among Americans.

What you have is the same concern that State policymakers have, and what State policymakers have, many of them have tuition-setting authority. So, we see in those States with tuition-setting authority, when they put caps or bans that look like increases in family income, we see a lower rate of tuition increases.

That's not something that the Federal Government can do. At the Federal Government level, again, we're talking about getting rid of the Grad PLUS Loan Program with no loan limits at all, and what that does to pricing sensitivity in the market. We're talking about sensible loan limit lengths, about 150 percent of the time, that puts some limits, but then we also talk about what's the relationship.

We did see in States that with the increase in the Pell grant program, the rapid increase in the Pell grant program between 2008 and 2013, that a number of States increased community college tuition.

Like in Alabama, where you had about a $27 a year increase between 2004 and 2008 to their community college tuition. Come 2008, when we started to put more money into Pell, community college tuition was going up $280 a year.

A lot of that is related to what the State was doing, and the States face Medicaid pressures and other funding priorities, but all-in-all what you see is this spiraling tuition that if you saw the CNBC report this weekend, they said if you were born today, 18 years later, it could cost half a million dollars to go to college.

So, there's a collective shared responsibility between the Federal Government, States, and institutions to really not just keep tuition at the rate of family income, but actually try to find ways to cut tuition and cut time.

Mr. MITCHELL. [Presiding] Thank you. The member's time has expired.

Mr. KRISHNAMOORTHI. Thank you.

Mr. MITCHELL. They have thrown a substitute in here.

Mr. KRISHNAMOORTHI. You suddenly look different.

Mr. MITCHELL. I know. Second verse, same as the first. Believe it or not, I recognize myself for 5 minutes as well.

Dr. Chingos, let me talk to you a little bit about exactly your concern, which is the information crisis. I believe the information crisis goes deeper than just whether students know they have a loan or not. I think and I agree—Mr. Krishnamoorthi, I am going to agree with you. We do have a crisis on our hands, one of information needed by students to make a wise decision, students and families, on return of investment.

Far too frequently, students going to college—like the tradition here, I was the first in my family to even see a college, my extended family, never mind graduating from college.

You have to guess whether or not you are likely to succeed. You have to guess at whether or not you are lucky to get a job. You cannot get that information from most colleges or universities. That information is not there. That lack of information does not allow the consumer to make valid choices.

Dr. Chingos, how do we get to a point where consumers are aware what the likely cost of attending college will be, and their likelihood of success? How do we get that information so they know that when they decide to become an architect at the University of Michigan, for example?

Mr. CHINGOS. Thank you, Congressman. It's a really important point that this information crisis extends well beyond that one statistic I mentioned. So, on the front end, because the aid process is so confusing and hard to navigate, people don't know how much aid they're getting from the Federal Government until they apply to college, fill out a FAFSA, and get aid offers.

So, I think simplification—not simplifying the FAFSA, get rid of it entirely. Base these people's aid awards on the average family income when they were growing up, say from age 10 to 16, put that money in an account and tell them at age 16, no forms, no prior-prior year, here's how much you are eligible for. So, I think we can fix it on that side.

But you're right, we also need better information on the other end. How much can I expect to make, and will I be able to pay my loans if I go to a particular college or program of study?

I think the Obama administration made important advances there with the College Scorecard, providing information at the institution level. I think we can go a step further, as many States have, provide that information at the level of program of study with data that already exist and can easily be approached.

Mr. MITCHELL. Let me suggest, I spent 35 years, my entire professional career, in workforce development and postsecondary education. We reported every year completion rates by program, by location, the employment by program, by location, the wage they made by program, by location, for 19 campuses.

You cannot find that information out in most public universities and colleges for a program. You can get aggregate information.

So, I guess, Mrs. Copeland-Morgan, how do we get universities to understand that information is critically needed by consumers to make wise decisions so they can be in control, frankly, rather than administrators and the Federal bureaucracy being in control?

Mrs. COPELAND-MORGAN. Thank you for your question. Many universities do surveys. The response rates are not necessarily where they need to be, but I think that we can certainly incentivize institutions to get that information. It is in our best interest to make sure that students understand what the labor market will be for them once they are pursuing those majors.

I would go back to the front end in terms of simplification. We often think of that as being a form, but I agree, and some of the work by Susan Dynarski shows us that early notification of eligibility for financial aid is key, not only to access, but in terms of the retention of those students.

There is a lot of research that shows us intergenerational transfer of poverty, so the idea of doing a needs test via the FAFSA or other methods each year also complicates the process.

So, I certainly have found in almost 40 years of being an aid administrator that for my low-income students, they don't suddenly get rich the next year, so another area of simplification is not just the front end, but in terms of helping those students to stay in our institutions and graduate, incentivizing institutions—

Mr. MITCHELL. Let's talk about graduation rates for a moment. I think the data that Dr. Chingos put forward, and I am running out of time here, is critically important. The average completion rate for a community college is 39 percent. Now, as I said, I led a group of private career schools, and the accreditation standard was 70 percent or you no longer were able to be a viable institution.

How is it when you talk to students when they go to community college about the likelihood of succeeding, they do not have that information along with how much they borrowed? That lack of information, I think, we are all responsible for making sure it is communicated effectively to students, what the likelihood of success is and how we help them to succeed, but they need to know to make that investment.

They are borrowing money right now at a guess they can succeed and move their career forward on a hope and a prayer because they do not have information, and we are all responsible in this room for making sure we have better information, and that puts them in control rather than institutions, rather than bureaucrats.

My objective on this committee, in fact, is to focus on that. My time is up, and I will recognize the next member. Thank you. Mr. Polis, you are recognized for 5 minutes.

Mr. POLIS. Thank you. I want to begin by thanking our chair and ranking member for holding the hearing. Frankly, the timing of the hearing is excellent.

It was only last week when President Trump and Secretary DeVos put an end to a prohibition on certain fees on student loans. After being in office only a few weeks, President Trump and Secretary DeVos have actually increased the cost to student loan borrowers.

So, clearly, any progress on this area will have to be made by Congress, which is why I am excited that we are having today's hearing. I also want to point out that of course we all agree there are ways to make financial aid simpler for students and families. I think we can do that together.

I was encouraged to hear Chairman Guthrie say that simplifying financial aid does not mean cutting it, because, unfortunately, the one grant, one loan proposals we have seen also happen to reduce the overall Federal investment in financial aid.

So, again, those two are not mutually exclusive, but so far the proposals we have seen, like the President's proposal to eliminate the Supplemental Educational Opportunity Grants, do not suggest that money is reinvested in actually helping to make college affordable.

The truth is that I hear across my district, as so many other representatives do, that students and families have already a hard enough time paying for college. Cutting the amount of financial aid is not going to make it easier to attend college.

My first question is for Youlonda Copeland-Morgan about income-driven repayment plans, which I feel are essential for borrowers who are not able to afford monthly payments under a standard repayment plan.

Right now, there is an excessive amount of income-driven repayment plan options that often leaves borrowers confused or not enrolled about what might be best with their own budgets.

How can we simplify repayment plans while ensuring borrowers have generous terms, and can you talk about the different protections provided by income driven repayment plans?

Mrs. COPELAND-MORGAN. Thank you for the question, Congressman. I would really encourage the committee to think about income repayment plans being the base, the default repayment plan for students. As you've heard, many of the students who are in default have very small amounts of loans. The requirement that students have to verify their income every year is burdensome. Students forget about it.

Again, when you look at the intergenerational transfer of poverty or for many of our students who go into service areas working as teachers and other professions of service, I think we could use the IRS data and other kinds of data that's i accessible to the Federal Government to prevent some of those defaults.

Mr. POLIS. It sounds like what you are recommending is either universality of income-based repayment or an opt-out of income-based repayment. Ms. Soucier, do you agree with that statement?

Ms. SOUCIER. Absolutely.

Mr. POLIS. I also want to ask about flexibility for Pell dollars. In my district, we have Colorado State University in Fort Collins. We have seen the number of Pell-eligible students enrolling in summer programs double when they were able to use Pell dollars over a summer term.

Unfortunately, that flexibility no longer exists, and students who depend on Pell dollars only use them in the fall and spring semesters, therefore, increasing the time it takes for them to reach graduation.

Almost every time I meet with students in my district at universities like CSU and CU and community colleges, like Colorado Mountain College or Front Range, one of the first things I hear is restore year-round Pell.

I know many of us are optimistic that we can use some of the additional dollars in the Pell reserve towards improvements in the Pell program like year-round Pell, and I was hoping, Ms. Copeland-Morgan, you could speak to the benefits of year-round Pell.

Mrs. COPELAND-MORGAN. Thank you again. I think year-round Pell is one of the most positive things we have done in the financial aid program. It allows students to accelerate their time to degree. Oftentimes, students are staying in an additional full year when they could graduate in the summer by taking one or two courses that they need. I was one of those students who took the fourth year of financial aid when I only needed six units.

I would really encourage the committee to look at the maximum Pell award, increase the maximum so that it does allow a student to take full advantage of the opportunity to go for summer, and I think that would be a good use of the surplus that we see in the Pell program at this time.

Mr. POLIS. Last Congress, I joined a number of colleagues introducing legislation allowing students to use prior-prior year tax data when completing a FAFSA. The Obama administration made that change, but we are now in a period of time where the Trump administration seems to be undoing a lot of things that the Obama administration did.

So, I think we should have more concern than ever to simply put that change in statute rather than leave it up to the whim of the administration.

Just as an example, in Colorado, FAFSA completion rates increased substantially this fall after students were able to fill out the FAFSA earlier.

I just want to end, since my time is up, by encouraging this committee to put that large noncontroversial step in statute to prevent it from being at the whim of the Secretary or President. It is a commonsense measure that makes it easier to fill out that form and apply for student aid, and to find out what you are getting, and I am happy to yield back.

Chairman GUTHRIE. [Presiding] Thank you. I appreciate the gentleman yielding. I now recognize Mr. Lewis for 5 minutes for questions.

Mr. LEWIS. Thank you very much. As a parent who annually fills out the FAFSA forms, I can tell you this is a much-needed hearing, and I appreciate everybody attending today.

Let me start at 30,000 feet here with Mr. Chingos for a moment. One of the oldest rules in economics or the insurance industry or anything in regard to finances is the third-party payment rule or the moral hazard. When we see third parties come in—frankly, we are debating this in health care right now, but it could be any particular commodity, it is certainly true in higher education, when we see third parties come in and assume the costs, what we see in many cases are inflated costs.

So, if tomorrow, all of a sudden, somebody said, gosh, for every cup of Starbucks you buy, the Federal Government is going to issue you a Starbucks grant, and it is going to cover $3 of the cost of a pound of coffee or whatever. I will take the bet that the pound of coffee price is going to go up, and it is going to go up because the providers know there is a subsidy.

We have seen a massive increase in tuition at 4-year liberal arts schools and for-profit schools; across the board, we have seen an increase. The big picture for me is how do we provide the need that is there without inducing this moral hazard?

The cost of attending a 4-year public institution has increased by more than 40 percent in just a decade. The only thing rising faster than tuition are textbooks. So, we have a situation here where everybody is talking about, oh, gosh, we have to make it easier for folks to borrow, we have to decrease the cost of borrowing, let's make more student loans, more Pell grants. Pell grants alone have skyrocketed. I do not have the figure right in front of me here, but to, what, $30 billion?

We are inducing the moral hazard here, so how do we provide a program, Mr. Chingos, that (a) provides what we want for access, but (b) does not induce this moral hazard?

Mr. CHINGOS. Thank you, Congressman. I think you accomplish that goal by having programs that are targeted and narrowly tailored to particular Federal interests, such as helping low-income students go to college.

To go back to your Starbucks example, if only 1 in 10 customers got that Starbucks grant, it is going to be harder for Starbucks to raise the price, because 9 out of 10 customers coming in the door, they don't know they have that grant. If we give everyone enough of a grant to get up to the most expensive cup of coffee you can get, then you have to be more concerned about that.

I think by being targeted, by focusing on students who have been historically underserved, you accomplish both the goals of helping them and of limiting the moral hazard problem that you highlighted.

Mr. LEWIS. Has the tripling of the Pell grants from $13 billion in 2006 to $36 billion in 2010 added to that?

Mr. CHINGOS. I mean, I think we ought to be most concerned about Pell grants at the places that enroll large numbers of Pell grant students. At an institution that has a relatively small number of Pell eligible students, it's going to be harder for them to raise prices, to extract that money, whereas at institutions that rely almost entirely on aid, I think we have to be more concerned and think about the right way to balance access to those institutions with whether it's the best use of Federal resources.

Mr. LEWIS. Ms. Conklin, a question for you on simplification, I think we moved up the FAFSA time periods now, so you can fill them out earlier, so I get to do that and my taxes right away, so the first of the year gets off to a rousing start in the Lewis household.

Again, from a more global perspective or 30,000 feet, we have a program in Minnesota that offers aid in higher ed that you do on your tax return. In a perfect world, talking about simplifying, talking about a three tier, if we are going to do tax reform in fiscal year 2018, we hope, is there a way to just to really simplify this down to a 1040?

Ms. CONKLIN. There certainly is. What we have recommended in our Technical Panel, and it actually mimics what the College Board offered 10 years earlier, it is what Susan Dynarski has analyzed. Poor is poor, and assets aren't really a factor for low-income students; we only ask for that because we subsidize loans. If we didn't subsidize loans, we wouldn't need all that income and all the asset data.

So, what we should do is ask for the data we already give to the Federal Government. There is a Gates paper, if you want to keep your subsidized loan program and you want to keep that information, you still just stick to what is already provided in the IRS tax forms, with a schedule and basic adjusted gross income.

Other than that, we are over asking the same questions, and we are asking students to be financial managers, and that's not reasonable.

