April 24, 2015

The Honorable Lamar Alexander
455 Dirksen Senate Office Building
Washington DC, 20510

Dear Senator Alexander:

Thank you for the opportunity to comment on the HELP white papers released on March 23, 2015. The papers are effective catalysts for discussion of a number of issues critical to federal student financial assistance. We believe that they, and responses from the higher education community to them, will inform the upcoming reauthorization of the Higher Education Act. With this letter, we are submitting comments to the papers on Consumer Information and Risk-Sharing.

Thank you for considering our comments and suggestions. Please do not hesitate to contact me if you have questions about our responses.

Sincerely,

Justin Draeger, NASFAA President and CEO

Attachment: White Paper Comments

Opening Doors of Educational Opportunity

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ATTACHMENT: COMMENTS FROM NASFAA

Consumer Information

This white paper raises issues that must be addressed in the upcoming Reauthorization of the Higher Education Act, and we welcome this effort to increase awareness and promote discussion of a very important aspect of Title IV student aid administration. We also appreciate the context this white paper provides in looking back at the purpose, use, and volume of data collection and disclosures.

NASFAA believes we have reached a state where the volume of consumer information effectively defeats its own purpose. A recently released report on just the loan counseling aspect of student consumer information from TG Research and Analytical Services is instructive in its very title: "Informed or Overwhelmed?" The TG report, produced in consultation with NASFAA, concludes that three key components determine the effectiveness of loan counseling: the complexity of information, the timing of delivery, and the method of delivery. We believe these elements are in fact vital to assessing the efficacy of all student consumer information, with the addition of one more: relevancy.

The TG report includes a literature review that reinforces some of the same points in the white paper, including the importance of timing information to when it is most relevant. For example, the report finds that "providing counseling just before the disbursement of loans or private loan certification, or at another important time, makes it more likely the student will retain the information." Improving the timing of disclosures and other information is also part of NASFAA's Reauthorization recommendations under Consumer Information, recommendations 1, 2, and 3.

The white paper also emphasizes the importance of data privacy and access, which we agree must be strongly addressed in any data collection effort. NASFAA supports the concept of a limited student unit record with strong privacy protections. In our 2014 Consumer Information Task Force report, we advocate for development of a limited student unit record that collects more accurate and comprehensive data on contemporary student behavior. The elements of such a record would need careful consideration, to include data that will prove useful and helpful, and not a fishing expedition simply to collect anything for which someone (or some federal agency) might someday find a use.

We also believe it is a worthy goal to utilize existing data, both internally at ED and from other agencies, rather than duplicate collection, and we encourage Congress to support and expand efforts at ED to accomplish such collaboration. This effort should include better alignment of data usage so that a slight difference in definitions or metrics, either in law or regulation, does not create a need to collect the same data at a different time or in a different way unless there is a truly significant benefit to justify it. A unified approach to collecting and utilizing data would also help avoid the piecemeal approach that results in duplication, inaccuracies, and misunderstanding.

We are in accord with the concerns expressed in the white paper regarding the use of tools and data by students and parents. While the timing and relevancy of disclosures are important factors, the effective marketing of a single, user-friendly portal is critical. It does little good to collect data, disclose information, and create metrics if students are unable or unwilling to use them, are confused by them, or if they are irrelevant to the decisions students and families are trying to make. The issue of comparability also has underlying implications, and needs careful definition to ensure that students understand the ways in which they should assess the ability of institutions to meet their needs or support their goals. For example, graduation rates at community colleges are subject to far different factors than those at four-year private non-profit institutions. Community college students may transfer far more frequently to obtain degrees at other institutions; they are more likely to be nontraditional students who interrupt their studies to return to work full-time; they may find that they do not need to complete an entire program to improve their standing at their current jobs.

We appreciate that the report addresses the burden of data collection. The cost of collecting and disseminating unused data or information with limited usefulness goes beyond monetary value. A significant concern among our members is the detrimental effect that burden has on student services and personalized counseling. If the cost of complying with ineffective requirements drives up the cost of education and drains resources better used to directly serve students, burden is severely underestimated.

An administrative burden survey recently conducted by NASFAA indicates that students attending institutions from all higher education sectors are likely experiencing reduced access to financial aid office services, largely due to a prolonged increase in unnecessary administrative burden and an environment characterized by limited operating resources. Administrative burden creates shortages in multiple areas throughout the financial aid office. The most problematic by-product of the issue is that students suffer the most from these shortages, particularly in the decrease of face-to-face counseling, outreach efforts, time spent with target populations, and loan counseling. The survey report makes nine recommendations, among which are improving burden estimates for new regulations and limiting the amount of burden that ED can impose.

