PAYING FOR A COLLEGE EDUCATION: BARRIERS AND SOLUTIONS FOR STUDENTS AND FAMILIES

HEARING

BEFORE THE

SUBCOMMITTEE ON HIGHER EDUCATION, LIFELONG LEARNING, AND COMPETITIVENESS

COMMITTEE ON EDUCATION AND LABOR

U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED TENTH CONGRESS

FIRST SESSION

HEARING HELD IN WASHINGTON, DC, MAY 1, 2007

Serial No. 110–29

Printed for the use of the Committee on Education and Labor

Available on the Internet:
http://www.gpoaccess.gov/congress/house/education/index.html

U.S. GOVERNMENT PRINTING OFFICE

34–745 PDF WASHINGTON : 2007

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
Fax: (202) 512–2104 Mail: Stop IDCC, Washington, DC 20402–0001

COMMITTEE ON EDUCATION AND LABOR

GEORGE MILLER, California, *Chairman*

Dale E. Kildee, Michigan, *Vice Chairman*
Donald M. Payne, New Jersey
Robert E. Andrews, New Jersey
Robert C. "Bobby" Scott, Virginia
Lynn C. Woolsey, California
Rubén Hinojosa, Texas
Carolyn McCarthy, New York
John F. Tierney, Massachusetts
Dennis J. Kucinich, Ohio
David Wu, Oregon
Rush D. Holt, New Jersey
Susan A. Davis, California
Danny K. Davis, Illinois
Raúl M. Grijalva, Arizona
Timothy H. Bishop, New York
Linda T. Sánchez, California
John P. Sarbanes, Maryland
Joe Sestak, Pennsylvania
David Loebsack, Iowa
Mazie Hirono, Hawaii
Jason Altmire, Pennsylvania
John A. Yarmuth, Kentucky
Phil Hare, Illinois
Yvette D. Clarke, New York
Joe Courtney, Connecticut
Carol Shea-Porter, New Hampshire

Howard P. "Buck" McKeon, California,
Ranking Minority Member
Thomas E. Petri, Wisconsin
Peter Hoekstra, Michigan
Michael N. Castle, Delaware
Mark E. Souder, Indiana
Vernon J. Ehlers, Michigan
Judy Biggert, Illinois
Todd Russell Platts, Pennsylvania
Ric Keller, Florida
Joe Wilson, South Carolina
John Kline, Minnesota
Bob Inglis, South Carolina
Cathy McMorris Rodgers, Washington
Kenny Marchant, Texas
Tom Price, Georgia
Luis G. Fortuño, Puerto Rico
Charles W. Boustany, Jr., Louisiana
Virginia Foxx, North Carolina
John R. "Randy" Kuhl, Jr., New York
Rob Bishop, Utah
David Davis, Tennessee
Timothy Walberg, Michigan

Mark Zuckerman, *Staff Director*
Vic Klatt, *Minority Staff Director*

SUBCOMMITTEE ON HIGHER EDUCATION, LIFELONG LEARNING, AND COMPETITIVENESS

RUBÉN HINOJOSA, TEXAS, *Chairman*

George Miller, California
John F. Tierney, Massachusetts
David Wu, Oregon
Timothy H. Bishop, New York
Jason Altmire, Pennsylvania
John A. Yarmuth, Kentucky
Joe Courtney, Connecticut
Robert E. Andrews, New Jersey
Robert C. "Bobby" Scott, Virginia
Susan A. Davis, California
Danny K. Davis, Illinois
Mazie Hirono, Hawaii

Ric Keller, Florida,
Ranking Minority Member
Thomas E. Petri, Wisconsin
Cathy McMorris Rodgers, Washington
Virginia Foxx, North Carolina
John R. "Randy" Kuhl, Jr., New York
Timothy Walberg, Michigan
Michael N. Castle, Delaware
Mark E. Souder, Indiana
Vernon J. Ehlers, Michigan
Judy Biggert, Illinois

C O N T E N T S

PAYING FOR A COLLEGE EDUCATION: BARRIERS AND SOLUTIONS FOR STUDENTS AND FAMILIES

Tuesday, May 1, 2007
U.S. House of Representatives
Subcommittee on Higher Education,
Lifelong Learning, and Competitiveness
Committee on Education and Labor
Washington, DC

The subcommittee met, pursuant to call, at 1:38 p.m., in Room 2175, Rayburn House Office Building, Hon. Ruben Hinojosa [chairman of the subcommittee] presiding.

Present: Representatives Hinojosa, Tierney, Wu, Bishop, Yarmuth, Scott, Davis of California, Hirono, Keller, Petri, Foxx, Kuhl, Castle, and Biggert.

Staff present: Tylease Alli, Hearing Clerk; Gabriella Gomez, Senior Education Policy Advisor (Higher Education); Lamont Ivey, Staff Assistant, Education; Ricardo Martinez, Policy Advisor for Subcommittee on Higher Education, Lifelong Learning and Competitiveness; Rachel Racusen, Deputy Communications Director; Julia Radocchia, Education Policy Advisor; Kathryn Bruns, Legislative Assistant; Amy Raaf Jones, Professional Staff Member; Victor Klatt, Staff Director; Linda Stevens, Chief Clerk/Assistant to the General Counsel; and Sally Stroup, Deputy Staff Director.

Chairman HINOJOSA [presiding]. A quorum is present, and the hearing of the subcommittee will come to order.

Pursuant to Committee Rule 12(a), any member may submit an opening statement in writing, which will be made part of the permanent record.

I now recognize myself and will be followed by my friend, Mike Castle, for an opening statement.

Good afternoon to everyone. Welcome to the subcommittee's third hearing on the reauthorization of the Higher Education Act.

In our first hearing, we discussed how the United States is falling behind in producing college graduates. Our current investments in higher education are not on the scale we need to educate enough of our people to remain globally competitive.

In our second hearing, we discussed how well we are preparing low-income and first-generation students for college. Although we learned that we have some very effective programs such as TRIO and GEAR UP, they only reach a small fraction of the population that qualifies for the programs. Again, we are falling short.

Today we will focus on the core mission of the Higher Education Act, removing financial barriers to college.

Again, the evidence shows that our national investment is insufficient and costs us tens of thousands of potential college graduates every year. In this weekend's New York Times, there was an article on the ABCs of calculating financial aid.

An entire industry has arisen around helping those who have the means to do so negotiate their financial aid packages. What happens to the students from low-and middle-income families? We need to find out. And my hopes are that the panelists today will help us answer that question.

What happens to minority students who are still under-represented on our college campuses is another question. At our flagship public institutions and our selective private institutions, they just are not there.

A recent analysis by Post-Secondary Education Opportunity found that while in the 2005-2006 academic year 36.9 percent of resident under-graduate students were eligible for Pell grants, only 15.9 percent of students in the top 50 public institutions and only 9.7 percent of students at the top private institutions were Pell grant recipients. We are asking low-income and minority families to shoulder an increasingly unbearable financial burden for college.

The Advisory Committee on Student Financial Assistance reported that, between 2000 and the year 2004, the net price at a 4-year public college rose from 75 percent to 87 percent of family income for the lowest-income families. Students from low-income families bear a work-loan burden of over $10,000 to attend a public university.

Post-Secondary Opportunity analyzed college affordability by race and income and found the following: The net price to the family as a share of family income is the greatest for blacks, Asians and Hispanics and the least for white and other race students and their families.

Additionally, a report by Excelencia in Education found that Latinos received the smallest financial aid packages compared to all other groups.

It should come as no surprise that many families see these barriers as insurmountable. The Advisory Committee estimates that over the next decade we will lose between 1.4 million and 2.4 million college-qualified students who will fail to enroll because of financial barriers.

This reauthorization of Higher Education Act is our opportunity to remove these financial barriers. We started with H.R. 5 to reduce the student loan interest rate. We provided the first increase in 4 years to the maximum Pell grant. But we must do more.

In closing, I want to say that I would like to thank the witnesses for providing testimony today and for helping us identify ways we can remove the financial barriers to college. Thank you.

And I now yield to the ranking member, Ric Keller of Florida, for his opening remarks.

[The prepared statement of Mr. Hinojosa follows:]

Prepared Statement of Hon. Rubén Hinojosa, Chairman, Subcommittee on Higher Education, Lifelong Learning, and Competitiveness

Good Afternoon. Welcome to the subcommittee's third hearing on the reauthorization of the Higher Education Act.

In our first hearing, we discussed how the United States is falling behind in producing college graduates. Our current investments in higher education are not on the scale we need to educate enough of our people to remain globally competitive.

In our second hearing, we discussed how well we are preparing low-income and first generation students for college. Although we learned that we have some very effective programs such as TRIO and GEAR UP, they only reach a small fraction of the population that qualifies for the programs. Again, we are falling short.

Today, we will focus on the core mission of the Higher Education Act—removing financial barriers to college. Again, the evidence shows that our national investment is insufficient and costs us tens of thousands of potential college graduates every year.

In this weekend's New York Times, there was an article on "the A-B-C's of Calculating Financial Aid." An entire industry has arisen around helping those who have the means to do so negotiate their financial aid packages.

What happens to the students from low-and middle-income families? What happens to minority students who are still under-represented on our college campuses?

At our flagship public institutions and our selective private institutions, they just are not there. A recent analysis by Postsecondary Education Opportunity found that while in the 2005-2005 academic year, 36.9 percent of resident undergraduate students were eligible for Pell grants, only 15.9 percent of students in the top 50 public institutions and only 9.7 percent of students at the top private institutions were Pell Grant recipients.

We are asking low-income and minority families to shoulder an increasingly unbearable financial burden for college.

The advisory committee on student financial assistance reported that between 2000 and 2004 the net price at a four-year public college rose from 75 percent to 87 percent of family income for the lowest income families. Students from low-income families bear a work-loan burden of over $10,000 to attend a public university.

Post Secondary Opportunity analyzed college affordability by race and income and found, "The net price to the family as a share of family income is the greatest for blacks, Asians and Hispanics and least for white and other race students and their families." Additionally, a report by Excelencia in Education found that Latinos received the smallest financial aid packages compared to all other groups.

It should come as no surprise that many families see these barriers as insurmountable. The advisory committee estimates that over the next decade we will lose between 1.4 and 2.4 million college qualified students who will fail to enroll because of financial barriers.

This reauthorization of the Higher Education Act is our opportunity to remove these financial barriers.

We started with H.R. 5 to reduce the student loan interest rate. We provided the first increase in 4 years to the maximum Pell Grant. But we must do more.

I would like to thank the witnesses for providing testimony today and for helping us identify ways we can remove the financial barriers to college.

Thank you and I now yield to the Ranking Member Ric Keller of Florida for his opening remarks.

Mr. KELLER. Well, thank you very much, Mr. Chairman, for yielding and for your comments as well.

I also want to thank Governor Castle for temporarily sitting in for me. I was detained at another hearing. But just sitting in the same chair, I feel almost like a governor. And I am ready to start complaining about non-funded mandates and everything else. [Laughter.]

But good morning, and thank you to all of you for joining us today. We are here to learn about some of the challenges facing parents and students in financing a college education.

A college degree is the passport out of poverty for millions of American students each year. Without a college education, many workers today are shut out of quality, high-paying jobs. I believe our top priority should be opening the doors of higher education to low-and middle-income Americans.

With this new Congress we have the opportunity to take a step back and review the Higher Education Act reauthorization policies that were developed over the past several years. At the same time, there are certain goals that will continue to persist. Those goals are acceptability and affordability.

We have already taken several positive steps in the right direction. For example, we have increased Pell grant funding; increased loan limits; rewarded high-achieving, low-income students with Smart grants; and created incentives for low-income students to pursue degrees in math, science and critical foreign languages through Smart grants.

However, Mr. Chairman, we all know that no amount of aid will truly benefit students unless institutions themselves are also held responsible for their role in the college cost crisis.

With this in mind, earlier this year our committee's ranking Republican, Representative Buck McKeon, and I introduced the College Affordability and Transparency Act to provide parents and students better disclosure about the cost of college.

I am hopeful that as we move forward in this reauthorization process we keep this bill in mind and the fact that funding alone is not a silver-bullet solution to all of the crises. Rather, colleges and universities must play a key role in lowering the barriers to a higher education.

We have a great panel of witnesses with us today to talk about their perspective. I look forward to hearing from them. And I thank you all for your presence today before our committee.

Mr. Chairman, I will yield back the balance of my time.

[The prepared statement of Mr. Keller follows:]

Prepared Statement of Hon. Ric Keller, Senior Republican Member, Subcommittee on Higher Education, Lifelong Learning and Competitiveness

Chairman Hinojosa, as this is our first subcommittee hearing in the new Congress, let me congratulate you on your chairmanship. I look forward to working closely with you over the next two years on the very important issues this panel addresses, from college access to job training and everything in between. I'd also like to welcome all of our witnesses and thank all of you for taking the time to come and testify before the Subcommittee today.

The issue of student access to college and ways in which students are financing their college education are important ones to me. Pell Grants and student loans helped me go to college.

We've seen substantial increases in federal financial aid since 2000. For example, Pell Grant funding is up 79%, from 7.6 billion in 2000 to 13.6 billion today. The maximum award since 2000 has increased from $3,300 to $4,310 today. And these increases have made it possible for an additional million and a half students to receive Pell Grants since 2000.

On top of this dramatic influx in new aid, my colleagues on the Education and Labor Committee have tried to move the national dialogue about higher education beyond just federal spending, to get to the heart of what I believe is the real problem: why costs are rising so dramatically and what we can do to stabilize this trend. With that goal in mind, we held over 30 hearings, considered several bills, and passed a reauthorization of the Higher Education Act in the House in the form of H.R. 609, the College Access and Opportunity Act.

That last point, I believe, is at the crux of this discussion. What is causing the cost of higher education to skyrocket, and what can be done to slow down or reverse this dangerous trend? According to the most recent College Board report, over the last five years, there was a 35 percent inflation-adjusted increase in tuition and fees at four year public colleges. This increase is higher than any other five year increase since 1976-77. For private four year institutions, that number was 11 percent.

Unfortunately, the skyrocketing cost of tuition minimizes the positive impact of our increases to important financial aid programs, such as Pell Grants. So, earlier this year, the full Committee's Ranking Member, Congressman McKeon and I introduced H.R. 472, the College Affordability and Transparency Act, which was adapted from the affordability provisions in H.R. 609. Our bill aims to provide more information to students not just about college tuition prices, but also about net price, which we define as the amount the student must pay after grant aid is subtracted from tuition. This is a measure and a concept I am hopeful we will have the opportunity to discuss more as the reauthorization process moves forward.

I will also be introducing the One Stop Student Financial Aid Information Act of 2007 in the coming days, which will make it easier for students and parents to learn more about their financial aid options for college by providing all this information on one easy to access website.

What I am most interested in learning here today is what the other "partners" in higher education are doing. I am interested in learning more about how States are treating higher education and whether States are doing their part to ensure that their citizens are able to achieve the dream of a college education. I am also interested in hearing more about what is being done in elementary schools and high schools to make sure students are academically prepared to attend college. And finally, I am interested to hear what institutions are doing to make sure that their costs do not continue to spiral out of control.

Before I conclude, I'd like to thank our witnesses once again for agreeing to testify before the Subcommittee today. I look forward to the beneficial dialogue that I am sure will take place here today.

Chairman HINOJOSA. Without objection, all members will have 14 days to submit additional materials or questions for the hearing record.

I would like to introduce our very distinguished panel of witnesses here with us this afternoon.

The first panelist will be Dallas Martin. Dallas is president of the National Association of Student Financial Aid Administrators. NASFAA, I believe, is the acronym. He has represented the association before Congress, the executive branch and the general public for many years. Prior to joining this organization, Dr. Martin served as director of program planning and administration for the Division of Student Assistance with the American College Testing Program. He has worked as an administrator of financial aid and student personnel services. Dr. Martin received a Ph.D. in college student personnel administration in 1971 from the University of Northern Colorado.

The second panelist will be Claude Pressnell. Claude is a member of and is representing the Advisory Committee on Student Financial Assistance. Dr. Pressnell has served as president and CEO of the Tennessee Independent Colleges and Universities Association. He has extensive experience in higher education and admissions and financial aid at various universities. Dr. Pressnell has numerous publications in higher education, and he received his Ph.D. from Vanderbilt University.

The third panelist is Luke Swarthout. Luke is testifying on behalf of the U.S. Public Interest Research Group. He develops policy, lobbies and writes on federal student aid issues. He writes on student loan policy and federal higher education policy. Luke has authored several reports on student debt and federal aid, including the report entitled, "Paying Back, Not Giving Back: Student Debt's Negative Impact on Public Service Career Opportunities." Mr. Swarthout received his Bachelor's Degree from Amherst College.

The fourth panelist is James A. Boyle. He is the founding president of the College Parents of America. The organization was established in September 2003 to provide advocacy and resources for current and future college parents. His organization is a national membership association headquartered in Virginia. Prior to his current role, he served as vice president of brand marketing and corporate communication for Sally Mae and has over 20 years experience in the media industry. Mr. Boyle frequently testifies before Congress and has discussed higher education issues on various television programs. He received his Bachelor of Science in communications from Northwestern University in 1979.

Having introduced them, I am now going to say welcome to each and every one of our witnesses.

I would like to tell you just a little bit about our lighting system. For those of you who have not testified before this subcommittee, let me explain our lighting system and the 5-minute rule.

Everyone, including members of Congress, is limited to 5 minutes of presentation or questioning. The green light is illuminated when you begin to speak. When you see the yellow light, it means you have 1 minute remaining. When you see the red light, it means your time has expired and you need to conclude your testimony.

Please be certain, as you testify, to turn on and speak into the microphone in front of you.

We will now hear from our first witness. Mr. Martin?

STATEMENT OF DALLAS MARTIN, PRESIDENT, NATIONAL ASSOCIATION OF FINANCIAL AID ADMINISTRATORS

Mr. MARTIN. Thank you, Mr. Chairman.

Members of the subcommittee, thank you for inviting me to be here with you today. The topic you have chosen to address today is very important because it fundamentally affects the future of our nation, not only in terms of our current and future competitiveness in the industrialized world, but also because it addresses the fiscal and economic health of our nation's citizens.