Mr. LEWIS. Conceivably, you could do it?

Ms. CONKLIN. Absolutely. We have recommended if you have already qualified for a Federal means tested program across the Federal Government, why do you go through this process again to certify you're poor? You might already be kind of put to the front of the line as an eligible student.

Mr. LEWIS. I thank the panel, and I yield back.

Chairman GUTHRIE. Thank you for yielding. I now recognize Mr. Sablan for 5 minutes for questions.

Mr. SABLAN. Thank you very much, Mr. Chairman and Ranking Member Davis, for having today's hearing. Welcome, everyone. As an original cosponsor of SAFRA, I also find this hearing today very timely.

In my district in the Northern Mariana Islands, we only have a small community college with a little more than 1,000 enrolled students. A large majority of the students come from low-income families.

Dr. Chingos, sir, over 90 percent receive Pell grants, so making it possible to pursue their higher education aspirations. And the minimum wage, sir, is $6.55 an hour, and you cannot get in a car and drive across a county line to go to college elsewhere. It is going to be very expensive.

So, the President recently released budget would cut $3.9 billion of the funding currently reserved for the Pell grant program, and leaves the program on an unstable footing for future generations. On top of that, the majority of this committee have also separately proposed to eliminate funding. As stated in the budget, the estimate for fiscal year 2018, the proposal will eliminate all of Pell's mandatory funding.

I strongly believe the continued success of people in my district and the Northern Marianas, and in our country, lies with the ability to train our citizens through higher education to be productive members of our society, and this money that the President and the majority are trying to take away from needy college students is necessary to ensure Congress can continuously modernizes and strengthen the program to better support students.

Instead of cutting or reducing student financial aid, we should be investing in this program.

Mrs. Copeland-Morgan, how can the Pell grant program be strengthened and not weakened?

Mrs. COPELAND-MORGAN. Thank you, Congressman. The program could be strengthened by increasing the maximum award. The Pell grant is only paying about 19 percent, the average award is only paying about 19 percent of costs for students.

It can be strengthened by continuing to target the funds to the most neediest students.

I will add that a lot of committee members have been concerned about institutional behavior. Incentivizing institutions who are enrolling and graduating Pell grant students will help to change some of that behavior. I encourage you to look at that.

Year-round Pell is key to acceleration. It is costly for students to hang around our institutions for an additional year when if they had a Pell to take those extra three to nine units, they could be out in 4.1 years rather than 5 years. I think you are hearing a theme here across all of the witnesses today that year-round Pell along with prior-prior year have been good movements toward simplification.

Mr. SABLAN. I have one more question, Mrs. Copeland-Morgan, if I may. I have recently heard from some of my colleagues on the majority that Congress should create programs to target middle-income students and not low-income students because low-income students are already taken care of by grant aid.

Is this what you see in your institution, your University of California, and around the Nation?

Mrs. COPELAND-MORGAN. That has not been the case in the 40 years that I've been in higher education. Sixty-one percent of Pell grant recipients borrow to complete their degree compared to about a little less than a quarter of non-Pell recipients.

So, the Federal investments in campus-based programs, for example, subsidized loan programs, are very key for completion of these students, and I might add that at the University of California, again, we see 4-year graduation rates are amongst the highest in the country, 76 percent, and 6-year graduation is 92 to 93 percent; system-wide, 86 percent. The 92 to 93 is at UCLA.

Yet, we are 40 percent first-generation college students, and most of our campuses are anywhere from 35 to 45 percent Pell eligible students.

Mr. SABLAN. Thank you. Actually, I am very happy because my daughter graduated 2 years ago, my son is getting out in May. Thank God, because people back home say if you are a child of someone in Congress, then Congress pays for your child's education. I do not know where they hear that. I really think it is Fox News, because that is the only news we have, unfortunately. It is true. It is fake news, right?

Chairman GUTHRIE. Thank you. The gentleman's time has expired.

Mr. SABLAN. Thank you, Mr. Chairman. I yield back.

Chairman GUTHRIE. I now recognize Mr. Messer for 5 minutes for questions.

Mr. MESSER. Thank you, Mr. Chairman. Thank you to the panel. Obviously, a very important issue today as we work through what we can do to improve Federal student aid. We have talked a lot about student borrowing.

Many on the panel are probably well aware, but according to a recent Brookings Institute study, too many students just do not know how much they are borrowing. I think it is part of what contributes to the high dollars that students do borrow.

According to the study, roughly 28 percent of students with Federal loans said they had no Federal loans at all, and 14 percent said they had no debt at all, even though they had student loans.

Based on these statistics alone, it is clear that somewhere along the way we failed to communicate to students how they are financing their education and what that means for their future.

The Higher Education Opportunity Act of 2008 required the Federal Reserve to reform the private student loan disclosure form and use consumer testing to improve it. As a result, today we have a private student loan disclosure that gets down to brass tacks. It clearly and boldly discloses things like total loan amount, the interest rate, total payments made over the life of the loan, and other disclosures that are essential for a student to know before they take out a loan.

Contrast that, on the other hand, with the Federal Master Promissory Note, the MPN, I think it is technically called, which is used as the primary contract for all Federal student loans. It is an 11-page fine-print document that is incomprehensible unless you happen to specialize in higher ed finance.

Ms. Soucier, I was going to ask you, do you think consumer testing of the Federal Master Promissory Note paperwork and other disclosures like it would make those forms more useful to students?

Ms. SOUCIER. Absolutely. I think we need not just more information out to the students, but we need it more often. Students are required to get entrance loan counseling at the start of getting their loan. They are getting that loan at 17, 18 years old, when they don't understand, they've never received any debt, they don't understand what they're reading.

So, what we need to do is we need to give it to them more often, and we need to be able to require it before they receive funding. For us, it would be every semester. Some schools, they may only need it every year. I think we need the flexibility based on student population to require them to come in and get additional information, both in writing, in person, online, by video, however we can get the information to them so they can understand what it is they are getting.

Mr. MESSER. I will give you a practical answer from Indiana University in my home State. They put together essentially a letter of notice to students, that every year in the fall, it went to each student at IU and disclosed what track they were on as far as student borrowing, and what the cost of their education would be if they continued on the same track.

They saw that student borrowing went down as much as a quarter to a third just by simply every year sending a clear, readable letter that notified those students of what their debt path was.

We are working on legislation that would make that national. It has already been a law in Indiana that now applies to every university, not just Indiana University, and we are hoping we can take that national.

My next question in the limited time I have left is for Ms. Conklin. You mentioned in your testimony that you think aggregate Federal student loan limits should be reduced and simplified. You went on to imply that any void in lending created as a byproduct of that could be filled by private financing like income share agreements, if the appropriate incentives are created to serve low asset individuals. There is a Purdue program that has been sort of cutting edge nationally.

Could you explain some of the types of incentives that could encourage income share providers to serve low asset borrowers like Pell grant students?

Ms. CONKLIN. Thank you, Mr. Messer, for your question. One point of clarification. The proposal of the Technical Panel actually called for an increase in loan limits for undergraduates and graduates, just one set per. That is an example of some of the savings in our simplification, that we reinvested for students' benefit.

On the issue of income share agreements, it is a promising new private financing vehicle whereby an investor can identify students who are able to repay their loans based on a share, like 5 percent of their income, and if they're not able to make that income, they don't make those payments. So, it's a pure income-based payment program.

But it's going to create incentives with colleges to be able to make sure they are focused on the returns and those labor market returns, which we heard was important to the committee earlier. It's going to cause students to need that information that we've been talking about that is so important, about choosing programs carefully, about borrowing carefully, and about using your time well.

So, it's going to bring, I think, more transparency. It's not in lieu of the loan programs we have, but particularly at the graduate level, I think, there is just real promise.

Mr. MESSER. Thank you. Income share agreements are not the answer for everybody, but I think they are the answer for more people than are currently being served by them now. Hopefully, we can make some headway on that issue in the coming weeks and months.

I yield back to the chairman. Thank you.

Chairman GUTHRIE. The gentleman yields back. I now recognize Mr. Takano for 5 minutes for questions.

Mr. TAKANO. Thank you, Mr. Chairman. Before I begin, I would like to say a few words on this idea that we cannot increase financial aid because some people think that is what causes tuition increased, the so-called "Bennett hypothesis."

First, the best studies on this find that it is not the case at public and nonprofit colleges. However, we do have quality evidence showing this does occur at for-profit schools, which strongly suggests that we need better oversight of this sector.

More importantly, we need to take a step back and reject the cynicism that this idea implies. By all means, let's look for ways to make tuition more affordable, but let's not throw up our hands and say we should not increase aid because of, I think, the misleading indications of this theory, the Bennett theory.

Mrs. Copeland-Morgan, many of my colleagues on the other side of the aisle believe that financial aid, including Pell and Federal loans, have driven the increase in tuition. In all your decades of experience working at various institutions, has this ever been the case?

Mrs. COPELAND-MORGAN. Thank you, Congressman. It has not been in my experience. I know there is a small amount of research that shows there may be a correlation between increases in aid in the for-profit sector, and I think simple oversight, greater oversight of that area, where those schools are not graduating Pell recipients and low-income.

But I think you find partners in 4-year higher education institutions, and I would encourage, therefore, greater investment, particularly again for those who are serving disproportionate numbers of low-income and Pell grant recipients. That, I would say, also includes the campus-based programs, and we have not talked much about Perkins loan today, which you know will come to an end this September.

The Federal Government has not invested in Perkins loans for over a decade, and I would really encourage the committee to consider legislation that would allow institutions to continue to award under the Perkins Loan Program, which is a better option than private loans for these low-income working families.

Mr. TAKANO. Thank you. Does institution leadership make decisions based on these increases in aid?

Mrs. COPELAND-MORGAN. Again, I think that bit of research is a distraction from the bigger issue of investing in our young people so they can achieve their career goals. I've not sat around the table, that's not been my experience.

I think as some of your members have mentioned, overwhelmingly, and you two in your opening comments, overwhelmingly, public institutions and many private institutions, the not-for-profit private institutions, are also investing their own dollars in financial aid programs.

The UC system, for example, a third of our tuition revenue goes right back into grant programs for low-income students. So, that's not been my experience.

Mr. TAKANO. What in your estimation does drive the cost of tuition, in a nutshell?

Mrs. COPELAND-MORGAN. Well, if there is insufficient aid for students, certainly again, at the University of California system, we put a third of our financial aid back into financial aid programs.

I think the cost of technology, quite frankly, today, as someone who has gone through no technology to the technology we see today, is a big driver. I think the students are interested in multiple disciplines, and certain interdisciplinary education is more costly. I think institutions are trying to find ways to deliver a quality education in a more cost-effective way.

I know I spend probably 30 percent of my time in those kinds of conversations. That might be one area that the committee can spend more time talking about, how do you help institutions in that area to keep costs affordable so we can serve more students and graduate our students earlier?

Mr. TAKANO. Mr. Chingos, you mentioned in your earlier testimony institutions that primarily rely on financial aid. Are you referring to the for-profit college industry as one of those categories of institutions?

Mr. CHINGOS. Sure. A lot of them.

Mr. TAKANO. Increased Federal aid does seem to be linked to increases in costs at those institutions. Is that what you are referring to?

Mr. CHINGOS. There is some evidence to indicate that's the case, as several folks have mentioned today.

Mr. TAKANO. Ms. Conklin, can you comment on your own Pell grants as far as how they might help students before their freshman year in college and after their senior year? Do we know much about these summer bridge programs to increase preparedness, you know, to be ready for college, with English or math?

Chairman GUTHRIE. The gentleman's time has expired.

Mr. TAKANO. My time has expired.

Chairman GUTHRIE. Hopefully, within some questions, you will be able to get an answer. That is a good question, but, unfortunately, your time has expired.

I now recognize Mr. Smucker for 5 minutes for questions.

Mr. SMUCKER. Thank you, Mr. Chairman. I appreciate the opportunity to be part of this hearing. I am a father of two girls who are in college, so I went through this process. I must admit, I was chair of the Education Committee in the Pennsylvania State Senate and served as one of the directors on PHEAA, the Pennsylvania Higher Education Assistance Agency, and I still found it confusing.

I think it is overdue to simplify and create a more efficient system. I look forward to being part of that discussion.

Mr. Messer asked questions in regards to student knowledge about the loans they have taken out, the provisions of those loans, and so on. I would like to take that a step further.

I think one of the things we do not do very well in our system of higher education is provide information to students about the earnings potential for a specific major, maybe earnings potential for a specific major at a specific school.

At the end of the day, you are taking out the student loan with the hopes of being able to pay that back. It is an investment. I do not think from what I see we do a very good job of educating students about their ability to repay.

Maybe I will start with you, Mr. Chingos. I would like to get your impression on that, and I would like to ask what your impression is of how we do on that, and whether if we are talking about reconfiguring our Federal student aid system there would be a way to tie in additional information in regards to the ability to pay back based on the major a student is choosing?

Mr. CHINGOS. Thank you for the question. I think it is critically important that students have better access to information and what they can expect down the road when they're deciding where to go to college, how much to pay, how much to borrow.

I think some progress has been made. A couple of years ago, we didn't know for the whole country average earnings for each college, and now we have that through the College Scorecard. We do need to go one step further and get that information down to the program level, which some States have done, but we don't have it at the national level yet.

Then we can think about as we are thinking about counseling around borrowing and repayment finding ways to get that information to students.

Some research we are doing at the Urban Institute suggests that you can't just build it and they will come. You can't just put the information out there. You have to think about how to make it intelligible to students, how do they know what a $45,000 starting salary means for what they can expect to borrow. There is progress to be made.

Mr. SMUCKER. Do students currently get any of that information as a part of the application for assistance?

