ACCT ASSOCIATION OF COMMUNITY COLLEGE TRUSTEES

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November 21, 2013

The Honorable Tom Harkin
Chairman
Committee on Health, Education, Labor, and Pensions
U.S. Senate
Washington, DC 20510-6300

The Honorable Lamar Alexander
Ranking Member
Committee on Health, Education, Labor, and Pensions
U.S. Senate
Washington, DC 20510-6300

Dear Chairman Harkin and Ranking Member Alexander:

We write on behalf of the Association of Community College Trustees (ACCT) concerning the Committee's ongoing request for views on the reauthorization of the Higher Education Act (HEA). ACCT represents the trustees of our nation's community colleges – institutions which enroll over 40 percent of all students in the nation's higher education system each year and play an essential role in providing educational opportunity and workforce development.

As the third of a series of topics related to HEA reauthorization, we appreciate the continued opportunity to provide feedback. The comments found below follow the Committee's request for input related to the **November 14, 2013** hearing entitled *"Ensuring Access to Higher Education: Simplifying Federal Student Aid for Today's College Student."*

Federal student aid has provided millions of community college students the opportunity to attend and graduate from college. However, over time Title IV programs have also grown tremendously complex. On the front end, many students fail to complete the Free Application for Federal Student Aid (FAFSA), believing it to be too complicated, missing critical deadlines, underestimating their eligibility for financial aid, or forgetting to re-file. New eligibility restrictions for the Pell Grant on nontraditional students have prevented many hardworking students from securing needed resources to finance their education. And, rapid increases in borrowing combined with a difficult economy have challenged students' ability to repay their loans and institutions' desire to remain in the Direct Loan program. Congress should use this important reauthorization to revisit earlier decisions about aid eligibility that have reduced access, while simplifying the overall application process and available grant and loan options.

<u>The Free Application for Federal Student Aid (FAFSA)</u>

Prospective aid recipients must file the FAFSA – it is currently the only way that families can determine their eligibility for grants and loans. Yet data show that more than 20 percent of all community college students do not fill out the FAFSA at all; most of these students are part-time, and many are very low-income or first generation students. While the rate of completion has increased slightly in recent years, the fact that so many students do not complete a FASFA is unacceptable, and ultimately harmful to college enrollment and success. Institutions can do more to ensure that the vast majority of students complete a FAFSA, but current shortcomings in both high schools and postsecondary institutions can be traced to the overwhelming administrative pressures placed on advisors and financial aid offices that lack the necessary resources to interact with every potentially eligible student and their family.

At the same time, dozens of questions on the federal aid application contribute virtually no added value to the targeting of aid. Completing the FAFSA requires a considerable amount of time, effort, and access personal networks that students can draw upon to gain information and resources, and parental assistance in the case of dependent students. The result is that students most in need of aid are also experiencing the most difficult time accessing it. This dynamic must be changed. The federal needs analysis formula, and form itself, can be dramatically simplified. The information provided to students and their families can be greatly enhanced. And notification of eligibility can be provided much earlier in the process.

Recommendation 1: Accept prior-prior year earnings and income information to expand IRS Data Retrieval Tool success.

The ability of student applicants to directly import income and financial data from their Internal Revenue Service (IRS) tax forms into the FAFSA (known as the "IRS Data Retrieval Tool") has greatly simplified the application process for many students. However, as implemented, data retrieval has significant shortcomings that prevent full usability. For example, it is virtually impossible for an applicant filing on traditional academic and tax schedules to use the FAFSA-IRS link. A family that files taxes as soon as their W-2s become available at the beginning of February could not use the data retrieval tool until sometime between mid-February and April – well past the application deadlines for many state and institutional aid programs and advised practices for obtaining first-come, first-served grants. In fact, FAFSA itself prominently lists 13 states that have aid application deadlines that precede the April 15 tax deadline. Research conducted in 2012 found that only 24 percent of applicants actually use the data retrieval tool.

Instead, numerous studies have confirmed that the use of income data from two years prior (prior-prior year), in place of just the previous tax year info currently used, often results in much easier processes in completing the FAFSA. The older information is also highly predictive of subsequent earnings and results in low award variation. The U.S. Department of Education (ED) should implement the use of prior-prior year under its authority under the Higher Education Opportunity Act for the purpose of simplifying the FAFSA process – or be directed to do so.

Recommendation 2: Students and their families who are not required to file taxes due to low income, or who receive means-tested federal benefits, should receive an auto-zero EFC.

Students and their families should not need to prove multiple times that they are poor – especially when they are clearly eligible for the maximum level of federal financial aid given their income levels. Progress in linking government databases has made it extremely simple to verify that benefit recipients auto-qualify for federal grant and loan aid. Recipients of SSI, TANF, WIC, and other public benefits should not have to complete any questions on the FAFSA regarding income or asset information because their income levels are low enough to result in a "$0" Expected Family Contribution (EFC). Instead, the FAFSA form should calculate this auto-zero for those who indicate that they receive these benefits – subject to verification – and bypass other input fields for financial information.

