NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

Testimony
Of
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Workforce Training

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Opening Doors of Educational Opportunity

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Chairwoman Foxx, Ranking Member Hinojosa, and members of the subcommittee:

Thank you for inviting me to testify today.

I am very proud to be here today as a financial aid professional who has spent the last 34 years in a profession that has an undying commitment to serving students and families obtaining funds for postsecondary education.

Today my remarks will focus on the simplification of federal student aid with the understanding that while we can take efforts to simplify, we will never be able to make financial aid truly simple. The United States has the most diverse system of higher education in the world, and that's what makes it unique, enviable, and strong; however, it is this very facet that makes a "one-size fits all" model impossible. The varying types of institutions, student demographics, and reasons for pursuing a postsecondary education make it impossible to enact a "simple" financial policy.

We can, however, make strides to make the process easier and more streamlined for students and families. To date, the discussion on simplification has revolved primarily around the application process. This view is far too narrow and I will share how improving federal student aid and the experiences students and families have with those programs will require a multi-faceted approach to simplification.

My focus will be on the broad view of simplification, broken down in four areas:

- Application Process
- Federal Programs
- Loan Repayment
- Over-borrowing and Loan Counseling

Application Process

When we talk about the federal student financial aid application process we are not simply talking about the number of questions on the Free Application for Federal Student Aid (FAFSA), but the *efficiency* and *experience* of the entire application process. Most of us would agree that 110 questions is excessive. By eliminating questions not related to student aid (such as the selective service question and question about drug usage) and fully utilizing technology and existing federal and state systems, we could eliminate a number of the existing questions, making the processes much easier for our neediest students.

However, we must ensure there is collaboration between the federal government, states, and institutions, to determine how we can reduce questions in a way that would not result in students having to fill out more forms or receive more funds than for which they may be eligible.

We currently use a prior year income to determine financial aid eligibility; but a move to two years back, what we refer to as "prior prior year" (PPY) income has several advantages toward application simplification. Under PPY:

- Students would be able to file the FAFSA earlier than they do now, and it would be based on a completed tax return, reducing complication that currently exists with the timing of the financial aid process and tax filing.
- With more completed, and therefore accurate, tax information, verification burden for both students and institutions would be dramatically reduced through an increased use of the IRS Data Retrieval Tool (DRT).
- This reduced burden will free up more time for financial aid administrators to spend on counseling students.
- Students would receive notification of financial aid packages earlier. This would be extremely beneficial for the neediest of students as it would allow them more time to make weigh options and make decisions.

It's important to acknowledge that under the Higher Education Opportunity Act [Sec. 473(a)(1)(C)], the Secretary of Education *already* has the authority to adjust the year of tax data used to determine federal aid eligibility in order to simplify the FAFSA process. However, this authority to move to PPY has not been used. In this reauthorization we want to see the "may" turned into a "must."

A final note on the simplification of the application process: While the increased use of the IRS data retrieval tool and potential ability to rely solely on information collected by the IRS are attractive prospects in considering simplification, I offer a word of caution about the process becoming "too simple." Yes, on the surface it would seem to make sense to move to as few questions as possible— like using adjusted gross income (AGI) and family size, as has been proposed— but such a dramatic change would have extremely damaging consequences. The most dangerous of which would be that states and institutions would need more information than those two elements and would be forced to develop their own forms. The last thing we would want is to see efforts to simplify yield a system that is ultimately more complex for students. The fewer the data elements we collect, the more homogenous everyone appears, making it impossible to differentiate those who appear needy from the truly needy.

We should stop measuring application simplification solely in terms of the numbers of data elements being used and instead think about how we minimize the effort required by students.

Simplification of Federal Student Aid Programs

Many have spoken of the merits of a one grant, one work, one loan model for the federal student aid programs. The merits of such an approach are that student financial aid could become easier for students and families to understand and in some ways, easier for financial aid administrators to administer. However, we must consider: If we eliminate the other existing programs, such as the Supplemental Educational Opportunity Grant (SEOG) and the Perkins loan program, what will that mean for students who are currently receiving and relying on these awards? Will we have a larger Pell Grant to compensate? Regardless of how many programs exist, needy students should have no less access to funds tomorrow than today, in fact, we should always be striving to achieve the opposite.

A recent proposal that has called for a single loan program simplifies annual loan limits, reduces aggregate limits, and prorates loans on actual enrollments. Where this simplification is easier for families to understand, and lower annual and aggregate limits help address over-borrowing, we must also ensure that there is a provision for increasing that limit for individual students under special circumstances. We do not want an unintended consequence of forcing families to take private loans that have fewer consumer protections because they do not have as much available to them at the federal level.