Mr. CHINGOS. Not that I'm aware of.

Mr. SMUCKER. Would there be a way to link those in some way?

Mr. CHINGOS. I think through disclosures. One of my colleagues might be able to better address this, doing the work on the ground, but I imagine there would be.

Mr. SMUCKER. Anybody else care to address that?

Mrs. COPELAND-MORGAN. I would just mention that in our career centers, we do provide this information. We do survey our graduates after they graduate, 5 and 10 years out, and I think that is probably an area that we can do more in. I agree, certainly technology allows us to provide more links for students in that regard.

Ms. CONKLIN. Mr. Smucker, Ms. Soucier works in a State, Texas, that is one of the States that is innovative in linking their labor market data with their postsecondary student data.

So, at the State level, they have demonstrated the leadership to create these metrics. The State makes them publicly available to students, and then community organizations, high school counselors, can provide that information to students in a variety of ways, but the State has taken on the role to make that transparent. That's an example of progress, I believe.

Mr. SMUCKER. Thank you. I am just going to shift gears. I have a minute. Ms. Soucier, your written testimony specifically mentioned the gainful employment regulation and how it can ultimately harm today's students.

In about 55 seconds, could you expand on that briefly?

Ms. SOUCIER. I'd be happy to, thank you. My biggest concern—we spend a lot of time trying to comply and report the information being required. We've spent hours and hours with our technology groups doing that.

What my biggest concern is—our Workforce Office does a great job working with business and industry around Houston to create programs to get students trained into certain jobs, and my concern is if the data isn't fully accurate or doesn't fully represent the program, that it could make programs in jeopardy of being disbanded after they put so much effort in creating the program.

Mr. SMUCKER. I would be interested in continuing that discussion with you at a later time. Thank you. Thank you, Mr. Chairman.

Chairman GUTHRIE. The gentleman yields back, and I recognize Ms. Blunt Rochester for 5 minutes for questions.

Ms. BLUNT ROCHESTER. Thank you, Mr. Chairman and Ranking Member. I really want to thank this panel. This hearing was really interesting and exciting, even if you do not think it is exciting. It is exciting to me.

I come from the State of Delaware, so I represent the entire State. The issue of college affordability was talked about up and down the State, particularly as we talk about strengthening our economy. It's connected to everything.

I particularly liked the five crises, Dr. Chingos. That was pretty interesting to me, when I think a potential crisis is a cut to these programs. That's another potential crisis.

My question is directed to Mrs. Copeland-Morgan. It is basically a recent report by the National Center for Education Statistics found that one in five undergraduate students surveyed in their study did not seek out any form of financial aid.

When students were asked why, the majority of them cited misinformation. Forty-four percent thought they were ineligible for aid, and another 43 percent thought they could afford college without the help. This tells me that there is a lack of information on the part of students and families on how financial aid works and the true cost of going to college.

How can Congress ensure more students are receiving the needed information to make informed choices post high school?

Mrs. COPELAND-MORGAN. Thank you for your question. I think early outreach is key. Investment in programs like TRIO and

GEAR UP, the funding of Perkins loan, which we use those dollars also to administer loan programs, Federal work study, we deploy students into communities to help get that word out about financial aid.

I mention those to say that the Federal aid programs, particularly like work study, allow us to get that message out to those communities most in need.

I think simplification of the FAFSA, and when we simplify it, put that information out there early. I call it "baby college," that students would know from the time of birth they are eligible, particularly the low-income students, again, where they have been through need-tested programs or we use IRS data to understand what their income is.

So, it is a concern. I think probably many of you as first-generation probably experienced this as well, but the investment in outreach programs are key, and right now, many of those programs are subject to cuts as well.

Ms. BLUNT ROCHESTER. I follow up on that to say I, like many of my colleagues up here, have two children that went through the whole process with FAFSA. I have seen the changes, promissory notes, all of that, and myself participated in work study programs. It is complicated for almost everyone. To see the bipartisan conversation is a positive.

My second question is for you as well. As our country fully shifts from an industrial economy to a knowledge-based economy, higher education has increasingly become the surest way out of poverty. You talked a lot already about the goal of coming out of poverty.

Now, more and more jobs are looking for workers that graduate with master's degrees and doctorate degrees, respectively. Twenty-two percent and a 20 percent increase in the number of those.

We are hearing about proposals that would limit graduate students from accessing Federal dollars. What can the Federal Government do to continue to provide access to capital for individuals wanting to pursue graduate degrees?

I actually served as Secretary of Labor in my State, so I understand the correlation between education and jobs, and also, I was pleased to hear the conversation about labor market information as well and connecting that to what we are doing at the university level.

Can you talk a little bit about that? Anyone on the panel. We have 53 seconds.

Mrs. COPELAND-MORGAN. I would just say, historically, grant programs have been targeted to undergraduates and less investment has been made at the Federal level through the Federal loan programs for graduates. And if we're going to meet the technological advances and the ingenuity that's needed for our society today, we have to provide a financial investment way, a pathway, for students to continue their education so they can get those graduate degrees and become productive, contributing members of our labor market in that regard.

Ms. BLUNT ROCHESTER. Other members?

Ms. CONKLIN. I think I want to echo what the chairman said earlier about simplification does not equate with cutting in the perspective that I have, and that this Technical Panel I represent here today has.

We recommend again one set of annual and aggregate loan limits for graduate students, and they increase. So, you could borrow $90,000 through the Federal program to support your graduate education and training. That would be added to your undergraduate loans, for a maximum of $125,000. That would be the new umbrella that we're offering.

Ms. BLUNT ROCHESTER. Thank you. I yield back.

Chairman GUTHRIE. Thank you for yielding back. I recognize Mr. Grothman for 5 minutes to ask questions.

Mr. GROTHMAN. Sure. We mentioned the Pell grants a little bit before, and maybe I will direct this to Ms. Conklin, but anyone else can jump in if they want.

I think the Pell grant program and other programs have been subject to criticism even when I was in college by the middle class. People get tired of the American government hating the middle class, and they have to kick in for their kids' programs, so their kids have to take out loans. Well, maybe kids from some other families seem to get things for free.

Do you think one way to deal with this problem would be to say no Pell grants in your freshman year? At least for the freshman year have the kids who are not in the middle class take out loans like the kids in the middle class already have to, and that way you could make sure that everybody who is going to college, after they at least get through the first year, are more serious about college. Do you think that would be a fair thing to do?

Ms. CONKLIN. Congressman, I think what you're asking is if there is a Robin Hood effect in higher education, where middle class and upper middle class people are paying for poor people, and who aren't ready for college. Am I understanding your question?

Mr. GROTHMAN. Well, just the unfairness, the resentment. I know in many ways in this country we hate the middle class. We love the rich. We love the poor. We hate the middle class.

Sometimes they use these Pell grants for goodies and electronics, and they resent the fact that by doing it right, their kids are penalized.

Ms. CONKLIN. One thing that we struggle with is the Pell grant is a tangible voucher and it's a target. I grew up in California, went to a public college. Keeping tuition low in a State is the largest subsidy of middle-class students we have in the State of California. Keeping the University of California affordable and accessible is a very large middle class subsidy.

So, the middle class in California as part of higher education is heavily invested in it. At the University of California at Berkeley, where I think one of our members is a graduate, the average family income is higher than Stanford, but tuition is heavily subsidized by public taxpayers.

So, I think the middle-class angst is targeting a Pell grant program, which was shown to be pretty effective at getting students to enroll, when really the hidden subsidy to middle class is we keep our public tuition low.

Mr. GROTHMAN. I think that subsidy sometimes leads us to excess academic staff, but I suppose it also—you did not say benefits the students. Again, I am going to come back.

Do you think it would be fair—if tuition is low for everybody, would it be fair? Right now we have an unknown number of people who are getting Pell grants who will not graduate, and I think to make sure that we are not wasting the money, it might not be a bad idea to have people at least in the first year take out loans rather than grants. That was kind of my question.

We will move on to the next question. I received anecdotal evidence in my district of people not getting married because, of course, if you do not get married, it is easier to be in poverty and get Pell grants. Would you care to comment on that? Anybody can comment on that. I have heard it from several people. You are the experts.

Ms. SOUCIER. I'd be happy to comment on that. People are making personal decisions based on financial aid eligibility. We know that. We know people who have gotten divorced because it would be more beneficial for those students to qualify for aid. Is that what you're asking?

Mr. GROTHMAN. Exactly. Is that not horrible, the way our government—like Karl Marx said, we just want to destroy the American family?

Ms. SOUCIER. Again, it goes back to your comment about the middle income, who feel like they're not getting treated as well in terms of Federal funding. It goes back to that.

If you have two middle-income families come together, they don't qualify for aid, but a single parent would in that same circumstance. So, they're making that decision based on qualifying for eligibility.

Mr. GROTHMAN. I will give you one more question, just to make sure we are on the same page here. As I tour my trade schools and see people want to become a carpenter's apprentice when they are 28, after they realized their college degree was a waste, or people go back and become welders when they are 33, college was a waste.

We all agree that we have too many people going to college now. You all agree with that?

Mrs. CONKLIN. What's the definition of "college?" As I use it, it's any education and training after high school. It's that air-conditioning certificate program. That's college to me.

Mr. GROTHMAN. Let me put it this way, do we have too many people going to 4-year college?

Mrs. CONKLIN. We are under producing certificates in this country in sub-associate credentials.

Mr. GROTHMAN. In other words—

Mrs. CONKLIN. We need to create really good pathways to those—

Mr. GROTHMAN. Could you just say it for me?

Chairman GUTHRIE. Your time has expired. I would like to recognize Mr. DeSaulnier for 5 minutes for questioning.

Mr. DESAULNIER. Thank you, Mr. Chairman. I want to thank you and the ranking member, a proud graduate of the University of California at Berkeley, Ms. Davis, for this hearing.

I cannot think of many things that for the long-term health of this country is more important than figuring this out. Coming from the Bay Area, what I get from both researchers and people from the private sector, as opposed to the last interchanges, more people who have bachelor's degrees and graduate degrees in a knowledge-based economy that requires people who can move and think and contribute to innovation, certainly that we get in the San Francisco Bay Area.

One of the challenges, it strikes me, as a father of two kids who, fortunately, are out of college and are done with their student debt, but still struggle with kind of making the income that was available in my generation, is this perfect storm of access for kids who really work hard, to all of your comments, particularly disadvantaged.

I was at Berkeley last week, and I have heard this over and over again, and Mrs. Copeland-Morgan, because you are in a high cost area, and maybe Ms. Conklin, the cost of housing, the external costs.

So, a lot of these kids, and it is CSUs in East Bay, they are putting more capital improvements in our community college that attract kids to go to school and stay, but the CSUs are not providing dormitories and housing. So, you get speculators in a high-cost area where the cost of housing is going up more and more.

I have a bill that is getting some support from the other side that in the dangers of overstating this to make sure it is used right, but for kids who cannot afford the housing costs to be at Berkeley or UCLA, are you seeing that?

At least anecdotally, I am getting that a lot from students, both at CSUs and UCs. They can afford the tuition, but if they had more flexibility through Pell grants and financial aid, they could get cheaper housing off campus if they had access to financial aid for that.

Mrs. COPELAND-MORGAN. Certainly, the cost of living in some States is exorbitant, even for nonstudents. Our focus is on helping students to make wise financial decisions, and again, acceleration of their time to degree through programs like the year-round Pell grant program, through our Perkins loans, and other kinds of things.

The institution is very involved with the community and trying to find housing. That is for all of our campuses, affordable housing for students. Students are willing to do what they need to do to get their education, so it's not unusual that a student will have four roommates so they can keep borrowing down and be close to the institution, or on our campuses, so they can manage the educational costs. I think students' primary goal is to be a student, to get their degrees and graduate.

I think, again, we have been talking about ways of simplifying the process, which is key. I'd love to see a 4-year award letter for low-income students because their income doesn't change over those 4 years, and I'd love to see a continuation of funding like the ACA for the campus-based programs, so that we can continue to put more counselors on the ground to address the kinds of concerns you've raised here today.

Mr. DESAULNIER. I have read articles about this with CUNY as well. Obviously, New York, it is a high-cost area. Ms. Conklin—it strikes me, part of it, that if you were going to give more flexibility for housing, the oversight to make sure that it is done efficiently and effectively and not abused would be a challenge.

Ms. CONKLIN. I'm not prepared to comment on those oversight issues with any expertise, but I will compliment you on this understanding you have that the total cost of attendance, particularly for low- and moderate-income students in high-cost areas, is a huge barrier to retention.

I can commend to you something Lumina Foundation has created. They are working with a number of university systems around the country. I am going to call it "beyond financial aid," but it is the idea of how do you start them at the Federal level if your foundational single grant, single loan program, how do you then make sure that institutions and their communities are accessing means tested benefits, food banks that are local, shelters? That there is a set of resources that students, particularly nontraditional students, need to know about, and it is the responsibility of a community to come together to share those.

I want to say it's not just a Pell grant and paying for tuition that will make a difference in student success.

Mr. DESAULNIER. It resonates with me personally. When my dad lost his job when I was a freshman in college, I could put together the money for the tuition, but I could not for room and board. It was easier to do it in Worcester, Massachusetts, than in the Bay Area, Los Angeles today, than it was in the 1970s.

When I hear these kids have done everything right and they get accepted, they are 4.0s, and they cannot afford the cost of housing, and they live on sofas with other friends and then leave because they cannot afford it, it just seems to be a striking example of how we need to be adaptable.

Thank you, Mr. Chairman.

Chairman GUTHRIE. Thank you. The gentleman yields back. I have to correct the record. Earlier, I guess I said our ranking member was from UCLA. She is California, but the Berkeley campus.

