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REAUTHORIZING THE HIGHER EDUCATION ACT: FINANCIAL AID SIMPLIFICATION AND TRANSPARENCY

HEARING

OF THE

COMMITTEE ON HEALTH, EDUCATION, LABOR, AND PENSIONS

UNITED STATES SENATE

ONE HUNDRED FIFTEENTH CONGRESS

SECOND SESSION

ON

EXAMINING REAUTHORIZING THE HIGHER EDUCATION ACT, FOCUSING ON FINANCIAL AID SIMPLIFICATION AND TRANSPARENCY

JANUARY 18, 2018

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COMMITTEE ON HEALTH, EDUCATION, LABOR, AND PENSIONS

C O N T E N T S

STATEMENTS

THURSDAY, JANUARY 18, 2018

REAUTHORIZING THE HIGHER EDUCATION ACT: FINANCIAL AID SIMPLIFICATION AND TRANSPARENCY

Thursday, January 18, 2018

U.S. SENATE,
COMMITTEE ON HEALTH, EDUCATION, LABOR, AND PENSIONS,
Washington, DC.

The Committee met, pursuant to notice, at 10:07 a.m., in room SD–430, Dirksen Senate Office Building, Hon. Lamar Alexander, Chairman of the Committee, presiding.

Present: Senators Alexander [presiding] Enzi, Collins, Cassidy, Young, Scott, Murray, Casey, Bennet, Baldwin, Murphy, Warren, Kaine, Hassan, Smith, and Jones.

OPENING STATEMENT OF SENATOR ALEXANDER

The CHAIRMAN. Good morning. The Senate Committee on Health, Education, Labor, and Pensions will please come to order.

This is another in a series of hearings as we work to get a result by early spring on reauthorizing the Higher Education Act. Today, we are looking at ways to simplify and make more effective Federal regulations to make it easier for students to pay for college, to pay back their loans, and to reduce red tape so administrators can spend more time and money on students.

Senator Murray and I will each have an opening statement, and then we will introduce the witnesses. After the witnesses' testimony, Senators will each have 5 minutes of questions.

Our Nation's first higher education institution was Harvard University, founded in 1636 just 16 years after the Mayflower arrived in Plymouth. There was, of course, no Federal role in higher education at the time. There was no Federal Government. During Abraham Lincoln's presidency, the Federal Government enacted the Land Grant College Act in 1862. But a century later at the end of World War II, just 5 percent of Americans had bachelor's degrees.

The Federal Government's major role in higher education dates back only to 1965. When Congress enacted the Higher Education Act that year, the number with bachelor's degrees had increased to 10 percent. And today, it is 35 percent.

Today, we have 6,000 colleges and universities. The Federal Government's role primarily is to help 20 million students pay for their education at a variety of institutions—graduate schools, 4-year colleges, community colleges, technical institutions, profit, for-profit, religious, public. All these form a higher education system that has often been called the best in the world.

This involves a huge amount of money. There were 28 billion in Pell Grants last year, dollars, that students don't have to pay back. That number was over $30 billion just a few years ago. In addition, there were $92 billion in new Federal loans last year that students do have to pay back.

The last time we took a comprehensive look at our higher education system was 2008. Since then, Congress and the President did something I didn't agree with by making the Federal Government the provider of nearly all loans to students. I didn't believe that the Federal Government had the capacity to be one of the largest bankers in the world, and the Department's performance to date has demonstrated I was correct about that.

We began thinking about this authorization 4 1/2 years ago when we held our first hearing on reauthorizing of the Higher Education Act in September 2013. Since then, we have had 18 hearings. These hearings have produced a large number of proposals, mostly bipartisan, ranging from simplifying student aid to improving the accreditation system.

The House Education Committee approved their updated Higher Education Act late last year. It is now time to bring our process in the Senate to a conclusion and present our recommendations to the full Senate for action.

Senator Murray and I are working to do this as we have done in other large issues—the law fixing No Child Left Behind, the 21st Century CURES Act, a reauthorization of the FDA user fee agreements—in a process that is based on bipartisan consensus. It is our goal for the Committee to mark up a comprehensive set of recommendations and send them to the full Senate by the early spring.

The consensus I see emerging is this—student focused. Simpler, more effective regulations to make it easier for students to pay for college and to pay back their loans, reducing red tape so administrators can spend more time and money on students, and making sure a degree is worth the time and money that students spend to earn it, and helping colleges keep students safe on campus.

One area of consensus that has emerged, something we have heard over and over from students, parents, and administrators, is that the Federal financial aid form itself is overly complicated and needs to be much simpler. As a result of our hearings, we figured out we can drastically shorten the Free Application for Federal Student Aid, or the FAFSA, from 108 questions to 15 to 25 questions using information the Government already has.

This should be a welcome relief for the nearly 20 million students that complete the FAFSA each year. The president of Southwest Community College in Memphis told me he believes he loses 1,500 students each semester because of the complexity of the FAFSA. A woman who has mentored with Tennessee's Free Tuition Program, Tennessee Promise, said the complex form has "a chilling effect, intimidating parents who may themselves never have attended college and who have no experience navigating the process."

Over and over, families have asked me this. "I have already given most of this information to the Federal Government when I paid my taxes, why do I have to do it again? Once should be enough."

We also consistently hear from students, parents, and administrators that students looking for Federal financial aid to go to college need a much simpler system for the nearly $30 billion in grants and roughly $100 billion in new loans and the repayment plan for those loans so the financial aid system isn't a barrier to college for the very students it is intended to help.

Today's hearing is to see if we can reach a result on simplifying grants, loans, and repayment plans. Currently, we have two grant programs, five loan programs, nine repayment plans. This is a complicated system for students. It leads to confusion about the aid and repayment options they are eligible for. It ultimately makes it harder for them to get that aid.

The Federal financial system is so complex that even those in the higher education system have trouble navigating it. At a roundtable at the University of Tennessee-Martin, a Tennessee college president told me it took him months to figure out how to help his daughter pay off her Federal student loans in full, even with the money in hand.

As one of our witnesses today, Laura Keane, will describe, many students can't tell the difference between a grant and a loan when they receive their financial aid from institutions. According to Ms. Keane, some letters don't clearly identify loans as loans, while other letters refer to the same Federal loan with different names, causing even more confusion when the student tries to compare the aid they might receive.

Senator Bennet and I, along with Senators Burr, Booker, Isakson, and King, introduced a proposal last Congress to streamline Federal aid and repayment to One Grant, One Loan. It would have combined two Federal programs into one grant program and reduce five different Federal loan programs into three—one loan for undergraduate students, one loan for graduate students, and one parent loan.

It would also simplify repayment options by streamlining complicated repayment programs into two simple plans, an income-based plan and a 10-year repayment plan. Today, I hope to hear from our witnesses about our One Grant, One Loan idea as well as other proposals.

In addition to Ms. Keane, our witness include an adviser who counsels students on how to repay loans after their graduation, a community college president who has worked to enroll low-income students and keep them in school, and experts who will lay out their own research in simplifying Federal financial aid.

We have several proposals introduced by Senators to discuss with our witnesses. All reflect a consensus that our grants, loans, and repayment plans need to be simpler. Senator Enzi, for example, has the Transparency in Student Lending Act that would provide the annual percentage rates of Federal loans on student aid letters, so students can compare public and other loans more easily.

Senators Grassley, Cardin, Coons, Gillibrand, Warren, and Whitehouse have the Understanding the True Cost of College Act, which would address the lack of uniformity of financial aid. Senators Grassley, Coons, and Kaine have the Net Price Calculator

Improvement Act that would streamline the net price calculator on college and university websites some families use to predict the cost of schools.

Senators Grassley and Ernst have the Know Before You Owe Federal Student Loan Act. Senators Burr and King have the Repay Act, to simplify Federal repayment plans into two programs. Senators Warner and Rubio have the Dynamic Student Loan Repayment Act that would streamline repayment.

As we continue to work on reauthorizing the Higher Education Act, I hope we can work together in a bipartisan way to make it clearer to students what grants they are eligible for, how much they are able to borrow, and provide simpler and manageable ways to repay their loans.

Senator Murray.

OPENING STATEMENT OF SENATOR MURRAY

Senator MURRAY. Well, thank you very much, Chairman Alexander, and thank you to all of our witnesses for being here today. I look forward to your perspectives on how simplifying Federal financial aid and improving transparency can help more students attend and afford college and higher education.

But before we begin, I do want to talk about our Nation's K–12 education lobby, Every Student Succeeds Act, because it is important to consider the implementation of our last education law as we start to update this one. Almost everyone agreed that No Child Left Behind was badly broken. So Chairman Alexander and I agreed to work together to write a law giving states more flexibility while maintaining strong Federal guardrails to help make sure no student falls through the cracks.

However, Secretary DeVos' implementation of our bipartisan law has proved problematic. The Department of Education is approving state plans that do not comply with all of ESSA's guardrails and now issuing waivers of the law before it is even fully implemented.

Now I know Chairman Alexander and the Republicans who worked on ESSA are just as proud of that law as I am. I would assume they would want to see this law implemented as we intended and oppose waiving provisions before the law is even fully implemented by the states. The waivers are also being approved, by the way, without full transparency provided to Congress or, more importantly, to the public.

I think it would be a shame if Republicans refused to stand up to this administration when they disregard the law we wrote. I do appreciate the Chairman's willingness to meet with the Department on these issues, but it is imperative that we do keep these discussions going.

I hope the Chairman and my colleagues across the aisle would join me in advising the Department to implement ESSA as Congress intended, which brings me back to the Higher Education Act. If we can't trust our good faith bipartisan work on the last education law will be implemented, well, how can we work together on this bill? That is a question that we are going to have to grapple with in the months ahead.

Nonetheless, I do want to say I am hopeful and optimistic we can work together to put the Department on the right path and that these conversations will then be instrumental in maintaining good faith and confidence in our bipartisan approach as we now begin to reauthorize the HEA.

Now we can all agree navigating the financial aid process and the student loan repayment system are just some of the many challenges facing students. They also struggle to afford housing and textbooks and childcare and a lot more. Many of our low-income and first-generation students have a difficult time getting through the door in the first place. And the rise of discrimination and harassment and violence on campuses means too many students are worried about—more about their safety than their education.

So in order to make a meaningful impact for our students, we have to pass a comprehensive reauthorization of the Higher Education Act that addresses all of the challenges simultaneously. Anything less is a disservice to our students.

Now I am pleased we are continuing our conversation about simplifying financial aid and increasing the transparency of how much college will cost for our families. But I hope we can all agree the purpose of our financial aid programs is to help open the doors of opportunity and higher education for students who feel that those doors have been shut.

We have to acknowledge that simplification cannot mean elimination of aid, especially as college costs continue to rise. We should be reducing the barriers facing students at every stage of financial aid before they apply, while they are enrolled, and after graduation. So let me go into each of those a little bit.

First of all, far too many students are held back from even applying to schools because it is simply not affordable. Navigating our complex financial aid system can be overwhelming, especially for first-generation students. Financial aid offers can be confusing and impossible to compare as there is no required standard format or terms. And by the way, high school counselors are few and far between. Nationally, there is about one high school counselor for every 500 high school students. So students need more help and more transparent information.

Second, I believe both our Federal aid system and schools and universities need to play a bigger role in helping enrolled students understand the complex maze of eligibility requirements for their financial aid. And we should be providing students with the support they need to maintain their financial aid.

Unfortunately, some colleges are part of the problem by lowering students' financial aid after the first year, even as their tuition prices go up, a classic bait-and-switch that leads to many students dropping out when they can no longer afford their education.

Finally, we have to help the millions of student loan borrowers struggling to manage their student debt with few resources that have their best interest in mind. Borrowers are experiencing delays and errors and mismanagement of their loans and are often getting conflicting and inaccurate information. And new research shows that a crisis of students defaulting on their loans could be getting worse.

Simply consolidating Federal loans and grants would not address those deep-seated problems. We need sweeping improvements so servicers are held accountable, students know where to go for help, repayment is simple, and relief is within reach. So I am really glad we are having this conversation today, and I look forward to hearing from all of our witnesses and, again, appreciate all of you being here.

By simplifying the financial aid process and making it more transparent, we can help more students afford higher education and lower barriers for students who can't afford to attend college otherwise. But these challenges are not singular. So in order to truly help our students, we have to tackle all of the challenges in higher education and negotiate a full and comprehensive reauthorization of the Higher Education Act.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Murray.

We will welcome our witnesses today. I would ask you to summarize your remarks, if you will, in 5 minutes. There is a little clock in front of you. And then we will ask—then that way, the Senators will have more time to have conversations with you, and we will try to keep them to 5 minutes as well in the back and forth.

I turn to Senator Casey to introduce our first witness, Ms. Laura Keane.

Senator CASEY. Thank you, Mr. Chairman.

I am pleased to introduce Laura Keane. Ms. Keane serves as the Chief Policy Officer at uAspire, a nonprofit organization headquartered in Boston, Massachusetts. In her role, Ms. Keane is responsible for leading the organization's Federal and state policy efforts focused on the advancement of student-centered policies that ensure that all young people can find an affordable pathway to the completion of a college degree.

Prior to joining uAspire, she served as the Director of College Initiatives at Mastery Charter Schools in Philadelphia. An educator by training, she taught high school history for 6 years in both New York City and Philadelphia. She earned her B.A. at the University of Notre Dame and a Masters of Education at Harvard. She now resides in Philadelphia, Pennsylvania, with her three children.

Ms. Keane, we are grateful that you are here and grateful for your testimony. Thank you.

The CHAIRMAN. Thank you, Senator Casey.

Our next witness is Dr. Russell Lowery-Hart, President of Amarillo College, he previously served as Vice President of Academic Affairs at Amarillo, chaired the Texas Higher Education Coordinating Board Undergraduate Education Advisory Committee charged with evaluating and redesigning the State of Texas general education requirements. He was named the National Council of Instructional Administrators Academic Leader of the Year.

I turn to Senator Warren to introduce Ms. Darcus.

Senator WARREN. Thank you, Mr. Chairman.

It is my pleasure to introduce Ms. Joanna Darcus. Ms. Darcus is a Massachusetts Legal Assistance Corporation Racial Justice Fellow at the National Consumer Law Center in Boston, Massachusetts. The National Consumer Law Center is a nonprofit that works on behalf of consumers and has been doing extraordinary work in the area of student loans for decades now. I am very grateful for their work.

Ms. Darcus represents low-income student loan borrowers through advocacy and through litigation. And prior to joining the National Consumer Law Center, Ms. Darcus was a supervising attorney at the Community Legal Services, Incorporated, of Philadelphia, where she represented low-income consumers who were struggling with consumer debt and with student loans. Ms. Darcus is a graduate of Williams College and Duke University School of Law.

Ms. Darcus, thank you for the work you do for consumers and students in Massachusetts and all across the country. We are delighted to have you here and look forward to your testimony.

The CHAIRMAN. Thank you, Senator Warren.

Our next witness is Dr. Matthew Chingos, Director of the Urban Institute's Education Policy Program. He is co-author of The Game of Loans: The Rhetoric and Reality of Student Debt, Crossing the Finish Line: Completing College at America's Public Universities. He received degrees from Harvard.

Our final witness is Dr. Susan Dynarski, Professor of Public Policy, Education, Economics at the University of Michigan. She is also Faculty Research Associate at the National Bureau of Economic Research, a nonresident Senior Fellow at the Brookings Institution, and the president of the Association for Education, Finance, and Policy. In 2009, she received the Huff Golden Quill Award from the National Association of Student Financial Aid Administrators. She earned her Ph.D. at MIT.

I look forward to everyone's testimony. Why don't we begin with you, Ms. Keane?

STATEMENT OF LAURA KEANE, CHIEF POLICY OFFICER, UASPIRE, PHILADELPHIA, PENNSYLVANIA

Ms. KEANE. Mr. Chairman, Ranking Member Murray, and Members of the Committee, thank you for this opportunity to testify on financial aid simplification and transparency. uAspire is a national nonprofit hyper-focused on college affordability as a way to close the achievement gap in our country. We advise over 10,000 high school and college students a year to find an affordable pathway to college. We also train frontline staff in 27 states to do the same.

Choosing to attend and pay for college is an investment in one's future. Millions of students make this decision every year, yet just 55 percent of those who start college finish. A major reason for this is that college costs aren't transparent.

We advise our students celebrate, then decide. Celebrate when you get accepted, but decide only after you review the financial aid award letter, which explains your aid. This is the deciding moment for our students who are predominantly low-income, first-generation, and students of color.

But award letters are confusing, if not misleading. They fail to provide the consumer—in this case, students and families—with key financial information.

Let me tell you about Ella. Ella was granted a state school scholarship that covered her tuition fees and room and board. Her award letter showed no further costs. Ella's family was elated. Her father had passed away, and this was his alma mater. Her mother worked tirelessly as a social worker, so funds were tight.

Once on campus, Ella realized how expensive textbooks were, and although she worked, she didn't have enough money to cover the science textbooks, in particular, and her grades suffered. When her GPA fell below a 3.0, she lost her aid and was forced to drop out. Now she has a debt and no degree and no transcript, by the way, because she still had money she owed to the college. So she had no credits as well.

This is why, at uAspire, we have held over 10,000 award letter conversations with students and collected over 50,000 award letters. And we have discovered three troubling trends. First, the cost of attendance is often incomplete or missing altogether. One-third of letters we analyzed don't list any cost at all. There is literally no price tag. One-third of letters mention only direct costs, what students have to pay to college to enroll and start school.

Only one-third of these letters did what we believe they should, which is to include both direct costs and indirect expenses like books and transportation. That is what pulled Ella off track.

Second, the formatting of the award letters often doesn't make sense. How schools list the aid affects how students do the math. Over two-thirds of the letters we analyzed—again, two-thirds of the letters we analyzed lump grant aid and loans together. It is unclear what is a gift and what needs to be paid back.

Third, there is no standard terminology for students to compare offers. We found financial aid terms titled differently from letter to letter; the same thing written many different ways.

For example, we found the Federal unsubsidized loan did not even use the word "loan"—excuse me, let me start over. We found the Federal unsubsidized loan presented in 143 different ways. In 26 of those cases, the colleges did not even use the word "loan" to describe it.

On the heels of complicated FAFSA and verification, these award letters really trip up our students. Students like Leon. Leon was a bright, but unmotivated young man who had a very difficult home life. An athletic program provided him with a love of learning and an ambition to attend college. Leon excitedly shared the news of a $20,000 scholarship to his top choice and committed to the college. Yet in August, he faced a $17,000 bill. Leon didn't go to college that year. This an example of summer melt, a phenomenon when students who are college ready and college intending never reach campus.

Which brings me back to how you can help. While these letters lack consistency and transparency, there is a proven strategy of guidelines for providing clear information to consumers. It has been done successfully in other areas of commerce, including FDA food labels, the HUD–1 Settlement Sheet, and credit card statements. Please do the same for our Nation's students.

This is a system-wide problem and needs a systems-level solution. Not enough counselors are there to help students navigate these tricky layers. We have a clear ask. Set standard requirements for financial terms and definitions and formatting to protect both our students and our taxpayers' investments.

Simplifying award letter communication is vital. Yet simplification of grants and loans should not mean a reduction of funds for students who need it most.

In closing, we are so grateful you invited a student-centered organization to be part of this important conversation for our country. We know that students and those who serve them have insights to help make policy work.

Thank you.

[The prepared statement of Laura Keane follows:]

PREPARED STATEMENT OF LAURA KEANE

Mr. Chairman, Ranking Member Murray, and Members of the Committee, thank you for this opportunity to testify on "Reauthorizing the Higher Education Act: Financial Aid Simplification and Transparency." My organization, uAspire, is a national nonprofit hyper-focused on college affordability. In the last year, uAspire advised over 10,000 students in the states of Massachusetts and California and virtually advised another 15,000 students in seven states on how to find an affordable pathway to a college degree. In addition, we trained 2,100 counselors who served another 350,000 students in 27 states across the country. We serve all postsecondary students attending a variety of institution types.

We are a student-centered organization, working with one student at a time, and on a policy level, we utilize our learnings to make financial aid systems more equitable, efficient, and effective. We would love to put ourselves out of a job 1 day.

The topic of how to pay for college is one discussed at the kitchen table for many Americans—at least for the lucky ones. Others, including many of the students we serve, assume it's simply out of their reach—not because of their academic performance, but because of cost. This problem is rooted in both perception and reality. Sometimes, the cost is out of reach. The price of college has skyrocketed faster than the rate of inflation for years now, while the purchasing power of the Pell Grant has dropped from covering nearly 80 percent of student need when created 40 years ago, to covering less than 30 percent of the cost of a 4-year, public degree today.[1] Sometimes, it's not the cost that is a barrier for our students, but the confusing terminology or complex processes required to access and understand financial aid, which can be akin to the old board game of Chutes and Ladders. Often times, it's both high costs and lack of clarity of those costs at play.

[1] Protopsaltis, S. Parrott, S. 2017 "Pell Grants—a Key Tool for Expanding College Access and Economic Opportunity—Need Strengthening, Not Cuts" Center on Budget and Policy Priorities.

My testimony today will focus on the student experience with our current financial aid system. Lack of clear and consistent information combined with messy, complicated systems denies students and families the ability to be smart consumers and make financially informed decisions in the higher ed marketplace. This leaves too many Americans at the doorstep of earning a higher education degree, but unable to do so, especially low-income Americans for whom the financial aid system was designed to reach. My goal today is two-fold: to share with you the common challenges our students face as they navigate financial aid and offer proposals from the front-line that we think can help improve the system. Given the focus of this hearing, we will do so looking at three phases of the student experience in the financial aid process: choosing an affordable college; transitioning to college; and during college.

Student Experience: Choosing an Affordable College

Finding an affordable college is a confusing process for students and families. Students confront a detrimental lack of information and transparency when making one of the biggest financial decisions of their lives. Though the mysteries should end when they receive financial aid award letters, often they do not. Some students may be stuck in the verification process and therefore unable to receive a final award letter or any financial aid. Others may have received award letters from multiple colleges but are unsure how to determine and compare the bottom line costs because their letters are filled with inconsistent terminology and vary greatly in format. Appendix A: Award Letters: Three Examples contains a sample of letters that showcase the divergence of formats, terms, and math at the root of the confusion.

This section shares our insights based on two sources: our advising work where we have conducted thousands of award letter review sessions with students; and data analysis of our collection of over 50,000 financial aid offers sources by students and advisors during award letter reviews. We are currently underway with an extensive research project with New America, a research and policy institute located here in Washington, DC. Together we are conducting both quantitative and qualitative analyses of our Class of 2016 data. This data set contains 11,334 award letters from 6,023 students at 936 colleges. Of those students, 76 percent are Pell Grant recipients, making our analysis particularly relevant for the issues low-income students are facing. We are unaware of any other analyses of this sort that have been conducted at such a large scale.

We conducted a deep qualitative review of 515 award letters provided to Pell-eligible students and have identified **seven key** areas as particularly problematic, illustrated by both our analysis and student and practitioner stories of how these issues have impacted their decisions. See Appendix B: Award Letter Format Cases for examples of the problems highlighted below.

- 1. **Inconsistent/inaccurate terminology:** Financial aid award letters are filled with jargon that leave students and families scratching their heads. In our sample, we had 454 letters that offered the Federal direct unsubsidized loan. After accounting for differences of punctuation and minor formatting, we identified 143 unique titles for the direct unsubsidized loan. Of those, 26 letters do not even identify it as a loan (e.g., "Fed Direct Unsub," "Unsubsidized DL"). Additionally, colleges sometimes misuse important financial aid terminology, such as "net costs." This lack of standardization and improper usage of terms makes it very hard for students and families to compare offers.
- 2. **Missing cost information:** More than one-third of the letters in our sample did not include any notation of cost on the page that listed the awards. This lack of information puts the consumer in the dark. Students cannot contextualize their financial aid offers without knowing the cost, as $20,000 of aid means something very different from a college that costs $25,000 than at one that costs $65,000. Further, of those colleges that included cost, nearly half only included direct costs (i.e., tuition/fees, room/board) and did not mention any indirect expenses (e.g., books, supplies, transportation). Failing to communicate full cost of attendance (COA)—direct costs and indirect expenses—can later put students at risk of insufficient funds to persist through college, or even to meet basic food and housing needs. Last, assumptions made to determine the cost, such as residency (in-state/out-of-state) and housing (on/off campus) are often unstated, which limits students' ability to confirm whether the cost of attendance is accurate.

As an example of how this can affect students, a Pennsylvania senior[2] received a $10,000 scholarship at his top choice school. Beaming with pride, he shared the news with family and friends. Since COA was missing on the letter, the student didn't realize it was only 20 percent of the cost and he still owed $40,000, even after the Pell Grant is applied. In the rush of excitement, the student already accepted the offer and deposited at that school—money he lost when he had to switch to a more affordable college option.

- 3. **Combined and undefined aid types:** Less than one-third of the letters in our sample split out different types of aid (i.e., grants/scholarships from loans, work-study). The majority of letters group all aid together and most do not include definitions of different types of aid, making it hard for student—particularly those not familiar with financial aid—to understand the long-term implications of their offer. And in cases where letters do include definitions, some of those definitions provided may actually cause more confusion for the student, as illustrated by the example from an actual award letter below:

Work Study Earnings are normally used to defray personal expenses during the school year. However, by participating in the Work Credit Plan, you may contract to apply up to 90 percent of your work authorization to your statement of account (example, $2,200 x 90%=$1,980).

- 4. **Missing and varied calculation of remaining costs:** Many award letters fail to calculate for students what it will cost to enroll after taking into account their financial aid. Based on our initial analysis, only about two in five letters provided some calculation of remaining costs, yet there were no clear trends of how that calculation was made. That is, were they subtracting aid from the full COA or just from direct costs? Were they calculating costs before loans, after loans, or both? Were they subtracting out the EFC? Different calculations across letters make it difficult for students and families to compare and make financially informed decisions. We believe that displaying "net costs" (i.e., COA minus grants and scholarships) is critical to show what a student's all-in cost will be to complete the year. In addition, based on our advising experience, students and families want to know what the bill will be—namely, what they have to pay now. As a result, we help them calculate "estimated bill" (i.e., direct costs minus grants and scholarships and loans) to show what they would need to pay the college to start school.
- 5. **Direct PLUS Loan listed under awards:** Nearly 15 percent of letters we analyzed included the PLUS loan in the list of awards and calculations. The PLUS loan is particularly troubling given how high the dollar amounts are that parents could be "offered." Our data analysis showed an average PLUS loan amount offered for a single academic year as nearly $10,000 for students who receive the full Pell Grant amount and over $18,000 for students who are not Pell-eligible.

In our advising, we frequently encounter situations where students see their stated remaining costs are $0 and do not realize a PLUS loan has been included in the calculation. As an example of such a letter, see example #3 in Appendix A: Award Letters: Three Examples. When faced with these situations, our advisors explain the PLUS loan to students, who then realize they cannot afford to go to these colleges. In some cases, a student knows their parent would be denied the PLUS loan. For other families, even if a parent is approved, they know they will be unable to repay such large loans. Regardless of financial situation, however, including the PLUS loan as though it is an award is confusing to students and families.

- 6. **Work-study listed under awards:** Many award letters include work-study as an award, as though it is available at the beginning of the semester to help pay the first bill. Our data analysis showed a median work-study amount of $2,349 is offered on the award letter, meaning if misinterpreted as aid available immediately, it could leave a student with a larger-than-expected bill. Further, work-study is not guaranteed at all. Students need to apply for and receive a job, and then they can earn up to the amount offered on the award letter, depending on working the requisite amount of hours to reach that number.

[2] Student examples are actual stories from uAspire advising. Names have been withheld to protect student privacy.

Our advisors report students are frequently confused by award letters that include "Federal work-study" under awards. They often interpret this aid to be available immediately, as opposed to a potential job that could slowly earn money on a bi-weekly basis.

- 7. **Lack of clear next steps:** Only about half of the letters included any indication of what, if any, aid would be accepted on the student's behalf and what the student needed to do in order to either accept or decline their awards. Given the differences in policies across colleges, the path to unlock aid is neither consistent nor clear. Therefore, it is important to require each institution to identify next steps on award letters so that students do not inadvertently miss out on aid. Due to such disparity of next steps and the lack of consistent communication, uAspire developed a summer program to fill this gap and offer clarity on next steps as well as support to successfully complete them.

Americans are hungry for clear information to help them navigate the maze that is our current financial aid system. Beyond award letter terminology and format, we can better educate students and families on the key takeaways of award letters so they are better equipped to make a financially informed decision. FAFSA completion media campaigns are a strong example, yet the FAFSA itself is only the beginning of the financial aid process. In the Spring of 2017, uAspire partnered with the Office of the Massachusetts Attorney General to launch an online and social media campaign to help families better understand financial aid packages and college costs. Over 4,600 people have accessed the online tools to make an informed college choice, and our educational videos have reached an audience of over 20,000. Social media campaigns on making a financially informed college choice can promote improved student decisionmaking.

Proposals to Improve Choosing an Affordable College:

Based on our experience and learnings from the field, we suggest the following proposals to improve the current system for students and families when choosing a college:

- Conduct consumer testing with a multi-statkeholder group to identify a required set of defined terms and formatting practices for all financial aid award letters.
- Require standard terms with federally defined, student-friendly definitions on the award letter: Cost of Attendance; Direct Cost; Indirect Expenses; Gift Aid; Loans; Net Costs; Estimated Bill; and Work-study.
  - Require 5 formatting practices:
  - COA broken down to include line items for direct costs and indirect expenses
  - Residency and housing assumption stated on financial aid offer
  - Aid broken down by grants/scholarships and loans
  - Estimated bill and net cost calculations
  - PLUS Loan and work-study offers listed outside of aid calculations as potential options to cover remaining costs

Student Experience: Matriculating to College

As students move from high school to college, they cross the "no-man's land" between the systems of K-12 and higher education. High schools are funded per student up to graduation day, and school counselors are typically 10-month employees creating a significant gap in support services during a critical time for financial aid requirements. It is rare for students to have access to college & financial aid counseling during the summer months as they prepare to head off to college. [3]

There are many financial aid steps students must currently take in order to successfully matriculate to postsecondary education. The list includes: accessing and navigating college portals; reviewing and approving aid; selecting housing and meal plans; securing loans; taking placement tests and registering for classes; enrolling or waiving health insurance; and paying their college bill. Often this is the first time our students confront any of these type of tasks, and they are doing so without guidance given momentary lull between K-12 and higher ed systems. We'll focus here on two key moments: securing student loans and covering the college bill.