Recommendation 3: Inform FAFSA filers of non-Title IV support options for which they may be eligible, including tax credits, and other public benefits.

Many students who struggle to succeed in their educational pursuits experience a great deal of financial hardship, even while working to support themselves and their families. Expenses often lead students to work or attend school part-time so they can make ends meet, and attending part time reduces their likelihood of completing their program of study.

Students' financial barriers can be significantly ameliorated through existing public benefits, tax credits, financial advising, and other support services. Students who submit a FAFSA should be made aware of public benefits for which they may be eligible upon completion of the form. This is especially true for tax credits or deductions, which happen independently during the tax return process. Additionally, efforts to provide access to, and knowledge of, these important support services on campus – such as through SingleStop USA and the Benefits Access for College Completion (BACC) initiative – should be an important component of federal competitive grant programs targeted towards college completion.

Recommendation 4: Allow institutions to waive FAFSA reapplication every other year for students whose financial circumstances have not changed significantly.

The financial situation of most students does not change significantly from year to year, making annual filing of the FAFSA unnecessary. Additionally, many students are simply unaware that they must file each award year, and some dependent students may find it difficult to fill out information that they assumed would only be needed once. For students who have maintained enrollment from one award year to the next and who indicate no significant change in financial circumstances, financial aid administrators should be given the flexibility to waive reapplication. This will also allow many community college students to better plan for receipt of benefits on which they depend, and allow administrators to focus attention on those students whose data are most likely to fluctuate from one year to the next.

Recommendation 5: Replace needs analysis with eligibility that relies on Adjusted Gross Income and number in household (i.e. FAFSA on a postcard) to determine financial aid and provide look-up tables for students and families to show them how much they would prospectively qualify for in grants and loans.

A growing body of research has demonstrated that all the questions needed to determine aid could be determined with two simple financial aid data. Rather than a complex need analysis process that includes asset information, eligibility for federal funds should be based on the parents' income for dependent students, or student's income (and spouse's, if applicable) for independent students, and total number in household. Reducing the collected data items would result in relatively little change in calculated EFC, amd studies have shown these to be the most valid and reliable indicators of financial need. The benefits of simplification would flow overwhelmingly to students with the highest level of need. States would also need proper incentives to tailor state grant sources to accept this more simplified financial information for their need-based grants.

Simplifying the federal need analysis and application process not only helps students to apply, it also provides the basis for creating straightforward ways to convey grant and loan eligibility to low- and moderate-income families, thereby increasing the chances that they will view postsecondary education as a reality for which they can plan and prepare, rather than an impossible dream. Such information could even be conveyed as an eligibility look-up table that fits on a postcard.

Recommendation 6: Allow students to apply for and receive federal financial aid as "provisional independent" when they do not have contact with their parents.

Far too many dependent students are unable to complete the FAFSA because they do not have access to their parent financial information. This includes students who have left abusive homes, have been abandoned, have parents who are incarcerated, or who have other special circumstances that limit contact with their parents, but are unable to go through the difficult process of becoming legally emancipated. To be considered for financial aid, they must go through a "dependency override" at each institution to which they apply. This process, which varies between institutions, can be a significant barrier to college access for students with these difficult personal and financial circumstances.

Students often abandon their goal of attending college due to the hurdles of confronting these challenges alone. Students who do not have contact with their parents or who meet other criteria established by educational institutions should be able to complete the FAFSA as "provisional independent" students. Institutions could then calculate provisional financial aid packages for students before initiating a dependency override process.

The Pell Grant Program

The Pell Grant program is of paramount importance to community college students. More than 3.3 million community college students received grants in the 2012-13 award year, including 48 percent of all full-time students. Given deep cuts in state support to higher education over the last five years, institutions have been forced to raise tuition to maintain quality and continue to provide needed educational services. Tuition now represents 31 percent of all community college revenues, an increase from 22 percent ten years ago.

The Pell Grant program is fundamentally sound in terms of structure and operation, and this is a tremendous achievement given the enormous variety of students and institutions in higher education. Proposals to fundamentally restructure the program should be resisted. But, eligibility changes in the program during the past few years have denied opportunities to so-called "nontraditional" students that should be immediately redressed, and a certain measure of flexibility in the award of funds should be permitted.

Recommendation 1: Reinstate Title IV "Ability-to-Benefit" Eligibility.