Mr. DESAULNIER. That is a big mistake.

Chairman GUTHRIE. I now recognize Mr. Courtney for 5 minutes for questions.

Mr. COURTNEY. Thank you, Mr. Chairman. Thank you to the witnesses, really thoughtful hearing today; some good ideas in terms of moving forward finally with reauthorization of the Higher Education Act.

If you drill down in some of the testimony, you can actually find a few areas of overlap that is unexpected and helpful, and obviously there are some issues that we really do have to make some decisions on.

Dr. Chingos, I am pleased to see that on page 6 of your testimony where you said the student loan program should break even fiscally and not make profits off of students.

This morning's 10-year Treasury notes, in other words, the amount of interest that the government is going to pay on a 10-year note, is 2.44 percent. We are still in a place right now where the government is collecting legacy interest rates from 10 years ago which far exceed 2.44 percent.

People, obviously, who do not have equity to refinance those loans again are really kind of helpless in terms of being able to take advantage of a low-interest environment. That has been, you know, the reality of our economy for a number of years.

The Bank on Students Emergency Loan Refinancing Act, which was introduced last year by myself and Senator Warren, would have actually given people an opportunity to refinance down, and CBO estimated that about $50 billion would be saved for borrowers who were still paying some of these legacy loans.

It would not be loan forgiveness. It would not be discharge of the debt. It would just simply, I think, align this debt burden with other forms of consumer debt.

It will be introduced again in this Congress, and again, hopefully, we can get strong support on that if the Higher Education Reauthorization Act is submitted.

The other issue which I wanted to just touch on a little bit is the issue of public service loan forgiveness, which, again, there is some disagreement between some of the testimony today.

Mrs. Copeland-Morgan, in your testimony you expressed support for public service loan forgiveness. Just to take an example of the National Health Service Corps, which again is a very strong incentive to serve in underserved areas as an example, maybe you could sort of talk about the benefits of that program from your experience.

Mrs. COPELAND-MORGAN. Thank you, Congressman. I do disagree with my colleagues about loan forgiveness for public service. I think it's a good thing. The examples that were mentioned that are concerns I think can be addressed within current legislation.

We need to find ways of encouraging young people to go into these large areas of need within our States and within their communities. I think there is evidence that those programs are working, and again, I think overall, when we hear about those areas where there are some small problems, we need to make sure we don't allow those to be distractions to what is overall a solid program, and a very small program in the large scale of what we're talking about here in higher education.

Mr. COURTNEY. Thank you. I could not agree more. The mental health bill, which we passed at the end of the last Congress and was signed into law by President Obama, one provision in it was to actually extend National Health Service Corps' loan forgiveness to pediatric and adolescent psychiatry, which in the wake of Sandy Hook –- I'm from Connecticut—you know, it was a bitter lesson about the fact that this is one of the most critical areas of our healthcare system that is just alarmingly understaffed across the country.

The problem is the reimbursement. If you are a graduating medical student wanting to go into psychiatry, there is this disparity if you treat kids versus adults.

If we do not do something about it, we are going to see more of these problems proliferate out there. And you talk to people in preschool and K–5, I mean that is again a really alarming trend in terms of young kids who are experiencing that.

Again, it was great to see bipartisan support for that loan forgiveness effort to address something that as a Nation we really have, I think, a moral duty to perform.

Again, if there are fixes needed in the programs, let us deal with that. Let us not just eliminate what I think has been a really healthy way to get underserved occupations as well as regions of the country, critical public service jobs. And with that, I yield back.

Chairman GUTHRIE. The gentleman yields back. We have from the full committee with us, who is very interested in these issues, we worked together on these in a very bipartisan way, Ms. Bonamici. You are recognized for 5 minutes for questions.

Ms. BONAMICI. Thank you very much, Chairman Guthrie and Ranking Member Davis, for holding this hearing, and for allowing me to join your subcommittee today. This is an issue my constituents in Oregon care about a lot.

I am someone who worked my way through community college 2 years and 2 years at University of Oregon, and 3 years in law school. I did that all with a combination of loans, grants, and work study.

When I graduated, I went into public service, not to a private firm, but I still had little difficulty repaying my student debt. That experience is less common today. As we know, more students are borrowing, they are borrowing larger amounts, and at the same time, there are millions of students, many of whom were for some reason or another unable to complete their programs, and they are behind on their payments or they are in default, which is causing an enormous drag on our economy.

We face a lot of challenges, and I hope that this committee will take a comprehensive approach to making higher education accessible and affordable.

I wanted to follow up on the comment that was made about better, more frequent information from our panelists. I am pleased to partner with Chairman Guthrie on the Empowering Students Through Enhanced Financial Counseling Act, long title, but important piece of legislation, that will help students with better information, more frequent information, and help them limit borrowing and plan ahead for repayment.

So we have a pretty long list, strengthening Pell grants, simplifying loan repayment and access, providing evidence-based support to students to help with completion rates, especially for the first-generation students. We have some great model programs out in Oregon in that regard.

Students who are parents, students with disabilities, students returning from the workforce, veteran students. There is a long list.

I just want to also make a comment about the income-driven repayment discussion that I have heard here today. There are bipartisan efforts. I have the SIMPLE Act that is a bipartisan piece of legislation to get more people into income-driven repayment and to keep them there. It's an annual recertification that can sometimes get people out. We are working on that again in a bipartisan way. That is an important piece as well.

I really wanted to talk about the Federal work study program today. As someone who greatly benefited from it myself, I know that work study can give students valuable real-world experiences, reinforce what they are learning in the classroom, and the program requires a match from employers, so we see Federal funding go further.

So I was, needless to say, disappointed to see the President proposed a budget that would significantly reduce Federal work study investment.

Mrs. Copeland-Morgan, how can the Federal Government maintain flexibility in the work study program while also helping institutions connect more students with work-based learning opportunities that align with their interests and career goals? I want to ask another question, too.

Mrs. COPELAND-MORGAN. Thank you for the question. Let me just state for the record that I got into education being a Federal work study student, working in financial aid for 4 years as a student.

The Federal work study program is one way of bringing parity for internships, work experience, and other things. It reduces the cost of students working. It retains them on campus because they are in generally the academic environment. Certainly, more funding in work study, we'd love to see that. I think this is a bipartisan issue.

We have seen that work study aids in retention. Certainly, our community partners which– the Federal work study program allows us to partner with community-based organizations to employ students, to help do some of the work that you're talking about here today, outreach work, getting the word out about financial aid, job location development program.

I think the real issue is we have to make a greater investment in these programs that work, and Federal work study is arguably one of the best along with the Pell grant.

Ms. BONAMICI. Thank you. I am glad you mentioned internships because we see it is a real equity issue. Some of the affluent students can do a prestigious internship, but students with more modest means cannot. That is a place where work study can help.

I know Representative Allen earlier asked a question about the formulas for allocating campus-based aid to institutions, and those formulas have changed very little since the 1970s, and that was a long time ago. Some of my colleagues probably were not born.

For the work study program, the majority of the funding is distributed to institutions based on how much they received decades ago. I know Ms. Conklin explained our neediest students are often left out by this formula.

Mrs. Copeland-Morgan, how can work study funding be allocated more equitably?

Mrs. COPELAND-MORGAN. Let's get rid of the base guarantee in the campus-based program. We've been talking about this since I've been in the profession. To make it more modern and distribute those dollars where the lowest income and neediest students are. We can't do that without making a greater investment in the program.

Ms. BONAMICI. Thank you very much. My time has expired. Again, thank you, Mr. Chairman and Ranking Member, for allowing me to join you today.

Chairman GUTHRIE. Thank you for being here today. The gentlelady yields back.

Seeing no other members present for questions, I would like to again thank our witnesses for taking the time to testify before the subcommittee today.

I now recognize Ranking Member Davis for any closing remarks she may have.

Mrs. DAVIS. Thank you, Mr. Chairman. I also thank you very much. I think it has been a good and strong discussion, and a lot of contributions all the way around in terms of some of the things that we actually can change without hurting students and furthering their education. That is really the bottom line for me, it has to help rather than hurt.

I also wanted to put into the record the article Mr. Courtney had regarding mental health. I want to place that.

Chairman GUTHRIE. Without objection.

Mrs. DAVIS. I did hear some consensus, as a number of people mentioned. It is a great first start, Mr. Chairman, and I certainly hope we can come back together and look at some of the details and some of the best practices so we actually can do something that is going to make a difference. Thank you.

Chairman GUTHRIE. Thank you. I appreciate that. I just want to close with these comments. You know, we are looking at simple, how to make it easier, how to make it more simple.

I mentioned I have a couple of children in college now, going through those kinds of programs. We need to make it simple, but we do need accurate data. I think Mrs. Copeland-Morgan said we need to make sure we have accurate data.

I had somebody say the other day what if we made it so simple for Federal, then the campuses that do campus-based aid would have to have separate forms. We do want to make it easier for people to use.

The year-round Pell, something I am very interested in, was talked about. It is not to accelerate because of 2–1/2 years of college versus 3 or 4, it is cheaper, which it is, that is obviously true.

I worked in manufacturing before, and I saw a lot of people that needed to go back, were qualified, needed, and wanted to go back and get a secondary education. But when you are 18 to 22 and know your parents are there for you, it is easier. When you are 30 and you are a parent and you have maybe two or three children, an example I know, just the idea that it is going to take me 4 years to get somewhere, it is very difficult for people to do. But if you can spell out some things we can look at in accreditation for life experiences, and get somebody into that 2–1/2-year timeframe, it is something that is doable, and we want to encourage that.

This has been very informative for me. I appreciate the ranking member and all the members' questions and the witnesses.

And without objection, there being no further business, the committee will stand adjourned.

[Additional submission by Ms. Adams follows:]

UNCF
A mind is a terrible thing to waste®

United Negro College Fund, Inc.
1805 7th Street, NW
Washington, DC 20001
T 202 810 0200
UNCF.org

March 20, 2017

The Honorable Brett Guthrie, Chairman
The Honorable Susan A. Davis, Ranking Member
Subcommittee on Higher Education and Workforce Development
Committee on Education and the Workforce
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairman Guthrie and Ranking Member Davis:

As the Subcommittee on Higher Education and Workforce Development considers ways to improve federal student aid to better meet the needs of students, I want to offer the views of the UNCF (United Negro College Fund), which has raised over $4.6 billion in our 73-year history to support college success for minority students. Improving federal student aid programs authorized under Title IV of the Higher Education Act is of critical importance to the nation's 101 accredited historically black colleges and universities (HBCUs), including UNCF's 37-member private HBCUs.

HBCUs annually enroll approximately 300,000 students – primarily students with limited means who are underprepared for college – but produce graduates and leaders who are able to compete in the global economy. HBCUs enroll about 10 percent of the nation's African American undergraduates, but produce nearly 20 percent of African Americans who complete bachelor's degrees and 25 percent of those with bachelor's degrees in STEM fields. A 2015 Gallup report found that 55 percent of black HBCU graduates said that their college prepared them well for post-college life compared to 29 percent of black graduates of other institutions. More recently, a Brookings Institute study concluded that HBCUs do the best job in "vaulting the lowest-income kids into the top quintile as adults." HBCUs accomplish these results at an affordable cost to students that is nearly 30 percent less than other four-year colleges and universities, and with fewer resources available to them.

The Importance of Federal Student Aid

Federal student aid is increasingly important to the ability of HBCUs to train the skilled workforce that the nation needs. Approximately 70 percent of HBCU students receive Pell Grants and 78 percent receive federal student loans to attend college. Over 80 percent of HBCU students are African American students. For African American students, who lag behind nearly every racial group on college attainment, federal college assistance is crucial for their upward mobility in our society.

Yet, we are not making enough progress on African American college attainment and that lack of progress is related to the availability of financial assistance for college. Research and UNCF's own experience suggest that money matters for college access and success. And it matters most for

African American families who generally have lower assets and incomes that limit their ability to contribute toward college expenses. In the past decade, the wealth gap between whites and blacks has increased from sevenfold to thirteen fold. Drawing on data from the Survey of Consumer Finances, the median net worth of a *single parent* white household is twice that of the *two-parent* black household.

The federal student aid process must be strengthened, streamlined, and simplified to maximize its effectiveness. However, streamlining and simplifying federal student aid should not mean cutting back on vital federal assistance for the most vulnerable students who need the most help.

The Need for a Robust Federal Investment in Pell Grants

Federal financial assistance targeted to low-income students has not kept pace with the need. The Pell Grant program is the single largest source of federal scholarships for students who lack the financial means to pay for college; over 7.6 million students receive Pell Grants. Nonetheless, in the 2016-2017 school year, the maximum Pell award of $5,815 paid, on average, only 29 percent of the average cost of attendance at a four-year public college and only 13 percent of the average cost of attendance at a four-year private, nonprofit college – *the lowest share in the history of the program.*

A more robust federal investment in Pell Grants would enhance college access, improve college outcomes – both persistence and degree completion – and lower student debt, which is a crisis for students at HBCUs. According to a recent UNCF study, *Fewer Resources, More Debt*, students at HBCUs borrow loans at greater rates, borrow greater amounts, seek loans from more costly sources and encounter more obstacles repaying their loans, despite attending lower cost institutions. For instance, in 2012, a quarter of HBCU bachelor's degree recipients borrowed $40,000 or more, which is four times the rate of their non-HBCU peers who borrowed this same amount.

The Pell Grant should be the equalizer for students with limited means, and there are a number of ways to make Pell Grants work better for them. Here are a few suggestions:

- There is an *immediate* need to restore year-round Pell Grants that enable students to finish college faster and with less debt; as well as to raise the maximum Pell Grant and index it to account for inflation.