While the United States continues to enjoy a period of economic prosperity that has benefited many, it has not been a period that has been helpful to those who are or remain at the lower end of our economic scale. It is well-documented that educational opportunity is not equal among all of our citizens, whether at the elementary, secondary or post-secondary level.

As stated by the congressionally appointed Advisory Committee on Student Financial Assistance, low-income students who graduate from high school academically prepared to enter college still confront significant financial barriers. And they are also less knowledgeable about the financial resources that are available to them.

Clearly, the cost of higher education has risen steadily as a percentage of family income. And as a result, more low-income students must abandon their plans to attend college on a full-time basis. Instead, many of these students are working long hours, attending college part-time and borrowing more heavily.

In fact, these students as well as many others who have to use credit financing through student loans to help pay for college, are finding that the current federal limits on annual and cumulatively borrowing amounts are unrealistic in terms of their needs. As a result, students and their families are forced to turn to more costly private or alternative loan options that are not as favorable and which are not regulated by our federal Title IV statutes.

While the financial aid system in the United States is the most comprehensive in the world and assists some 13 million students annually, it is still incredibly complicated and confusing to many students and their families. Therefore, they turn to the people who have the primary responsibility for bringing it all together and who have the expertise necessary to guide them through the process: the financial aid administrators.

Nowhere else can a student and his or her family get the complete information they need about state, federal and institutional aid programs and the procedures and timelines necessary to navigate the process efficiently and effectively.

Since the passage of the Higher Education Act of 1965, the aid programs have grown dramatically, and that growth has brought equal expansion in the role and responsibilities of financial aid administrators.

Financial aid administrators, unlike many other institutional administrators, don't graduate with a degree in financial aid administration. Such degrees do not exist. Instead, they learn from colleagues that are trained by the national, regional or state financial aid administrators, the education department, and in some cases, by state guaranty agencies and lenders.

They are responsible for understanding and managing almost countless requirements, including all of the Title IV statutes, a federal student aid handbook of seven volumes of 763 pages, state rules and regulations that they also have to go through, donor scholarship requirements and lender and guaranty agency loan requirements.

Further, these individuals have to understand all the details with the Family Education Rights and Privacy Act requirements, citizenship and immigration rules related to eligibility, selective service requirements, IRS requirements, state residency requirements, and numerous others that impact the student aid programs.

These individuals juggle all these responsibilities in a constantly changing world of program requirements. Still, in spite of all of these challenges, I can assure you that the vast majority of financial aid administrators are dedicated, extremely hard-working individuals who do everything they can to provide accurate, timely information and help to families and students who without financial aid would be unable to achieve a post-secondary education.

In closing, Mr. Chairman, I look forward to working with you and your colleagues as you develop legislation to reauthorize the Higher Education Act.

The current controversy about preferred lender lists and institutional relationships with loan providers shows a need for some additional legislative clarity on what is and what is not permissible. But we must be careful not to impose unnecessary restrictions that make it impossible for responsible cooperation to occur amongst these parties.

In addition, let me note that until earlier this year the Pell Grant maximum award had been frozen for 4 years, and we still need to further increase it in order for the program to achieve its intended goal. Likewise, we need to increase the annual and cumulative limits on Stafford loans. And let me also say that the LEAP and campus-based programs serve important financial needs to students, and yet they, too, are woefully under-funded.

While all of these Title IV programs are complementary to each other, there are improvements that we can make to make them better. I pledge NASFAA's support and the support of my members to assist you, Mr. Chairman, and to assist your colleagues as you begin your critically important legislative work reauthorizing the Higher Education Act.

My members know all too well how far away we are from achieving the goal of equal opportunity for low-and middle-income families and students. Our focus first and foremost and must always be on meeting the financial needs of our students and families.

Thank you.

[The statement and attachments of Mr. Martin follow:]

Prepared Statement of Dr. A. Dallas Martin, Jr., President, National Association of Financial Aid Administrators (NASFAA)

Mr. Chairman and members of the Subcommittee, I thank you for the opportunity to testify today. I am Dallas Martin, President of the National Association of Student Financial Aid Administrators (NASFAA). Formed over forty years ago, NASFAA represents student financial aid administrators at some 3,000 postsecondary institutions across the nation.

Our association illustrates the diversity of our higher education enterprise with members from private and public institutions, community colleges, four-year schools, proprietary schools, and graduate/professional institutions. At these schools, NASFAA represents approximately 12,000 financial aid professionals who are dedicated to helping families apply for and receive the funds they need to send their students to college. Given the complexity of the state, federal, and institutional aid programs, it is necessary to have someone with that kind of expertise guiding families through the process.

The topic you have chosen to address today is very important because it fundamentally affects the future of our nation, not only in terms of our current and future competitiveness in the industrialized world, but also because it addresses the fiscal and economic health of our nation's citizens. While the United States continues to enjoy a period of economic prosperity that has benefited many, it has not been a period that has been helpful to those who are and remain at the lower end of our economic scale. It is well-documented that educational opportunity is not equal among all of our citizens, whether at the elementary, secondary, or postsecondary levels.

As stated by the Congressionally-appointed Advisory Committee on Student Financial Assistance, low income students who graduate from high school academically prepared to enter college still confront significant financial barriers and are less knowledgeable about the financial resources that are available to them. Clearly the cost of higher education has risen steadily as a percentage of family income. As a result, more low income students must abandon plans to attend college on a full-time basis. Instead, many of these students are working long hours, attending college part-time, and borrowing more heavily. In fact, these students, as well as many others, who have to use credit financing through student loans to help pay for college are finding that the current federal limits on annual and cumulative borrowing amounts are unrealistic in terms of their needs. As a result, students and their families are forced to turn to more costly private or alternative loan options that are not as favorable and which are not regulated by our federal Title IV loan statutes.

While the financial aid system in the United States is the most comprehensive in the world and assists some 13 million students annually, it still is incredibly complicated and confusing to many students and their families. Therefore, they turn to the people who have the primary responsibility for bringing it all together and who have the expertise necessary to guide them through the process—the financial aid administrators. Nowhere else can a student and his or her family get the complete information they need about state, federal, and institutional aid programs and the procedures and timelines necessary to navigate the process efficiently and effectively. Since the passage of the Higher Education Act of 1965, the aid programs have grown dramatically, and that growth has brought equal expansion in the role and responsibilities of financial aid administrators. Although complicated by many other outside influences that I will discuss later, the financial aid administrator assists students and their families in a variety of ways.

Even before a student applies for student aid, a financial aid administrator can help the student and parents to * * *

- Understand the aid process by sponsoring financial aid early awareness activities for students and families in elementary, middle-school, and high school so that they can not only plan for postsecondary expenses, but, more importantly, know that college is possible and that academic preparation is important
- Estimate the costs of education, including direct costs (tuition, fees, on-campus housing, etc.) and indirect costs (transportation, other living expenses, books and supplies, etc.)
- Know the deadlines for applying for various types of student aid
- Estimate student aid eligibility
- Gain a thorough understanding of the types of aid that are available and the requirements to qualify
- Complete the Free Application for Federal Student Aid (FAFSA), which is the basic building block for determining the student aid package
- Know how to complete the FAFSA when circumstances aren't typical (a parent has lost a job, the student's parents live overseas, the student was raised in foster care, etc.)
- Understand when to submit an appeal to reflect unusual circumstances that cannot be reflected in the FAFSA
- Determine which additional applications are needed so that the student can receive funds from all of the sources for which he or she qualifies
- Remain aware of follow-up steps in the application process
- Identify free scholarship search engines and resources
- Notify individuals and families about the tax benefits they may be eligible for such as the Hope and Lifetime tax credits, the deduction for educational expenses, or the deduction for student loan interest

Once the student applies for aid by submitting the FAFSA and any other additional aid applications, the financial aid office will notify the student of the amount he or she can expect to receive, and from what sources. Aid administrators can then help the student and their parents to * * *

- Identify alternative sources of funds if additional money is needed to meet educational costs
- Understand student loan terminology and identify the types and sources of loans that are right for the borrower
- Know when and how the student's funds can be applied to direct costs as well as reimbursed for indirect costs
- Understand the student's rights and responsibilities as a student loan borrower

As a student continues in school, aid administrators can help them * * *

- Stay on track to continue to qualify for funds by progressing in their academic programs and reapplying for aid on-time each year
- Keep an eye on their loan debt and explain what the future repayments might be like
- Handle questions about whether to defer interest payments on unsubsidized loans while in school or pay the interest as it comes due
- Identify and find a Federal Work-Study job including FWS community service positions
- Provide refunds and assistance when a student needs to temporarily cease studies (such as to assist with a illness in their family) but plans to resume attendance later
- Find ways to budget so that the student doesn't have to borrow excessively and leave school with an excessive debt burden

Financial aid administrators even assist former students if they have financial difficulties—to help them avoid defaulting on a student loan—by providing information about deferments, forbearance, or loan consolidation options.

On a larger scale, aid administrators help reach out to students, often regardless of the institution they plan to attend. Beyond helping students and parents individually, they also * * *

- Participate in outreach programs, such as College Goal Sunday, which is a national program offered by many states to help low-income and disadvantaged families find the means to attain a college education
- Offer "Financial Aid Night" or early awareness presentations to help students and parents learn how to apply for financial aid and understand the differences between the various sources of aid

• Advocate before policy makers at both the national and state level to ensure that financial aid funding remains available, affordable, and accessible to families
• Provide advice on current and proposed legislation affecting student aid programs to ensure they are achieving their intended purposes
• Seek additional ways to assist their students, whether by investigating new scholarship and loan programs, exploring ways to cut student costs, or expanding informational sources and implementing new technology to better meet students' needs.
• Take part in training activities sponsored by their state, regional, or national financial aid associations in order to update their skills and gain new information about changes in the federal student aid process and best practices so they may better serve students and families
• Comment on proposed federal and state regulations to ensure that the student aid process remains equitable and is not burdensome for families
• Respond to media requests for practical information to help families
• Develop detailed informational materials for students and parents, including financial literacy materials
• Participate in long-range planning for the institution
• Submit reports to federal and state agencies as well as institutional reports
• Research and participate in technology upgrades to improve the total student aid process on campus

Financial aid administrators, unlike many other institutional administrators, don't graduate with a degree in financial aid administration—such degrees just don't exist. Instead, they learn from colleagues, they are trained by the national, regional, and state financial aid associations, the Education Department, and in some cases by state guaranty agencies and lenders. They are responsible for understanding and managing almost countless requirements, including the Title IV statute, some 449 sections of exceptionally detailed federal regulations, a Federal Student Aid Handbook of seven volumes and 763 pages, state rules and regulations, donor scholarship requirements, and lender and guaranty agency loan requirements. Further, financial aid administrators must understand Family Education Rights and Privacy Act (FERPA) requirements, citizenship and immigration rules related to eligibility, Selective Service requirements, IRS requirements, state residency requirements, and numerous others that impact the student aid programs.

Financial aid offices lead the way on many college campuses in the areas of automation and application of new technology. Document imaging and workflow systems are now key tools for many aid offices, yet they were virtually unheard of until the last decade. One of the more recent innovations to aid in processing efficiency is the Digital Dashboard technology that provides metrics and key performance indicators for the financial aid office. These allow staff to compare year-to-year data on applications received and processed, percentage of files selected for verification and completed, status of award packaging and loan processing, and how offers and disbursements compare to funds available for each program. A suggested metrics and key performance indicator list is shown as Attachment A to illustrate some of the data tracking and reporting that aid administrators must perform.

As society has grown to expect more real-time communications, the financial aid office has also had to adjust to synchronous communication, which includes any form of technology-supported tool that permits students to communicate with others at the same time. Financial aid offices must constantly adjust their practices to reach students in the way that they respond to best. Gone are the days of "snail mail"; today it is "real-time" communication or you are considered to be in the dark ages. To further help you understand the scope of the financial aid office activities Attachment B provides a calendar year and on-going monthly timeline of a typical financial aid administrator's responsibilities.

Financial aid administrators juggle all of these responsibilities in a constantly changing world of program requirements. Changes to the financial aid programs do not occur only during reauthorization of the programs. Instead, nearly every year, changes are made to one or more of the student aid programs. Sometimes these changes are made during budget reconciliation, or on an annual appropriations bill. In addition, changes to tax legislation may affect interest on loans, the receipt of scholarships, or direct tax benefit programs offered by the federal government.

At times, current events may cause the Congress to legislate new requirements to remedy what is a real or perceived problem or need. Sometimes these requirements can be extremely burdensome because of the time, effort, and expense involved in creating systems and processes to address the issues, they may have virtually no impact on the amount of dollars spent in the programs. A prime example of one of these issues is verification of selective service registration. When imposed two decades ago, less than two percent of financial aid applicants were even identified as potentially not being registered, yet the requirement was imposed on everyone at great expense and is still in the law today. This is not to say that I do not believe in a student's civic obligation to register with Selective Service, but the solution imposed to resolve a very small problem added unnecessary complexity to already complicated delivery system.

Another example to illustrate how excessive burdens are imposed on the financial aid office involves the recently enacted ACG/SMART grant programs. The Education Department's interpretation of the law for these programs has caused major problems for the financial community. On April 18, the negotiated rulemaking committee could not reach consensus due to the unworkability of the academic year progression aspect of Department's interpretation. Further, the inclusion of the merit component in the law has essentially invited the Department to step into academic purview. The Department is now regulating grade point average calculations, the ability to consider a grade equivalency to advanced placement exam scores, and whether transfer credits are part of a student's overall postsecondary background in terms of academic year progression. The definition of eligible program is problematic under the proposed regulations and the ineligibility of certificate programs for these grant programs was another sticking point preventing consensus. These are just some of the questions that still exist in these recently enacted programs that aid administrators have already had to begin to administer. Unfortunately, because reasonable resolution has not been reached on these issues, confusion and administrative complexity have been added that impact the program's effectiveness.

Still, in spite of all of these challenges, I can assure you that the vast majority of financial aid administrators are dedicated, extremely hard-working individuals who do everything they can to provide accurate timely information and help to families and students who without financial aid would be unable to achieve a postsecondary education. The vast majority are ethical and strive to meet their responsibilities in a professional and caring manner. They work long hours for some of the lowest administrative salaries on campus, and in many cases they are not recognized by other administrators for the contributions they make to the institution and the students they serve.

Many financial aid offices are also expected to fulfill all of these responsibilities with limited financial and human resources. While the Department of Education requires all schools that participate in the Title IV federal student aid programs to demonstrate administrative capability and ensure compliance with all regulations, to my knowledge, never has a school been cited during a program review for not providing the personnel and fiscal resources necessary to carry out their required responsibilities. This failure on behalf of the Department, and some schools that do not provide adequate resources, has forced many financial aid offices to seek assistance from lenders, guaranty agencies, and others to print student financial aid consumer information, to perform student loan exit and entrance counseling, to establish call centers, and to provide additional staffing during peak periods in the financial aid office. While all of these are functions that the school itself should ideally perform, without adequate resources to conduct all of its administrative capability requirements, it is not surprising that some financial aid offices would accept assistance from these entities to perform those tasks. While I might question whether or not this was the best course of action for a school to take, I cannot fault the financial aid office for using these types of resources to comply with their regulatory responsibilities and offer service to their students.

In closing, Mr. Chairman and members of the Subcommittee, I look forward to working with you and your colleagues as you develop legislation to reauthorize the Higher Education Act. The current controversy about preferred lender lists and institutional relationships with loan providers shows a need for some additional legislative clarity on what is or is not permissible. We must be careful not to impose unnecessary restrictions that make it impossible for responsible collaboration to occur among these parties. It should not obscure the good work you can accomplish to ensure that our students and their families have the financial assistance they need so that they may take advantage of all the opportunities a postsecondary education can provide for them.

Let me note that until earlier this year the Pell Grant maximum award had been frozen for four years and we still need further increases in order for the program to achieve its intended goal. Likewise, Stafford Loan annual and cumulative limits are nowhere near what they need to be to permit undergraduate and graduate students to borrow from federal loan sources and to avoid borrowing higher cost private educational loans. Similarly, the LEAP and campus-based programs serve important financial needs of students and yet are woefully under-funded. While all of these Title IV programs are complimentary to each other, there are improvements that can be made to make them better. And, when we consider reauthorizing the federal student aid programs, let us recognize that far too many of our citizens have been left behind. There is so much work that needs to be accomplished so that all Americans have the student aid they deserve so that they can stake a claim on the American dream.

I pledge NASFAA's support and the support of my members to assist you, Mr. Chairman, and to assist your colleagues as you begin your critically important legislative work reauthorizing the Higher Education Act. My members know all too well how far away we are from achieving the goal of equal opportunity for low- and middle-income families and students. Our focus, first and foremost, must be on meeting the financial needs of our students and families.