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[3] Castleman, B., Page, L. and Schooley, K. 2013 "The Forgotten Summer: Does the Offer of College Counseling After High School Mitigate Summer Melt Among College-Intending, Low-Income High School Graduates?" EdPolicyWorks Working Paper.

Securing a student loan by signing the "MPN" or Master Promissory Note and by completing Entrance Loan Counseling are entirely new and intimidating tasks for recent high school graduates. Most students do not understand what an MPN is, or what exactly they are signing. It's often their first time reviewing a financial contract and the language is unfamiliar and overwhelming. While the current requirements for receiving a Federal student loan include Entrance Loan Counseling, its effectiveness as a counseling resource is questionable and the bar to determine proficiency is low, as demonstrated by a student study that indicated 40 percent of Federal loan borrowers had no memory of completing loan counseling [4]. Many of our students are easily able to complete entrance counseling without understanding the responsibilities and obligations of the loans they are assuming.

Additionally, the bill that students receive from their college looks totally different than the award letter, and the numbers don't often add up in the same way. Before joining uAspire, one of my stellar students in Pennsylvania received a $20,000 institutional scholarship in May and excitedly committed him to the college. Then a few months later in August, he received an unexpected $17,000 bill. The full terms and implications of the financial aid award resulted in $17,000 of unmet need that was not made clear until the bill arrived. Because of this enormous and unexpected out-of-pocket expense, this student didn't go to college that year.

Besides differing numbers, the bill often comes from an unfamiliar and separate office from financial aid. The silos in higher education—in particular for where and how to access help for a financial issue—create additional barriers for students to troubleshoot problems. Below is a text message a uAspire advisor received from a student in California, for whom a clerical error resulted in her financial aid being withheld. This became apparent when she compared her college bill to what her award letter listed:

> *"The due date is today and there's no way I can get it there on time. I could have sent what they needed together. Also I KNOW I sent the correct paperwork in. My mother keeps all important documents in folders at home and the contents of the packet were labeled. I scanned and copied everything myself . . . I'm just so tired and frustrated with all this stuff before school even starts!"*

In order to meet this deadline, the student had to drive 70 miles to hand deliver the form. It was a narrow miss, as a single missing link in the chain of requirements and documentations, can erase years of work that the student has put into their college goals.

Collectively each of these challenges contribute to the phenomenon known as "summer melt", by which college-ready, college-intending students fail to successfully enroll in college in the fall following high school graduation. Despite having gained admission into a college, and completed many of the requirements to enroll, they are ensnared in the labyrinth of summertime pre-matriculations steps with little or no support at their disposal. Their individual missed opportunities for college and career are a tragedy for our country; a systemic failure that constrains our labor market and limits our tax base.

uAspire partnered with researchers Drs. Ben Castleman and Lindsay Page to test and then prove that summer melt can be effectively decreased with scalable, inexpensive text reminders—behavioral economic nudges that provide the right information at the right time to students ripe for a reminder.

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[4] Whitsett, H., and O'Sullivan, R. 2010 Lost Without a Map: A Survey about Students' Experiences Navigating the Financial Aid Process NERA Economic Consulting & Young Invincibles.

Overall, students who received texts during summer months were 7.1 percentage points more likely to complete enrollment steps to matriculate into a postsecondary institution than those who did not receive texts. The impact was even greater for students who did not have specific college plans at the end of high school, showing 11.3 percentage points greater matriculation than those without text prompts.

Matriculating to College Proposals:

Based on our experience and learnings from the field, we suggest the following proposals to improve the current system for students and families when matriculating to college:

- Simplify FAFSA and verification to yield much needed college-level counseling capacity in the summer to deliver increased student advising of financial steps for enrollment.
- Conduct research to identify ways that Master Promissory Note requirement could also educate students about borrowing terms, concepts and responsibilities.
- Require estimated bill to be on award letter notifications so students and families can financially plan
- Assign Federal Student Aid responsibility to systematically communicate with all students on the key financial steps to matriculation.
- Task Federal Student Aid to deliver financial aid information and supports via mobile app or text and improve customer service for supports therein.

Student Experience: During College

College affordability is often misconstrued as the money it takes to start college, not how much it costs to finish. We have become deeply concerned that while college enrollment is up, college completion is not. We see students leave college without a degree, simply because they cannot afford to stay. For our students, it is a consistent story of "not enough." Not enough financial aid to cover the reality of their indirect expenses. Not enough time to navigate loopholes and potholes to access aid they qualify for. Not enough opportunities via Federal Work-Study. And, not enough loan counseling to make informed financial decisions each year.

As stated in uAspire's Affording to Finish report, meeting the financial need of students is a challenge for increasing numbers of both two and 4-year public institutions. Nationally, 4-year public colleges are able to meet full need for only 12 percent of their aid applicants.[5] Significant decreases in State higher education funding since the 2009 recession have negatively impacted the affordability of public colleges and universities. Forty-six states are spending less per student than they did just prior to the recession. Cuts in State funding have resulted in increases in tuition and fees at public colleges by as much as 33 percent at 4-year publics since

[5] CollegeInsight. 2013-14. Financial Aid—Undergraduates. April 25, 2017. *http://college-insight.org/-topics/ go&h=9c7b6be0256bf370a9ea749afedcf7fb.* Oakland, CA: The Institute for College Access and Success.

2007-08.[6] Students from families in the lowest income quartile feel the effects deeply, it is estimated that over 90 percent have unmet need.[7]

When funding isn't enough, it's not the institution that gets short-changed, but the student. In order to enroll, direct costs are paid first, whereas indirect expenses go unmet. Today, the majority of U.S. college students live off-campus, attend 2-year schools and 47 percent are financially independent.[8] When advising students we consistently see that indirect expenses are not adequately estimated nor accounted for in financial aid determinations. This puts students at risk for meeting educational expenses and even sometimes basic needs. Our students share stories of being increasingly forced to make choices between books and food. This mirrors recent research that documents trend of food & housing insecurity across community colleges citing one-third of students regularly go hungry and 14 percent are homeless.[9] When students struggle to afford basic needs while in college, information and access to public benefits can make a big difference—to get by and get through. Advisors share the relief they feel when students are at colleges with dedicated offices to support benefits access such as SNAP and transportation passes. Given the complexities of applying, more innovative government partnerships are needed to support coordination & administration of benefits to our most vulnerable, and increasingly most common college students.

For today's typical college student, working while in school is a must. Our advising experience, as well as numerous research shows that students with work-study do better in school by GPA and rates of degree completion. Federal Work-Study provides a strong return on investment on both the individual and Federal levels. Specifically, community college students' who participate in Federal Work-Study demonstrate a 12-15 percent increase in persistence to their second year[10] Due to the antiquated formula of FWS allocation biasing historical participation versus a needs-based analysis, students at community colleges face a dearth of available work-study positions. As a result, the need to work draws them to off campus employment—decreasing flexibility and increasing potential disconnectedness. As a result they spend even more time with employers disconnected from their college pursuits and needs.

Financial implications of academic decisions present as another hurdle for postsecondary students; credit and GPA requirements tied to financial aid are incredibly complex & hard to grasp. Within our advising program, students often run into financial barriers via academic decisions, from using time-bound Pell for development courses to losing aid eligibility if not meeting Satisfactory Academic Progress (SAP) standards. Research from Judith Scott-Clayton and Lauren Schudde of Teacher's College at Columbia University demonstrates this point. According to Schudde, "Meeting SAP is a non-trivial hurdle for many students: a quarter of first year Pell recipients at public institutions have GPAs low enough to place them at risk of ineligibility, representing hundreds of thousands to over a million college entrants each year."[11] Students receiving need-based aid who do not meet SAP after the first year lose their access to the dollars that level the playing field for them. Their full-pay student counterparts usually have until graduation to meet the same GPA requirements. The concept of SAP is not articulated to students clearly, yet even when students grasp the concept, most institutions' SAP policies tend to be obscure and complex even for college academic advisors, making it easy for students to miscalculate (credits accumulated/credits attempted) and lose track. Last year, over one-third of our advising sessions with students centered around SAP, often spent educating and calculating so students would be aware of their status in the future.

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[6] Mitchell, M., Leachman, M., & Masterson, K. 2016. State Cuts to Higher Education Threaten Quality and Affordability at Public Colleges. Washington, DC: Center on Budget and Policy Priorities.

[7] Walizer, L. 2015. Barriers to Success: High Unmet Financial Need Continues to Endanger Higher Education Opportunities for Low-Income Students. Washington, DC: CLASP, Center for Postsecondary and Economic Success.

[8] "Today's Student Statistics" 2018 Retrieved from *https://www.luminafoundation.org/todays-student-statistics.*

[9] Goldrick-Rab, S., Richardson, J., & Hernandez, A. *Hungry and Homeless in College: Results from a National Study of Basic Needs Insecurity in Higher Education.* Wisconsin HOPE Lab. (2017).

[10] Poison, C., and Weisburst, E., 2014. Work-Study Financial Aid and Student Outcomes: Evidence from Community Colleges in Texas. Austin, TX: Department of Economics, University of Texas Austin.

[11] Schudde, L. and Scott-Clayton, J.(2014) *Pell Grants as Performance-Based Aid? An Examination of Satisfactory Academic Progress Requirements in the Nation's Largest Need-Based Aid Program.* CAPSEE *http://ccrc.tc.columbia.edu/media/k2/attachments/pell-grants-asperformance-based-aid.pdf.*

Trellis (formerly TG) conducted extensive user-research on loan counseling that uAspire used to redesign how we counsel our college attendees. Core tenets of effective loan counseling were identified to be timely, personal, and interactive.[12] Instead of offering all students the same advising, we offer annual loan counseling with personal real-time data from their award letter and National Student Loan Data System (NSLDS) account. We coach students to map out anticipated expenses and plan the best way to apply their aid, earnings and family support, to meet their needs. Students resist these sessions, they don't want to talk about it and face an accumulating debt that they don't know how they will repay. We have found annual loan review normalizes the relationship with borrowing and standardizes loan review behavior that is critical for the long-term. Given Federal Government only requires entrance and exit loan counseling, we provide the support in between. We believe all student loan borrowers, not just ours, need personalized and interactive loan counseling—looking at their debt total—on an annual basis timed to inform decisions about borrowing each year. Technology and data integration can lead the way so that scale can be reached.

Addressing insufficient loan counseling is also critical given the steady rise of delinquency and default. And the ultimate price for overcoming these obstacles is often more daunting for students of color. Although default rates are on the rise overall, recent research by Dr. Judith Scott-Clayton shows that "Black B.A. graduates default at five times the rate of white B.A. graduates (21 percent to 4 percent)," and this disparity almost doubles for attendees of for-profit institutions (23 percent to 43 percent for the 1996 cohort compared to the 2004 cohort).[13]

Postsecondary Proposals:

Based on our experience and learnings from the field, we suggest the following proposals to improve the current system for students and families while attending college:

- Maintain aid levels for Pell-grant students tied to inflation to cover growing costs.
- Increase Pell Grant dollars as students progress to incentivize completion and help meet increased costs per year.
- Align interagency data and services to offer postsecondary students access to SNAP food stamps and other public benefits for which they qualify.
- Adjust Federal Work-Study formula to ensure it is going to students who need it most and increase investment to reach more students.

Simplify and increase clarity of Satisfactory Academic Progress (SAP) requirements. Ensure requirements are equitable and not more stringent that those for full-pay students.

- Change Federal loan counseling requirement from entrance and exit-only, to annual.

CONCLUSION

Mr. Chairman, Ranking Member Murray and Members of the Committee, we appreciate the opportunity to contribute to this important dialog on financial aid simplification and transparency. We greatly value this series of hearings and urge the Committee to address these issues in a holistic manner and focusing across the full lifecycle of a postsecondary student, from making an affordable college choice, eliminating barriers during the transition to college and ensuring that students have access to clear information to ensure they maintain aid and stay on a path toward their degree while enrolled in school.

We believe that financial aid simplification matters, but know it won't solve the college affordability issue alone. While these efforts do not directly address the much-discussed cost barrier, they will make a real and measurable impact on the lives of students across this country. Streamlining systems to reduce bureaucratic inefficiencies and removing additional barriers for students to navigate will make the pathway to a college degree easier for many Americans. Our students can focus their efforts on making financially informed decisions rather wasting time and frus-

[12] Fernandez, C., Fletcher, C., Klepfer, K., & Webster, J. (2015). A Time to Every Purpose: Understanding and improving the borrower experience with online student loan entrance counseling. TG Research. Retrieved from: *http://www.tgslc.org/research/*.

[13] Scott-Clayton, J. (January 11, 2018). The looming student loan default crisis is worse than we thought. Retrieved from *https://www.brookings.edu/research/the-looming-student-loan-default-crisis-is-worse-than-we-thought/*.

tration navigating confusing terms, unnecessary processes. Our counselors and financial aid administrators can spend more time advising students on key decisions related to their postsecondary education, instead of having to devote valuable time bogged down navigating bureaucratic inefficiencies.

Our goal as an organization is to help more Americans earn a college degree with less debt. uAspire believes that the proposals we have shared to simplify financial aid practices and increase transparency for students, families and practitioners will contribute greatly toward reaching that goal. We look forward to working collaboratively with government, K–12 and higher education systems and others in our field toward pursuing these cost-effective changes which will bring a college degree within greater reach for all Americans who wish to pursue one.

Thank you.

APPENDIX

Appendix A: Award Letters: Three Examples
Appendix B: Award Letter Format Cases

Appendix A: Award Letter Example #1

January 25, 2017 ID

Dear

Congratulations on your acceptance to ! We are pleased to offer you the following financial aid package for the 2017-18 academic year.

Congratulations! Your financial aid includes an Honor's Scholarship. Please note you must be a full time day student, maintain a 3.0 GPA at the end of the first academic year, and maintain a 3.25 at the end of the second and third academic years to receive this award. Maximum award is 8 semesters.

Source	Fall	Spring	Total
Honors Scholarship	$500	$500	$1,000
Estimated State MassGRANT	$700	$700	$1,400
Federal Pell Grant	$2,960	$2,960	$5,920
Federal Supp Ed Opp Grant	$50	$50	$100
Financial Aid Tuition Waiver	$350	$350	$700
Student Fee Grant	$1,300	$1,300	$2,600
Federal Work Study Yes No__	$800	$800	$1,600
Mass No Interest Loan Yes__No__	$600	$600	$1,200
Federal Direct Stafford Loan Yes No___	$1,750	$1,750	$3,500
Fed Direct Unsub Stafford Loan Yes__No__	$1,000	$1,000	$2,000
Total	$10,010	$10,010	$20,020

To accept or decline this package, check above as necessary, sign, and return one copy to the Financial Aid Office within two weeks.

Your award package has been formulated based on your enrollment and housing statuses listed below:

Fall 2017 Semester: **Full Time**
Spring 2018 Semester: **Full Time**
Housing: **On Campus**

If your enrollment or housing status is incorrect or changes, you must notify us immediately at financialaid@ .edu. Changes to these statuses may result in a revision to your award.

- **IMPORTANT: If you are accepting your Federal Stafford Loan at you will need to complete Entrance Counseling and a Master Promissory Note online at www.studentloans.gov.**

☐ Check here if you do *not* plan to enroll at

If you are expecting other financial assistance that it not listed above, please notify the financial aid office in writing and include documentation when returning this award notice.

Student Signature ______ ____ ____ ______Date__________ ___

Financial aid award letters are also available online. If you have a valid password, you can view and accept your awards at .edu.

OFFICE OF FINANCIAL AID

Appendix A: Award Letter Example #2

March 20, 2017

We are pleased to provide your financial aid award notification for the 2017-18 academic year at . College. Your Direct Cost, which covers tuition, student activity fee, a one-time transcript fee, room and board (7-day meal plan), as a full-time student with residency status of **living on campus** is $51,159.

Gift Aid for 2017-18	Awarded Amount
Scholarship	14,000
Area Fellowship	2,000
Federal Pell Grant	3,670
Federal SEOG Grant	1,000
TEG - Tuition Equalization Grant	3,200
Grant	10,100
Gift Aid Total:	33,970
Direct Cost after Gift Aid:	**$17,189**

Your total Direct Cost for 2017-18 does not include the variable costs for textbooks, personal expenses and transportation allowance which are estimated at $2,625 for 2017-18. Additional financing options to help cover your remaining Direct Cost of $17,189 and Indirect Costs of $2,625 are as follows:

Federal Direct Subsidized Stafford Loan	3,500
Federal Direct Unsub Stafford Loan	2,000
Federal Direct Plus Loan	12,314

In addition, you have eligibility for student employment, which is an on-campus job working up to 9 hours per week. Earnings are paid directly to you for hours worked. Please accept or decline below:

Federal Work Study	2,000

Please Note: You will need to go to Financial Aid Self-Service website to accept your loans and/or student employment. A link to Financial Aid Self-Service website can be found under the Financial Aid menu on

Important Details About Your Awards

PLEASE NOTIFY You must notify the Office of Financial Aid of any changes in your enrollment status, living arrangements, or meal selection. Your financial aid package is subject to revision if you make any changes.

Appendix A: Award Letter Example #3

2017-2018
Financial Aid Offer

	Fall 2017	Spring 2018	Total
NonRes Tuition Schol	$4,500.00	$4,500.00	$9,000.00
Federal Pell Grant	$2,960.00	$2,960.00	$5,920.00
Federal SEOG Grant	$ 500.00	$ 500.00	$1,000.00
University Grant	$3,603.00	$3,602.00	$7,205.00
Federal Direct Subsidized Loan	$1,750.00	$1,750.00	$3,500.00
Federal Direct Unsubsidized Loan	$1,000.00	$1,000.00	$2,000.00
Federal Direct PLUS Loan - Offered	$5,445.00	$5,444.00	$10,889.00
Total Financial Aid Offer	**$19,758.00**	**$19,756.00**	**$39,514.00**

Estimated Fall/Spring Costs

Direct Costs		Indirect Costs	
Tuition	$23,126.00	Transportation	$2,800.00
Fees	$1,018.00	Miscellaneous	$2,050.00
Books and Supplies	$1,000.00	**Total**	**$4,850.00**
Housing	$5,140.00		
Meals	$4,380.00		
Total	**$34,664.00**		

Total Direct & Indirect Costs: $39,514.00

Summary of Financial Aid and Costs

Total Cost of Attendance	$39,514.00
Estimated Family Contribution	$ 0.00
Total Need	$39,514.00
Total Aid Offered	$39,514.00
Total Unmet Need	$ 0.00

The university is required to follow federal regulations when determining your awards and reserves the right to adjust your award at any time based on availability of federal funds or changes in eligibility. Eligibility may change if financial need changes, additional resources or scholarships are received, enrollment changes, or Satisfactory Academic Progress requirements are not met. Adjustments may result in cancellation or repayment of federal funds. Any adjustments will be communicated to you and will be available on

Appendix B: Award Letter Format Cases

This document shows clear and confusing practices of financial aid notification pulled from award letters in the uAspire Award Letter Datamart. Specific cases below correspond with Written and Oral Testimony.

Case 1: Loan Terminology

(a) Confusing: The word loan is not included on award letter

Direct Sub	$	3,500
Direct Unsub	$	2,000
	$	5,500

(b) Clearer: Full name of loans provided

Federal Direct Subsidized Loan	1750.00	1750.00	3500.00
Federal Direct Unsubsidized Loan	3000.00	3000.00	6000.00

Case 2: Presentation of Cost of Attendance

(a) **Confusing:** Cost of Attendance presented as one lump sum without any details of direct expenses vs. indirect expenses

> This award is based on your expected full-time undergraduate enrollment each semester and your Cost of Attendance of $53,790.00. The Cost of Attendance (COA) includes tuition, fees, room and board (if a resident) and estimates of indirect expenses such as books, transportation, personal and living expenses.

(b) Clearer: Details of Cost of Attendance provided with breakdown of both direct and indirect expenses

Direct "Billed" Expenses		Indirect Estimated Expenses	
Tuition and Fees	$50,834	Books and Supplies (estimated)	$1,300
Room and Board	$13,530	Personal &Travel (estimated)	$1,336
Total Direct Expenses	$64,364	Total Indirect Expenses	$2,636

Total Cost of Attendance $67,000

Appendix B: Award Letter Format Cases

Case 3: Organization of financial aid offered on the award letter

(a) Confusing: Financial aid is not organized by type

Type of Aid	Fall	Spring
Fee Grant	1,300.00	1,300.00
Tuition Grant	900.00	900.00
Tuition Waiver	450.00	450.00
Expected MassGrant	550.00	550.00
Fed. Subsidized Loan	1,750.00	1,750.00
Fed. Unsub. Loan	1,000.00	1,000.00
Federal Pell Grant	2,908.00	2,907.00
Federal SEOG Grant	100.00	100.00
Federal Work Study	900.00	900.00
MA No Interest Loan	500.00	500.00
Total	$10,358.00	$10,357.00

(b) Clearer: Financial aid is organized by type, differentiating between grants & scholarships, loans, and work-study.

GRANTS (money you do not have to pay back):	
Faculty Scholarship	**$29,000.00**
Federal Pell Grant	**$5,815.00**
Fed. Ed Opportunity Grant	**$2,400.00**
WORK (money you can earn through a campus job):	
Federal Work Study	**$2,500.00**
LOANS (money you have to pay back):	
Fed. Direct Subsidized Loan	**$3,500.00**
Fed. Direct Unsubsidized Loan	**$2,000.00**

Appendix B: Award Letter Format Cases

u·aspire

Case 4: Presentation of cost after financial aid is applied

(a) Confusing: Financial aid offered equals cost of attendance to present student with a zero for remaining cost. PLUS Loan and work-study included in the calculation without explanation of non-guaranteed and next steps.

Award	Award Code	Fall	Spring	Total
EST Federal Pell Grant	PELL	$2,233	$2,232	$4,465
EST Federal SEOG Grant	SEOG	$250	$250	$500
EST Federal Work-Study	WS	$1,350	$1,350	$2,700
EST Fed Direct Subsidized Loan	DLS	$1,750	$1,750	$3,500
EST Fed Direct Unsub Loan	DLU	$1,000	$1,000	$2,000
EST Fed Direct PARENT Loan	PLUS	$12,998	$12,999	$25,997
TOTAL		**$19,581**	**$19,581**	**$39,162**

ESTIMATED COST OF ATTENDANCE (COA)

Category	Fall	Spring	Total
Tuition & Fees	$12,750	$12,750	$25,500
Room & Board	$4,481	$4,481	$8,962
Books & Supplies	$500	$500	$1,000
Transportation	$850	$850	$1,700
Personal & Misc Exp	$1,000	$1,000	$2,000
TOTAL	**$19,581**	**$19,581**	**$39,162**

Total Estimated COA	$39,162
Less Financial Aid Offer	$39,162
Unmet Estimated Costs*	$0

*Unmet estimated costs is what you may be expected to cover on your own.

(b) **Clearer:** Net cost provided before application of loans and remaining costs after loans are applied. Explanations are provided

What you will pay for college: Your net cost is the remaining balance left after your grants and scholarships are subtracted from the estimated cost of attendance.	**Net Cost:**	**$43,462.00/ YR**

Options to Pay Net Costs

Loan Options: A portion, if not all, of your net cost may be funded through loans. Federal loans typically have the most attractive rates.		**$6,900.00/ YR**
	Federal Perkins Loan	$1,400.00
	Direct Subsidized Loan	$3,500.00
	Direct Unsubsidized Loan	$2,000.00
What you would pay after the loan options above:		**$36,562.00/ YR**

[SUMMARY STATEMENT OF LAURA KEANE]

uAspire is a national nonprofit hyper-focused on college affordability and working with students directly. Last year, we assisted over 10,000 students in MA and CA, virtually advised another 15,000 students in 7 states and trained 2,100 counselors serving 350,000 students in 27 states. On a policy level, we utilize our experiences with students to make financial aid systems more equitable, efficient, and effective.

Lack of clear and consistent information combined with complicated systems disempowers students and families to be smart consumers in the higher ed market and to make financially informed decisions. My goal today is two-fold: to share the common challenges students face as they navigate financial aid and offer proposals from the front-line that we think can help. I will review three phases of the student experience in the financial aid process: (1) choosing an affordable college; (2) transitioning to college; and (3) attending college.

- (1) Students confront a detrimental lack of information and transparency when making one of the biggest financial decisions of their lives. In reviewing 515 financial aid award letters received by Pell-eligible students, we identified significant barriers to making an informed and affordable college choice, including inconsistent/inaccurate terminology, missing cost information, and problematic formatting practices that mislead consumers.
- (2) As students move from high school to college, they cross the "no-man's land" between the systems of K–12 and higher education and have reduced access to adequate guidance. At the same time, students must complete a number of required financial tasks alone before they can transition to college, including securing education loans and paying their college bill. This contributes to the phenomenon known as summer melt, by which college-ready, college-intending students fail to successfully enroll in college in the fall following high school graduation. Students who wind up ensnared in the labyrinth of summertime pre-matriculations steps are casualties of this systemic failure that constrains our labor market and limits our tax base.
- (3) College affordability is often misconstrued as the money it takes to start college, not how much it costs to finish. We have become deeply concerned that while college enrollment is up, college completion is not. We see students leave college without a degree, simply because they cannot afford to stay. For our students, it is a consistent story of "not enough." Not enough financial aid to cover the reality of their indirect expenses. Not enough time to navigate loopholes and potholes to access aid they qualify for. Not enough opportunities via Federal Work-Study. And, not enough loan counseling to make informed financial decisions each year.

Based on our experience and learnings from the field, we offer the following proposals to improve the current system for students and families:

- **Choosing an Affordable College:** Conduct consumer testing with a multi-stakeholder group to identify a required set of defined terms and formatting practices for all financial aid award letters. Require standard terms with federally defined, student-friendly definitions on the award letter: Cost of Attendance; Direct Cost; Indirect Expenses; Gift Aid; Loans; Net Costs; Estimated Bill; and Work-study. Require 5 formatting practices.
- **Transitioning to College:** Simplify FAFSA and verification to yield much needed college-level counseling capacity in the summer to deliver increased student advising of financial steps for enrollment. Identify ways that Master Promissory Note requirement could also educate students about borrowing terms, concepts and responsibilities. Require estimated bill to be on award letter notifications so students and families can financially plan. Assign Federal Student Aid responsibility to systematically communicate with all students on the key financial steps to matriculation. Task Federal Student aid to deliver financial aid information and supports via mobile app or text and improve customer service for supports therein.
- **Attending College:** Maintain aid levels for Pell-grant students tied to inflation to cover growing costs. Increase Pell Grant dollars as students progress to incentivize completion and help meet increased costs per year. Align interagency data and services to offer postsecondary students access to SNAP food stamps and other public benefits for which they qual-

ify. Adjust Federal Work-Study formula to ensure it is going to students who need it most and increase investment to reach more students. Simplify and increase clarity of Satisfactory Academic Progress (SAP) requirements. Ensure requirements are equitable and not more stringent that those for full-pay students. Change Federal loan counseling requirement from entrance and exit-only, to annual.

Our goal as an organization is to help more Americans earn a college degree with less debt. uAspire believes that the proposals we have shared to simplify financial aid practices and increase transparency for students, families and practitioners will contribute greatly toward reaching that goal.

The CHAIRMAN. Thank you, Ms. Keane.

Dr. Lowery-Hart, welcome.

STATEMENT OF RUSSELL LOWERY-HART, PRESIDENT, AMARILLO COLLEGE, AMARILLO, TEXAS

Dr. LOWERY-HART. Chairman, Ranking Member Murray, and honorable Senators, it is a pleasure to sit before you today.

I grew up in a small town in West Texas on a farm, never imagined myself sitting here advocating for community college students. But I come here as a small business owner worried about economic development turned educator and a community leader turned community college student advocate. I know that the future of our country, at least the part that I live in, is uncertain. With automation, robotics, biogenetics, the future of work in our economy is shifting, and I am worried that our students in our communities aren't prepared. But I know that the solution is education and job training.

I also know that our future rests in the hands of a rather remarkable student. At Amarillo College, we call her Maria. She is the typical student in higher education in this country today. She is 26. She is a mother. She is a volunteer in her church and her student organizations, and she is working two jobs and going to school.

Maria is dramatically different from the traditional student of the past. She is often the first in her family to go to college. She has kids or has to support her family. And she is working two jobs, minimum wage, 38 hours a week, often a graveyard shift, and she still has to turn to financial aid not only for her tuition and her books, but to make sure that she can meet her basic living expenses.

Community college is far from free. The price is still a driver for dropouts. In Texas, community college students borrow on average $16,000 on top of work to finish their certifications and degrees. Even with full Pell and maximizing her loans and working two jobs, Maria cannot afford school. But she is amazing. Our country's future rests in her capable hands. She just needs your support and our support and help.

Our economy depends on Maria in every community in this country to complete her degree. Economist Edward Glaeser wrote a book called Triumph of the City, where he looked at cities that exceeded and cities that failed. The common denominator was human capital and education attainment. His prediction for the future is that for every 10 percent we increase education attainment, we get a 22 percent increase in GDP. But we need financial aid to help

Maria and students like her in all forms to ensure that our economy can grow.