- Over time, Congress should double the current maximum Pell award to approximately $12,000 to support roughly 60 percent of the cost of attendance at a four-year public university and continue a cost-of-living adjustment for the award.

- The Pell program can be modernized to incentivize on-time completion, such as providing support for dual enrollment programs, extra Pell funds for students who take 15 credits per semester instead of 12 credits, and incorporating flexibility for students to use Pell funds across award years. All of these reforms could help students finish faster, on time and with less debt.

- On the other hand, Congress should recognize that some students – such as those requiring remedial education and nontraditional students attending part-time – take longer to earn their degrees. To accommodate these students, Congress should extend or repeal the 12-semester Pell Grant eligibility limit.

Campus-based Aid Leverages Additional Resources for Low-Income Students

The campus-based aid programs – Supplemental Educational Opportunity Grants (SEOGs), Federal Work-Study funds and Perkins Loans – leverage significant additional resources for low-income students because institutions must provide matching funds (at least 25 percent of the federal award). These programs also enable institutions to assist students who have reached Direct Loan borrowing limits and lower student loan debt. UNCF encourages the Subcommittee to continue to support these valuable programs and to revise their allocation formulas to target aid to colleges serving high proportions of low-income students.

More than 55,000 HBCU students – approximately 22 percent of HBCU undergraduates – rely on SEOG average awards of $600. SEOGs continue to be a critical component of the federal student aid portfolio for HBCUs because these grants make exceptionally needy Pell Grant recipients the priority for supplemental assistance.

Federal Work-Study funds benefit over 26,000 HBCU students with average awards of about $1,700, providing them an opportunity to work reasonable hours to earn money to pay tuition and living expenses. Recent research by Teachers College at Columbia University affirms that the Federal Work-Study program has positive long-term impacts on persistence, graduation and post-college employment, particularly for low-income students. Work-study jobs are a valuable way for African American students to gain workplace skills that prepare them for future jobs and careers, helping to address the problem of under- and unemployment in African American communities.

About one-third of all HBCUs participate in the Perkins Loan Program. As a result, over 10,000 HBCU students receive Perkins Loans that average $2,200 per award. With a fixed 5 percent interest rate, Perkins Loans are more desirable than more costly private loans or Parent PLUS Loans. Moreover, Perkins Loans provide an important loan cancellation benefit for students who go into public service fields, such as teaching, nursing, law enforcement, child care and the military.

Student Loan Reforms

Even with Pell Grants and campus-based aid, student loans will remain a critical component of college financing for many low-income students. However, much more could be done to redesign and improve federal Direct Loans and loan repayment options to reduce borrowing costs and to make loan repayment more manageable for students and parents.

Direct Loans are too costly; their origination fees should be eliminated completely and interest rates should be lowered so that the federal government does not generate excess revenues at the expense of low-income families. Proposals to eliminate subsidized Direct Loans, by charging low-income students interest while they are in school, would be a move in the wrong direction, costing students thousands of dollars in a program in which the federal government already is making a profit.

The Parent PLUS Loan program provides unsubsidized loans to parents of dependent undergraduates, after a credit check, to help eligible parents meet college expenses after other sources of federal student aid are exhausted. While some have proposed the elimination of Parent PLUS Loans in the name of streamlining federal student loan programs, we urge that the program be "repaired, not repealed." When the U.S. Department of Education unilaterally tightened the Parent PLUS Loan credit requirements in October 2011, we learned just how critical these loans are to college access for hundreds of thousands of students across the country, and especially to students at HBCUs. Today, approximately 39,000 students at HBCUs – approximately 15 percent of all HBCU undergraduates – depend upon Parent PLUS Loans to meet their college expenses, and another 8,600 HBCU students – approximately 23 percent of all HBCU graduate students – receive Graduate PLUS Loans to help them finance advanced studies.

The elimination of Parent PLUS Loans would almost certainly lead to fewer students enrolling and staying in college and undermine the financial stability of HBCUs unless replaced by better student aid options, such as a *substantial* increase in Pell Grants and campus-based aid, and an increase in borrowing limits for subsidized and unsubsidized Direct Loans. Graduate PLUS Loans are essential to help meet the demand for individuals with advanced educational credentials and to ensure access to education throughout the K-20 pipeline.

While Parent PLUS Loan regulatory reforms were put into place in March 2015 by the U.S. Department of Education after a negotiated rulemaking process, statutory modifications could improve the program for parents who sacrifice by taking on loan debt to invest in their child's education. Among key improvements would be eliminating the origination fee and lowering interest rates, currently at 4.272 percent and 6.31 percent, respectively, for the 2016-2017 academic year. A more robust loan counseling requirement should be incorporated into the program so that all participants borrow only what is needed, know the loan terms and conditions, and fully understand their repayment obligations. Finally, an income-driven repayment option should be provided that not only will benefit parents, but also will reduce complexity in the federal education loan programs by aligning repayment options across loan programs. Congresswoman Marcia Fudge (D-OH) introduced H.R. 4661 in the 114th Congress incorporating some of these reforms.

In fact, building a smarter, simpler and single income-based system for the repayment of all federal student loans should be an urgent priority. Congress should move forward to modernize and streamline the confusing and complicated menu of at least eight repayment plans – all with different eligibility guidelines and terms – into a single income-based plan as the default option for all borrowers, both students and parents. While implementation details would need to be studied, such a program would make student loans more affordable, serve as an insurance mechanism to protect borrowers during periods of unemployment, benefit taxpayers by eliminating defaults and lift the burden of student loan collection from HBCUs, which face sanctions if cohort default rates become too high.

Streamlining and Simplifying Federal Student Aid

First among needed streamlining reforms is simplifying the Free Application for Federal Student Assistance (FAFSA). The complexity of the 108-question FAFSA acts as a major barrier to college entry and success for low-income students. According to the U.S. Department of Education, two million students leave Pell Grants on the table because their families do not complete the FAFSA. Streamlining the FAFSA, as others have recommended, could result in more low-income students applying to college and receiving need-based grants.

The recent actions by the U.S. Department of Education and the Internal Revenue Service (IRS) to discontinue online access to the IRS Data Retrieval Tool, a critical tool for streamlining the FAFSA process, is a major setback and could negatively impact thousands of low-income students who are currently applying for financial aid for the 2017-18 academic year. We applaud this Committee's efforts to obtain prompt answers from the Administration on how this problem will be remedied, while protecting students' and parents' security and privacy.

Students and their families need earlier and better information about federal student aid. A recent report from the National Center for Education Statistics found that one in five undergraduate students did not seek out any form of financial aid – federal, state or institutional – to attend college, leaving billions of federal financial assistance behind because they believed that they were ineligible. Students should receive information about college as early as elementary school and federal financial aid counseling in secondary school to boost financial aid awareness and college-going rates. Moreover, students and families need more personalized counseling and individualized assistance to complete the FAFSA. The federal government can streamline this information and programs such as TRIO and GEAR UP can provide the needed support. Additionally, students receiving means-tested federal benefits, such as under the Supplemental Nutrition Assistance Program (SNAP), Medicaid and Supplemental Security Income (SSI) program, should be able to automatically qualify for a zero Expected Family Contribution (EFC) to receive maximum Pell Grants. This would also allow the federal government to notify students of their eligibility earlier.

Congress should allow low-income students to establish federal student aid eligibility for more than one year to eliminate the need for them to reapply each year, as their financial circumstances don't change significantly from year to year. A review every two years, with financial aid officers applying professional judgment on a case-by-case basis, would streamline the process and alleviate the burden on low-income families. Ranking Member Bobby Scott introduced a bill (H.R. 5784) in the 114th Congress, the File Once FAFSA Act of 2016, which would move policy in this direction.

Congress should also consider revising the federal needs analysis to better target federal aid to low-income students. One way to do this would be to incorporate a negative EFC for the poorest students whose families have no assets.

In addition, the income verification process – which requires students to provide additional documentation regarding their income status *after the FAFSA is completed* – can be another challenging hurdle for low-income families. These procedures can block students' access to essential financial aid if they are unable to successfully navigate this process. A study by The Institute for College Access and Success found that most of the students that the U.S. Department of Education flags for income verification are Pell-eligible students; yet there is evidence that few Pell students see a change in their aid eligibility due to the income verification process. Thus, the verification requirements simply require low-income students to prove repeatedly that they are poor and burden HBCUs and other institutions with additional compliance costs.

Conclusion

A college education remains the single most important strategy for opening the door to economic opportunity for low-income and minority students. HBCUs have been working for over 100 years to provide educational opportunities to these students who our nation most needs to earn college degrees. UNCF and our 37-member HBCUs look forward to partnering with you to increase those opportunities through a robust, effective and efficient federal student aid system. All of the Title IV federal student aid reforms discussed in this letter would make it easier for HBCU students and their families to get the college financial assistance they need.

Sincerely,

Michael L. Lomax, Ph.D.
President and CEO
UNCF

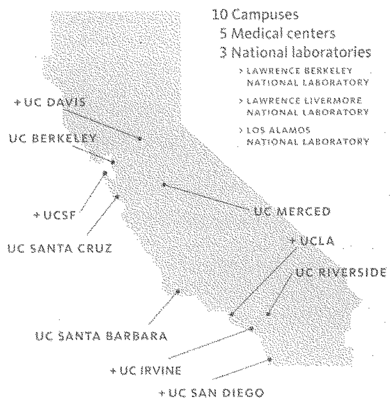
cc: Members of the Education and the Workforce Committee

[Additional submissions by Ms. Copeland-Morgan follow:]

The University of California improves the lives of people in California and around the world through world-class educational opportunities, groundbreaking research, top-rated health care and agricultural expertise. We are driven by values of public service in all we do.

UC SYSTEM

10 Campuses
5 Medical centers
3 National laboratories
› LAWRENCE BERKELEY NATIONAL LABORATORY
› LAWRENCE LIVERMORE NATIONAL LABORATORY
› LOS ALAMOS NATIONAL LABORATORY



+ MEDICAL CENTERS

EDUCATION

Total enrollment	264,426
Undergraduate students	210,170
Graduate students	54,256
Alumni	1.86 M
More than 150 academic disciplines	
More than 600 graduate degree programs	

UNDERGRADUATE APPLICATIONS HAVE INCREASED EVERY YEAR FOR MORE THAN A DECADE; MORE THAN 207,000 STUDENTS APPLIED FOR FALL 2016 UNDERGRADUATE ADMISSION.

FACULTY AND STAFF

Faculty	21,200
Other academic (postdocs, etc)	44,100
Staff	144,000
Represented staff	42%

UC IS THE STATE'S THIRD LARGEST EMPLOYER.

STATISTICS DRAWN FROM MOST RECENT DATA AVAILABLE

UNDERGRADUATE SNAPSHOT

California resident			83.5%
Nonresident			16.5%
Community college transfer			27%
First-generation students			42%
African American			4%
Latino			24%
White			23%
Asian American			34%
Graduation rate	4-YEAR	5-YEAR	6-YEAR
ALL STUDENTS	64%	82%	85%
PELL STUDENTS	58%	79%	83%

STUDENT FINANCIAL AID

Total financial aid	$4.1 B
Federal aid	$1.62 B
› Federal Pell grants	$377 M
› Undergrads who qualify for Pell grants	38%
University aid	$1.4 B
State aid	$855 M
Private aid	$152 M
CA undergrads with tuition fully covered	57%
Undergrads without loans at graduation	47%
UC student debt at graduation (avg.)	$20,900
National student loan debt (avg.)	$30,100

THE UNIVERSITY OF CALIFORNIA OFFERS ONE OF THE NATION'S STRONGEST FINANCIAL AID PROGRAMS.

HONORS AND AWARDS

Nobel Prize winners	61
MacArthur "Genius" grants	90
National Medal of Science winners	67
Fulbright Award recipients	264
Pulitzer Prize winners	16

SIX OF UC'S 10 CAMPUSES ARE MEMBERS OF THE PRESTIGIOUS 62-MEMBER ASSOCIATION OF AMERICAN UNIVERSITIES (AAU), A REPRESENTATION NO OTHER STATE SYSTEM CAN MATCH.

RESEARCH IMPACT	
Inventions per day (avg.)	5
Inventions	1,745
Startups founded on UC patents (TO DATE)	934
Active patents	12,203

MANY OF THE CALIFORNIA'S LEADING INDUSTRIES GREW FROM UC RESEARCH, INCLUDING BIOTECHNOLOGY, COMPUTING, SEMICONDUCTORS, TELECOMMUNICATIONS AND AGRICULTURE.

RESEARCH FUNDING	
Research awards	$4.97 B
Federal research awards	$2.88 B
Federal research contracts/grants	6,500

UC IS AWARDED MORE NIH AND NSF FUNDING THAN ANY OTHER INSTITUTION IN THE COUNTRY.

K-12 EDUCATIONAL OUTREACH	
Schools and Departments of Education	8
K-12 school partnerships	400
Students reached by UC programs	100,000
Participants who go on to college	70%

UC PLAYS A ROLE IN THE EDUCATION OF MILLIONS OF CALIFORNIA K-12 STUDENTS, WHETHER OR NOT THEY ARE UC-BOUND.

AGRICULTURE AND NATURAL RESOURCES DIVISION	
Cooperative Extension offices	57
Campus-based advisors and specialists	130
Local agricultural advisors and specialists	200
Academic researchers	700

UC HAS HELPED CALIFORNIA BECOME THE NATION'S TOP AGRICULTURAL STATE WITH FARM REVENUES THAT EXCEED $42 BILLION.

MEDICAL CENTERS AND CLINICS	
Outpatient visits	4.5 M
Emergency room visits	356,000
Inpatient admissions	165,000
Medicare, Medi-Cal and uninsured patients	60%

UC MEDICAL CENTERS PERFORM HUNDREDS OF CLINICAL TRIALS EACH YEAR, RESULTING IN NEW DRUGS AND DISEASE TREATMENTS.