We are intrigued by the idea of adding a subpart to the law that controls or gives reasonable guidelines for data collection, required disclosures, creation of metrics, and tracking of continued efficacy. We believe that a judicious design of such a repository could help maintain context and heighten awareness. However, we would not want to put unnecessary constraints on ED that would prevent them from responding appropriately and in a timely manner to unanticipated situations or unforeseen needs.

The white paper calls for the elimination of data collection or disclosures unrelated to the needs of federal program management or consumer decision-making. That statement should be a tenet of all new and ongoing assessment of student consumer information requirements. To that we would add a requirement that a consumer-testing model (that goes beyond simply soliciting feedback haphazardly from stakeholders) be used before implementing any new consumer information requirement.

Risk Sharing

According to a 2014 report from the College Board, "Numerous economic analyses indicate that students who, because of their demographic characteristics and academic experiences, hesitate to go to college stand to benefit the most from a postsecondary degree." Of those who do attend, the College Board reports that "the percentage of those from the least affluent families leaving school without a credential is over twice as high as the percentage of those from the most affluent families experiencing this outcome."

We need to improve completion, absolutely, but whatever we do, we must take care to ensure that “incentivizing” success does not mean de-incentivizing willingness to take on or fund at-risk students.

Postsecondary education is rightly seen as a student's gateway to a better life, not just in lifetime earnings but in better benefits such as health insurance, and in less tangible but equally desirable personal satisfaction factors. Society benefits from a better educated populace in many ways, a more highly skilled workforce, a larger tax base, and reduced need for welfare assistance chief among them. Schools take a chance on admitting at-risk students -- those whose demographics do not translate to high likelihood of success -- because the potential benefits to those students are so great. Even students who attend some college without completing a degree are likely to earn more than a high school graduate with no postsecondary attendance.

However, too many students seeking admission to college are underprepared. Last year, the White House issued a report titled "Increasing College Opportunity for Low-Income Students." The report cites the following statistics about first-year college students from the National Center for Education Statistics:

- At public two-year institutions, 40 percent of students took a remedial course;
- At public four-year institutions, 38 percent took a remedial course;
- At private four-year institutions, 24 percent took a remedial course; and
- At for-profit four-year institutions, 23 percent took a remedial course

The report also describes promising models for improving remediation and the success of at-risk students. Incentivizing creative and effective ways to improve success and completion is a positive step that is far preferable to negative and punitive measures that do not recognize the complex reasons for failure.

Any discussion of risk-sharing must recognize the contribution that schools make to overcoming such academic barriers as well as financial disadvantages. What is lost and overlooked in the conversation about risk-sharing is that many schools already assume risk by committing seats and resources to at-risk populations such as those in need of academic remediation. Lower completion/graduation rates, higher need for preparatory coursework, more personal attention, and more need for all forms of aid, including loans that may increase the school's default rates, and loss of revenue if the student drops out are all existing risk factors that schools assume. Schools are already subject to rules requiring them to return funds, student loans first and foremost, for students who leave before completing the term. In fact, assumptions underlying the return of title IV Funds (R2T4) rules often result in schools reimbursing Title IV programs with funds received from other sources and/or giving up revenue that cannot be recouped.

Colleges and universities provided $48.2 billion of grant aid in 2013-14 in the form of tuition discounts to students, according to the College Board. While 40 percent of all grant aid came from the federal government in 2013-14, a nearly equal amount -- 39 percent -- came from colleges and universities. Surely this investment in students constitutes "skin in the game." Schools have also provided monetary or in-kind matches (often in excess of what the law requires) for decades under the campus-based programs, including the endangered Federal Perkins Loan Program. Eliminating or cutting any of these programs, as we face imminently with

Perkins, would be a loss to students and actually decrease the amount of “skin in the game” that schools are already providing. These programs, however, afford significant control to the institution in terms of packaging policies and collection of repayments.

The white paper contends that “universal access with generous, easy-to-obtain government financing... may have helped create an environment of over-borrowing and pricing that is becoming increasingly disconnected from a student’s ability to repay.” We recognize that over-borrowing should be curtailed, and our members have been asking for more tools to prevent it. We need to ensure that we understand the true causes of over-borrowing and do not ascribe it simplistically. For example, the College Board found that “despite increasing published prices, the average net tuition and fee prices that students paid after taking grant aid and tax benefits into consideration declined between 2004-05 and 2009-10 in public two-year and four-year institutions and in private nonprofit four-year institutions.” Certainly costs have risen, but so has commitment to assisting needy students.