Attachment A: Suggested Metrics and Key Performance Indicators (KPIS)

PROCESSING

FASFAAs received
Students evaluated
Students packaged
Students selected for verification
Students verified
Loan requests received
Loan requests processed
Summer applications received
Summer applications processed
Documents received
Communications sent (e-mail, paper)
Calls received/average wait time
Counter visits/average wait time
Walk-in appointments/average wait time
Scheduled appointments/average wait time

FUNDS MANAGEMENT CURRENT YEAR (OFFERED/BUDGETED/DISBURSED)

Federal Pell Grant
FSEOG
State Grant
Institutional grant
Federal Stafford/Direct Loan
Federal Perkins Loan
Institutional Loan
Federal PLUS Loan
Other loans
Federal Work-Study
Major state and institutional scholarship programs

PRIOR YEAR COMPARISONS (HISTORICAL)

Federal
State
Institutional
Endowed
Other
Percent of all funds that are need-based
Percent of all institutional funds that are need-based
Disbursements by month

OUTCOMES (LAST TWO YEARS)

Enrollment
Undergraduate enrollment
Percentage receiving aid
Percentage receiving Federal Pell Grants
Percentage receiving state merit awards
Graduate enrollment
Percentage receiving aid
Percentage receiving assistantships
New freshmen
Percentage receiving need-based aid
Average need-based award

Average merit-based award
Aid applicant yield vs. yield on non-applicants
Institutional discount rate

DEFAULT MANAGEMENT

Federal Stafford/Direct Loan default rate
Federal Perkins Loan default rate
Average indebtedness
Number of federal audit findings and dollar amount
Number of state audit findings and dollar amount

ADMINISTRATION

Applicants per staff member
Students per staff member
Cost per recipient
Cost as a percentage of dollars administered
Staff turnover
Counselor turnover

CUSTOMER SERVICE

Overall rating
Rating compared to other administrative offices

Attachment B: Calendar Year and Ongoing Timeline for Director

Many items listed here will differ when they are done based on individual institution timelines

ONGOING YEAR-ROUND RESPONSIBILITIES

- Cancellations and withdrawals and refund calculations (R2T4)
- Provide leadership in the administering and oversight of financial aid programs
- Ensure services delivered in affective and timely manner
- Support and enhance mission and purpose of institution
- Supervise and manage Financial Aid Office staff
- Council and assist students and families on financial aid matter and processes
- Monitoring compliance with all aspects of federal, state and institutional guidelines/regulations
- Reviews and communications federal and state legislative issues and regulation changes to appropriate colleagues, supervisors, Deans, and Directors
- Act as main point of contact for Deans and Directors of other departments on fin aid matters
- Tracking and management of all financial aid funds and award budgets
- Management of financial aid office budget
- Monthly reports such as Pell reporting and Direct Loan origination
- Arrange and coordinate training of financial aid office staff and possibly other dept staff (such as Admissions and Business Office staff)
- Respond to various surveys, such as US News, Petersons, PACCON, and NACUBO as needed
- Update the Program Participation Agreement (PPA) as needed
- Review and update as changes occur to the financial aid Policies and Procedures manual
- SSCR Reports due
- Provide financial aid presentations at Admissions orientation and visitation days
- Prepare narrative and technical reports for a variety of offices and uses (i.e. Board of Regents)
- Actively involved in State, Regional, and National Financial Aid Associations
- Various times of year run Satisfactory Academic Progress (SAP) reports (i.e. at end of each term)
- Reading/Reviewing/Awarding of Files
- Verification of files
- Review of additional information received and professional judgment requests
- Meetings
- Update Calendar and forms on Web site
- NCAA Committee work

- Legislative work/State Advisory board work including testimony, meetings, and preparation of statistics

ANNUAL RESPONSIBILITIES

- Annual Audit within 6 months of end of fiscal year
- Submit A-133 within 9 months of end of school's fiscal year
- File FISAP report
- Campus Safety report
- Drug & Alcohol Prevention Information distributed
- FERPA information distributed
- Publish and make available general school and financial aid information
- 90/10 report (for proprietary schools only)
- Conferences and workshops put on by ED, State, Regional, National Associations and Vendors for training and networking

EVERY 5 YEARS

- Renewal of Program Participation Agreement (PPA)
- Master Plan review or Self-Study for re-accreditation

JANUARY

This is an ideal timeline, not necessarily reality. Some items may slide into another month based on work load and individual office timelines. These are things to be thinking about and working on. Every office is different.

- Finalize awarding policies for the next academic year
- Finalize budgets (i.e. tuition & fees, room & board, etc)
- Train office staff on following year's awarding policies and file review procedures. Do this every year to ensure staff updated and trained. Things change year to year
- Financial aid processing begins for following academic year
- Communicate to students the timelines and deadlines for applying for aid for next academic year
- Process withdrawals and cancellations including refund of aid (R2T4)
- Processing of financial aid applications for winter or spring term starters
- Review & evaluate special circumstances and PJ cases for winter or spring term starters

FEBRUARY

This is an ideal timeline, not necessarily reality. Some items may slide into another month based on work load and individual office timelines. These are things to be thinking about and working on. Every office is different.

- Receive and calculate tentative campus-based allocations by ED
- Use tentative allocations to set up budget for awarding campus-based funds
- Draft Cohort Default Rate sent to schools
- Submit correction of data, submit IDC and/or PRI challenge
- Submit appeal of campus-based program allocations due February 15th
- Communicate reminder to students about deadlines to apply for next academic year
- Work on processing files for next academic year

MARCH

This is an ideal timeline, not necessarily reality. Some items may slide into another month based on work load and individual office timelines. These are things to be thinking about and working on. Every office is different.

- Final award notification for campus-based programs sent by ED for next academic year
- Finalize budgets for campus-based funds to be awarded for next academic year
- Communicate final budgets for campus-based funds to appropriate offices (Controller, Student Loan office if Perkins)
- Pell Grant Administrative Cost Allowance available
- Schedule annual audit for current academic year (typically over the summer at end of fiscal year)
- Work on processing files for next academic year
- For quarter schools work on processing applications for spring term starters
- Process withdrawals and cancellations including refund of aid (R2T4)
- Process Satisfactory Academic Progress report (for end of winter term)

APRIL

This is an ideal timeline, not necessarily reality. Some items may slide into another month based on work load and individual office timelines. These are things to be thinking about and working on. Every office is different.

- Processing of financial aid applications
- Prepare for staff annual reviews
- Prepare for annual audit

MAY

This is an ideal timeline, not necessarily reality. Some items may slide into another month based on work load and individual office timelines. These are things to be thinking about and working on. Every office is different.

- IPEDS report due
- For private schools admissions deposits due for new students by May 1st
- Do annual staff reviews
- Prepare for annual audit
- Run SAP for semester schools for end of spring semester
- Continue processing of aid applications
- For some schools start of summer semester
- For some schools finalize office budget information for close of fiscal year
- For some schools finalize awarding aid information for close of fiscal year (depends on if summer is a header or trailer)
- Processing of aid applications

JUNE

This is an ideal timeline, not necessarily reality. Some items may slide into another month based on work load and individual office timelines. These are things to be thinking about and working on. Every office is different.

- For semester and quarter schools run SAP report for either end of year or spring semester/quarter
- For some schools annual audit
- Closing date to request waiver of community service expenditure requirement
- End of federal fiscal year and end of award year
- Return excess Perkins cash on hand to ED
- Inventory and clearing out of files from office to storage
- Processing of aid applications

JULY

This is an ideal timeline, not necessarily reality. Some items may slide into another month based on work load and individual office timelines. These are things to be thinking about and working on. Every office is different.

- Finalize campus-based funds in preparation of fall FISAP report
- New federal award year begins
- Draw downs for new year can begin
- Report completion, graduation, and transfer out rates for general student body and athletes via IPEDS
- Direct loan reconciliation close-out
- Processing of aid applications
- For some schools annual audit

AUGUST

This is an ideal timeline, not necessarily reality. Some items may slide into another month based on work load and individual office timelines. These are things to be thinking about and working on. Every office is different.

- Dept of ED sends notification of additional available campus-based funds
- FISAP distributed to schools
- Campus-based reconciliation form due by ED
- Federal Perkins Safeguard Activity report due for prior year
- For some schools start of fall semester
- Process withdrawals and cancellations, including refunds of aid (R2T4)
- Review awarding policies and prepare preliminary awarding policies for next academic year (so Admissions recruiting staff have information for initial recruiting visits starting in September)

SEPTEMBER

This is an ideal timeline, not necessarily reality. Some items may slide into another month based on work load and individual office timelines. These are things to be thinking about and working on. Every office is different.

- For some schools start of fall semester/quarter
- Process withdrawals and cancellations, including refunds of aid (R2T4)
- Freeze statistical data for semester schools
- Work on statistical data for reports based on frozen data
- ED distributes supplemental applications for campus-based programs to schools
- Official Cohort Default Rates sent to schools
- Review data and initiate appropriate action and/or appeal to change Cohort Default Rate data and/or sanctions status
- Last date to send origination/disbursement records to COD for previous academic year
- Work on FISAP report (due October 1st at midnight)

OCTOBER

This is an ideal timeline, not necessarily reality. Some items may slide into another month based on work load and individual office timelines. These are things to be thinking about and working on. Every office is different.

- October 1st at midnight FISAP due
- Campus Security Report due to ED and students/employees
- Compile athletic program participation rates and financial support data (EADA report) and submit to ED
- Review previous year's awarding policies and application procedures
- Prepare application policies for the next award year so can prepare revisions to online applications and physical paper applications if necessary, so ready for application cycle in December and January
- Review informational publications
- Review of loan application and processing procedures so can update procedures for next academic year (including preferred lender list if applicable)
- Order FAFSA on the web brochures and pre-application worksheets if applicable
- Federal satellite video conference
- Surveys (Peterson's, Nacubo, etc)

NOVEMBER

This is an ideal timeline, not necessarily reality. Some items may slide into another month based on work load and individual office timelines. These are things to be thinking about and working on. Every office is different.

- ED sends FISAP edits to institutions
- Regulations published by November 1st
- Finalize application and awarding policies for next academic year
- High School financial aid night presentations
- Communicate to students information about deadlines to apply for financial aid for next academic year and scholarship search tips (and scam information)
- Surveys (US News)
- Submit updated Perkins cash-on-hand on FISAP

DECEMBER

This is an ideal timeline, not necessarily reality. Some items may slide into another month based on work load and individual office timelines. These are things to be thinking about and working on. Every office is different.

- ED sends appeal procedures for campus-based awards to schools
- ED notifies institutions of needed hardware and software changes
- Institutions return any needed FISAP edits to ED
- High School financial aid night presentations
- Run SAP report for fall term

Chairman HINOJOSA. We welcome the National Association of Student Financial Aid Administrators' offer to help us.

Next I call on Dr. Claude Pressnell.

STATEMENT OF CLAUDE PRESSNELL, VICE CHAIRPERSON, ADVISORY COMMITTEE ON STUDENT FINANCIAL AID

Mr. PRESSNELL. Chairman Hinojosa and members of the subcommittee, on behalf of the Advisory Committee on Student Financial Assistance, I want to thank you for the opportunity to provide testimony on the barriers to college access and persistence for low- and moderate-income families.

I am testifying today in my capacity as the vice chair of the Advisory Committee. In fulfilling our legislative charge, the Advisory Committee analyzes federal policy from the unique perspective of the student.

Several Advisory Committee reports have found that barriers to college facing our nation's low-and moderate-income families can be grouped into four categories: first, financial barriers; second, inadequate academic preparation; third, poor and untimely information; fourth, the complexity of the application forms and process.

First, let me begin with financial barriers. To view financial barriers through the eyes of a student, the Advisory Committee looks at the student work-loan burden to define what a true college cost is facing the families. The work-loan burden is also called net price or net cost, and it represents the total cost of attendance after subtracting grant aid from all sources.

Between 1990 and 2004, the work-loan burden increased for all students, but especially those from the lowest-income families. This gap between grants and cost of attendance equals over 75 percent of the family income for the lowest-income families.

Because of these financial barriers in the previous and current decades, millions of our nation's best and brightest students were and will be forced to alter their college enrollment and degree plans because of the lack of finances.

Second, academic preparation is inarguably a key factor in the college access and persistence. Recent data show that between 1992 and 2004 there were increases in academic preparation as measured by courses taken. This is particularly true for low-income students. In spite of this, however, there have not been significant increases in college enrollment or degree attainment. These stagnant enrollment and attainment levels are directly tied to the increasing financial barriers.

Third, information barriers also exist. The timing and quality of financial aid information is critical to college decision-making. The Advisory Committee has offered several recommendations for improving the quality and delivery of early financial aid information in our report entitled, "The Student Aid Gauntlet." We continue to explore strategies for eliminating information barriers in our current Innovative Pathway study.

However, we have found that in the face of the high work-loan burden, early information is not enough. Once low-and moderate-income students are informed about their total financial aid package, they oftentimes discover that a shortfall in grant aid makes college expenses unmanageable.

Fourth and finally, the complexity of the student aid process poses an unnecessary barrier for students. In 2004, members of this chamber tasked the Advisory Committee to identify those barriers and to make recommendations on ways to reduce them. Current proposed legislation in the House and Senate to amend the Higher Education Act addresses many of the Advisory Committee's key recommendations. However, these simplification improvements alone will not dramatically increase access if the work-loan burden levels remain high.

In sum, these four barriers—financial barriers, inadequate academic preparation, poor and untimely information, and complexity of the application form and processes—can negatively impact access and persistence.

Over the decade, financial barriers have grown and compounded the barriers to students by weakening incentives to prepare academically, compromising the effectiveness of early information efforts, and undermining efforts to simplify the student financial aid application process.

In light of the pending HEA reauthorization, the Advisory Committee would like to offer a pragmatic, feasible policy recommendation that addresses each of these barriers simultaneously.

Increase need-based financial aid is one solution that can stimulate increases in Bachelor Degree attainment among college-qualified high school graduates and increase the number of college-qualified students and forthcoming cohorts.

Because ensuring access to college degree and attainment is not solely the responsibility of the federal government, the Advisory Committee recommends creating a national public-private-federal-state partnership to coordinate and increase need-based aid from all sources.

In such a partnership, federal matching grants would be provided to states as an incentive to coordinate with institutions and private organizations to guarantee Pell-eligible students financial access to a 4-year college or university. With such assurance, students and family would know that adequate financial aid resources are there, and they would work hard to be academically prepared.

One model of this partnership is currently included in the pending bipartisan Senate HEA legislation and is designated as grants for access and persistence in the ACCESS Act. This is sponsored by Senator Jack Reed——

Chairman HINOJOSA. Excuse me, Dr. Pressnell. I am going to interrupt you and say I am going to give you an additional 2 minutes so that you can try to finish the Advisory Committee's six recommendations because that is very important.

Mr. PRESSNELL. Well, thank you very much.

With the grants for access and persistence in the ACCESS Act is sponsored by Senator Jack Reed. It is bipartisan support. It is co-sponsored by Senator Collins, Dodd, Kennedy, Murray, and Sanders. And we believe that this is a good first step toward leveraging scarce funding to lower the financial aid barriers for low-to moderate-income college-qualified students.

In essence, what this partnership would do through, actually, in the Senate bill, would be to take the special LEAP money and provide that as an incentive grant pool that would pull together institutional need-based aid, as well as philanthropic support and possibly even corporate philanthropic support, to leverage then the scarce resources at the state level as well as at the federal level, to pull together to target that at Pell-eligible students that are college-qualified to attend a 4-year university.

So what we are trying to do through this proposal is to try to bring all the partners to the table to bring forth an aggressive, creative solution to our current crisis in terms of need-based aid for low-and moderate-income families.

And so, on behalf of the Advisory Committee members, I thank you for the opportunity to come before you today. And we look forward to working with you to provide technical assistance on this matter and others as time moves forward.

Thank you.

[The statement and attachment of Mr. Pressnell follow:]

TESTIMONY OF

DR. CLAUDE O. PRESSNELL, JR.

VICE CHAIRPERSON,
ADVISORY COMMITTEE ON STUDENT FINANCIAL ASSISTANCE

UNITED STATES HOUSE OF REPRESENTATIVES

COMMITTEE ON EDUCATION AND LABOR

SUBCOMMITTEE ON HIGHER EDUCATION,

LIFELONG LEARNING, AND COMPETITIVENESS

MAY 1, 2007

Advisory Committee on Student Financial Assistance
80 F Street NW, Suite 413
Washington, DC 20202
Tel: 202-219-2099
www.ed.gov/ACSFA

The Advisory Committee on Student Financial Assistance (Advisory Committee) is a Federal advisory committee chartered by Congress, operating under the Federal Advisory Committee Act (FACA); 5 U.S.C., App. 2). The Advisory Committee provides advice to the Secretary of the U.S. Department of Education on student financial aid policy. The findings and recommendations of the Advisory Committee do not represent the views of the Agency, and this document does not represent information approved or disseminated by the Department of Education.

TESTIMONY OF DR. CLAUDE O. PRESSNELL, JR.
Vice Chair of the Advisory Committee on Student Financial Assistance

May 1, 2007

Chairman Hinojosa and members of the Subcommittee:

On behalf of the Advisory Committee on Student Financial Assistance (Advisory Committee) Chairperson, Judith Flink, and the other committee members, thank you for the opportunity to provide testimony on the barriers to college access and persistence for low- and moderate-income students. My name is Claude Pressnell, and I am testifying in my capacity as the Vice Chair of the Advisory Committee.

The Advisory Committee was authorized by Congress in the Higher Education Amendments (HEA) of 1986. For more than twenty years, we have provided expert, independent, and objective advice and counsel to Congress and the Secretary of Education on federal student aid policy. The Advisory Committee's most important legislative charge is to make recommendations that maintain and improve college access and persistence for low- and moderate-income students. In fulfilling that charge, the Advisory Committee analyzes policy from the unique perspective of low- and moderate-income students. In doing so, we have played an active role in keeping federal, state, and institutional student aid policy focused on access and persistence, thereby protecting the best interests of our nation's low- and moderate-income students.

Over the past decade, the Advisory Committee has produced four major reports to assist Congress in evaluating higher education policies from this vantage point: *Access Denied: Restoring the Nation's Commitment to Equal Educational Opportunity* (2001), *Empty Promises: The Myth of College Access in America* (2002), *The Student Aid Gauntlet: Making Access to College Simple and Certain* (2005), and *Mortgaging Our Future: How Financial Barriers to College Undercut America's Global Competitiveness* (2006). These reports illustrate the impact of financial barriers on students' ability to access and persist through college. To make these points more persuasively, the reports focus only on ***college-qualified high school graduates*** and provide data showing that millions of low- and moderate-income students are prevented from accessing and completing college because of financial barriers.[1]

Today, I will focus my remarks on the Advisory Committee's work that informs the questions driving today's discussion—what are the major barriers to college in the eyes of low- and moderate-income families? What is the "real-life" impact of these barriers on students throughout their educational lives? And what common sense policy changes would produce pragmatic solutions most meaningful for students?

Advisory Committee reports have found that the barriers to college facing our nation's low- and moderate-income families can be grouped into four main categories: finances, academics, information, and complexity. Our research shows that some of these barriers have been reduced in the past decade, while others have grown. Financial barriers, which have grown, compound the other barriers to students by weakening incentives to prepare academically, compromising the effectiveness of early information efforts, and undermining efforts to simplify student financial aid application and delivery processes. After speaking about these findings, I will present one of the Advisory Committee's primary recommendations to address these barriers comprehensively: a coordinated public/private, federal/state partnership enacted through reauthorization of the Higher Education Act.