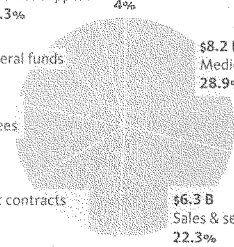
HEALTH SCIENCES TRAINING PROGRAM	
Health professional schools	17
Health science students	14,000

UC TRAINS NEARLY HALF THE MEDICAL STUDENTS AND MEDICAL RESIDENTS IN CALIFORNIA.

ECONOMIC IMPACT	
CA jobs supported by UC operations	430,000 (1 in 46)
Economic impact of UC activities	$46.3 B
Contributions to gross state product	$32.8 B

UC RESEARCH IN NANOTECHNOLOGY, CLEAN ENERGY, NEUROSCIENCE, GENOMICS AND MEDICINE IS HELPING DRIVE THE NEXT WAVE OF CALIFORNIA ECONOMIC GROWTH.

UC REVENUE SOURCES	
Total operating budget	$28.5 B



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Student Financial Support Facts for HEA Reauthorization Hearing

FEDERAL AID SUPPORTS UC STUDENTS

In 2015-16, UC students received $1.6B in federal need- and non-need based support. Figure 1 shows some select statistics about programs that support UC students.

Figure 1: University of California Participation in Select Federal Financial Aid Programs

Program	Awards	Recipients	% with Aid	Average Award
Undergraduate Students				
Pell	$376,312,513	84,162	40.2	$4,471
SEOG	$11,773,181	15,629	7.5	$753
Perkins Loans	$24,879,151	16,303	7.8	$1,526
Direct Loans - Subsidized	$306,361,382	73,571	35.1	$4,164
Direct Loans - Unsubsidized	$143,815,468	46,942	22.4	$3,064
PLUS	$200,128,500	14,073	6.7	$14,221
Work Study	$22,233,971	12,834	6.1	$1,732
Other Federal (Mostly VA)	$33,174,052	1,950	0.9	$17,010
Graduate Students				
Program	**Awards**	**Recipients**	**% with Aid**	**Average Award**
Federal Gift Aid	$93,452,882	3,242	6.3	$28,829
Federal Subsidized Loans*[1]	$17,106,293	2,608	5.1	$6,558
Grad PLUS and Unsubsidized	$416,698,757	12,360	24.0	$33,712
Work Study	$3,355,901	824	1.6	$4,072
Other Federal (Mostly VA)	$22,470,553	723	1.4	$31,092

Source: Student Affairs Financial Aid Inventories

UC UNDERGRADUATES BENEFIT FROM STRONG STATE AND UNIVERSITY AID PROGRAMS

Federal financial aid is not the only way that UC students finance their education. Figure 2 below shows that need-based grant from the State of California ($840M) and the University ($766M) significantly supplement federal Pell grants for undergraduates.

[1] Includes Perkins Loans and Health Profession Loans

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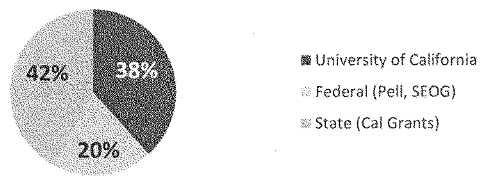
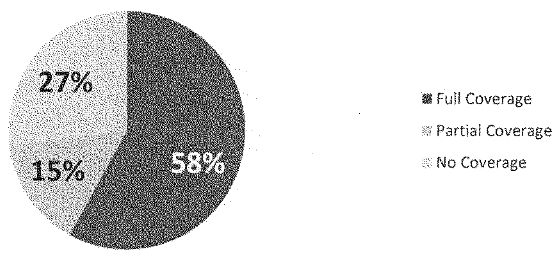
Figure 2: Undergraduate Need-based Grant by Fund Source, 2015-16



MOST UC UNDERGRADUATES RECEIVE GRANTS AND SCHOLARSHIPS THAT COVER TUITION AND FEES

Most California residents receive enough grant and scholarship to fully cover their systemwide tuition and fees (58%). Another 15% of undergraduates receive partial coverage. See Figure 3 below.

Figure 3: Coverage of Tuition by Gift Aid, California Undergraduates

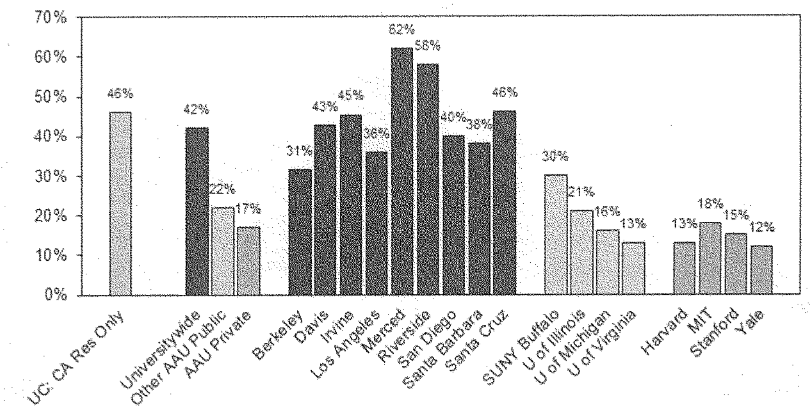


Source: UCOP Corporate Student System

UC ENROLLS A LARGE PROPORTION OF LOW-INCOME STUDENTS

UC enrolls a large proportion of low-income students relative to its peer institutions. Figure 4 below shows the comparison information for the most recent year available.

Figure 4: Pell Grant Recipients at UC and Other Research Universities, 2013-14



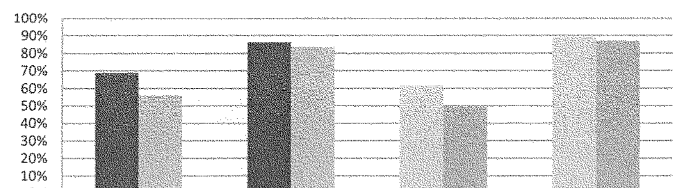
Source: UC's Annual Report on Student Financial Support, 2015-16

FURTHERMORE, UC LOW-INCOME STUDENTS GRADUATE

UC not only enrolls low-income students at high rates, but it graduates them as well.

- Pell grant recipients who entered as freshmen are less likely to graduate in four years, but at the six-year mark, their graduation rates are comparable to those of non-Pell recipients. Transfer students show a similar pattern. See Figure 5 below.
- Differences in graduation rates largely disappear when we control for academic preparation.

Figure 5: Graduation Rates , Freshmen and Transfer, Pell Status



	FR: 4-Year	FR: 6-Year	TR: 2-Year	TR: 4-Year
Non-Pell	69%	86%	62%	89%
Pell	56%	83%	49%	87%

Source: UC Accountability Report, 2016

The average time taken to earn a bachelor's degree at UC has decreased fairly steadily since 1994. Students entering as freshmen take an average of 4.1 years, which is about 7 percent less than in 1994. For students entering as transfers, the average time to degree is 2.3 years, about 12 percent less than in 1994. See Figure 6 below.

Figure 6: Average Time to Degree, Freshmen and Transfers

	Freshmen	Transfers
Berkeley	4.1	2.3
Davis	4.2	2.4
Irvine	4.1	2.4
Los Angeles	4.1	2.3
Merced	4.4	2.9
Riverside	4.3	2.4
San Diego	4.2	2.6
Santa Barbara	4	2.2
Santa Cruz	4.1	2.3
Systemwide	4.1	2.3

Source: UC Accountability Report, 2016

UNIVERSITY OF CALIFORNIA

Student Financial Support Facts for HEA Reauthorization Hearing

UC Undergraduates Leave with Lower Debt Than Comparable Institutions

UC average debt upon graduation is less than the national average.

Figure 7: Ave. cumulative loan debt, UC and national comparison institutions, 2013–14 graduates of baccalaureate programs

Berkeley	$17,580
Davis	$19,710
Irvine	$20,320
Merced	$20,410
UC AVERAGE	**$20,530**
Los Angeles	$20,760
Santa Barbara	$21,045
Riverside	$21,170
San Diego	$21,170
Santa Cruz	$22,580
Public 4-year	$27,200
Private nonprofit 4-year	$31,100
National Average	$28,950

Source: UC Accountability Report, 2016

UC Cohort Default Rates Remains Low Compared to National Averages

UC campuses have 3-year cohort default rates below the national average for public four-year universities. See Figure 8 below.

Figure 8: Cohort Default Rates at UC and Public Four-Year Institutions

	FY2009	FY2010	FY2011	FY2012	FY2013
Berkeley	2.6	3.3	3.8	2.9	2
Davis	3	4.1	3.8	2.7	2.6
Irvine	2.7	3.5	3.1	2.3	2
Los Angeles	3.4	3.1	2.2	1.5	2
Merced	2	7.1	7.3	5.2	3.6
Riverside	4.7	5.3	6.1	4.3	2.8
San Diego	3	3.8	2.9	2.5	2
San Francisco	1	0.5	0.3	0.7	0.05
Santa Barbara	2.6	4.3	4.5	4	2.3
Santa Cruz	3.7	4.2	5.7	3.4	3.1
Public 4-Yr	7.9	9.3	8.9	7.6	7.3

Source: US Department of Education

[Additional submission by Mr. Courtney follows:]

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The next victims of the student debt crisis: Mom and dad

342 SHARES

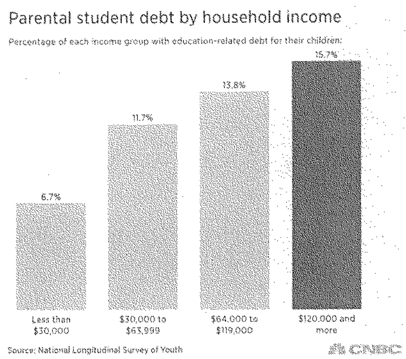
Tom Anderson | @bytomanderson
Tuesday, 27 Dec 2016 | 9:00 AM ET

Decades of tuition rising faster than the rate of inflation means that more parents are taking out student loans to help their children pay for college.

The average parent borrows $21,000 in student loans for their children's education, according to a recent study by researchers at the University of Southern California and the University of South Carolina. The debt comes as these parents are approaching retirement and it is on top of the loans students take out to pay for their own education.

"This debt crisis is not just about students, it's about parents as well," said Jennifer Ailshire, an assistant professor of gerontology at the University of Southern California and co-author of the study. "It paints a dismal picture and we're only at the beginning of this trend."

Parents with a household income of $120,000 or more borrow an average of $30,000 for their children and are more likely to take out student loans, according to Ailshire's research. (See chart below.)



Most of the debt parents use when college savings, financial aid and scholarships fall short comes from federal student loans.

"Student loans are the most pernicious type of debt because they can't be discharged in bankruptcy," Ailshire said. She examined more than 6,500 middle-aged and elderly people who repaid their children's college debt from 2004 to 2012 in a study funded by the National Institute on Aging.

Ailshire's research could actually *underestimate* the average level of parental student debt.

In 2016, more than 3.3 million borrowers held $74.5 billion in parent PLUS loans used to pay for their children's education, according to the U.S. Department of Education. That implies the average parent PLUS borrower had a balance of more than $22,000.

The College Board found that annual parent PLUS loan volume has increased nearly fivefold over the past decade.

> "The biggest issue with parent PLUS loans is the underwriting doesn't take into account affordability."
>
> -Nick Clements, Co-founder of MagnifyMoney.com

As long as parents do not have poor credit, they can borrow as much as they need in parent PLUS loans to cover their children's tuition, room, board and books minus the financial aid the student receives.

"The biggest issue with parent PLUS loans is the underwriting doesn't take into account affordability," said Nick Clements, co-founder of MagnifyMoney.com, a loan comparison website. He said he frequently receives emails from parents seeking help with handling their parent PLUS loans because they have borrowed too much.

The burden of parent PLUS loans can carry over to retirement.

In 2015, more than 210,000 people age 65 and older had parent PLUS loans, more than a quarter of those borrowers had defaulted, and more than 7,300 people had money taken out of their Social Security checks to pay back their parent PLUS loans, according to a recent report from the U.S. Government Accountability Office.

Parent PLUS loans, which levy an origination fee of more than 4.7 percent, have higher interest rates than other student loans. (See table below.)

Interest rates on federal student loans

Loan type	Borrower type	Interest rate
Direct Subsidized Loans	Undergraduate	3.76%
Direct Unsubsidized Loans	Undergraduate	3.76%
Direct Unsubsidized Loans	Graduate or professional	5.31%
Direct PLUS Loans	Parents and graduate or professional students	6.31%

Source: U.S. Department of Education CNBC

Unfortunately, borrowers cannot directly transfer their parent PLUS loans to their children when they graduate, but parents can use these tools to lower the costs of sending their kids to college:

Income-based repayment. Parent PLUS loans only qualify for one kind of income-based repayment plan. It's called income-contingent repayment. The plan is less generous than other repayment options offered by the federal government, but it will forgive the loan if a borrower is in the repayment plan for 25 years. This repayment plan may be the only option for low-income borrowers who don't have the financial resources to lower their debt burden through other means, Clements said.

Home equity. Home equity loans and home equity lines of credit can provide lower rates than parent PLUS loans, depending on your credit score and debt load. The downside is that you can put your house at risk if you default on these loans.

Student loan refinancing. This option only works for people with good credit, a FICO score of 720 or more, to qualify for rates lower than PLUS loans. Several online lenders, including CommonBond, DRB and SoFi, allow you to transfer the PLUS loans you refinance to your children. This is a good option if they can afford to make the payments, Clements said.