We need financial aid because it helps Maria focus on and complete her degree. It not only helps Maria, it helps her family and her kids. And the data that we have, including my own data where I have used my students as secret shoppers to test my own college's work, shows that the process of financial aid is confusing, frustrating, and even fear-inducing.

So Maria and her communities across this country need a simplified FAFSA application process. They need a curtailed verification process. They need increases in maximum Pell awards. They need increased funding and greater alignment between students and specialized programs for food, housing, childcare, and transportation.

In my own school, this past fall, 1,400 of my 10,000 students who are going to school and working and raising a family, and volunteering in our community, needed the use of our food pantry. Students are working hard. They are doing what we ask them to do. We just have to give them more support to help them do it.

So thank you for your leadership. My community, the place that I am raising my own family, and my students need you. But more importantly, you and your communities need my students.

Thank you.

[The prepared statement of Dr. Lowery-Hart follows:]

PREPARED STATEMENT OF RUSSELL LOWERY-HART

Students attending Amarillo College, and community colleges across the country, define the future of our country, and its capacity for economic growth and prosperity in a global society. Today's community college student is dramatically different from the "traditional" college student of the past. She is often the first in her family to attend college, has children or supports other family members, work multiple jobs for minimum wage and frequently during the graveyard shift, and yet still has to turn to financial aid not only for tuition and books but also to cover basic living expenses. But community college is far from free—the price is still a driver of dropout. In Texas, community college students must borrow $16,000, often on top of working, to finish their degrees.

Financial Aid Increases Education Attainment and Economic Growth

- Financial aid increases degree completion rates; without it more students would drop out of college.
- Economic growth is directly linked to education attainment in urban and rural communities: only 30 percent of citizens have any post-secondary credential, putting the economy at risk, and for every 10 percent increase in education attainment, GDP increases 22 percent.

Shifting Student Demographics Make Financial Aid More Important

- The typical student at Amarillo College is a 27-year old Hispanic mother who is a first-generation student going to college part-time while working two jobs.
- In Texas, 54 percent of all college students are enrolled in a community college. And, 35 percent of Bachelor's degree graduates transferred to a Texas university from a community college. 60 percent of Amarillo College students leverage Pell grants, student loans and scholarships to succeed.

Financial Aid Addresses Barriers to Student Success

- Funds from financial aid help keep students focused on school rather than work.
- Financial aid not only helps parents in college but also their children.

- But data—including from "secret shoppers" reveals that financial aid's ineffective processes, regulations, and bureaucracy make it hard to get the dollars and create confusion, frustration, and even fear for students.

Fixes for Financial Aid

- 1. Simplify the FAFSA application process to obtain aid and curtail the Verification process.
- 2. Increase the maximum Pell grant award by an additional $4,500 per year. Current Pell awards fund less than 50 percent of today's real higher education costs.
- 3. Increase funding for specialized programs that assist college students with housing, food, childcare, and transportation needs.

The students attending Amarillo College, and community colleges across the country, define the future of our country. I want to introduce you to this important student because her future impacts your own. We call her "Maria." She is smart, determined, hardworking, church-going mother and she is dramatically different than the typical higher education students from the past century.

Maria faces significant barriers to success, including a bewildering financial aid process. She needs you to truly see and understand her. Mostly, Maria, and the communities in which she resides, need you to advocate for her as if our country's future depends on her success—because it does.

Financial Aid Increases Education Attainment and Economic Growth

The education attainment for students like Maria will determine which of our communities flourish or perish. When Maria is successful, we are all successful. In fact, "As the share of the population with college degrees increases by 10 percent, per capita gross metropolitan product rises by 22 percent" according to economist Edward Glaeser (2011, p. 27). To grow our economy, we must grow the education attainment of our citizens. Yet, only 30 percent of our country hold any postsecondary education credential or degree (U.S. Census). Our country is becoming less educated and less capable. This educational crisis will have a lasting, generational impact on our country.

In 1973, Senator Claiborne Pell and his colleagues understood that our economy would depend on an educated middle class. The Pell Grant fundamentally created the world's largest middle class (Goldrick-Rab, 2016.) Almost 50 years later, with economic inequality on the rise, and low-income and middle-class Americans under pressure, this generation must meet the challenge of making one of the best ways out of poverty and into the middle-class—a college education—affordable for all" (Goldrick-Rab, 2016, p. 260.)

We triumph as a country when we advocate for Maria's college education by understanding and adapting to her. When we make Maria the focus of our processes, policies, and partnership, our country and economy wins. In fact, students who complete an Associate's degree are more employable. The unemployment data for citizens with an Associate's degree is a full 4 percent lower than those with a high school diploma These same students make, on average, $42,600 a year—a living wage in almost every community in the country (Data Points, 2017). These students move from poverty to self-sufficiency.

Federal Financial Aid is the single greater contributor to moving students out of dependence and into a robust economic contributor. With an economy on the verge of changing through automation, robotics, and biogenetics, our communities and this country will suffer severe economic consequences if we are not able to guide more students through completion of a degree. Currently, 72 percent of all students in higher education require financial Aid (Data Points, 2017.) If we cannot simplify these financial aid systems for a more effective interface, Maria will more likely be sitting on the sidelines needing more government assistance, when she desperately wants to earn a living wage.

At Amarillo College, we have adopted a No Excuses philosophy in serving Maria and the thousands of students just like her. We know that if we cannot dramatically shift our effectiveness in ensuring more students finish what they start, our Texas Panhandle will suffer serious, long-term harm.

Amarillo College was the first higher education institution in the country to implement the No Excuses University philosophical framework developed by Damen Lopez's Turn Around Schools organization (see *http://noexcusesu.com/about/).* The framework has prompted college leadership, faculty, and staff to take responsibility for the whole student by setting high expectations and assisting students in reaching these expectations. When our students are not successful, we explore the reasons for their lack of success; but **WE, Amarillo College, ultimately bear the re-**

sponsibility for having the right people, processes, or policies in place to support our students. As a college, we have No Excuses for student failure.

As the Amarillo College president, I am ultimately responsible for ensuring excuses do not derail our ability to more creatively, effectively, and efficiently serve our students and community. I am not asking our Federal Financial Aid systems to improve without a deep understanding and commitment that my college and all higher education institutions must also take responsibility. We need innovation throughout the higher education sector with business and industry guiding us and the U.S. Federal Government as a full, faithful partner. Our country's economic future depends on our ability to ensure more of our neighbors obtain a post-secondary credential. Together, we will improve all of our systems. This innovation and improvement starts with understanding who our students really are and what they need from us.

Shifting Student Demographics Make Financial Aid More Important

As president for Amarillo College, I implore my colleagues to serve the student we have, rather than the student we thought, or wished, we had enrolled. Maria is the student we have. She is capable of shouldering our Nation's future. Yet, Maria is often ignored or dismissed. Much of the political attention and funding center on the traditional, 18-year-old university freshman. The reality is our higher education student landscape looks dramatically different.

Community colleges serve nearly every square inch of the country. Community colleges serve as the job training center of a region as well as open the door to the higher education pipeline for most individuals to attend a university. Community colleges are critical to the health and wealth of the United States. Public 2-year community colleges enrolled 51 percent of all undergraduate students attending a public higher education institution in 2015–2016 (Ginger, Kelly Reid, & Mann, 2017). Per the 2017 Texas Higher Education Coordinating Board Almanac, 54 percent of Texas higher education students are enrolled in community colleges. Moreover, 75 percent of Texas bachelor's degree earners in 2015–2016 attended a community college Nationally, 49 percent of all students who completed a Bachelor's degree attended a community college (Snapshot Report, 2017).

Realizing today's college students either attend or did attend a community college is critical to understanding the challenges these students face in higher education. Today's college student looks like Maria, a 27-year old Hispanic mother who is a first-generation student going to college part-time while working two jobs. Today's students IS Maria. And, Maria is remarkable. She demands our attention. She deserves our support. Maria holds the future of America's economic growth and prosperity in her hands.

Table 1: Community College Student Profile	Amarillo College	Nation
Full-Time Enrollment	40%	38%
Receive Financial Aid (PELL, Student Loans, Scholarships)	60%	58%
Transfer-Focus	51%	59%
First-Generation	71%	36%
Female	65%	56%
Minority	54%	52%
Average Age	27	28

Data Sources: Amarillo College Report Card, 2017; American Association of Community Colleges Fast Facts, 2017

As a college president, I spend a great deal of time talking with our students. I am desperate to understand the ambitions and challenges of our students, our Maria. Maria works hard and struggles to experience the fruits of her labor. “Today, the promise of a college degree in exchange for hard work and dedication no longer holds true” (Goldrick-Rab, 2016, p.1). Instead, Maria is drowning in bureaucracies and processes designed for a different type of student.

Per the Wisconsin HOPE Lab, “the FAFSA represents a significant hurdle that students from many families must overcome in order to attend and pay for college. Research indicates that the complexity of the application and the difficulty of the process involved in completing it may prevent some students from obtaining financial aid.” This same report declares 28 percent of community college students spent between one to 3 hours completing the FAFSA, not the 20-minutes touted by the U.S. Department of Education. Six-percent of community college students spent over 3 hours completing the form.

Maria also faces a cost to college not captured in our laws and regulations. Our national and State financial aid bureaucratic requirements unintentionally extend Maria’s time to degree—if she can afford the degree at all. The percent of students receiving aid increased from 70 percent to 77 percent between 2009–2010 and 2014–2015 (U.S. Department of Education, 2017). The student need is growing and my rural community’s economic future rests in our ability to leverage financial aid to ensure students complete a degree and find a job paying a living wage.

Financial Aid Addresses Barriers to Student Success

At Amarillo College, we have restructured our entire college around Maria’s needs and removing the barriers to her success. As a first-time college president, I wanted to truly understand the student experience with Amarillo College. I hired two dozen first-time students to secretly experience the entire college on boarding process and give me feedback on what worked and what became a barrier. What I learned from these students changed who I am professionally and personally. After listening to student voices for months, three major barriers to student success emerged.

Barrier One: First-Generation students feel isolated and fearful.

From the parking lot to the graduation stage, first-generation students are afraid they do not belong in higher education. Their initial experience with higher education is with confusing forms and unfamiliar language. Many of these secret shoppers felt they were the only student who did not understand how to navigate through the higher education processes. Much of higher education processes are built with an erroneous expectation that students and their families bring “culture capital” to any college interaction (Ward, Siegel, & Davenport, 2012).

Traditionally, families who experienced college themselves, help their students navigate college admission, enrollment, finances, and social connections. For first-generation students, the lack of cultural capital leaves students with little familial and social support. Because these students do not have a cultural sense of what behaviors and choices lead to classroom and social success, they often experience lower academic achievement and lower degree attainment.

My first-generation “secret shoppers” are 71 percent of the entire student body for Amarillo College. They often thought they were the only students unable to find a class, understand written instructions for financial aid applications, or anxious when interacting with faculty. As such, these students often felt embarrassed, insecure, and alone.

For Amarillo College, the most powerful No Excuses impact on our students is two-fold: culture shift and relationship. I asked our students to tell what their "ideal" college looked and felt like. Their responses were insightful. Because they are first-generation students they wanted a college that served them with the effectiveness of some of our country's greatest companies. These students needed responsive, honoring customer service.

As a college, we knew we needed to embrace a culture of good service and intense caring. We looked at the values of companies known for great service. We asked students to review the list of values from a dozen companies (some local and some national.) Our students identified college values that focused on understanding the first-generation college student experience and responding with a culture of caring and service. The new Amarillo College Values our students chose were not typical "higher education" lingo: Caring through WOW, Innovation, Family, Fun and Yes.

These values are written into every employee job description and merit pay evaluation. The first week of classes, we put these values on significant display by placing employees all over our campuses—from parking lots to classrooms—to ensure students have someone to walk them to their class, take them to the bookstore, guide them through advising, and serve them as if our community's future depended on it. Our most at-risk students receive a "coach" to support them through their first year in college.

The No Excuses Culture of Caring values and relationships are working. Our college retention and completion rates are improving dramatically because we listened to our students and looked to our business partners for best practices. Our Federal Financial Aid systems would be well served to take the same approach to service, effectiveness, and efficiency.

Barrier Two: Student poverty derails educational dreams.

As a good, strong "academic," I thought the greatest barriers to student success were poor academic preparation and study skills. I was wrong. In talking with my secret shoppers (and subsequently hundreds of other Amarillo College students,) the Top 10 barriers to student success in the classroom had nothing to do with the classroom. The most powerful and debilitating barrier to success in the classroom for our students is poverty related issues with transportation, childcare, food, housing, healthcare, utilities, and legal services. Good will and caring was not enough to help Maria succeed. She, like many of her peers, live in the war zone of generational poverty (Beegle, 2007).

According the 2014 U.S. Census report Dynamics of Economic Well-Being, 32 percent of the U.S. population lives in poverty for at least 2 months annually. "When students cannot cover their living expenses through financial aid or other benefits, they often compensate in ways that make them less likely to graduate" (PD&R Edge, 2015, p. 1). When Maria cannot cover her living and educational experiences, she tries to pick up extra shifts from her current two jobs and avoids not purchasing course supplies and textbooks. When students like Maria face these difficult choices, they are much more likely to drop out, default on their loans, and never complete a degree (Goldrick-Rab, 2016.) When Maria has a sick child, her car breaks down, or her employer changes her shift times, she is often trapped between her educational goals and meeting her basic needs. Our current financial aid system is not helping Maria find her path forward and achieve educational success.

No Excuses opened the door for us to recognize that our preconceived notions did not match reality. In the past, we held a narrow view of our students, believing that their college experiences were similar to our own. We did not see poverty as an issue demanding action. Yet we came to see that fulfilling the college's mission—which focuses on changing lives, educating students, meeting industry needs, and serving the community—requires us to fully understand our students and the barriers they face. Our students were working two jobs and still struggling to pay their bills.

With intentional community partnerships, Amarillo College developed a robust social-services system to ensure students are able to finish the education they start. With food pantries, clothing closets, case-management systems and direct connections to social service-providers, Amarillo College connects students to resources and emergency aid. If Maria's child needs health care or Maria's car needs repairs she could not afford it, she would drop out of school and take a third job or work an additional shift. She focuses on meeting her immediate needs rather than fulfilling her long-term educational and career goals.

With intense community support and college employee buy-in, we have a system that removes life barriers when our students have no other options. Maria stays in school and defeats poverty by completing her degree. In Fall 2017, our social services system connected over 1,400 students (15 percent of our entire student body) to services in one semester. The needs our students bring to campus can be overwhelming. As a No Excuses college, we can understand their poverty, but we cannot use it as an excuse. We see, every day, where greater financial aid and a more simplified, user-friendly interface, would ensure more students completed degrees.

Barrier Three: Financial aid does not cover educational costs and living expenses

I was stunned when my Amarillo College students explained how they managed their finances. Many students did not need "financial literacy"—these students are well equipped to make a dollar stretch well beyond expectations.

The Federal Financial Aid system leverages grants and loans to assist students. Yet, even with two jobs, students are unable to afford the cost of college. **In 1979, Pell grants covered 99 percent of all community college costs. By 2014, Pell grants only covered 52 percent of college costs (Data Points, 2016).** For Maria, and those like her, parents are unable to contribute to her education. In some cases, my own Amarillo College students reported their obligations to help support their parents and siblings. The reality of our student lived experience is not covered by the financial aid grants and loans available.

Typical Amarillo College Student Budget	Income	Expense
Pell Award	$6,000.00	
Financial Aid Loans—Reduced due to Pell Award	$8,914.00	
Part-Time Job #1 –19 hours at $7.25/hour	$6,612.00	
Part-Time Job #2 –19 hours at $7.25/hour	$6,612.00	
Tuition & Fees—Fall		$ (1,335.00)
Tuition & Fees—Spring		$ (1,335.00)
Tuition & Fees—Summer		$ (534.00)
Books—Fall		$ (836.00)
Books—Spring		$ (836.00)
Books—Summer		$ (335.00)
12-Months Rent—$781 per month		$ (9,372.00)
12-Months Utilities—$150 per month		$ (1,800.00)
12-Months Food—$550 per month		$ (6,600.00)
12-Months Childcare—$600 per month		$ (7,200.00)
12-Months Transportation—$250 per month for gasoline		$ (3,000.00)
Totals	$28,138.00	$ (30,183.00)
Net Income	$ (2,045.00)	

Maria is full Pell eligible. Even with two part-time jobs at 38 hours a week, Maria must take out a loan for her education. **After securing Pell grants and student loans, Maria is STILL unable to pay for her living expenses and college.** What my secret shoppers helped me understand, as a college president, is their "budgets" are built on smoke and mirrors.

For the budget in Table 2 to work, Maria will have to go hungry on some days, forgo some books for classes, potentially drop a course and prolong her time-to-degree, and ration her transportation. Maria must hope and pray her child does not get sick, her car does not break down, gas prices do not surge, and cross her fingers that her utilities and rent do not increase.

This is not a sustainable model for education attainment. The financial barriers of life do not prioritize the completion of a degree.

At Amarillo College, we know we must accelerate Maria's time-to-degree and hold costs down for her. The longer Maria takes to complete her degree, the more costly it becomes and the less likely she is to graduate. With an intentional system to graduate every student in 3 years, Amarillo College innovatively accelerates Maria's learning. By transitioning over 80 percent of our classes to an accelerated, 8-week format, Maria is not only completing her degree on time, she is learning more in the process. Maria was taking, on average, 6 hours a semester, 12 hours a year. Best case scenario, Maria would graduate in 5 years. Most students at Amarillo College were taking over 6 years to complete—if they completed at all.

Our data indicates that the overwhelming majority of our students dropped out of school in weeks 10 to 12 as their "life" barriers became too much to bear. They cannot see the finish line to completion and drop out to take additional work and meet their immediate needs. Our social services combined with a transition to 8-week learning model changed everything about our student success. (Please see Amarillo College Report Card, pages 17–18.)

Now, Maria is able to take 6 hours each Fall Term I and II and 6 hours each Spring Term I and II. By doing so, Maria has become a full-time student, taking 12 hours over a "semester." She is in her 8-week class the same number of hours as the traditional course. She just goes to class every day of the week. Not only is Maria accelerating her time-to-degree. She is learning. Students in our 8-week classes increased their course success rates by over 12 percent compared to the traditional class. When our first-generation, poverty-ridden students can see the finish line, their hope carries them to success.

Barrier Four: Long-term planning is often derailed for short sighted reasons

Students, especially those living in the war zone of poverty, are all too adept at financial effectiveness. Their poverty is not because of poor financial planning skills. Their poverty is because of too little resources (Beegle, 2007). Generational poverty, however, does teach the need to solve the immediate need rather than plan for long-term success (Beegle, 2007). The loans available to students are critical to ensuring education is a possibility. Many of our students are debt adverse and avoid loans—even when they would be the best option. We need more robust loans for students, but wrapped in fewer, easier to understand options.

At Amarillo College, our Money Management Center is dedicated to counseling students about their loan options. Yet, we often do not have enough time or resources to more carefully guide students through a long-term financial planning process. One of our students helped me understand how desperately we need easier to understand financial aid information.

"Harrold" worked for a large, national retail/grocery box store. They offered Harrold a 29 hour a week job as an assistant manager making $12 an hour. He excitedly told his family. They begged him to take the job and drop out of Amarillo College. He attempted to drop. No Excuses prevented this attempt. Through money management counseling, Harrold told us that if he worked as the Assistant Manager for 2 years, he could be promoted to Manager and make $15 an hour and potentially receive benefits. When counseling a student whose family has been mired in generational poverty, the promise of benefits and $15 an hour is too great an offer to turn down. Yet, Harrold was 18 months from completing a degree in computer science. When he successfully completed his degree, he could start in a job, with benefits, at $35 an hour.

We had to help Harrold understand that he was sacrificing long-term success for a short-term fix. We literally had to map out his financial future on paper and show him what his financial future would look like if he dropped out of school and if he stayed and graduated.

Harrold was excited and frightened. He knew the raise and promotion in his current position would help his family. He had not considered, if he stayed the course, he could actually be costing his family financial freedom long term. With his new reality, Harrold started crying and asked one question: "Would you come with me and explain this to my family?"

We are not just educating a student. We are charting a path for entire families. Greater financial information about potential jobs and what they would pay is critical the helping students stay in school, focus on developing their skills and planning for their careers. When you are hungry, lack of transportation and access to healthcare, talking about careers a few years down the road can seem frivolous and silly.

If we remove these four barriers to our students' success, and Amarillo College is making strides, we can ensure a robust economy for everyone—especially for rural communities in the "fly over" regions like the Texas Panhandle. We need the U.S. Department of Education and Federal Financial Aid as partner on this journey. Maria and Harrold's futures hold in the balance.

How Students Experiences the Federal Financial Aid Process

For Maria, the cost of higher education is far more than money. Current Federal financial aid covers only a fraction of what it costs to complete a college degree. Tuition costs are only a fraction of a student's payments. Thus, all current Federal loan programs are a necessary evil. When students are counseled to avoid loans, they end up dropping out of college all together because, even if full Pell eligible, Maria has no way to pay for the true cost of a degree. When she drops out, she is not only hurting her family, she is hurting employers and communities. Maria works two jobs. She is trying to get her education. Yet, she needs more financial aid, not less.

To curb the loans (and debt), Maria must complete her degree. She needs more access to Federal work-study programs so that her job is on campus, with inherent support, and a greater likelihood of success. Currently, funding levels for Federal work-study programs could not begin to support the need that currently exists in community colleges across the country.

The process of completing the FASFA is so complicated, many students give up before completing application. Many students simply do not think they can afford college and do not believe they would be eligible to receive aid. As a result, students and their families opt out, choosing a life limited without a certificate or degree. According Data Points (2016), the overwhelming reason students do not complete the FASFA is they think they are ineligible. Over 44 percent of all community college students do not complete the FASFA.

At Amarillo College, we have reduced this number significantly with robust relationships with students and their families starting early in high school. Through our Money Management Center, the college starts financial counseling early and often so students learn of their eligibility well before they graduate high school. Still, these efforts are laborious and costly. Because the process is so confusing, many of my "secret shoppers" thought if they were not smart enough to complete the form, they would not be smart enough to complete a degree.

Maria is drowning in bureaucracy. Verification is confusing, time consuming, and has no real savings to the Federal Government. According to The Institute for College Access and Success study (Ahlman, Cochrane, & Thompson, 2016), over 95 percent of all verified applicants saw no change to their eligibility, nationwide. For Maria, this is time wasted. When Maria needs real counseling about her options and help mapping out a financial plan, she finds her financial aid staff spending their time on verification bureaucracy.

Many of my Amarillo College students simply misunderstand the verification process. For so many "Marias" verification is seen as punishment. Maria questions whether she did something wrong and the process create needless fear and anxiety. I had one student and his father ask me if the family had done something wrong. My students and their families simply do not understand what verification means. When the U.S. Department of Education selects them for verification, these students do not receive any communication explaining verification. For my low-income, first-generation college students, verification is one more bureaucratic process that affirms they do not belong in higher education.

For many students, their verification process conflicts with payment deadlines and they face having their classes dropped. They have to make a payment and their aid is not available to them in time to secure their schedule. These layers of bureaucracy create additional barriers that push students out of higher education. Yet, our economy and country cannot afford to lose these students. The economic viability of our country depends on their success in college.

When Maria survives the verification process, she often does not have time for full counseling on her loan options. When she does visit with her financial aid officers, she learns of nine different loan options. She is confused. Her counselor does not have the time to spend at a minimum a full hour explaining each option and helping Maria decide which option is the best for her. Critically, Maria must have these loan options.

Simplifying the loan options and narrowing the choices will help Maria and college financial aid staff. But in doing so, we cannot reduce the amount of aid available to students like Maria. If aid is reduced because loan options are reduced, Maria will not be able to enroll in college and achieve her educational aspirations.

We certainly should simplify the loan program and curb student debt. To do so, we must reduce expenses for housing and food by helping college students' access affordable food and housing via other State and Federal programs. Students, like Maria, learn it is harder to get affordable food and housing if you **ARE** enrolled in college.

Per the Wisconsin HOPE Lab report, Hungry and Homeless in College, studies indicated "substantially higher rates of food insecurity among community college students than previously reported. Our 2015 report indicated that about half of community college students were food insecure, but this study found that two in three students are food insecure. Both surveys revealed that about half of community college students were housing insecure, and 13 to 14 percent were homeless" (Goldrick-Rab, Richardson, & Hernandez, 2017). At Amarillo College, 54 percent of our students are food insecure, and 11 percent are housing insecure. Per the U.S. Department of Housing and Urban Development report, Housing Barriers to College Success (PD&R Edge, 2015), "more than 56,000 college students indicated they were homeless on the FAFSA in 2013—and that figure *almost certainly underestimates the true total.*" This is particular true given we know low-income, first-generation students are less likely to complete the FAFSA because they believe they will not qualify for assistance.

Maria needs support to complete her degree. She and her peers do not need one more reason to push them out of attaining a degree and achieving their educational dreams. Rather than increase their fears of they do not belong in higher education, we must help them overcome poverty barriers hindering their success. We must help them navigate higher education and provide financial support in drastically different ways than have been provided in the past. We owe this to Maria. We owe this to our country's economic growth and viability.

At Amarillo College, we leverage our Texas Panhandle P16 Council, with all 62 school districts and all four higher education partners to dramatically increase the FASFA completion with trained college employees to guide families through the application.

We know the financial aid system is laborious and ineffective. Yet, we are a No Excuses college. We are working to build intentional partnerships with all 62 Texas Panhandle school districts to guide families more effectively through the FASFA process. This past year, our Panhandle P16 Council created a FASFA Scholarship competition for all area high schools. The rules? Every high school with 100 percent FASFA completion would receive a scholarship from the Amarillo Area Foundation to be distributed to one of their students.

Amarillo College Financial Aid Office employees and a plethora of trained college employees traveled the Panhandle helping families complete the FAFSA—literally morning, noon and night. With 5,224 graduating seniors Panhandle-wide, we ensured 3,522 submitted their FAFSA. Our goal is to guide 100 percent of our graduating seniors through this process. It is difficult. Simplifying the Financial Aid process is critical to our ability to get students a post-secondary credential.

Additionally, we work with our Independent School District partners to start talking with families the moment they arrive in high school. With our Money Management Center, we are able to counsel students about their financial aid options. We work with local banks to assist our students in opening their own accounts. In our First Year Seminar course, we help students develop a budget. Financial Aid opens the door to a larger system of financial literacy—for our students and their families.

Yet, these efforts are not enough. We need a more robust partnership with the U.S. Department of Education for a user-friendly FASFA interface, a more simplified form, a more limited verification process, and a realistic gainful employment accountability.

Fixes for Financial Aid

Education is the most reliable predictor to economic growth and education policy is an important factor (Glaeser, 2011). In order to help Maria and students like her, I recommend changes to our financial aid system. And by simplifying the Federal financial aid system and making a more robust funding stream to support today's college students, America's Maria will graduate from college and drive America's growing economic prosperity in the 21st century.

1. Simplify the FAFSA Application and Verification Process.

Base Pell awards on a limited number of data elements that are already available from the IRS so that eligibility is easier, more transparent and then a separate application is not needed. Equally as important would be to create a multi-year award for easy of student counseling, planning, and funding without the need for yearly reapplications. Summarize family and student eligibility is a simple, easy to read format that schools, counselors, and community partners easily distribute. Consider using IRS information to preemptively communicate with potential students and families about their likely Pell eligibility so students know they would qualify for financial aid earlier and see college as a real and viable option for them. Finally, eliminate the verification process or at least limit it to a single verification with better communication. Once a student is subjected to verification with no changes to their status, they should be exempt from verification in the future.

2. Increase the maximum Pell grant award by an additional $4,500 per year.

Current Pell awards fund less than 50 percent of today's true costs to obtaining a higher education degree. By increasing Pell awards, we can offset student loan debt, decrease a student's time-to-degree, and increase college completion rates.

3. Increase funding for specialized programs that assist college students with housing, food, childcare, and transportation needs.

College students today need financial support to meet basic life needs. And by offering financial assistance to meet these needs, we are overcoming poverty barriers hindering Maria, and students like Maria, from enrolling in a college much less completing her college degree. Increased funding for financial assistance programs will decrease a student's need for student loans to pay for basic life needs like housing, food, childcare, and transportation. Without financial assistance programs like these, students will continue to rely on student loans at alarmingly high rates.

Specific Federal policy changes could directly raise the education attainment rates in communities across the country. Identified by the Wisconsin HOPE Lab, please consider (Goldrick-Rab, Richardson, & Hernandez, 2017, p. 24):

- Promote degree completion by expanding the SNAP eligibility requirements for college students to allow all work-study eligible students (not only those receiving the very limited pool of work-study funds) to meet the work requirement, and reducing or eliminating the 20 hour per week requirement affecting many other students (or, count college attendance toward the work requirement).
- Simplify the FAFSA application process for establishing independence, particularly for homeless students.
- Create incentives for community colleges to offer benefits access opportunities on their campuses (including employing a dedicated staff member if there is sufficient demand) and work to align social and educational policies to ensure that access for students is as seamless as possible.
- Encourage State and Federal investment in targeted aid programs that reach students with the most financial need, and/or Promise programs that help students who otherwise would not access financial aid for fear of the price being out of reach.
- Re-institute year-round Pell so students have access to summer support to make progress in their studies and to contribute to living expenses.
- Change American Opportunity Tax Credit (AOTC) requirements so that students who receive Pell can access AOTC as well.

The future of our communities, urban and rural, rests on our abilities to more completely and effectively support our students from the enrollment to graduate to employment. With important shifts in Federal Aid policy and processes, students will complete degrees and meet employer needs—no excuses.