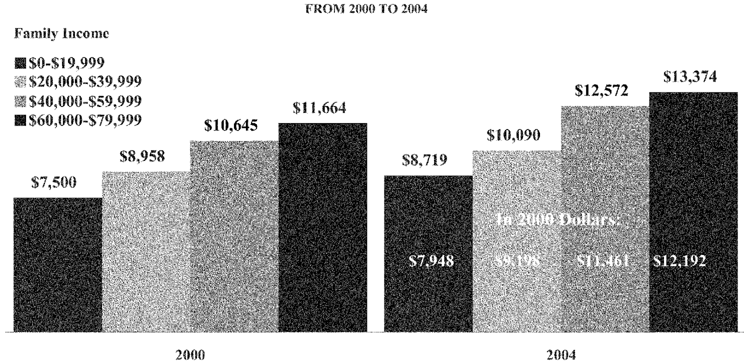
How Low- and Moderate-Income Families See Barriers to College

Financial Barriers

To view financial barriers through the eyes of a student, the Advisory Committee looks at student "work-loan burden" to define the "true" college cost facing families; this is the amount that a family is expected to come up with by "working" or "borrowing." Work-loan burden, also called "net-price," represents the total cost of attendance—tuition, fees, textbooks/supplies, and living expenses—after subtracting grant aid from all sources.

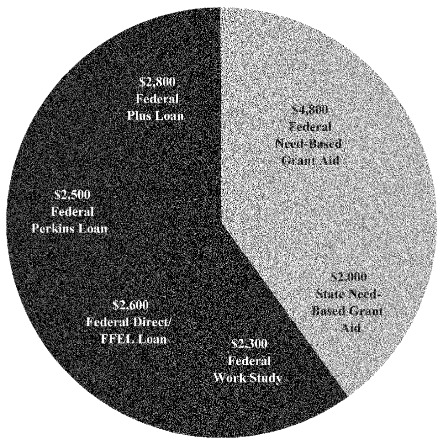
Between 1990 and 2004, work-loan burden increased for all students, especially from the lowest income families. In 1990, students from families earning less than $20,000 faced an average net price of $5,240, which increased to $8,719 by 2004.[2] We must remember that the impact of net prices varies by family income. As shown in the figure below, between 2000 and 2004, net price at a four-year public college as a percentage of family income rose from 75 percent to 87 percent for the lowest income families.[3] If college costs continue to rise at a rate that exceeds the growth in need-based grant aid, financial barriers in the form of record high net prices, or work-loan burden, will continue to undermine college access and completion.

FIGURE 1: NET PRICES (WORK AND LOAN BURDEN) FACING LOW- AND MODERATE-INCOME FAMILIES AT 4-YEAR PUBLIC COLLEGES FROM 2000 TO 2004



What Every Student Should Know About Student Aid, a publication of the American Council on Education (ACE), corroborates these findings by providing sample financial aid award packages for the lowest income students by type of college. A sample financial aid package for a low-income resident student at a four-year public university, with a cost of attendance of $17,000, includes $6,800 in federal and state need-based grant aid, $7,900 in federal loans, and $2,300 in federal work-study.[4] From a student's perspective, these amounts suggest an annual work-loan burden of over $10,000, and a cumulative loan burden between $30,000 and $50,000, depending on the length of time to degree completion. This type of information can have a negative impact on students' perceptions of college affordability and can lead to decisions to delay or not enroll in college.

FIGURE 2: SAMPLE FINANCIAL AID PACKAGE FOR LOWEST INCOME STUDENTS



STATE UNIVERSITY, RESIDENT STUDENT

Total Expenses............................$17,000

Need-Based Grant Aid...................$6,800
Federal.............................$4,800
State................................$2,000

Work and Loan...........................$10,200
Federal Work Study...........$2,300
Federal Direct/FFELP Loan..$2,600
Federal Perkins Loan.........$2,500
Federal Plus Loan................$2,800

Source: American Council on Education (2005). What Every Student Should Know About Federal Aid.

Note: The actual work and loan burden facing students may exceed the amounts above because of lower state need-based aid and Federal Perkins loan amounts.

The Advisory Committee's research shows that college-qualified, or academically-prepared, low- and moderate-income students and families were much more concerned about college costs and the availability of financial aid than their middle- and high-income peers. Among parents, at least 80 percent of low-income and over 66 percent of moderate-income were "very concerned" about college costs and financial aid, compared to less than 20 percent of their high-income peers.[5]

The fact that low- and moderate-income students and families have strong concerns about college costs is probably not shocking to anyone, but the negative impact these concerns have on students' decisions about college plans and subsequent enrollment is particularly troubling. These financial concerns often undercut students' college plans and enrollment as well as eventual degree attainment. Data in the Advisory Committee's recent report, *Mortgaging our Future*, show that while college expectations, which measure a 10th grade student's future ambitions and goals, increased between 1992 and 2004, students' college plans, measured in 12th grade and somewhat more tangible indicators of actual college enrollment, decreased from 70 percent in 1992 to 66 percent in 2004.[6] Given the decrease in 12th grade college plans, you should not be surprised to learn that there has also been a decrease in projected enrollment between 1992 and 2004.[7]

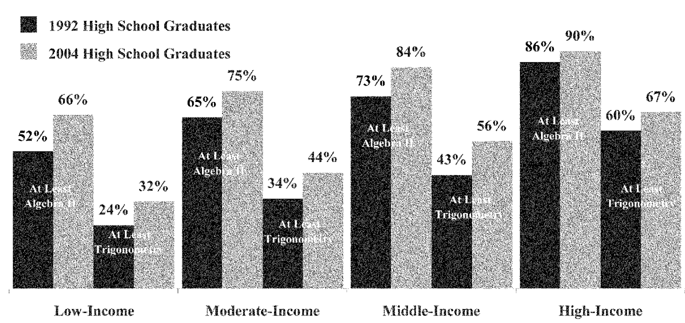
These findings show that large numbers of our nation's best and brightest students—those college-qualified high school graduates who have transcended informational and academic barriers—face tremendous financial challenges. Because of these financial barriers in the previous and current decade, millions of college-qualified low- and moderate-income students were (and will be) forced to alter their college enrollment and degree plans because of a lack of finances.

Academic Barriers

Academic preparation is inarguably a key factor in college access and persistence. However, academic barriers do not explain the enrollment and persistence barriers of college-qualified, or academically-prepared, low- and moderate-income students. Indeed, as the academic preparation of low- and moderate-income students continues to steadily improve under policies targeted towards this objective, the imperative to reduce financial barriers becomes even more critical to ensuring equal access to higher education.

Several studies show that the level of mathematics students complete in high school is a strong predictor of academic success in college.[8] Illustrated below, between 1992 and 2004, there were increases in academic preparation, as measured by mathematics coursework. For low-income students in particular, completion of at least Algebra II increased by 14 percentage points from 52 percent in 1992 to 66 percent in 2004, and completion of at least Trigonometry increased by eight percentage points from 24 percent in 1992 to 32 percent in 2004.[9]

FIGURE 3: IMPROVEMENTS IN ACADEMIC PREPARATION FROM 1992 TO 2004
PERCENT OF HIGH SCHOOL GRADUATES WHO ARE COLLEGE-QUALIFIED



In spite of evidence of increased levels of academic preparation, there have not been significant increases in college enrollment or degree attainment. In fact, the percentage gap among low- and high-income college enrollees who completed at least Trigonometry is estimated to have increased over the decade.[10] This widening gap in enrollment among similarly qualified students attests to the pervasive impact of financial barriers on college-qualified students.

Increasing need-based financial aid can stimulate increases in bachelor's degree attainment among college-qualified high school graduates ***and*** increase the number of college-qualified students in forthcoming cohorts. Because students' perception of high work-loan burden, or net prices, can be a deterrent to adequate academic preparation, lowering financial barriers may increase incentives to prepare academically.

Informational Barriers

The timing and quality of financial aid information is critical to college decision-making. To make sound decisions about preparing academically and investing in higher education, students from low- and moderate-income families require accurate and timely information about financial aid and college costs. Low- and moderate-income families with children in middle school are confused about how financial aid works, how much financial aid there really is, and what aid their children can expect to receive upon successful completion of high school from federal, state, college, and private sources.

A primary purpose of early intervention/information programs is to enhance student awareness of the importance of college and the returns to attaining a bachelor's degree. The effectiveness of early intervention programs depends on a series of sequential successes: greater knowledge and information precipitate higher aspirations, which in turn create a greater incentive to prepare academically; which then leads to higher expectations, specific college plans, and eventual enrollment.

However, as I have discussed, this chain breaks down in the face of high levels of work-loan burden. Once low- and moderate-income students are informed of their total federal, state, and institutional aid package, they oftentimes discover that the shortfall in grant aid from what would be required to meet college expenses is unmanageable. In this case, providing earlier information on financial aid in this case can be a double-edged sword, potentially dampening aspirations and college preparation efforts of low-income students.

To prevent such breakdowns anywhere along the chain of desired outcomes—knowledge, aspirations, academic preparation, expectations, plans, and enrollment—the most effective early intervention/information programs must provide an assurance of adequate need-based aid.[11] An early assurance of financial access provides middle school families with information about financial aid that is both accurate *and* encouraging.

Complexity in Financial Aid Application and Delivery

Unnecessary barriers are created for students by complexity in the student aid application and delivery systems. In 2005, members of this chamber tasked the Advisory Committee to define complexity barriers and make recommendations on ways to reduce them. Key recommendations in the final report focused on these main objectives:[12]

First, *create a comprehensive system of early information about financial aid eligibility*, allowing students to gain early estimates of financial aid awards and complete FAFSA applications earlier.

Second, *increase access to existing need-based financial aid* by reducing the penalty on student earnings and expanding eligibility for the automatic maximum Pell Grant award.

Third, *simplify the FAFSA* by encouraging all states to accept the simplified federal formulas, phasing out the long paper form, creating a highly simplified paper EZ-FAFSA for low-income students, tailoring FAFSA on the Web to individual applicants using smart technology, and improving the Personal Identification Number (PIN) application, dependency override, and verification processes.

Congress has demonstrated a commitment to addressing complexity. Current proposed legislation in the House and Senate to amend the Higher Education Act addresses many of the Advisory Committee's key recommendations to eliminate complexity in the application and delivery processes.[13] Again, however, these simplification improvements *alone* will not dramatically increase access for low-income students if work-loan burden levels remain high.

Recommendation for Higher Education Act Reauthorization

The number of high school graduates has increased since 1992 and is projected to peak at approximately 2.9 million in 2008-2009.[14] If trends in academic preparation continue and the recommended simplification and early information provisions in proposed legislation are implemented, increasing shares of these students will become academically prepared for college, receive timely and appropriate information about college and financial aid, hold aspirations for a bachelor's degree, and experience a simplified financial aid form and delivery system. This will essentially result in higher numbers of students marching towards the gates of higher education. However, if work-loan burden levels remain high, they will not be able to enter and will, subsequently, pile-up at the gates.

In light of the pending HEA reauthorization, the Advisory Committee would like to offer six recommendations that can alleviate barriers. We believe that these recommendations, if implemented fully and collectively, can curb bachelor degree losses and increase the pool of college-qualified graduates over time. These six policy recommendations offer strategies that require both financial and non-financial interventions. They include, first, reinvigorating the access and persistence partnership to increase need-based aid from all sources. Second, restraining increases in the price of college. Third, moderating the trend toward merit-based aid and the reliance on loans. Fourth, reducing financial barriers to transfer from two-year to four-year institutions. Fifth, strengthening early intervention programs. And sixth, investing in efficient and productive college remediation.

For the sake of time, I will not discuss each of these implications in depth. Instead, I would like to explain just one very pragmatic and feasible solution. The pending HEA reauthorization offers the opportunity to put into place a creative and efficient partnership that can stem the increase in the number of students for whom opportunity will be nothing more than an empty promise, and make considerable progress toward renewing the nation's commitment to access to college.

Certainly, addressing these barriers is not solely the responsibility of the federal government: states, institutions, and the private sector have equal responsibility. Therefore, the Advisory Committee recommends creating a national public/private, federal/state partnership to coordinate and increase need-based grant aid from all sources, one that links the federal government, states, colleges, private organizations, and early intervention programs and puts into place a winning long-term strategy to renew the nation's commitment to rewarding the hard work of its neediest students.

In such a partnership, federal matching grants would be provided to states as an incentive to coordinate with institutions and private organizations to guarantee Pell-eligible students financial access to at least the in-state four-year public flagship. This partnership is modeled after successful state programs such as Indiana's Twenty-First Century Scholars program, which has been shown to increase access for low-income students.[15] This program offers low-income middle school students and their families an assurance of financial access to Indiana's four-year public colleges.

With such an assurance, students and families know that adequate financial resources will be there if they work hard to become academically prepared. They know that grant aid, in particular, will be sufficient to keep work-loan burden to manageable levels upon enrollment in college and through degree completion. The success of this state effort in advancing access and persistence is proof that, when low-income students and their families are assured sufficient financial resources to be successful in college, their educational expectations and plans, academic preparation, level of enrollment, and rate of persistence dramatically improve. If combined with a highly simplified application for financial aid and an improved, more transparent determination of eligibility that eliminates the current counterproductive penalty on work, then an early assurance of financial access and persistence will yield immediate and enduring progress toward equal educational opportunity.

One model of this partnership is currently included in pending bipartisan Senate HEA legislation as "Grants for Access and Persistence" in the Accessing College through Comprehensive Early Outreach and State Partnerships, or "ACCESS" Act, sponsored by

Senator Jack Reed and co-sponsored by Senators Collins, Dodd, Kennedy, Murray, and Sanders.[16]

On behalf of the Advisory Committee members, thank you again for this opportunity to come before you today. We look forward to continuing to provide you with technical assistance on the matters discussed today and other issues of student access to and persistence in higher education.

ENDNOTES

[1] *Empty Promises* estimates that 4.4 million college-qualified high school graduates will not attend a four-year college and 2 million will attend no college at all, over the decade. *Mortgaging Our Future* finds that during the 1990s, between nearly 1 million and 1.6 million bachelor's degrees were lost; during the current decade between 1.4 and 2.4 more bachelor's degrees will likely be lost. These estimates are extremely conservative, reflecting only those losses that occur among low- and moderate-income college-qualified high school graduates and only to the extent that they are unable to enroll and persist in college at the same rates as middle-income peers. Total losses, including those among middle-income students, are much higher.

[2] Advisory Committee on Student Financial Assistance, *Mortgaging our Future*, 2006. See Figure 6 and Figure 17.

[3] Percentages are based on a family income of $10,000. Analysis of data in *Mortgaging Our Future*, 2006.

[4] American Council on Education, *What Every Student Should Know About Student Aid*, 2005. For illustration, see Figure 20 in *Mortgaging our Future*, 2006.

[5] Data taken from *Mortgaging Our Future*, 2006. See Figure 7.

[6] Data taken from *Mortgaging Our Future*, 2006. See Figure 21, Figure 22, and Figure 23.

[7] Since the National Center on Education Statistics (NCES) database (i.e., ELS) measures enrollment two years after high school graduation (i.e., 2006), actual enrollment data for 2004 high school graduates was unavailable at the time of publication. While our enrollment data for the 2004 cohort is an estimate, we have double-checked these numbers against other publications of the U.S. Department of Education. We will update our enrollment data when NCES releases the 2nd follow-up of the Educational Longitudinal Study (ELS), scheduled for later this year.

[8] Several studies show that the level of high school math is a strong predictor of academic success in college. For more information, see C. Adelman, *Answers in the Toolbox: Academic Intensity, Attendance Patterns, and Bachelor's Degree Attainment*, 1999; C. Adelman, *The Toolbox Revisited: Paths to Degree Completion from High School through College*, 2006. As a result of these and other studies, this report uses mathematics coursework as a proxy for college qualification. These college-qualification measures—"at least Algebra II" and "at least "Trigonometry"—are self-reported data and do not take into account the quality or intensity of the coursework.

[9] Data taken from *Mortgaging Our Future*, 2006. See Figure 20.

[10] Data taken from *Mortgaging Our Future*, 2006. See Figure 24. In 1992, 73 percent of low-income and 90 percent of high-income students, who completed at least Trigonometry, enrolled in college. This demonstrates a 17-percentage point gap in enrollment between low- and high-income students. In 2004, 66 percent of low-income and 89 percent of high-income students, who completed at least Trigonometry, enrolled in college. This demonstrates a 23-percentage point gap between low- and high-income students.

[11] Early intervention programs that include financial aid have been shown to increase incentives for students to attend college; see C. Blanco, *Early Commitment Financial Aid Programs: Promises, Practices, and Policies*, 2005. This report details how certain early intervention programs, known as early commitment financial aid programs, offer low-income students a guarantee of financial aid for college if they actively participate and fulfill the requirements of the program. Examples of such programs include I Have a Dream, Indiana's Twenty-first Century Scholars Program, Project Grad, the Washington State Achievers Program, and Oklahoma's Higher Learning Access Program.

[12] For complete list of recommendations, see Advisory Committee on Student Financial Assistance, *Student Aid Gauntlet*, 2005.

[13] For more information, see S. 939 (The FAFSA Act), sponsored by Senator Jack Reed and co-sponsored by Senators Susan M. Collins, Edward M. Kennedy, Patty Murray, and Bernard Sanders and H.R. 1608 (The College Aid Made EZ Act), sponsored by Representatives George Miller and Rahm Emanuel.

[14] Western Interstate Commission for Higher Education, *Knocking at the College Door: Projections of High School Graduates by State, Income and Race/Ethnicity*, 2004.

[15] The Twenty-First Century Scholars Program (http://www.in.gov/ssaci/programs/21st/index.html) began in 1990 as Indiana's way of raising the educational aspirations of low- and moderate-income families. The program aims to ensure that all Indiana families can afford a college education for their children. An independent evaluation of the program found that Scholars were 4.43 times more likely to enroll in a public four-year college and 6.37 times more likely to attend a two-year college than non-Scholars. For more information, see E.P. St. John et al., *Meeting the Access Challenge: Indiana's Twenty-First Century Scholars Program*, 2002; D. Heller, *Early Commitment of Financial Aid Eligibility*, 2006; E.P. St. John, *The Impact of Financial Aid Guarantees on Enrollment and Persistence: Evidence from Research on Indiana's Twenty-First Century Scholars and Washington State Achievers Program*, 2004.