[Questions submitted for the record and their responses follow:]

VIRGINIA FOXX, NC
Chairwoman

MAJORITY – (202) 225–4527
FAX – (202) 225–9571

COMMITTEE ON EDUCATION
AND THE WORKFORCE
U.S. HOUSE OF REPRESENTATIVES
2176 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515–6100

ROBERT C. "BOBBY" SCOTT, VA
Ranking Member

MINORITY – (202) 225–3725
FAX – (202) 226–5398

May 12, 2017

Dr. Matt Chingos
Senior Fellow
Urban Institute
2100 M St. NW
Washington, DC 20037

Dear Dr. Chingos:

Thank you, again, for testifying before the Subcommittee on Higher Education and Workforce Development at the hearing entitled "Improving Federal Student Aid to Better Meet the Needs of Students" on Tuesday, March 21, 2017.

As a follow-up to your testimony, please find enclosed additional questions for you submitted by Chairwoman Virginia Foxx after the hearing. Please provide your written responses to Education Legislative Assistant Caitlin Burke **no later than June 2, 2017**. Her number is (202) 225-6558 should you have any questions about this request.

We appreciate your time and insight, and we remain grateful for your contribution to the Committee's work.

Sincerely,

Brett Guthrie

Brett Guthrie
Chairman
Subcommittee on Higher Education and
Workforce Development

Chairwoman Virginia Foxx (R-NC)

I am concerned about the impending cost crisis in the federal student loan programs. As we look to make policy that benefits students, families, institutions, and taxpayers, it is essential that we understand the true costs of the programs we are running and who exactly we are subsidizing. I am particularly concerned by the unknown and potentially massive costs of generous income-based repayment plans and occupation-based loan forgiveness. Can you explain the complications created by these unknown costs and discuss whether you think these policies are actually helping borrowers who are struggling to repay?

Can you explain your concerns with the parent PLUS program and what ultimately led you to suggest its elimination? Do you believe students with financial need can still access a higher education without this program?

VIRGINIA FOXX, NC
Chairwoman

MAJORITY – (202) 225–4527
FAX – (202) 225–9571

COMMITTEE ON EDUCATION
AND THE WORKFORCE
U.S. HOUSE OF REPRESENTATIVES
2176 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515–6100

ROBERT C. "BOBBY" SCOTT, VA
Ranking Member

MINORITY – (202) 225–3725
FAX – (202) 226–5398

May 12, 2017

Ms. Kristin Conklin
Partner
HCM Strategists
50 S. Steele Street, Suite 250
Denver, CO 80209

Dear Ms. Conklin:

Thank you, again, for testifying before the Subcommittee on Higher Education and Workforce Development at the hearing entitled "Improving Federal Student Aid to Better Meet the Needs of Students" on Tuesday, March 21, 2017.

As a follow-up to your testimony, please find enclosed additional questions for you submitted by Chairwoman Virginia Foxx after the hearing. Please provide your written responses to Education Legislative Assistant Caitlin Burke **no later than June 2, 2017**. Her number is (202) 225-6558 should you have any questions about this request.

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Sincerely,

Brett Guthrie

Brett Guthrie
Chairman
Subcommittee on Higher Education and
Workforce Development

Chairwoman Virginia Foxx (R-NC)

In your testimony and in HCM's report, you suggest various options for moving the federal definition of full-time to 15 credits. One of these proposals is increasing the maximum Pell Grant so a student attending less-than full time would still receive the same amount as under the old definition. Do you think it is an appropriate use of taxpayer funds to incentivize what students receiving federal funds should be doing anyways — completing college on time?

You discussed the importance of providing incentives for students to complete their program of study promptly and promoting more intensive enrollment. One of the ways to do so is by providing students who are accelerating their progress to completion access to Pell Grant funds over the summer. Can you discuss the importance of requiring students accelerate their time to completion when drawing down additional Pell Funds? Could year-round Pell without an acceleration requirement ultimately result in some students exhausting their Pell Grant eligibility before they complete their education?

The Honorable Alma Adams
U.S. House Subcommittee on Higher Education and Workforce Development
"Improving Federal Student Aid to Better Meet the Needs of Students"
March 21, 2017

Question for the Record:

Mrs. Copeland-Morgan, one of the Republican witnesses at the Higher Education and Workforce Development subcommittee hearing stated their support for the elimination of Parent and Grad PLUS loans. The witness argued that parents and graduate students have a credit history and thus, can be well served by the private market. How would eliminating the Parent and/or Grad PLUS Programs be detrimental to students?

Response:

The Parent and Grad PLUS loans both have credit standards, where eligibility is contingent on an absence of adverse credit. For parent borrowers, elimination of the PLUS program would leave some without any borrowing options because private lenders look for strong established credit and they might not qualify. Further, the interest rates for private loans are typically higher than they are for the PLUS loans, and some Parent PLUS loan borrowers are eligible for other benefits, such as public service loan forgiveness or defense to repayment eligibility if needed.

Retaining the ability for all parents to borrow is important, especially for parents who want to be partners in helping pay for their child's education. At the University of California (UC), parents—like all undergraduates—are expected to cover a portion of their educational expenses, which may be derived from borrowing. If parents do not have access to PLUS loans, they might not be able to make that contribution.

For graduate students, even at the higher interest rates (compared to Stafford Loans) the ability to use Grad PLUS loans to borrow up to the total cost of attendance is an overriding reason we want to keep the safer-than-private Grad PLUS loan option. UC's financial aid policy is different for graduate students, where the University strives to attract a diverse pool of highly qualified students by providing a competitive level of support relative to other comparable institutions. This competitive support is key because graduate student enrollment is critical to the University's research enterprise and helps the state meet its academic and professional workforce needs. In 2013-14, 64 percent of graduate students received grant or fellowship support averaging nearly $18,000 per student, in addition to substantial support from teaching and research assistantships.

However, graduate programs are typically academically demanding and students are generally not able to pay for school and living expenses – especially if they have a family – through work alone. In 2015-16, 12,360 UC graduate students (nearly one quarter) borrowed an average of $33,712 in Grad PLUS and unsubsidized Stafford loans ($416,698,757 in total).

As with parents of undergraduates, many graduate students would not be able to qualify for a loan on the private market, but would pass the PLUS credit standard. This means that many students' only option to cover living expenses is one or both of the federal loan programs.

Levels of student borrowing differ substantially by professional degree program. Average debt at graduation and the percentage of students with debt are generally highest for programs with higher Professional Degree Supplemental Tuition charges (e.g., law) and/or programs that take longer to complete (e.g., medicine). Academic doctoral students usually qualify for fellowship awards and research assistanceships. However, Masters students and students in professional degree programs frequently rely on student loans to finance their education.

Another important feature of Grad PLUS loans UC wants to preserve is the repayment options available that are not available with private loans (e.g. income-driven repayment options and public-service loan forgiveness).

The Honorable Susan A. Davis
U.S. House Subcommittee on Higher Education and Workforce Development
"Improving Federal Student Aid to Better Meet the Needs of Students"
March 21, 2017

Question for the Record:

Mrs. Copeland-Morgan, during the subcommittee hearing, some of the Republican witnesses spoke about Income Share Agreements (ISAs). What are ISAs and how are these packages negotiated? Please also provide the advantages and disadvantages of these agreements for students.

Response:

Income Share Agreements (ISAs) are arrangements where individuals or organizations (including for-profit companies) cover tuition and fees for a student, who then agrees to pay back a percentage of his/ her income for a fixed number of years upon graduation. The share of income and number of years the student makes payments vary by arrangement. The terms can differ by institution and can vary by other factors, such as the student's major. The implications for students who leave school before graduation will also vary by arrangement.

We do not believe this is a broad-based feasible solution for all students, and there are serious concerns about the arrangements. For example: Programs like this can be discriminatory to students based on risk factors such as their projected earning power of their majors, the family income profile of their institution, or other subjective factors that might be used as eligibility criteria

Other concerns include:

- ISAs require a tremendous investment up front, and a long wait until repayment begins, which has been a factor in creating these arrangements.
- ISAs are effectively loans against future earnings. These plans could lead to a massive increase in debt among students, particularly if they change majors or career paths.
- Used on a large scale, these programs could require costly infrastructure investments to set up a mechanism for repayments, as it could be difficult to get graduates to document their income and make payments.
- ISA proposals could lead to reduced public support for higher education, leaving college accessibility—which should be a public goal—to private entities.

The Honorable Adriano Espaillat
U.S. House Subcommittee on Higher Education and Workforce Development
"Improving Federal Student Aid to Better Meet the Needs of Students"
March 21, 2017

Question for the Record:

Mrs. Copeland-Morgan, the Public Service Loan Forgiveness offers loan forgiveness to individuals engaged in public service after 10 years. We've heard that this program is too costly and one of the witnesses at the subcommittee hearing suggested that people purposefully borrow high loan amounts because they know they can get their loans forgiven. What would be the impact of eliminating this program?

Response:

We are not aware that there is any evidence to support the idea that students purposefully and unnecessarily take out large loans with the intention that they will pursue low-paying careers and pay back their loans on-time for 10 years, just to have the remaining balances forgiven. At the University of California (UC), loan eligibility is already limited to the cost of attendance; all new student borrowers take entrance loan counseling, which emphasizes the need to repay loans; and in fact, 47 percent of UC undergraduates have no student loan debt at graduation. Of those who borrow, UC undergraduates have less debt than the national average. In 2015-16, of those who borrowed, the average debt at graduation was $20,900, compared to the national average of $30,100.

Students generally decide whether or not to take out loans as they are planning for college and managing their educational expenses. They typically find out about Public Service Loan Forgiveness (PSLF) after they have discovered their passion for public service, but the PSLF Program is also intended to encourage individuals to enter and continue to work full-time in public service jobs. Students dedicated to careers in public service are relieved to know that if they must borrow to cover educational costs, they could have some relief in exchange for their service. At the same time, society benefits from lowering the barriers for our best and brightest to engage in meaningful work.

The Honorable Mark Takano
U.S. House Subcommittee on Higher Education and Workforce Development
"Improving Federal Student Aid to Better Meet the Needs of Students"
March 21, 2017

Question for the Record:

Mrs. Copeland-Morgan, during the HEWD subcommittee hearing, some members suggested that student aid has driven the increase in tuition and that universities are irresponsibly using tuition revenue to fund unnecessary projects. Can you please explain what drives the cost of tuition and how campuses in the UC system use their budget?

Response:

A number of the nation's most respected experts in higher education finance and public policy have found no convincing, causal relationship between federal aid and college prices at public and nonprofit colleges. For example:

- The nonpartisan Congressional Research Service found: "[T]here is certainly no consensus on the existence, and certainly not the magnitude, of [a] causal relationship between [federal student] aid and price." A Congressionally mandated National Center for Education Statistics study also found no relationship between federal grants, state grants, or student loans and changes in tuition in the public or private nonprofit sectors.

- Patrick Callan, president of The Higher Education Policy Institute, stated in his assessment: "There is little evidence that these means-tested grants are major factors in the tuition setting decisions of most colleges. If colleges had calibrated tuition increases to Pell Grants, steep tuition increases would not have been repeatedly imposed in the years when the grant levels were not raised and tuition would be considerably lower today.... Pell Grants are a critical part of the safety net that helps many low-income Americans enroll in college. In fact, the vast majority of Pell Grant recipients are from families with incomes below $40,000."

- Sandy Baum, a higher education economist and George Washington University professor says: "There is no convincing evidence that increases in Pell Grants feed tuition increases in either public or private not-for-profit shortfalls in state support due to economic downturns, and students' institutions. Increases in federal grant funding for low- and moderate-income students are critical to assuring educational opportunities for students with the most limited ability to pay and critical to the future of our economy."

For the University of California, there is a direct correlation between the large sustained shortfalls in state support due to economic downturns, and students' increased contribution to tuition and fees. Since 1990-91, the state's inflation-adjusted contribution per UC student has declined by 61 percent. Students now pay approximately 46 percent of the cost of education.

During these same years, it is important to note that UC's average tuition and fees for state residents remained low relative to UC's public comparison institutions. Further, more than half of all UC undergraduates have their tuition and fees fully covered by grants and/or scholarships. As a result, the University has remained financially accessible to students at all socioeconomic levels despite rising costs, as evidenced by our high percentage of Pell Grant students and our students' overall low student loan debt.

This achievement is mainly attributable to the University's approach to student financing, which is built around an integrated conceptual framework that is used to assess the University's role in funding its financial support programs, to determine how undergraduate financial aid is allocated across campuses, and to guide campuses in awarding aid to individual students and their families.

This framework, known as the Education Financing Model, is based on four principles:

- UC must acknowledge the student's *total* cost of attendance: resident student fees, along with costs related to living and personal expenses, books and supplies, transportation, and health care.
- Financing a UC education requires a partnership between students, parents, federal and state governments, and the University.
- To maintain equity among undergraduate students, the University expects all students to make a similar contribution from student loans and employment to help finance their education.
- Flexibility is needed for students in deciding how to meet their expected contribution and for campuses in implementing the Model to serve their particular student bodies.

The University determines funding levels for its systemwide need-based grant program (institutional aid), allocates funds across the campuses, and sets guidelines for awarding funds to students in accordance with the Education Financing Model. These funds, unlike funds such as endowments, are specifically for providing students with access to the University. Campuses are encouraged to develop additional resources in support of their own enrollment management goals.

To evaluate the effectiveness of its undergraduate financial aid programs, the University monitors multiple student outcome measures designed to answer four basic questions:

- Is the University financially accessible to students at every income level?
- Do UC students work manageable hours?
- Do students' financial circumstances affect their academic success?
- Do students graduate with manageable debt?