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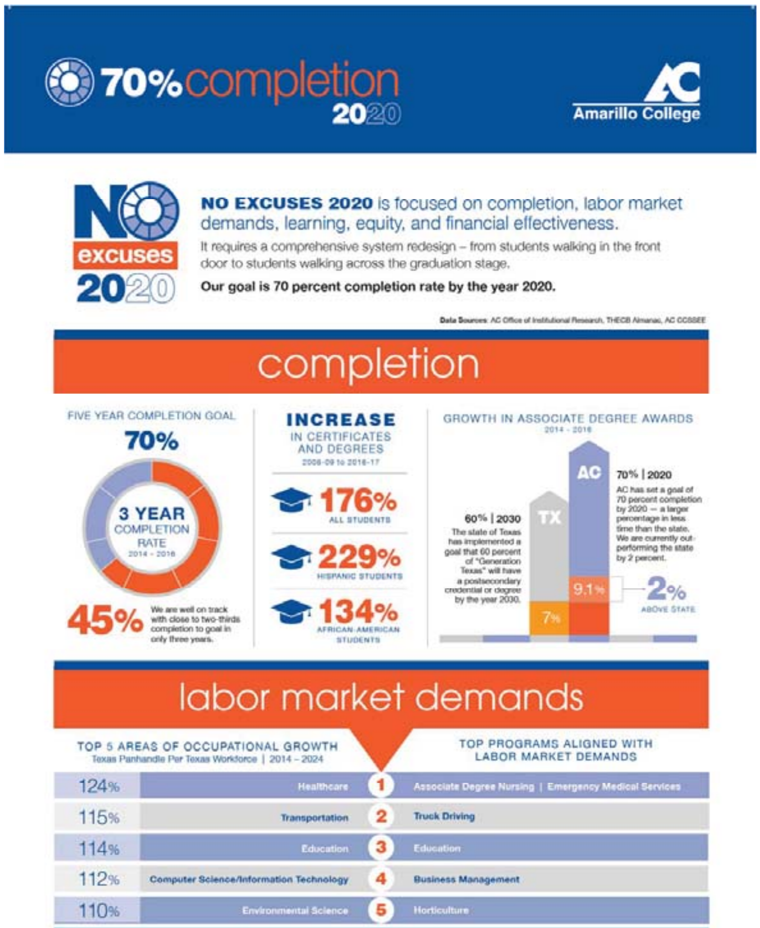
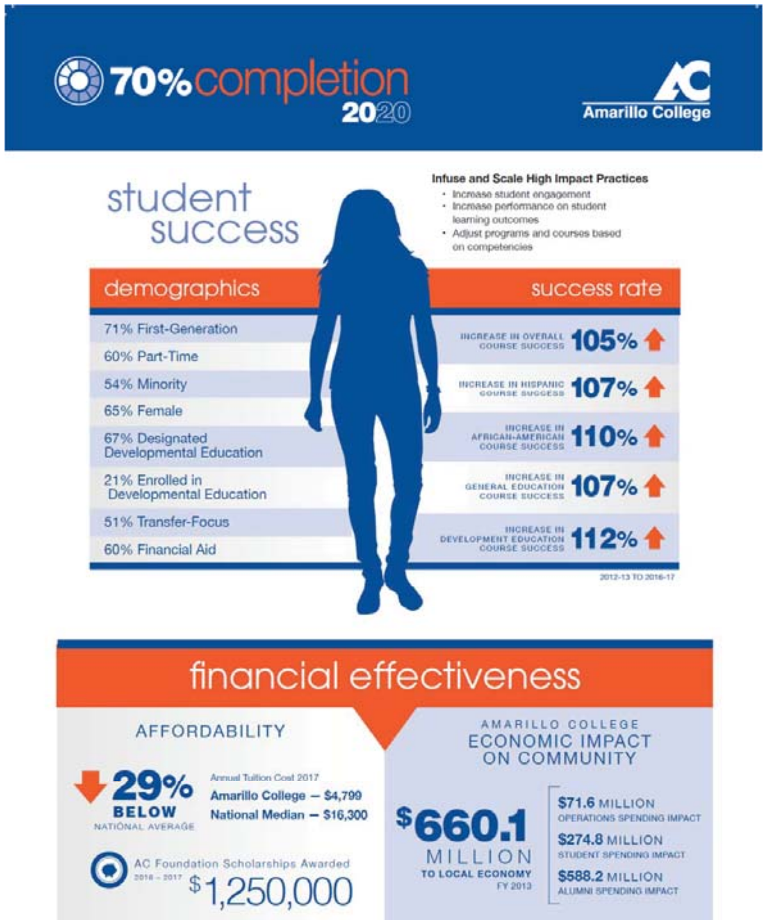

70% completion 2020
Amarillo College
NO excuses 2020
NO EXCUSES 2020 is focused on completion, labor market demands, learning, equity, and financial effectiveness.
It requires a comprehensive system redesign – from students walking in the front door to students walking across the graduation stage.
Our goal is 70 percent completion rate by the year 2020.
Data Sources: AC Office of Institutional Research, THECB Almanac, AC CCSSEE
completion
FIVE YEAR COMPLETION GOAL
70%
3 YEAR COMPLETION RATE 2014 - 2016
45%
We are well on track with close to two-thirds completion to goal in only three years.
INCREASE IN CERTIFICATES AND DEGREES
2008-09 to 2016-17
176% ALL STUDENTS
229% HISPANIC STUDENTS
134% AFRICAN-AMERICAN STUDENTS
GROWTH IN ASSOCIATE DEGREE AWARDS
2014 - 2016
60% | 2030
The state of Texas has implemented a goal that 60 percent of "Generation Texas" will have a postsecondary credential or degree by the year 2030.
TX
AC
70% | 2020
AC has set a goal of 70 percent completion by 2020 — a larger percentage in less time than the state. We are currently out-performing the state by 2 percent.
9.1%
7%
2% ABOVE STATE
labor market demands
TOP 5 AREAS OF OCCUPATIONAL GROWTH
Texas Panhandle Per Texas Workforce | 2014 – 2024
TOP PROGRAMS ALIGNED WITH LABOR MARKET DEMANDS
124% Healthcare 1 Associate Degree Nursing | Emergency Medical Services
115% Transportation 2 Truck Driving
114% Education 3 Education
112% Computer Science/Information Technology 4 Business Management
110% Environmental Science 5 Horticulture



[SUMMARY STATEMENT OF RUSSELL LOWERY-HART]

Students attending Amarillo College, and community colleges across the country, define the future of our country, and its capacity for economic growth and prosperity in a global society. Today's community college student is dramatically different from the "traditional" college student of the past. She is often the first in her family to attend college, has children or supports other family members, work multiple jobs for minimum wage and frequently during the graveyard shift, and yet still has to turn to financial aid not only for tuition and books but also to cover basic living expenses. But community college is far from free—the price is still a driver of dropout. In Texas, community college students must borrow $16,000, often on top of working, to finish their degrees.

Financial Aid Increases Education Attainment and Economic Growth

- Financial aid increases degree completion rates; without it more students would drop out of college.
- Economic growth is directly linked to education attainment in urban and rural communities: only 30 percent of citizens have any post-secondary credential, putting the economy at risk, and for every 10 percent increase in education attainment, GDP increases 22 percent.

Shifting Student Demographics Make Financial Aid More Important

- The typical student at Amarillo College is a 27-year old Hispanic mother who is a first-generation student going to college part-time while working two jobs.
- In Texas, 54 percent of all college students are enrolled in a community college. And, 35 percent of Bachelor's degree graduates transferred to a Texas university from a community college. 60 percent of Amarillo College students leverage Pell grants, student loans and scholarships to succeed.

Financial Aid Addresses Barriers to Student Success

- Funds from financial aid help keep students focused on school rather than work.
- Financial aid not only helps parents in college but also their children.
- But data—including from "secret shoppers" reveals that financial aid's ineffective processes, regulations, and bureaucracy make it hard to get the dollars and create confusion, frustration, and even fear for students.

Fixes for Financial Aid

- 1. Simplify the FAFSA application process to obtain aid and curtail the Verification process.
- 2. Increase the maximum Pell grant award by an additional $4,500 per year. Current Pell awards fund less than 50 percent of today's real higher education costs.
- 3. Increase funding for specialized programs that assist college students with housing, food, childcare, and transportation needs.

The CHAIRMAN. Thank you, Dr. Lowery-Hart. Ms. Darcus, welcome.

STATEMENT OF JOANNA DARCUS, MASSACHUSETTS LEGAL ASSISTANCE CORPORATION, RACIAL JUSTICE FELLOW, NATIONAL CONSUMER LAW CENTER, BOSTON, MASSACHUSETTS

Ms. DARCUS. Mr. Chairman, Ranking Member Murray, and Members of the Committee, the National Consumer Law Center thanks you for inviting us to testify today.

As Senator Warren mentioned, before I joined NCLC, I was a legal aid lawyer in Philadelphia. There, I provided free legal help to hundreds of low-income clients who were struggling to repay student loans. I continue that work at NCLC with the other members of the Student Loan Borrower Assistance Project. We train and support attorneys who represent student loan borrowers nationwide. We offer this testimony on behalf of NCLC's low-income clients.

Student success in school and borrower success in repayment depend on building a financial aid system that facilitates their access to the benefits and information they need to thrive. Pursuing higher education should increase opportunity, not restrict access to necessities of life. Simplification and transparency can help, but at this crucial moment, we can also design a Federal aid system that maintains its integrity through real accountability.

The Federal aid program should be tailored to the needs of all students and borrowers, working seamlessly for their benefit. However, those who need aid the most are often those who struggle to obtain the protections and safeguards that aid promises.

A distinct majority of our student loan clients have been people of color. Because of persistent historical income and wealth disparities along racial and ethnic lines, people of color rely on financial aid more than their white counterparts. If our financial aid system works well, it can help close gaps in higher education attainment, income, and familial wealth. However, if it performs poorly, then it may, instead, worsen long-standing inequities.

Therefore, the Federal financial aid system should be easy for students and borrowers to understand and navigate. Simplifying the current system can help achieve this goal, but only if it is designed to accomplish twin objectives. First, it must serve everyone who needs access to it. Second, it must make extra efforts to ensure that those for whom financial aid is a critical pathway to educational opportunity receive all the benefits of the program.

One of our current clients attended a for-profit school that was sued by the Attorney General of Massachusetts for its false and deceptive enrollment practices. Our client completed her program, earning a medical assistant certificate, but could not find a job in that field. She worked off and on, but never enough to afford her student loan payments.

She has been out of school for 5 years and is still in good standing on her loans due to her extreme diligence. Each year, she dutifully contacted her servicer and submitted income documentation only to be directed to a deferment or forbearance—never to income-driven repayment. Before meeting with us, she did not know what income-driven repayment was.

IDR is at the heart of making student loan repayment sustainably affordable for borrowers like our clients. IDR can certainly be simplified, but our experience with borrowers has shown us that they struggle to access these plans, not necessarily because the plans are complicated, but because, as described in the CFPB's enforcement action against Navient, servicers consistently fail to inform borrowers of IDR as an option for managing their repayment obligations.

Due to servicing failures, the client I mentioned has missed out on the benefits of IDR, including working toward forgiveness by making affordable payments. Now she will be stuck in repayment longer and may pay hundreds or thousands more over the life of her loan because of interest capitalization and lost time. Income-driven repayment—whether it consists of one plan or 20—will only work for borrowers when servicers fulfill their responsibility for properly administering it.

Borrowers need help navigating repayment. That is the precise function servicers are supposed perform. Unfortunately, due to inadequate servicing, a number of borrowers default. Neither the servicers nor the debt collection companies to which we pay billions of taxpayer dollars each year are actually guiding borrowers to and through the programs that could ensure repayment success.

Our system of financing higher education through debt is deeply flawed if we only hold the borrowers and not other parties accountable. While the Department of Education continues to award lucrative contracts to companies that consistently fail borrowers and taxpayers, it is often the borrowers, our low-income clients, who bear the risk when their educational investment does not pay off. A fair system of financial aid would also hold accountable the many institutions students interact with from enrollment and loan origination through repayment.

Thank you for this opportunity to testify. I'd be happy to answer your questions.

[The prepared statement of Ms. Darcus follows:]

PREPARED STATEMENT OF JOANNA DARCUS

Mr. Chairman, Ranking Member Murray, and Members of the Committee, the National Consumer Law Center (NCLC) thanks you for holding this hearing and for inviting us to testify today. We care deeply about making a financial aid system that is affordable and accessible to students and student loan borrowers. Prior to joining NCLC, I was an attorney at Community Legal Services of Philadelphia. While there, I provided free legal help to hundreds of low-income borrowers who struggled to repay their student loans. I continue that work at NCLC, as I represent individual clients, and work with the other members of the Student Loan Borrower Assistance Project to train and support consumer law practitioners, including legal aid attorneys who represent student loan borrowers. NCLC also publishes Student Loan Law (5th ed. 2015), a comprehensive practice manual for advocates representing student loan borrowers. We publish reports on student loans, participate in student loan rulemakings, and advocate for fair student loan policies at the State and national level. We offer this testimony on behalf of NCLC's low-income clients. [1]

At present, millions of students are enrolled in school and relying on grants, Federal work-study, and Federal student loans to cover the cost. Many millions more are working toward repaying student loans. Here, I will provide an overview of the barriers my clients face when accessing the current Federal student aid system. I will then make specific recommendations about how to improve student outcomes in school and borrower outcomes in loan repayment.

II. Make Higher Education a Reality for All

Title IV of the Higher Education Act (HEA) authorizes a financial aid program that promotes access to postsecondary education for all, especially students from low-income families. [2] It gives students and borrowers a number of safeguards, such as the right to loan cancellation in the event of death or disability and the right to repay loans through monthly installments based on the borrower's income rather than the total balance owed, when they take advantage of Federal student aid programs. Pursuing higher education should increase opportunity, and not restrict access to necessities of life. Yet for far too many student loan borrowers, that is exactly the outcome that our Federal student aid system produces. The system has failed these borrowers. We need to do better.

Many people contact us, sharing their stories, and asking for help. Last year, a borrower wrote to us, and described experience as follows (reproduced in her own words and unedited): "The 15 percent that is taken each month, BTW I'm 69 years old. I'm a widower on my own and Social Security is my only money. I skip doctors

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[1] The National Consumer Law Center (NCLC) is a nonprofit organization specializing in consumer issues on behalf of low-income people. Since 1969, we have worked with thousands of legal services, government, and private attorneys and their clients, as well as community groups and organizations that represent low-income and older individuals on consumer issues. NCLC's Student Loan Borrower Assistance Project provides information about student rights and responsibilities for borrowers and advocates, and provides direct legal representation to student loan borrowers. Most of the clients we represent are low-income borrowers living in Massachusetts. We work with other advocates across the country representing low-income clients. We also seek to increase public understanding of student lending issues and to identify policy solutions to promote access to education, lessen student debt burdens, and make loan repayment more manageable. See the Project's website at *www.studentloanborrowerassistance.org.* This testimony was prepared by Joanna Darcus and Persis Yu, with assistance from Carolyn Carter of NCLC.

[2] 20 U.S.C. 1070 (describing the purpose of grants).

and have taken meds on an every other day basis. . . It's very hard live so poorly. The 15 percent is an enormous burden." She was living on a fixed income of Social Security, and 15 percent of those funds were taken each month to repay her defaulted student loans. I have represented many older clients who are still repaying student loans and have lived this story, too. I have watched them cry as they have explained their desire to repay their student loans, and described what they have to sacrifice to make repayment possible: food, medication, and paying utility bills.

We have a chance to revisit what is working and what is not in our Federal student aid system. This testimony is informed by our work with individual borrowers. Their experiences illustrate the problems that this Congress has the power to resolve through its reauthorization of the HEA. We need a system that works for the students it is supposed to serve. A highly educated workforce is good for all of us. Taxpayers benefit the most when students complete their studies, get good jobs, and repay their loans.

III. Financial Aid: An Overview of Problems Stymying Student and Borrower Success

The Federal student aid programs should be tailored to the needs of all students and borrowers, working seamlessly for their benefit. But our clients are often forced to navigate a number of frustrating, but common, issues in Federal student loan repayment. The Federal student aid system is quite complex. Complexity alone is not necessarily a problem. However, complexity becomes problematic when students and borrowers cannot access the aid or loan features they need to thrive. Many borrowers successfully select their repayment plans and are on track to manage their loans. However, other borrowers become derailed and have difficulty obtaining the complete, accurate information they need to assess their options and the path forward.

For low-income individuals and families who do not have extra dollars in their budgets, getting off track and facing involuntary collection activities, such as reductions of their monthly Social Security benefits or withholding of their tax refunds, can be utterly devastating. Though hardship programs are available to help borrowers through these situations, as the Government Accountability Office (GAO) recently noted, borrowers are not routinely told about these programs and the application forms are buried deep in obscure websites. [3]

Families with young children are similarly impacted. Last year, we met with a client experiencing homelessness who was raising 5-month-old twins. She had paid her rent, but was evicted from her last apartment when the building was sold to a new owner who did not renew her lease. Her twins were less than a month old at that time. When she had filed her taxes, she was expecting a tax refund of approximately $7000—mostly from the Earned Income Tax Credit. However, she later found out that the entire tax refund was taken by the Federal Government to pay her defaulted student loan. She had not received the notice warning that her refund could be taken because it was mailed to her old address. NCLC helped her submit a request for the return of tax refund on the basis of extreme financial hardship. Her request showed that she was homeless and unable to meet her and her sons' basic living needs. She was planning on using her tax refund to secure stable housing. However, her request was denied because she had not experienced a foreclosure or eviction within 30 days of her tax refund being taken. Therefore, she could not meet the Department's narrow definition of extreme financial hardship.

Although many of our clients are among those who borrowed relatively less than other student loan borrowers, they find themselves, nonetheless, with low earnings or limited means. [4] Far too many borrowers, like our clients, have struggled to access critical features of their Federal loans just when they needed them. As a result, a large number experience distress and default. Those who need aid the most are

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[3] U.S. Gov't Accountability Office, Social Security Offsets: Improvements to Program Design Could Better Assist Older Student Loan Borrowers with Obtaining Permitted Relief, GAO–17–45 (Dec 19, 2016).

[4] Marshall Steinbaum & Kavya Vaghul, "An introduction to the geography of student debt," Washington Center for Equitable Growth (Dec. 1, 2015), available *http://equitablegrowth.org/research-analysis/an-introduction-to-the-geography-of-student-debt/*. See also Adam Looney & Constantine Yannelis, A Crisis in Student Loans? How Changes in the Characteristics of Borrowers and in the Institutions They Attended Contributes to Rising Loan Defaults, Brookings Papers, (Fall 2015), available at *https://www.brookings.edu/bpea-articles/a-crisis-in-student-loans-how-changes-in-the-characteristics-of-borrowers-and-in-the-institutions-they-attended-contributed-to-rising-loan-defaults/*.

often among those who struggle to obtain the benefits, protections, and safeguards that aid promises.

A distinct majority of the student loan borrowers we have worked with are people of color. Because of persistent, historical income and wealth disparities along racial and ethnic lines, people of color continue to rely on financial aid more than their white counterparts.[5] If our Federal student aid system works well, it can help close gaps in higher education attainment, income, and familial wealth. However, if it performs poorly, then it may, instead, exacerbate long-standing inequities. Many of our clients are also the first in their families to pursue higher education. Others are veterans. And some are parenting students. We need a Federal aid system that serves students from each of these groups—and others—well.

Because our clients are in distress and default before they meet with us, something or many things have already gone wrong before they make it to our office.

- The school may have failed to deliver the education it advertised.
- The borrower may have been laid off or become disabled.
- The servicer may have misplaced paperwork or miscalculated the borrower's monthly payment.
- The private collection agency (PCA) may have misinformed the borrower about options to get out of default.

Any one of these possibilities is sufficient to impede borrower success in repayment.

Navigating Loan Repayment

When we meet with a new client for the first time, our first challenge is to identify the type(s) of loans they have. Different loans have different rules and present borrowers with different options for getting and staying on track through repayment. For example, a borrower could have a Federal Family Education Loan Program (FFELP) Stafford loan eligible for the Income-Based Repayment (IBR) plan using the 15 percent formula, a Direct Stafford loan eligible for the Revised Pay as You Earn (REPAYE) plan using the 10 percent formula, and a Perkins loan with no income-driven repayment (IDR) option at all. We then have to figure out the history and the status of each loan, for instance whether the loan is current, delinquent, or defaulted, using the scant amount of information provided in the National Student Loan Data System (NSLDS) data base. Only then can we begin to work on resolving the issue that prompted the borrower to seek legal assistance.

Of the borrowers who could benefit from the help of an attorney, far too few are likely to find such an attorney available to them. Few civil legal aid programs have sufficient resources to provide assistance to student loan borrowers, as they are grappling with meeting a wide range of legal needs for their low-income clients. Borrowers need help navigating repayment, and unfortunately, due to the void left by inadequate servicing, a number are preyed upon by illegitimate debt relief operations that siphon funds from borrowers without leaving those borrowers better off or delivering the services they claimed they would provide.[6]

Borrowers should not need the help of an attorney to understand how to meet their repayment obligations. This is exactly the function that servicers should be performing before borrowers default. Unfortunately, the servicing companies and then the debt collection companies to which we pay billions of dollars each year are

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[5] Id. See also Scott A. Ginder, Janice E. Kelly Reid & Farrah B. Mann, "Preliminary Data Report: Graduation Rates for Selected Cohorts, 2008—13; Outcome Measures for Cohort Year 2008; Student Financial Aid, Academic Year 2015—16; and Admissions in Postsecondary Institutions," Fall 2016 (NCES, Sept. 2017), available at *https://nces.ed.gov/pubs2017/2017150.pdf;* Ben Miller, "New Federal Data Show a Student Loan Crisis for African American Borrowers" (Center for American Progress, Oct. 2017), available at *https://www.americanprogress.org/issues/education-postsecondary/news/2017/10/16/440711/new-Federal-data-show-student-loan-crisis-african-american——borrowers/*; Marshall Steinbaum & Kavya Vaghul, "How the student debt crisis affects African Americans and Latinos," Washington Center for Equitable Growth (Feb. 17, 2016), available at *http://equitablegrowth.org/research-analysis/how-the-student-debt-crisis-affects-african-americans-and—latinos/*. See also, Letter from NCLC et al, to U.S. Secretary of Education, John B. King, Jr. (Aug. 17, 2016) available at *http://www.studentloanborrowerassistance.org/wp-content/uploads/2013/05/ltr-sec-king-race-student-debt.pdf.*

[6] State and Federal regulators are working together to protect borrowers from these predatory companies. See Federal Trade Commission, Press Release: FTC, State Law Enforcement Partners Announce nationwide Crackdown on Student Loan Debt Relief Scams—Scammers made false promises and charged illegal up front fees of more than $95 million (Oct. 13, 2017), available at *https://www.ftc.gov/news-events/press-releases/2017/10/ftc-state-law-enforcement-partners-announce—nationwide-crackdown.*

not adequately ensuring that borrowers are able to easily access the programs that could ensure their success.

Accountability

Our system of financing higher education through debt is deeply flawed if we only hold students accountable for their degree of success in repayment. But that is exactly what is happening, in the experience of our clients, it is often the student or borrower who bears the brunt of the risk when an educational investment does not pay dividends of stable employment or decent wages. A fair system of financial aid would also hold the many institutions students interact with accountable for student outcomes, including borrower outcomes in repayment.

We have created a Federal student aid system that enriches private companies who collect student loan debt from borrowers who have limited ability to repay. This collection activity often causes these borrowers even greater difficulty in repaying because collection costs and fees are added to the already daunting debt levels these borrowers face.

Servicing

The Federal financial aid system relies on a complex patchwork of entities hired to provide loan servicing to borrowers. Few borrowers understand what loan servicing is or which company services their loans. Worse yet, some borrowers have more than one servicer for their loans. Different servicers have different practices and some are easier to reach or work with than others. Borrowers with more than one servicer often believe they have done their part to stay current on their loans by working with one servicer, and only learn otherwise when they begin facing debt collection activity on another batch of loans. Many borrowers (who generally do not get to choose their servicer) have had a dispute with their servicer or have concerns about their servicer's quality and effectiveness.

NCLC had one client whose 11 loans were held by three different lenders. When she tried to consolidate her loans, a single loan was left off despite the fact that she had included it on her consolidation application. The consolidation summary is challenging to read, and because some of the loans from that lender had been included, she believed all of them to be included. To confuse the matter more, the lender who held the one unconsolidated loan also held her private loans. Instead of helping her navigate this situation, her lender (which is also a Department of Education servicer) routinely told her that she had called the wrong part of the company.

To the extent that low-income individuals and families must borrow student loans to pay for college, those loans should come with protections, including high-quality servicing and affordable repayment plans, that will support borrowers throughout the life of their loans.

Default and Debt Collection

Currently, borrowers get stuck in default and do not understand their options for getting out or staying out. It should be hard to enter and easy to exit default. Particularly for low-income borrowers, defaults can be prevented by enrollment in income-driven repayment plans. Nonetheless, too many borrowers slip through the cracks of the current loan servicing system and find themselves in default. Borrowers should not have to suffer such onerous consequences from default. The negative credit reporting alone can impede access to housing, employment, and other credit. Further, default precludes access to additional Federal financial aid, including grants and other non-loan aid. This is particularly problematic for borrowers who desire to continue their educations, especially those who did not obtain their degree or credential when they first attended school.

Unfortunately too few debt collectors adequately explain the options available to borrowers for getting out of default. NCLC served a 60-year old woman who was living on less than $700 of Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI). The debt collector insisted that she had to rehabilitate her loans, and for reasons explained in greater detail below, insisted that her payments had to be $200 per month. This client tried in earnest to follow the rehabilitation plan for over 2 years, but, because it was unaffordable, she was never able to successfully make the nine on-time payments the program required. She was never informed of consolidation as an option for curing default. Throughout this time, the debt collector, despite knowing the source of her income, never told her about the Total and Permanent Disability discharge program. It was not until she reached NCLC that she ever learned about this program, and we were able to help her cancel her loans.

Effective servicing and affordable monthly payments would leave fewer borrowers subject to default and its attendant debt collection.[7] That would save taxpayers money because borrowers will be repaying their loans and the government will not have to spend money trying to collect outstanding loans.

IV. Future of Federal Student Aid: Implementing Changes for Student and Borrower Success

When students receive the benefits of the Federal aid program, we all win. On the front end, we can prevent uncertainty and challenges in repayment by ensuring that the neediest students receive all of the grant and non-loan aid for which they are eligible. Grants are a vitally important component of a financial aid system designed to ensure affordable access to higher education. They help make higher education a reality for students from low-income backgrounds.

Increasing Access and Affordability Through Non-Loan Aid

The lowest-income students, those with the most need should not wind up mired in unaffordable debt. Smoothing access to grants and non-loan aid would allow more students to complete their programs and benefit from the credential they worked diligently to earn. When low-income students borrow less, then there is less risk on the back-end with loan repayment. This puts them on a path to achieving the financial independence that will support loan repayment success—if they have to borrow loans at all.

Increasing Affordability Throughout the Federal Loan Lifecycle

Income-driven repayment (IDR) offers many borrowers a sustainable way to ensure that their monthly loan payments are and remain affordable. Although there are a number of IDR plans, they share important features:

(1) they require borrowers to pay only a reasonable percentage of their earned income toward their student loans,
(2) they acknowledge that borrowers must cover basic living expenses by exempting a portion of income based upon the Federal poverty levels for their family size,
(3) they allow borrowers to report changes in their income at any time, and
(4) they ensure that borrowers are not obligated to take their student loan debt to the grave by providing forgiveness after a fixed period of time.

No borrower should remain indebted forever, and IDR enables borrowers to meet their student loan obligations while also working toward retiring the debt, regardless of the borrower's means.

Without IDR, many borrowers have become delinquent and defaulted not because they are unwilling to repay their loans, but because they are unable. I have represented borrowers with decades-old outstanding Federal student loans. Many of them exhausted their forbearances long ago and ran out of chances to cure default because their monthly payments were not affordable. As soon as they exited default through consolidation or rehabilitation, they were set up to fail when they were placed back on the Standard or another unaffordable, balance-based repayment plan. This issue is particularly prevalent among those who exit default through rehabilitation. Because there is no statute of limitations on the collection of Federal student loans, any barriers to repayment only increase the risks of nonpayment and default for the borrower, taxpayers, and the government.

Loan repayment should be affordable for all borrowers: students and parents borrowing for undergraduate education, as well as students borrowing for graduate education. To make it through loan repayment, borrowers need to know that IDR plans are available. Further, they need to understand how to enroll and stay enrolled. Finally, borrowers for whom the existing IDR plans still pose a financial hardship should have options for further reductions in their payment obligations on a temporary and long-term basis.

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[7] National Consumer Law Center, Pounding Student Loan Borrowers: The Heavy Costs of the Government's Partnership with Debt Collection Agencies (Sept. 2014), available at *https://www.nclc.org/issues/pounding-student-loan-borrowers.html.*

Supporting Borrower Success

The Federal financial aid programs should be easy for students and borrowers to understand and navigate. All students and borrowers who need Federal aid should have an appropriate option available to them. Simplifying the current aid system can help achieve this goal, but only if it is designed to accomplish twin objectives. First, it must serve everyone who needs access to it. Second, it must make extra efforts to ensure that people for whom Federal aid is a critical pathway to educational opportunity receive all the benefits of the program.

Income-driven repayment is at the heart of making student loan repayment affordable for borrowers like our clients. IDR can certainly be simplified, but our experience with borrowers has shown us that borrowers struggle to access these plans not necessarily because the plans are complicated, but because servicers consistently fail to inform borrowers of IDR as an option for managing their repayment obligations.

