12 Ways to Make the Higher Education Act Reauthorization Work for Students

Making postsecondary education more accessible and affordable is a national imperative for two reasons. First, it's an equity issue, as low-income and students of color have disproportionate loan debt while being underrepresented among college graduates. Second, our national economic prosperity depends on the development of a competitive workforce and decreasing the debt burden on students and families.

uAspire is a national nonprofit hyper-focused on college affordability. Last year, we assisted over 10,000 students understand and manage college costs in Massachusetts and California, virtually advised another 15,000 students in seven states and trained 2,100 counselors serving 350,000 students in 27 states.

uAspire implores that the Higher Education Act (HEA) reauthorization be guided by the following core principles:

- **Prioritize students** as the key stakeholder and keep them at the center of all policy change;
- **Empower consumers** with simplified financial aid and transparent information on college costs;
- **Promote equity** to increase completion and decrease debt for underrepresented students; and
- **Drive accountability** of institutions and servicers for quality programs and measurable outcomes.

Rooted in longstanding experience with students and families, our HEA recommendations include the following 12 policy levers with further details summarized in the pages to follow:

Simplify Financial Aid

1. Shorten FAFSA by reducing the number of questions and simplifying the process.
2. Alleviate verification burdens and streamline for all stakeholders.
3. Standardize terminology and format practices of financial aid award letters.
4. Simplify loan repayment to prevent exacerbated wealth gaps.

Prioritize Need-based Aid

5. Protect the promise of Pell as a need-based program indexed to inflation.
6. Maintain subsidized loans for students with the greatest need.
7. Grow and equitably distribute campus-based aid.

Elevate Student Loan Service Standards

8. Increase federal loan counseling requirement from entrance and exit-only, to annual.
9. Hold loan servicers accountable to quality standards and outcomes for sustainable repayment.

Align Government Agencies and Data to Drive Degree Completion

10. Promote federal-state partnerships to decrease postsecondary costs and drive completion.
11. Report postsecondary outcomes by creating a comprehensive student-level data network.
12. Offer postsecondary students public benefits for which they qualify across government agencies.

Simplify Financial Aid

1. Shorten FAFSA by reducing the number of questions and simplifying the process.

The FAFSA is needlessly complicated, creating barriers for those who need financial aid most. Accurate FAFSA completion requires significant investments in time and training for staff to support students through the process. We support NCAN's simplification strategies outlined in "Half the FAFSA" including exploring one-time filing, limiting questions for tax-filers to those already available from the IRS Data Retrieval Tool, and allowing recipients of means-tested benefit programs to automatically receive the full Pell award without requiring that they answer additional financial questions.[1]

2. Alleviate verification burdens and streamline for all stakeholders.

The cumbersome verification process presents a hurdle that disproportionately affects low-income students. Compared to 6% of highest-income earners flagged for tax audit in 2016, over half of Pell eligible students were burdened to prove their financial status.[2] Of those, NCAN estimates 22% of Pell eligible students give up on the financial aid process due to complications with verification.[3] uAspire urges lawmakers to level set verification requirements in line with wealthy taxpayer audit rates: trade the risk of improper payment to low-income students for the gains of streamlining the verification that stands in their way of college. We steadfastly support federal solutions that leverage existing data-sharing among government agencies, require institutions to use standard verification forms, and create a single stream for documentation trackable by institutions and students alike.

3. Standardize terminology and format practices of financial aid award letters.

From analysis of over 50,000 award letters and conversations with more than 10,000 students, we see firsthand the detrimental lack of information and transparency students confront when making one of the biggest financial decisions of their lives. Award offers are filled with inconsistent terminology and vary greatly in format. Congress should set and require financial aid letter standards via federal mandate akin to consumer standardization for HUD-1 settlement and credit card statements. These mandates must include:

- **Federally-defined student-friendly terminology.** Our students find financial aid terms titled differently from one letter to the next. In 2017, we found 143 different presentations of the federal unsubsidized loan, and 26 institutions didn't use the word "loan" at all. The federal government must require institutions that award federal aid to apply set terms and definitions that accurately and consistently communicate total costs and aid offered. uAspire identified a checklist of key terms and definitions critical for students on all letters which is available upon request.

- **Require common format practices and calculations for easy comparison.**

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[1] Warick, Carrie. January 2017. *Half the FAFSA: Cutting the Red Tape for Postsecondary Student Aid* http://www.collegeaccess.org/images/documents/HalfTheFAFSA_NCAN2017.pdf NCAN National College Access Network.

[2] Associated Press. March 6, 2017. *"Chances for a Tax Audit Have Rarely Been This Low"* https://www.cnbc.com/2017/03/06/chances-for-a-tax-audit-have-rarely-been-this-low.html CNBC Tax Planning.

[3] DeBaun, Bill. July 13, 2017. *On Declines and Verifications: Insights from the Annual Pell Report* http://www.collegeaccess.org/BlogItem?dg=d6aa53e665a14c46a4f32a6f64614482 NCAN National College Access Network.