UC data illustrate the effects of these measures, showing that:

- UC remains very successful at enrolling low-income Pell Grant recipients.
- While the percentage of UC California resident undergraduates from lower-income families had increased in recent years, likely reflecting the impact of the economic downturn and recession on the incomes of UC families in those years, the proportion of students from lower-income families remained stable between 2012-13 and 2015-16.

- Nearly half of UC undergraduates (resident and nonresident) at every income level reported not working. As in past years, however, a small proportion (less than 10 percent) of students reported working more than 20 hours per week.
- Among all undergraduates who enroll at UC with similar levels of academic preparation, low-, middle-, and higher-income students achieve similar levels of academic success as measured by persistence, unit completion after two years, and six-year graduation rates.
- The percentage of students graduating with debt declined slightly between 2014-15 and 2015-16, as did the average debt among borrowers. This is true both for California residents and for all undergraduates.

Among California resident borrowers in every income category, most graduated with cumulative debt that would require 5 percent or less of their estimated average salary to repay. About 4 percent of all UC graduates in 2015-16 had debt that would require more than 9 percent of their average salary to repay based on a standard 10-year repayment plan – about the same as in 2014-15.

VIRGINIA FOXX, NC
Chairwoman

MAJORITY – (202) 225–4527
FAX – (202) 225–9571

COMMITTEE ON EDUCATION
AND THE WORKFORCE
U.S. HOUSE OF REPRESENTATIVES
2176 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515–6100

ROBERT C. "BOBBY" SCOTT, VA
Ranking Member

MINORITY – (202) 225–3725
FAX – (202) 226–5398

May 12, 2017

Ms. JoEllen Soucier
Executive Director of Financial Aid
Houston Community College
13022 Old Windmill Drive
Richmond, TX 77407

Dear Ms. Soucier:

Thank you, again, for testifying before the Subcommittee on Higher Education and Workforce Development at the hearing entitled "Improving Federal Student Aid to Better Meet the Needs of Students" on Tuesday, March 21, 2017.

As a follow-up to your testimony, please find enclosed additional questions for you submitted by Chairwoman Virginia Foxx after the hearing. Please provide your written responses to Education Legislative Assistant Caitlin Burke **no later than June 2, 2017**. Her number is (202) 225-6558 should you have any questions about this request.

We appreciate your time and insight, and we remain grateful for your contribution to the Committee's work.

Sincerely,

Brett Guthrie

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Chairman
Subcommittee on Higher Education and
Workforce Development

Chairwoman Virginia Foxx (R-NC)

As we move forward with conversations about ways to reform the federal financial aid programs, how can we help students understand what they need to finance their education and limit their borrowing to that amount? Have you seen students over-borrowing in your experience as a financial aid director? What are some of the harms that come from over-borrowing?

[Responses to questions submitted for the record follow:]

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Dear Chairwoman Foxx,

Thank you for your questions following the hearing "Improving Federal Student Aid to Better Meet the Needs of Students," held by the Subcommittee on Higher Education and the Workforce on March 21, 2017.

First, you raised concerns about the unknown and potentially significant costs of income-driven repayment coupled with occupation-based loan forgiveness. I share your concerns that combining these programs will be costly to taxpayers, especially as institutions and students modify their behavior to take advantage of them. Unlimited borrowing under the Grad PLUS program combined with Public Service Loan Forgiveness (PSLF) after 10 years of income-based payments can deliver significant taxpayer-funded subsidies to many borrowers, including those with relatively high incomes.

These significant costs represent a lost opportunity to target limited public resources to students most in need of assistance. Income-driven repayment is an important safety net for borrowers struggling to repay their loans, but that safety net can be maintained without providing unlimited forgiveness after only 10 years of payments. Savings from limiting or eliminating PSLF could be repurposed to expand grant aid based on students' financial need. Such aid could also be targeted to people pursuing socially valuable work, such as teaching. Aid delivered this way would be more fair and effective than opaque subsidies delivered through a broad-based forgiveness program.

Second, you requested that I elaborate on my concerns with the Parent PLUS program. My view is that the federal government should operate a student loan program, not a parent loan program, given that creditworthy parents can obtain unsecured consumer credit on the private market. The current parent loan program allows parents with no credit history to borrow essentially unlimited amounts (up to the total cost of attendance less other aid received). In my view, the federal government should not make loans to parents that they cannot repay in the name of promoting college access.

At the same time, I understand the concern that limiting or eliminating the Parent PLUS program may restrict access to higher education for students who rely on parent loans. I believe efforts to reform or end this program should be accompanied by a careful reexamination of the limits on federal undergraduate student loans. Eliminating PLUS could be accompanied by a targeted expansion of loan limits for undergraduates with demonstrated financial need, with the goal of ensuring their continued access to high-quality postsecondary education. This is especially important in light of concerns raised by Historically Black Colleges and Universities and of the well-documented racial disparities in income and wealth.

Thank you again for your questions and your attention to these important issues.

Sincerely,

Matthew Chingos

Matthew M. Chingos

2100 M Street NW
Washington, DC 20037
urban.org

HCMstrategists.com

HCM STRATEGISTS

June 2, 2017

Ms. Caitlin Burke
Committee on Education and the Workforce
U.S. House of Representatives
2176 Rayburn House Office Building
Washington, DC 20515-6100

Dear Ms. Burke:

Thank you, again, for the opportunity to testify before the House Subcommittee on Higher Education and the Workforce Development hearing, "Improving Federal Student Aid to Better Meet the Needs of Students" on Tuesday, March 21, 2017.

Chairwoman Foxx submitted additional questions for me that I am pleased to answer.

1. *In your testimony and HCM's report, you suggest various options for moving the federal definition of full-time to 15 credits. One of these proposals is increasing the maximum Pell Grant so a student attending less than half time would still receive the same aid as under the old definition.* ***Do you think it is an appropriate use of federal funds to incentivize what students receiving federal funds should be doing anyways – completing college on time?***

First, I commend the Chairwoman for agreeing with my testimony that the federal definition of full-time should be changed to expect students to complete on time, or two years for an associate's degree and four years for a bachelor's degree. Current policy sets a lower bar and students "following the rules" are led on a path that will require 2.5 years for an associate's degree and five years for a bachelor's degree.

Second, the HCM report, Doing Better for More Students, offered a range of options reflecting the consensus of a group of experts I led in 2013. Personally, *I recommend that the federal definition should change regardless of funding levels, with a reasonable phase-in time of one academic year.*

Third, I would like to state for the record that while raising the threshold for the maximum scheduled award to 15 credits per term would be administratively easier than requiring recalculations at the end of an award year, *I advise Congress to define full-time, on time progress as 30 credits completed per calendar year*. This change would allow students to take mid-sessions, summer terms and other non-traditional sessions to earn the credits they may need to stay on-track for on time completion.

This flexibility is good for today's students and aligns with how leading states have added incentives for intensive enrollment into their aid programs. Postsecondary

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Analytics, a policy research consulting firm, recently released a first evaluation of Indiana's 2013 financial aid reforms, which included completion of 30 credits per year to receive and/or maintain the maximum award. The evaluation, using a quasi-experimental "difference-in-differences" analysis found "significant and substantial increases in credit hours completed," particularly among 21st Century Scholars recipients, who received no additional money with this new definition of full-time and were required to maintain 30 credit hours per year to renew the award. The evaluation also found "little evidence to date of substantial negative effects", including no significant decline in course completion rates, no significant decline in fall-to-spring retention rates, and no significant decline in fall GPA overall.

By first enacting new, transparent expectations that federal aid recipients complete a credential on time, Congress strengthens the foundation of the Pell Grant award and may, over time, invest additional resources and increase the maximum Pell Grant award (and thereby raise awards for all students, including those enrolled less than half-time).

2. *You discussed the importance of providing incentives to complete their program of study promptly and promoting more intensive enrollment. One of the ways to do so is providing students who are accelerating their progress to completion access to Pell Grant funds over the summer.* ***Can you discuss the importance of requiring students accelerate their progress when drawing down additional Pell funds? Could year-round Pell without an acceleration requirement ultimately result in students exhausting their Pell Grant eligibility before they complete their education?***

The Consolidated Appropriations Act of 2017 restores a summer Pell Grant award, which is an appropriate new financial incentive for on time completion *and* for acceleration. Because the majority of today's students attend school part-time and work at least 20 hours, I do not advocate for an additional acceleration requirement. Prior experience from implementing a summer Pell *with additional acceleration requirements* indicates an undue administrative burden on institutions (student add and drops require constant recalculation by institutions). This added administrative burden will inevitably lead to increases in college costs, which we are all keen to lower.

I appreciate this opportunity to comment further for the record and welcome continued engagement with the Subcommittee and Committee.

Sincerely,

Kristin D. Conklin

Kristin D. Conklin
Founding Partner

1156 15th Street, NW, Suite 850 | Washington, D.C. 20005 | p.202.547.2222 www.HCMStrategists.com

JoEllen Soucier
Executive Director of Financial Aid
Houston Community College System

Presented to
Congressman Brett Guthrie (R-KY)
Congresswoman Virginia Foxx (R-NC)
U.S. House of Representatives
Committee on Education and the Workforce
Subcommittee on Higher Education and Workforce Development

Follow-up Questions – Hearing entitled "Improving Federal Student Aid to Better Meeting the Needs of Students"

May 23, 2017

Thank you for the follow-up questions from the hearing entitled "Improving Federal Student Aid to Better Meeting the Needs of Students." Student loan debt is an important conversation and there is so much we can do to help students reduce or eliminate the high debt they are finding themselves borrowing.

QUESTION:
As we move forward with conversations about ways to reform the federal financial aid programs, how can we help students understand what they need to finance their education and limit their borrowing to that amount?

RESPONSE:
Financial literacy and education is an important aspect of assisting students with understanding student debt and borrowing responsibly as they pursue their educational aspirations. Schools and financial aid administrators need more flexibility and capability to require students to attend financial literacy and education classes (either online or in-person) before delivering loan funds to students. Students are borrowing without enough knowledge to make good buying decisions. They are unaware of the consequences that "mortgaging their future" will have on their lives. Students, especially new borrowers, need clear examples and continuous reminders of the implications of student loan debt. We are not doing enough to ensure that our students, both young and older, borrow responsibly.

In my opinion, students should be asked to justify the use of federal loan funds that go beyond tuition, fees, books, supplies, and on-campus room and board to enable responsible borrowing and ensure the funds are used for indirect living expenses and other educational related expenses. We are prohibited from asking students how they plan to utilize the funds. This prevents college aid administrators from promoting responsible and good educational borrowing habits. It is no different than giving a student a new credit card with a high limit and telling them to "go at it" in terms of their spending.

QUESTION:
Have you seen students over-borrowing in your experience as a financial aid director?

RESPONSE:
Absolutely, yes! Many students are thinking about the "here and now" when they take out student loans. They are receiving large sums of aid refunds, especially at the community college level, and making spending decisions that don't always align with the intent and educational needs. Using funds to go on vacation, buy a new car, purchase expensive items, and buy Christmas presents are unintended and inappropriate use of tax-payer loan funds. A large number of students definitely use the funds for educational purposes and for what they are intended, especially at the higher cost universities. However, when you attend a community college, have other means to meet indirect living expenses, and receive a full Pell Grant to cover tuition, fees, books, supplies, and travel expenses, the loan funds borrowed are sometimes not being utilized for intended purposes.

Many students are borrowing federal student loans and are unable to make the minimum payment when it comes time to go into repayment. It is so easy to borrow the funds and, as a result, they add up faster than the borrower realizes. This is demonstrated by the number of students in deferment, forbearance, and default.

QUESTION:
What are some of the harms that come from over-borrowing?

RESPONSE:
I am responding to this question with bullet points listing the harms that come from over-borrowing student loans:

- Reach aggregate loan limits at the community college leaving no eligibility to pursue a bachelor's degree.
- Reach aggregate loan limits before completing degree program, requiring students to have to drop out or delay completion.
- Borrowing high loan amounts for programs that result in lower pay jobs causing students hardship and unable to afford loan payments.
- High loan payments preventing students from living on own or making large purchases such as homes and automobiles.
- Unable to afford loan payments and unaware of loan options resulting in default and poor credit rating early in life.
- Borrowing high loan amounts later in life causing loan debt to extend into retirement and social security.
- Student loan payments that are higher than automobile, rent, or mortgage payments. Unable to ever "get ahead" and save for their own children's education.

CLOSING REMARKS:
Having worked for both high cost private universities and low cost community colleges, I have seen students over-borrow and borrow irresponsibly primarily due to lack of understanding and lack of accountability measures in place by the schools and the government. Colleges have no ability to force financial education or limit borrowing, even when we believe the funds may not be needed or used for educational related purposes. There is so much that can be done to improve literacy and reduce the debt burden of our students, which include but are not limited to:

1. Allow schools to require student loan counseling and financial education prior to delivering loan funds based on their student population. For example, at the community college it may be necessary to require students to attend student loan financial education each semester prior to delivering funds to ensure that students fully understand their current loan debt, potential loan payments at the point of repayment, and status of aggregate loan levels.

2. Require students to complete budget worksheets and justifying the use of loan funds for educational related purposes. Students should be able to outline their cost of attendance figures and how those funds will be spent. Similar to what is required for many consumer loans provided by banks and lenders.
3. Allow schools to limit or reduce annual loan limits based on student population, program costs, and financial data reported on the Free Application for Federal Student Aid (FAFSA).
4. Promote earlier repayment measures and require students, based on income information, to start paying a small amount on student loans to get students used to making payments, even if it is just a small interest payment.

These are just a few initiatives that could be considered in terms of helping students manage loan debt and borrow responsibly.

Thank you for the opportunity to answer your questions and provide you with some information about student loan debt.

[Whereupon, at 12:28 p.m., the subcommittee was adjourned.]

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