A current NCLC client went to a local for-profit school which was recently sued by the Attorney General of Massachusetts for false and deceptive enrollment practices. She completed a certificate in the medical assistant program, but she was unable to find a job in her field of study. She worked off and on but never enough to afford her student loan payments. She dutifully contacted her servicer every year and has submitted income documentation. She has never been enrolled in an IDR plan. Before coming to our office, she had never heard of IDR. Although she called her servicer every year to discuss her financial situation, she was always directed to a deferment or forbearance. She has been out of school since 2012 and is still in good standing due to her extreme diligence. Yet that time has been wasted because she could have been in an IDR plan making affordable qualifying payments. The capitalization of the interest alone during this time period has cost her hundreds if not thousands of dollars. Moreover, she will be paying on this loan for five more years than necessary. IDR—whether it consists of one repayment plan or twenty—will only work for borrowers when servicers fulfill their responsibility for properly administering it.

Two common-sense steps would help borrowers succeed in repayment. First, financial aid begins and ends with completing forms. The forms are long, confusing, complex, and not necessarily language-accessible. Submitting paperwork to servicers and debt collectors can result in delays or hassles that extend the repayment period and increase the amounts borrowers will pay over the life of their loans. And the costs of missing a paperwork deadline can be extraordinary. Therefore, forms should be more straightforward, translated into multiple languages, including Spanish, and readily available to borrowers when they need them, including through *www.studentloans.gov.* Also, fewer forms should be required where the government already possesses the information it needs to determine that a borrower would benefit from a particular loan benefit.

Second, automatically enrolling or retaining borrowers in programs that will ensure their long-term success in repayment could reduce the cost of administering the Federal aid program, while also ensuring that more borrowers are on track to succeed in repayment. Reauthorization of the HEA should prioritize moving forward with information-sharing agreements and coordination between the U.S. Department of Education (Department) and other agencies to ensure that borrowers remain on their IDR plans from 1 year to the next or are identified as eligible for Total and Permanent Disability Loan Discharges in a timely manner, for example.[8] Further, if there is a mechanism to automatically enroll borrowers who are in the late stages of delinquency onto IDR plans, then those borrowers may be spared the consequences of default and also continue to move toward repayment of their loans.[9]

[8] U.S. Dep't of Educ., Press Release, U.S. Department of Education Acts to Protect Social Security Benefits for Borrowers with Disabilities (Apr. 12, 2016).

[9] As the CFPB noted in its 2017 Student Loan Ombudsman annual report, following voluntary changes made by private lenders that automatically placed eligible service members in interest rate reductions, one government study found that the number of servicemembers who received the interest rate cap on at least one of their private student loans more than doubled, from 14,970 to 33,309. The CFPB posited that policymakers and market participants may find this example instructive as they consider steps to strengthen policies or practices where invocation of other benefits and protections depends on a similar process. Because borrowers must self-identify their eligibility in order to invoke their various rights and servicers rely on manual processing to apply benefits and protections to borrowers' accounts, many borrowers fall through the cracks. This likely widens the gap between the total population of eligible beneficiaries for each of these protections and the segment of borrowers able to successfully invoke their rights. As the Bureau's research has noted in the past, it is often the most vulnerable student loan

Supporting Borrower Success Through Transparency and Accountability

As we seek to make student loan repayment as simple for borrowers to manage as possible, we should continue to explore ways to ensure that borrowers have important information at crucial intervals and the public has access to data sufficient to evaluate the performance of the Federal aid system. On the front end, before they borrow, individuals and families should know the cost of the educational program and their options for using Federal aid to meet their needs. They should be informed of the outcomes of other students and borrowers while in that educational program and in loan repayment.

While it is important for loan and educational program details to be disclosed at the outset, information about student loan repayment options provided at entrance or exit counseling may grow stale before borrowers know whether they will need to act on it. The time at which the information is presented renders the information irrelevant. Borrowers may also experience information overload and lack a sense of how to retain or track the information provided to them because they do not yet know whether they will need that information. Ultimately, those borrowers need a clear source of good information and comprehensive counseling when it is time for them to act.

A single, online loan-servicing portal could provide key benefits to those borrowers. Ensuring that borrowers always know where to go to get up-to-date, accurate loan information is essential to ensure that they can meet their loan repayment obligations. It would also ensure that borrowers know how to communicate with the entity responsible for guiding them through loan repayment. The portal should also help borrowers understand their rights and learn about the services they should be able to obtain during repayment.

Our experience representing borrowers has taught us that tasking a single servicer with responsibility for the Federal student loan portfolio would not be a panacea. Without competition, adequate oversight, or accountability, our clients and those of the advocates with whom we work, continue to uncover repayment issues that arose when a single company serviced the Direct Loan portfolio.[10] As a result, some borrowers who are working toward repaying their loans on an income-driven repayment plan will pay more than necessary and spend more time in repayment.

Our experience representing borrowers has also taught us that servicers often act to maximize their compensation in ways that do not necessarily correlate with borrower success in repayment. We believe borrowers will receive consistently receive high-quality servicing when financial incentives for servicers are closely aligned with optimizing borrower outcomes.

To ensure accountability, there must be appropriate, common servicing standards and real consequences when servicers underperform or violate borrower rights. Relative performance metrics, compliance with Federal and State consumer protection laws, as well as borrower complaint data should be shared with the public and factored into decisions regarding sanctions and future contract awards and account allocations.

Over the past several years, an increase in public enforcement actions at the Federal and State levels based upon violations of the rights of borrowers who were attempting to repay their Federal loans has resulted in improvements in servicing. The Consumer Financial Protection Bureau (CFPB) has responded to borrower complaints and disputes by holding servicers and debt collectors accountable for depriving borrowers of the benefits and protections they are due.[11] Federal and State regulators and enforcement agencies, coupled with private enforcement, are needed to promote strong oversight of an effective servicing system that protects borrower rights.

To ensure that borrowers receive consistently high quality service, borrowers and their advocates should have access to the guidelines and standards that the Depart-

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borrowers who fall through this gap. See Consumer Fin. Prot. Bureau, 2017 Annual Report of the CFPB Student Loan Ombudsman 44–46 (Oct. 2017).

[10] Danielle Douglas-Gabriel, "ACS's $2.4 million settlement in Massachusetts highlights problems in student loan servicing," The Washington Post, Nov. 22, 2016, available at *https://www.washingtonpost.com/news/grade-point/wp/2016/11/22/acss–2–4-million-settlement-in—massachusetts-highlights-problems-in-student-loan-servicing/'utm—term=.05fc565139ef.*

[11] Consumer Financial Protection Bureau, Press Release: CFPB Sues Nation's Largest Student Loan Company Navient for Failing Borrowers at Every Stage of Repayment—Navient, Formerly Part of Sallie Mae, Illegally Cheated Borrowers Out of Repayment Rights Through Shortcuts and Deception (Jan. 18, 2017), available at *https://www.consumerfinance.gov/policy-compliance/enforcement/actions/navient—corporation-navient-solutions-inc-and-pioneer-credit-recovery-inc/*; CFPB v. Navient Corporation; Navient Solutions, Inc.; and Pioneer Credit Recovery, Inc., No. 3:17-cv–00101 (M.D.Pa. Jan. 18, 2017).

ment provides to contractors. Unfortunately, the recent past has shown us that some violations of borrower rights stemmed from the instructions that the Department provided to its contractors.[12] In 2012, Bloomberg News reported that the Department's contract with private collection agencies paid the PCAs 16 percent of the loan balance when a borrower completed a rehabilitation plan. However, it only paid this high commission rate if the borrower's monthly payments equaled between 0.75 percent to 1.25 percent of the entire loan balance despite the law requiring that the payment amount be reasonable and affordable based upon the borrower's circumstances. As the former debt collector quoted in the story said, "It would be "a cold day in Hades" before collectors would tell borrowers about options with lower payments."[13]

Also, providing this information to borrowers will help borrowers to distinguish between legitimate and illegitimate debt collection and debt relief companies. Borrowers are unlikely to willingly work with debt collection companies when they cannot be certain that those debt collectors are truthful. A few years ago, the Department fired five debt collectors because those companies were misleading borrowers about their default resolution options.[14] It would be easier to identify problematic practices like those even sooner if borrowers have access to better information about their options apart from what the debt collectors say. It would also help if borrowers know what to expect from the debt collectors, including what authority and discretion the collectors have to help borrowers exit default and get back on track to repayment.

Recently, the Department of Education announced that it was rehiring a private collection agency (PCA) that has faced private litigation due to its refusal to allow borrowers to enter into reasonable and affordable loan rehabilitation agreements in violation of the Department of Education's regulations and the Fair Debt Collection Practices Act.[15] Private enforcement will continue to be an important way to highlight issues before they become systemic and create greater risk for more borrowers and taxpayers.

The public should also have access to information about student and borrower outcomes. True oversight and accountability depend on collecting and sharing this kind of information. At present, little information about borrower outcomes, servicer performance, and debt collector behavior is publicly available. In its current iteration, the Department of Education's office of Federal Student Aid (FSA) resists disclosing the kind of information that could encourage real accountability, including public and private enforcement of the legal rights of borrowers. This is largely because the structure of the FSA produces some of the ongoing conflicts of interest within the Department. While FSA is supposed to act on behalf of its customers, there is no single priority group of customers. The priority group category includes not only students, but also financial institutions and schools. The FSA, by its very nature, has multiple constituencies, often with conflicting needs and goals.[16] Thus, it often takes steps to protect financial institutions and schools to the detriment of students. Further, without access to information about borrower outcomes, future students and their families will continue to be deprived of the information that could help them determine which educational programs would be a good investment of their time and money.

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[12] Jack Remondi, Setting the Record Straight on SCRA, Medium.com (Mar. 13, 2016), *https://medium.com/@JackRemondi/setting-the-record-straight-on-scra-e642fa370d0a#.2lpfahnii* (following U.S. Department of Justice enforcement action, CEO of Navient stated that Navient's violations of the Servicemembers Civil Relief Act were a result of its having followed the Department of Education's guidance).

[13] John Hechinger, Obama Relies on Debt Collectors Profiting from Student Loan Woes, Bloomberg News (Mar. 26, 2012) available at *https://www.bloomberg.com/news/articles/2012–03–26/Obama-relies—on-debt-collectors-profiting-from-student-loan-woe.*

[14] U.S. Department of Education, Press Release: U.S. Department of Education to End Contracts with Several Private Collection Agencies—After finding high incidences of materially inaccurate representations, Department acts to protect consumers (Feb. 27, 2015): *https://www.ed.gov/news/press—releases/us-department-education-end-contracts-several-private-collection-agencies.*

[15] Love v. Windham Professionals, Inc., 1:13-cv–01649-BMC (E.D.N.Y.) (settled prior to rulings on cross motions for summary judgment); see Andrew Kreighbaum, "Debt-Collection Contracts Awarded to 2 Companies," Inside Higher Ed, Jan. 15. 2018, available at *https://www.insidehighered.com/quicktakes/2018/01/15/debt-collection-contracts-awarded-2-companies.*

[16] NCLC, Pounding Student Loan Borrowers, supra, at 4.

V. Conclusion

Student success in school and borrower success in repayment depend on building a student aid system that allows students and borrowers to access the benefits and information they need to thrive. Simplification and transparency can help, but at this crucial moment, we can also design a Federal aid system that maintains its integrity through real accountability.

Thank you for the opportunity to testify today. I would be happy to answer any questions.

[SUMMARY STATEMENT OF JOANNA DARCUS]

The National Consumer Law Center (NCLC) is a nonprofit organization specializing in consumer issues on behalf of low-income people. I joined NCLC after working at a civil legal aid organization in Philadelphia. At both organizations, I have represented student loan borrowers who are in distress and default.

In this testimony, I provide an overview of the barriers my clients face when accessing the important safeguards that the system offers. I then make recommendations about how to improve student outcomes in school and borrower outcomes in loan repayment because pursuing higher education should increase opportunity, and not restrict access to necessities of life.

Overview of Problems

For low-income individuals and families who do not have extra dollars in their budgets, getting off track and facing involuntary collection activities, such as reductions of their monthly Social Security benefits or withholding of their tax refunds, can be utterly devastating. Although many of our clients are among those who borrowed relatively less than other student loan borrowers, they find themselves, nonetheless, with low earnings or limited means. Far too many borrowers, like our clients, have struggled to access critical features of their Federal loans after something went wrong. Common factors, include

- The school failed to deliver the education it advertised.
- The borrower got laid off or become disabled.
- The servicer misplaced paperwork or miscalculated the borrower's monthly payment.
- The private collection agency (PCA) misinformed the borrower about options to get out of default.

Unfortunately, servicers and debt collectors fail to provide the help borrowers need to understand their options and repay their loans.

Overview of Solutions

The Federal student aid programs should be easy for students and borrowers to understand and navigate. All students and borrowers who need Federal aid should have an appropriate option available to them. As we seek to make student loan repayment as simple for borrowers to manage as possible, we should continue to explore ways to ensure that borrowers have important information at crucial intervals and the public has access to data sufficient to evaluate the performance of the Federal aid system. This will help ensure its integrity and that it delivers on its promise of making higher education accessible to all.

The CHAIRMAN. Thank you, Ms. Darcus.

Dr. Chingos, welcome.

STATEMENT OF MATTHEW CHINGOS, DIRECTOR, EDUCATION POLICY PROGRAM, URBAN INSTITUTE, WASHINGTON, DC

Dr. CHINGOS. Chairman Alexander, Ranking Member Murray, Members of the Committee, thank you for the opportunity to testify today about how our Nation's Federal student aid programs can be simpler and more transparent.

I direct the Education Policy Program at the Urban Institute, where my colleagues and I provide original data and analysis to support education policymaking. I am proud of the work we do at the Urban Institute, but I should emphasize that the views expressed in this testimony are my own, not those of any organization with which I am affiliated, its trustees, or its funders.

Federal student aid programs provide vital assistance to students and further national goals of increasing educational attainment and economic mobility. But they face serious challenges which are especially severe in the student lending system.

For most students, debt is a tool that allows them to access educational opportunities that pay off in the long run. But for far too many borrowers, student loans are doing more harm than good.

The number of borrowers in default has more than doubled over the past 4 years to nearly 5 million even though the default rate has fallen over this period. This is because default is like a hotel where you check in, but never check out.

Borrowers with relatively small amounts of debt, especially college dropouts, are most likely to default. And there are troublingly large racial disparities. New data show that black college graduates more likely to default than white dropouts.

Professor Dynarski has aptly described the state of affairs as a repayment crisis. Existing income-driven repayment plans provide a safety net for struggling borrowers but have failed to sufficiently mitigate defaults. Ending the student loan repayment crisis and better supporting college students through need-based grants can be accomplished through HEA reauthorization. My recommendations are rooted in the following principles—targeting support to students who need it most, fairness and transparency for students, and efficiency for taxpayers.

My first recommendation is that there should be one Federal grant program. The best way to help students pay for college is to reduce the prices they pay at the time of enrollment. Benefits that only arrive after students have left college, such as the in-school interest subsidy and the Public Service Loan Forgiveness Program, should be repurposed into need-based grants.

My second recommendation is to move to a single Federal loan program that is focused on extending credit to undergraduate students. Essentially unlimited lending to graduate students poses a risk to the fiscal sustainability of the program and should be addressed by limiting graduate loan amounts or their eligibility for forgiveness.

My third recommendation is to create a single income-driven repayment plan that looks significantly different from any existing repayment plan today. An incremental step would be to automatically tie payments to borrowers' incomes using tax data. Payments would adjust annually but would not be responsive to short-term changes such as a job loss.

A bolder change would have all borrowers make income-driven loan payments through the tax withholding system. In an automatic system, it would be difficult for most borrowers to default on their loans in the same way that it is difficult to underpay payroll taxes. A modernized loan repayment system would also address the problem with current policy, which is that borrowers pay the same percentage of their income toward their student loans regardless of whether they are a college dropout with $5,000 in debt or a doctor with $200,000.

This can lead to overborrowing by students, make it easier for colleges to raise tuition, and entail significant cost for taxpayers. A solution is to tie the percentage of income paid or number of years prior to forgiveness to the amount borrowed.

Even with these two changes, problems would remain. A borrower whose income-driven payments do not even cover the accumulating interest each month will see an increasing loan balance, which could have a psychological toll or make it harder to access other forms of credit, such as a mortgage. And taxpayers would continue to assume all the risk of nonpayment and reap none of the reward when borrowers are economically successful.

An alternative would be to require borrowers to pay a set percentage of their income for a fixed period of time, even if it exceeds what the borrower would have paid under a traditional loan. A system along these lines, which would be a public sector analogue of an income share agreement, would eliminate the concept of a loan balance, and interest rates would no longer be needed.

In conclusion, a single need-based grant program, combined with a loan program that protects borrowers and taxpayer dollars through automatic income-driven repayment, will increase the effectiveness of Federal support for higher education and reduce the harm that noncompletion and loan default disproportionately inflict on disadvantaged individuals. Designing these programs well requires considering how they interact with each other and with other components of the Higher Education Act.

Protecting students and taxpayers from low-value institutions is especially critical to a well-designed system of Federal student aid. HEA reauthorization provides an important opportunity for Congress to streamline and strengthen the Federal aid programs that are critical to educational and economic opportunity in the United States.

I hope my testimony will contribute to that important effort. I will be happy to answer any questions.

Thank you.

[The prepared statement of Dr. Chingos follows:]

PREPARED STATEMENT OF MATTHEW CHINGOS

Chairman Alexander, Ranking Member Murray, and Members of the Committee, thank you for the opportunity to testify today about how our Nation's Federal student aid programs could be simpler and more transparent for students.

I direct the Education Policy Program at the Urban Institute here in Washington, DC. My colleagues and I provide original data and analysis to support education policymaking from pre-kindergarten through postsecondary. This year, we will focus significant attention on the Higher Education Act (HEA), producing original empirical analyses of reauthorization proposals and creating evidence-based tools aimed at elucidating tradeoffs created by different policy options.

I am proud of the work we do at the Urban Institute, but I should emphasize that the views expressed in this testimony are my own, not those of any organization with which I am affiliated, its trustees, or its funders.

My testimony will provide an overview of how Federal policy provides vital support, credit, and insurance for college students but could greatly benefit form modernization and reform through reauthorization of the HEA. Most important, the student loan system is harming too many students while providing arbitrary subsidies to others.

My analyses and recommendations are rooted in three principles:

First, Federal support for higher education should be allocated in ways that help students who need it most, with the goal of increasing educational attainment and economic mobility, especially for students from disadvantaged backgrounds.

Second, Federal aid programs should treat students fairly. This does not mean treating all students the same, but aid programs should treat students from similar circumstances similarly and be easily understood by students and families.

Finally, the system should be as efficient as possible so taxpayer dollars are used to maximum effect.

Student Loan Repayment Crisis

For most students, debt is a tool that allows them to access educational opportunities that pay off in the long run.[1] Loans allow students to borrow from their higher-income future selves to invest in their educations today. The Federal Government, through the HEA, plays a critical role in extending credit to all college students, regardless of whether a private bank would make those loans.

But for far too many borrowers, student loans are doing more harm than good. The number of borrowers in default has more than doubled over the past 4 years, to 4.6 million, even though the default rate has fallen over this period.[2] This is because defaulted loans are unlikely to return to good standing.[3] Defaulting harms borrowers' credit and ability to borrow in the future.[4]

Default affects some groups of student borrowers more than others. Borrowers with relatively small amounts of debt, especially college dropouts, are most likely to default.[5] These patterns are linked to low college completion rates because earning a degree increases a borrower's earning capacity and ability to repay her loans.[6] Additionally, new data show large racial disparities in default rates, with black college graduates more likely to default than white dropouts.[7]

Broadly speaking, there is a repayment crisis in student lending.[8] A fixed monthly payment may work for a car loan, but the 10-year standard repayment plan asks too many student borrowers to make unaffordable payments shortly after leaving college, when their incomes are low. As a result, even students who have taken on reasonable debt levels to earn valuable degrees may struggle to repay early in their careers.

Existing income-driven repayment plans provide a safety net for struggling borrowers, which in theory should prevent defaults. But those plans have failed to do

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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).

[2] Paul Fain, "Growing Number of Borrowers Are In Default," *Inside Higher Ed,* December 14, 2017, *https://www.insidehighered.com/quicktakes/2017/12/14/growing-number-borrowers-are-default;* and "U.S. Department of Education Releases National Student Loan fiscal year 2014 Cohort Default Rate," U.S. Department of Education, press release, September27, 2017, *https://www.ed.gov/news/press-releases/us-department-education-releases-national-student—loan-fy–2014-cohort-default-rate*

[3] Executive Office of the President, *Investing in Higher Education: Benefits, Challenges, and State of Student Debt* (Washington, DC: Executive Office, 2016, *https://Obamawhitehouse.archives.gov/sites/default/files/page/files/20160718—cea—student—debt.pdf)*, p. 33.

[4] There is little systematic evidence on the consequences of student loan default, but because defaults appear on borrowers' credit records, they should mechanically reduce credit scores and future ability to borrow.

[5] See 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 (blog), Federal Reserve Bank of New York, February 19, 2015,*http://libertystreeteconomics.newyorkfed.org/2015/02/looking—at—student—loan—defaults—through—a—larger—window.h tml;* and Figure 2015—14A, "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.*

[6] Only 59 percent of students who start at 4-year public colleges earn a bachelor's degree from any institution within 6 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 6 years *(Completing College: A National View of Student Attainment Rates — Fall 2010 Cohort* [Herndon, VA: National Student Clearinghouse, 2016], figure 12).

[7] Judith Scott-Clayton, *The Looming Student Loan Default Crisis Is Worse Than We Thought* (Washington, DC: Brookings Institution, 2018), *https://www.brookings.edu/research/the-looming-student-loan-default-crisis-is-worse-than-we—thought/*.

[8] Susan Dynarski and Daniel Kreisman, *Loans for Educational Opportunity: Making Borrowing Work for Today's Students* (Washington, DC: Brookings Institution, 2016), *https://www.brookings.edu/wp—content/uploads/2016/06/THP—DynarskiDiscPaper—Final.pdf.*

so, in part because they are too complicated. There are multiple programs with different rules, which borrowers often need to navigate at times of financial stress.[9] Borrowers need to reapply every year; between 2013 and 2014, half failed to do so.[10]

Options for Reform

The current Federal aid programs resulted from years of well-intentional policy changes that would now benefit from consolidation and simplification. In my view, each set of programs should be limited to the purpose for which it is best suited: grants to reduce the prices that students pay, loans to provide credit on reasonable terms, and income-driven repayment to provide insurance against unaffordable loan payments.

Options for reform range from modest efforts to simplify and reduce the number of grant and loan programs (and repayment plans) to bolder proposals that would more fundamentally change how the student aid programs function. I discuss a range of options that Congress should consider as it reauthorizes the HEA.

One Grant, One Loan

Consolidating Federal aid programs into one grant program and one loan program would make these programs more effective and easier for potential students to navigate.[11] The grant program could better support the college enrollment and completion of disadvantaged students by repurposing poorly targeted subsidies from other programs. And moving away from multiple loan programs might reduce the troublingly large number of students who are unaware of how much they have borrowed, or whether they even have a loan.[12]

Whenever possible, Federal subsidies to college students should be delivered through a grant program.[13] This is the most effective mechanism for delivering subsidies to students, as it reduces the prices students pay at the time of enrollment and it can be targeted to students who most need assistance. For example, the need-based in-school interest subsidy would be better used to reduce college costs for lower-income students at the point of entry rather than the loan payments they make after leaving college. Likewise, the cost of the Public Service Loan Forgiveness (PSLF) program, which disproportionately benefits high-debt borrowers even if their incomes are not that low, could be repurposed into need-based grants.[14]

The primary purpose of the single Federal loan program should be to extend credit to undergraduate students. Policymakers should consider capping or eliminating lending to parents of undergraduate students, perhaps in combination with increasing undergraduate loan limits, rather than operating a predatory lending program.[15] Limits on lending to graduate students should also be reinstated, or the eligibility of those loans for forgiveness curtailed, to preserve the fiscal sustainability of the Federal lending program.

Streamlining existing aid into one grant and one loan program would help students who are already navigating the system, but it would not reach students who lack awareness of their eligibility for Federal aid. Simplifying the Free Application for Federal Student Aid (FAFSA) is a modest first step, but a more ambitious option

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[9] *Game of Loans,* p. 118.

[10] Kelly Field, "Thousands Fall Out of Income-Based Repayment Plans," *Chronicle of Higher Education,* April 2, 2015, *http://www.chronicle.com/article/Thousands-Fall-Out-of/229031.*

[11] The grant program might be bifurcated into one component for traditional-age college students and a second for older adults who return to school, including after a period of unemployment (see Sandy Baum et al., "*Rethinking Pell Grants"* [New York: College Board, 2013]; and Sarah Turner, Labor Force to Lecture Hall: Pell Grants and Postsecondary Policies in Response to Job Loss [Washington, DC: Brookings Institution, 2017],*http://www.hamiltonproject.org/papers/labor—force—to—lecture—hall—pell—grants—and—postsecondary—policies—in—resp o).*

[12] Elizabeth J. Akers and Matthew M. Chingos, *Are College Students Borrowing Blindly?* (Washington, DC: Brookings Institution, 2014).

[13] Federal tax credits are outside the scope of the Higher Education Act, but there is strong evidence that these credits have no impact on college enrollment (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 tax credits should be eliminated and the funds used to expand need-based grants.

[14] PSLF is likely to deliver the largest benefits to borrowers with graduate degrees, who can borrow much more than individuals with a bachelor's degree or less. Repurposing PSLF might involve creating a grant program for graduate programs (e.g., one targeted to individuals from disadvantaged backgrounds entering socially valuable fields).

[15] Rachel Fishman, *"An Unsatisfying Consensus Reached on PLUS Loans,"* EdCentral, New America Foundation, May 27, 2014, *https://www.newamerica.org/education-policy/edcentral/unsatisfying-consensus-reached-plus-loans/.*

is to target aid based on information the Federal Government already collects rather than through a separate form.

Eligibility for Pell grants could be determined automatically using tax records. For example, families could learn about Pell eligibility when their children are in elementary or middle school, perhaps through an "account" that would increase in value each year the family's economic circumstances made them eligible. This notification could be sent to all families who claim one or more children on their Federal income tax returns.[16]

Providing aid to families based on average income over a long period would preserve needs-based targeting, and it would arguably be fairer than considering a single year's income. It would also allow for communicating eligibility directly, early, and clearly, without the need for an onerous application. Research indicates that lowering these kinds of barriers can increase the rates at which children from low-income families enroll in college.[17]

An aid application would not be needed to administer a single Federal loan program that provided credit on the same terms to all undergraduate students. Encouraging colleges to offer Federal loans to all their students could reduce the likelihood that students borrow too little. A recent study found that nudging community college students to borrow—in this case, by including nonbinding loan offers in financial aid award letters—increased both the amounts they borrowed and their academic success rates.[18]

Ending the Repayment Crisis

Streamlining income-driven repayment into a single plan would be a useful step forward from current policy, which provides borrowers with several options including the original income-based repayment (IBR), a newer version of IBR, pay as you earn (PAYE), and revised pay as you earn (REPAYE). When a borrower faces financial hardship, it will be easier to pick a single income-based option than decide among several.

But simply reducing the number of plans is unlikely to significantly stem the rising tide of defaults. A borrower would still have to know that income-driven repayment is an option and take proactive steps to enroll and remain enrolled. And moving to a single plan is unlikely to address concerns about the fiscal sustainability of current policy.[19]

Making income-driven repayment automatic would do much more to reduce student loan defaults. Borrowers could be placed into such a plan after leaving college, using their prior-year income to calculate payments (which would change each year). Payments would generally start out low and increase with the borrower's income. Although this type of plan would adjust payments annually, it still would have limitations. For example, it would not be responsive to short-term changes such as a job loss. And borrowers might still fail to make payments, even affordable ones.

The boldest proposals would have all borrowers make income-driven loan payments through the tax-withholding system (while retaining the option to pay them off more quickly). For example, under the Dynamic Repayment Act proposed by Senators Warner and Rubio, employers would collect payments and remit them to the Federal Government in the same way that they withhold income taxes.[20]

In an automatic system, it would be difficult for most borrowers to default on their loans in the same way that it is difficult to underpay payroll taxes.[21] This is the approach taken by several countries, including England and Australia, and it

[16] Alternative means would be needed to identify eligible children whose parents do not file Federal tax returns. Congress would also need to decide whether to use this determination to calculate a lifetime Pell award, or whether Pell should continue to be available to low-income adults who were not economically disadvantaged as children.

[17] Eric P. Bettinger, Bridget Terry Long, Philip Oreopoulos, and Lisa Sanbonmatsu, "The Role of Application Assistance and Information in College Decisions: Results from the H&R Block FAFSA Experiment," Quarterly Journal of Economics 127, no. 3 (2012): 1205—42, *https://academic.oup.com/qje/article-abstract/127/3/1205/1921970.*

[18] Benjamin M. Marx and Lesley J. Turner, *"Student Loan Nudges: Experimental Evidence on Borrowing and Educational Attainment,"* Working Paper 24060 (Cambridge, MA: NBER, 2017), *http://www.nber.org/papers/w24060.*

[19] See, for example, Jason Delisle, *The Coming Public Service Loan Forgiveness Bonanza* (Washington, DC: Brookings Institution, 2016).

[20] S. 799, 115th Cong., *https://www.Congress.gov/bill/115th-congress/senate—bill/799'q=percent7B percent22search percent22 percent3A percent5B percent22Dynamic+Repayment+Act percent22 percent5D percent7D&r=1*

[21] Nonwage employees (including "gig" workers) could be a subject to a system modeled on the IRS's estimated tax system. All workers would be subject to an annual reconciliation of earnings and debt payments. For a detailed proposal along these lines, see Sandy Baum and Matthew Chingos, *"Reforming Federal Student Loan Repayment: A Single, Automatic, Income-Driven System"* (Washington, DC: Urban Institute, 2017), *http://urbn.is/2D6iY09.*

is also used in the U.S. in the form of "wage garnishment" for severely delinquent loans.[22]

A significant downside of current income-driven plans is that borrowers pay the same percentage of income, regardless of whether they borrowed $10,000 for an undergraduate degree or $100,000 for a professional degree.[23] Combined with loan forgiveness options after 10—25 years, this means that a borrower can take on more debt without necessarily paying back any more.[24] This could lead to price-insensitivity among students, further driving up the prices that institutions (especially graduate programs) can charge and the costs to taxpayers.