Many students without a high school diploma or its recognized equivalent (such as the General Education Development, or GED) attend community college to earn a postsecondary degree and often complete their high school credential in the process. These students were given eligibility for Title IV aid under "ability-to-benefit" (ATB) provisions adopted in the 1992 HEA amendments. However, the Consolidated Appropriations Act of 2012 barred new students without either a high school diploma or GED from receiving federal student aid, effective July 1, 2012. Like the elimination of the year-round Pell, enacting this change in the appropriations process precluded meaningful debate about its potential detrimental impact.

The determination of ability-to-benefit was formerly based on the results of assessments approved by the Department of Education that measured basic skills in Mathematics and English. Additionally, based on the results of a successful experimental sites program, the 2008 HEA amendments allowed ATB students to receive Title IV aid by satisfactorily completing six credit hours (or the equivalent) with a grade C or better. The six-credit provision was in place for a relatively short time span, but community colleges reported great success at enrolling these nontraditional students in certificate and degree programs.

Loss of "ability-to-benefit" eligibility has closed the door annually to college for approximately 50,000 students who could otherwise enroll. Furthermore, forcing students to first get a GED, and then enroll in a postsecondary degree or certificate program, prolongs their total time-to-degree and reduces their likelihood of success. Additionally, in some states student aid is tied to federal Title IV eligibility; therefore, the ATB restriction limited many students' eligibility to receive state aid as well. State and local governments provide about 54 percent of all community college revenues. If the entities with the most "skin in the game" are willing to invest in ATB students, federal policy should follow suit. We recommend that ATB eligibility be reinstated for Title IV. However, eliminating loan eligibility for ATB students, at least until they have accrued the equivalent of a half-year of academic credit, is an option that Congress should consider.

Recommendation 2: Reinstate the Year-Round Pell Grant and Revise the Semester Limit:

After years of discussion and a series of legislative changes, in the 2008 HEOA, Congress created a "year-round" Pell Grant. This change was adopted in recognition of the fact that many students have long desired to attend college continuously, rather than ceasing their studies in the summer as under the traditional college schedule. Providing Pell Grants beyond the normal two semesters or three quarters each year would increase persistence and graduation rates by forestalling summer learning loss and giving students the opportunity to complete their degrees more rapidly. However, after just one year of implementation, Congress eliminated the year-round Pell Grant in order to address a funding shortfall – dramatically increasing confusion for students wishing to maintain consistent enrollment.

The elimination of the year-round Pell Grant has had a large negative impact on community college students. The full impact of the change cannot be measured because the expanded eligibility had not yet been fully taken advantage of by students and institutions. However, across the country community colleges had already started to restructure academic programs to use the new, expanded assistance. With the elimination of the year-round Pell Grant, much of that program modification was stopped in its tracks. Summer enrollments at many community colleges decreased noticeably in 2012 and the same pattern has been seen in the summer of 2013, with many student financial aid administrators stating that Pell-supported students have declined significantly. Students need more flexibility in accessing financial aid. In particular, students who are low-income should be able to enroll continuously. Community colleges urge reinstatement of year-round Pell to support student persistence and on-time completion.

After the year-round Pell Grant was eliminated, Congress also limited lifetime Pell Grant eligibility to a total of 12 semesters. This change has negative implications for many community college students (some former) who, for legitimate reasons, struggle to complete their studies within 12 semesters. These include students who go on to enroll in four-year institutions and have to repeat credits, students who require developmental education or English as a Second Language (ESL) programs, and a number of returning adult students. We urge an increase of the semester limit to a minimum of 14 semesters. In addition, Congress should examine further flexibility in Pell Grant distribution, such as a “Pell Well” of funds that could clearly convey the ability to draw down funds as needed over time and incentivize faster completion.

Recommendation 3: Establish early notification of eligibility for Pell Grant and other aid to students who are low-income.

Having more information about available aid at an earlier point in the college selection process has been shown to dramatically improve students’ chances of attending college and receiving the benefits for which they are eligible. In order to raise awareness about the availability of financial aid, ED should begin ‘early notification’ of potential Pell Grant eligibility for 8th graders (or earlier) receiving National School Lunch Program benefits should rigorously evaluate it. Although these students would not confirm their eligibility until they file the FAFSA and receive financial aid award letters, this additional information earlier in the process would encourage college attendance for low-income students. This information is crucial to parents knowing that financial aid is available to help finance their child’s education.

Federal Student Loans

Each year, millions of community college students responsibly borrow federal loans to help meet college costs. According to the NCES National Postsecondary Student Aid Study 2012, just 17 percent of all community college students borrow federal student loans, but received more than $8 billion subsidized and unsubsidized Direct Loans in 2012-13. Community colleges historically and presently do all that they can to minimize student borrowing—starting with the lowest tuition levels in higher education.