How schools list financial aid affects how students do the math. For example, over two-thirds of the letters we analyzed lump grant aid and loans together. It is unclear what is gift aid and what needs to be paid back. uAspire identified basic formatting principles critical to students' understanding of their aid which is available upon request.

4. Simplify loan repayment to prevent exacerbated wealth gaps.

Students must increasingly rely on loans to finance their higher education and find the federal programs generally offer the best options for interest and repayment. While programs like Income-Driven Repayment (IDR) provide a safety net for those with high debt-to-income ratios, the number and complexity of repayment plans can exacerbate income disparities. uAspire agrees with TICAS and broad bipartisan stakeholders that a simpler, more streamlined repayment program is needed, including a 10% income cap for IDR with an interest limit for lowest-income borrowers, and forgiveness after 20 years of participation.[4] Any new legislation should maintain Public Service Loan Forgiveness that allows students from low-income backgrounds to re-invest in their communities. Finally, we support one fixed repayment plan with a timeline for repayment based on total debt, and options to increase payments that limit extended interest accrual.[5]

Prioritize Need-Based Aid

5. Protect the promise of Pell as a need-based program indexed to inflation.

Our students overwhelmingly rely on the Pell grant to forge an affordable path to a postsecondary degree. Yet, as college costs continue to rise, Pell's purchasing power has shrunk to its lowest ever, covering less than 30% of costs for public 4-year schools and forcing low-income students to take on increasing debt. [6] Congress should ensure HEA protects this primary investment in our neediest students by striving to cover half of the cost of average public 4-year option and committing to:

- **Make Pell mandatory with annual auto-increase tied to inflation**. Decrease inefficiencies and uncertainty by eliminating the annual review of Pell subject to the appropriations process. Reinstate the inflationary adjustment to protect Pell and preserve its purchasing power.

- **Ensure Pell renewal eligibility is need-based, not merit-based.** Typical policies for maintaining financial aid eligibility require more rigid academic standards than full-pay students. The Pell Grant must remain a need-based program without inadvertently requiring merit-based provisions for renewal of aid.

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[4] Cheng, Diane and Jessica Thompson. May. 2017. *Make it Simple, Keep it Fair: A Proposal to Streamline and Improve Income-Driven Repayment of Federal Student Loans* https://ticas.org/sites/default/files/pub_files/make_it_simple_keep_it_fair.pdf. The Institute for College Access and Success (TICAS).

[5] Asher, Lauren, Diane Cheng and Jessica Thompson. April 2014. *Should All Student Loan Plans Be Income-Driven? Trade-Offs and Challenges* http://ticas.org/sites/default/files/pub_files/TICAS_IDR_White_Paper.pdf The Institute for College Access and Success (TICAS).

[6] The Institute for College Access and Success (TICAS). July 13, 2017. *How to Secure and Strengthen Pell Grants to Increase College Access and Success* https://ticas.org/sites/default/files/pub_files/pell_recs_one_pager.pdf

6. Maintain subsidized loans for neediest students.

Our students struggle to keep up with the rising costs of college amidst the diminishing purchasing power of Pell. Thus, elimination of the Stafford loan subsidy would have a negative effect on student enrollment, completion and overall debt load. A low-income student who takes out the maximum amount of subsidized loans would pay over $4,000 additional to attend college if this subsidy is lost. The subsidy provided up-front helps to make the indirect expenses more affordable for students and families who cannot afford to shoulder additional costs. Efforts to simplify the loan program must not further reduce aid for our neediest students.

7. Grow and equitably distribute campus-based aid.

Campus-based aid provides much needed support to students. Of our Pell-eligible students in the Class of 2017, 50% received Supplemental Educational Opportunity Grants (SEOG) for an average of $1,040, and 61% received Federal Work-Study (FWS) for an average of $2,582. Institutions closest to the students' circumstances have the best line of sight to assess and direct supplemental aid, especially for students overcoming obstacles to persist in college. Additionally, FWS adds tremendous value to closing the aid gap while incentivizing student behaviors shown to increase GPA and degree completion. uAspire implores Congress to invest in and update the campus-based aid formula to reach students who need it most by equitably distributing across institutions serving low-income students versus length of time in the program.

Elevate Student Loan Service Standards

8. Increase federal loan counseling requirement from entrance and exit-only to annual.

Securing a student loan is a confusing and high-stakes process. While current requirements for receiving a federal student loan include counseling, its effectiveness and bar for proficiency is low as demonstrated when 40% of federal loan borrowers had no memory of completing it.[7] Our experience shows that student borrowers need personalized and interactive loan counseling that norms total debt review on an annual basis timed to inform decisions about further borrowing. Similarly, HEA reauthorization should increase federal loan counseling requirement from entrance and exit-only to annual, and implement quality standards that ensure learning objectives are meaningful to students.