[16] For more information, see S. 938 (ACCESS Act).

ADVISORY COMMITTEE ON STUDENT FINANCIAL ASSISTANCE

Reauthorization Proposal: A Federal Partnership for Access and Persistence

Summary: The proposal would forge a new partnership among the federal government, states, and colleges to create an assurance of access and persistence for low-income students. The proposal is necessary because college-qualified, low-income students face financial and procedural barriers to enrollment throughout the education pipeline. The proposal would attack this systemic problem by encouraging states to offer low-income students an early assurance of financial access to college, a simplified financial application process, and adequate grant aid to enroll and persist to degree completion. The proposal would also encourage colleges to provide support services and additional persistence grants to low-income students. The most effective early intervention programs have demonstrated that an early assurance of financial access has generated remarkable benefits for low-income students and their families: students who successfully complete early intervention programs are more likely to be academically prepared to attend college and more likely to enroll in college.

Background: The Advisory Committee on Student Financial Assistance has outlined the access and persistence problems in its last two reports, Access Denied and Empty Promises. In summary, the Advisory Committee has found: (1) middle school students lack an assurance of adequate financial aid; (2) high school students face an overly complex financial aid application process and inordinately high unmet need; and (3) college students face an overwhelming level of work and loan burden in attempting to persist to degree completion. The Advisory Committee is convinced that progress is unlikely unless the Title IV access and persistence partnership among the federal government, states, colleges, and K-12 schools is boldly reinvigorated during this reauthorization.

An effective access and persistence strategy must be multidimensional; it should contain three critical components: (1) An early assurance of financial access; (2) a simplified application and adequate grant aid; and (3) persistence grants and support services. An assurance of financial access to low-income middle school students would create incentives for students to aspire to attend college, enroll in early intervention programs, and prepare academically to attend college. A simplified application form that is aligned with existing federal programs would make eligibility more transparent and application less encumbered for high school students. Additional grant aid and support services at college would reduce low-income students' work and loan burden and improve the likelihood that they will enroll in college and persist to degree completion.

Proposal: Congress should create a partnership that offers matching grants to states and institutions to form partnerships that promote access and persistence for low-income students. Congress could appropriate funds to states, especially those states that have a demonstrated commitment to early intervention leading to college access. States could have the flexibility to decide which low-income students to target the additional grant aid to, but could be encouraged to give priority to low-income students who have participated in a federal, state, community, or private early intervention program. The partnership could encourage states to provide low-income middle school students with an early assurance of financial access to a four-year college; it could establish a streamlined application process that included automatic eligibility, enabling states to notify every 7th grade student of his or her total drawing power on federal and state grant aid. The partnership would allow states to offer financial incentives, in the form of additional grant assistance, to high school students to participate in and complete early intervention programs. Participation in such programs will increase the likelihood that the targeted students will aspire to college and be academically prepared to enroll in college. The partnership could also encourage participating colleges to attract, retain, and graduate low-income students; institutions would receive matching funds to provide persistence grants and additional support services. Finally, the partnership could further reduce the work and loan burden of low-income college students by eliminating the student "work penalty," whereby a student's grants decrease the more (s)he works to cover unmet need, and thus ensuring adequate grant aid each year of college.

Key Features:

• The partnership could leverage additional federal funds with additional state and institutional grant aid through matching requirements.

• It minimizes structural changes to existing federal programs and does not create new federal programs to compete with those that already exist.

• It could leverage existing Title IV programs like SEOG and Work-Study to lower unmet need and increase enrollment and persistence.

• It could be scalable and data generating; the partnership could initially be implemented in a select group of states, or it could be gradually phased into every state.

• It could be internally accountable, holding participating students harmless against tuition increases and encouraging timely degree completion.

• Students could use their grant assistance at public and private accredited colleges.

• The federal government could encourage states to award available grant aid to students that participate in an early intervention program; programs that utilize strategies such as mentoring, counseling, academic support, providing financial information, involving parents, and visiting college campuses.

• The partnership could take advantage of existing early intervention programs such as TRIO, GEAR UP, I Have a Dream, and those operated by private (corporate and philanthropic) firms.

• The federal government could ensure consistency of grant aid each year of college by minimizing the current student "work penalty," by which wages earned to cover unmet need reduce grant aid in subsequent years, as a means of encouraging persistence.

• Colleges could encourage academically qualified low-income students to attend their school by offering matching grant aid, and by providing support services that help students persist to degree completion.

Benefits: The proposed partnership would allow the federal government to leverage existing Title IV programs to expand low-income students' access to college; thus, allowing the nation to produce more skilled workers. The partnership provides states with the opportunity to strengthen their need based grant programs to offset the rising tide of college costs. The partnership would also provide colleges with additional funds for persistence grants and support services. States and colleges would benefit from a student population that was more motivated, by an early assurance of financial access, to prepare academically and to persist to degree completion. Students of low-income families would also benefit from an early assurance of financial access, as it would encourage them to have higher expectations to attend college and they would receive better information with which to make plans to attend college. Students would also benefit from the reduction of financial and procedural barriers to college access; students would receive a simpler financial application, a clearer articulation of the financial aid available, and consistent grant aid each year of college, through the elimination of the student "work penalty."

Chairman HINOJOSA. At this time, I would ask Luke Swarthout to proceed.

STATEMENT OF LUKE SWARTHOUT, HIGHER EDUCATION ADVOCATE, U.S. PUBLIC INTEREST RESEARCH GROUP

Mr. SWARTHOUT. Chairman Hinojosa, other members of the committee, thanks for convening this important discussion today. I will be speaking on behalf of the U.S. Public Interest Research Group.

USPIRG is a national network of state-based, non-partisan, nonprofit organizations based in 30 states and working with students on over 100 campuses. Over the last decade, our higher education project has worked to represent hundreds of thousands of student members here in Washington, D.C., in urging for increased access to an affordable education.

I am going to briefly summarize my written testimony and focus on two main challenges facing students: primarily issues of need-based financial aid and issues of rising student debt. I expand on these issues and others in my written testimony and would be happy to take questions on any of them.

The goal of our financial aid system is to ensure any student has access to an affordable education regardless of their financial background. Unfortunately, recent studies, including those by the Advisory Committee, have shown that we are falling short of that goal, that there are hundreds of thousands of students every year who are academically qualified but who don't persist onto college primarily due to financial costs.

Rising college costs and stagnant grant aid are having a real impact on college students, whether that is preventing students from going on to college or simply changing the way they progress through college. We are facing serious challenges.

Many students are choosing not to start at a 4-year institution but rather start at a 2-year institution and progress along through that process. Other students are choosing to extend the period of how long it takes them to get through college. And while these may be ways to avoid debt or come up with available funds, it has the overall impact of decreasing graduation rates, which is something we should all be concerned by.

Congress has the ability to take a strong step in solving these problems by increasing the maximum Pell grant award in the fiscal year 2008 budget. The maximum Pell grant award has remained stagnant for—up until this year, it remained stagnant for the last 4 years. And it is actually worth less than it was 30 years ago.

Last fall, the secretary of education's Commission on the Future of Higher Education recommended that the maximum Pell grant award be funded at 70 percent of the average 4-year college tuition. According to the American Council on Education, such an increase would peg the maximum grants at approximately $6,200. The commission report provides a useful framework to start thinking about where we need to be funding this important grant program.

The second major financial challenge that I would like to address is the issue of rising student debt.

As college costs have increased and more of the costs have been pushed onto the backs of students, we have seen more college graduates leaving school with serious amounts of debt. About two-thirds of students graduate with loans averaging about $19,000.

But we have also seen in the last decade a seven-fold increase in the number of students borrowing above $40,000 in loan debt. Recent reports suggest that some students, from fear of this debt, particularly amongst first-generation students, will dissuade them from persisting on to college.

And while more research needs to be done on the issue of access, it is quite clear that debt is having a serious effect on affordability. We released a report last year, the one that the chairman referenced, "Paying Back, Not Giving Back," that found that 23 percent of public college graduates with loans had too much in debt to manageably repay at a starting teacher's salary. Furthermore, debt has been found to delay when graduates start families or are able to make purchases and investments like buying a home.

We think that we need to expand and reform the income-contingent repayment system. We are supportive of proposals like Congressman Petri's IDEA proposal and fair payment assurance, which is embedded in Senator Kennedy's Student Debt Relief Act.

But beyond simply making debt more manageable, we need to take the steps to reduce the increased demand for debt burden. And certainly, what I talked about in terms of need-based financial aid will have an impact on that as well.

A college education remains an incredibly valuable investment and accomplishment for American students, whether that is economic or intellectual opportunities open to them. An educated populace remains an incredible investment for our society, critical to our civic and social and economic health.

But we do face real challenges. I have chosen to outline two here today. And we hope that the committee will look hard at serious reforms in the upcoming Higher Education Act reauthorization discussion to help reduce barriers and ensure access for all students to an affordable education.

Thank you.

[The statement of Mr. Swarthout follows:]

Prepared Statement of Luke Swarthout, Higher Education Advocate, United States Public Interest Research Group (U.S. PIRG)

U.S. PIRG is the federation of state Public Interest Research Groups—a national network of state based non-partisan, non-profit public interest advocacy organizations based inn 30 states. We work with students on more than 100 college campuses across the country. For more than a decade, our Higher Education Project has represented hundreds of thousands of college student members at the federal level by working to increase access to an affordable college education. On behalf of our members I want to thank you for convening this hearing and offering us the opportunity to testify.

In my testimony I will focus on the issues and challenges that students and their families face as they apply to college and as students move through college. In particular, I will focus on places where federal policy affects students and their choices or on places where federal policy could help students and their families manage this process.

I would like to highlight some of the principle challenges facing high school students as they apply to college: the lack of financial aid, an overly complicated process, and the need for additional information.

Grant Aid

Our financial aid system is designed to ensure that academically qualified students are able to attend college regardless of their financial situation. The federal government plays a critical role in guaranteeing access to college for millions of low- and middle-income students through programs like the Pell Grant and Supplemental Education Opportunity Grants. Unfortunately recent studies suggest hundreds of thousands of students are unable to progress from high school to college because of a lack of financial aid.

Students face real challenges paying for higher education. Rising college costs and stagnant need-based grant aid has put college out of reach for many students and families. For other students, cost has forced them to change how they progress through college, starting at a 2-year institution rather than a 4-year college or extending their college career to limit loan debt or to simply come up with sufficient funds to pay their tuition bill.

The Advisory Committee on Student Financial Assistance estimates that over the past decade between one million and 1.6 million qualified high school graduates did not attend college largely due to lack of financial aid. Their recent report, Mortgaging Our Future, estimates that between 1.4 and 2.4 million students will be similarly limited from attending college during the next decade for the same reasons. These estimates do not include the students who will choose to attend 2-year institutions rather than 4-year colleges due to cost. We concur with one of the key conclusions of their report: we must increase need-based aid from all sources—federal, state, institutional and private.

Congress should take steps to increase funding for the Pell Grant in the FY08 budget. In real dollars, the maximum Pell Grant award is worth less than it was worth thirty years ago. Over the past five years the value of the maximum grant award has declined relative to inflation and the cost of college. The 2007 budget passed this February increased the maximum grant award by $260 and marked the first increase in 4 years. Last fall Secretary of Education's Commission on the Future of Higher Education called for an increase in the maximum Pell Grant to 70% of the average 4-year college tuition. According to a recent analysis by the American Council on Education that would set the maximum grant award at $6,200. The Commission report provides a useful measure in thinking about where the maximum Pell Grant level should be set to ensure access to college for all students.

Admissions and Financial Aid Process

As a college degree becomes more critical, the process for applying to college and for financial aid has become more complicated. As teenagers, students and their families are faced with a series of meaningful and difficult choices—from what institution to attend to how to finance their education. Three choices in particular stand out: what school to apply to, how to fill out the FAFSA form and how to interpret the financial aid package.

College Choice: Even as millions of new students apply to college and universities every year, there is a clear absence of centrally catalogued consumer information to assist families in their choice of college. This information, including cost of attendance, net price, and financial aid at the institution, would help students assess comparable institutions and provide common points of comparison between institutions. Adding more clarity to the cost of college on a user-friendly website would help immensely as students and families navigate the college admissions process. Clear information would also help current students understand and track changes in cost over their college experience.

The COOL (College Opportunities Online Locator) website seems a likely place to hold such information. However our interest is ensuring students have access to this information regardless of the location.

FAFSA. The Free Application for Federal Student Aid is the federal form that students fill out to determine their eligibility for financial aid. The complexity of this form has led it to be compared unfavorably to federal tax returns. The consequence of this overly complicated form and application process is the underutilization of federal student aid. Approximately 1.5 million Pell Grant eligible students did not fill out the FAFSA form in 2004.

There are many ways we can simplify this process. We support a recent proposal by Chairman Miller and Representative Emmanuel to use IRS data to pre-populate the FAFSA form with information taken from tax returns. According to The Institute for College Access and Success, nearly two-thirds of the asset or income related questions on the form could be filled out through such a process.

Financial Literacy. The third procedural challenge facing students as they prepare to attend college involves understanding the various components of their financial aid package. As more students and families borrow to pay for college and as those loans increase in size, financial literacy has become more critical. With average student debt nearing $20,000 and a significant percentage of borrowers owing in excess of $40,000, the interest rates, terms and conditions of those loans will have a greater effect on the choices of graduates after they college. The distinction between federal student loans and alternative or "private" loans or whether a parent should take out a PLUS loan or a second mortgage are increasingly meaningful questions for American families. As we ask students and their families to shoulder a larger share of the burden of college finance we must ensure that they are prepared for this responsibility.

Textbooks

For families who have budgeted for the cost of college, high textbook costs can be an unexpected shock once a student reaches campus. While textbook costs are rarely, if ever, factored into tuition, a recent PIRG study found that students pay an average of $900 a year for college textbooks and that increased costs have been driven by such publisher practices as issuing frequent unnecessary new editions and bundling books with unnecessary additional materials. Such practices have driven the cost of textbooks to rise far faster than inflation and have undercut the capacity of students to resell their textbooks. For students at some community colleges, textbooks cost can represent up to 40% of the cost of college. As a result of rising prices, some students wind up sharing books or going without textbooks. At the instruction of Ranking Member McKeon and Representative Wu, the Advisory Committee on Student Financial Assistance is undertaking a study of potential textbook reforms. I would encourage the Committee to consider textbooks as a real financial challenge facing students and encourage them to take several steps to help students including mandating publishers disclose textbook prices when they market on campus.

Financing College: Work and Loans

Rising college costs and lack of financial aid have caused students to work more and borrow more to pay for college. The former is undermining the college experience for millions of students while the latter is increasingly dictating what students can do after they graduate.

Working during the semester and over the summer has long been a part of how students pay for college. Indeed the federal work study program is founded on the belief that some work may even be beneficial to a student's college experience. Unfortunately full-time students increasingly also work full-time jobs that undermine their studies and their college experience. Whereas work was once one piece of the balanced college experience, it is increasingly a burden particularly for students from low-income families.

According U.S. PIRG's report At What Cost?, 74% of full-time students graduating in 2000 worked while attending school. Of these students, nearly half worked more than 25 hours a week. These students reported needing to work to pay for college. In addition, they reported that their work schedules had a negative experience on their grades, limited their class schedules and the number of courses that they could take and their extra-curricular experience. Increased reliance on work undermines the college experience for millions of students. In addition, it encourages students to take fewer classes in a semester and to extend college beyond 4 years. Students working full-time are significantly more likely to interrupt their college careers than those working only part-time.

The challenge of balancing work and school weighs heaviest on low-income students who can expect less financial assistance from their families. As a result, they bear a larger share of the cost of college and need to work longer hours than their peers from wealthier backgrounds. In addition, students from low-income families are more likely to describe their work as necessary to paying for their education than students from upper-income families. Congress can help these students by increasing federal student aid and helping to restrain rising college costs.

The final major financial challenge facing current college students and their families is the issue of rising student debt. Over the past decade, as more of the cost of college has been passed onto students, borrowing has significantly expanded. Nearly two-thirds of four-year college students borrow to pay for college, and the average student graduates with approximately $19,000 in loan debt. Some recent reports suggest that fear of debt dissuades some segments of the population from attending college. While the impact of student debt on access is being explored, debt's impact on affordability and the choices that students make during college and after graduation is increasingly well documented. Student debt dictates the career paths that students can follow. According to a recent U.S. PIRG report, 23% of student borrowers at public colleges would have unmanageable debt on a starting teacher's salary. High student debt may dissuade graduates from starting a family or persuade them to delay major investments like purchasing a home.

A college degree should be about opening doors for students, providing them with new opportunities whether intellectual, economic or occupational. As student debt expands and as more students turn to private loans to pay for college, we risk undermining that fundamental. Congress should reform and expand the income contingent repayment system for students to ensure that they can manageably repay their student loans without undermining the opportunity of their college education. We are support proposals such as the Income-Dependent Education Assistance Act introduced by Representative Petri and the language included in Senator Kennedy's Student Debt Relief Act under the heading "Fair Payment Assurance." Beyond simply helping students manage debt we must take concrete steps to reduce the burden of borrowing facing recent graduates including meaningful increases to need-based grant aid.

A college education remains an incredibly important personal accomplishment, associated with greater wealth, better health and increased civic participation. An educated populace remains a critical priority for our national civic, social and economic health. I have outlined some of the key challenges and issues facing students. I would encourage you to adopt key changes to the Higher Education Act to both help our nation's students and families and to keep our nation strong.

Chairman HINOJOSA. The final presenter witness will be James Boyle.

You may proceed.

STATEMENT OF JAMES A. BOYLE, PRESIDENT, COLLEGE PARENTS OF AMERICA

Mr. BOYLE. Thank you, Mr. Chairman and members of the subcommittee. I appreciate your inviting me to testify today.

My name is Jim Boyle, and I am the president of College Parents of America, the only national membership organization for current and future college parents.

Our group's mission is to empower parents to best support their children on the path to and through college. Much as AARP does for seniors, we aim to fulfill that mission by providing a three-pronged mix of advocacy, timely information and access to discounts, in our case, on college-related spending.