Federal loan policy is understandably driven by, and oriented to, institutions where students more commonly borrow, and in greater amounts, than at community colleges. This has had unfortunate consequences for community college students and institutions. ACCT’s reauthorization proposals for federal loans are designed to address the specific nature and needs of community colleges, within the context of the broader loan programs. Community colleges are particularly focused on limiting borrowing wherever possible, particularly for at-risk students; facilitating loan repayment as quickly as is reasonably possible; and ensuring that measurements of borrower repayment, and default, more accurately reflect overall institutional characteristics, which the current framework lacks.

The federal loan program plays an essential and growing role in the ability of community college students to finance their educations. However, this growing reliance on loans has threatened the eligibility of community colleges to continue to qualify for federal student aid. In future letters regarding reauthorization, ACCT will propose modifications to ensure that institutions and students – and the state and local governments that support them – are treated fairly, while the risk both to students and taxpayers is minimized.

Recommendation 1: End the 150 percent program period limitation on subsidized loans.

In an effort to achieve savings to pay for reduced loan interest rates, in 2012 Congress limited the in-school interest subsidy on Direct Loans to 150 percent of the length of a student's program. As anticipated, implementation of this provision is proving to be extremely complex and difficult. There is little evidence to suggest that it will provide additional motivation for students to complete their programs of study more rapidly. Standards of satisfactory academic progress are already instrumental in this regard, and the provision could disproportionately affect community colleges attending part-time. Therefore, we urge elimination of this provision.

Recommendation 2: Consolidate and refine income-related repayment of student loans.

The desire to provide more repayment options for students has demonstrably increased the complexity of federal loan repayment programs. There are currently seven different loan repayment options, including four income-related repayment plans. Unfortunately, the complexity of various overlapping options and minute eligibility differences has meant that many borrowers have difficulty understanding or enrolling in the programs that can best help them manage their debt.

For community college borrowers with a small amount of debt upon graduation, the standard 10-year repayment plan often helps minimize the amount of interest paid and total length of repayment. However, graduates with lower incomes or higher debt burdens may find standard repayment unmanageable. One factor contributing to the low uptake rate of income-based plans is that it is an optional repayment method requires borrowers to take proactive and sometimes cumbersome steps to enroll – especially as they are entering repayment. If a student is at risk to default, ED and loan servicers should be required to contact borrowers to provide the option of enrolling into an income-related repayment plan, rather than waiting for the student to request this information. Additionally, Congress should explore specific debt thresholds that could trigger automatic enrollment in an income-related plan.

Additionally, Congress should consolidate the four income-related plans – Income Based Repayment (IBR), Pay as You Earn (PAYE), Income Contingent Repayment (ICR), and Income Sensitive Repayment (ISR) – into one new and improved income-based plan. The new income-related repayment plan should be available to all borrowers, regardless of their debt or income level, whether the loans are Direct or FFEL, or the date of loan disbursement. Rather than requiring borrowers to have a certain debt-to-income ratio to enroll, borrowers with higher incomes should be able to make larger income-based payments as determined by the consolidated plan's sliding scale. At a minimum, Congress should make it easy for borrowers to voluntarily enroll in income-based payment and to keep their income information up to date. Borrowers should be able to use all available IRS data for pre-population, including W-2 information, and to have their applications submitted and approved electronically. These reforms to income-related plans could significantly reduce borrower confusion and student defaults.

Recommendation 3: Include private student loan information for consumers in national databases, as available.

Private student loans contain far fewer borrower protections and repayment options than federal loans, and often much higher interest rates and fees. Given lower tuition levels, community college borrowers should not have to take out private loans to meet educational expenses. However, many borrowers are unaware of the array of benefits of federal loans. As the private education loan market continues to grow, it is imperative that Congress enact better protections for students and their families. Under the Truth in Lending Act, students must submit a self-certification form to their private lender, but often lack the requisite financial aid information before making these decisions.

Requiring school certification of private loans, including the notification and counseling of students with any remaining federal aid eligibility, would significantly reduce the risks to students, families and the economy as a whole, while helping students make more informed borrowing decisions. This requirement would build upon increasingly common, but currently voluntary, actions by institutions to require such certification. Further, students who need summary information about their federal student loan debt often access the National Student Loan Data System (NSLDS) to obtain information such as the type of loan (subsidized Stafford, unsubsidized Direct Stafford, etc.), original amount, holder or servicer, and outstanding balance. However, borrowers can only see this information in the NSLDS regarding their federal student loans, not private loans. Once universal certification by institutions is required, private student loans should also be searchable in the NSLDS. Lenders should be required to report all private student loans to the national database.

Thank you for the opportunity to share these proposals regarding the simplification of federal student aid. ACCT looks forward to working with Congress in the HEA reauthorization process to strengthen critical federal programs and policies affecting community colleges and their students. Improvements in this essential legislation will enable community colleges to help prepare millions of students for academic, professional, and personal success in the 21st century.

Sincerely,

J. Noah Brown

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