The white paper implies that “generous” cost of attendance policies cause debt unrelated to tuition and fees. We believe it is necessary, not “generous,” to allow student aid to cover books, room and board, transportation, and limited personal expenses. For example, the white paper states that 25 percent of student borrowers took loans that exceeded annual tuition by $2,500 or more. Average annual cost of books at a four-year public institution, according to the College Board, is $1,200. The remaining amount is hardly excessive for room and board, transportation, and other costs. The history of student budget construction is that allowable costs should be just adequate, not excessive, and we believe the vast majority of schools construct reasonable costs of attendance upon which to award limited aid.

The white paper also states that, on average, tuition, fees, and books accounted for 42 percent of the cost of attendance for full-time students. This fact does not necessarily mean the non-tuition components of student budgets are disproportionate. For example, the figure does little to show the degree to which tuition and fees are subsidized by community or state government or the institution itself. In such cases, a low percentage of tuition in the budget is artificially disproportionate to the other components.

However, we agree with the white paper that schools have little or no practical authority to limit borrowing, even though they are responsible for the numbers of students who ultimately cannot repay their loans. Our members frequently ask for tools to help them limit overborrowing; currently, they do not feel that the limited professional judgment authority for lowering loan amounts on an individual case-by-case basis is viable. NASFAA’s reauthorization recommendations include the authority for schools to set lower limits for certain broad categories of students, such as by program, dependency status, living arrangement, enrollment status, or other parameters. At a minimum, we recommend that Congress consider reducing annual loan limits for part-time enrollment statuses.

We also recommend broader authority for schools to require additional counseling. ED recently reiterated that the entitlement nature of loans prohibits schools from imposing any additional requirement beyond those defined in law or regulation, such as additional or expanded counseling: "Once a borrower has completed the required entrance counseling, either at the borrower's current institution or at a previous institution, the borrower cannot be required to participate in any subsequent counseling as a condition of receiving a Direct Loan." While ED further refined what schools can and cannot do, any additional steps taken by an institution cannot "unreasonably impede a student's ability to borrow."

Students themselves take on risk when they decide to take a chance on higher education, default being the most serious consequence of the student's failure. It's hard for students to avoid loans, given that increases in grant aid have not been sufficient to counter the erosion of their buying power, and most of the increases in federal student aid have been in the form of higher loan limits. Loans are, as the white paper points out, essentially entitlement funding, and Congress has authorized up to $5,500 for the first year of college for dependent undergraduates, and up to $8,500 for independent undergraduates and dependent undergraduates whose parents are unable to borrow federal education loans on their student's behalf. The New America Foundation gives an average balance of defaulted loans as approximately $14,000, which is troubling. However, the New America analysis also shows very high recovery rates for defaulted loans. Even after taking into account collection costs, the federal government ultimately gets almost all of its money back. Such high recovery rates on defaulted loans means that that the risk of nonpayment is disproportionately put on student borrowers, not taxpayers. Any small losses incurred by the federal government should be viewed as the cost of offering all students access to higher education and a chance to improve their lives.

A safety net for low-income and at-risk students is needed to avoid overburdening students with damaging loan debt. The debatable question is who to hold responsible for student failure—and how. We are not convinced that the emphasis on risk-sharing as envisioned by the white paper takes into account the responsibilities for at-risk students that institutions already assume, or that they would provide more incentives than disincentives.

The white paper is critical of current methods of assessing institutional effectiveness. We appreciate the white paper's recognition that "current law is conflicting, arbitrary and complex," and that regulations are in need of improvement as well. While the white paper sees issues with the application and enforcement of default-rate sanctions, we believe that default rate is a questionable measure of program quality, and even less an appropriate basis for "risk-sharing."

The white paper states that just over half of undergraduate students complete any degree or certificate within six years. The College Board says 78 percent of traditional full-time enrollees complete within six years. While full-time attendance needs to be encouraged, many community college students are "non-traditional" in that they are older and may have jobs and families that make full-time attendance impractical if not impossible; these so-called "non-traditional students" are in fact the majority of college students today. Further, some of these students find their need for additional training satisfied before actual degree completion and so refocus away from school, and back on work. We need to ensure that our definition of successful outcomes takes into account the actual needs of diverse student populations. That might mean improving our understanding of student demographics, not just prior to enrollment, but after leaving school as well. A student unit record with strong privacy protections would help provide the kind of understanding needed for effective long-range policies.

Student failure is a complex situation, and not necessarily an indicator of college failure. We encourage Congress to identify and address the real reasons for the failure of our students to attend and complete postsecondary programs. If it takes a village to raise a child, it takes a nation to educate them. We need more and better prepared students, as well as better and earlier motivation to obtain postsecondary education. Students need to believe early in their academic careers that they can attend college, set that goal, and act on it.