College Parents of America is still relatively young, established in 2003. But the topics you are examining today—barriers and solutions to paying for a college education—have been on the minds of parents since the first tuition checks were dropped in the mail a couple of centuries ago.

For decades, of course, the barriers and solutions to paying for college were relatively simple. The only students who went to college were those whose parents could afford to pay for it. That is not an era that any of us would like to revisit.

As college-going rates increased and schools, both public and private, multiplied, the issue of paying for college got a bit more complicated, and various solutions rose forth. Academic grants, athletic scholarships, support from local business or community groups all became ways to help young people attend the college or university of their choice.

Since there is little time for a complete history of paying for college in America, I will jump to the 1970s when the foundation for student aid that still exists today was put in place.

For some period of years, perhaps a decade, it was possible for a student to achieve a college degree with support from a mix of Pell grant, institutional aid, federal student loans, some work study, and compensation from a summer job. As a 1979 graduate of Northwestern, I benefited from those programs myself.

There were challenges to paying for college, to be sure. But they did not seem as insurmountable as the barriers for students and their families appear today.

Parents of today's college students have seen their child, in many instances, break through the gauntlet of competitive college admission, only to arrive anxiously on campus, where there is no rest for the weary, with attrition levels in the double digits. Given this scenario, parents are naturally concerned about the status of their own college investment and whether the money spent is supporting their child's academic success in a safe, healthy learning environment.

On our collegeparents.org Web site, we have a blog. In one of the topic areas, we ask parents to comment on how the cost of college affects their family.

One posting from Lena began this way: "The fetal position—that is what I revert to every year for 3 days, as I have to fill out FAFSA forms and loan applications for the next year. How will I ever get out of debt? I feel that question as I know now that I am digging myself deeper and deeper into a hole. I am in so far now, I have to just keep going and hope that the investment in my three children pays in the end."

Another parent named Ann wrote, "I thought we had done pretty well saving for college in a 529 for our son, who is to be a freshman this fall. What an eye-opener the FAFSA was. It turns out we are expected to pay freshman year only every penny we have saved, an amount equal to 40 percent of our yearly income. I guess parents are supposed to stop saving for retirement, eat Ramen Noodles and turn the thermostat down 10 degrees in order to meet the cost of college."

So what are the paying-for-college solutions that should be congressional priorities? The three legs of the stool—aid, loan, and tax policies—should each play a part in the crafting of those solutions.

We believe the three principal ways that Congress can put college within more reasonable reach are by placing more federal dollars into grant aid, in particular, by raising the maximum level for a Pell grant, making the federal student loan program more family-friendly by increasing the limits on the amount that may be borrowed via federal student loan, and by increasing the subsidies directed toward both student and parent loans so that private loans are not utilized as much as they are today, and making permanent the now-precarious ability, due to expire again at the end of this year, for families to deduct a portion of college-related expenses and, while doing so, raising that deduction from its extremely modest $4,000 to a more reasonable amount of $12,000.

I think a fair question to ask is, how can student aid account for less than 1 percent of the federal budget when more than 80 percent of the jobs that would be created in the next 10 years will require a post-secondary education?

Since there is a decidedly mixed message when it comes to state funding for higher education, we face a potentially massive college access crisis without a substantial federal investment in student aid. Federal student aid is more essential than ever as a means of ensuring that all of America's young people have a chance to achieve their potential.

I thank you again for the opportunity to testify before you today and look forward to working with other members of the panel and those of you on the subcommittee.

Thank you.

[The statement of Mr. Boyle follows:]

Prepared Statement of James A. Boyle, President, College Parents of America

Mr. Chairman and Members of the Subcommittee, thank you for inviting me to testify today. My name is Jim Boyle, and I am the president of College Parents of America, the only national membership organization for current and future college parents.

Our group's mission is to empower parents to best support their children on the path to and through college. Much as AARP does for seniors, we fulfill that mission by providing a three-pronged mix of advocacy, timely information and access to discounts, in our case on college-related spending.

College Parents of America is still relatively young, established in July 2003, but the topics you are examining today—barriers and solutions to paying for a college education—have been on the minds of parents since the first tuition checks were dropped in the mail a couple of centuries ago.

For decades, of course, the barriers and solutions to paying for college were relatively simple—the only students who went to college were those whose parents could afford to pay for it. That is not an era that any of us would like to revisit.

As college-going rates increased, and schools—both public and private—multiplied, the issue of paying for college got a bit more complicated, and various solutions rose forth. Academic grants, athletic scholarships, and support from local businesses or community groups all became ways to help young people attend the college or university of their choice.

Since there is little time for a complete history of paying for college in America, I'll jump to the 1970s, when the foundation for student aid that still exists today was put in place. For some period of years, perhaps a decade, it was possible for a student to achieve a college degree with support from a mix of Pell Grant, institutional aid, federal student loans, some work-study and compensation from a summer job. As a 1979 graduate of Northwestern University, I benefited from those programs myself.

There were challenges to paying for college, to be sure, but they did not seem as insurmountable as the barriers for students and their families appear today. And whether those barriers are real—or just perceived—either the reality or the perception can have a damping down effect on college-going rates, and college success rates too, as it becomes more difficult for families to meet—or think they can meet—the cost of all four years of higher education.

Parents of today's college students have seen their child, in many instances, break through the gauntlet of competitive college admissions, only to arrive anxiously on campus where there is no rest for the weary, with attrition levels in the double digits. Given this scenario, parents are naturally concerned about the status of their own college investment, and whether the money spent is supporting their child's academic success in a safe, healthy learning environment.

The sticker price to attend college continues to go up at a much faster rate than the consumer price index, and that causes great angst—and bewilderment—for parents across the country. Let me give you two examples of parent reactions.

On our collegeparents.org Web site, we offer a blog called "Hoverings," with its playful title meant to be a tongue-in-cheek reference to the term "helicopter parents," which seems to have taken hold in the media as a way of describing today's college moms and dads. The blog covers some serious issues, however, and in one of our topic areas we asked parents to comment on how the cost of college affects their family.

One posting, from Lena, began this way: "The fetal position: that is what I revert to you every year for three days as I have to fill out FAFSA forms and loan applications for the next year. How will I ever get out of debt? I feel that question in the pit of my stomach as I know that I am just digging myself deeper and deeper into a hole. I'm so far in now, I just have to keep going and hope that the investment in my three children pays in the end."

Another parent, named Anne, wrote: "I thought we had done pretty well saving for college in a 529 for our son who is to be a freshman this fall. What an eye-opener that FAFSA was! Turns out that we are expected to pay, freshman year only, every penny we have saved, an amount equal to 40 percent of our yearly income. I guess parents are supposed to stop saving for retirement, eat Ramen noodles and turn the thermostat down 10 degrees in order to meet the cost of college."

The bottom line is that college costs are a barrier for the vast majority of parents and students because the dollars required to meet a school's financial expectations are often far above and beyond what is available in a family's monthly budget.

Since this is a hearing on both barriers and solutions, I won't spend any more time now bemoaning the situation in which we, as a nation, find ourselves. We should be turning to solutions, and today's conversation can be a significant step in that direction.

There is every reason to get started ASAP. There is overwhelming evidence that a college education helps to create a more productive workforce and a more informed and active citizenry. It may seem obvious, but I think it is always worth pointing out the nation's economy and security depends on increasing the ability of future generations of students to obtain a college degree.

So what are the paying-for-college solutions that should be congressional priorities? The three legs of the stool—aid, loans and tax policies—should each play a part in the crafting of those solutions. Not all are within the purview of this committee, or this committee alone, but each can play an important role in helping families to meet the high cost of college.

College Parents of America believes that the three principal ways that Congress can put college within more reasonable reach are by:

1. placing more federal dollars into grant aid, in particular by raising the maximum level for a Pell Grant;

2. making the federal student loan program more family-friendly by, for example, increasing the limits on the amount that may be borrowed via a federal student loan and by increasing the subsidies directed toward both student and parent loans; and

3. making permanent the now-precarious ability for families to deduct a portion of college-related expenses and, while doing so, raising that deduction from its extremely modest $4,000 figure to a more reasonable amount of $12,000.

I think a fair question to ask is how can student aid account for less than one percent of the federal budget when more than 80 percent of the jobs that will be created in the next 10 years will require a postsecondary education?

Maybe not a fair question, at least for this committee, relates to the provisions in the tax code on tuition tax deductibility, as compared to some other federal tax deductions. And that question would be: if the tax code is supposed to reflect our society's values, how can we look ourselves in the mirror when a $100,000 luxury SUV can be deducted if used for business purposes, yet only $4,000 of college expenses are available for deduction?

Since there is a decidedly mixed message when it comes to state funding for higher education, we face a potentially massive college access crisis without a substantial federal investment in student aid. Federal student aid is more essential than ever as a means of ensuring that all of America's young people have a chance to achieve their potential.

At College Parents of America, we are attempting to do our small part to educate parents about the various options for financing college, so that no doors of educational opportunity are closed due to real or perceived lack of funding choices. Here in the United States Congress, you can act to push those doors wide open, and I encourage to work together, in a bi-partisan fashion, to begin to make that happen.

Before I close, and join with my fellow panelists in taking your questions, I want to say a few words about the recent student loan scandals, which I know that you examined in detail last week in a hearing with Attorney General Cuomo and which you will be pursuing some more next week in your planned session with Secretary Spellings.

There is plenty of blame to go around in the whole sordid affair, and it is truly a shame because I believe nearly all of the individuals who serve as financial aid administrators, and who work for student loan companies, do so because they are genuinely committed to helping to make it possible for young men and women to attend college.

While further investigation may prove otherwise, I believe that a few bad actors have taken a system that, for the most part, works well, and made it look woefully inadequate and unfair to student and their families.

Amidst all the clouds, however, there is a bit of a silver lining as I believe that the scandal will accelerate an inevitable "consumerization" of the student loan business, helping to set a more desirable stage where students and their parents are in the driver's seat when it comes to loan choices.

Thank you again for the opportunity to testify before you today. I know that various pieces of legislation have been introduced, on both sides of the aisle, which are intended to break down barriers and provide solutions for students and families who are struggling to pay for college. In my limited time, I chose not to address any single one of those bills, but instead to broadly address the topic at hand. As we continue our discussion today and in the months ahead, I am pleased to offer my views on pending legislation, and to join with you, as appropriate, in communicating progress on those bills to current and future college parents across the country. I look forward to working with you.

Chairman HINOJOSA. Thank you, each and every one of you.

We are going to proceed then with questions, and I am going to be the first one. I want to address my first question to Luke Swarthout.

You mentioned that students should have more structured financial literacy opportunities as they plan for college. Is this a significant issue as you speak with students across the country?

Mr. SWARTHOUT. I think certainly financial literacy is an issue facing students as they try and navigate the FAFSA, as they try and make decisions about what schools to attend and as they try and think about what a reasonable amount of debt should be.

Experts on financial advice sort of look at the preparedness that high school students enter with, and even their parents enter this process with a kind of a gap. So I think there is certainly an issue that we see from students all across the country.

Chairman HINOJOSA. There is no question that it is very important, after listening to you and hearing last week the head of the Federal Reserve, Bernanke, talk about this and the importance of being able to put all students, high school and college, through this program. And I want to tell you that Mrs. Judy Biggert and I are co-chairs of the House Financial Literacy Caucus and would be pleased to work and follow-up with your organization.

My next question to you—please answer it as brief as you possibly can. Some students start at 2-year community colleges, was part of your statement. And we know that some take 6 to 10 years to get their Bachelor's Degree. Tell us what two solutions do you recommend to help students graduate in 4 to 6 years.

Mr. SWARTHOUT. One piece of that is to increase financial aid so students who are eligible to attend 4-year institutions are able. And then I think Congress could help matriculation between 2-year and 4-year institutions by encouraging schools to have matriculation agreements that allow for the easy transfer of students from starting 2-year institutions into 4-year institutions.

Chairman HINOJOSA. My next question is to Jim Boyle.

We are not the Ways and Means Committee, as you well know. But one of your recommendations is for us to make federal loan programs more family friendly by increasing subsidies directed toward both the students and parent loans. Would you elaborate on that recommendation?

Mr. BOYLE. The explosion of debt for families has, of course, occurred in the private loan arena, particularly over the past 5 years and certainly over the past decade. And so, the recommendation is that if there is increased federal subsidy for federal loans and increased investment and a raising of the limit on federal student loans, then more of the borrowing can occur under that program, which offers greater protection to families.

The reality is that the amount of money able to be borrowed under a federal student loan today is only a fraction of the real cost of college for most families. And then they necessarily turn to these private loan alternatives.

Chairman HINOJOSA. You closed by saying that we face a potentially massive college access crisis without a substantial investment in student aid. I couldn't agree with you more.

And is there any way you and your organization can help us get that particular message to the president, the administration, especially to the secretary of education, so that we can maybe solve this problem?

Mr. BOYLE. Sure. We stand ready to work with you to do that.

I compared our organization to AARP at the top of my statement. We are a little bit smaller than AARP. However, there are actually 35 million families who fit into our category of being current or future college parents, exactly the same number that are members of AARP. And so, our goal is to mobilize those families to get that message across to you and members of the administration.

Chairman HINOJOSA. My last question is to Dallas Martin.

You correctly pointed out that your membership has to administer large and complex programs funded by the government with limited federal resources and likewise, limited resources from the institutions.

Do you have some suggestions on how you would—or maybe you want to submit in writing—ideas for us to consider, as to how the government can better support the workforce that directly impacts our students and their families?

Mr. MARTIN. Well, Mr. Chairman, let me say that, you know, first and foremost, our highest priority is obviously providing need-based assistance to the students, because that is first and foremost.

But the people that we represent and others that work with us, including our colleagues in the TRIO programs and GEAR UP and so on, are very important, in terms of being the individuals that are out there to assist families in finding out about these opportunities.

Unfortunately there are many families in this country, particularly low-income students, first-generation, that are unaware of many of the programs that are available.

We work, for example, with a program that is sponsored by the Lumina Association called College Goal Sunday. And in that program, one of the things that we do across the country—we have 38 states now that participate—is we try to go out and work with families to not only explain about financial aid programs, but to help them fill out the FASFA. And we do this in cooperation with these kinds of things.

But many times we are dealing with volunteers. We also use a lot of student help and others that are in community groups.

So one suggestion that I would make is an issue that we had back in 1980, and that was, the Congress had enacted at that time a program to provide training and financial aid and student support services. This was a provision that was enacted at that time but was never funded.

The bill at that time asked for an annual appropriation of $1 million to do this across the country through a variety of different programs. It is no longer there, but it was an attempt at least, even back then, to look at this need. The need is even greater today.

So that would be one suggestion. But I would be happy to try to provide you with some other recommendations as we go forward, Mr. Chairman.

Chairman HINOJOSA. If you can give those to us in writing, I would appreciate it very much.

Mr. MARTIN. You bet.

Chairman HINOJOSA. I am going to now go to my friends on the other side of the aisle. And by special request by the ranking member, I am going to be going out of order. There are some who have other committees that they need to get to. So I am going to follow Ric's suggestion and go to Congressman Petri for his questions.

Mr. PETRI. Thank you very much, Mr. Chairman.

I have a couple of questions. The first is for Mr. Swarthout.

And I thank you for briefly referencing in your testimony expanding opportunities for income-contingent repayment.

As you are probably aware, a number of other countries that have instituted student loan programs to help kids have access to higher education and pay for it, including England and I think Australia, have also put in place systems where people in those countries are able to repay their student loans by withholding directly to their inland revenue services.

I have introduced legislation to do that in the United States that would cap the obligation a person would have at 15 percent of their after-school income. And that would eliminate the problem of default and poor credit rating. And it would also give people the opportunity to do low-income work to prepare for maybe more lucrative careers later. And it would save the government collection expenses and payers a lot of aggravation.

I wonder if you could expand on that idea, and if you have had a chance to discuss it with students, if there is interest out there, whether you think people would participate.

It is already done on a voluntary basis privately. But this would have a number of advantages, I think.

Mr. SWARTHOUT. Certainly. And I referenced this in my testimony.

I think as student loans become a larger piece of how we ask students to pay for college, a system that would assure students that they can pursue their personal goals, their personal careers without fear of unmanageable debt would be something that students would greatly appreciate and that would, I think, give them more confidence as they are apt to take out increasingly large loan burdens.

I would caution to say that we don't use the development of some good reform as a way to load more onto the backs of students. But I think this is something that would be very popular with students and an incredibly necessary reform as more students take out larger debt.

And I thank you for your work on this.

Mr. PETRI. A question for Mr. Martin, which, really, it refers to this sort of elephant in the room right now. And that is all the newspaper stories and attention that have been focused on ties and arrangements between private lenders largely and financial aid administrators and schools.

And I wonder if you have any comments on your organization's consideration and then voting down efforts to adopt gift and ethics rules a few years ago and also on the practice of accepting large amounts of money from different private student loan lenders to pay for conferences that your organization puts on for lenders.

Mr. MARTIN. I would be happy to respond to that, Mr. Petri.

Yes, let me, first of all, say that obviously we regret seriously some of the things that have come to light recently and what we believe is misbehavior on the part of a few individuals and very poor judgment.

Let me say, in terms of—you referenced the question about our board voting down a particular thing on a ban on what should be a limit of $50 at the time, which came as a recommendation from a reauthorization committee that we had before the full board.

There were a number of people that looked at this. And it was a very close vote. But some people said, you know, "We think we are ethical. We don't need a limit on this. We know what is right and what is wrong." There were other people that felt that the limit was too generous. We had some people who thought it wasn't maybe enough.

It went back and forth. And obviously like in any democratic body when you have a board of directors, people are going to differ. And they made that decision.

But that aside, as far as what we are doing, we have been very concerned for a long time about what is going on in those relationships. We have talked about that. Even as our own association—yes, it is true that we do accept sponsors at many of our events and receive those for our conferences. We believe that these are business partners that are important to us.

The monies that we generate off of part of that and some of the monies that come out of our conferences and stuff are used to do things like the outreach programs that I talked about, training the financial aid administrators, and other kind of things that we think are very positive.