This problem can be solved by tying the amount borrowed to the percentage of income paid.[25] For example, borrowers might pay 1 percent of their income for each $10,000 that they borrow. Under such a system, the undergraduate borrower with $10,000 in debt would pay 1 percent of income, whereas the graduate degree holder with $100,000 would pay 10 percent. Payments would continue until the loan is paid off (with interest), or Congress could specify a maximum period after which any remaining balance is forgiven (which could also be linked to the amount borrowed).

Even with these changes, two significant drawbacks of income-driven repayment would remain. First, an increasing loan balance (i.e., negative amortization) could impose psychological harm on borrowers and prevent them from taking on other forms of debt such as mortgages. Second, taxpayers assume all the risk of nonpayment and reap none of the reward when borrowers are economically successful (beyond repayment of principal and interest).

An alternative would be to require borrowers to pay a set percentage of their income for a fixed period (which could vary based on the amount borrowed), even if it exceeds what the borrower would have paid under a traditional loan.[26] A system along these lines, which would be a public-sector analogue of "income share agreements," would eliminate the concept of a loan balance, and interest rates would no longer be needed.

* * *

A single need-based grant program, combined with an easy-to-understand loan program that protects borrowers through automatic income-driven repayment, will increase the effectiveness of Federal support for higher education and reduce the harm that noncompletion and loan default disproportionately inflict on disadvantaged individuals.

Optimal design of Federal grant and loan programs requires considering how they interact with each other and with other components of the HEA, such as the rules that govern institutional eligibility to award Federal grants and loans. How to protect students and taxpayers from low-value programs is beyond the scope of this hearing, but it is critical to a well-designed Federal aid system.

The reauthorization of the HEA provides an important opportunity for Congress to streamline and strengthen the Federal aid programs that are critical to college access and completion in the United States. I hope my testimony will contribute to that important effort, and would be happy to answer any questions.

[SUMMARY STATEMENT OF MATTHEW CHINGOS]

Federal student aid programs provide vital assistance to students and further national goals of increasing educational attainment and economic mobility, especially for students from disadvantaged backgrounds. The reauthorization of the Higher

[22] "EPI's DC Conference, 'Restructuring Student Loans: Lessons from Abroad,' " Gerald R. Ford School of Public Policy, University of Michigan, June 14, 2016, *http://fordschool.umich.edu/news/2016/epis-dc-conference-restructuring—student-loans-lessons-abroad*

[23] Under REPAYE, borrowers pay for up to an additional 5 years if they borrowed to attend graduate school (see*https://studentaid.ed.gov/sa/repay-loans/understand/plans/income-driven),* but the percentage of income paid each month is the same.

[24] See Jason Deslise and Alexander Holt, *Zero Marginal Cost* (Washington, DC: New America Foundation, 2014), *https://www.newamerica.org/education-policy/policy-papers/zero-marginal-cost/; and Matthew M. Chingos, "Jeb Bush's Student Loan Plan Should Outlive His Campaign"* (Washington, DC: Brookings Institution, 2016),.

[25] Alternative solutions include loan limits (especially for graduate students), making forgiveness provisions less generous (e.g., eliminating Public Service Loan Forgiveness), or tying the length of time prior to forgiveness to the amount borrowed.

[26] Total payments would likely need to be capped (e.g., at some multiple of the amount borrowed). Otherwise, the fiscal sustainability of the system would be undermined by borrowers with high earnings potential turning to the private market for financing.

Education Act provides an opportunity to modernize and reform these programs to better support these goals.

Student Loan Repayment Crisis

For most students, debt is a tool that allows them to access educational opportunities that pay off in the long run. But the student loan system is harming too many students while providing arbitrary subsidies to others.

- 4.6 million borrowers are in default, a number that has doubled over the past 4 years even as the default rate has fallen.
- Borrowers with relatively small amounts of debt, especially college dropouts, are most likely to default.
- Income-driven repayment plans provide a safety net for struggling borrowers but have failed to sufficiently mitigate defaults.

One Grant, One Loan

Federal aid programs for undergraduates should be streamlined into a single grant program and a single loan program.

- Federal subsidies to college students should be delivered through need-based grants to the greatest extent possible, as grants reduce the prices students pay at enrollment and can be targeted to students who most need assistance.
- Subsidies currently embedded in the loan programs, such as the in-school interest subsidy and Public Service Loan Forgiveness, should be repurposed into need-based grants.
- Eligibility for grants could be determined through a simplified form or existing government records, enabling early communication with students and families.

Income-Driven Loan Repayment

Moving to a single income-driven repayment plan is a step in the right direction, but it is unlikely to stem the rising tide of defaults if borrowers must proactively enroll every year.

- Participation in income-driven repayment should be automatic, with payments made through the tax withholding system (as is done in England and Australia).
- The percentage of income paid or number of years prior to forgiveness should be tied to the amount borrowed, to ensure fairness to borrowers and reduce unintended consequences such as tuition inflation.
- The loan structure could be maintained, or Congress could move toward a system where borrowers pay for a set period rather than a set dollar amount, eliminating the need for a loan balance and interest rate.

The CHAIRMAN. Thank you, Dr. Chingos.

Dr. Dynarski, welcome.

STATEMENT OF SUSAN DYNARSKI, PROFESSOR OF PUBLIC POLICY, EDUCATION AND ECONOMICS, UNIVERSITY OF MICHIGAN, ANN ARBOR, MICHIGAN

Dr. DYNARSKI. Chairman Alexander, Ranking Member Murray, Members of the Committee, thanks for the opportunity to testify today.

First thing I want to say is that I am a first-generation college grad. My dad was a high school dropout. Expanding opportunity for low-income students motivates my work and everything I say today. So that is what underpins all my recommendations.

I am going to be focusing on what we can learn from other countries in repaying student loans, but I want to first express my strong support for simplifying the aid process for students. When I say "for students," I mean where they actually meet the student aid system is where we need to change things if it is going to be more effective in getting more students into college.

So in the U.S., student debt has risen sharply over the past few decades, but we should be clear, the typical undergraduate debt is not what we see in the headlines. For those who don't complete a B.A., half the students who don't actually complete a B.A., debt is less than $10,000. For those who do complete a B.A., it is about $30,000, and only 15 percent of those who complete a B.A. actually end up with more than $30,000. Just 2 percent of undergrads end up borrowing more than $50,000.

Now borrowing for college is common around the world. In Sweden, where they don't even have any tuition charged at all, people still borrow to pay their living expenses; about $20,000 for their university education. In Australia, it is about a 22,000. In England, about 70,000 for the typical university graduate. So what is exceptional about the U.S. is not the borrowing levels, but the default rates.

Other countries—in other countries, loans do not send millions of borrowers into financial distress. In the U.S., loan distress is concentrated among those who borrow just a few thousand dollars to attend a for-profit or a community college. It is these smaller loans that go into default, not the larger ones. When fees and interest and penalties get piled onto small balances, they can balloon into much larger debt and then end up in default.

Default is very costly. It does enormous damage to borrowers' credit ratings. It leads to higher interest rates on credit cards, on cars. Employers regularly check credit reports of their applicants, and so do landlords. So defaulting on a loan is devastating to a person's financial life. We need to stop student debt from ruining people's lives.

So I am going to tell you what other countries do to make their debt work. First, they allow borrowers to spread their payments over more years. In the U.S., the standard repayment period is 10 years; Sweden 25, Germany 20, England 30, Australia, there is no time limit at all. I know of no other country that has a repayment period as short as ours.

But more importantly, in Australia and in England, loan payments change with earnings. Payments are deducted from paychecks, rising and falling along with pay. This is like the system used in the U.S. to collect Social Security contributions and other payroll taxes.

In England, there are no loan payments at income below 30,000, and then they are 9 percent of income. So it works out that if your annual income is about 50,000, your payments are about 150 per month. In Australia, the loan payment is 4 percent of all income, works out about the same. You don't pay until your earnings hit $46,000 and then around $150 a month, again.

In both countries, the key is that loan payments change automatically with paychecks, just like our payroll taxes and income taxes do. If pay drops, we pay less in payroll taxes automatically. In fact, we are pretty annoyed if our hours were cut, but our payroll taxes stayed the same.

In the income-based plans in the U.S., payments do not adjust automatically. Instead, they are based on the previous year's income. If a borrower needs to adjust her payment, she has got to fill out an application. The CFPB has shown that this is often a bumpy process that can take months.

Borrowers cannot apply by themselves. Their loan servicers have to move the application along. Meanwhile, the student loan bills keep coming, no matter how small the paycheck is, and millions of borrowers end up in default.

Now some worry that payroll withholding puts student loans above other expenses. Why should a student loan get priority over food and rent? But this is exactly what payroll withholding prevents. In Australia and England, when earnings drop, loan payments disappear immediately. So borrowers can devote those shrunken paychecks to essential needs. This effectively acts as social insurance against shocks to wages and hours.

Now we actually have a system of automatic loan payments right now run by the Federal Government, but it is brutal. If a borrower goes into default, the Department of Education can collect payments via the Treasury Offset Program. Last year, this program seized $3 billion in Federal payments, including tax refunds like the earned income tax credit and Social Security payments to deceased, disabled, and retired people and their dependents.

Through Social Security, 15 percent of the monthly benefit gets lopped off to pay a loan in default. The GAO finds garnishments are pushing Social Security recipients below the poverty line. We are already doing automatic withholding of loan payments, but in a way that hurts the most vulnerable people.

There are many models for funding college, in conclusion. Some advocate for free tuition, others for a system of targeted need-based aid. No matter what, loans are going to be part of our system, whether they are large or they are small. Even in tuition-free Sweden, students borrow. We, therefore, need to make loans and loan repayment work. We need to overhaul a punishing system that turns manageable debt into a financial disaster for millions of student borrowers.

Thank you, and I look forward to your questions.

[The prepared statement of Dr. Dynarski follows:]

PREPARED STATEMENT OF SUSAN DYNARSKI

Chairman Alexander, Ranking Member Murray, and Members of the Committee, thank you for the opportunity to testify today.

U.S. Student Loans in International Context

Americans owe $1.3 trillion in student loans. Nearly five million borrowers are in default, and millions more are behind on their payments.

Borrowing for college is common across the globe.

- Sweden: While tuition is zero, students typically borrow $20,000 to pay living expenses
- Australia: Students borrow about $22,000
- England: Students borrow about $70,000

In the United States, typical undergraduate debt is less than $10,000 for those who don't complete a 4-year degree and about $30,000 for those who do.

What's exceptional about the United States is therefore not student borrowing but a rigid, archaic repayment system that unnecessarily plunges millions into financial distress.

Millions of U.S. borrowers with small loans—often less than $5,000—are ending up in default. In fact, it is the smallest loans that are most likely to go into default.

The High Cost of Default

Default is costly to both government and citizens. It undermines the foundation of our system for funding college.

- Default does enormous damage to borrowers' credit ratings.
- Defaulters face higher interest rates on cars and credit cards.
- Employers regularly check credit reports, so those in default miss out on job opportunities.
- Landlords also check credit reports, so borrowers in default have a harder time finding housing.

It doesn't need to be this way. Students in England borrow far more than ours do, but they have a simple, flexible repayment system that keeps borrowers current on their loans. The same is true of Australia.

What do other countries do that makes their systems work better than ours?

Length of Repayment

In the United States, the typically expected repayment period is 10 years.

- In Sweden payments are spread out over 25 years
- In Germany, students pay their loans over 20 years
- In England, students pay their loans over 30 years
- In Australia, there is no time limit, with students taking as long as they need to pay

A longer repayment horizon makes sense. A core principle of finance is that the life of debt should align with the life of the asset. We pay for cars over 5 years and homes over 30 years because homes last a lot longer than cars. An education pays off over a lifetime, so student loans should be paid off over a long horizon.

Income-Based Repayment

In Australia and England, loan payments are set as a percentage of earnings. This is analogous to the process used in the U.S. to collect Social Security contributions. Payments are deducted from paychecks, rising and falling along with pay.

- In England, loan payments are 9 percent of income above $30,000.
  - A person with an income of $50,000 would therefore pay $1,800 (9 percent of $20,000).
- In Australia, there are no loan payments while a person's income is below $46,000. Once that threshold is crossed, the loan payment is 4 percent of all income.
  - A person with an income of $50,000 would therefore pay $2,000 (4 percent of $50,000).

Automatic Adjustments to Payments If Income Changes

In England and Australia, the loan payment automatically changes if pay changes. These payments are set on a dynamic basis, with the rate applied according to the annualized value of a person's given weekly or monthly paycheck.

This is exactly as our payroll taxes and income taxes work. Payments are deducted directly from our paychecks, as a percentage of the pay period's earnings.

Payroll withholding is the only way to provide an immediate link between fluctuations in earnings and loan payments. Any other system delays the protections that low-income borrowers desperately need.

Automatic, Income-Based Repayment Is Effective Social Insurance

Some worry that payroll withholding gives student loans primacy over other expenses. Why should a student loan get paid before more basic needs such as food and rent?

No one facing economic hardship should have to choose between paying student debt and paying for basic necessities.

Prioritizing basic needs is exactly what the Australian and English systems do. When earnings drop, loan payments drop immediately, allowing borrowers to devote their shrunken paychecks to essential needs. Borrowers don't have to fill out an application to have payments adjusted, or even make a phone call.

Adjustment is Not Automatic in U.S. If Income Changes

In the income-based plans in the United States, payments do not adjust automatically. Instead, payments are based on the previous year's income and are constant for a year.

- In the U.S., if a borrower's earnings fluctuate during the year and she wants to adjust her payment, she must fill out new paperwork. That can take months to process.

After a year, a borrower is ejected from the income-based plan unless she completes a re-application.

- In the U.S., even staying in an income-based repayment requires an annual, 12-page application. Many who successfully enter an income-based plan find themselves kicked out the next year, if they (or their loan servicers) don't complete the required paperwork on time.

In the United States, student loan bills keep coming, no matter how small the paycheck. It's up to the borrower to apply for a reprieve if their financial situation worsens. Getting on an income-based repayment plan depends on getting a loan servicer to complete the complicated paperwork. As shown by the Consumer Financial Protection Bureau, this is often a bumpy process that can take months. In the meantime, the bills keep coming—and millions of borrowers end up in default.

This is no way to protect borrowers—especially young, low-income workers—against shocks to their earnings.

Repayment Can End Faster With Automatic, Income-Based Repayment

While automatic, income-based repayment protects low-income borrowers, it also speeds repayment by high earners.

- The typical Australian borrower discharges student debt within eight to 12 years.
- Those with very high earnings (for example, lawyers) finish in as few as 5 years.

This is because payments rise automatically when earnings do. As a result, high earners pay down their debt more rapidly than they would in a system of flat repayments.

U.S. Government Garnishes Benefits to Low-Income People for Student Loans

We have a system of automatic payroll deduction for student loans already, and it's brutal.

If a borrower goes into default, the Department of Education can direct Treasury to collect payments via the Treasury Offset Program. This program seizes Federal payments to student borrowers who are in default.

In 2017, $2.8 billion in payments went to the Department of Education from this program. These payments were seized from:

- Tax refunds, including the Earned Income Tax Credit
- Social Security payments to retired and disabled workers
- Social Security payments to the dependents of retired, disabled, and deceased workers
- Black Lung benefits

These garnishments are far more punitive than the income-based withholding proposed in this testimony. The garnishment rate for Social Security beneficiaries in default on student loans is 15 percent—far higher than the rate on any proposed income-based repayment program.

The Government Accountability Office has found that Social Security beneficiaries are being pushed below the Federal poverty line by these garnishments. While beneficiaries can appeal to protect their benefits, these appeals must be repeated annually.

Make a Loan Repayment Work for Borrowers . . .

The loan repayment program must be designed with borrowers in mind. Its goal should be to recoup the government's investment while causing as little financial distress as possible.

Calibrating the elements of the loan program requires care and attention. The critical elements of an income-based repayment program include:

- Threshold above which payments begin
- Percentage of income deducted for payments
- Interest rate
- Borrowing limits
- Maximum length of repayment
- Conditions for early repayment

These parameters can be set so that a loan program pays for itself. As we are putting such a program into place, the focus should be on getting these parameters right so that the system is sustainable for both borrowers and the loan program.

. . . And Only Then Turn to Accountability for Colleges

In a properly functioning income-based repayment program, there are no defaults. While we now use cohort default rates to hold colleges accountable for their performance, we should not fear the loss of this metric. To state the obvious, borrowers should not suffer the financial devastation of default so that we can hold schools accountable.

An effective, income-based program will naturally generate administrative data that link earnings and borrowing at the individual level. These data will allow the creation of detailed, accurate measures of repayment burdens by school, cohort, and demographic characteristics. These measures will allow for fine-tuning of the parameters of the loan repayment program discussed above.

These data can also be used in an accountability system to reward and punish schools, since they can be calculated by college and sector. These repayment-burden data are improvement over cohort default rates, since they arrive much faster and they are less easily gamed by schools.

What About Very High Debt?

An automatic, income-based loan repayment program will work for the 98 percent of undergraduates who borrow a manageable amount. For the other 2 percent, we need stronger consumer protection:

- Private student loans should not survive bankruptcy
- Loans that need a credit check should not be marketed as student loans
- Students should exhaust Federal student loans before being allowed to take out any private loans

Conclusion

What's exceptional about the United States is not how much we borrow for college. What's exceptional is an antiquated, rigid repayment system that turns manageable debt into a financial disaster for millions.

The repayment system in the United States was built when students borrowed little to nothing. Other countries have overhauled their loan systems to reflect changing times. It is time for the United States to do the same.

The CHAIRMAN. Thank you, Dr. Dynarski.

Well, thanks to all of you. We will now begin a 5-minute round of questions, and we will start with Senator Young.

Senator YOUNG. Dr. Dynarski, thank you for your testimony. I have seen countless Hoosiers in my travels and visited with them, and student debt has, indeed, ruined their lives.

In the U.S., as I understand it, there are roughly 44 million borrowers with loans totaling $1.4 trillion. In order for a student to be considered in default on their student loans, the Department of Education tells us that a student mustn't have made a payment in 270 days. The majority of students who default on their loans have very little debt. But ignoring student loan debt can have real-world consequences, as you know, both individually for the student and for the broader economy.

Students who default on their Federal loans will face difficulties buying a house, buying a car, renting an apartment, and receiving a tax return. Furthermore, students who default won't be eligible for other Federal financial aid opportunities, which may prevent them from enrolling in an education program in the future.

So I am going to ask you a two-part question following your well-received recommendations. In your opinion, Doctor, is there adequate information available for at-risk students to prevent defaults, and secondarily, what role does the Federal Government play in ensuring that students are fully aware of the consequences of defaulting on their student loans?

Dr. DYNARSKI. I will echo the earlier testimony that often info about borrowing is unclear in the award letters, and information about how to avoid default is unclear and complicated in the repayment process. There are two ways to deal with the very complicated system. You can try to push out lots of information that explains to people this very complicated system. You can simplify the system so that it doesn't need so much explaining.

That is, in part, what I am advocating for is that you might not know or I don't know the insides and outs of how the payroll tax works, but somehow it smoothly works on a monthly basis that the right amount comes out of my paycheck. I don't have to engage in the complicated paperwork. So I think streamlining things on the Government's end is the best way to get to fixing things for student borrowers.

Senator YOUNG. Is there research that exists that supports this claim, that is, streamlining and simplifying the process will alleviate the number of students who end up defaulting?

Dr. DYNARSKI. We have evidence that when people are moved into income-driven repayment, perhaps because they ended up with the right call agent who actually was good at making this happen, that it reduces defaults, that it increases homeownership. So there is excellent research by a Princeton economist that looked into this, and indeed, it improves people's financial lives.

Senator YOUNG. Okay. I may follow-up about that evidence. For borrowers who have defaulted, Doctor, what assistance should be provided to make sure their accounts are healthy again?

Dr. DYNARSKI. Moving people automatically into an income-based repayment program, I think, would be the best bet and preventing those defaults up front. So one option is that as soon as somebody falls behind, instead of waiting for the servicer to provide an application for income-driven repayment, that they are automatically moved into the program. And ditto for somebody who has been in default.

Senator YOUNG. Thank you.

Doctor Chingos, while our Federal student loan programs have become increasingly implicated and convoluted and difficult to navigate, innovative financing options for students are crowded out. I have spoken many times at this Committee and other forums to highlight how income share agreements, which you mentioned, are an emerging tool for students to pay for college.

I first began working on this issue in the U.S. House of Representatives, and since that time, Purdue University, located in my home State of Indiana, has developed the first large-scale income share agreement called Back a Boiler.

In October of last year, I visited with one student benefiting from this program. His name is Andrew Hoyler. Andrew was worried about how much monthly income he was going to have to contribute to student loan payments. As an out-of-state student, Andrew sought out of Purdue because of its world-class aviation program. But by participating in this program, it has allowed him to budget for the future and create peace of mind.

I have introduced legislative with Senator Rubio that would provide a regulatory framework for so-called ISAs and instill consumer protections for students. And so, Doctor, I ask you, can you speak to the effects of a complicated student loan system and how that can potentially stifle other innovative financing mechanisms like ISAs?

Dr. CHINGOS. I think part of what makes the student loans complicated is we advertise them as loans, but then now we are all saying we should get people into income-driven repayment on the other end. So up front, people think they are taking a loan, but we really want them to pay it as a percentage of income.

So I talked about sort of a public sector analogue of an ISA, but I think in the private sector, ISAs are certainly worth experimenting with, especially as an alternative to private loans. I think that is where the case is strongest. We know that the private loan market has not served students and borrowers well. I think ISAs could be a promising alternative if the right regulatory framework and consumer protections that you talked about are in place.

Senator YOUNG. Mr. Chairman, thank you.

The CHAIRMAN. Thank you, Senator Young.

Senator Murray, excuse me.

Senator MURRAY. Thank you. Again, thank you to all of you for your testimony and for being here today.

Dr. Lowery-Hart, let me start with you. Again, thank you for your testimony.

You touched on how students struggle to figure out how they are going to pay for college and their basic needs like food, and childcare, and transportation, healthcare, housing. I was glad you mentioned how student loans are one way that students meet those needs when their grants so often don't cover the cost of college and like most working families, they can't pay for those expenses out of pocket.

Now, some have proposed making students pay more interest on their loans or reducing the sources of grant aid. Can you talk a little about how those would impact your students?

Dr. LOWERY-HART. So if you were to talk to Maria, she doesn't understand any of the policy implications. She just knows what she is trying to do on a daily basis, which is change the economic outlook up for herself and her family.

When I first came to Amarillo College, I looked at our success rates, and I was embarrassed of them. I was preparing, as a good academic recovering faculty member myself, to require more tutoring, which is important, and more academic preparation. I wanted to talk to my students, what was keeping them from being successful in the classroom? And what they told me changed who I am, personally and professionally. It is transportation, childcare, healthcare, legal services, utility payments, healthcare. Those were not things that a higher education entity was set up to do.

SEOG helps us serve students in a profound way. Maria can be full Pell eligible, can maximize her loans, work two jobs, and still on her yearly budget come $2,000 to $3,000 short. So any funds that are removed from our ability to ensure that Maria can finish what she starts not only damages her, but it damages the economic outlook in my community.

Senator MURRAY. Okay. Thank you.

Ms. Darcus, I am extremely concerned that many of the 42 million Americans with student loan debt are being driven into default. The poor practices in student loan servicing are failing our borrowers, who are being misled and mistreated, all while student loan companies make billions of dollars from taxpayers.

If there was one a simple thing the Department of Education should do today to help struggling borrowers, from your viewpoint, what would that be?

Ms. DARCUS. The Department of Education has incredible responsibility to provide oversight to the contractors it hires. Both servicers and debt collection companies should be—are responsible for student success, and they should be held accountable when students do default. Clients like mine, borrowers like our low-income clients, unfortunately don't get the help that they need to navigate repayment, and we need to know that the Department of Education is going to hold their agents, their servicers accountable.

If they are not going to step up enforcement, then I am glad we have the Consumer Financial Protection Bureau, the FTC, and State Attorneys General who are willing to take up the charge. Students need to know that they are going to be able to get something out of the investment they made and that the companies that are supposed to serve them, if they are not serving them—if they are misleading them, if they are lying to them, if they are denying them opportunity to repay their loans—that those companies aren't going to be in the business anymore.

Senator MURRAY. So students have somebody at their back at the Department of Education holding their feet to the fire?

Ms. DARCUS. Yes.

Senator MURRAY. Okay. Dr. Lowery-Hart, I have been very concerned to see the new research that I mentioned that shows student defaults might be getting worse in the near future, with potentially up 4 in 10 borrowers defaulting over the course of the repayment. Taking away resources from students, including their ability to borrow when funds run short, will only make their lives worse. So as we now look at reauthorizing HEA and seeking to reduce student debt, what are some of the better alternatives than just restricting borrowing?

Dr. LOWERY-HART. Well, there are several, but I would say, given the students that we serve that are now the typical student in higher education, one of the most important things that we can do is to align with resources that are already there. So for some of the resources that are available in our communities, with housing and food and other types of aid, being a student actually precludes you from accessing those resources. If we could align the work that we are doing in higher education with——

Senator MURRAY. Because being a student, you can't apply for some of those other resources?

Dr. LOWERY-HART. Yes. That is what it means. Or you fall down on the priority list for housing, for instance. The alignment between Government programs that already exist to serve students and exist to serve our communities, if those could be aligned and better integrated, more resources would be available to our students, which would mean they could complete a degree, which is an economic impact that our communities desperately need.

Senator MURRAY. Okay. Thank you, thank you for in your testimony saying that we need your students. I thought that was an important point. Thank you.

The CHAIRMAN. Thank you, Senator Murray.

Senator Enzi.

Senator ENZI. Thank you, Mr. Chairman and Ranking Member Murray, for putting together this series of hearings. It is due for reform and modernization. Student borrowers do face difficult decisions when they are choosing how to pursue a higher education, and they have a difficulty by the existence of so many choices, particularly in regards to the repayment. Simplification is a crucial goal for the reauthorization.

Then there is the alarming GAO report that shocked me when I found that the Department of Education's approach to estimating income-driven repayment plan costs and quality control didn't ensure reliable budget estimates, with the actual costs found by the GAO to be more than double what was originally expected. Due to the popularity of these repayment plans, improving the Department of Education's estimation approach is critical to knowing how much these plans will cost taxpayers. We can't make good decisions about what to do with those plans unless we have that information.

Ms. Keane, you mentioned the one-third of the letters that you have that had sufficient information in them. Do you have a checklist that you can share with us for what is insufficient information?

Ms. KEANE. Absolutely. Yes, absolutely. We really believe that on every award letter, it is very important that the students see cost clearly marked out. To be specific, first off, it is what are the net costs? That is, all in, what you need to pay to start and finish school. This takes away any grant aid that might be applied, any free money that has been offered to the student as gift aid for attending.

Then from there, it is important to note what are direct costs to college as well as what are the indirect expenses. Indirect expenses are paid to other vendors at different times. The direct costs are paid to the school as a bill.

When we talk to students about this, we call it an estimated bill. So we would love to see on every award letter both the net costs, the all-in costs you need to start and succeed in school, as well as the estimated bill that students can expect to get in August so that students like Leon don't get caught $17,000 short.

Senator ENZI. Thank you, if you could provide that checklist to me, I would really appreciate it.

Ms. KEANE. Yes. I have a few more terms, so I am happy to share that afterwards.

Senator ENZI. I thought there was probably more to it than that.

Dr. Chingos, you mentioned the Government Accountability Office issuing that report in 2017 that kind of shocked us to find that $28 billion of loans between 2009 and 2016 are going to be in default. And although there could be some disagreement on the root of the problem, and complexity has to be a part it, but based on your previous research into simplified financial models, how significantly would a One Grant, One Loan style financial and model impact administration and cost estimation at the departmental level? Do you have any estimate?

Dr. CHINGOS. Thank you, Senator.

I agree that carefully and accurately estimating the cost of these programs is critically important to ensuring their fiscal sustainability. I was also troubled by that GAO report.

I think where this really matters is on the repayment end. You know, grants, you write those checks out, you know what those cost today. It is really hard to measure the cost of the loan programs because the loans are paid back over—it used to be 10 years, and now it is much longer, especially in these income-driven plans. So having accurate estimates of what these plans are going to cost is really important.

Senator ENZI. Yesterday, one college told me about a person that had just applied that was 30 years old and has already collected several degrees but can defer having to make the payments and the interest until they quit getting degrees. And the person now owes $500,000 and so can't afford to quit going to school. That is a problem I hadn't heard of before.

Ms. Darcus, earlier this Congress, I introduced the Transparency in Student Lending Act, which would require the disclosure of the annual percentage rate for Federal student loans. Currently, this information is available to borrowers who get private loans, but not borrowers who get loans from the Department of Education. In your opinion, would that disclosure provide more useful information to student borrowers, and is there any other useful information that could help student borrowers?

Ms. DARCUS. At NCLC, we always support improving disclosures and ensuring that consumers have the information they need about the financial transaction they are entering into. They need comprehensive counseling at every stage, from when they are trying to decide whether to borrow to when they are figuring out how to repay, to when they are struggling to repay.

So in addition to disclosing APR, there is a number of other factors and piece of information that we would hope would also be provided to students, and disclosures alone won't resolve the problem. So we hope that this Congress will go further and also ensure that there is real accountability if someone else doesn't—like breaks the rules and students have trouble repaying.