To be sure, reauthorization is a chance to look at these programs with an innovative eye, rethink things, and determine what will be best for the future. As the one grant/one loan/one work model is debated within this process, I urge you to seek input from the community on ways that we can retain the best elements of the existing campus-based programs, and ensure that our neediest students retain the same funding as they would with the campus-based programs.

I also encourage the Committee to look very closely at the demographic of recipients of the campus-based aid programs and the awards they receive, with an eye toward ensuring that under any new model those students to not lose the funding that is so crucial to their postsecondary success.

Loan Repayment

Currently, there are eight repayment plans available to students (and that doesn't include deferment or forbearance). As you can imagine, that is overwhelming to students and families—something I see on a daily basis. I join others in recommending a new repayment model that will simplify and streamline the repayment process by collapsing the various existing plans into two basic plans:

1. One plan based on income (where, for example, delinquent borrowers could be automatically enrolled after a certain number of days in delinquency if the federal government already has their income information). Similar to the current income-driven repayment programs, payments would be a certain percentage of discretionary income and have some sort of forgiveness term. This revised income-based repayment plan would also reduce the burden for borrowers to annually re-apply for the plan by capturing their initial consent on their application to allow loan servicers to reset the payment amount for all subsequent years.
2. One standard 10-year repayment plan, of which 70 percent of student\parent borrowers are already in.

These changes wouldn't eliminate loan defaults entirely, but simplifying repayment for students would certainly decrease default rates and the taxpayers' burden of having to shoulder the costs of defaulted loans.

We can also pave the way for loan servicers and schools to have an easier time making contact with borrowers. Currently, the Telephone Consumer Protection Act (TCPA) is being interpreted to prohibit student loan servicers and schools from using technology to make students aware of their repayment options via their cell phones. In addition to assisting with loan repayment, the Department of Education needs to work with the appropriate entities to ensure that modern technology can be fully utilized in the servicing process to contact students by cell phones, text and social media.

Discretion for Institutions to Limit Borrowing

College affordability and student loan debt burden are on the minds of our nation's students, families and financial aid administrators. Student loans are a valuable component of a student's financial aid package, and they help millions of students choose, attend, and graduate from the college or university of their choice. Schools, and financial aid administrators in particular, have a vested interest in helping students borrow responsibility.

However, one thing that is not widely known, is that financial aid administrators are currently prohibited from requiring additional counseling and/or limiting borrowing for federal loans. In other words, since loans are considered to be "entitlement" dollars, a school is not able to require additional counseling, beyond the required entrance and exit counseling, even if their records show them that the student could be in serious financial trouble. For example, a students who went to school 10 years ago and has an existing loan balance but is borrowing again, is not required to do entrance counseling even though there are different interest rates, and back end loan benefits/repayment options. For another example, a student who previously defaulted on their student loans or went into bankruptcy is not required to do anything extra as long as the previous loan issues are cleared. Finally, there's the transfer student that is about to borrow more than half of the undergraduate aggregate limit and has not yet completed an Associate's Degree or 60 credit hours.

We urge Congress to amend the Higher Education Act (HEA) to provide authority to institutions to limit annual and aggregate student loan levels to certain broad categories of non-protected classes to address over-borrowing. For example, many of us at low cost institutions would want to be able to pro-rate loans for all part-time students and use professional judgment to increase the loan on a case-by-case basis.

To further address the needs of nontraditional students, Congress should support flexible Pell Grants by allowing students to access grant funds year-round, and a "Pell-Well" concept, allowing students to draw down funds as needed over six years of fulltime equivalency (the current Pell semester eligibility limit) until they either complete their academic program or exhaust the funds. These important changes not only will assist working students and families who need flexibility to complete their studies, but will reduce total student borrowing by allowing more students to graduate on time or accelerate their studies.

Loan Counseling

As mentioned above, one online entrance and exit loan counseling session is not enough for some students to fully understand the realities of excessive debt and over-borrowing. I recommend that institutions have the authority to identify and provide counseling to students who may need more frequent intervention. We also must embrace at the institutional level the importance of financial literacy. And lastly and most importantly, these initiatives and simplification efforts must be paired with the availability of personalized, comprehensive financial education services to help students.

Closing

In closing, I believe that simplification, accountability, and access can co-exist in our student aid programs. As a financial aid administrator for over 30 years, I have felt a responsibility to my country, state, community, Trustees, and most of all the students and families we've served since the day we opened our doors. Let's continue to work closely together ensuring that there is training, guidance and the very best systems, programs, and experiences for our nation's students and families.