On the other hand, at our recent board meeting, we looked at a lot of this. We were very concerned. And so, our board of directors approved a resolution not only pointing out that we don't accept or condone these actions, but in that resolution, we agreed to do four things, which we are currently doing and taking very seriously.

The first is for us to go back and review, even though we have had a statement of ethical principles for a long time—is to develop a new code of conduct to further define what is and is not acceptable behavior on behalf of financial aid administrators.

Second, that code of conduct also goes forward and simply says that we want to review the association's business practices, what are our relationships with our business partners, which will address the very issues you are talking about, about sponsorships and so on.

Third, we want to make certain that then, once this code is developed, that we go out and provide an educational forum so that all of our people understand this and that we are serious about this, this is what we expect of people, of our association.

And last, we ask every institution to sit back, take a review of their own operations and what they are doing on their own campuses today, to make certain that they are operating with transparency, that they are putting students' needs first and that they are doing this in an honest, ethical, straightforward way.

Chairman HINOJOSA. The time is up. And I would like to, at this time, recognize the gentleman from New York, Congressman Bishop.

Mr. BISHOP. Thank you, Mr. Chairman. Thank you very much for holding this series of hearings.

And thank you all, to the panel, for your testimony.

At the risk of over-generalizing, it seems to me that the whole issue of affordability rests on three broad principles. One is that institutions price themselves in a responsible fashion. The second is that there be adequate sources of assistance available from the federal government, from state governments, and from the institutions themselves. And then the third is that the needs-analysis system that measures the family's ability to pay be one that does so in a reasonable fashion.

So I guess my question would be to Dr. Martin.

Do you think our current needs-analysis system represents an accurate, realistic measure of a family's ability to pay? And if not, what recommendations would you provide to change it?

Mr. MARTIN. Mr. Bishop, let me say that it is always interesting how we look at this, in terms of who does that. You know, I have had some of my members that have been critical of some of the liberalizations that have been made to the need analysis over the last few years of where you don't look at the overall financial well-being of a family by taking out home equity or other kind of things. But on the other hand, I think it is—you know, the response is people say, "Well, it is not reasonable for me to have to sell my home in order to send my son or daughter to college." So I think we have to balance both of these.

I would say I think there are some further improvements. For an example, I think we have put some disincentives right now into the need-analysis systems. One thing that we have recommended further refinement and improvement on, and we have made a little progress in, is HERA.

But the other thing that I would do is I think right now asking the assessment rate on student earnings, for an example, is too high. I mean, students that are out there working to do this are doing that primarily for their own existence and so on. And then to have an assessment rate that you are supposed to save X percent of this so that you can go back to school just doesn't make a whole lot of sense.

And so, that is one area that I would hope that we would examine.

Mr. BISHOP. Let me maybe sharpen the question a little bit. I think in 2005 tables were changed, the net effect of which is that about 80,000 students lost their eligibility for Pell and about 1 million students had their Pell eligibility and other Title IV eligibility affected.

Mr. MARTIN. This——

Mr. BISHOP. Let me just—would you recommend that we redo or undo that change?

Mr. MARTIN. Absolutely. That was a change in the state tax tables that caused that.

Mr. BISHOP. Yes.

Mr. MARTIN. Place-to-place differences. And we have even proposed other solutions of a better way to look at that for equity.

Absolutely, I would strongly recommend you do that.

Mr. BISHOP. Thank you very much.

Mr. Swarthout, you made several references in your testimony to work and how work might be a disincentive. My experience has been that students who work on the campus tend to do better in class. And I think there is a fair body of evidence that suggests that students who work on the campus persist to graduation in greater numbers.

Where is the breaking point? I mean, if, for example, we were to significantly increase college work study funding, something we have not done I think in 5 or 6 years, so as to encourage more on-campus jobs, might we be solving two problems?

Mr. SWARTHOUT. I refer to this in my testimony. I think that we concur that some work is good for students. What is concerning to us is the growth in the number of students who are full-time, full-work students.

Whether that breaking point is more than 25 hours a week, I think it would be hard for me to see a student working more than 25 hours a week and still getting the most out of college.

So to be clear, I don't exactly know where that breaking point it. I think what we would be supportive of is efforts to increase work on campus, and provided that we are mindful that pushing students to take up too much work undermines their ability to study and get the most out of college.

Mr. BISHOP. Okay. I have tons of questions, but one last question for Dr. Pressnell.

You make reference to one of the six recommendations that you would have for the Higher Education reauthorization, that we would work to reduce the financial barriers to transfer from 2-year institutions to 4-year institutions.

I am assuming when you make reference to financial barriers, you are talking about non-acceptability of credit. Is that——

Mr. PRESSNELL. Well, actually we are referring in particular to the financial barriers. Most of the financial aid programs tend to be centered toward students that are incoming students, so usually the freshman year.

Where there is a lack of financial assistance, tends to be at that transfer point. So, for instance, those students who desire to get a 4-year degree but may start at a 2-year institution, their persistence to and the completion of the 4-year degree is exceptionally low. And part of that is attributed to the fact that there are not the financial assistance programs available at that transfer point.

So it is not even so much the transfer of credits. There are some very innovative approaches that are going on with articulation agreements that we have seen across that there is, in particular, a financial barrier for the community college students to enter into that 4-year institution at that sophomore or junior level.

Mr. BISHOP. Okay.

Thank you, Mr. Chairman. My time is up. Thank you.

Chairman HINOJOSA. Thank you.

At this time, I would like to recognize the congressman from Delaware, Michael Castle.

He is gone? Okay. Maybe he will return.

At this time, I would like to recognize the congresswoman from Illinois, Judy Biggert.

Mrs. BIGGERT. Thank you very much, Mr. Chairman. Thank you for holding this hearing.

I would like to kind of start at the beginning maybe, and that is savings. I think in our country our savings rate is a negative-1.1 percent.

How could we, you know, help people, you know, to save the money to start out?

I know there are a lot of states who have a college fund that parents, grandparents can put money into as young as when a child is born. And I have another bill, 401(k) Kids, which is to make it a federal program that you could put $2,000 a year into the college fund for a child. And that would include grandparents, aunts and uncles. And it would not be tax-free dollars, but in taking the interest out, which the interest would not be taxed. And it could be used for college.

If they didn't spend it all—but I think, with the price of colleges these days, that it certainly would be gone—but it could then be used to buy a first house or for retirement.

Do any of you see that as feasible? Are people doing that today so that they will have the money for colleges?

Mr. MARTIN. Ms. Biggert, let me just say that I think anything that we could do to encourage families that have the ability to save, we should be doing so. I think the 5239 plans, for an example, have proved to be very successful in a lot of places.

Now, there are a few states that have had trouble with part of their funding and how they have done that in paying off. But I think overall that is an excellent choice.

Again, I think one of the changes—going back and talking about need analysis. We have proposed that we treat that asset differently. Don't count it as a student asset, but count it as a parent's asset so it is not going to be charged as much. So those are kinds of things that encourage families to save.

But let me also just be very clear. We also know that we have many, many families in this country that, in spite of their wanting to save or do it, they simply do not have the means to do so. And many of them have children who are very qualified who would benefit from college.

So for families that can save, I agree; we ought to be encouraging them as much as we can. But we also have to recognize that some families, no matter what we do, are going to still need extra help.

Mrs. BIGGERT. And even with the 2-year colleges now, I think in Illinois we see that some of those schools are larger than the biggest university in the state because people just have to go there. But even those colleges are getting so expensive that it is very difficult for them.

Mr. Boyle, do you have any comment on this?

Mr. BOYLE. Yes, well, I think you are going to start to see the impact of savings plans in a positive way in the next few years because they are still relatively young. And so, there is little comfort to parents who have kids in college today because they really didn't have enough time to save a substantial amount.

I would say an issue, however, that certainly pops up with current college parents is a perceived unfairness when it comes to savings. I have got, you know, pages and pages of entries from parents on our list-serve going through this year's financial aid cycle where they believe that it is unfair that they have saved for college and then they learn about scholarship money being doled out to families that didn't save. And they sort of wave their hands and say, "Why did I bother saving? It is just coming back to bite me."

So I think there is a communications issue for schools to deal with that. And it is caught up in a whole swirl of perceived unfairness issues when it comes to merit aid and other decisions that are at the discretion of the financial aid office.

Mrs. BIGGERT. Well, right now we are dealing with looking at getting, for example, teachers to go to rural areas, or we need more math students and more math teachers and more engineers, so that we are saying, "Well, your debt will be either taken care of, or at least part of it will be dissolved, if you give so much time to go to these areas."

Do you see that happening? Have students taken advantage of this? Is that working?

Mr. MARTIN. Well, I could tell you that if you—well, actually there was an article in the paper today that talked about the government's loan forgiveness program and some of the successes of people that have gone on in the government because of their forgiving loans and stuff of people to go into public service.

If you look at, overall, the effects of loan forgiveness programs, however, in terms of the percentage of people that benefit by them and that stay in those professions, whether it is education or other kinds of public service, the percentage that actually take advantage is fairly low in terms of the offerings that are out there.

You know, I am not saying that there is not some success. But it hasn't been as successful as I think many of us had thought they would be through the years.

And I am talking going back to 1958 with the national defense student loan and the forgiveness programs there. And I have watched it with every loan program since, and they all have a similar pattern of history.

Mrs. BIGGERT. Thank you.

I yield back.

Chairman HINOJOSA. Dr. Pressnell, can you add to the answer to the question that Judy asked?

Mr. PRESSNELL. You know, it is interesting. I think we are seeing more of those programs actually come about. States are starting to take a little bit more action in trying to address these particular shortage areas through these types of programs.

One thing that I—if I could go back to your question about the savings issue, I really want to echo what Mr. Martin said about encouraging everyone to save as early as we possibly can.

So I think we have a number of compounding problems. We don't have early enough information about those two at the appropriate age level, so students at junior high, students in high school and so forth and with parent information. Then we have also exposed a couple of fundamental issues with the formula, the FASFA, such as how are those savings plans treated in the need-analysis formula. And the Advisory Committee, as well, has offered some solutions to that that would encourage savings, but it would also, though, assess the earnings off of that that is applicable to that particular college year, so those particular expenses. So you don't go and assess the entire corpus against the family, but you do assess what is available to them.

And the other is back on the work-loan burden, the comment about having more college work study. The big advantage of the college work study program, as it deals with the FASFA, is that federal college work study is not counted against you on the FASFA. But if you work off-campus, that income is assessed against you.

And so, the Senate has currently proposed increasing the income protection allowance. We would support that.

The silver bullet for this, however, and happens to be quite costly, is that you would hold the student earnings into the parents' income and you would just count it all as one particular asset at the same rate. Because student earnings are assessed at a higher rate than the parental earnings.

So there are some solutions that have been recommended. They do have price tags as well that appreciate your observations on.

Mrs. BIGGERT. Thank you.

Chairman HINOJOSA. At this time, I would like to recognize the gentleman from Kentucky, Congressman Yarmuth.

Mr. YARMUTH. Thank you, Mr. Chairman.

Dr. Pressnell, your answer there segued nicely into a line of questioning that I wanted to discuss.

During the recent recess, we conducted two forums in my district: one, a higher education forum, where we talked to college officials, loan officers and so forth, financial aid officers; and also a job development forum, where we also talked about the relationship between the education system and job growth.

And while everybody talked about the need for more money and increasing the Pell grants and all the things we have talked about today, there was a common theme that came up that talked about structural problems in all of our financial aid programs that were barriers to access and to completion; talking about the fact that if you were eligible for Perkins, you are not eligible for Pell, that some programs don't pay for summer school, that some of the non-traditional formats of instruction where they are shrinking the education module are not accommodated by different financial aid programs.

Is this something? Are these types of structural problems things that you have seen? And if they are, would you either disabuse me of that notion, or would you just elaborate on maybe what some other of these structural problems might be?

Mr. PRESSNELL. Well, I believe the Advisory Committee has offered a number of comments, especially in the report, "Student Aid Gauntlet," on what can be done with the FASFA, not only to simplify it in terms of being more user-friendly, moving more toward technological solutions with the FASFA, but as well dealing with some of the issues, in particular, how they impact low-and moderate-income families around student work issues, in particular, trying to take a look at increasing the auto zero and the simplified needs test for those families that are already in federally means tested programs.

So we have addressed some of those structural issues that we do believe will help address some of those solutions.

The federal government, the programs like the Pell grant, the campus-based aid programs, the TRIO programs and so forth, are really proven and tried programs. And they are affecting the appropriate populations. The Pell grant program definitely, within the right scope, is hitting especially the low-income and moderate-income families.

The campus-based aid programs, again, are structurally sound in that it penetrates down to the level of the counselor and the family and allows some discretion in that based on Pell eligibility to increase some of those aid programs.

The recommendation that I made in my comments about creating a partnership, I think, might help further some of those solutions. The LEAP program and the special LEAP program is already a federal model of the federal government partnering with state. And if you then can bring more people such as your corporate partners, your foundations that are interested in helping low-to moderate-income families and begin to pool those resources with institutional aid, then that puts more in there to reduce some of those burdens.

But you are right, it is going to take multiple strategies to ultimately address this. You are going to need strategies that address the structure, address the formula slightly, but also maybe make some programs more robust.

Mr. YARMUTH. We have, quite appropriately, I think, focused to a large extent on high school issues and, kind of, the traditional student. But in Kentucky, we have a half-million adults who have some college education, dropped out for a wide variety of reasons, and who are out there and would love to have the opportunity to complete their college education. And that is a half-a-million people who could better their lives and grow the economy, are important to Kentucky and virtually every other state.

Are there things that you could recommend that we might do to address the problem of the adult student who would like to complete a college education he or she had to desert?

Mr. PRESSNELL. Well, I think that, from a financial aid standpoint, I think that we really need to enable our financial aid directors to feel more freedom in exercising professional judgment so that they can base their aid on expected family income.

Now that is available to them, but there is some hesitancy among some financial aid directors to exercise that too aggressively. And some of that is appropriate. But usually it tends to penalize your non-traditional students that are doing just what you said, where last year's income, which is what the system is based upon, is not reflective of their present situation as they are about to enter into college.

I think, as well, encouraging states to make sure that their financial aid programs give allowances for the non-traditional students. And I know our state, in particular, Tennessee, is trying to take a look at how their financial aid programs are also geared toward those non-traditional students. So you have that.

Then, again, at the institutional level, it deals with programmatic flexibility, evening courses. And I think you are finding a lot of institutions are moving in that direction, online solutions as well as accommodating their schedules.

Mr. MARTIN. Mr. Yarmuth, could I also just say to you that you talked about—I think part of it, again, is making certain that the adults have the information about what is available, too, because many of them don't know.

The second thing you mentioned is structural problems. Let me give you an example. I have worked with situations of where it is not unlikely that your state people get laid off from work. They lose their job. They are trying to get back. They are trying to get back into the workforce. They go back to school to begin to do that training.

In the meantime, they may be drawing unemployment compensation or something. But there is a time limit on that. And the time limit doesn't match up with, necessarily, the time limit they need to complete that certificate or degree.

And somehow if we could get some of the agencies to understand this when we are supported both ways that if you are doing those kinds of things on stuff that is worthwhile, to provide that additional support. We could provide enough for the educational benefits out of the Title IV program, but it is the other big costs of that living. In many cases, they have families and so on that they are trying to deal with. So it is that kind of coordination that we need to look at.

Chairman HINOJOSA. Thank you.

I would like to now yield time to the ranking member, the gentleman from Florida, Congressman Keller.

Mr. KELLER. Thank you, Mr. Chairman.

And, Dr. Pressnell, I think I heard you mention matriculation agreements. Is that right?

Mr. PRESSNELL. I did.

Mr. KELLER. Okay. I just think that matriculation agreements may well be the future of college access for low-income young people. And I want to explore that a little bit with you.

And for those who aren't as familiar with it, take my community of Orlando, Florida. Probably the best deal for a 4-year education is at the University of Central Florida. The total package for tuition and room and board is around $12,000, of which tuition is about $3,400. But it is a very competitive school. The average SAT is over 1,200. And they have, I think, 46,000, 47,000 students going there.

So they entered into a matriculation agreement with the local community college, called Valencia Community College, where you can go to Valencia literally full-time for $1,500 a year. And after you get your Associate's Degree, after 2 years, you are guaranteed, 100 percent, admission into, specifically, University of Central Florida. So it is a very cost-efficient way to get your 4-year degree and save a place for you in a very competitive school.

Is that the type of matriculation agreement you are talking about? And what is your view of these agreements in general?

Mr. PRESSNELL. Well, that, I think, is a very good model. And I think that what we find—anything that institutions can do to ease the transition from a 2-year institution to a 4-year institution should be done. And I think that each institution has the ability to assess what their strengths are and what program correlations that they have with existing community colleges in their area.

And in many cases, the institutions are trying to work out partnerships. Four-year institutions tend to have more spaces at the junior, senior level.

Mr. KELLER. Because of certain kids dropping out after the first, second year?

Mr. PRESSNELL. Sometimes that occurs.

One program, or one issue, that we have tried to address at the Advisory Committee in particular, which is who I am representing today, is that we need to also make sure that not only is there course-level and degree congruency in transfer, but there has also got to be some financial support for those students. Because once they again are at a 2-year institution maybe paying $1,500 a year and then they transfer into an institution where the costs are considerably higher, as we look at low-and moderate-income families, there have to be some financial incentives there for them to make it.

So not just academic, but also this financial transition.

Mr. KELLER. Okay.

All right. Let me move on just a bit.

Mr. Boyle, you want to increase the deductibility of college tuition from $4,000 to $12,000. Is that right?

Mr. BOYLE. Yes.

Mr. KELLER. Are you concerned at all about the eligibility? For example, right now to get the $4,000 deduction, if you are single, you have to make $65,000 or less, and if you are married, $130,000 or less.

Do you think that is sufficient? Or should that be raised to accommodate more middle-class folks? Or what is your opinion on that?

Mr. BOYLE. We actually believe that the limit should be eliminated, that the deduction should be available to all taxpayers, that in terms of sending a signal about the importance of higher education, that just as the mortgage interest deduction is available to all, so should an investment in higher education.

And the $65,000 limit, particularly for single-income single parents is extremely low, that they are caught in a true middle-class-squeeze situation, where they are not eligible for financial aid yet not able to deduct the cost of college.