Senator ENZI. You would provide me with that list of additional things, too, then?

Ms. DARCUS. Yes.

Senator ENZI. Thank you.

The CHAIRMAN. Thank you, Senator Enzi.

Senator Bennett.

Senator BENNET. Thank you, Mr. Chairman. Thank you so much for holding this hearing with the Ranking Member. I hear about it every single time I go home to Colorado.

Dr. Lowery-Hart, just a little, slightly off topic. How does Maria get childcare?

Dr. LOWERY-HART. It is difficult, and in most communities like mine, there is a shortage of childcare. As a college, we are working now to provide childcare for students.

Senator BENNET. Can you tell us about that a little bit?

Dr. LOWERY-HART. So we have two childcare options for our students. One that we have recently opened, the Hagy Childcare Center. It is especially important for students that are going in medical fields because they have clinicals that are 8 to 12 hours long, and so they need childcare at off hours. But it is not something that we are financially set up to do.

We have had to partner with childcare agencies in the community. We have had to seek philanthropy. I am still trying to find a long-term financial solution for that. What Maria ends up doing when she can't access our childcare is someone in her apartment is watching several kids while people go to work and go to school, which means childcare isn't as professional or as safe or as reliable.

Senator BENNET. It always seemed to me—I used to be a superintendent of schools. It always seemed to me that community college provides the opportunity to have a building—it may not be perfectly set up for child—a building, people that are learning how to be teachers or childcare providers, and that ought to create an opportunity for us to think——

Dr. LOWERY-HART. Well, and that is what we are—that is what we are doing with our childcare center right now, but it is scaling it for impact that is the biggest worry.

Senator BENNET. Yes, thank you.

I want to ask Dr. Chingos and Dr. Dynarski an unusual question, actually, which is what is the best argument against automatic income-driven repayment? It sounds to me like a pretty elegant solution to a lot of what ails the people that I represent. Is it? If you were taking the other side of that argument, what would you say?

Dr. CHINGOS. So I think the best argument against it is that it's going to lead to price inflation. Once we tell students, "Borrow whatever you need to go to college, and you will pay it back based on your income later," the colleges will just say, "Oh, thank you very much," and we will just raise our prices. So that is why I talked in my testimony about the need to tie the amount that students are borrowing to the amount that they pay. So that they pay it when they can afford it, but that they still pay in relation to what they borrow. So they remain price sensitive and keep the institutions in check.

Senator BENNET. I would argue that the existing system does a pretty good job of incentivizing people to raise their rates. But that is something we need to worry about.

Dr. DYNARSKI. I would say that starting any new program has hiccups. Starting a program of payroll withholding will require planning, and it will be challenging. I do think we need to have caps on the borrowing for the reasons just described. But some way to make sure, if we are using the full force of the Government to collect loans, that we are on the other side making sure we are regulating carefully the providers, so that nobody is being forced to pay for an education they didn't actually get.

Senator BENNET. Just along those lines, Dr. Chingos mentioned in his testimony just briefly that as part of whatever we do, we need to protect against I think what he described as "low-value institutions." I just wonder, with my last minute and a half, whether there is anybody on the panel—maybe I will start with you, Dr. Chingos—could tell us how we could better protect people from low-value institutions?

Dr. CHINGOS. Well, I think that is more than a minute and a half question. But I think one thing that is really important——

Senator BENNET. Unfortunately, it is all I have.

Dr. CHINGOS ——is to look at the outcomes of students from different——

Senator BENNET. That is what——

Dr. CHINGOS ——colleges, seeing how well do people do in the labor market. Now we have to—college isn't just about getting a job. It is not just not about earning money, but I think people go to a college with an expectation they are not going to live a life in poverty afterwards. So if we see colleges or programs of study where people go, and they enter in poverty and they leave in poverty, well, that is probably not a place where we want people spending their own money, and it is certainly not a place where we want to be spending taxpayer money.

Senator BENNET. Do you have—do we have the longitudinal datasets to be able to understand that now?

Dr. CHINGOS. So through the College Scorecard, we have a partial version for people who participate in the aid programs, but as I am sure you know, there are limitations right now on the Government's ability to link data that it already collects. That could be used to provide a much more robust data system both for consumers and for policymakers.

Senator BENNET. Is there anybody else? Yes, Ms. Keane?

Ms. KEANE. Yes. I would say that the best way to do it is to arm consumers with the information to have choice. Right now, students are so overwhelmed getting through—as well as counselors and financial aid administrators—getting through a complicated FAFSA and verification that they don't have time to look at the quality of institutions as they are going through that process. That is a big problem.

I have tried in our work when I was at Mastery Charter Schools to include information about the quality of the education, and students just are already saturated. They are exhausted. It has been so complicated, they can't concentrate.

Senator BENNET. I am out of time. I appreciate it. Mr. Chairman, let me say that I regret for many reasons that we have not been able to get our FAFSA bill finished, but now my greatest regret is that we are now in the process of having to fill one of those forms out.

[Laughter.]

The CHAIRMAN. Well, if we work really hard and fast in a bipartisan way, maybe we can help you and get it done quickly.

Senator Collins.

Senator COLLINS. Thank you Mr. Chairman.

Dr. Dynarski, this year the authority for the Federal Perkins Loan Program expires. I joined a bipartisan group of Senators in pressing for an extension of that program in 2015, and I have done so again while this Committee continues to wrestle with higher education reauthorization proposals.

Every single campus of the University of Maine participates in the Perkins Loan Program. Eighteen Maine educational institutions made $8.6 million in Perkins loans to 4,500 students. So when they hear us discuss One Loan, One Grant, it makes them very nervous about whether they will be able to fill the gaps in financial aid packages for their students.

What they liked best about the three forms of campus-based aid—Perkins, the Federal Supplemental Educational Opportunity Grant, and work-study—is the flexibility to make institution-specific decisions that meet the needs of their students. There is also institutional buy-in because the college or university, as you know, has to match a percentage of the funds.

In your judgment, is there any place for campus-based aid like Perkins and work-study programs as we revamp these programs?

Dr. DYNARSKI. Nobody likes to get rid of any programs once they are in place. Everyone wants to hang onto them. The main challenge with the campus-based programs is that they make it impossible at the Federal level to tell somebody up front what aid they are eligible for because they have to instead first go to the institutions to get their campus aid packaged.

I have full faith in the inventiveness of Congress to find ways to hold institutions harmless and convert those funds perhaps into other forms that would give them the flexibility to help students who are in need. So the work-study program, for example, is very small at this point, and it is inequitably distributed across institutions. So there needs to be some revamping of the campus-based programs so that they are actually serving the goals that they are supposed to.

Senator COLLINS. Well, I have no faith in Congress to come up with—that is not really fair, given the track record of the Chairman and the Ranking Member of this Committee, which is a spectacular one. But having worked at a university before I was elected to the Senate, I had a work-study student. It gave me the opportunity to encourage her to stay in college when she was under a lot of pressure to leave and get to work, get a job. I think these programs, in Maine's experience, have been absolutely critical in filling gaps and thus allowing students to complete their education.

Ms. Keane, let me switch to an issue that you raised. You raised so many excellent—by the way, Senator Casey is one of those who worked with me on Perkins Loan Program. You raised so many very good program points about the need for more transparency so people know what they are getting into. I have seen firsthand students becoming discouraged from completing their degrees because they start to feel overwhelmed by college costs, debt going up, repayment. Sometimes I have heard their parents say, "Why are you accumulating all of this debt when you could be working right now and earning money and getting a job?" That is particularly true of the first-generation college students.

So Hudson University in Bangor, Maine, which is where I worked prior to my election to the Senate, requires all freshman students to enroll in a one-credit student success seminar, and it includes financial literacy and other essential life skills development. What do you think of efforts like that?

Ms. KEANE. I absolutely applaud the institution for doing that. I know our Vice President of Knowledge, Holly Morrow, at uAspire is often talking with me about the importance of financial literacy support for students. It is hard to counsel students if they don't know the terms. We need to do better to set them up for success.

Senator COLLINS. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Collins.

Senator Warren.

Senator WARREN. Thank you, Mr. Chairman.

So I think we should run our student aid programs with two goals in mind. First, help more students graduate from good schools and with less student loan debt; and second, help students get out from underneath their debt burdens faster and easier.

Simplification could help us achieve that goal, but it goes the other way, too. I want to build on what Senator Collins was asking about and the point she made. If it isn't done right, simplification can also increase student debt loans. So I want to talk about both sides of the coin.

Let me start with you, Dr. Dynarski. There are nine student loan repayment plans. Do you think that is too many?

Dr. DYNARSKI. Yes, it is too many. It is too confusing. It is too complicated for borrowers to figure out which program they should be enrolled in.

Senator WARREN. Right. So the Federal—under the current system, the Federal Government pays private student loan companies like Navient, hundreds of millions of dollars a year to help borrowers navigate all those complicated repayment plans and to pick out the one that would be best for them. So in your view, Dr. Dynarski, is that system working?

Dr. DYNARSKI. No, it is not. And CFPB, I think, has done a good job at showing that it is not working. This is very much like what happened during the mortgage crisis where we had a goal of getting people's loans restructured so that they wouldn't lose their homes. But doing so very much depended on the servicers doing the restructuring, and it just didn't happen.

Senator WARREN. Right.

Dr. DYNARSKI. That is exactly what we are seeing right now with the loan companies often shifting people into the programs that require the least paperwork rather than the one that might be best for the borrower.

Senator WARREN. So the loan companies' incentives are not the same as the students' incentives? So let me ask you, Dr. Chingos, if the student is in a good income repayment plan—let us say they navigated, got to the right place—is it simple for that student to stay in the plan until she is able to pay off her loan or the loan is forgiven?

Dr. CHINGOS. It is not simple. You have to recertify every year, submit documentation every year about your income from the prior year, and I think the data show us between 2013 and 2014, about half the people failed to do that. And if you fail to do it, you get kicked automatically back into the 10-year plan when you probably can't afford the payments.

Senator WARREN. Okay. So too many repayment plans, too much money for private student loan servicers who don't help students navigate these plans, and too hard for people to stay in the best repayment plans. Got it.

Ms. Darcus, that does not make sense to me. Does this sound to you like a place where simplification is needed?

Ms. DARCUS. I agree that simplification could help, but only if we preserve the programs or enhance the programs that deliver the maximum benefit for borrowers. That includes preserving forgiveness. There needs to be a light at the end of the tunnel.

Senator WARREN. I think that getting rid of these plans makes sense, but it can go either way on this. If you get rid of the plans with the best terms for students, then will the students actually be worse off?

Ms. DARCUS. Yes.

Senator WARREN. Yes, that is what is going to happen here. So thank you.

You know, this is also true when it comes to simplifying the number of loans that we offer. Right now, for example, low-income students can get interest waived on their loans while they are still in school. That is a pretty good deal for those students. But some Senators have proposed scrapping that program as part of simplification. Ms. Darcus, would students be better off or worse off if this program were ended?

Ms. DARCUS. Absolutely worse off. That is a program designed to benefit the lowest-income borrowers, and they would just graduate with more debt. We already know what that—the world of hurt that causes.

Senator WARREN. Good, anyone else want to weigh in on this? All right. We got it. Go ahead, Mr. Chingos.

Dr. CHINGOS. Sure.

Senator WARREN. Dr. Chingos.

Dr. CHINGOS. I mean, the argument I was making in my testimony is that a benefit people get down the road for low-income students is best done up front. So I think low-income students would be better off if we gave them a bigger Pell Grant, even if they paid a little more interest down the road.

Senator WARREN. Okay. So I understand the point that there are a lot of different ways to design this. But what I think is most important here is that we not use simplification as a ploy to leave students with more debt. The way to simplify the student aid system is to make it cheaper for students, to make it easier to find a high-quality school, and to make the path out of debt smoother.

It seems to me that should be our principal focus here, Mr. Chairman. Thank you.

The CHAIRMAN. Thank you, Senator Warren.

Senator Cassidy.

Senator CASSIDY. Well, I am glad Senator Warren didn't steal my thunder. I wanted her to because it is a thunder that we are both "by Jove-ing," if you will. Which is to say that we have a bill that would increase transparency; that would ask that a student who is enrolling in a university would have a sense of how much she or he is going to earn if they complete; what is the likelihood of someone in their situation completing the course; how much debt would they end up with, et cetera.

It has been endorsed by multiple organizations, including uAspire, and is with Hatch, Whitehouse, Cassidy and Warren. So anyway, Senator Warren—and it really speaks to a lot of what you spoke of.

By the way, almost all of you, your testimony, I agreed with. We need more transparency. We need more simplicity, et cetera. So I am here not to challenge, but just kind of push the envelope a little bit of our understanding of what you are saying.

Ms. Keane, it sounds like since a third of the universities have a letter like this and a third like that and a third like this, and most of them entirely inadequate, you are suggesting that there be a standardized letter that would go out. That would perhaps be prescribed by the Department of Education, but ideally, universities would agree to it. Kind of a Good Housekeeping, if you will, Seal of Approval of "This is what you can expect." Fair statement?

Ms. KEANE. Yes. I want to note that we are very clearly stating terms with federally defined definitions, as well as format practices that show the important equations that need to be clear to students are what is a must. In terms of whether it is an entire exact form like a HUD–1 Settlement Sheet, I want to respect that institutions really want to communicate their school and important things that are very specific to their context to students as well. So I don't know if it has be an absolute requirement——

Senator CASSIDY. But your broad categories, which is transportation, books—my daughter just bought a book for 200 bucks. I'm sitting there thinking, "200 bucks, give me a break." So anyway, that said, it would be nice if you had, okay, tuition, fees, if you are in science, this is what your books would count; if you are in art—you see what I am saying?

Ms. KEANE. Yes, absolutely.

Senator CASSIDY. That seems like it would give itself to, one, you don't have to be incredibly detailed, but it still says—it seems it would give itself to standardization.

Ms. KEANE. Yes, standardization, absolutely. In terms of what needs to be on cost of attendance, including both direct cost to the college and then indirect expenses. In terms of the terms of level of detail of how deep that needs to go, I really recommend consumer group testing and talk with students and multiple stakeholders to understand what is going to work best for the student.

Senator CASSIDY. Sounds like a great project for uAspire, who will then bring the data back to us to attempt to implement.

Ms. KEANE. Senator Cassidy, I really appreciate that. And we are about to embark on some focus groups with students due to a project that we are doing with New America, as well as some work we are doing with Colorado State University, who is choosing to make their financial aid notification programs more student friendly in how they communicate. So some folks do this electively as well.

Senator CASSIDY. Mr. Chingos, you suggested a belief in the so-called "Bennett Effect," that the more money that is available, the more tuition will rise. I always compare it to Tantalus. That is a Greek myth in which that which the gentleman wants is always just beyond his reach—from which we get the word "tantalize." Do you except that?

Dr. CHINGOS. I think the research on the Bennett Effect is mixed. But I think it is mechanically true if you make it easier for people to pay for something, they are going to be able to pay more for it. So it is something we ought to be worried about, and I think it makes the case for targeting these programs to the greatest extent possible. When we have universal benefit to lots of people, I think that creates more risk of a Bennett Effect than programs that are targeted to achieve particular purposes.

Senator CASSIDY. Got it. And now on the other hand, Ms. Dynarski points out very provocatively that really it is not the guy that graduates from med school and then neurosurgery with $200,000 in debt who is defaulting. It is actually somebody who owes 5K and can't make that last payment.

Now a couple of things about that Ms.—Dr. Dynarski, it almost seems, I bet you that there is a characteristic demographic. I think—Ms. Darcus, I smile, a Philadelphia lawyer, I am sure you have heard that before. But you said it is people of color, people of first generation. You can kind of, okay, these are the folks who really need counseling. To what degree could we take this complexity and use big data just to focus it down and say you are going to be at high risk of not passing?

We had, a couple of years ago, a great committee. Georgia Southern came here in here. They got like a 200-point thing, and they can really guide people through. And sometimes it is a $500 loan that allows them to complete. To what extent does all this complexity boil down to maybe just knowing which kids we need to counsel?

Dr. DYNARSKI. Colleges have done a great work with their internal data to understand who is at risk of dropping out and to steer them toward enhanced mentoring resources, tutoring resources, emergency loans. So I think colleges could be helping out more.

Senator CASSIDY. You say—I just heard two things. Colleges could be helping out and that colleges have done a great job.

Dr. DYNARSKI. Some have done a great job using their data. All of them could do a great job, and there is a lot more progress to be made.

Senator CASSIDY. I will just finish with this quick question. If that were done, if all colleges did this great job, would we have this panel today?

Dr. DYNARSKI. Absolutely. Because incomes, earnings, the labor market, it is uncertain. Young people come out, their hours are uncertain. Their wages are uncertain. They don't have crystal balls, and there is going to be people who fall through the net no matter what, and we need to make sure they are protected.

Senator CASSIDY. Thank you. I yield back. Thank you.

The CHAIRMAN. Thank you, Senator Cassidy.

Senator Smith.

Senator SMITH. Thank you, Mr. Chair and Senator Murray.

This is a very interesting—it has been very, very interesting to hear from all you of you. What I am taking out of this is that certainly there is lots that we can do around simplification. Simplification is a good thing, reduces complexity that is a barrier to people that are trying to apply for loans and grants. But that also affordability is a driving issue, and also there is an accountability problem that a lot of you are talking about.

Ms. Keane, I wanted to just start with you. You have some—the examples that you have of documents that students and families might get explaining, I am saying in quotes, kind of what the "financial packages" are completely discombobulating and hard for anybody to understand. So my question is—and you have some also very good suggestions for ways to move toward simplification and make that easier for people to understand.

But my question is usually complexity happens for a reason, it doesn't just happen. So what do you think are the underlying reasons for all of this complexity, and how can we address those so that it doesn't kind of just recreate itself again?

Ms. KEANE. My experience is very much on the receiver end as a practitioner and with students, not on the building of system side. So it is not exactly my area of expertise as to why the complexity exists. That said, I do want to support arguments already made by others testifying that simplification does not necessarily work for students if it means one thing for all. Equity needs to be at the core of how simplification occurs to ensure that those who need it most get what they need.

Senator SMITH. Yep. Thank you.

I think Senator Murray started out by talking about how this needs to be student focused in the way that we do things. I must say as I listen to some of this, it sounds as if some of this is more lender focused.

Maybe, Ms. Darcus, could you comment a little bit on ways that we could take—you have some great information in your testimony—ways in which we can take this whole process and make it more student focused and get that accountability in the system that we really need.

Ms. DARCUS. We definitely need a system that serves borrowers like my clients who are struggling with debt, deep in debt that they can't afford to repay, and they are not getting the help they need. So we could start out with improving accountability by ensuring that those students have a private right of action, so that they can go after the companies that—that mislead them, the schools that defraud them, if necessary. We also need to hold other players accountable, including the Department of Education, for their role in ensuring students' success in repayment.

Senator SMITH. Great. Thank you.

Does anybody else want to comment on that?

Dr. Dynarski.

Dr. DYNARSKI. I would agree with student centered. The whole point of—the simplification is not an aesthetic. You know, it is not that we want things simple because it is pretty. We want to make the given dollar that we give to students work well, and that is my goal, is that if we are going to spend a certain amount of money, do it in a way that makes it work for students.

Senator SMITH. Thank you.

Dr. Lowery-Hart, I was really struck by what—your conversation about Amarillo College, and it reminds me of a visit that I made to the community and technical college in Minnesota, Alexandria Community and Technical College, where the typical student there is very similar to the typical student at your institution. They have an incredible rate of placement. The kids, the students, not kids—they used to be kids, they are now adults—that graduate, they have like a 98 percent placement rate.

But what happens with those students sometimes is it is just, one, they are living so much on the edge. And one little thing goes wrong. They lose their apartment or their marriage goes through a crisis or their childcare goes away, and their entire academic life falls apart when really all they need is just—it could be sometimes just a couple of hundred extra dollars for a couple of months in order to keep it all together.

Could you just talk a little bit about that and help us understand how we might consider those kinds of needs as we also try to simplify and make this all work better?

Dr. LOWERY-HART. Well, in looking at our data in student success, I think the misnomer is dropping out or failing out is often as a result of poor academic preparation when the data that I have collected on my students is exactly as you describe. It is the loss of childcare, or their car breaks down. It is one—because they are living on the edge financially, they need everything to go perfectly in order to finish their degree. And as we know, life isn't perfect. So we have to have resources that allow us to meet those emergency needs when they come up.

Now for us at Amarillo College, that is a partnership with our Amarillo College Foundation and people in the community, where if there is a repair that needs to be made on a car, we have people at the college that are calling specific dealers that can fix the car, or we are cutting a check to that student. That is a daily effort on our part——

Senator SMITH. Thank you.

Dr. LOWERY-HART ——and it can't drown in bureaucracy to get there.

Senator SMITH. Thank you very much. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Smith.

Senator Scott.

Senator SCOTT. Thank you, Mr. Chairman.

Before I start with my comments and thoughts with the panel, I wanted to welcome to the Committee our new colleagues, Senators Tina Smith and Doug Jones. I look forward to working with you on this Committee.

To the folks on the panel, I had an interesting experience about 2 weekends ago in Charleston, South Carolina, where a young student who works at the gym where I work out is applying for colleges. This is an incredibly bright young lady. She is third in her class. She is a student government president for the student body, and she is absolutely overwhelmed with this application process, deciding how much she may need to borrow depending on which college she goes to.

So the entire process, even for the brightest of our students and their parents, is so cumbersome and so difficult to navigate that, really, I wonder how in the world 58 percent of our seniors complete their FAFSA. That number seems low, but when I finished my conversation, that number seems kind of high. It takes so much effort, so much commitment and assistance to get to a place where you are in a position not only to apply to college, but to understand and appreciate what loans are available, what scholarships are available, and what, pray tell, you are going to have to do to repay all of these obligations and responsibilities is a very different responsibility.

I think I understand that there are—when you graduate and finish, there are more than 30 variations and combinations of repayment plans. One of the reasons why in 2015 I sponsored legislation to develop best practices by universities around financial literacy so that students would have an understanding and appreciation for what it means to be the borrower and how to understand how to navigate that process when you are leaving.

We need to empower both parents and students well before the student reaches the senior year in high school with financial aid and workforce information to ensure they can make well-informed decisions on their educational and vocational careers. That entails getting applicants thinking about the cost, the true cost of college, the best education path, and their career objectives earlier than we currently are seeing.

Ms. Keane, how do we inform students and parents earlier about the financial aid resources, the career options available to them, and the responsibilities that will be incurred through taking on the student loan debt?

Ms. KEANE. You are absolutely right. That is an overwhelming experience for students and for families early on. I believe that it is also important to think about communication strategies for once they become borrowers. So—excuse me. Specifically, entrance and exit loan counseling are the only things required right now by the Federal Government, and we see that is insufficient and not enough. We really truly believe that annual loan counseling for students is critical. We do this work with postsecondary students ourselves.

We have a student, Miranda, that has worked with a uAspire-trained practitioner in New Mexico, who didn't know that she could have options to deal with her loans and so was too scared to look. So rather than go into the national student loan data base to find out what her loans were, she just stayed away. Once she had someone to help her, she realized there were plans to help, and she moved very quickly and got re-enrolled in school. This needs to happen for more students.

Senator SCOTT. Thank you. Anyone else want to dive into the topic?

Dr. DYNARSKI. I would agree that the complexity is challenging for students at both ends. In terms of coming into college, we have got evidence that radically simplifying the aid process increases enrollment and persistence. So it appears this actually matters.

On the other end, when it comes to paying off loans, people who are having a financial meltdown at least temporarily are probably those who are least equipped to navigate a bureaucracy in order to get the assistance that they need.

The evidence we see right now, in fact, is that the people who are most likely to be enrolled in IDR are those with the highest debts and the highest capacity, actually, to pay. So it is people who are financially savvy and who can handle the process who are currently enrolling in the income-driven programs. The fact that we still have a high default rate is prima facie evidence that we are not getting at the people who really need it the most.

Senator SCOTT. Thank you.

Ms. Darcus.

Ms. DARCUS. I would only add that if as we consider the role that automatic withholding might play in the scheme, we should also think about the most vulnerable borrowers and the extent to which a scheme like that would serve them. If they don't have taxable income, if they are working in the gig economy, if they have uneven cash-flow, then they might not be well served by a system of automatic withholding.

We have seen that with our clients who experience administrative wage garnishment. They already—are already subject to that process, and we would be shifting from relying on servicers to deliver benefits to borrowers to relying on employers to do that. I don't know if small businesses can withstand that burden, but that is something that we should also keep in mind.

Senator SCOTT. Thank you, ma'am.

Mr. Chingos.

Dr. CHINGOS. Just going to add second your concern about people understanding what they are getting into on the front end. You know, I worked on a study a few years ago using Federal data. We knew who had Federal loans, but they were also asked, "Do you have Federal loans? How much do you have?" Most people were way off.

Twenty-eight percent of people who we know have a Federal loan said, "I don't have a Federal loan." Fourteen percent said, "I don't have any loan." This is national representative data on first-year students. So there is a real problem that people don't understand what they are getting into.

Senator SCOTT. Thank you.

The CHAIRMAN. Thank you, Senator Scott.

We have a vote at 12:15 p.m. We have several Senators—several Senators left.

Senator Baldwin.

Senator BALDWIN. Thank you. I want to thank the Chairman and Ranking Member for holding this important hearing on Higher Education Act reauthorization.

I certainly believe that strengthening and improving our financial aid system will be critical to making higher education more accessible and more affordable for more Americans. I also believe that simplification must not result in paring back our support for students.

I want to join Ranking Member Murray in urging the Committee to look at HEA reauthorization in a holistic manner. We cannot truly improve this law without addressing the numerous interconnected issues involving the entire life cycle of higher education and its many stakeholders. I look forward, Mr. Chairman and Ranking Member, to that broader conversation.

I want to direct this to Ms. Keane because I think it is critically important that our Federal financial aid system include a way for institutions to identify and support students that are most in need. Sometimes a very small amount of money can make the difference between completing a semester or dropping out. It is one of the main reasons why I have been such a strong advocate for the Perkins Loan Program, which, unfortunately, was allowed to lapse last fall by Congress' inaction.

This program has bipartisan support in both chambers, and it includes strong leadership of my colleagues on this Committee. I believe Senator Collins asked questions, a question related to Perkins Loan earlier in this hearing, and I believe that we have to get to the task of reauthorizing it without further delay.

Institutions in my home State of Wisconsin and across the country value this loan program because it provides flexibility to target low-cost loans to students in need, including in cases of emergencies. Institutions are in a position to do that in a way that the Federal Government cannot from a distance.

While we can and should look at ways to improve and better target aid through Perkins and other campus-based loan programs, I believe these unique programs must continue to be a part of a robust Federal financial aid system. Ms. Keane, do you agree that— I would like to actually hear you elaborate on both Perkins, specifically, but also the value of campus-based programs and the role that they play in our financial aid system.

Ms. KEANE. Thank you for your question.

Absolutely. As school counselors advocate for students in K–12, financial aid administrators do an incredible job of advocating for students on higher ed campuses. We have been both impressed and grateful by the incredible efforts they make to direct campus-based aid toward students who need it most. We see it play out in many of our postsecondary students that we advise.

Specifically, for example, of the award letters that we collect—so this is per letters, which comes—this dataset is coming from the class of 2016. We saw that for zero EFC students, 59 percent of them included an SEOG grant for over $1,000. That $1,000, per other comments made by other testimony, can make the biggest difference in the world to keep a student enrolled and persisting.

Senator BALDWIN. Thank you.

I am also pleased that we have Dr. Lowery-Hart with us, as I believe community colleges play an incredibly critical role in providing accessible, affordable, and quality postsecondary opportunities in a manner that is responsive to local and regional needs. However, as you note in your testimony, students at community colleges, including many minority and first-generation students they serve, still struggle to afford the full costs of college.

As we look at ways to make our Federal financial aid system work better for students and families, I believe that the Federal Government can and should do more to support these institutions, and that is why I will soon reintroduce legislation, the America's

College Promise Act, which invests in communities—community and technical colleges in partnership with state governments while helping those schools strengthen their programs to best serve students. Do you agree that this sort of investment would help more American students obtain postsecondary credentials or degrees with less or, hopefully, no debt?

Dr. LOWERY-HART. I agree and appreciate your advocacy of community colleges in the higher education ecosystem. What most people don't understand is that community colleges educate the majority of our higher education students in the country. And our economy is based on community colleges' ability to train workers for our employers, and your support of that is appreciated.

The CHAIRMAN. Thank you, Senator Baldwin. I am going to ask that we keep the back and forth at 5 minutes so we can all ask questions before the vote at 12:15 p.m.

Dr. Dynarski, Dr. Chingos, you have suggested that the United States take our nine loan repayment programs, which everyone seems to agree is very confusing, and replace it with a loan repayment system that is similar to Australia, Germany, Sweden, and the United Kingdom, where students would automatically have an amount of money deducted from their paycheck, except for those students who are suddenly finding themselves making very little money. There would be a level below which Ms. Darcus raised the point about what about lower income people or people who have suddenly find themselves without much income.

May I ask you this, what happens—what would servicers have to do if we had a system like that? Dr. Dynarski, what would there be left for them to do?

Dr. DYNARSKI. Well, if we simplify things and we have less bureaucracy, there is less bureaucracy to be taken care of. So not as much. This would really need to run through the Government just as payroll taxes do, and a lot of the challenges that were described in terms of having multiple jobs, gig economy come up when it comes to paying Social Security and FICA and so forth and taxes, the reconciliation that happens with those would be a model for what we need to do.

The CHAIRMAN. So once the decision were made, either automatically for everybody or an option for everybody, there would be nothing—I mean, that would be the way it would be until a loan was paid off, and there wouldn't need to be annual verification or annual financial filings. It would just relate to the paycheck.