9. Hold loan servicers accountable to quality standards and outcomes for sustainable repayment.

Student loan default can have lifelong negative impacts for students and detrimental effects on our national economy. Though default rates are on the rise overall, recent research by Dr. Judith Scott-Clayton shows that "Black BA graduates default at five times the rate of white BA graduates (21% to 4%)," and this disparity almost doubles for attendees of for-profit institutions.[8] The deficiencies of current loan services are well documented, including a dearth of standards and lack of oversight resulting in insufficient delivery to borrowers. uAspire urges Congress to impose minimum standards and adequate oversight of loan service

7 Whitsett, Healey and Rory O'Sullivan. October 11, 2012. *Lost Without a Map: A Survey about Students' Experiences Navigating the Financial Aid Process* http://www.nera.com/publications/archive/2012/lost-without-a-map-a-survey-about-students-experiences-navigat.html NERA Economic Consulting & Young Invincibles.

8 Scott-Clayton, Judith. January 11, 2018. *The looming student loan default crisis is worse than we thought.* https://www.brookings.edu/research/the-looming-student-loan-default-crisis-is-worse-than-we-thought/ Brookings.

contractors to ensure student borrowers receive clear and consistent information about all repayment options, and are provided opportunities to rehabilitate their default, get back into good standing, and restore their credit for future prosperity.

Align Government Agencies & Data to Drive Degree Completion

10. Promote federal-state partnerships to decrease costs and drive completion.

As states struggle with rising health care costs and deferred maintenance on infrastructure, federal funding levels for higher education has increased from 23 percent of state and local appropriations in 2000 to 72 percent in 2015.[9] But with rising enrollment and increasingly unaffordable public options for low-income students, the federal government should provide incentives to states that reverse this trend by decreasing costs and increasing need-based aid. Federal-state college affordability partnerships incentivize strategies to generate more degree-earners with less average debt in their states, including the following key elements:

- **Set a state college attainment goal to measurably close completion and affordability gaps;** leverage legislature, governor and state college/university system stakeholder investment in shared benefits of higher constituent degree completion.[10]

- **Incentivize state investment to provide more need-based aid in public institutions**; use federal funds to require states to at minimum match federal grants with state appropriated funds for students who demonstrate substantial financial need.

- **Match federal funds to additional state funding in policies designed to reduce net price for lower-income students and ensure greater degree completion**.[11] Prioritize meeting students' basic needs to reduce food and housing insecurity such as system-wide meal plan subsidies and/or development of an Open Educational Resource (OER) standard for college courses.

11. Report postsecondary outcomes by creating a comprehensive student-level data network (SLDN).

With over 4,000 postsecondary institutions to choose from, students need meaningful data to make informed decisions. Yet, current data on postsecondary programs does not often represent nor allow students to answer pressing questions about educational outcomes.[12] Thirty percent of students are omitted from workforce metrics because they don't receive federal financial aid, yet many benefit from federal investments via tax exemptions and deductions, veteran and military benefits, and funding for students of color-serving institutions. Policymakers should remove federal barriers that hamper the use of existing postsecondary data and provide a coherent, nimble, and privacy-protected SLDN such as that proposed in

[9] Baum, Sandy. May 2017. *Examining the Federal-State Partnership in Higher Education* https://www.urban.org/sites/default/files/publication/90291/2017_05_01_examining_partnerships_finalized_1.pdf Urban Institute

[10] Lumina Foundation. September 16, 2016. *Strategy Labs: State Policy to Increase Higher Education Attainment.* http://strategylabs.luminafoundation.org/wp-content/uploads/2013/10/State-Attainment-Goals.pdf

[11] Carlson, Andy, Laderman, Sophia, Tandberg, David. June, 2017. *A Federal-State Partnership for True College Affordability* http://www.sheeo.org/sites/default/files/publications/Federal-State_Partnership_for_True_College_Affordability.pdf State Higher Education Executive Officers Association (SHEEO).

[12] Roberson, Amanda Janice. December 1, 2017. *Why incomplete data leaves us with incomplete student outcomes.* http://www.ihep.org/postsecdata/data-at-work/why-incomplete-data-leaves-usincomplete-student-outcomes IHEP Institute for Higher Ed Policy.

the bipartisan College Transparency Act. It is imperative that HEA reauthorization require better, more representative data by counting all students in outcomes and earnings metrics.

12. Offer postsecondary students public benefits for which they qualify across government agencies.
Indirect expenses are not adequately estimated nor accounted for in financial aid determinations, putting students at risk for meeting educational expenses and basic needs. Our students are increasingly forced to make choices between books and food, mirroring research across community colleges citing one-third of students regularly go hungry and 14% are homeless.[13] Colleges with dedicated offices to support benefits access such as SNAP and transportation passes provide much needed relief and an example of a systems-level solution to be replicated. Such government partnerships should be formalized under HEA to support administration of benefits to our most vulnerable, and increasingly most common, college students.

[13] Goldrick-Rab, Sara, Jed Richardson and Anthony Hernandez. March 2017. *Hungry and Homeless in College: Results from a National Study of Basic Needs Insecurity in Higher Education* http://www.wihopelab.com/publications/hungry-and-homeless-in-college-report.pdf Wisconsin HOPE Lab.