Mr. KELLER. Right. And I don't disagree with you on anything you just said. But have you looked at what the price tag might be for that, or seen that CBO score for that?

Mr. BOYLE. I looked at it about 3 years ago when we put a petition on our Web site to that effect, but I can't recall it off the top of my head.

Mr. KELLER. The reason I asked you is I had a bill called the Family Friendly Employer Act, and it was pretty simple and supported by just about all the Republicans and Democrats on the Ways and Means Committee.

It essentially said, right now an employer can put his employee through college and deduct $5,200 a year, but he can't put his employee's child through college. And this says, put your employee—or the child. And the reason is, if you are a hotel owner, the maid or janitor may not want to go to college but the 17-year-old kid might want to.

Mr. BOYLE. Yes.

Mr. KELLER. And it is a very narrow thing.

And the number I got back from CBO was so sky-high, they just assume every employer in the whole country will do it, and they will do the max. And it just died because of that.

And so, that is one of the challenges we have when we face very meritorious proposals like the Family Friendly Employer Act or the proposal you just made. And we struggle with ways to get around that.

Do you have any wisdom as to how we might make our best case to finally get some incentives in place that will help more low-and middle-income kids go to college?

Mr. BOYLE. Well, I think it is stressing the importance of college as compared to some of the other deductions that are in the tax code.

I mean, the one I like to speak about, that was in my written testimony, is, if the tax code is supposed to be reflective of our society's values, how can we look at ourselves in the mirror when you can deduct $100,000 for the cost of a luxury SUV used for business purposes and you can deduct only $4,000 for the cost of a college education?

Mr. KELLER. Well, thank you.

And, Mr. Chairman, my time is expired.

Chairman HINOJOSA. Thank you.

I want to add that when you have your proposed legislation costed, you said that they figured that everyone would take advantage of it and the cost was prohibitive. What if they were to redo the calculations and take a look at the low-income, moderate-income students or students from low-income and moderate-income families and see if possibly your idea might increase accessibility to higher education?

And using the fact that many of our prisons are filled with minority men and women coming from that group of low-income, moderate-income, that it would probably reduce those numbers and thus improve the economy of our country and especially improve the quality of life of their families.

Would you give that some consideration?

Mr. KELLER. Well, I absolutely would. I am a practical man. And 90 percent of a loaf is better than no loaf at all. And right now I have no loaf. So I think that the whole target you are trying to reach is low-and moderate-income families. And so, if we could somehow narrow it to limit the CBO scores, that is something I would be very receptive and willing to do.

Chairman HINOJOSA. Thank you.

At this time, I would like to recognize the gentleman from Virginia, Congressman Robert Scott.

Mr. SCOTT. Thank you, Mr. Chairman.

Mr. Boyle, let me follow up on that last question. If we had some new money on the table, would it make more sense to spend it on deductions or increasing Pell grants?

Mr. BOYLE. Well, I guess, the way the question is posed, I think it should be probably 60-40: 60 percent toward increasing Pell grants and then 40 percent made available for ability to increase deductions.

Mr. SCOTT. Okay.

Mr. Martin, do you know how many low-income students fail to go to college because they just can't afford it?

Mr. MARTIN. There have been different estimates, Mr. Scott. The Advisory Committee recently had come out with a report that said there was more than 1 million a year that are qualified and not able to go because of this. There are some estimates higher than that, some lower. But it is an awful lot of them.

And let me say that, again, to answer your question that you asked Mr. Boyle, I would put the money into Pell grants because, for many of the low-income students, these are not people that necessarily are going to benefit with that deduction. And I understand the other part of it. But I think we have a real crisis in this country with low-income people. And we cannot afford not to put them first on the pecking order.

Mr. SCOTT. Well, let me ask the other two panelists on the question, whether we had some more money to spend, would it be in deductions or increase the Pell grants.

Mr. PRESSNELL. Yes, Mr. Scott, Dr. Martin indicated that the Advisory Committee had issued a report that 1.4 million to 2.4 million students are going to be lost in this decade. That, by the way, are students who took and completed Algebra II and/or Trigonometry. So these are highly college-qualified students.

Mr. SCOTT. Yes.

Mr. PRESSNELL. I believe that if the federal government wants to issue a transformative difference in our society in terms of breaking the cycle of poverty, reducing dependency on other federally funded welfare programs, the money needs to go into the Pell grant program so that low-and moderate-income families can have access into higher education.

Mr. SCOTT. Thank you.

Mr. SWARTHOUT. I concur. It ought to be our priority, it ought to be Congress's priority, it ought to be our society's priority to ensure that all students, regardless of their financial background, have access to college.

The Pell grant is a time-tested program that is the best way of guaranteeing that fundamental promise to all students. And I would recommend that be the priority.

Mr. SCOTT. Thank you.

Talking about people that have lost financial aid, about 200,000 have lost it because of the drug convictions. Does anyone have a comment on whether or not we ought to continue the prohibition against financial aid to those who have drug convictions?

Mr. MARTIN. Mr. Scott, let me say that—and I know there was some modification of that. Mr. Souder, who is a member of this subcommittee, had made some modifications to change that, so it is just during the time that the individual is receiving student aid. That is a welcome change and clarification. It narrows it somewhat.

Personally, I would say that, if I had to choose, I would like to eliminate it, because I think, in many cases, it is not significant. But the least I would do is I would at least have the process by which the time the student is sentenced, or the individual sentenced, depending on the severity of the case, I would allow the judge and the individual to make that choice of whether or not that this should go away, not just across the board.

Because there are huge differences. I am not trying to protect people that are out there that are peddling, selling drugs that are really the criminals. But unfortunately there are some in our society who have experimented with something, small amounts or something, and the cost of this is they have messed their lives up forever.

And sometimes I think if we could help them and get a hand up and realize the difference, it might be worthwhile.

Mr. SCOTT. Thank you.

Mr. PRESSNELL. Mr. Scott, taking a slightly different perspective, these additional questions on the FASFA just add to the complexity of the process for students applying for financial aid, such as the selective service question and the drug question.

The Advisory Committee has taken the position that the FASFA needs to be as streamlined as absolutely possible, so that it does address the proper administration of the aid program. So the Advisory Committee's position is that those questions be removed from the form.

Mr. SCOTT. Thank you.

On the contingent payment plan, what is a reasonable percentage of income on a contingent repayment for students paying back student loans on a contingent?

Mr. SWARTHOUT. Sure. The best study on this came out last year from an economist, Sandy Baum. And she said that some amount of income should be protected, anything about $18,000, $19,000, equivalent to 150 percent of poverty.

A recent graduate who has that income needs to devote most of that to housing and food and transportation, but that, above that, it would be reasonable to expect about 15 percent of what she called discretionary income, which would be above about $19,000, in her estimation, which would make sure that you are protecting people who are with the lowest income and targeting your subsidy to the students with the most need, people entering public service careers, teachers who start with low-income, rather than helping students who graduated and are lucky enough to have more lucrative income.

So I would use that as a litmus test.

Mr. SCOTT. My time is just about up. I wanted to get in one more question, and that is whether or not students ought to be able to refinance their loans any time they want, rather than getting stuck and locked in.

You can redo a mortgage whenever you want. Is there any reason you can't have multiple refinancing of student loans?

Mr. MARTIN. Well, this has been an interesting topic. And the question is, when you do that at certain times, it obviously can be very costly. And if we had all the resources we need, I would say absolutely.

I would say if you are going to allow the multiple refinancing on these, I would at least look at means testing of who qualifies, because if people are out there making lots of money, very successful from their degrees—and there are a lot of these people that are simply going out and doing that, you are turning around and asking the taxpayers to help continue subsidies that you have already received because you have got your loan. They have already had the benefits of that. You are out there.

I understand for lower-income people or people that are struggling, public-interest kinds of jobs and stuff, aren't making much, yes, because of the debt thing. I think there are other ways that we could deal with restructuring, such as what Luke has mentioned here with some repayment options to give people better relief by restructuring the programs.

The likelihood of people that have to go out and refinance all the time would be greatly reduced.

Chairman HINOJOSA. At this time, I would like to yield time to the gentlewoman from California, Congresswoman Davis.

Mrs. DAVIS OF CALIFORNIA. Thank you, Mr. Chairman.

Thank you to all of you for being here. I know that you had an opportunity to cover some of the financial literacy areas. But I just wanted to see if you have any particular suggestions.

And, Mr. Boyle, heading up the parents group, how do we educate parents better? Are there some avenues out there that haven't been addressed very well? Do you think schools have some best practices that you have seen? Or is that a whole other area that we need to work harder and better in?

Mr. BOYLE. Well, I think in the area, as referenced earlier, of public and private partnership, this is one that lends itself well to that.

I think the Jumpstart Group Coalition has nearly every major financial service company as part of it. And every year when they present their programs, there is no shortage of wonderful programs going on across the country. Yet it still doesn't seem to make a dent into the issue.

So I think it is investing those programs into areas and reaching families who aren't necessarily just their customers but who are potential customers and could benefit from that information.

Also I think there is something to be said for better training of college counselors at the high school level so that they can better address financial questions of parents, specifically as it relates to paying for college.

I think the situation right now is most of them are trained on the academic side in how to get into college, but paying for it is certainly part of the equation. Many families can't get those questions answered and then often are turning to outside, sometimes very expensive, resources in order to get the answers to the questions that they need.

Mr. PRESSNELL. If I might, the Advisory Committee is currently involved in an Innovative Pathways study. And a part of that study is actually looking at early information and what is appropriate information at various levels. And so, you know, not the same information is applicable to all age groups.

But we are looking at—the University of Virginia has a model right now, that they are taking some of their best and brightest recent graduates and placing them alongside counselors in high schools for the sole purpose of encouraging students to go to college and how to navigate the financial aid system. So that is one thing we have seen.

The other is that we are looking at, are there other federal communication and state communication avenues that we need to piggyback upon, for instance, federally means-tested programs, free school lunches and so forth. Why not at that early age communicate to families, communicate to the student there is financial aid available for you to go to college and enter into the assumption, "Where are you going to go, and by the way, there is money available for you," early on?

So the Advisory Committee is in the midst of a study that is looking at appropriate information for appropriate folks clear up through independent adults and parents as well.

Mrs. DAVIS OF CALIFORNIA. Yes, okay.

Mr. MARTIN. Ms. Davis, let me also say that last year—I mean, the last Congress, Congressman Akaka had introduced a financial literacy bill. And we, as an association, had endorsed that and so on. Unfortunately it never became law, but I thought it was a good model as a starting place.

But I think the Advisory Committee is on the right track of doing it. Part of the problem is getting the information that is appropriate to the families that need it. And we need to find other delivery vehicles.

I mean, I know it sounds silly, but, you know, when I open up my mail with a bill or something, there is always some little brochure or something in there. Why don't we start putting things in there to help families make some good decisions?

I mean, you want to ask some people to be good citizens? Let's go out and ask some of these corporations that stuff it with all the other advertisements in my bill, let's ask them to put something worthwhile that might make a difference in this country.

Mrs. DAVIS OF CALIFORNIA. Yes. I appreciate that. Thank you. We have tried to think of ways of making—I know you have addressed the FASFA as well and whether even in the tax form people should automatically be told that they qualify and they may have to answer some additional questions.

But at least the financial questions are essentially done. And people don't have to go back and go into a fetal position, as you mentioned earlier, in order to, you know, have so much anxiety around this. And I think that that is one of the concerns that we have.

One of the pieces of information that perhaps you don't have to go into great detail right now, but trying to clarify for people: What do these private, or so-called unregulated, loans look like? What greater impact in terms of the debt that students will incur as a result of that? How the comparison is, just so people have, I think, that understanding would be helpful.

And the other thing is just, do you have a sense of what breaks down—students take out these loans. But they also use credit cards. Do you know what percentage of what the debt that they actually incur comes from credit card debt that they feel that they need to incur? And everybody encourages them to do that, of course. Is that a very large percentage of it? Or is it a smaller percentage really and not a significant?

Mr. MARTIN. It is a growing percentage of people that are using credit cards to help finance this. And, yes, there have been some studies, and I will be happy to make certain that we can get you that information. You know, it is a serious concern in terms of this.

I also would say on the market, I think the other thing that is amazing to me—and you talked about the private loans and they are not as favorable. It is amazing to me how many cases we have uncovered of people taking out private loans without going first and exhausting their eligibility for the federal programs.

And I think a lot of that is due to the aggressive marketing that goes directly from some of these providers of these loans directly to families and such. And they are giving them this because of slick marketing material. They are not making it clear that, in fact, families are eligible for other kinds of loans and so on.

And I hope that that is something in the regulations that we deal with here soon that we can address, so that families are at least aware of those options.

Mr. SWARTHOUT. And if I might follow up on the point about private loans, I think one of the things that we have seen in the stories over the last month is the proliferation of misinformation around private loans. And these are loans that are determined, unlike federally guaranteed loans, based on your credit score, whether you have a credit-worthy co-signer.

Frequently they are advertised by "rates as low as." "Rates as low as" is not a particularly instructive way of educating a consumer. If 1 percent of students get the "as low as" rate but the bulk of—you know, and that might be 7 percent—but there are a whole bunch of students up at 15 percent, we are doing students as consumers and families a disservice by failing to force greater clarity in this process, not the least of which so that they can be compared across to federal loans, where, as Dallas mentioned, there are still a disturbingly large number of students who do not max out on their Stafford loans before taking out private loans.

Mr. BOYLE. And part of it is the timing issue. Today, May 1st, is the day when students, you know, across the country have to inform a school that they are planning to attend. And they have only received those acceptances in the last 30 days, for the most part. And so, the family, if they haven't focused on how to meet the cost of college, suddenly has this time crunch, and that is when these direct mail pieces are hitting them.

They are looking for a way, "How do I find the money? My goodness, it is going to cost X amount." And they are responding to that need. It is almost like, you know, you are coming toward your mortgage closing date and, you know, you are scrambling to put together the finances.

Closing date for going to school is really today, and it puts a tremendous amount of pressure on families to make a decision quickly.

Mr. PRESSNELL. But the private label loans are, you know, having an increasing role in higher education finance largely because federal and state financial aid programs have not kept pace.

And we just have had a slight increase in the Pell. The increase in the loan limits has been a long time coming. And the freshman loan amount is still significantly low, 26, 25, and has been there for many, many, many years.

And so, as these programs remain stagnant, there are other solutions that come in to fill the gap.

Mrs. DAVIS OF CALIFORNIA. Right, and that don't necessarily represent the true cost to the students as well.

Mr. PRESSNELL. True.

Mrs. DAVIS OF CALIFORNIA. Yes.

Thank you, Mr. Chairman.

Chairman HINOJOSA. I want to make some closing remarks and say that last week I had six students from my congressional district in south Texas come visit Washington and visited me in my office. All six of them were Hispanic. Five were young women and one was a young man, all graduating seniors who had scored over 1,250 on their SAT scores and were helped to come to the Northeast to visit about six or seven colleges and universities and see if they could select one to attend.

And after spending a couple of hours with them over lunch and in my office, I asked each one of them to tell me what was the key to the success that they had experienced in scoring so high and being able to have an opportunity to select a college to attend. And one by one answered, "It was my mother who was very involved with me in elementary school and all the way through high school." The second one, it was the mother. The third one said, "It was my mother and father." The answers were the same for all six.

And it leads me, then, to what Buck McKeon's group, which included me, went to China to visit some of the universities with the greatest number of engineering graduates in that country. And we asked over and over at each university some of the students, "Why do you think that you all have been so successful in international competition and scored first or second almost every one of the last 10 years?" And again, their response was that they had parents and grandparents who had spent a lot of time with them to get them to the point that they are at those universities.

So I conclude by saying that parental involvement, together with Judy Biggert's recommendation on savings, is definitely a start.

And when we look at the groups that are shown in Dr. Pressnell's report and testimony, the academic barriers, the low-income and moderate-income group are the ones that I believe Congress is and should be looking at finding ways to get that parental involvement, rewards for starting a savings account, like they do in China, which is 5 percent of every check or salary that is paid to their family, and then to follow that with incentives that would hopefully get those individuals, those young men and women and, in some cases, adults, as was presented by one of the questions that was asked by one of the members on the Democratic side.

And that is that there has to be Ways and Means Committee involvement helping us reach that affordability answer to the puzzle, and that there will have to be ways in which we can possibly give subsidized housing to those who qualify for the Pell grants or are listed in the low-income and moderate-income so that they can live on campus in subsidized housing, rental housing, apartments or dormitories, so that we can shorten the number of years for graduation, instead of 6 to 10, as I asked earlier, and reduce it to 4 to 5, and thus have less debt than the way that we are doing it now.

So having said that, I want to thank each of the presenters, the witnesses, and say that it was very helpful. And we will make all of your remarks and questions and answers part of the record.

As previously ordered, members will have 14 days to submit additional materials for the hearing record. Any member who wishes to submit follow-up questions in writing to the witnesses should coordinate with majority staff within the requisite time.

Without objection, this hearing is adjourned.

[The prepared statement of Mr. Altmire folows:]

Prepared Statement of Hon. Jason Altmire, a Representative in Congress From the State of Pennsylvania

Thank you, Mr. Chairman, for holding this important hearing on the financial barriers that students and their families confront trying to pay for a college education.

In the current global economy earning a bachelors degree is becoming a prerequisite for being able to find stable and rewarding employment. However, just as earning a bachelors degree has become more important than ever, going to college has become more expensive than ever.

The rising cost of attending college is forcing millions of students to graduate with massive amounts of debt and many more are deciding to forego college altogether. The average student graduating from college this year will have accumulated $19,000 in debt by graduation day. I find this to be unacceptable.

The 110th Congress has already taken several important steps to make college more affordable. This includes raising the maximum Pell Grant award for the first time in four years and passing the College Student Relief Act (H.R. 5) to reduce the interest rate on subsidized student loans from 6.8% to 3.4% over the next five years.

These were critical first steps and I look forward to hearing more about the next steps Congress can take to increase college affordability for all students and their families.

Thank you again, Mr. Chairman, for holding this important hearing. I yield back the balance of my time.

[Whereupon, at 3:15 p.m., the subcommittee was adjourned.]