Now if McDonald's were about to introduce a new gravy, it wouldn't introduce it in all 14,000 of its stores, or however many they have. They would do a pilot program in Philadelphia and one in Dallas and one in Nashville. So we have these nine programs. One of them is pay your loan off in 10 years, like a mortgage, plus these eight others that are hard to figure out.

If you were the queen or the king of the system and could do just what you want to do and would take a prudent step in the direction you recommended, what would you do?

Dr. DYNARSKI. I think piloting in a couple of states, couple of university systems would be a terrific idea.

The CHAIRMAN. What would you do about the existing nine programs?

Dr. DYNARSKI. In terms of the piloting? I think——

The CHAIRMAN. Well, would you get rid of them?

Dr. DYNARSKI. Yes. Narrow it down to one straightforward mortgage payment plan, if people, indeed, would like to have that option. But make the default—poor word—but the automatic option be an income-based repayment program.

The CHAIRMAN. What if—so what if you had narrowed it down to two programs, one would be, say, the 10-year mortgage type program, two would be the income-based program, and three would be piloting your automatic program. Dr. Chingos, what do you think of that?

Dr. CHINGOS. Yes, I mean, one place to start if you didn't feel comfortable doing this automatically for everybody right away would be to make it available for people, the automatic option. You could put them in there, then they could have to do paperwork to get out. Or you could put them in the 10-year and have them do paperwork to get in. But once you got in, you could see how it works.

The CHAIRMAN. Well, wouldn't you want to pilot it first to see if it did work?

Dr. CHINGOS. Well, I mean, I think we know that payroll withholding for Social Security taxes works in some sense. So I think we know this can work. I mean, so would you want to limit the number of people initially? I mean, perhaps, but I think there is uncertainty about the implementation. There is uncertainty about the specific parameters of the policy design. But I think the basic idea, we know it works because Dr. Dynarski told us about how it works in Australia and England and Sweden and Germany.

The CHAIRMAN. Some Senators and some witnesses have expressed concern that if we simplify, we want to make sure we don't take money away from students. Dr. Chingos, if, in simplifying the loan repayment program the way we do, we save money, where would you put it? I gather from your testimony, you would put it—you would have a larger Pell Grant at the beginning?

Dr. CHINGOS. That is exactly right.

The CHAIRMAN. You think rather than have benefits at the end, like forgiveness at the end, you would take the money saved if you didn't have the forgiveness and create more Pell Grants or larger Pell Grants?

Dr. CHINGOS. That is right. In general, when there are big windfall subsidies, I think those are better spent to help low-income students pay college costs upfront, and any benefits on the back end should be incidental to people who got unlucky, who had a low income for a long period of time. Yes, they are going to get some forgiveness at the very end. But I don't think we should be writing big forgiveness benefits, say, after only 10 years when we know that there are struggling folks who don't have enough to pay for college, to pay for childcare, to pay for food.

The CHAIRMAN. Thank you, Dr. Chingos.

Senator Hassan.

Senator HASSAN. Well, thank you, Mr. Chair and Ranking Member, for holding this hearing. Thank you to all of our witnesses for being here today and for the work that you all do.

I wanted to start with a question to Dr. Russell Lowery-Hart. First of all, thank you again, sir, for being here.

While college enrollment for some students has been on the rise, college completion rates continue to lag. More than a quarter of low-income students are dropping out before obtaining a credential. We know that 80 percent of all jobs require some form of postsecondary education or training, meaning a large number of those non-completers will find it difficult to find a job and, in turn, not be able to pay back their student debt.

We see that, in fact, 60 percent of student loan defaults are by individuals who owe less than $10,000. And those students want to make a difference for themselves and their families, they run into countless barriers along the way. I know you all have talked about that today. So it is clear that our financial aid system isn't meeting the needs of today's students, and again, I thank you for outlining some of those cases.

Doctor, I know you have already talked about some of the ways that we need to support students who are working to complete a degree. But is there anything you haven't mentioned in terms of helping these students who were talked about by these statistics that you would like us to think about?

Dr. LOWERY-HART. The one thing that I would want to add that gives me great hope is over the last 3 years at Amarillo College, we have built a social services system that connects students to food pantries, clothing closets, childcare, and community resources that already exist. Since we have implemented an intensive social services system on a case management process, our completion rates have gone from 19 percent in 3 years to 45 percent in 3 years. When you remove a barrier, you help a student complete, and then you solve long-term issues and open up opportunities that student might not have otherwise.

Senator HASSAN. Well, thank you for that. That is consistent with some experiences we have had in New Hampshire, too, and I am very grateful for your work.

Dr. Dynarski, I wanted to talk a little bit about graduate student loans. Our graduate students are often saddled with very high levels of loan debt, but they are also, as I understand it, the least likely to default on student loans. The current Graduate PLUS Loan was created so that graduate students can borrow up to their cost of attendance and have the protections of a direct loan rather than be forced to borrow in the much more selective private loan market subject—which is subject to underwriting criteria that are based fundamentally on whether you are already financially well-off.

Under the House Republicans' proposal for the Higher Education Act, the amount graduate students can borrow would be capped at $28,500, far below what many graduate and professional programs actually cost. Supporters of this proposal say colleges will be forced to reduce their programmatic prices, but there is really no evidence to suggest that is actually going to happen.

Capping what a graduate may—a graduate student may borrow will not automatically reduce their cost of attendance, and once again, graduate students will be forced into the private market, where interest rates could be well over 13 percent. This could further widen inequality in who is able to access a graduate-level degree. Those who pursue and need graduate-level degrees include teachers, nurses, social workers, and a lot of fields where we should be attracting more students, not putting up more barriers.

How do you think the capping graduate school loans provision would impact low-income students who pursue a graduate degree? And do you believe caps would, in fact, drive down programmatic college costs or graduate program costs?

Dr. DYNARSKI. Well, historically in our loan program we did have caps on graduate loans. So it is a fairly new innovation that the caps were taken off and borrowing took off as well. So it is, indeed, true that grad students have some of the lowest default rates. So in terms of actual defaults, we are looking at maybe 6 percent.

There are problems concentrated in the for-profit sector. My concern is that people are being allowed to borrow too much for an education that is not doing them much good, all right? And caps serve as a crude way to indirectly protect people from ending up with more debt than they can handle, given what they have acquired in education.

Senator HASSAN. I guess my follow-up there would be—and I am just about out of time. So my follow-up there would be, but capping it at an artificially low place makes them incur debt in the private market, which is also harmful.

Dr. DYNARSKI. The private market needs better regulation. So in particular, I think that private student loans should be able to be escaped through bankruptcy.

Senator HASSAN. Thank you very much. Thank you, Mr. Chair.

The CHAIRMAN. Thank you, Senator Hassan.

Senator Kaine.

Senator KAINE. I want to ask a question, a couple of questions, and I am going to begin with a question for Dr. Lowery-Hart, and it is about Pell Grants and the expanded Pell Grant accessibility for short-term programs. On this Committee, my passion, one of my couple of passions, I guess, is career and technical education. I think we sort of perpetrated a myth that post-high school has to be college, when what we know—I'm the son of an ironworker and welder—is what we know is that there are all kinds of career and technical programs where there is significant need in the workforce. And yet the availability of financial aid for some of those programs is dramatically different. Pell Grants, for example, if you income qualify, but you—the course that is being offered is not the length of a college semester, you can't get a Pell Grant for that kind of a course.

Senator Portman and I have a bill in that we hope to include as we have the Higher Ed Act discussion that would make Pell Grants available for shorter-term courses so long as they are highly rigorous and verified, and we believe that would be a real accessibility accelerator for students. I wonder what you might think about that.

Dr. LOWERY-HART. Local businesses in Amarillo would agree with you 100 percent. The biggest jobs in my community—diesel mechanics, aviation mechanics, truck driving, and transportation logistics—those are all accelerated programs for us. Truck driving started out as a continued program ineligible for any financial aid. Those lead to jobs in our community from $60,000 to $100,000 a year with an investment of 6 weeks to 6 months. Yet students can't afford without Federal aid and support to enter into those programs. So they enter in a program that takes longer or may not meet the economic needs of our community. And any aid that would allow students to enter those high-demand fields and give colleges the flexibility to accelerate their learning meets an economic need in my community.

Senator KAINE. Appreciate that. Any other panelist have thoughts on that particular point?

Ms. KEANE. I would just echo that the importance of having some flexibility in terms of the Pell Grant to the reality of today's students is very critical.

Senator KAINE. Thank you, thank you.

Dr. Chingos, were you going to say something?

Dr. CHINGOS. Yes, I was just going to add that I think—I mean, I agree with you completely. I think the challenge is how do you let in the good programs but not open up the flood gates so that we are here 10 years from now talking about all of these people who were claiming to do CTE and left people in debt with no good jobs.

Senator KAINE. I think that is a real important point.

Ms. Darcus, I have a question for you about public service loan forgiveness, if I could direct it your way. This program was created by Congress during the Bush administration, and it allows public servants to have loans forgiven. We have had a little bit of testimony about it. There might have been some when I was at an earlier hearing.

For 10 years of qualifying monthly payments, the first set of borrowers has become eligible for loan forgiveness within the last few months, and there have been some stories about glitches that have been difficult. The New York Times highlighted a common technicality preventing some public service employees from qualifying for the program because they unknowingly were in the wrong repayment plan.

How do we deal with that issue, and are there other barriers that prevent students from receiving anticipated forgiveness that we should look to clear up as we engage in a higher ed rewrite?

Ms. DARCUS. Forgiveness programs like public service loan forgiveness are incredibly vital. They support our economy. Public interest lawyers like myself, many folks who are delivering services to low-income borrowers rely on public service loan forgiveness so that they can afford their own livelihood. So we should certainly hold servicers accountable for doing their jobs, and this is just another window into the very, very common problems folks have during repayment. So enforcement, public enforcement and private enforcement to ensure that students and borrowers are able to access critical benefits like forgiveness is incredibly essential.

Senator KAINE. Other comments on loan forgiveness?

Yes, Ms. Keane and then Dr. Chingos.

Ms. KEANE. Yes. I will just add that we see for many of our students who are low income that they want to give back to their communities, absolutely. And losing the option of loan forgiveness is going to change what they can choose to do in the communities that they want to serve. This is the very thing we want to be having available in our country to lift America up.

Senator KAINE. Thank you.

Dr. Chingos.

Dr. CHINGOS. I am the Grinch who thinks we ought to get rid of the Public Service Loan Forgiveness Program. And the reason I think that is because I think it provides arbitrary benefits, benefits that can be unfair.

I think if you want to support public interest lawyers, you ought to create a grant program for public interest lawyers. Maybe for public interest lawyers from low-income families, folks you want to help get into certain fields, or you to want to provide wage subsidies for people in certain fields, you ought to do that directly. But to do it through a loan forgiveness program, I think, is not the most efficient way to do it, not the most effective way to do it. And it is outside the core mission of income-driven repayment, which is really to provide insurance for people against payments they can't afford.

Senator KAINE. Thank you. I yield my time. Thank you.

The CHAIRMAN. Thank you, Senator Kaine.

Senator Murphy.

Senator MURPHY. Thank you very much, Mr. Chairman. This is a fantastic and interesting hearing.

When I talk to my constituents about the complexity of student loans and our efforts to try to make that process easier, you get a lot of head nods. But then when you very quickly shift the conversation to the cost of higher education and the effort that we could undergo to try to reduce the sticker price, the heads start bouncing up and down. I just want to use my soapbox for a moment to express my hope and desire that as much focus as we put into this question of simplifying student loans, that we put double the effort into efforts to improve the cost and the quality of the degree itself.

We are talking about complexity of student loans here today, but the Chairman has very rightfully pointed out a number of times that we also have just an unjustifiable degree of complexity when it comes to the regulation of college. And we have all sorts of innovative ways that colleges are discovering to lower the cost of college, partner with industry, and get kids to degree faster. And yet we have three regulators that are spending an awful lot of time forcing colleges to think about everything except for affordability and outcome after you graduate. I think there is a real interesting bipartisan conversation to be had about reducing the regulatory framework for colleges, but then making them think more about the cost and the outcome.

I love Senator Cassidy's line of questioning because I also agree that we need to really think about putting students in the driver seat when it comes to understanding the value of the degree that they are getting. Students spend an awful lot time trying to manage through this process of student loan and student aid, and that takes up space that they should be using in order to think about what the actual value of the degree is going to be. That is complicated by the fact that we don't give them the information we actually have in our statute today, a ban on the Federal Government collecting information about how students do after college—the one thing that would be most interesting to students as they are deciding to select a program.

So that is my soapbox for a second. I just hope we are laser-like focused on cost and quality in addition to doing this work, which I think is important, but not as important.

Here is my question to the panel. I will sort of direct it to Ms. Keane and Dr. Chingos, and that will probably be my time. I just want to talk about the private student loan industry. The worry is that for many of us, that simplification ultimately leads to just a lower amount of money being available to students. And then you also have some proposals in the House, in particular the PROSPER Act, which would set an overall limit on the amount of Federal student loan indebtedness that a student could take on.

I just want to ask what would happen if some of our efforts was to limit the amount of Federal indebtedness that a student could take on, either just by having less money available or by something like the PROSPER Act passing? What would the private student loan industry do, and why wouldn't we believe that they would simply fill that gap and that colleges would continue to raise cost and just push more of their students to ultimately take a private student loan that doesn't have—has worse repayment terms, higher rates, and none of the consumer protections? So that is my question.

Ms. KEANE. Yes. We are not financial advisers at uAspire. We are college affordability experts and advising students. So we are very careful in having our advisers give too much detail about different private loan options because we can't keep up with understanding different servicers and what is best for students.

That said, the way that we counsel our students is to use the Federal loan options first. Second, pending their situation, they can consider the PLUS loan, knowing it is not guaranteed and that it involves family members to participate. And then we caution them about going to the private industry and really think about their option instead of taking on more debt.

Senator MURPHY. The idea behind the PROSPER Act and some of these, some of this line of thought, Dr. Chingos, is that if you just limit the Federal student loan indebtedness, they will be less likely to take a chance. And my question is why wouldn't they just pile on private debt, not changing their calculus about risk and about degree cost?

Dr. CHINGOS. So my understanding of the PROSPER proposal is that it would impose—reimpose limits for graduate students. So I think that is what we are really talking about here, and I think we would see one of two things or a combination. One is that people go into programs where they could not get financing in the private market, wouldn't go to those programs. And in some cases maybe that is a good thing. Maybe those are low value, often for-profit programs that aren't very good. But maybe there are some people that we would want to be able to go who then couldn't go. Or they would turn to the private market, and I think we ought to be concerned about the private market.

You know, I agree with what Dr. Dynarski has said and written about this, which is that the private loan should be dischargeable in bankruptcy. And maybe we shouldn't even allow people to market a private loan as a student loan, when really it is not really a student loan, it is unsecured consumer credit.

Senator MURPHY. Right.

Dr. CHINGOS. Then a Senator earlier asked about income share agreements. I think that could be an innovation worth experimenting with, especially on the graduate side. Not as an alternative to Federal loans, but as an alternative to private student loans because of the protections for borrowers that they offer over a private loan.

Senator MURPHY. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Murphy.

Senator Murray, do you have any other comments?

Senator MURRAY. I just want to thank this panel for a very thoughtful discussion, and really good participation today from our Committee Members.

Mr. Chairman, I just want to mention one more time that I hope we can work with the Department of Education to fully implement the ESSA law as Congress intended in order for us to have the confidence as we negotiate the Higher Education Act that the administration will implement it as we negotiate in a bipartisan way. I just—that is, I think, an important marker as we move forward. So I just wanted you to know I am concerned about that.

The CHAIRMAN. Well——

Senator MURRAY. But again, thank you to all of you for being here.

The CHAIRMAN. If you are concerned, I am concerned. That is the way we normally do things. And as stated, of course, I agree with you. I want the Department to implement the law as we wrote it. So we will talk about that. I appreciate your bringing that up.

Let me thank the witnesses. This has been a very good range of opinions, and you all know what you are talking about, and you have given us some interesting options to consider. I think you can tell from the reaction from Senators that there are some ideas that we hadn't thought as much about. Perhaps we understand them a little better.

If you have additional ideas or you wish you had said something that you didn't, or you said something you wish you hadn't——

[Laughter.]

The CHAIRMAN ——we would welcome any further comment you would like to give us in writing. We hope to—this is such an interesting set of issues that we could talk about them for years, as we actually have. But we are coming to the point where we need to bring our thoughts together and come to a conclusion in the next few weeks, and we are going to work to do that.

As I listened to the talk about mentoring, I think about my home State of Tennessee, which has free tuition for 2-year schools, technical institutes as well as community colleges. It is also the state with the highest completion rate for the FAFSA, and it is a state program that requires lots of mentoring in connection with the FAFSA. But of course, they spend all of their time not advising about what college to choose or what the professional course of study ought to be. All the mentoring time, almost all of it, is spent on how to fill out the FAFSA. And if we are able to simplify that—

as I think we have pretty well agreed on a way to do that, we just haven't voted on it—that will make a big difference.

Now we can do the same with loan repayment, that will be a significant step forward. And we will keep in mind all the counsel we have got about simplification doesn't equal cut money for students. We don't want to do that. We want to have a student-focused reauthorization that helps students in terms, and I thought Senator Murphy's words—"cost, quality, and simplification"—are all three good words for us to talk about.

The hearing record will remain open for 10 business days. Members may submit additional information and questions to our witnesses for the record within that time, if they would like.

[Additional Material follows:]

ADDITIONAL MATERIAL

[TESTIMONY ADDENDUM OF LAURA KEANE]

This brief follow-up testimony is based on two themes that emerged in the Q&A segment:

- how to simplify Federal financial aid without reducing it for the students it is designed to help; and
- Senators' inquiry and exploration of the value of campus-based aid.

Simplify the Bookends; Address Equity & Transparency in the Middle

Based on years of advising students, the most pronounced complications for students occur in the beginning and end of students' experience with Federal financial aid. FAFSA and verification, as well as repayment, are the biggest obstacles for students and create inefficiencies for other stakeholders. A shorter FAFSA, coupled with streamlined verification (either by Federal data alignment and/or by FSA serving as single clearinghouse of documentation), is student-centered and will increase access. Reducing the number of repayment options and adopting new systems of collection will help our students manage debt more successfully. Decreased delinquency and default is a win for both students and taxpayers—especially when public service loan forgiveness remains an incentive for completion, service, and reduced debt burden.

By comparison, simplifying aid in the middle of the students' financial aid life cycle does not offer reform that matters most for students. Eliminating both campus-based aid and/or subsidized loans (estimated to cost students $23.4 billion over 10 years)[1]—will decrease likelihood for persistence and continue to leave students stuck facing financial obstacles that can lead to stopping out.

The Need for and Value of Campus-Based Aid

Today, Pell covers fewer than 30 percent of a 4-year public education, and it is only getting worse. Securing the Pell Program to mandatory funding and tying it to inflation is critical. National College Access Network (NCAN) research notes: "Without a regular and planned increase, by 2024 the Pell Grant will cover only 23 percent of a 4-year public education."[2] Given these gaps are real and widening; there is an ever-increasing demand to target dollars for students who need it most.

We see via our practice that campus-based aid addresses this gap and delivers much needed support to students. Our data from the Class of 2017 included over 5,800 letters with some form of campus-based aid awarded to Pell-eligible students:

- 50 percent of Pell-eligible students received SEOG for an average of $1,040;
- 61 percent of Pell-eligible students received FWS for an average amount of $2,582;
- 24 percent of Pell-eligible students received a Perkins loan for an average of $1,727.

Students who receive campus-based aid desperately need it. Other students do, too—particularly those at community colleges. Students we advise make decisions with SEOG offers in mind. FWS also adds tremendous value to close the gap while incentivizing student behaviors research we know increases GPA and persistence. Institutions are closest to the students and have the best line of sight to assess circumstances and direct supplemental aid. This is especially so for returning students trying to persist in college. uAspire concurs with the NCAN recommendation that the campus-based aid formula needs to be redesigned to focus on institutions serving low-income students, not institutions that have been in the program the longest. That said realignment is not elimination. Too many grant and work opportunities are not complexities that hold students back, instead they increase students' ability to complete their degrees.

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[1] "Proposals for Education—CBO's Estimate of the President's Fiscal Year 2018 Budget." Congressional Budget Office. *https://www.cbo.gov/system/files/115th-congress-2017-2018/dataandtechnicalinformation/52891-education.pdf.*

[2] "Protect the Promise of the Pell Grant Program." National College Access Network. *http://www.collegeaccess.org/PromiseOfPell.*

A Court Recorder's Response to the HELP Hearing on Financial Aid [1]

Roxanne Green was the court reporter during the Senate HELP Committee hearing on Financial Aid Transparency & Simplification on Thursday, January 18th, 2018. As she explained to us, "No one knows my name. No one ever speaks to me. No one interacts with the court reporter. Our goal isn't to be on the record." But when Roxanne heard the issues of financial aid being discussed in the course of her reporting that day, she felt compelled to come forward and share her perspective.

"I listened to everyone and how (the testimonies) moved from filling out the form to paying back the loans. I remember thinking, 'Where does it end?' (uAspire) struck me because you want people to understand how financial aid is going to work for them." Roxanne recounted her personal experience with financial aid, and how cumbersome and confusing it was. "My parents didn't go to college. This was a totally new thing for them. My mom didn't know what to do." She explained that, though many people attempted to help her through the process, everyone gave her different information. "It was like throwing things up in the air and hoping it landed."

More recently, Roxanne saw her nephew struggle through the financial aid process. "I first did this 30 years ago, and it seems nothing much has changed. It's like an ever-revolving door." Roxanne is currently in deferment for loans she took to pay for court reporting school, and she described how she still struggles to keep up with the payments while also housing and feeding her family. "I want and plan to pay off my loans, but I don't make enough—I'm just surviving—living expenses are cut to the bone." She was tenacious and able to get Federal benefits, but explained how it can be difficult to get services as a college student, and with a family. "I had to prove that my college was legitimate, and that I was a mother." Roxanne heard elements of her story resonated at the hearing. "Ms. Keane, Dr. Lowery-Hart, and Ms. Darcus spoke of experiences I can relate to as a single-mother and person of color struggling to pay back my loans."

Now Roxanne faces the prospect of her eighth-grade son entering the higher education financial aid life-cycle. "I am a member of the public that happened to have a front-row seat for this hearing. My son will be a senior in 2022. I really hope the policymakers vote to make this process less cumbersome—that would be awesome." But in the meantime, Roxanne expressed her gratitude for organizations like uAspire. "If the colleges are not on board to make the financial aid more clear and direct, I'm glad uAspire is around to help people understand." She explained her desire to learn more about our work because uAspire "wants to help people all the way around financial aid." We assured Roxanne that she can reach out to us as needed when the time comes for her son to start the process, and shared optimism and hope that the system will be simpler, clearer, and easier to navigate by then.

JANUARY 17, 2018

Hon. LAMAR ALEXANDER, *Chairman*
Hon. PATTY MURRAY, *Ranking Member*
U.S. Senate Committee on Health, Education, Labor, and Pensions,
Washington, DC.

DEAR CHAIRMAN ALEXANDER AND RANKING MEMBER MURRAY: On behalf of the Higher Education Loan Coalition (HELC), a grassroots organization of practicing financial aid administrators dedicated to the continuous improvement and strengthening of student loan programs, I wanted to share our feedback and recommendations regarding Higher Education Act (HEA) reauthorization legislation. In response to the House Education and the Workforce Committee's passage of the PROSPER Act, I want to express what we see as its strengths and where we believe there is opportunity to improve the legislation. Finally, there are higher education issues that are not addressed in the PROSPER Act, and we would like to bring these forward as the HELP Committee works on its reauthorization measure. We support several provisions and aspects of the PROSPER Act, such as:

- the elimination of origination fees;
- the overall direction the bill takes in simplifying and streamlining the financial aid process from application to repayment, including:
  - FAFSA simplification;
  - the consolidation of student loan programs into ONE Loan; and

[1] Based on conversation with Laura Keane after the HELP Hearing on January 18, 2018 and interview with Ali Caccavella on January 24,2018.

- the consolidation of multiple repayment plans into two options: a standard and an income-based repayment plan.

We express strong concern, however, about provisions in the PROSPER Act that would increase the student loan burden and administrative burden for institutions. As the Senate crafts legislation, we would strongly urge you to reconsider the following aspects of the PROSPER Act:

- The elimination of the undergraduate in-school interest subsidy adds to borrowers' student loan debt and takes away one of the last need-based aid benefits available to middle-class families.
- The annual and aggregate loan limits are too low. If these loan limits become law, many students would be forced to apply for additional private loans that do not provide the same flexibility and protections as Federal loans and are often based on credit history. This could radically reduce access to higher education for many students from disadvantaged economic backgrounds.
- The effort to assist students in better managing their Title IV funds through weekly or monthly disbursements of aid (Sections 401 and 465) would cause major cash flow issues at institutions. Furthermore, some students may not have enough money to meet critical living expenses such as rent and food early on in the semester. For example, some landlords in college towns require up front payment for rent.
- The requirement for annual Pell Grant counseling would place an unnecessary administrative burden on financial aid administrators and would be an ineffective use of both the student and administrator's time. Such counseling could easily be integrated into the FAFSA process, which improves the timing and alleviates unnecessary delays in aid delivery. We believe this requirement should shift to the Department of Education.

Finally, we urge you to consider incorporating the following recommendations in the Senate's HEA reauthorization legislation:

- Create a Student Loan Line of Credit for Undergraduate Students. Students in the first half of their program of study would have an annual loan limit to protect against over borrowing and defaults and have the ability to bank unused eligibility for future use after completing 50 percent of the program. Access to line of credit should increase with progress towards credential or degree completion. The ultimate goal is to greatly reduce the reliance on PLUS loans, as well as private loans, which have higher interest rates and less favorable repayment terms.
- Ensure Fair Interest Rates. Interest rates should continue to be based on the market while reflecting the government cost of borrowing plus an additional fixed margin to cover the costs of administering the student loan program. The interest rate for students enrolled at least half-time should reflect only the government's cost of borrowing, and undergraduate students with a low expected family contribution should not accrue interest while in school.
- Simplify Repayment Plan Enrollment and Payments. Allowing borrowers to easily enroll in income- based repayment for multiple years via IRS data match would simplify the repayment process. Repayment plans also should allow borrowers to add payments that automatically apply to principal first and provide an option for borrowers to repay their loans via payroll deduction if they so choose.
- Support Public Service Loan Forgiveness. Allow for the continuance of the PSLF program, albeit with necessary updates in place, to allow for the program to thrive as it was intended.
- Ensure Loan Servicing Uniformity. The identity of the loan servicer should be invisible to the student, and all borrowers should have a single point of contact for all loan repayment activities. All service levels, loan terms, and borrower benefits should be uniform and equitable across all servicers.

HELC would welcome the opportunity to discuss these issues with you. We have additional information about all of our recommendations in our *Reinventing Student Loans* white paper. Please do not hesitate to reach out if we can be of any assistance as the Senate undertakes this legislation that is so critical to the success of our nation's students.

Sincerely,

JEAN RASH,
Chair.

HIGHER EDUCATION LOAN COALITION
EXECUTIVE UNIVERSITY DIRECTOR OF
FINANCIAL AID RUTGERS,
THE STATE UNIVERSITY OF NEW JERSEY

Award Letter Checklist: Critical Terms, Calculations, and Formatting Practices for Every Financial Aid Offer

1. Require federally set, student-friendly explanations of nine key terms—uAspire recommendations bolded with uAspire recommended definitions below though consumer-testing recommended
2. Breakdown full **cost of attendance:**
   - Line items for direct costs and indirect expenses
   - Residency, enrollment, and housing assumptions listed
3. List **gift aid** separately under its own heading with subtotal
4. List **loans** separately under its own heading with subtotal
   - Direct loans titled consistently "Federal Direct Subsidized Loan" and "Federal Direct Unsubsidized Loan"
5. Calculate important cost information for the students:
   - **Net costs** (Cost of attendance minus gift aid)
   - **Estimated bill** (Direct costs minus gift aid minus loans)
   - Work-study and PLUS Loan are not included in any calculations as money is not guaranteed
6. List additional options to cover costs separately: may include **work-study,** tuition payment plan, **PLUS Loan**
7. Identify critical next steps including:
   - Any additional documentation required
   - Decision deadline and/or deposit amount (if applicable)
   - Instructions for how to communicate decision to accept, decline, or reduce aid

Cost of attendance: Total estimated price for 1 year of college before financial aid is applied: tuition and fees, housing, food, and other additional personal and educational expenses.

Direct costs: Billable expenses; money paid directly to college: tuition/fees and housing/meal plan, when applicable.

Indirect expenses: Estimated additional personal and educational expenses needed throughout the academic year: books; transportation; living expenses, such as rent and food, if living off campus.

Gift aid: Grants and scholarships that you do not need to pay back. Each grant and scholarship may have specific requirements to maintain eligibility/renew.

Loans: Borrowed money that must be paid back, with interest. You can choose to reduce or decline amount offered.

Net costs: Remaining costs for 1 year of college, after grants and scholarships are applied. Includes: any loans you borrow; money you pay directly to the college; and additional personal and educational expenses throughout the year.

Estimated bill: The anticipated amount you will need to pay directly to the college to enroll; additional personal and educational expenses are not included.

Work-study: You are eligible to earn up to $X after securing a work-study job through your college. The money earned is not typically available to pay your college bill; you will be paid directly via a paycheck for the hours worked.

PLUS Loan: A Federal loan your parent may apply for that requires credit approval; if approved, your parent could be eligible to borrow the amount of your remaining costs.

The next scheduled hearing before this Committee will be next Tuesday, January 23, 10 a.m., on 21st Century Public Health Threats: Our Nation's Preparedness and Response Capabilities.

Thank you for being here today. The Committee will stand adjourned.

[Whereupon, at 12:13 p.m. the hearing was adjourned.]